

Complete line of  
**video displays** for your  
High Resolution Solutions™

# Wells-Gardner Electronics Corporation



## *Company Presentation*

## **Forward-Looking Statement**

In this presentation and in any questions and answer discussion, we may be making forward-looking statements that reflect risks and uncertainties associated with Wells-Gardner Electronics' business. The forward-looking statement paragraph that appears in our 10-K and 10-Q filings with the Securities and Exchange Commission more specifically describes those risks and uncertainties and we urge you to read those filings carefully. The Company does not undertake any obligations to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

## Company Overview

**Wells Gardner is reinventing the Company into an IP Company (See booth 2810 at G2E):**

- **Co-developing 3D products with Dimension Technologies Inc. (DTI) of Rochester, NY-being shown by customer at G2E**
- **Demonstrating flexible LCDs**
- **Transmissive LCDs**
- **Signage Products**
- **Filed 10 LCD patents:**
  - **6 software, 4 hardware**
  - **2 granted to date**

## Company Overview

### **Wells Gardner is in 4 Businesses**

- **Manufacturing and distributing LCDs**
- **Distributing parts including LCD replacement kits to virtually every casino in North America**
- **Distributing Machines into the Illinois VLT market**
- **Purchasing, refurbishing and distributing Used Gaming Devices (UGDs)**

## **Company Overview**

### **Manufacturing Video Display Products Handled by the Wells-Gardner Division**

- Top 2 global market share in video display products to the gaming industry
  - 32% global market share in 2008
  - Sells to 6 of the top 10 Global gaming Manufacturers
  - Sold 95,400 LCDs in 2008 vs. 70,300 in 2007
  - Developed 19", 26", 32" and 42" LCD products for Class II gaming & amusement markets
  - Developed 32", 37", 42" and 55" for signage market

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## Current Major Gaming Partners



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## Global Manufacturer

**Wells-Gardner Electronics**  
McCook, Illinois  
*10% Production*



**Asian Manufacturing**  
**Fast Technologies, Guangdong**  
**Axiomtek Display Solutions,**  
**Guangdong**  
China – LCDs and CRT monitors  
*90% Production*

## **Company Overview**

### **Distributing Parts to Casinos in North America**

#### **Handled by American Gaming & Electronics (AG&E)**

- HQed in Las Vegas, with offices in Atlantic City, McCook, IL & Miami
- Sold about 25,000 LCD replacement kits to casinos in North & South America
  - Added almost \$4 million of additional margin
  - Developing new products for this market

## Company Overview

### Distributing Parts to Casinos in North America

- Distributes Optera touch screens, GE, JCM and other products to casinos
- Has 54 Gaming Licenses
- **Expanding internationally**
  - Have appointed RGB as distributor for Macau, Singapore and 11 countries in SE Asia
  - Have appointed Eurocoin as distributor in Europe, Middle East and Africa

## **Company Overview**

### **Distributing Machines into Illinois VLT Market**

- American Gaming & Electronics will be a distributor in this market
- Video Lottery Gaming Act passed in Illinois in July 2009
- Act calls for between 40,000 and 50,000 machines-\$600 to \$750 million between 2010 and 2013
- AG&E expects to announce relationship with one or more manufacturers in next few weeks.
- Sales are expected to start in 3Q 2010

## **Company Overview**

### **Distributing Used Gaming Devices**

- Reorganized in February 2007
- Operated by Par 4 of New Jersey under American Gaming & Electronics name
- Has contracts with 2 of Big 4 gaming manufacturers to purchase all their available UGDs taken in trade as part of their selling programs, in exchange for LCD credits

## **2009 3rd Quarter Performance**

- 2009 3Q revenue increased 19% to \$13.4 million from \$11.3 million in 2008 quarter
- 2009 3Q net earnings of \$264,000 compared to loss of \$(184,000) in 2008 quarter, an increase of \$450,000.
- Earnings improvement due to revenue growth, improved margins and reduced interest expense
  - Gross margin improved to 17.8% from 14.9%
  - Interest expenses reduced by \$33,000 or 37%

## **2009 1st Nine Months Performance**

- 2009 9 Months revenue 3% decrease to \$39.4 million from \$40.7 million in 2008 period
- 2009 9 Months net earnings \$853,000, which includes non-recurring tax charge of \$168,000 compared to \$185,000 in 2008 period.
- Earnings performance due to 2 favorable trends:
  - Margin improved to 18.0% from 15.9% in 2008 period
  - Interest expense declined by \$117,000 or 41%

## **2009 1st Nine Months Performance-Balance Sheet**

- Debt reduced to \$1.5 million
- Debt equity ratio declined to 10% from 37% at YE 2008
- Generated \$5.4 million of operating cash flow in last 12 months
- Extended Wells Fargo credit agreement to August 2013

## Company Guidance

	<u>2008</u>	<u>2009</u>
Sales	\$53.9M	\$51-\$53M
Net Earnings	\$204,000	Improved Operationally

## Summary

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*Anthony Spier – Chairman & CEO*  
*aspier@wellsgardner.com*

*Jim Brace – Executive VP & CFO*  
*jbrace@wellsgardner.com*