

AUSTRALIAN

RESEARCH



Contents

This is an extract from our January 2005 Consumer Discretionary Review

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Jumbo Corporation (JUM)



Sector	Sub Industry	Industry Group	Key Services
Consumer Discretionary	Retailing	Internet & Catalogue Retail	Catalogue Retail

Company Overview

JUM, founded in 1995, is a developer of secure online retailing software (Jumbostore.com) with credit card security, anti-fraud filters and online marketing functions. Over 95% of revenue is generated by the online shopping mall, through which JUM sells "internet friendly" goods including computer software, luxury items (cosmetics, fragrances and cigars), lottery tickets and gifts to customers around the world. JUM is in the throes of launching Betexsports.com, the first Australian-based on-line betting exchange and a provider of software and services to this industry. Also, JUM holds a 16% stake in Global Approach Limited (GLO), an on-line casino operator.

Strategy

Online security is a cornerstone principle to the company that ensures customer satisfaction is maximized for repeat business. JUM is focused on retailing online "internet friendly" goods and is constantly seeking new product lines that provide opportunities for growth. JUM is participating in the high growth online gaming industry through its investment in GLO and its establishment of an online betting exchange. The recent launch of the Betexware betting exchange software system will provide the launch pad for the company's expansion into online betting.

Industries of Operation

JUM's operating activities encompass: on-line shopping mall (95% of revenue); on-line retailing (3% of revenue); provision of IT services (1% of revenue); and, other (1% of revenue). The primary market is the USA online consumer market, which is growing by more than 50% per annum. JUM has a less than 0.5% share of this highly fragmented A\$120B market. UK-based Betfair dominates the betting exchange market there; new players, including Betexsports.com, are vying for a small piece of this highly lucrative market. The company is also exposed to online gaming through its investment in GLO.

Differentiating Factors

JUM has a strong track record – it is one of the few Internet companies that have 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 nine years of experience in online security, marketing and customer service. There is scope to leverage the company's online capabilities to expand its operations, for example Betexsports.com will leverage off the established payment systems, marketing techniques, online security. JUM has an ongoing research and development program that continually updates the software to keep ahead of competition. Enhancements are built as required while other web sites with "off-the-shelf" software systems must rely on the developer to deliver those enhancements.

Key Executives

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 the business. Mr Veverka holds an honours degree in engineering.

Key investment information

Market Cap (\$M): \$5.0M

Capital Structure

Ord shares on issue (M): 242.8

Options ("in-the-money") (M): 6.5

Convertible notes/oth (M): 0.0

Fully diluted capital (M): 249.3

Price as at 18 Jan 2005: \$0.02

12 month H/L: \$0.03 / \$0.02

Turnover (\$M pa): \$2.6M

Official listing date: Jun 1972

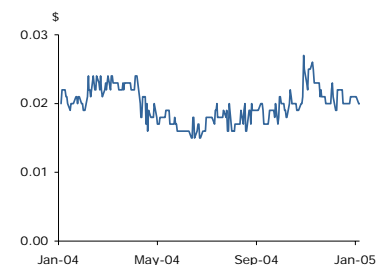
Substantial shareholders (%)

Veston Pty Ltd 33.1%

ANZ Nominees 17.7%

Warawong 3.2%

Share price performance



Source: IRESS

Company contact:



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Board of Directors

Alan Phillips
(Chairman)

Mike Veverka
(Chief Executive Officer)

Earl Evans
(Non-Executive Director)

Recent Announcements

12 January 2005 –Associate company, GLO has acquired the outstanding 77% stake in UK Club Holdings for A\$0.9M. In addition, GLO also announced the acquisition of its first on-line Poker Room

29 November 2004 –At GLO’s AGM held on 26 Nov 2004, Mike Veverka was re-elected to the Board and the Music Hall Casino Acquisition Agreement was amended to remove the risk of this business reverting back to its original vendors. Also, GLO acquired a 23% stake in UK Casino Club and stated its intention to launch its own Poker Room.

19 November 2004 – At the AGM, CEO Mike Veverka highlighted two core strategies for the group: expansion into online gaming – facilitated through its investment in GLO, its betting exchange and the recent launch of Betexware betting exchange software – and future acquisitions.

18 November 2004 – JUM announced it has successfully negotiated supply arrangements – at more favorable terms – with new and existing suppliers to its online retailing business. Also announced was that negotiations have commenced with four betting operators in the UK, France, Germany and Belgium, following the launch of the Betexware betting exchange software.

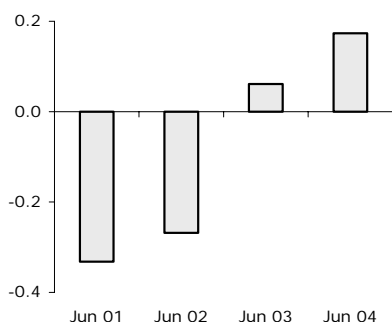
Aegis Comments

Outlook: JUM has foreshadowed steady growth for FY05, based on further improvements in online marketing techniques and continued penetration of online retailing. The expansion into online gaming could provide a strong growth impetus over the medium term. The betting exchange market is experiencing phenomenal growth – experts predict 79% annual growth in matched bets over the next four years to \$217B; the opportunity from JUM securing a marginal stake in this market is significant.

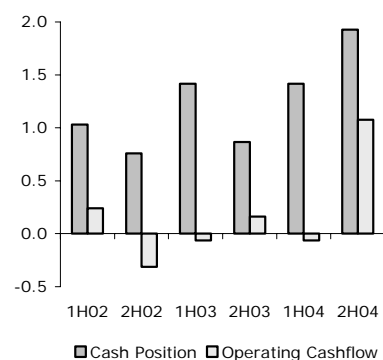
Catalysts: The success of JUM’s new online betting exchange and Betexware software could potentially alter the nature of the company from a predominately mature online retailer to a participant in the high growth online gaming industry. A further catalyst for an upgrade is continued momentum in the growth of new customers and repeat customers, coupled with margin expansion, which would provide upside to short-term profit.

Risks: While considerable effort is made to ensure payments are secure and online fraud is kept to minimal levels, the risk of unauthorized access and of customers’ perception towards online security is inherent throughout the industry. High dependence on software means that any technology glitch could impact profits. The extent of this would depend on how long the software is down, but key causes could relate to virus impact or server problems. Direct and indirect reliance on consumer spending – a potential slowdown would have adverse repercussions.

EPS History (cps)



**Operating Cashflow/
Cash Position (\$M)**



Source: JUM / Aegis Equities Research

JUM Financial Summary – 3 years

	Jun 02	Jun 03	Jun 04
Revenue (\$M)	1.740	2.549	7.626
% change	258%	47%	199%
EBITDA (\$M)	-0.513	0.146	0.413
% change	-26%	-128%	183%
NPAT* (\$M)	-0.424	0.102	0.381
% change	-19%	-124%	274%
eps* (cps)	-0.3	0.1	0.2
% change	-19%	-123%	185%
dps (cps)	0.0	0.0	0.0
% change	na	na	na
Net debt (cash)/equity (%)	1842%	-149%	-129%
Net interest cover (x)	na	725	24
ROE (%)	-277%	38%	30%
ROA (%)	-59%	10%	13%

* pre abnormals, pre goodwill
Source: JUM / Aegis Equities Research



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