

# ZEAL Network SE

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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

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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

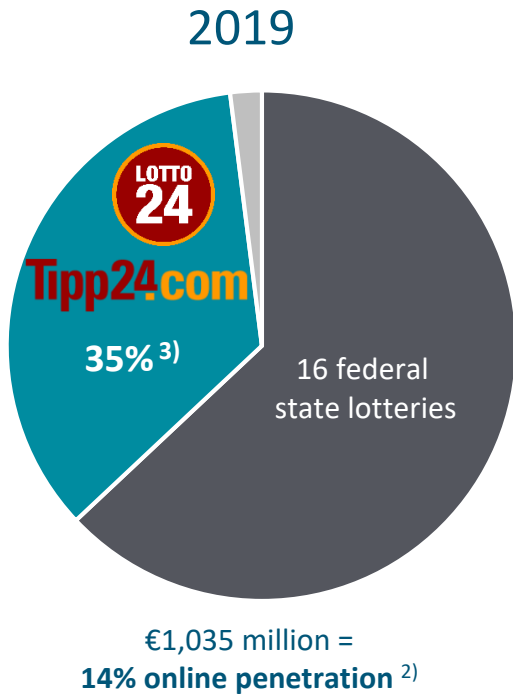
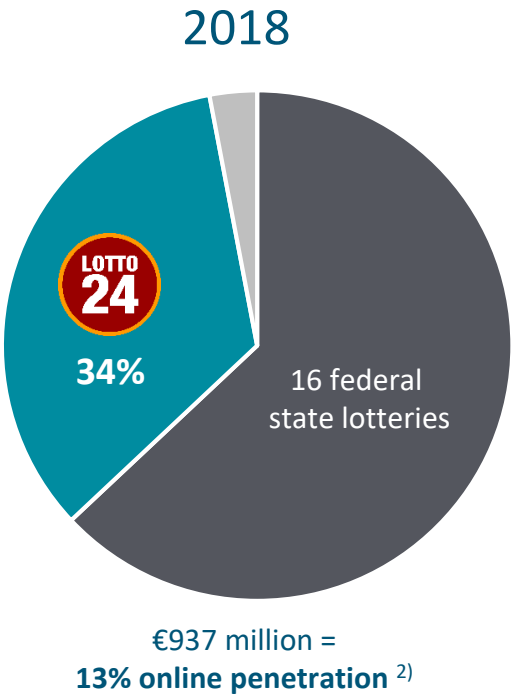
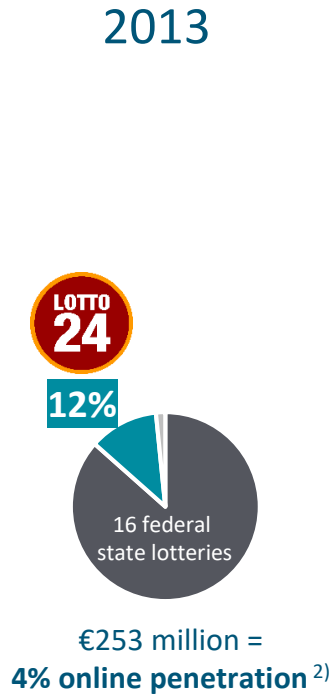
# Preliminary and unaudited figures <sup>1)</sup>

| Income Statement              | in € million                         | 12M 2019 <sup>1)</sup> | 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)         |
|                               | <b>Adjusted EBITDA <sup>2)</sup></b> | <b>28.8</b>            | <b>47.7</b>   | <b>(39.6)</b> |
| Amortisation and depreciation | 8.8                                  | 1.1                    | +700.0        |               |
| Non-recurring expenses        | 11.1                                 | 8.3                    | 33.7          |               |
| <b>EBIT</b>                   | <b>8.8</b>                           | <b>38.3</b>            | <b>(77.0)</b> |               |

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

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

# Market Leadership Extended <sup>1)</sup>



<sup>1)</sup> 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«)

<sup>2)</sup> Total sales of the DLTB lottery market: 2013: €7.0 billion/ 2018: €7.3 billion, 2019: €7.3 billion

<sup>3)</sup> 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.

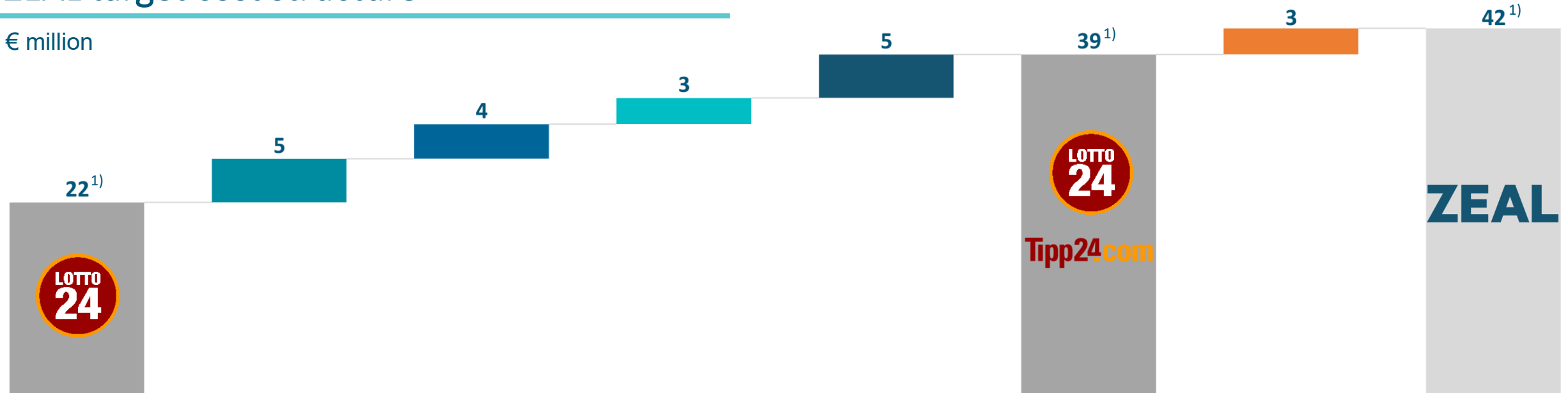
| in €m   | 2020<br>Guidance                         | 2019 <sup>1)</sup><br>Actual |
|---|--|------------------------------|
| Billings (€ million)  | 550-570                                  | 466.7                        |
| Revenue (€ million)   | 70-73                                    | 113.5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

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

<sup>2)</sup> 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 <sup>1)</sup>

€ million



## Cost base Lotto24

- Based on full year 2018 numbers <sup>2)</sup>
- 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

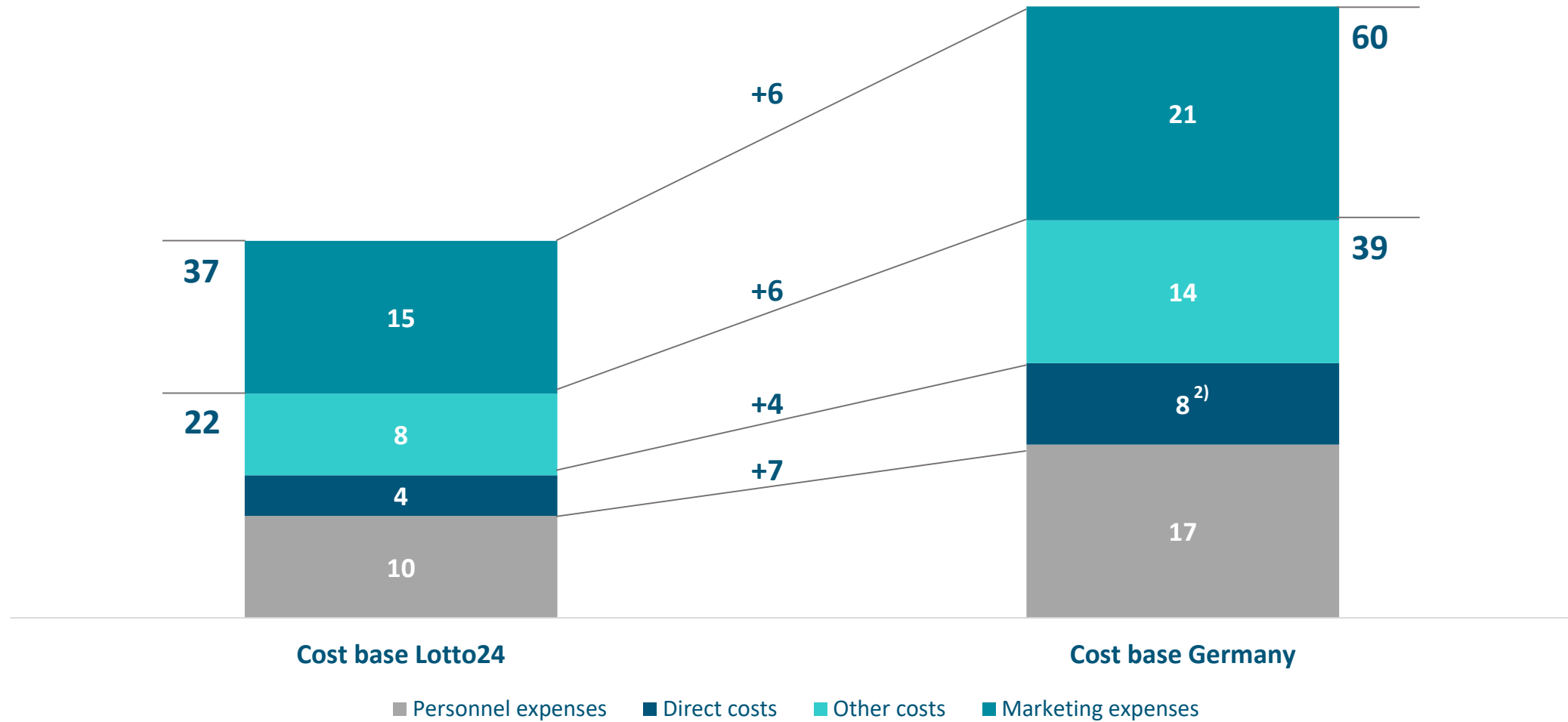
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<sup>1)</sup> Operational costs excluding marketing expenses, amortisation, depreciation and non-recurring expenses

<sup>2)</sup> 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 <sup>1)</sup> (incl. Marketing)

€ million



<sup>1)</sup> Operational costs excluding amortisation, depreciation and non-recurring expenses

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



# ZEAL

Questions

Answers



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