

POLLARD BANKNOTE REPORTS
4TH QUARTER AND ANNUAL FINANCIAL RESULTS

WINNIPEG, Manitoba, March 10, 2025 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three months and year ended December 31, 2024.

Full Year 2024 Results and Highlights

- Established a new record for revenue at \$557.1 million, up 7.1% from last year.
- Combined sales⁽¹⁾ in the year, including our share of NPi's joint venture sales, attained \$665.9 million, up 10.9% from \$600.6 million in 2023.
- Net income was \$35.2 million, an increase of \$3.8 million or 12.1% over \$31.4 million earned in 2023.
- Adjusted EBITDA⁽¹⁾ achieved a record annual amount of \$114.5 million, \$23.2 million or 25.4% higher than the previous year.
- Income from operations reached \$69.8 million, up \$23.8 million or 51.7% from the previous year.
- Instant ticket margins increased throughout 2024 due to the ongoing impact of increased selling prices due to the success in repricing our contracts as they came up for rebid. The effect of repriced contracts had increasing impact during 2024 and the full effect will be reflected in 2025.
- During 2024 we were awarded our first U.S. contract for our Catalyst™ iLottery solution with the Kansas Lottery and subsequent to year end, on February 13, 2025 the solution successfully went live.
- Our joint venture iLottery operations generated very strong results in comparison to last year, contributing \$59.3 million in combined income before income taxes in 2024, 20.8% higher than the \$49.1 million earned in 2023.
- Expanded our product offerings with the acquisition of Clarence J. Venne, LLC during the year, a leading manufacturer of bingo daubers primarily used in the charitable gaming market.

(1) See Non-GAAP measures for explanation

Fourth Quarter Results and Highlights

- Revenue reached \$140.3 million, up 3.5% from the fourth quarter of last year.
- Combined sales⁽¹⁾ in the quarter, including our share of our NeoPollard Interactive LLC ("NPi") joint venture sales, reached \$168.2 million, up 6.9% from \$157.3 million in 2023.

- Adjusted EBITDA⁽¹⁾ attained \$25.2 million, similar to the \$25.7 million earned in the fourth quarter of 2023.
- Adjusted EBITDA was negatively impacted during the quarter due to manufacturing issues related to our instant ticket production causing higher spoilage on certain large games.
- Production volume of instant tickets during the fourth quarter was lower than the previous quarters in 2024 based on a lower order pattern typically experienced in the fourth quarter.

"2024 was a very successful year for Pollard Banknote, not only through reaching a number of record financial results, but also with the achievement of a number of critical business milestones," remarked John Pollard, Co-Chief Executive Officer. "Our core instant ticket business increased its margin significantly compared to 2023 as the success of our instant ticket repricing strategy continued to be reflected in our financial results. Strong demand in our charitable gaming operations led to increased profit contributions in 2024."

"Our Combined Sales (which includes our 50% share of our iLottery joint venture revenue) was \$665.9 million, a reflection of the strong growth experienced in our business lines. Both the lottery and charitable gaming sectors continue to perform well in North America and internationally."

"Adjusted EBITDA grew over 25% compared to last year, a substantial new record not only reflecting our improving instant ticket margins but also the results of investments we have made over the years in all areas including digital, and iLottery products and solutions."

"Our margins also benefited from a cost structure reflective of slightly lower cost inputs during 2024 relative to the previous year and we are hopeful of continued improvements in the costs of important inputs like paper and ink in the future."

"Significant investment in our Catalyst™ iLottery Gaming Platform and eInstant game content continued throughout 2024, culminating in August with the official awarding of a contract to provide the iLottery solution for the Kansas Lottery. The Kansas Lottery has been a very important, long-time customer of Pollard Banknote and we have worked together providing technology services including our loyalty solution and other products successfully during that time."

"After a thorough and ambitious implementation period, the iLottery platform successfully went live on February 13, 2025, becoming the fastest implementation of a full iLottery program in U.S. history. This successful launch is recognition not only of the large investment made over several years in developing our offering, but also a confirmation of the unique and powerful features associated with our cloud-native, modular, omni-channel and API-first iLottery solution. Catalyst™ is a state-of-the-art solution that in addition to running an iLottery system, is also a fully capable central gaming system, able to process all lottery sales including physical sales of products at retail in addition to sales

over the internet. This allows lotteries to consolidate sales information in one central source, a much more efficient method to assist in effectively understanding their customers.”

“In addition to the success of our gaming platform, our eInstant game studio has developed some very unique and successful eInstant game content that we have delivered to a number of lotteries in both North America and Europe, including third-party platform operators, and have a number of other implementations in progress. The success of great eInstant games is not only important in conjunction with the operation of our own gaming platform but is a great calling card to highlight our expertise through direct sales to other iLottery operators.”

“We continue to see very active discussions throughout the lottery industry in both North America and internationally regarding iLottery opportunities and the success of our Kansas implementation has provided a focused talking point for these discussions. The iLottery development and sales process is long, however we remain fully engaged in expanding our presence in this important and growing business area.”

“Our joint venture iLottery operations produced record results throughout 2024,” stated Doug Pollard, Co-Chief Executive Officer, “generating organic growth despite a lower number of large jackpot runs in draw-based games including Powerball® and Mega Millions® during the year compared to 2023. In October of 2024 the West Virginia Lottery went live as the sixth contract serviced through the joint operation. In addition, we were pleased to execute a contract extension with the Virginia Lottery for two more years taking it through to October 2028. The combined results of our joint venture operations contributed \$59.3 million to our income before income taxes in 2024, up significantly from \$49.1 million in 2023.”

“Our charitable gaming markets continued to show strong demand, in both printed products and eTabs play. We see eTabs in particular as an exciting area for charities to expand operations and generate more funds for the good causes they serve.”

“Cashflow remained strong in 2024, with \$73.9 million in operating cashflow generated during the year. This strong cashflow allowed us to finance significant investments in capital assets, including intangibles, primarily with internally generated funds, maintaining a very conservative balance sheet.”

“Strategic and financially accretive acquisitions have been an important part of our success, and in 2024 we purchased Clarence J. Venne, LLC, a long-time leader in the manufacture of bingo daubers used primarily in the charitable gaming market. This business has seamlessly joined our charitable gaming group and filled an important opening in our product portfolio. Being able to offer the complete spectrum of products and services to distributors and the ultimate charities is a critical factor in ensuring success in this market and this acquisition is evidence of our commitment.”

"Our fourth quarter results reflected lower volumes in our instant ticket business due to the timing of customer orders, certain manufacturing issues generated additional spoilage and the impact of implementation start-up costs for the Kansas iLottery which reduced margins during the period. These combined factors represent an unusual confluence of business events that reduced earnings from our fourth quarter expectations. We believe going forward for 2025 our instant tickets sales volume will be similar to 2024 levels, and our spoilage will return to lower historic levels."

"Recently there has been uncertainty regarding the nature, extent and duration of various protectionist trade measures including tariffs and possible counter tariffs that have been and may be enacted within North America and the consequential impact on our cost structure. The structure of our business, with significant manufacturing facilities and other businesses long established in both the U.S. and Canada, will help mitigate both cross border activity and material impacts on our financial results. We have the ability to produce almost all of the products we sell to our U.S. customers in our U.S. manufacturing facilities. We will continue to assess both the short-term and long-term impacts and necessary countermeasures that can be undertaken to reduce the potential negative impacts."

"2024 was a very successful record setting year for Pollard Banknote," concluded John Pollard. "Our vision of being the partner of choice for lotteries and charitable organizations drives our strategic focus and is the core of our success. We are very excited for the many opportunities that await us going forward to help our customers generate more funds for good causes."

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 audited consolidated financial statements of Pollard as at and for the year ended December 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 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 our internal proprietary iLottery solution and our 50% joint venture, the largest supplier of iLottery solutions to the U.S. lottery market.

On July 31, 2024, Pollard acquired 100% of the business of Clarence J. Venne, LLC ("Venne") for a purchase price of \$12.6 million U.S. dollars (\$17.4 million) prior to standard working capital adjustments. Venne is one of the leading manufacturers of bingo daubers utilized primarily in the charitable gaming bingo market. The purchase price was funded from Pollard's credit facility and cash on hand.

On August 26, 2024, Pollard announced it had been awarded its first contract in the United States to provide a full turnkey iLottery solution for the Kansas Lottery, powered by its proprietary, omnichannel Pollard Catalyst™ iLottery Gaming Platform, which was successfully launched on February 13, 2025.

HIGHLIGHTS	Three months ended December 31, 2024	Three months ended December 31, 2023⁽¹⁾
Sales	\$ 140.3 million	\$ 135.5 million
Gross profit	\$ 22.4 million	\$ 24.8 million
<i>Gross profit % of sales</i>	<i>16.1%</i>	<i>18.3%</i>
Administration expenses	\$ 16.1 million	\$ 15.6 million
Selling expenses	\$ 5.3 million	\$ 5.6 million
NPi equity investment income	(\$ 12.6 million)	(\$ 11.0 million)
Unrealized foreign exchange (gain) loss	\$ 4.2 million	(\$ 2.7 million)
Net income (loss)	(\$ 1.8 million)	\$ 11.3 million
Net income (loss) per share – basic	(\$ 0.07)	\$ 0.42
Net income (loss) per share – diluted	(\$ 0.06)	\$ 0.41
Adjusted EBITDA	\$ 25.2 million	\$ 25.7 million

	Year ended December 31, 2024	Year ended December 31, 2023⁽¹⁾
Sales	\$ 557.1 million	\$ 520.4 million
Gross profit	\$ 104.7 million	\$ 86.6 million
<i>Gross profit % of sales</i>	<i>18.8%</i>	<i>16.6%</i>
Administration expenses	\$ 65.0 million	\$ 58.3 million
Selling expenses	\$ 22.4 million	\$ 20.7 million
NPi equity investment income	(\$ 52.6 million)	(\$ 39.1 million)
Unrealized foreign exchange (gain) loss	\$ 6.7 million	(\$ 2.0 million)
Net income	\$ 35.2 million	\$ 31.4 million
Net income per share – basic	\$ 1.30	\$ 1.17
Net income per share – diluted	\$ 1.28	\$ 1.15
Adjusted EBITDA	\$ 114.5 million	\$ 91.3 million

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

Results of Operations – Year ended December 31, 2024
SELECTED FINANCIAL INFORMATION

(millions of dollars)

	Year ended December 31, 2024	Year ended December 31, 2023⁽¹⁾
Sales	\$557.1	\$520.4
Cost of sales	452.4	433.8
Gross profit	104.7	86.6
Administration expenses	65.0	58.3
Selling expenses	22.4	20.7
Equity investment income	(52.6)	(39.1)
Other expenses	0.1	0.7
Income from operations	69.8	46.0
Foreign exchange (gain) loss	7.4	(2.0)
Interest expense	10.3	10.5
Income before income taxes	52.1	37.5
Income taxes:		
Current	37.0	23.1
Deferred reduction	(20.1)	(17.0)
	16.9	6.1
Net income	\$35.2	\$31.4
Adjustments:		
Amortization and depreciation	44.3	45.0
Interest	10.3	10.5
Income taxes	16.9	6.1
EBITDA	\$106.7	\$93.0
Unrealized foreign exchange (gain) loss	6.7	(2.0)
Contingent consideration fair value adjustment	(0.5)	0.5
Severance costs	1.3	0.0
Acquisition costs	0.3	0.0
Net insurance proceeds	0.0	(0.2)
Total Adjusted EBITDA	\$114.5	\$91.3
	December 31, 2024	December 31, 2023
Total Assets	\$636.3	\$515.7
Total Non-Current Liabilities	\$167.2	\$139.5

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

Results of Operations – Year ended December 31, 2024

During the year ended December 31, 2024 ("Fiscal 2024" or "2024"), Pollard achieved sales of \$557.1 million, compared to \$520.4 million in the year ended December 31, 2023 ("Fiscal 2023" or "2023"). Factors impacting the \$36.7 million sales increase were:

- The higher instant ticket average selling price in Fiscal 2024 increased sales by \$25.3 million as compared to 2023, primarily due to the change in customer mix and the impact of repriced contracts. This increase was partially offset by the decrease in instant ticket sales volumes of \$18.2 million as compared to 2023, partly as a result of Pollard declining to produce certain lower margin work.
- Higher sales of ancillary lottery products and services increased revenue by \$15.7 million. This growth was largely due to increased sales of licensed products, digital and loyalty products, retail merchandising products and distribution services as compared to 2023.
- Higher charitable eGaming ("eTab or eTabs") revenue increased sales by \$4.4 million in 2024 primarily due to a higher number of eTab machines placed at bars, bingo halls and fraternal organizations as compared to 2023. Also, higher charitable gaming volumes increased sales by \$8.1 million in Fiscal 2024 predominately as a result of the acquisition of Venne in the third quarter of 2024. Further increasing charitable sales in 2024 was the higher average selling price of charitable printed games which increased sales by \$0.4 million as compared to 2023.
- Lower Michigan iLottery sales in 2024 decreased revenue by \$1.7 million as compared to 2023.
- During Fiscal 2024, Pollard generated approximately 70.7% (2023 – 70.5%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During Fiscal 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.359, compared to a rate of \$1.352 in Fiscal 2023. This 0.5% increase in the U.S. dollar value resulted in an approximate increase of \$2.1 million in revenue relative to Fiscal 2023. In addition, during 2024, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.6 million in revenue relative to 2023.

Cost of sales was \$452.4 million in Fiscal 2024 compared to \$433.8 million in Fiscal 2023. The increase of \$18.6 million in cost of sales was primarily due to increased sales of ancillary lottery products and eTabs. Also increasing cost of goods sold were the additional costs associated with higher charitable gaming volumes and increased Pollard iLottery operational costs, including Kansas start-up related expenditures. Partially offsetting these increases in cost of sales were the lower expenses resulting from reduced instant ticket sales volumes as compared to 2023.

Gross profit increased to \$104.7 million (18.8% of sales) in Fiscal 2024 compared to \$86.6 million (16.6% of sales) in Fiscal 2023. This increase of \$18.1 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 sales of eTabs, charitable products, licensed products and retail merchandising products. Partially offsetting these increases was the reduction in Michigan iLottery gross profit in 2024 and increased Pollard iLottery operational costs.

Administration expenses increased to \$65.0 million in Fiscal 2024 compared to \$58.3 million in Fiscal 2023. The increase of \$6.7 million was largely a result of increased compensation expenses, consulting costs, software licensing costs and acquisition costs. Partially offsetting these increases was a decrease in professional fees.

Selling expenses increased to \$22.4 million in Fiscal 2024 compared to \$20.7 million in Fiscal 2023. The increase of \$1.7 million compared to 2023 was primarily due to higher compensation costs as well as the expansion of our charitable gaming distribution business and the acquisition of Venne.

Pollard's share of income from NPi increased to \$52.6 million in Fiscal 2024 from the \$39.1 million in Fiscal 2023. This \$13.5 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 addition to the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

Other expenses were \$0.1 million in Fiscal 2024 compared to \$0.7 million in Fiscal 2023. The 2024 other expenses of \$0.1 million was comprised of severance related costs of \$1.3 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe, mostly offset by \$0.7 million of other income and \$0.5 million contingent consideration fair value adjustment.

The 2023 other expenses of \$0.7 million was comprised of \$0.4 million of other expenses plus a \$0.5 million contingent consideration fair value adjustment expense, partially offset by \$0.2 million from an insurance settlement.

The net foreign exchange loss was \$7.4 million in Fiscal 2024 compared to a net foreign exchange gain was \$2.0 million in Fiscal 2023. The 2024 net foreign exchange loss of \$7.4 million resulted from a net unrealized foreign exchange loss of \$6.7 million, primarily due to 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 \$0.7 million primarily due to foreign currency denominated accounts payable paid at unfavorable exchange rates, which was partially offset by a realized foreign exchange gain mainly due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

The 2023 net foreign exchange gain of \$2.0 million resulted from a net unrealized foreign exchange gain of \$2.0 million, primarily due to 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 the unrealized loss on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange gain primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates, which was offset by a realized foreign exchange loss mainly due to foreign currency denominated accounts payable paid at unfavorable exchange rates.

Adjusted EBITDA increased to \$114.5 million in Fiscal 2024 compared to \$91.3 million in Fiscal 2023. The primary reasons for the increase of \$23.2 million were the increase in gross profit (net of amortization and depreciation) of \$17.4 million, the increase in equity investment income of \$13.5 million and the increase in other income (net of contingent consideration adjustment and severance related costs) of \$1.1 million. Partially offsetting these increases were the increase in administration expenses (net of acquisition costs) of \$6.4 million, the increase in selling expenses of \$1.7 million and the increase in realized foreign exchange losses of \$0.7 million.

Interest expense decreased to \$10.3 million in Fiscal 2024 from \$10.5 million in Fiscal 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 interest rates on long-term debt outstanding as compared to 2023. Partially offsetting these decreases to interest expense was the impact of more lease related interest expense in 2024 and the increase in average long-term debt outstanding as compared to 2023.

Amortization and depreciation totaled \$44.3 million during Fiscal 2024 which decreased from \$45.0 million during Fiscal 2023. The decrease of \$0.7 million was primarily the result of certain property, plant and equipment becoming fully depreciated.

Income tax expense was \$16.9 million in Fiscal 2024, an effective rate of 32.5%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes partially offset by the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was \$6.1 million in Fiscal 2023, an effective rate of 16.3%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions.

Net income increased to \$35.2 million in Fiscal 2024 compared to net income of \$31.4 million in Fiscal 2023. The main reasons for the increase of \$3.8 million include the increase in gross profit of \$18.1 million, the increase in equity investment income of \$13.5 million and the decrease in other expenses of \$0.6 million. Partially offsetting these increases to net income were the increase in income tax expense of \$10.8 million, the increase in net foreign exchange loss of \$9.4 million, the increase in administration expenses of \$6.7 million and the increase in selling expenses of \$1.7 million.

Net income per share (basic and diluted) increased to \$1.30 and \$1.28 per share, respectively, in Fiscal 2024 from \$1.17 and \$1.15 per share, respectively, in Fiscal 2023.

Joint Venture iLottery

Pollard and Neogames US LLP, a subsidiary of Aristocrat Interactive S.a r.l, ("Neogames") together provide iLottery services to certain North American lotteries. 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") to provide iLottery services for certain joint customer contracts, excluding the Michigan Lottery iLottery contract. 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.

(millions of dollars)

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Sales – Pollard's share									
Michigan iLottery	\$5.7	\$6.0	\$6.8	\$7.1	\$7.0	\$7.2	\$6.5	\$7.3	\$7.9
NPi	27.9	27.2	28.2	25.5	21.8	21.5	18.5	18.5	17.7
Combined iLottery sales	<u>\$33.6</u>	<u>\$33.2</u>	<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>
Income before income taxes – Pollard's share									
Michigan iLottery	\$1.3	\$0.7	\$2.1	\$2.7	\$2.5	\$2.8	\$1.8	\$2.9	\$2.9
NPi	12.6	13.6	14.1	12.2	11.0	11.1	8.8	8.2	8.3
Combined income before income taxes – Pollard's share	<u>\$13.9</u>	<u>\$14.3</u>	<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>

Throughout 2023 and 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. In the third and fourth quarters of 2024 income before income taxes from the Michigan iLottery was negatively impacted by lower sales and further negatively impacted by certain one-time higher processing costs in the third quarter.

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

(millions of dollars)

	Three months ended December 31, 2024 (unaudited)	Three months ended December 31, 2023⁽¹⁾ (unaudited)
Sales	\$140.3	\$135.5
Cost of sales	117.9	110.7
Gross profit	22.4	24.8
Administration expenses	16.1	15.6
Selling expenses	5.3	5.6
Equity investment income	(12.6)	(11.0)
Other (income) expenses	(0.5)	0.6
Income from operations	14.1	14.0
Foreign exchange (gain) loss	4.4	(2.9)
Interest expense	2.7	2.6
Income before income taxes	7.0	14.3
Income taxes:		
Current	14.6	5.1
Deferred reduction	(5.8)	(2.1)
	8.8	3.0
Net income (loss)	(\$1.8)	\$11.3
Adjustments:		
Amortization and depreciation	11.6	11.5
Interest	2.7	2.6
Income taxes	8.8	3.0
EBITDA	\$21.3	\$28.4
Unrealized foreign exchange (gain) loss	4.2	(2.7)
Severance costs	0.2	–
Contingent consideration fair value adjustment	(0.5)	–
Adjusted EBITDA	\$25.2	\$25.7

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

Results of Operations – Three months ended December 31, 2024

During the three months ended December 31, 2024, Pollard achieved sales of \$140.3 million, compared to \$135.5 million in the three months ended December 31, 2023. Factors impacting the \$4.8 million sales increase were:

- The higher instant ticket average selling price in the fourth quarter of 2024 increased sales by \$2.7 million as compared to 2023, primarily due to the impact of repriced contracts and the change in customer mix, partially offset by a decrease in proprietary products. However, this increase to revenue was partially offset by the decrease in instant ticket sales volumes of \$7.9 million as compared to 2023, primarily as a result of the timing of customer orders.
- Higher sales of ancillary lottery products and services increased revenue by \$3.8 million. This growth was largely due to increased sales of licensed products, digital and loyalty products and distribution services as compared to fourth quarter of 2023.
- Higher charitable gaming volumes increased sales by \$5.4 million in fourth quarter of 2024 predominately as a result of the acquisition of Venne in the third quarter of 2024. Further increasing charitable sales in 2024 was the higher average selling price of charitable printed games which increased sales by \$0.9 million as compared to 2023, and higher eTab revenue of \$0.6 million in 2024.
- Lower Michigan iLottery sales decreased revenue in the fourth quarter of 2024 by \$0.4 million as compared to the fourth quarter of 2023.
- During the three months ended December 31, 2024, Pollard generated approximately 70.1% (2023 – 64.9%) of its revenue in U.S. dollars including a portion of international sales which were priced in U.S. dollars. During the fourth quarter of 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.362, compared to a rate of \$1.370 during the fourth quarter of 2023. This 0.6% decrease in the U.S. dollar value resulted in an approximate decrease of \$0.6 million in revenue relative to 2023. In addition, during the fourth quarter of 2024, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.3 million in revenue relative to 2023.

Cost of sales was \$117.9 million in the fourth quarter of 2024 compared to \$110.7 million in the fourth quarter of 2023. The increase of \$7.2 million was primarily due to higher charitable gaming volumes, increased sales of ancillary lottery products and instant ticket production inefficiencies. Also increasing cost of goods sold was the increased Pollard iLottery operational costs, including Kansas start-up related expenditures. Partially offsetting these increases in cost of sales was the lower expenses related to reduced instant ticket sales volumes as compared to 2023.

Gross profit was \$22.4 million (16.0% of sales) in the fourth quarter of 2024 compared to \$24.8 million (18.3% of sales) in the fourth quarter of 2023. This decrease of \$2.4

million in gross profit and the decrease in gross profit percentage were primarily the result of lower instant ticket sales margins, largely as a result of the lower instant ticket volumes, and the impact of higher costs resulting from production inefficiencies. Additionally, the reduction in Michigan iLottery gross profit and increased Pollard iLottery operational costs in 2024 further reduced gross profit. Partially offsetting these decreases in gross profit were increased charitable gaming products, including eTab, and digital and loyalty margins.

Our fourth quarter results, historically a lower quarter, were impacted negatively by three main factors:

- Our Kansas iLottery contract went live February 13, 2025. In the fourth quarter of 2024, startup and implementation costs were incurred during the implementation and roll out period which negatively impacted our margins.
- Our instant ticket margin was negatively impacted by much higher than usual spoilage on a very unique group of high value games. While a certain level of spoilage is expected, the fourth quarter was an unusual occurrence and magnitude and is not expected to reoccur going forward.
- Our instant ticket volumes were lower than we anticipated with a number of orders moving out of the fourth quarter due to the timing and requirements of several customers. The timing variations experienced in the fourth quarter were unusual. Our sales volume outlook in 2025 is to meet levels consistent with the overall volumes achieved in 2024.

Administration expenses increased to \$16.1 million in the fourth quarter of 2024 compared to \$15.6 million in the fourth quarter of 2023. The increase of \$0.5 million was largely a result of increased compensation expenses and software licensing costs.

Selling expenses decreased to \$5.3 million in the fourth quarter of 2024 compared to \$5.6 million in the fourth quarter of 2023. The decrease was primarily due to lower compensation costs, including incentive accruals, partially offset by the increase in selling expenses from the acquisition of Venne.

Pollard's share of income from NPi increased to \$12.6 million in the fourth quarter of 2024 from the \$11.0 million in the fourth quarter of 2023. This \$1.6 million increase was primarily due to the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

Other income was \$0.5 million in the fourth quarter of 2024 compared to other expenses of \$0.6 million in the fourth quarter of 2023. The 2024 other income of \$0.5 million was comprised of \$0.5 million of contingent consideration fair value adjustment and \$0.2 million of other income, partially offset by severance related costs of \$0.2 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe.

The net foreign exchange loss was \$4.4 million in the fourth quarter of 2024 compared to a net foreign exchange gain of \$2.9 million in the fourth quarter of 2023. The 2024 net foreign exchange loss of \$4.4 million resulted from a net unrealized foreign exchange loss of \$4.2 million, primarily due to 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 gains on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of \$0.2 million, which was primarily due to foreign currency denominated accounts payable paid at unfavorable exchange rates, which was partially offset by a realized foreign exchange gain mainly due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

The 2023 net foreign exchange gain of \$2.9 million resulted from a net unrealized foreign exchange gain of \$2.7 million, primarily due to 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 the unrealized loss on U.S. dollar denominated accounts receivable. In addition, Pollard experienced 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, partially offset by foreign currency denominated accounts payable paid at unfavorable exchange rates.

Adjusted EBITDA decreased to \$25.2 million in the fourth quarter of 2024 compared to \$25.7 million in the fourth quarter of 2023. The primary reasons for the decrease of \$0.5 million were the decrease in gross profit (net of amortization and depreciation) of \$2.3 million, the increase in realized foreign exchange loss of \$0.4 million and the increase in administration expenses of \$0.5 million. Partially offsetting these decreases to Adjusted EBITDA were the increase in equity investment income of \$1.6 million, the increase in other income (net of contingent consideration adjustment and severance related costs) of \$0.8 million and the decrease in selling expenses of \$0.3 million.

Interest expense increased to \$2.7 million in the fourth quarter of 2024 from \$2.6 million in the fourth quarter of 2023, primarily as a result of the increase in average long-term debt outstanding as compared to 2023, partially offset by the decrease in average interest rates on long-term debt outstanding.

Amortization and depreciation totaled \$11.6 million during the fourth quarter of 2024 similar to \$11.5 million during the fourth quarter of 2023.

Income tax expense was \$8.8 million in the fourth quarter of 2024, an effective rate of 125.2%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes.

Income tax expense was \$3.0 million in the fourth quarter of 2023, an effective rate of 21.0%, 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 impact of the capital gains rate.

Net loss was \$1.8 million in the fourth quarter of 2024 compared to net income of \$11.3 million in the fourth quarter of 2023. The main reasons for the change of \$13.1 million were the increase in net foreign exchange loss of \$7.3 million, the increase in income tax expense of \$5.8 million, the decrease in gross profit of \$2.4 million and the increase in administration expenses of \$0.5 million. Partially offsetting these increases to the net loss were the increase in equity investment income of \$1.6 million, the increase in other income of \$1.1 million and the decrease in selling expenses of \$0.3 million.

Net loss per share (basic and diluted) was \$0.07 and \$0.06 per share, respectively, in the fourth quarter of 2024 compared to net income of \$0.42 and \$0.41 per share, respectively, (basic and diluted) in the fourth quarter of 2023.

Outlook

Retail sales of instant tickets are expected to remain at the levels we have experienced in the last few years, after the very significant growth experienced during 2020 and 2021. Strong interest remains in specialized higher value instant tickets and higher retail price points. Charitable gaming markets for both printed products and eTabs also continues to show strong demand. Digital and electronic gaming solutions across all sectors continues to be of growing interest to lotteries and charitable organizations.

Our repricing strategy for our rebid instant ticket contracts has been very successful since being introduced in early 2022, with a majority of our contracts now repriced. 2025 will see the full impact of these higher average selling prices as all of these repriced contracts are now in force, providing a positive impact on our gross margins.

Overall 2025 sales volumes of our instant tickets is expected to be similar to 2024 volumes, given expected steady overall retail sales and continued discretion of not pursuing incremental volumes that do not generate sufficient margins due to lower pricing.

On February 13, 2025, we successfully launched our iLottery solution for the Kansas Lottery, our first U.S implementation for our proprietary Catalyst™ Gaming Platform, including exclusive gaming content from our internal Game Studio. Ongoing interest in iLottery continues in both new opportunities for lottery jurisdictions as well as existing iLottery operations looking to replace end of life older technology with more modern solutions. The sales lifecycle process for these large complex technology solutions is long, often involving extended assessment periods, formal requests for information and requests for proposals. We remain actively engaged in a number of opportunities and will leverage the success of our Kansas implementation to further promote the advantages of our Catalyst™ Gaming Platform and eInstant game portfolio. Catalyst™ offers a state-of-the-art solution that delivers a complete central gaming system, providing the infrastructure platform for both iLottery sales and traditional sales at retail locations. The success of our internally developed Pollard iLottery solution provides an important complement to the ongoing success of our 50% owned iLottery joint venture.

While we remain very optimistic about all aspects of our business, there is uncertainty regarding the nature, extent and duration of various protectionist trade measures including tariffs that have been and may be enacted within North America. We believe the current structure of our business model, including extensive manufacturing facilities located within both Canada and U.S., will help mitigate any negative impact as we have the ability to produce almost all of the products we sell to our U.S. customers in our U.S. manufacturing facilities. We will continue to monitor developments and assess any additional short and long term measures that can be taken to moderate any potential negative impacts.

Key acquisitions have been an important strategy in our success, and this continued in 2024 with the addition of Clarence J. Venne, LLC to the Pollard Charitable Gaming Group. We will continue to be active in identifying and acquiring key businesses that are both strategically important in expanding our offerings and business operations, and generating appropriate financial returns. Areas of focus include expanding our reach in the charitable gaming area as well as increasing our technological expertise across our gaming portfolio.

Significant investments were made in additional capital expenditures during 2024 including software development as we looked to take advantage of current opportunities. Going forward we will continue in this more aggressive investment mode with continued upgrades to our printed product presses, significant build up in the numbers of our state-of-the-art ICON eTab machines, expanded development of game content for both eTabs and eInstant games, and ongoing development of our Catalyst™ Gaming Platform.

As our business continues to generate very strong cashflow, these investments will primarily be financed via internally generated cashflow, with the significant available capacity in our newly renewed debt facility available to fund any required additional requirements.

We are very proud of the achievements attained during 2024 and are very confident of continued growth in 2025. Strong demand across all of our markets, improving margins in our core instant ticket markets, growing charitable gaming markets, and key milestone successes in the important iLottery sector provide the foundation for a successful 2025 as we continue to be the partner of choice of lotteries and charitable gaming organizations around the world.

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