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

2024 HALF YEAR RESULTS ASX RELEASE

Attached is an ASX release relating to the 2024 Half Year Results.

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

For more information

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A resilient performance from a balanced game portfolio



The Lottery Corporation Limited (ASX: TLC) today announces its results for the half year ended 31 December 2023 (1H24)

1H24 highlights:

- Solid business performance, with revenue resilient at \$1,885m (1H23: \$1,920m) and the benefits of a diversified and balanced game portfolio delivering EBITDA¹ of \$399m (1H23: \$409m)
- Proactive management initiatives delivering results. Oz Lotto game changes play through; strong customer acceptance of Powerball price change
- Ongoing execution of strategic initiatives to enhance the customer experience and new game development - Weekday Windfall²
- Delivering value for stakeholders with significant taxes to governments (\$885m) and commissions to retailers and venue partners (\$347m)
- Continuing to promote responsible play and contributing to communities
- Interim dividend 8.0cps, payout ratio 91%

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

“The first half of FY24 showcased the resilience of The Lottery Corporation’s diversified and balanced portfolio to deliver in softer economic conditions. The performance of our business was solid, driven by proactive initiatives and strategic management of the game portfolio as a whole.

“During the half, we reaped the benefits of the change we made to Oz Lotto in 2022 to increase the probability of bigger jackpots. The \$90m draw on Boxing Day was the biggest Oz Lotto jackpot in more than a decade. We have also seen strong retention of the Powerball price increase.

“It was pleasing to see the benefits begin to flow from the other strategic initiatives we’ve implemented in recent years. Our retail partners are benefiting from the commission rate increase, which is also driving higher margins for us on digital sales. Having previously consolidated the significant gains made during the COVID era, digital share of turnover returned to growth during the period.

“We have further initiatives in the pipeline to enhance the customer experience and drive growth. These include the newly evolved Weekday Windfall game and a digitally enhanced retail membership program.

“Consistent with our purpose of making positive impacts, The Lottery Corporation’s operations generated substantial returns for state and territory governments and our small business partners, supporting their sustainability.”

¹ Before significant items. This is 'Non-IFRS' information and is unaudited.

² Weekday Windfall subject to all necessary regulatory and other approvals.

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1H24 Group and Business Results

\$m	Lotteries			Keno			Group		
	1H24	1H23	%	1H24	1H23	%	1H24	1H23	%
Revenue	1,738.3	1,772.8	(1.9%)	146.6	147.4	(0.5%)	1,884.9	1,920.2	(1.8%)
Variable contribution	456.6	455.9	0.2%	77.7	80.0	(2.9%)	534.3	535.9	(0.3%)
Operating expenses	(113.5)	(106.3)	(6.8%)	(21.7)	(20.2)	(7.4%)	(135.2)	(126.5)	(6.9%)
EBITDA (before significant items)³	343.1	349.6	(1.9%)	56.0	59.8	(6.4%)	399.1	409.4	(2.5%)
D&A	(35.8)	(33.7)	(6.2%)	(16.3)	(14.9)	(9.4%)	(52.1)	(48.6)	(7.2%)
EBIT (before significant items)³	307.3	315.9	(2.7%)	39.7	44.9	(11.6%)	347.0	360.8	(3.8%)
Interest							(61.4)	(60.4)	(1.7%)
Tax expense							(90.6)	(93.1)	2.7%
NPAT (before significant items)³							195.0	207.3	(5.9%)
Significant items (after tax) ^{3,4}							22.4	(34.4)	n.m.
NPAT (including significant items)							217.4	172.9	25.7%
EPS (before significant items) ³							8.8 cps	9.3 cps	(5.4%)
EPS (including significant items)							9.8 cps	7.8 cps	25.6%
DPS (fully franked) – interim							8.0 cps	8.0 cps	-
DPS (fully franked) – special							n.a.	1.0 cps	n.a.

Business Unit Commentary

Lotteries – Revenue resilient amid softer consumer conditions

- Lotteries revenue \$1,738.3m, down 1.9% on the pc; EBITDA \$343.1m, down 1.9% on the pc

Lotteries volumes in 1H24 were resilient amid softer economic conditions. While customer participation levels remained healthy, there was a modest decrease in frequency and spend as customers looked for the best value proposition in The Lottery Corporation's weekly offer of games. Active portfolio and jackpot sequence management helped to moderate these impacts.

The benefits of a diversified portfolio were evident with the 2022 Oz Lotto game change helping to deliver \$70m and \$90m jackpots, offsetting the impact of lower-than-expected jackpots for Powerball. Overall turnover in the jackpot games segment (Oz Lotto and Powerball) was down 2% in a half where aggregate jackpot outcomes were broadly in line with model outcomes and with the prior period.

³ This is "Non-IFRS" information and is unaudited.

⁴ Refer Appendix 1 of the 1H24 Half Year Results Presentation for details.

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Turnover in the base games segment (Saturday lotto, Monday & Wednesday lotto, Set for Life, Lucky Lotteries, Instant Scratch-Its and other smaller games) was down 9.3%. The segment was cycling a prior period which featured both a Mid-Year Megadraw (due to timing⁵), and a record Lucky Lotteries Super Jackpot.

Like-for-like turnover for base games, and the base weeks of jackpot games, generally remained within 2-4% of 1H23 levels despite the downturn in the broader economy.

The positive impacts from the Powerball price change and retail commissions increase (implemented in May 2023) helped drive Lotteries revenue.

1H24 also saw digital share growth resume (up 120bps to 39.6%) following a period of consolidation of COVID era gains.

The Lottery Corporation had an estimated 9.6m active customers⁶ across all Lotteries channels.

In 1H24, the EBITDA/Revenue margin remained steady at 19.7%. The increase in operating expenses included the impact of the move to standalone technology arrangements as part of the separation from Tabcorp Holdings Limited and inflation, offset by an increase in variable contribution (VC) margin. This VC margin increase was primarily due to increased commissions, increased interest revenue from Set for Life-related term deposits and the final step up in fees from the Jumbo Interactive Limited reseller agreement.

Keno – Strong retail performance with Queensland leading the way; changes in commercial arrangements impacted margins

- Keno revenue \$146.6m, down 0.5% on the pcp; EBITDA \$56.0m, down 6.4% on the pcp

Keno posted a strong retail performance, with turnover growth in Queensland and NSW supported by increased footfall in venues and a continued uplift in local area marketing initiatives.

This was largely offset by lower digital turnover in the first quarter of 1H24, which stabilised in 2Q24, following the initial impact of competition in Victoria.

Keno earnings were impacted by the transfer of some digital turnover from the ACT to lower margin Victoria as required under our new Victorian Keno licence, changes to fees paid by venue partners following a move to a variable fee model, and an increase in operating expenses. This contributed to a reduction in the EBITDA/Revenue margin from 40.6% to 38.2%.

⁵ Saturday lotto's 2022 Mid-Year Megadraw occurred in July 2022 (i.e. 1H23), whereas the equivalent 2023 event occurred in June 2023 (i.e. 2H23).

⁶ Estimated total active total customers based on Roy Morgan Gambling Monitor. October 2022 – September 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 September 2023, based on Australian Bureau of Statistics monthly estimates.

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Capital Management

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

As part of our capital allocation framework, The Lottery Corporation's focus is on maximising value from the existing domestic business.

The Lottery Corporation's leverage ratio (Net Debt /EBITDA⁷) at the end of 1H24 was 3.0 times.

The Lottery Corporation has announced an interim ordinary dividend of 8.0 cents per share, fully franked, and in line with the pcp. This represents a healthy payout ratio of 91% of NPAT before significant items against a full-year target range of 80-100% of NPAT before significant items.

Concluding comments from Sue van der Merwe:

"The Lottery Corporation is the leader in Australia's lotteries and Keno market, with our market position underpinned by exclusive and/or long-dated licences, a diversified portfolio, diverse distribution and low capital intensity.

"This is a business with a bright future. We have hit the ground running in the second half with a record \$200 million Powerball jackpot on 1 February, following \$100 million and \$150 million draws. These draws captivated Australians, driving strong customer acquisition and reactivation, and engaging customers in both our retail and digital channels.

"The introduction of Weekday Windfall is the next phase in the evolution of our game portfolio. Weekday Windfall is a major refresh of Monday & Wednesday lotto, with a new brand and a Friday draw. We are excited about bringing it to our customers.

"We continue to focus on building a digitally enabled, customer-experience led future and accelerating the convergence of retail and digital, which we expect will also deliver long-term margin expansion. Key initiatives we are progressing include introducing a digitally enhanced retail membership program, launching a new customer data platform to enable real-time customer experience management, and optimising the customer onboarding ID verification process.

"At the same time, we prioritise delivering our games safely and with integrity, and strengthening what is valuable about the Australian lotteries ecosystem. Australian lotteries are based on a low-spend, mass participation model. This underpins its wide community acceptance and delivers meaningful proceeds to governments and small businesses."

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⁷ As at 31 December 2023. Based on EBITDA (before significant items) for the 12 months to 31 December 2023.