

A Winning First Six Months; Double Digit Earnings Growth



The Lottery Corporation Limited (TLC) today announces its results for the half year ended 31 December 2022 (1H23)

1H23 performance highlights

- **Delivering strong financial performance**
 - Group Revenue of \$1,920.2m, up 7.7% on the pcp on a Comparable basis¹
 - Group EBITDA² of \$409.4m, up 15.8% on the pcp on a Comparable basis¹
 - Double digit earnings³ growth despite Lotteries cycling significant COVID benefits in the pcp
 - Continued strong cashflow generation
 - Result shows the business' resilience, defensive qualities and benefits of omni-channel model
- **Driving value for shareholders**
 - Increase in the target dividend payout ratio to 80-100% of full year NPAT before significant items
 - Maiden interim dividend of 8.0 cps, special dividend of 1.0 cps, both fully franked
- **Driving game portfolio performance**
 - Further growth in both jackpot and base game categories, which continue to complement each other
 - Proactive jackpot sequence management, coupled with additional base game promotional draws around major jackpots, helped drive portfolio growth
- **Enhancing omni-channel model and seamless customer experience**
 - Significant increase in new active registered customers
 - Launched innovative Store Syndicates product online, driving omni-channel adoption and supporting retailers
 - Return to venue campaigns for Keno helped drive strong retail growth
 - Enhanced personalised marketing program
- **Establishing TLC as a stand-alone entity**
 - Launched new Vision, Purpose and Principles; strong early team engagement; strong governance frameworks embedded
 - Separation from Tabcorp remains on track; continued people, systems and vendor separation activity

The Lottery Corporation Managing Director & CEO Sue van der Merwe commentary:

"I'm pleased to say we've made a winning start as an ASX-listed company, continuing the momentum that the business has created in recent years.

"This result shows we've delivered strong earnings growth once more, driven by a healthy and balanced game portfolio and growth in our retail and digital channels.

"During the half the team continued to deliver initiatives to strengthen our omni-channel offer and the customer experience. The Lott welcomed 221,000 registered customers in the past six months, taking our total to more than 4.3 million. We've made the popular Store Syndicates available online – a leading innovation in the lotteries category. We continued our investment in more personalised and efficient marketing and supported growth in Keno and Instant Scratch-Its through activity that encouraged a return to pre-COVID retail purchasing behaviours.

"The Lottery Corporation has announced its first interim dividend of 8.0 cents per share, fully franked. This is in addition to a special dividend of 1.0 cent per share, also fully franked. We've also lifted our dividend payout ratio target as part of our focus on maximising shareholder returns."

¹ To enhance comparability between 1H23 and 1H22 and to provide more insight into the underlying performance of the business, equivalent financial information has also been included, referred to as "Comparable" results. The Comparable results are stated before significant items and include the earnings from the operational trading of Keno for the periods prior to the date of acquisition by The Lottery Corporation. They also include additional amortisation associated with the fair value uplift to licences upon the acquisition of Keno, as if the acquisition had taken place at the beginning of the corresponding period. The Comparable results for 1H22 also include the estimated ongoing incremental cash corporate and operating costs associated with the demerger from Tabcorp Holdings Limited (which took effect in June 2022). Comparable results is 'non-IFRS' information and has not been subject to audit or review assurance procedures.

² Before significant items.

³ Based on Comparable EBIT and EBITDA growth.

A Winning First Six Months; Double Digit Earnings Growth



1H23 Group Results

\$m	Reported				Comparable ⁵			
	1H23	1H22	Change		1H23	1H22	Change	
			\$	%			\$	%
Revenues	1,920.2	1,664.6	255.6	15.4%	1,920.2	1,783.6	136.6	7.7%
Variable contribution	535.9	415.4	120.5	29.0%	535.9	474.7	61.2	12.9%
Operating expenses	(126.5)	(99.0)	(27.5)	27.8%	(126.5)	(121.2)	(5.3)	4.4%
EBITDA	409.4	316.4	93.0	29.4%	409.4	353.5	55.9	15.8%
D&A	(48.6)	(29.1)	(19.5)	67.0%	(48.6)	(45.1)	(3.5)	7.8%
EBIT	360.8	287.3	73.5	25.6%	360.8	308.4	52.4	17.0%
Interest	(60.4)	(1.2)	(59.2)	n.m.				
Tax expense	(93.1)	(87.9)	(5.2)	5.9%				
NPAT before significant items	207.3	198.2	9.1	4.6%				
Significant items (after tax) ^{4,5}	(34.4)	-	(34.4)	n.m.				
NPAT including significant items	172.9	198.2	(25.3)	(12.8%)				
EPS (before significant items) ⁶	9.3 cps	8.9 cps	0.4	4.5%				
EPS (including significant items) ⁶	7.8 cps	8.9 cps	(1.1)	(12.4%)				
DPS (fully franked) – interim	[8.0] cps	-	[8.0]	n.m.				
DPS (fully franked) – special	[1.0] cps	-	[1.0]	n.m.				

⁴ 1H23 amounts relate primarily to separation costs (refer Appendix 1 of 1H23 Half Year Results Investor Presentation).

⁵ This is "Non-IFRS" information and has not been subject to audit or review assurance procedures. The Lottery Corporation believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business.

⁶ The weighted average number of ordinary shares for the comparative period has been restated to reflect the change in the Company's capital structure as a result of the demerger from Tabcorp, as if the change had occurred at the beginning of the comparative period.

1H23 Comparable Group and Business Results^{7,8}

\$m	Lotteries			Keno			Group		
	1H23 Comparable	1H22 Comparable	%	1H23 Comparable	1H22 Comparable	%	1H23 Comparable	1H22 Comparable	%
Revenues	1,772.8	1,664.6	6.5%	147.4	119.0	23.9%	1,920.2	1,783.6	7.7%
Variable contribution	455.9	415.5	9.7%	80.0	59.1	35.4%	535.9	474.7	12.9%
Operating expenses	(106.3)	(103.0)	3.2%	(20.2)	(18.1)	11.6%	(126.5)	(121.2)	4.4%
EBITDA	349.6	312.5	11.9%	59.8	41.0	45.9%	409.4	353.5	15.8%
D&A	(33.7)	(29.0)	16.2%	(14.9)	(16.1)	(7.5%)	(48.6)	(45.1)	7.8%
EBIT	315.9	283.5	11.4%	44.9	24.9	80.3%	360.8	308.4	17.0%
VC / Revenue %	25.7%	25.0%	0.7%	54.3%	49.7%	4.6%	27.9%	26.6%	1.3%
Opex / Revenue %	6.0%	6.2%	(0.2%)	13.7%	15.2%	(1.5%)	6.6%	6.8%	(0.2%)
EBITDA / Revenue %	19.7%	18.8%	0.9%	40.6%	34.5%	6.1%	21.3%	19.8%	1.5%
EBIT / Revenue %	17.8%	17.0%	0.8%	30.5%	20.9%	9.6%	18.8%	17.3%	1.5%

⁷ Refer footnote 1 for an explanation of 'Comparable'.

⁸ Business results may not aggregate to Group total due to unallocated items.

A Winning First Six Months; Double Digit Earnings Growth



Business Unit Commentary

Lotteries

- Comparable⁹ Lotteries revenue of \$1,772.8m, up 6.5% on the pcp;
EBITDA of \$349.6m, up 11.9% on the pcp

Lotteries growth was driven by active portfolio and jackpot sequence management and continued growth in retail and digital. There were no material net impacts evident in the period from COVID.

The jackpot games (Powerball and Oz Lotto) part of the portfolio grew turnover by 11.1% on the pcp while the base games (Monday & Wednesday Lotto, Saturday Lotto, Set for Life, Instant Scratch-Its and Lucky Lotteries) grew turnover by 1.2%, with the business cycling the strong COVID tailwind in 1H22.

Powerball was responsible for driving most of the growth, underpinned by management of accelerated jackpot sequences, including the record \$160m draw, in which that jackpot level was reached after just six weeks.

During the half, several game initiatives were introduced to encourage play across the portfolio following the increase in player volumes delivered by big jackpot events. These included additional \$10 million Saturday Lotto draws, while Monday & Wednesday Lotto Cashcade and Double Dividend offers were timed to follow Saturday Superdraw events.

The retail channel delivered continued turnover growth (up 3.5% on the pcp). Digital turnover continued to grow strongly (up 10.6% on the pcp) and accounted for 38.4% of all turnover in the half.

Active registered customers grew by 221,000 in the half to 4.3m.

The EBITDA/Revenue margin improved from 18.8% to 19.7%, primarily due to the lift in digital share of turnover, a further step up in fees from the Jumbo reseller agreement and interest income on Set For Life deposits.

A Powerball price increase from \$1.10 to \$1.20 per subscription is scheduled for May 2023, subject to regulatory and other approvals. It would be the first change to the subscription price of Powerball since 2018 and is designed to generate more frequent and larger jackpots.

Keno

- Comparable⁹ Keno revenue of \$147.4m, up 23.9% on the pcp;
EBITDA of \$59.8m, up 45.9% on the pcp

Keno grew revenue strongly as normal trading resumed post the end of restrictions in the retail environment. A series of tactical promotions and activities supported the return to pre-COVID purchasing and visitation behaviours, such as the 'Play the Numbers You Know' campaign.

Retail turnover was up 49.7% on the pcp, while digital turnover was down 10.9%. Both the retail and digital results reflect the COVID-related closures and restrictions in 1H22. Digital as a share of overall Keno turnover (14.7% in 1H23) is more than double the pre COVID level.

An integrated digital Keno offer in Victoria under the 20-year licence secured in April 2022 went live yesterday.

The EBITDA/Revenue margin improved from 34.5% to 40.6%, primarily due to NSW venues being closed in the prior period. NSW is the largest Keno market and The Lottery Corporation's co-licensee arrangements in NSW means it reports its share of NSW Keno variable contribution as revenue.

⁹ Refer footnote 1 for an explanation of 'Comparable'.

A Winning First Six Months; Double Digit Earnings Growth



Capital Management

The Lottery Corporation is in a strong and flexible financial position to support the existing business and fund future growth.

In relation to dividends, The Lottery Corporation has announced:

- an interim dividend of 8.0 cents per share in relation to 1H23 NPAT before significant items, representing a dividend payout ratio of 86%.
- a special dividend of 1.0 cent per share in relation to June 2022 NPAT before significant items. This covers the period post the demerger from Tabcorp Holdings Limited but prior to the commencement of the 2023 financial year.
- both dividends will be fully franked and payable on 23 March 2023 to shareholders registered at 2 March 2023. The ex-dividend date is 1 March 2023.
- an increase in the dividend payout ratio target to 80 to 100% of full-year NPAT before significant items.
- the introduction of a Dividend Reinvestment Plan.

The Lottery Corporation has also today announced its capital allocation framework. As part of this, it has revised its target leverage (Net Debt/EBITDA) level for increased flexibility to 3.0x to 4.0x (previously 3.5x to 4.0x). Leverage as at 31 December 2022 was 2.6x, which reflects the Company's recent strong financial performance.

Conclusion

"The Lottery Corporation is a strong business that's had a successful start to life as an ASX-listed entity. The Company generates strong cash flows and has defensive qualities, long-dated licences and approvals," Ms van der Merwe said.

"We have generated strong momentum and believe there is further upside potential for The Lottery Corporation from ongoing portfolio management and other initiatives. These include the proposed Powerball price change, which is expected to deliver more frequent large jackpots, and the launch of our integrated retail and digital Keno offer in Victoria. We are also investing in our retail technology. As part of this we'll be able to offer a more integrated digital and personalised experience for customers purchasing in store.

"Our team will continue to keep The Lottery Corporation's purpose to create positive impacts front of mind. This includes our commitment to operating with integrity and transparency with all our stakeholders, including governments and regulators.

"Lottery products are played by the equivalent of half the Australian adult population and are a low-involvement purchase decision with an average weekly spend of \$12. Through the sale of our products, we were able to help generate \$1.7bn in taxes for governments in FY22.

"We're committed to continuing to offer exciting games that not only deliver life-changing wins to our customers but make a meaningful difference in the community."

For more information:

Media: Rick Wallace, Senior Manager Corporate Affairs +61 (0)477 799 910

Investors/Analysts: Chris Richardson, GM Investor Relations & Treasury + 61 3 9868 2800