



Company	Jumbo Interactive Limited
Code	JIN
Meeting	AGM
Date	28 th October 2020 11:00 am (Brisbane time)
Venue	Online via Lumi
Monitor	Steven Mabb assisted by Paul Donohue

Number attendees at meeting	31 online attendees (shareholders, third party proxies and guests combined) representing approximately 535,000 shares.
Number of holdings represented by ASA	61
Value of proxies	\$2.8 million – on day of meeting
Number of shares represented by ASA	168,666 shares – just outside the top 20 shareholders
Market capitalisation	\$1,005 Million – on day of meeting
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chair Susan Forrester and Sharon Christensen (NED)

Jumbo CEO addresses the elephant in the room

The Chair, Susan Forrester, opened the meeting by clearly explaining the AGM logistics. We noticed two encouraging developments in the virtual format. Firstly, questions could be asked either by speaking or typing. Secondly, the webcast showed the speaker's faces as well as the slides they were presenting which added a more human touch. A recording of the AGM is available on the Jumbo Interactive website.

Susan gave a synopsis of the company's strategy and financial performance before acknowledging a typographical error in the annual report. The total shareholder return (TSR) for FY21 was shown as 189.1% rather than the correct value of 89.1%. Your ASA monitors had brought this error to Jumbo's attention before the AGM and it was encouraging that the Chair proactively addressed it.

She went on to cover some of the steps Jumbo has taken to ensure their governance foundations were effective including formalising key processes, refreshing existing and introducing new policies, improving risk reporting, and investing in additional resources. She noted that, after last year's board resignations and appointments, they now have gender parity at Board level.

The CEO, Mike Veverka, pointed out that this was his 23rd AGM since founding Jumbo in 1995 before recapping the impressive FY21 results. Total transaction value (TTV) was up 37%, revenue up 17%, Underlying EBITDA up 13%, Underlying NPAT up 7%, operating cashflow up 24% and the dividend up 2.8%.

Mike then addressed the elephant in the room – now that the Tabcorp deal has been renegotiated on less favourable terms, where will Jumbo’s future growth come from? He explained that the company has been restructured into three operating segments, each with their own cash generation and growth prospects.

- Lottery Retailing is the current cash cow that resells Tabcorp lottery tickets. Even under the new deal, it still has very healthy margins which have now been locked in for a decade.
- Software as a Service (SaaS) targets lottery operators in the charity and government sectors by providing them with Jumbo’s industry leading software.
- Managed Services segment provides a ‘lottery in a box’ service to charities that do not yet have a lottery. This provides not just the software but the full suite of lottery management services.

Last year’s acquisition of Gatherwell in the UK, this year’s purchase of Stride in Canada (subject to final regulatory approval) and the appointment of a new Chief Commercial Officer based in the United States make it clear the company intends to expand internationally and transform into a very different business.

As the CEO said “At our core, Jumbo is a technology company that has found its niche as a pure play digital lottery specialist. Jumbo is now at the point where we have achieved enough scale to expand beyond the current reseller model here in Australia and leverage our software DNA to meet the significant unmet demand for digital lotteries globally”.

Reflecting this trend away from being just a Tabcorp reseller measured on TTV was the repositioning of active player growth as one of Jumbo’s key metrics. This counts people who have purchased a lottery ticket on the platform in the last 12 months. Mike explained how this metric had been steadily rising since FY19 and this trend was boosted by the international acquisitions. Significant opportunity is expected from reactivating dormant players.

Perhaps cognisant of recent adverse publicity for casino operators, Mike explained that lotteries are generally seen as a less harmful form of gambling and represent an important source of revenue for governments and charities.

The CEO address concluded with a first quarter trading update. After adjusting for Lotterywest changes, underlying Group TTV and revenue for Q1FY22 were up 28% and 20% respectively on Q1FY21. Group gross profit was up 14% despite the Tabcorp service fee step up from 1.5% to 2.5%.

Turning to the formal part of the meeting. ASA voted in support of all five resolutions, and all were comfortably passed (93%+). ASA was the only participant to ask any questions which were answered to our satisfaction.

Q: Has any consideration been given to increasing the number of directors and would someone with M&A experience be an appropriate addition?

A: Yes, the board is small for a company of our size. We did not immediately replace Bill Lyon as a review of skills showed sufficient coverage. We are now actively considering an additional director. This might be offshore to assist with the international expansion strategy. M&A experience would be viewed favourably.

Q: Any update on the Stride acquisition? Has approval been received from the Canadian regulators?

A: The Stride acquisition is still a work in progress. The Canadian regulators are very thorough and are working through the process. No issues have been identified and none are expected.

Q: Why were special CEO LTI rights deemed necessary rather than being included in the standard STI/LTI?

A: Ordinarily, recognition of the Tabcorp deal would have been included in the normal STI & LTI. However, an opportunity to bring forward the negotiations emerged, and the timing meant the remuneration framework could not be updated. In this context, special LTI was warranted.

We thank the board and company for being encouraging and supportive of retail shareholder engagement throughout the process and we look forward to monitoring their progress moving forward.