



April 2019 Investor Update

FORWARD-LOOKING STATEMENTS

Certain statements in this presentation may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this presentation, such statements include such words as “may”, “will”, “expect”, “believe”, “plan”, and other similar terminology. This presentation reflects management’s current expectations regarding future events and operating performance and speaks only as of the date of this presentation. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

USE OF NON-GAAP FINANCIAL MEASURES

Reference to “Adjusted EBITDA” is to earnings before interest, income taxes, depreciation and amortization, unrealized foreign exchange gains and losses, gains on sales of fixed assets, and certain non-recurring items including severance and acquisition costs. Adjusted EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations. Management believes that, in addition to Net Income, Adjusted EBITDA is a useful supplementary measures.

Adjusted EBITDA, is a measure not recognized under GAAP and does not have standardized meanings prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to Net Income determined in accordance with GAAP as an indicator of Pollard Banknote Limited’s performance or to cash flows from operating, investing, and financing activities as measures of liquidity and cash flows.



Today's Agenda

- Company Vision and Strategy
- State of the Industry
- Lottery Instant Tickets
- iLottery and Digital
- Acquisitions
- Financial Update
- 2019 Outlook



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COMPANY VISION AND STRATEGY

Company Vision

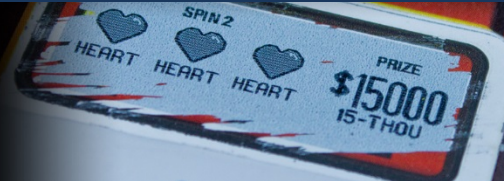
DIGITAL
INNOVATION

We will be the partner of choice in the lottery market by offering retail and digital games and solutions that attract and engage players.

RETAIL
EXCELLENCE

OUTSTANDING
GAMES

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Pollard Group Update

Instant tickets

- #1 producer in Canada, #2 producer in USA and the world
- Robust and expanding industry supporting a strong contract portfolio
- Leader in innovation both in print and non-print
- Continued investment in CAPEX and increased capacity

Ancillary Products

- #1 iLottery provider in the US, #1 provider of charitable gaming machines
- Industry leader in merchandising and instant ticket dispensing
- Complete range of digital products and services
- Significant ongoing investment in product development

Charitable Gaming

- #2 manufacturer in the US, > \$55 million per year in revenue
- Stable market with growth in certain critical jurisdictions
- Well positioned for expansion into electronic and digital areas
- Significant free cash flow

Financial Profile

- Executing on Strategic Vision, opportunities for organic and acquisition growth
- Ample available capital to deploy
- Strong margin and growing EBITDA
- Significant conversion of EBITDA to free cash flow

Source: management estimates



Facilities & Companies



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Capitalization & Financial Summary

Capitalization

(C\$ millions, except per share)

Share Price (April 9, 2019)	\$22.28
F.D. Common Shares Outstanding	25.6
Market Capitalization	\$570.9
Cash & Equivalents	(11.2)
Long Term Debt	115.8
Enterprise Value	\$675.5

Financial Summary

(C\$ Millions)	2014	2015	2016	2017	2018
SALES	\$194.5	\$221.0	\$246.4	\$285.7	\$331.9
Earnings Before Tax	\$12.5	\$12.2	\$17.1	\$24.0	\$20.8
NET INCOME	\$8.7	\$7.5	\$12.3	\$16.8	\$14.9
Adj. EBITDA	\$25.6	\$26.8	\$29.7	\$44.0	\$48.8
CFO Before Δ in WC	\$19.5	\$22.5	\$28.6	\$31.2	\$35.7

Source: public disclosure, balance sheet metrics as at Dec 31, 2018



Strategic Success

STRATEGY	2018/2019 RESULTS
Expand capacity	Restarted our existing legacy press in Ypsilanti to add capacity and flexibility for our scheduling. Currently adding ancillary equipment to upgrade and expand additional capacity of this press line even further.
Win new contracts	Won instant ticket contract for Norway; warehousing and distribution contract for Arizona Lottery; loyalty program for Connecticut Lottery and loyalty and iLottery program for North Carolina Lottery. 2019 has a number of important contract opportunities for Pollard to bid including some large instant ticket contracts.
Renew existing contracts	All 2018 existing contract renewals were exercised including significant extensions for Western Canada Lottery Corporation, Texas and Michigan iLottery.
Innovation focus	Existing print and non-print innovations continue to lead the market (e.g. Scratch FX) with new innovations such as ClearPlay and other initiatives receiving significant market traction.
Increase ancillary products/services	Large investments in new digital products and expanding products and services through acquisitions. Multiple sales of loyalty platform; redevelopment of our lottery management system; expansion of digital apps; development of salesforce automation and in-lane instant ticket retailing solutions. Leader in retail dispensing and iLottery.
Acquisition strategy	Actionable opportunities continue to be identified. Closed the acquisitions of International Gamco and Schafer Systems during 2018, bringing the total to 3 in the last 21 months.





STATE OF THE INDUSTRY

Robust Lottery Industry



- Approximately 200 lotteries operate in the world.
- Couple of remaining non-lottery American states looking at implementing lotteries.
- Two main products: Instant Win Scratch tickets and Draw Based Games (649, Powerball, etc.).
- Instant ticket revenue has grown dramatically over the past decade, now generating 60% of lottery revenue as draw based games growth flattens.
- Year over year high single digit growth of retail sales of instant tickets in North America and strong growth internationally, consumer demand remains very strong.
- Increasing appetite for ancillary products, particularly digital and iLottery, and greater interest in better retailing.



North American Instant Sales Growth



Charitable Gaming Market

- Industry has historically consisted of mainly pull-tab tickets and bingo paper.
- Steady consumer demand over the past few years.
- Some key jurisdictions showed retail growth last year including Minnesota.
- Opportunity is seen in digital/electronic charitable gaming such as etabs and hand held electronic bingo devices.

Source: management estimates

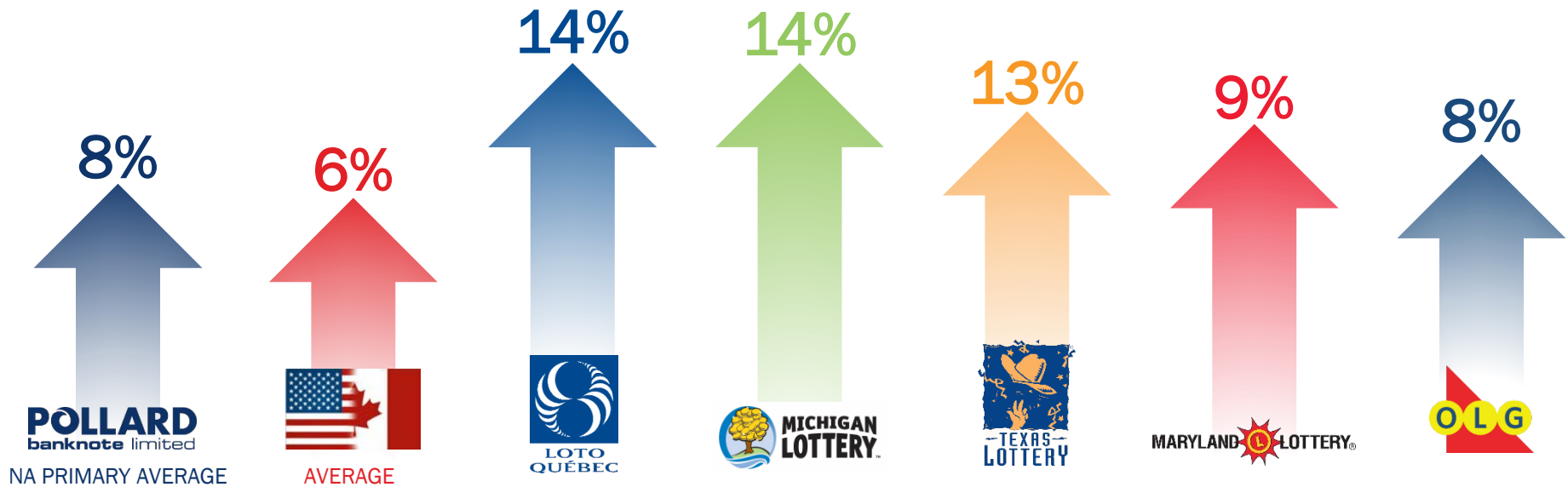




LOTTERY INSTANT TICKETS

Pollard Primary Contract Retail Growth

CY2017 vs. CY2018:
Our Clients Grew Their Sales Faster

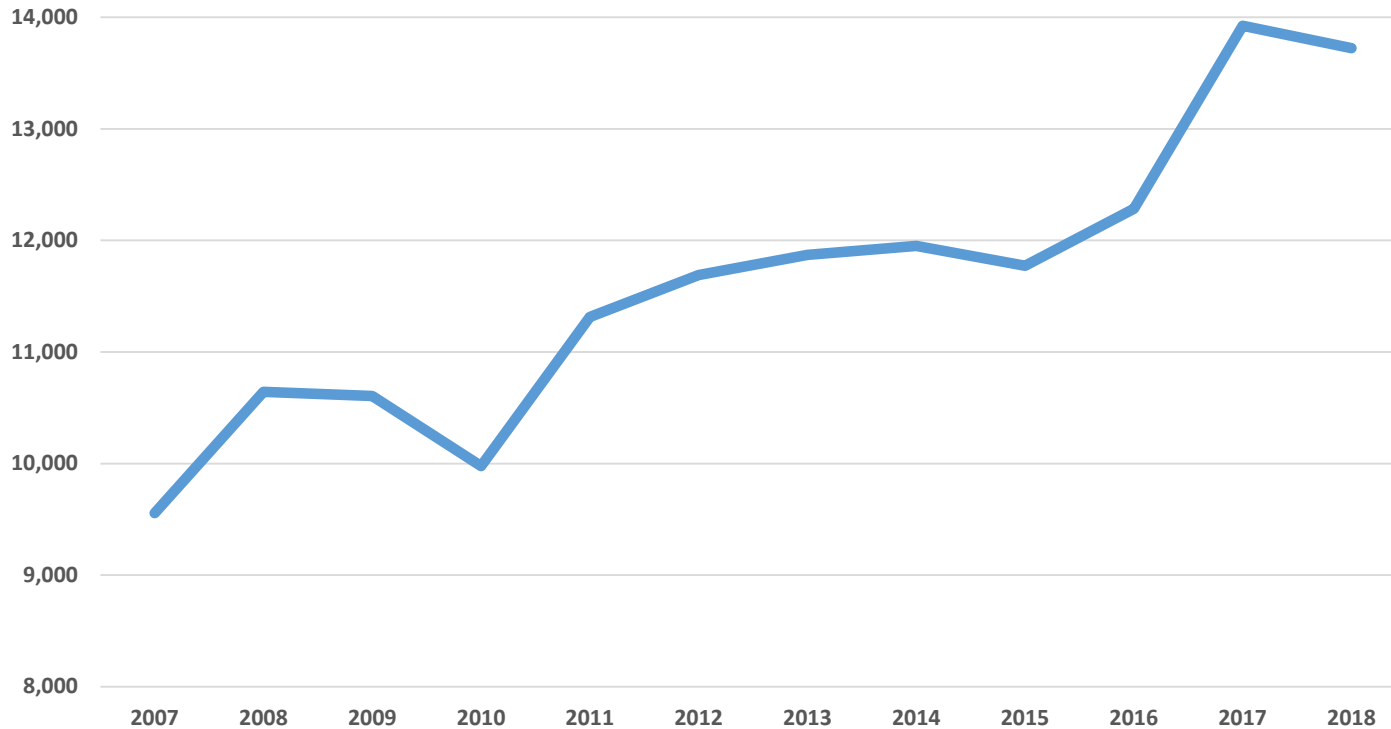


Source: public disclosure, individual lottery reports



Pollard Growing Volumes

Annual instant tickets produced
(millions of ESS)



Source: company reports



Leading Print Innovation



Family of Games



Jumbo Pop 'n Play



ClearPlay



ScratchFXtra

Mini-Playbook



Manufacturing Strength

2018/2019 Commitment to improved efficiencies and greater capacity

Enhanced finishing equipment - Winnipeg



Expanding Original Press - Ypsilanti



New Internal Plate Room - Ypsilanti



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iLOTTERY and DIGITAL

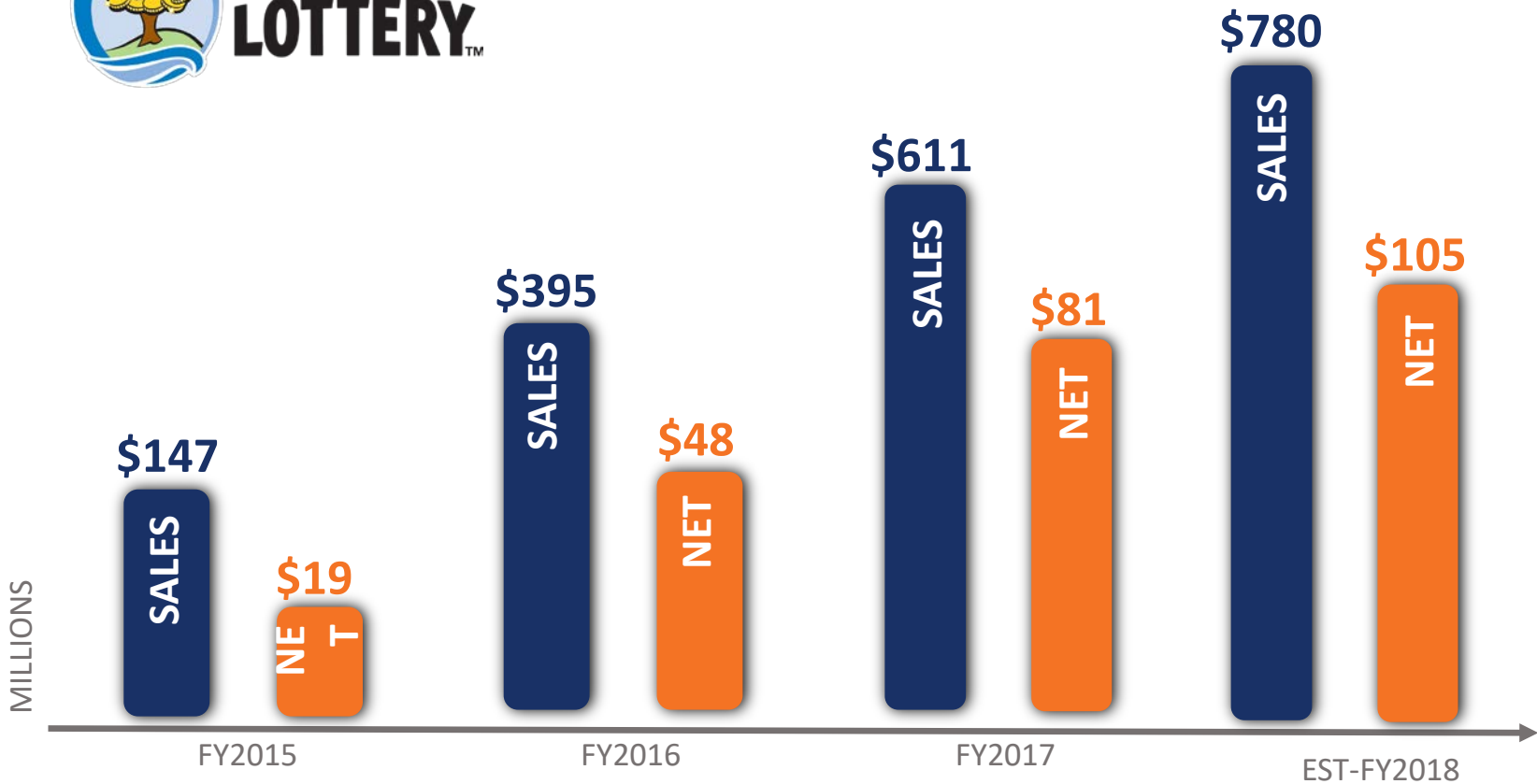
iLottery & Digital Update



- 8 US lotteries currently operating iLottery and one start up in process.
- NeoPollard (JV between Pollard and NeoGames) operates 4 of the above 9, clear market leader.
- Increased opportunities including ongoing RFP's for Alberta and Pennsylvania.
- Additional interest expressed by a number of other states including Ohio and others.
- Current results indicate iLottery does not cannibalize existing retail sales, attracts incremental, younger consumer group.
- Other Digital products gaining traction with lotteries.



iLottery Sales



Digital Innovation

The Space Between™

PLAYON™

xpressGAMES™

scanACTIV™

optiFORCE™

sureTRACK™ 2.0



Digital Key Wins



game**ON**[™]
sure**TRACK**[™] 2.0

PLAY**ON**[™]

PLAY**ON**[™]

Arizona

Connecticut

North Carolina



iLottery Portfolio



Michigan



Virginia



New Hampshire



North Carolina



iLottery Regulatory Status

- In 2011 the US Department of Justice (“DOJ”) issued an interpretation indicating the Wire Act only applied to sports betting.
- Previously the belief was the Wire Act precluded all forms of internet gambling in the US.
- Based on the 2011 interpretation, many lotteries began instituting strategies to establish iLottery operations selling lottery products over the internet. Currently there are 8 US lotteries operating iLottery business with more evaluating.
- In January 2019, the DOJ issued a new interpretation reversing the 2011 view, now indicating the Wire Act applies to all forms of gambling, including potentially lotteries.
- On February 15, 2019, Pollard Banknote Limited and NeoPollard Interactive LLC. filed a motion with the United States District Court for the District of New Hampshire requesting a formal declaratory judgement clarifying that the Wire Act only applies to sports betting.
- We believe the January 2019 DOJ interpretation is incorrect on a number of key issues and are confident a definitive ruling from the Court will reconfirm that iLottery and other gaming operations conducted by state lotteries are not subject to the Wire Act.
- Ruling is expected June 2019. The DOJ has agreed to not enforce the new interpretation until at least mid-July.



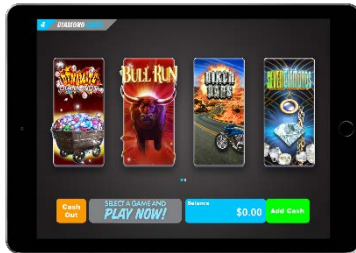
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ACQUISITIONS

Expanding Product Portfolio



NexPlay™, Diamond Game's new Self-Service Terminal (SST) offers customizable features including:



Draw and Keno game sales



Instant ticket sales with result display



Animated ticket checking



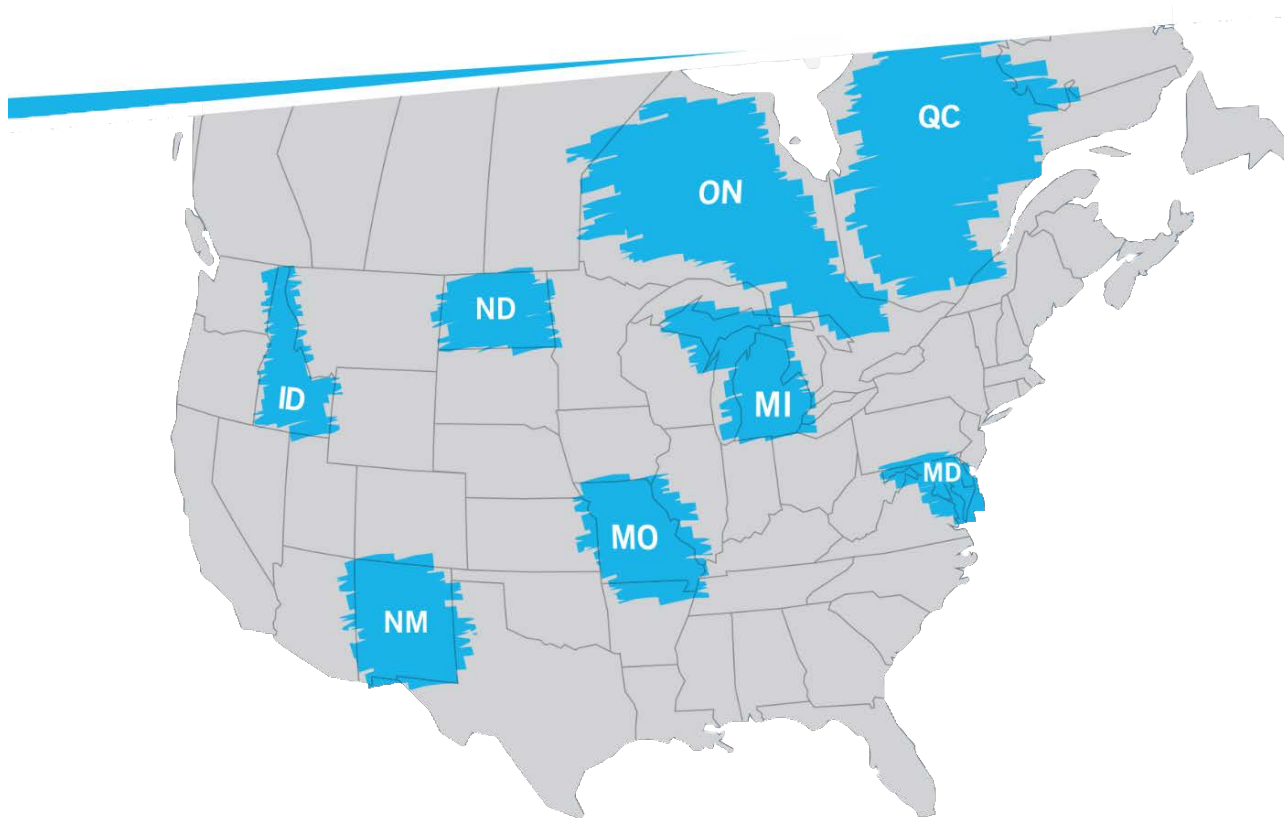
Robust responsible gaming options





DiamondGame

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Highlights Update

- Working seamlessly with the Oasis (International Gamco) team to provide a unified approach to the charitable gaming machine market.
- New jurisdiction opened in the fall of 2018: North Dakota. Currently about 250 machines in place with an expectation to increase as the market develops.
- Over 2,600 machines currently in the market including Oasis machines in Idaho and new machines in North Dakota.
- Identified a few actionable new jurisdictions that may open up in 2019.
- A number of existing jurisdictions are now allowing us to increase number of machines we have in the markets.
- Financial results since acquisition exceeds expectation.





A POLLARD BANKNOTE COMPANY



International Gāmcō, Inc.
A POLLARD BANKNOTE COMPANY



Highlights Update

- Acquired February 1, 2018.
- Combined with our existing American Games operation, integration going very well.
- Market has reacted very positively to the business combination, now strong #2 manufacturer.
- Operation generates in excess of \$55 million in revenue (17% of our 2018 total).
- Opportunities for longer term synergies including facility optimization.
- Significant operational synergies achieved with Gamco's machine division, Oasis, and Diamond Game.





Schafer Systems



Retail Transformation



Before



After



Highlights Update

- Acquired November 1, 2018.
- Industry leader in instant ticket retail merchandising, currently working with 42 of the 44 lotteries in the USA.
- Long history of providing innovative retail merchandising specializing exclusively in the lottery space.
- Early integration has been very smooth, a number of innovation teams from across Pollard are working with the Schafer team.
- Market reaction has been very positive, with Schafer now owned by a lottery focused parent (Pollard).



Strategic Benefits

- I Expands Pollard's portfolio of expertise, particularly at the retail level of engagement for the lotteries, increasing our portfolio of unique and industry leading products and services
- II Significant synergies to combine retail dispensing with specialized instant tickets as a bundled package to maximize lottery revenue
- III Combining research and development resources from Schafer with other areas of the Pollard group allows for cross fertilization and interchange of ideas and concepts maximize results
- IV Opportunities to lever Pollard's international and Canadian resources to expand Schafer's reach outside of the US
- V Development of retail merchandising products not only generates direct revenue but also helps increase sales of instant tickets, providing important group revenue synergies



Acquisition Strategy

- Key component of our overall strategy for profitable growth.
- Dedicated senior resources are focused on our acquisition strategy.
- Areas of interest include: ancillary lottery products; digital and iLottery; charitable gaming and other services to the lottery market.
- Three deals completed in the last 21 months.
- Several actionable opportunities have been identified and are being pursued.
- Operating results of all of our recent deals have met or exceeded our expectations.



Capital Strategy

- Sufficient available capital to support our strategy.
- 3-year committed senior debt facility, approximately \$200 million including accordion feature.
- Close to \$70 million available liquidity at December 31, 2018 (excluding accordion).
- Successful \$35 million equity raise February 2018.
- Significant free cash flow available to fund investments in product development, CAPEX, dividend and future acquisitions.
- Low leverage ratio of 1.89 at December 31, 2018, focused on maintaining a conservative leverage profile.
- Increased dividend 33% in Q1 2019.
- Committed over the long term to increasing public float of shares.



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FINANCIAL UPDATE

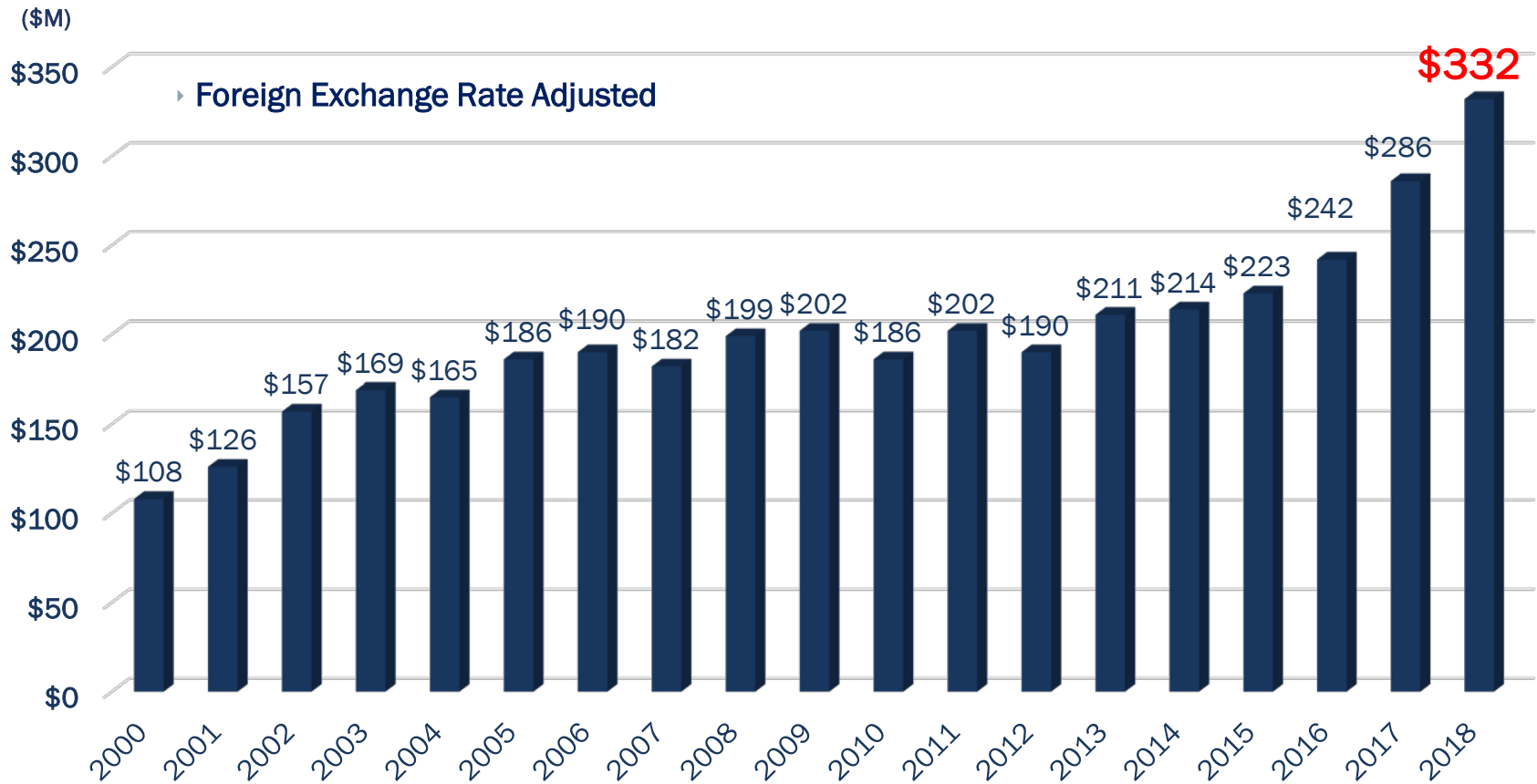
2018 Highlights

2018 HIGHLIGHTS

(\$M)	2018	2017
Sales	\$331.9	\$285.7
Gross Margin	\$75.7	\$65.7
Gross Margin %	22.8%	23.0%
SG + A	\$45.4	\$38.0
Income from Operations	\$29.7	\$27.0
Adjusted EBITDA	\$48.8	\$44.0
Net Income	\$14.9	\$16.8



Fiscal Sales

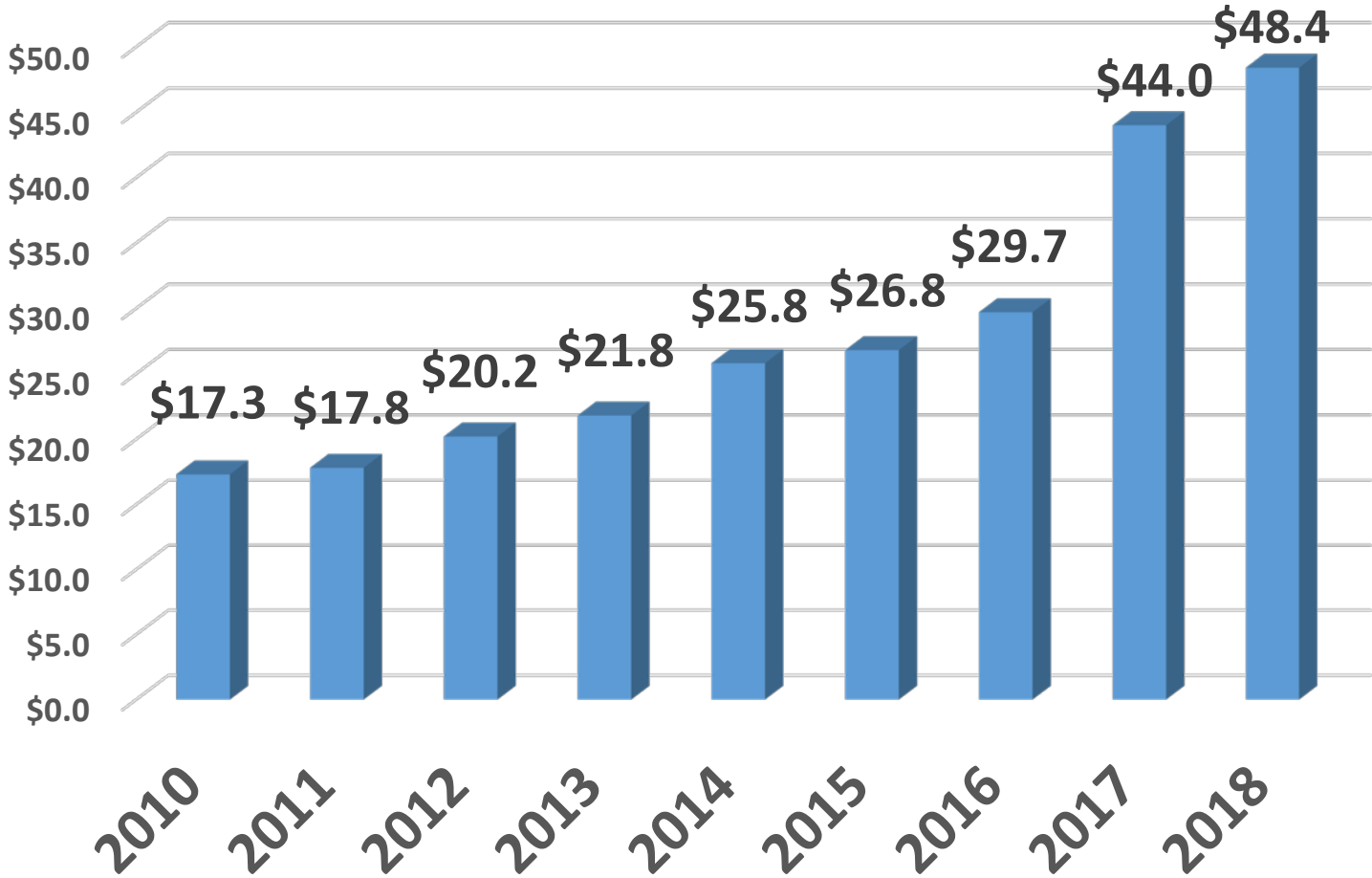


Annual sales adjusted to 2018 average rate of \$1.30 CDN per USD



Adjusted EBITDA

(\$M)



See definition of Adjusted EBITDA on slide 2 and reconciliation to Net Income in the Appendix



Strong CASHFLOW

(\$M)	2018	2017
Cash Flow before CAPEX & W/C	\$35.7	\$30.2
Change in Working Capital	<u>4.0</u>	<u>(\$2.9)</u>
Net Cash Flow before CAPEX	\$39.7	\$28.3
CAPEX	<u>(\$15.1)</u>	<u>(\$6.9)</u>
Net Cash Flow (b4 dividend, debt repayment & acquisitions)	<u>\$24.6</u>	<u>\$21.4</u>
(source: 2018 PBL Statement of Cash Flow)		



2018 Highlights

- Record annual revenue.
- Strong average selling price due to continued success of value added premium product mix.
- Full year impact of Diamond Game exceeding expectations.
- Acquisition and integration of Gamco and Schafer.
- Strong positive free cash flow prior to W/C investment.
- Temporary lower orders in Q4 impacted results negatively.



Q4 Results

- Fourth quarter results were lower than the first three quarters of 2018. Adjusted EBITDA was \$7.5 million compared to an average of \$13 million during the first three quarters.
- Temporary reduction in orders reduced our production volumes and the related sales volume by approximately 15%.
- Additionally, of the instant ticket volume produced, an additional 14% was not recognized in revenue due to the timing of shipments. These volumes will be recognized in revenue during 2019.
- There was no systemic change in contracts underlying the reduction. A number of our large lottery clients had fewer orders during this short period of time.
- By early 2019 our order volumes have returned back to the levels consistent with the first 9 months of 2018.
- A significant weakening of the Canadian dollar near the end of 2018 also generated a \$3 million unrealized foreign exchange loss primarily relating to the US dollar denominated debt incurred for our acquisitions.
- The combination of the factors discussed above negatively impacted our Q4 operating results.





2019 OUTLOOK

Looking Forward



Increasing Capacity



Increased Opportunities to Sell



Decreased Costs



Robust Industry



Innovation

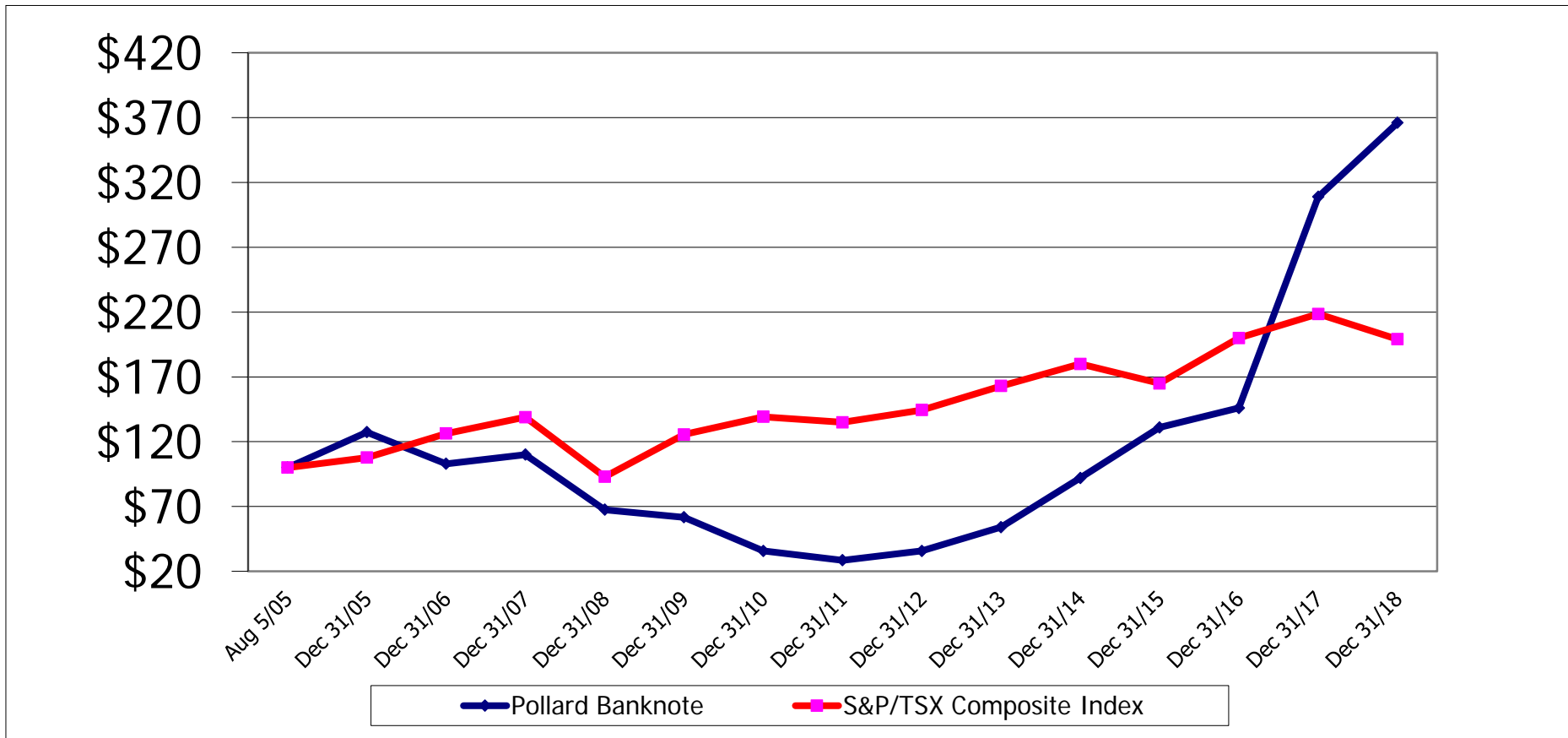


Continued M&A Opportunities

Partner of Choice



Value of \$100 Investment in PBL Shares



*Thank you for your time and
your attention today*

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APPENDICES

Adjusted EBITDA Reconciliation

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net income	\$14.9	\$16.8	\$12.3	\$7.5	\$8.7	\$5.4	\$6.5	\$3.1	\$1.8
Adjustments:									
Amortization & depreciation	\$18.0	\$13.1	\$10.6	\$8.4	\$7.9	\$8.6	\$7.8	\$8.4	\$8.6
Interest	\$4.2	\$3.9	\$3.6	\$2.9	\$2.9	\$3.4	\$3.4	\$4.4	\$5.2
Income taxes	\$5.9	\$7.2	\$4.8	\$4.7	\$3.7	\$3.9	\$2.3	\$1.7	\$1.9
Unrealized foreign exchange	\$4.6	-\$1.4	-\$1.6	\$3.8	\$1.7	\$1.0	-\$0.1	\$3.8	-\$1.2
Acquisition costs	\$0.8	\$2.7							
Severance costs	\$0.4	\$1.7							
Other				-\$0.5	\$0.7	\$0.4		\$1.2	\$1.9
Adjusted EBITDA	<u>\$48.8</u>	<u>\$44.0</u>	<u>\$29.7</u>	<u>\$26.8</u>	<u>\$25.6</u>	<u>\$22.7</u>	<u>\$19.9</u>	<u>\$22.6</u>	<u>\$18.2</u>



IFRS 16 New Lease Standard

- New standard to be implemented from January 1, 2019.
- Majority of leases will now be set up as an asset and offsetting liability on the Statement of Financial Position.
- Charge to the Statement of Income will be split between depreciation and interest versus historic rent expense.

- Under the new standard income before income tax and net income is expected not to be materially different than the previous accounting standard.
- EBITDA will increase by approximately \$5 million due to the increased interest and depreciation and reduce rent expense.
- We anticipate we will provide disclosure identifying the impact of the new accounting standard for consistency.
- The Statement of Financial Position will include a right-to-use asset and corresponding lease liability on implementation which is expected to be approximately \$17-\$18 million

