



21 August 2024

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

MEDIA RELEASE - FULL-YEAR RESULTS FOR THE YEAR ENDED 30 JUNE 2024

Attached is a media release relating to the 2024 full-year financial results.

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

For more information

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Strong FY24 performance demonstrates portfolio resilience and jackpot strength



The Lottery Corporation Limited (ASX: TLC) today announces its results for the full year ended 30 June 2024 (FY24)

FY24 highlights:

- Revenue up 13.8% to \$4 billion and EBITDA¹ up 16.0% to \$827 million (on pcg)
- Proactive management of diversified and balanced game portfolio delivered strong business performance
- Significant growth in active registered Lotteries customers to a record 4.75 million
- Active portfolio and jackpot sequence management supported record jackpot activity (Powerball and Oz Lotto collectively up 26.7%). This more than offset softness in base games amid a weak consumer spending environment and some transference to jackpot games
- Base game portfolio bolstered with successful launch of Weekday Windfall lottery, including new Friday draw
- Strong Lotteries digital share growth
- Total ordinary dividend (interim and final) of 16.0 cps and special dividend of 2.5 cps; full year total dividend of 18.5 cps represents a payout ratio of 100% of NPAT (before significant items)
- Record \$2.6bn of stakeholder benefits generated, comprising \$1.9bn in Lotteries and Keno taxes to state and territory governments and \$725m in commissions to retail businesses

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

"FY24 was another successful year for The Lottery Corporation, showcasing the resilience and long-term attractiveness of our balanced and diversified game portfolio. Our strong financial results delivered record benefits of \$2.6 billion to our retail partners and the community, alongside increased returns for shareholders, with the Board determining to pay a special dividend of 2.5 cents per share, in addition to the full year ordinary dividend of 16.0 cents per share.

"Lotteries continue to be very popular among Australian adults, underpinned by a low-spend, mass participation model. This was evident in the second half with the record \$200 million Powerball jackpot generating queues in retail outlets and sparking conversations in homes and workplaces. In the first half, Oz Lotto captivated Australia with the \$90 million Boxing Day draw. These landmark events were driven by game changes in recent years designed to deliver bigger jackpots, more often.

"As always, we manage the portfolio to maximise its appeal throughout the week, launching our newly branded Weekday Windfall lottery, including a new Friday draw. We are accelerating the convergence of retail and digital to deliver an improved customer experience, which should also drive long-term margin expansion. This includes a digital retail membership program and customer data platform to deliver a personalised customer journey. Most importantly, we are committed to delivering our games responsibly and with integrity so they can be safely enjoyed by Australians and continue to deliver meaningful proceeds to governments and retail businesses.

"Our strong market position is underpinned by exclusive and/or long-dated licences, strong brands and diversified distribution channels. Our business has highly defensive characteristics, with strong cash generation and low capital intensity. We continue to execute our strategy to drive long-term growth, with more initiatives to enhance the customer experience and evolve the portfolio. This builds on our position as the leader in Australia's lotteries and Keno market and one of the highest performing lottery businesses globally."

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

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FY24 Group Results

\$m	FY24	FY23	Change	
			\$	%
Revenue	3,996.6	3,513.1	483.5	13.8%
Variable contribution	1,126.6	983.6	143.0	14.5%
Operating expenses	(299.5)	(270.4)	(29.1)	(10.8%)
EBITDA (before significant items) ²	827.1	713.2	113.9	16.0%
D&A	(108.3)	(98.2)	(10.1)	(10.3%)
EBIT (before significant items) ²	718.8	615.0	103.8	16.9%
Interest	(118.6)	(121.9)	3.3	2.7%
Tax expense	(188.4)	(153.7)	(34.7)	(22.6%)
NPAT (before significant items) ²	411.8	339.4	72.4	21.3%
Significant items (after tax) ^{2,3}	2.2	(74.6)	76.8	n.m.
NPAT (including significant items)	414.0	264.8	149.2	56.3%
EPS (before significant items) ²	18.5 cps	15.2 cps	3.3 cps	21.7%
EPS (including significant items)	18.6 cps	11.9 cps	6.7 cps	56.3%
DPS (fully franked) – ordinary	16.0 cps	14.0 cps	2.0 cps	14.3%
DPS (fully franked) – special	2.5 cps	1.0 cps	1.5 cps	n.m.

Business Unit Commentary

Lotteries – Strong result reflects proactive management initiatives and highly favourable jackpot outcomes

- Revenue \$3,708.5m, up 14.7% on the pc; EBITDA \$724.5m, up 19.3% on the pc

The record Lotteries result was driven by proactive portfolio and jackpot sequence management and highly favourable jackpot outcomes, including February's record \$200 million Powerball jackpot (which followed \$100 million and \$150 million draws) modelled as approximately a one-in-seven-year event. These outcomes benefited jackpot game turnover by an estimated c.\$500 million. In contrast, the prior year had below-model jackpot outcomes and lower Division 1 offers, which reduced jackpot game turnover by an estimated c.\$250 million.

Turnover for most base games was down 2% to 4% on a like-for-like basis, in a weak consumer spending environment. Given the record year for major Powerball and Oz Lotto jackpots, there was also some transference of spend to those jackpot games.

² This is 'Non-IFRS' information and is unaudited.

³ Refer Appendix 1 of the FY24 Investor Presentation for details.

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Successful delivery and management of the big jackpot events enabled the Company to acquire, reactivate and retain customers, and maximise reinvestment. Active registered customers grew by more than 500,000 on the pcg to 4.75 million, a record total.

The Lotteries business also had a full year of benefit from the May 2023 increase to the Powerball subscription price and commissions, which creates margin benefit through the retention of commission on digital sales. Turnover grew across both retail and digital channels with digital share of overall Lotteries turnover increasing to 40.9% (up from 38.4% in the pcg) reflecting the benefits of increased digital investment and growth in the Store Syndicates Online product.

Operating expenses rose in absolute terms, primarily due to the impact of the move to standalone technology arrangements as part of the separation from Tabcorp and increased employment costs.

The FY24 EBITDA/Revenue margin increased by 70bps to 19.5%, primarily due to an increase in the variable contribution (VC) margin. This reflected higher commissions, increased interest revenue from Set for Life-related term deposits, an increase in the digital share of turnover and the final step up in fees from the Jumbo Interactive Limited reseller agreement.

Keno – Strong in-venue performance, with Queensland continuing to lead the way; cycling record profitability in FY23

- Keno revenue \$288.1m, up 2.7% on the pcg; EBITDA \$102.6m, down 3.2% on the pcg

Keno delivered a strong performance in retail (turnover up 4.4% on the pcg), particularly in the second half. Turnover growth was supported by increased footfall in venues, especially in Queensland and NSW, and a continued uplift in local area marketing initiatives.

Digital turnover stabilised throughout the year following the initial impact of competition in Victoria, and was down 2.4% on the pcg.

Keno earnings were impacted by the transfer of some digital turnover from the ACT to lower margin Victoria (as required under our current 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 37.8% to 35.6%. Depreciation and amortisation was up 17.7% on the pcg following the creation of new customer account, data and business intelligence platforms post separation from Tabcorp.

A new Keno campaign was launched in June under the 'Together We Play' banner. The campaign aims to elevate Keno's social licence and differentiate Keno from other offers in the market as a social game that can 'bring everyone together'.

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Capital Management

The Lottery Corporation has a strong balance sheet, which provides financial flexibility and the capacity to support growth, with a focus on maximising value from the existing domestic business.

At the end of FY24, the Company's leverage ratio (Net Debt /EBITDA⁴) was 2.6 times.

In line with The Lottery Corporation's dividend policy of paying out a target of 80-100% of NPAT before significant items, the Board was pleased to determine to pay the following dividends:

- A final ordinary dividend of 8.0 cents per share. This brings the full year ordinary dividend (interim and final) to 16.0 cents per share, representing a dividend payout ratio of 86% of FY24 NPAT before significant items.
- A special dividend of 2.5 cents per share, which brings the total dividend (ordinary and special) for the year to 18.5 cents per share, representing a dividend payout ratio of 100% of FY24 NPAT before significant items. The special dividend reflects a highly favourable year for jackpots relative to expected (model) outcomes and the Company's strong balance sheet position.

Both the final and special dividend will be fully franked and payable on 25 September 2024 to shareholders registered at 29 August 2024. The ex-dividend date is 28 August 2024.

Investor Day

The Lottery Corporation will host an Investor Day for analysts and investors in Sydney on 10 October 2024. This event will be webcast.

Further details will be made available at: <https://www.thelotterycorporation.com/investors>

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⁴ EBITDA (before significant items) as at 30 June 2024.