



# ***2017 Annual General Meeting***

## FORWARD-LOOKING STATEMENTS

Certain statements in this presentation may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this presentation, such statements include such words as “may”, “will”, “expect”, “believe”, “plan”, and other similar terminology. This presentation reflects management’s current expectations regarding future events and operating performance and speaks only as of the date of this presentation. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

## USE OF NON-GAAP FINANCIAL MEASURES

Reference to “Adjusted EBITDA” is to earnings before interest, income taxes, depreciation and amortization, unrealized foreign exchange gains and losses, gains on sales of fixed assets, market-to-market gains and losses on foreign currency contracts, and certain non-recurring items including restructuring costs and acquisition costs. Adjusted EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations. Management believes that, in addition to Net Income, Adjusted EBITDA is a useful supplementary measures.

Adjusted EBITDA, is a measure not recognized under GAAP and does not have standardized meanings prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to Net Income determined in accordance with GAAP as an indicator of Pollard Banknote Limited’s performance or to cash flows from operating, investing, and financing activities as measures of liquidity and cash flows.



# Today's Agenda

- Financial Highlights
- Company Vision and Strategy
- State of the Industry
- Company Highlights
- Financial Update – 2016 and Q1 2017
- Proposed Innova Transaction



# Financial Highlights

(\$ Millions)	2016	2015	2014	2013	2012
<b>SALES</b>	<b>\$246.4</b>	\$221.0	\$194.5	\$184.9	\$162.4
<b>INCOME BEFORE INCOME TAXES</b>	<b>\$17.1</b>	\$12.2	\$12.5	\$9.4	\$8.8
<b>NET INCOME</b>	<b>\$12.3</b>	\$7.5	\$8.7	\$5.4	\$6.5
<b>ADJUSTED EBITDA</b>	<b>\$29.7</b>	\$26.8	\$25.6	\$21.8	\$20.2

Source: Pollard Banknote Financial statements and MD&A



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## COMPANY VISION AND STRATEGY

# Company Vision

**“We will be the partner of choice in the lottery market by offering digital and retail games and solutions that attract and engage players.”**

**If we achieve this aspirational vision, it is possible that we could double our revenue in the next 3-5 years, through a combination of organic growth and acquisitions.**



# Strategic Success

STRATEGY	2016/2017 RESULTS
<b>Expand capacity</b>	\$25 million investment in new press complete. Adds 35% to net capacity. Producing higher volumes at good quality, cost structure improving
<b>Win new contracts</b>	Won Kansas loyalty contract, Minnesota instant ticket contract, a number of contracts available to bid in the near future
<b>Renew existing contracts</b>	Take advantage of all existing contract renewal opportunities including contracts with Massachusetts, Florida, Iowa, Kentucky, France, Israel
<b>Innovation focus</b>	Print and non-print innovations have gained significant traction (eg. Scratch F/X, Playbooks, Web games)
<b>Increase ancillary products/services</b>	Growing iLottery business; increasing use of digital apps and web play; first sale of loyalty solutions; expanding Lottery Management Systems (LMS) including multiple sales of Suretrack information systems
<b>Acquisition strategy</b>	Actionable opportunities currently in play. Recently added dedicated M&A resources to our team, expanding focus on ancillary and technological prospects





## STATE OF THE INDUSTRY



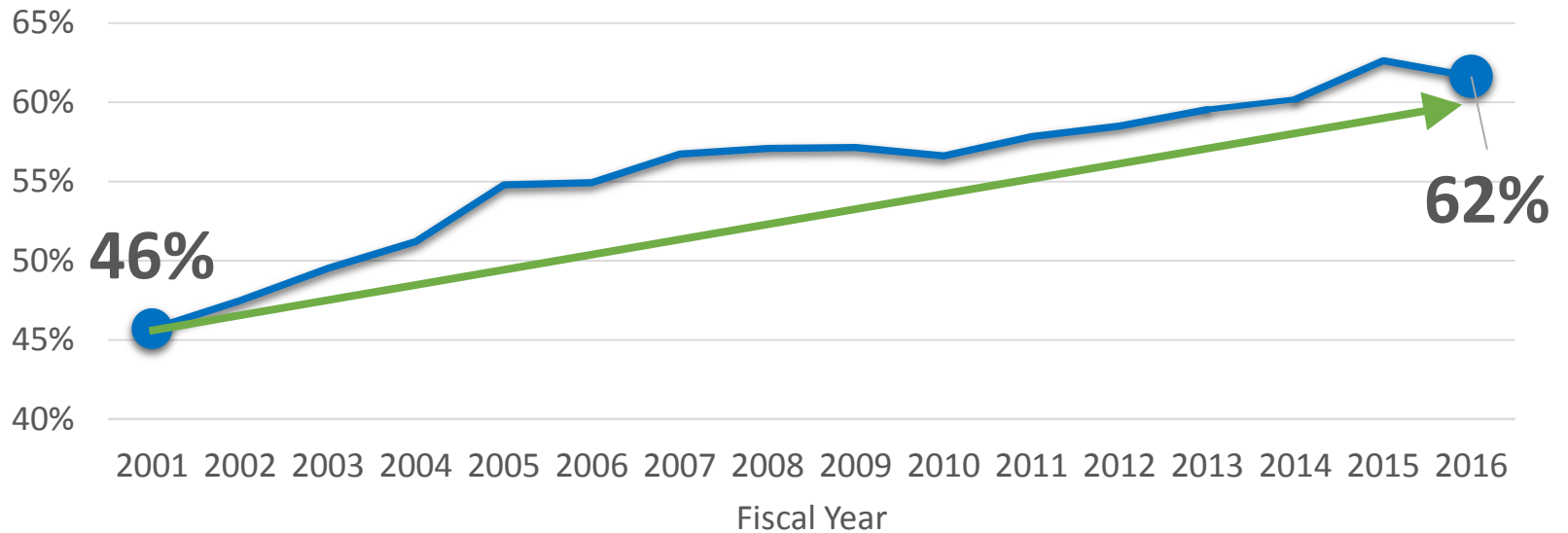
# Robust Industry

- Approximately 200 lotteries operate in the world
- Two main products: Instant Win Scratch tickets and Draw Based Games (649, Powerball, etc.)
- Instant ticket revenue has grown dramatically over the past decade, now generating 55% of lottery revenue
- Draw based games have remained relatively flat over this same time frame
- Instant tickets are very strong in North America, Europe and parts of Asia



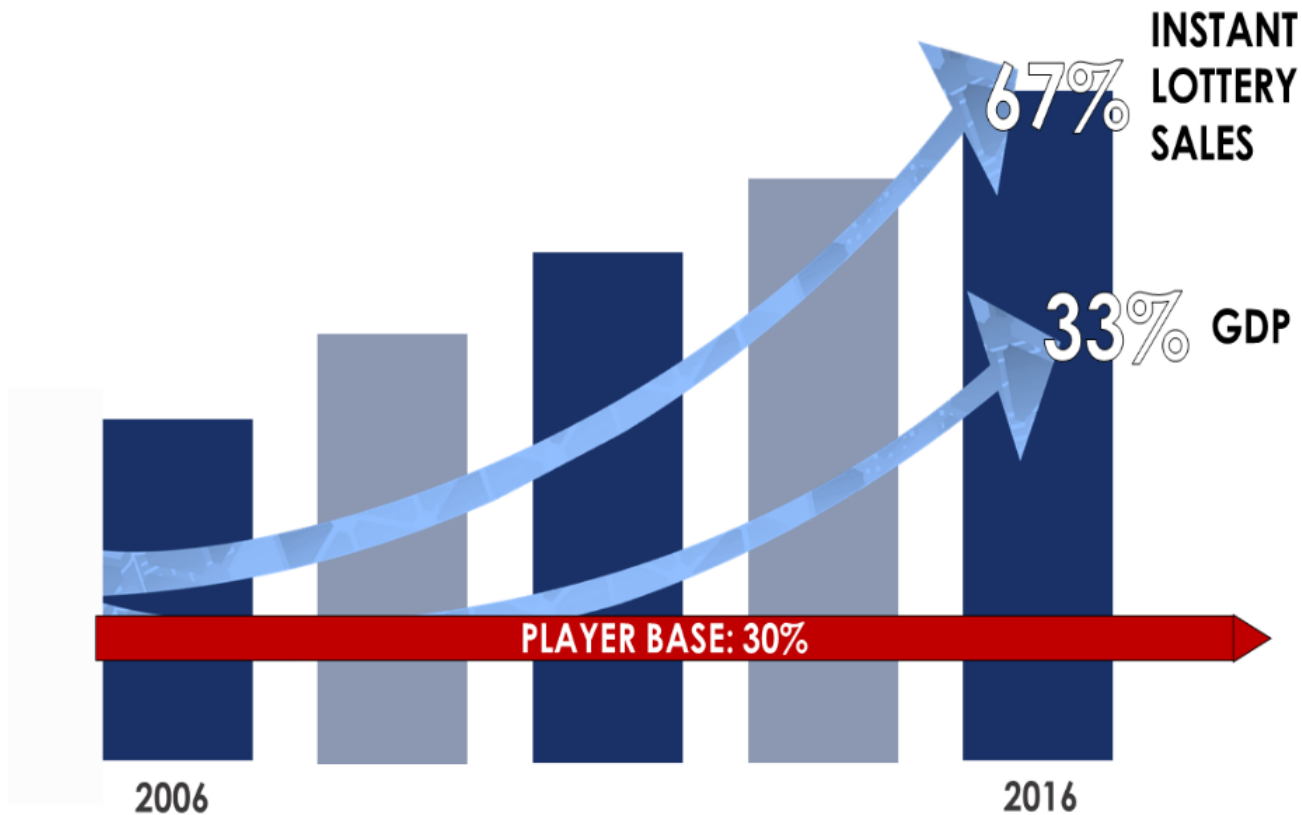
# Market Overview

## Instant Sales as % of Total Lottery Sales U.S. Lotteries



# Market Overview

## U.S. Instant Sales Growth



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## COMPANY HIGHLIGHTS

# Key Bids Won in 2016/2017



Instants

**MICHIGAN**



Instants



Loyalty Club



# Contract Longevity

## 2016 Extensions



# Pollard Primary Contract Growth

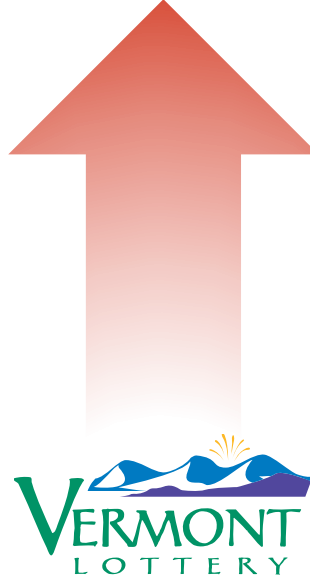
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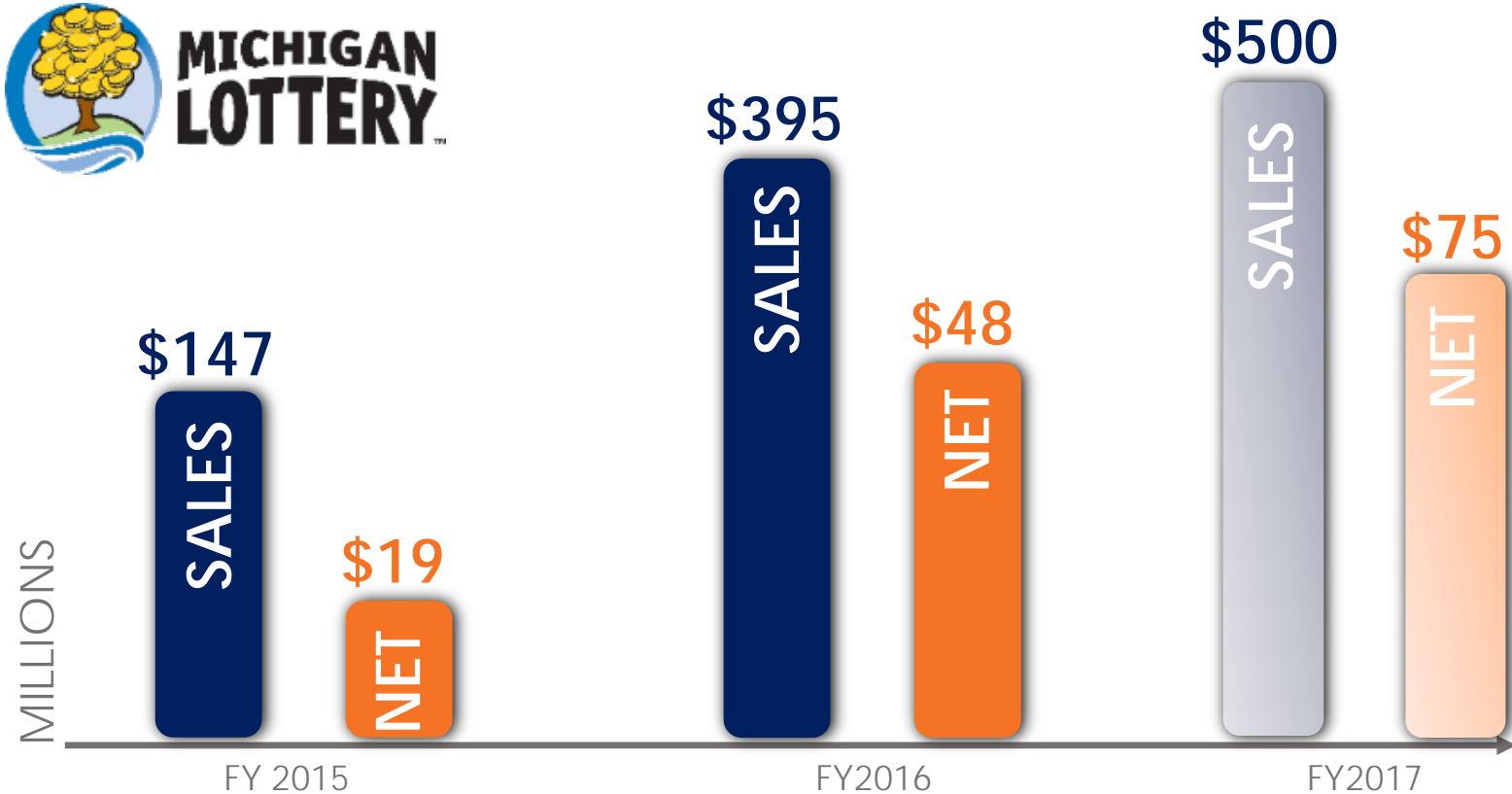
TRESU Printer ES206

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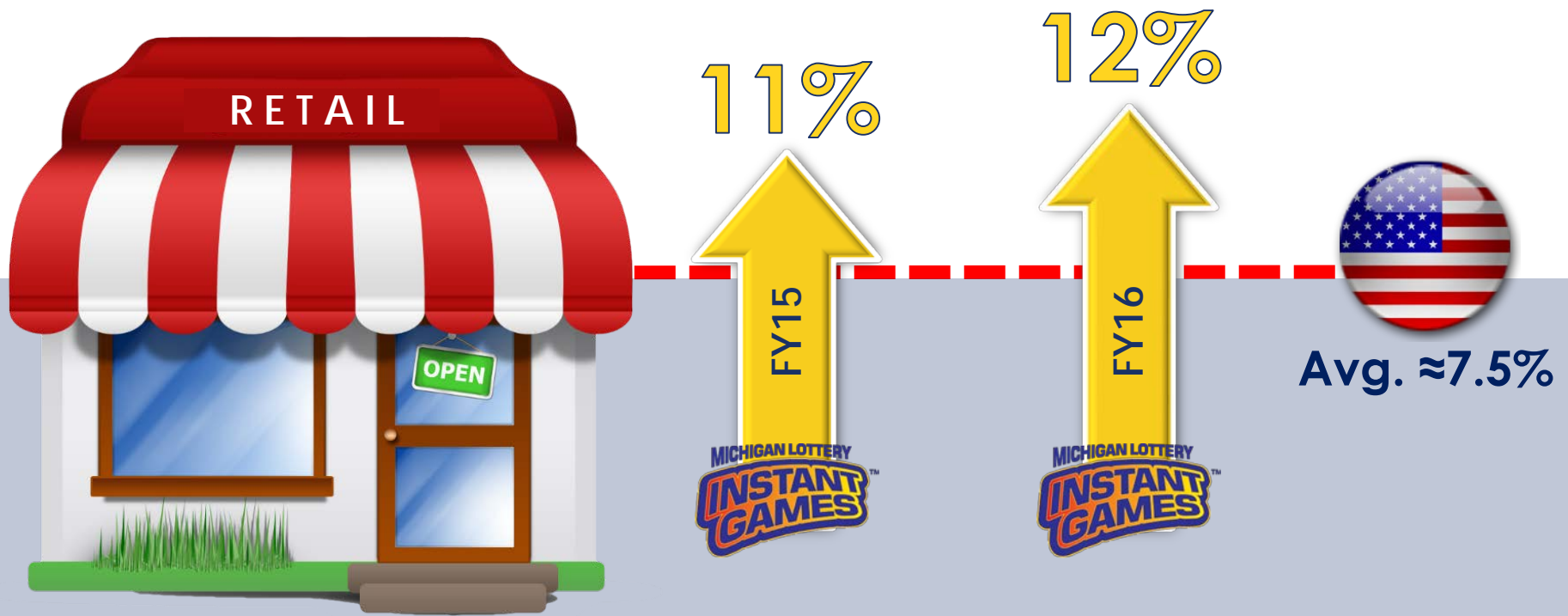




# Michigan iLottery Growth



# Michigan Retail Instants Growth



# DIGITAL ENGAGEMENT



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# Loyalty Clubs

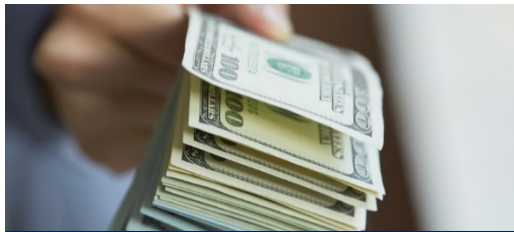


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# LMS – What is it?



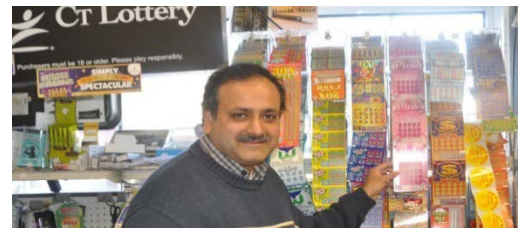
FINANCIAL



TEL-SELL



INVENTORY



VALIDATION



# Charitable Games

- Approximately 11% of our revenue
- Overall industry is steady or shrinking slightly
- Our business generates solid profits
- Increasing market share in both pull tabs and bingo paper
- Opportunity for industry consolidation



# Acquisition Strategy

- Key component of our overall strategy for profitable growth
- Dedicated senior resources are focused on our acquisition strategy
- Areas of interest include ancillary products, digital, charitable games and other services to the lottery market
- Several actionable opportunities are currently being reviewed





**FINANCIAL UPDATE**  
**2016 Annual Results**



# 2016 HIGHLIGHTS

(\$M)	2016	2015
<b>Sales</b>	<b>\$246.4</b>	<b>\$221.0</b>
<b>Gross Margin</b>	<b>\$49.2</b>	<b>\$44.3</b>
<b>Gross Margin %</b>	<b>20.0%</b>	<b>20.0%</b>
<b>SG + A</b>	<b>\$28.9</b>	<b>\$26.5</b>
<b>Income from Operations</b>	<b>\$20.3</b>	<b>\$12.2</b>
<b>Adjusted EBITDA</b>	<b>\$29.7</b>	<b>\$26.8</b>
<b>Net Income</b>	<b>\$12.2</b>	<b>\$7.5</b>

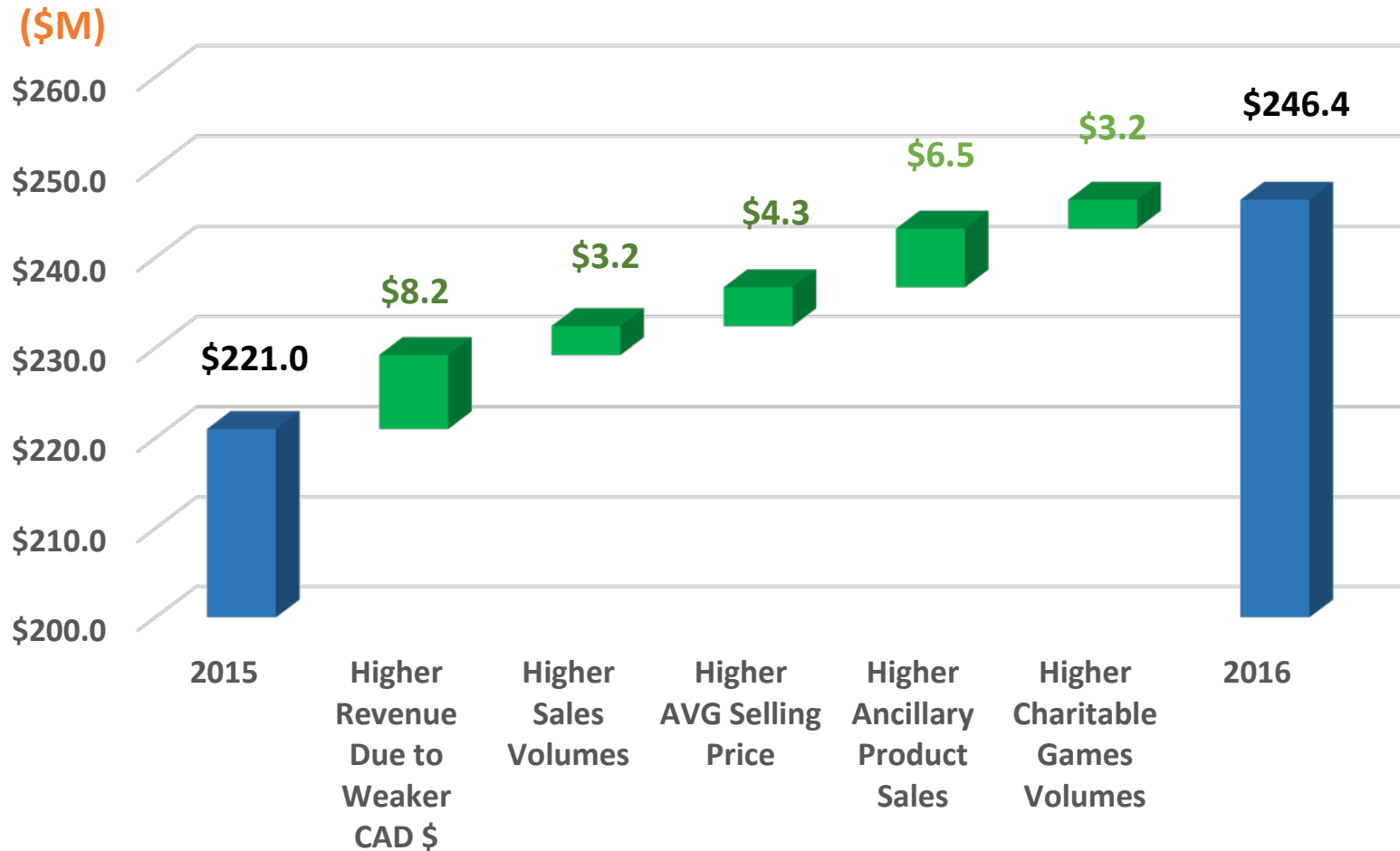


# 2016 Highlights

- Production volumes up about 6% vs 2015. Sales volumes were only up slightly (due to timing of shipments)
- Increased sales of our proprietary products including Scratch FX
- New press producing all volume in Ypsilanti, manufacturing efficiencies will improve over future quarters
- Good contributions from licensed games, charitable business and Suretrack LMS
- iLottery and interactive continues to grow
- Higher SG&A due to higher legal costs and additional investments in resources for iLottery and ancillary products

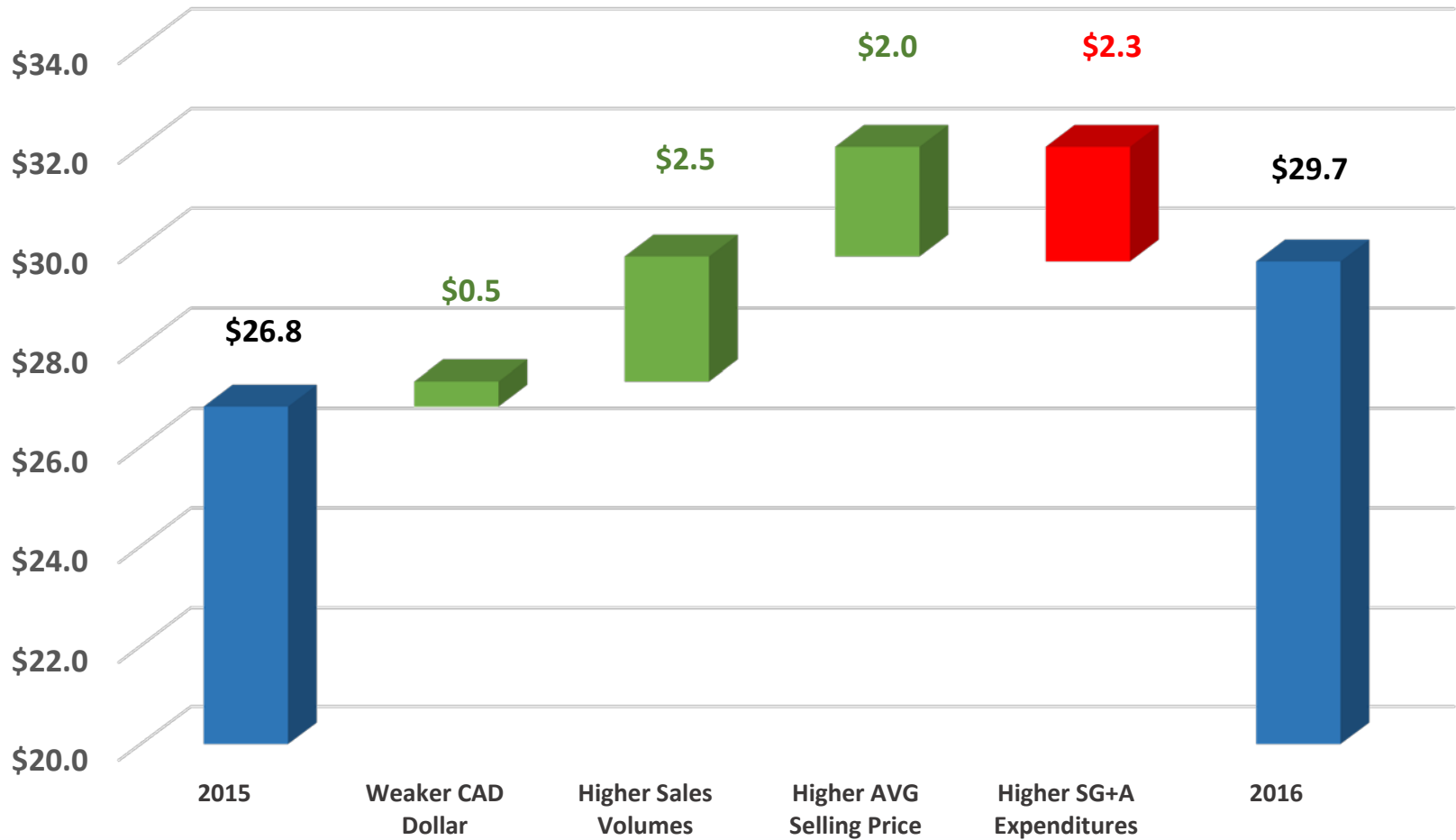


# Fiscal 2016 Sales



# 2016 Adjusted EBITDA

(\$M)



# Strong CASHFLOW

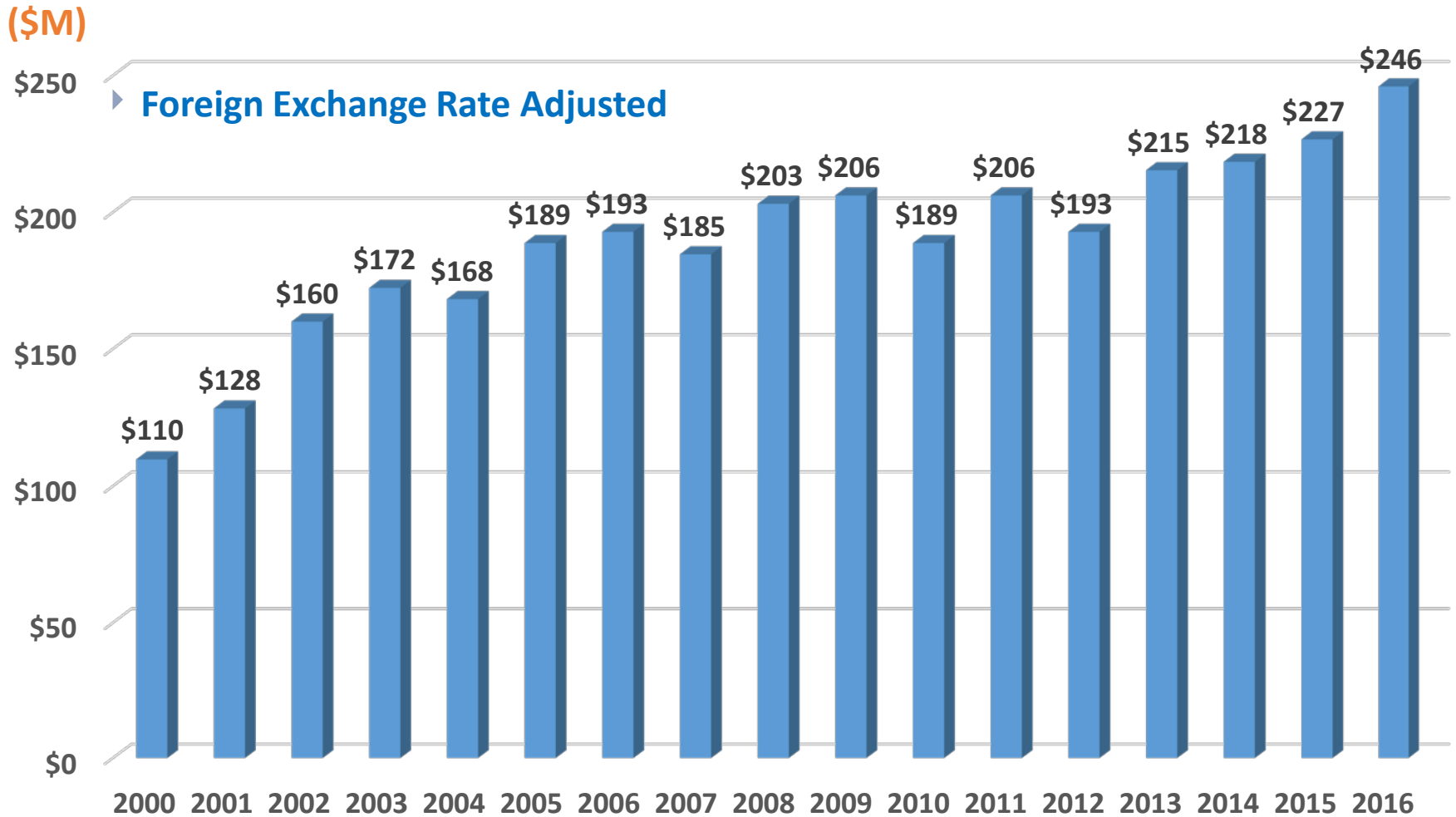
(\$M)	2016	2015
Cash Flow before CAPEX & W/C	\$21.9	\$19.6
<b>Investment in Working Capital</b>	<u>\$16.9</u>	<u>\$2.8</u>
Net Cash Flow before CAPEX	\$5.0	\$16.8
CAPEX	<u>\$5.0</u>	<u>\$15.4</u>
Net Cash Flow	<u>\$0.0</u>	<u>\$1.4</u>

Historical CAPEX of \$5.0-\$7.0 million is anticipated for 2017 (similar to 2016). W/C investment was unusual in 2016 due to our growth, it is expected to reverse in 2017.

(source: 2016 PBL Statement of Cash Flow)



# Fiscal Sales

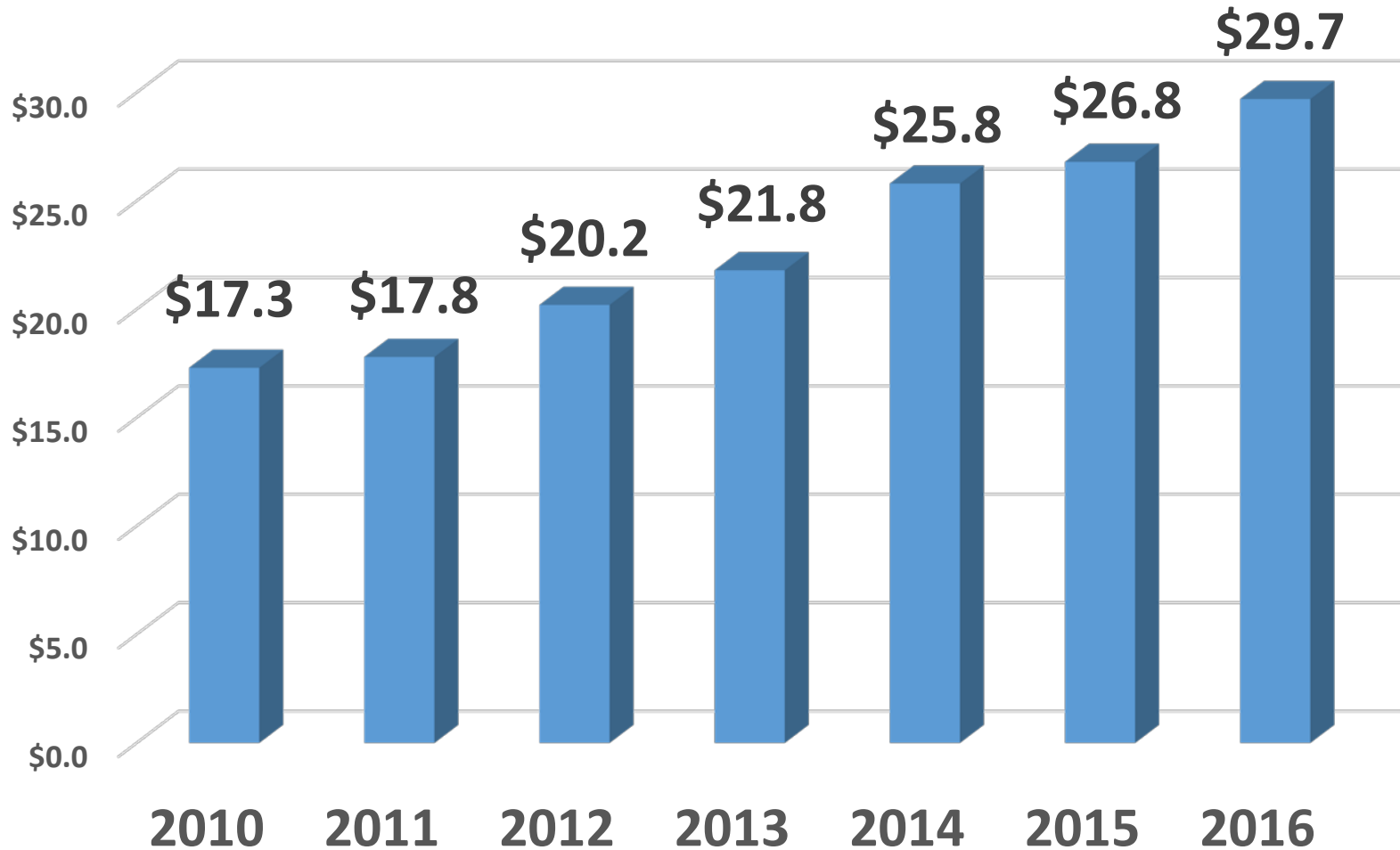


Annual sales adjusted to 2016 average rate of \$1.33 CDN per USD



# Adjusted EBITDA

(\$M)





**FINANCIAL UPDATE**  
**2017 First Quarter Results**

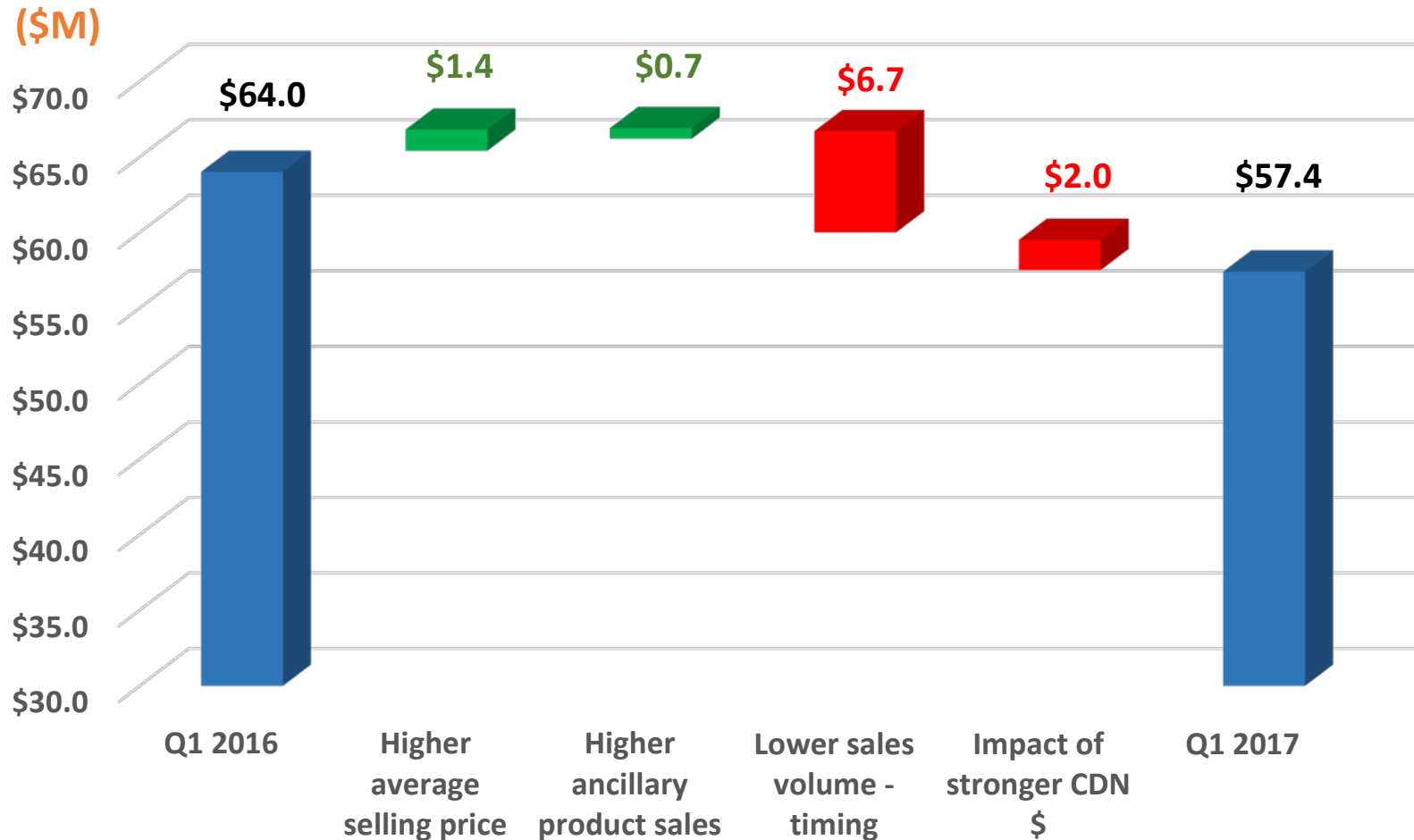


# Q1 2017 HIGHLIGHTS

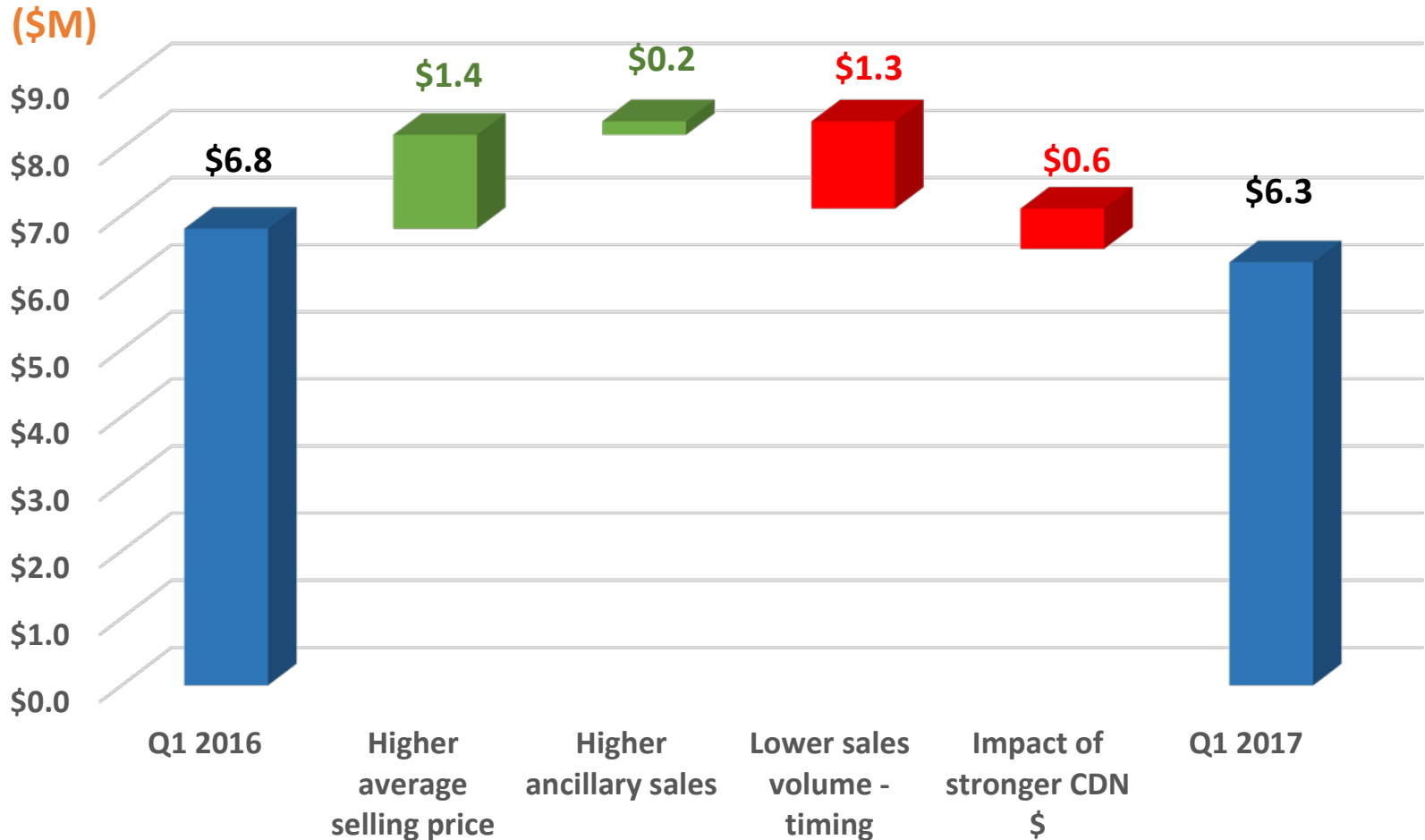
(\$M)	Q1 2017	Q1 2016
<b>Sales</b>	<b>\$57.4</b>	<b>\$64.0</b>
<b>Gross Margin</b>	<b>\$11.4</b>	<b>\$11.4</b>
<b>Gross Margin %</b>	<b>19.9%</b>	<b>17.8%</b>
<b>SG + A</b>	<b>\$7.3</b>	<b>\$7.2</b>
<b>Income from Operations</b>	<b>\$3.8</b>	<b>\$4.2</b>
<b>Adjusted EBITDA</b>	<b>\$6.3</b>	<b>\$6.8</b>
<b>Net Income</b>	<b>\$1.8</b>	<b>\$3.6</b>



# Q1 2017 Sales



# Q1 2017 Adjusted EBITDA



# Q1 Highlights

- Highest production volume on record
- Higher orders from customer base
- Approximately 15% of production not reflected in revenue in Q1 due to timing of shipments
- Significant amount of these in-transit goods will be recognized in revenue in Q2
- New press efficiencies improving throughout the quarter
- iLottery revenue and contribution continues to grow
- Substantial positive cash flow reduced our net debt position by \$9.7 million down to \$53.7 million





## PROPOSED INNOVA TRANSACTION

# Strategic Rationale

- I Unique assets that have a strong strategic fit with Pollard Banknote's expanding product portfolio
- II Opportunity to grow partnerships with lotteries seeking to expand their products and services
- III Catalyst to increase and maximize the expansion of INNOVA's product portfolio to new and existing customers
- IV Significant opportunity for meaningful revenue and cost synergies
- V Consolidated entity will be better positioned to compete and grow in the lottery and charitable gaming sectors

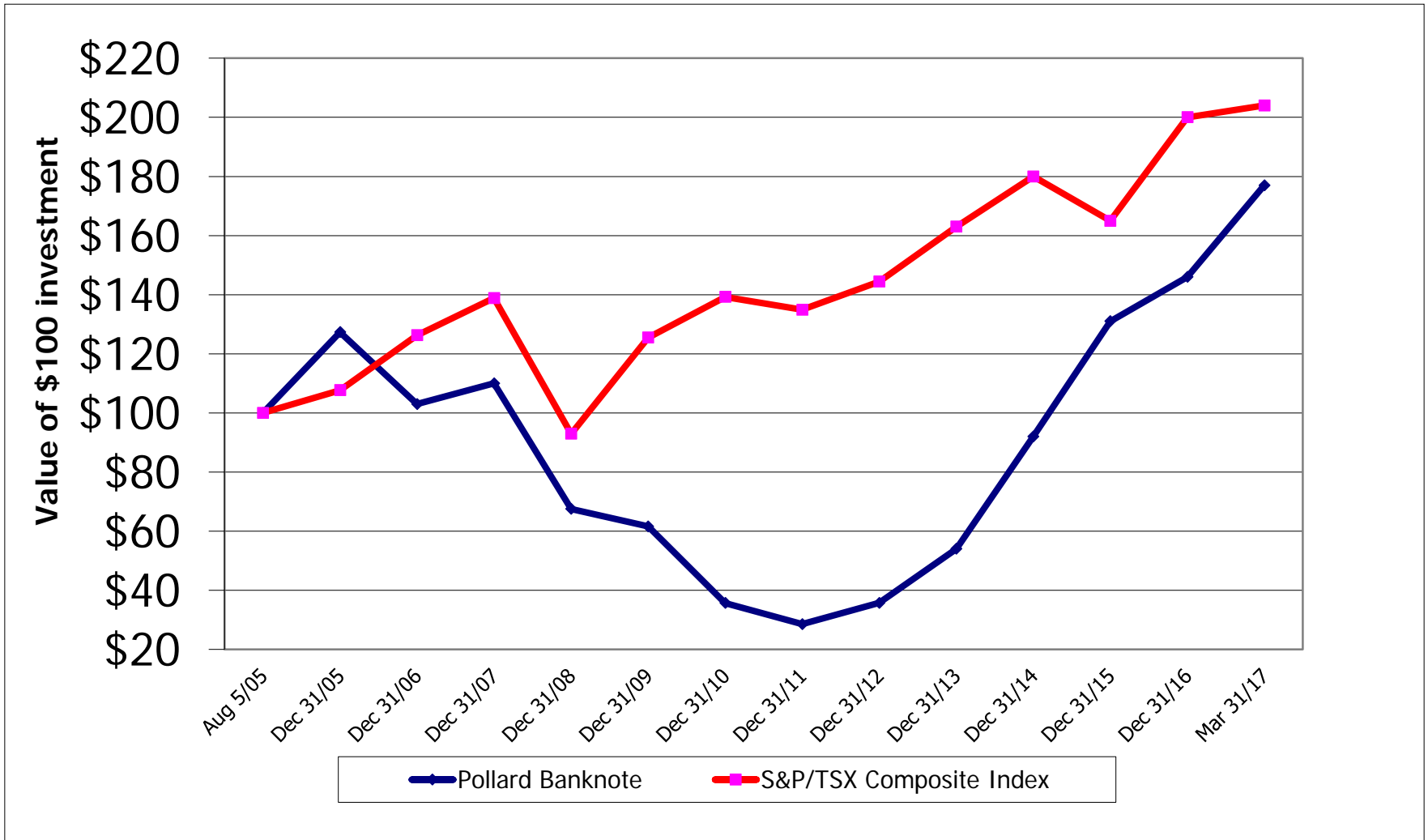


# Terms of Offer

Offer Price	➤ \$2.10 per share, representing a 39% premium to the unaffected share price of \$1.51 on March 9, 2017
Tender Condition	➤ Minimum of 50% of the shares outstanding
Lock-up Agreement	➤ Amaya has agreed to vote in favour and tender all of its shares, representing approximately 40.7% of the shares outstanding
Form of Consideration	➤ 100% cash consideration
Funding	➤ Combination of cash-on-hand, funds available under the Company's bank facility and through additional subordinated debt provided by Pollard Equities Limited, the holder of ~73.5% of the shares outstanding of Pollard
Approvals	➤ Gaming and Regulatory - although not viewed as an issue as Pollard has established relationships with lotteries and other gaming regulators
Due Diligence	➤ The offer is not subject to due diligence
Offer Deadline	➤ August 3, 2017



# Value of \$100 Investment in PBL Shares





*Thank you for your time and  
your attention today*

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