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**POLLARD BANKNOTE REPORTS**  
**1<sup>ST</sup> QUARTER FINANCIAL RESULTS**

**WINNIPEG, Manitoba, May 8, 2024 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard")** today released its financial results for the three months ended March 31, 2024.

**Results and Highlights for the First Quarter ended March 31, 2024**

- First quarter revenue reached \$125.7 million, up slightly from the first quarter of last year.
- Combined sales<sup>(1)</sup> in the quarter, including our share of our NeoPollard Interactive LLC ("NPI") joint venture sales, reached \$151.2 million, up 5.4% from \$143.6 million in 2023.
- Income from operations was \$13.4 million, compared to \$7.6 million in the first quarter of 2023.
- Adjusted EBITDA<sup>(1)</sup> reached \$23.7 million, a record for the first quarter, increasing \$5.1 million from \$18.6 million attained in the first quarter of 2023.
- Our iLottery operations achieved combined income before income taxes of \$14.9 million, a new quarterly record and 34.6% higher than the first quarter of 2023.
- Instant ticket margins continued to recover during the first quarter, reflecting the increasing impact of repriced customer contracts on our average selling prices.

(1) See Non-GAAP measures for explanation

"We are very satisfied with the financial results of our first quarter of 2024, significantly exceeding all of our critical metrics from the comparative quarter of 2023," remarked John Pollard, Co-Chief Executive Officer. "Both our Combined Sales (which includes our 50% share of our iLottery joint venture revenue) and our Adjusted EBITDA established new first quarter records, attaining \$151.2 million and \$23.7 million respectively. The lottery and charitable gaming segments performed well with strong consumer demand continuing."

"One of our core businesses is the production and sale of instant tickets and our strategy of repricing our contracts continues to be successful, helping to lay the foundation for increasing margins as our new contract terms come into effect. We have repriced the majority of our contracts and we expect to see growing positive impacts on our financial results through the end of 2024 and into 2025. We also experienced some small cost

reductions on our key inputs for instant ticket production and are hopeful this trend will continue.”

“Of particular note is the success of our iLottery joint venture, which continues to be the market leader in North America, generating a record \$14.9 million in combined income before income taxes. These results reflect a number of positive factors experienced during the quarter, including: very high Powerball® and Mega Millions® jackpot runs through the entire first quarter; continued strong growth of eInstants in North Carolina after their introduction in November of 2023; and significant organic growth throughout our entire portfolio of iLottery contracts. Implementation work continues on our recently awarded West Virginia iLottery contract and we look forward to its successful roll out in the fall of 2024.”

“Our charitable gaming group, which includes both our printed pull-tabs and bingo paper products, and our eGaming systems, experienced continued strong demand. eGaming revenue grew, reflecting the increasing engagement with consumers in social settings such as restaurants and taverns. Our volumes of printed charitable gaming products were still somewhat constrained during the quarter as we work on increasing capacity to meet demand, and we believe we will see improved results going forward.”

“These strong first quarter results are particularly satisfying given the beginning of the year historically has seen lower revenue following the busier second half of the calendar year. Quarterly financial results can vary depending on the timing of orders, and our first quarter did experience some lower than anticipated volumes in our instant ticket production and sales. However, our scheduled production volumes of instant tickets over the next two quarters are noticeably higher than the first quarter.”

“We continue to be very excited about the investments we are making in our Pollard iLottery platform and our expanding game studio,” commented Doug Pollard, Co-Chief Executive Officer. “The development of modern iLottery solutions for both existing and new jurisdictions is a cornerstone of our strategy and an important complement to our existing joint venture. We are actively presenting our solution to the lottery market and are very pleased with the feedback.”

“Our first quarter reflects the results of our focused strategy on being the partner of choice to the lottery and charitable gaming markets,” concluded Doug Pollard. “Strong demand across all of our product and solution offerings and improving instant ticket margins continue to lay the foundation for growth and success moving forward.”

## **Use of GAAP and Non-GAAP Financial Measures**

The selected financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated financial statements of Pollard as at and for the three months ended March 31, 2024. These financial statements have been prepared in accordance with the IFRS Accounting Standards ("IFRS" or "GAAP").

Reference to "EBITDA" is to earnings before interest, income taxes, depreciation, amortization and purchase accounting amortization. Reference to "Adjusted EBITDA" is to EBITDA before unrealized foreign exchange gains and losses, and certain non-recurring items including acquisition costs, contingent consideration fair value adjustments and net insurance proceeds. Adjusted EBITDA is an important metric used by many investors to compare issuers on the basis of the ability to generate cash from operations and management believes that, in addition to net income, Adjusted EBITDA is a useful supplementary measure.

Reference to "Combined sales" is to sales recognized under GAAP plus Pollard's 50% proportionate share of NeoPollard Interactive LLC's ("NPI") sales, its iLottery joint venture operation. Reference to "Combined iLottery sales" is to sales recognized under GAAP for Pollard's 50% proportionate share of its Michigan Lottery joint iLottery operation plus Pollard's 50% proportionate share of NPI's sales, its iLottery joint venture operation.

EBITDA, Adjusted EBITDA, Combined sales and Combined iLottery sales are measures not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA, Adjusted EBITDA, Combined sales and Combined iLottery sales should not be construed as alternatives to net income or sales as determined in accordance with GAAP as an indicator of Pollard's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

### ***Forward-Looking Statements***

Certain statements in this report 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 document, such statements include such words as "may," "will," "expect," "believe," "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this document. 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.

## POLLARD BANKNOTE LIMITED

Pollard is one of the leading providers of products and solutions to lottery and charitable gaming industries throughout the world. Management believes Pollard is the largest provider of instant tickets based in Canada and the second largest producer of instant tickets in the world. In addition, management believes Pollard is also the second largest bingo paper and pull-tab supplier to the charitable gaming industry in North America and, through its 50% joint venture, the largest supplier of iLottery solutions to the U.S. lottery market.

<b>HIGHLIGHTS</b>	<b>Three months ended <u>March 31, 2024</u></b>	<b>Three months ended <u>March 31, 2023</u><sup>(1)</sup></b>
<b>Sales</b>	\$ 125.7 million	\$ 125.1 million
<b>Gross profit</b>	\$ 21.5 million	\$ 17.7 million
<b><i>Gross profit % of sales</i></b>	<i>17.1%</i>	<i>14.1%</i>
<b>Administration expenses</b>	\$ 15.3 million	\$ 13.4 million
<b>Selling expenses</b>	\$ 5.4 million	\$ 4.7 million
<b>NPi equity investment income</b>	(\$ 12.2 million)	(\$ 8.2 million)
<b>Unrealized foreign exchange (gain) loss</b>	\$ 2.2 million	(\$ 0.2 million)
<b>Net income</b>	\$ 6.9 million	\$ 4.8 million
<b>Net income per share – basic</b>	\$ 0.26	\$ 0.18
<b>Net income per share – diluted</b>	\$ 0.25	\$ 0.18
<b>Adjusted EBITDA</b>	\$ 23.7 million	\$ 18.6 million

(1) Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

**Results of Operations – Three months ended March 31, 2024**  
**SELECTED FINANCIAL INFORMATION**

(millions of dollars)	<b>Three months March 31, 2024</b> (unaudited)	<b>Three months March 31, 2023<sup>(1)</sup></b> (unaudited)
Sales	\$125.7	\$125.1
Cost of sales	104.2	107.4
Gross profit	21.5	17.7
Administration expenses	15.3	13.4
Selling expenses	5.4	4.7
Equity investment income	(12.2)	(8.2)
Other (income) expenses	(0.4)	0.2
Income from operations	13.4	7.6
Foreign exchange (gain) loss	2.7	(0.2)
Interest expense	2.4	2.7
Income before income taxes	8.3	5.1
Income taxes:		
Current	6.9	3.0
Deferred reduction	(5.5)	(2.7)
	1.4	0.3
Net income	\$6.9	\$4.8
Adjustments:		
Amortization and depreciation	10.8	10.6
Interest	2.4	2.7
Income taxes	1.4	0.3
EBITDA	\$21.5	\$18.4
Unrealized foreign exchange (gain) loss	2.2	(0.2)
Contingent consideration fair value adjustment	0.0	0.4
Adjusted EBITDA	\$23.7	\$18.6

(1) Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

	March 31, 2024	December 31, 2023
Total Assets	\$538.8	\$515.7
Total Non-Current Liabilities	\$129.7	\$139.5

## Results of Operations – Three months ended March 31, 2024

During the three months ended March 31, 2024, Pollard achieved sales of \$125.7 million, compared to \$125.1 million in the three months ended March 31, 2023. Factors impacting the \$0.6 million sales increase were:

- Higher sales of ancillary lottery products and services increased revenue in the first quarter of 2024 by \$6.5 million as compared to 2023. This growth was largely due to increased sales of retail merchandising products, licensed products, and digital and loyalty products.
- eGaming systems revenue further increased sales by \$1.3 million in 2024, largely due to a higher number of eGaming machines placed at bars, bingo halls and fraternal organizations as compared to 2023.
- The higher instant ticket average selling price in the first quarter of 2024 increased sales by \$7.6 million as compared to 2023, primarily as a result of the change in customer mix and the impact of repriced contracts. However, this increase was offset by the decrease in instant ticket sales volumes of \$12.9 million as compared to 2023, mainly as a result of the timing of customer orders and Pollard declining certain lower margin work.
- Lower charitable gaming volumes, which were largely due to certain production inefficiencies, decreased sales by \$1.0 million in 2024.
- During the three months ended March 31, 2024, Pollard generated approximately 71.7% (2023 – 75.9%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first quarter of 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.339, compared to a rate of \$1.350 during the first quarter of 2023. This 0.8% decrease in the U.S. dollar value resulted in an approximate decrease of \$0.7 million in revenue relative to the first quarter of 2023. In addition, during the quarter the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.1 million in revenue relative to the first quarter of 2023.

Cost of sales was \$104.2 million in the first quarter of 2024 compared to \$107.4 million in the first quarter of 2023. The decrease of \$3.2 million in cost of sales was primarily the result of lower instant ticket sales volumes as compared to 2023. Partially offsetting this decrease in cost of sales were the higher expenses related to increased sales of eGaming systems and ancillary lottery products and services.

Gross profit was \$21.5 million (17.1% of sales) in the first quarter of 2024 compared to \$17.7 million (14.1% of sales) in the first quarter of 2023. This increase of \$3.8 million in gross profit and the increase in gross profit percentage were primarily the result of increased licensed products, retail merchandising products and eGaming systems sales.

In addition, higher instant ticket sales margins, largely as a result of the higher instant ticket average selling price, also contributed to the increase in gross profit as compared to 2023. Partially offsetting these increases to gross profit were lower charitable gaming sales margins, primarily due to certain production inefficiencies.

Administration expenses were \$15.3 million in the first quarter of 2024 compared to \$13.4 million in the first quarter of 2023, and slightly lower than the \$15.6 million in the fourth quarter of 2023. The increase of \$1.9 million from the first quarter of 2023 was largely a result of increased compensation expenses and consulting costs.

Selling expenses were \$5.4 million in the first quarter of 2024 compared to \$4.7 million in the first quarter of 2023, and slightly lower than the \$5.6 million in the fourth quarter of 2023. The increase of \$0.7 million from the first quarter of 2023 was primarily due to higher compensation expenses as well as the expansion of our charitable gaming distribution business.

Pollard's share of income from NPI increased to \$12.2 million in the first quarter of 2024 from \$8.2 million in the first quarter of 2023. This \$4.0 million increase in the first quarter of 2024 was primarily due to increased organic growth achieved on contracts held by NPI as compared to 2023. This growth was driven by greater gaming activity, in part as a result of the substantial Mega Millions® and Powerball® jackpot runs during the first quarter of 2024, as well as by the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

The 2024 net foreign exchange loss of \$2.7 million consisted of an unrealized foreign exchange loss of \$2.2 million, primarily a result of the increased Canadian equivalent value of U.S. dollar denominated accounts payable and long-term debt due to the weakening of the Canadian dollar relative to the U.S. dollar, partially offset by the unrealized gain on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of \$0.5 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2023 net foreign exchange gain of \$0.2 million consisted of an unrealized foreign exchange gain of \$0.2 million, primarily a result of the decreased Canadian equivalent value of U.S. dollar denominated accounts payable and long-term debt due to the strengthening of the Canadian dollar relative to the U.S. dollar.

Adjusted EBITDA increased to \$23.7 million in the first quarter of 2024 compared to \$18.6 million in the first quarter of 2023. The primary reasons for the \$5.1 million increase in Adjusted EBITDA were the increase in gross profit of \$4.0 million (net of amortization and depreciation), primarily due to increased sales of licensed products, retail merchandising products and eGaming systems and higher instant ticket sales margins, and the increase in equity investment income of \$4.0 million. These increases in gross profit (net of amortization and depreciation) were partially offset by lower charitable

gaming sales margins. Partially offsetting these increases in Adjusted EBITDA were the increase in administration expenses of \$1.9 million, the increase in selling expenses of \$0.7 million and the increase in realized foreign exchange loss of \$0.5 million.

Interest expense decreased to \$2.4 million in the first quarter of 2024 from \$2.7 million in the first quarter of 2023, primarily as a result of the decrease in interest accretion of \$0.5 million on the discounted contingent consideration liability relating to a previous acquisition, and the decrease in average long-term debt outstanding as compared to 2023. Partially offsetting these decreases to interest expense was the impact of higher interest rates in the first quarter of 2024.

Amortization and depreciation totaled \$10.8 million during the first quarter of 2024 similar to \$10.6 million during the first quarter of 2023.

Income tax expense was \$1.4 million in the first quarter of 2024, an effective rate of 16.4%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was \$0.3 million in the first quarter of 2023, an effective rate of 5.7%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions and the effect of non-taxable amounts.

Net income was \$6.9 million in the first quarter of 2024 compared to \$4.8 million in the first quarter of 2023. The increase in net income of \$2.1 million was primarily due to the increase in equity investment income of \$4.0 million and the increase in gross profit of \$3.8 million, primarily as a result of the higher instant ticket sales margins and increased sales of licensed products, retail merchandising products and eGaming systems. These increases in gross profit were partially offset by lower charitable gaming sales margins. In addition, the increase in other income of \$0.6 million and the decrease in interest expense of \$0.3 million further contributed to the increase in net income as compared to 2023. Partially offsetting these increases to net income were the increase in net foreign exchange loss of \$2.9 million, the increase in administration expenses of \$1.9 million, the increase in income tax expense of \$1.1 million and the increase in selling expenses of \$0.7 million.

Net income per share (basic and diluted) increased to \$0.26 and \$0.25 per share, respectively, in the first quarter of 2024 from \$0.18 per share (basic and diluted) in the first quarter of 2023.

## iLottery

Pollard and its iLottery partner, NeoGames US LLP (“NeoGames”), provide iLottery services to the North American Lottery market. In 2013, Pollard was awarded an iLottery contract from the Michigan Lottery. As a result, Pollard entered into a contract with NeoGames to provide its technology in return for a 50% financial interest in the operation. Under IFRS, Pollard recognizes its 50% share in the Michigan Lottery contract in its consolidated statements of income in sales and cost of sales.

In 2014 Pollard, in conjunction with NeoGames, established NeoPollard Interactive LLC (“NPI”). Under IFRS, Pollard accounts for its investment in its joint venture, NPI, as an equity investment. Under the equity method of accounting, Pollard recognizes its share of the income and expenses of NPI separately as equity investment income.

### SELECT ILOTTERY RELATED FINANCIAL INFORMATION

(millions of dollars)

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
<b>Sales – Pollard’s share</b>									
Michigan iLottery	\$7.1	\$7.0	\$7.2	\$6.5	\$7.3	\$7.9	\$6.5	\$6.2	\$5.9
NPI	\$25.5	21.8	21.5	18.5	18.5	17.7	13.7	12.4	11.3
Combined iLottery sales	<u>\$32.6</u>	<u>\$28.8</u>	<u>\$28.7</u>	<u>\$25.0</u>	<u>\$25.8</u>	<u>\$25.6</u>	<u>\$20.2</u>	<u>\$18.6</u>	<u>\$17.2</u>
<b>Income before income taxes – Pollard’s share<sup>(1)</sup></b>									
Michigan iLottery	\$2.7	\$2.5	\$2.8	\$1.8	\$2.9	\$2.9	\$2.2	\$2.4	\$2.0
NPI	\$12.2	11.0	11.1	8.8	8.2	8.3	5.7	4.7	3.6
Combined income before income taxes – Pollard’s share	<u>\$14.9</u>	<u>\$13.5</u>	<u>\$13.9</u>	<u>\$10.6</u>	<u>\$11.1</u>	<u>\$11.2</u>	<u>\$7.9</u>	<u>\$7.1</u>	<u>\$5.6</u>

Throughout 2022, 2023 and the first quarter of 2024, NPI’s contracts achieved strong organic growth, adding to sales and income before taxes. In addition, quarterly sales and income before taxes are positively impacted during quarters where substantial draw-based game (Powerball® and Mega Millions®) jackpots are awarded.

(1) Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

## Outlook

The market continues to demonstrate strong underlying consumer demand for a variety of instant-win scratch ticket products. The translation of this demand into revenue for Pollard depends on a number of factors, including timing of orders, inventory management by lotteries and shipping implications that can vary from quarter to quarter.

While our overall volume of instant tickets for 2024 is expected to be similar to 2023, we anticipate higher volumes in the second and third quarters of 2024 relative to the first quarter of 2024. Demand for our ancillary solutions such as our proprietary PlayOn™ loyalty platform, an important component in the success of iLottery, remains strong. Our pioneering in-lane retail dispensing system easyVEND™ is now live in retail environments, demonstrating the importance of Pollard's commitment to innovation in the Lottery industry.

The results of our repricing strategy continue to be reflected in both our instant ticket revenues and gross margins. Quarterly results will vary based on mix and timing; however, with the majority of our work repriced we will continue to see the growing positive impact on our selling prices throughout 2024 as the new pricing terms take effect. In addition, we are hopeful that further decreases to the costs of our main inputs including paper, ink, packaging and freight will occur in the coming quarters as supply and demand factors revert to more historic levels.

Demand in the charitable gaming market remains strong, with particular interest growing in eGaming systems and other digital gaming solutions. These opportunities can take many forms depending on the jurisdiction, ranging from handheld devices to kiosks and dedicated gaming machines. These products can be placed in a variety of retail and social spaces to augment the traditional paper-based pull-tabs and bingo paper.

Our iLottery results reached record levels in the first quarter, and the long-term expectation is for continued growth in existing and greenfield jurisdictions in North America and internationally. Among other factors, large jackpot runs in draw-based games stimulate higher eInstant sales which was experienced during the quarter. Draw-based game sales will likely be slightly lower in the second quarter until jackpots rebuild, but the underlying fundamental strength in iLottery continues.

Interest in Pollard's proprietary omni-channel iLottery platform continues to grow, as opportunities for discussions and demonstrations with lotteries are ongoing. We are also in the process of integrating a number of our eInstant games from our game studio for release later this year. At the same time our 50% owned joint venture, NeoPollard Interactive, continues to be the market leader in the United States with the implementation efforts in West Virginia, NPI's newest jurisdiction, continuing on track for go-live this fall.

Future acquisitions remain a focus and we continue to review a number of strategic opportunities. Expanding our charitable gaming offerings including our distribution networks, product portfolio and eGaming solutions provide significant growth opportunities. Increasing our expertise in the digital area, particularly around gaming content across all of our platforms, continues to be a focus of our acquisition strategy and will play an important role moving forward.

The nature of our business yields a very high conversion of earnings into positive cash flow as evidenced in our first quarter results. This allows for a conservative capital structure which supports our ongoing significant investments in productive assets such as our iLottery platform, new products and growth CAPEX. Our debt levels remain very conservative, enabling us to maintain significant available resources to pursue our strategic objectives.

Our first quarter results reflect the success of our ongoing strategy of expanding offerings focused on the lottery and charitable gaming markets. Our instant ticket business is responding positively to both our repricing strategy and improved cost initiatives, and this trend is expected to continue. We are very confident in our outlook for 2024 and beyond as strong demand exists throughout these markets for all of our products and solutions, underpinning important growth opportunities as lotteries and charities look for innovative ways to raise funds for good causes.

**For Further Information Please Contact:**

John Pollard  
Co-Chief Executive Officer  
E-mail: [jpollard@pbl.ca](mailto:jpollard@pbl.ca)

Doug Pollard  
Co-Chief Executive Officer  
E-mail: [dpollard@pbl.ca](mailto:dpollard@pbl.ca)

Rob Rose  
Chief Financial Officer  
E-mail: [rrose@pbl.ca](mailto:rrose@pbl.ca)

Pollard Banknote Limited  
Telephone: (204) 474-2323

SEDAR+: 00029950  
(PBL)

CO: Pollard Banknote Limited