



Jumbo Interactive Ltd

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ANALYSTS' BRIEFING



An analysts' briefing of the FY2020 financial results by the CEO and CFO 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 both sides of the business - the established OzLotteries.com ticket selling business and the newer "Powered by Jumbo" Software as a Service business. David will discuss the financial 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 Full Year Results Investor Presentation released yesterday and available on our website.

Turning to page 2, it's clear that Covid-19 is having a positive impact on both sides of the business and it's easy to see why. With a pure digital model with no supply chain issues (no importation, warehouses or delivery issues) Jumbo is benefitting from the trend of players shifting online. This can be seen by the steady increase in like-for-like sales that have increased across the board at a Compound Annual Growth Rate (CAGR) of 21% over 5 years. Like-for-like sales take into account the normal fluctuations of jackpot levels to give a true indication of growth. We have also noticed a trend towards older demographics as evidenced by the spike to 24% in the 65+ demographic. Older demographics do tend to spend more as you can see in the cohort graph on this page. The "Powered by Jumbo" SaaS business is also well placed to help many charity and government lotteries around the world that have suffered during Covid-19 due to a lack of an effective digital channel. Charities in particular are being impacted with restrictions to funruns, dinners and other fund-raising activities. Online lotteries is one area they can turn to for reliable long-term income.

Turning to page 3, we have highlighted like-for-like growth by focusing on monthly sales in the OzLotteries.com business over the past year. In September 2019 we had our biggest month ever



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on the back of the \$150 million Powerball. However just last month in July 2020 we came close to beating this record with an \$80 million Powerball. Sales in July 2020 were 41% higher than in March 2020 which also had an \$80 million Powerball (that was actually won by a 72-year-old Ozlotteries.com customer).

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

FY2020 financial results were highlighted by an 8.7% increase in to \$348.6 million (a correction to the typing error in the table) and a 9.1% increase in revenue to \$71.1 million. Underlying EBITDA rose 7.6% to \$43.2 million and underlying NPAT was steady at \$26.5 million. This growth was despite a marked decline in the number of large jackpots from 49 in FY19 to only 39 in FY20. Obviously with such a drop in the number of available large jackpots it was always going to be difficult to match last financial year's growth cycling off a big large jackpot year in 2019, but the trend in players shifting online made up for this and still delivered growth.

Turning to page 4 we have highlighted the number of large jackpots (defined as an OzLotto or Powerball jackpot that has reached \$15 million or more) over the past 14 half year periods. This demonstrates the normal fluctuating nature of such jackpots and also shows that lower number periods do eventually return to normal levels. The 2 most recent columns on the right show 23 and 16 jackpots in the first and second halves of FY20 compared to 23 and 26 in FY19.

Turning to page 5 we have normalised the fluctuating effect of large jackpots by presenting these like-for-like graphs. These compare sales at various jackpot levels including the \$80 million Powerball, \$20 million Powerball, \$15 million OzLotto and all jackpots under \$15 million. This quite clearly shows steady growth which aligns with the 5-year digital lottery compound annual growth rate of 21% mentioned earlier by Mike.

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

Slide 6 details the new 10-year agreement with Tabcorp to 2030. This extends our 15-year relationship for a further 10 years and gives Jumbo the certainty and ability to grow sales in



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Australia over the long term. 28% of all lottery tickets are now sold online continuing the growth trend witnessed over the past 15 years.

Turning to slide 7, I will shift to the "Powered by Jumbo" SaaS business. We now have 5 contracts with the recent addition of "Classics for a Cause" which raises funds for the NSW Rural Fire Services and Young Veterans, amongst others. These 5 partners represent \$140 million in contracted ticket sales of which \$70 million is on our software platform with the remaining \$70 million due to move over by December this year. Our teams are getting faster at operationalising these lotteries with 6 months now possible.

Slide 8 shows the large global lottery market and the specific part of that market that our SaaS business is targeting. We have already made good progress in the Australian market and our acquisition of Gatherwell UK has given us a starting point in the \$1.6 billion UK market. Our North American team is also active in researching the Canadian charity market and the large \$22 billion Government lottery market in the USA. With less than 10% of the world lottery market sold online, it is clear that there is still room for growth for at least another decade.

Slide 9 provides a progress report on Gatherwell UK. This resilient and highly scalable business model has successfully navigated the strict Covid-19 restrictions in the UK and continues to demonstrate healthy growth.

Slide 10 provides some insights into our advanced data analytics and our continual innovative approach to product development. Often, it's the smallest improvements that make the difference such as our Rage Click detector that uncovered up to \$500,000 in lost sales due to confusion around a single button. The interesting thing about all this technology is that it is available to all our partners, not just OzLotteries.com. Charity lotteries and even larger government lotteries would not be able to justify the expense of these advanced tools, but if they partner with Jumbo they can still benefit.



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Our \$1 billion vision on slide 12 was announced last year and is still our guiding light today. The low jackpot year has slowed us down however we remain optimistic that jackpots can return to more normal levels and that Covid-19 will encourage lotteries to sign up to “Powered by Jumbo”.

I’ll now hand over to David Todd again for some further comments on the financial performance.

Thank you Mike. Referring to slide 14, as mentioned earlier, TTV and Revenue increased by ~9% due largely to increased customer activity and the acquisition of Gatherwell in the UK on 29 November 2020 which added ~2.3%.

Bank merchant fees are now included in Cost of Sales and will be a major expense here along with the Tabcorp Service fee now being paid.

Marketing expenses decreased by \$1.4 million mainly due to a reduction in large jackpot activity which was mentioned earlier, and this activity will continue to be an important driver in the level of future marketing spend levels.

Administrative expenses increased by ~39% or ~\$5 million which is largely due to the Gatherwell acquisition adding ~\$1 million in expenses, and positioning the business to underpin planned future growth, with staff headcount in Brisbane increasing by 20, that has added to employee expenses.

Slide 15 summarises the financial position, which is highlighted with a continuing strong cash position at \$72.3 million, of which \$61.3 million are general funds. General funds are down by \$12.5 million on FY2019 mostly due to funding of the \$9.5 million Gatherwell acquisition from cash reserves and payment of dividends of \$25.0 million during FY2020. As announced 25 August 2020, the \$15 million extension fee relating to the 10-year agreements with Tabcorp has since been paid to Tabcorp out of general funds which will be capitalised and amortised over the term of the agreements.



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Intangible assets have increased by a net \$10.1 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) \$6.5 million website development developed internally.

Other Non-current assets have increased by \$7.2 million mainly due to \$5.2 million in Right-of-Use assets arising on the adoption of AASB 16 Leases on 1 July 2019. \$1.8 million other non-current assets are funds held in escrow in respect of the deferred contingent consideration for the Gatherwell acquisition.

Non-current liabilities increased by \$6.4 million due largely to lease liabilities of \$4.4m arising on the adoption of AASB 16 Leases on 1 July 2019 and \$1.6 million contingent consideration at fair value for the Gatherwell acquisition.

Turning to slide 16, the net cash decrease of \$12.3 million is mainly due to the \$8.8m cash outflow for the acquisition of Gatherwell.

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

Thanks, Dave. Our outlook is bright with the business well placed for future growth. Our extended reseller agreements with Tabcorp provide us with the ability to continue our 21% CAGR, especially considering that in Australia alone over 70% of tickets are not yet sold online.

In summary, Jumbo has clearly performed well over a difficult year due not only due to Covid-19, but also a sharp decline in large jackpots due to the nimble and digital nature of the business. We have kept all employees safe as we have navigated the challenges of working from home and I wish to thank the efforts of all employees, the Board and our strategic partners including Tabcorp and our Charity partners for their continued support."

*Authorised by:
Mike Veverka
CEO and Executive Director*



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