

INFORMATION

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Manaccom's winning streak

Despite a chequered past, the online lottery host believes the odds are now firmly in its favour, writes **Ben Woodhead**.

The effects of rising fuel prices and mortgage stress on consumer spending might be causing anxiety in some corners of the market but online lottery host Manaccom is betting consumers will always have a few dollars to spare for a flutter.

The company with a colourful past — it began life as a mining exploration company and became an e-tailer during the dotcom boom — has backed up the assertion with a number of earnings upgrades in the past six months.

It is also pledging to pay a maiden dividend for the full year, albeit a small one, as it works to capitalise on recent marketing tie-ups with Yahoo!7 and ninemsn.

"We keep an eye out for signs of a slowdown in consumer spending but a \$20 purchase doesn't seem to get impacted as much as a new car or a piece of jewellery," chief executive Mike Veverka maintains.

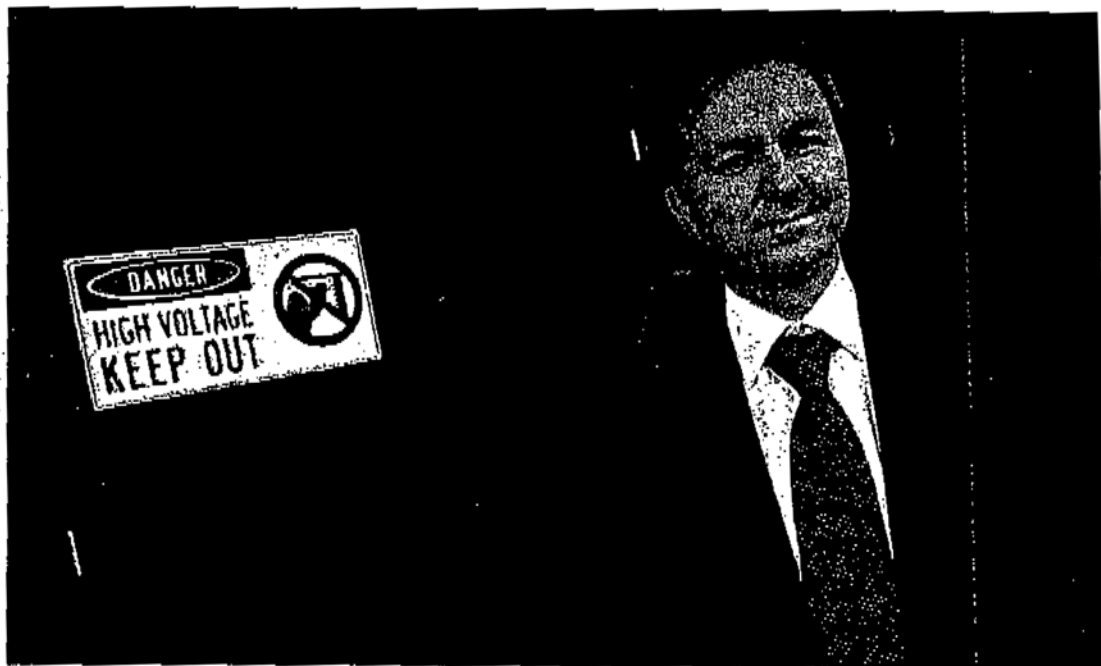
"It's a small amount in people's weekly budgets that they put towards a game for a bit of fun on Thursday night.

"In good times people have got money to spend on it and when things are a bit tighter the sales might go down a little bit but they always seem to continue playing."

Manaccom, which until last November was known as Jumbo Corporation, has been in the online lotteries business only since 2005 when it acquired TMS Global Services, which held internet selling agreements with Tattersall's and NSW Lotteries.

Before 2005 its focus was e-tailing through the jumbomall.com website that was launched in 1999 when Queensland explorer Windsor Resources relaunched itself.

One of the so-called nugget dotcoms — mining companies that transformed themselves into



After a series of earnings upgrades, Mike Veverka is confident Manaccom will pay its first dividend this year.

Photo: JIM RICE

internet businesses in a bid to cash in on the boom — Jumbo's stock hit a high of \$6.40 in early 2000 before crashing back to earth.

Veverka admits the operation could not get an online retail model to work, triggering the TMS purchase in 2005 and the subsequent \$5.1 million acquisition of Queensland computer software distributor Manaccom last year.

The distribution business supplies software from vendors such as Trend Micro and Net Nanny to retailers including Harvey Norman, Big W, Officeworks and Dick Smith. It contributes earnings before interest, tax, depreciation and amortisation roughly equal to the lotteries division, Veverka says.

Some of the old jumbomall.com technology now helps to power Manaccom's OzLotteries.com web site.

Veverka believes selling lotteries online is far simpler than marketing computers or clothes.

"In a way, lotteries is an ideal product for online selling because

there's no product to actually deliver," he says.

Using a credit card, Manaccom lotteries customers open an online account that funds ticket purchases and collects winnings if their numbers come up. Veverka says punters are warning to the proposition, driving sales growth in the past three years.

"The online sales are approaching \$20 million per year. Typically they're small — the average ticket price is about \$20 — and it's a recurring thing. It has also shown a lot of growth — only about two or three years ago it was doing maybe \$1 million.

"We don't expect that growth to continue but certainly we're starting to push towards \$25 million this year and \$30 million the year after."

That growth hasn't stopped Manaccom from handing down the occasional troubling financial result. In August it hit shareholders with a profit warning and went on to deliver a full-year net loss of \$739,790 on revenue that improved

only slightly to \$17.9 million. Manaccom's size and chequered past also mean that it's not covered by any market analysts.

Its share register is dominated by Veverka and director Ian Mackay, who between them own about 40 per cent of the business.

Nevertheless, Veverka argues that the company is on the way up and it has issued a number of profit upgrades in the past six months in addition to signing online partnerships with Yahoo!7 and ninemsn.

In May the company boosted its full-year forecast, saying it would deliver revenue between \$32 million and \$40 million and net income of between \$1.7 million and \$2.3 million.

The upgrade was triggered by a record \$40 million lotteries jackpot that Manaccom said gave the OzLotteries site its biggest month so far. It also said it would pay a maiden dividend by returning to shareholders at least 20 per cent of its 2008 profit after tax.