

# ZEAL Network SE

Investor Call

Half-Year Report as of 30 June 2020

13 August 2020

BETTER 2GETHER

**ZEAL**



# Content

1. Summary 6M 2020
2. Financial Update
3. Guidance 2020
4. Key Take-Aways

**ZEAL**





# Summary

**ZEAL**

6M  
2020

- Strong first half of 2020
  - Billings up 75%
  - Solid gross margin
  - High marketing investment to take advantage of the good jackpot environment
  - Record in new registered customers – Full year guidance already exceeded
  - No negative Corona impact
  - 91% of planned cost synergies already achieved
- Guidance 2020 raised
- Dividend of €0.80 paid to shareholders



# Financial Update

**ZEAL**

# ZEAL Income Statement 6M 2020 - condensed

|                               | in € thousand                       | 6M 2020        | 6M 2019       | Change in %    |
|-------------------------------|-------------------------------------|----------------|---------------|----------------|
| Income Statement              | <b>Revenue</b>                      | <b>43,296</b>  | <b>77,461</b> | <b>(44.1)</b>  |
|                               | Personnel expenses                  | (11,195)       | (11,172)      | +0.2           |
|                               | Other operating expenses            | (30,073)       | (36,834)      | (18.5)         |
|                               | Marketing expenses                  | (18,328)       | (11,037)      | +66.1          |
|                               | Direct operating expenses           | (4,903)        | (17,741)      | (72.4)         |
|                               | Indirect operating expenses         | (6,842)        | (8,056)       | (15.1)         |
|                               | <b>Adjusted EBITDA<sup>1)</sup></b> | <b>3,250</b>   | <b>31,204</b> | <b>(89.6)</b>  |
|                               | Amortisation and depreciation       | (5,164)        | (2,500)       | +106.6         |
|                               | Non-recurring expenses              | (108)          | (7,357)       | (98.5)         |
|                               | <b>EBIT</b>                         | <b>(2,022)</b> | <b>21,347</b> | <b>(109.5)</b> |
| <b>Net profit after taxes</b> | <b>377</b>                          | <b>14,320</b>  | <b>(97.4)</b> |                |

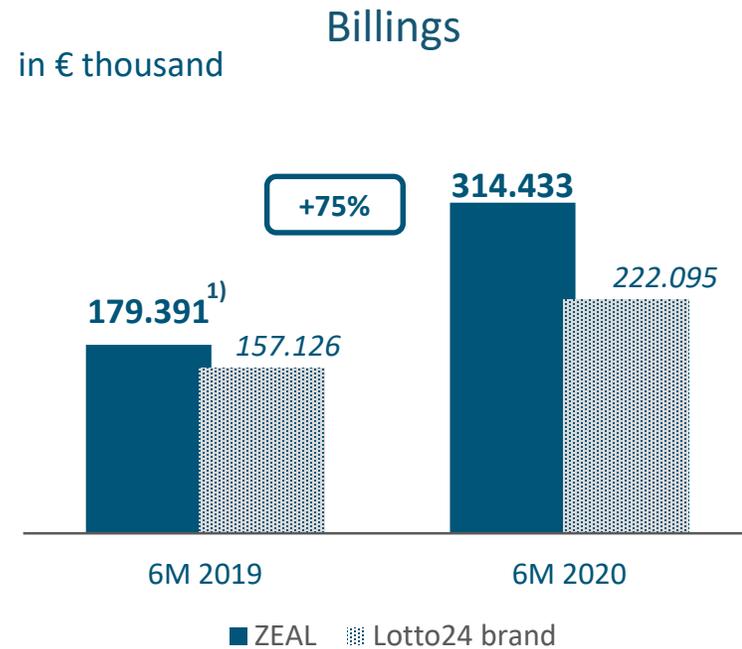
| Comments   |
|--|
| <ul style="list-style-type: none"> <li>➤ <b>Revenue:</b> <ul style="list-style-type: none"> <li>– Decreased as a result of the expected revenue dis-synergies in connection with the Business Model Change</li> </ul> </li> <li>➤ <b>Personnel expenses &amp; other operating expenses:</b> <ul style="list-style-type: none"> <li>– Reduced nearly €7m despite absorbing Lotto24 costs                             <ul style="list-style-type: none"> <li>➤ <b>Personnel expenses:</b> <ul style="list-style-type: none"> <li>– Increased provision for LTI programs</li> <li>– Reduction of employees to 160 FTE's (2019: 244 FTE's)</li> </ul> </li> <li>➤ <b>Marketing expenses:</b> <ul style="list-style-type: none"> <li>– Very good jackpot development was successfully capitalised with higher marketing investments (+€7.3m) and resulted in customer acquisition record</li> </ul> </li> <li>➤ <b>Direct operating expenses:</b> <ul style="list-style-type: none"> <li>– Removal of hedging costs and non-deductible VAT after the Business Model Change</li> </ul> </li> <li>➤ <b>Indirect operating expenses:</b> <ul style="list-style-type: none"> <li>– Reduction is mainly driven by lower legal and advisory costs and decrease in travel and training</li> </ul> </li> </ul> </li> </ul> </li> <li>➤ <b>Adjusted EBITDA:</b> <ul style="list-style-type: none"> <li>– Despite the increased marketing costs EBITDA reached €3.3m</li> </ul> </li> </ul> |

# 91% of planned cost synergies already achieved

## Milestones to realise cost synergies of at least €57m p.a.



# Other performance indicators I

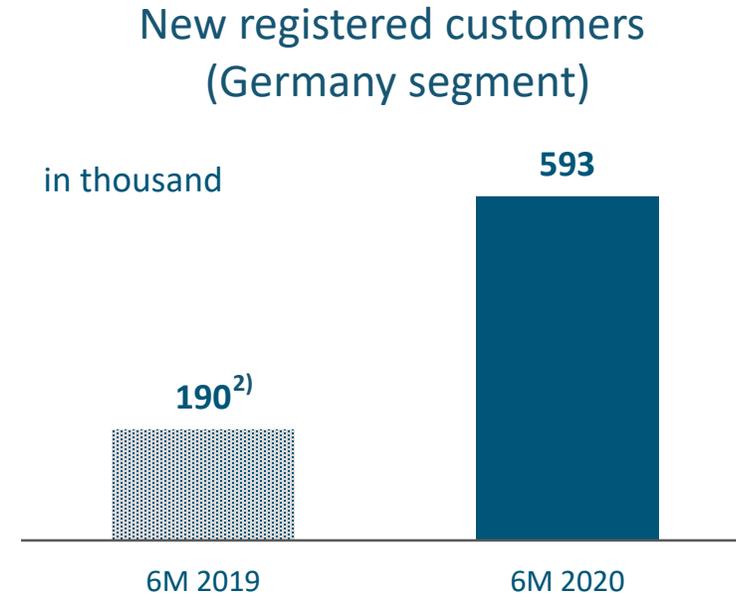
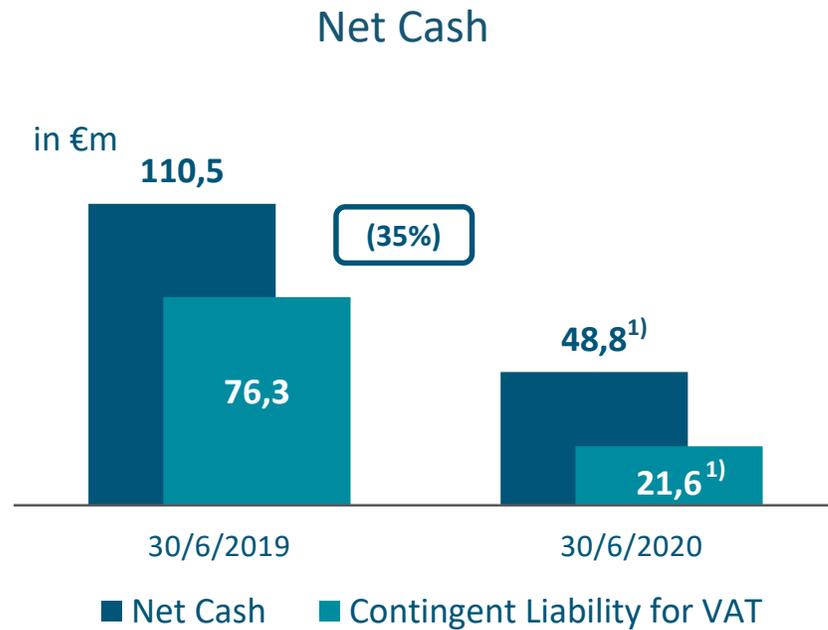


<sup>1)</sup> Incl. Lotto24 since 14 May 2019



<sup>2)</sup> Just for comparison: Gross margin of Lotto24 AG for H1

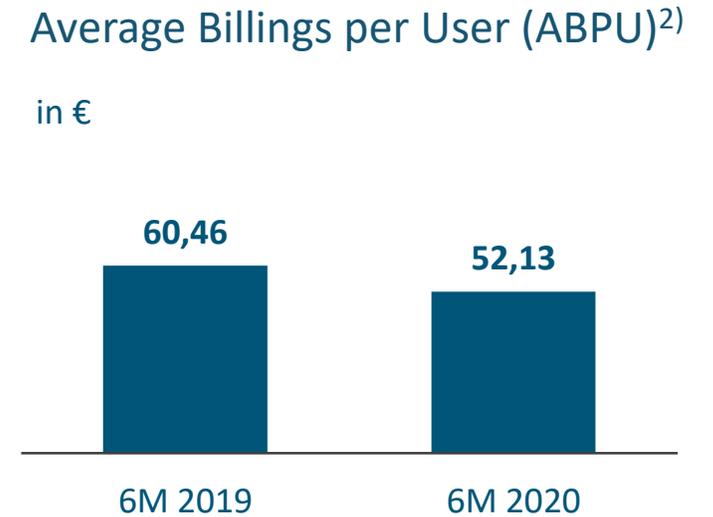
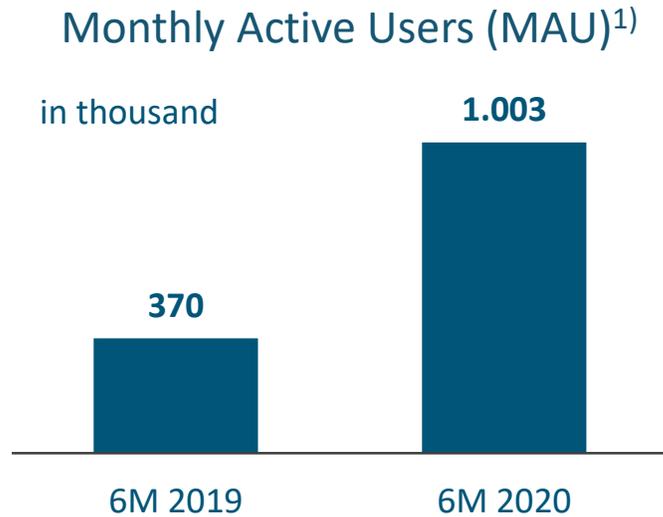
# Other performance indicators II



<sup>1)</sup> 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

<sup>2)</sup> Just for comparison: New registered customers of Lotto24 AG for H1

# 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 H1-2019



# Guidance 2020

**ZEAL**

# Consolidated Guidance 2020 - raised

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.

|   | 2020<br>NEW              | 2020<br>OLD                        | 2019 <sup>1)</sup><br>Actual |
|---|--------------------------|------------------------------------|------------------------------|
| Billings (in €m)  | 590-610                  | 550-570                            | 466.7                        |
| Revenue (in €m)   | 76-79                    | 70-73                              | 113.5                        |
| Adjusted EBITDA (in €m)   | 7-10                     | 5-8                                | 29.4                         |
| Gross margin (Germany segment, in %)                                  | Slightly above 12        | Approx. 12                         | 24.3                         |
| CPL (Germany segment, in €)   | Lower than previous year | Lower than previous year           | 32.50                        |
| New registered customers (Germany segment, in thousand) <sup>2)</sup> | Around 800               | Nearly twice as many new 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.



# Key Take-Aways

**ZEAL**

# ZEAL: Key take-aways

---

**Strong first half of 2020 without negative effects from COVID-19**

**Record customer acquisition builds foundation for further growth**

**Cost synergies implemented faster than target**

**Improved 2020 Guidance**

# 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 13 August 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 13 August 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.

# Appendix



# ZEAL: Consolidated Income Statement and Balance Sheet in €k

| Income Statement          |         | 30/06/20            | 30/06/19             | Change in %   |
|---------------------------|---------|---------------------|----------------------|---------------|
|                           | Revenue |                     | 43,296               | 77,461        |
| Total costs of operations |         | (41,268)            | (48,006)             | (14.0)        |
| Adjusted EBITDA           |         | 3,250 <sup>1)</sup> | 31,204 <sup>1)</sup> | (89.6)        |
| EBIT                      |         | (2,022)             | 21,347               | (109.5)       |
| Earnings before taxes     |         | (215)               | 21,387               | (101.0)       |
| <b>(Loss)/Profit</b>      |         | <b>377</b>          | <b>14,320</b>        | <b>(97.4)</b> |

| Balance Sheet                   |                | 30/06/20       | 31/12/19       | Change in %  |
|---------------------------------|----------------|----------------|----------------|--------------|
|                                 | Current assets |                | 79,189         | 173,998      |
| Non-current assets              |                | 398,350        | 347,135        | +14.8        |
| <b>ASSETS</b>                   |                | <b>477,539</b> | <b>521,133</b> | <b>(8.4)</b> |
| Current liabilities             |                | 25,883         | 49,909         | (48.1)       |
| Non-current liabilities         |                | 63,419         | 65,499         | (3.2)        |
| Equity                          |                | 388,237        | 405,725        | (4.3)        |
| <b>EQUITY &amp; LIABILITIES</b> |                | <b>477,539</b> | <b>521,133</b> | <b>(8.4)</b> |

<sup>1)</sup> Result from operating activities before amortisation, depreciation and non-recurring expenses

# ZEAL: Business Unit Segment Reporting as of 30/06/20 in €k

|                           | Germany                   | Other        | Total          |
|---------------------------|---------------------------|--------------|----------------|
| Revenue                   | 38,978                    | 4,318        | <b>43,296</b>  |
| Other operating income    | 1,063                     | (15)         | 1,048          |
| <b>Adjusted EBITDA</b>    | <b>1,503<sup>1)</sup></b> | <b>1,747</b> | <b>3,250</b>   |
| Depreciation/amortisation | –                         | –            | (5,164)        |
| <b>EBIT</b>               | –                         | –            | <b>(2,022)</b> |
| Financial result          | –                         | –            | 1,902          |
| <b>EBT</b>                | –                         | –            | <b>(215)</b>   |
| Income tax                | –                         | –            | 592            |
| <b>Net Profit/loss</b>    | –                         | –            | <b>377</b>     |

<sup>1)</sup> Result from operating activities before amortisation, depreciation and non-recurring expenses

# ZEAL: KPIs

| Secondary lottery business |            |            |            |            |            |            | Broker Business |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|-----------------|------------|------------|
| Billings<br>(in €m)        | Q2<br>2018 | Q3<br>2018 | Q4<br>2018 | Q1<br>2019 | Q2<br>2019 | Q3<br>2019 | Q4<br>2019      | Q1<br>2020 | Q2<br>2020 |
|                            | 65.5       | 67.8       | 77.7       | 67.4       | 112.0      | 153.3      | 134.0           | 140.0      | 174.4      |
| ABPU<br>(in €)             | Q2<br>2018 | Q3<br>2018 | Q4<br>2018 | Q1<br>2019 | Q2<br>2019 | Q3<br>2019 | Q4<br>2019      | Q1<br>2020 | Q2<br>2020 |
|                            | 53.3       | 58.0       | 60.4       | 57.5       | 60.5       | 57.3       | 48.4            | 49.5       | 54.5       |
| MAU<br>(in k)              | Q2<br>2018 | Q3<br>2018 | Q4<br>2018 | Q1<br>2019 | Q2<br>2019 | Q3<br>2019 | Q4<br>2019      | Q1<br>2020 | Q2<br>2020 |
|                            | 410        | 384        | 427        | 375*       | 365        | 917        | 925             | 942        | 1,065      |

\*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 |

**Vanina Hoffmann, CEFA**

Manager Investor & Public Relations

**Lotto24**

Straßenbahnring 11  
20251 Hamburg

T +49 (0)40 8222 39 - 501

F +49 (0)40 8222 39 - 70

[vanina.hoffmann@lotto24.de](mailto:vanina.hoffmann@lotto24.de)

[www.lotto24.de](http://www.lotto24.de)

App: [app.lotto24.de](http://app.lotto24.de)

**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](mailto:frank.hoffmann@zealnetwork.de)

[www.zealnetwork.de](http://www.zealnetwork.de)