



ZEAL Network SE

Investor Call
Annual Report as of 31/12/17

London, 22 March 2018

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ZEAL at a Glance



- ZEAL delivered strong financial results and made good progress against its strategy
- Powerball was ZEAL's most successful new product launch ever
- The Group has continued to invest in new customer acquisition, with 411,000 new customers for the Group and our partners in 2017. 31% up on prior year
- Lottovate in partnership with UNICEF Norway launched Norway's first digital-only national charity lottery
- The Group added to its lottery betting portfolio with the launch in Ireland & UK

Lottery Betting Update

Highlights



Significant increase in customer acquisition

Launch of biggest Lottery products in the world



Launched in Ireland and recently in UK

Tipp24.com

myLotto24!

What's to come

Continued marketing investment – strengthening our market position



Launch in Australia and further markets

Ongoing expansion of product portfolio



Highlights



UNICEF-lotteriet

Norway lottery launched



The Netherlands product in beta test

Raffld



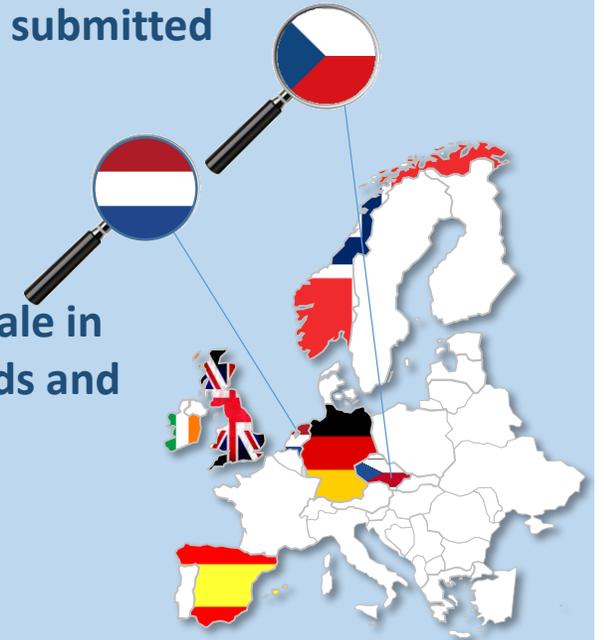
Lottovate

What's to come



Czech licence application submitted

Continue to scale in the Netherlands and Norway





Optimisation of our hedging structure

Following the invocation of Article 50, the Company is making the necessary preparations to ensure that the impact will be minimal



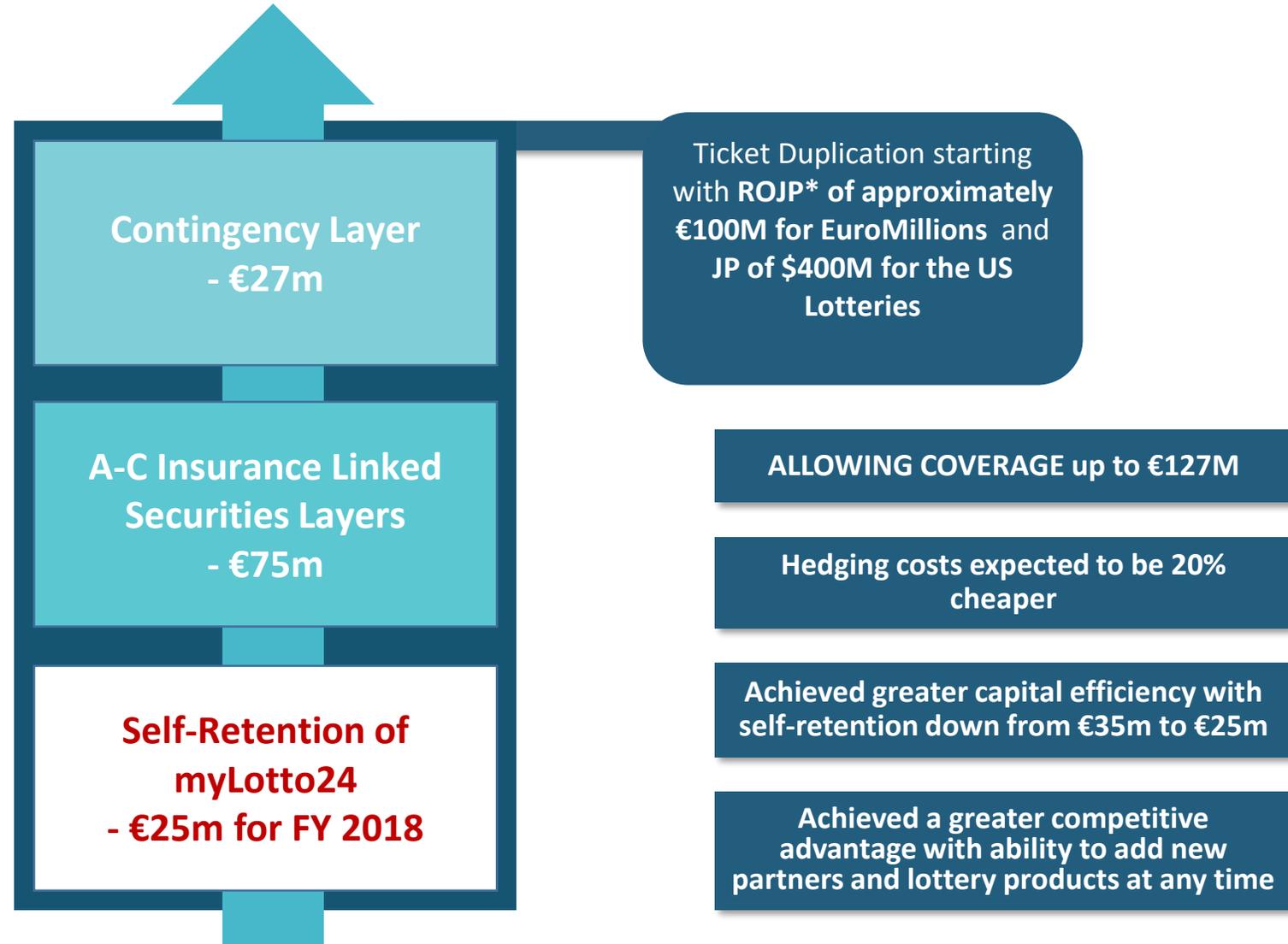
Case filed with the court. First court decision expected in Q2 2018. We remain confident that ultimately the outcome will be favourable for the Group



ZEAL Invented Hedging Structure for lottery betting and has now improved it



Tipp24.com



Strategic Aims





- Internationalisation of lottery betting business
- Two charity lotteries launched
- More to come



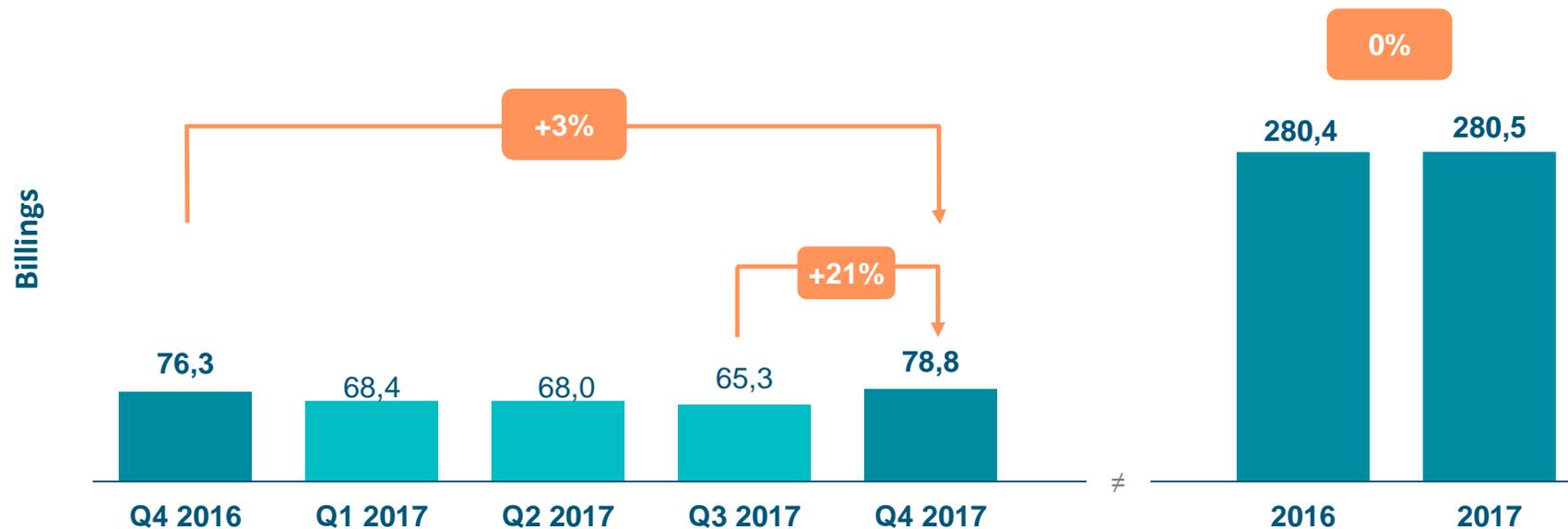
- Intensified investment in Marketing
- Product portfolio expansion
- Improved user experience



- New Hedging as a Service deals in the pipeline (HaaS)

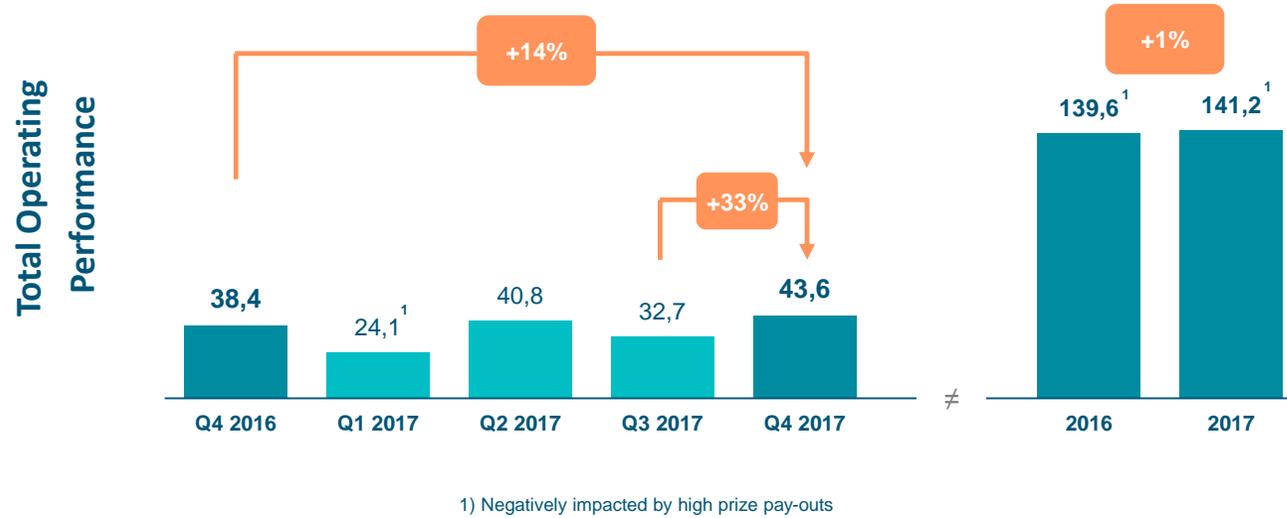
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Development of Billings in million €

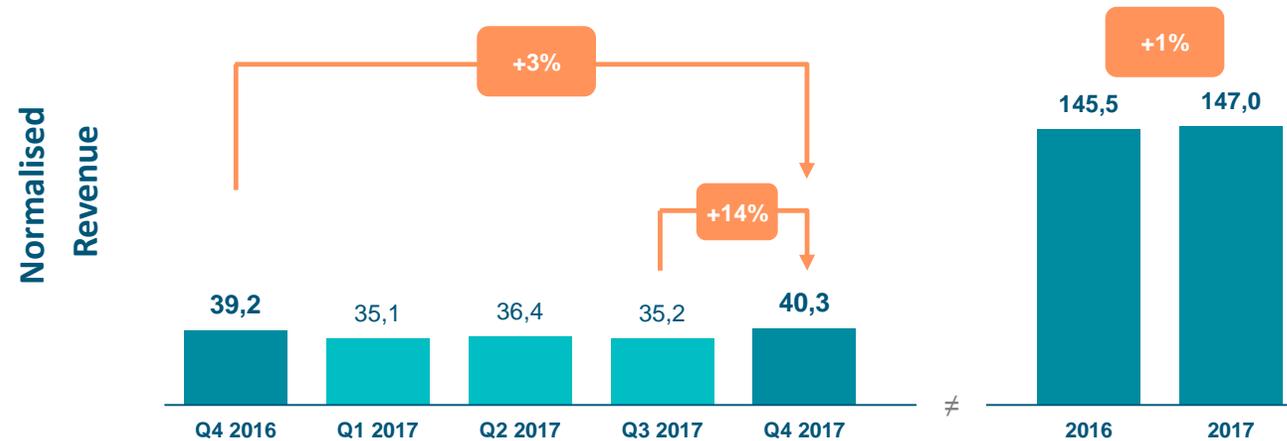


- Billings were stable despite exceptionally weak jackpot environment during the third quarter
 - Strong Q4 Billings of €78.8m; up 21% on preceding quarter
 - 411k new registered customers up 31% YoY

Development of TOP and Normalised Revenue in million €

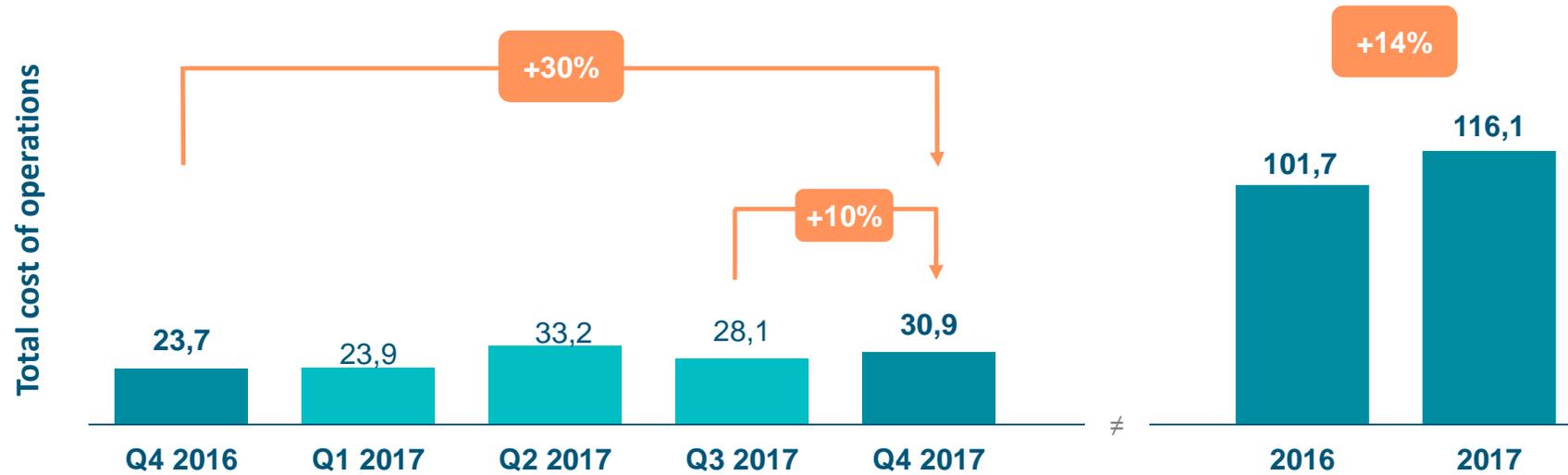


- Total Operating Performance in 2017 up on previous year despite weak jackpot environment in Q3 2017
- Strong Q4 performance up 33% on previous quarter and 14% on prior year



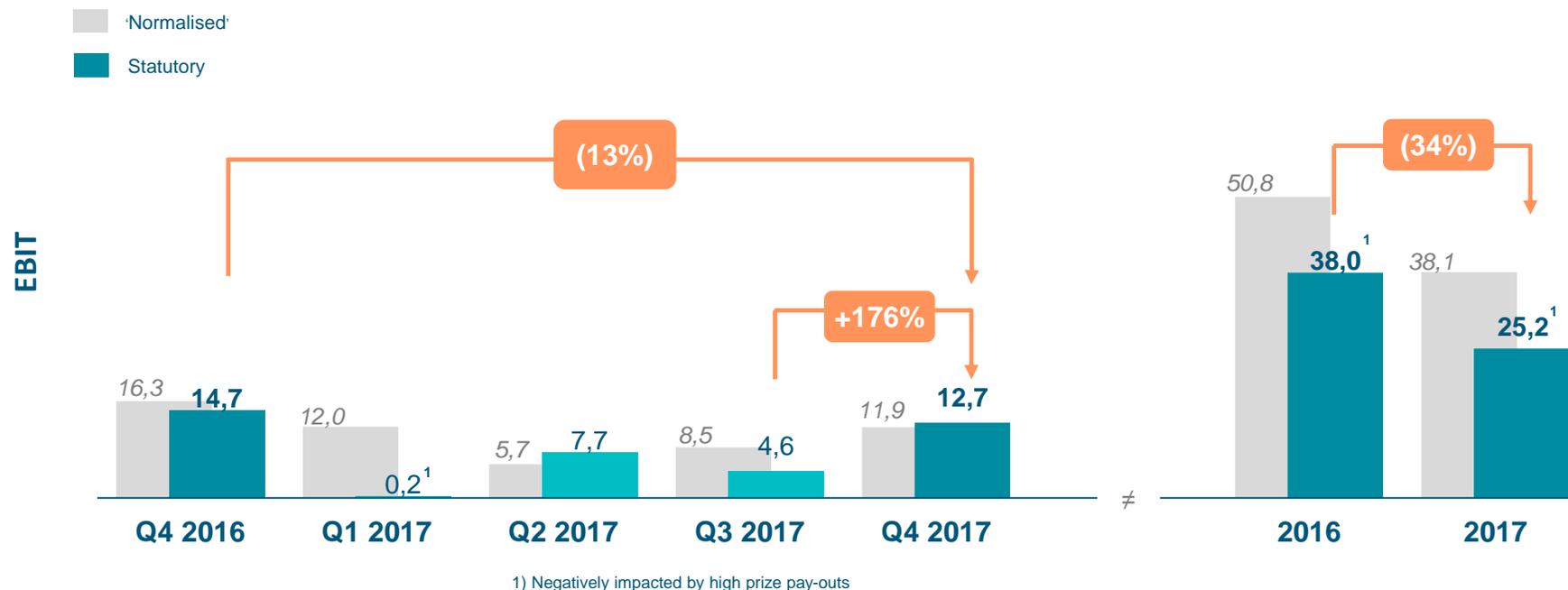
- ‘Normalised’ Revenue in 2017 up on previous year
- ‘Normalised’ Revenue increased by 14% from Q3 to Q4

Development of Expenses in million €



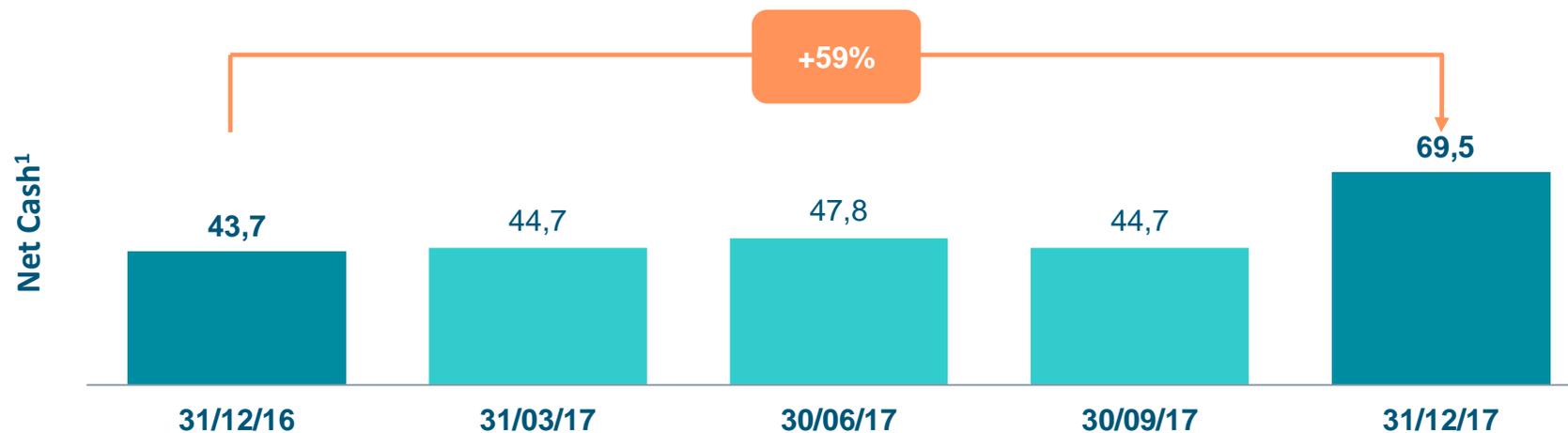
- Expenses increased by 14% in 2017 relative to the prior year:
 - Increase in marketing investment of €4.3m which in part drove 411k new customers
 - Increase in hedging costs of €10.6m due to rule changes in EuroMillions

Development of EBIT and *Normalised EBIT* in million €



- Statutory EBIT of €25.2m & 'Normalised' EBIT of €38.1m due to investment in growth and EM rule changes
- Net profit of €17.2m decreased by €8.8m compared to prior year due to EBIT reduction
- Earnings per share (EPS) of €2.05 (2016: €3.09). Effective Tax rate of 32% (in line with expectations)

Development of Net Cash in million €



Net Cash in 2017 has increased by €25.8m, despite the following:

- €1.8m investment (outflow) in Omaze
- €12.9m of statistically higher pay-outs (outflow) in the year
- €8.4m dividend payments (outflow) to our shareholders
- Offset by €20.0m net cash through reduction in our cash reserve due to the improvement in our hedging structure

¹ Definition of Net Cash: Cash (without pledged cash) + Short-term financial assets + Other current assets and prepaid expenses, less Trade payables, Other liabilities, Income tax liabilities and a €30m hedging reserve

2018 Guidance

Total Operating Performance	€ 150 - 160m
EBIT	€ 33 - 43m
Dividend	€ 1.00 per share



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Appendix

Consolidated Income Statement and Balance Sheet

in €k

Income Statement		31/12/17	31/12/16	Change in %
	Revenue	134,295	112,935	+18.9
	Total operating performance	141,246	139,638	+1.1
	Total costs of operations	(116,065)	(101,682)	+14.1
	EBITDA	26,436	41,224	(35.9)
	EBIT	25,181	37,956	(33.7)
	Earnings before taxes	25,231	36,511	(30.9)
	Profit	17,178	25,951	(33.8)

Balance Sheet		31/12/17	31/12/16	Change in %
	Current assets	134,477	131,339	+2.3
	Non-current assets	6,634	4,677	+41.8
	ASSETS	141,111	136,016	+3.7
	Current liabilities	32,730	36,259	(9.7)
	Non-current liabilities	1,765	2,199	(19.7)
	Equity	106,616	97,558	+9.3
	EQUITY & LIABILITIES	141,111	136,016	+3.7

Business Unit Segment Reporting as of 31/12/17 in €k

	Lottery betting	Lottovate	Business unit total	Normalisation adjustments	Other adjustments	Statutory
Revenue	139,175	7,637	146,812	(12,725)	208	134,295
Other operating income	6,597	349	6,946	(190)	195	6,951
Total operating performance	145,772	7,986	153,758	(12,915)	403	141,246
EBITDA	48,975	(9,399)	39,576	(12,915)	(225)	26,436
Depreciation/amortisation	(956)	(299)	(1,255)	–	–	(1,255)
EBIT	48,019	(9,698)	38,321	(12,915)	(225)	25,181
Financial result	–	–	–	–	50	50
EBT	–	–	38,321	(12,915)	(175)	25,231
Income tax	–	–	–	–	(8,053)	(8,053)
Net Profit/loss	–	–	38,321	(12,915)	(8,228)	17,178

Statutory / Normalised Revenue & EBIT in €k

Revenue		2017	2016	Variance
	Statutory	134,295	112,935	21,360
	Normalised	147,020	145,515	1,505
	Variance	(12,725)	(32,580)	

EBIT		2017	2016	Variance
	Statutory	25,181	37,956	(12,775)
	Normalised	38,096	50,820	(12,724)
	Variance	(12,915)	(12,864)	

Lottery Betting KPI's

Billings (in €m)	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017		2016	2017
	69.9	64.1	64.0	61.7	72.4		261.3	262.2

ABPU (in €)	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017		2016	2017
	57.9	54.4	56.2	60.3	59.7		58.0	57.6

MAU (in k)	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017		2016	2017
	403.9	392.6	379.9	341.1	404.7		375.7	379.8

Financial Calendar 2018

Publication of Annual Report 2017	22 March 2018
Publication of Q1 Report	4 May 2018
Annual General Meeting	1 June 2018
Publication of Q2 Report	2 August 2018
Publication of Q3 Report	1 November 2018



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