

ASX RELEASE – Tuesday, 19 February 2015

## Analysts' Briefing

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An analysts' briefing by Mr Mike Veverka, Founder and CEO follows:

“Jumbo had a strong finish to the first half of the 2015 financial year which pushed our results up over the top end of our guidance. TTV reached a record \$66 million, up 21% over the comparative period. Revenue reached \$14.3 million, up 16% and our net profit after tax was near enough to break even. We moved a step closer to becoming a true diversified multi-jurisdictional company although at a pace slower than we would have liked.

3 important factors come out of this report.

1. Australia is still growing strongly with some of the speculation of a slow-down from 6 months ago proven to be unfounded. 21% growth in TTV over the comparative period a year ago and 28% growth in TTV over the preceding period is a great result despite lower jackpot levels. Our customer account database continues to rise. It's now at 1.82 million with 180,000 new accounts over the past year. Australian Internet lottery sales now account for around 11% of all lottery sales and show no signs of slowing down in the medium term.
2. Germany is growing but slower than we'd like. There are 3 main reasons for this.
  - a. The first is our website and App – a matter that we can react to quickly – and we have. Since our nationwide launch in July 2014

our first version was on a par with other websites selling lotteries in Germany. This confirmed what we suspected that differentiation is the key to Germany. As recently as December 2014 we released the first version of our syndicate play and the early signs are encouraging. In March we will release the next version which I expect will have a further positive impact. Our major competitors do not have syndicates so we want to take the lead in this area. Autoplay is another service we are rolling out next month and again this should have a positive impact.

- b. The next reason is the limited number of marketing channels – in particular Facebook. This is simply something that happens in the early stages of a developing industry. We were expecting Facebook to be available for lottery marketing after our launch but as yet is unavailable. We have met with the management of Facebook Europe and are working towards approval.
- c. The last reason is the impact of off-shore unlicensed websites selling German lotteries. This is not something we have had to contend with in Australia however in Europe, with the diversity of jurisdictions spread around Europe and the complexity of EU law, there are a number of sites that appear to sell lottery tickets but in fact are not, instead 'self-insuring', putting the customer at great risk of not receiving prize winnings – larger prizes in particular. We have been lobbying the German government to be proactive against these sites as their higher profit margin makes it difficult to compete.

We have reduced marketing expenses in Germany to allow time for these changes to take effect. This expense is discretionary so we can decide to vary our spending as we deem appropriate.

3. The 3<sup>rd</sup> important factor from this half year report is a new strategy to tap into the potential for new revenue streams in the short term in Australia while the International markets mature. Leveraging our 1.82 million customer accounts with new products should have a more immediate impact to our bottom line than our international projects. But in order to do this we have had to invest in our technology platform to provide the capability for new products to be integrated into the lottery game play process. So over the next few months you will see changes to our flagship OzLotteries App and website with a new brand and new products to entice our customers.

Moving on to some other points of interest about our progress. Jumbo's Joint Venture in the USA called "Lotto Points Plus" has just completed a US\$500,000 capital raising at a post funding valuation of US\$3.5 million. This values our 43% shareholding around US\$1.5 million which is not currently fully reflected on the balance sheet. So this is some good news coming out of the USA.

Our efforts in Mexico are continuing but we are learning from our experiences in Germany and making sure everything is right before we start marketing. We do not want the light at the end of the tunnel to be too far away and we are looking at ways to return to the profitability of a couple of years ago to help drive the share price back up again.

Jumbo's balance sheet continues to remain strong. Net assets around \$19 million and around \$24 million in cash - \$14.4 million is Jumbo's and the rest is players funds.

In summary, I am very pleased with the continued growth in Australia and our prospects with new products later this year. Growing pains in new markets is nothing new and Germany is no different. I recall similar issues in Australia in the early days when the numbers were not that good and look at them now.

The Internet lottery market continues to expand rapidly and Jumbo is leading the way. Competitors are entering the market but they are all single jurisdictional companies – like Jumbo was a few years ago. Jumbo is today the only multi-jurisdictional company in the world in the Internet lottery industry and it is important that we preserve this lead. We know that internet lotteries are very scalable and profitable once you get past the critical mass. Jumbo is well on its way to becoming a much larger and much stronger business with true diversity and profitability”.

For further information:

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