



23 August 2023

ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

FULL-YEAR RESULTS MEDIA RELEASE

Attached is a media release relating to the 2023 full-year financial results.

This announcement was authorised for release by the Board of The Lottery Corporation.

For more information

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A successful first year: continued earnings growth



The Lottery Corporation Limited (ASX: TLC) today announces its results for the year ended 30 June 2023 (FY23)

A successful first year: highlights

- **Continued earnings growth**
 - 4.2% increase in Group Comparable¹ EBITDA before significant items
 - 9.7 million total active Lotteries customers² (including 4.2 million registered)
 - Continuing to deliver to a plan that's successfully driven long-term growth
- **Delivering value for stakeholders, always**
 - First dividends³ paid to shareholders. The Board has determined to pay a final dividend of 6.0 cents per share in respect of the six months ended 30 June 2023. Total ordinary dividends (interim and final) are 14.0 cents per share, fully franked, in addition to a special dividend (paid in March 2023) of 1.0 cent per share, fully franked
 - Increased retail commissions
 - Significant taxes to governments (more than \$1.7 billion) and commissions to retailers and venue partners (\$604 million) – highlighting the value of the lotteries and Keno ecosystems
- **Successfully established The Lottery Corporation as a top ASX50 entity**
 - Established and articulated new vision, purpose and principles; highly engaged and motivated team
 - Strong risk and governance processes established; further strengthening of customer care practices
 - Established framework to underpin a disciplined approach to capital allocation

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

“FY23 was a successful first year for The Lottery Corporation. We’ve established a top ASX50 company with a highly engaged and motivated team, and a compelling vision to be the world’s best lottery operator.

“Through active management of our well-balanced product portfolio, we’ve delivered continued earnings growth and increased our customer base. This result builds on this business’ long-term history of sustainable growth and resilience.

“We remain focused on delivering world-class customer-centred initiatives. One example of this was the launch of our leading Store Syndicates Online product in November 2022. It brings store-based syndicate offerings to customers online in a way that prioritises convenience for customers, increases commissions for retailers and generates incremental sales.

“The Lottery Corporation provides games that Australians love and delivers life-changing wins. Consistent with our purpose to create positive impacts, we have further strengthened our customer care practices helping ensure we deliver our games safely and with integrity.

“We continued to deliver significant returns to governments and our retail partners, which highlights the important role Australian lotteries play in every community.”

¹ “Comparable” information is defined as per slide 8 of the FY23 Results Presentation. This is “Non-IFRS” information and is unaudited.

² Active total customers based on Roy Morgan Gambling Monitor, April 2022 – March 2023. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation’s jurisdictions of operations (ex. WA), and weighted against the Australian adult population as at March 2023, based on Australian Bureau of Statistics monthly estimates.

³ Ordinary dividend comprises an interim dividend of 8.0 cps and a final dividend of 6.0 cps, and represents a dividend payout ratio of 92% of FY23 NPAT before significant items. Special dividend of 1.0 cent paid in relation to June 2022 NPAT.

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FY23 Group Results

\$m	Reported				Comparable ^{4,5}			
	FY23	FY22	Change \$	Change %	FY23	FY22	Change \$	Change %
Revenues	3,513.1	3,278.6	234.5	7.2%	3,513.1	3,507.2	5.9	0.2%
Variable contribution	983.6	830.6	153.0	18.4%	983.6	950.2	33.4	3.5%
Operating expenses	(270.4)	(220.9)	(49.5)	22.4%	(270.4)	(265.6)	(4.8)	1.8%
EBITDA (before significant items)⁴	713.2	609.7	103.5	17.0%	713.2	684.6	28.6	4.2%
D&A	(98.2)	(61.9)	(36.3)	58.6%	(98.2)	(90.6)	(7.6)	8.4%
EBIT (before significant items)⁴	615.0	547.8	67.2	12.3%	615.0	594.0	21.0	3.5%
Interest	(121.9)	(12.1)	(109.8)	n.m.				
Tax expense	(153.7)	(162.5)	8.8	(5.4%)				
NPAT (before significant items)⁴	339.4	373.2	(33.8)	(9.1%)				
Significant items (after tax) ^{4,6}	(74.6)	(26.6)	(48.0)	n.m.				
NPAT including significant items	264.8	346.6	(81.8)	(23.6%)				
EPS (before significant items) ^{4,7}	15.2 cps	16.8 cps	(1.6)	(9.5%)				
EPS (including significant items) ⁷	11.9 cps	15.6 cps	(3.7)	(23.7%)				

⁴ This is "Non-IFRS" information and is unaudited.

⁵ Due to the impact of the demerger on Reported results, The Lottery Corporation believes Comparable results provide useful information to investors in measuring the financial performance and condition of its business.

⁶ FY23 amounts relate primarily to separation costs (refer Appendix 1 of the FY23 Results Presentation).

⁷ The weighted average number of ordinary shares for the comparative period has been restated to reflect the change in The Lottery Corporation's capital structure as a result of the demerger from Tabcorp, as if the change had occurred at the beginning of the comparative period.

FY23 Comparable Group and Business Results^{8,9}

\$m	Lotteries			Keno			Group		
	FY23 Comparable	FY22 Comparable	%	FY23 Comparable	FY22 Comparable	%	FY23 Comparable	FY22 Comparable	%
Revenues	3,232.6	3,254.9	(0.7%)	280.5	252.4	11.1%	3,513.1	3,507.2	0.2%
Variable contribution	833.2	817.3	1.9%	150.4	132.9	13.2%	983.6	950.2	3.5%
Operating expenses	(226.0)	(224.6)	0.6%	(44.4)	(41.0)	8.3%	(270.4)	(265.6)	1.8%
EBITDA (before significant items)	607.2	592.7	2.4%	106.0	91.9	15.3%	713.2	684.6	4.2%
D&A	(68.2)	(59.0)	15.6%	(30.0)	(31.3)	(4.2%)	(98.2)	(90.6)	8.4%
EBIT (before significant items)	539.0	533.7	1.0%	76.0	60.6	25.4%	615.0	594.0	3.5%

⁸ "Comparable" information is defined as per slide 8 of the FY23 Results Presentation. This is "Non-IFRS" information and is unaudited.

⁹ Business results may not aggregate to Group total due to unallocated items.

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Business Unit Commentary

Lotteries

- Comparable¹⁰ Lotteries revenue of \$3,232.6m, down 0.7% on the pcp;
Comparable EBITDA of \$607.2m, up 2.4% on the pcp

Earnings growth in Lotteries showed the strength of our resilient and diversified portfolio and The Lottery Corporation's approach to managing the portfolio to maximise revenue growth and stability over the long term. Turnover (which drives revenue) growth of circa 5% p.a. compounded from pre-COVID levels (FY20) reflects this.

In FY23, turnover in the base game category was up 0.5% vs pcp, while turnover in the jackpot games segment – comprised of Powerball and Oz Lotto – was down 3.4%. The value of Division 1 jackpot offers across Powerball and Oz Lotto was down 7.9% on the pcp.

Powerball jackpots tracked marginally below statistical model probabilities, however, its performance was boosted by active acceleration of the jackpot sequences at certain points during the year. This helped deliver the record \$160m draw in October 2022 and the \$100m draw in December 2022.

Oz Lotto experienced a highly unfavourable 1-in-20-year jackpot run based on statistical model probabilities. There was also some short-term transfer of customers' spending to the higher Powerball jackpots. The May 2022 matrix change (from 45 to 47 numbers) was designed to deliver most of its benefits through larger jackpots. These model outcomes are yet to play through.

Additional base game promotional draws and offers were activated to stimulate customer interest throughout the year. These included bigger Saturday Lotto Superdraw and Megadraw events, and the use of Double Dividends and Cashcade Celebrations on Monday & Wednesday Lotto.

In terms of distribution channels, digital turnover was up 0.4% and retail turnover was down 2.7%, a solid result considering overall Division 1 prize money on offer, which drives store traffic, was down. The introduction of Store Syndicates Online added to digital performance, and active registered customers grew by around 132,000 in the year to 4.2m. Across our two channels, we're investing in accelerating convergence and in enhanced personalisation of digital experiences.

In FY23, the EBITDA/Revenue margin improved from 18.2% to 18.8%, primarily due to increased interest revenue from Set for Life-related term deposits, a further step up in fees from the Jumbo Interactive reseller agreement and the initial benefit of increased retailer commissions.

Keno

- Comparable¹¹ Keno revenue of \$280.5m, up 11.1% on the pcp;
Comparable EBITDA of \$106.0m, up 15.3% on the pcp

Keno grew strongly with pubs and clubs open in contrast to 1H22 when closures and restrictions applied in NSW, Victoria and the ACT. A dedicated marketing campaign supported the return of players to local hospitality venues and maximised the gains of the return to pre-COVID purchasing behaviour.

¹⁰ For Lotteries, "Comparable" results are the same as reported results except that FY22 results have been pro forma adjusted to include \$7.8m for estimated net additional standalone operating costs associated with the demerger. "Comparable" information is defined as per slide 8 of the FY23 Results Presentation. This is "Non-IFRS" information and is unaudited.

¹¹ "Comparable" information includes Keno for each reporting period. FY22 results have been pro forma adjusted to include \$1.2m for estimated net additional standalone operating costs associated with the demerger. "Comparable" information is defined as per slide 8. This is "Non-IFRS" information and is unaudited.

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Turnover in the Keno retail channel grew by 23.3% in FY23 and is up significantly on pre-COVID levels. The COVID tailwinds that accelerated Keno digital during the lockdowns were re-balanced across the omni-channel offering during FY23.

The EBITDA/Revenue margin rose from 36.4% to 37.8%, 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.

Capital Management

The Lottery Corporation has a strong balance sheet, which provides the capacity to support organic growth and operational and strategic flexibility.

The Lottery Corporation's leverage ratio (Net Debt/EBITDA¹²) at the end of FY23 was 3.1 times, towards the lower end of the target range of 3.0 to 4.0x.

In relation to dividends, The Lottery Corporation has announced:

- It has determined to pay a final dividend of 6.0 cents per share, fully franked and payable on 20 September 2023 to shareholders registered at 30 August 2023. The ex-dividend date is 29 August 2023. The dividend reinvestment plan (DRP) will operate for this dividend.
- This brings total ordinary dividends (interim and final) to 14.0 cents per share, which represents a payout ratio of 92% of FY23 NPAT before significant items.
- In addition, a special dividend of 1.0 cent per share was paid to eligible shareholders in March 2023 in relation to June 2022 NPAT. This covered the period post the demerger from Tabcorp Holdings Limited but prior to the commencement of the 2023 financial year.

Conclusion

"The Lottery Corporation is the leader in the Australian lotteries and Keno market, with a bright future. We are a highly cash generative business, underpinned by an attractive set of exclusive and/or long-dated licenses," Ms van der Merwe said.

"Our focus on delivering world-class customer-centred initiatives will help ensure we maintain the momentum in the business and maximise the value of our unique assets for all our stakeholders.

"We are investing in supercharging the customer experience – making it easier to play our games and driving further personalisation – as well as accelerating the integration of the retail and digital channels to provide seamless experiences to customers, however they choose to play.

"Importantly, we will always prioritise acting with integrity and being a responsible company which has positive impacts and creates benefits for all our stakeholders."

For more information:

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¹² As at 30 June 2023. Based on FY23 EBITDA before significant items.