

ZEAL Network SE

Investor Call

Quarterly Statement as of 31 March 2020

14 May 2020

BETTER 2GETHER

QUARTERLY STATEMENT
1 January – 31 March 2020

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We are on a good way to reach our goals, even if some steps of the transition, such as the complete technical integration of Lotto24 AG, are still pending.

Jonas Mattsson, CFO, ZEAL





Summary

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3M 2020

- Promising start into the business year 2020
 - Significant increase in billings
 - Improved gross margin
 - High number of new registered customers
 - Launch of new social lottery - freiheit+
 - Majority of cost savings realised
- Reporting segments reorganised
- Guidance and dividend policy reiterated
- Back in the SDAX



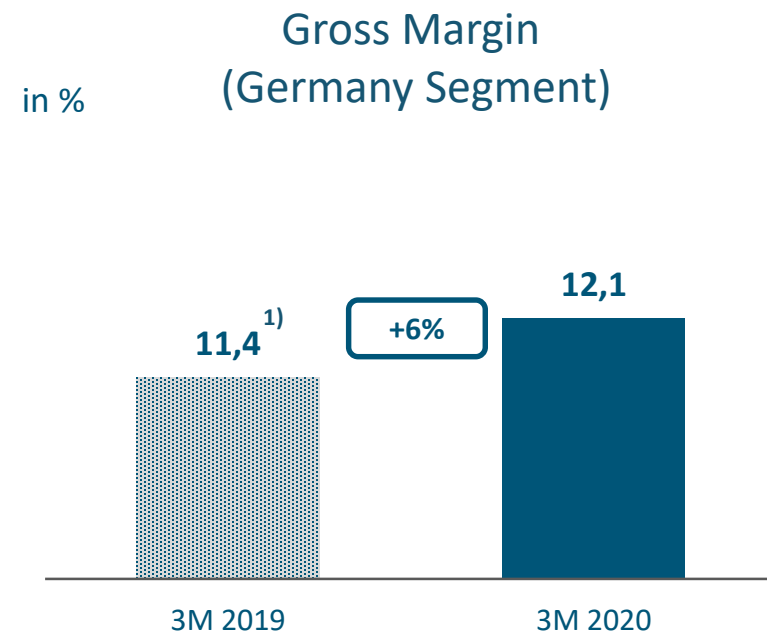
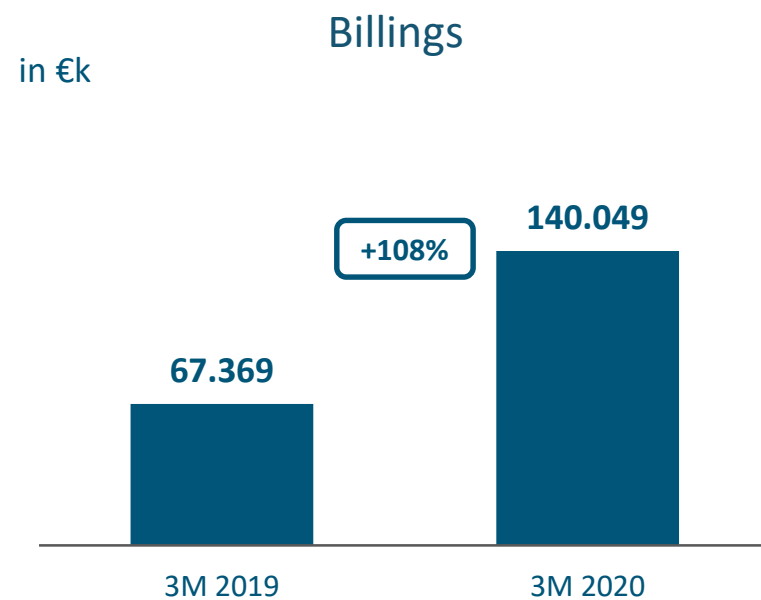
Financial Update

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ZEAL Income Statement 3M 2020

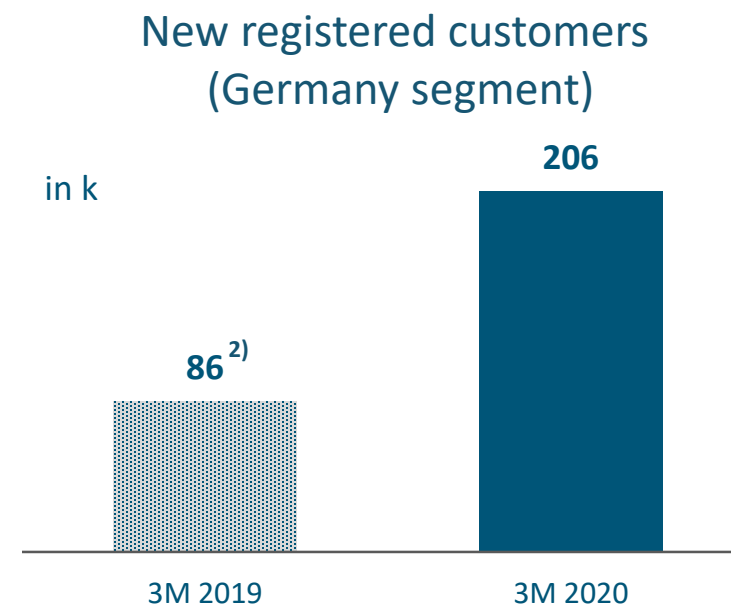
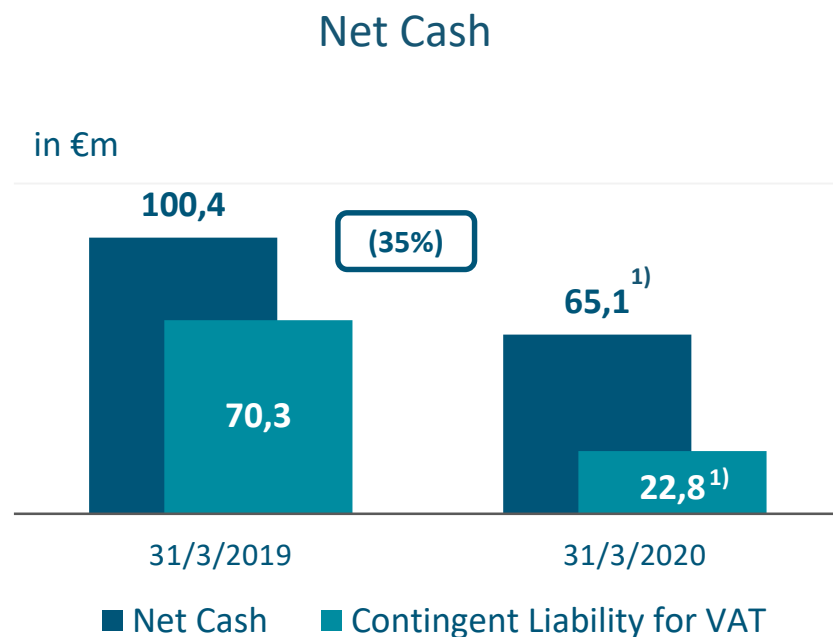
Income Statement	in € million	3M 2020	3M 2019	Change in %	Comments
	Revenue	19,024	36,462	(47.8)	➤ Revenue: – As an effect of the Business Model Change and the corresponding revenue dis-synergies this is reduced
	Personnel expenses	(4,954)	(5,508)	(10.1)	➤ Personnel expenses & other operating expenses: – We have reduced by more than €8m despite absorbing Lotto24 costs
	Other operating expenses	(11,761)	(19,511)	(39.7)	➤ Personnel expenses: – Reduction of employees to 172 FTE's (2019: 192 FTE's)
	Marketing expenses	(6,554)	(5,157)	+27.1	➤ Marketing expenses: – The favorable market environment has allowed us to invest €1.4m more than last year and acquiring a lot of new customers
	Direct operating expenses	(1,987)	(10,648)	(81.3)	➤ Direct operating expenses: – Removal of hedging costs and non-deductible VAT after the Business Model Change
	Indirect operating expenses	(3,220)	(3,706)	(13.1)	➤ Indirect operating expenses: – The reduction is mainly driven by lower legal and advisory costs
	Adjusted EBITDA¹⁾	2,832	10,409	(72.8)	➤ Adjusted EBITDA: – As expected, and communicated, below previous year
	Amortisation and depreciation	(2,682)	(633)	+323.7	
	Non-recurring expenses	(108)	(1,792)	(94.0)	
	EBIT	42	9,776	(99.6)	
	Net profit after taxes	152	6,886	(97.8)	

Other performance indicators I



¹⁾ Just for comparison: Gross margin of Lotto24 AG for Q1

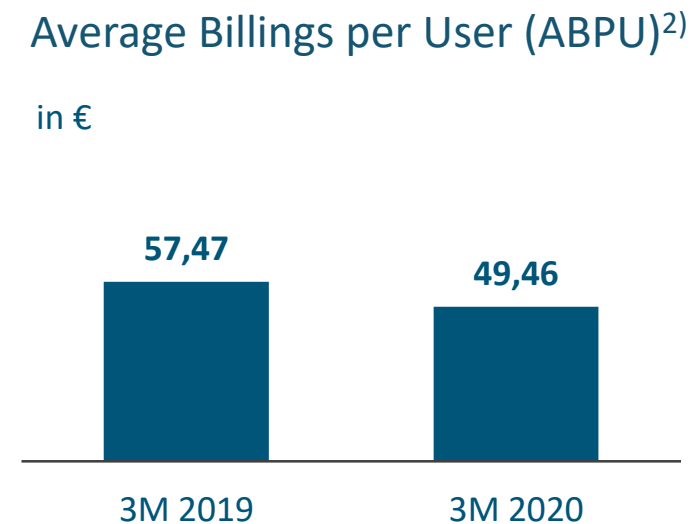
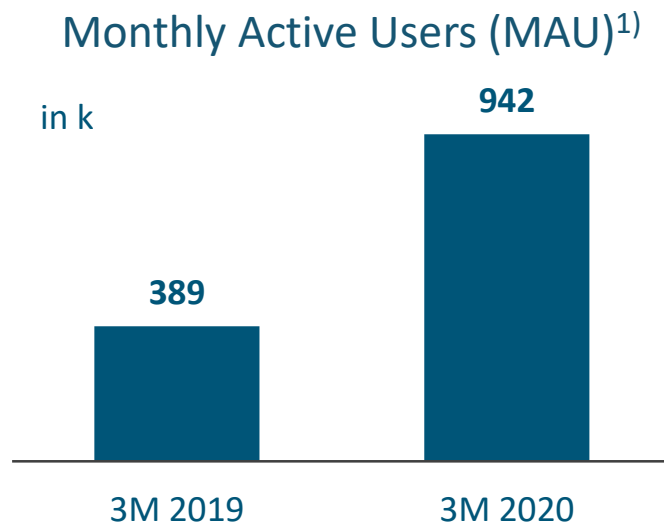
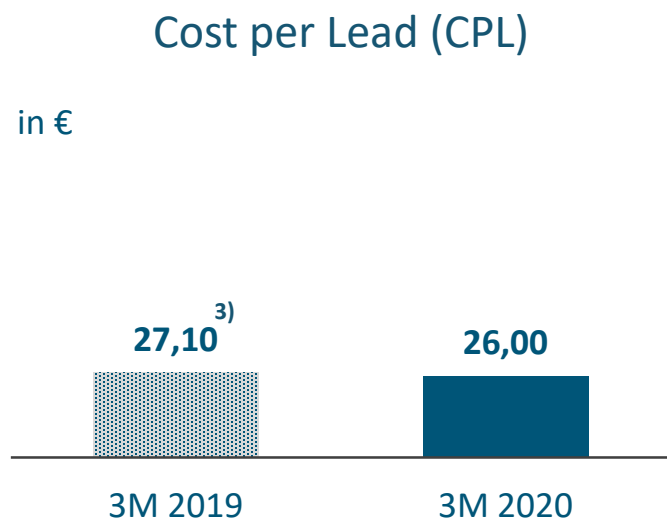
Other performance indicators II



¹⁾ In January 2020, myLotto24 Limited made an interim VAT payment of €54 million to the German tax authorities, which has a direct impact on net cash

²⁾ Just for comparison: New registered customers of Lotto24 AG for Q1

Other performance indicators III



- 1) 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 (including free bets)) provides a measure of the Group's ability to retain and attract new customers.
- 2) 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 Group's ability to increase loyalty and value from our customers.
- 3) Just for comparison: CPL of Lotto24 AG for Q1



Guidance 2020

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Consolidated Guidance 2020 - reiterated

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 (Germany segment, %)	Approx. 12	24.3
Adjusted EBITDA (€ million)	5-8	29.4
CPL (Germany segment, €)	Lower than previous year	32.50
New registered customers (Germany segment, 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.

Dividend Policy reiterated

- Based on the continuing positive liquidity situation of the ZEAL Group in 2019 and the expected increasing profitability
- Proposal of a total amount of pay-out of €17.6 million (2018: €8.4 million) to the Annual General Meeting on 17 June 2020
- Corresponds to a dividend of €0.80 per share for 2019 (2018: €1.00)
- Intention to increase the dividend annually – with the aim of reaching €1.00 per share in 2022 (depending on the economic development)



Key Take-Aways

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ZEAL: Key take-aways

Great start to the year with no negative impact from Covid-19

Strong customer acquisition builds foundation for growth

Clear focus on costs, cost synergies well on track

Reporting segments reorganised

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Questions

Answers



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Appendix



ZEAL: Consolidated Income Statement and Balance Sheet in €k

Income Statement		31/03/20	31/03/19	Change in %
	Revenue	19,024	36,462	(47.8)
	Total costs of operations	(16,192)	(24,261)	(33.3)
	Adjusted EBITDA	2,832 ¹⁾	10,409 ¹⁾	(73.8)
	EBIT	42	9,776	(99.6)
	Earnings before taxes	(188)	9,837	(101.9)
	Profit	152	6,886	(97.8)

Balance Sheet		31/03/20	31/12/19	Change in %
	Current assets	126,456	173,998	(27.3)
	Non-current assets	399,764	347,135	+15.2
	ASSETS	526,220	521,133	+1.0
	Current liabilities	56,802	49,909	+13.8
	Non-current liabilities	63,769	65,499	(2.6)
	EQUITY & LIABILITIES	526,220	521,133	+1.0

ZEAL: Business Unit Segment Reporting

as of 31/03/20 in €k

	Germany	Other	Total
Revenue	16,969	2,055	19,024
Other operating income	414	–	414
Adjusted EBITDA	1,901¹⁾	931	2,832
Depreciation/amortisation	–	–	(2,682)
EBIT	–	–	42
Financial result	–	–	(169)
EBT	–	–	(188)
Income tax	–	–	340
Net Profit/loss	–	–	152

Billings for the Germany segment are €139,714 thousand and €335 thousand for the Other segment.

ZEAL: KPIs

Secondary lottery business

Broker Business

Billings (in €m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
	68.3	65.5	67.8	77.7	67.4	112.0	153.3	134.0	140.0

ABPU (in €)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
	58.0	53.3	58.0	60.4	57.5	60.5	57.3	48.4	49.5

MAU (in k)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
	392	410	384	427	375*	365	917	925	942

*Restated based on prior quarter correction

Financial Calendar 2020

Publication of Annual Report 2019	○	26 March 2020
Publication of Q1 Report	○	14 May 2020
Annual General Meeting	○	19 June 2020
Half-Yearly Financial Report	○	13 August 2020
Publication of Q3 Report	○	12 November 2020

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