



Jumbo Interactive Ltd

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ANALYSTS' BRIEFING



An analysts' briefing of the 2020 first half year financial results by the CEO follows:

"Good morning. I am here with Mr David Todd, CFO who will be presenting with me this morning. We'll be discussing the key financial results and the drivers behind them. We'll discuss the progress of the established ticket selling business as well as the newer Software as a Service business. David will discuss the results in more detail, and I will conclude with the vision and outlook for Jumbo. Following the presentation, we will take questions. We'll talk to the Results Presentation released today and available on our website.

Turning to page 2, we start with the single most important factor to Jumbo: Customers clearly love playing on Jumbo. This not only has been the driver behind the record results we are presenting today, but also the reason why Jumbo occupies a valued place in the lottery marketplace. Our ability to use technology to excite players that would not otherwise be playing the lottery is valued not only by our key stakeholders including Tabcorp and the State Governments who share in the revenue, but most importantly the key younger demographic that represents the future for the lottery industry. Our active customers have more than doubled in 2 years and our Dormancy Rate has almost halved over the same period. Our proprietary software platform is what customers love and this will provide resilience in times when the Jackpot run is not so favourable. During the weeks of low jackpots, our attention turns to existing customers rather than acquiring new ones. Then when jackpots return, our nimble digital-only marketing can swing back into full gear and signup new customers at efficient Cost per Acquisition rates.

The key financial results I would like to point out are the TTV which grew 25% pcp (to a record \$185 million) and Revenue which grew 23% pcp (to a record \$37.6 million). Both TTV and Revenue growth have a strong correlation with active customer growth because the average spend per



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active customer is generally stable. Net Profit After Tax rose 14% pcp to \$14.4 million. EBITDA rose 17% to \$22.9 million and David will go into more detail on the margins in a moment.

Turning to page 3. Further innovations in Artificial Intelligence (AI) and Machine Learning (ML) to our proprietary software platform are progressing well to further improve personalisation which in turn further improves engagement and loyalty. We're making our customers even more "sticky" especially that all important younger demographic. Our unique "Lotto Party" feature, Super Combos, Public Syndicates and Charity Games are more popular than ever and doing a good job of keeping people on Jumbo.

Page 4 highlights the continual growth of online lotteries in Australia, now at 26.7% of all lottery tickets sold. There is clearly plenty of room for growth especially as more younger people begin playing the lottery. Page 5 details the run of large jackpots which came in at 23 for the half, no change from the pcp although the average size was higher due to a \$110 million and \$150 million Powerball early on in the half.

Shifting now to page 6 and our new Software as a Service business branded as "Powered by Jumbo". All this innovation and success that we have achieved is available to other lottery operators around the world. The Total Addressable Market is over US\$300 billion and considering only 7% is currently online points to massive demand over the next 20 years. Our initial focus is on the A\$3.5 billion Charity Lottery Market in Australia, the UK and Canada, simply because these lotteries are the most eager to sign up now and upgrade their platform. To date we have signed up 3 clients that will generate estimated aggregate ticket sales of \$135 million pa, estimated revenue of \$4.4 million pa and estimated Net Profit Before Tax of \$3.3 million pa. Before these numbers start appearing in our financial results the clients need to be onboarded and switch all their sales channels onto Powered by Jumbo. This includes not only website and app sales, but also traditional POS devices that Jumbo has recently developed (page 7).

I'll now hand over to Mr David Todd CFO to take you through the financials in further detail.



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Thank you, Mike. The financial performance of Jumbo reflects the achievements as outlined by Mike earlier. The long term growth profile is illustrated in the graphs on page 8. The overarching trend is upwards, with some ups and downs in between as would be expected from short term large jackpot activity fluctuations. It is therefore useful to compare sales over time at a common jackpot level. On page 9 you will find 3-year sales data for OzLotto at the \$15 million jackpot level and 2-year sales data for Powerball at the \$20 million jackpot level. These jackpot levels occur far more frequently than the higher levels, and as is evident, there is an upward trend over time. This supports the improving customer engagement and loyalty that Mike mentioned earlier and indicates resilience at times of lower jackpot levels.

The financial performance is on page 10. TTV is up \$37.5 million on pcp mainly due to improved customer engagement and large jackpot activity outlined on pages 2 and 5 respectively.

Revenue growth is up \$7.0 million which is slightly below the TTV growth leading to a shade lower revenue margin of 20.3% compared to 20.6% in the pcp. The revenue margin is affected by changes in the mix of products which are all at varying margins, and the product mix is in turn affected by large jackpot activity which is unknown. It is therefore difficult to estimate the level of future revenue margins. However, the Group revenue margin is expected to increase in future as revenue, at a 100% revenue margin, is generated from the SaaS business.

Marketing expenses have increased by \$503,000 due mostly to an increase new customer acquisition activity during the large jackpots. Occupancy expenses have decreased by \$311,000 largely due to the impact of adopting the new accounting standard AASB 16 *Leases*. The Company has adopted this standard using the modified retrospective approach and as such the comparatives have not been restated.

Administrative expenses have increased by \$4,155,000, mainly to support a larger scale of business activity and \$412,000 one-off acquisition expenses for Gatherwell which have been detailed on page 11. Finance costs have increased by \$107,000 due to changes from the adoption of the new accounting standard AASB 16 *Leases* as mentioned earlier.



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Page 12 contains an overview of Dividends which remain consistent with an 18.5c dividend declared for the first half of FY20.

Looking at the financial position on page 13, the cash position remains strong at \$71.2 million, of which \$59.4 million are general funds. This is down by \$14.4 million on FY2019 mostly due to funding of the \$9.5 million Gatherwell acquisition from cash reserves and payment of the FY2019 dividend of \$13.4 million in September 2019.

Intangible assets have increase by a net \$10.0 million largely as a result of (i) the Gatherwell acquisition which included \$6.7 million goodwill, \$1.4 million customer contracts and relationships and \$0.9 million developed software, and (ii) \$3.1 million website development developed internally.

Non-current liabilities have increase by \$6.3m mainly due to the recognition lease liabilities with the adoption of the new accounting standard AASB 16 *Leases* as mentioned previously.

The decrease in cash and cash equivalents of \$13.4m in the Cash Flow on page 14 is due mostly to the acquisition of Gatherwell and payment of the FY2019 final dividend.

I'll now hand back to Mike to conclude the presentation.

Thanks Dave. Jumbo has a \$1 billion dollar vision that says we're aiming to have \$1 billion of ticket sales on the Jumbo platform by 2022 and is outlined on pages 15 to 17. We are currently at the \$358 million mark primarily from the ticket selling business with another \$135 million under contract with 3 charity lottery clients bringing the total to just under the \$500 million mark. To achieve our vision, we'll need to grow the ticket selling business by 24.7% (which is our historical 5-year CAGR) for the next three years to bring it up to \$680 million. That leaves \$320 million that needs to come from the SaaS business, which as I said earlier is around \$135 million once fully onboarded. With our goal of signing up 2 lottery clients per year and our early success in the UK I believe this is achievable but only with a concerted effort.



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Looking towards a more immediate one year timeframe a lot will depend on the jackpot run throughout the year. Nobody can control this but with our proprietary software platform performing well we are well placed to ride out any jackpot fluctuation and be in even better shape when the large jackpots occur.

As Australia's only listed pure digital lottery company and our inclusion into the ASX200, Jumbo is receiving greater attention from the investment community. To accommodate this, more resources have been provided to the Investor Relations team to ensure Jumbo continues to provide fast and relevant information to all shareholders during these exciting times of growth. The board also welcomes Prof Sharon Christensen to the board (commencing September 2019) who brings a wealth of knowledge and experience to Jumbo. Our Outlook is positive and with the changes we are making today, Jumbo will have the ability to support the increase in scale we are expecting.

In summary, I am encouraged by the loyalty shown by our customers that points to the fact that we must be doing something right. There is always room for improvement and the Jumbo team is always busy working through a long list of upcoming improvements. I wish to thank our strategic partner Tabcorp, the Board, all Jumbo employees and our investors, for their continued support."

For further information:

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CEO and Executive Director

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