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# 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 currently in 2 Businesses and  
Expects to Participate in a 3<sup>rd</sup> Business**

- **Manufacturing and Distributing LCDs**
- **Distributing parts including LCD replacement kits to virtually every casino in North America**
- **Expecting to Distribute Machines into the Illinois VLT market**

## Company Overview

### **Wells-Gardner is in 2 Global Markets**

- **Gaming Market – 90%**
- **Amusement Market (coin operated video) – 10%**

## Company Overview

**The Global Gaming Market has sustainable growth because it is considered by many legislators throughout the world as one of the most acceptable forms of non invasive taxation.**

## Company Results-2008 to 2010-Base Business

### Three Years Results of Operations

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Sales</b>	<b>\$53,839</b>	<b>\$52,526</b>	<b>\$45,704</b>
Margin	\$8,356	\$9,248	\$8,396
<b>Percent</b>	<b>15.5%</b>	<b>17.4%</b>	<b>18.4%</b>
Operating Expense	\$7,774	\$7,771	\$8,033
Operating Income Reported	\$582	\$1,377	\$363
VLT Expense	\$0	\$70	\$450
<b>Operating Income Before VLT Exp</b>	<b>\$582</b>	<b>\$1,447</b>	<b>\$813</b>
Pretax Income Reported	\$229	\$995	\$184
<b>Pretax Income Before VLT Exp</b>	<b>\$229</b>	<b>\$1,065</b>	<b>\$634</b>

## Company Opportunities

- **Wells-Gardner has 3 huge growth opportunities in 2011 and beyond:**
  - **Expect to enter into the Illinois Video Lottery market as a Distributor-expect to expand into other markets as they open up**
  - **Increased sales due to innovative new product introductions including software solutions, digital signage and multi-touch**
  - **Increased market share by gaining customers through superior quality, customer service and innovation**

## **Company Opportunities**

### **American Gaming & Electronics subsidiary of WG**

- Has signed an exclusive distribution agreement for this market with the Spielo division of Lottomatica. GTech is an associated company
- Spielo is the major provider of VLT machines in Canada and Europe
- Spielo participates in four of the nine current US states having VLTs
- Spielo has the highest winning machines in many jurisdictions
- AG&E will enter other states as they pass VLT legislation
- AG&E has hired two coin operation experienced executives to run this business working with operators
- AG&E has added a showroom and will add installation capabilities and delivery vehicles to support this market

## **Company Opportunities**

### **Illinois VLT Market Potential**

- Video Lottery Gaming Act passed in July 2009
- Act overturned by Appellate Court in January 2011. Verdict temporarily stayed by IL Supreme Court on 2/1/11. IL Supreme Court has scheduled oral arguments for May 17th .
- Expect 10,000 to 12,000 licensed liquor establishments to participate
- Expect 3 to 4 machines per establishment
- Expect market average machine selling price to be \$12,500
- $11,000 \times 3.5 \times \$12,500$  equals \$480 million expected machine sales
- Ancillary equipment to add another \$15,000 per site or another \$165 million expected sales
- Total market potential \$600 to \$650 million sales

## Company Opportunities

### Illinois VLT Market Potential Metrics

#### Financial Expectations for Illinois VLT

	<u>1<sup>st</sup> 12 Mos</u>	<u>2<sup>nd</sup> 12 Mos</u>	<u>3<sup>rd</sup> 12 Mos</u>	<u>Thereafter</u>
Sales	\$33 to \$38 M	\$22 to \$26 M	\$15 to \$17 M	\$10 to \$12 M
Margin	11 to 12 %	11 to 12 %	11 to 12 %	11 to 12 %
Operating Exp	4 to 5 %	4 to 5 %	5 to 6 %	6 to 7 %
Pretax Income	6 to 8 %	6 to 8 %	5 to 7 %	4 to 6 %

## Company Opportunities

### VLT Market Potential Metrics

- Sell through finance companies so AGE receives cash immediately
- Expect Spielo average selling price to be slightly below market average selling price with games that have historically performed better than their competitors – Spielo's sweet spot
- Relatively low operating expense as a percent of sales
- Expect attractive pretax income margins
- Sales are expected to start in 1Q 2012
- **Company believes VLT will be the next wave of gaming expansion in US-expects to participate in all new markets-Ohio and Iowa look to be the most likely**

## Company Opportunities

**Wells-Gardner is reinventing the Company into an IP Company:**

- **David Silk from Motorola heads R&D effort;**
  - **Software utilities**
  - **Daylight readable displays**
  - **Multi-Touch capabilities**
  - **Digital signage**
- **Filed 4 LCD patents:**
  - **2 granted, 2 pending**
  - **Working on filing more patents**

## **Company Operations**

### **Manufacturing LCDs**

#### **Handled by the Wells-Gardner Division**

- Top 2 video display products to the gaming industry
  - 30% global market share in 2010
  - Installed about 475,000 LCDs
  - Sold 101,000 LCDs in 2010 vs. 104,000 in 2009
  - Developed new 19", 26", 32" and 42" LCD products for Class II and Class III gaming & amusement markets
  - Developed 32", 37", 42", 47" and 55" LCD products for signage market

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## Current Major Gaming Partners



U.S.



AUSTRALIA

## Global Manufacturer

### **Wells-Gardner Electronics**

McCook, Illinois

*3% Production*



### **Asian Manufacturing**

**Fast Technologies, Guangdong**

**Axiomtek Display Solutions,**

**Guangdong**

China – LCDs and CRT monitors

*97% Production*

## **Company Operations**

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

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

- Headquartered in Las Vegas, with offices in Atlantic City, McCook, IL & Miami
- Expecting to distribute Spielo machines into Illinois VLT market
- Sold nearly 35,000 LCD replacement kits to casinos in North & South America
  - Added more than \$4.5 million of additional margin
  - Developing new products for this market

## Company Operations

### Distributing Parts to Casinos in North America

- Distributes 3M and TPK (Optera) touch screens, JCM and Nanoptix printers, GE lighting and other products to casinos
- Introducing LED products under AG&E name to market in 2011
- Has 55 Gaming Licenses
- **Expanding internationally**
  - Have appointed a distributor for Macau, Singapore and 11 countries in SE Asia
  - Have appointed a distributor in Europe, Middle East and Africa

## **Company Guidance**

	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Sales	\$45.7M	\$45-\$48M	\$70-\$80M
Net Earnings	\$190,000		

# Wells-Gardner Electronics Corporation



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