

**POLLARD BANKNOTE REPORTS
1ST QUARTER FINANCIAL RESULTS**

WINNIPEG, Manitoba, May 7, 2025 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three months ended March 31, 2025.

First Quarter Results and Highlights

- Revenue reached \$146.2 million, up 16.3% from the first quarter of last year.
- Combined sales⁽¹⁾ in the quarter, including our share of our NeoPollard Interactive LLC ("NPI") joint venture sales, reached \$177.9 million, up 17.7% from \$151.2 million in 2024.
- Adjusted EBITDA⁽¹⁾ attained \$30.6 million, 29.1% higher than the \$23.7 million earned in the first quarter of 2024.
- Gross profit during the first quarter was \$25.4 million compared to \$21.7 in the same quarter last year.
- Income from operations increased to \$18.3 million, up 36.6% from \$13.4 million in the first quarter of 2024.
- During the quarter our proprietary Catalyst™ iLottery gaming platform went live in Kansas on February 13, 2025, including deployment of eInstant games from our game studio.
- Subsequent to quarter end, on April 1, 2025, Pollard completed the acquisition of Pacific Gaming, a leading supplier of electronic bingo equipment including handheld bingo devices.

(1) See Non-GAAP measures for explanation

"We are very pleased with both the strong financial results and the key operational milestones achieved during the first quarter of 2025," commented John Pollard, Co-Chief Executive Officer. "Our business lines contributed strong financial performance across key metrics including growth in revenue and profit contributions. Adjusted EBITDA increased almost 30% over the same period last year as a result of continued improvement in our instant ticket contribution and growth in our digital offerings."

"Quarterly Combined sales achieved a new record of \$177.9 million, reflecting strong growth for our products and solutions across the lottery and charitable gaming markets in North America and internationally."

"Our instant ticket margins continued to benefit from the impact of our successful contract repricing strategy implemented over the last three years and improved customer mix resulted in very strong selling prices in the first quarter. In addition, our instant ticket volumes during the first quarter returned to expected levels."

"We are particularly proud of our very successful implementation and launch of the Kansas Lottery iLottery solution on February 13, 2025, which was the fastest implementation of a full iLottery program in U.S. history. Our dedicated Pollard team members worked very closely with the Kansas Lottery throughout the process and we are extremely pleased with the initial results."

"This success story is the culmination of a number of years of significant investment in our Catalyst™ iLottery gaming platform to provide the lottery market with a truly unique, state-of-the-art cloud-native, modular, omni-channel and API-first iLottery solution. Catalyst™ is also a fully capable central gaming system, able to process draw-based lottery sales including physical sales of tickets at retail in addition to sales over the internet."

"In addition to the strength of our iLottery platform, our internally produced eInstant game portfolio was successfully deployed in Kansas. In addition, our eInstant games continue to perform well in other lotteries. Creating exciting game content is very important in the digital space and we are in a unique position of being able to leverage our successful game content across all product lines such as instant tickets, charitable gaming products, and eInstant, with a number of successful examples currently in the marketplace today."

"Our joint venture iLottery operations produced record results in the first quarter of 2025," stated Doug Pollard, Co-Chief Executive Officer, "reflecting very strong growth in key contracts driven by higher eInstant sales. The combined results of our joint venture operations contributed \$17.8 million to our income before income taxes in the first quarter, up significantly from \$14.9 million in the first quarter of 2024."

"Interest in iLottery amongst lotteries in both North America and internationally remains very high, as this sales channel is a very important growth avenue to generate additional funds for the various good causes they support. The success of our Kansas implementation provides us with an important reference to lead these discussions and expand our presence in both new greenfield iLottery opportunities as well as providing a very attractive modern alternative to existing iLottery operations."

"Subsequent to quarter end, we completed the acquisition of Pacific Gaming, a leading supplier of electronic solutions to the charitable bingo market. Pacific Gaming provides a number of important offerings to the market including a strong solution in handheld electronic bingo devices. The addition of these products allows us to continue to deliver

a more complete product portfolio to address the needs of our charitable customers and underlines our commitment to this important market segment.”

“Protectionist trade measures including tariffs and counter tariffs have dominated the current economic news and we remain optimistic we have the business processes in place to largely alleviate material impacts to our business. The structure of our business, with significant manufacturing facilities and other businesses already established in both the U.S. and Canada, will help mitigate challenges with cross border activity and significant impacts on our financial results. We have the ability to produce almost all 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. In addition, historically the lottery and charitable gaming markets we participate in have been generally resilient to any negative effects of economic downturns, should the overall economic environment be impacted negatively by these ongoing trade challenges.”

“The first quarter of 2025 was a very positive one for Pollard Banknote,” concluded John Pollard. “Our vision and strategic initiatives of being the partner of choice for lotteries and charitable organizations provides the foundation for success, reflected in both our strong financial results this quarter and the concrete opportunities available to us in the future, in both the digital and print markets. We remain very excited for the many prospects 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 unaudited condensed consolidated financial statements of Pollard as at and for the three months ended March 31, 2025. 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 equity 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.

On April 1, 2025, Pollard acquired 100% of the equity of Pacific Gaming, LLC and LIF Capital Group, LLC (collectively "Pacific"), for a purchase price of \$10.0 million U.S. dollars

(\$14.4 million) prior to standard working capital adjustments. Pacific is a recognized leader in bingo electronics, handhelds, blowers, point-of-sale systems, and bingo management systems. The purchase price was funded from Pollard's credit facility and cash on hand.

HIGHLIGHTS	Three months ended <u>March 31, 2025</u>	Three months ended <u>March 31, 2024</u>⁽¹⁾
Sales	\$ 146.2 million	\$ 125.7 million
Gross profit	\$ 25.4 million	\$ 21.7 million
<i>Gross profit % of sales</i>	<i>17.4%</i>	<i>17.3%</i>
Administration expenses	\$ 17.3 million	\$ 15.3 million
Selling expenses	\$ 6.0 million	\$ 5.4 million
NPi equity investment income	(\$ 16.2 million)	(\$ 12.2 million)
Unrealized foreign exchange loss	\$ 0.4 million	\$ 2.2 million
Net income	\$ 11.7 million	\$ 6.9 million
Net income per share – basic	\$ 0.43	\$ 0.26
Net income per share – diluted	\$ 0.43	\$ 0.25
Adjusted EBITDA	\$ 30.6 million	\$ 23.7 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, 2025
SELECTED FINANCIAL INFORMATION

(millions of dollars)	Three months March 31, 2025 (unaudited)	Three months March 31, 2024 ⁽¹⁾ (unaudited)
Sales	\$146.2	\$125.7
Cost of sales	120.8	104.0
Gross profit	25.4	21.7
Administration expenses	17.3	15.3
Selling expenses	6.0	5.4
Equity investment income	(16.2)	(12.2)
Other income	0.0	(0.2)
Income from operations	18.3	13.4
Foreign exchange (gain) loss	(0.3)	2.7
Interest expense	2.8	2.4
Income before income taxes	15.8	8.3
Income taxes:		
Current	5.5	6.9
Deferred reduction	(1.4)	(5.5)
	4.1	1.4
Net income	\$11.7	\$6.9
Adjustments:		
Amortization and depreciation	11.6	10.8
Interest	2.8	2.4
Income taxes	4.1	1.4
EBITDA	\$30.2	\$21.5
Unrealized foreign exchange loss	0.4	2.2
Adjusted EBITDA	\$30.6	\$23.7

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

	March 31, 2025	December 31, 2024
Total Assets	\$687.9	\$636.3
Total Non-Current Liabilities	\$214.4	\$167.2

Results of Operations – Three months ended March 31, 2025

During the three months ended March 31, 2025, Pollard achieved sales of \$146.2 million, compared to \$125.7 million in the three months ended March 31, 2024. Factors impacting the \$20.5 million sales increase were:

- A higher instant ticket average selling price in the first quarter of 2025 increased sales by \$17.1 million as compared to 2024, primarily due to the change in customer mix, the increase in proprietary product sales and the impact of repriced contracts. Partially offsetting this increase to revenue was the decrease in instant ticket sales volumes of \$5.8 million as compared to 2024, partly as a result of Pollard declining to produce certain lower margin work.
- Lower ancillary lottery products and services sales in the first quarter of 2025 decreased sales by \$0.8 million as compared to the first quarter of 2024. This decrease in sales was largely due to lower sales of license products and retail merchandising products. These decreases were partially offset by increased sales of digital products and distribution services compared to 2024.
- Higher charitable gaming volumes increased sales by \$4.4 million in the first quarter of 2025 as compared to the first quarter of 2024. This is predominately as a result of the acquisition of Venne in the third quarter of 2024. In addition, the higher average selling price of charitable printed games further increased sales by \$0.8 million. These increases in sales were partially offset by a decrease in charitable eGaming ("eTab or eTabs") revenue of \$1.7 million compared to 2024.
- Lower Michigan iLottery sales decreased revenue in the first quarter of 2025 by \$1.5 million as compared to 2024.
- During the three months ended March 31, 2025, Pollard generated approximately 68.3% (2024 – 71.7%) 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 2025, the actual U.S. dollar value was converted to Canadian dollars at \$1.449, compared to a rate of \$1.339 during the first quarter of 2024. This 8.2% increase in the U.S. dollar value resulted in an approximate increase of \$7.6 million in revenue relative to the first quarter of 2024. In addition, during the quarter the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.4 million in revenue relative to the first quarter of 2024.

Cost of sales was \$120.8 million in the first quarter of 2025 compared to \$104.0 million in the first quarter of 2024. The increase of \$16.8 million in cost of sales was higher primarily due to the additional costs associated with increased Pollard iLottery operations, including Kansas start-up related expenditures, and higher charitable gaming volumes. In addition, higher exchange rates on U.S. dollar denominated expenses and increases in certain instant ticket manufacturing overhead costs further increased cost of sales when compared to 2024.

Gross profit was \$25.4 million (17.4% of sales) in the first quarter of 2025 compared to \$21.7 million (17.3% of sales) in the first quarter of 2024. This increase of \$3.7 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 sales of charitable products. Partially offsetting these increases in gross profit were the increased Pollard iLottery operational costs, related to Kansas start-up, the reduction in Michigan iLottery gross profit and lower license products margin in 2025.

Administration expenses were \$17.3 million in the first quarter of 2025 compared to \$15.3 million in the first quarter of 2024. The increase of \$2.0 million from the first quarter of 2024 was largely a result of increased compensation expenses and software licensing costs.

Selling expenses were \$6.0 million in the first quarter of 2025 compared to \$5.4 million in the first quarter of 2024. The increase of \$0.6 million from the first quarter of 2024 was primarily due to higher compensation expenses as well as a result of the acquisition of Venne.

Pollard's share of income from its iLottery joint venture increased to \$16.2 million in the first quarter of 2025 from \$12.2 million in the first quarter of 2024. This \$4.0 million increase in the first quarter of 2025 was primarily due to the continued strong eInstants sales in North Carolina and Virginia.

The net foreign exchange gain was \$0.3 million in the first quarter of 2025 compared to a net foreign exchange loss of \$2.7 million in the first quarter of 2024. The 2025 net foreign exchange gain of \$0.3 million consisted of an unrealized foreign exchange loss of \$0.4 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. Offsetting the unrealized loss, Pollard experienced a realized foreign exchange gain of \$0.7 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

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.

Adjusted EBITDA increased to \$30.6 million in the first quarter of 2025 compared to \$23.7 million in the first quarter of 2024. The primary reasons for the \$6.9 million increase in Adjusted EBITDA were the increase in gross profit of \$4.5 million (net of amortization and depreciation), primarily due to higher instant ticket and charitable gaming sales margins. In addition, the increase in equity investment income of \$4.0 million and the increase in realized foreign exchange gain of \$1.2 million also contributed to the increase in Adjusted EBITDA. Partially offsetting these increases in Adjusted EBITDA were the increase in administration expenses of \$2.0 million and the increase in selling expenses of \$0.6 million.

Interest expense increased to \$2.8 million in the first quarter of 2025 from \$2.4 million in the first quarter of 2024, primarily as a result of the increase in average long-term debt outstanding as compared to 2024, partially offset by the impact of lower interest rates in the first quarter of 2025.

Amortization and depreciation totaled \$11.6 million during the first quarter of 2025 which increased from \$10.8 million during the first quarter of 2024. The increase of \$0.8 million was primarily the result of increased amortization of intangible assets, including our Catalyst™ gaming platform.

Income tax expense was \$4.1 million in the first quarter of 2025, an effective rate of 25.6%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions, partially offset by the effect of non-taxable items.

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.

Net income was \$11.7 million in the first quarter of 2025 compared to \$6.9 million in the first quarter of 2024. The increase in net income of \$4.8 million was primarily due to the increase in gross profit of \$3.7 million, primarily due to higher instant ticket and charitable gaming sales margins. In addition, the increase in equity investment income of \$4.0 million and the increase in the net foreign exchange gain of \$3.0 million further contributed to the increase in net income as compared to 2024. Partially offsetting these increases to net income were the increase in income tax expense of \$2.7 million, the increase in administration expenses of \$2.0 million, the increase in selling expenses of \$0.6 million and the increase in interest expense of \$0.4 million.

Net income per share (basic and diluted) increased to \$0.43 and \$0.43 per share, respectively, in the first quarter of 2025 from \$0.26 and \$0.25 per share (basic and diluted) in the first quarter of 2024.

Joint Venture iLottery

Pollard and Neogames US LLP, a subsidiary of Aristocrat Interactive S.a r.l, ("Aristocrat") 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 Aristocrat 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 Aristocrat, 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)

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Sales – Pollard's share									
Michigan iLottery	\$6.0	\$5.7	\$6.0	\$6.8	\$7.1	\$7.0	\$7.2	\$6.5	\$7.3
NPI	31.7	27.9	27.2	28.2	25.5	21.8	21.5	18.5	18.5
Combined iLottery sales	<u>\$37.7</u>	<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>
Income before income taxes – Pollard's share									
Michigan iLottery	\$1.6	\$1.3	\$0.7	\$2.1	\$2.7	\$2.5	\$2.8	\$1.8	\$2.9
NPI	16.2	12.6	13.6	14.1	12.2	11.0	11.1	8.8	8.2
Combined income before income taxes – Pollard's share	<u>\$17.8</u>	<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>

Throughout 2023 and 2024, and continuing into 2025, 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. Beginning in the third quarter of 2024, income before income taxes from Michigan iLottery was negatively impacted by lower sales and further negatively impacted by certain one-time higher processing costs in the third quarter of 2024.

Outlook

Overall demand for our gaming products and solutions remains positive, with lotteries and charities continuing to look at ways to generate more funds for the good causes they support. Retail sales of lottery products including instant tickets remain steady while interest in digital lottery products such as iLottery and other ancillary solutions such as loyalty programs and other related digital play continues to be robust. Sales of charitable gaming products are strong with particular increased interest in the development of digital opportunities such as eTabs.

Our expected instant ticket volumes for the full year of 2025 remain similar to our 2024 volumes, reflecting the steady overall retail sales in the market and our corporate decision of continued discretion of not pursuing incremental volumes that do not generate sufficient margins based on type of work or insufficient pricing. 2025 will continue to benefit from the successful repricing strategy employed over the last three years with the majority of our contracts repriced and now in force. As any remaining legacy contracts come up for re-bid we will continue to implement our repricing strategy appropriate to maintaining sufficient margins.

Strong interest in iLottery continues in greenfield opportunities for lottery jurisdictions not currently offering this sales channel as well as existing iLottery operations looking to replace older technology with more modern solutions. The sales lifecycle process for these large, complex technology solutions continues to be long, often involving extended assessment periods, formal requests for information, and requests for proposals.

We remain very actively engaged in a number of opportunities and will leverage the success of our Kansas implementation to further promote the advantages of our iLottery gaming platform Catalyst™ and eInstant game portfolio. We believe Catalyst™ offers many unique advantages including a state-of-the-art, cloud-native, modular, omni-channel and API-first iLottery solution, providing the infrastructure platform for a complete central gaming system, integrating both iLottery and traditional at retail locations draw-based lottery sales.

We believe our current structure and business processes in place will largely mitigate any material negative impacts due to the implementation of protectionist trade measures including tariffs and counter tariffs. With significant manufacturing facilities and our supply chains already established in both the U.S. and Canada, we have the ability to source our inputs and 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. In addition, historically the lottery and charitable gaming markets we participate in have been generally resilient to any negative effects of economic downturns, should the overall economic environment be impacted negatively by these ongoing trade challenges.

Key acquisitions are an important strategy in our success, and this continued with the recent acquisition of Pacific Gaming to the Pollard Charitable Gaming Group. We remain active in identifying key businesses that are both strategically important in expanding our offerings and business operations, as well as generating appropriate financial returns.

Significant investments will continue to be made to support our strategic initiatives through increased capital expenditures improving our instant ticket production efficiencies, expanding the numbers of our new ICON eTab machines for the charitable gaming market, increasing the development of our game content for both iLottery and charitable eTabs, and adding greater feature enhancement to Catalyst™.

We are extremely proud of the accomplishments achieved in the first quarter of 2025 and are very confident of continued growth going forward. Opportunities in both digital and traditional printed markets are increasing and our recent success in implementing our Catalyst™ gaming platform and eInstant games, expanding new offerings in the digital eTab charitable gaming markets, and ongoing strategies for improving margins in our core instant ticket markets provide the foundation for continued success in 2025 and beyond.

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