

Company: The Lottery Corporation

Title: Annual General Meeting – Event Transcript (Edited)

Date: 19 October 2023

Time: 10:00am (Sydney time)

Start of Transcript

Mr Steven Gregg: Good morning everybody. My name is Steven Gregg and I'm the Chairman of The Lottery Corporation and on behalf of the Board.

I would like to welcome you to the 2023 Annual General Meeting of The Lottery Corporation.

I begin by acknowledging the Traditional Owners, Custodians of the land on which we are meeting on today, the Gadigal of the Eora nation and pay my respects to their Elders past, present and emerging. I'd also like to acknowledge and pay respects to our Aboriginal and Torres Strait Islander people joining us today.

I have been informed that a quorum of shareholders is present, so I declare open the 2023 AGM.

Allow me to introduce our Board. Joining us today are our independent Non-executive Directors: Harry Boon; Doug McTaggart, Anne Brennan, John O'Sullivan and Megan Quinn. We are also joined today by Steve Morro who has been appointed as an observer to the Board. It is expected that Steve will be appointed as a Non-executive Director in the near future. Also joining me on stage is Sue van der Merwe, our Managing Director and CEO and Patrick McGlinchey, our Chief Legal & Risk Officer and Company Secretary.

I also would like to introduce to you the other members of The Lottery Corporation Executive Leadership Team. I will ask them to stand as I introduce them: Adam Newman, our CFO; Callum Mulvihill, our Chief Commercial Officer; Loren Fisher, our CIO; Andrew Shepherd, our Chief Customer & Marketing Officer; Michelle Williams, our Chief People Officer; Antony Moore, our Chief Channel Officer and Robert Ure, our Chief Corporate Development Officer.

Before we move to the formal business of the meeting, I'd like to outline procedures for asking questions and submitting votes. As set out in the Notice of Meeting, only shareholders and proxyholders are entitled to ask questions or make comments and to vote on the resolutions. We will provide a reasonable opportunity for shareholders as a whole to ask questions and make comments as each item of business is considered.

Please ensure your question or comment is relevant to the item of business being considered and to shareholders as a whole. If you have a matter that you would like to raise as a customer of TLC, these will be referred to our customer relations team for a response. For those wishing to ask a

question or make a comment, please make your way to one of the microphone stands placed here in the room and make yourself known to the relevant staff member.

Please show your voting or proxyholder card when invited. Please introduce yourself to the meeting. If you are attending as a proxyholder, please also state the name of the shareholder you are representing today. Only those persons holding a yellow or blue voting card are entitled to speak today and we respectfully ask that shareholders observe a two-question limit to ensure as many shareholders as possible have an opportunity to ask questions.

Thank you to those shareholders who have submitted questions prior to the meeting. Some of those questions will be either answered through my address or the CEO's address, both of which have been released to the ASX Market Announcements Platform prior to the commencement of this meeting. Voting on all resolutions will be conducted via a poll and I appoint The Lottery Corporation share registry, Link Market Services as the returning officer for the poll.

I now declare the poll open.

Shareholders and proxyholders wishing to vote today must complete a yellow voting card. These will be collected by Link Market Services staff following the meeting, at the close. If you are voting today and need to leave the meeting early, please remember to submit your paper voting card to the share registry staff before you leave. The poll will close approximately five minutes after the conclusion of the meeting. Details of the proxies received prior to the meeting on each resolution will be shown in the presentation slides after discussion of that item.

I'm holding open proxies in my capacity as Chair of the meeting and I intend to vote all available proxies in favour of all the resolutions. The final results of the poll will be lodged with the ASX as soon as possible after the meeting.

In the unlikely event of significant technical issues or an emergency here in this room, it may be necessary to adjourn the meeting. If this occurs, we will provide details on our website or through the ASX Market Announcements Platform.

We have published on the ASX and our website the Notice of Meeting and the formal addresses and presentations to be delivered today. Following the conclusion of the meeting, a recording and transcript will be available on our website.

On behalf of the Board of Directors, I am pleased to provide my account of the 2022/23 financial year, our first full year as a standalone ASX-listed entity. I am pleased to say it was a successful first 12 months, as we laid the foundations for a bright future, while also driving commercial performance.

We've set up The Lottery Corporation as a Top 50 company in this country with a highly engaged and motivated team and a vision to be the world's best lottery operator. The Lottery Corporation is underpinned by an attractive portfolio of exclusive and/or long-dated licenses and has highly defensive characteristics, including strong cashflow generation.

The Company sells products that are enjoyed widely by the public and have a lot of appeal. More than one in two Australian adults purchased a lottery ticket in the past year, with the highlight being the record \$160 million Powerball jackpot in October 2022. It's fitting that we are in Sydney for our Annual General Meeting and NSW is the State where the largest number of our shareholders reside.

Turning now to the Group results for 2023 year, during which the Company successfully built on its proven track record of strong portfolio management and continued its positive commercial momentum.

Earnings and customer numbers were up on the prior year. Shareholders received their first dividends from The Lottery Corporation; total ordinary dividends of \$0.14 per share and a special dividend of \$0.01 per share in respect of one month of earnings post demerger in the prior financial year, both of which were fully franked. On a comparable basis, Group revenue was slightly up to \$3.51 billion, and Group EBIT, before significant items, increased 3.5% to \$615 million. This follows the record performance of 2022 and strong performance again in 2021.

As shareholders will recall, our business demerged from Tabcorp towards the end of 2022. This comparable information is provided to enhance comparability between 2023 and 2022 and to provide more insight into the business underlying performance. The comparable results are stated before significant items and the basis upon which they have been prepared is set out in detail in our full year accounts. In particular, it recognises the contribution of the Keno business for the full 12 months in 2022, whereas the reported results only include one month, being the period post demerger.

For the year ended 2023, the result shows how resilient lotteries are when you consider the broader headwinds in the Australian economy and cost-of-living pressures and the unfavourable jackpot outcomes in that period.

Resilience is evident when you look at the history of the lottery industry. This industry has been robust throughout economic cycles, with no real correlation between economic conditions and lottery sales. More recently, the industry experienced accelerated growth through COVID and in financial year 2023 there was significant retention of that premium.

Setting up a new, standalone top 50 ASX-listed company for success was the priority for the Board for this year. Over the past 12 months, the Board has overseen the creation of the Company's purpose, vision and principles. We have ensured that our remuneration practices align with these, as well as the Company's strategic objectives and risk appetite. As you would expect, the Board has also overseen the development of The Lottery Corporation's corporate strategy, including the setting of performance objectives and approving budgets.

Among other activities, the Directors have also been engaged in overseeing the separation from Tabcorp and the establishment of the Company's capital allocation and risk management frameworks, including further investments in risk-mitigation programs. We have made good progress with the separation and expect it to be substantially complete by the end of this calendar year, which is not far off.

We're also mindful that the cybersecurity threat landscape continues to evolve and become more complex for all companies and we are working to continually improve our data, privacy and cybersecurity infrastructure in response to this increasingly complex environment.

In October 2022 Megan Quinn, John O'Sullivan and Doug McTaggart formally joined the Board as Non-executive Directors and were elected by shareholders at last year's Annual General Meeting. Following their appointment, the Board took the opportunity to review and reconstitute the Company's Board committees.

In June 2023, we were pleased to announce that Steve Morro would act as an observer to the Board and that upon receipt of necessary regulatory and ministerial approvals, will be appointed as a Non-executive Director. Steve brings more than 30 years of experience in the highly regulated gambling industry as a supplier, operator and regulator, both in Australia and overseas and complements the Board's existing skills and experience. We expect Steve to be formally appointed to the Board shortly, following the completion of the probity process.

In addition, Harry Boon stands for re-election today. Harry is an experienced director who adds a significant amount of industry knowledge to the Board. Subject to Harry being successfully re-elected, I expect that this will be his last term as a TLC Director.

We acknowledge that some shareholders have raised questions regarding certain aspects of our remuneration policies and arrangements and this has resulted in a lower-than-expected vote in favour of our Remuneration Report. I will cover this in more detail later in the meeting a bit later on, but allow me to make these observations, if I could.

Firstly, we know that some investors wanted to us to adopt a second long-term incentive measure this year. As outlined in our Remuneration Report, setting a second measure for the 2024 offer was complex for several reasons. We want to ensure we have the most appropriate measures in place to incentivise management to generate long-term value and we're well progressed in implementing a second measure for the financial year 2024 long-term incentive offer and the current intent is for a return on invested capital-based measure to be added.

Another question related to the use of the Board's discretion in setting the financial year 2023 short-term incentive pool and, given the role that jackpot games can have on short-term results, it's important that management is rewarded for what they can reasonably control. So while there was some upward discretion and, I mean very minor upward discretion, applied this year, performance was impacted unfavourably by jackpot sequences. It's important to recognise that discretion was exercised downwards in the prior year. Rest assured, the Board will always be judicious and consistent in the way it exercises any discretion.

In the financial year 2023, the Board approved The Lottery Corporation's sustainability strategy, a strategy that sets out how we intend to drive positive change as we pursue our vision to be the world's best lottery operator. The strategy is supported by four principles: supporting our Community; operating our business and products responsibly; nurturing our people; and lastly, reducing our environmental footprint.

During the year, we continued to evolve our customer care practices to ensure they remain aligned with our game portfolio and player base. We prioritise providing our customers with a safe, secure and friendly environment to play our games.

Our commitment to responsible play was demonstrated through enhancing our early intervention program, a program that's driven by machine learning and behavioural science. The tool identifies potential early signs of at-risk behaviour and proactively provides customers with information and support options so that we can be proactive rather than just simply responsive.

We are proud to say that the Company was awarded the World Lotteries Association's Responsible Play Award for Best Overall Responsible Gambling Program for Level 4 Accredited Lotteries at the World Lottery Summit in October. This is welcome recognition of our commitment to helping customers to have fun playing our games, but always responsibly. That said, we will look to continuously review our Responsible Play Programs over time.

The Lottery Corporation's successful first year was driven by our team of more than 800 employees, led by our Managing Director and CEO, Sue van der Merwe and our executive team. It is through the team's efforts that The Lottery Corporation inspires dreams and entertains Australians.

I'd also like to thank or like to record the Board's appreciation to our many partners, including the 7,000-plus businesses who distribute our lottery and Keno products. The Lottery Corporation is delivering against a proven plan that has driven long-term growth. We are a business that makes a difference in the community and generates returns for shareholders, governments and our partners.

We also have a track record of active stewardship in the industry and reinforcing the value derived from our State lottery licences for all the benefit of stakeholders. This is something we're continuing to do because of the important role of traditional lotteries across Australia. We thank you for your ongoing support.

Before I pass to Sue to deliver her address, I would like to spend a minute addressing my own situation if I could please, particularly as it relates to The Lottery Corporation and in the context of me seeking re-election to the Board at this AGM.

As has been made public earlier this week, I was recently approached to become the Chairman and a non-executive director of Westpac, Australia's oldest company, first bank. This is a role that I have subsequently accepted and it will be formalised as of 7 November this year. Consequently, given the commitment required of such a large role and needing to focus on what is likely to be a very full agenda at Westpac, I have made the difficult decision to retire from my roles at The Lottery Corporation. I'll talk about that a little later, however, I am very satisfied that what I will be leaving behind at TLC is a very fine company, managed by a first-class team and overseen by a very credentialed, experienced and highly committed Board.

In this regard, I have full confidence that the future for TLC is bright. I will be seeking re-election at today's meeting; however, in order to maintain continuity and stability, it's my intention to step down from these roles and duties within the next six months and by no later than the first quarter of next year. The process for appointing the next chairman will commence immediately.

I will now pass on to Sue, our CEO. Thank you.

Ms Sue van der Merwe: Thank you Steven and good morning shareholders. I am pleased to be here in Sydney.

Lotteries have a rich history in community funding in New South Wales, as they do across Australia. Indeed, helping fund the construction of the world-famous Sydney Opera House is one of the greatest contributions Australian lotteries have made to the nation.

Tomorrow marks 50 years since the opening of this Australian icon whose construction was largely funded by the Sydney Opera House Lottery. The timber barrel you see on the screen is the original used to draw the Opera House Lottery more than half a century ago. It's so heavy, it needed a forklift to bring it into the Opera House forecourt. We are pleased to have re-connected with the Sydney Opera House with a new partnership that will help deliver programs and experiences for more audiences. Today, this connection to community remains central to The Lottery Corporation's purpose and it's something of which all of us who work in the business are incredibly proud.

I would like to now like to take shareholders through an account of the Company's performance in FY23. Reported net profit after tax in our first year as The Lottery Corporation was \$265 million. The resilience of the business was once again evident in comparable EBITDA growth of 4.2%.

A highlight of the year was the continued growth in the total number of customers engaging with our products, with 9.7 million Australian adults purchasing a lottery product in the past 12 months. In three years, we've grown total active registered customers by more than half a million, including adding another 132,000 in FY23. Of new customer registrations, around 60% were aged 18 to 40. In terms of our two business segments, effective management of the game portfolio ensured Lotteries turnover remained materially in line with FY22 levels. Keno finished up on the prior period as we encouraged players back to the game after venues reopened.

Looking firstly at Lotteries in more detail, we have a well-balanced portfolio of games that Australians love and we sold more than 639 million lottery entries in the year. Three of our game brands, Powerball, Oz Lotto and Saturday Lotto, are in the top 40 most valuable brands in Australia according to research by Kantar BrandZ Australia.

Reported revenue in FY23 was \$3.2 billion, down 0.7% and comparable EBIT, before significant items, was up 1%. Turnover in the core base game category was up 0.5%, while the jackpot games segment, comprised of Powerball and Oz Lotto, was down 3.4%. Active game management and accelerated jackpot sequence management helped maintain revenue given there was significantly lower Division 1 prize money offered across FY23.

In the first quarter, we accelerated the Powerball roll to reach \$160 million in six weeks and this generated record sales. Deploying the same strategy delivered a solid finish to the financial year with another \$100 million jackpot for Powerball. Oz Lotto had a one-in-20-year unfavourable jackpot run. This meant it hasn't displayed its potential and the impact of the matrix change we made in May last year hasn't yet flowed through. Our statistical models forecast that over time Oz Lotto will deliver

much larger jackpots. It's worth noting Oz Lotto's base week sales have been solid and that speaks to loyal players liking the game change. In line with managing the game portfolio as a whole, the team upweighted the customer offer in the base game portfolio. For Saturday Lotto this included a Megadraw, floating Superdraw events and special \$10 million events, while on Monday & Wednesday Lotto, Double Dividends and Cashcade events were deployed.

Looking now at the Lotteries distribution channels, digital turnover growth accelerated through the pandemic and in FY23 we made gains on that step up in channel share. Retail turnover was down 2.7% on the prior year, a solid result considering overall Division 1 prize money, which drives store traffic, was down materially.

I'm pleased to tell you about a world-leading initiative that we launched in the year that breaks new ground for lotteries. Store Syndicates Online is a popular innovation that has allowed our retail partners to sell entries into their store syndicates to a wider population online. Retailers and customers have loved it and it drove 12% turnover growth across all types of syndicates.

In May we delivered two other initiatives that will continue to drive momentum and underwrite more growth into FY24 and beyond. Firstly, a two-percentage point increase in retail commissions. This supports the sustainability of our retail network and also boosts our margins on digital sales. Separately, we delivered a price change for Powerball, strengthening its value proposition through the chance to win bigger jackpots more often.

Turning to Keno, which provides diversity to our offering as it's largely sold through different retail channels to Lotteries and taps into different aspects of the household budget. On a comparable basis, Keno delivered reported revenue of \$280 million, up 11% on the PCP and reported EBIT, before significant items, of \$76 million, up 25%. More than 120 million Keno tickets were sold in FY23.

There were two main areas that the team focused on to maximise growth: encouraging customers back to their pre-COVID play rituals; and enhancing the customer experience to create greater engagement. Keno grew strongly with reopened pubs and clubs in contrast to the first half of FY22 when closures and restrictions applied in New South Wales, Victoria and the ACT. Keno retail turnover grew by 23% and was significantly up on pre-COVID levels.

In recent years, Federal and State governments have increased their focus on the impacts of online gambling. This is something that The Lottery Corporation welcomes as we all want the safest gambling environment possible.

In April 2023, we appeared before a House of Representatives Committee inquiry into online gambling harm, alongside our partners from the Australian Lottery and Newsagents Association. Our position centred around the widely accepted evidence that, unlike other forms of gambling, traditional lotteries are associated with very low levels of gambling harm. This is mainly because they are infrequent, non-continuous and low spend. We are pleased that the Committee acknowledged this, and recommended lotteries should be exempt from new advertising restrictions. The inquiry's report is now with the Federal Government for its response.

One of the special things about traditional lotteries model in Australia is the benefits it shares with the community indirectly and over and above federal taxes. In FY23, our businesses generated more than \$1.7 billion in Lotteries and Keno taxes for relevant States and Territories. These taxes provide a sizeable stream of revenue to State governments, on average around 2% of their annual revenues.

In New South Wales alone, traditional lotteries generate \$577 million a year in government revenue. In addition, more than \$600 million was paid by our businesses in commissions to newsagents, licensed venues and other lotteries retailers in FY23. For many of these businesses, it is an important revenue stream.

In line with our commitment to create positive impacts, many charities were also supported through donations from unclaimed prize money, with the Children's Hospital Foundation, Children's Brain Cancer Centre, Starlight Children's Foundation and the Daniel Morcombe Foundation among them.

Our teams are engaged behind our vision, purpose and principles, which are driving a healthy culture within the Company. I'd like to acknowledge the executive leadership team and all of our teams for their extensive contribution to a successful first year.

We were pleased to recently launch an initiative we call Share in Success. It allows employees who don't already participate in an incentive plan to receive a payment when The Lottery Corporation's profit exceeds targets. This is about rewarding our employees when they create shareholder value.

I'd also like to record our thanks to the many people and organisations that we work with to add excitement to Australians' lives through our games. This includes our retailers, governments and regulators and our many community and business partners.

We embarked on FY24 with a continued focus to drive growth and deliver value to shareholders. Our investment agenda is centred on digitally enabled, customer-led initiatives that can supercharge the customer experience.

From a customer perspective, we remain focused on enhancing personalisation, providing easier ways to deposit funds online and making it even more frictionless to open an account. We are planning a major refresh of Monday & Wednesday Lotto by increasing prizes across the divisions, applying consistent national branding and potentially adding a Friday draw, all subject to regulatory approval. Friday is the only weekday without a draw game and our customer research supports it. In terms of our channels, we continue to focus on the convergence of retail and digital customer experiences and thirdly, we remain focused on delivering our games safely and with integrity and actively enhancing the value of our licences.

At the same time, we remain focused on controlling costs in what has been a period of higher-than-normal inflation and as we manage the separation from Tabcorp and establish our own stand-alone functions and commercial arrangements.

We are pleased with the health of our product portfolio, which is well balanced and resilient, with a set of games that appeal to different customer motivations. As Steven said, historically there hasn't been a correlation between economic conditions and our sales. There isn't anything significant in

recent turnover trends that indicates something different this time around and we remain pleased with how the business is performing.

The highlight of the financial year to date has been the \$100 million Powerball jackpot in August that was shared by a Victorian customer and a 10-member syndicate entry, sold by Rosebery North Newsagency in Sydney. These events showcase everything that's powerful about lotteries, mass participation across the country, retailers connecting with customers and millions of prizes won.

In closing, we want to thank you, our shareholders, for your support throughout our first full year.

In FY23 The Lottery Corporation created 270 millionaires, paid more than \$5 billion in prizemoney and sold more than 196 million winning tickets.

We look forward to creating more winning moments for our customers, people and communities. We continue to look forward to the future with confidence.

Thank you. I'll now hand back to the Chairman.

Mr Gregg:

Thanks Sue, well spoken.

We now come to the formal business of today's meeting, ladies and gentlemen. The Notice of Meeting has been published and made available to shareholders and I will take it as read. Each of the resolutions to be put to the meeting will be moved in the order set out in the Notice of Meeting. At the end of each item of business, shareholders and proxyholders will be provided an opportunity to ask questions. May I please ask that you keep your questions relevant to the agenda items.

The first item on the agenda is to receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2023. These reports were approved by the Board and released on 23 August 2023. They were also published on ASX's market announcements platform and on our website.

There is no vote on this item, however in a moment I will answer any questions submitted prior to the meeting on these reports on the performance of the Company which have not been answered in my address or Sue's address.

I'll then invite questions from the floor. Ernst & Young is the Company's external auditor and Michael Collins, the partner of Ernst & Young who is responsible for the audit is present today and is available to answer questions which should be restricted to audit matters.

I will now ask the Company Secretary to read out questions received prior to the meeting. Thank you, Patrick.

Mr Patrick McGlinchey: Thank you, Chairman. The first question is from Mr David Bryce. Mr Bryce asks: What percentage of TLC earnings are derived from online activity and what percentage of earnings are derived from shopfront activity such as newsagents? How are these portions of earnings expected to change in the future with respect to online activity?

Mr Gregg: Thank you for your question, Mr Bryce. Our strategy is a customer focused one, so we are fundamentally channel agnostic. We want people to be able to play where, when and how it suits them best. We don't segment our P&L by channel, but I can say that for the year ending 2023, over 38% of Lotteries' turnover was in the digital channel. For Keno, it was around 14%. We think the digital proportion will grow over time, but not at the expense of retail. Retail remains the majority of our turnover and critical to our business in many respects, including distribution, advertising, wide acceptability of our products and important role we play in our communities.

Any other questions, Patrick?

Mr McGlinchey: No.

Mr Gregg: Any other questions from the floor please?

Ms Rachel Waterhouse: Yes, it's Rachel Waterhouse representing Australian Shareholders Association.

Mr Gregg: Welcome.

Ms Waterhouse: Thank you. The Company's dividend payout ratio to earning appears relatively high, suggesting limiting growth opportunities for reinvestment and there was a slide around FY24 focus areas, could you elaborate on the growth opportunities that TLC is prioritising and planning to develop over the next few years?

Mr Gregg: Sure, happy to talk about that. Rachel, it's interesting, a lot of people think our dividend payout should be higher. Then there's an equal number who think it's too high, so we can't quite get it right. It's a very cash-generative business and it is growing nicely. We feel around the 80% to 100%, call it 90% as a mean, is about right and enables us to pay a fully franked dividend to our shareholders, which a lot of them are investing in our Company to get, whilst maintaining enough headroom in our capital structure to enable growth opportunities.

Our growth opportunities come from several sources. One is just running our business better and running harder and providing more games and more entertainment and more product. Other growth areas come from potential licence extensions and new markets that we'll have to look at. So there are a number of things we look at. Our priority though at the moment is to separate out from Tabcorp, get our cost base in the right place and run our business better. Thank you.

Moderator: Mr Chairman, a question from Natasha, a shareholder.

Mr Gregg: Thank you, Natasha, welcome.

- Ms Natasha Li:** Thank you, Mr Chairman, Natasha Li, shareholder. My question concerns the amount of debt financing costs. I notice that the level of interest-bearing debt hadn't really changed, but there's been a significant cost increase in the finance of that debt. I understand that it may be due, partly due to the adjustments with the demerger separation.
- Mr Gregg:** Pretty much, yes.
- Ms Li:** Can you elaborate on that, as the first question?
- Mr Gregg:** The financing costs haven't changed too much. There is a year, to your point, of separation as we work through the process, but the costs haven't changed too much. The debt, if anything, is probably coming down a bit, so provided interest rates don't go up too much, I think it should remain where it is or come down a bit.
- Ms Li:** Yes, well I suppose that was the second part of the issue, is that given the interest rate increases, what is the long-term prospect for reducing that debt.
- Mr Gregg:** You'll notice we also have a lot of long-term debt on the balance sheet that we've inherited from time at Tabcorp, yes.
- Ms Li:** Also, it's probably similarly related, the auditor's remuneration seems to have increased significantly. It's currently sitting at \$1.9 million but the prior year has reported \$0.5 million, which seems a little bit low. That's probably an adjustment matter, but can you confirm or elaborate on that?
- Mr Gregg:** I haven't got the details, I must say. I know we look at it religiously.
- Ms Li:** Page 136.
- Mr Gregg:** Do you want to answer that? Yes.
- Mr Michael Collins:** Thank you Chair and thank you for the question. So last year's remuneration was reflective of just one month as a standalone listed entity and the fees for the majority of the year were within the Tabcorp audit fees. So it's not on a like-for-like basis.
- Ms Li:** That's sort of what I suspected, but it just makes analysis and reading of the financial reports a little bit difficult without some explanation.
- Mr Gregg:** You'll notice in a lot of our reporting, we do make adjustments to do like for like where we can because of the one month that we had, yes.
- Ms Li:** Yes, I did notice that but just on those items there wasn't adequate explanation.
- Mr Gregg:** Yes, thank you.

Moderator: Mr Chairman, a question from Jane, a shareholder.

Mr Gregg: Good morning, Jane.

Jane: Hello. Look I just wanted to know about your competition Jumbo, is that sort of eating into your – because I know that I buy my lottery tickets at the newsagent because I like to hold something, but I know that Jumbo is really – the millennials love that and I notice that you're doing a lot of now online, so are you eating into the Jumbo profit or is Jumbo eating in your profits?

Mr Gregg: I'm going to get Sue to answer that in a second. But look, they're a reseller for our product and yes, we do compete online. We also have different pricing in place. I don't believe they eat into our revenue, but Sue, what's your thoughts?

Ms van der Merwe: Yes, as the Chairman said, we work with them as a channel partner and they have an arrangement with us to sell our products. For us, we're just very much focused on driving our own digital channel and we're very happy with where our share of that channel has been tracking and is heading into the future.

I think the other key difference to note for us is that we are an omnichannel business. We have this very strong retail network that we see a lot of value in, as highlighted in the speeches and we're very much focused on the customer and how we can deliver the most positive and seamless experience for our customers through whichever channel they choose to play in at any point in time. So we've got a lot of work going on to remove, as I said in my speech, anything that provides any friction for customers' ability to do that and making it a very smooth, positive experience for them.

Jane: Great and just one more little thing, I suppose it's a wish list. I was wondering if one of the charities could help homeless women over the age of 50. Thank you.

Mr Gregg: We'll take it on point, thank you.

Moderator: Mr Chairman. Ray, a shareholder, has a question.

Mr Gregg: Thank you, good morning Ray.

Mr Ray Trenergy: Good morning. I think you've got a brilliant business, I don't know how you can muck up lotteries. Really it's almost failsafe. But looking at digital and connected world, there's other huge lotteries in other countries, like elGordo and the USA lotteries, sometimes \$0.5 billion or something. Even though they lack an advantage the Australian lotteries have, which is you will \$100 million in the Australian lottery, it's all yours, you don't get taxed, I really reckon you should pump that message because if you win the US lottery, you lose half of it straight away in tax or else you're stuck with some sort of annuity for lifetime or something like that.

But my question is, when the jackpots are low, say less than \$10 million on the big lotteries, have you got any idea how much leakage goes to people pumping overseas to the bigger, if there's

something bigger overseas and money being diverted, revenue being diverted to those bigger opportunities overseas?

Mr Gregg: Yes, thanks for your question, Ray. Look I totally agree with your assessment of the advantage that we have as an industry structure here. Not only is it not taxed, but you tend to get it upfront and not paid out over a period of time, so it's much more valuable.

Sue, you might have a view on the leakage overseas for when jackpots are low. I don't think we have specific information on that, but Sue?

Ms van der Merwe: Not specific information on how much people are spending away from us to those other lotteries in specific terms. But what I can say is our very strategic approach to having a very full portfolio of products is all about understanding players' motivations for playing our products and making sure that we have a suite of products that meets all of those different motivations and I'm very confident that we do have a very well developed and high profile and high performing portfolio of products.

The innovation that we do around our products constantly is around making sure that we continue to keep them relevant. We've also had a focus on driving participation in the 25-plus year age groups and making sure that our player base continues to grow and we bring people in at that younger end of the spectrum. We've had really great success in that and I quoted the statistic of 60% of new customers being in the 18-to-40-year age group, which is some really good information we're seeing coming through.

So we're very much about promoting the strength of our products, the offers, the benefits, as you call out. We do also do a lot of customer research and so we do have a lot of understanding around our customers and what they're doing within our portfolio and we also have an understanding about what they're doing outside in terms of participation in other games, but not specifically about the transfer of spend.

Mr Trenergy: Lotteries are like selling a dream for almost a nominal amount of money, so a bit of money that you don't necessarily are going to miss. It's something that no other product really offers you because what makes you an instant 50 millionaire? I mean okay, you can't even buy a joint at Vaucluse for that, but I mean it's still a reasonable sum of money, isn't it? It changes your lifestyle, changes your lifestyle immediately, which something no other product can really offer you.

Mr Gregg: That's right.

Ms van der Merwe: Couldn't agree more, it's an amazing business.

Mr Gregg: I'd like to think you can probably buy a house in Vaucluse for less than \$50 million, but you never know. I can't but anyway, there we go. All right, any other questions from the floor or shall we move on? Natasha.

Moderator: Mr Chairman, another question from Natasha.

Ms Li: Thank you, Mr Chairman. Just on the point about the increase in the commission being paid to retailers, firstly it's eligible retailers and usually nothing is given away for nothing, so whilst you did allude to some benefits, I can't think, remember the exact words you said in your address, but expanding or improving the business, who are the eligible retailers and can you elaborate on how this came about and what benefits you're deriving from that?

Mr Gregg: Yes, I'm going to get Sue to answer that one. The eligible retailers are predominantly the newsagent network and they haven't had a raise in commission for some time, so we just felt it was the right thing to do to incentivise them for our product. Sue?

Ms van der Merwe: Part of the commissions that our retailers earn as well now in relation to the sales that happen online where our customers participated in playing both in the retail and the digital channel, so it's quite a complex commission model and it's about rewarding retailers for promoting our products, providing good customer service, meeting all their compliance obligations, et cetera. So there's a lot of measures that are in place to ensure that retailers are getting rewarded for providing good customer experience, et cetera, meeting compliance obligations. It's quite complex. Antony, who is our Chief Channel Officer, is here today. Maybe we can have a conversation at the end of the meeting and we can go into a little bit more depth for you. But suffice to say it's about rewarding the vast majority of retailers, that's what we want. We want retailers to earn the commission.

Ms Li: Yes, it's sort of not like you're just rewarding the ones who have the bigger turnover and things like that.

Ms van der Merwe: No.

Mr Gregg: No.

Ms Li: Okay, thank you.

Mr Gregg: Thank you.

Mr Kevin Lewis: My name is Kevin Lewis, I am a shareholder. Two-part question. First of all, what is the percentage of donations and lifesaving and all those other bits and pieces and that we do pay to service, what percentage is that of gross profits? Not net, gross.

The other part is, as we are a diversified company in gambling of all sorts, which is selling the dream. If you're going to pay 90%, some of that will be used for running our company, do we have part of that 10% minimum, do we have other investments outside of gambling, so we're a little bit more diversified?

Mr Gregg: Yes, if you may just stay there, I didn't quite get the first part of that question. Let me answer the second one first. We're very focused on what we do, so what you see is what you get in a way. Our products are lined up. with the exception of Western Australia, we have licenses in all the States in this country, and that's where we focus our business. The point of diversification is a very good one and it's something that we will be looking at, as a Board, going forward. But right at the moment we're just focused on getting this business right.

Would you be kind as to repeat the first question? I didn't quite get the first part of that. You said donations, did you say donations?

Mr Lewis: Yes, donations, looking after, as the lady said, homeless people, homeless ladies over that age and other things, you donate to this and to that and to that. What percentage of our gross profit do we spend on that, as in donations of all sorts?

Mr Gregg: Right. Again, I'll get Sue to answer that one. There are various different models throughout the world as to where the money that is derived goes to what good causes.

Mr Lewis: I understand that.

Mr Gregg: Yes, so anyway, Sue, you have a go at that.

Ms van der Merwe: The majority of the funding to community goes through the taxes paid to government, so the \$1.7 billion and then in addition to that, we have from part of our marketing funds, support money that goes to some of those charities. It's only relatively small and then in addition to that, we have unclaimed prizemoney and we have an ability to use some of the unclaimed prizemoney to give to charities. That would be under \$5 million in a year.

Mr Gregg: Because of the tax base that we pay, most of the money that – in some lotteries throughout the world, they pay less tax, they have more – but they have to then donate it to certain causes. We pay more tax, it goes straight to the government, they use it in their consolidated revenue.

Mr Lewis: I understand that, that's why I said gross profit.

Mr Gregg: Yes.

Moderator: Mr Chairman, a question from Kaz Kazim, a shareholder.

Mr Kaz Kazim: I'm still getting over the shock, the revelation of the full consulting firms that we've been listening to with horror. Does The Lottery Corporation use consultants? If so, which of the four consultants, consulting companies that have given evidence to the Senate inquiry and do we have any figures on their use?

Mr Gregg: We do use consultants. Obviously we have service providers, like our auditors, that provide services every year. Probably most of the four big consultants do provide services to it. It's relatively small in the context of our Company. It's listed out and every year gets scrutinised very heavily, particularly

for conflicts. But we're not the government though, we're not run by consultants, we don't have huge amounts going through the consultant chain. We tend to do it ourselves.

Mr Kazim: The reason I ask is how much money is being devoted to developing specialist consultancy management within the organisation as opposed to giving money to the consultants who have been found wanting?

Mr Gregg: I agree.

Mr Kazim: I mean the lack of transparency, accountability, gouging, snouts in the trough, it goes on and on and they still haven't told us the truth.

Mr Gregg: I agree.

Mr Kazim: So what we need to know is just how much are we paying the consultants, which of those consultants and do we have any figures?

Mr Gregg: We do. We haven't disclosed them publicly. We have got the figures for it. It is a relatively small amount.

Mr Kazim: Well can you give us something, to say, well \$5 million, \$10 million?

Mr Gregg: Why don't we have a talk about it internally and see if we can make-----

Mr Kazim: Other people here might want to know.

Mr Gregg: Yes.

Mr Kazim: Okay.

Mr Gregg: I think for public disclosure reasons, we can't just give out what we're paying to people as suppliers. I think that would be unfair. But I've got to say, I'm an ex-consultant myself and I understand how they can abuse the situation and rest assured, we treat them well but we are not beholden or captive to them. We certainly don't outsource them for expertise that we have in house. So for example, we have a good legal team, but we do use external legal advice on certain things when we need to, as an example.

Mr Kazim: What about a dividend reinvestment program? Is there any likelihood that you-----

Mr Gregg: Sorry, I can't hear you, sir.

Mr Kazim: Dividend reinvestment plan, I mean those of us who may be interested in reinvesting some of our dividends and invest it in the Company itself, is there any consideration being given to that?

Mr Gregg: Yes.

Mr Kazim: You are?

Mr Gregg: We do, yes. Adam, have you got a comment on that?

Mr Adam Newman: We already have a dividend reinvestment program that's available to shareholders to participate in.

Mr Gregg: All right, thank you all for the questions. As there are no more questions, that concludes this item of business so we will now move onto the next item.

The next item of business relates to the re-election of Directors. Item 2(a) on the agenda is the re-election of Harry Boon as a Director of the Company. Harry has been a Non-executive Director of TLC since May 2022 and he retires in accordance with the constitution and being eligible, he has offered himself for re-election. Harry is the chair of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

The Board considers Harry's extensive experience and background in the gaming and lottery industry to be very valuable to the Company and he's considered by the Board to be totally independent. The Board, with Harry abstaining, unanimously supports his re-election as a director of the Company and recommends that shareholders also vote in favour of this resolution. As noted, it is expected that Harry will be stepping down sometime within this term and it will be his last. I would like to invite Harry to address the meeting please. Harry.

Mr Harry Boon: Thank you, Chairman and good morning ladies and gentlemen.

The Australian lotteries industry has grown and developed substantially since Tatts Group first became a public company back in 2005 and I'm proud to say I've been closely involved with the company over that entire journey. The merger of Tatts Group with Tabcorp in 2017 provided an opportunity to combine the two companies' wagering businesses while the subsequent separation and ASX listing of The Lottery Corporation in 2022 allowed us to focus on the opportunities available to grow and develop our own national lotteries and Keno business. As Steven has said, we hold strong, long dated and exclusive licences for our products in almost all states and territories.

However, as the discussion this morning has indicated, the competitive threat from unregulated competitors is ever present and we must continue to defend our position by all available means, as well as seek additional growth opportunities wherever they arise. Now that the separation from Tabcorp is nearing its completion, I believe it's also the right time to further develop our management's capabilities and understanding of what a truly great business can achieve. That's the way that we'll provide stable, long-term growth for our shareholders, as well as challenge job satisfaction and reward for our people.

In my previous career as chief executive of the ASX listed Ansell Limited, I built up extensive knowledge and experience of the domestic and international consumer business, the key management capabilities needed to win in a competitive environment and the factors critical to success. I brought that experience to Tatts Group and more recently to The Lottery Corporation and

I'm honoured to once again offer my service as a Director on the Board of The Lottery Corporation. I thank our loyal shareholders for your ongoing support and trust and if re-elected today, I pledge to continue doing my utmost to deliver the results you are entitled to expect from us. Thank you and I'll hand back to Steven.

Mr Gregg: Thank you, Harry. I'll now take questions on this item. Any questions from the floor?

Ms Li: Thank you, Mr Chair, Natasha Li again. Not specifically relating to Harry, but I have a concern about the diversity on the Board. You sort of just meet the gender diversity, but other forms of diversity should be taken into consideration and not overlooked, understanding the constraints of finding suitably qualified people and the probity requirements, et cetera. That is the first question. The second question relates to shareholding requirements for the Directors. I didn't see any note in the report about it and not questioning Harry's shareholding specifically, but there is an expectation from shareholders that the Directors do have skin in the game.

Mr Gregg: Sure, I agree with that, there is.

Ms Li: So do you have a policy on-----

Mr Gregg: We do, yes.

Ms Li: Okay and that is?

Mr Gregg: The policy is that Directors should have the equivalent of one year's salary invested in shares and they've got three years to do that.

Ms Li: Yes, that's standard. It might be in the report, but I didn't see it clearly stated.

Mr Gregg: The Board's under development, Natasha. It's the first year out and we've hired onto the Board a number of very qualified people and Steve Morro's an example of someone who will be coming on shortly when he gets approval who adds some diversity and skill base. As we continue on for the next year or two, we will be adding more people and we'll bear that in mind.

Ms Li: Yes, but the Board should be reflective of the community at large.

Mr Gregg: Yes, I agree.

Ms Li: So you need a wide range of diversity. Okay, thank you.

Mr Gregg: Thank you. Any other questions regarding Harry's election? No, okay, as there are no more questions, we have now finalised discussion on this item.

The proxy votes received prior to this meeting in relation to this resolution are now shown on the slide presentation and it seems that from the proxies received, that this resolution will pass comfortably, so congratulations Harry.

We'll now move to the next item of business. As this next item of business relates to my re-election, I will ask Anne Brennan to assume the Chair for the meeting for this topic. Thanks Anne.

Ms Anne Brennan: Thank you Steven and good morning ladies and gentlemen. This item of business is the re-election of Steven Gregg as a Director of Company.

Steven is Chairman of the Board of The Lottery Corporation and is also the chairman of the Nominations Committee. He was appointed as a Non-executive Director on 20 May 2022 on demerger. Steven retires in accordance with the constitution and being eligible, he has offered himself for election.

The Board considers Steven's extensive experience in the gaming and lottery industry and experience gained through his executive career in investment banking and management consulting to be of value to The Lottery Corporation.

Accordingly, the Directors, with Steven abstaining, unanimously recommend the re-election of Mr Gregg, noting of course the Steven will not serve a full term as a Director. He is considered by the Board to be independent. The Board, with Steven abstaining, unanimously supports Steven's election as a Director of the Company and recommends that shareholders vote in favour of this resolution. I now invite Steven to address the meeting.

Mr Gregg: Thank you, Anne.

Ladies and gentlemen, as mentioned at the outset, I will be looking today to be re-elected to The Lottery Company Board, however, will in the course of the next months, be stepping down, retiring from my position at TLC. The reason for my retirement is purely related to my recent appointment to the Westpac Board and the subsequent need to balance my workload and commitments. I'm very keen that an orderly transition to the new chair occurs and that we will proceed with and fulfil our commitment to separate completely from Tabcorp. Therefore I will be retiring in approximately six months' time and during that time we will undertake a process to appoint a new chairman and continue with our obligations and commitments to you, the shareholders.

Ladies and gentlemen, it is with very heart that I'm looking to retire from TLC. I've spent the last 11 years on the board of Tabcorp, going on 12 and subsequently TLC. It's been a great journey and a privilege to serve the shareholders and all stakeholders during that time. I know the Company is in very good hands with a first-rate team led by Sue and her executives and overseen by a very experienced and committed Board of Directors. I would like to thank you for your support over the last 11 years and I'd like to hand back to Anne. Thank you.

Ms Brennan: Thank you, Steven. I'll now take questions on this agenda item.

Mr Treney: Ray Treney, shareholder. Since you're going to be leaving very soon, I was just wondering has anyone been earmarked for your position on the Board already or is the search process underway?

Mr Gregg: Not as yet. It is something that we take very seriously but we, as of tomorrow, will commence a process to appoint a new chair. It may well be internal, but we'll also look externally as well, so to make sure the best person is appointed to the role.

Ms Brennan: No more questions? As there are no more questions, we've now finalised discussion on this item. Proxy votes received prior to the meeting in relation to this resolution are shown on the slide presentation. Seems from proxies received that this resolution will pass comfortably.

Congratulations Steven. I'll now hand back to Steven to resume the Chair for the rest of the meeting.

Mr Gregg: Thank you Anne and thank you, shareholders, for your support, much appreciated.

We'll now move onto the next item of business. Item 3 on the agenda relates to the adoption of the Company's Remuneration Report for the year ended 30 June 2023. The Lottery Corporation's remuneration philosophy is based on appropriately recognising, rewarding and retaining diverse talent. This enables us to, amongst other things, create value for shareholders.

The Remuneration Report contains details of The Lottery Corporation's approach to remuneration and the outcomes for the most recent financial year, which should be considered in aggregate.

I would like to briefly touch on the FY23 short-term incentive outcomes for which the Board consider a range of financial and non-financial outcomes. The management delivered against several strategic, customer and people and culture targets and has done an extremely good job at establishing the Company as a standalone, highly performing ASX 50 company.

While the Group narrowly missed its financial targets in 2023, this was primarily the result of unfavourable jackpot outcomes and sequencing. If the outcomes had fallen in line with model expectations, the targets would have been well exceeded. As a result, the Board felt that an on-target STI pool of 100% was appropriate and I just may make the comment that that was very close to that number. It was a very marginal increase.

The Board unanimously recommends that the shareholders vote in favour of this resolution and the vote on this resolution is advisory only and does not bind the Directors or the Company. However, the Directors will take the outcome of the vote and shareholder feedback into consideration when settling remuneration practices in future years. I'll ask the Company Secretary to read out questions received prior to the meeting please, Patrick.

Mr McGlinchey: Thank you, Chairman. This question comes from Mr Matthew Somers. Mr Somers asks: Why is more weight not given to the long-term incentive plan equal 25% or 33% with the short term for executives? Shouldn't they be rewarded equally for short term decisions as you are long term?

Mr Gregg: Thank you, Patrick. Thank you, Mr Somers.

The short-term incentive focuses management on annual strategic objectives that are linked to the longer-term corporate plan. It provides the management with annual targets that are well within their reach and control and if achieved, will allow the company to achieve its longer-term strategy. The long-term incentive focuses management on achieving long-term shareholder value creation. Both work together and the Company feels that an equal balance between the two types of incentives will allow the organisation to achieve its long-term ambitions in a more balanced way.

Now I'll take further questions, if I may, from the floor. No? Okay.

As there are no more questions, we have now finalised the discussion on this item and the proxy votes received prior to the meeting in relation to this resolution is shown on the slide. It appears that this resolution will be passed, so thank you for your support.

We now move to the final item of business, item 4, which is the proposed grant of performance rates to the MD and CEO, Sue van der Merwe, under The Lottery Corporation's long-term incentive plan. Shareholders are asked to approve the grant of performance rights to Sue as the long-term plan component of her remuneration package for FY24.

In accordance with the formula set out in the Notice of Meeting, it is proposed to grant 659,340 performance rights to Sue. If shareholder approval is obtained, vesting of the MD and CEO grant of performance rights granted will be subject to a single performance measure based on relative total shareholder return measured over a three-year performance period, commencing on 3 October 2023, ending on 2 October 2026.

During 2023, the Board reviewed the LTI plan structure to ensure it continues to be strategically aligned and market competitive and market focused on incentivising for creation of long-term value for shareholders within the Company's business context. The Board considered adopting a second internal measure as part of the FY24 LTI offer in addition to relative TSR, in particular return on invested capital or ROIC, or earnings per share growth were measures considered. The Company's current ROIC is somewhat distorted due to demerger goodwill accounting requirements, whilst EPS does not fully account for adequacy of returns from capital invested.

Therefore the Board determined that for the financial year 2024, the LTI offer will continue to be based on an existing single measure of relative TSR, but with a positive absolute TSR gate requirement. This is designed to focus and incentivise management for the creation of shareholder value over the longer term and to align executive reward with the shareholder experience. Although ROIC and EPS growth will not be adopted as part of the 2024 offer, return on invested capital and growth in earnings over the long term will continue to be measured and disclosed.

As is The Lottery Corporation's practice, the LTI plan will be reviewed each year to ensure it continues to effectively incentivise and reward for the creation of long-term shareholder value. This includes a consideration of a second measure. The Board, with Sue abstaining, recommends that shareholders vote in favour of this resolution.

I'll now take questions from the floor if we have any please.

Moderator: Mr Chairman, we've got a question from Rachel.

Mr Gregg: Hi Rachel.

Ms Waterhouse: Hi, this one is actually related to the format of the meeting and I hope that's okay to ask the question.

Mr Gregg: Okay, sure.

Ms Waterhouse: Just also, the Australian Shareholders' Association would like to say that we're actually pleased that Anne Brennan has increased her shareholding. When we wrote the voting intentions, it's changed since then, so we're very pleased as retail shareholders.

This one is around the AGM is being rotated to different locations each year, but there's no live questions or voting allowed online during the meeting. ASA typically prefers hybrid meetings to facilitate shareholder engagement. Could you share the reasons for not enabling online participation at this AGM and would TLC consider adopting a hybrid meeting format in the future? Thank you.

Mr Gregg: Rachel, we will consider it, yes. I mean I think we just felt that coming out of COVID where we had purely online, moving to a hybrid last year in Brisbane and now rotating to Sydney was the right thing to do. The old format of AGMs were always like this, where it was just a physical presence, people wanted to come, they were welcome, ask questions, they were welcome. But if you feel the hybrid measure is a better way of doing it, we'll certainly consider that.

Ms Waterhouse: Yes that's great, we're happy to talk offline about that. Thank you.

Mr Gregg: Okay, sometimes it's hard to get that right because everyone has such a different view on these things. But anyway, as there are no more questions, we have now finalised discussion on this item. The proxy votes received prior to the meeting in relation to this resolution are shown on the slide. It appears the proxies received at this resolution will pass comfortably, so well done, Sue.

That concludes the formal business of this meeting. If you haven't already done so, please submit your votes in respect of all resolutions now by using the paper voting card. We'll leave the poll open for a further five minutes after the close of the meeting to enable all shareholders to cast their votes. The results of the poll will be released on the ASX Market Announcements Platform as soon as possible after the meeting.

On behalf of the Board and management, I would like to thank you for attending the TLC Annual General Meeting and for those who submitted questions and contributed comments to help make this an engaging meeting.

Thank you again for your time today and for your continued support of the Company.

I now declare the meeting closed. Thank you.

End of Transcript