



Jumbo Interactive Limited AGM Report

ASX Code	JIN
Meeting date	Thursday, 10 November 2022
Type of meeting	Hybrid (in-person and online)
Monitor	Paul Donohue assisted by Noel Ambler and Damien Straker
Pre-AGM meeting	NA

Meeting Statistics

Number of holdings represented by ASA	45
Number of shares represented by ASA	111,933
Value of shares represented by ASA	\$1.6m
Number of attendees	NA
Market capitalisation	\$875m
Were proxies voted?	Yes, on a poll. ASA voted in favour of all resolutions.

Sweetening the Pot

At its November AGM, Jumbo Interactive was characterised by its board as a resilient and financially viable company. The company's chair, Susan Forrester, underlined the organisation's resistance to global setbacks, including COVID-19 and inflation. The latter's impact on equity market valuations resulted in intensification of what Forrester called "a war of talent among the tight labor market". Despite its durability, Forrester conceded Jumbo was vulnerable to disruptions and suffered from elevated staff turnover and record high wage inflation to retain talented staff.

The organisation, which powers lotteries with digital technology, countered its global challenges with what it calls 'a clear strategy operating model'. This structure is designed to deliver sustainable long-term growth. Forrester supported the positive assessment of the business model by revealing the company's FY22 financial results. She said Jumbo delivered "double-digital growth in ticket

sales, revenue, and earnings". Jumbo's board also declared a final ordinary dividend of \$0.205 per share, which brought the total dividend for the financial year to \$0.425 per share fully franked.

The assessment of strong revenue, earnings, and cash flow was amplified by an increase in Jumbo's player base. The heightened player count was attributed to the acquisitions of Stride in Canada and StarVale in the UK, which Forrester said added approximately 1.6 million active players in aggregate. In addition to the fully franked dividend and a cash position of approximately \$60m, the announcement of an on-market share buyback of up to \$25m was said to have contributed to the strong financial performance. However, Forrester conceded Stride and StarVale's acquisitions would result in "a significant increase in the amortization of acquired intangible charge in our profit and loss in FY23".

A major resolution to be voted upon at the company's AGM was an increase in the maximum aggregate amount available to be paid to non-executive directors. Forrester explained that the purpose of the increase was "to ensure the fee pool can accommodate an additional Non-Executive Director (NED) being appointed as the business expands and to ensure that remuneration arrangements to attract and retain high-caliber individuals remain competitive".

Similarly, Jumbo aimed to modify its remuneration framework in FY23 to align with market practice. Forrester said a major change would include long-term incentive structure. Cliff vesting share price hurdle would be replaced by a relative total shareholder return and an earnings per share measure.

When questions were open to attendees, in-person and online, Forrester was asked about the target dividend payout being in a range of 65% to 85% of statutory NPAT and whether this meant shareholders could expect future dividends to drop. She argued the range was to provide flexibility in case of future acquisitions and that cash could be prioritised for these acquisitions. Jumbo intended to convince shareholders that it would not fall any lower than 65%.

Using the meeting's online portal, we asked the Chair whether it would be possible to publish a skills matrix for each of Jumbo's board members. Forrester explained that while Jumbo undertakes an annual skills review of its directors, it is not a definitive requirement to publish the actual metrics. Instead, the company provides a commentary around where they believe their skills lie. However, she said publishing the metrics would be a future consideration.

We then questioned the rationale behind changing from a target percentage to a target range. Forrester said that with the company's international growth strategy, Jumbo might have "required allocation of capital outside that dividend range". They benchmarked how other companies approached dividends, which then resulted in the 65% to 85% range. She reinforced "flexibility" in relation to forward expenses with the international expansion policy.

Out of the meeting's seven voting resolutions, one of the most significant was the re-election of a key board figure. Regarding resolution 1, the re-election of Director Giovanni Rizzo, we asked whether the board was comfortable Mr. Rizzo would have the time to perform his NED duties given his workload as Chief Investor Relations Officer of Tyro. During the explanatory memorandum, Forrester highlighted Mr. Rizzo's twenty years' experience in gaming, finance, corporate

governance, and investor relations. She then answered our question directly by citing his strong work ethic as reflective of his ability to successfully fulfil his board role.

When pressed about whether Mr. Rizzo would acquire the 100,000 shares within the mandated timeframe, Forrester confirmed the Director's commitment to buying a parcel of shares before the end of 2022, and that he would comply with obligations under the mandatory shareholding requirements within five years of his appointment.

The voting results of the resolutions were published on [Jumbo's website](#). We voted in favour of all seven resolutions, including Item 2, the remuneration report. All resolutions passed with overwhelming support from shareholders.