

ZEAL Network SE

Investor Call

Annual Report as of 31 December 2020

25 March 2021

GAME CHANGER

WE DRIVE CHANGE IN THE LOTTERY INDUSTRY.

ANNUAL REPORT 2020



ZEAL

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12M
2020

- Billings up 40%
 - High marketing investments drove growth, and
 - 918 thousand new customers acquired
 - Exceptionally good jackpot development
- New charity lottery freiheit+ successfully launched
- Targeted cost synergies completely implemented in Q4
- Market share expanded
- Market cap exceeding one billion euros for the first time
- €246 million for good causes

ESG – WE CARE...



...FOR SOCIETY:

€246m FOR GOOD CAUSES



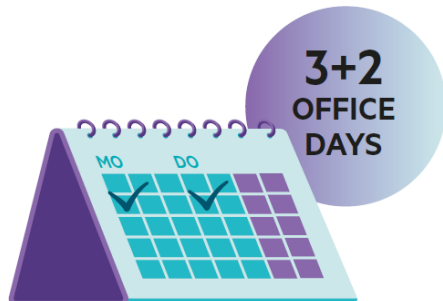
Eden Reforestation Projects

...FOR OUR CUSTOMERS:
WE PREVENT ADDICTION



...FOR OUR EMPLOYEES:

WE WORK AS FLEXIBLE AS POSSIBLE



...FOR ENVIRONMENT:

WE MORE THAN HALVED

OUR ELECTRICITY CONSUMPTION



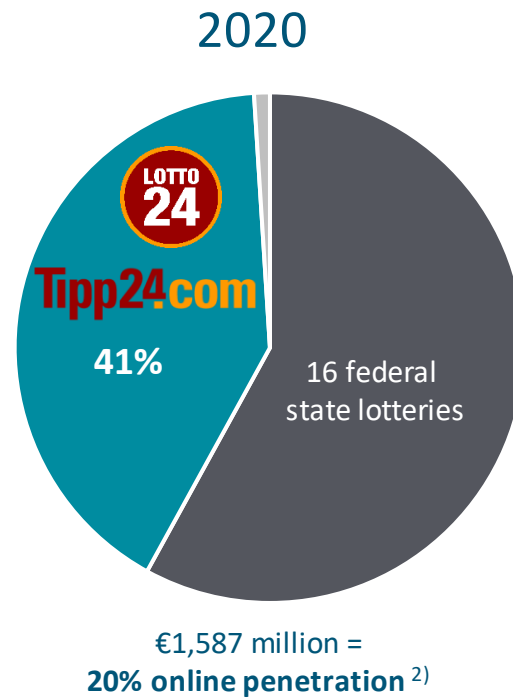
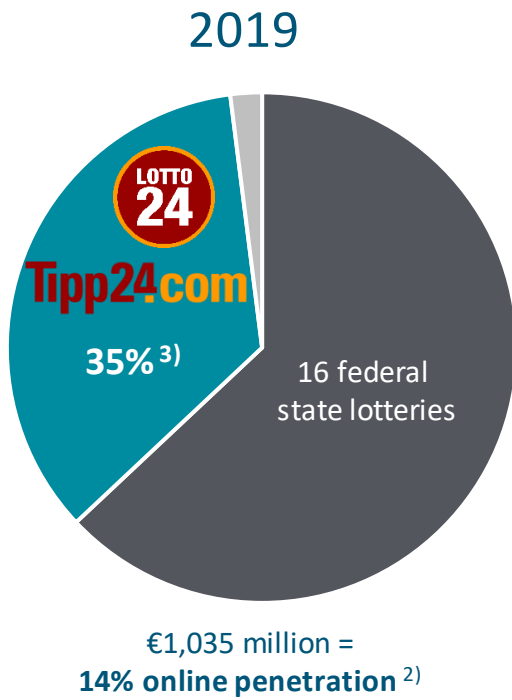
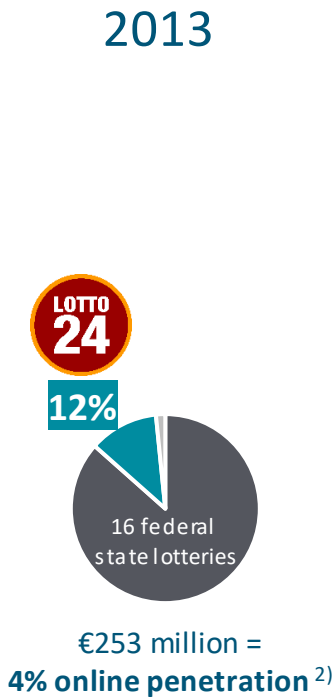
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Business Update

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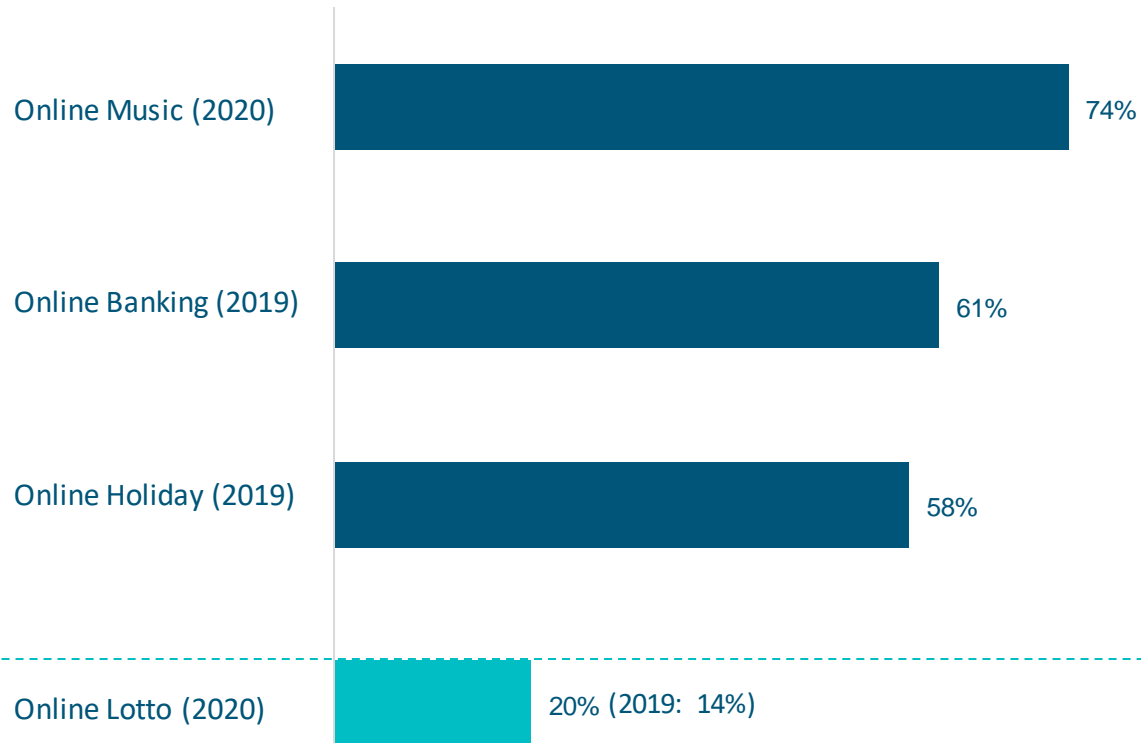
Market leadership extended ¹⁾



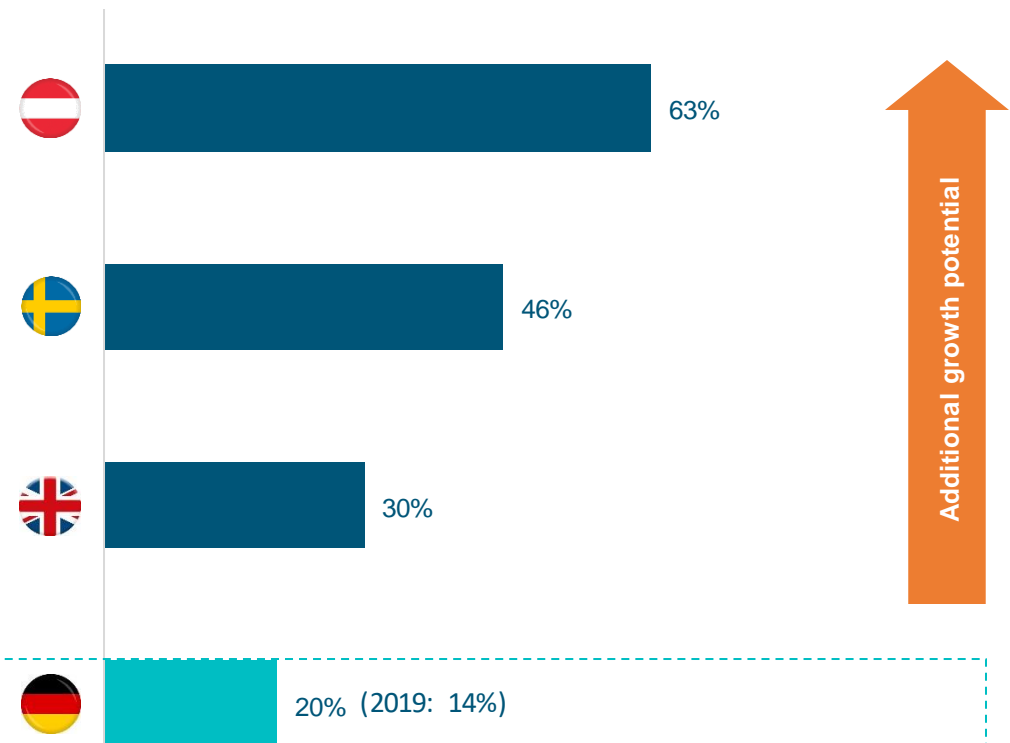
¹⁾ According to information of the German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«) and calculations of the German Lottery Association (»Deutscher Lottoverband, DLV«)
²⁾ Total sales of the DLTB lottery market: 2013: €7.0 billion/ 2019: €7.3 billion, 2020: €7.9 billion
³⁾ Full year Lotto24 billings as well as Tipp24 billings only since the business model change on 15 October 2019

Online market shares show strong growth momentum

Online penetration by industries



Online lottery penetration by countries (2019)

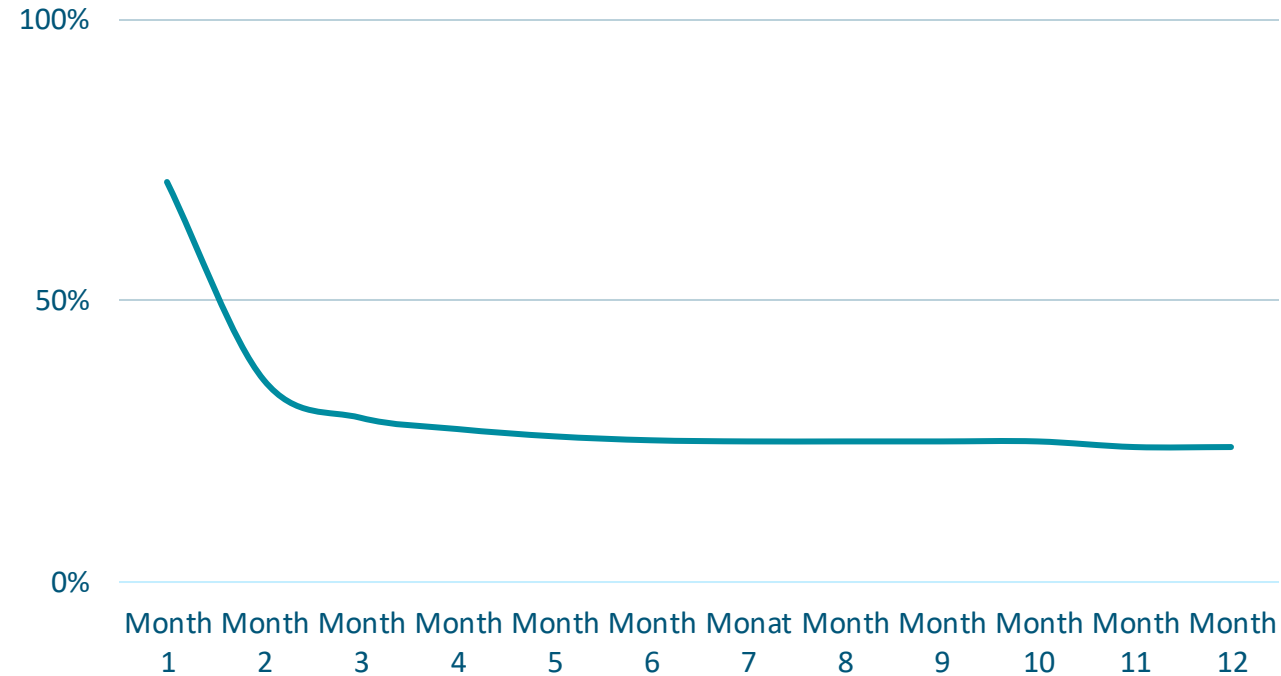


Source: statista, VIR Daten und Fakten 2020, press release BVMI, German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«), German Lottery Association (»Deutscher Lottoverband, DLV«)

Source: La Fleur's 2020 European Lottery Abstract (based on 2019 numbers)

After 6 months around 25% of new registered customers remain active

Activity rate per registered customer cohort in month after registration

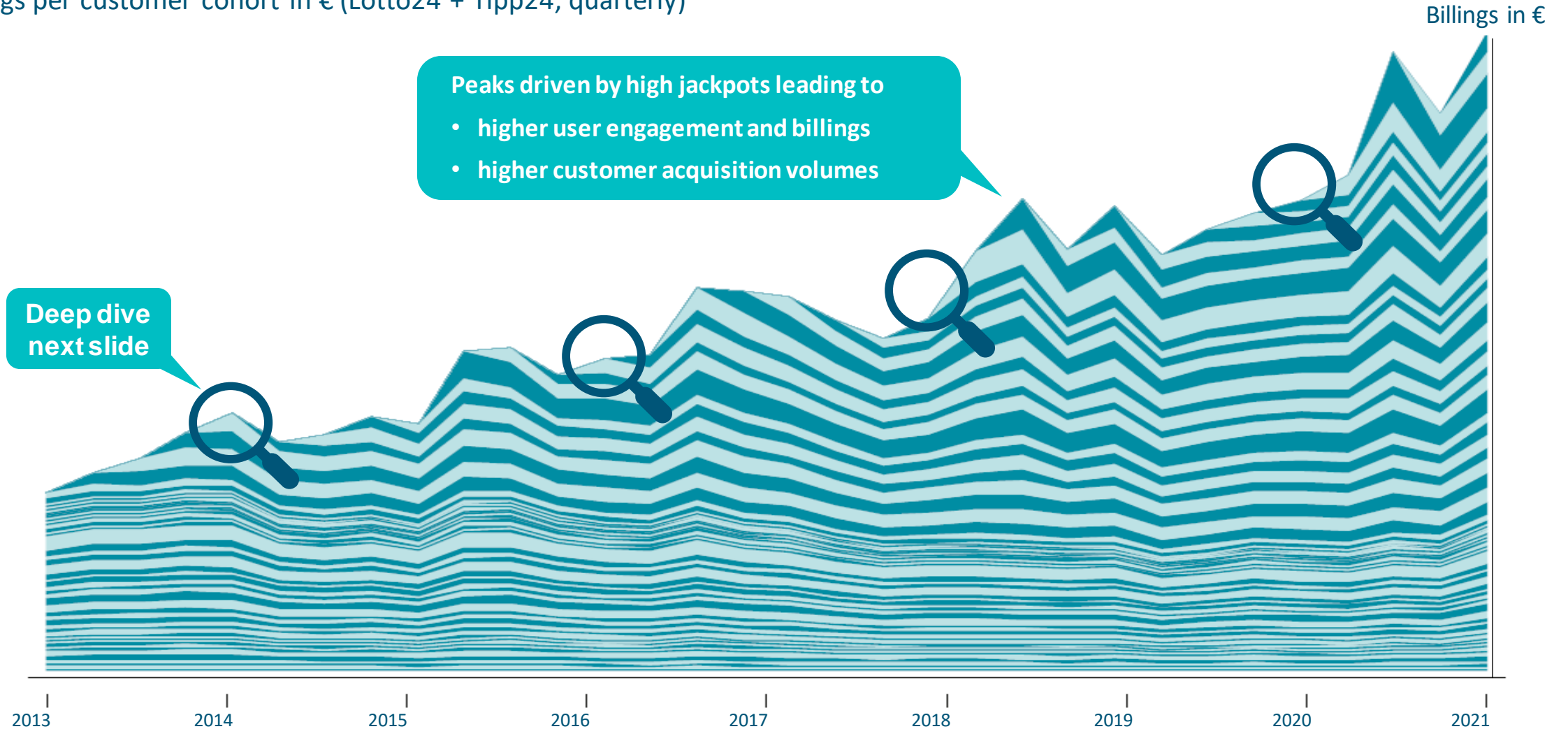


After month 6, churn rate p.a. at c5% of active users per year

Source: Historical Lotto24 customer data since 2013

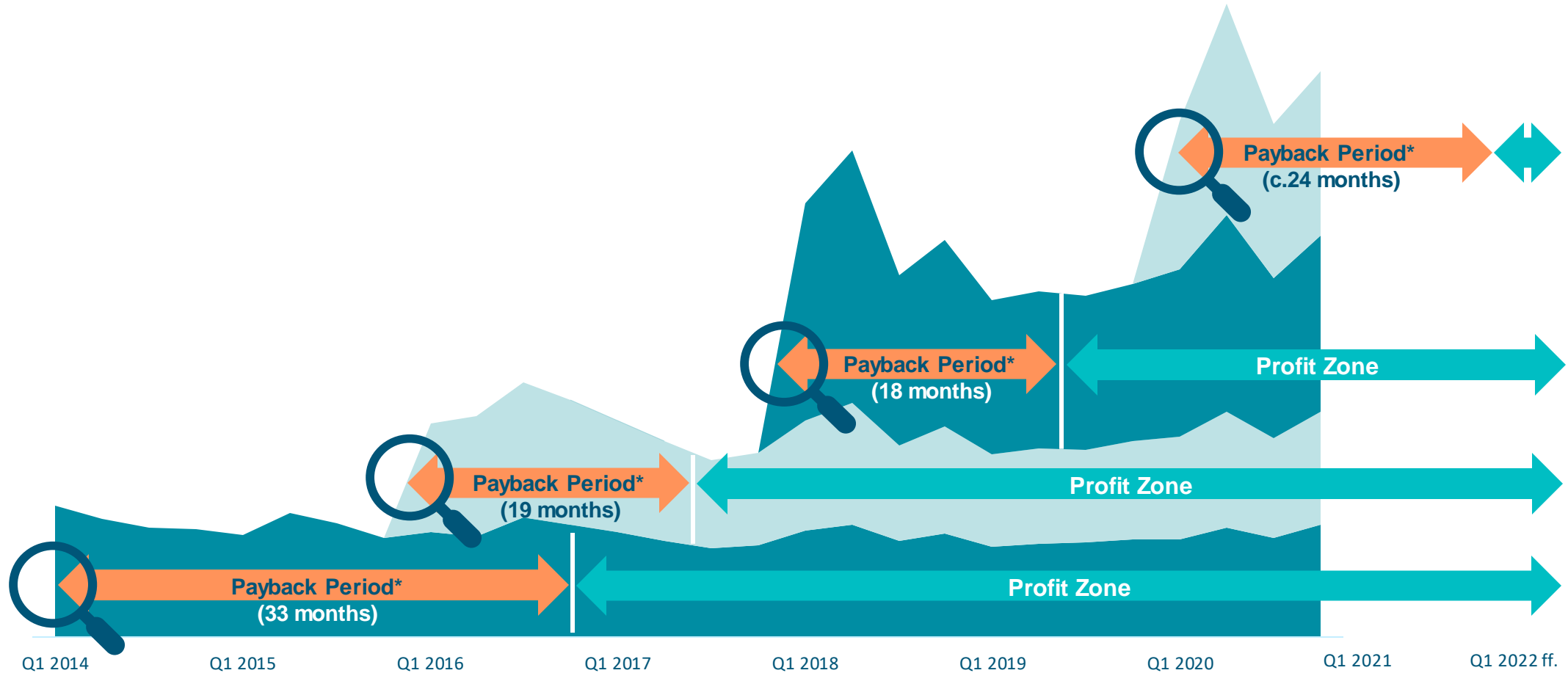
Customers are very loyal and generate high long-term value

Billings per customer cohort in € (Lotto24 + Tipp24, quarterly)



Deep dive into specific customer cohorts (Q1/2014, Q1/2016, Q1/2018 and Q1/2020)

Billings in €



*Calculated payback period based on official online lottery brokerage business



Recent Developments

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Recent Developments

- State Treaty on Games 2021
 - Draft of the new law is in the ratification process in the federal states
- COVID-19
 - Current restrictions has not negatively impacted our business model
- Google Play Store
 - Google amended its access guidelines and plans to allow specific gambling products

We Have Delivered On Our Promises And Already
Fully Realised The Planned Cost Synergies In The
Fourth Quarter 2020.

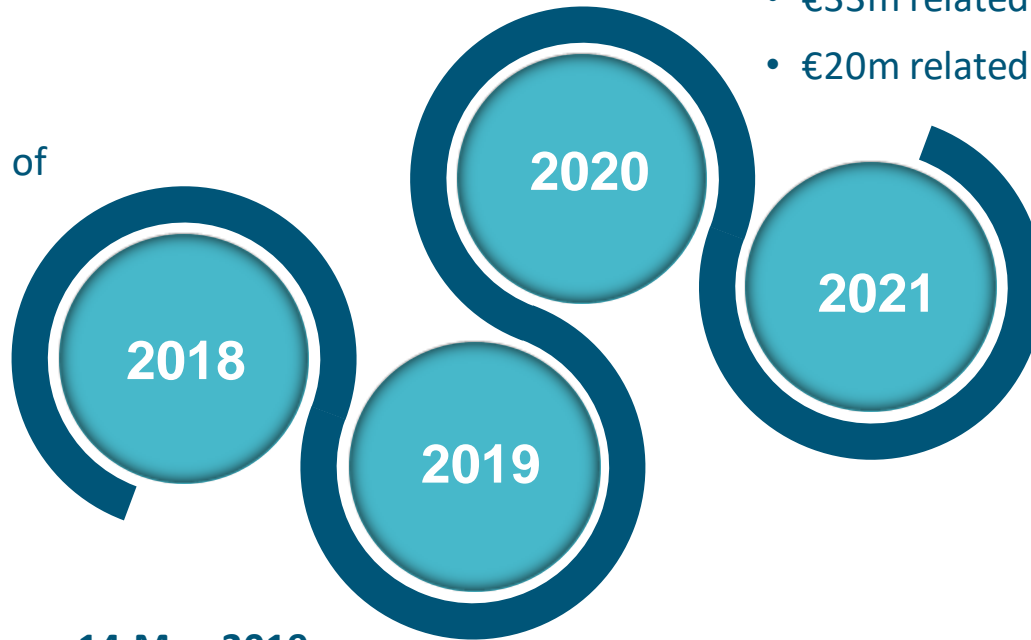
Jonas Mattsson, CFO, ZEAL



Cost synergies achieved

19-Nov-2018

Announcement of the takeover offer of Lotto24



14-May-2019

Completion of the takeover of Lotto24. Starting point for the realisation of cost synergies

May-2020

Target of 80% of planned cost synergies after the first year of completing the Lotto24 takeover – **91%** already achieved.

- €33m related to the BMC
- €20m related to additional cost savings

31-Dec-2020

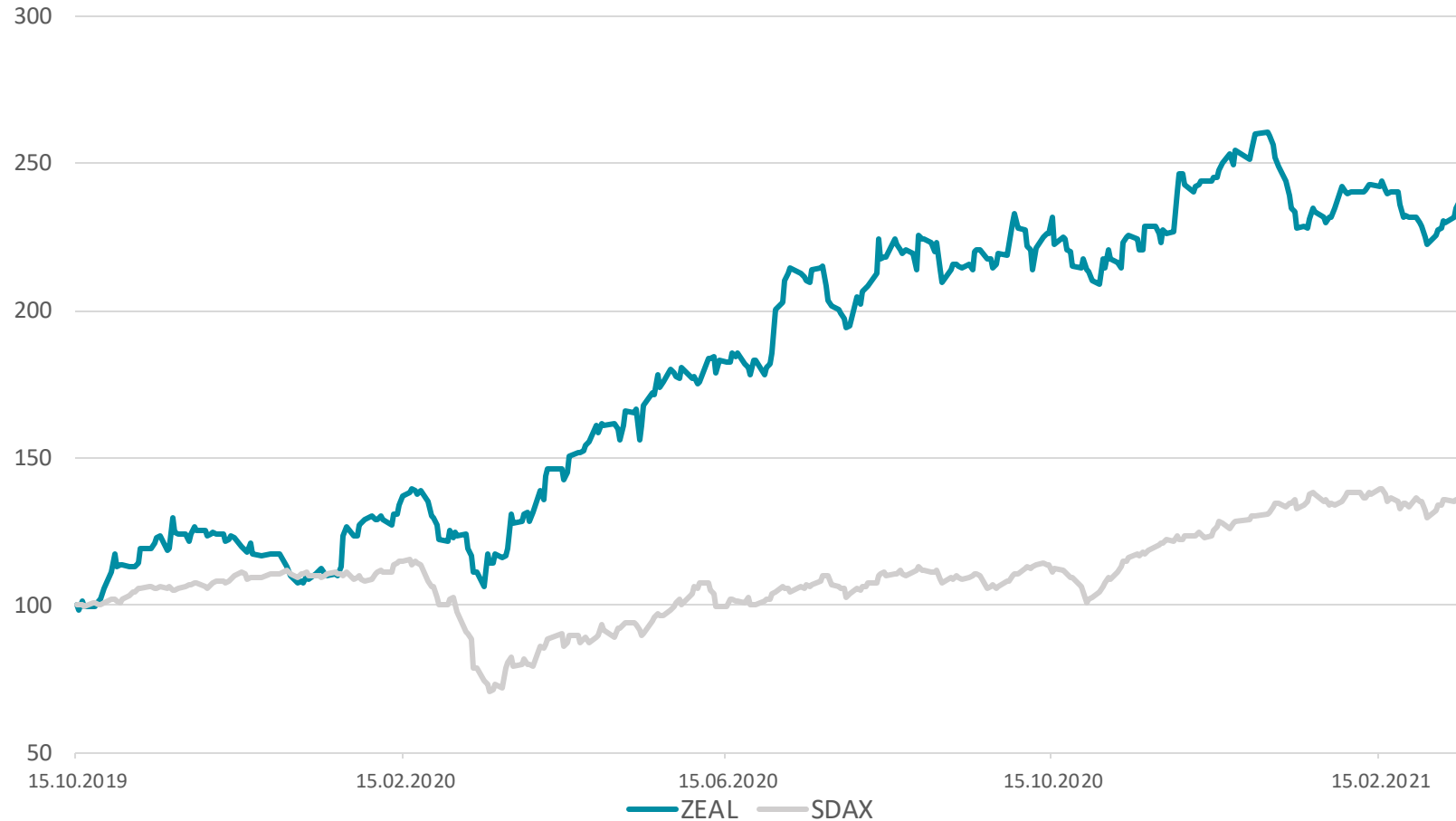
Target of 100% of planned cost synergies after the second year of completing the Lotto24 takeover – expected to be achieved by May 2021

100% ALREADY ACHIEVED IN Q4 2020

- €33m related to BMC
- €9m related to Personnel costs
- €16m related to additional cost savings

Market capitalisation

- Market capitalisation more than doubled during Business Model Change and exceeding one billion Euros at year end
- Returned to SDAX and now part of the MSCI Global Small Cap Index





Financial Update

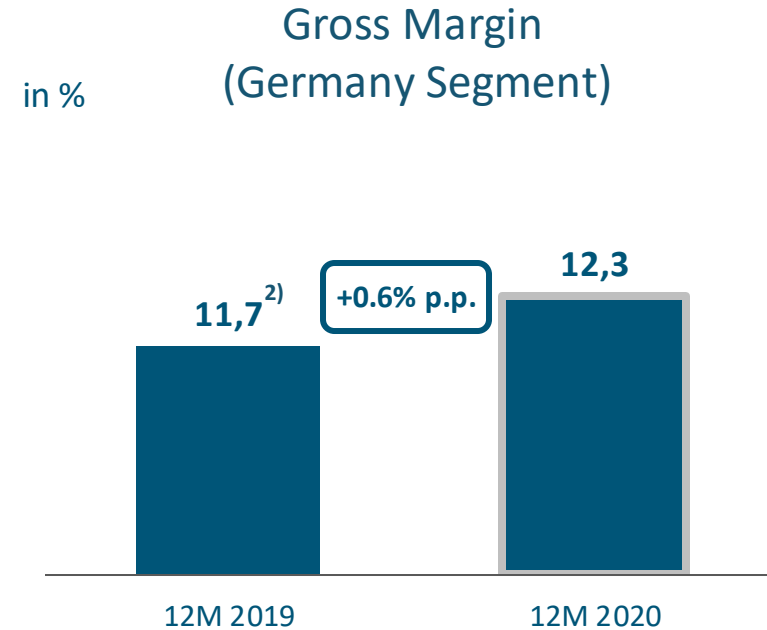
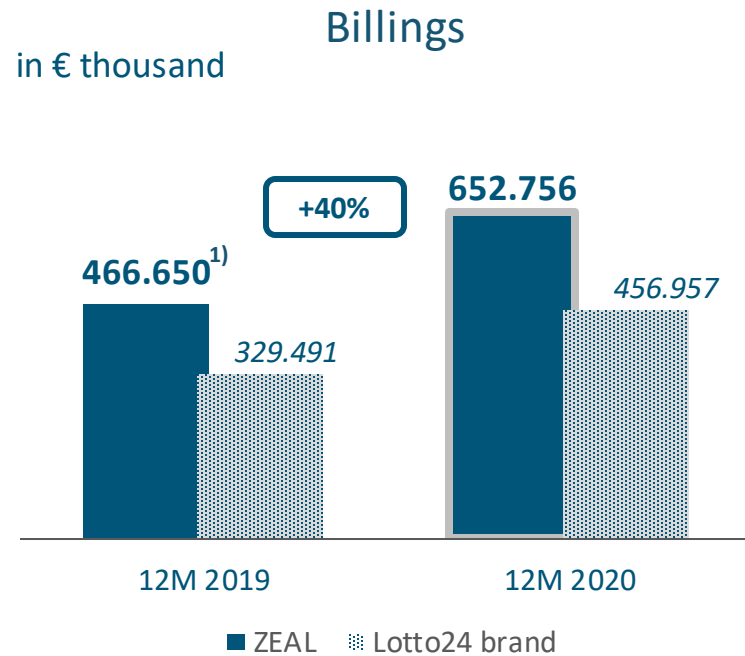
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ZEAL Income Statement 12M 2020 - condensed

in € thousand		12M 2020	12M 2019	Change in %
Income Statement	Revenue	87,023	113,475	(23.3)
	Personnel expenses	(21,870)	(22,964)	(4.8)
	Other operating expenses	(56,292)	(68,963)	(18.4)
	Marketing expenses	(32,183)	(21,706)	+48.3
	Direct operating expenses	(10,840)	(29,311)	(63.0)
	Indirect operating expenses	(13,269)	(17,946)	(26.1)
	Adjusted EBITDA¹⁾	12,744	29,350	(56.6)
	Amortisation and depreciation	(11,956)	(8,845)	+35.2
	Non-recurring income and expenses	4,587	(11,438)	+140.1
	EBIT	5,375	9,067	(40.7)
	Net profit after taxes	7,893	1,718	359.4

Comments
<ul style="list-style-type: none"> ➤ Revenue: <ul style="list-style-type: none"> – Decreased as a result of the expected revenue dis-synergies in connection with the Business Model Change ➤ Total costs of operations: <ul style="list-style-type: none"> – Reduced nearly €14m despite absorbing LOTTO24 costs <ul style="list-style-type: none"> ➤ Personnel expenses: <ul style="list-style-type: none"> – Further reduction of employees to 160 FTE's (2019: 181 FTE's) – Increased provision for incentive programs ➤ Marketing expenses: <ul style="list-style-type: none"> – The high jackpot development was successfully exploited with higher marketing investments (+€10.5m) and resulted in record customer acquisition numbers ➤ Direct operating expenses: <ul style="list-style-type: none"> – Removal of hedging costs and non-deductible VAT after the Business Model Change ➤ Indirect operating expenses: <ul style="list-style-type: none"> – Reduction is mainly driven by a decrease in advisory costs and in travel expenses ➤ Adjusted EBITDA: <ul style="list-style-type: none"> – Despite the significantly increased marketing costs, Adjusted EBITDA reached €12.7m

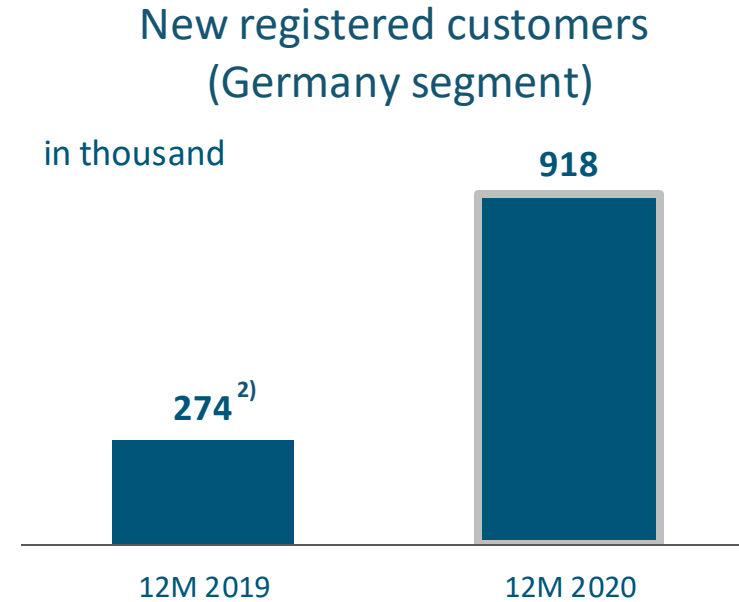
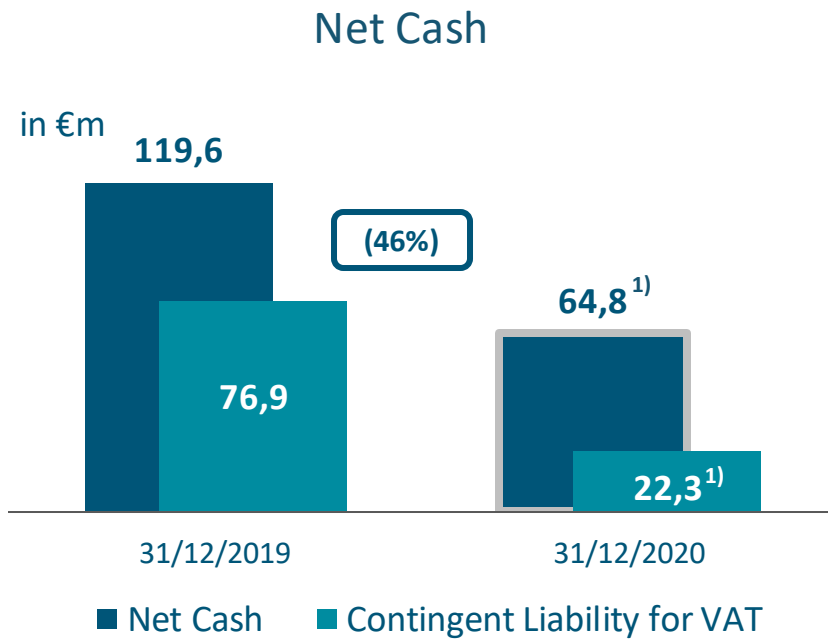
Other performance indicators I



¹⁾ Incl. LOTTO24 since 14 May 2019

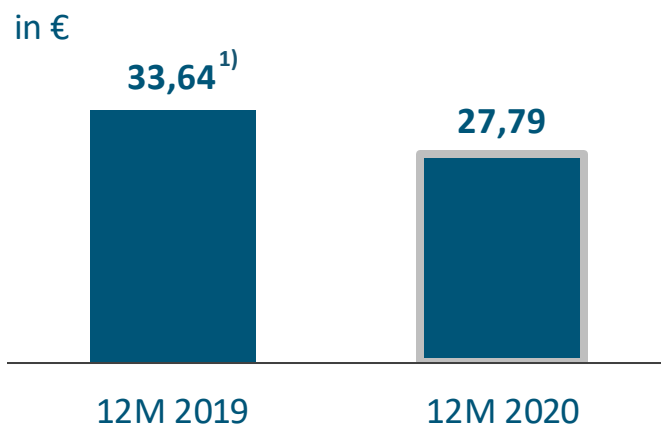
²⁾ This only includes the brokerage business of the Lotto24 brand from its acquisition on 14 May 2019 and the Tipp24 brand from 15 October 2019 onwards (since the Business Model Change).

Other performance indicators II

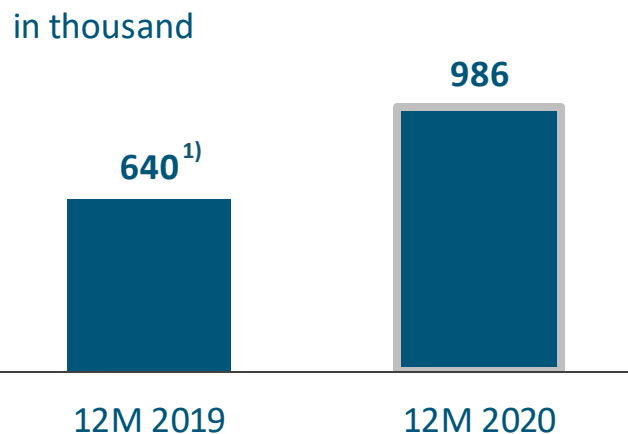


Other performance indicators III

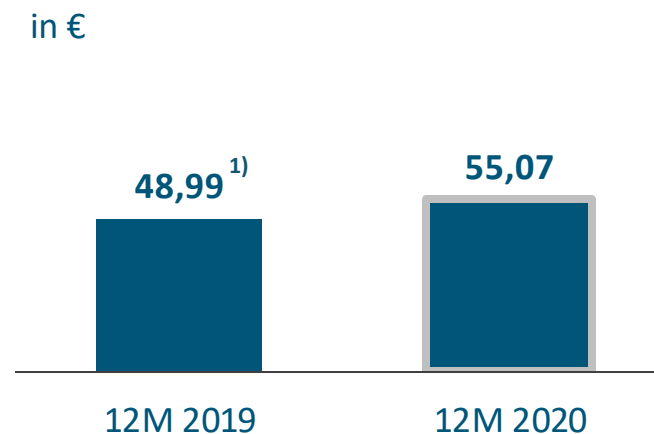
Cost per Lead, CPL
(Germany Segment)



Monthly Active Users (MAU)²⁾
(Germany Segment)



Average Billings per User, ABPU³⁾
(Germany Segment)



1) This only includes the brokerage business of the Lotto24 brand from its acquisition on 14 May 2019 and the Tipp24 brand from 15 October 2019 onwards (since the Business Model Change).

2) MAU (monthly average active users is the number of unique users who have either purchased a ticket or participated in a draw in a given month (incl. free bets)) provides a measure of the Company's ability to retain and attract new customers.

3) ABPU (average billings per user per month is the average net billings received from each active customer in a given month. It is calculated by dividing monthly net billings by average monthly active users) and provides a measure of the Company's ability to increase loyalty and value from our customers.



Outlook

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Consolidated Guidance 2021

in €m	2021 Guidance	2020 Actual
Billings (Germany segment)	At least 700	651.8
Revenue	At least 95	87.0
Adjusted EBITDA¹⁾	At least 20	12.7

¹⁾Earnings before interest, taxes, depreciation, amortisation and non-recurring expenses

In fiscal year 2021, we plan to further expand our market leadership as an online provider of state lottery and other lottery products with the LOTTO24 and Tipp24 brands.

Depending on the general conditions, in particular the jackpot development, we expect billings of at least €700 million for the Germany segment. Following an exceptionally strong jackpot development in the previous year, we have assumed an average jackpot development, resulting in a lower growth rate than in the previous year.

Moreover, we expect revenue to be at least €95 million in fiscal year 2021. With similarly high marketing investments as in the previous year of €32 million to acquire new registered customers, adjusted EBITDA is expected to reach at least €20 million.

Dividend Policy

- Due to the positive liquidity situation of the ZEAL Group and the expected further increase in profitability, we will propose a **total pay-out of €20.2 million** (2019: €17.9 million) to the Annual General Meeting on 1 June 2021.
- This corresponds to a dividend of **€0.90 (+12.5%)** per share for the fiscal year 2020 (2019: €0.80)
- Depending on the economic development of the ZEAL Group, we have set ourselves the target of proposing a dividend of €1.00 per share to the shareholders at the Annual General Meeting in 2022



Key Take-Aways

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ZEAL: Key take-aways

A very successful year with a 40% billings growth

Targeted cost synergies completely implemented in Q4

New products launched and record high customer acquisition

Market capitalization doubled

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Questions

Answers



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Appendix



ZEAL: Consolidated Income Statement and Balance Sheet in €k

Income Statement		31/12/20	31/12/19	Change in %
	Revenue		87,023	113,475
Total costs of operations		(78,162)	(91,927)	(15.0)
Adjusted EBITDA ¹⁾		12,744	29,350	(56.6)
EBIT		5,375	9,067	(40.7)
Profit before taxes		7,856	8,328	(5.7)
Net Profit		7,893	1,718	+359.4

Balance Sheet		31/12/20	31/12/19	Change in %
	Current assets		104,432	173,998
Non-current assets		389,902	347,135	+12.3
ASSETS		494,334	521,133	(5.1)
Current liabilities		36,051	49,909	(27.8)
Non-current liabilities		62,721	65,499	(4.2)
Equity		395,562	405,725	(2.5)
EQUITY & LIABILITIES		494,334	521,133	(5.1)

¹⁾ Earnings before interest, taxes, depreciation, amortisation and non-recurring expenses

ZEAL: Business Unit Segment Reporting as of 31/12/20 in €k

	Germany	Other	Total
Revenue	80,005	7,018	87,023
Other operating income	3,642	(9)	3,633
Adjusted EBITDA¹⁾	11,750	994	12,744
Depreciation/amortisation	–	–	(11,956)
EBIT	–	–	5,375
Financial result	–	–	2,694
Share of loss from associates			(213)
EBT	–	–	7,856
Income tax	–	–	37
Net Profit/loss	–	–	7,893

ZEAL: KPIs

Secondary lottery business					Broker Business				
Billings (in €m)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
	77.7	67.4	112.0	153.3	134.0	140.0	174.4	157.3	181.0
ABPU (in €)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
	60.4	57.5	60.5	57.3	48.4	49.5	54.5	54.9	61.3
MAU (in k)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
	427	375*	365	917	925	942	1,065	954	984

*Restated based on prior quarter correction

Financial calendar 2021

Publication of Annual Report 2020	25 March 2021
Publication of Q1 Report	7 May 2021
Annual General Meeting	1 June 2021
Publication of Half-Year Report	12 August 2021
Publication of Q3 Report	11 November 2021



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