

## Record result for FY22 following a strong FY21

The Lottery Corporation Limited (ASX:TLC) today announced its results for the full year ended 30 June 2022, the first results following the demerger of The Lottery Corporation from Tabcorp Holdings Limited on 1 June 2022.

### FY22 performance highlights

- Record result following a strong FY21, shows the value of the balanced game portfolio
  - Comparable Group Revenue<sup>1</sup> of \$3,507m, up 9.4% on pcp (Reported Group Revenue: \$3,279m)
  - Comparable Group EBITDA of \$694m, up 11.9% on pcp (Reported<sup>2</sup> Group EBITDA: \$610m)
- Result shows the business' resilience, defensive qualities and omni-channel model benefits
- Demerger successfully executed; significant ongoing work required to fully operationalise the separation
- Lotteries: Strong revenue growth underpinned by active portfolio and jackpot sequence management, and continuing growth in digital. Favourable Powerball outcomes in FY22, good performance from base games
- Lift in digital share of Lotteries' turnover (from 32.8% to 37.7%) drove further margin improvement; resilient performance in Lotteries retail
- Keno: Flat revenue despite COVID-enforced retail closures (especially in NSW in 1H22) with some offset from digital growth. Revenue and reported margins both impacted by NSW closures where there is no digital alternative

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

"The successful completion of The Lottery Corporation's demerger from Tabcorp enabled one of the world's best performing lottery businesses to operate on a standalone basis," Ms van der Merwe said.

"The Lottery Corporation has infrastructure-like and defensive asset qualities, low capital intensity, strong cash flows, significant and diverse retail distribution and upside potential from digital growth.

"We operate a portfolio of popular lottery and Keno games, underpinned by long-dated licences, offered to customers through an omni-channel approach.

"We were pleased to deliver a record result in FY22, which shows the strength of our balanced game portfolio. This follows on from a strong performance in FY21, supported by increased buying of lottery products during COVID-19 restrictions and lock downs.

"The Lottery Corporation's games have been adding excitement to the lives of Australians for decades. In FY22 we sold over 660 million Lottery entries and delivered initiatives to enhance the customer experience. These included the Oz Lotto game change implemented in May that will deliver bigger prizes and more winners, and enhancements to our responsible play programs.

"The Lottery Corporation is in the business of making positive impacts. In FY22, The Lottery Corporation's operations generated \$1.7bn in lottery and Keno taxes for governments and more than \$500m in commissions for newsagents, licensed venues and other retail partners."

<sup>1</sup>Comparable information includes Keno for each reporting period. Refer slide 9 of the FY22 Full Year Results Presentation for further information. This information is "Non-IFRS" information and is unaudited. The Lottery Corporation believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business. The comparable results do not include the full year impacts of dis-synergies associated with the demerger

<sup>2</sup> Before significant items

## Group Results

\$M	Reported				Comparable <sup>5</sup>			
	FY22	FY21	Change		FY22	FY21	Change	
			\$	%			\$	%
<b>Revenues</b>	<b>3,279</b>	<b>2,951</b>	<b>328</b>	<b>11.1%</b>	<b>3,507</b>	<b>3,206</b>	<b>301</b>	<b>9.4%</b>
Variable contribution	831	719	112	15.6%	950	858	92	10.7%
Operating expenses	(221)	(197)	(24)	12.2%	(256)	(238)	(18)	7.6%
<b>EBITDA before significant items</b>	<b>610</b>	<b>522</b>	<b>88</b>	<b>16.9%</b>	<b>694</b>	<b>620</b>	<b>74</b>	<b>11.9%</b>
D&A	(62)	(57)	(5)	8.8%	(91)	(90) <sup>6</sup>	(1)	1.1%
<b>EBIT before significant items</b>	<b>548</b>	<b>465</b>	<b>83</b>	<b>17.8%</b>	<b>603</b>	<b>530</b>	<b>73</b>	<b>13.8%</b>
Interest	(12)	(2)	(10)	500.0%				
Tax expense	(163)	(138)	(25)	18.1%				
<b>NPAT before significant items</b>	<b>373</b>	<b>325</b>	<b>48</b>	<b>14.8%</b>				
Significant items (after tax) <sup>3</sup>	(26)	74	(100)	(135.1%)				
<b>NPAT including significant items</b>	<b>347</b>	<b>399</b>	<b>(52)</b>	<b>(13.0%)</b>				
EPS (before significant items) <sup>4</sup>	\$0.17	\$0.15	\$0.02	13.3%				
EPS (including significant items) <sup>4</sup>	\$0.16	\$0.18	(\$0.02)	(11.1%)				

<sup>3</sup> FY22 amounts relate to the demerger (refer appendix 1 of the FY22 Full Year Results Presentation); FY21 amount relates to sale of stake in Jumbo

<sup>4</sup> The weighted average number of ordinary shares for the current and comparative year 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 year

<sup>5</sup> "Comparable" information includes Keno for each reporting period. Comparable results exclude significant items. This information is "Non-IFRS" information and is unaudited. Refer slide 9 of the FY22 Full Year Results Presentation for further information

<sup>6</sup> Tabcorp FY21 investor presentation disclosed D&A for Lotteries & Keno of \$104m. The difference of \$14m is due to the impact of the derecognition of Lotteries' intangible assets and fair value uplift of the Keno business, both as part of accounting for the demerger

## Comparable Group and Business Results<sup>7</sup>

\$M	Lotteries			Keno			Group		
	FY22 Comparable	FY21 Comparable	%	FY22 Comparable	FY21 Comparable	%	FY22 Comparable	FY21 Comparable	%
Variable contribution	817	719	13.6%	133	139	(4.3%)	950	858	10.7%
Operating expenses	(217)	(197)	10.2%	(39)	(41)	(4.9%)	(256)	(238)	7.6%
<b>EBITDA</b>	<b>600</b>	<b>522</b>	<b>14.9%</b>	<b>94</b>	<b>98</b>	<b>(4.1%)</b>	<b>694</b>	<b>620</b>	<b>11.9%</b>
D&A	(59)	(57)	3.5%	(32)	(33)	(3.0%)	(91)	(90) <sup>8</sup>	1.1%
<b>EBIT</b>	<b>541</b>	<b>465</b>	<b>16.3%</b>	<b>62</b>	<b>65</b>	<b>(4.6%)</b>	<b>603</b>	<b>530</b>	<b>13.8%</b>
VC / Revenue %	25.1%	24.4%	0.7%	52.8%	54.5%	(1.7%)	27.1%	26.8%	0.3%
Opex / Revenue %	6.7%	6.7%	(0.0%)	15.5%	16.1%	(0.6%)	7.3%	7.4%	(0.1%)
EBITDA / Revenue %	18.4%	17.7%	0.7%	37.3%	38.4%	(1.1%)	19.8%	19.3%	0.5%

<sup>7</sup> "Comparable" information includes Keno for each reporting period. Comparable results exclude significant items. This information is "Non-IFRS" information and is unaudited. Refer slide 9 of the FY22 Full Year Results Presentation for further information

<sup>8</sup> Tabcorp FY21 investor presentation disclosed D&A for Lotteries & Keno of \$104m. The difference of \$14m is due to the impact of the derecognition of Lotteries' intangible assets and fair value uplift of the Keno business, both as part of accounting for the demerger

## Business Unit Commentary

### Lotteries

- Comparable Lotteries<sup>9</sup> revenue of \$3,255m, up 10.3% on the pcp; EBITDA of \$600m, up 14.9% on the pcp

Lotteries' strong revenue growth was driven by successful management of the jackpot games in the portfolio (jackpot games turnover up 22.8%) as well as the continuing shift to digital, which drove margin improvement.

Powerball benefited from a favourable jackpot run with 13 jackpots of \$50m or above, versus seven in the pcp. The strength of Powerball's performance through effective management of the jackpot sequence was evident in the turnover for the \$120m jackpot in February 2022, which outsold the \$150m draw in September 2019.

The overall performance of the base games was good considering the particularly strong FY21, with turnover down 1.7%. Notably, Saturday Lotto and Set for Life consolidated gains from the prior period and recent game changes.

The lotteries retail network was largely unaffected by COVID-19 restrictions and closures and remained resilient with turnover up 1.8% on the pcp. Digital turnover grew 25.8% and accounted for 37.7% of all lotteries turnover.

Active registered customers grew 8.7% to 4.1m, with continued growth in customers who purchased tickets in both digital and retail channels.

A game change to Oz Lotto was implemented on 17 May 2022. The change is designed to deliver bigger wins and more prizes in line with player motivations, with early signs encouraging and in line with expectations.

### Keno

- Comparable Keno<sup>9</sup> revenue of \$252m, down 1.2% on the pcp, EBITDA of \$94m, down 4.1% on the pcp

Keno's performance was largely in line with FY21 despite the impact of 16 weeks of COVID-19 venue closures in NSW in FY22. NSW has Keno's largest market and one where current licence conditions do not allow digital sales. Keno benefited from digital turnover growth of 14.6% in other states, and improved retail performance in Queensland and Victoria.

Innovations including a digitally enhanced retail experience with digitised tickets and real-time win notifications were launched during FY22.

The Lottery Corporation's new Victorian Keno licence runs through to 2042 and allows for digital distribution for the first time.

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## Capital Management

The Lottery Corporation is in a strong and flexible financial position with gearing of 3.1x net debt /EBITDA (3.6x on a reported basis).

The demerger of The Lottery Corporation from Tabcorp became effective on 1 June 2022.

Tabcorp today announced a final FY22 dividend with reference to the five months of The Lottery Corporation earnings prior to the demerger in addition to the 2H22 earnings of Tabcorp.

Accordingly, and as foreshadowed in Tabcorp's Demerger Booklet, The Lottery Corporation determined not to pay a final dividend in respect of the year ended 30 June 2022.

The Lottery Corporation anticipates that it is likely to pay its first dividend in or around March 2023 which, if approved, will be an interim dividend for FY23<sup>10</sup>.

## Conclusion and The Lottery Corporation's FY23 Priorities

"We intend to build on a successful FY22 through further investment in customer, product and channels to maximise the value and upside from our existing licences, while also implementing operational separation post demerger," Ms van der Merwe said.

"We will continue to innovate the portfolio, with our next game change to focus on Monday & Wednesday Lotto. We will also continue to promote the benefits of our omni-channel offer so that we can grow our base of active customers and continue to give customers the choice of a diverse retail offer, digital experience or both.

"With Keno, we will seek approval to leverage the digital element to the new Victorian licence and offer enhanced features and offers on the app for retail customers playing digitally in venues.

"At the same time, we'll continue to do what's been at the heart of Australia's official lottery games for 140 years – making a better future, and delivering winning moments to our people, our customers and our communities."

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<sup>10</sup>The determination of a dividend remains subject to law, business performance and all necessary Board approvals