

ASX RELEASE – Tuesday, 26 August 2014

Analysts' Briefing



An analysts' briefing by the CEO follows:

“The extraordinary 2013 year was always going to be tough to beat, but we came very close in 2014. To highlight the disproportionate size of the 2013 year, prizes and jackpots were actually more than double the 2012 year (an increase of 124%) which was quite extraordinary. However the 2014 year ended up with an 18% decline in prizes and jackpots on offer (an aggregate of Oz Lotto and Powerball of \$15 million or more) which contributed to our TTV (total transactional value or ticket sales) declining 2.6% to \$106 million, Revenue down 4.2% to \$24.1 million and Net Profit After Tax also down 6.6% to \$2.8 million. Dividends remained unchanged at 3.0c per year.

There are two metrics I would like to highlight because they do show Jumbo continues to be in a growth industry. The first metric is the number of customer accounts that went up 10% and the second is the total sales from our flagship website www.ozlotteries.com that rose 4%. What these two numbers indicate is that over the past year, customers continued to go online but were less active. That is understandable since they did not have the same jackpots to incentivize them. However the customers are there waiting for the next big draw. We saw that quite clearly just last week when the Powerball reached \$70 million – the first really large jackpot we've had in quite a while. We compared our daily ticket sales with the last time we had a \$70 million prize to offer and discovered a 78% increase. In addition we also beat the daily sales for the Australian record \$100 million jackpot by 9%. So what this clearly shows is our sales are on an upward path when you compare similar prizes and jackpots.

Looking through the remainder of our results the numbers are as expected. Jumbo's cash levels (net of players' funds) are still strong at \$16.4m after all the expenses in Germany. Players' funds have grown from \$7.6m to \$8.9m – another indication of growth. The Company's Net Assets were impacted by our decision to reduce the fair value of our approximate \$2.5m investment in Sorteo Games in Mexico to zero, however still healthy at \$19.8m.

A couple more trends that are interesting from last year include the rise of mobile devices and our younger demographic. Mobile now makes up 39% of all tickets purchased, up from 33% a year ago, and 30% of our customers are in the 25 to 35 year old age group, compared to just 13% for traditional lotteries. This is good news for lotteries around the world which are looking for ways to make their games relevant to younger demographics.

Turning now to Germany, the website is live in every state and customers are signing up and spending. Our German team connected the last state in June this year making Jumbo the only Company in Germany with a connection to every state using in-house software. Jumbo's Munich office now has 9 staff and is supported by the Brisbane head office for technical and marketing functions. Focus has turned towards marketing and customer acquisition with many new features set for release in the coming months. The traditional 6 from 49 game is the most popular however the multi-jurisdictional Eurojackpot is not far behind and rising rapidly in popularity. This week the Eurojackpot sits at €43 million, the second time it has gone over €40 million this year (it reached €56 million in April this year). This is helping our efforts to acquire customers and I think the rise of the Eurojackpot will be an important driver in the future.

The entire German lottery market is on the rise since the 2012 deregulation. It is estimated that the market will grow from €6.5 billion to €12 billion by 2020 driven by internet sales, advances in multi-jurisdictional games such as the Eurojackpot and an increase in lottery participation rates.

I mentioned Mexico earlier and it has not been completely smooth sailing as we were unable to launch our site after it was completed last year. We terminated our contracts with Sorteo Games in March this year and have since kept an open mind to other future opportunities in the market. I am still hopeful we will be able to launch in the near future as the market dynamics are still as exciting as they were when we first signalled our intent to enter this market.

In the USA things are progressing, albeit at a slow pace. There is not much we can do about the pace of legislative change except continue to support the lotteries in the quest to sell online. Our 50/50 joint venture in Lotto Points Plus is working well and making a name for itself in the industry.

In summary, I am pleased with Jumbo's progress in the past year. We are moving along the right path towards a stronger business with revenue streams on multiple continents. I wish to thank our board for their continued guidance and the efforts of all of Jumbo's employees who have worked tirelessly to make it happen."

For further information:

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