



Jumbo Interactive Ltd

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ANALYSTS' BRIEFING



An analysts' briefing of the December 2016 half year financial results by the CEO follows:

"Jumbo's financial results for the half year to December 2016 were good, despite a very low run of jackpots which resulted in a 9% drop in Revenue. However, profits were up 30% to \$2.6 million with some encouraging signs in our customer activity numbers and charity lottery sales. The balance sheet continues to be strong with \$25 million net assets and \$26 million cash at bank. The half year interim dividend payment has increased from 2.0c in 2015 to 3.5c.

The jackpot run was unusually low. Only 15 jackpots reaching \$15 million or more compared to 24 the corresponding period in 2015. When this occurs we manage our marketing spend and increase our focus on engaging existing customers. The result is visible in our reduced marketing spend which was \$1 million less than the 2015 half year, contributing to an increase in our profit. The increase in active customers from 350,300 to 361,700 during a low jackpot run was especially pleasing and is as a result of internal programs to improve our ability to engage with our large customer database. As jackpots return to 'normal' levels we plan to adjust our marketing spend accordingly to acquire new accounts and continue engaging with existing customers.

Like-for-like analysis is regularly carried out to monitor TTV trends over time at particular jackpot levels. Three graphs were included in the half-year results announcement – one for jackpots less than \$15 million, one for Powerball jackpots equal to \$15 million and a third for Oz Lotto jackpots also equal to \$15 million. All three graphs show a steady increase over 4 years indicating the business fundamentals are sound and that sales are building when you factor out natural jackpot fluctuations.

Discussions are progressing well with Tatts regarding contract extensions and are on track to be finalised well ahead of the expiry dates later this year.



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Charity lottery sales have tripled (off a modest low base) to \$1.6 million indicating good growth since launching in June 2015. These sales do not cannibalise our national lottery sales and are usually sold to customers adding a bit extra to their normal lottery play. Discussions are underway with some new charities with a view to continue expanding our portfolio.

As announced in November 2016, the German business was scaled down due to adverse market conditions. This has reduced ongoing losses and allowed more focus on the thriving Australian business. As a result of reducing operating expenses by \$303,000 to \$1,154,000, the NLBT was reduced by \$464,000 to \$870,000 loss (2015: \$1,334,000 loss). Expenses and NLBT for H2 FY2017 are estimated at approximately \$300,000 in relation to ceasing the business.

In summary, Jumbo is well placed to return to revenue growth should jackpots return to 'normal' levels. Already in the second half year we have seen Powerball reach \$55 million and Oz Lotto reach \$30 million which has been good for trading. I wish to thank our Board for their continued guidance, the efforts of all of Jumbo's employees, and our investors for their continued support in Jumbo."

For further information:

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CEO and Executive Director

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