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ZEAL NETWORK SE

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Q2 2026 Earnings Call Transcript

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Operator

Welcome to the earnings call of ZEAL Network SE regarding the H1 figures of 2026. The company's CEO, Dr. Stefan Tweraser; and CFO, Andrea Behrendt, will guide you through the figures in a moment, followed by a Q&A session via audio line. Please, ladies and gentlemen, make sure we can see your full name. And with that, I'm handing over to you, Andrea.

Andrea Behrendt
CFO & Member of Management Board

Thanks a lot. And good morning, everyone, and welcome to ZEAL's Earnings Call Presentation for the First Half Year of 2026. I'm Andrea Behrendt, the CFO of ZEAL, and I'm joined today with our CEO, Stefan Tweraser. The presentation is available on our Investors section in our website. And with that, I will guide you through the agenda. Like always, we will start with the highlights of the first 6 months of the year. Then I will take you through the financial and operational performance before we give you an update on our strategic progress and the 2026 guidance. We will close with the key takeaways and then open up for a Q&A session. And with that, I hand over to Stefan.

Stefan Tweraser
CEO & Chairman of Management Board

Good morning from my side as well, everybody. Thanks for joining our call. And I'm happy to report that the first half of 2026 has delivered a record in revenue, very profitable growth, and we've been able to continue our strategic diversification. To give you a couple of more details, we delivered the strongest first half year in ZEAL's history, achieving record number of revenues alongside double-digit growth in both EBITDA and profit.

This demonstrates that our strong top line momentum continues to translate into very profitable bottom line growth. We've also reached record levels of new customer acquisition, further strengthening the foundation for future growth. Through our social lotteries, we continue to support prominent charitable organizations in total, and we are very proud of this. We have already contributed around EUR 240 million to public welfare in 2026.

And from a strategic perspective, we successfully launched Traumautoverlosung in Germany, expanding our product portfolio beyond traditional lotteries, and we have concluded the acquisition of SevenCanyon in U.K., which represents another important step in our continued diversification. So overall, the first half of 2026 combined record financial performance, strong operational execution and meaningful strategic progress. I'll hand back to Andrea to dive into the numbers for you guys.

Andrea Behrendt
CFO & Member of Management Board

Thanks, Stefan. So like always, let's put our results into context for the jackpot environment in Germany. The jackpot environment improved in the second quarter of this year, particularly in LOTTO 6aus49. LOTTO

6aus49 reached its EUR 50 million maximum for the first time ever and remained for this in 10 consecutive draws in Q2 and continues until today. So let's see what's happening today. Its average jackpot increased to EUR 27 million compared to EUR 8 million in the prior year period. Eurojackpot reached its EUR 120 million maximum in May and remained there for 2 draws. The average level was EUR 43 million and is slightly below last year's numbers. Overall, the extended LOTTO 6aus49 rollover sequence more than offset the slightly lower average jackpot -- Eurojackpot levels.

And we added an additional slide this time in because it's the first time we had a EUR 50 million -- LOTTO jackpot, on EUR 50 million, and we wanted to illustrate how this jackpot drives customer activity and billings and how this also compares to Eurojackpot here. And that's not only for ZEAL, but for the overall market. So for LOTTO 6aus49, the EUR 50 million jackpot remained in place with a wide range of draws, as I told you already. And compared to low jackpot reference draws, the billings increased by 33%, with a strong uplift on Wednesdays with 45% and on Saturdays with 26%.

On the other hand, we have Eurojackpot. And if the Eurojackpot reaches its top maximum at EUR 120 million, we see that billings increase by 149% in the market above the normal minimum jackpot reference. And this translated in Tuesday numbers of 171% and Friday's numbers of 134%. In summary, it's really important to see that both jackpots drive significant growth, but relative increase of the Eurojackpot is over 4x higher than LOTTO 6aus49. This is just that we wanted to share with you because it's for the first time happening, and I think it's important to put that in context for our results and also for Q3 results.

Now let's turn into our P&L. So I want to share my highlights with you here. Of course, revenue grows by 20%, a great number. Lotteries grew by 20% and games by 17%. On the other hand, the operating expenses increased, but with deliberate investment decisions that we are taking into growth. Mainly, the increase comes from our marketing expenses that rose by 37%, that we really, yes, put the pressure on our customer acquisition and increased here significantly. The personnel expense increase comes with the investments into our new business areas, especially. But despite these investments, EBITDA grew by 10% to EUR 39 million. And we achieved an EBITDA margin in the first half year of 31.9%, well above our guided 30% target. The key message here is that we delivered strong top line growth and increased absolute profitability, while we still continue significantly investing in our future.

Now let's see on the underlying operational KPIs that drive this growth. So first of all, our lottery billings for H1. Lottery billings increased by 13%, and the main driver here is the larger and more active customer base. Average monthly active users increased by 9%. And as expected in such a jackpot environment, the average billings per user increased by 4%. Based on the billings growth of 13% and in combination with the improved gross margin, our revenue increased by 20% year-over-year. Our gross margin improved from 17.3% to 18.2%. And this margin improvement comes based on favorable product mix due to the jackpot environment as we have seen that in Q2 and, of course, the impact of our diversification strategy in our product portfolio. So overall, really great product margins and lottery -- in the lottery business and a strong top line growth.

The long-term growth driver is our customer acquisition. So we really focus on this, and we reached new record levels for an H1 in ZEAL. We acquired 659,000 new customers, 32% more than first half year of last year. And this is huge success. I really want to point this out. It is achieved considering our clear boundary conditions that we set our teams for the marketing investments. You see how this translates in the cost per lead. They increased only by 7%, despite this much higher volume in customer acquisition that we put in, despite rising media costs and all the tests that we are doing to target new audiences and also to support our diversification strategy. So yes, a real success. If you compare the core brokerage business, CPLs, I think that's important. We saw a CPL of EUR 44.86. And like I say, that demonstrates really a strong discipline on our side to invest in unit economics that

are scalable and really generate significant growth for ZEAL's future.

Now to the other operational segment in Germany, and that's Games. Our Games business continues to grow, and we are broadening our Games portfolio and our product features. So -- and that really resonates with our customers, as you see in these numbers. Monthly active users grew by 34%. As expected, through that strong growth of monthly active users, this resulted in a more diversified player mix, and we see that the high rollers have a smaller proportion now, and therefore, the ARPU slightly declines. Overall, this increase of active users is our goal and drives the revenue growth of 17%. And with that, I hand over to Stefan for some great updates on our own lottery products.

Stefan Tweraser
CEO & Chairman of Management Board

Andrea, thank you for these exciting updates on Games and Lottery business. As you know, one of the strategic pillars of ZEAL is to diversify away from the dependency of the German Lottery business. And thus, we've set up social lotteries to compensate and even out that effect. Traumhausverlosung is one of these businesses, and it's really on track. We have the ninth raffle currently running.

Already 3 houses have been drawn in 2026, and we've been able to thus continue to scale during that first half of the year. The house on Lake Chiemsee reached the draw after only 63 days, the shortest draw period that we can show here. It also delivers the highest customer retention rate and the highest billing per day to date. Billings have reached EUR 9.3 million, and the very important direct-to-consumer share in that business was almost 60%. Currently, the ninth raffle on Amrum is underway, demonstrating the repeatability and the growing maturity of this product.

Speaking about social lotteries, and how we create those businesses to get independent from the jackpot situation, it's important to also mention that we have successfully launched another social lottery in Germany, Traumautoverlosung. And Traumautoverlosung has also been a very initial success. We had the first lottery started in April. The product expands our own lottery portfolio from dream homes into premium vehicles and gives us another attractive format for customer engagement.

The first draw was completed successfully with more than 217,000 tickets sold and more than EUR 2 million in billings. This early performance gives us the confidence that the potential of this business is really there to be scaled and makes us confident that our strategy with social lotteries and new product formats really is a very solid one. With that, I hand back to Andrea for strategic progress and financial guidance.

Andrea Behrendt
CFO & Member of Management Board

Thanks, Stefan. So let's turn to our strategic progress. We made tangible progress in H1 with our 3 strategic categories, and we added a new one to elevate our growth ambition. First, we strengthened our customer acquisition effectiveness, and you have seen that we achieved a record 659,000 new customers in the first half year. Secondly, we continued to scale our own lottery products. We completed 3 house draws in Traumhausverlosung and launched the ninth raffle already. And we successfully introduced our new product, Traumautoverlosung.

Third, we continued to grow Games by expanding the portfolio and achieving monthly active users increased by 34% and revenues of 17%. And after the reporting period, as you already know, we added the acquisition of SevenCanyon as an important strategic milestone by giving us immediate access to the U.K. prize draw

market and a meaningful second home market for ZEAL. And with that, I would like to share a little bit more details about the transactions. Although some of you, for sure, have dialed into our update on the 9th of July, I really like to take this opportunity to give an update and share some more details that we already discussed, but I think it's the right audience.

So beginning of July, we announced the acquisition of the remaining 96.5% of SevenCanyon Limited. SevenCanyon is an established, profitable and cash-generative multi-brand platform in the U.K. prize draw market with the brands 7days Performance, UKCC and Redline. This transaction really gives us immediate access to the European largest prize draw market and creates this second home, like I told you. It reduces our dependency on German jackpot environments and fits so perfectly into our diversification strategy.

The cash purchase price for the remaining share was approximately GBP 33.8 million, plus an earn-out payment of GBP 4.8 million. To finance the acquisition and also really to remain flexible with our capital return measurements, we arranged a EUR 40 million long-term loan with Deutsche Bank for this transaction. SevenCanyon is already a scaled, profitable and cash-generative business with an EBITDA from last year of more than GBP 10 million. And it's already built and you don't have a build risk and we acquire a proven and profitable business.

We see clear value creation opportunities in this kind of transaction with our capabilities at ZEAL with CRM, data and marketing steering. And we also see cross-functional transfer of expertise in houses and cars. On the other hand, we have our valuable assets of the platform scalability and all the compliance and regulatory experience that ZEAL has that we can bring to the table. The acquisition is expected to be EBITDA accretive for the first full consolidated year and the purchase price allocation and the IFRS transition is still being completed.

And that leads me to the update of our guidance that we shared with you beginning of July. Our previous revenue guidance was EUR 250 million to EUR 260 million, and that does not yet include the contribution of SevenCanyon. We will update this revenue guidance once we have an exact revenue contribution under ZEAL IFRS standards finalized, and we'll give you an update there. This is regarding the technical translation of SevenCanyon's current revenue presentation into ZEAL's group reporting. So we ask a little bit of patience from you.

On the other hand, we confirm our EBITDA guidance of EUR 70 million to EUR 75 million, assuming a normal jackpot environment in Germany for the rest of the year. This range includes both, a, the expected positive SevenCanyon EBITDA contribution as well as the M&A-related one-off expenses in the mid-single-digit million euro range. For Germany, we continue to plan marketing investments around EUR 85 million to EUR 95 million if we see clear attractive investment opportunities within our boundary conditions. And also mid-term, nothing changes. We stay with our unchanged guidance of mid-teens annual revenue growth and an EBITDA margin of above 30%. And back to you, Stefan. Stefan, otherwise, I take over.

Stefan Tweraser
CEO & Chairman of Management Board

No, sorry, my connection. Andrea, thank you for giving us the deep dive into the numbers and updating our financial guidance. I'm super happy to summarize the key takeaways of this presentation. First, ZEAL has achieved a record number of revenues, and we are super happy that we grew 20% up to EUR 122 million. Second, we translated this growth into higher profitability. EBITDA has increased by 10% and net profits rose by 12%. Third, the successful launch of Traumautoverlosung broadened our own lottery product portfolio. And fourth, the post acquisition period of SevenCanyon gives us a meaningful presence in the U.K. and further diversifies our geographic footprint. We enter the second half with a very strong momentum, a broader product portfolio and a clear path for continued profitable growth. With this, I thank

you all for your attendance and give the voice to you for the Q&A.

Question & Answer

Operator

[Operator Instructions] Mr. Tim Kruse, the stage is yours.

Tim Kruse
Montega AG

Yes, Tim Kruse from Montega. Two questions. So the first one will be on the Traumautoverlosung. Stefan, maybe you could -- I think you didn't reach the maximum number of tickets for that lottery. Yes, maybe you could elaborate if that was sort of in line with your expectations and how you expect that to pan out in the next draws. And then one question to Andrea on the personnel costs, which were quite a bit lower than in Q1. Is there anything we have to factor in here in Q2? Or is that the run rate we should look at for the rest of the year?

Stefan Tweraser
CEO & Chairman of Management Board

Tim, thank you very much for your question. Happy to take the first one. Defining the maximum number of tickets, obviously, is a learning process. And we're happy that we hit the sweet spot where we still had tickets to sell, but have, at the same time, been able to create a meaningful FOMO phase to drive sellout as much as possible. If we would have reached sellout too early, then we would have not utilized the full potential of the market. If we would have been even further away, that would not have created the FOMO. So it's really that balance that we need to find, and that's going to continue going forward for the now running first season and all seasons to follow. So we are very happy with the number of tickets that we sold also in relation to the maximum tickets that we defined.

Andrea Behrendt
CFO & Member of Management Board

Thanks, Tim. And on the personnel costs, so I would recommend you to take the -- not Q2 as a baseline, but rather Q4 or Q1 because we had some special one-off effects in the Q2 regarding variable bonus accruals.

Operator

Okay. Mr. Kruse, if you don't have any follow-up questions, we will move on to the next person, and I'm holding the room for a moment.

Tim Kruse
Montega AG

That's fine. Please continue.

Operator

Okay. So the next person in line is Jack Cummings.

Jack Cummings
Joh. Berenberg, Gossler & Co. KG, Research Division

Brilliant. Jack Cummings from Berenberg. I've got a couple of questions. The first one just on that personnel cost point. I think you grew FTEs 25% year-over-year in Q2 because of the expansion into new products. Should we anticipate that there is more investment that needs to go into new FTEs?

Andrea Behrendt
CFO & Member of Management Board

I will take that. Thanks, Jack. So we are, of course, looking into expanding further our offering and also having the geographical expansion, as you heard, from SevenCanyon. So this, of course, will trigger that the team from SevenCanyon will be included in these numbers in the future. On the baseline that, let's say, on the core business in Germany, we don't expect any growth.

Jack Cummings
Joh. Berenberg, Gossler & Co. KG, Research Division

Okay. Understood. My second question is on the Dream House Raffle and Dream Car Raffle business. I think in the financial report, it looks as though that business grew revenues 52% in the first half of the year. How should we think about the growth rate in revenue terms in H2? And is the business contributing positively to EBITDA yet? And if not, when should we expect that?

Andrea Behrendt
CFO & Member of Management Board

I will take that. So you have significant growth, of course, in H1 because we launched also Traumautoverlosung that wasn't included in these numbers before. We assume, of course, a scaling there. We -- on the guidance for the social lottery area, we still assume significant double-digit growth for the future, and that should continue. Both products are still investment products based on our conscious decision to scale these products significantly. So yes, I hope that answers your question.

Jack Cummings
Joh. Berenberg, Gossler & Co. KG, Research Division

Yes, that answers the question. And then just my final question. There's obviously been a change in legislation in Germany to allow for higher stakes on slot games. Two questions. One, is this something you have already implemented across your business? And part 2, would you expect this to drive an acceleration in Games revenue growth in H2?

Stefan Tweraser
CEO & Chairman of Management Board

So thank you for that question, Jack. We have implemented parts of the increase, but we also try to strike a very delicate balance with player protection when it comes to our Games business. So we take these steps very, very deliberately and very consciously on -- of the impact that higher stakes will have on responsible gaming and player protection. So whilst we see and further expect an increase in Gaming revenues, the main driver is, as Andrea pointed out, an increase in MAUs and a balanced growth in average billings per user. We not so much depend on increased stakes to drive the Games revenue.

Operator

And we move on to Abed Jarad.

Abed Jarad
mwb research AG

This is Abed from mwb research. I have one question regarding Games. Can you maybe explain why growth in monthly active users is stagnating like quarter-on-quarter, at least in the last 3 quarters? And also, monetization is lagging behind. What is the explanation for this?

Andrea Behrendt
CFO & Member of Management Board

I will take that. So first of all, on the monetization, I think I explained that to you in this presentation today. So it's really about that you have these early adopters who are rather games-affine and have a higher spending volume within the customer base. And the more we scale and grow the customer base, and actually I have to look up the number, but over 30% our MAUs grow, you will get more standard games players compared to these high rollers.

And therefore, the average revenues per user goes down, but that's what we expect. So that's the dynamic. We rather want to grow the overall customer base than focusing on high rollers here. And on the growth rates, I'm not fully understanding your question. So we grow the customer base, but of course, not as quickly as possible. I think you probably all know about the restrictions we have in the German regulation regarding, yes, cross-selling and driving that growth. So we are very happy with the growth numbers that we are seeing, and we'll accelerate here.

Abed Jarad
mwb research AG

Okay. Fair enough. I meant like growth quarter-on-quarter. So in Q4, you had [35 million], Q1 [35], Q2 [36]. So quarter-on-quarter, it's decelerating. That's what I meant with the growth in monthly active users. And yes...

Andrea Behrendt
CFO & Member of Management Board

Yes. So like I said, I think in the first phases, of course, we have -- we were a small business and growing on big scale, percentage-wise on the growth. Now the growth is more, our customer base knows that there's games. So of course, growth is slowing down quarter-over-quarter. So -- but we will see what new product portfolio and product features and also the stake increase will deliver here for us in the future.

Abed Jarad
mwb research AG

Okay. Maybe one last question regarding SevenCanyon. Have you communicated at least a comparable in terms of revenue, like on what you are expecting in what range? If I'm not mistaken, it was around EUR 40 million.

Andrea Behrendt
CFO & Member of Management Board

There are -- exactly, there are 2 numbers. Maybe my team can search it out, and we will give it to you in a minute. We shared that already in the presentation of the M&A deal exactly. So there's just a question between -- if it's GGR or NGR view, we will share both numbers in a minute with you when we have it there. Give us a moment, please. But we can continue with questions meanwhile.

Operator

So if you may have any follow-up questions, Abed, this is the space to place them already. [Operator Instructions] Abed, I see your hand is risen, and I give you the allowance to speak again.

Abed Jarad
mwb research AG

I'm not -- I just wanted to say I have no further questions.

Operator

[Operator Instructions]

Andrea Behrendt
CFO & Member of Management Board

So if there are no other questions, Abed, we will call you afterwards. We are just getting the numbers ready for you.

Operator

With no further questions, we have come to the earnings -- end of the earnings call today. Thank you very much for your interest in ZEAL Network SE. A big thank you also to you, Stefan and Andrea, for your presentation and your time. Should you, ladies and gentlemen, have any further questions at a later date, please feel free to contact Senior Investor Relations Manager Frank Hoffmann. I wish you all a successful day around the world and handing back over to Andrea for some closing remarks.

Andrea Behrendt
CFO & Member of Management Board

Yes. Exciting H1, looking forward for a strong second half of the year. So thank you a lot for your questions and for joining us this morning. We really appreciate your time and your interest in ZEAL and speak soon with great new results. Thanks a lot.

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