RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

Rizzo, Farrugia & Co (Stockbrokers) Ltd
Airways House, Fourth Floor, High Street, Sliema SLM1551, Malta
T. +356 22583000 E. info@rizzofarrugia.com W. www.rizzofarrugia.com

The Board of Directors
IZI Finance p.l.c.
Portomaso Business Tower, Level 11
Portomaso, St. Julian's, STJ 4011

19 December 2023

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 year ending 30 June 2022 and 2023;
b. forecast financial information for the year ending 30 June 2024 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,

Vincent E Rizzo
Director

FINANCIAL ANALYSIS SUMMARY

2023

IZI | FINANCE plc

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.

19 DECEMBER 2023

RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS

TABLE OF CONTENTS

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 22nd March 2022 (the "**Prospectus**"). In terms of the MFSA 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, forecasts for financial year ending 30 June 2024, 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
IIL	IZI Interactive Limited
MGA	Malta Gaming Authority

PART A BUSINESS AND MARKET OVERVIEW UPDATE

1. INTRODUCTION

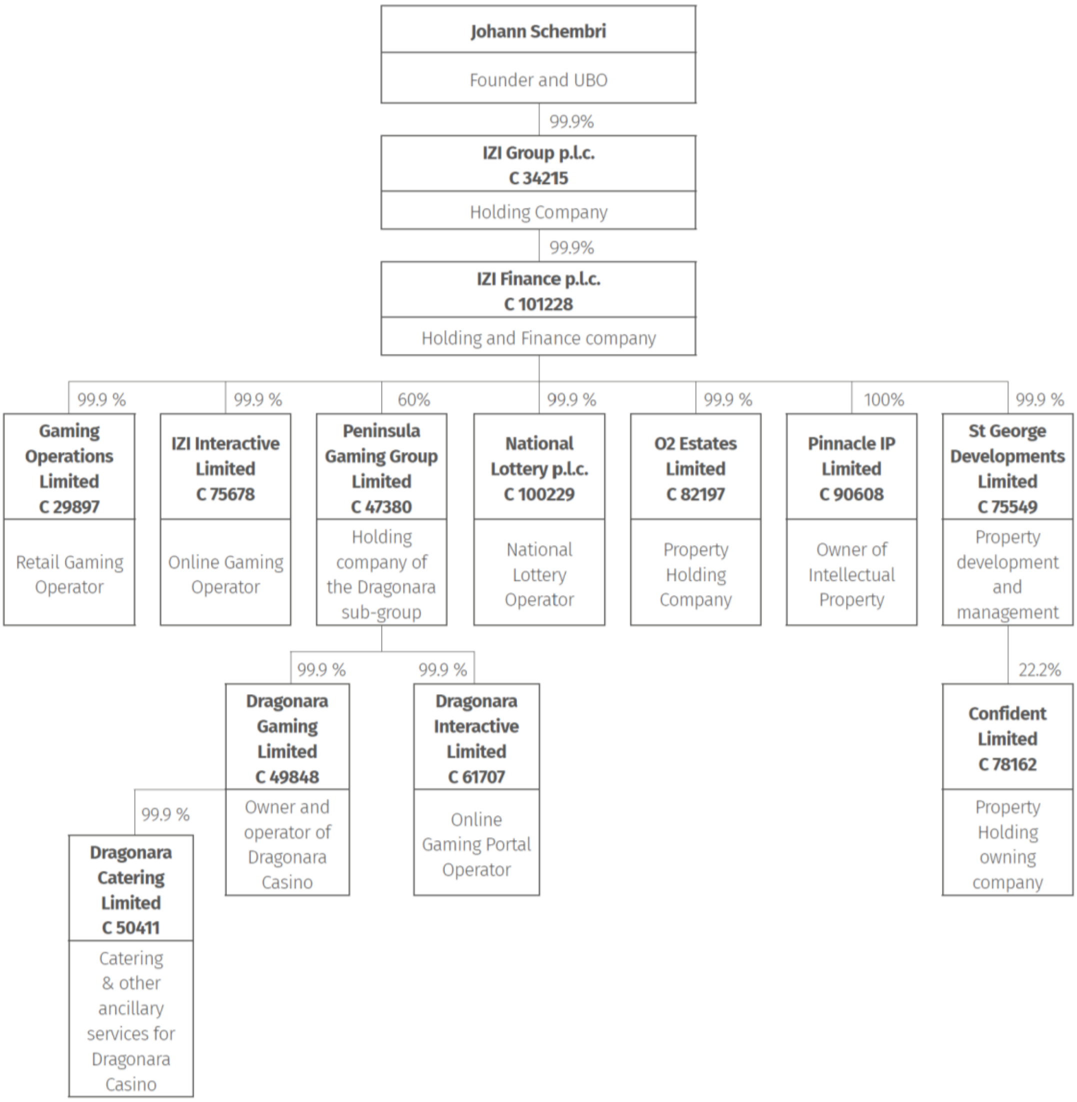
IZI Finance p.l.c. (the "**Issuer**", the "**Company**" or the "**Group**") is a holding company and a finance vehicle. The Company is the holder of various subsidiaries which operate in the gaming sector in Malta. Although the Issuer was set up on 30 December 2021, the Group has extensive experience in the sector, with the subsidiaries having been in business for a long number of years (the first company within the Group being set up in 2002) while the founding shareholder of the Group, Mr Johann Schembri, having been involved in the industry since 1993. The Issuer is the finance vehicle of the Group and is responsible to raise any required financing.

The Group is a key player in the land-based gaming sector in Malta within a wide range of gaming business verticals, including lotteries, sports betting, casinos, electronic gaming machines (EGMs), virtual sports betting, and bingo. Following the signing of the National Lottery concession on 10 March 2022 and the issuance of the National Lottery licence by the MGA on 5 July 2022, the Group commenced operating the National Lottery of Malta from 5 July 2022.

The Group operates principally in the land-based gaming market but is also actively engaged in the digital gaming sector through three domains, https://dragonara.com, https://izibet.com and http://lottery.mt.

2. Group Structure

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



Pursuant to a consolidation exercise, from an operational perspective, the Group has merged Gaming Operations Limited ("**GOL**") and National Lottery p.l.c., such that both operations are now being managed by National Lottery p.l.c. as duly licenced by the MGA. The operations within Gaming Operations Limited have ceased and the duties and obligations of Gaming Operations Limited have been duly transferred in full to National Lottery p.l.c.

3. Business Overview

National Lottery

In September 2021, the Group established a fully owned subsidiary, namely National Lottery p.l.c., to serve as the proponent in an international request for proposals (RFP) issued by the Privatisation Unit on behalf of the Malta Government for the concession to manage and operate the National Lottery of Malta - the same concession operated by Maltco Lotteries Limited (C 32326) since 2004. Following the successful outcome of the tendering process in November 2021, National Lottery p.l.c. signed a concession agreement with the Ministry for the Economy and Industry on behalf of the Government of Malta on 10 March 2022. The operation of the National Lottery duly commenced on 5 July 2022.

The National Lottery concession represented the next natural step in the lifecycle of the Group, providing the opportunity to operate the only gaming vertical absent in its portfolio – the National Lottery Games. To realise this opportunity, the Group partnered with several service providers including the world's leading lottery technology and services provider, namely, International Game Technology (IGT).

National Lottery p.l.c. was granted the National Lottery Licence by the MGA on 5 July 2022. The National Lottery licence is valid for ten years expiring on 4 July 2032, in line with the concession term. The National Lottery Licence covers Type 1 (lotteries), Type 2 (fixed odds betting) and Type 3 (pari-mutuel games) gaming services and comprises a revised and renewed portfolio of games.

The National Lottery concession provides National Lottery p.l.c. with the right to distribute, on an exclusive basis, the National Lottery Games, and other games on a non-exclusive basis. The product portfolio of the National Lottery can be split into three categories and include: (i) Lottery Games (including instant scratch cards); (ii) Sports Betting; and (iii) Electronic Gaming Machines (EGMs).

Land Based Casino

Since 2010, Dragonara Gaming Limited ("**DGL**") has been the concessionaire of the Dragonara Casino located within the Dragonara Palace, a 19th 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 (a subsidiary owned by Peninsula Gaming Group Limited in which the Issuer has a 60% shareholding) 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 Malta Government 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 31 July 2031. The Dragonara Casino offers a strong product portfolio featuring 272 slots and 14 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), several dining facilities and a VIP lounge.

Moreover, DGL holds a temporary sub-emphyteusis over the title of the property constituting the Dragonara Casino. 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 lease enables the Group to consider further development of this site.

Retail gaming – Sports Betting, EGMs & Bingo Halls

Since commencement of the operation of the National Lottery on 5 July 2023, the retail operations within the Group, including all business activities previously administered under Gaming Operations Limited, being sports betting, EGMs, and bingo, have been duly transferred to National Lottery p.l.c. and are being operated under the licence of the National Lottery in accordance with the concession terms of the National Lottery.

Digital Gaming

The digital gaming 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 the provision of digital services, the Group can target a diverse audience through different delivery channels.

IIL operates and manages the domains: www.izibet.com and www.dragonara.com. The Group launched www.lottery.mt on 5 July 2023, exactly one year since the commencement of the operation of the National Lottery. Through the online portal, www.lottery.mt the Group also offers an online casino service. IIL utilises its Type 1 gaming licence to provide online lottery on behalf of 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 and Type 2 gaming products via the Dragonara Casino brand.

As a result, the Group can leverage synergies by extending both the resources and the know-how of the Group to effectively distribute, predominantly in the local market, lottery, casino, and sports betting products under three very strong brand names, namely National Lottery, Dragonara Casino and IZIBET.

Real Estate

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 the existing property and to construct a mixed-use development comprising residential units for rental purposes and a commercial outlet, to be used as a retail gaming 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.

The Group has grown exponentially in the past few months, principally due to the grant of the concession of the National Lottery which mandated the takeover of all the previous activities and personnel of the former concessionaire (Maltco Lotteries Limited). Today the Group has a workforce of more than 500 employees. 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. Pursuant to an extensive market research exercise, the Group identified a site in Zebbug earmarked to serve as the future corporate headquarters, with a conservative footprint of 3,750 square metres of office space and a further 3,750 metres of warehousing facilities. The Company purchased the site for a total consideration (inclusive of all related fees) of €4.3 million. The Company financed the acquisition of the site through its own cash balances.

4. Corporate Governance and Management

Board of Directors

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

Christian Gernert	Executive Chairman
Johann Schembri	Chief Executive Officer
Franco Degabriele	Executive Director and Chief Commercial Officer
Jaqueline Camilleri	Non-Executive, Independent Director
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 Degabriele	Chief Commercial Officer
Albert Muscat	Chief Technology Officer
Joseph Bonanno	Chief Operating Officer
Svetlana Birca	Chief International Business Officer
Nicolo Baldacchino Orland	Interim Chief Financial Officer
Dr Maria Barbara	Group Head - Risk, Compliance & Legal

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 2023.

The Group major assets, based on the financial statements for the year ended 30 June 2023, were.

as at 30 June	2022 €'000	2023 €'000
Goodwill	62,351	61,595
Intangible Assets	142,049	130,180
Property, Plant & Equipment	11,927	21,849
Right of use of Asset	42,276	44,689
Cash and cash equivalents	18,869	11,569
	277,472	**269,882**

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[1]

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 €1.5 billion[1] in 2022, up from €1 billion in 2021 and representing around 9.6% of the economy's total gross value added in 2022, up from 7.7% in 2021. Moreover, also accounting for the sector's indirect contribution to the local economy through links with other major sectors, the gaming sector's contribution to Malta's economy would increase to 12.4%.

The sector also ranks as an important pillar of employment in Malta. In fact, the 2022 Annual Report[1] of the MGA indicates that the gaming sector in Malta contributed (directly and indirectly) to 15,774 jobs representing almost 5.5% of Malta's total workforce.

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

[1] *Malta Gaming Authority, Annual Report 2022 available from* *https://annualreport.mga.org.mt/wpcontent/uploads/2023/06/FullReport.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:

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

Management estimates that within the first 10 months of CY2023[2], Dragonara Casino sustained its leadership position in the land-based casino market with a market share (in terms of GGR) of 41%. Management also estimates that the overall market continued to grow, reaching €50 million in CY2022, while forecasting that it will surpass the €50 million mark in CY2023, having registered GGR of €47 million in the first 10 months of CY2023.[2]

B **Controlled Gaming Premises:** any premises intended to make available for use, to host or operate one or more gaming 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. Since taking over the operation of the National Lottery of Malta in July 2022, the Group, by virtue of its National Lottery licence, has transferred all its retail operations from the Controlled Gaming Premises sector to the National Lottery. This shift has had a very strong impact

[2] *MGA Statistics Report issued in November 2023 covering period January-October 2023*

on the Controlled Gaming Premises sector since the Group was the market leader within this sector (previously operated through Gaming Operations Limited).

The retail gaming market in Malta is a very competitive market. By the end of 2022, the number of approved Controlled Gaming Premises in Malta came down from 64 to 28 and the total number of licensed gaming devices came down from 540 to 235. The drop in the number of premises and licences is simply a reflection of the merger of operations between Gaming Operations Limited and National Lottery.

C **Gaming Premises – Commercial Bingo:** any premises licensed as a commercial bingo hall. There are two commercial bingo halls located in Qawra and Paola. The demographics of this segment of the local gaming market is heavily skewed towards the '65+' age group. The operation of the commercial bingo hall operated by GOL in Qawra is now being operated by National Lottery p.l.c. and will undergo a major refurbishment and uplift in 2024.

D **National Lottery:** in 2022, there was a change in the National Lottery operator, as Maltco Lotteries ceased its operations as of 4 July 2022, while National Lottery p.l.c. commenced its operations as of 5 July 2022, distributing, amongst others, the National Lottery games (including Super 5 and Lotto) as defined by the Gaming Act and such other games 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 the National Lottery Games as well as Other Games on a non-exclusive basis. The National Lottery avails itself of the exclusive network of National Lottery agents in the market, through which it distributes the National Lottery Games Suite.

In FY2023[3], the total turnover of the National Lottery from lottery games and sports betting stood at €147.6 million.

E **Digital gaming:** comprising gaming services which are offered online. As at the end of 2022, the number of gaming companies offering online services through a licence issued by the MGA stood at

[3] *Turnover for the period 1 July 2022 – 30 June 2023.*

338 a marginal increase of 6 licences from a year earlier, with B2C Licences accounting for 64% of the total licence base of which 154 offering casino games including live casino, 26 lotteries and 9 secondary lotteries. The Group operates within the digital gaming sector via IIL, which is duly licensed by the MGA.

Recovery from the COVID-19 Pandemic

The outbreak of the COVID-19 pandemic had an adverse impact on the gaming sector in Malta particularly the land-based activities, given the lockdown measures imposed by the authorities for prolonged periods in 2020 and 2021. Nonetheless, the gaming sector in Malta has proven to be resilient in such an unprecedented challenging environment as the sector continued to register overall growth.

In its 2022 Annual Report, the MGA showed a full recovery of the industry from the effects of the COVID-19 pandemic across several important key performance indicators of the sector as can be seen from the table below:

Key Performance Indicator[4]	2019	2022
Number of Licensees	298	358
Gross Value Added	€1.1 billion	€1.5 billion
Direct Employment (FTE jobs)	7,417	11,245
Compliance contribution, licence fees, levies and consumption tax	€80.4 million	€78.7 million

As anticipated, the recovery of the industry from the pandemic was steadfast in CY2022 in all the gaming sectors most notably in the casino sector, sports betting as well as in the National Lottery.

Gaming Industry Outlook

In its 2022 Annual Report, the MGA portrays a very positive outlook for the industry in the years to come. Despite three years of unprecedented uncertainty, the gaming industry has continued to register positive performance witnessing steady growth in 2023. The positive outlook is also reflected in the responses attained by MGA licensees on the outlook, with 74% expressing positive expectations for 2024. Looking ahead, the MGA stated that, "*overall, the outlook for the Maltese gaming industry remains positive. While industry players are to remain on the lookout for the impacts of international*

[4] *The Gross Value Added (GVA) reported for 2022 is based on the computation of the GVA for NACE92 by the National Statistics Office*

regulatory developments and the trends that will characterise the future of gaming and entertainment, Malta is expected to continue thriving and evolving, also backed by a strong and balanced regulatory regime as well as the necessary human resources and operational infrastructures."

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 2023 (FY2023), compared to the financial information published for the period up to 30 June 2022 (FY2022), as well as an update to the outlook for financial year ending 30 June 2024 (FY2024).

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

REVIEW FY2023

	Actual *6-months* **FY2022**	Actual *12-months* **FY2023**	*Forecast* *12-months* **FY2024**
Revenue	**15,909**	**73,753**	**90,246**
Other income	1,254	1,424	865
Staff costs	(4,979)	(14,055)	(14,307)
Gaming tax	(4,062)	(21,655)	(27,117)
Other operating expenses	(5,274)	(22,902)	(24,667)
EBITDAR*	**2,847**	**16,565**	**25,020**
Operating Lease	(101)	(420)	(162)
Amortisation of deferred charges**	-	(265)	(253)
Depreciation and amortisation	(1,310)	(16,548)	(18,222)
Operating Profit	**1,437**	**(668)**	**6,383**
Impairment of goodwill	-	(756)	-
Net Finance costs	(1,081)	(5,003)	(5,164)
Profit / (Loss) before tax	**355**	**(6,427)**	**1,219**
Tax expense	(382)	1,852	(384)
Profit / (Loss) after tax	**(27)**	**(4,575)**	**835**

**EBITDAR refers to EBITDA, adjusted further for operating leases and related expenditure. It is calculated by extracting operating lease and the amortisation of deferred charges (as detailed in the income* *statement above) from operating expenses and adjusting operating profit (loss) for such charges as well as the usual adjustment related to depreciation & amortisation.*

***Deferred charges refer to the set-up costs related to the operation of the National Lottery, which charges are amortised over a period of 10 years, in line with the term of the concession agreement.*

The Group's performance must be seen within the context of the first full year of operation of the National Lottery.

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 the distribution plan, most notably the delays in bringing to fruition the projected number of distribution outlets, the inability to launch a secondary distribution network within its first 18 months of operation and postponement of the e-commerce site. Furthermore, the Group suffered a 6-month delay in launching the instant scratch cards product category, that was eventually launched in June 2023 under the *ScratchiZ* brand.

The Group, however, is steadfast that its strategic plan is robust and will deliver results over the short term. The delays which are in principle related to logistical and operational time restrictions have not enabled the Group to operate at the desired throughput. However, with every month, the throughput improves considerably. The slow start in the first half of the financial year (FY2023) was, however, not fully recovered by the better-than-expected performance in the second half of the year. It is anticipated that this sustained improvement due to an accelerated implementation of the strategic plan will support the attainment of financial objectives going forward.

The weaker-than-expected performance experienced at the level of the National Lottery draw-based games business has been partially mitigated by the superior performance of the Dragonara Casino and sports betting verticals, respectively. The Dragonara Casino continued to witness healthy growth margins leveraging industry-wide growth trends. With regards to sports betting the development of new technology, specifically the implementation of self-service betting terminals duly provisioned across a wider distribution network and more diligent risk management practices have had a great impact on the overall performance of the Group.

Strong growth has also been reported in the Electronic Gaming Machines (EGMs) vertical. However, the expected growth was greater than that attained, resulting in lower-than-expected results in the process. Nevertheless, the attainment of several KPIs within this vertical augur well for this category in the future as more distribution outlets come on stream and a larger number of EGMs are strategically deployed in the market.

Outlook FY2024

The investments undertaken by the Group in FY2023 and during the first part of FY2024 resulted in improved revenue generation capabilities for the Group. As a matter of fact, the Group is marginally outperforming its revenue targets for FY2024. 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 FY2024, the Group aims to continue to leverage and build upon its four core strategic key areas namely: a) the ability to accelerate the growth and implementation plan of the National Lottery; b) the sustained growth at the Dragonara Casino; c) positioning IZIBET as the sports betting brand of the National Lottery; d) further deployment of EGMs across the retail network, and add to these four core strategic areas the sustained development of its online operation as the fifth strategic area.

As a result, in FY2024, revenue is expected to increase to €90.2 million. The increase is mostly attributed to the stronger results anticipated in lottery games on the strength of sustained growth in core games and the introduction of a second *Super5* draw that commenced in July 2023 bringing the total draws for *Super5* and all other *Super5* related products to twice weekly (Wednesdays and Fridays). The deployment of more EGMs across the distribution network will also ensure growth in the EGM sector. Moreover, as the Group gradually launches the secondary distribution network, substantial growth is expected from products that are notoriously sold from such channels, most notably Instant Scratch Cards. Finally, the Group is expecting growth in three other verticals, namely Sports Betting, Dragonara Casino and the online operation.

In FY2024, 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 €6.4 million (FY2023: operating loss of €0.7 million) and is projecting a net profit after tax for FY2024 of €0.8 million (FY2023: net loss of €4.6 million).

8. Variance Analysis

The table below shows the variance between the budget that the Group had set for FY2023, and the actual results attained during the same period of time.

	Forecast FY2023	*Actual* FY2023	Variance
Revenue	**77,605**	**73,753**	*-5.0%*
Other income	458	1,424	*210.9%*
Staff costs	(13,174)	(14,055)	*6.7%*
Gaming tax	(23,642)	(21,655)	*-8.4%*
Other operating expenses	(23,074)	(22,902)	*-0.7%*
EBITDAR	**18,173**	**16,565**	*-8.8%*
Operating Lease	(362)	(420)	*16.0%*
Amortisation of deferred charges	(181)	(265)	*46.4%*
Depreciation and amortisation	(15,313)	(16,548)	*8.1%*
Operating Profit	**2,317**	**(668)**	*-128.8%*
Impairment of goodwill	-	(756)	*n/a*
Net Finance costs	(4,649)	(5,003)	*7.6%*
Profit / (Loss) before tax	**(2,332)**	**(6,427)**	*175.6%*
Tax expense	2,018	1,852	-8.2%
Profit / (Loss) after tax	**(314)**	**(4,575)**	1356.9%

The Group registered negative variances with both the FAS of the original prospectus as well as the updated FAS issued in December 2022, due mainly to the slower ramp up in the National Lottery draw-based games vertical, more specifically to the slower uptake in the *Super5* game and the lower-than-expected margins from *Lotto*. Despite a clear ramp up in revenues registered in the last six months of FY2023, this was still not enough to make up for the shortfall registered in the first six months of FY2023. The lower-than-expected revenues in the National Lottery draw-based game operations were, however, partially offset by superior results registered across other business verticals, namely Sports Betting and Dragonara Casino.

The Group also took the 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 portfolio of products of the National Lottery, including Sports Betting and EGMs. This decision, the positive impact of which is expected to be felt in the longer-term through operational efficiencies and reduced third-party commissions, increased the operating expenditure of the Group, specifically staff costs, which are directly proportional to the number of shops in operation.

9. STATEMENT OF FINANCIAL POSITION

	FY2022	FY2023	FY2024
Assets			
Non-Current Assets			
Goodwill	62,351	61,596	61,596
Intangible assets	142,049	130,181	118,783
Property, plant and equipment	11,927	21,849	21,323
Right of use asset	42,276	44,690	49,381
Investment properties	1,182	1,425	1,387
Other non-current assets	2,182	2,939	2,289
Deferred tax asset	420	1,385	1,040
Trade and other receivables	198	-	-
Total non-current assets	262,585	264,066	255,799
Current Assets			
Inventories	272	875	1,416
Trade and other receivables	2,031	2,511	2,112
Other assets	-	6	-
Current tax receivable	3	3	3
Cash and cash equivalents	18,869	11,569	11,019
Total current assets	21,175	14,964	14,550
Total Assets	283,761	279,029	270,349
Liabilities			
Non-Current Liabilities			
Bank Borrowings	7,720	41,131	34,005
Debt securities in issue	29,332	29,505	29,591
Trade and other payables	65,985	57,944	54,820
Deferred tax liability	9,209	8,321	8,361
Leases Liabilities	23,770	26,810	32,217
Total non-current liabilities	136,016	163,711	158,994
Current Liabilities			
Bank Borrowings	1,605	7,010	7,186
Debt securities in issue	86	-	-
Trade and other payables	59,360	26,020	20,766
Lease liabilities	775	946	1,224
Total current liabilities	61,826	33,975	29,176
Total Liabilities	197,842	197,686	188,170

Equity			
Share capital	80,000	80,000	80,000
Retained earnings	(290)	(5,652)	(5,400)
Equity attributable to the owners of the parent	**79,710**	**74,348**	**74,600**
Non-controlling interest	6,209	6,996	7,579
Total Equity	**85,919**	**81,344**	**82,179**
Total Equity & Total Liabilities	**283,761**	**279,029**	**270,349**

FY2023 Overview & Outlook for FY2024

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 96.7% of the Group's total assets as of 30 June 2023.

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

Liabilities

As of 30 June 2023, 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 2023 stood at €84 million of which €57.9 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 2023, the Group's total net borrowings stood at €66.1 million (€93.8 million when considering 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 €48.1 million, net of €11.6 million of cash and equivalents. 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 €27.8 million by the end of FY2023.

Net Borrowings	FY2022	FY2023	FY2024
Current Borrowings	1,691	7,010	7,186
Non-Current Borrowings	37,052	70,636	63,596
Total Borrowings	**38,744**	**77,645**	**70,782**
Cash	18,869	11,569	11,019
Net Borrowings	**19,874**	**66,077**	**59,763**
Including leases			
Current Borrowings	2,466	7,955	8,410
Non-Current Borrowings	60,822	97,445	95,813
Total Borrowings	**63,288**	**105,401**	**104,223**
Cash	18,869	11,569	11,019
Net Borrowings	**44,419**	**93,832**	**93,204**

As of 30 June 2023, the Group's deferred tax liability stood at €8.3 million which mainly reflects the uplift in value recognised on the Dragonara immovable property in accordance with IAS 16 - Income Tax.

No major change in the composition of the Group's main liabilities is expected during FY2024, save for the reduction in the trade payables relating, in the main, to the concession payments of the National Lottery as well as a €7 million reduction in borrowings as the Group repays part of its bank debt.

Equity Base

The Group's equity stood at €81.3 million at the end of FY2023, consisting primarily of €80 million in share capital, non-controlling interest, and net of the negative retained earnings for the year.

No change to the equity composition is anticipated in FY2024, save for the effect of the Group's performance on its retained earnings, which is expected to reach €82.2 million by the end of June 2024.

10. STATEMENTS OF CASH FLOW

	FY2022	FY2023	FY2024
Total cash flows generated from operating activities	2,806	17,185	20,279
Net cash used in investing activities	(12,730)	(55,704)	(7,132)
Free Cash Flows	**(9,924)**	**(38,518)**	**13,147**
Net cash generated from financing activities	27,250	31,218	(13,696)
Net movement in cash and cash equivalents	**17,326**	**(7,300)**	**(549)**
Cash and cash equivalents at the beginning of the year	1,543	18,869	11,569
Cash and cash equivalents at the end of the year	**18,869**	**11,569**	**11,020**

REVIEW OF FY2023 AND OUTLOOK FOR FY2024

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.

During FY2023 and in the first part of FY2024, the Group strategically moved towards an accelerated investment programme with the aim of increasing revenues in the short-term while laying the groundwork for longer-term sustainable growth. The accelerated investment programme aimed at increasing markedly the revenue generation capabilities of the Group included, amongst others, a ramp up in the allocation of resources for the own retail distribution network, the deployment of more EGMs, and investments in Hand-Held Terminals (HHTs), required to activate the secondary network. Moreover, during FY2023, the Group undertook an investment in a property to serve as the future corporate office of the Group, as detailed further in section 3 of this report. Such investment activities resulted in a cash outflow for the Group of €55.7 million in FY2023.

The cash flows related to financing activities for FY2023 include the effect of the drawdown of the bank loan related to the concession of the National Lottery, net of loan repayments, payment of leases and interest payable, which in total resulted in a net cash inflow of €31.2 million for FY2023.

The cash flow statement for FY2024 is expected to be characterised by the improved operations of the Group that is meant to result in a higher positive cash inflow from operating activities. Since most of the investment capex was made in FY2023, the cash outflow for investing activities for FY2024 is expected to come in substantially lower than that of FY2023, at €7.1 million. Cash outflows related to financing activities, particularly characterised by the lease payments, loan repayments and interest, are expected to amount to €13.7 million. As a result, the Group is forecasting a positive cash position of €11 million by the end of FY2024.

12. 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
EBITDAR margin *(EBITDAR / Revenue)*	17.9%	22.5%	27.7%
Operating Profit (EBIT) margin *(Operating Profit (EBIT) / Revenue)*	9.0%	N/A	7.1%
Net Profit margin *(Profit for the period / Revenue)*	N/A	N/A	0.9%
Return on Equity *(Net Profit / Average Equity)*	N/A	N/A	1.1%
Return on Capital Employed *(Net Profit / Average Capital Employed)*	N/A	N/A	0.3%
Return on Assets *(Profit for the period / Average Assets)*	N/A	N/A	0.3%
Current Ratio *(Current Assets / Current Liabilities)*	0.3x	0.4x	0.5x
Cash Ratio *(Cash & cash equivalents / Current Liabilities)*	0.3x	0.3x	0.4x
Interest Coverage ratio *(EBITDAR / Net finance costs)*	2.6x	3.3x	4.8x
Gearing Ratio *(Net debt / [Net Debt + Total Equity])*	18.8%	44.8%	42.1%
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	31.1%	48.8%	46.3%
Net Debt to EBIDTAR *(Net Debt / EBIDTAR)*	7.0x	4.0x	2.4x
Including leases			
Gearing Ratio *(Net debt / [Net Debt + Total Equity])*	34.1%	53.6%	53.1%
Gearing Ratio (2) *[Total debt / (Total Debt plus Total Equity)]*	42.4%	56.4%	55.9%

Source: Management information

The profitability ratios of the Group reflect the operations during FY2023, which were subdued when compared to those the Group expected to generate for the year, for a variety of reasons as explained in earlier parts of this document. As such, various profitability ratios are negative and cannot be commented upon, save for EBITDAR margin, which came in higher than that of FY2022 (comprising 6 months of operations). These ratios are expected to turn positive in FY2024, as operations, particularly those related to the National Lottery, gain momentum, resulting in better performance results and improved margins.

The Group's cash and current ratios improved just marginally in FY2023 largely reflecting the financing and subsequent cash utilisation in connection with the significant investment required for the launch of the National Lottery. This is expected to remain the case for FY2024 as the cash is expected to be utilised to repay some of the Group's borrowings. Meanwhile, the interest coverage ratio improved y-o-y as the Group generated a higher EBITDAR, which is expected to improve even further in FY2024.

Despite the increase in borrowings, gearing ratios (excluding lease liabilities) remained below the 50% level reflecting the Group's appropriate capital levels. Leverage is expected to ease in FY2024 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:

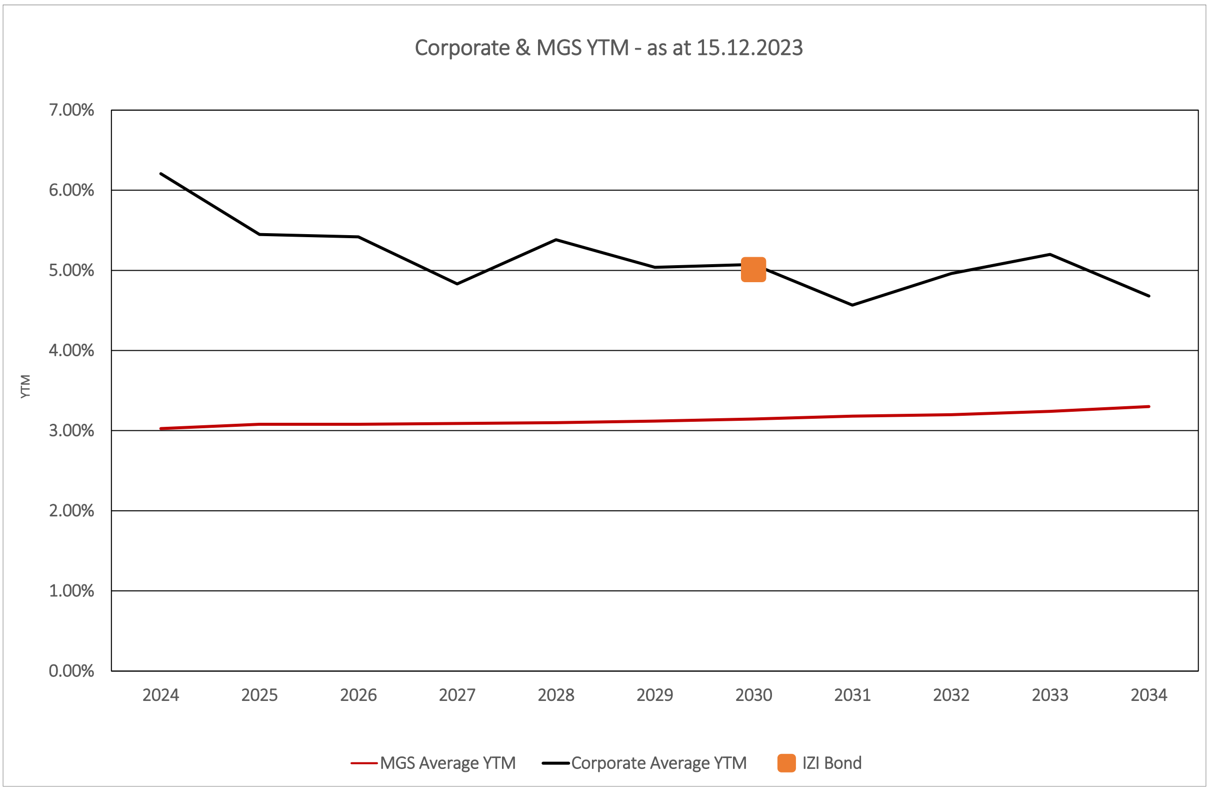
Bond	Amount Outstanding (€)	Gearing*	Net Debt to EBITDA**	*Interest Cover***	YTM
3.65% Stivala Group Finance plc 2029 (Secured)	15,000,000	28.9%	5.65	4.84	4.51%
3.80% HILI Finance Company plc 2029	80,000,000	63.2%	3.57	4.65	5.14%
3.75% AX Group plc 2029	10,000,000	30.0%	14.75	1.75	5.76%
3.75% TUM Finance plc 2029 (Secured) (Puttable)	20,000,000	35.5%	7.80	3.59	4.58%
4.00% Cablenet Communication Systems plc 2030	40,000,000	93.4%	2.54	5.64	4.89%
4.25% IZI Finance plc 2029	**30,000,000**	**44.8%**	**3.99**	**3.31**	**5.01%**

Source: Yield to Maturity from rizzofarrugia.com, based on bond prices of 15 December 2023. Ratio workings and financial information quoted have been based on the respective issuers' unadjusted published financial data (or their guarantors, where and as applicable).

**Gearing – Net Debt / (Net Debt + Total Equity) where net debt comprises bank borrowings and debt securities in issue but exclude lease liabilities.*

***EBITDAR figure used for the calculation of Net Deb to EBITDA and Interest Cover for IZI Finance plc, as disclosed in further detail in the previous sections of this report.*

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 priced at 4.25% compares to such average yields. All the yields presented hereunder are as of 15 December 2023.



At a coupon of 4.25% per annum and the bonds trading at below par, the Company's bonds are yielding 3 basis points below the equivalent average corporate bonds YTM for 2029 maturities and at a 189 basis point 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.
EBITDAR	Earnings before interest, tax, depreciation, and amortization, reflecting the company's earnings purely from operations, as adjusted further with operating expenditure and amortisation of charges related to operating leases.
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

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