

ZEAL NETWORK SE

XTRA:TIMA

Q1 2025 Earnings Call Transcript

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Call Participants

Executives

Dr. Helmut Becker

CEO & Chairman of Management Board

Andrea Behrendt

CFO & Member of Management Board

Analysts

Abed Jarad

mwb research AG

Henry Wendisch

NuWays AG

Marius Fuhrberg

Warburg Research GmbH

Tim Kruse

Montega AG

Presentation

Operator

[Operator Instructions] Good morning, ladies and gentlemen, and a warm welcome to today's earnings call of the ZEAL Network SE following the publication of the Q1 figures of 2025. I'm delighted to welcome the CEO, Dr. Helmut Becker; and the CFO, Andrea Behrendt, who will guide us through the presentation and the results. After the presentation, we will move on

to a Q&A session in which you will be allowed to place your questions directly via audio line to the management. Questions via chat cannot be submitted today. So having said this, Mrs. Behrendt, the stage is yours.

Andrea Behrendt CFO & Member of Management Board

Good morning, everybody, and welcome to our Q1 earnings call. First of all, sorry, that one -- none of you won actually the EUR 120 million jackpot yesterday. Bad luck for you, but great news for ZEAL. So let's talk business. I hope you all can see the presentation. If not, you can find it on our website.

followed by an update on strategic focus and the guidance for 2025. We will iterate our dividend proposal and close with the key takeaways before it's your turn, and we are happy to take your questions.

Let me talk you through the agenda. We will share the highlights of Q1, then go into the financial details,

Handing over to Helmut now to give us a short summary for Q1.

Dr. Helmut Becker CEO & Chairman of Management Board

Good morning. Q1 was a successful quarter. Compared to last year, we saw very strong margins. We acquired more new customers than ever before in a quarter without a peak jackpot. Our high revenue growth continued, and our EBITDA almost doubled.

Back to Andrea.

Andrea Behrendt CFO & Member of Management Board

Thanks, Helmut. Now let's get into the details of our Q1 financials. First of all, let's put the results into context with the jackpot environment. As you all know, jackpots are important for us to drive customer acquisition and activation of our existing customers. Q1 2025 was marked by the absence of any peak jackpot. This compares to 4 peak jackpots in Q1 2024. Despite the jackpot environment, we had a successful

quarter, fueled by the strong growth of our customer base in Q4 of last year.

So on Slide 7, you will see how this translates into our financials for Q1. Here, I want to highlight 3 numbers for you. We see an overall revenue growth of 42%. This is driven by increased billings of 7% and an improved margin. We increased our marketing spend by 16%

and acquired more new customers than ever before in a quarter without a peak jackpot. And bottom line, we delivered strong results with an EBITDA of EUR 17.7 million.

Let's zoom into the billings growth of 7% that I mentioned in the quarter without any peak jackpots. On the back of the strong Q4 2024 customer cohort, we were able to achieve 1.5 million monthly active users on our platform. And these customers spend an average EUR 59 per month.

On the next slide, you see the second driver for the revenue increase, our margin expansion. We achieved an underlying lottery gross margin of 16.9%, mainly based on the successful price increase that we implemented last year and a continuously improving product mix.

Dr. Helmut Becker CEO & Chairman of Management Board

Thanks, Andrea. Yes, let me talk about 2 other parts of our business. First about Games. As expected, our Games business steadily gains traction based on the improvements we are rolling out. We have grown our Games portfolio to over 400 games now. Importantly, we added some well-known games brands that customers recognize.

In the past, we saw lottery jackpots, peak jackpots, driving growth in our Games business. In Q1, we have stable monthly active users and billings and revenue growth in our Games business even though we didn't have a single peak jackpot. This retention of activity

Let's look on the other side of the growth driver for ZEAL, our customer acquisition, and you will see that on Slide 10. With 247,000 new customers, we acquired a record number of new customers for a quarter without any peak jackpot. The overall cost per lead was EUR 48.5. This is higher than last year due to jackpot situation, increased overall media prices and marketing tests to reach new target groups in our new businesses. With an isolated view on the core brokerage business, the CPL is EUR 41.1. For comparison to previous quarters, we added the backup Slide 24 for you.

And now handing over to Helmut for an update on our businesses, Games and Traumhausverlosung.

shows that our customer value proposition in games increasingly resonates with our users.

Let me now move on and talk about Dream House Raffle. Our second Dream House Raffle ended with the house draw on 28th of February. The results were even stronger than those for the first house draw across the board. We generated EUR 2 million for charity. Our third house raffle is already underway. This time, it's a house in Bavaria. The draw will happen on the 2nd of June.

And now back to Andrea.

Andrea Behrendt CFO & Member of Management Board

Let me give you now an update on the progress we made on our strategic focus areas in Q1. On Slide 14, you will see the 3 strategic focus areas that I shared with you already in the last earnings call.

So firstly, we continue to improve our customer acquisition and profitability in our core brokerage

business. What have we seen in Q1? We have seen in Q1 already an underlying lottery gross margin of over 16%. And we already improved our customer acquisition in Q1 in a weak jackpot environment.

Our second focus area is Traumhausverlosung. After a successful launch, we are on track to deliver 4 draws.

And the product side, we implemented subscription features for our Lotto24 customers and added a high-end car raffle that you might have seen. And for Games, as Helmut already mentioned, we increased our portfolio to over 400 games already, and generated a year-over-year growth of 56%. As you can see, we are on track to deliver on our targets that we committed to.

We had a strong start with Q1 and confirm our full year guidance as presented in March, thus, ensuring that you are not taking the Q1 results and multiply them by 4. We expect additional investments in our new

business growth, especially in Dream House Raffle in the next quarter.

On Slide 17, you will find some facts about the dividend proposal, as I already -- as we already communicated in March. After the AGM in 2 weeks, we plan to pay out EUR 51 million to our shareholders in form of a basic dividend of EUR 1.30 per share and a special dividend of EUR 1.10 per share.

And now handing over to Helmut to close this presentation with the key takeaways.

Dr. Helmut Becker CEO & Chairman of Management Board

Thanks, Andrea. So we increased our gross margin to more than 17% now. We expanded our customer base despite a weak jackpot environment. Our strong revenue growth continued, and our EBITDA nearly doubled. Our EBITDA margin is higher than 34%.

That's it for today, and now we are ready to move on to questions and answers.

Question & Answer

Operator

[Operator Instructions] Mr. Marius Fuhrberg, you should be able to speak now.



Marius Fuhrberg
Warburg Research GmbH

The first one with regards to the indirect costs which were a little bit higher than previous quarters in relation to sales. How much of those indirect costs had a one-off character? Or do you expect this level to maintain a little bit higher than -- throughout the year?

And the second question is with regards to your guidance. And you just told us that we should not extrapolate Q1 on the remainder of the year. And I understand that you plan higher investments. But if I look at the top line, I would assume that we should at least see, let's say, Q1 times 4, especially, yes, with the current jackpot environment, I would even expect growth compared to Q1 throughout the rest -- remainder of the year. Would you agree with that? Or is there something I'm missing?



Andrea Behrendt
CFO & Member of Management Board

Thanks, Marius, for your questions. So on the indirect cost side, so I think it's just in line with the projections of the last quarter. So I think we had exceptionally high other operating costs in Q4 last year, but the level that you see now, I think, is realistic.

And on the guidance, I -- we confirm, of course, our guidance. We can see a good top line development and...

[Technical Difficulty]

Operator

Right now we cannot hear you in the management line. This will take a second.



Dr. Helmut Becker
CEO & Chairman of Management Board

We're back. Please continue with the questions.

Operator

Mr. Tim Kruse, you should be able to speak now.



Tim Kruse
Montega AG

Congratulations on the great quarter once again. On the Traumhaus, I have a few questions. First of all, yes, great that you could increase all the KPIs. Is it correct that you record the billings for the raffle continuously through the quarter? So Q3 would have had 1 month of the current raffle? Could you just confirm that?



Andrea Behrendt
CFO & Member of Management Board

Tim, yes, we can confirm that the billings are based on the quarters.



Tim Kruse
Montega AG

Okay. And then maybe a quick follow-up. How do you see sort of player activity throughout the raffle? Is it evenly distributed? Or do you see sort of activity, yes, throughout -- different activity throughout the raffle, that would be interesting?



Dr. Helmut Becker
CEO & Chairman of Management Board

Yes. We see strong activity when we launch a new house. We see some activity pushed by the intermediate raffles, like if we raffle off a car, for

example, that drives activity. And then the biggest part is, of course, the day before the raffle we see a peak in

activity. And then, of course, there's a baseline activity happening throughout the full draw period.



Tim Kruse
Montega AG

Okay. So fair to assume a lot of -- quite a bit of activity at the beginning, and then at the end, sort of the highest. And in between, yes, sort of baseline. Okay. That's helpful.



Dr. Helmut Becker
CEO & Chairman of Management Board

The highest is at the end, yes.



Tim Kruse
Montega AG

Yes. Okay. Okay. Yes, then maybe one comment on the CPLs in Q1. Although the jackpot activity was not so high, I mean, I think we saw quite low CPLs second half of last year. So maybe you could just comment on the maybe competitive environment on your keywords, and how you see that going on through the year?

And then maybe lastly on the Games, is it sort of with the new games you increased in Q1 and the increase in revenue there, is this a level depending on the playing activity of the lotteries, which you would assume to go out throughout the year? Or do you have higher activities that could actually even stimulate the Games business?



Dr. Helmut Becker
CEO & Chairman of Management Board

Yes. So on the CPL, what we are seeing is a slightly higher CPL, as Andrea pointed out. Part of it is experiments that we did, especially in the new businesses, and that's why Andrea also talked about the CPL that we have in our core business only. There's a small effect, I think, which is sort of a baseline increase in media cost, but the larger effect is due to the jackpot situation. We see slightly different CPLs in low jackpot situations than in high situations. I think the most important message is that the CPL is very well within our target range, and our payback periods are great and even better than last year.

And to your second question, on the Games side, we will continue to grow our Games portfolio, and they will -- that will continue to have a positive effect. We will also roll out further features, customer-facing features, that will improve the Games business. And what we expect there, and I think we've said this before, is a steady growth in our Games business. We have to be a little bit patient, but we see a lot of potential, and we will see this materialize in the form of steady growth.

Operator

And we will go on with Henry Wendisch, this stage is yours.



Henry Wendisch
NuWays AG

Congrats for your strong results. It sort of feels like it's hard to find the current results, but will try my best. Maybe we can elaborate -- could please elaborate a bit more on Page 10 of the presentation. You mentioned the Games -- on Page 11, sorry, that the monthly active user activity in Games was sort of high despite the weak jackpot. So maybe could you please elaborate a little bit more, how we can think of the relationship between the Games user activity and the jackpot environment. So usually, I would assume that if jackpots are high, user activity in lottery is high and then the activity in Games is also higher because people see the product offering and then also play a little bit more games than they usually do. Is that a fair assumption? Or what is the connection that we see here?



Dr. Helmut Becker
CEO & Chairman of Management Board

Henry, I couldn't have explained it any better than you just did. So, yes, peak jackpots drive traffic. Some of that traffic then ends up on our Games pages. And I think what we are seeing here, which makes us confident is that even in low jackpot situations where we don't have as much traffic and less discovery of games, there is a

lot of players who are just returning and who just continue to play games. And like I said, that tells us that the games value proposition is resonating more and more with our users.



Henry Wendisch
NuWays AG

Okay. And then also, I've seen that you are partnering a little bit with Tipico and [Gamma] how can we think of that? What does the partnership look like in detail? Like how does it affect your user metrics at Games? Does it -- and which segment is it recorded? Maybe you could give a little bit more detail here.



Dr. Helmut Becker
CEO & Chairman of Management Board

Yes. So it's about the Games portfolio, both for us and also for our partners. So the games industry is a very promiscuous industry. What I mean by that is that we integrate games from other partners, and they integrate games from us. And we have our own game studio where we have unique games. So that's why partners are interested in our games. And some of the

names that you mentioned and others are well-known brands in the games business, and they have well-known games in the industry known by the users. And so it's helpful to have these games on our site because customers recognize them, and then that leads to better conversion and retention.



Henry Wendisch
NuWays AG

Okay. Got it. So it's not like people can play via the typical page on your games, which would then influence your, for example, monthly active users? It's not like that, like a technology partnership?



Dr. Helmut Becker
CEO & Chairman of Management Board

Yes, we are integrating some of their games, and they are integrating some of our games.



Henry Wendisch
NuWays AG

Okay. Got it. Cool. And then last question is regarding the marketing and marketing tests that you're doing. Could you please go more into detail what can we think of this? Sort of what kind of tests are you doing and how are they working out? So maybe we can think of user intake for the rest of the year, given sort of a basic or average jackpot environment.



Dr. Helmut Becker
CEO & Chairman of Management Board

Yes, we're testing different channels, like, of course, always continue to optimize and improve the standard channels, like Google and Facebook and Instagram. But we're also doing TV advertising testing there for our new businesses. We are now on TikTok, for example. So always testing new channels. We are always testing new creatives and different creatives, yes. And then we're testing some products, too. Like we have a team player product, for example. So it's a great product. The user KPIs look very good. So we are testing advertising

for that product as well. So if you follow us on Instagram, for example, you would have seen some advertising there in recent days, yes.

And look, like always, some of these tests are very successful, and that's the stuff we continue. And some of the test results are not so successful and then we stop it. But it's important to try these things in order to overall continue to optimize our marketing.

Operator

[Operator Instructions] And we go on with Abed Jarad.



Abed Jarad
mwb research AG

I have a follow-up question regarding the revenue guidance for the full year. I know you already explained it, but I would like some more clarification because, just as was mentioned before, even if we assume like 0 jackpot peak in the upcoming 3 quarters, we already land at the midpoint of the full year guidance. Like is there any reason or anything unusual in Q1 that prevents you from upgrading at least the revenue guidance?



Andrea Behrendt
CFO & Member of Management Board

Abed, thanks for your question. So Q1 was -- there was nothing unusual in sight. So we are confirming our revenue guidance and are very optimistic here.

Operator

And as we have no questions left, we come to the end of today's earnings call. Should further questions arise at a later time, please feel free to contact Frank Hoffmann from Investor Relations. And a big thank you also Mr. Becker and Ms. Behrendt for your presentation and the time you took to answer the questions. I wish you all a lovely remaining week.

And with this, I hand over again to Ms. Behrendt for some final remarks.



Andrea Behrendt
CFO & Member of Management Board

Yes. Thanks again for joining this call tomorrow -- this morning and making the time and your interest in ZEAL's growth path. And remember, we have EUR 120

million up for grabs on Friday. So looking forward for our Q2 numbers.



Dr. Helmut Becker
CEO & Chairman of Management Board

Thanks. Bye-bye.



Andrea Behrendt
CFO & Member of Management Board

Bye.

Operator

Goodbye.

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