

**POLLARD BANKNOTE REPORTS
2ND QUARTER FINANCIAL RESULTS**

WINNIPEG, Manitoba, August 13, 2024 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and six months ended June 30, 2024.

Results and Highlights for the Second Quarter ended June 30, 2024

- Second quarter revenue reached a record of \$137.8 million, up \$7.0 million from the second quarter of 2023.
- Combined sales⁽¹⁾ in the quarter, including our share of our NeoPollard Interactive LLC ("NPI") joint venture sales, reached \$166.0 million, another quarterly record, up 11.2% from \$149.3 million in the same quarter of 2023.
- Income from operations was \$19.9 million, compared to \$9.9 million in the second quarter of 2023.
- Gross margin achieved 21.0% in the second quarter, significantly higher than the 15.9% generated in the same quarter in 2023.
- Adjusted EBITDA⁽¹⁾ reached a record quarterly amount of \$32.3 million, \$10.2 million or 46.2% higher than the \$22.1 million attained in the second quarter of 2023.
- Our instant ticket business profitability improved significantly during the second quarter, generating meaningful gross margin improvements. Higher average selling prices were achieved as a result of greater impact of our repriced customer contracts and a superior mix of high-value proprietary work.
- Our joint venture iLottery operations achieved combined income before income taxes of \$16.2 million.

(1) See Non-GAAP measures for explanation

"We are extremely pleased with the performance of our instant ticket business during the second quarter, with significantly improved gross margins reflecting the impact of our focused efforts on repricing our contracts," remarked John Pollard, Co-Chief Executive Officer. "We have repriced a majority of our contracts over the past two years and as these new contracts are now coming into effect, we are seeing gross margins increasing considerably. This trend will continue as more of the already repriced contracts come on stream."

"Despite the increased positive impact of higher average selling prices in the second quarter, we have not yet recognized the benefits of all of our repriced contracts in our recorded revenue. New prices in a number of contracts will not be reflected in our revenue numbers until the end of 2024. After repricing a majority of our existing contracts, there still remains contracts to be repriced, as their current end dates have not yet come due."

"Higher sales and production volumes relative to our first quarter of 2024 also contributed to the improved margin, and the mix of product included higher value items relative to the previous quarter. This improved mix is expected to continue in the third quarter, which historically includes higher value specialty work for the holiday season."

"Our iLottery joint venture generated \$16.2 million in combined income before income taxes, which is further noteworthy given there were fewer significant Powerball® and Mega Millions® jackpots in the quarter compared to the past year, however the strong organic growth experienced across our contract portfolio is extremely encouraging. We look forward to the successful roll out of our joint venture's West Virginia iLottery contract in the fall of 2024."

"We continue to receive significant interest and positive feedback in our own proprietary omni-channel iLottery platform and game content. We are confident our ongoing significant investment and innovation in our solution will result in our continuing growth in iLottery."

"We are also excited to launch our Pollard iLottery game content with a major North American lottery in the third quarter and are in active discussions to provide game content to both North American and international lotteries in 2025."

"Our charitable gaming group, which includes both our printed pull-tabs and bingo paper products, and our eGaming systems, experienced continued solid demand which also contributed to our strong financial results. Our volumes of printed charitable gaming products increased compared to the first quarter of 2024 and we believe this trend will continue."

"Acquisitions are an important component of our strategic plan and this was evident in the second quarter with the purchase of electronic bingo gaming content supporting our eGaming systems," noted Doug Pollard, Co-Chief Executive Officer. "Great gaming content is a cornerstone of Pollard's success across all of our products and solutions. Subsequent to quarter end we purchased Clarence J. Venne, the leader in the bingo dabber market and a great compliment to our existing charitable gaming offerings."

"We are extremely proud of the work performed by our team to grow our business and generate these excellent financial results," concluded John Pollard. "Strong demand continues across all of our product and solution offerings and the second quarter results demonstrate the success of our strategy to improve instant ticket margins. We are very

confident these trends will continue and support our future success as a leading partner of choice for lottery and charities.”

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 and six months ended June 30, 2024. These financial statements have been prepared in accordance with the International Financial 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 severance costs, 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.

HIGHLIGHTS

	Three months ended <u>June 30, 2024</u>	Three months ended <u>June 30, 2023⁽¹⁾</u>
Sales	\$ 137.8 million	\$ 130.8 million
Gross profit	\$ 29.0 million	\$ 20.8 million
<i>Gross profit % of sales</i>	<i>21.0%</i>	<i>15.9%</i>
Administration expenses	\$ 16.5 million	\$ 14.5 million
Selling expenses	\$ 5.7 million	\$ 5.1 million
NPi equity investment income	(\$ 14.1 million)	(\$ 8.8 million)
Unrealized foreign exchange (gain) loss	\$ 3.0 million	(\$ 1.7 million)
Net income	\$ 11.9 million	\$ 7.5 million
Net income per share – basic	\$ 0.44	\$ 0.28
Net income per share – diluted	\$ 0.43	\$ 0.27
Adjusted EBITDA	\$ 32.3 million	\$ 22.1 million

	Six months ended <u>June 30, 2024</u>	Six months ended <u>June 30, 2023⁽¹⁾</u>
Sales	\$ 263.6 million	\$ 255.8 million
Gross profit	\$ 50.5 million	\$ 38.5 million
<i>Gross profit % of sales</i>	<i>19.2%</i>	<i>15.1%</i>
Administration expenses	\$ 31.9 million	\$ 27.9 million
Selling expenses	\$ 11.2 million	\$ 9.8 million
NPi equity investment income	(\$ 26.4 million)	(\$ 16.9 million)
Unrealized foreign exchange (gain) loss	\$ 5.3 million	(\$ 1.9 million)
Net income	\$ 18.8 million	\$ 12.4 million
Net income per share – basic	\$ 0.70	\$ 0.46
Net income per share – diluted	\$ 0.69	\$ 0.45
Adjusted EBITDA	\$ 56.0 million	\$ 40.7 million

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

SELECTED FINANCIAL INFORMATION

(millions of dollars)

	Three months June 30, 2024 (unaudited)	Three months June 30, 2023 ⁽¹⁾ (unaudited)	Six months June 30, 2024 (unaudited)	Six months June 30, 2023 ⁽¹⁾ (unaudited)
Sales	\$137.8	\$130.8	\$263.6	\$255.8
Cost of sales	108.8	110.0	213.1	217.3
Gross profit	29.0	20.8	50.5	38.5
Administration expenses	16.5	14.5	31.9	27.9
Selling expenses	5.7	5.1	11.2	9.8
Equity investment income	(14.1)	(8.8)	(26.4)	(16.9)
Other expenses	1.0	0.1	0.6	0.3
Income from operations	19.9	9.9	33.2	17.4
Foreign exchange (gain) loss	2.8	(1.7)	5.4	(2.0)
Interest expense	2.5	2.8	4.9	5.5
Income before income taxes	14.6	8.8	22.9	13.9
Income taxes				
Current	7.8	7.6	14.7	10.5
Deferred reduction	(5.1)	(6.3)	(10.6)	(9.0)
	2.7	1.3	4.1	1.5
Net income	\$11.9	\$7.5	\$18.8	\$12.4
Adjustments:				
Amortization and depreciation	11.1	11.9	21.8	22.5
Interest	2.5	2.8	4.9	5.5
Income taxes	2.7	1.3	4.1	1.5
EBITDA	\$28.2	\$23.5	\$49.6	\$41.9
Unrealized foreign exchange (gain) loss	3.0	(1.7)	5.3	(1.9)
Contingent consideration fair value adjustment	0.0	0.3	0.0	0.7
Severance costs	1.1	0.0	1.1	0.0
Adjusted EBITDA	\$32.3	\$22.1	\$56.0	\$40.7

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

	June 30, 2024	December 31, 2023
Total Assets	\$551.2	\$515.7
Total Non-Current Liabilities	\$138.4	\$139.5

Results of Operations – Three months ended June 30, 2024

During the three months ended June 30, 2024, Pollard achieved sales of \$137.8 million, compared to \$130.8 million in the three months ended June 30, 2023. Factors impacting the \$7.0 million sales increase were:

- The higher instant ticket average selling price in the second quarter of 2024 increased sales by \$5.6 million as compared to 2023, primarily as a result of the change in customer mix, increased proprietary products and the impact of repriced contracts. This increase was offset by the decrease in instant ticket sales volumes of \$5.4 million as compared to 2023, mainly as a result of the timing of customer orders and Pollard declining certain lower margin work.
- Higher sales of ancillary lottery products and services increased revenue in the second quarter of 2024 by \$4.2 million as compared to 2023. This growth was largely due to increased sales of digital and loyalty products, distribution services and retail merchandising products.
- eGaming systems revenue further increased sales by \$1.8 million in 2024, largely due to a higher number of eGaming machines placed at bars, bingo halls and fraternal organizations as compared to 2023.
- Higher charitable gaming volumes increased sales by \$0.9 million in 2024, which was partially offset by a decrease in average selling price of charitable games which reduced sales by \$0.3 million.
- During the three months ended June 30, 2024, Pollard generated approximately 70.9% (2023 – 72.2%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the second quarter of 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.358, the same rate, \$1.358, as the second quarter of 2023. Also during the quarter, the value of the Euro weakened against the Canadian dollar resulting in an approximate decrease of \$0.1 million in revenue relative to the second quarter of 2023.

Cost of sales was \$108.8 million in the second quarter of 2024 compared to \$110.0 million in the second quarter of 2023. The decrease of \$1.2 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 higher expenses related to increased sales of eGaming systems and ancillary lottery products and services.

Gross profit increased to \$29.0 million (21.0% of sales) in the second quarter of 2024 from \$20.8 million (15.9% of sales) in the second quarter of 2023. The increase of \$8.2 million in gross profit and the increase in gross profit percentage were primarily the result of higher instant ticket sales margins, largely as a result of the higher instant ticket

average selling price, and increased margin from charitable gaming products. Higher retail merchandising products and eGaming systems sales also contributed to the increase in gross profit as compared to 2023.

Administration expenses were \$16.5 million in the second quarter of 2024 compared to \$14.5 million in the second quarter of 2023. The increase of \$2.0 million was largely a result of increased compensation expenses including incentive accruals, consulting costs and software licensing costs.

Selling expenses increased to \$5.7 million in the second quarter of 2024 from \$5.1 million in the second quarter of 2023. The increase was primarily due to higher compensation costs as well as the expansion of our charitable gaming distribution business.

Pollard's share of income from its 50% owned iLottery joint venture, NPi, increased to \$14.1 million in the second quarter of 2024 from \$8.8 million in 2023. This \$5.3 million increase was primarily due to increased organic growth achieved on contracts held by NPi as compared to 2023, which was driven by greater gaming activity including the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

Other expenses were \$1.0 million in the second quarter of 2024 compared to \$0.1 million in the second quarter of 2023. The increase of \$0.9 million was primarily due to severance related costs of \$1.1 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe. This increase was partially offset by a \$0.3 million decrease in the contingent consideration fair value adjustment expense as compared to 2023.

The net foreign exchange loss was \$2.8 million in the second quarter of 2024 compared to a net gain of \$1.7 million in the second quarter of 2023. The 2024 net foreign exchange loss of \$2.8 million consisted of an unrealized foreign exchange loss of \$3.0 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 an unrealized gain on U.S. dollar denominated accounts receivable. Partially offsetting the unrealized loss was a realized foreign exchange gain of \$0.2 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

The 2023 net foreign exchange gain of \$1.7 million consisted of an unrealized foreign exchange gain of \$1.7 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, partially offset by an unrealized loss on U.S. dollar denominated accounts receivable.

Adjusted EBITDA increased to \$32.3 million in the second quarter of 2024 compared to \$22.1 million in the second quarter of 2023. The primary reasons for the \$10.2 million increase were the increase in gross profit (net of amortization and depreciation) of \$7.4 million, substantially as a result of the increased instant ticket margin, the increase in equity investment income of \$5.3 million and the increase in realized foreign exchange gain of \$0.2 million. Partially offsetting these increases to Adjusted EBITDA were the increase in administration expenses of \$2.0 million and the increase in selling expenses of \$0.6 million.

Interest expense decreased to \$2.5 million in the second quarter of 2024 from \$2.8 million in the second quarter of 2023, primarily as a result of the decrease in interest accretion of \$0.3 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 second quarter of 2024.

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$11.1 million during the second quarter of 2024 which decreased from \$11.9 million during the second quarter of 2023. The decrease of \$0.8 million was primarily the result of certain property, plant and equipment becoming fully depreciated.

Income tax expense was \$2.7 million in the second quarter of 2024, an effective rate of 18.7%, 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.

Income tax expense was \$1.3 million in the second quarter of 2023, an effective rate of 14.5%, 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 \$11.9 million in the second quarter of 2024 compared to \$7.5 million in the second quarter of 2023. The increase in net income of \$4.4 million was primarily due to the increase in gross profit of \$8.2 million, principally as a result of the increased instant ticket margin, the increase in equity investment income of \$5.3 million and the decrease in interest expense of \$0.3 million. Partially offsetting these increases to net income were the increase in net foreign exchange loss of \$4.5 million, the increase in administration expenses of \$2.0 million, the increase in income tax expense of \$1.4 million, the increase in other expenses of \$0.9 million and the increase in selling expenses of \$0.6 million.

Net income per share (basic and diluted) increased to \$0.44 and \$0.43 per share, respectively, in the second quarter of 2024 from \$0.28 and \$0.27 per share (basic and diluted) in the second quarter of 2023.

Results of Operations – Six months ended June 30, 2024

During the six months ended June 30, 2024, Pollard achieved sales of \$263.6 million, compared to \$255.8 million in the six months ended June 30, 2023. Factors impacting the \$7.8 million sales increase were:

- The higher instant ticket average selling price in the first six months of 2024 increased sales by \$13.8 million as compared to 2023, primarily as a result of the change in customer mix and the impact of repriced contracts. This increase was offset by the decrease in instant ticket sales volumes of \$18.8 million as compared to 2023, mainly as a result of the timing of customer orders and Pollard declining certain lower margin work.
- Higher sales of ancillary lottery products and services increased revenue by \$10.9 million in the first six months of 2024 as compared to 2023. This growth was largely due to increased sales of digital and loyalty products, retail merchandising products, distribution services and licensed products.
- Higher eGaming systems revenue increased sales by \$3.1 million due primarily to a higher number of eGaming machines placed at bars, bingo halls and fraternal organizations as compared to 2023.
- The lower average selling price of charitable games in the first six months of 2024 slightly decreased sales by \$0.3 million as compared to 2023.
- During the six months ended June 30, 2024, Pollard generated approximately 71.3% (2023 – 74.0%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first six months of 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.346, compared to a rate of \$1.354 the first six months of 2023. This 0.6% decrease in the U.S. dollar value resulted in an approximate decrease of \$1.1 million in revenue relative to the first six months of 2023. In addition, during the first six months of 2024, 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 six months of 2023.

Cost of sales was \$213.1 million in the first six months of 2024 compared to \$217.3 million in the first six months of 2023. The decrease of \$4.2 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 increased to \$50.5 million (19.2% of sales) in the six months ended June 30, 2024, from \$38.5 million (15.1% of sales) in the six months ended June 30, 2023. This

increase of \$12.0 million in gross profit and the increase in gross profit percentage were primarily the result of higher instant ticket sales margins, largely as a result of the higher instant ticket average selling price, as well as increased licensed products, retail merchandising products and eGaming systems sales.

Administration expenses increased to \$31.9 million in the first six months of 2024 from \$27.9 million in 2023. The increase of \$4.0 million was largely a result of increased compensation expenses including incentive accruals, consulting costs and software licensing costs.

Selling expenses increased to \$11.2 million in the first six months of 2024 from \$9.8 million in the first six months of 2023. The increase of \$1.4 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 \$26.4 million in the first six months of 2024 from \$16.9 million in 2023. This \$9.5 million increase 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.

Other expenses were \$0.6 million in the first six months of 2024 compared to \$0.3 million in 2023. This increase of \$0.3 million was primarily due to severance related costs of \$1.1 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe. This increase was partially offset by a \$0.7 million decrease in the contingent consideration fair value adjustment expense as compared to 2023.

The net foreign exchange loss was \$5.4 million in the first six months of 2024 compared to a net foreign exchange gain of \$2.0 million in the first six months of 2023. The 2024 net foreign exchange loss of \$5.4 million resulted from a net unrealized foreign exchange loss of \$5.3 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 an unrealized gain on U.S. dollar denominated cash and accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of \$0.1 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 \$2.0 million resulted from a net unrealized foreign exchange gain of \$1.9 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, partially offset by an

unrealized loss on U.S. dollar denominated cash and accounts receivable. In addition, Pollard experienced a realized foreign exchange gain of \$0.1 million which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates, partially offset by foreign currency denominated accounts payable paid at unfavorable exchange rates.

Adjusted EBITDA increased to \$56.0 million in the first six months of 2024 compared to \$40.7 million in the first six months of 2023. The main reasons for the increase of \$15.3 million were the increase in gross profit (net of amortization and depreciation) of \$11.3 million, primarily as result of increased instant ticket margins, as well as increased licensed products, retail merchandising products and eGaming systems sales. In addition, the increase in equity investment income of \$9.5 million further increased Adjusted EBITDA. Partially offsetting these increases were the increase in administration expenses of \$4.0 million and the increase in selling expenses of \$1.4 million.

Interest expense decreased to \$4.9 million in the first six months of 2024 from \$5.5 million in the first six months of 2023, primarily as a result of the decrease in interest accretion of \$0.8 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 2024.

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$21.8 million during the first six months of 2024 which decreased from \$22.5 million during the first six months of 2023. The decrease of \$0.7 million was primarily the result of certain property, plant and equipment becoming fully depreciated.

Income tax expense was \$4.1 million in the first six months of 2024, an effective rate of 17.9%, 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.

Income tax expense was \$1.5 million in the first six months of 2023, an effective rate of 11.3%, 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 increased to \$18.8 million in the first six months of 2024 from \$12.4 million in the first six months of 2023. The main reasons for the increase of \$6.4 million was primarily due to the increase in gross profit of \$12.0 million, which was a result of increased instant ticket margins, as well as increased licensed products, retail merchandising products and eGaming systems sales. In addition, the increase in equity investment income of \$9.5 million and the decrease in interest expense of \$0.6 million further increased net income. Partially offsetting these increases to net income were the increase in the net foreign exchange loss of \$7.4 million, the increase in administration

expenses of \$4.0 million, the increase in income tax expense of \$2.6 million, the increase in selling expenses of \$1.4 million and the increase in other expenses of \$0.3 million.

Net income per share (basic and diluted) increased to \$0.70 and \$0.69 per share, respectively, in the six months ending June 30, 2024, as compared to \$0.46 and \$0.45 per share (basic and diluted) in the six months ending June 30, 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)

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Sales – Pollard's share									
Michigan iLottery	\$ 6.8	\$ 7.1	\$ 7.0	\$ 7.2	\$ 6.5	\$ 7.3	\$ 7.9	\$ 6.5	\$ 6.2
NPI	\$ 28.2	25.5	21.8	21.5	18.5	18.5	17.7	13.7	12.4
Combined iLottery sales	<u>\$ 35.0</u>	<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>
Income before income taxes – Pollard's share⁽¹⁾									
Michigan iLottery	\$ 2.1	\$ 2.7	\$ 2.5	\$ 2.8	\$ 1.8	\$ 2.9	\$ 2.9	\$ 2.2	\$ 2.4
NPI	\$ 14.1	12.2	11.0	11.1	8.8	8.2	8.3	5.7	4.7
Combined income before income taxes – Pollard's share	<u>\$ 16.2</u>	<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>

Throughout 2022, 2023 and the first half 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

Our second quarter results set records in a number of our key financial performance indicators and is confirmation of the success of our strategy, particularly with the noteworthy improved margins in our instant ticket business. We expect these trends to continue going forward. Continuing strong demand in the charitable gaming market is expected to generate growth in printed product volumes as well as eGaming revenue. We remain extremely confident for the remaining outlook for 2024 and future years as our focused strategy to partner with lotteries and charities throughout the world provides the foundation for ongoing success.

Market demand for all our products and solutions remains strong across our entire portfolio. Instant tickets are the largest contributor to lottery sales and demand for this product remains high. 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.

The ongoing impact on our revenue from our contract repricing strategy will continue to increase throughout the remainder of 2024 and 2025, resulting in further improved gross margins.

Demand for our ancillary solutions such as our proprietary PlayOn® loyalty platform, an important component in the success of iLottery, and our retail merchandising solutions remains strong.

Demand in the charitable gaming market remains high, and this is expected to translate into greater volumes of printed products (pull-tab tickets and bingo paper) as well as higher numbers of machines and gross gaming revenue from our eGaming systems. On July 31 we closed the acquisition of the business of Clarence J. Venne, the leader in the bingo dabber market. The addition of this product to our charitable gaming portfolio will create a number of positive impacts including financial contributions starting in the third quarter of 2024.

Our joint venture iLottery results reflected strong interest and demand for this form of lottery gaming. Large jackpot runs in the draw-based games such as Powerball® and Mega Millions® in the U.S. were less frequent in the second quarter of 2024 and the timing of these runs can have an impact on the growth of iLottery revenue. Strong organic eInstant growth was still achieved, highlighting the underlying fundamental strength in iLottery. Implementation of the West Virginia iLottery contract continues on track for go-live this fall.

We continue to receive significant interest and positive feedback in our own proprietary omni-channel iLottery platform and game content. We are confident our ongoing significant investment and innovation in our solution will result in our continuing growth in iLottery.

During 2024 we have closed two acquisitions expanding our products offerings in the charitable market and we continue to review a number of similar strategic opportunities. In addition, increasing our expertise in the digital area, particularly around gaming content across all of our platforms and eGaming opportunities, continues to be an important focus.

Cash flows remain very robust and provide us a steady flow of capital to continue our investments in critical acquisitions and internal capital projects such as our iLottery platform and game content portfolio. Our debt facility has significant available unused capacity and combined with our operating cash flows ensures our focus on innovation and growth have the necessary resources.

Our strategy is to be the partner of choice for lotteries and charities in helping grow funds for their good causes. We are confident this strategy will continue to be successful in all our offerings including instant tickets and ancillary services, charitable products and eGaming solutions, and iLottery.

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