



ZEAL Network SE

Investor Call
Annual Report as of 31/12/16

London, 24 March 2017

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Key Beliefs



Stand on more than one leg



Be a growth company



Be *THE* disruptor in the lottery industry

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Strategic Progress



- Internationalisation of B2C business
- Two charity licences received

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- Intensified investment in Marketing
- Product portfolio expansion
- Improved user experience



- Founded ZEAL Investments
- Launch of Hedging as a Service (HaaS)

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	What we did in 2016	KPI/Effect
Be a Growth Company	Intensified marketing investment	Normalised EBIT +8%, Billings +4%, Increased ABPU by 6%
Stand on more than one leg	Expansion of product portfolio and internationalisation readiness	Successful rollout of 8 new Instant Win Games
Disrupt the Lottery Market	Improved User Experience Received licence for Ireland	Launch of new user-facing webshop, providing a modern e-commerce experience and a platform for internationalisation

What's to come...



Increased Marketing investment in growth

Launch Internationalisation - Ireland Go-Live 29 March 2017

Further Expansion of Product Portfolio (new Lotteries)

New B2C KPIs

	2016	2015	Frequency
Billings (in million €)	261.3	248.3	Quarterly

Average Billings per User (in €)	58.03	54.63	Quarterly
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Average Monthly Active Users (in thousand)	375	379	Quarterly
December Monthly Active Users (in thousand)	476	411	Annually

- B2C billings, which comprise all stakes from customers (net of free bets), increased by 5%, with a very strong end to the year:
 - Driven by increased customer spend compared to the prior year, intensified marketing activities and the launch of new Instant Win Games
- Average Billings Per User (ABPU) grew by 6% to EUR 58 in 2016, compared to EUR 55 in 2015
 - This resulted from an increased product portfolio, Instant Win Games and enhanced user experience
- Average Monthly active users ('MAU') in 2016 were 375k, broadly flat year-on-year. December closing MAU position very strong, ending the year with 476k active users – 16% increase on prior year period due to:
 - A favourable jackpot situation in Q4
 - Increased marketing investment in the latter part of 2016

	What we did in 2016	KPI/Effect
Be a Growth Company	Growth of Spanish Business	Operational businesses in Spain profitable in 2016 – including ONCE, which was profitable for a full year for the first time
Stand on more than one leg	Lottery licences acquired	Norway / Netherlands Licences
Disrupt the Lottery Market	Developed a state-of-the-art platform enabling multi-tenant use and international mobilisation	Development of ‘Social lottery’ concept

What's to come...



Additional markets



Rollout in Norway (Go-Live in Q2 2017) and the Netherlands



Delivery of ‘Social lottery’ concept

New Ventures Update

	What we did in 2016	KPI/Effect
Be a Growth Company	Launch of Hedging as a Service(HAAS)	Signed first HAAS deal
Stand on more than one leg	ZEAL Investments Founded	Mass Challenge partnership will lead to creation of deal funnel
Disrupt the Lottery Market	ZEAL Investments acquired 10% stake in Free Postcode Lottery (FPL)	FPL have been able to ramp up Daily Active Users to in excess of 300k – 50% uplift since investment

What's to come...



Further Strategic Investments

Additional HAAS deals

Identification of further disruptive lottery models



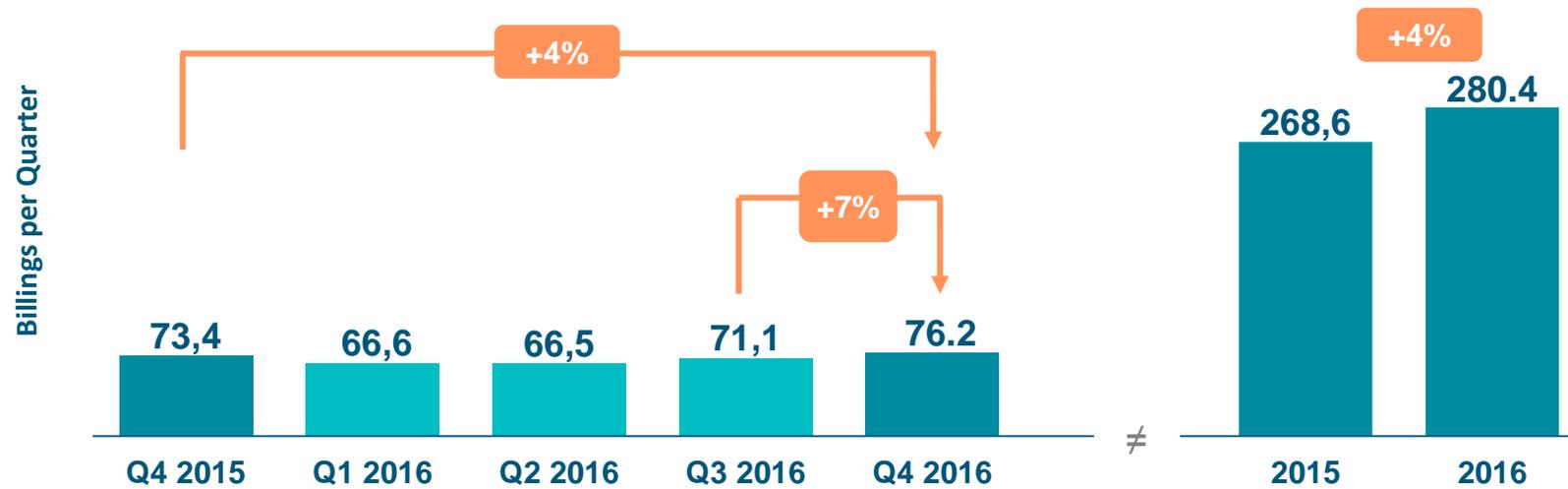
ML24 has held initial discussions with TAX authorities. Case will be ultimately settled in Courts

We remain confident that the outcome will be favourable for the Group

The future relationship between the UK and EU remains unclear, **but** in all scenarios we would expect that the company is suitably prepared and that the impact will be minimal

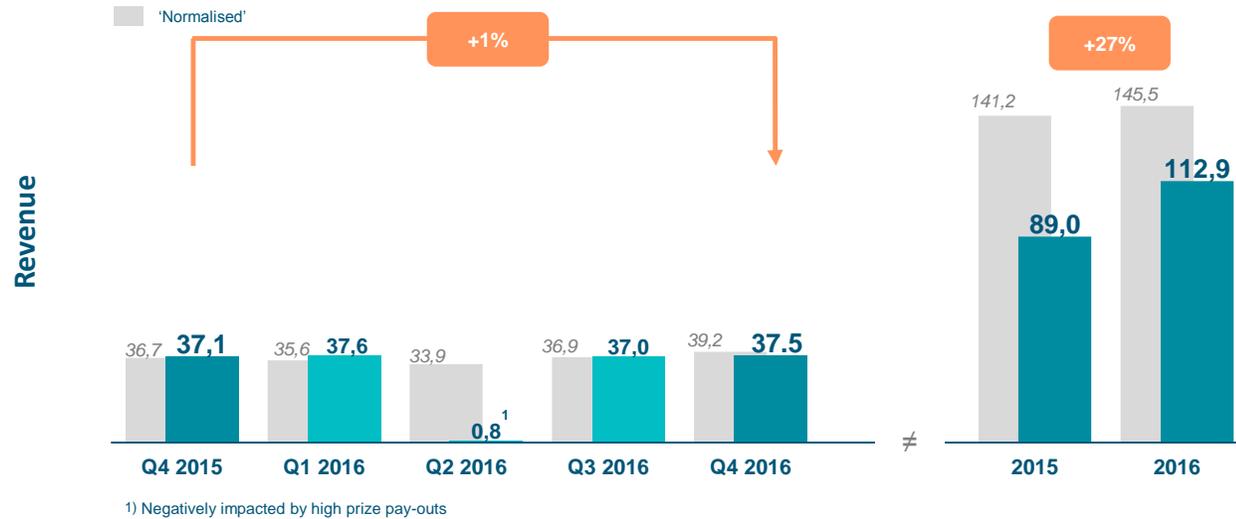


Development of Billings in million €

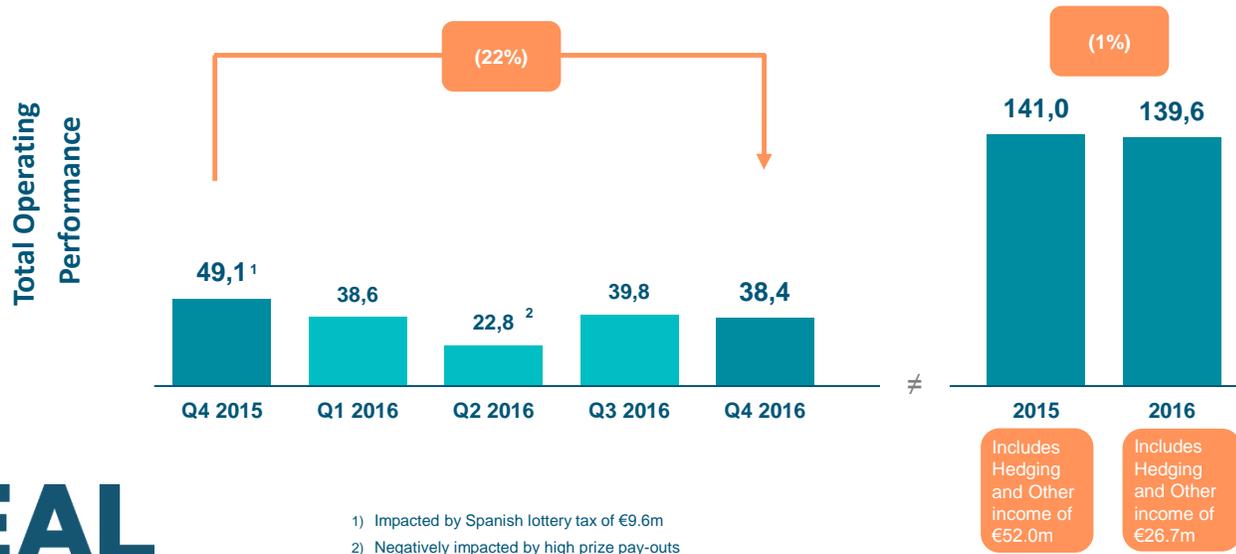


- Healthy underlying growth (Q3 – Q4 growth of 7%)
 - Favourable jackpot situation in Q4 and intensified marketing campaign in 2016
 - Successful rollout of Instant Win Games
 - Customers are spending more with us

Development of Revenue and TOP in million €

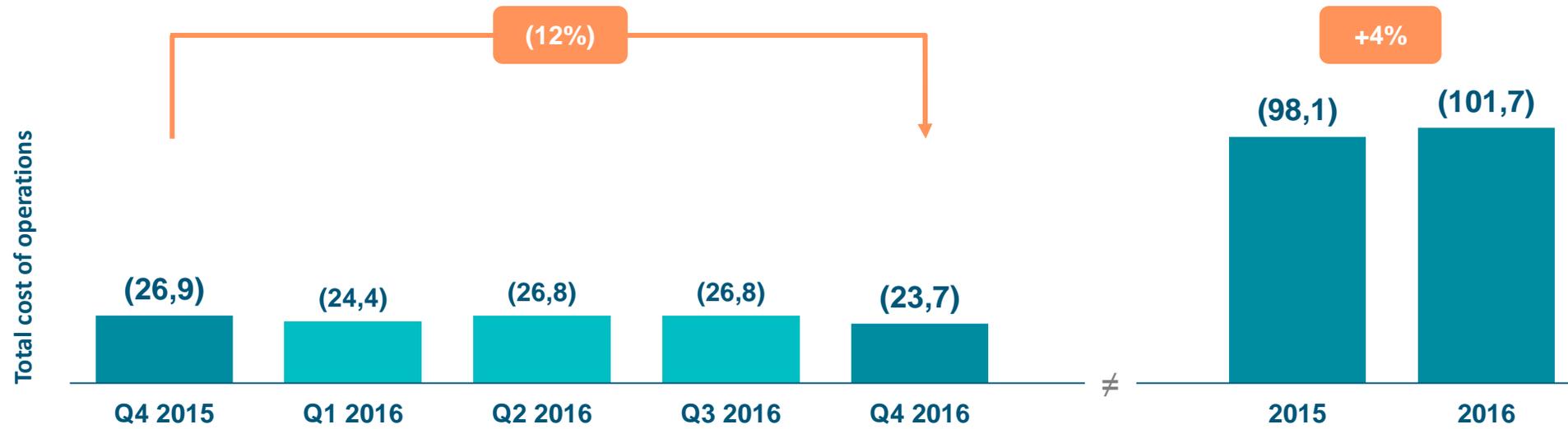


- Statutory Revenue increased by 27%
- 'Normalised' Revenue increased by 3%



- Total Operating Performance remained stable compared to previous year
 - Year-on-Year difference in TOP is attributable to lower hedging income in 2016 vs the prior period

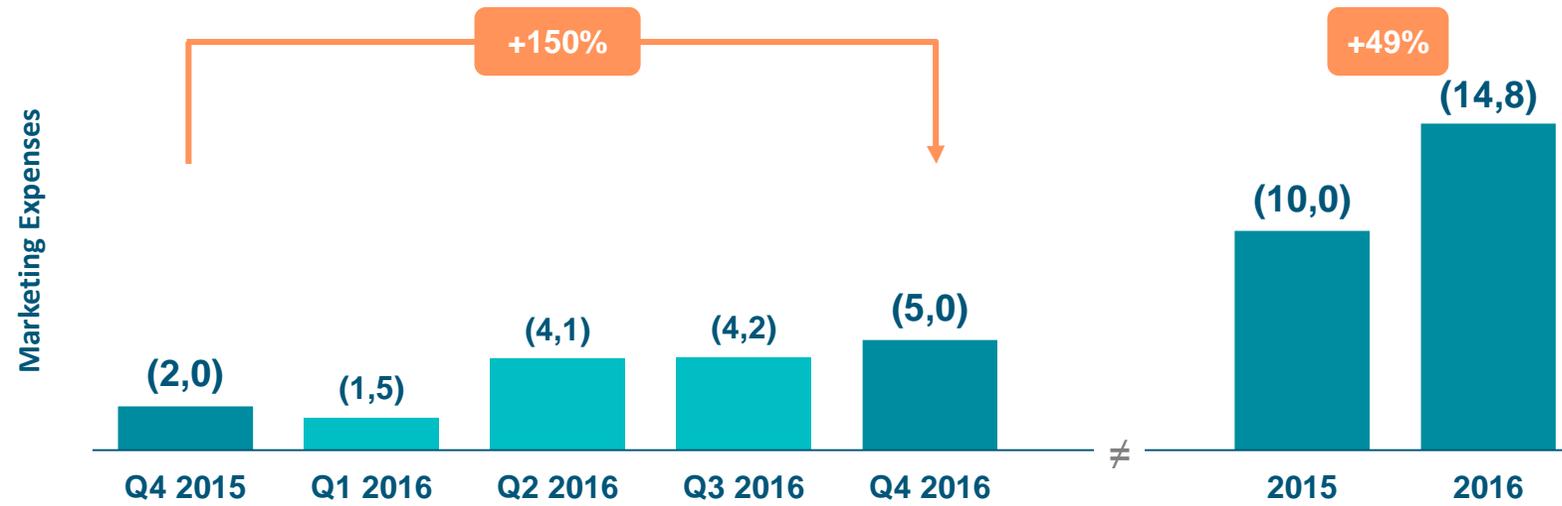
Development of Expenses in million €



Expenses Increased by €3.6m – primarily made up of:

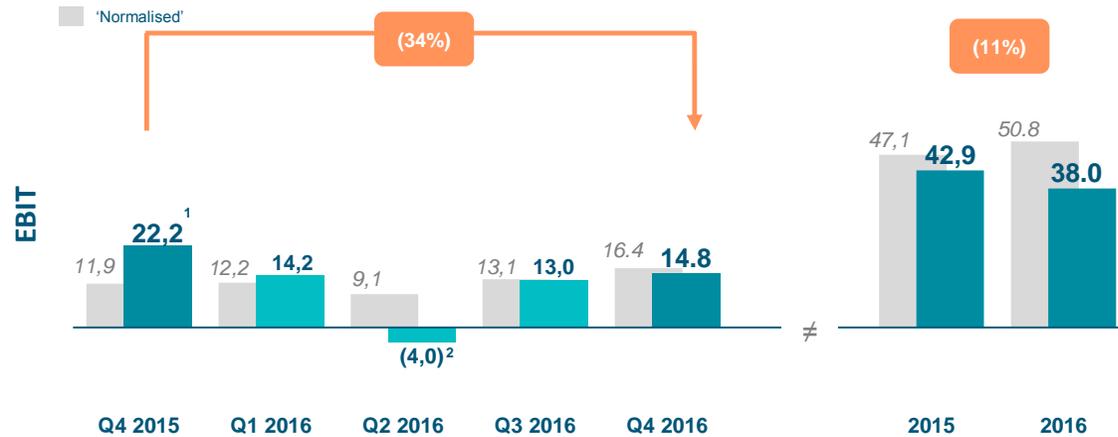
- Increased marketing investment of €4.8m
- Increase in direct (mainly hedging) costs of €2.5m
- Negative forex movements on GBP of €2.7m
- Partly offset by lower depreciation charges of €5.0m
- Reduction in other costs of operation of €3.8m

Development of Investment in Marketing in million €



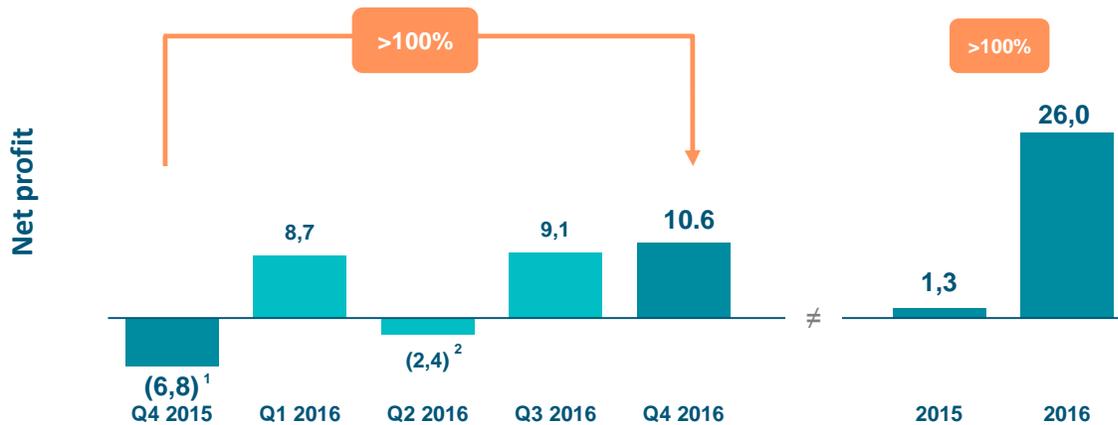
- Increase of €4.8m marketing investment compared to previous year led to a boost in active users in the last quarter:
 - Court rulings enhanced our marketing capabilities
 - Advertising campaign in Q2/2016 (TV, display marketing, affiliate marketing, SEO, etc.)
 - Increased marketing investment took place in the latter part of 2016

Development of EBIT and Net Profit in million €



1) Impacted by Spanish lottery tax of €9.6m
 2) Negatively impacted by high prize pay-outs

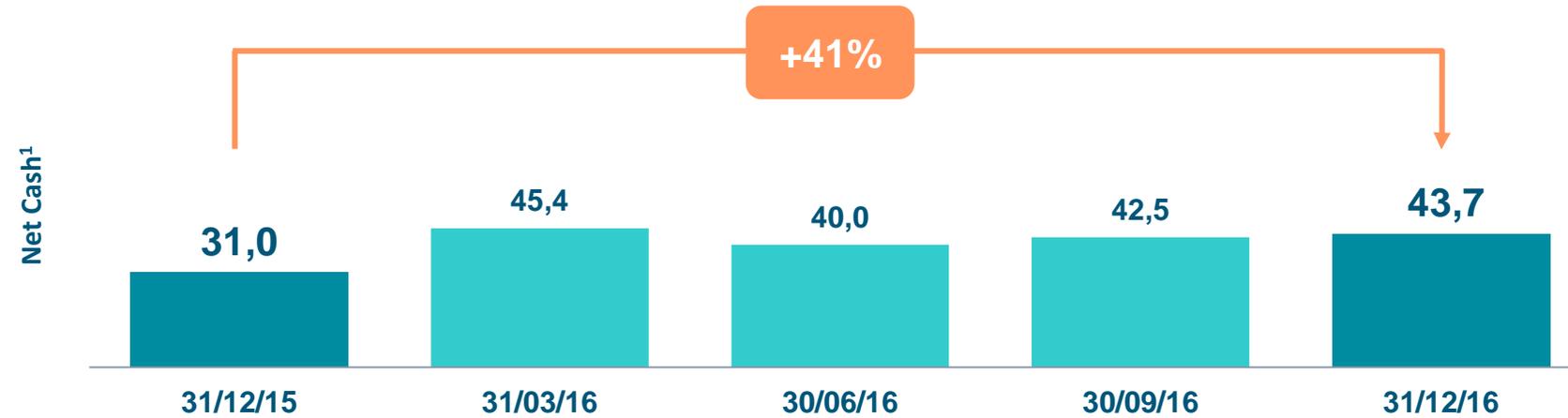
- 'Normalised' EBIT increased by 8%
- Statutory EBIT decreased by 11% to €38.0m, primarily due to €4.8m investment in marketing



1) Negatively impacted by non-cash charge for the Geo investments
 2) Negatively impacted by high prize pay-outs

- Net profit increase of €24.7m compared to previous year, driven mainly by the non-cash charge for the Geo investments in 2015 and lower corporate taxes
- Consolidated tax rate of 29% (2015: 93%)
- Earnings per share (EPS) of €3.09 (2015: €0.16)

Development of Net Cash in million €



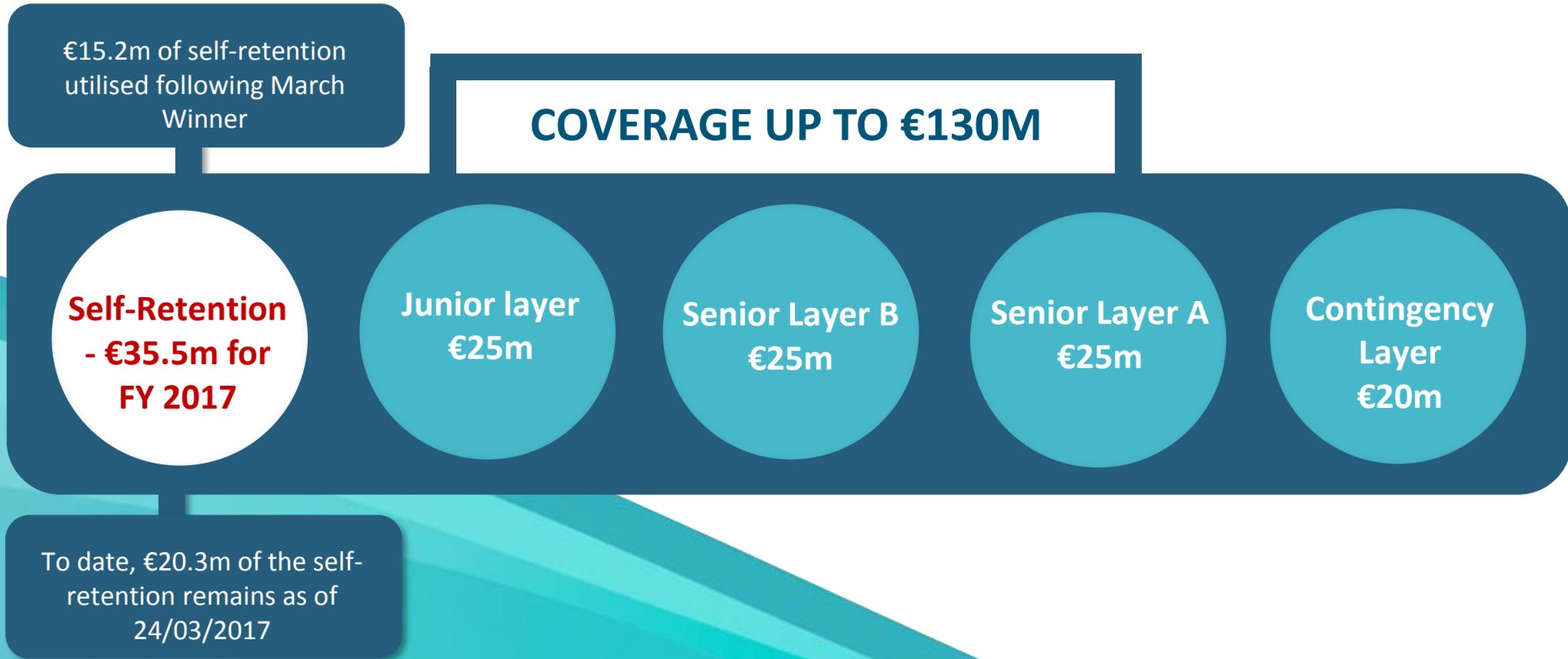
Net Cash was impacted in 2016 by:

- €53m inflow of Net Cash developments in the period, including Spanish Tax Authority Refund in Q1
- €40m outflow due to dividends and large prize pay-outs in the period

¹ Definition of Net Cash: Cash (less pledged cash) + Short-term financial assets + Other current assets and prepaid expenses, less Trade payables, Other liabilities, Income tax liabilities and a €50m hedging reserve

Guidance 2017	New Guidance	<i>Old Guidance</i>
Total Operating Performance	€ 130 - 140m	€ 145 - 155m
EBIT	€ 15 - 25m	€ 30 - 40m
Dividend	€ 1.00 per share	€ 1.00 per share

Impact on ILS Structure





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Appendix

Consolidated Income Statement and Balance Sheet

in €k

Income Statement		31/12/16	31/12/15	Change in %
	Revenue	112,935	88,962	+26.9
	Total operating performance	139,638	140,986	(0.6)
	Other operating expenses	(70,405)	(66,878)	+5.0
	EBITDA	41,224	50,107	(17.7)
	EBIT	37,956	42,849	(11.4)
	Earnings before taxes	36,511	19,604	+86.2
	Profit	25,951	1,346	+1,828.0

Balance Sheet		31/12/16	31/12/15	Change in %
	Current assets	131,339	132,156	+0.4
	Non-current assets	4,677	8,198	(40.5)
	ASSETS	136,016	140,354	(2.0)
	Current liabilities	36,259	43,711	(17.0)
	Non-current liabilities	2,199	1,474	+112.7
	Equity	97,558	95,169	+2.5
	EQUITY & LIABILITIES	136,016	140,354	(2.0)

Business Unit Segment Reporting as of 31/12/16

in €k

	B2C [A]	B2B/B2G [B]	Business unit total [A]+[B]=[C]	Reconcili- ation to stats [D]+[E]=[F]	- thereof normalisation adjustments [D]	- thereof other [E]	Statutory [C]+[F]
Revenue	138,594	6,686	145,280	(32,345)	(32,580)	235	112,935
Other operating income	2,626	308	2,934	23,769	19,716	4,053	26,703
Total operating performance	141,220	6,994	148,214	(8,576)	(12,864)	4,288	139,638
EBITDA	64,545	(9,782)	54,763	(14,641)	(12,864)	(1,777)	40,122
Depreciation/amortisation	(1,554)	(612)	(2,166)	–	–	–	(2,166)
EBIT	62,991	(10,394)	52,597	(14,641)	(12,864)	(1,777)	37,956
Financial result	–	–	–	(1,445)	–	(1,445)	(1,445)
EBT	–	–	52,597	(16,086)	(12,864)	(3,222)	36,511
Income tax	–	–	–	(10,560)	–	(10,560)	(10,560)
Net Profit/loss	–	–	52,597	(26,646)	(12,864)	(13,782)	25,951

Statutory / Normalised Revenue & EBIT in €k

Revenue		2016	2015	Variance
	Statutory	112,935	88,962	23,973
	Normalised	145,515	141,189	4,326
	Variance	(32,580)	(52,227)	

EBIT		2016	2015	Variance
	Statutory	37,956	42,859	(4,982)
	Normalised	50,820	47,135	3,685
	Variance	(12,864)	(4,276)	

Financial Calendar 2017

Publication of Annual Report 2016	24 March 2017
Publication of Q1 Report	12 May 2017
Annual General Meeting	30 June 2017
Publication of Q2 Report	11 August 2017
Publication of Q3 Report	10 November 2017



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