

The Board of Directors

**IZI Finance p.l.c.**

The Quad Central, Q3 Level 11

Triq l-Esportaturi, Zone 1, Central Business District

Birkirkara. CBD 1040

17 December 2024

Dear Sirs,

**IZI Finance p.l.c. – Update to the Financial Analysis Summary (the “Update FAS”)**

In accordance with your instructions and in line with the requirements of the Listing Policies, we have compiled the updated Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Update FAS is that of summarising key financial data appertaining to IZI Finance p.l.c. (a public limited liability company registered under the laws of Malta bearing company registration number C 101228) (the “**Company**” or “**Issuer**” or “**Group**”). The data is derived from various sources or is based on our own computations and analysis of the following:

- a. financial information from the audited consolidated financial statements for the years ending 30 June 2022, 2023, and 2024;
- b. forecast financial information for the year ending 30 June 2025 as provided by management of the Issuer;
- c. our commentary on the results of the Issuer and on the respective financial position is based on the explanations provided by the Issuer;
- d. the ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions as set out and defined within the Analysis; and
- e. relevant financial data in respect of competitors as analysed in part D has been extracted from public sources such as the web sites of the companies concerned, financial statements filed with the Registrar of Companies and the publications of the regulator of the gaming industry in Malta, namely the Malta Gaming Authority (MGA).

The Update FAS is provided to assist potential investors by summarising the more important financial data of the Issuer. The Update FAS does not contain all data that is relevant to potential investors and is intended to complement, and not replace, financial and, or investment advice. The Update FAS does not constitute an endorsement by our firm of the bonds of the Issuer and should not be interpreted as a recommendation to invest. We shall not accept any liability for any loss or damage arising out of the use of the Update FAS and no representation or warranty is provided in respect of the reliability of the information contained in this report. As with all investments, potential investors are encouraged to seek professional advice before investing.

Yours sincerely,



**Doreanne Caruana**

Head of Corporate Advisory

# FINANCIAL ANALYSIS SUMMARY

2024



*Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd, in compliance  
with the Listing Policies issued by the Malta Financial Services Authority,  
dated 5 March 2013, as revised on 13 August 2021.*

17 DECEMBER 2024



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## IMPORTANT INFORMATION

### PURPOSE OF THE DOCUMENT

IZI Finance p.l.c. (the “**Company**”, “**Issuer**” or “**Group**”) has issued €30 million 4.25% unsecured bonds maturing in 2029 (the “**Bond Issue**”), pursuant to a prospectus dated 22<sup>nd</sup> March 2022 (the “**Prospectus**”). In terms of the MFS Listing Policies dated 5 March 2013 (as revised on 13 August 2021), bond issues targeting the retail market with a minimum subscription level of less than €50,000 must include a Financial Analysis Summary (the “**FAS**”) which is to be appended to the prospectus, and which needs to be updated on an annual basis.

### SOURCES OF INFORMATION

The information that is presented has been collated from several sources, including the audited consolidated financial statements for the year ended 30 June 2022, in relation to the first six months since the Issuer’s incorporation, the audited consolidated financial statements for the year ended 30 June 2023 and 2024, forecasts for financial year ending 30 June 2025, as well as information from management.

Forecasts included in this document have been prepared and approved for publication by the directors of the Company, as applicable, who undertake full responsibility for the assumptions on which these forecasts are based.

Wherever used, FYXXXX refers to financial year covering the period 1 July to 30 June. The financial information is being presented in thousands of euros (€), unless otherwise stated, and has been rounded to the nearest thousand.

## ABBREVIATIONS

B2C	Business to Consumer
CY	Calendar Year
DGL	Dragonara Gaming Limited
DIL	Dragonara Interactive Limited
EGMs	Electronic Gaming Machines
FY	Financial Year
GGR	Gross Gaming Revenue
GOL	Gaming Operations Limited
HHR	Historical Horse Racing
IIL	IZI Interactive Limited
MGA	Malta Gaming Authority
NLOs	National Lottery Outlets
OTC	Over the Counter
SSBTs	Self-Service Betting Terminals
Y-O-Y	Year-On-Year
VLTs	Video Lottery Terminals

## 1. INTRODUCTION

IZI Finance p.l.c. (the “**Issuer**”, the “**Company**” or the “**Group**”) is the parent company and finance vehicle of a number of subsidiaries operating in the lottery and gaming industries. Although the Issuer was set up on 30 December 2021, its subsidiaries have extensive experience in the industry having been in business for a long number of years.

The Group is a key player in the land-based gaming sector operating a wide range of product verticals including Numerical Lotteries, Instant Lottery, Virtual Sports, Video Lottery Terminals (VLTs), Historical Horse Racing (HHR)<sup>1</sup>, Electronic Gaming Machines (EGMs), Sports Betting and Land-Based Casinos. National Lottery plc has been operating the National Lottery Concession for just over two years, whilst Dragonara Gaming Limited has successfully operated the Dragonara Casino since 2010.

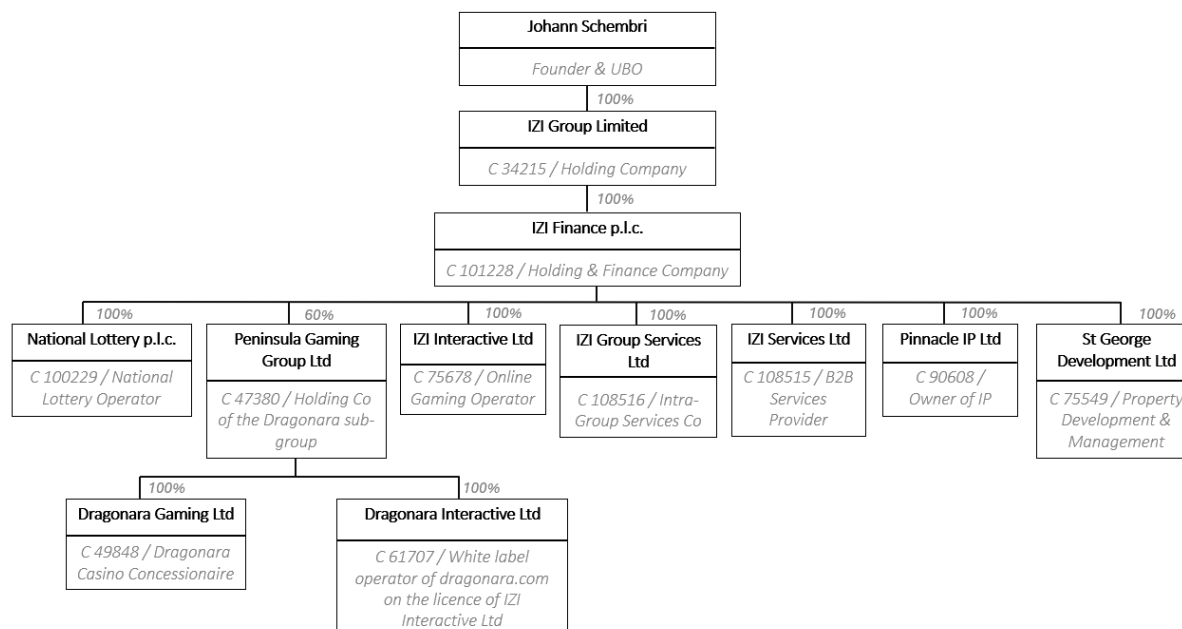
IZI Interactive Limited is the iGaming operating subsidiary of the Group and offers all product verticals via three domains, <https://dragonara.com>, <https://izibet.com> and <http://lottery.mt>.

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<sup>1</sup> *Historical Horse Racing (HHR) is an electronic gambling product that allows players to bet on replays of horse races that have already taken place, using terminals that typically resemble slot machines. The primary provider of historical racing is [Exacta Systems](#). More information on HHR is available here: <https://www.youtube.com/watch?v=lnzt605vnSI>*

## 2. GROUP STRUCTURE

The below organisation chart shows the main companies that form part of the Group and that are mainly engaged in providing gaming services.



## 3. BUSINESS OVERVIEW

### NATIONAL LOTTERY

The National Lottery of Malta was set up in 1923 and was operated by the Government of Malta until it was first privatised in 2004. Between the years 2004 and 2022, the National Lottery of Malta was operated and managed by Maltco Lotteries Ltd, a subsidiary of the Intralot Group of Companies. Following an international call for tenders issued in 2021, National Lottery p.l.c. was awarded the National Lottery Concession and the National Lottery Licence issued by the Government of Malta and the Malta Gaming Authority respectively with operations commencing on 5 July 2022. The National Lottery Licence is valid for ten years expiring on 4 July 2032 and grants National Lottery p.l.c. the right to operate all terrestrial Lottery Games on an exclusive basis as well as Sports Betting and Electronic Gaming Machines (EGMs) on a non-exclusive basis.

National Lottery p.l.c. offers the games portfolio described below through a network of authorised agents, own stores and online. The games portfolio is split into four product categories as follows:

- **Numerical Lotteries**

Numerical Lotteries comprise the most popular lottery games in the market, including Lotto, a product that has been available for more than 100 years, Super5 and the derivatives of this game Super5 Plus and Super5-4-3-2-1, FastKeno and the newly established game of Pick3.

- **Other Lotteries**

This category of products includes the newly launched Instant Lottery product under the brand name ScratchIZ, Virtual Sports and Video Lottery Terminals. National Lottery p.l.c. has recently added another product vertical to its portfolio, namely Historical Horse Racing (HHR) creating a new revenue stream in the process.

- **Sports Betting**

Sports Betting is offered in the market on a non-exclusive basis and features a wide range of fixed-odds and pool-based betting, offered either through Self-Service Betting Terminals (SSBTs) or Over the Counter (OTC) and includes bets placed before the sporting event (pre-match) or during the event (live-betting).

- **Electronic Gaming Machines**

EGMs offer a wide variety of games of chance hosted inside a gaming terminal and featuring a screen displaying reels that 'spin' when a game is activated. EGMs are predominantly offered through a network of own stores.

Since taking over the management and operation of the National Lottery of Malta, National Lottery p.l.c. has embarked on a growth strategy that has transformed the sector in many ways. This transformative approach has enabled National Lottery p.l.c. to increase its Gross Gaming Revenue (GGR) by 48%, when comparing to the last fiscal year of the previous operator (FY2021) with the last fiscal year of National Lottery p.l.c. (July 2023 – June 2024).

National Lottery p.l.c. has attained this remarkable growth, while ensuring its commitment to safe, transparent and responsible gaming. During the past year, National Lottery p.l.c. has obtained the Responsible Gaming (RG) certification from both the European Lotteries (EL) and World Lotteries Association (WLA). Moreover, National Lottery p.l.c. has also attained the ISO/IEC27001:2022 certification for excellence in security and operations from the WLA.



## LAND BASED CASINO

Since 2010, Dragonara Gaming Limited (“DGL”) has been the concessionaire of the Dragonara Casino located within the Dragonara Palace, a 19<sup>th</sup> century palace which is one of the most iconic properties in Malta. The Dragonara was granted its first casino licence by the Government of Malta in 1964 in a bid to attract high-value tourism to Malta. In 2010, DGL successfully tendered for the concession of the Dragonara Casino which it also successfully retained in 2021 for a further 10-years after again winning an international tender launched by the Government of Malta in this respect.

In connection with the casino concession, DGL currently holds a B2C licence (covering Type 1, 2 & 3 gaming services) issued by the MGA, which is valid until 28 July 2033, following the granting of a two-year extension to the concession term by the Government of Malta to partially mitigate the burden that licensed casino operators suffered during the COVID-19 pandemic.

The Dragonara Casino offers a strong product portfolio featuring over 280 slots and 20 live tables, including a live dual-play roulette available online 24 hours a day. Moreover, the service offering at Dragonara Casino is complimented by several in-house facilities including 140 parking bays (offering free parking to casino patrons), dining facilities and a VIP lounge.

Moreover, DGL holds a temporary sub-emphyteusis over the title of the property constituting the Dragonara Casino and its immediate surroundings. This sub-emphyteusis was granted by Casma Limited and expires in March 2083. DGL is permitted to use the property exclusively for land-based casino and/or gaming activities, retail, catering, entertainment, hospitality, and tourism. The long-term title enables the Group to consider further development of this site. In this respect, the Group has undertaken preliminary studies on the possibility of expanding the Dragonara Casino, a project that aims at offering a more holistic and diversified casino experience in the medium-term.

## IGAMING

The iGaming segment is operated by IZI Interactive Limited (“IIL”) which was incorporated in May 2016 to extend the reach of the Group to the ever-growing digital gaming market with the support of various providers. Through IIL, the Group can target a diverse audience across different delivery channels.

IIL operates and manages the domains: [www.izibet.com](http://www.izibet.com) (offering online sports and casino), [www.dragonara.com](http://www.dragonara.com) (offering online casino) and [www.lottery.mt](http://www.lottery.mt) (offering online lottery and casino). IIL utilises its Type 1 gaming licence to provide online lottery services for National Lottery p.l.c.

IIL holds a B2C licence (covering Type 1 & 2 gaming services) issued by the MGA which expires on 11 May 2027 and renewable upon request. IIL utilizes its MGA licence to also provide white label services

to Dragonara Interactive Limited (“DIL”) - a subsidiary owned by Peninsula Gaming Group Limited in which the Issuer has a 60% shareholding. This arrangement allows DIL to provide Type 1 gaming products via the Dragonara brand.

ILL also operates [www.lottery.mt](http://www.lottery.mt) and acts as an online agent for National Lottery p.l.c. selling its full range of numerical lotteries online in return for a commission on sales. ILL also offers a wide range of online casino products via the same domain.

As a result, the Group can leverage synergies by extending both the resources and its know-how to effectively distribute, predominantly in the local market, lottery, casino, and sports betting under three very strong brand names.

### PROPERTY MANAGEMENT

This business sector is a non-core activity of the Group.

On 20 July 2019, St. George Developments Limited, a subsidiary of the Issuer, entered into a temporary emphyteusis, for a period of 30 years, for a property in St. Julian’s. St. George Developments Limited bound itself to demolish this property and to construct a mixed-use development comprising residential units for rental purposes and a commercial outlet, to be used as a lottery store, at ground floor level. As at the date of this report, the Group also owns 4,140 square metres of land located in Wardija through O2 Estates Limited. O2 estates Limited has been duly merged with St. George Developments Limited on 29<sup>th</sup> October 2024, consolidating all investment properties under a single entity.

### OTHER DEVELOPMENTS

The Group has experienced exponential growth in the past years, principally as the Group managed to incorporate the business opportunities afforded to it by virtue of the concession of the National Lottery which mandated the takeover of all the activities and personnel of the former concessionaire and the introduction of new product verticals. Today the Group has a workforce of around 476 employees.

Although not impacting short-term revenue generation, the Group is also focused to leverage specific international business development opportunities emerging from its expertise and set-up as a lottery concessionaire. The HHR project launched in July 2024 is a clear example of how the Group can leverage its lottery concession to introduce a new product vertical into the market. The launch of HHR, being also the first HHR installation outside the USA, opens scalable business development opportunities in foreign markets. While the revenue generation of such opportunities will not materialise within the current financial period, the Group is laying the groundwork for scalable international business

opportunities that could possibly change the fabric of the Group in the future. As part of its broader growth strategy, the Group is actively exploring international expansion, with a strong focus on Historical Horse Racing, Land-Based Casinos, and Video Lottery Terminals.

In terms of facilities requirements, the Group has transitioned its corporate headquarters from the Portomaso Business Tower to the Quad Towers in Mriehel. Moreover, due to its logistical and inventory requirements, the Group has also rented warehousing and storage facilities in Mriehel. The Group is still assessing the use of the site purchased in FY2023 located in Haz Zebbug which was originally earmarked to serve as corporate headquarters.

## 4. CORPORATE GOVERNANCE AND MANAGEMENT

### BOARD OF DIRECTORS

The Company's board of directors as at the date of this document comprises the following:

Dr Christian Gernert	Chairman and Chief Operating Officer
Johann Schembri	Chief Executive Officer
Franco de Gabriele	Executive Director and Chief Commercial Officer
Jacqueline Camilleri	Non-Executive, Independent Director
Dr Stephanie Fabri	Non-Executive, Independent Director
Otto Karasek	Non-Executive, Independent Director

The Company Secretary is Dr Louis de Gabriele.

### SENIOR MANAGEMENT

The following is the senior management team within the Group:

Johann Schembri	Chief Executive Officer
Franco de Gabriele	Chief Commercial Officer
Dr Christian Gernert	Chief Operating Officer
Chris Fenech	Chief Financial Officer <i>(appointed on 8 February 2024)</i>
Dr Duncan Borg Myatt	Chief Corporate Services Officer
Albert Muscat	Chief Technology Officer
Dr Maria Barbara	Group Head - Risk, Compliance & Legal AML
Marie Frances Zamora Custodio	Internal Auditor

## 5. MAJOR ASSETS

The Issuer is a special purpose vehicle set up to act as a holding and financing company of the operating entities within the Group. Therefore, the assets described below are held indirectly through the Group's subsidiaries.

The Group's major assets include:

- (i) **Goodwill** – primarily consisting of goodwill recognised upon business combination following the corporate restructuring undertaken in December 2021;
- (ii) **Intangible assets** - comprising of: (1) Government concessions to manage and operate the National Lottery of Malta and the Dragonara Casino; (2) the fair value of trademarks and domains; and (3) software;
- (iii) **Property, plant, and equipment** – comprising improvements to leased properties, gaming equipment, office and computer equipment, furniture, electrical and sanitary fittings, works in progress and motor vehicles;
- (iv) **Right of use assets** - comprising the leases related to the rented properties as well as the sub-emphyteusis held over the property comprising the Dragonara Casino; and
- (v) **Cash and cash equivalents** – reflecting the Group's cash reserves as of 30 June 2024.

The Group's major assets, as at the financial year ended 30 June 2022 to 2024, were.

as at 30 June	2022	2023	2024
	€'000	€'000	€'000
Goodwill	62,351	61,596	61,596
Intangible Assets	142,049	130,180	121,364
Property, Plant & Equipment	11,927	21,849	25,775
Right of use of Asset	42,276	44,689	43,859
Cash and cash equivalents	18,869	11,569	6,888
	<b>277,472</b>	<b>269,883</b>	<b>259,482</b>

An analysis of the Group's assets is included in the Statement of Financial Position of the Group which can be found in section 9 of this Update FAS.

## 6. MARKET OVERVIEW

Statistics referenced below have been obtained from the annual report of the Malta Gaming Authority for the year 2023<sup>2</sup>.

### ECONOMIC CONTRIBUTION

The gaming sector in Malta is one of the most important economic pillars given its significant contribution to the country, as it generated a total gross value added (GVA) of €1.3 billion in 2023, a 4.2% increase when compared to the GVA generated in 2022. The total GVA represents 7% of the total economy's value added.

The sector also ranks as an important pillar of employment in Malta. In fact, the 2023 Annual Report of the MGA indicates that the gaming sector in Malta contributed directly to the gaming sector is 10,519 and represent the figures solely to MGA-licensed entities and include the active licences.

### THE REGULATOR – MALTA GAMING AUTHORITY

The Gaming Act (Chapter 583 of the Laws of Malta) established the Malta Gaming Authority ('MGA') as the competent authority responsible for the oversight of the gaming sector in Malta.

MGA licences govern four types of gaming services as detailed hereunder:

- **Type 1:** including games of chance played against the house, where the outcome is determined by a random generator. This usually includes casino type games, such as blackjack, baccarat and roulette, lotteries and poker played against the house (casino).
- **Type 2:** including games of chance played against the house. However, the outcome of the game is not determined by a random generator but is instead determined by the result of a game or competition which is external to the game being played. The operator of the game will manage their risk by managing the odds offered to the player. This encapsulates sports betting and fixed odds betting.
- **Type 3:** including games of chance played not against the house but against other players. The operator is not exposed to gaming risk as it generates revenue by taking a commission or other charges based on the stakes or prize. This includes games such as peer to peer

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<sup>2</sup> <https://www.mga.org.mt/app/uploads/MGA-2023-Annual-Report.pdf>

poker and peer to peer bingo. Betting exchanges and other commission-based games are also included; and

- **Type 4:** including controlled skill games which includes fantasy sports. Gaming revenue can be levied by software vendors taking commission on wagers placed.

## GAMING IN MALTA

The gaming sector in Malta is split into five different categories as described below.

**A Casino Gaming Premises:** any premises accessible to the public, which is used or intended to be used for players to participate in a gaming service.

The land-based casino market in Malta is highly competitive. There are three casino concessions and four operative land-based casinos namely:

- o the Dragonara Casino (operated by Dragonara Gaming Limited);
- o the Oracle Casino located at the Dolmen Resort in Qawra;
- o the Portomaso Casino, St. Julian's; and
- o Casino Malta located at the Intercontinental Hotel in St. Julian's.

Management estimates that within the first seven months of CY2024, Dragonara Casino sustained its leadership position in the land-based casino market with a market share (in terms of GGR) of 40%<sup>3</sup>. The MGA statistics show how the casino industry in Malta grew from €49.9 million in CY2022, to €56.5 million in CY2023 and that in the first seven months of CY2024 the industry had already reached the €38.1 million threshold.

**B Controlled Gaming Premises:** any premises intended to make available for use, to host or operate one or more gaming devices (up to a maximum of ten devices), but shall not include premises in which gaming is carried out in virtue of a concession by Government, or premises in which the only gaming service which is carried out consists in tombola games. As duly reported in the 2023 MGA Annual Report, the Controlled Gaming Premises experienced a change in the overall operations of this sub-sector once GOL transferred all its retail operations from the Controlled Gaming Premises sector to National Lottery Outlets. This shift has had a very strong impact on the Controlled Gaming Premises sector since GOL was the market leader within this sector.

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<sup>3</sup> Management estimates which are based on monthly MGA statistics covering period January-October 2024

By the end of 2023, the number of approved Controlled Gaming Premises in Malta came down from 64 to 21 and the total number of licensed gaming devices continued to decline from 540 in CY2021 to 235 in CY2022 and 162 by the end of CY2023. The drop in the number of premises and licences is simply a reflection of the merger of operations between GOL and National Lottery p.l.c.

**C Gaming Premises – Commercial Bingo:** any premises licensed as a commercial bingo hall. The 2023 MGA Annual Report states that there are two commercial bingo halls with an MGA licence, located in Qawra and Paola. Two other bingo halls, namely those in Birkirkara and Valletta, stopped their operations. The operation of the commercial bingo hall operated by GOL in Qawra is now being operated by National Lottery p.l.c. under its National Lottery licence following a major overhaul and re-launched under the brand name IZIBINGO.

**D National Lottery:** National Lottery p.l.c. has commenced the operation of the National Lottery of Malta on July 5, 2022. Under the stewardship of National Lottery p.l.c. the lottery industry in Malta has experienced a major transformation. National Lottery p.l.c., offers the full suite of Lottery Games, Sports Betting and Electronic Gaming Machines as authorised by the MGA. The National Lottery was established by the Government of Malta in 1923 and was first privatised in 2004. The National Lottery is operated under a concession granted by the Government of Malta for a term of 10 years and provides the concessionaire with the exclusive right to sell all terrestrial Lottery Games as well as Sports Betting and EGMs on a non-exclusive basis through a network of authorised agents and own stores.

Several changes have been undertaken by National Lottery p.l.c. with the aim of growing the market size. This includes product changes such as the elimination of capping of prizes on lotto, improved odds on lotto, increased draw events both for Lotto and Super5, and the introduction of new games such as Pick3. The market has also witnessed the expansion of the distribution network, taking the total National Lottery Outlets (NLOs) at the end of FY2023 close to 240. Moreover, several NLOs underwent a thorough refurbishment programme to bring them in line with the retail brand strategy of the company. National Lottery p.l.c. also introduced the concept of the Secondary Distribution Network, through which retail establishments whose primary activity is other than selling lottery products, are licensed to sell a limited range of lottery products, most notably Instant Lottery. In FY2024, National Lottery p.l.c. had a total of 103 secondary network outlets offering Instant Lottery.



**E iGaming:** comprising gaming services which are offered online. As at the end of 2023, the number of gaming companies offering online services through a licence issued by the MGA stood at 305, a decrease of 33 companies from a year earlier. There are 136 online B2C licensees offering Type 1 games, 95 offering Type 2 games, 38 offering Type 3 games and 9 offering Type 4 games.

## GAMING INDUSTRY OUTLOOK

In its 2023 Annual Report, the MGA portrays a very positive outlook for the industry in the years to come. 72% of the MGA licensed operators expect gaming revenues to increase in CY2024. Moreover, the increased population and the strong tourism sector continue to provide the right conditions for the land-based gaming sector to thrive. The growth across all gaming verticals and across different access channels attest to a positive overall outlook for the industry: *“...the outlook for the [gaming] industry remains favourable. With its clear regulatory framework and dynamic gaming ecosystem, Malta is expected to continue to benefit from emerging trends while fostering a safer, more responsible gaming environment that ensures the long-term sustainability and credibility of the gaming sector in Malta and beyond.”*

## PART B FINANCIAL ANALYSIS

### 7. FINANCIAL INFORMATION - INTRODUCTION

#### INTRODUCTION

The Issuer was incorporated in December 2021 and is today the holding company of the Group. Prior to incorporation, the Group companies (excluding the Issuer) were already in operation.

The following sections provide an overview of the financial information of the Issuer for the financial year ended 30 June 2024 (FY2024), compared to the historical financial information published for the period covering six months from the Issuer's inception up to 30 June 2022 (FY2022), the financial years 2023 (FY2023), as well as an outlook for financial year ending 30 June 2025 (FY2025).

All amounts in the tables presented in this report are in thousands (€'000), unless otherwise specified, and have been subject to rounding.

#### REVIEW FY2024

	<i>6-months</i>	Actual	Actual	Forecast
	FY2022	FY2023	FY2024	FY2025
Turnover	-	660,248	794,441	918,713
Player Winnings	-	(587,067)	(705,951)	(822,676)
Bonus Costs	-	(3,666)	(1,937)	(1,012)
<b>Gross Gaming Revenue</b>	-	<b>69,515</b>	<b>86,553</b>	<b>95,025</b>
Other Revenue	-	572	532	616
<b>Total Revenue</b>	<b>15,909</b>	<b>70,087</b>	<b>87,086</b>	<b>95,641</b>
Other income	1,254	1,424	791	717
Staff costs	(4,979)	(13,995)	(13,766)	(13,281)
Gaming tax	(4,062)	(21,655)	(26,934)	(29,867)
Other operating expenses	(5,375)	(19,981)	(21,402)	(23,131)
<b>EBITDA*</b>	<b>2,747</b>	<b>15,879</b>	<b>25,774</b>	<b>30,078</b>
Depreciation and amortisation	(1,310)	(16,548)	(18,365)	(19,886)
<b>Operating Profit</b>	<b>1,437</b>	<b>(669)</b>	<b>7,409</b>	<b>10,192</b>
Impairment of goodwill	-	(756)	-	-
Fair value gain on investment property	-	-	354	-
Net Finance costs	(1,081)	(5,003)	(5,166)	(4,870)
<b>Profit / (Loss) before tax</b>	<b>355</b>	<b>(6,428)</b>	<b>2,597</b>	<b>5,322</b>
Tax (expense) / credit	(382)	1,852	(802)	(1,920)
<b>Profit / (Loss) after tax</b>	<b>(26)</b>	<b>(4,575)</b>	<b>1,795</b>	<b>3,402</b>

Notes:

- *The split for Total Revenue for the 6 months of FY2022 is not available.*
- *During FY2024, the Group implemented a retrospective reclassification, whereby bonus costs are now deducted directly from Gross Gaming Revenue (GGR) rather than being added to GGR and subsequently deducted from Operating Costs.*

*\*In the financial statements for the year ended 30 June 2024, the Group reported an EBITDA figure of €23.2 million that also takes into account the actual lease payments, amounting to a total of €2.5 million. The EBITDA reported in this document does not make that adjustment.*

Following the launch of the National Lottery operation on 5 July 2022, and the successful and timely transition between operators, the Group set forth to grow the National Lottery to unprecedented levels. The Group undertook several market initiatives to support the growth in this sector, including changes related to the product and product draw frequency in relation to the *Lotto* and *Super5* games and the introduction of new products such as *Pick3*. Several notable changes could also be evidenced in distribution, considered to be an essential element of growth within the sector.

National Lottery p.l.c. faced several challenges, principally those related to the implementation of its distribution plan, most notably the delays in bringing to fruition the projected number of NLOs and the take-up of the Secondary Distribution Network, which is a fundamental axiom to the distribution of Instant Lottery, the distribution of which commenced in July 2023. The Group has completed a strong CAPEX programme across all business verticals with the aim to deliver the most innovative product portfolio and improve service delivery across its distribution network.

The Group is steadfast that its strategic plan is robust as has been evidenced by the record performance in FY2024, as turnover represented a Y-O-Y growth of 20%, contributing to GGR of €86.6 million (representing a 25% Y-O-Y growth). The topline growth was complemented by a strong focus on improving operating margins. In FY2024, the Group registered an EBITDA of €25.8 million which represents a 62% Y-O-Y growth over the previous reporting period, converting a Loss Before Tax of €6.4 million in FY2023 to a Profit Before Tax of €2.6 million.

## OUTLOOK FY2025

The investments undertaken by the Group in FY2024 resulted in improved revenue generation capabilities for the Group. While sustaining its efforts to continue increasing revenue thresholds, the

Group is also looking at several initiatives to improve operating margins, including undertaking cost sensitivity exercises.

In FY2025, the primary focus of the Group is to fuel further growth. The Group intend to maintain their growth focus through a four-pronged strategy as follows:

- continued enhancements to the current games portfolio;
- augment, expand and sustain improvements in the retail distribution network;
- strengthen the Group's digital reach; and
- improve margins through further cost-optimisation measures.

In FY2025, revenue is expected to increase to €95.6 million. The increase is mostly attributed to the improved results in numerical lottery, the sustained results emanating from sports betting and the strong revenue growth from EGMs. The introduction of HHR as a new product vertical is also a major contributor towards the improved performance. Both the iGaming and land-based casino verticals have experienced a positive uplift in revenues in FY2024, which is forecast to continue throughout FY2025.

In FY2025, the Group will yet again sustain sizeable depreciation and amortisation costs having already undertaken the bulk of its CAPEX programme. The Group is expected to register an operating profit of €10.2 million (FY2024: €7.4 million) and is projecting a profit before tax for FY2025 of €5.3 million (FY2024: €2.6 million).

## 8. VARIANCE ANALYSIS

The table below shows the variance between the budget that the Group had set for FY2024, and the actual results attained during the same period of time.

	<i>Actual</i> <b>FY2024</b>	<i>Forecast</i> <b>FY2024</b>	<i>Variance</i>
<b>Revenue</b>	<b>87,086</b>	<b>90,246</b>	-3.5%
Other income	791	865	-8.6%
Staff costs	(13,766)	(14,307)	-3.8%
Gaming tax	(26,934)	(27,117)	-0.7%
Other operating expenses	(21,402)	(25,082)	-14.7%
<b>EBITDA</b>	<b>25,774</b>	<b>24,605</b>	4.7%
Depreciation and amortisation	(18,365)	(18,222)	0.8%
<b>Operating Profit</b>	<b>7,409</b>	<b>6,383</b>	16.1%
Share of profit from associate	354	-	n/a
Net Finance costs	(5,166)	(5,164)	0.0%
<b>Profit / (Loss) before tax</b>	<b>2,597</b>	<b>1,219</b>	113.1%
Tax expense	(802)	(384)	108.9%
<b>Profit / (Loss) after tax</b>	<b>1,795</b>	<b>835</b>	115.0%

The Group registered overall positive variances in its performance when compared to the forecasts published in the Update FAS issued in December 2023.

The Group supported its strategic decision to invest more than originally planned in its own retail network, taking over the operation of more retail shops capable of selling the full suite of gaming products of the National Lottery, including Sports Betting and EGMs. This decision, the positive impact of which has been felt in FY2024, is strategic in the Group's bid to sustain its growth projections going forward. The Group registered a profit after tax which is more than double that anticipated last year for FY2024 since its costs discipline during the year was instrumental in converting more of its revenue to profits.

## 9. STATEMENT OF FINANCIAL POSITION

	FY2022	FY2023	FY2024	FY2025
<b>Assets</b>				
<b><i>Non-Current Assets</i></b>				
Goodwill	62,351	61,596	61,596	61,596
Intangible assets	142,049	130,181	121,364	109,681
Property, plant and equipment	11,927	21,849	25,775	25,146
Right of use asset	42,276	44,690	43,859	41,900
Investment properties	1,182	1,425	2,034	6,807
Other non-current assets	2,182	2,939	2,880	2,140
Deferred tax asset	420	1,385	1,081	398
Trade and other receivables	198	-	-	-
<b>Total non-current assets</b>	<b>262,585</b>	<b>264,065</b>	<b>258,588</b>	<b>247,667</b>
<b><i>Current Assets</i></b>				
Inventories	272	875	831	1,126
Trade and other receivables	2,031	2,511	2,580	2,356
Other assets	-	6	-	0
Current tax receivable	3	3	3	3
Cash and cash equivalents	18,869	11,569	6,888	8,388
<b>Total current assets</b>	<b>21,175</b>	<b>14,964</b>	<b>10,302</b>	<b>11,874</b>
<b>Total Assets</b>	<b>283,760</b>	<b>279,029</b>	<b>268,890</b>	<b>259,541</b>
<b>Liabilities</b>				
<b><i>Non-Current Liabilities</i></b>				
Bank Borrowings	7,720	41,131	33,664	29,842
Debt securities in issue	29,418	29,505	29,591	29,677
Trade and other payables	65,985	57,944	56,603	50,171
Deferred tax liability	9,209	8,321	8,819	10,056
Leases Liabilities	23,770	26,810	26,992	26,221
<b>Total non-current liabilities</b>	<b>136,102</b>	<b>163,711</b>	<b>155,669</b>	<b>145,967</b>
<b><i>Current Liabilities</i></b>				
Bank Borrowings	1,605	7,010	7,485	8,601
Trade and other payables	59,360	26,020	21,123	17,124
Lease liabilities	775	946	1,475	1,308
<b>Total current liabilities</b>	<b>61,740</b>	<b>33,975</b>	<b>30,082</b>	<b>27,033</b>
<b>Total Liabilities</b>	<b>197,842</b>	<b>197,686</b>	<b>185,751</b>	<b>172,999</b>

<b>Equity</b>				
Share capital	80,000	80,000	80,000	80,000
Accumulated losses	(290)	(5,652)	(4,643)	(2,244)
<b>Equity attributable to the owners of the parent</b>	<b>79,710</b>	<b>74,348</b>	<b>75,357</b>	<b>77,756</b>
Non-controlling interest	6,209	6,996	7,782	8,785
<b>Total Equity</b>	<b>85,919</b>	<b>81,344</b>	<b>83,139</b>	<b>86,541</b>
<b>Total Equity &amp; Total Liabilities</b>	<b>283,761</b>	<b>279,029</b>	<b>268,890</b>	<b>259,541</b>

## FY2024 OVERVIEW & OUTLOOK FOR FY2025

### ASSETS

As highlighted in section 5 of this report, the major assets of the Group comprise: (1) goodwill generated by the Group over the years; (2) intangible assets consisting of tradenames and domains development through its integrated verticals and highly successful brands as well as control over the two government concessions to manage and operate the National Lottery of Malta (from July 2022) and the Dragonara Casino; (3) control rights over immovable properties (mainly comprising the retail gaming outlets and the Dragonara Casino) used in the operations of the Group (right of use of assets); (4) property, plant equipment (PPE) used throughout the Group's day to day operations; and (5) cash reserves. In aggregate, these assets represented 96.5% of the Group's total assets as of 30 June 2024.

Going forward, these assets are expected to remain the major assets of the Group.

### LIABILITIES

As of 30 June 2024, the Group's main liabilities included borrowings, debt securities (which consisted of the listed bond), trade and other payables, deferred tax liability and leases liabilities accounted for in accordance with IFRS16.

The trade and other payables of the Group as of 30 June 2024 stood at €77.7 million of which €56.6 million are non-current liabilities. The main element of this class of liability refers to the obligations arising from the National Lottery concession which is payable over the concession term of 10 years.

As of 30 June 2024, the Group's total net borrowings stood at €92.3 million (€63.9 million excluding lease liabilities), consisting of the amortised value of the €30 million bond, bank borrowings related to the National Lottery concession and other borrowings drawn down to finance working capital

requirements totalling €41.1 million, while cash and equivalents as at the end of the reporting year stood at €6.9 million.

<b>Net Borrowings</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
Current Borrowings	1,691	7,010	7,485
Non-Current Borrowings	37,052	70,636	63,255
<b>Total Borrowings</b>	<b>38,744</b>	<b>77,645</b>	<b>70,739</b>
Cash	18,869	11,569	6,888
<b>Net Borrowings</b>	<b>19,874</b>	<b>66,077</b>	<b>63,851</b>
<i>Including leases</i>			
Current Borrowings	2,466	7,955	8,959
Non-Current Borrowings	60,822	97,445	90,247
<b>Total Borrowings</b>	<b>63,288</b>	<b>105,401</b>	<b>99,206</b>
Cash	18,869	11,569	6,888
<b>Net Borrowings</b>	<b>44,419</b>	<b>93,832</b>	<b>92,318</b>

Lease liabilities relating to the properties over which the Group holds a right of use, namely the retail gaming outlets and the Dragonara Casino accounted for in accordance with IFRS 16 – Leases, amounted to €28.5 million by the end of FY2024.

As of 30 June 2024, the Group's deferred tax liability stood at €8.8 million.

No major change in the composition of the Group's main liabilities is expected during FY2025, save for the reduction in the trade payables relating, in the main, to the concession payments of the National Lottery as well as a circa €3 million reduction in borrowings as the Group repays part of its bank debt.

## EQUITY BASE

The Group's equity stood at €83.1 million at the end of FY2024, consisting primarily of €80 million in share capital and €7.8 million in non-controlling interest, net of the negative retained earnings balance, which was reduced to a negative €4.6 million from negative €5.7 million at the end of FY2023.

No change to the equity composition is anticipated in FY2025, save for the positive effect of the Group's performance on its accumulated losses, which are expected to decline further to €2.2 million by the end of June 2025.



## 10. STATEMENTS OF CASH FLOW

	FY2022	FY2023	FY2024	FY2025
Total cash flows generated from operating activities	2,806	17,185	23,450	25,006
Net cash used in investing activities	(12,730)	(55,704)	(13,617)	(13,123)
<b>Free Cash Flows</b>	<b>(9,924)</b>	<b>(38,518)</b>	<b>9,833</b>	<b>11,883</b>
Net cash generated from financing activities	27,250	31,218	(14,514)	(10,383)
<b>Net movement in cash and cash equivalents</b>	<b>17,326</b>	<b>(7,300)</b>	<b>(4,681)</b>	<b>1,500</b>
Cash and cash equivalents at the beginning of the year	1,543	18,869	11,569	6,888
<b>Cash and cash equivalents at the end of the year</b>	<b>18,869</b>	<b>11,569</b>	<b>6,888</b>	<b>8,388</b>

### REVIEW OF FY2024 AND OUTLOOK FOR FY2025

The cash generation capabilities of the Group have improved considerably with the commencement of the National Lottery operations and the sustained growth in all the other business verticals within the Group. Cashflows from operations increased from €17.2 million in FY2023 to €23.5 million in FY2024.

During FY2024, the Group continued its investment programme, albeit at a slower pace than that experienced in FY2023. The investment programme aimed at increasing markedly the revenue generation capabilities of the Group, while laying the groundwork for longer-term sustainable growth. Such investment activities resulted in a cash outflow for the Group of €13.6 million in FY2024 (FY2023: €55.7 million).

The cash flows related to financing activities for FY2024 include the effect of a total of €7 million in net loan repayments, payment of leases and related interest amounting to €2.5 million, repayment of amounts due to related party €1.6 million and interest payable on borrowings amounting to €3.3 million, which in total resulted in a net cash outflow of €14.5 million. After accounting for the cash balances in the beginning of the period, the net cash and cash equivalents for the year stood at €6.9 million.

In FY2025, the Group's cash flow statement is expected to be reflective of the Group's continued improvement in performance, as operations are expected to generate €25 million of cash inflows. These will be utilised to support the investing activities of the Group, which are not expected to be very different from those of FY2024. Cashflows used in financing activities are anticipated to amount to €10.4 million, which includes net bank borrowing repayments of €4.4 million and interest on total borrowings (including that on leases) of €4.1 million. As a result, the Group is forecasting a positive and improved cash position of €8.4 million by the end of FY2025.

## 11. RATIO ANALYSIS

The following set of ratios have been computed from the Company's figures, both historical and projections.

*Note: where the ratios were non-comparable because of a negative return or a negative result, the ratio has been recorded as 'n/a'.*

	FY2022	FY2023	FY2024	FY2025
<b>EBITDA margin</b> <i>(EBITDA / Revenue)</i>	17.3%	22.7%	29.6%	31.4%
<b>Operating Profit (EBIT) margin</b> <i>(Operating Profit (EBIT) / Revenue)</i>	9.0%	N/A	8.5%	10.7%
<b>Net Profit margin</b> <i>(Profit for the period / Revenue)</i>	N/A	N/A	2.1%	3.6%
<b>Return on Equity</b> <i>(Net Profit / Average Equity)</i>	N/A	N/A	2.2%	4.0%
<b>Return on Capital Employed</b> <i>(Net Profit / Average Capital Employed)</i>	N/A	N/A	0.7%	1.4%
<b>Return on Assets</b> <i>(Profit for the period / Average Assets)</i>	N/A	N/A	0.7%	1.3%
<b>Current Ratio</b> <i>(Current Assets / Current Liabilities)</i>	0.3x	0.4x	0.3x	0.4x
<b>Cash Ratio</b> <i>(Cash &amp; cash equivalents / Current Liabilities)</i>	0.3x	0.3x	0.2x	0.3x
<b>Interest Coverage ratio</b> <i>(EBITDA / Net finance costs)</i>	2.5x	3.2x	5.0x	6.2x
<b>Gearing Ratio</b> <i>(Net debt / [Net Debt + Total Equity])</i>	18.8%	44.8%	43.4%	40.8%
<b>Gearing Ratio (2)</b> <i>[Total debt / (Total Debt plus Total Equity)]</i>	31.1%	48.8%	46.0%	44.0%
<b>Net Debt to EBITDA</b> <i>(Net Debt / EBITDA)</i>	7.2x	4.2x	2.5x	2.0x

***Including leases***

<b>Gearing Ratio</b> <i>(Net debt / [Net Debt + Total Equity])</i>	34.1%	53.6%	52.6%	50.2%
<b>Gearing Ratio (2)</b> <i>[Total debt / (Total Debt plus Total Equity)]</i>	42.4%	56.4%	54.4%	52.5%

*Source: Management information*

The profitability ratios of the Group turned positive in FY2024, reflective of the improved performance during the year. These ratios are expected to continue to improve further in FY2025, as the Group's profitability is also anticipated to grow on the back of continued cost containment and new verticals as explained earlier in this report.

The Group's cash and current ratios declined marginally in FY2024, primarily reflecting the cash utilisation in connection with additional investment during the year. These ratios are expected to remain at largely the same level for FY2025. Meanwhile, the interest coverage ratio improved y-o-y as the Group generated a higher EBITDA, which is expected to improve even further in FY2025.

Gearing ratios (excluding lease liabilities) remained below the 50% level reflecting the Group's appropriate capital levels. Leverage is expected to ease in FY2025 in line with the planned repayment of borrowings. When including lease liabilities, the Group's gearing ratios show a higher level of leverage which is, however, still at an acceptable level at below 60%.

## PART C      COMPARATIVES

The table below compares the Company's bonds with other local corporate bonds having maturities closest to the Company's bonds. The list excludes issues by financial institutions. The comparative set includes local groups whose assets, strategy and level of operations vary significantly from those of the Company and are therefore not directly comparable. Nevertheless, the table below provides a sample of some comparatives:

Bond	Amount Outstanding (€)	Gearing*	Net Debt to EBITDA	Interest Cover**	YTM <sup>^</sup>
3.65% Stivala Group Finance plc 2029 (Secured)	15,000,000	22.9%	3.6	6.5	3.77%
3.80% HILL Finance Company plc 2029	80,000,000	62.8%	3.2	6.2	4.50%
3.75% AX Group plc 2029	10,000,000	39.4%	20.9	1.3	4.66%
3.75% TUM Finance plc 2029 (Secured) (Puttable)	20,000,000	40.9%	9.2	3.7	4.19%
4.00% Cablenet Communication Systems plc 2030	40,000,000	100.7%	2.3	5.4	4.40%
<b>4.25% IZI Finance plc 2029</b>	<b>30,000,000</b>	<b>43.4%</b>	<b>2.5</b>	<b>5.0</b>	<b>4.24%</b>

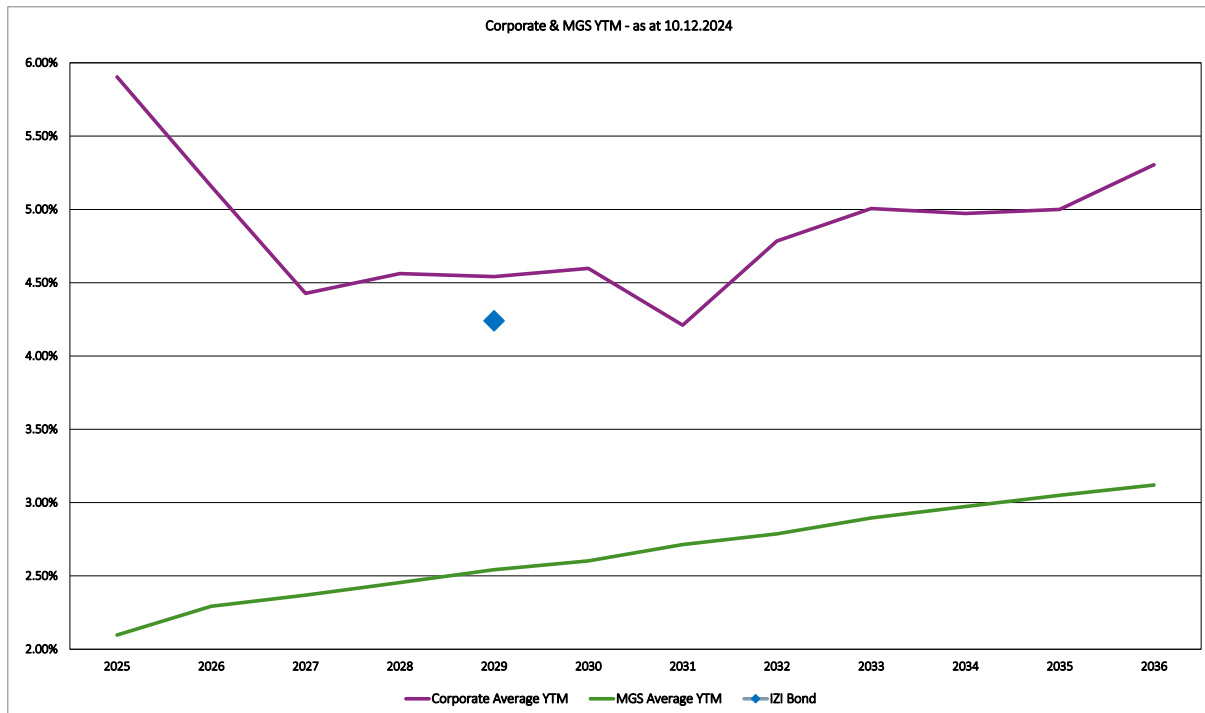
Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 10 December 2024. Ratio workings and financial information quoted have been based on the respective issuers' unadjusted published financial data (or their guarantors, where and as applicable).

<sup>^</sup>Yield to Maturity (YTM) based on bond prices as at 10 December 2024.

\*Gearing Ratio:  $\text{Net Debt} / (\text{Net Debt} + \text{Equity})$

\*\*Interest Cover:  $\text{EBITDA} / \text{Net Finance Cost}$

The following shows the average yield to maturity of listed corporate bonds and MGS covering a ten-year period, and how the Company's bond, currently yielding 4.24%, compares to such average yields. All the yields presented hereunder are as of 10 December 2024.



At a coupon of 4.25% per annum and the bonds trading at par, the Company's bonds are yielding 30 basis points below the equivalent average corporate bonds YTM for 2029 maturities and 170 basis points premium over the average MGS YTM for 2029 maturities.

## PART D

## GLOSSARY

### *INCOME STATEMENT EXPLANATORY DEFINITIONS*

Revenue	Revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation, and amortisation, reflecting the company's earnings purely from operations.
EBIT	Earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

### *CASH FLOW STATEMENT EXPLANATORY DEFINITIONS*

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.
Free Cash Flow (FCF)	FCF represents the amount of cash remaining from operations after deducting capital expenditure requirements.

### *STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS*

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year.
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.

Equity Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

#### *PROFITABILITY RATIOS*

EBITDA Margin EBITDA as a percentage of total revenue.

Operating Profit Margin Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.

Net Profit Margin Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

Return on Equity Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.

Return on Capital Employed Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.

Return on Assets This is computed by dividing profit after tax by total assets.

#### *LIQUIDITY RATIOS*

Current Ratio The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.

Cash Ratio Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

#### *SOLVENCY RATIOS*

Interest Coverage Ratio This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.

Gearing Ratio The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

Net Debt to EBITDA This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

