

# ZEAL

# EARNINGS CALL

Quarterly Statement Q1  
as of 31 March 2024

08 May 2024



Tipp24

ZEAL IBERIA

ZEAL INSTANT GAMES

ZEAL VENTURES

**CONTENT**  
**CONTENT**  
**CONTENT**  
**CONTENT**  
**CONTENT**

- Summary
- Financial Update
- Progress and Guidance
- Key Take-Aways



# SUMMARY Q1 2024

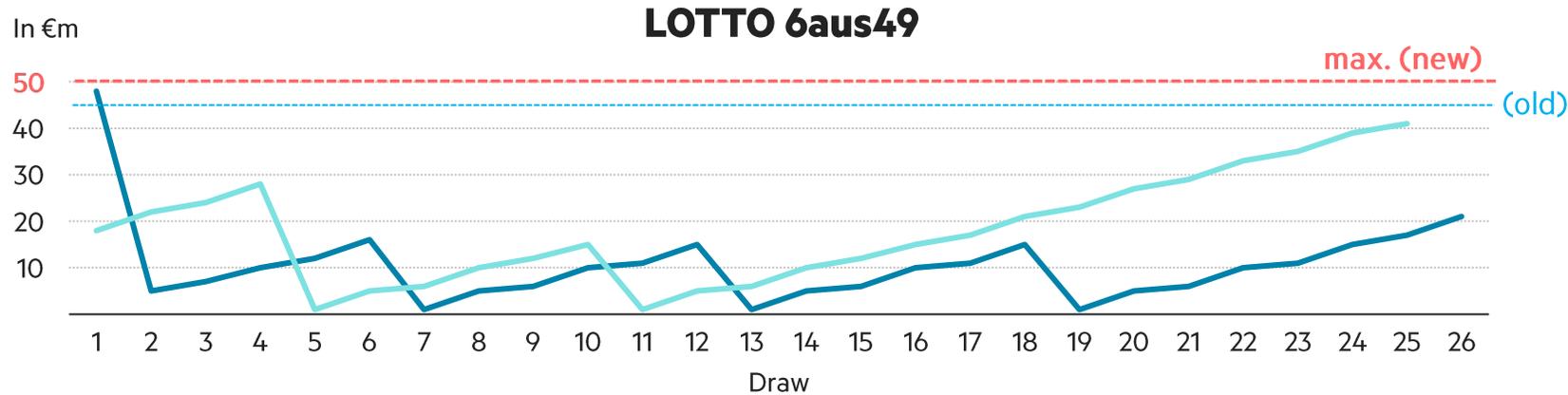
## STRONG START INTO THE NEW YEAR

- ✂ Exceptionally efficient and extensive new customer acquisition
- ⚡ Strongly accelerated growth of billings and revenue
- ⚡ Gross margin significantly improved
- ⚡ Squeeze-out request submitted to LOTTO24 AG

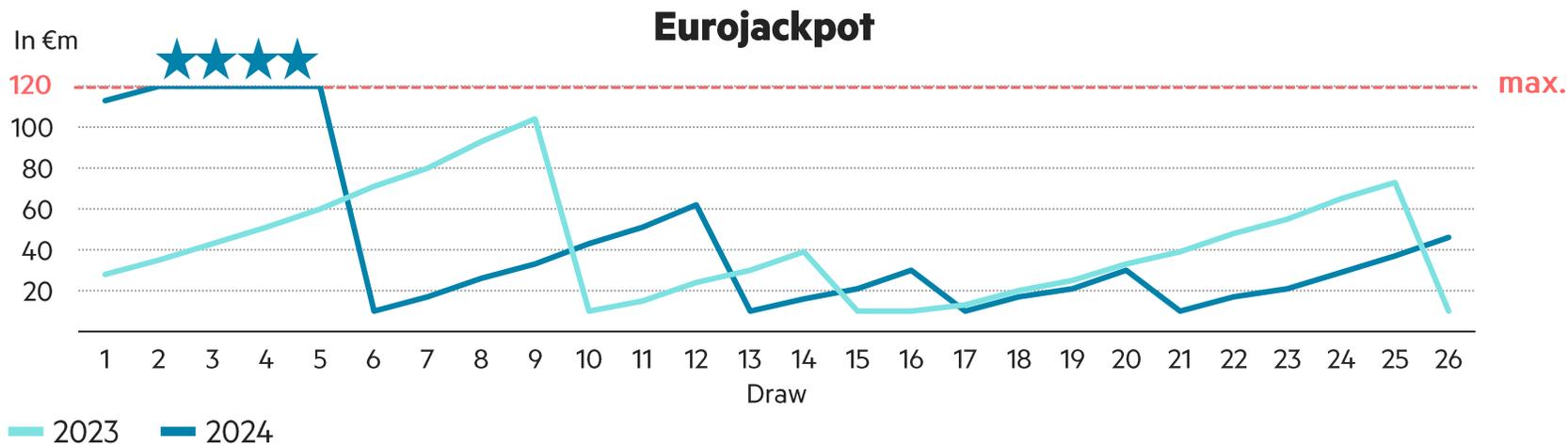




# VERY GOOD JACKPOT ENVIRONMENT – 4 PEAKS IN Q1 2024 VS. 0 PEAKS IN Q1 2023



in €m	Average	Peak
Q1 '24	11	0
Q1 '23	18	0



in €m	Average	Peak
Q1 '24	44	4
Q1 '23	42	0

# ZEAL INCOME STATEMENT Q1 '24 – CONDENSED

INCOME STATEMENT	Q1 '24 (in €k)	Q1 '23 (in €k)	CHANGE (in %)
<b>REVENUE</b>	<b>36,100</b>	<b>26,699</b>	<b>+35.2</b>
- Lotteries	31,974	24,913	+28.3
- Games	2,187	-	-
<b>TOTAL COSTS OF OPERATIONS</b>	<b>-27,137</b>	<b>-17,579</b>	<b>+54.4</b>
<b>Personnel expenses</b>	<b>-6,203</b>	<b>-5,078</b>	<b>+22.2</b>
<b>Other operating expenses</b>	<b>-20,967</b>	<b>-12,516</b>	<b>+67.5</b>
Marketing expenses	-13,390	-7,001	+91.3
Direct operating expenses	-4,011	-2,730	+46.9
Indirect operating expenses	-3,566	-2,784	+28,1
<b>EBITDA</b>	<b>9,405</b>	<b>9,320</b>	<b>+0.9</b>
Amortisation and depreciation	-1,869	-2,194	-14.8
EBIT	7,537	7,126	+5.8
<b>NET PROFIT AFTER TAX</b>	<b>21,085</b>	<b>4,374</b>	<b>+382.1</b>

## REVENUE

Revenue increased by 35% due to a strong increase in MAU and gross margin

## COST OF OPERATIONS

### Personnel expenses:

Personnel expenses increased by 22% driven by an 11% increase of the average number of employees rose from 169 to 187., higher holiday accruals and salary increases

### Marketing expenses:

Marketing expenses increased by 91% as marketing activities were significantly increased during periods of high jackpots. New customer acquisition increased by 124% with a 10% lower CPL compared to the previous year

### Direct operating expenses:

Direct operating expenses increased by 47% due to increased use of Paypal, higher cost for customer identification, costs for impaired customer receivables and commissions to external games developers

### Indirect operating expenses:

Indirect operating expenses were up by 28%, mainly driven by increased costs for external service providers and personnel recruitment costs

## EBITDA

EBITDA increased by 1% despite significantly increased customer acquisition costs and brand investment as well other investments in growth. Adjusted for a “big win” at Traumhauslotterie which reduced revenue by €0.8m EBITDA would have amounted to €10.2 million (+9%)

## NET PROFIT AFTER TAX

Net profit rose by 382% to €21.1 million mainly due to the initial recognition of deferred tax assets on tax loss carry-forwards of ZEAL Network SE following the announcement of its squeeze-out request to LOTTO24 AG

# COST PER LEAD BELOW Q1 '23 AND Q4 '23

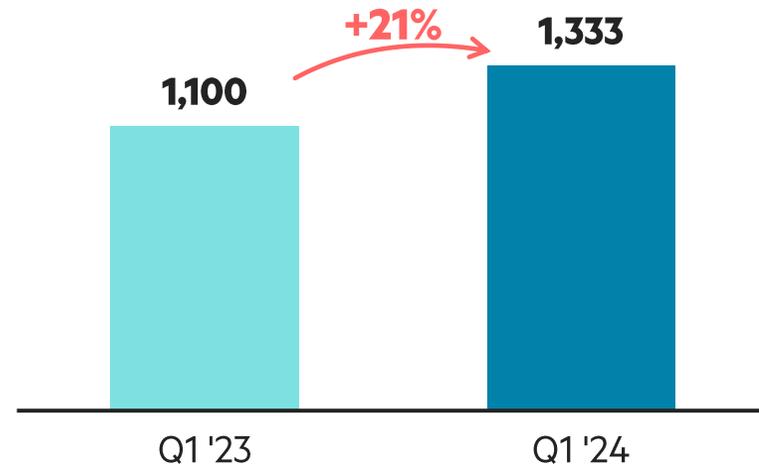
In €	Q 1	Q 2	Q 3	Q 4	Full Year
<b>2024</b>	<b>33.04</b>				
<b>2023</b>	36.77	50.83	50.40	37.11	45.52

- Q2 '23** Temporary increase in competitive pressure in online marketing during a high jackpot
- Q3 '23** Launch of major advertising campaign for LOTTO24 to increase brand awareness
- Q4 '23**
  - Brand campaign is already leading to positive contributions to new customer acquisition
  - Disciplined and targeted acquisition activity in high media cost environment (Christmas)
- Q1 '24** Further increase in efficiency in marketing measures and benefit from increased brand awareness

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

## MONTHLY ACTIVE USERS (MAU)

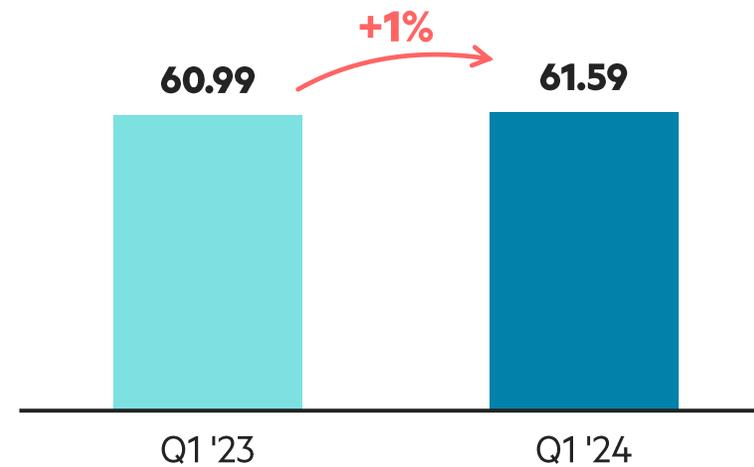
(Lotteries)  
in thousands



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

## AVERAGE BILLINGS PER USER, ABPU

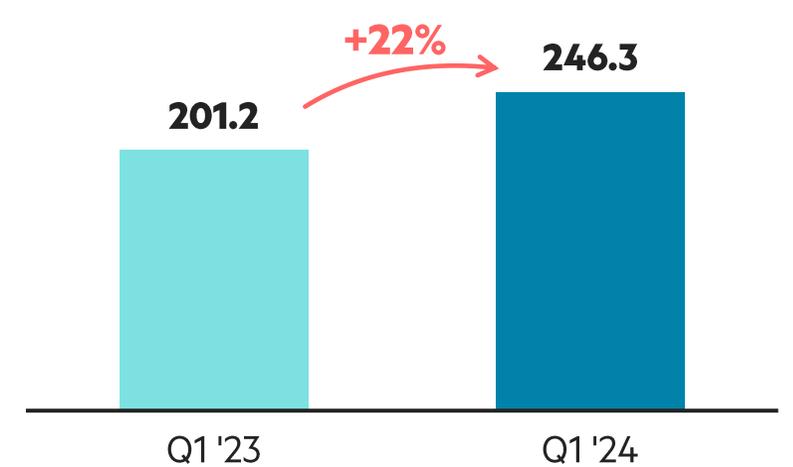
(Lotteries)  
in €



Further increase at already high levels

## BILLINGS

(Lotteries)  
in € millions

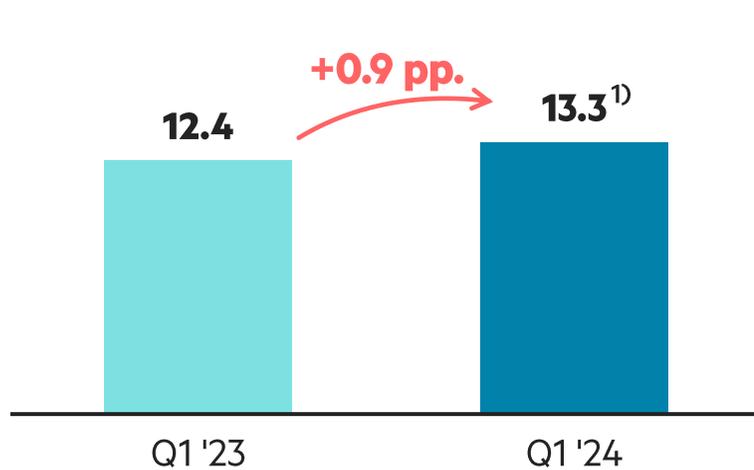


Utilising the good jackpot situation and boosting activity of existing customers

# STABLE LOTTERY GROSS MARGIN

## GROSS MARGIN

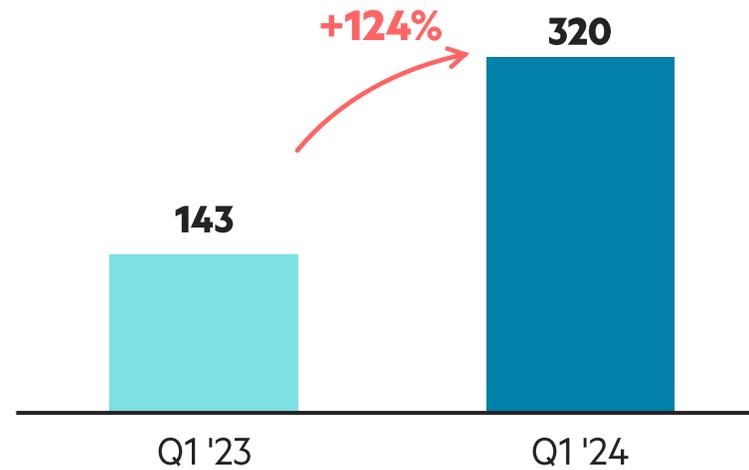
(Lotteries)  
in %



Gross margin increased due to a changed product mix and margin optimisation measures

## NEW REGISTERED CUSTOMERS

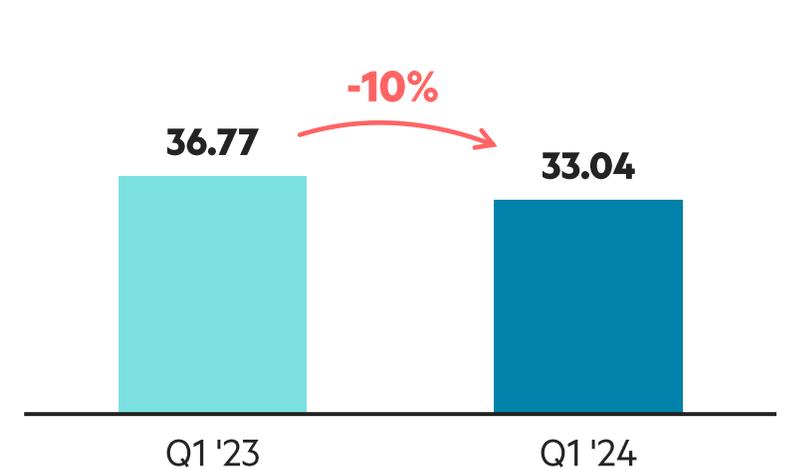
(Lotteries)  
in thousands



Strong jackpot situation at the beginning of January and efficient marketing measures

## COST PER LEAD, CPL

(Lotteries)  
in €



Good improvement of marketing efficiency across channels

<sup>1)</sup> Negative impacted of one large win in “Die Deutsche Traumhauslotterie”, including this effect the gross margin in Q1 '24 was 13.0%



# UPDATE ON PROGRESS TOWARDS STRATEGIC GOALS FOR 2024

## Our Strategic Goals for 2024

### Improve billings margin in lottery brokerage business

- Optimization of billings margin by increased share of high-margin products 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, customer retention

- Continue successful brand campaigns for LOTTO24
- 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
- Broaden type of games to include instant-win-games
- More proactive offering of games on platform

### Launch new charity lottery

- Charity lotteries enable product innovation
- Attractive product margins, improved independence from high jackpots
- Launch will require investment in H2 2024 (marketing, product development, prizes, etc.)

## Our Progress in Q1 2024

- Billings margin already improved by to 13.3% (excl. big win)
- Further measures are expected to be rolled out in coming months which will lift billings margin for lotteries to more than 15% in H2 2024

- Mix of “campaign bursts” and “always on” for brand marketing working well
- Highly successful customer acquisition during January peak jackpots
- Increased billing share from lottery clubs and “play with friends” to 7.4% (5.7% in Q1 '23)

- Received approval for 64 new games
- Received approval for 8 “instant win games” with lower RTP and higher appeal to our user base
- More proactive offering still hampered by relatively low total number of available games and license restrictions

- Team in place
- Product and tech development well advanced
- Working on regulatory setup (new subsidiary formed) and marketing
- Launch expected in H2 2024

# HIGHER LOTTERY BILLINGS MARGIN IN Q1 '24 DRIVEN BY IMPROVED PRODUCT MIX AND ROLL-OUT OF PRICE OPTIMIZATION

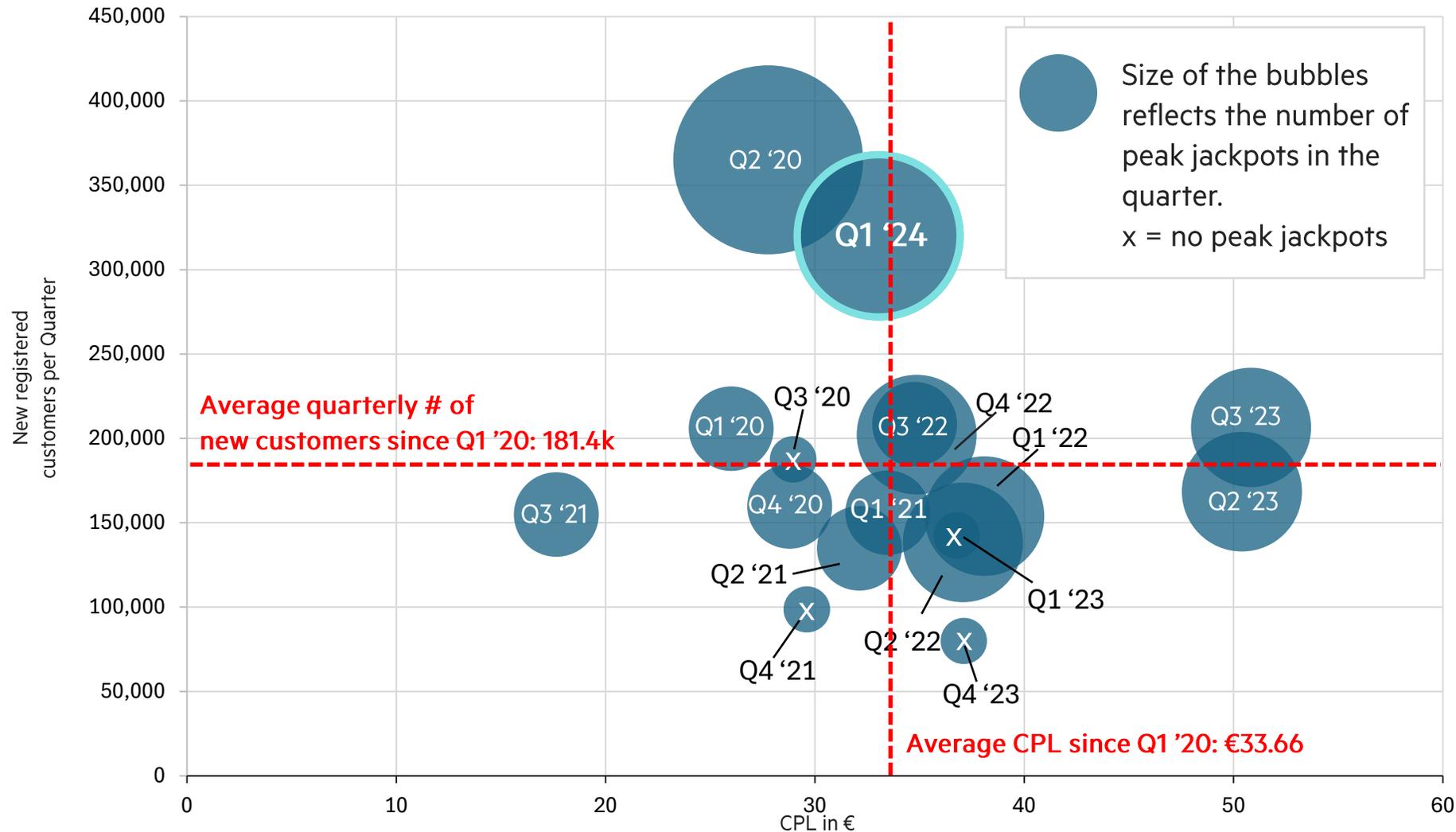
## BILLINGS MARGIN

(Lotteries)  
in %



<sup>1)</sup> Excluding €0.8m effect from big win at "Die Deutsche Traumhauslotterie"

# SIGNIFICANT INCREASE IN MARKETING EFFICIENCY – 2<sup>ND</sup> BEST NEW CUSTOMER ACQUISITION QUARTER SINCE CHANGE OF BUSINESS MODEL



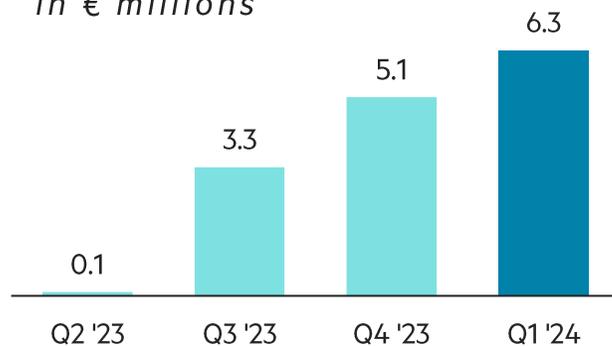
## Q1 2024 Highlights

- Successful brand marketing leading to high share of brand/organic traffic during peak jackpots
- Strong efficiency gains in social media through insourcing of campaign management and improvements of bidding algorithms
- Improved search engine marketing through modification of bidding strategies

# GAMES BUSINESS CONTINUES TO SHOW ATTRACTIVE METRICS AND GROWTH

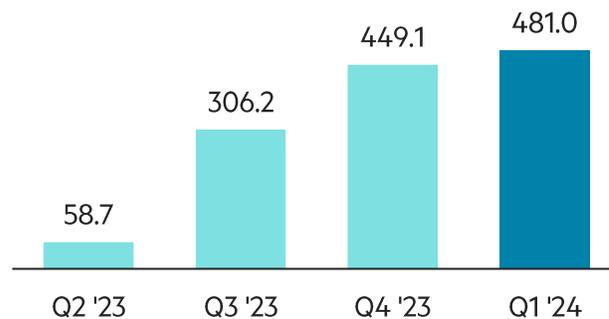
## PAY-INS

in € millions



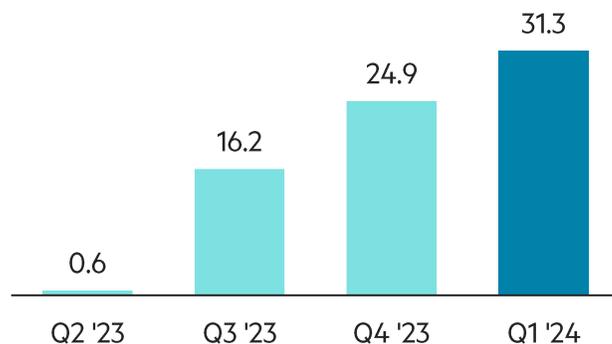
## ABPU

in €



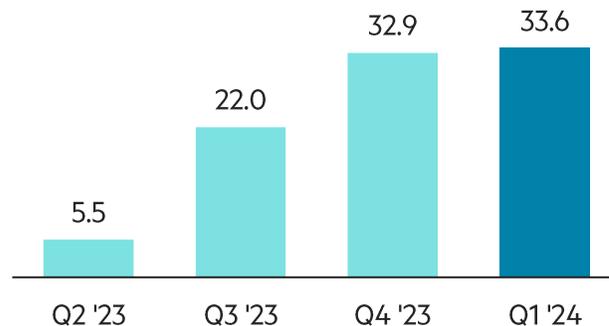
## BILLINGS

in € millions



## ARPU

in €



### 🔗 Games business successfully started in Q2 '23

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

### 🔗 Continuous expansion of games portfolio

We received regulatory approval to publish further 64 games – taking approved total to >100 games

### 🔗 Key customer engagement metrics developing well

Ongoing quarterly growth of pay-ins and billings

### 🔗 Eight instant win games approved by regulator for the first time

New games have a lower RTPs of 65-80% (current average is c. 88%) and game-designs have higher appeal for our core lottery customers

# GUIDANCE 2024 CONFIRMED

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

<sup>1)</sup> Including income from jackpot insurance;

<sup>2)</sup> Excluding transaction costs in relation to planned squeeze-out transaction at Lotto24

- 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)



# KEY TAKE-AWAYS

- 📈 ZEAL with very strong start to the new year
- 📈 Customer acquisition performed very well
- 📈 Further expansion of investment into brand building
- 📈 Games on track



Tipp24

**freiheit+**  
DEINE LOTTERIE FÜR MEHR LEBEN

**ZEAL** INSTANT GAMES



A man and a woman are laughing together. The man is on the left, wearing a plaid shirt, and the woman is on the right, wearing a white sweater. A smartphone is held in the foreground, partially obscuring the bottom right. The background is blurred. The text 'Question Answer' is overlaid in white, with a red arrow pointing from 'Question' to 'Answer' and red exclamation marks above 'Question'.

# Question Answer

# DISCLAIMER

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 May 2024. 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

# CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET IN €K

INCOME STATEMENT	Q1 '24 (in €k)	Q1 '23 (in €k)	CHANGE (in %)		BALANCE SHEET	31/03/24 (in €)	31/12/23 (in €)	CHANGE (in %)
Revenue	36,100	26,699	+35.2		Current assets	106,044	92,634	+14.5
Total costs of operations	-27,137	-17,579	+54.4		Non-current assets	318,361	302,016	+5.4
EBITDA	9,405	9,320	+0.9		<b>ASSETS</b>	<b>424,404</b>	<b>394,653</b>	<b>+7.5</b>
EBIT	7,537	7,126	+5.8	→	Current liabilities	55,809	57,997	-3.8
Profit before taxes	6,921	6,795	+1.9		Non-current liabilities	84,021	71,897	+16.9
Income taxes	+14,164	-2,421	--		Equity	284,574	264,758	+7.5
<b>Net Profit</b>	<b>21,085</b>	<b>4,374</b>	<b>+382.1</b>	→	<b>EQUITY &amp; LIABILITIES</b>	<b>424,404</b>	<b>394,653</b>	<b>+7.5</b>

# BUSINESS UNIT SEGMENT REPORTING AS OF 31/03/24 IN €K

	GERMANY	OTHER	TOTAL
Revenue	34,703	1,397	36,100
Other operating income	442	0	442
 <b>EBITDA</b>	<b>8,876</b>	<b>530</b>	<b>9,405</b>
Depreciation/amortisation	-	-	-1,869
 <b>EBIT</b>	<b>-</b>	<b>-</b>	<b>7,537</b>
Financial result	-	-	-563
Share of loss from associates			-53
 <b>EBT</b>	<b>-</b>	<b>-</b>	<b>6,921</b>
Income tax	-	-	14,164
 <b>NET PROFIT/LOSS</b>	<b>-</b>	<b>-</b>	<b>21,085</b>

# 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	Q1 2024
<b>Pay-in</b> (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	196.7
<b>BILLINGS</b> (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	246.3
<b>ABPU</b> (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	61.59
<b>ARPU</b> (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	8.00
<b>MAU</b> (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	1.333
<b>CPL</b> (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	33.04

# KPIS (GAMES)

	Q2 2023*	Q3 2023	Q4 2024	Q1 2024
<b>Pay-in</b> (in €m)	0.1	3.3	5.1	6.3
<b>BILLINGS</b> (in €m)	0.6	16.2	24.9	31.3
<b>ABPU</b> (in €)	58.74	306.14	449.1	480.98
<b>ARPU</b> (in €)	5.49	22.02	32.89	33.57
<b>MAU</b> (in k)	9	18	18	22

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

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



## **ZEAL**

Straßenbahnring 11

20251 Hamburg