

27 January 2022

Jumbo Interactive acquires StarVale to expand UK business

Jumbo Interactive Limited (**ASX:JIN or Jumbo**) is pleased to announce it has entered into an agreement to acquire 100% of the StarVale Group (**StarVale**), through a newly incorporated wholly-owned entity, Jumbo Interactive UK Ltd (as the purchaser), subject to satisfaction of certain conditions under the agreement.

StarVale is a leading UK External Lottery Manager (**ELM**) and digital payments company, and the acquisition aligns with Jumbo's strategy to build scale in its Managed Services and Software-as-a-Service (**SaaS**) business segments.

Overview of acquisition

The strategic acquisition of StarVale is transformational for Jumbo's international expansion strategy and follows the successful acquisition of UK-based Gatherwell Ltd (**Gatherwell**) in November 2019 and the conditional acquisition of Canada-based Stride Management Inc. (**Stride**) in August 2021. Once complete, StarVale will form part of Jumbo's Managed Services business segment, along with Gatherwell and Stride¹.

Lancaster-based StarVale provides services to over 850,000² active lottery players across over 45 charities and not-for-profit organisations, with many of these being major UK charities. StarVale also comprises of DDPay Ltd, a wholly owned subsidiary and digital payments company that facilitates Direct Debit payments and provides cost effective Direct Credit payment solutions to StarVale's weekly lottery clients.

Jumbo Interactive CEO and Founder Mike Veverka said "We identified StarVale as one of our top acquisition opportunities in the UK given their scale and leadership position in the charity lottery market, strong brands, cultural alignment with Jumbo, and their talented leadership team. The acquisition helps accelerate our strategy to grow internationally and adds significantly more scale to our Managed Services business in the UK."

StarVale Director and Founder Phil Magleave said "I'm delighted that StarVale will soon join the Jumbo family and am looking forward to working with Jumbo to continue supporting our charity and not-for-profit clients raise vital funds for their 'good causes'. With ongoing changes in technology and increased digitisation expected in the lottery industry, the acquisition by Jumbo will expand its product range and the opportunities available to its valued clients – and grow what is already a highly successful business."

For the 12 months ended 31 December 2021³, StarVale is forecasting to generate ~A\$119 million⁴ (£63 million) in Total Transaction Value (**TTV**) with Adjusted Revenue of ~A\$9.6 million⁴ (£5.1 million⁵) and Adjusted Net Profit Before Tax (**NPBT**) of ~A\$3.8 million⁴ (£2.0 million⁵).

¹ Remains subject to regulatory approval

² Estimated number of players who have bought a ticket within the last 12 months (as at 31 December 2021)

³ Management forecast (unaudited) for year ended 31 December 2021

⁴ Based on exchange rate of £0.53 = A\$1.00

⁵ Adjustment principally relates to benefit from UK Government COVID job retention scheme

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Jumbo will conditionally acquire StarVale for ~A\$32.1 million⁴ (~£17.0 million), and up to ~A\$7.5 million⁴ (£4.0 million) to ~A\$8.5 million⁴ (£4.5 million) of deferred consideration, payable following 30 June 2023 and subject to achieving certain earnings hurdles.

The total consideration (excluding surplus cash funds of ~A\$9.4 million⁴ (~£5 million) to be acquired) represents an implied enterprise multiple of approximately 7.3x⁶ StarVale's expected NPBT for the year ended 30 June 2023. The acquisition will be funded via a new debt facility and is expected to deliver low to mid-single digit Earnings Per Share (**EPS**) accretion in the first 12 months post-completion.

The acquisition provides Jumbo with another established and reputable ELM including a digital payments company with a high quality client base and proven track record of success.

Additionally, the acquisition provides:

- A unique opportunity to significantly broaden Jumbo's footprint and increase scale in the UK not-for-profit sector with access to over 850,000² active players and over 45 charity and not-for-profit clients;
- A significant opportunity to leverage the Powered By Jumbo (**PBJ**) platform to drive further growth and efficiencies for clients, including access to larger customers, providing an internal market for further SaaS opportunities;
- Access to digital payments solutions capabilities including Direct Debit origination services through the acquisition of DDPay Ltd (a wholly owned subsidiary in the StarVale Group) which is expected to provide cost efficiencies for Gatherwell and our wider UK operations, and facilitate further access to the charitable giving market;
- Considerable local market knowledge, expertise and operational capabilities to drive further UK expansion, and increased resources, bandwidth and learnings to assist Gatherwell; and
- A compelling financial profile with strong revenue/profit economics and cash conversion.

Completion of the transaction remains subject to UK Gambling Commission approval which is anticipated by the end of FY22. The current management team of StarVale, including the founder Phil Magleave, will remain with the business post completion.

New debt facility

Jumbo has successfully secured a new \$50 million senior debt facility for up to five years with an initial tranche of \$30 million to be used for the acquisition of StarVale and a further \$20 million available for future acquisitions and growth initiatives.

Capital management

The Board continuously reviews and assesses Jumbo's capital management framework in the context of the organic capital generation of the business, future capital requirements, the strength of the balance sheet and the desire to provide an appropriate dividend to shareholders.

² Estimated number of players who have bought a ticket within the last 12 months (as at 31 December 2021)

⁴ Based on exchange rate of £0.53 = A\$1.00

⁶ Based on £16.0m (£12.0m upfront payment and £4.0m deferred consideration) and FY23 expected NPBT of £2.2m. Up to a further £500k in consideration (calculated on a sliding scale basis) may be payable if NPBT exceeds £2.2m.

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Jumbo's dividend policy is currently to pay out 85% of statutory Net Profit After Tax (**NPAT**) to shareholders as ordinary dividends. This was considered appropriate given limited alternative uses for cash and the strong cash generation profile of the Lottery Retailing segment.

The Board has resolved to adjust its targeted dividend payout ratio to a range of 65% to 85% of statutory NPAT following the completion of the StarVale acquisition. The new dividend policy, which will be effective from FY23, will enhance Jumbo's flexibility to repay debt while maintaining a satisfactory dividend yield for shareholders.

Additional information relating to the StarVale acquisition is attached to this release. Jumbo CEO and Founder Mike Veverka and CFO David Todd will host a conference call today at 9.00am (Brisbane time/AEST) in relation to this announcement.

To register to access the conference call please click on the following link: <https://s1.c-conf.com/diamondpass/10018908-as22ff.html>

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Authorised for release by the Board of Directors.

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About Jumbo Interactive

Jumbo is Australia's leading dedicated digital lottery company, making lotteries easier by offering its proprietary lottery software platform and lottery management expertise to the government and charity lottery sectors in Australia and globally, and by retailing lottery tickets in Australia and the South Pacific via ozlotteries.com.

Jumbo was founded in Brisbane in 1995, listed on the ASX in 1999, and has ~160 employees creating engaging and entertaining lottery experiences for its global player base.



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Strategic acquisition of StarVale

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Disclaimer

This presentation contains summary information about the activities of Jumbo Interactive Limited (**Jumbo**) and its controlled subsidiaries (**Group**) current as at the date of this presentation. It should be read in conjunction with Jumbo's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), including the Annual Report 2021 and the FY21 Financial Results released 26 August 2021, available at www.asx.com.au.

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Past performance information given in this presentation is provided for illustrative purposes only and is not, nor should it be relied upon as, an indication or guarantee of future performance.

Acquisition summary

StarVale highlights and acquisition rationale



StarVale Group (StarVale) is a **leading UK External Lottery Manager (ELM) and a digital payments company**, providing a full range of Society Lottery (weekly lottery & raffle) and prize draw services. This includes devising, planning, building, managing, administering and maintaining weekly Society Lotteries.



StarVale provides services to over **850,000¹ active players across over 45 UK charity and not-for-profit clients** and processes **~9.5m Direct Debit transactions²** and **~£54m in transaction value²**.



For the 12 months ended 31 December 2021³, StarVale is forecasting to generate **~A\$119 million⁴ (£63 million) in Total Transaction Value with Adjusted Revenue of ~A\$9.6 million⁴ (£5.1 million⁵) and Adjusted NPBT of ~A\$3.8 million⁴ (£2.0 million⁵)**.



Strategic acquisition aligns with Jumbo's international expansion strategy to expand its Managed Services business and **deploy its leading-edge technology** to help drive **growth** and deliver **cost efficient fundraising opportunities** for clients.

Transaction details



Jumbo will conditionally acquire StarVale for **~A\$32.1 million⁴ (~£17.0 million)**, and up to **~A\$7.5 million⁴ (£4.0 million)** to **~A\$8.5 million⁴ (£4.5 million)** of deferred consideration, payable following 30 June 2023 and subject to achieving **certain earnings hurdles**.



The total consideration (excluding surplus cash funds of **~A\$9.4 million⁴ (~£5 million)** to be acquired) represents an **implied enterprise multiple of approximately 7.3x⁶** StarVale's expected NPBT for the year ended 30 June 2023.



The acquisition will be funded via a **new debt facility** and is expected to deliver **low to mid-single digit Earnings Per Share (EPS) accretion** in the first 12 months post-completion.



Acquisition remains subject to satisfaction of certain conditions under the agreement and **UK Gambling Commission approval**, which is **expected by the end of FY22**.

1. Estimated number of players that have bought a ticket within the last 12 months (as at 31 December 2021)

2. For the financial year ended 31 December 2020

3. Management forecast (unaudited) for the year ended 31 December 2021

4. Based on exchange rate of £0.53 = A\$1.00

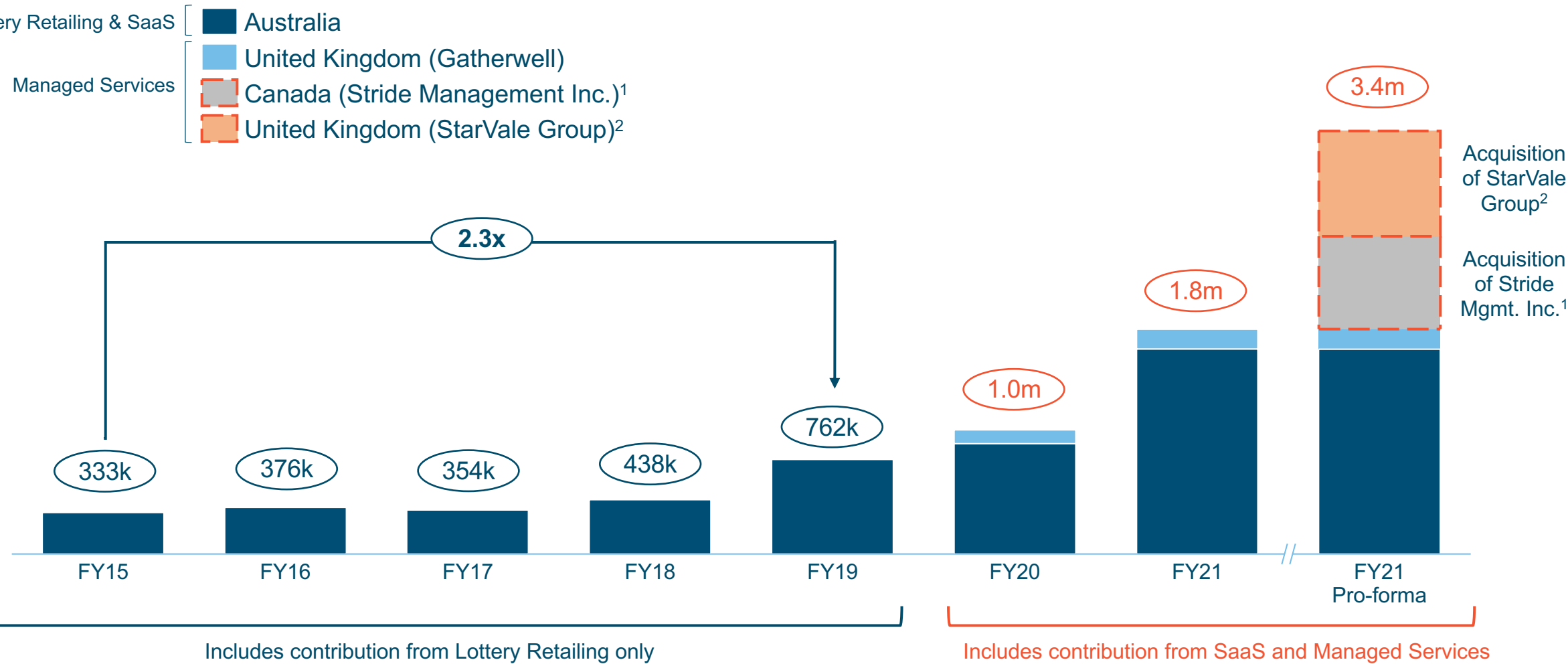
5. Adjustment principally relates to benefit from UK Government COVID job retention scheme

6. Based on £16.0m (£12.0m upfront payment and £4.0m deferred consideration) and FY23 expected NPBT of £2.2m. Up to a further £500k in consideration (calculated on a sliding scale basis) may be payable if NPBT exceeds £2.2m

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Jumbo pro forma active player growth

Active players that made a purchase in the 12-month period up to 30 June (FY15 – FY21)



1. Acquisition of Stride Management Inc. announced 26 August 2021 (subject to regulatory approval)
2. Acquisition of StarVale Group announced 27 January 2022 (subject to regulatory approval)

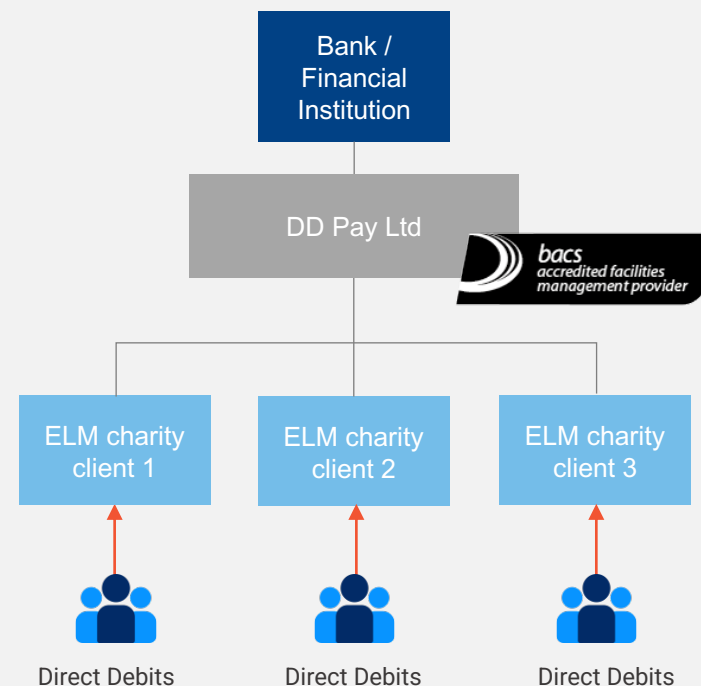
Acquisition of an ELM + digital payments company (DDPay Ltd)

Overview of DDPay Ltd

- DDPay Ltd was incorporated in 2006 to provide Direct Debit origination services to StarVale's weekly lottery clients and is sponsored by the NatWest Group.
- Clients utilising DDPay Ltd's competitive services benefit from its scale and financial integrity as a Bacs¹ accredited facilities management provider (strict eligibility requirements apply including having the appropriate management expertise, sufficient financial reserves and indemnities).
- For the year ended 31 December 2020, ~9.5m in Direct Debit transactions and ~£54m in transaction value was processed primarily in support of weekly lottery operations.
- Preliminary analysis indicates potential savings on Direct Debit transaction fees for Gatherwell.
- Provides significant strategic optionality and potential new revenue opportunities from offering DDPay Ltd services to UK SaaS clients and other charities in the UK market.

How DDPay Ltd works

Payments model using DD Pay Ltd



- For the client to transparently receive their Direct Debit funds they must have a unique Service User Number, which DDPay Ltd can facilitate on their behalf
- DDPay Ltd clients benefit from a lower Direct Debit transaction fee, while paying a nominal service provider's charge to DDPay Ltd

Strategic Rationale



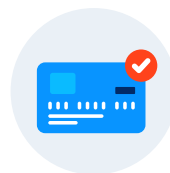
StarVale represents an established and reputable **ELM and digital payments company** that has been operating **for over 25 years**. **StarVale is one of the largest UK ELMs** with a high quality client base and proven track record of success.



Unique opportunity to significantly broaden our footprint and **increase scale** in the UK charity and not-for-profit market with access to over **850,000¹ active players** and over **45 charity and not-for-profit client relationships**.



A significant opportunity to leverage the **Powered By Jumbo (PBJ) platform** to drive further growth and efficiencies for clients, including access to **larger customers**, providing an **internal market for SaaS opportunities**.



StarVale represents one of the few UK ELMs that provides **profitable in-house Direct Debit origination and payment solutions** that benefits its customers through a lower cost to serve. The acquisition of this functionality is expected to provide **cost efficiencies to Gatherwell** and our wider UK operations and facilitate **further access to the charitable giving market**.



Considerable **local market knowledge, expertise and operational capabilities** to drive further **UK expansion**, and increased resources, bandwidth and learnings to assist Gatherwell.



Compelling financial profile with **strong revenue/profit economics** and **strong cash conversion (~95%)**, anticipated to deliver **low to mid-single digit EPS accretion** in the first 12 months post-completion.

1. Estimated number of players that have bought a ticket within the last 12 months (as at 31 December 2021)