

ZEAL Network SE

Investor Call, Preliminary Numbers as of 31/12/19
19 February 2020



ZEAL

Content

1. Summary 2019
2. Preliminary numbers 2019
3. German online lottery market
4. Guidance 2020
5. Future cost structure

ZEAL



12M
2019

- Exciting and successful year for ZEAL
 - Reintegration of Lotto24
 - Business model change and
 - Relocation
- Rise in billings
- Significant cost savings realised
- Adjusted EBITDA in line with guidance
- Market share expanded

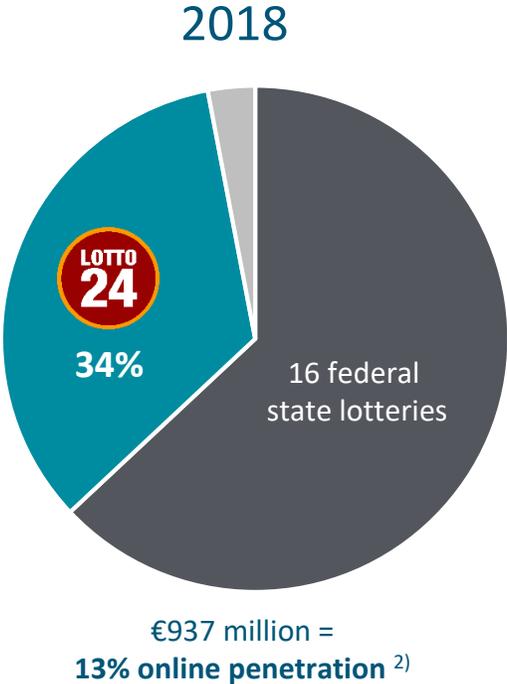
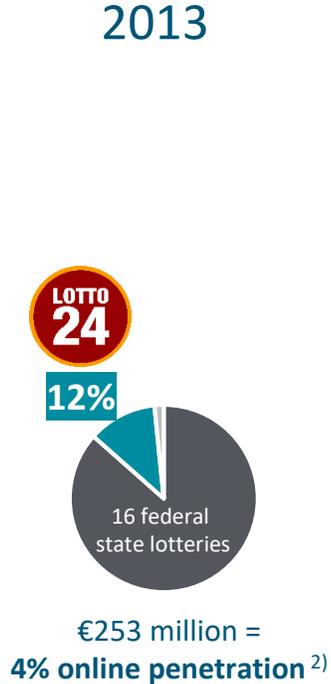
Preliminary and unaudited figures ¹⁾

Income Statement	in € million	12M 2019 ¹⁾	12M 2018	Change in %
	Billings	466.7	296.3	+57.5
	Revenue	113.5	154.8	(26.7)
	Total operating performance (TOP)	121.6	159.7	(23.9)
	Personnel expenses	(23.0)	(28.8)	(20.1)
	Other operating expenses	(69.5)	(83.7)	(17.0)
	Marketing expenses	(22.1)	(19.7)	+12.2
	Direct operating expenses	(29.4)	(44.3)	(33.6)
	Indirect operating expenses	(18.1)	(19.7)	(8.1)
	Adjusted EBITDA ²⁾	28.8	47.7	(39.6)
Amortisation and depreciation	8.8	1.1	+700.0	
Non-recurring expenses	11.1	8.3	33.7	
EBIT	8.8	38.3	(77.0)	

Comments
<ul style="list-style-type: none"> ➤ Billings: <ul style="list-style-type: none"> – Billings increased due to the Lotto24 takeover ➤ TOP: <ul style="list-style-type: none"> – Revenues decreased due to a high prize pay-out owed to the old secondary lottery business and the announced revenue dis-synergies from the business model change ➤ Personnel expenses & other operating expenses: <ul style="list-style-type: none"> – Reduced by almost €20m despite absorbing Lotto24 costs of €22m <ul style="list-style-type: none"> ➤ Personnel expenses: <ul style="list-style-type: none"> – Reduction of employees to 190 FTE's (2018: 228 FTE's excl. Lotto24) ➤ Direct costs: <ul style="list-style-type: none"> – Removal of hedging costs and non-deductible VAT after business model change ➤ Other costs of operations: <ul style="list-style-type: none"> – Decrease mainly driven by the adoption of IFRS 16, recruitment and other personnel costs ➤ Adjusted EBITDA: <ul style="list-style-type: none"> – In line with recently raised guidance – Negatively impacted by a significant prize pay-out in September

²⁾ Result from operating activities before amortisation, depreciation, impairment and non-recurring expenses

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/ 2018: €7.3 billion, 2019: €7.3 billion

³⁾ Full year Lotto24 billings as well as Tipp24 billings only since the business model change on 15 October 2019

Consolidated Guidance 2020

Comparative figures for 2019 are difficult to compare with those forecast for 2020 due to the Lotto24 takeover in May 2019 and the business model change from a secondary lottery to an online lottery broker in Germany in October 2019.

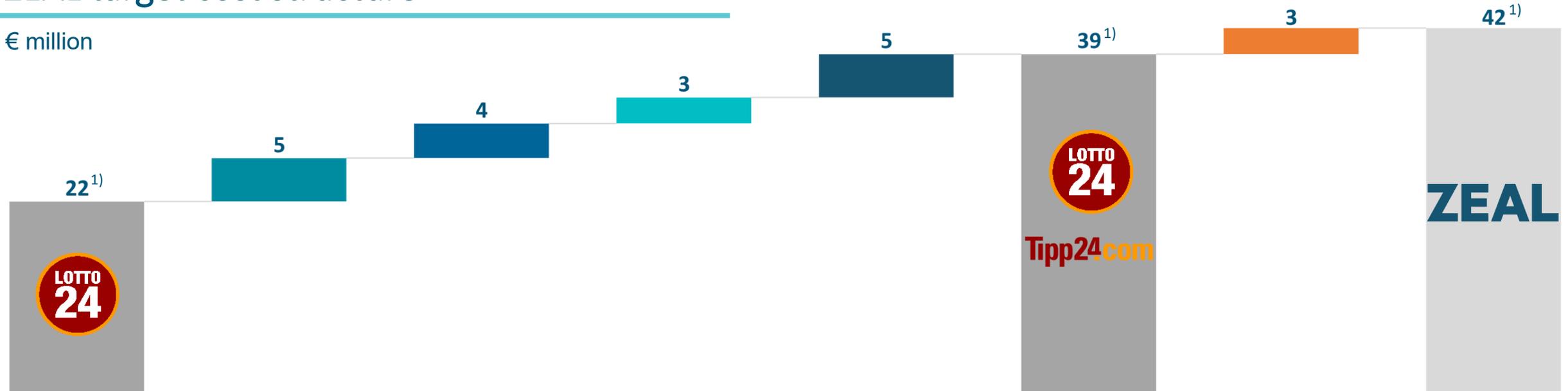
in €m	2020 Guidance	2019 ¹⁾ Actual
Billings (€ million)	550-570	466.7
Revenue (€ million)	70-73	113.5
Gross margin (%)	Approx. 12	24.3
Adjusted EBITDA (€ million)	5-8	28.8
CPL (German business, €)	Lower than previous year	32.50
New registered customers (German business, thousand) ²⁾	Nearly twice as many new customers	274

¹⁾ Including Lotto24 since 14 May 2019, secondary lottery business up to 15 October 2019 and Tipp24 brokerage business beginning with 15 October 2019.

²⁾ Related to the Germany business of the ZEAL Group. 2019: incl. Lotto24 since 14 May 2019 and Tipp24 only since the business model change on 15 October 2019.

Reconciliation of Lotto24 cost base to ZEAL target cost structure ¹⁾

€ million



Cost base Lotto24

- Based on full year 2018 numbers ²⁾
- Adjusted for inflation & cost increases
- Including reclassification of marketing cost into direct costs

Volume effects

- Increase of billings (depending on jackpots) leads to higher direct costs
- Additional marketing staff to manage higher acquisition/ marketing investment

Platform investments

- Stable, versatile and state of the art platform that can quickly add new products and functionalities
- Reflected in increased number of IT staff & other operating expenses

New products / functionality

- Improved product offering like IWG's and social lotteries, leading to increase in billings & margin
- Reflected in personnel costs & other operating expenses

Transitional costs

- Reflecting transition, e.g. technology cost until platform unification & org restructuring completed
- Higher costs due to 2 stock-listed companies & complexity

Cost base Germany

Cost base International

- Also revenue contribution
- Expected to be profit neutral in 2020

Cost base ZEAL Group

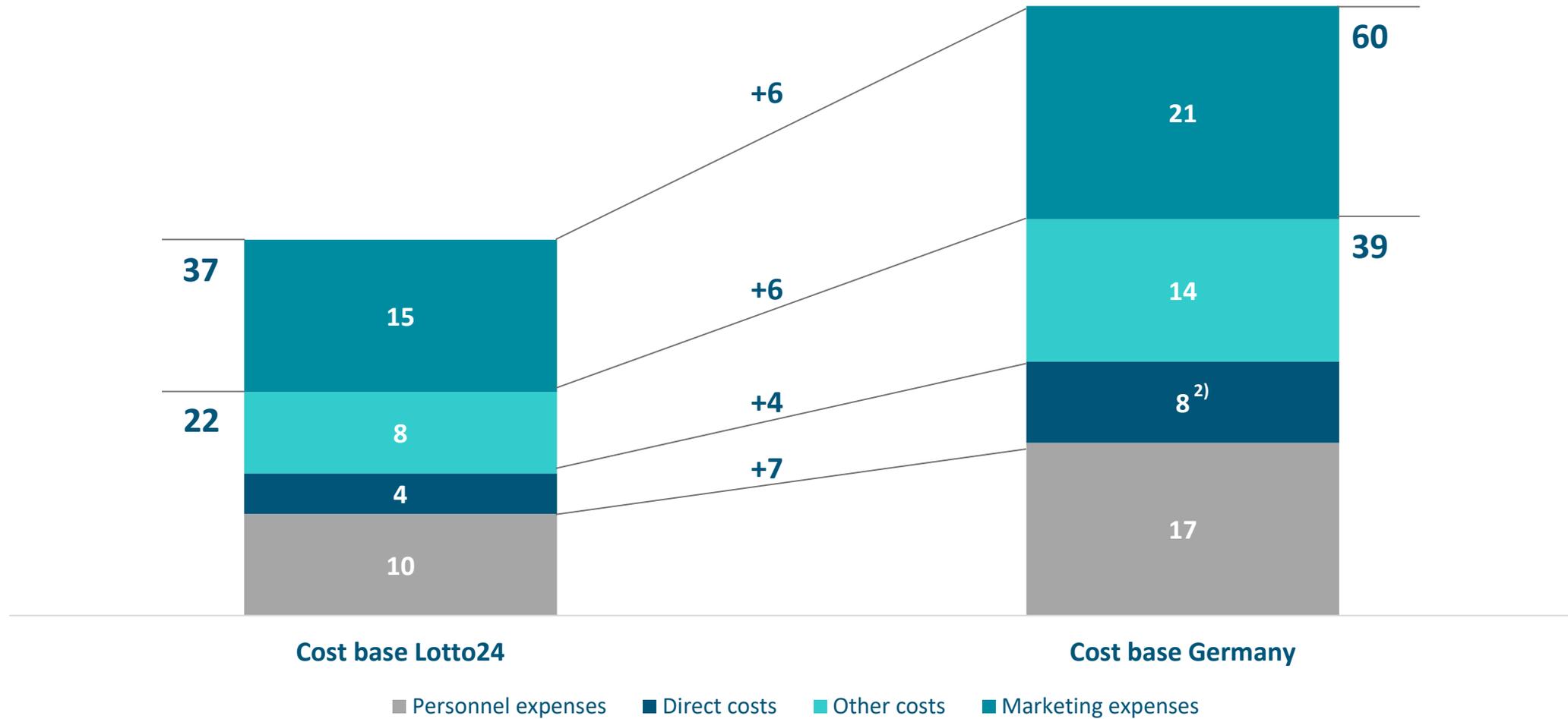
ZEAL

¹⁾ Operational costs excluding marketing expenses, amortisation, depreciation and non-recurring expenses

²⁾ Annualized Q4 2018 cost run rate would suggest a Lotto24 cost base of €24 million as starting point for comparison

Reconciliation of Lotto24 cost base to ZEAL target cost structure related to the P&L ¹⁾ (incl. Marketing)

€ million



¹⁾ Operational costs excluding amortisation, depreciation and non-recurring expenses

²⁾ Including costs of approx. €3 million, that were reflected in Lotto24 in other cost positions and therefor lead to an increase of % of billings (now approx. 1.4%)

ZEAL

Questions

Answers



Disclaimer

This presentation has been jointly prepared by ZEAL Network SE and Lotto24 (together the "Companies") solely in connection with the analyst and investor call on 19 February 2020. The information contained herein must not be relied upon for any purpose and may not be redistributed, reproduced, published, or passed on to any other person or used in whole or in part for any other purpose.

This document contains certain forward-looking statements relating to the businesses, financial performance and results of the Companies and/or the industry in which the Companies operate. Such forward-looking statements, including assumptions, opinions and views of the Companies and statements from third parties, are uncertain and subject to risks. A multitude of factors can cause actual events to differ significantly from any anticipated development. The Companies do not guarantee that the assumptions underlying such forward-looking statements are free from errors, nor do they accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecasted developments.

No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the Companies or any of their subsidiary undertakings or any of such person's officers, employees or advisors accepts any liability whatsoever arising directly or indirectly from the use of this document.

By accepting this presentation, you acknowledge that you will be solely responsible for your own assessment of the market and the market position of each of the Companies and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of each of the Companies' businesses.

This presentation is for information only and shall not constitute investment advice. It is not intended for solicitation purposes but only for use as general information..

This presentation is dated 19 February 2020. Neither the delivery of this presentation nor any further discussions of any of the Companies with any of the recipients, shall, under any circumstances, create any implication that there has been no change in the affairs of any of the Companies since such date.



Frank Hoffmann, CEFA

Investor Relations Manager

ZEAL

Straßenbahnring 11
20251 Hamburg

T +49 (0) 40 808 141 - 123

M +49 (0) 175 267 3420

frank.hoffmann@zealnetwork.de

www.zealnetwork.de