

ZEAL Network SE

Investor Call, Annual Report as of 31/12/18
London, 21 March 2019



CREATING A BETTER WORLD OF LOTTERY



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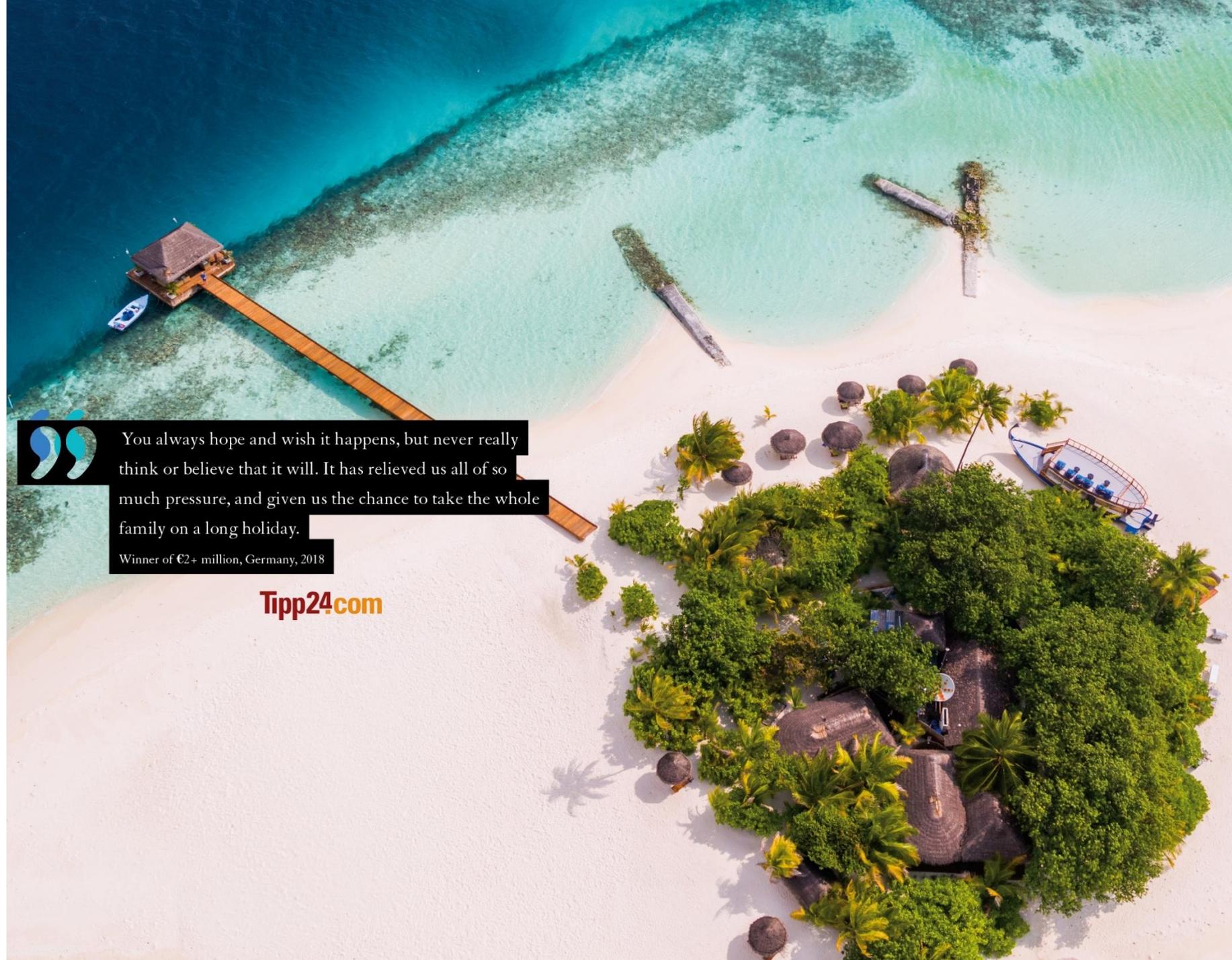
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ZEAL



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

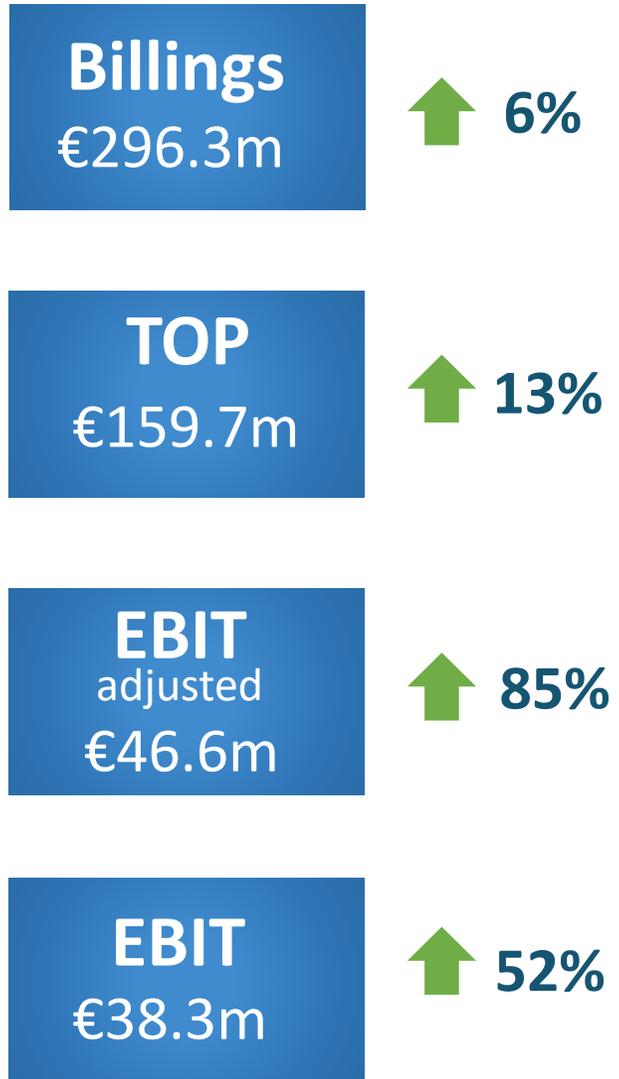
Tipp24.com



2018 was a milestone year.

We have created a sustainable growth path and set **ZEAL** up for an exciting future.

2018 at a glance – strong, profitable, growing



➤ Excellent results

- TOP up 13% YoY
- Adjusted EBIT up 85% YoY

➤ Strong cash generation

- Net cash up 47% YoY to €101.9m

➤ Record number of new registered customers

- Up 49% vs 2017

➤ Awarded lottery license in Czech Republic

➤ ZEAL will reunite with Lotto24 – Germany's largest private digital lottery broker

Business Update – positive momentum

Lottery Betting segment

- Billings up **6%** for the year
- **74%** more new registered customers acquired vs 2017
- Customer acquisition costs reduced by **42%** vs 2017
- UK lottery betting began scale-test and delivered promising billings

Lottovate segment

- Spanish lottery services business showing profitable growth
- Closure of Ventura24's consumer facing business
- UNICEF-Lotteriet – Positive signs
- Acquired 5% stake in a lottery syndicate disruptor and 10% in a travel-deal subscription company
- First foreign operator to be awarded a lottery license in the Czech Republic

Areas of focus

- Complete Lotto24 reunification, implement business model change, deliver synergies.
- Continue building international portfolio
- Continue improving marketing efficiency.

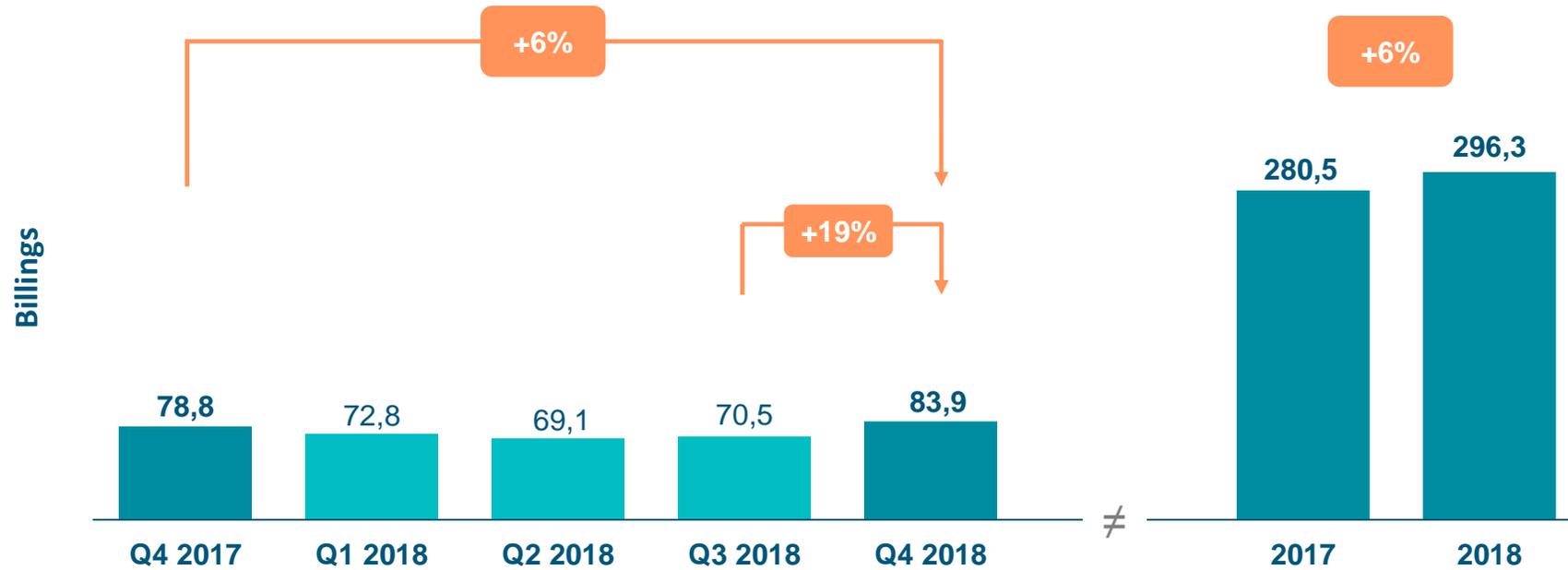
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Tipp24.com

MyLotto24

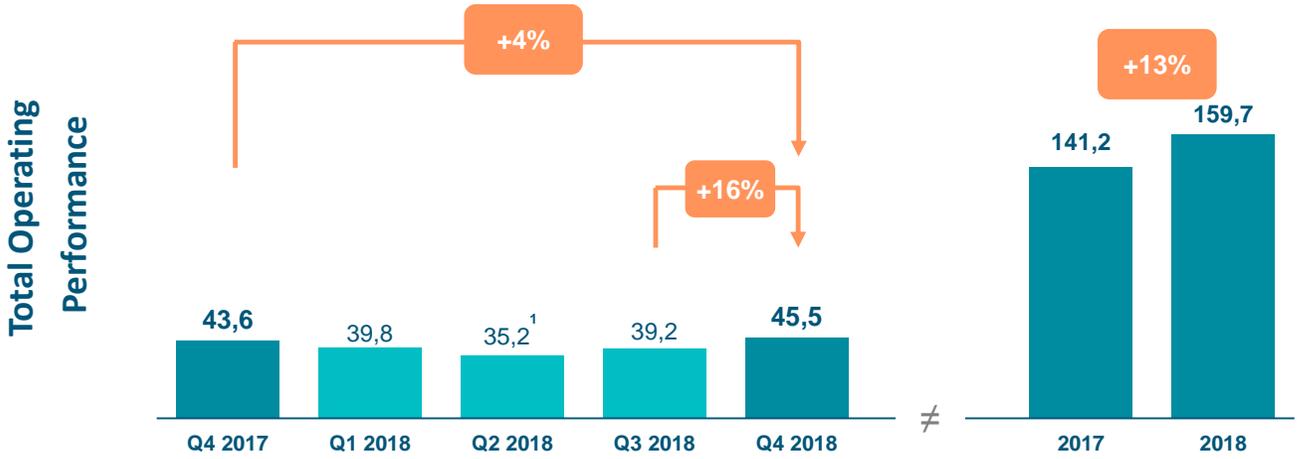

Lottovate

Billings grew for third consecutive year

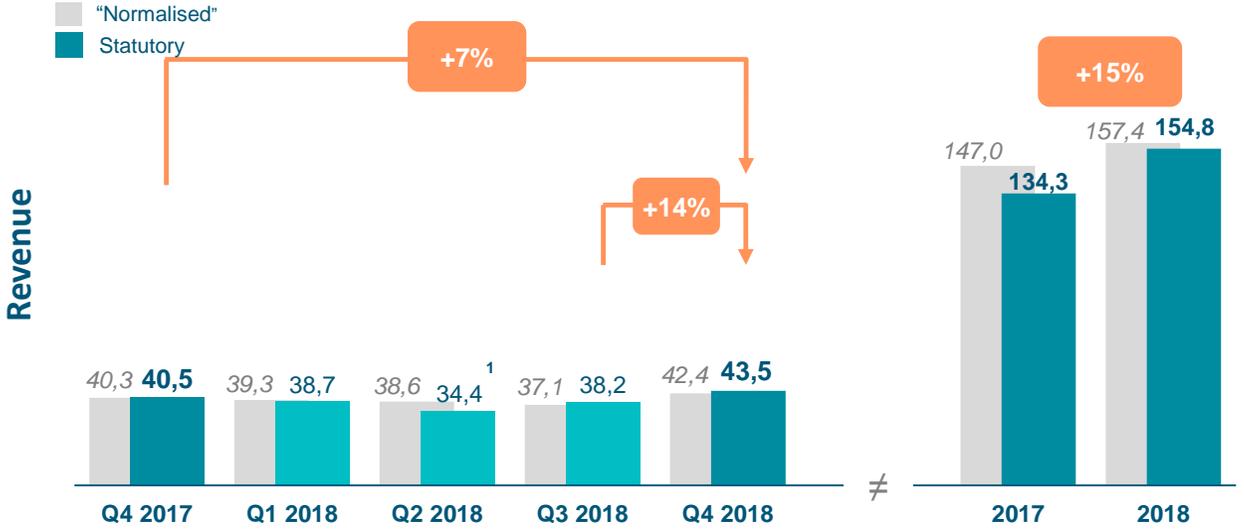


- Billings of **€296.3m** for the Group; up **6%** on previous year
- Q4 2018 billings up **6%** vs Q4 2017
- Driven by positive performance in DLTB products, IWG and US Lotteries

TOP and Revenue increase again



1) Negatively impacted by higher than expected prize pay-outs

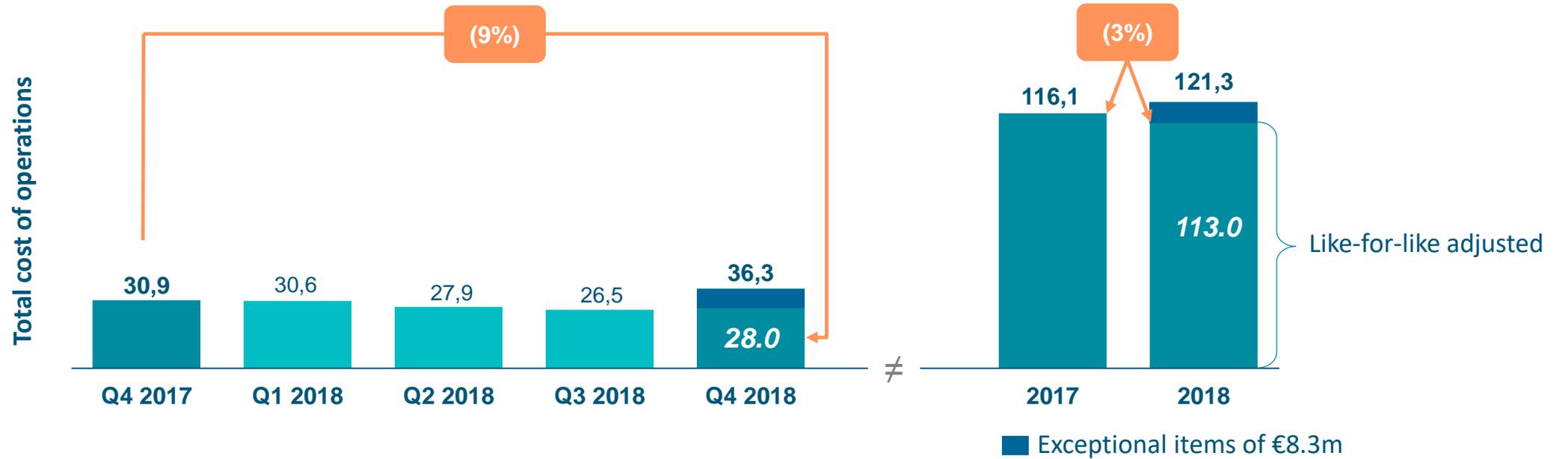


1) Negatively impacted by higher than expected prize pay-outs

- TOP up **13% YoY**
- Driven by higher billings and lower exceptional payouts
- Statutory Revenue up **15% YoY**
- Normalised Revenue up **7% YoY**.

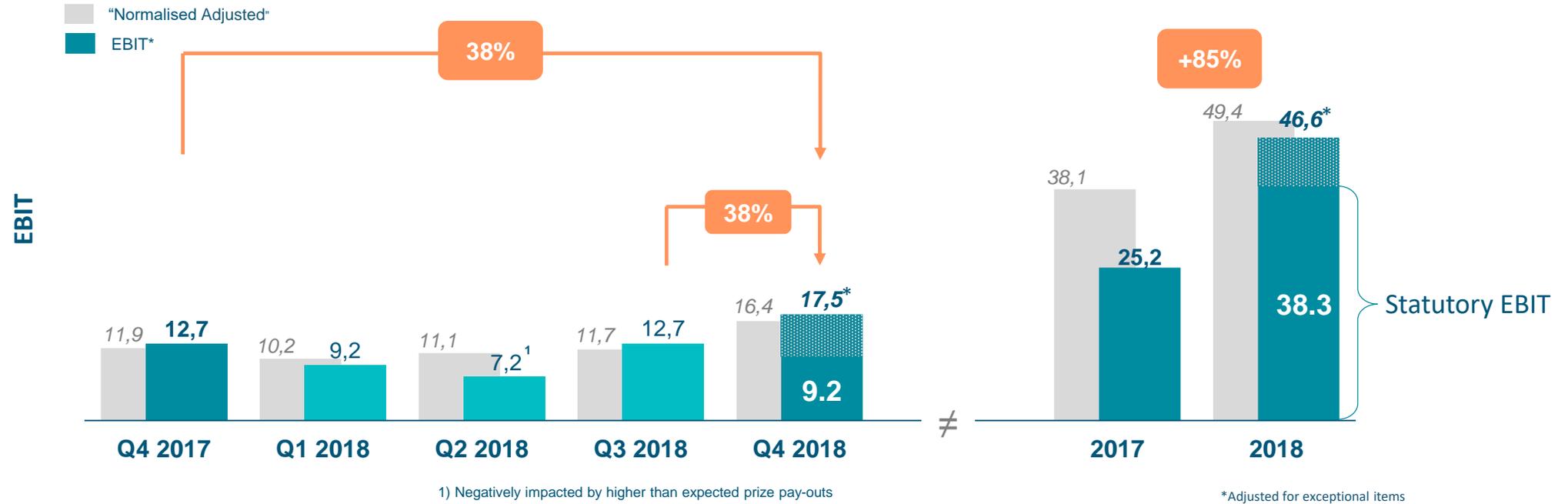
Like-for-like costs following downward trend

in €m.



- Like-for-like costs down by 3% YoY
- Exceptional items of €8.3m due to the takeover offer of Lotto24 AG and implementation of a restructuring program, partly offset by decrease in other costs of operations of €3.6m

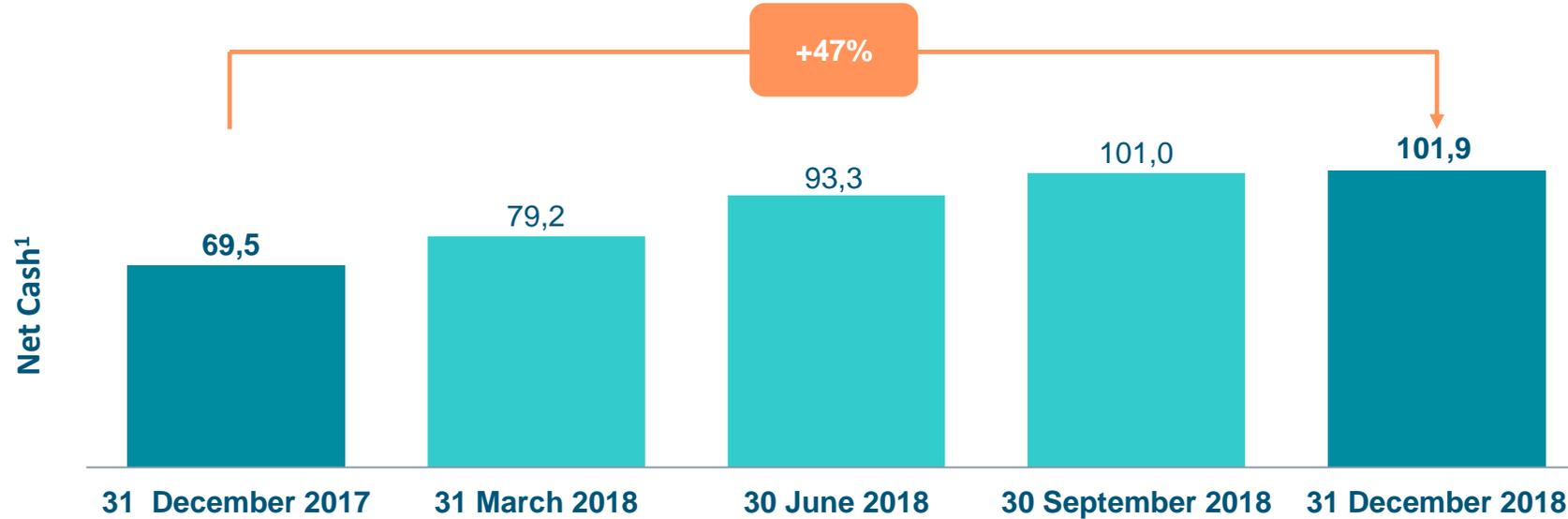
Strong EBIT performance



- Strong Adjusted EBIT* of **€46.6m** & Normalised Adjusted EBIT of **€49.4m**
- Q4 Adjusted EBIT* set an operational record with **€17.5m**
- Statutory EBIT of **€38.3m**
- Net profit of **€26.7m**
- Earnings per share (EPS) up **56%** to **€3.18** (2017: **€2.04**)

Strong cash generation

in €m.



- Net Cash has increased by **€32.4m** YoY
 - **€38.3m** profit before tax for 2018
 - **€7.2m** inflow from working capital and other non-cash movements
 - **€4.2m** decrease in hedging reserve due to adjustments to the current hedging risk structure
 - **(€6.8m)** income tax paid
 - **(€10.2m)** paid in dividends to shareholders and purchase of treasury shares

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 €21.6m hedging reserve

The future – on track to reunite with Lotto24

6 million customers and
current combined billings
of c. €500m

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

74% of Lotto24 shares tendered to date

Transaction set to complete on 14 May 2019



Brexit uncertainty continues. Mitigation plans in active process.

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

Excellent business results – growth in billings, revenue, TOP, EBIT

Strong cash generation – up 47% vs 2017

Like-for-like costs on downward trend

Continued laying the groundwork for international diversification

Created a sustainable growth path by reuniting with Lotto24



Our future growth prospects, reduced risk, and increased efficiency make ZEAL a highly attractive long-term investment proposition.



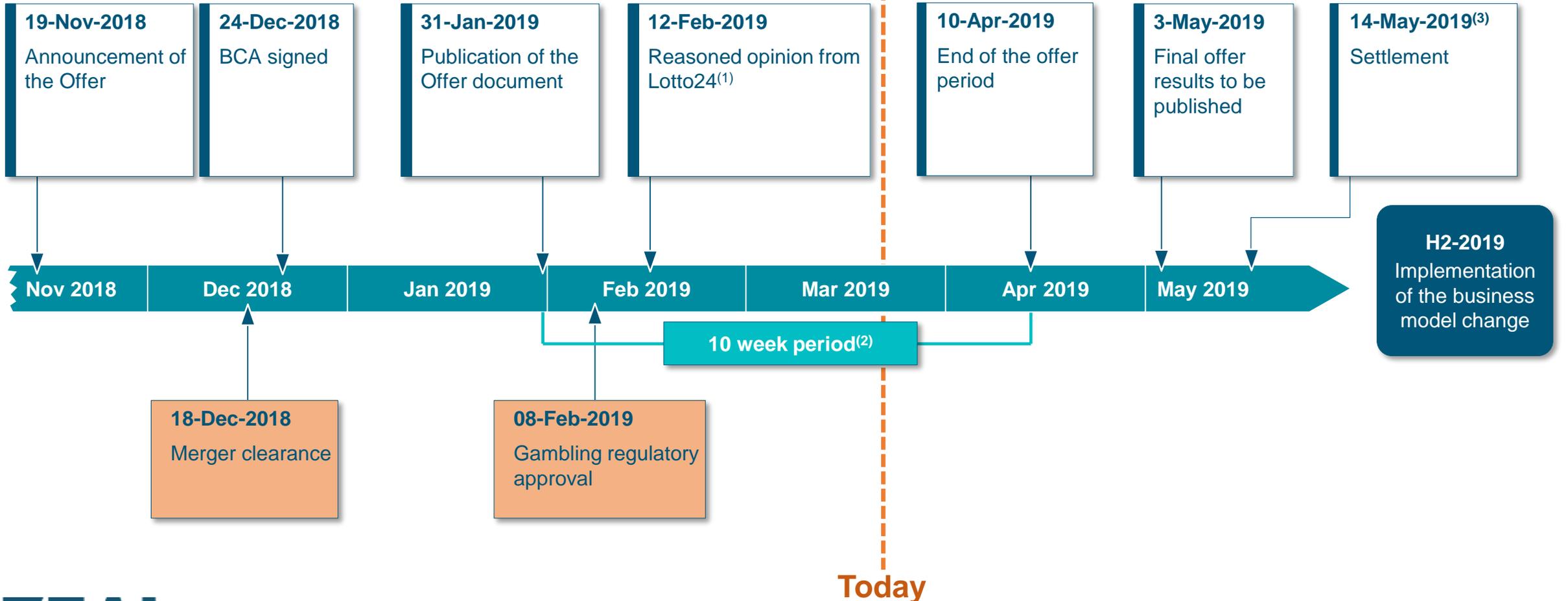
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Appendix

Anticipated transaction timeline

All essential key milestones have been reached

Next steps



Consolidated Income Statement and Balance Sheet in €k

| | | 31/12/18 | 31/12/17 | Change in % |
|-------------------------|---------------------------------|----------------|----------------|--------------|
| | | | | |
| Income Statement | Revenue | 154,751 | 134,295 | +15.2 |
| | Total operating performance | 159,652 | 141,246 | +13.0 |
| | Total costs of operations | (121,345) | (116,065) | +4.5 |
| | EBITDA | 47,742 | 26,436 | +80.6 |
| | EBIT _{adjusted} | 46,595 | 25,181 | +85.0 |
| | EBIT | 38,307 | 25,181 | +52.1 |
| | Earnings before taxes | 37,985 | 25,231 | +50.5 |
| | Profit | 26,663 | 17,178 | +55.2 |
| Balance Sheet | | 31/12/18 | 31/12/17 | Change in % |
| | Current assets | 162,280 | 134,477 | +20.7 |
| | Non-current assets | 6,932 | 6,634 | +4.5 |
| | ASSETS | 169,212 | 141,111 | +19.9 |
| | Current liabilities | 42,096 | 32,730 | +28.6 |
| | Non-current liabilities | 3,918 | 1,765 | +122.0 |
| | Equity | 123,198 | 106,616 | +15.6 |
| | EQUITY & LIABILITIES | 169,212 | 141,111 | +19.9 |

Business Unit Segment Reporting as of 31/12/18

in €k

| | Lottery betting | Lottovate | Business unit total | Normalisation adjustments | Other adjustments | Statutory |
|--|-----------------|----------------|---------------------|---------------------------|-------------------|----------------|
| Revenue from secondary lottery | 119,646 | – | 119,464 | (4,377) | 186 | 115,455 |
| Revenue from instant win games | 13,562 | – | 13,562 | 1,744 | – | 15,306 |
| Revenue from ticket sales and commission | 16,217 | 7,773 | 23,990 | – | – | 23,990 |
| Other operating income | 4,391 | 537 | 4,928 | (202) | 175 | 4,901 |
| Total operating performance | 153,816 | 8,310 | 162,126 | (2,835) | 361 | 159,652 |
| EBITDA | 56,977 | (7,682) | 49,295 | (3,071) | 1,518 | 47,742 |
| Depreciation/amortisation | (860) | (287) | (1,147) | – | – | (1,147) |
| Adjusted EBIT | 56,117 | (7,969) | 48,148 | (3,071) | 1,518 | 46,595 |
| Exceptional costs | – | – | (8,288) | – | – | (8,288) |
| EBIT | – | – | 39,860 | (3,071) | 1,518 | 38,307 |
| Financial result | – | – | – | – | (322) | (322) |
| EBT | – | – | 39,860 | (3,071) | 1,196 | 37,985 |
| Income tax | – | – | – | – | (11,322) | (11,322) |
| Net Profit/loss | – | – | 39,860 | (3,071) | (10,126) | 26,663 |

Statutory / Normalised Revenue & Adjusted EBIT in €k

| Revenue | | 2018 | 2017 | Variance |
|---------|------------|---------|----------|----------|
| | Statutory | 154,751 | 134,295 | 20,456 |
| | Normalised | 157,384 | 147,020 | 10,364 |
| | Variance | (2,633) | (12,725) | |

| EBIT | | 2018 | 2017 | Variance |
|------|------------|---------|----------|----------|
| | Statutory | 46,595 | 25,181 | 21,414 |
| | Normalised | 49,430 | 38,096 | 11,334 |
| | Variance | (2,835) | (12,915) | |

Lottery Betting KPIs

| Billings (in €m) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | 2017 | 2018 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|-------|-------|
| | 64.1 | 64.0 | 61.7 | 72.4 | 68.3 | 65.5 | 67.8 | 77.7 | 262.2 | 278.8 |

| ABPU (in €) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | 2017 | 2018 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|------|------|
| | 54.4 | 56.2 | 60.3 | 59.7 | 58.0 | 53.3 | 58.0 | 60.4 | 57.6 | 57.6 |

| MAU (in k) | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | 2017 | 2018 |
|------------|---------|---------|---------|---------|---------|---------|---------|---------|------|------|
| | 393 | 380 | 341 | 405 | 392 | 410 | 384 | 427 | 380 | 404 |

Financial Calendar 2019

| | |
|--------------------------|------------------|
| 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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