

AUSTRALIAN

RESEARCH



Contents

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Jumbo Corporation Limited (JUM)



Sector	Industry Group	Industry	Sub Industry
Consumer Discretionary	Retailing	Internet & Catalog Retail	Catalog Retail

Company Overview

JUM, founded in 1995, is an online retailer and developer of secure online retailing software. The online shopping mall through which JUM sells 'internet friendly' goods has historically generated over 95% of revenue. The mainstay of the business has changed with JUM's recent acquisition of TMS Global Services ('TMS'), a wholesaler and online retailer of lottery products such as the Powerball and OzLotto. JUM also holds a 16% stake in online casino operator Global Approach Ltd.

Strategy

The cornerstone of JUM's strategy is aimed at extracting synergies between its established online retailing business, bolt-on ventures (for example, online pharmacies) and an emerging online gaming business. The acquisition of TMS marks a strategic shift in the business, and will generate around two thirds of group profit. The proposed appointment of TMS' CEO/Chairman, David DeCampo, as an Executive Director will bring online gaming experience to the board.

Aegis Comments

Outlook: The integration of TMS will provide a growth impetus over FY05 and FY06. While NPAT for the nine months to March 2005 has almost doubled to \$0.4M over the period, the combined NPAT for JUM/TMS is \$1.28M (assuming consolidation for the period). TMS has historically being a non--internet-based lottery distributor and hence will benefit from JUM's technical capabilities. Also, the launch of its online betting exchange will provide JUM with an opportunity to participate in this high-growth market.

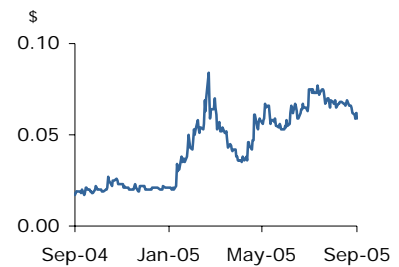
Catalysts: The stock has rallied largely on the back of the TMS acquisition; potential integration benefits offer scope for further share price strength. Downside risk lies in changes in the operating environment of TMS and in the potential failure of the online betting exchange to gain fruition. However, considering JUM's strong growth outlook from its increased participation in gaming, we would regard the latter as a temporary setback.

Risks: Online security; however, considerable effort is made to ensure payments are secure and online fraud is kept to minimal levels. Risks facing TMS are changes in current legislation and uncertainty surrounding the renewal of the agreements with Tattersall's and NSW Lotteries Corporation that run through to calendar 2010.

Key investment information

Price:	\$0.06
Price as at:	29-Sep-05
Market Cap (\$M):	19.9
Equiv. Shares (M):	321.34
% Market:	0.00
12Mth Range (\$):	0.02 - 0.10
Shares Traded (\$M pa):	33.9
Listed since:	Jun 1972
Index:	n/a

Share price performance



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Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2002A	(0.5)	(0.4)	(0.3)	n/a	(22.1)	(0.7)	(0.6)	0.0	0.0	0	(57.9)
2003A	0.1	0.1	0.1	n/a	68.6	2.6	2.3	0.0	0.0	0	20.9
2004A	0.3	0.3	0.1	51.3	45.3	2.2	1.8	0.0	0.0	0	23.8
2005A	0.6	0.7	0.3	96.1	23.1	1.4	1.1	0.0	0.0	0	25.3

¹ NPAT and EPS are adjusted by removing non-recurring items and goodwill. All the above statistics are derived from normalised earnings.

Financial Stability

Balance Sheet (Y/E Jun)	04A	05A
Net debt (cash) (\$M)	(1.9)	(2.6)
Total assets (\$M)	3.4	11.5
Net debt/equity (%)	(155.4)	(66.0)
Net interest cover (x)	14.4	33.2
NTA per share (\$)	0.00	0.00
Current ratio (x)	1.1	1.1

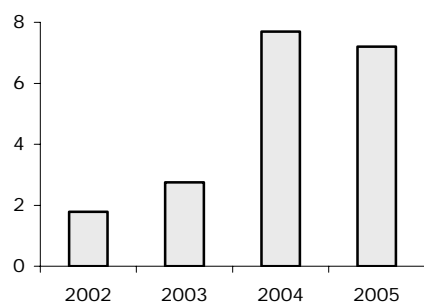
As at 30-Jun-05

Net debt (cash) (\$M)	(2.6)
Net debt (cash) / shr (\$)	(0.01)
Net debt (cash) / MktCap (%)	(0.13)

Substantial Shareholders

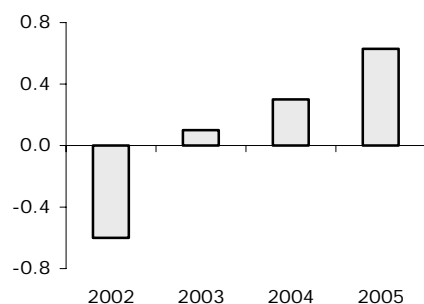
Veston Pty Ltd	23.0%
Ballindine	7.4%
Harrogate	7.4%

Revenue (\$M)



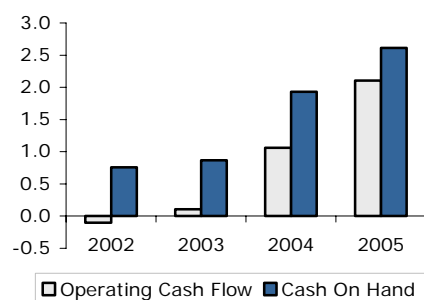
Source: JUM / Aegis Equities Research

Net Profit / Loss (\$M)



Source: JUM / Aegis Equities Research

Cash Position (\$M)



Source: JUM / Aegis Equities Research

Industries Of Operation

TMS sells Aust. lottery tickets online from its website at www.ozlotteries.com and has replaced the established businesses of an online shopping mall, online retailing and the provision of IT services as the core revenue driver. The primary market of the company's established businesses is the highly fragmented A\$120B USA online consumer market that is growing by more than 50% per annum; JUM has less than 0.5% share of this. JUM also participates in online gaming through its investment in GLO.

Differentiating Factors

JUM has a strong track record – it is one of the few internet companies that has consistently grown and its online retailing business is now profitable and at a scale that has enabled it to negotiate more favorable terms for many of its core products. Its competitive advantage stems from 10 years' experience in online security, marketing and customer service. The ability to leverage the company's online capabilities is a key strength that is being applied to expansion into online gaming.

Key Executives

Management: Mike Veverka has been CEO since the company was restructured in September 1999. Mr Veverka was the founder of Benon Technologies – the main operational entity for the online retailing – and was instrumental in the development of the e-commerce software that is the foundation of JUM. The CEO of TMS, David DeCampo has assumed an executive position in JUM following its acquisition of TMS. Mr DeCampo is responsible for developing the online lottery businesses.

Board: E Evans, A Phillips, M Veverka, D DeCampo

Recent Announcements

12 September 2005: NPAT for FY05 rose by 117% to \$0.630M; this included a one-month maiden contribution from TMS. On a 12-month consolidation of TMS, the combined NPAT would have been \$1.5M, representing growth of 42% on FY04. We estimate that underlying profit for JUM doubled in FY05. Group revenue declined by 7% due to a shift in product mix resulting in margin upside and EBITDA increased by 94%. The financial soundness of the company is reflected in a net cash balance of \$2.6M.

25 May 2005: JUM today announced the completion of the acquisition of TMS for \$4.2M. The deal will be funded through \$2.3M cash up front and a further \$375,000 payable within 18 months. Also, 59.7M shares 5M options have been issued to the vendors. The unaudited NPAT for the combined entity for the nine months to March 2005 is \$1.3M, of which \$846,000 is attributed to TMS. Combined working capital stands at \$4M and bank debt at \$2.5M, after paying the up-front cash payment for TMS.

19 May 2005: A trading update was provided in terms of which unaudited NPAT for the nine months to March 2005 was \$431,000, a 98% increase on the previous corresponding period and ahead of the \$289,705 earned in FY04. Also announced was the higher than expected \$846,000 NPAT in TMS (not consolidated) for the nine-month period, against \$764,000 for FY04. With the pending acquisition of TMS, its Chairman/CEO, David DeCampo will be invited to join the Board as an executive director responsible for online gaming.

Capital Structure

JUM has a straightforward capital structure consisting of ordinary equity and some debt/overdraft facilities. The recent acquisition of TMS has been funded through a combination of debt and equity. There are 321M FPO shares and 7M options on issue. This includes the 60M shares and 5M options issued to the vendors of TMS; these options have a four-cent exercise price, convertible if the share price is above six cents. Also, 0.8M shares were issued as a sign-on bonus to new TMS employees.



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