

ZEAL

EARNINGS CALL

Full Year Results 2023

20 March 2024



Tipp24

ZEAL IBERIA

ZEAL INSTANT GAMES

ZEAL VENTURES

CONTENT
CONTENT
CONTENT
CONTENT
CONTENT

- Summary
- Business Update
- Financial Update
- Guidance 2024
- Squeeze out LOTTO24
- Key Take-Aways

SUMMARY FY 2023

SUCCESSFUL EXECUTION OF STRATEGIC PLAN

- ✗ Financial objectives achieved in a challenging jackpot environment – revenue and EBITDA in upper half of guidance
- ⊕ Customer engagement increased: higher MAU and increased billings per active customer
- ⊕ Successful launch of games offering
- ⊕ Online lottery market share increased
- ✗ Increase in brand awareness through advertising campaign and introduction of above-the-line marketing into mix
- ⊕ Continued disciplined capital management: attractive special dividend paid out to shareholders in May 2023





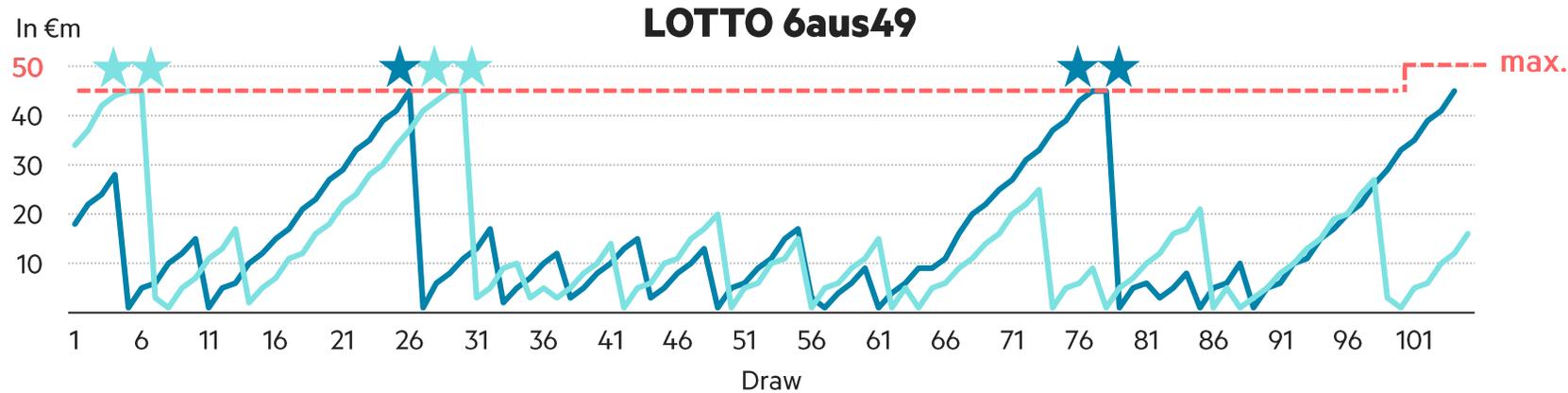
BUSINESS UPDATE

GUIDANCE 2023: MET AND OVERACHIEVED

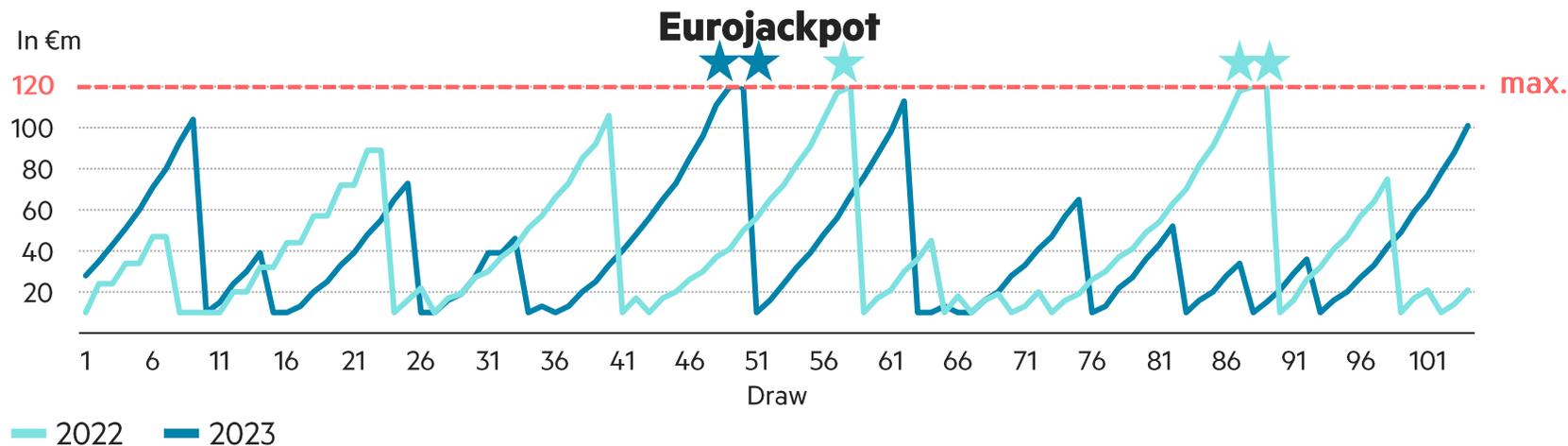
In €m	2023 ACTUAL	2023 GUIDANCE
→ Billings (excl. Games)	843.3	800 – 830
→ Revenue	116.1	110 – 120
→ EBITDA	32.9	30 – 35

- Revenue and EBITDA landed in upper half of guidance – even in challenging jackpot environment (see next slide)
- Billings (excl. Games) slightly ahead of upper end of guidance
- Marketing expenses of €36.0m in lower half of guided range of €34 - 39m
- ZEAL invested into future growth through start of successful brand management campaign and launch of new Games business
- Games contributed €3.0m in revenue and €1.4m in EBITDA to 2023 results

CHALLENGING JACKPOT ENVIRONMENT – 5 PEAKS IN 2023 VS. 7 PEAKS IN 2022



in €m	Average	Peak
YTD 2023	15	3
YTD 2022	14	4



in €m	Average	Peak
YTD 2023	41	2
YTD 2022	43	3

ZEAL INCOME STATEMENT FY 2023 – CONDENSED

INCOME STATEMENT	FY 2023 (in €k)	FY 2022 (in €k)	CHANGE (in %)
REVENUE	116,050	105,201	+10.3
- Lotteries	105,652	98,221	+7.6
- Games	3,040	-	-
TOTAL COSTS OF OPERATIONS	-84,419	-75,851	+11.3
Personnel expenses	-22,555	-18,892	+19.4
Other operating expenses	-61,979	-56,965	+8.8
Marketing expenses	-36,016	-34,126	+5.5
Direct operating expenses	-12,011	-10,652	+12.8
Indirect operating expenses	-13,952	-12,187	+14.4
EBITDA	32,905	31,659	+3.9
Amortisation and depreciation	-9,256	-8,730	+6.0
EBIT	23,649	22,928	+3.1
NET PROFIT AFTER TAX	13,721	16,572	-17.2

REVENUE

Revenue increased by 10% due to the strong growth of lottery billings and launch of games business

TOTAL COSTS OF OPERATIONS

Total costs of operations increased by 17% compared to previous year

Personnel expenses:

Personnel expenses increased by 19% due to an increase in the average number of employees from 161 to 172 (+7%) and higher variable compensation

Personnel expenses also include €639K of non-recurring costs in connection with the departure of two C-level executives and €463K in costs related to prior years

Marketing expenses:

Marketing expenses increased by 6% as marketing activities were stepping up during periods of high jackpots such as June and September and investment into brand building

Direct operating expenses:

Direct operating expenses increased by 13% driven by 11% higher lottery billings and launch of games business

Indirect operating expenses:

Indirect operating expenses were up by 14%, mainly due to costs for strategic technical projects for our Spanish ONCE business, costs for consulting and increased software costs This was partially offset by a decrease of insurance premiums for our charity lotteries.

They also include €250K in one-off costs for the search for a new CFO.

EBITDA

EBITDA increased by 4% mainly as a result of the increase of revenues despite increased customer acquisition costs and brand investment. Excluding the one-off costs mentioned above the underlying EBITDA for 2023 was €34.257K

COST PER LEAD INCREASED IN Q2 AND Q3 BUT NORMALIZED IN Q4

In €	Q 1	Q 2	Q 3	Q 4	Full Year
2023	36.77	50.83	50.39	37.11	45.52
2022	38.09	37.07	34.76	34.86	35.97

Q 2 Temporary increase in competitive pressure in online marketing during a high jackpot

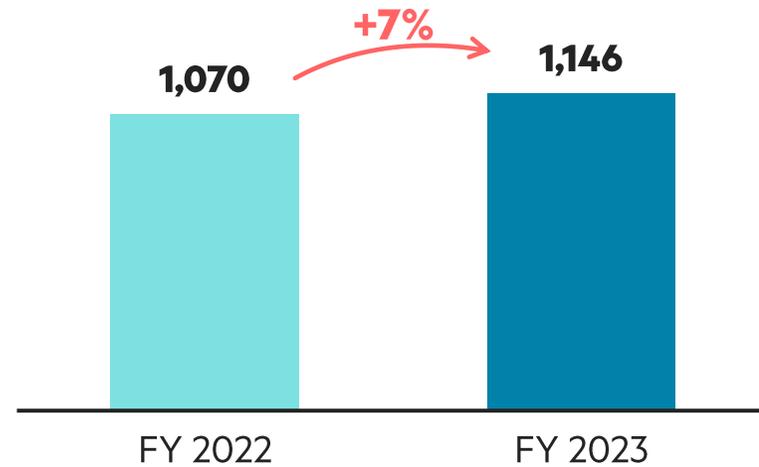
Q 3 Launch of major advertising campaign for LOTTO24 to increase brand awareness

- Q 4**
- Marketing campaign is already leading to positive contributions to new customer acquisition
 - Disciplined and targeted acquisition activity in high media cost environment (Christmas)

LOTTERY BILLINGS GROW FASTER THAN MARKET DRIVEN BY GROWTH IN USER BASE AND HIGHER BILLINGS PER USER

MONTHLY ACTIVE USERS (MAU)

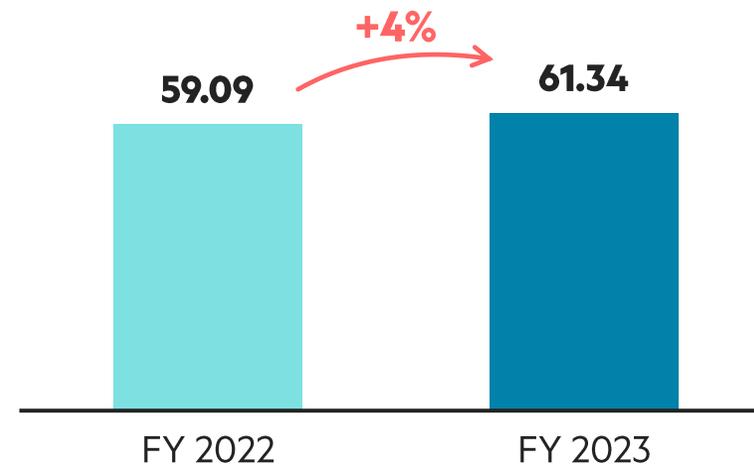
(Lotteries)
in thousands



Continuous increase in the customer base and higher level of customer activity

AVERAGE BILLINGS PER USER, ABPU

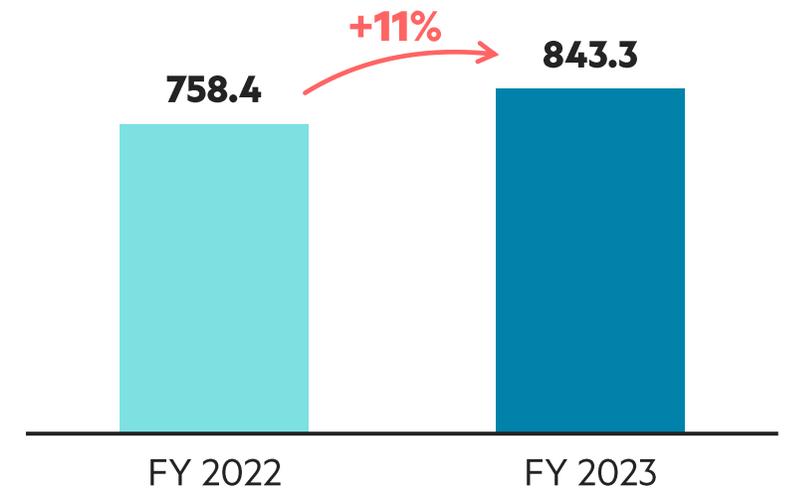
(Lotteries)
in €



Further increase at already high levels

BILLINGS

(Lotteries)
in € millions

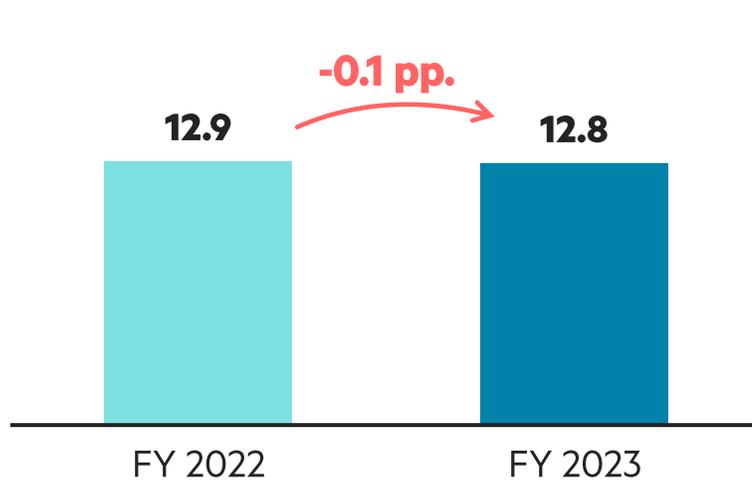


Double-digit billings growth for ZEAL ahead of market growth

STABLE LOTTERY GROSS MARGIN

GROSS MARGIN

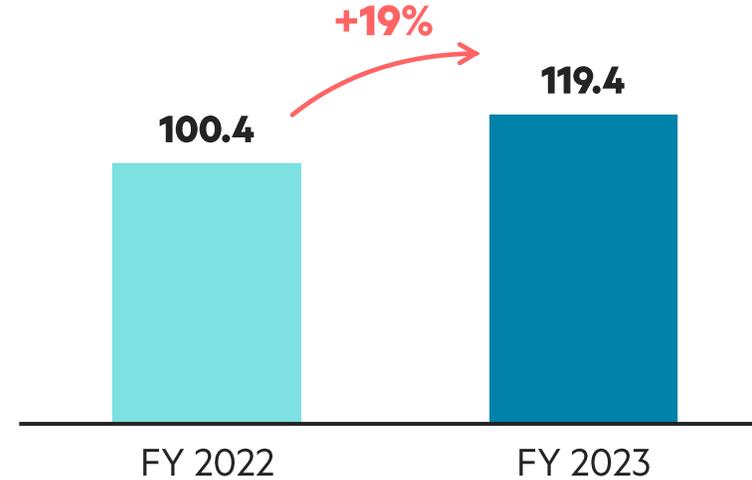
(Lotteries)
in %



Gross margin stable versus last year ¹⁾

NEW REGISTERED CUSTOMERS PER JACKPOT PEAK

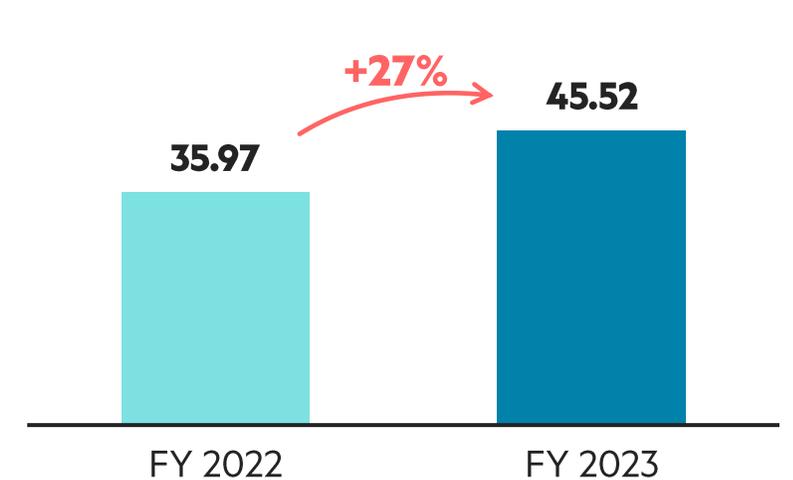
(Lotteries)
in thousands



Good level of customer acquisition in challenging jackpot environment

COST PER LEAD, CPL

(Lotteries)
in €



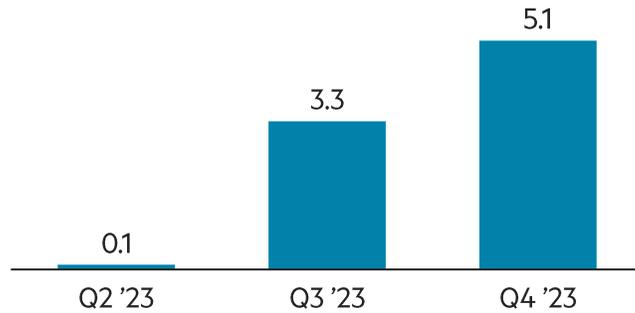
Increase driven by media cost inflation, intensified competition in online channels and expansion of brand investment in second and third quarter

¹⁾ Excludes impact of two large wins in freiheit+ (none in 2022), incl. impact from wins gross margin was 12.5%

SUCCESSFUL LAUNCH OF GAMES BUSINESS WITH VERY GOOD EARLY TRACTION

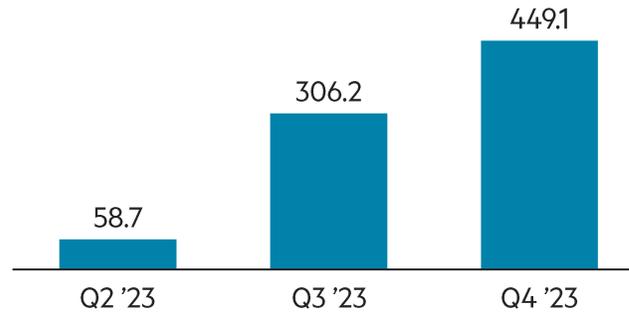
PAY-INS

in € millions



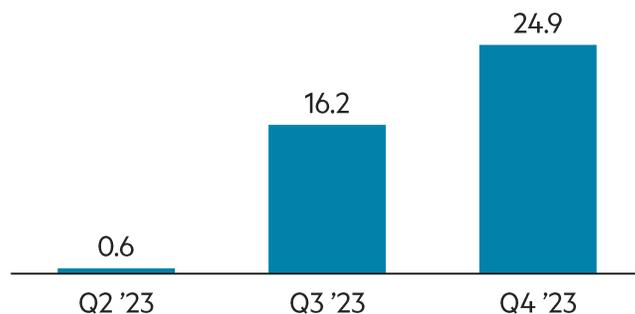
ABPU

in €



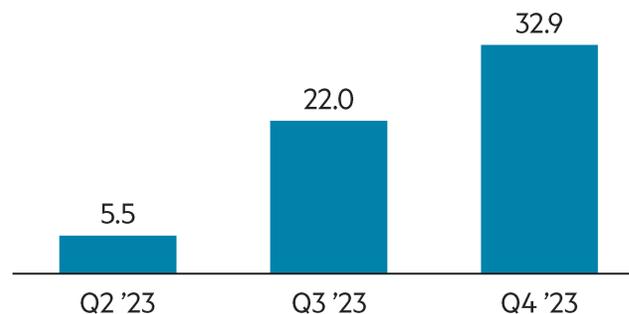
BILLINGS

in € millions



ARPU

in €



🚀 Games business successfully launched

New Games offer is well received –
full business roll-out still in progress

🚀 Continuous expansion of games portfolio

Currently 49 games online - more games will follow in the next weeks, but the authorities are still the bottle neck

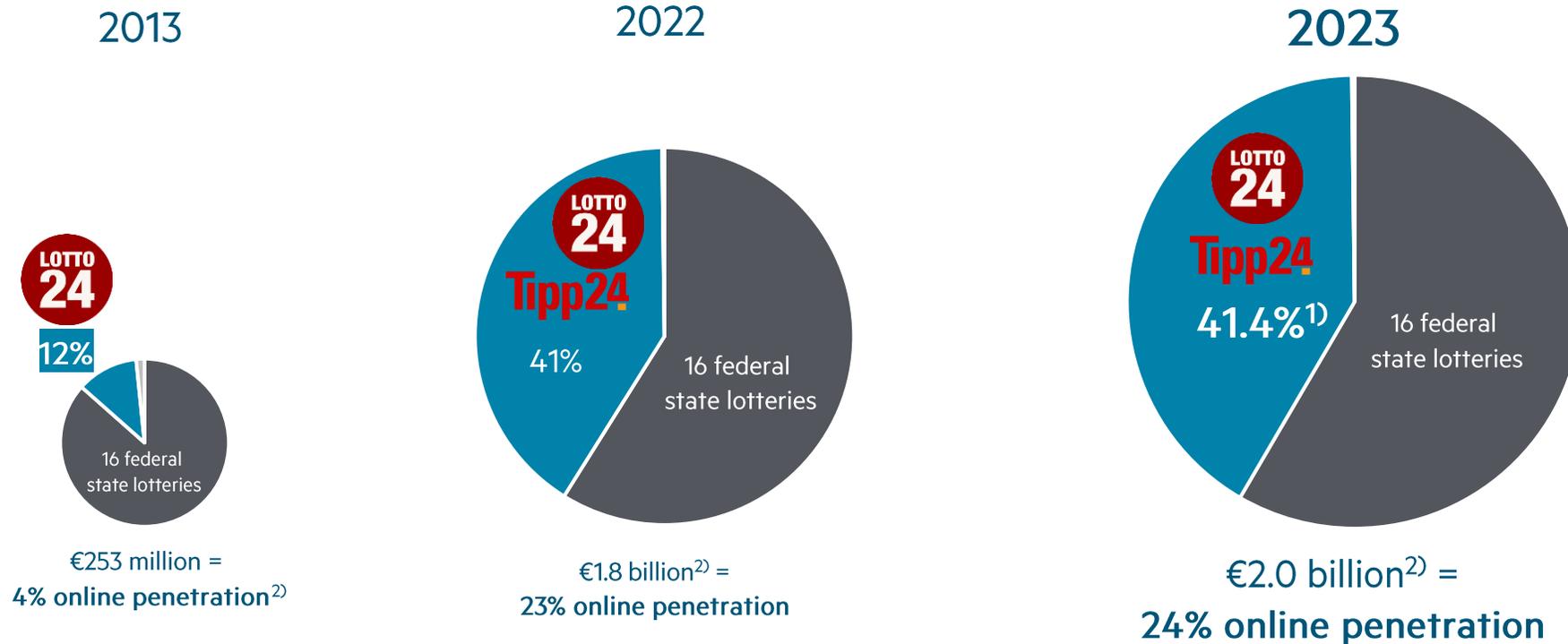
🚀 Key customer engagement metrics developing well

Increasing overall pay-ins and billings as well as increasing billings and revenue per active user

🚀 Games business already profitable in 2023

EBITDA contribution of €1.4m

ZEAL CONTINUES TO INCREASE ITS MARKET SHARE IN THE GROWING GERMAN ONLINE LOTTERIES MARKET



¹⁾ Own estimate, based on figures of the German Association of State Lottery Companies (DLTB) 2023. The calculation of our market share also includes payments made by our customers for our own products (charity lotteries and games) instead of for DLTB products brokered by us.

²⁾ Own estimate, based on information from the German Lotto and Totoblock (DLTB) 2023 (from the DLTB report dated January 4, 2024 from the website <https://www.lottoindeutschland.de/presse#2024>). When calculating our market share market share also takes into account the payments that our customers make into our customers made in our own products (charity lotteries and games) instead of the DLTB products we DLTB products brokered by us.

OVERVIEW OF STRATEGIC FOCUS AREAS FOR 2024

Improve billings margin in lottery brokerage business

- Optimization of billings margin by increased share of high-margin products (e.g., lottery clubs) and expansion of service fees
- Measures are expected to increase billings margin for lotteries to more than 15% in H2 2024

Increase brand awareness, marketing efficiency and customer retention

- Continue successful brand campaigns for LOTTO24 and inter-link with performance marketing during high jackpot phases
- Increase marketing efficiency in brand and performance marketing
- Further improve customer retention through early engagement, higher subscription rates and expanded lottery club offerings

Grow Games business

- Increase number of available games on our platform (bottleneck remains regulatory approval process)
- Broaden type of games to include instant-win-games (subject to regulatory approvals)
- More proactive offering of games on platform (within current confines of our license)

Launch new charity lottery

- With freiheit+ we already have a well-performing charity lottery product
- Charity lotteries enable product innovation to cater to unmet customer needs
- Attractive product margins, improved independence from high jackpots
- Launch will require investment in H2 2024 (marketing, product development, prizes, etc.)

GUIDANCE 2024: PROFITABLE GROWTH

In €m	2024 GUIDANCE	2023 Actuals
Revenue ¹⁾	140-150 (+21 – 29%)	116.1
EBITDA ²⁾	38-42 (+16 – 28%)	32.9

- Guidance for FY 2024 based on a average jackpot environment
- Expected revenue growth of 21-29% and EBITDA growth of 16-28% versus 2023
- Acceleration of revenue growth in H2 2024 driven by margin optimization measures
- ZEAL will continue to invest into marketing (c. €40-45m for German brokerage business)
- Expected continued growth of games business
- Planned investment into launch of new charity lottery in H2 2024
- Expected mid-term revenue growth in mid-to-high teens (CAGR 2023-2026)

¹⁾ Including income from jackpot insurance;

²⁾ Excluding transaction costs in relation to planned squeeze-out transaction at Lotto24



DIVIDEND PROPOSAL 2023 AND DIVIDEND POLICY

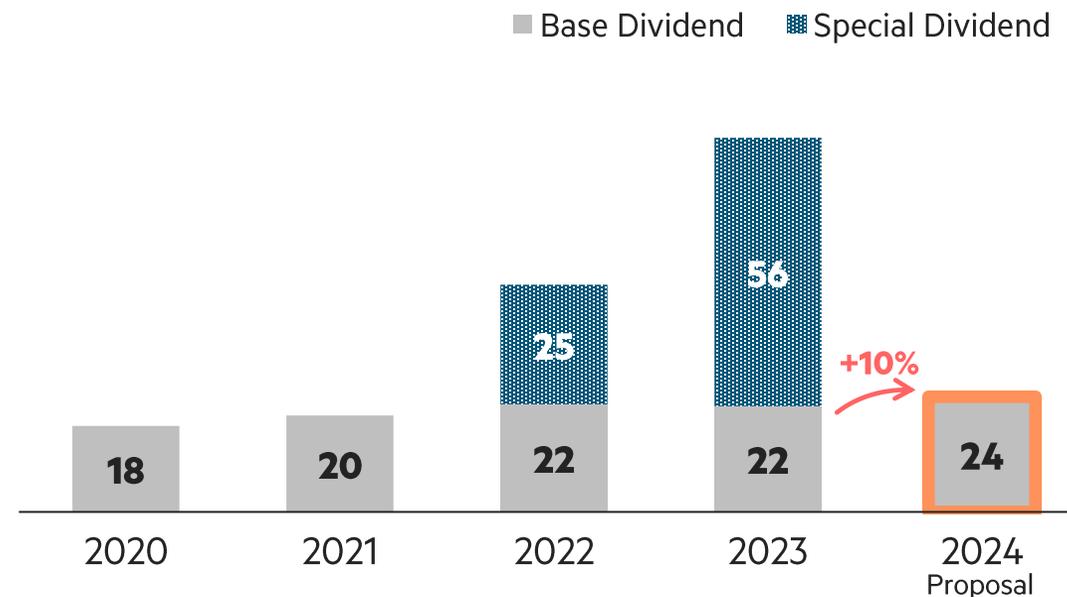
DIVIDEND PROPOSAL 2024 AND DIVIDEND POLICY

Due to the positive result in 2023, the Supervisory Board will propose to the Annual General Meeting on 28 May 2024 the payment of a dividend of € 1.10 per share.

Since the business model change, we have paid out around €187m in dividends (including the dividend proposal for 2024) and have returned further €20m by buying back our own shares

Depending on the further economic development of the ZEAL Group we also intend to return annually increasing amounts of capital to shareholders over the next few years in the form of dividends and/or share buybacks

TOTAL DIVIDEND PAY-OUT P.A. in € million





SQUEEZE OUT LOTTO24

ZEAL NETWORK SE ANNOUNCES INTENTION TO LAUNCH SQUEEZE-OUT PROCEDURES FOR REMAINING MINORITY SHAREHOLDERS IN LOTTO24 AG

- ZEAL Network SE (“ZEAL”) has today entered into legally binding agreements to acquire further shares in Lotto24 AG (“Lotto24”) (the “Transactions”)
- Following the settlement of the Transactions ZEAL will hold c. 95.45% of all shares of Lotto24
- ZEAL has today informed Lotto24 that it intends to initiate squeeze-out procedures according to §§ 327a – 327f AktG (the “Squeeze-out”) in relation to the remaining minority shareholders of Lotto24 after the Transactions have settled
- The reason for ZEAL to pursue the Squeeze-out now is that the remaining tax-loss carry-forwards at the level of Lotto24 have been fully consumed at the end of FY2023. Going forward it will be more tax efficient to have a tax consolidation between ZEAL and Lotto24 which will be facilitated by the Squeeze-out. Further, ZEAL expects that the Squeeze-out will lead to decreased complexity and some modest cost savings (excluding financing costs)
- ZEAL intends to finance the Squeeze-out by raising bank debt and has initiated conversations with a number of banks
- ZEAL has engaged KPMG to prepare an independent valuation of Lotto24 for purposes of determining the cash compensation per share to be paid to the minority shareholders. The appropriateness of the cash consideration will also be reviewed by a court-appointed auditor
- ZEAL expects that the squeeze-out will be resolved in the annual general meeting of Lotto24 to be held at the end of Q2/ beginning of Q3



SIX REASONS TO INVEST

SIX REASONS TO INVEST IN ZEAL

1. No. 1 in online lotteries in Germany
2. Unique, highly cash generative business model
3. Outstanding customer loyalty
4. High growth opportunities in an underpenetrated market
5. Extension into Games and Charity Lotteries
6. Attractive dividend proposal





Questions

Answers

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET IN €K

INCOME STATEMENT	FY 2023 (in €k)	FY 2022 (in €k)	CHANGE (in %)		BALANCE SHEET	31/12/23 (in €)	31/12/22 (in €)	CHANGE (in %)
Revenue	116,050	105,201	+10.3		Current assets	92,634	139,538	-33.6
Total costs of operations	-84,419	-75,851	+11.3		Non-current assets	302,016	320,197	-5.7
EBITDA	32,905	31,659	+3.9		ASSETS	394,653	459,736	-14.2
EBIT	23,649	22,928	+3.1		Current liabilities	57,997	44,562	+30.1
Profit before taxes	22,322	22,810	-2.1		Non-current liabilities	71,897	81,137	-11.4
Income taxes	-8,601	-6,238	+37.9		Equity	264,758	334,037	-20.7
Net Profit	13,721	16,572	-17.2		EQUITY & LIABILITIES	394,653	459,736	-14.2

BUSINESS UNIT SEGMENT REPORTING AS OF 31/12/23 IN €K

	GERMANY	OTHER	TOTAL
Revenue	110,677	5,373	116,050
Other operating income	1,273	0	1,274
EBITDA	31,565	1,340	32,905
Depreciation/amortisation	-	-	-9,256
EBIT	-	-	23,649
Financial result	-	-	-1,347
Share of loss from associates			20
EBT	-	-	22,322
Income tax	-	-	-8,601
NET PROFIT/LOSS	-	-	13,721

KPIS (LOTTERIES)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Pay-in (in €m)	110.1	138.0	120.6	140.8	121.4	128.4	125.9	128.0	142.5	140.2	147.7	171.3	158.8	167.3	177.0	168.7
BILLINGS (in €m)	140.0	174.4	157.3	181.0	163.3	169.5	160.3	163.4	181.2	177.1	186.1	214.1	201.2	209.9	222.1	210.1
ABPU (in €)	49.46	54.48	54.90	61.30	56.36	58.40	54.40	58.00	58.31	58.18	58.90	60.73	60.99	61.42	60.73	62.31
ARPU (in €)	6.00	6.89	6.60	7.51	7.16	7.00	6.55	6.99	7.57	7.41	7.39	8.07	7.55	7.73	7.67	7,78
MAU (in k)	942	1,065	954	984	966	968	982	938	1,036	1,015	1,053	1,175	1,100	1,142	1,217	1,124
CPL (in €)	26.00	27.77	28.96	28.79	33.48	32.12	17.65	29.61	38.09	37.07	34.76	34.86	36.77	50.83	50.40	37.11

KPIS (GAMES)

	Q2 2023*	Q3 2023	Q4 2024
Pay-in (in €m)	0.1	3.3	5.1
BILLINGS (in €m)	0.6	16.2	24.9
ABPU (in €)	58.74	306.14	449.1
ARPU (in €)	5.49	22.02	32.89
MAU (in k)	9	18	18

* Games business started in June 2023.

FINANCIAL CALENDAR 2024



Contact



Frank Hoffmann, CEFA

Senior Investor Relations Manager

T +49 (0)40 809 036 - 042

M +49 (0)175 267 3420

frank.hoffmann@zealnetwork.de

www.zealnetwork.de



ZEAL

Straßenbahnring 11

20251 Hamburg