

POLLARD BANKNOTE REPORTS 3RD QUARTER FINANCIAL RESULTS

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

Results and Highlights for the Third Quarter ended September 30, 2024

- Third quarter revenue reached a new record of \$153.2 million, up \$24.1 million from the third quarter of 2023.
- Combined sales⁽¹⁾ in the quarter, including our share of our NeoPollard Interactive LLC ("NPI") joint venture sales, reached \$180.4 million, another quarterly record, up 19.8% from \$150.6 million in the same quarter of 2023.
- Income from operations was \$22.5 million, compared to \$14.6 million in the third quarter of 2023.
- Gross margin achieved 20.2% in the third quarter, significantly higher than the 17.7% generated in the same quarter in 2023.
- Adjusted EBITDA⁽¹⁾ reached a new record quarterly amount of \$33.3 million, \$8.5 million or 34.3% higher than the \$24.8 million attained in the third quarter of 2023.
- Our instant ticket business profitability continued to improve during the third quarter reflecting improved selling prices and increased higher value specialty work.
- On August 26, 2024, we announced the award of our first major North American iLottery contract with the Kansas Lottery, utilizing our in-house developed Pollard Catalyst™ iLottery platform.
- During the quarter we acquired Clarence J. Venne LLC ("Venne"), a leading manufacturer in the charitable bingo market.

(1) See Non-GAAP measures for explanation.

"Our third quarter was extremely successful on a number of fronts," commented John Pollard, Co-Chief Executive Officer. "Our strong financial results continued, setting a number of quarterly records. \$33.3 million of Adjusted EBITDA, sales of \$153.2 million and Combined sales of \$180.4 million all reached new highs, reflective of strong returns across all of our major product lines. The significance of our financial improvement is underlined when comparing gross margin percentage, which has improved by more than

250 basis points over the third quarter in 2023, and quarterly pretax income improved from \$9.3 million to \$22.3 million year over year.”

“Particularly gratifying has been the significant improvement in our instant ticket business, with strong increases in average selling prices continuing to drive higher gross margins. Our core strategy of focused repricing on new and renewing instant ticket contracts over the past three years is paying significant financial dividends as the new prices flow into our financial statements and add incrementally each quarter. The majority of our contract portfolio has been repriced and we estimate all contracts that have been repriced will be in effect by the end of 2024. We will continue our repricing strategy on the remaining contracts as they come due in 2025 and beyond.”

“Our third quarter also benefitted from our historically positive product mix during this pre-holiday period as lotteries continue to order higher valued proprietary instant ticket products including our Scratch FX®, fusion and pouched product, and some of our newer offerings such as EasyPack™, a unique pouched ticket specifically developed for the United States market.”

“Our iLottery joint venture generated solid earnings of \$14.3 million in combined income before income taxes, demonstrating strong fundamentals and profitability despite a lack of major draw-based game jackpots during the quarter. Strong underlying sales of eInstants and other product offerings highlights the strength of diversification of sales via iLottery. On October 31, 2024, our joint venture went live with the West Virginia Lottery, its sixth joint venture iLottery contract. We look forward to another successful rollout of this ten-year contract.”

“A critical milestone was achieved this quarter with the awarding of Pollard’s first major North American iLottery contract with the Kansas Lottery utilizing Pollard’s Catalyst™ iLottery platform,” remarked Doug Pollard, Co-Chief Executive Officer. “This decision is affirmation of our Catalyst™ iLottery platform being recognized as an industry leading solution, as well as including great game content, exacting project implementation plans and extensive iLottery operational experience. We are working very closely with the Kansas Lottery and are on course for go-live early in 2025.”

“And we continue to engage a number of lottery jurisdictions in North America and Europe regarding our iLottery solution and will work with jurisdictions as interest in this important lottery opportunity increases.”

“During the quarter we were also very pleased to go-live in North America with a number of our Pollard Game Studio eInstant games, implementing them in Alberta. The market reception of our games has been very positive, and we look forward to expanding our market presence with a steady deployment of new and exciting eInstants games.”

“The completion of our latest acquisition, Venne, the leading manufacturer of bingo daubers, has integrated smoothly into our charitable gaming group. This acquisition

provides an important additional product in our charitable portfolio, allowing us to leverage our capabilities to expand our overall bingo and pull-tab sales. Our charitable gaming group, including both our printed pull-tabs and bingo paper products, and our eGaming systems, experienced solid demand in the quarter which also contributed to our strong financial results.”

“We are extremely gratified with the successes achieved during the last quarter and are very confident of the future,” concluded John Pollard. “Our more than 2,400 team members are focused on executing our strategy of being the partner of choice for lotteries and charities, and the tremendous achievements attained in this past quarter is evidence of their dedication and hard work. We look forward to continued growth and success in the months and quarters to follow.”

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 nine months ended September 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.

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 the leading manufacturer 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 Platform, with an anticipated go live date of early 2025.

HIGHLIGHTS

	Three months ended September 30, 2024	Three months ended September 30, 2023⁽¹⁾
Sales	\$ 153.2 million	\$ 129.1 million
Gross profit	\$ 31.0 million	\$ 22.8 million
<i>Gross profit % of sales</i>	<i>20.2%</i>	<i>17.7%</i>
Administration expenses	\$ 17.0 million	\$ 14.8 million
Selling expenses	\$ 5.9 million	\$ 5.2 million
NPi equity investment income	(\$ 13.6 million)	(\$ 11.1 million)
Unrealized foreign exchange (gain) loss	(\$ 2.7 million)	\$ 2.5 million
Net income	\$ 18.2 million	\$ 7.7 million
Net income per share – basic	\$ 0.67	\$ 0.29
Net income per share – diluted	\$ 0.66	\$ 0.28
Adjusted EBITDA	\$ 33.3 million	\$ 24.8 million

	Nine months ended September 30, 2024	Nine months ended September 30, 2023⁽¹⁾
Sales	\$ 416.8 million	\$ 385.0 million
Gross profit	\$ 81.5 million	\$ 61.3 million
<i>Gross profit % of sales</i>	<i>19.6%</i>	<i>15.9%</i>
Administration expenses	\$ 48.9 million	\$ 42.7 million
Selling expenses	\$ 17.0 million	\$ 15.0 million
NPi equity investment income	(\$ 39.9 million)	(\$ 28.0 million)
Unrealized foreign exchange loss	\$ 2.5 million	\$ 0.7 million
Net income	\$ 37.0 million	\$ 20.1 million
Net income per share – basic	\$ 1.37	\$ 0.75
Net income per share – diluted	\$ 1.35	\$ 0.73
Adjusted EBITDA	\$ 89.3 million	\$ 65.6 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 September 30, 2024 (unaudited)	Three months September 30, 2023 ⁽¹⁾ (unaudited)	Nine months September 30, 2024 (unaudited)	Nine months September 30, 2023 ⁽¹⁾ (unaudited)
Sales	\$153.2	\$129.1	\$416.8	\$385.0
Cost of sales	122.2	106.3	335.3	323.7
Gross profit	31.0	22.8	81.5	61.3
Administration expenses	17.0	14.8	48.9	42.7
Selling expenses	5.9	5.2	17.0	15.0
Equity investment income	(13.6)	(11.1)	(39.9)	(28.0)
Other income	(0.8)	(0.7)	(0.2)	(0.4)
Income from operations	22.5	14.6	55.7	32.0
Foreign exchange (gain) loss	(2.5)	2.9	2.9	0.9
Interest expense	2.7	2.4	7.7	7.9
Income before income taxes	22.3	9.3	45.1	23.2
Income taxes				
Current	7.9	7.5	22.5	18.0
Deferred reduction	(3.8)	(5.9)	(14.4)	(14.9)
	4.1	1.6	8.1	3.1
Net income	\$18.2	\$7.7	\$37.0	\$20.1
Adjustments:				
Amortization and depreciation	10.7	11.1	32.6	33.6
Interest	2.7	2.4	7.7	7.9
Income taxes	4.1	1.6	8.1	3.1
EBITDA	\$35.7	\$22.8	\$85.4	\$64.7
Unrealized foreign exchange (gain) loss	(2.7)	2.5	2.5	0.7
Acquisition costs	0.3	0.0	0.3	0.0
Severance costs	0.0	0.0	1.1	0.0
Insurance proceeds (net)	0.0	(0.3)	0.0	(0.3)
Contingent consideration fair value adjustment	0.0	(0.2)	0.0	0.5
Adjusted EBITDA	\$33.3	\$24.8	\$89.3	\$65.6

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

	September 30, 2024	December 31, 2023
Total Assets	\$605.5	\$515.7
Total Non-Current Liabilities	\$166.1	\$139.5

Results of Operations – Three months ended September 30, 2024

During the three months ended September 30, 2024, Pollard achieved sales of \$153.2 million, compared to \$129.1 million in the three months ended September 30, 2023. Factors impacting the \$24.1 million sales increase were:

- An increase in instant ticket sales volumes in the third quarter of 2024 increased sales by \$11.8 million. In addition, the higher instant ticket average selling price in 2024 increased sales by \$5.9 million as compared to 2023, mainly as a result of the impact of repriced contracts and increased proprietary product sales.
- Higher sales of ancillary lottery products and services increased revenue in the third quarter of 2024 by \$1.2 million as compared to 2023. This growth was largely due to increased sales of licensed products.
- Higher charitable gaming volumes increased sales by \$2.8 million in the third quarter of 2024 as compared to the third quarter of 2023. This increase is predominately as a result of the acquisition of Venne in the quarter.
- Higher charitable eGaming systems revenue further increased sales by \$0.8 million in 2024, largely due to a higher number of eGaming machines placed at bars, bingo halls and fraternal organizations as compared to 2023.
- These increases in revenue were partly offset by lower Michigan iLottery sales of \$1.3 million in the third quarter of 2024 as compared to 2023.
- During the three months ended September 30, 2024, Pollard generated approximately 70.1% (2023 – 69.1%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the third quarter of 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.362, compared to a rate of \$1.329 during the third quarter of 2023. This 2.5% increase in the U.S. dollar value resulted in an approximate increase of \$2.6 million in revenue relative to the third quarter of 2023. In addition, during the quarter the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.3 million in revenue relative to the third quarter of 2023.

Cost of sales was \$122.2 million in the third quarter of 2024 compared to \$106.3 million in the third quarter of 2023. The increase of \$15.9 million in cost of sales was primarily the result of higher instant ticket sales volumes as compared to 2023. In addition, higher expenses related to increased sales of eGaming systems and ancillary lottery products and services, as well as the Venne acquisition, further increased cost of sales in the quarter.

Gross profit increased to \$31.0 million (20.2% of sales) in the third quarter of 2024 from \$22.8 million (17.7% of sales) in the third quarter of 2023. This 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 the charitable gaming group. Partially offsetting these increases were the reduction in Michigan iLottery gross profit in 2024.

Administration expenses were \$17.0 million in the third quarter of 2024 compared to \$14.8 million in the third quarter of 2023. The increase of \$2.2 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 \$5.9 million in the third quarter of 2024 from \$5.2 million in the third quarter of 2023. The increase 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 its 50% owned iLottery joint venture, NPi, increased to \$13.6 million in the third quarter of 2024 from \$11.1 million in the third quarter of 2023. This \$2.5 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 income was \$0.8 million in the third quarter of 2024 similar to \$0.7 million in the third quarter of 2023.

The net foreign exchange gain was \$2.5 million in the third quarter of 2024 compared to a net loss of \$2.9 million in the third quarter of 2023. The 2024 net foreign exchange gain of \$2.5 million consisted of an unrealized foreign exchange gain of \$2.7 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 cash and accounts receivable. Partially offsetting the unrealized gain, Pollard experienced a realized foreign exchange loss of \$0.2 million which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates, partially offset by foreign currency denominated accounts payable paid at favorable exchange rates.

The 2023 net foreign exchange loss of \$2.9 million consisted of an unrealized foreign exchange loss of \$2.5 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 \$0.4 million which was primarily

due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates, partially offset by foreign currency denominated accounts payable paid at favorable exchange rates.

Adjusted EBITDA increased to \$33.3 million in the third quarter of 2024 compared to \$24.8 million in the third quarter of 2023. The primary reasons for the \$8.5 million increase in Adjusted EBITDA were the increase in gross profit (net of amortization and depreciation) of \$7.8 million, primarily as result of increased instant ticket margins. Additional increases to Adjusted EBITDA were the increase in equity investment income of \$2.5 million and the increase in other income (net of severance expense and contingent consideration adjustment) of \$0.6 million. Partially offsetting these increases to Adjusted EBITDA were the increase in administration expenses (net of acquisition costs) of \$1.9 million and the increase in selling expenses of \$0.7 million.

Interest expense increased to \$2.7 million in the third quarter of 2024 from \$2.4 million in the third quarter of 2023, primarily as a result of the increase in average long-term debt outstanding as compared to 2023.

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$10.7 million during the third quarter of 2024 which decreased from \$11.1 million during the third quarter of 2023. The decrease of \$0.4 million was primarily the result of certain property, plant and equipment becoming fully depreciated.

Income tax expense was \$4.1 million in the third quarter of 2024, an effective rate of 18.4%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was \$1.6 million in the third quarter of 2023, 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 and the effect of non-taxable amounts.

Net income increased to \$18.2 million in the third quarter of 2024 from \$7.7 million in the third quarter of 2023. The primary reasons for the \$10.5 million increase were the increase in gross profit of \$8.2 million, principally as a result of the increased instant ticket margin, the increase in net foreign exchange gain of \$5.4 million and the increase in equity investment income of \$2.5 million. Partially offsetting these increases to net income were the increase in income tax expense of \$2.5 million, the increase in administration expenses of \$2.2 million, the increase in selling expenses of \$0.7 million and the increase in interest expense of \$0.3 million.

Net income per share (basic and diluted) increased to \$0.67 and \$0.66 per share, respectively, in the third quarter of 2024 from \$0.29 and \$0.28 per share (basic and diluted) in the third quarter of 2023.

Results of Operations – Nine months ended September 30, 2024

During the nine months ended September 30, 2024, Pollard achieved sales of \$416.8 million, compared to \$385.0 million in the nine months ended September 30, 2023. Factors impacting the \$31.8 million sales increase were:

- The higher instant ticket average selling price in the first nine months of 2024 increased sales by \$23.3 million as compared to 2023, primarily due to increased proprietary product sales, 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 \$10.5 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 \$12.1 million in the first nine months of 2024. This growth was largely due to increased sales of digital and loyalty products, retail merchandising products, distribution services and licensed products as compared to 2023.
- Higher charitable eGaming systems revenue increased sales by \$3.9 million in the first nine months of 2024 primarily 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 \$2.7 million in the first nine months of 2024 predominately as a result of the acquisition of Venne in the third quarter of 2024.
- Lower Michigan iLottery sales in the first nine months of 2024 decreased revenue by \$1.2 million as compared to 2023.
- During the nine months ended September 30, 2024, Pollard generated approximately 70.8% (2023 – 72.3%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first nine months of 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.352, compared to a rate of \$1.346 the first nine months of 2023. This 0.5% increase in the U.S. dollar value resulted in an approximate increase of \$1.4 million in revenue relative to the first nine months of 2023. In addition, during the first nine months of 2024, 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 nine months of 2023.

Cost of sales was \$335.3 million in the first nine months of 2024 compared to \$323.7 million in the first nine months of 2023. The increase of \$11.6 million in cost of sales was primarily due to increased sales of eGaming systems and ancillary lottery products and services. Partially offsetting these increases in cost of sales were the lower expenses related to lower instant ticket sales volumes as compared to 2023.

Gross profit increased to \$81.5 million (19.6% of sales) in the nine months ended September 30, 2024, from \$61.3 million (15.9% of sales) in the nine months ended September 30, 2023. This increase of \$20.2 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, as well as increased licensed products, retail merchandising products and eGaming systems sales. Partially offsetting these increases was the reduction in Michigan iLottery gross profit in 2024.

Administration expenses increased to \$48.9 million in the first nine months of 2024 from \$42.7 million in 2023. The increase of \$6.2 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 \$17.0 million in the first nine months of 2024 from \$15.0 million in the first nine months of 2023. This \$2.0 million increase 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 \$39.9 million in the first nine months of 2024 from \$28.0 million in 2023. This \$11.9 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 income was \$0.2 million in the first nine months of 2024 compared to \$0.4 million in 2023. The 2024 other income of \$0.2 million was comprised of \$1.3 million of other income, partially offset by 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. The 2023 other income of \$0.4 million was comprised of \$0.7 million of other income, plus \$0.3 million from an insurance settlement, partially offset by a \$0.3 million contingent consideration fair value adjustment expense.

The net foreign exchange loss was \$2.9 million in the first nine months of 2024 compared to a net foreign exchange loss of \$0.9 million in the first nine months of 2023. The 2024 net foreign exchange loss of \$2.9 million resulted from a net unrealized foreign exchange loss of \$2.5 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 an unrealized gain on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of \$0.4 million which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates and foreign currency denominated accounts payable paid at unfavorable exchange rates.

The 2023 net foreign exchange loss of \$0.9 million resulted from a net unrealized foreign exchange loss of \$0.7 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, and an unrealized loss 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 receivable being converted into Canadian dollars at unfavorable foreign exchange rates and foreign currency denominated accounts payable paid at unfavorable exchange rates.

Adjusted EBITDA increased to \$89.3 million in the first nine months of 2024 compared to \$65.6 million in the first nine months of 2023. The primary reason for the increase of \$23.7 million was the increase in gross profit (net of amortization and depreciation) of \$19.2 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 \$11.9 million and the increase in other income (net of severance expense) of \$0.7 million further increased Adjusted EBITDA. Partially offsetting these increases were the increase in administration expenses (net of acquisition costs) of \$5.9 million and the increase in selling expenses of \$2.0 million.

Interest expense decreased to \$7.7 million in the first nine months of 2024 from \$7.9 million in the first nine 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 more lease related interest expense in 2024.

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$32.6 million during the first nine months of 2024 which decreased from \$33.6 million during the first nine months of 2023. The decrease of \$1.0 million was primarily the result of certain property, plant and equipment becoming fully depreciated.

Income tax expense was \$8.1 million in the first nine months of 2024, an effective rate of 18.1%, 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 \$3.1 million in the first nine months of 2023, an effective rate of 13.4%, 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 \$37.0 million in the first nine months of 2024 from \$20.1 million in the first nine months of 2023. The primary reasons for the increase of \$16.9 million were the increase in gross profit of \$20.2 million, principally as a result of the increased instant ticket margin, and the increase in equity investment income of \$11.9 million.

Partially offsetting these increases to net income were the increase in administration expenses of \$6.2 million, the increase in income tax expense of \$5.0 million, the increase in selling expenses of \$2.0 and the increase in net foreign exchange loss of \$2.0 million.

Net income per share (basic and diluted) increased to \$1.37 and \$1.35 per share, respectively, in the nine months ending September 30, 2024, as compared to \$0.75 and \$0.73 per share (basic and diluted) in the nine months ending September 30, 2023.

Joint Venture iLottery

Pollard and Neogames US LLP ("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)

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Sales – Pollard's share									
Michigan iLottery	\$ 6.0	\$ 6.8	\$ 7.1	\$ 7.0	\$ 7.2	\$ 6.5	\$ 7.3	\$ 7.9	\$ 6.5
NPi	27.2	28.2	25.5	21.8	21.5	18.5	18.5	17.7	13.7
Combined iLottery sales	<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>	<u>\$ 20.2</u>
Income before income taxes – Pollard's share⁽¹⁾									
Michigan iLottery	\$ 0.7	\$ 2.1	\$ 2.7	\$ 2.5	\$ 2.8	\$ 1.8	\$ 2.9	\$ 2.9	\$ 2.2
NPi	13.6	14.1	12.2	11.0	11.1	8.8	8.2	8.3	5.7
Combined income before income taxes – Pollard's share	<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>	<u>\$ 7.9</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. In the third quarter of 2024 income before income taxes from the Michigan iLottery was negatively impacted by lower sales and certain one-time higher processing costs.

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

Outlook

The overall demand for our products and solutions in both the lottery and charitable gaming markets remains strong and this trend is expected to continue. We are very confident in the outlook for the remainder of 2024 and 2025 as our strategies for growth in revenue and margins generate improving results.

The positive financial impact of repriced instant ticket contracts will continue to improve our revenue and gross margins as these new agreements commence. A continued focus on high value proprietary products will generate opportunities to provide innovative solutions to our lottery clients. As is typical, our instant ticket volumes are expected to be slightly lower in the fourth quarter, following the strong levels achieved in the pre-holiday third quarter.

Demand in the charitable gaming market is expected to generate growth in printed product volumes as well as eGaming opportunities. Jurisdictions in North America are looking at initiating or expanding regulated eGaming which will provide our charitable gaming group additional growth prospects. During the third quarter we completed the acquisition of Venne, a leading manufacturer in the charitable bingo market and an important addition to our product portfolio.

Our ancillary solutions such as our proprietary PlayOn® loyalty platform and our GeoLocs™ geolocation services are increasingly recognized as market leaders in the lottery and gaming market. Our focus on the importance of innovation at retail is gaining more interest as lotteries and charitable gaming organizations recognize the need for leading edge connections to their retail customers. These trends highlight the significance of providing an expansive portfolio to meet the needs of our clients and we anticipate revenue of our ancillary products will continue to increase.

Interest and opportunities in iLottery continue to grow, both in North America and Europe. The ten-year West Virginia iLottery contract operated by our iLottery joint venture went live on October 31, 2024, with a successful launch of both eInstants and draw-based games, including the use of Pollard's proprietary lottery mobile app and PlayOn® loyalty solution.

We will continue to work with lotteries across the globe in demonstrating the industry leading features of our Catalyst™ iLottery platform and strong eInstants gaming content produced by our internal game studio. Our significant investment in developing our proprietary omni-channel technology and experience in implementing and running successful iLottery operations provides us a unique opportunity to address the increased interest expressed by a number of lottery organizations around the world. Pollard is also responding to a number of formal requests for information and proposals.

Implementation of our Catalyst™ iLottery platform for the Kansas Lottery, and related operational support, is proceeding well and we look forward to a successful go-live in early 2025.

A critical foundation of our successful acquisitions is our strong internal cash flow, which allows us to be both financially prudent and very responsive in our execution. Our cash flows remain very robust and provide us a steady flow of capital which enables us to be extremely flexible in our investments in critical acquisitions and internal capital projects. We continue to review a number of strategic and financially accretive opportunities in both the charitable gaming market and the digital gaming content area. Our disciplined approach to acquisitions has been a hallmark of our growth over the years and will continue to be an important means in expanding our business. Our debt facility has significant available unused capacity and combined with our operating cash flows ensures our focus on internal and external innovation and growth will have the necessary resources.

We are extremely pleased that our focused commitment to our strategy of being the partner of choice for lotteries and charities in helping grow funds for their good causes is succeeding in generating significantly improved financial results. We are confident our products and solutions will help lotteries and charities succeed and enable Pollard to continue our positive growth trends.

For Further Information Please Contact:

John Pollard
Co-Chief Executive Officer
E-mail: jpollard@pbl.ca

Doug Pollard
Co-Chief Executive Officer
E-mail: dpollard@pbl.ca

Rob Rose
Chief Financial Officer
E-mail: rrose@pbl.ca

Pollard Banknote Limited
Telephone: (204) 474-2323

SEDAR+: 00029950
(PBL)

CO: Pollard Banknote Limited