



Jumbo Interactive Ltd

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ANALYSTS' BRIEFING



An analysts' briefing of the 2019 full year financial results by the CEO follows:

"The new software platform proved to be effective in signing up new customers and continuously engaging them paving the way for us to make the most of a strong run of large jackpots. The number of new accounts more than doubled to 444,004 and active customers rose 74% to 761,863 compared to FY18. This not only had a significant impact on our immediate financial results but is also attracting the attention of other lottery operators around the world. The "Powered by Jumbo" Software as a Service business (**SaaS**) is now well placed for growth as we accelerate our efforts in this area. Today, Jumbo announced its second SaaS agreement – a 5-year agreement with the Endeavour Foundation – in addition to the first agreement with the Mater Foundation which went live in June 2019.

The financial results were highlighted by a 64% increase in Revenue flowing through to a 125% increase in Net Profit After Tax to \$26.4 million pointing to the scalability of Jumbo. The cash position continues to be strong with general funds up 84% to \$74 million. Net Assets are \$77 million with no debt. Directors have declared a final dividend of 21.5c maintaining our dividend policy of 85% of NPAT.

The new Powerball game format has proven to be a success. The game reached \$100 million twice in FY19 and \$110 million recently in July 2019 giving us a good start to FY20. The Set for Life game went live this week in Victoria, South Australia and Tasmania, with other states scheduled later this year. The percentage of Australian lottery tickets sold online is now at 23.5%, up from 16.8% a year ago and 8.7% five years ago. While this is great progress, I believe there is still plenty of room for growth.



Looking back 5 years, ticket sales have grown at a compound annual growth rate of 24.6%. This is testament to the long term growth of the lottery industry combined with the move online. The scalable nature of the business is further highlighted by a 43% compound annual growth rate in NPAT over the past 5 years.

Jumbo now has a new "\$1 billion vision" – "A\$1 billion in ticket sales on the Jumbo platform by 2022". This includes ticket sales from both the reseller business (OzLotteries.com) and the SaaS business ("Powered by Jumbo"). We have just achieved \$320 million in FY19 and are setting our sights at \$1 billion by 2022. I expect the reseller business (OzLotteries.com) will be the major contributor to this goal however I also believe the SaaS business will quickly catch up. With the recently signed agreement with the Endeavour Foundation joining the original agreement with the Mater Foundation, ticket sales for the SaaS business are on track for \$100 million per annum.

The total addressable market (TAM) for the SaaS business is significant. Approximately 7% of the world's lottery tickets are sold online, indicating 93% of a US\$303 billion (A\$445 billion) global market has yet to make the transition. The largest individual market – the USA – is of particular interest, as less than 5% of that US\$80 billion (A\$117 billion) market is online. Recent changes have allowed some early movers to begin selling online and Jumbo is watching the developments with interest. In addition to that, the smaller charity lottery market in Australia, UK and Canada is also of interest, as this sector is underserved with a suitable digital solution. The total addressable market size of the charity lottery market is approximately A\$3.5 billion which points to the achievability of our vision for "\$1 billion in ticket sales on the Jumbo platform by 2022".

In summary, I am extremely pleased with the progress last year however I truly believe the best is yet to come. The global lottery market is a sleeping giant that has begun to waken and Jumbo is in an excellent position to serve the demand for lottery tickets sold online. I wish to thank our staff, board, investors and partners (most notably Tabcorp, the Mater Foundation and the Endeavour Foundation) for their support and faith in our vision which has enabled us to deliver this record year.



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