



Jumbo Interactive Ltd

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Long running channel partnership with Tabcorp extended for 10 years to 2030



Leading internet lottery business, Jumbo Interactive Limited (ASX:JIN) has extended its 15 year relationship with Tabcorp Holdings Limited and associated subsidiaries (ASX:TAH) with the signing of a binding term sheet on 28 June 2020 (subject to certain conditions precedent, as set out below) in relation to new reseller agreements for the next 10 years to around July 2030.

Jumbo's CEO and Founder, Mike Veverka said "The next 10 years will see a lot of advances in the lottery industry both in Australia and abroad. The new 10 year reseller agreements are the longest ever term in Jumbo's history and provide a basis for continuing expansion. In addition to growing the Australian online lotteries business with continued access to Tabcorp's existing successful portfolio of lottery games, Jumbo will continue to pursue international lottery opportunities, leveraging Jumbo's lottery SaaS platform. Having a long term distribution arrangement with Tabcorp with its world class operational capabilities and significant commercial relationships will support our future growth aspirations."

Extended Reseller Agreements

The revised reseller agreements (covering NSW, Victoria, South Australia, Northern Territory, ACT and Tasmania, as well as international jurisdictions) recognise the importance of Jumbo as Tabcorp's largest authorised lottery ticket reseller, with the 10 year term.

The revised agreements also recognise the enlarged scale of Jumbo and the fundamental value of Tabcorp's lottery licences to Jumbo. Accordingly Jumbo will pay Tabcorp:

- An upfront extension fee of \$15m for the 10 year term; and
- A service fee of 4.65% of the ticket subscription price, phasing in at 1.50% in FY21, 2.50% in FY22, 3.50% in FY23 and 4.65% thereafter. For FY 21-23, where the value of subscriptions



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is in excess of \$400 million for each applicable financial year, Jumbo will pay a service fee of 4.65% on the value in excess of \$400 million.

The payment of the upfront extension fee and the entry by Jumbo into a new deed of guarantee and indemnity in favour of Tabcorp are the conditions precedent to the new reseller agreements. In addition, the parties must act in good faith to enter into long form agreements as soon as practicable. If long form agreements are not entered into within 60 days from the date the binding term sheet was executed, then the term of the reseller agreements reduces from 10 years to a term expiring on 1 May 2023, with a partial refund of \$13.5m of the upfront extension fee and a partially reduced service fee.

The revised agreements will not include the sale of Tabcorp's lottery products to Western Australia (subject to transition arrangements within 45 days), where Tabcorp does not hold a lottery licence.

The revised agreements will include customary termination rights for distribution arrangements of this type permitting Tabcorp to terminate each of the reseller agreements on 30 days' notice if (among other things) Jumbo fails to perform its obligations, a change of control of Jumbo or Jumbo enters into similar arrangements with third parties.

Western Australia

Jumbo is in discussions with Lotterywest in relation to arrangements for its Western Australian customers (representing approximately \$33 million or 10.5% of ticket sales in FY19). There is no guarantee that these discussions will result in any agreement being reached with Lotterywest. If an agreement with Lotterywest cannot be reached, then Jumbo will seek alternative options for maximising the value of its WA customer base.

FY20 Guidance

With 39 large jackpots now a certainty for FY20, Jumbo reaffirms its guidance (announced April 1, 2020) despite initially estimating 41 large jackpots. Sales on a like-for-like basis have been stronger than expected as players have turned to the online channel during the COVID-19 period.



	FY2020 Estimate	FY2019 Actual
Number Large Jackpots	39	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 ¹
NPAT	\$24.4 to \$25.3 million	\$26.4 million

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

In FY20, there will be 39 large jackpots (FY19: 49) with an aggregate value of \$1.57 billion (2019: \$1.88 billion) and average value of \$40.1m (2019: \$38.4m). The element of chance plays a role in Large Jackpots with the number fluctuating from year to year. Despite the significant decline in Large Jackpots during FY20, Jumbo is expected to increase sales compared to the previous year driven by greater demand for online lotteries over the COVID-19 period.

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 in Australia under agreements with Tabcorp (ASX: TAH) that date back to 2005. Tabcorp became a substantial shareholder in Jumbo in 2017.

Over the years Jumbo has grown a large and loyal database of predominately younger 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 also 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.



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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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