



Jumbo Interactive Ltd

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JUMBO TO ENTER UK MARKET WITH 100% ACQUISITION OF GATHERWELL LIMITED, UK



Jumbo Interactive Limited (**ASX: JIN**) (**Jumbo**) today announced it has entered into a conditional Share Purchase Agreement to acquire lottery manager Gatherwell Limited (**Gatherwell**), a private limited liability company founded in 2013 and located in Oxford, UK for £5.0 million cash (~A\$9.1 million¹).

The acquisition is subject to the UK Gambling Commission approving the Gatherwell change in control. Jumbo anticipates receiving a response from the UK Gambling Commission by 31 January 2020.

"Gatherwell is a successful UK-based external lottery manager and will accelerate Jumbo's expansion of the Software as a Service business in the UK", said Mr Mike Veverka, Founder and CEO of Jumbo Interactive Limited.

"This is an important step in building the SaaS Powered By Jumbo (**PBJ**) business segment, and in achieving our vision of \$1 billion of ticket sales through the Jumbo platform by 2022", he said.

The consideration is £3.0 million (~A\$5.4 million¹) in cash on acquisition to the Gatherwell Vendors. Further payments of up to £2.0 million (~A\$3.7 million¹) in cash are payable to the Gatherwell Vendors if certain Revenue and Profit targets are met, to be paid in up to two instalments following the 30 June 2020 and 30 June 2021 financial year ends.

Jumbo will fund this acquisition using internal cash sources.

¹ Based on an exchange rate of £0.5465 to A\$1



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The acquisition price is based on a forward-looking Price/Net Profit before Tax multiple of ~6.2x to ~7.8x as at 30 June 2021.

Gatherwell

Gatherwell was founded in 2013 to support good causes in raising funds through lotteries, with their first product "Your School Lottery" assisting schools across the UK. Gatherwell then expanded into local authority lotteries with an agreement with the Aylesbury Vale District Council in 2015. There are currently 417 local authorities and 27,000 schools across the UK² of which Gatherwell has ~80 and ~1,000 respectively as customers (spread across ~60 brands and ~5,000 causes). The business currently sells ~130,000 tickets per week and has a strong pipeline of new brands. Examples include <https://www.valelottery.co.uk/>, <https://www.bhcoastallottery.co.uk/>, www.yourschoollottery.co.uk, and www.firefighters100lottery.co.uk.

By comparison to the UK national lottery, the 'society lotteries' and 'local authority lotteries' are smaller in scale but popular with the public because of their support of local good causes.

Gatherwell was announced as winner of the "Lottery of the Year" Award at the Lotteries Council Annual Conference and Networking Event 2019 in Warwick, UK.

Gatherwell has been profitable for the past three years (to 31 December 2018) and is expected to contribute revenues and profits to the Group as follows:

AUD¹	5 months to 30 June 2020 (based on completion 31 January 2020)	12 months to 30 June 2021
Ticket Sales	~A\$6.2 million (~£3.4 million)	~A\$17.8 million (~£9.8 million)
Revenue	~A\$1.1 million (~£0.6 million)	~A\$3.5 million (~£1.9 million)
Net Profit before Tax	~A\$0.4 million (~£0.2 million)	~A\$1.5 million (~£0.8 million)

Projections for 12 months to 30 June 2020 are ~£7.6 million ticket sales, ~£1.5 million revenue and ~£0.4 million NPBT.

² Gatherwell research



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The current directors of Gatherwell are Ben Speare and Martin Woodhead. Following completion of the Share Purchase Agreement, the board of Gatherwell will consist of:

- Mike Veverka (CEO Jumbo);
- David Todd (CFO Jumbo);
- Ben Speare; and
- Martin Woodhead.

Gatherwell is a fully licenced External Lottery Manager (**ELM**) with the UK Gambling Commission with a unique position focusing on a turnkey digital solution to local authorities and multi-society lotteries and promoting them under a single 'branded lottery' or 'umbrella lottery'. An ELM is someone that makes arrangements for a lottery on behalf of a society or local authority that is not a member, officer or employee of that society or local authority.

As at 18 April 2018, the UK Gambling Commission licenced nearly 500 society lotteries and 40 External Lottery Managers, with a particular increase in the number of local authorities promoting lotteries to raise funds to support their purpose. At the time, there were 30 local authorities holding licences and another 10 in the pipeline compared to no local authorities running lotteries two years prior to that³, with Gatherwell currently being the only ELM offering a digital solution and providing services to local authority lotteries.

There are 168,168 registered charities in England and Wales with total revenue of ~£77.404 billion as at 30 September 2018 derived from donations, fundraising activities and lotteries⁴. The immediate addressable market is those charities which generate revenue through lottery activities which is estimated at ~£675 million as at March 2018, up from ~£590 million (+14.4%)⁵. Scotland has a further ~25,000 total charities registered with annual revenue of ~£14.0 billion⁶. Gatherwell is active in England, Wales and Scotland.

³ <http://www.gamblingcommission.gov.uk/PDF/speeches/Lotteries-Council-April-2018.pdf>

⁴ <https://www.gov.uk/government/publications/charity-registerstatistics/recent-charity-register-statistics-charity-commission>

⁵ <https://www.lotteriescouncil.org.uk/news/132-conference-2019>

⁶ <https://www.oscr.org.uk/>



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The market size is expected to increase following an announcement by the UK Government on 16 July 2019 to make certain changes to the current limits of large society lotteries⁷:

- Increase the individual per draw sales limit from £4 million to £5 million;
- Increase the individual per draw prize limit from £400,000 to £500,000; and
- Increase the annual sales limit from £10 million to £50 million

Commenting on the acquisition of Gatherwell, Jumbo Founder and Chief Executive Officer, Mike Veverka said: "This is an important step in building the SaaS Powered By Jumbo (**PBJ**) business segment, and our vision of \$1 billion of ticket sales through the Jumbo platform by 2022.

"Importantly, the acquisition will have an immediate positive impact on our business through an increase in revenue and profits, as well as placing Jumbo in the best possible position to take advantage of the opportunities in the UK charity lotteries industry.

"Gatherwell is an excellent fit in the Jumbo Group with a similar entrepreneurial and innovative culture and operating leverage in the business.

"There is significant growth potential for Gatherwell based on their 'first-mover' competitive advantage, the industry growth of ~14%, less than 1.0% by value of the registered charities in the UK operate a lottery, and recent changes to the regulations. Jumbo can benefit by using Gatherwell to licence its PBJ software and services to larger lotteries in the UK and possibly adapt the Gatherwell business model in other international markets such as Australia and Canada.

"We believe this is a win-win for both Jumbo and Gatherwell. In the meantime, we don't intend to change any material aspects of the Gatherwell business or the customers it already serves. The Gatherwell vendors will continue the day-to-day management of the business," said Mr Veverka.

⁷ <https://www.lotteriescouncil.org.uk/news/133-government-publishes-consultation-response>



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About Jumbo Interactive

Jumbo Interactive Limited has been listed in Australia (**ASX: JIN**) since 1999.

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. At first customers were attracted to the security of never losing a ticket and the convenience of automatic number checking, prize payments and auto-play. In 2012, Jumbo released a lottery app for the iPhone and a new transition began driven by the convenience of mobile lotteries. This was followed by further innovations such as features for the Apple watch, Google Voice and most recently, Lotto Party which is designed to promote social group play of the lottery, appealing to both younger and older demographics.

The Company operates the popular website www.ozlotteries.com in Australia under agreements with Tabcorp (ASX: TAH).

Jumbo has proven its ability to open up new lottery markets with its innovative technology and internet marketing initiatives that have brought lotteries to new demographics via the internet. Jumbo has succeeded in targeting a younger and more mobile demographic with mobile now accounting for 75% of all customer interactions.

Jumbo has recently entered the Lottery SaaS (Software as a Service) market with the signing of its first customer in November 2018 to use its "Powered by Jumbo" lottery software.

For further information:

Mike Veverka

CEO and Executive Director

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