

# ZEAL Network SE

Investor Call, Quarterly Release as of 31/03/19  
London, 7 May 2019



# CREATING A BETTER WORLD OF LOTTERY



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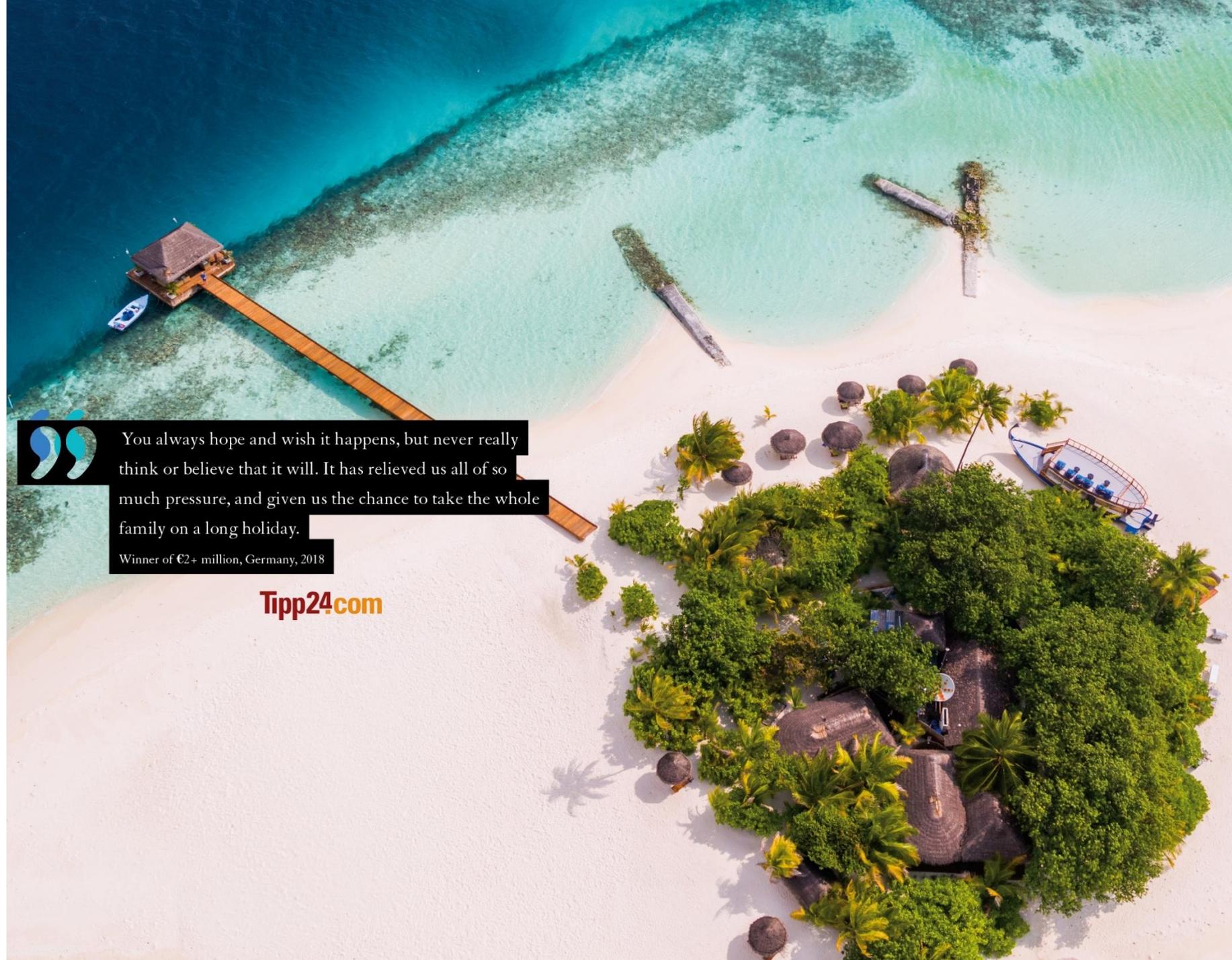
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**ZEAL**

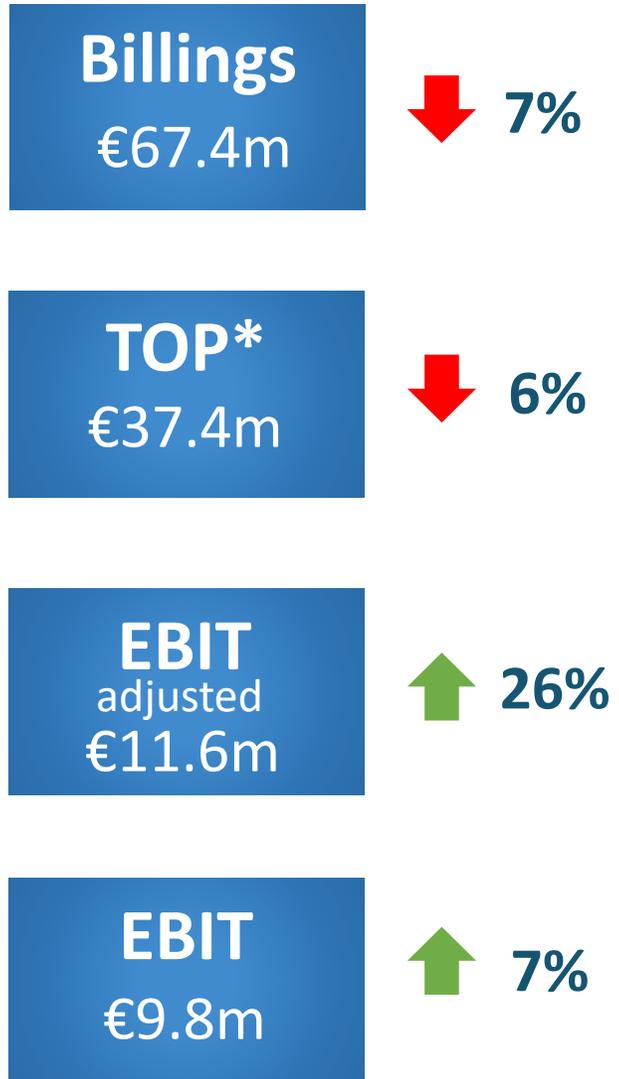


You always hope and wish it happens, but never really think or believe that it will. It has relieved us all of so much pressure, and given us the chance to take the whole family on a long holiday.

Winner of €2+ million, Germany, 2018

**Tipp24.com**

## Q1 2019 at a glance // Satisfactory start



- **Billings and TOP impacted by closure of Ventura24 and lower jackpot environment**
  - Billings down 7% YoY but less than 2% on like-for-like
  - Adjusted EBIT up 26% YoY
- **Further improvement net cash position**
  - Net cash up 36% YoY to €102.1m
- **Efficient marketing activities**
  - New registered customers of 182k, up 30% vs 2018 mainly from German market
- **Total costs of operations fell by 4.9m (-16%) vs 2018**
- **ZEAL on track to reunite with Lotto24 – Germany’s largest private digital lottery broker**

\* Total operating performance

# Business Update

## Lottery Betting segment

- Billings marginally down for the year
- **25%** more new registered customers acquired vs 2018
- Customer acquisition costs on the same level as in 2018
- UK lottery betting began scale-testing

## Lottovate segment

- Spanish lottery services business continues to grow profitably
- Closure of Ventura24's consumer facing business impacted billings
- Acquired further 15% stake in Wshful – increased stake held by ZEAL to 20%
- Cost base reduced by 37% from €4.3m to €2.7m

## Areas of focus

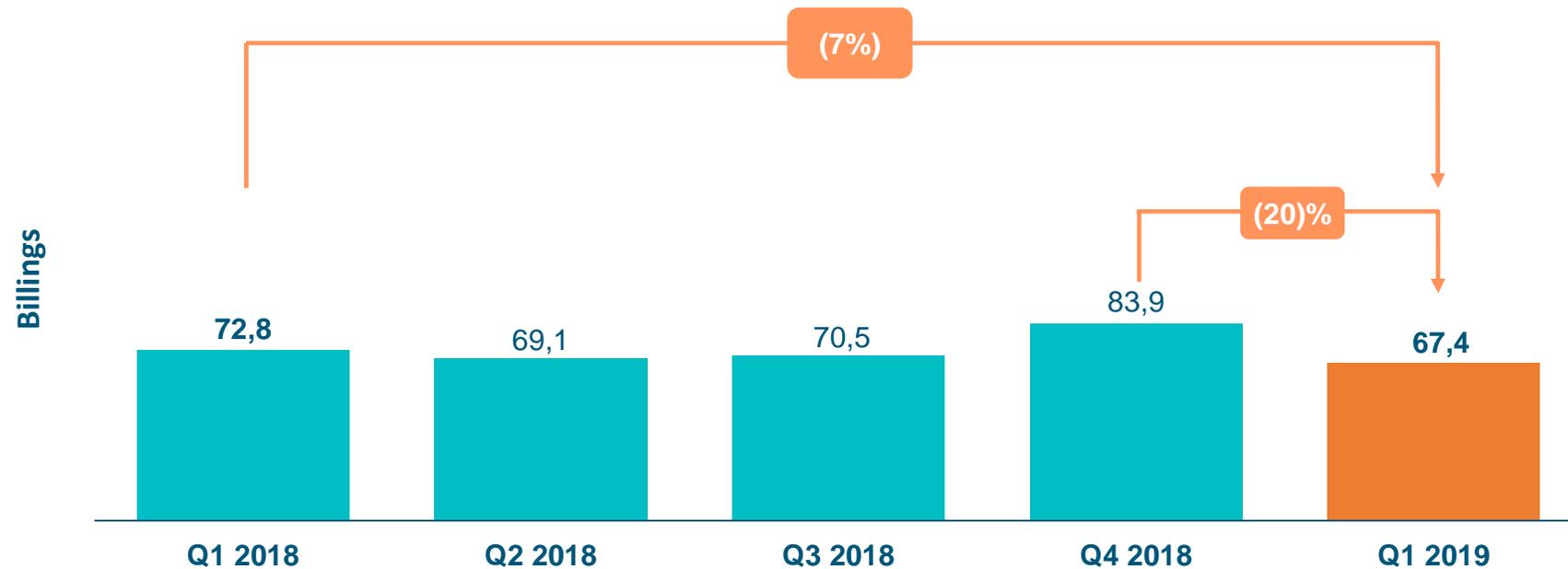
- Complete Lotto24 reunification
- Gain most possible profit out of current business model
- Continue improving marketing efficiency

**ZEAL**

**Tipp24.com** **MyLotto24**

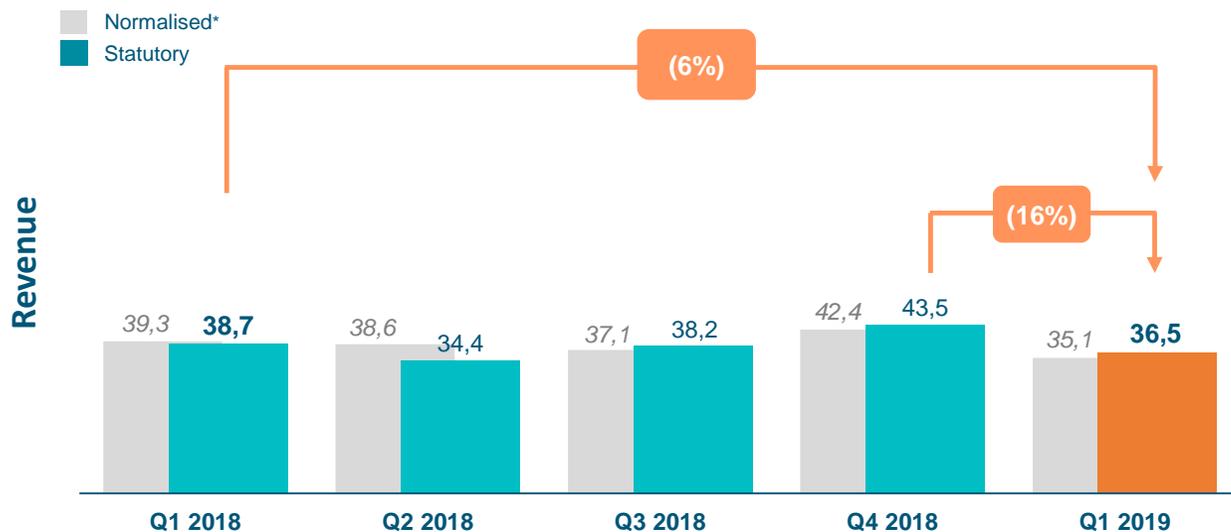
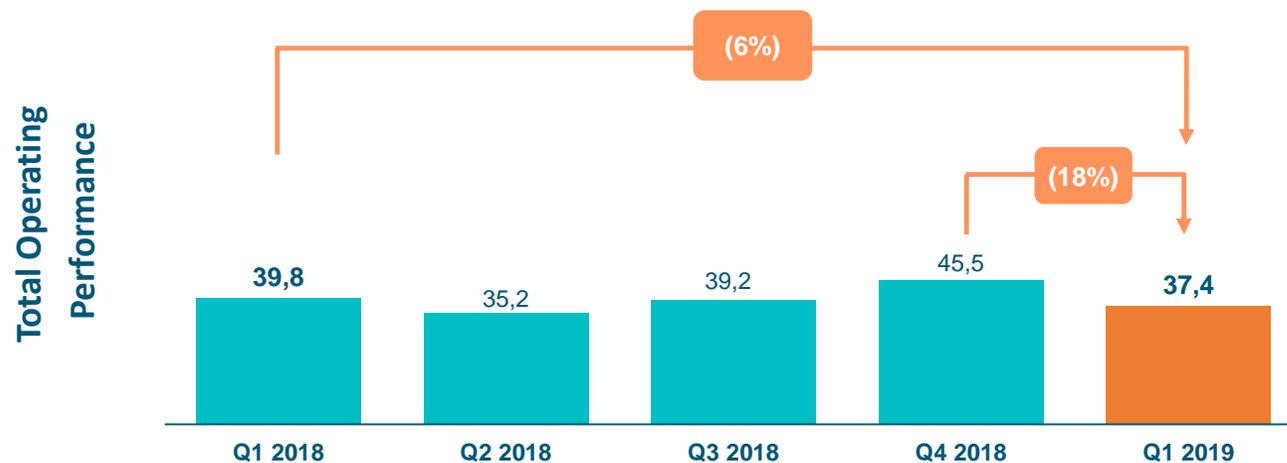
  
**Lottovate**

## Billings negatively impacted by closure of Ventura24



- Billings of **€67.4m** for the Group; down **7%** on previous year
  - Driven by the closure of the Ventura24 B2C business and also a lower jackpot environment
  - On a like-for-like basis, billings decreased by only 2%
- Compared to Q4 2018 billings down 20% due to lower jackpot environment and the loss of the Christmas business

# TOP and Revenue impacted by closure of Ventura24

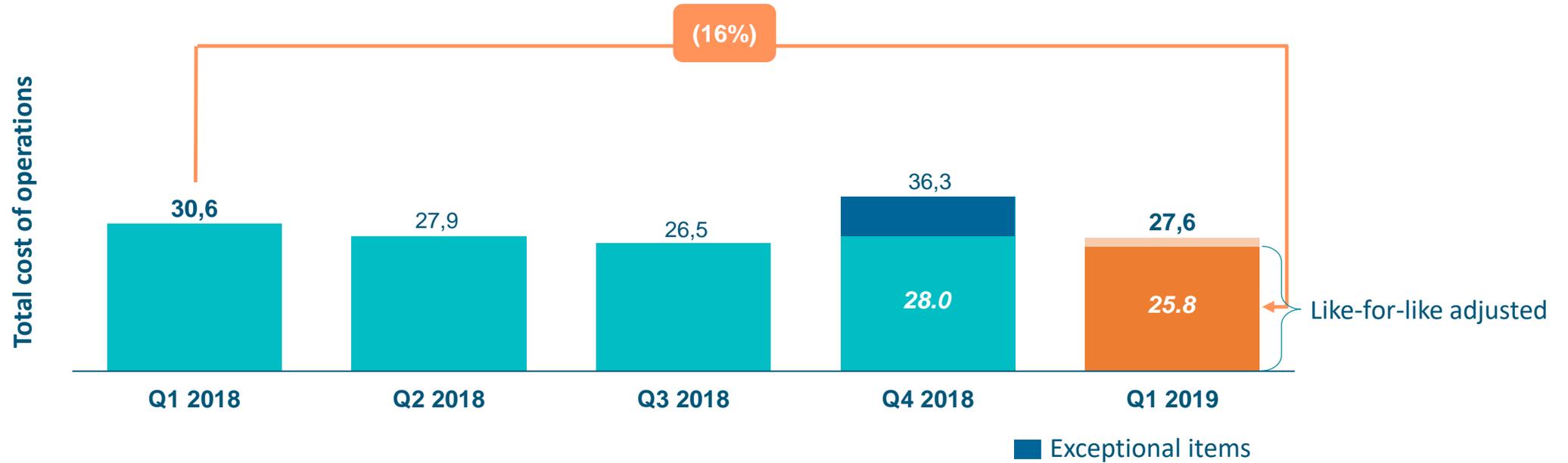


- TOP and statutory revenue down 6% YoY
  - Driven partly by weaker billings and closure of Ventura24 and Lotto Network; down 4% on a like-for-like basis
- TOP and statutory revenue down 18% and 16% respectively compared to Q4 2018 mainly due to lower billings

\* The difference between the actual pay-out and the expected prize pay-out is referred to as 'normalised'

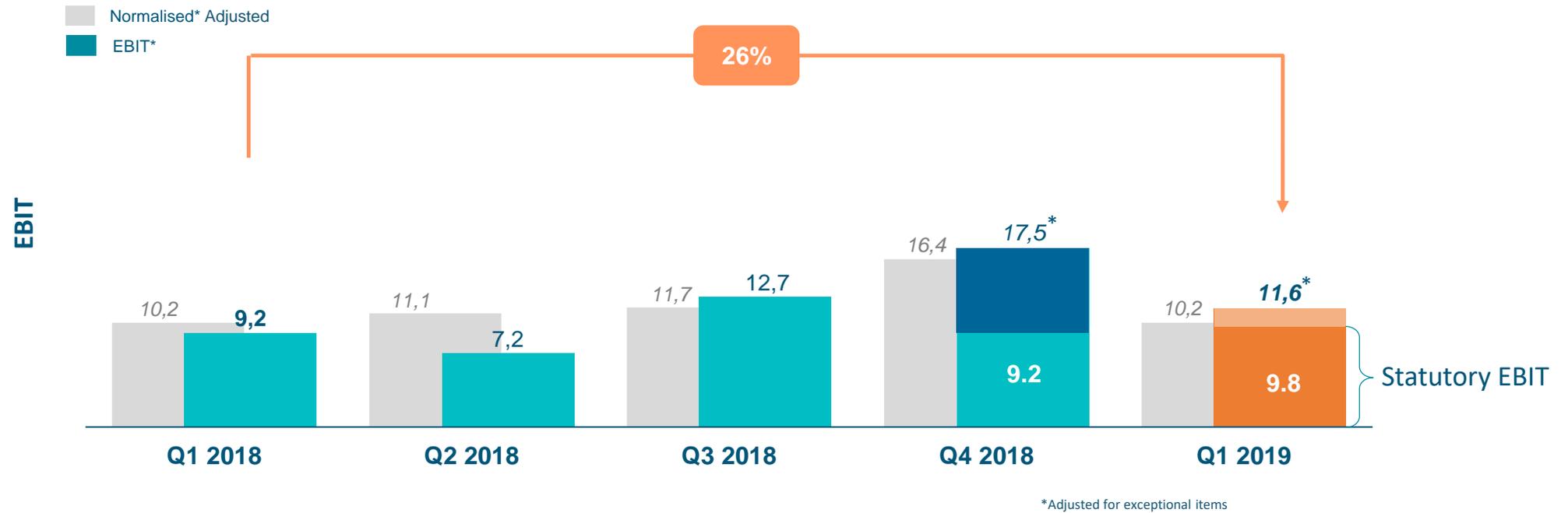
# Like-for-like costs following downward trend

in €m.



- Like-for-like costs down by 16% YoY
- Exceptional items of €1.8m due to the takeover offer of Lotto24 AG, offset by decrease of personnel expenses of €2.2m and other costs of operations of €3.0m

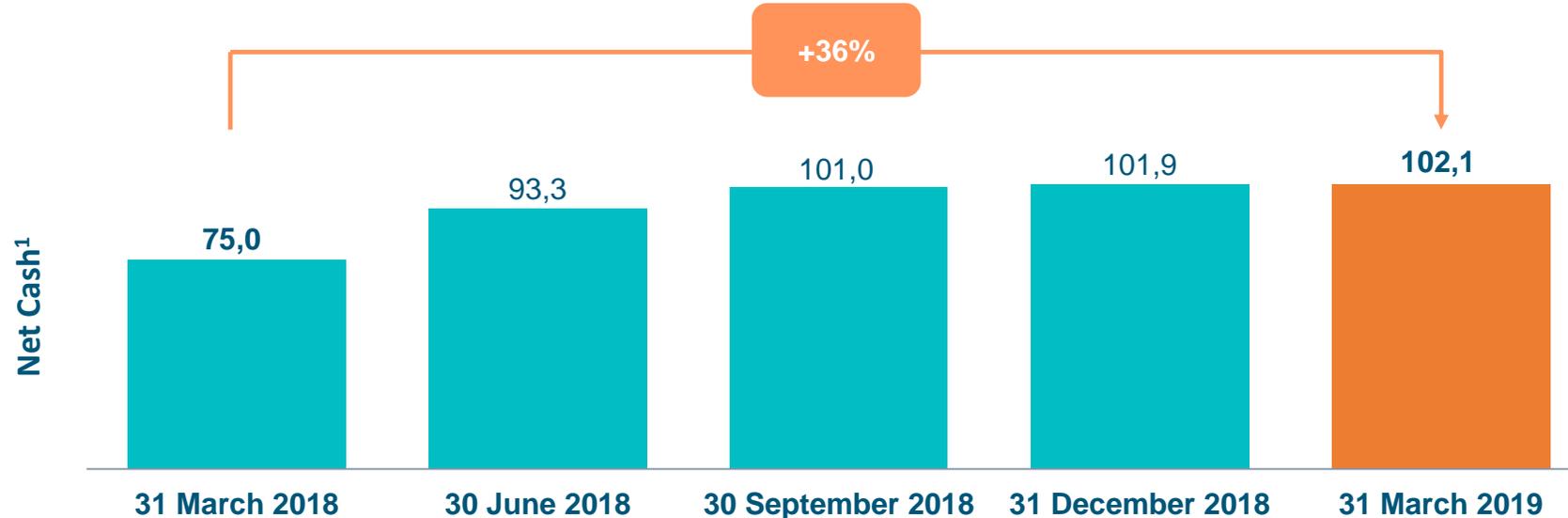
# EBIT



- Adjusted EBIT\* of **€11.6m** & Normalised Adjusted EBIT of **€10.2m**
- Statutory EBIT of **€9.8m** (2018: €9.2m)
- Net profit of **€6.9m** (2018: €6.3m)
- Earnings per share (EPS) up **11%** to €0.83 (2018: €0.75)

# Further improvement in net cash position

in €m.



- Net Cash has increased by **€27.1m** YoY
  - **€21.4m** increase in cash and short-term deposits
  - **€8.6m** decrease in hedging reserve due to adjustments to the current hedging risk structure
  - **(€2.9m)** change in other working capital balances.

<sup>1</sup> 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, provisions, lease liability and a €21.4m hedging reserve

# The future – on track to reunite with Lotto24

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6 million customers and  
current combined billings  
of > €600m

Accelerating growth of online  
brokerage in Germany

Substantial de-risking and  
synergies of €57m p/a and  
€4m internal restructuring  
program

Well positioned to pursue  
international growth

ZEAL shareholders approved transaction on 18 Jan 2019

All closing conditions of the offer have been satisfied

**93%** of Lotto24 shares tendered to date

Transaction set to complete on 14 May 2019

## Other Topics

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Brexit uncertainty continues. EU and UK agree on Brexit postponement until end of October.

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



## Key takeaways

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**Satisfactory start in 2019**

**Further improvements in cash position – up 36% vs 2018**

**Like-for-like costs on downward trend; our efforts paying off**

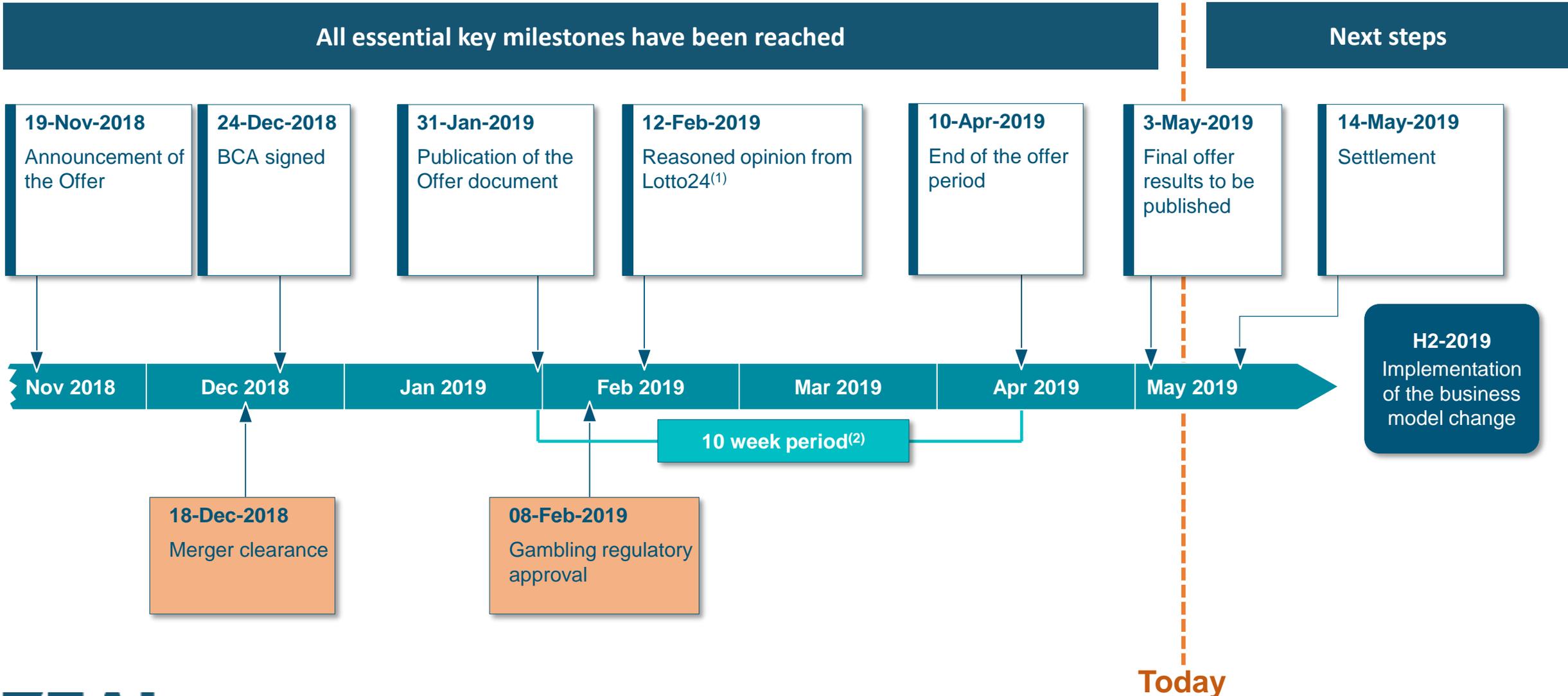
**Created a sustainable growth path by reuniting with Lotto24**



**ZEAL**

**Appendix**

# Anticipated transaction timeline



# Consolidated Income Statement and Balance Sheet in €k

		31/03/19	31/03/18	Change in %
<b>Income Statement</b>	Revenue	36,462	38,700	(5.8)
	Total operating performance	37,373	39,830	(6.2)
	Total costs of operations	(27,597)	(30,671)	(10.0)
	EBITDA	12,201	9,458	+29.0
	EBIT <sub>adjusted</sub>	11,568	9,159	+26.3
	EBIT	9,776	9,159	+6.7
	Earnings before taxes	9,837	9,008	+9.2
	<b>Profit</b>	<b>6,886</b>	<b>6,281</b>	<b>+9.6</b>
		<b>31/03/19</b>	<b>31/12/18</b>	<b>Change in %</b>
<b>Balance Sheet</b>	Current assets	158,474	162,280	(2.3)
	Non-current assets	13,371	6,932	+92.9
	<b>ASSETS</b>	<b>171,845</b>	<b>169,212</b>	<b>+1.6</b>
	Current liabilities	32,793	42,096	(22.1)
	Non-current liabilities	9,126	3,918	+132.9
	Equity	129,926	123,198	+5.5
	<b>EQUITY &amp; LIABILITIES</b>	<b>171,845</b>	<b>169,212</b>	<b>+1.6</b>

# Business Unit Segment Reporting as of 31/03/19

## in €k

	Lottery betting	Lottovate	Business unit total	Normalisation adjustments	Other adjustments	Statutory
Revenue from secondary lottery	26,184	–	26,184	1,190	46	27,420
Revenue from instant win games	3,733	–	3,733	217	–	3,950
Revenue from ticket sales and commission	3,823	1,269	5,092	–	–	5,092
Other operating income	882	90	972	(35)	(26)	911
<b>Total operating performance</b>	<b>34,622</b>	<b>1,359</b>	<b>35,981</b>	<b>1,372</b>	<b>20</b>	<b>37,373</b>
<b>EBITDA</b>	<b>12,188</b>	<b>(1,184)</b>	<b>11,004</b>	<b>1,372</b>	<b>(175)</b>	<b>12,201</b>
Depreciation/amortisation	(496)	(137)	(633)	–	–	(633)
<b>Adjusted EBIT</b>	<b>11,692</b>	<b>(1,321)</b>	<b>10,371</b>	<b>1,372</b>	<b>(175)</b>	<b>11,568</b>
Exceptional costs	–	–	(1,792)	–	–	(1,792)
<b>EBIT</b>	<b>–</b>	<b>–</b>	<b>8,579</b>	<b>1,372</b>	<b>(175)</b>	<b>9,776</b>
Financial result	–	–	–	–	61	61
<b>EBT</b>	<b>–</b>	<b>–</b>	<b>8,579</b>	<b>1,372</b>	<b>(114)</b>	<b>9,837</b>
Income tax	–	–	–	–	(2,951)	(2,951)
<b>Net Profit/loss</b>	<b>–</b>	<b>–</b>	<b>8,579</b>	<b>1,372</b>	<b>(3,065)</b>	<b>6,886</b>

# Statutory / Normalised Revenue & Adjusted EBIT in €k

Revenue		31/03/19	31/03/18	Variance
	Statutory	36,462	38,700	(2,238)
	Normalised	35,055	39,206	(4,151)
	Variance	1,407	(506)	

EBIT		31/03/19	31/03/18	Variance
	Statutory	11,568	9,159	2,409
	Normalised	10,196	10,244	(48)
	Variance	1,372	(1,085)	

# Lottery Betting KPIs

Billings (in €m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
	64.1	64.0	61.7	72.4	68.3	65.5	67.8	77.7	67.2

ABPU (in €)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
	54.4	56.2	60.3	59.7	58.0	53.3	58.0	60.4	57.5

MAU (in k)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
	393	380	341	405	392	410	384	427	389

# Financial Calendar 2019

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Publication of Q1 Report	7 May 2019
Annual General Meeting	27 June 2019
Publication of Q2 Report	14 August 2019
Publication of Q3 Report	13 November 2019



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Investor Relations Manager

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