



Jumbo Interactive Ltd

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## **COVID-19 UPDATE**

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- HIGHEST PRIORITY REMAINS HEALTH AND SAFETY
- WORK FROM HOME IMPLEMENTED WITH MINIMAL INTERRUPTION
- AMPLE CAPACITY FOR POTENTIAL ONLINE SALES INCREASE
- STRONG FINANCIAL POSITION
- TRADING UPDATE PROVIDED FOR FY2020

Jumbo Interactive Limited (ASX:JIN) (**Company**) continues to actively monitor the evolving situation with COVID-19 and the impact on its operations.

The health, safety and wellbeing of our staff, suppliers and customers is our highest priority. The Company's management is actively monitoring the unfolding situation worldwide and ensuring full compliance with the latest directives and guidelines issued by the Australian state and federal governments including health authorities.

Work from home initiatives have been implemented with minimal impact to operations. The virtual nature of online lottery sales allows for interruptions to be relatively minor.

Management have implemented measures to ensure ample capacity for online lottery ticket sales to ensure smooth operations during large jackpots. Prior to the onset of the COVID-19 crisis, almost 75% of all Australian lottery tickets were sold via retail channels. With the expected impact that social restrictions will have on retail channels, the Company is well placed for an increase in online lottery demand.

Management expect some minor delays in the progress of the Lottery SaaS (Software as a Service) business "Powered by Jumbo" due to restrictions on person-to-person meetings. Jumbo currently has four contracts with ~\$140 million in potential ticket sales volume at various stages of rollout.



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Estimated incremental TTV and Revenue on the full roll-out of the four contracts is ~\$4.6 million and incremental NPBT ~\$3.5 million, however no material contributions from these contracts is expected in FY2020. Approximately 80% of the incremental NPBT is expected in FY2021, and 100% in FY2022.

The Pacific Islands ticket selling business may be adversely affected by closure of public places in those countries, however TTV is ~1.6% of total TTV so no material impact is expected. Growth of the Gatherwell business in the UK is expected to be delayed with COVID-19 impacting schools (closed from 20 March 2020) and local authorities (prioritising social needs of the community), but there has been no noticeable impact to date on ongoing sales with around 95% of sales being on a subscription basis.

Due to the virtual nature of the business, the largest expenses are variable in nature and can be adjusted in need. However, management do not consider this to be necessary at this stage and will continue on a business-as-usual basis until conditions warrant otherwise.

## **Trading Update**

With the current unprecedented market conditions, management is taking a cautious approach to estimating the business performance over the remaining three months of FY2020. Sales could be affected up or down by customer activity (new, existing, spend) and/or large jackpot activity (number, aggregate/average). For the YTD March 2020 there have been 31 large jackpots (Oz Lotto/Powerball Division 1 Jackpot of \$15m or more) and an aggregate of \$1,405 million (average \$45.322 million). Based on an estimate of 10 large jackpots at an aggregate of \$275 million (average \$27.5 million) for Q4FY20, management forecast 41 large jackpots at an aggregate of \$1,605 million (average \$40.975 million) for FY2020 (2019: 49 large jackpots at an aggregate of \$1,880 million and average \$38.367 million).



Based on a forecast 41 large jackpots at an aggregate of \$1,605 million, and all other operating conditions remaining constant, the Company estimates trading performance for FY2020 to be in the following range:

	<b>FY2020 Estimate</b>	<b>FY2019 Actual</b>
Number Large Jackpots	41	49
TTV	\$335 to \$341 million	\$321 million
Revenue	\$68.5 to \$69.9 million	\$65.2 million
EBITDA	\$38.7 to \$40.0 million	\$40.9 million <sup>1</sup>
NPAT	\$24.4 to \$25.3 million	\$26.4 million

<sup>1</sup>adjusted for the **estimated effect** for comparative purposes of the adoption of AASB 16 *Leases* from 1 July 2019

Improved customer engagement is expected to deliver higher TTV and Revenue during a period of lower jackpots. Increased expenses to support future growth has impacted EBITDA and NPAT with the benefit expected in FY2021. The Company's financial performance will be monitored on an ongoing basis and a trading update provided as necessary at the time, in terms of the Company's continuous disclosure obligations.

### **Financial position**

The Company has a healthy financial position with no debt and surplus cash of \$65.5 million as at 29 February 2020, prior to the payment of the FY2020 interim dividend of \$11.5 million on 20 March 2020. The business continues to be cash flow positive since the onset of COVID-19.

### **Dividend policy**

There is no change to the Company's dividend policy of 85% of NPAT for the full financial year, and a final dividend for FY2020 is currently still expected to be paid.



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### About Jumbo Interactive

In 2000, Jumbo sold its first lottery ticket on the internet and witnessed a dramatic rise in popularity due to the convenience of buying tickets online. The Company operates the popular website [www.ozlotteries.com](http://www.ozlotteries.com) in Australia under agreements with Tabcorp (ASX: TAH) that date back to 2005. These agreements are not required to be renewed however termination clauses with 12 months' notice become available to either party in 2022. Tabcorp became a substantial shareholder in Jumbo in 2017.

Over the years Jumbo has grown to a large and loyal database of predominately younger demographic customers attracted to the Jumbo innovations. These include Lotto Party which promotes social group play, iPhone/Android Apps and Google voice. In addition, Jumbo has grown a wide range of lottery games that include popular charity lotteries that appeal to younger demographics.

Since entering the Lottery SaaS (Software as a Service) market with the signing of its first customer in November 2018, Jumbo has built momentum in the charity lottery segment with a significant TAM (Total Addressable Market) largely underserved by optimised technology solutions.

In December 2019 Jumbo entered the UK market with an acquisition of Gatherwell Limited and has embarked on a "\$1 Billion vision" to reach \$1 Billion in ticket sales on the Jumbo platform by FY2022.

### For further information:

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