

ZEAL Network SE

Investor Call

Half-Year Report as of 30 June 2020

13 August 2020

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Summary

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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

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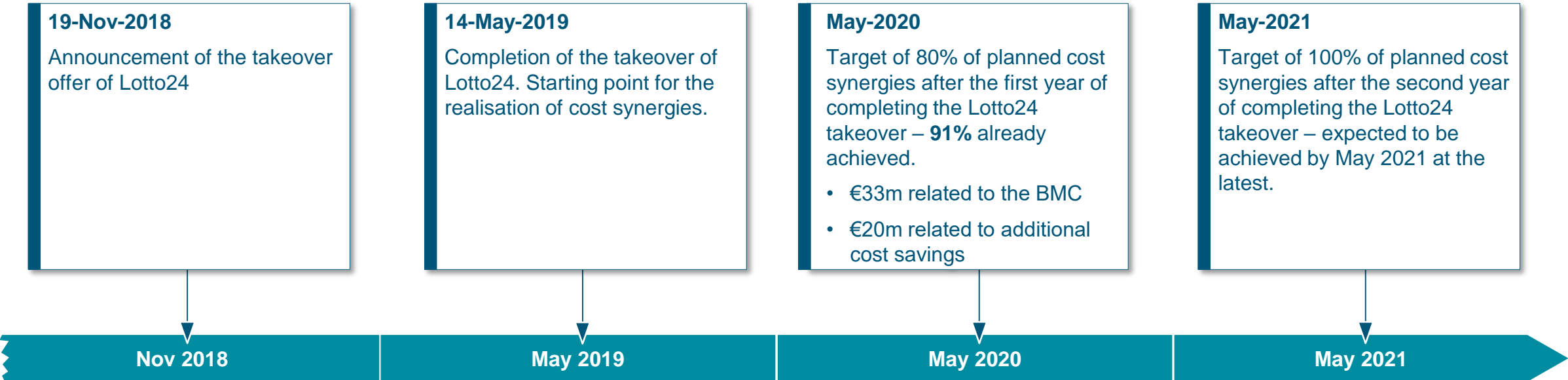
ZEAL Income Statement 6M 2020 - condensed

	in € thousand	6M 2020	6M 2019	Change in %
Income Statement	Revenue	43,296	77,461	(44.1)
	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)
	Adjusted EBITDA¹⁾	3,250	31,204	(89.6)
	Amortisation and depreciation	(5,164)	(2,500)	+106.6
	Non-recurring expenses	(108)	(7,357)	(98.5)
	EBIT	(2,022)	21,347	(109.5)
Net profit after taxes	377	14,320	(97.4)	

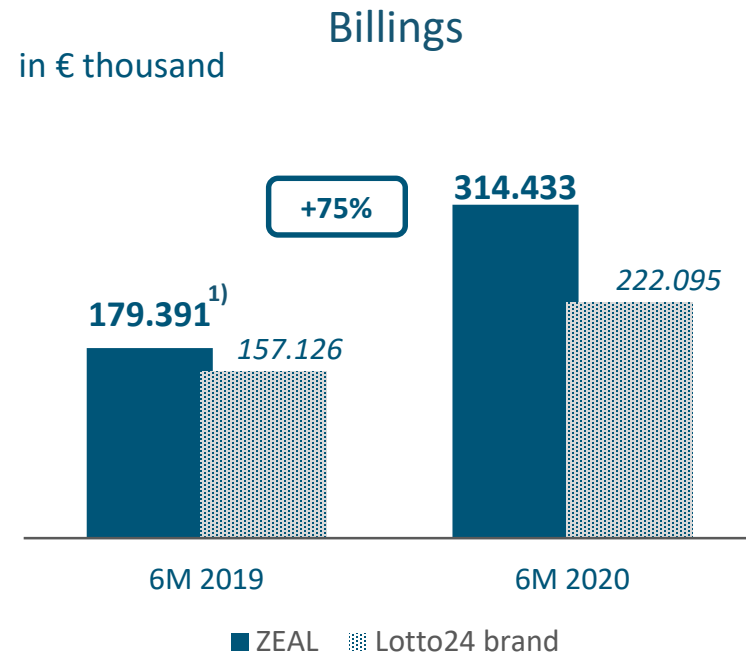
Comments
<ul style="list-style-type: none"> ➤ Revenue: <ul style="list-style-type: none"> – Decreased as a result of the expected revenue dis-synergies in connection with the Business Model Change ➤ Personnel expenses & other operating expenses: <ul style="list-style-type: none"> – Reduced nearly €7m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

91% of planned cost synergies already achieved

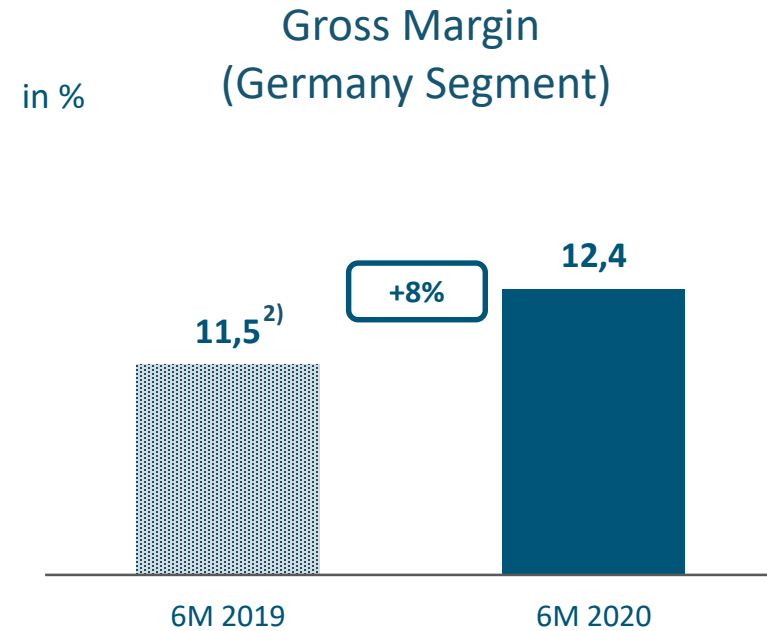
Milestones to realise cost synergies of at least €57m p.a.



Other performance indicators I

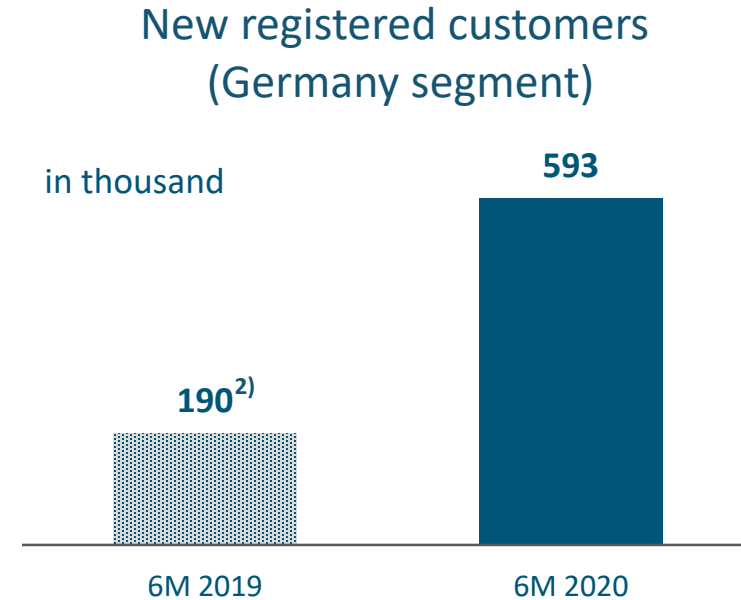
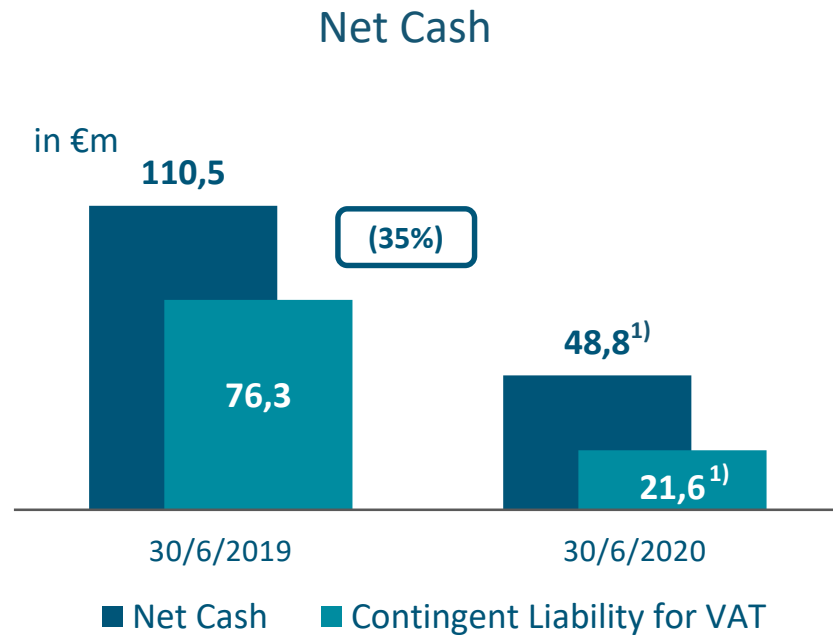


¹⁾ Incl. Lotto24 since 14 May 2019



²⁾ Just for comparison: Gross margin of Lotto24 AG for H1

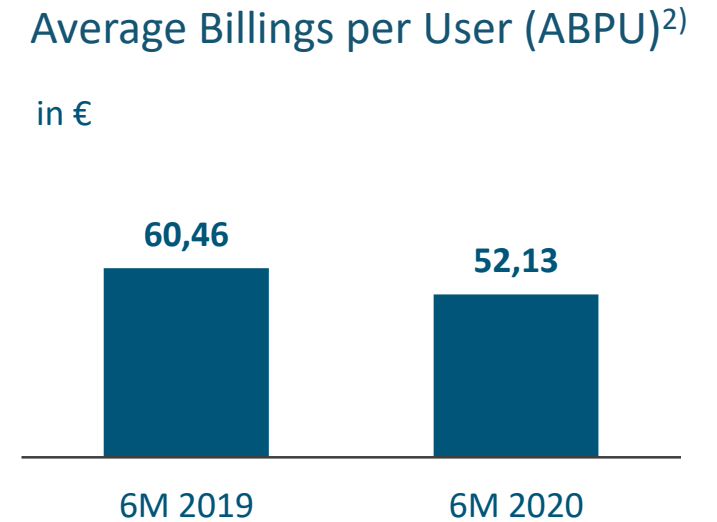
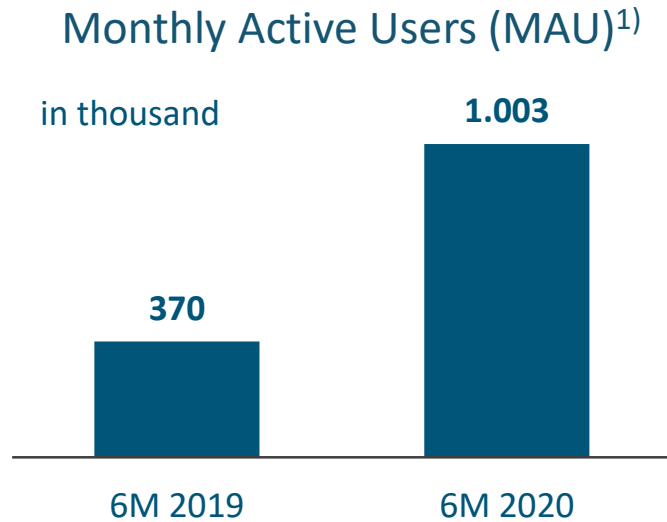
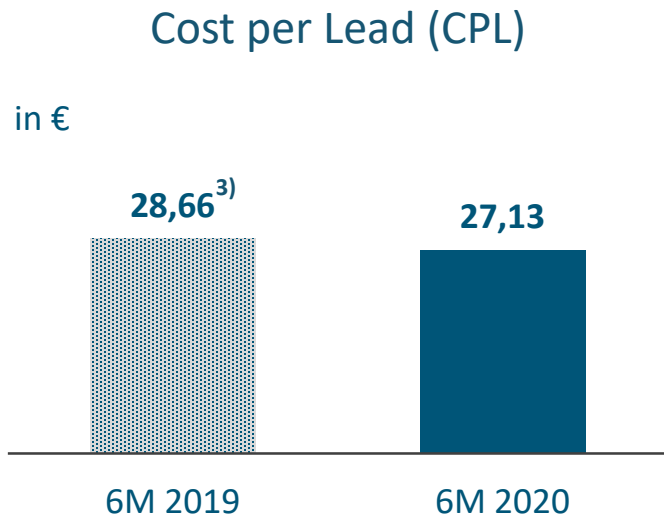
Other performance indicators II



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 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

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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 NEW	2020 OLD	2019 ¹⁾ 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) ²⁾	Around 800	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.



Key Take-Aways

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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

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Questions

Answers



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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 ¹⁾	31,204 ¹⁾	(89.6)
EBIT		(2,022)	21,347	(109.5)
Earnings before taxes		(215)	21,387	(101.0)
(Loss)/Profit		377	14,320	(97.4)

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
ASSETS		477,539	521,133	(8.4)
Current liabilities		25,883	49,909	(48.1)
Non-current liabilities		63,419	65,499	(3.2)
Equity		388,237	405,725	(4.3)
EQUITY & LIABILITIES		477,539	521,133	(8.4)

¹⁾ 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	43,296
Other operating income	1,063	(15)	1,048
Adjusted EBITDA	1,503¹⁾	1,747	3,250
Depreciation/amortisation	–	–	(5,164)
EBIT	–	–	(2,022)
Financial result	–	–	1,902
EBT	–	–	(215)
Income tax	–	–	592
Net Profit/loss	–	–	377

¹⁾ Result from operating activities before amortisation, depreciation and non-recurring expenses

ZEAL: KPIs

Secondary lottery business							Broker Business		
Billings (in €m)	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
	65.5	67.8	77.7	67.4	112.0	153.3	134.0	140.0	174.4
ABPU (in €)	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
	53.3	58.0	60.4	57.5	60.5	57.3	48.4	49.5	54.5
MAU (in k)	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 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

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