



Company: The Lottery Corporation

Title: FY25 results – investor presentation transcript

Sue van der Merwe: Good morning and thanks for joining us today. I'm Sue van der Merwe, Chief Executive Officer of The Lottery Corporation and I'm pleased to announce our financial results for FY25. I am joined by our CFO, Adam Newman and together we'll take you through the investor presentation lodged with the ASX this morning.

I will start on slide 4. This slide clearly demonstrates the resilience of our business and ability to deliver sustainable growth over time. The lottery industry long-term trend in turnover growth is in line with or above inflation and population growth. Profitability has also grown over time, with digital share gains underpinning VC margin expansion.

Over the last six years, Lottery's digital share has risen from 23% to 42% and Lottery's VC margin has grown from 23% to almost 27%. The yellow line on the graph represents the three-year average turnover, which smooths the impact of the short-term jackpot fluctuations. In line with the long-term trend, this grew again in FY25. It's a proven model that grows sustainably and delivers for all stakeholders.

Slides 5 and 6 provide an overview of highlights for the year and the major initiatives we've delivered. We have achieved a resilient financial performance in FY25 and that was underpinned by the strength of our diversified gain portfolio, proactive portfolio management, ongoing benefits from customer-focused innovation and finally, disciplined cost management.

Our FY25 performance, supported by a strong financial position, robust cash flow and a highly cash generative business model underpinned the Board's decision to increase the full year ordinary dividend to 16.5 cents per share per share, up from 16 cents last year. This highlights the confidence in our outlook and the sustainability of our operating model. This result was delivered despite a 13% reduction in Division 1 prize offerings across our two jackpot games and economic pressures that saw some consumers become more discerning with their discretionary spend.

In that context, our portfolio performed well, with healthy underlying participation and steady performance from our base games. We tactically accelerated jackpot sequences where appropriate, stimulating larger jackpots and delivering four \$100 million draws in FY25, three for Powerball and one for Oz Lotto. Game evolution remains central to our growth strategy and I'm very pleased with the successful game changes delivered by our team this year.

In May, we refreshed Saturday Lotto, lifting the Division 1 prize offer from \$5 million to \$6 million and introducing a 10c per game price rise. Saturday is our second largest game with strong player loyalty. Early results show strong price retention and a positive customer response. Weekday Windfall, which added a Friday draw to our Monday and Wednesday offer in late FY24, also continues to perform well.

Looking ahead into FY26, we're on schedule to deliver Powerball changes, with bigger prizes supported by a \$0.20 per game price change and that is subject to



regulatory approval. Implementation is planned for November, meaning eight months of impact this financial year.

Customer experience is a key focus in our business, with our targeted investments in CX supporting another year of growth in higher margin digital lottery sales. With digital share now at 42%, we continue to see upside as customer preferences evolve and customer engagement deepens. This work, including improvements in onboarding, greater personalisation and retail upgrades is driving a better customer experience across all channels.

In parallel, we commenced the rollout of new lottery terminals, completing Queensland on schedule. The new terminals modernise our retail footprint and support future innovation, delivering a better in-store experience. They will also deliver a cost-efficiency benefit. As Australia's leading lottery operator, we remain committed to responsible play. It's central to how we deliver our products and to maintaining community trust. We also deepened our community connection by integrating the Play for Purpose charity raffle into The Lott app and website, supporting hundreds of grassroots organisations and making it easier for customers to give back to causes they care about.

Keno delivered year-on-year revenue and earnings growth. Strong retail performance was supported by refreshed branding, stronger local area marketing and increased venue visitation. Overall, we stayed disciplined on capital and costs, protecting our margins and underpinning a resilient result. That discipline and focus positions us well for the year ahead. Importantly, our operations generated \$2.4 billion in returns to state and territory governments and retail businesses in FY25, reinforcing the strength of this community-centred model.

I will now hand over to Adam to take you through the financials in more detail, starting on slide 7.

Mr Newman:

Thanks, Sue and good morning, everyone. Thanks for joining us this morning. This slide gives us a snapshot of our Group results for the year and FY25 was a year of disciplined execution, a year of strategic investment and a year of continued delivery for our shareholders, even with a softer jackpot cycle. Revenue declined 6% as anticipated, driven by lower Division 1 prizes. EBITDA came in at \$749 million and this was down 9%.

Disciplined cost control meant we absorbed much of the final separation impact. Net profit before significant items was also down 11.2%, again reflecting jackpot cycle dynamics. Importantly, for the first time since demerger, there were no significant items. Separation is complete and that gives us a clean slate and a strong platform for growth.

Around 85% of our debt is fixed or hedged. We also generate strong interest income from our cash balances. That means that our earnings are materially insulated from interest rate movements. We delivered a final fully franked dividend of 8.5 cents per share, taking fully a dividend to 16.5 cents per share fully franked. That's a 3% increase on last year and maintaining a 100% payout ratio.

If we can now move to slide number 8 and this bridges FY25 EBITDA with the PCP. Our portfolio diversification, our disciplined cost management and our active portfolio management all helped cushion the impact of lower jackpot activity. The key headwinds were a 13% decline in Division 1 prize money and higher technology



costs from the full-year impact of separation, both in contracts and people. We kept a sharp focus on OpEx and that allows us to mitigate the impact of separation and inflation, as well as absorb some of the pressures from lower revenues.

Several other factors also offset these pressures. Firstly, the successful launch of Weekday Windfall, active portfolio and sequence management with continued digital growth even with fewer larger jackpots which helped increase our margins and Keno held steady with strong retail performance offsetting expected digital softness after the introduction of spend limits.

If we can move now to slide number 9, our balance sheet remains strong and our cash generative model gave us the flexibility to lift our dividend and this was despite softer sales. OpEx was \$307 million. Pleasingly, this was below our \$310 million to \$320 million range and that's thanks to tight control of a discretionary spend, headcount and better-than-expected procurement outcomes. We now have a clean OpEx base and our ongoing optimisation programs will continue to drive efficiencies. Looking ahead, we'll seek to keep OpEx growth below normalised revenue growth over time. Growth investments will be funded through savings, keeping cost discipline as a core focus.

CapEx in FY25 was \$78 million, focused on technology and customer experience. We expect CapEx to rise to around \$100 million in FY26 and remain elevated at similar levels in FY27 and FY28 as we invest in digital transformation, retail and core infrastructure. Net debt to EBITDA sits at 2.9 times, liquidity is \$630 million and average debt tenor is four and a half years. The Board remains committed to our three to four times leverage target and we will return any excess capital in the most tax efficient way possible.

So in short, FY25 proved the resilience of our business. We navigated a softer revenue environment, we completed separation and we maintained a strict cost discipline and we delivered higher returns to our shareholders. Our priorities remain clear: digital growth driving margin expansion, operational efficiency and disciplined capital allocation. With strong cash flows and a robust balance sheet, The Lottery Corporation is well positioned to deliver long-term value for our shareholders.

Thank you and I'll now hand back to Sue.

Ms van der Merwe: Thanks Adam. So let's look now at the results by segment starting with lotteries on slide 11. After any record year, some reversion to the mean is expected and that was the case this year following the extraordinary jackpot run in FY24. That included two \$150 million jackpots and of course the record \$200 million Powerball, an event we modelled to occur roughly once every seven years. Our underlying performance held up well given Division 1 prize offers were \$347 million lower than the prior year and some customer behaviour was impacted by economic conditions.

Medium participation trends remain healthy, albeit year-on-year participation reduced in response to the lower jackpots. Frequency of play was steady overall and up for registered players, indicating stronger customer engagement with that segment. In its first full year, Weekday Windfall delivered a standout performance. The additional Friday draw generated a meaningful \$90 million in incremental turnover. This success allows us to shift our marketing focus from adoption to driving engagement among existing players.

Slide 12 looks at our customer numbers and Lotteries' turnover by channel. Following last year's surge, when an extra half a million customers joined our ecosystem, hoping to win our largest Powerball jackpots, overall customer numbers moderated as expected in FY25. Even so, over the past five years, active registered customer numbers have grown at a 4% CAGR, showing that our portfolio continues to resonate with customers.

We see significant upside in continuing to convert non-registered into registered customers and we've launched targeted programs to accelerate this shift, including simplified instant registration and personalised CRM campaigns. These initiatives are delivering results with an improved IDV pass rate now at 85% and stronger onboarding completion. In terms of customer acquisition, we saw a continuation of last year's trend, with 62% of new customers under the age of 45 years.

Looking now at turnover by channel, both retail and digital were impacted by the lower Division 1 prize money on offer versus the PCP. With unregistered retail customers less sticky than those signed up, retail was more impacted than digital by the lower prize offers and high-profile events. Notwithstanding that, retail continues to be our largest channel and a cornerstone of the Lotteries business, playing a critical role in building brand presence and strengthening customer connection.

Slide 13 illustrates that underlying demand trends for our base games remain resilient. Customers responded positively to the Weekday Windfall game launch and the Saturday Lotto price change was well timed as the next game in the portfolio to be strengthened. Like for like turnover levels across our top three games were relatively stable with Oz Lotto slightly up and Powerball and Saturday Lotto slightly down.

Turning to our jackpot games Oz Lotto and Powerball on slide 14, Oz Lotto and Powerball had very different jackpot outcomes this year, demonstrating the strength of a diversified portfolio. The team actively managed jackpot sequences to optimise outcomes across the jackpot category. Oz Lotto responded well, delivering a 21% uplift in total prizes offered. Powerball, on the other hand, did not go beyond \$100 million and overall fell 31% below FY24 in total prizes offered.

When we adjust for the unusually strong jackpot run in FY24, compared with the more subdued activity in FY25, we saw a \$600 million movement in turnover year on year. This kind of variability is inherent in lotteries and typically evens out over the long term. That said, given the unprecedented Powerball jackpots in FY24, the swing in '25 versus the PCP was certainly pronounced.

On to slide 15, we look at product innovation and new game launches driving growth across the portfolio. This is a strength and a proven capability in TLC. At the half, I spoke about the importance of Saturday Lotto as the long-term foundation of our base game portfolio. It is our second biggest game, supported by a loyal customer base with the highest proportion of people playing favourite numbers. We considered very carefully what change we would make, informed by extensive customer research and in May we made the change which has been a great success. It has been well received by players with very strong early price retention. We do expect that to settle into the usual range of 50% to 75% over time.

Looking ahead, the next game we are set to evolve is Powerball. Once regulatory approvals are in place, these changes will ensure it continues to hold its place as our premium jackpot game.

Now on to Keno. Slide 16 and 17 highlight that Keno continues to be a retail-centric game performing strongly in recent years. This growth has been supported by increased venue visitation as consumers increasingly seek out value when socialising. We've worked closely with our venue partners to position Keno as a fun social game that can be enjoyed with friends and it's working. The chance to win \$1 million for just \$1 remains a compelling proposition.

Retail turnover grew 8% on the PCP, a very pleasing result. That growth was partly offset by a near 20% decline in online turnover. This was largely driven by our voluntary introduction of mandated weekly spend limits, a proactive step to strengthen customer protections for online Keno. This initiative, along with continuous play alerts introduced in May, underscores our commitment to responsible play and long-term sustainability. It sets us apart from others in the market who have taken a more aggressive approach to marketing online Keno. We've chosen a more measured path, prioritising customer care over short-term customer acquisition.

Slide 19 gives an overview of TLC's unique investment proposition: a strong market position, supported by long-dated licences, powerful brands, a resilient retail footprint, broad community acceptance and a balanced portfolio that delivers both defensive cash flows and attractive growth potential.

Now turning to our strategy and priorities for FY26, which are outlined on slides 20 and 21, our vision is to be the world's best lottery operator. That's not just a tagline; it's a clear ambition that guides every decision we make. It's about delivering positive impacts for all our stakeholders, our customers, partners, regulators and shareholders. To get there, our strategy is focused on long-term value creation. That means innovating our products, accelerating digital transformation and driving operational efficiency. FY25 was a year of strong execution and delivery. We made real progress and we're focused on keeping that momentum going.

On product, Set for Life is the next game flagged for change after Powerball. It plays a unique role in the portfolio with its \$20,000 a month for 20 years proposition. It attracts a different segment of player and adds valuable diversification. We're also investing in customer experience, rolling out new install payment options, expanding automation and self-service and continuing the rollout of the new retail terminals.

With the Queensland lottery network now complete, this project is a key enabler of our broader digital and omnichannel strategy and it's helping us grow our registered customer base. To amplify our community impact, we intend to scale the Play for Purpose charity raffle by increasing the number of tickets available in each raffle. This will create a larger prize pool while also raising more funds for hundreds of Australian charities. At the same time, we are continuing our program of work to enhance the value of our licences. A key part of that is advocating for a more effective regulatory framework for lotteries and Keno.

Following the federal election in May, the government is still considering its response to several reviews into gambling and harm, including foreign-matched lotteries and online Keno. We remain actively engaged, advocating for a well-regulated industry that prioritises strong customer protections, safeguards

community returns and upholds player trust. There are a few related developments worth calling out in this area.

In the Northern Territory, a new minimum 50% tax rate, less GST, has been introduced on profits from lottery ticket reselling and matching activities. This applies to operators using internet gaming licences to sell foreign-matched lottery products. We do not hold such a licence. In the US, the Oregon Lottery is moving to ban sales via courier services to customers outside the state, joining other US states in tightening controls. These third-party courier services buy lottery tickets on behalf of customers, often in other parts of the world. Oregon has been a key hub of that activity, so this is a significant step.

It reflects the growing concern about these risks these services pose to the integrity of the industry. And it's not just Oregon. The World Lottery Association has also raised concerns about courier services, warning that they undermine regulated lottery markets. Together these developments send a clear message. The global industry is taking steps to preserve the lottery sector's integrity.

Slide 22 outlines our agenda to accelerate the benefits we can unlock from digital transformation and modernising our tech ecosystem. This is a critical enabler of our strategy and to support this, we are stepping up our investment. This work is essential to sustaining our growth trajectory, fast-tracking registered customer growth and delivering cost efficiencies and risk reduction. While it's a step up in investment, we will remain disciplined in line with our capital allocation framework.

So concluding on slide 23, looking back at FY25, we delivered a resilient financial performance, once again highlighting the defensive nature of our business. Our strong financial position and cash flow supported an increase in the full year dividend. We started FY26 with good momentum in the business. The team is focused on generating revenue growth, customer conversion, transforming the customer experience, maximising operational efficiency and continuing to progress licence value enhancement initiatives.

The full year benefit of the Saturday Lotto price change will flow through in FY26 and a Powerball entry price increase is planned for later this year. We expect continued digital share growth and further productivity gains to support margin expansion and long-term value creation.

Finally, a few words on my upcoming retirement. In March, I announced my intention to retire later this year after 35 years in the lotteries industry, including the last three as the CEO of The Lottery Corporation. It is a privilege to lead this wonderful company and a team of such talented and passionate people. We have built a strong business with a solid foundation and a strategy to deliver long-term sustainable growth.

As we announced last month, Wayne Pickup will commence as our new MD and CEO later this year. Wayne led Allwyn North America for the past seven years and was previously CEO at Lotto New Zealand. He brings deep industry experience and a strong track record and we look forward to introducing him to you in due course. The Lottery Corporation is in great hands and it has an exciting future ahead.

Thank you and with that, we will now open the line for questions.

Operator:

Thank you. If you do wish to ask a question, please press the star key then one on your telephone and wait for your name to be announced. If you wish to cancel your

request, please press the star key then two. If you are on a speakerphone, please pick up the handset to ask your question. We also request that you please limit your questions to two at a time and then please rejoin the queue if you have any further questions. Your first question is from Adrian Lemme from Citi. Go ahead, thank you.

Mr Lemme: (Citi, Analyst) Hi, good morning, Sue and Adam and congrats, Sue, on your long career and thanks for taking our questions over the years. Look, my first question is on the Powerball like-for-likes, they were down 2.2% for the full year after being up 2.4% in the first half, which to me implies about negative 7% like-for-likes in the second half. The data seems to suggest this continued into August and is broad-based across jackpot sizes. Can you talk to what's driving that second-half weakness and if you expect this to continue into the first half, please?

Mr Newman: Yes, hi Adrian. Is Adam here. I'll take that to start with. As we've discussed in the past, those like-for-likes are not an exact science. They tend to be at an approximation depending upon the information that we've got available at that overall point in time.

We've talked about the fact that, in some cases, the small sample sizes, the like-for-like for Powerball for this instance only has 40 observations, for example. So, whilst they are directional, I think ultimately, at the end of the day, you have to stand back and look at the medium to longer term. So this business historically has been able to produce the revenue of 4% to 5% over that overall time period. So focusing in on one short period, I think, has to be taken with a little bit of caution.

With regards to the jackpot games, there were a number of factors that were played into it. We talked at the half, for example, we had a large Powerball draw at the same time as the Black Friday in November, so they don't necessarily operate independently of each other. We did see an uplift in Oz in participation, frequency and spend, whereas Powerball did have lower participation and spend but did have stable frequency across the period of time at the end of the day. So ultimately, at the end of the day, we don't see any major concerns and the price rise coming up in November will help uplift Powerball from that perspective as well.

Mr Lemme: (Citi, Analyst) Thanks for that, Adam. Can I just ask a follow-up? I think previously you've spoken to, broadly, the retention of price increases. I think about half to two-thirds is what you expect to get when you put these price increases through. Can you clarify what you expect with this increase on Powerball, please?

Mr Newman: I think typically we work on a range of 50% to 75% and with Powerball, our expectation will be it'll be in that range this time as well.

Mr Lemme: (Citi, Analyst) Okay, thank you.

Ms van der Merwe: Adrian, I might add to that. Previously on jackpot games, particularly when the jackpots have rolled following a change, our attention has been more at the higher end. I think Powerball was running at a P5 through this year and a lot of acceleration activity that you would have seen that we undertook through the year lifted that to a P15. But obviously we just didn't get through the higher jackpot rolls. When you don't get the higher jackpots, you don't get the flow-on effect into the lower end of the jackpot sequences as well. So really what we're seeing is just an impact from the fact that we're not getting those high jackpot rolls through, which we hope to get to through this financial year.

Mr Lemme: (Citi, Analyst) Thanks Sue.

Operator: Thank you. Your next question is from Andre Fromyhr from UBS. Go ahead, thank you.

Mr Fromyhr: (UBS, Analyst) Thank you, good morning. Maybe just a follow up question about that like-for-like behaviour. Adam, I understand your points around the rough science of the way you've presented those growth rates, but I might just refer to some of the other detail that you've provided, which is an estimate of the turnover and the revenue versus your model. Am I right in understanding you've called out a \$50 million revenue headwind in this presentation and that compares with a \$100 million revenue headwind at the half? Is it accurate, then, to say that you're calling out the second half performance as performing better than the theoretical model?

Mr Newman: Yes, I think that's right Adrian [sic].

Mr Fromyhr: (UBS, Analyst) Okay. Then also regarding the Powerball approvals, I guess November timing is sooner than we've seen for the previous annual cycle going in, in May each year. Is there anything we could read into that timing shift coming six months earlier? Or otherwise, how do we think about the broader pace of innovation? Are there opportunities to do more each year?

Ms van der Merwe: I'll take that up. The Powerball one we moved – I mean, part of the reason we moved it earlier was because we want to get more of the impact into this financial year. Given the low jackpot activity that we had in '25, we want to give ourselves the opportunity to get to the high jackpot activity as much as we can through FY26. I think Saturday also being very well accepted and tracking so well gives us confidence that we can bring in the change on Powerball successfully, perhaps a little bit earlier than we've otherwise done.

Going forward, I mean I have always said, we have done changes close like this before, but the more general approach, as you have pointed out and seen, has been more around the 12 months. So I think every time we look at a game change, we look at what is happening in the rest of the portfolio, as you know, how does this change, influence other games in the portfolio and what is the best timing associated with that sort of review, so I can't say what will happen in the future, but certainly what I can say is that there will be continuing game innovation and I expect that our pattern of the past will continue into the future and from time to time we may do things a little bit more quickly if we think that that's the right call.

Thank you. Your next question is from Kai Erman from Jefferies. Go ahead, thank you.

Mr Erman: (Jefferies, Analyst) Thanks for taking my question. First one on the growth CapEx that you guys have flagged over the next three years, would be keen to dig in a little bit into what those digital transformation and ecosystem initiatives are and how you think about the returns from those from an earnings perspective.

Mr Newman: Hi Kai, it is Adam here. Essentially the CapEx profile for the next few years that we have called out, that \$100 million for next year and then FY27 and '28, it is a combination of a number of different things between modernising the core infrastructure, investing in terminals, in addition to the investment in the digital side of the overall business. So the speed to market, for example, with game changes is a good example of some of the ability within our core infrastructure, but it has an ability for us to get the product to market quicker. Also it gives us the ability from a

core infrastructure to get more personalisation and scale into the system as a consequence.

Overall, at the end of the day, a cornerstone of our overall strategy is to grow our known or registered customer base and we know that known customers spend more than unknown customers. So our ability to actually convert more of those by making the digital experience cleaner and easier for them will help us drive that incremental turnover from our large and existing customer base.

Mr Erman: (Jefferies, Analyst) Okay, perfect. Thanks, Adam. Just one follow-up, just regarding the accelerated jackpots that you guys did over the second half, how should we think about the reserve levels going into FY26 if we continue to have some weak jackpot sequences? Do you guys still have the ability to push the accelerated sequences at this point in time?

Ms van der Merwe: Yes, on Powerball we did do 33 weeks, actually, of accelerated sequence through FY25. The normal approach that we take moving into a game change is to manage the prize offers for that game ahead of the change, to put it in the best position possible to have the greatest impact when we implement the change. What I mean by that is we will generally slow down the sequences to the more normalised levels leading into game change so that when we put the change in, the uplift is noticeable to players and they see the benefit coming through from the higher price that they are paying.

So we are doing that at the moment with Powerball. That is actually just part of our normal activity anyway that we would have been doing. But we've also increased the reserve contribution from 2.5% to 3.5%. Again, that is something we do from time to time leading into a game change to really strengthen that, so that we've got a lot in the bank sort of thing, to push the game change when we launch it. So we are doing that with Powerball; that's in place at the moment and that will rebuild those reserves. We did that with Oz Lotto before we made the change there as well and we saw that that built the reserve back quite quickly.

Mr Erman: (Jefferies, Analyst) Great, thanks. I'll pass it on there.

Operator: Thank you. Your next question is from David Fabris from Macquarie. Go ahead thank you.

Mr Fabris: (Macquarie Group, Analyst) Hi Sue, hi Adam. Look, I'll start off my first question, just Lottery's digital penetration, it looks to be about 43% in the second half. That's about 2.6% sequentially. Is that mostly driven by favourable mix or are there other factors that play around that? As part of that question, do we still work with the rough rule of thumb that 1% digital penetration is worth about \$5 million of EBITDA?

Mr Newman: Yes, hi David, it's Adam here, I'll have a go at your question. The first question, I think it is a bit of both. We are quite pleased with where digital has gone over the course of this year, particularly when you take into consideration the lower jackpots, as we called out. So that's the first question. What was your second question?

Mr Fabris: (Macquarie Group, Analyst) I'd just like to clarify if 1% of digital penetration is still worth about \$5 million of EBITDA.

Mr Newman: Yes, sorry, mate. Look, I think as a consequence, we've actually said about \$5 million. I think given post the commission rate increase, that number has probably trended up a bit. We would sort of direct more towards the \$6 million now, I think.



- Mr Fabris:** (Macquarie Group, Analyst) Okay, perfect. Then just my second question, I just noticed in the guidance that you haven't provided anything on operating costs. Are you able to provide any insights, like a range, or are you signalling that you're stepping away from providing cost guidance from here?
- Mr Newman:** Yes, I'll take that again. No, we've flagged that we've got now a pretty clean OpEx base, which is good. Our current intention is to provide guidance again at the half and this has been consistent with past practice. We haven't provided guidance previously at the full year, so it's not like we're stepping away from it. It's not our intention at this point in time to give guidance now, but I can make a couple of comments if you like.
- First of all, as we've talked about in the past, 50% of our costs are people and we did give a 3.5%-ish pay increase at the half. So as you look into FY26, that's an influence. Non-people costs, particularly probably in the technology space, are running a little bit above that 3.5%. We will have some project OpEx associated with a step up in CapEx, so there will be a bit of upward pressure from OpEx coming there. I've said that will be in our optimisation program that we've been working on for the last couple of years at the end of the day. So they're probably the main things that I'd say in relation to FY26.
- Just to reiterate, at the half, it would be our intention again to provide guidance, noting that we've got a new CEO coming in.
- Mr Fabris:** (Macquarie Group, Analyst) Yes okay, but to clarify, you'd always expect that when you're seeing good revenue growth coming through the business and we should this year, given the price rises and the luck factor, that OpEx growth should trend below revenue growth?
- Mr Newman:** Yes, that's our goal, is to get it below normalised revenue growth over time. There can be some ebbs and flows, mostly dependent upon where you're at from a project OpEx perspective. We've had some good traction in terms of our cost focus and I think you saw that in the second half where second half costs were essentially flat to the PCP at the end of the day. But yes, you're right, that's our overall target, where we've got costs below our normalised revenue over time.
- Mr Fabris:** (Macquarie Group, Analyst) Yes, okay, so just to follow up on that, are we talking about an ebb this year where we could see cost growth at revenue growth given this project cost? That's, I guess, what I'm trying to work out here.
- Mr Newman:** Yes, I'm not trying to give guidance, but it would be – I mean, you've always got to caveat it with subject to where you turn out from a jackpot perspective, but on a normalised basis, no, that wouldn't be our expectation.
- Mr Fabris:** (Macquarie Group, Analyst) Okay, that's perfect. I really appreciate the insights. Thank you.
- Operator:** Thank you. Your next question is from Rohan Sundram from MST Financial. Go ahead, thank you.
- Mr Sundram:** (MST Financial, Analyst) Thank you. Hi Sue and Adam, thanks for this and Sue, congratulations on a very distinguished career as well. Just the one question for me around the consumer environment. So you mentioned, you made some comments earlier are you able to just elaborate on exactly how you see the consumer environment and any changes, notable changes to player behaviour? Thank you.

Ms van der Merwe: Sure and thank you for the congratulations and the one earlier. So in terms of participation, frequency, spend, which are three of the key metrics that we look at, of all of our active registered customers, which of course we have our very known customers and we have very accurate data on, participation was down across the games, but most pronounced in Powerball, with the exception of Oz Lotto, due to the jackpot activity on that. So that's consistent with what you see in terms of the customer numbers in the presentation and that is a factor of the lower activity in terms of prize offers that we put into the market in '25.

Spend is up across most games on a spend-per-occasion basis. Saturday is pretty stable. Powerball is down, again jackpots. So I think that's a positive sign, the spend per occasion being stable. That shows people are still engaged in the portfolio. Frequencies are up across all of the games, so basically what it's saying is the players that we've kept are playing more often and spending more on each occasion that they play. We've lost some of the participation that we gained through all of that Powerball jackpot activity.

Interestingly, the Gen Y cohort is the one that we have got the – it has now become our largest segment, actually, of all of our active registered customers and it's the one that we had the highest increase in new players in. But it also is one that we had quite a bit of churn in from the players that came in last year. We look at that cohort and they are really, I guess, a cohort which is more sitting in that mortgage belt type family budget situation, so our deduction from that is that they are responding to some of those economic pressures.

Baby boomers, the oldest segment, is absolutely the largest segment by value and they spend the most, quite significantly up on the other generations. They are also the biggest users of retail, but they are also becoming increasingly digital savvy and their digital penetration is on the rise and their omnichannel participation is quite strong as well. So that is actually a really good metric for us.

So I think overall, The Lottery business is built on this model of wide participation across a broad range of age groups and that's holding true, so that's a really strong sign for the business and its defensiveness and future sustainable growth opportunity. We're continuing to fill the pipeline from the bottom with people coming in at Gen X and Gen Y and even Gen Z and we're hanging on to the baby boomers, the older players. What we see is, as people go through that lifecycle and through those age demographics, they become the more valuable players.

So people are spending less at the younger demographic, understandably. As we take them through the customer journey and they go through those life stages, they become more sticky and they become more valuable to us. All the initiatives we've got in the plan that we've spoken about are all set to drive that traction strongly.

Mr Sundram: (MST Financial, Analyst) That's great, thanks Sue.

Operator: Thank you. Your next question is from Matt Ryan from Barrenjoey. Go ahead, thank you.

Mr Ryan: (Barrenjoey, Analyst) Thank you. I just wanted to ask about the upcoming Powerball change. So maybe before I ask my question, just to confirm there is no change to the game matrix?

Ms van der Merwe: That's right, Matt.

Mr Ryan: (Barrenjoey, Analyst) So I guess I was just interested in your comments about slowing the accelerated jackpot trend ahead of that, which you would normally do before a matrix change and I guess just the thought process behind the price change and how you're going to promote it to customers. Maybe just as part of that, I just see on slide 15 you talk about leveraging the headroom in the current matrix to support the higher jackpot offers. If you just talk about the marketing strategy and how you're going to come through to customers to the price rise in return for value.

Ms van der Merwe: Yes, so price rises with a consequential flow down into all of the prize divisions and a benefit delivered to players through that has been something we've done a number of times successfully over the years. So as you'd know, we don't always do matrix changes. We still think that the matrix that we have in place for this game, I mean it's high odds and it's still got the ability to deliver through to those \$150 million jackpots. As I said earlier, we are running at that P5 level and we accelerated through to get us through to P15, so we are nowhere near P50 in this year that we've been through. But the model and the matrix is there to support that.

The positioning going into a game change, it is not necessarily to do particularly with only when we are not doing a matrix change. It's what we always do, even when we're putting through a price increase on a jackpot game, is to moderate the acceleration of sequences when we're leading into a game change so that we've got the ability to accelerate them when we come out of the game change. That's part of the strategy, is to help cement the game change in and have it accepted by customers, is the ability then to go out and offer those higher jackpot offers and therefore better value for the price that the customer is paying. So that's what we'll be doing.

Ultimately, Powerball is the premium jackpot game in our portfolio. This also will get the price higher than Oz Lotto, which we think is good in terms of that position. This is a premium jackpot game, you can win a lot when you win it and people are prepared to pay a bit more for that value. The way we position and communicate these changes to players is talk about the benefits, higher prizes, very open and transparent about the fact that the price has gone up but very much focused on the benefits and then really push hard into the offers that we're putting out to the market and really advertise those really strongly.

The personalised communication that we'll be doing through all of our CRM activity and using our new customer data platform, which is enabling us to personalise at scale, so we'll be able to use that for the first time on a game change because that, as you know, it just went in towards the end of last year.

Mr Ryan: (Barrenjoey, Analyst) Got it. Thank you. A question for Adam, maybe on operating costs, I think a year ago you were talking about, I believe, \$10 million or \$15 million of separation costs. Was that the number that you think ended up transpiring in the FY25 year?

Mr Newman: Yes, hi Matt. I think we said \$12 million was the approximation that we gave. Yes, that would be, on a look-back basis, I think that \$12 million probably materially holds, would be the answer.

Mr Ryan: (Barrenjoey, Analyst) Thank you. I appreciate you're giving guidance to FY26, but the cost performance did improve, I guess, relative to your initial commentary a year ago throughout the FY25 year. Do you view that, at a high level, as potentially benefiting from, I guess, easier cost mitigation exercises? I'm just trying to get a

gauge on how to think about the go forward operating cost base and how much – I don't want to use the words low hanging fruit, but how easy it might be to refine that cost base over time.

Mr Newman: Yes, so I'm not 100% sure I'm clear on the question. I mean we spent – maybe I'll try and – sorry.

Mr Ryan: (Barrenjoey, Analyst) I guess, well, a year ago you gave some colour on where costs would be, it came in below that in February and the revised number was lower and then at this result you come in lower again. So I'm just curious on where you're getting those cost savings from. Is there more? What did you find throughout the FY25 year that you were probably surprised with or didn't think that you'd be able to achieve when you were giving that initial guide a year ago?

Mr Newman: Yes, so maybe I'll break it down in terms, without going into too much granularity on the call because we can pick up later, but it probably fell into a number of different themes. In terms of our optimisation activities, there wasn't a single large activity. There was a number of activities that collectively together gave us good traction. Obviously, as we worked through separation in an environment of lower revenue, it was important to be addressing our cost base at the same time.

Probably the area that outperformed expectations would have been in our procurement and vendor rationalisation. When we went through separation, we basically delayed – well, not delayed, went onto a one-year cycle for a bunch of contracts to enable us to have a more strategic approach to address those particular contract renegotiations. That was probably the largest aspect of the overall savings. We had some savings from transitioning in our data centre, contract and licence rights sizing, rationalisation of our property footprint, there's probably not too much more left in that at the present point in time. The network transformation, rolling out network transformation in our communications at our retail networks is probably the other area, along with just, I would say, strong discretionary spend controls. So they was the main thematics in terms of the cost for this particular year.

As we go forward, our intention is that we've still got a program and we'll be pushing to see if we can still continue to deliver to make sure that we continue to perform well for the cost relative to where we're at from a revenue perspective.

Mr Ryan: (Barrenjoey, Analyst) Great, thank you.

Operator: Thank you. Your next question is from Justin Barratt from CLSA. Go ahead, thank you.

Mr Barratt: (CLSA, Analyst) Hi guys, apologies. I missed a lot of your prepared remarks, I was on another call, but one that I just wanted to ask as well is just in relation to Saturday Lotto. You mentioned that the game changes have started quite well and that your retention is probably above that 50% to 75% range for now. But just wanted to try and understand, is there anything about the game changes or Saturday Lotto itself that lends itself to potentially having a higher retention than what you've traditionally seen in the past?

Ms van der Merwe: I would say the one thing is the fact that people play favourite numbers at a higher rate than on other games, so that does mean that there's a high degree of loyalty with those players, obviously to whatever the size of the entry type is. So when we put the price up on games, one of the great things about lottery games is people can choose to accept the full price increase or they can drop down to a lower-

entry type, buy less games effectively, but still have a chance to be in there to win. In fact, that's a benefit that regulators see as well in our games when we talk about price increases, because customers still have the choice to spend less if they choose, or spend the same if they choose to and still be in it to win it type thing.

So on Saturday, the fact that people are quite loyal to their favourite numbers, of course they're less likely to want to give up any of their game panels and reduce the numbers that they are taking. So that is absolutely one factor on Saturday. Having said that, we have done changes on Saturday before and we've probably been more at the 50% to 75% retention rate. I mean perhaps also the fact that we're in a period of low jackpot activity is definitely another influencing factor. This is a portfolio of games. We do promote cross-play across the portfolio. So hence why we're saying we think it might moderate back to normal levels, particularly once a Powerball change goes through and hopefully if we start to get the bigger rolls through on Powerball and we also get good jackpot activity on Oz, there could be an influence back on Saturday.

Mr Barratt: (CLSA, Analyst) Fantastic. Thank you very much for that. Then, I just want to double check again on your digital penetration in lotteries, a number there that looks very, very strong. In terms of inertia towards digital, can you just talk about general trends? Do you see an acceleration there more recently in overall inertia or are trends traditionally – or sorry, what trends are continuing or softer? But, yes, I just wanted to try and get an overall understanding how you are seeing that shift towards digital right now compared to maybe 12 to 24 months ago.

Ms van der Merwe: So I mean factors driving digital, obviously just a wider trend of adoption of digital in all categories out there. For us, jackpot activity is absolutely a driver of digital and customer demographics also have a key influence on that. So the younger demographic absolutely more attracted to digital channel. We've got a lot of activity, some of which we've talked about, in train to, I suppose, leverage off that willingness that younger customers have to engage in digital.

Some of the new features we've got for going forward, one of those is what we call check and collect. We have an enormous number of customers, actually around seven million, who check retail tickets through scanning the barcode on the ticket or scanning the ticket basically to see if they have won, so it's digital ticket, it's a retail ticket. The check and collect feature is going to enable them to check their ticket like that and then have that prize paid immediately into a digital account, so that will encourage them to set up a digital account and then we'll be encouraging them to play digitally and keep playing in retail as well I guess.

The older demographic, as I said, there's definitely a trend up to them taking up more digital but playing more omnichannel as well, so that's good for the retail network. Also good for digital margin growth for us. As we have spoken about previously, we know those omnichannel customers are the most valuable to us. So I think what we saw was continued growth, which is in line with what we've done before and we expect that growth to continue into the future.

Mr Barratt: (CLSA, Analyst) Thank you.

Mr Newman: Maybe I'll just add, if you like also, that if you look at the first half and second half from a digital growth perspective, probably the game that grew the most was Oz Lotto in line with the strong jackpots in the second half.

Operator: Thank you. Your next question is from Sam Bradshaw from Evans & Partners. Go ahead, thank you.

Mr Bradshaw: (Evans & Partners, Analyst) Morning, Sue and Adam, I've just got a question on the new terminal rollout. Have you seen any uplift already from Queensland versus some of the other states? Thanks.

Mr Newman: Hi Sam, it's Adam here. I think it's a bit early days yet from the terminal rollout perspective just in Queensland. So at this stage, no would be the answer.

Mr Bradshaw: (Evans & Partners, Analyst) Great and just to follow up, I think the terminal rollout says that it's just Queensland, NSW and ACT at this stage. Just wondering if you have any plans to go nationwide at some stage.

Mr Newman: No, I think maybe you might be reading the priorities for FY26. So we've completed Queensland lotteries and we'll be doing those other states, so Queensland Keno, New South Wales, ACT, but it will be a national rollout over the course of the remaining three years of the program.

Mr Bradshaw: (Evans & Partners, Analyst) Great, thanks Adam.

Operator: Thank you. There are no further questions at this time. I will now hand back to Ms van der Merwe for closing remarks. Thanks.

Ms van der Merwe: Well thank you and thank you everyone for joining us and giving us your time today, we very much appreciated it. I would like to wish you all well in the future since this will be my last results call. Have a great day. Thank you, goodbye.

END OF RECORDING (59:03)