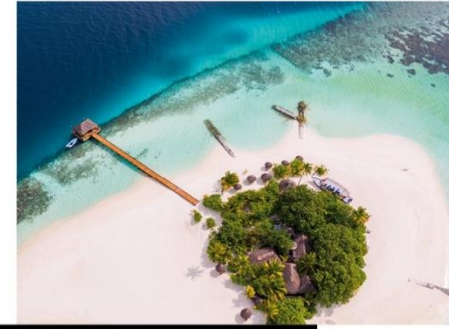


ZEAL Network Lotto24

Investor Call, Half-Year Report as of 30/06/19
14 August 2019



**CREATING A
BETTER WORLD
OF LOTTERY**

ZEAL



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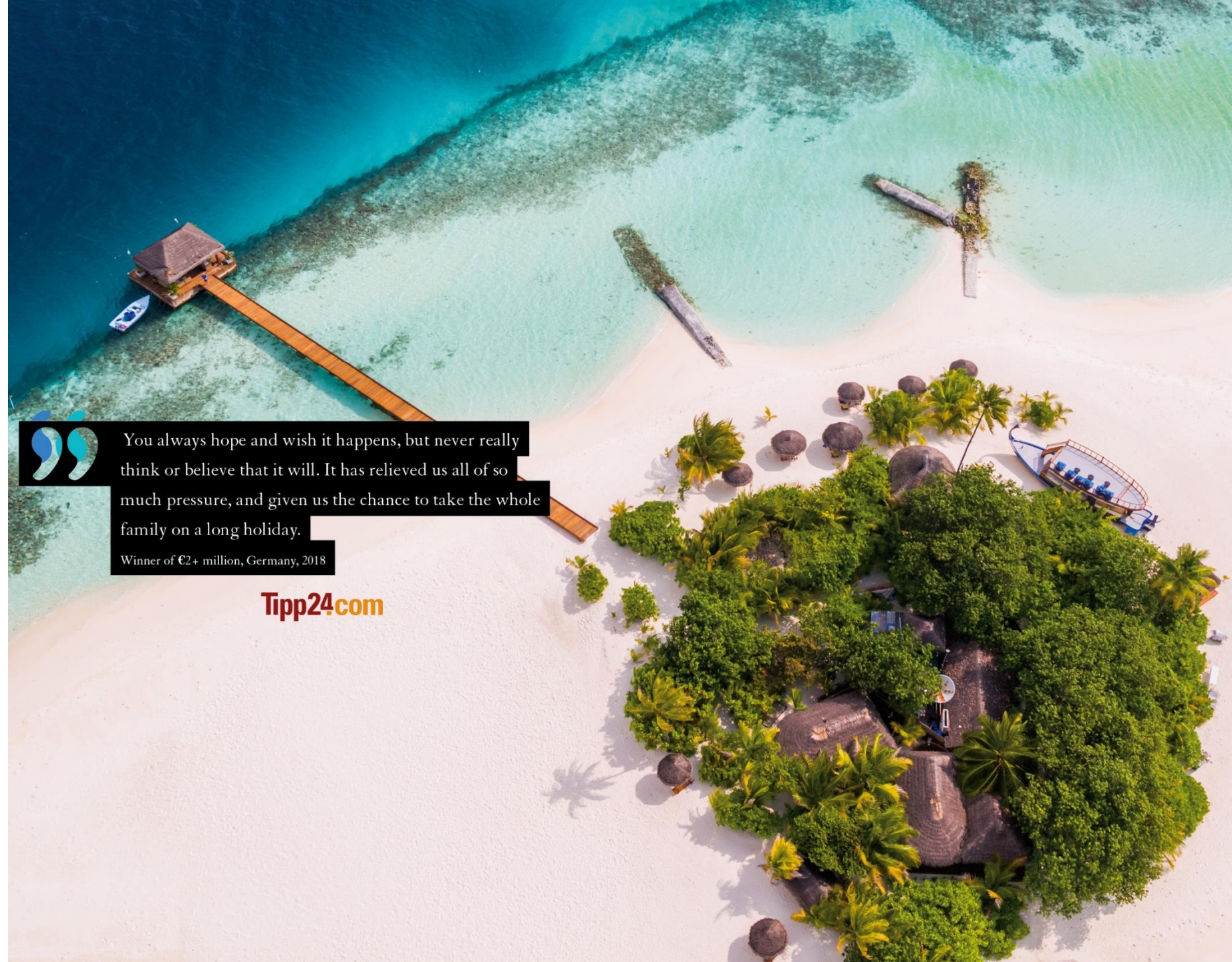
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You always hope and wish it happens, but never really think or believe that it will. It has relieved us all of so much pressure, and given us the chance to take the whole family on a long holiday.

Winner of €2+ million, Germany, 2018

Tipp24.com

An aerial, black and white photograph of London at night. The River Thames flows through the center of the city, with several bridges crossing it. The city is densely packed with buildings, many of which are illuminated with lights. St Paul's Cathedral is a prominent feature on the right side of the image. The sky is dark with some clouds. A teal horizontal bar is overlaid across the middle of the image, containing the word 'ZEAL' in white, bold, sans-serif capital letters.

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H1 2019

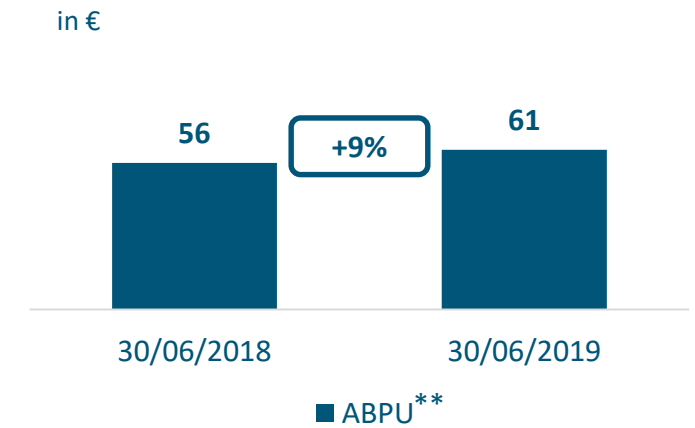
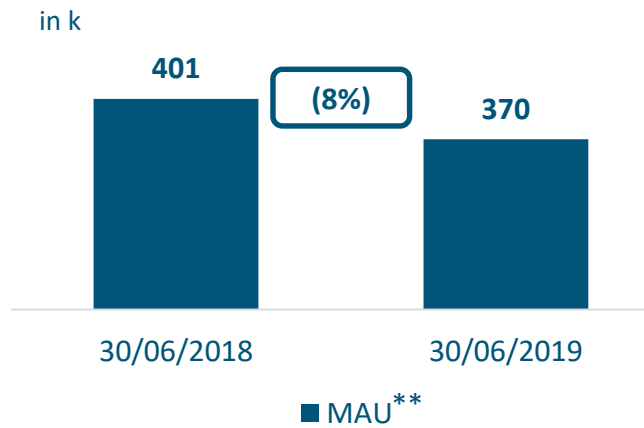
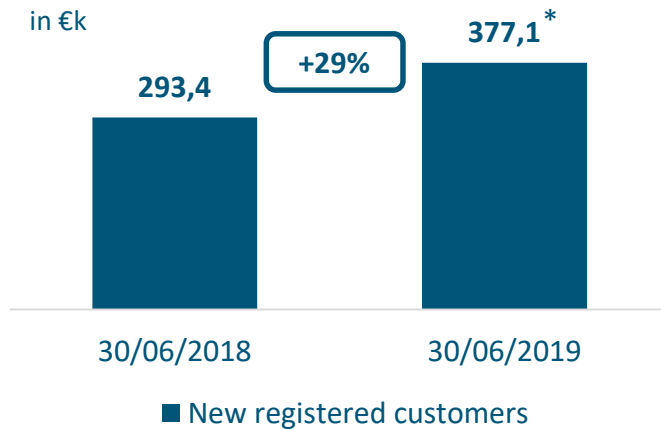
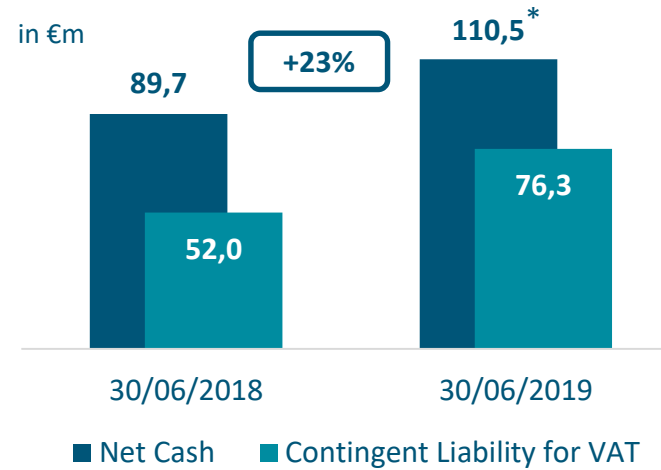
- Successful completion of the acquisition of Lotto24 AG
- Lotto24 fully consolidated for the first time*
- First cost synergies realized
- Reduction of employees from 350 to 271
- EBITDA almost doubled
- Guidance 2019 provided

ZEAL: H1 2019 –

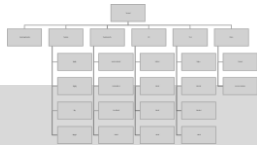
Fully consolidating Lotto24 since 14 May 2019

		H1 2019	H1 2018	Change in %	Comments
Income Statement	Billings	179,391	141,879	+26.4	<ul style="list-style-type: none"> ➤ Billings: <ul style="list-style-type: none"> – Acquisition of Lotto24 contributed €41.3m – Relevant jackpots only partially supported growth ➤ TOP: <ul style="list-style-type: none"> – Mainly driven by contributions from Lotto24 ➤ Personnel expenses & other operating expenses: <ul style="list-style-type: none"> – Reduced by almost €11m despite absorbing Lotto24 costs of €4m <ul style="list-style-type: none"> ➤ Personnel expenses: <ul style="list-style-type: none"> – Reduction of employees from 350 to 271 ➤ Direct costs: <ul style="list-style-type: none"> – Decrease in hedging costs ➤ Other costs of operations: <ul style="list-style-type: none"> – Decrease mainly driven by legal & advisory, outsourced and rental costs ➤ EBITDA: <ul style="list-style-type: none"> – Boosted by significant cost savings – New alternative performance indicator
	Revenue	77,461	72,973	6.2	
	Total operating performance (TOP)	79,273	74,946	5.8	
	Personnel expenses	(11,172)	(15,246)	(26.7)	
	Other operating expenses	(36,834)	(43,282)	(14.9)	
	Marketing expenses	(11,037)	(9,753)	+13.2	
	Direct costs of operations	(17,741)	(22,331)	(20.6)	
	Other costs of operations	(8,056)	(11,198)	(28.1)	
	EBITDA	31,204	16,972	+83.9	
	Amortisation and depreciation	(2,500)	(596)	+319.5	
	Exceptional items	(7,357)	-	n/a	
	EBIT	21,347	16,376	+30.4	
	Profit	14,320	11,116	+28.8	

ZEAL: Other performance indicators



ZEAL: The future – unification with Lotto24 on track



- Internal organization structure defined
- Reduction of employees from 350 to 271
- 200 employees to be reached by 30/06/20



DONE



Physical merger of ZEAL and Lotto24 in one office



DONE



€4m p.a. internal restructuring program



DONE



€11.7m already incurred of the total expected (one-off) implementation costs of €15-20m

WELL ON TRACK



€57m Synergies p.a.

- 60% related to the business model change
- 40% related to personnel and other operating costs
- Fully achievable at the end of year 2 after completion of the offer

FIRST SUCCESSES VISIBLE



Business model change and relocation

OCTOBER 2019



ZEAL: Other Topics



Brexit

No material impact on ZEAL since relocation is planned to happen before a potential Brexit – until end of October.

No changes: Case filed with the court. First court decision is expected soon. We remain confident that ultimately the outcome will be favourable for the Group.



German VAT



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Lotto24: Important events in the first half-year of 2019

H1
2019

- Lotto24 is now a member of the ZEAL Group
- Billings and revenues below previous year as expected
- EBITDA and EBIT doubled
- Magnus von Zitzewitz, member of the Executive Board, left the company
- Jonas Mattsson joined as new member of the Executive Board
- Regulation: Pressure on payment provider



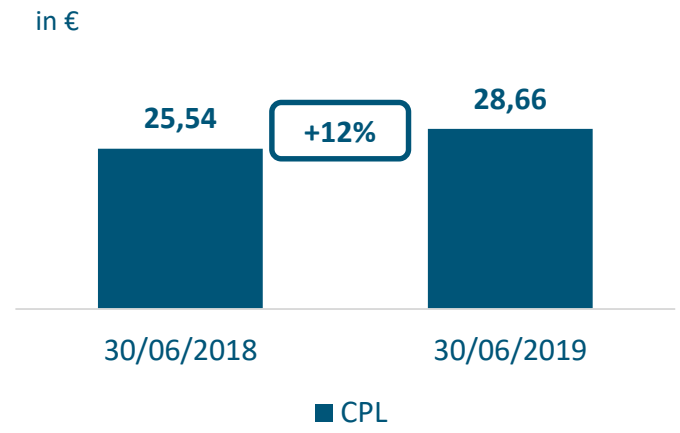
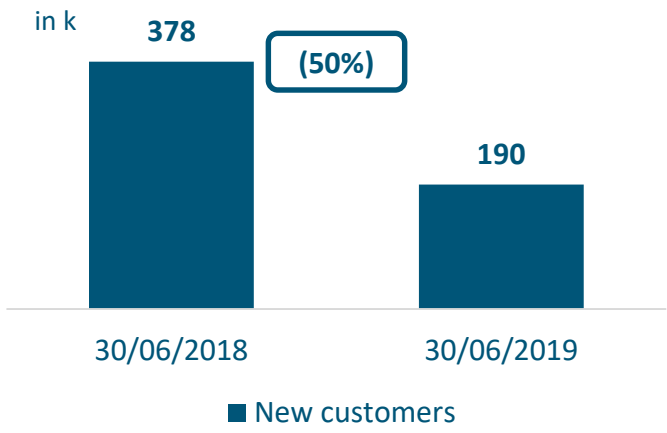
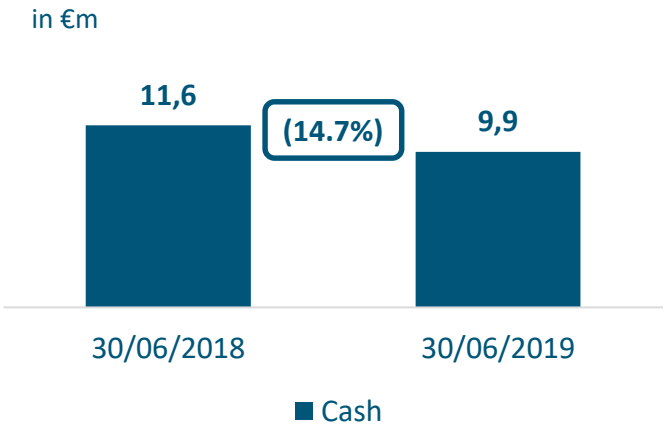
Lotto24: H1 2019

	H1 2019	H1 2018	Change in %
Billings	157,126	161,169	(2,5)
Revenues	18,002	19,442	(7.4)
Total performance	18,043	19,601	(7.9)
Personnel expenses	(4,365)	(4,154)	+5.1
Other operating expenses	(10,542)	(13,877)	(24.0)
Marketing expenses	(5,445)	(9,651)	(43.6)
Direct operating expenses	(1,314)	(1,521)	(13.6)
Indirect operating expenses	(3,783)	(2,706)	+39.8
EBITDA	2,848	1,257	+126.7
EBIT before one-off expenses	2,051	663	+209.3
One-off expenses	(570)	-	-
EBIT	1,481	663	+123.4
Profit	1,557	2,301	(32.3)

Income Statement

Comments
<ul style="list-style-type: none"> ➤ <u>Billings:</u> <ul style="list-style-type: none"> – Billings and revenues below previous year as expected ➤ <u>Personnel expenses:</u> <ul style="list-style-type: none"> – Rose due to the increase in headcount ➤ <u>Marketing expenses:</u> <ul style="list-style-type: none"> – Activities reduced due to weak jackpot trend ➤ <u>Indirect operating expenses:</u> <ul style="list-style-type: none"> – Strong rise in the use of external IT management and consultancy services and increase in legal and consultancy fees ➤ <u>EBIT before one-off expenses:</u> <ul style="list-style-type: none"> – More than tripled mainly due to controlled lower marketing activities

Lotto24: Other performance indicators



Lotto24: Guidance 2019 (stand-alone Lotto24)¹⁾

- Stable billings and revenues at prior-year level
- Stable gross margin at prior-year level
- EBIT well above the break-even mark ²⁾
- Higher CPL than previous year
- Falling number of new customers

¹⁾ Depending on external conditions – especially the jackpot trend – and marketing investments to attract new customers

²⁾ Without consideration of any transaction costs incurred during the takeover



An aerial, black and white photograph of London, England, taken at dusk or dawn. The River Thames flows through the center of the city, with several bridges crossing it. The city is densely packed with buildings, and the sky is filled with soft, wispy clouds. The overall atmosphere is serene and urban.

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- Dependent on a number of key factors:
 - Future jackpot development for major lottery products
 - Exact timing of the planned business model change in connection with the takeover of Lotto24, expected for October 2019
 - Effects on the customer base that cannot be conclusively assessed
 - Big price-payout on 10 August 2019
- Negative effects on revenue and profitability in the fourth quarter 2019
 - Since more profitable secondary lottery business will be converted to brokerage business permitted in Germany
- TOP anticipated significantly below previous year (2018: €160m)
- EBITDA expected to reach €18m – €21m
- Dividend policy for 2019 remains under review

ZEAL: Key take-aways

Organizational structure defined

First cost synergies achieved

Majority of implementation cost spent

EBITDA almost doubled

Business model change/relocation planned for October 2019

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Questions

Answers

LOTTO
24



Appendix



Consolidated Income Statement and Balance Sheet in €k

Income Statement		30/06/19	30/06/18	Change in %
	Revenue		77,461	72,973
Total operating performance		79,273	74,946	+5.8
Total costs of operations		(57,926)	(58,570)	(1.1)
EBITDA		31,204	16,972	+83.9
EBIT		21,347	16,376	+30.4
Earnings before taxes		21,387	16,043	+33.3
Profit		14,320	11,116	+28.8

Balance Sheet		30/06/19	31/12/18	Change in %
	Current assets		184,940	162,280
Non-current assets		351,260	6,932	+4,967.2
ASSETS		536,200	169,212	+216.9
Current liabilities		50,958	42,096	+21.1
Non-current liabilities		66,704	3,918	+1,602.5
Equity		418,537	123,198	+239.7
EQUITY & LIABILITIES		536,200	169,212	+216.9

ZEAL: Business Unit Segment Reporting as of 30/06/19 in €k

	Lottery betting	Lottovate	Brokerage	Business unit total	Normalisation adjustments	Other adjustments	Statutory
Revenue from secondary lottery	52,906	–	–	52,906	1,055	88	54,049
Revenue from instant win games	5,956	–	–	5,956	2,037	–	7,993
Revenue from ticket sales and commission	7,945	2,705	4,769	15,419	–	–	15,419
Other operating income	1,681	169	18	1,868	(12)	(44)	1,812
Total operating performance	68,488	2,874	4,787	76,149	3,080	44	79,273
EBITDA	29,056	(2,285)	928	27,699	3,080	425	31,204
Depreciation/amortisation	–	–	–	(2,500)	–	–	(2,500)
Exceptional costs	–	–	–	(7,357)	–	–	(7,357)
EBIT	–	–	–	17,842	3,080	425	21,347
Financial result	–	–	–	–	–	54	54
EBT	–	–	–	17,842	3,080	465	21,387
Income tax	–	–	–	–	–	(7,067)	(7,067)
Net Profit/loss	–	–	–	17,842	3,080	(6,602)	14,320

ZEAL: Lottery Betting KPIs

Billings (in €m)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
	64.0	61.7	72.4	68.3	65.5	67.8	77.7	67.2	69.7

ABPU (in €)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
	56.2	60.3	59.7	58.0	53.3	58.0	60.4	57.5	60.5

MAU (in k)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
	380	341	405	392	410	384	427	375*	365

*Restated based on prior quarter correction



ZEAL + Lotto24: 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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