

ZEAL Network SE

Investor Call

Quarterly Statement as of 30 September 2020

12 November 2020

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Summary

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9M
2020

- Strong nine months 2020
 - Billings up 42%
 - Solid gross margin achieved
 - Further investment in marketing
 - Full-year guidance for new registered customers already exceeded - again
- Guidance 2020 raised - again



Financial Update

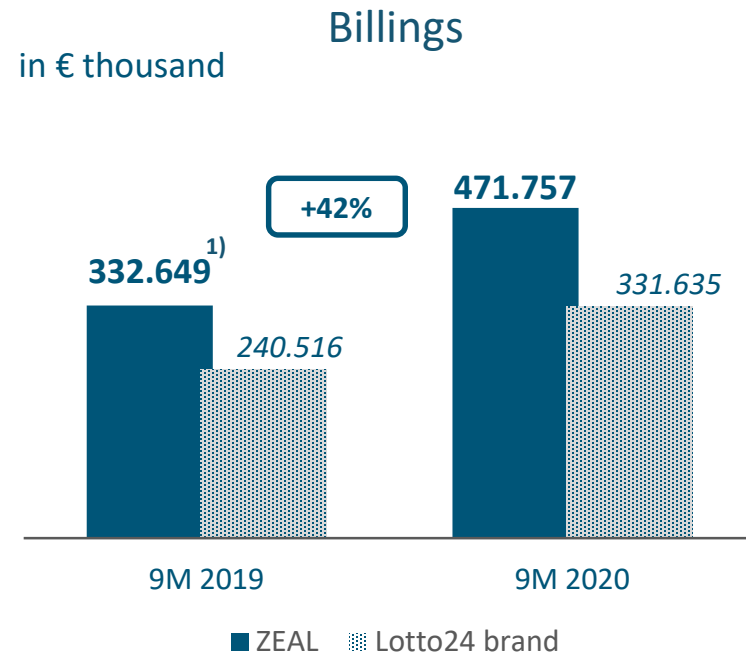
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ZEAL Income Statement 9M 2020 - condensed

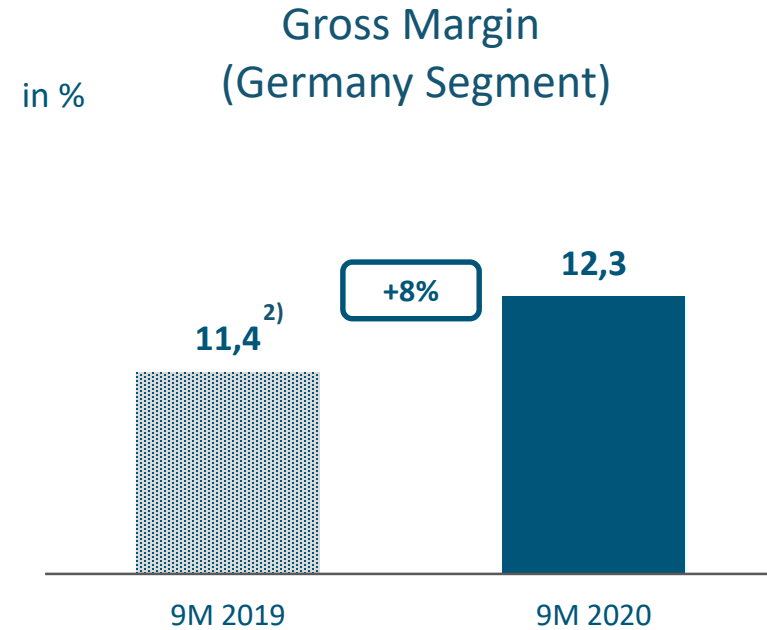
Income Statement	in € thousand	9M 2020	9M 2019	Change in %
	Revenue	63,865	93,178	(31.5)
	Personnel expenses	(16,593)	(17,166)	(3.3)
	Other operating expenses	(42,976)	(55,973)	(23.2)
	Marketing expenses	(25,304)	(16,089)	+57.3
	Direct operating expenses	(7,236)	(26,798)	(73.0)
	Indirect operating expenses	(10,436)	(13,086)	(20.3)
	Adjusted EBITDA¹⁾	6,903	28,253	(75.6)
	Amortisation and depreciation	(7,695)	(5,404)	+42.4
	Non-recurring income and expenses	3,656	(9,995)	(136.6)
EBIT	2,864	12,854	(77.7)	
Net profit after taxes	6,537	10,816	(39.6)	

Comments
<ul style="list-style-type: none"> ➤ Revenue: <ul style="list-style-type: none"> – Decreased as a result of the expected revenue dis-synergies in connection with the Business Model Change ➤ Total costs of operations: <ul style="list-style-type: none"> – Reduced nearly €14m despite absorbing LOTTO24 costs <ul style="list-style-type: none"> ➤ Personnel expenses: <ul style="list-style-type: none"> – Reduction of employees to 165 FTE's (2019: 208 FTE's) – Increased provision for incentive programs ➤ Marketing expenses: <ul style="list-style-type: none"> – The high jackpot development was successfully exploited with higher marketing investments (+€9.2m) and resulted in record customer acquisition numbers ➤ Direct operating expenses: <ul style="list-style-type: none"> – Removal of hedging costs and non-deductible VAT after the Business Model Change ➤ Indirect operating expenses: <ul style="list-style-type: none"> – Reduction is mainly driven by a decrease in consultancy costs and in travel expenses ➤ Adjusted EBITDA: <ul style="list-style-type: none"> – Despite the significantly increased marketing costs, Adjusted EBITDA reached €6.9m

Other performance indicators I

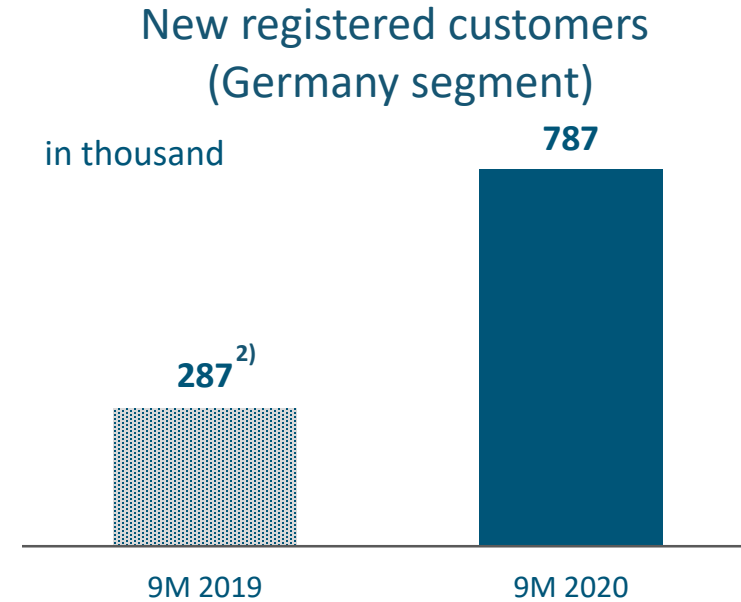
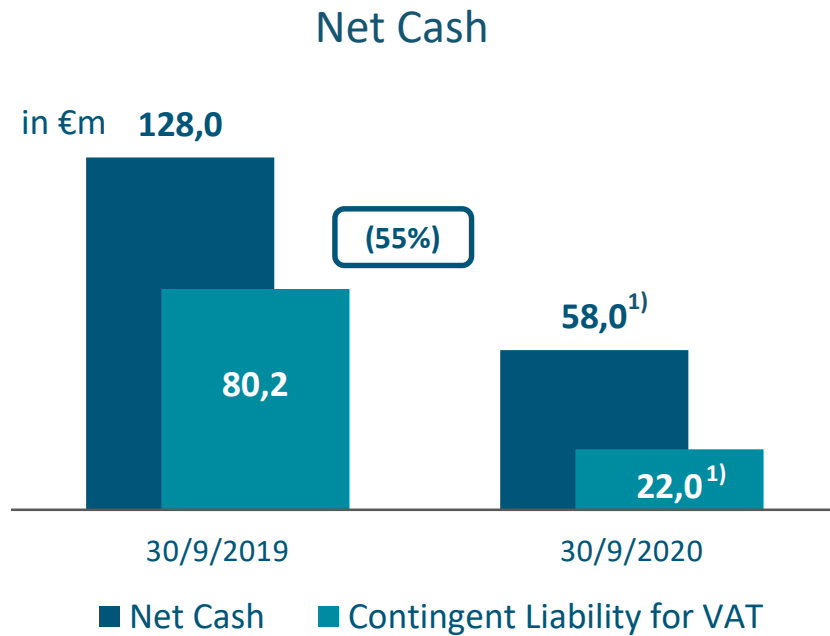


¹⁾ Incl. LOTTO24 since 14 May 2019



²⁾ Just for comparison: Gross margin of LOTTO24 AG for 9M

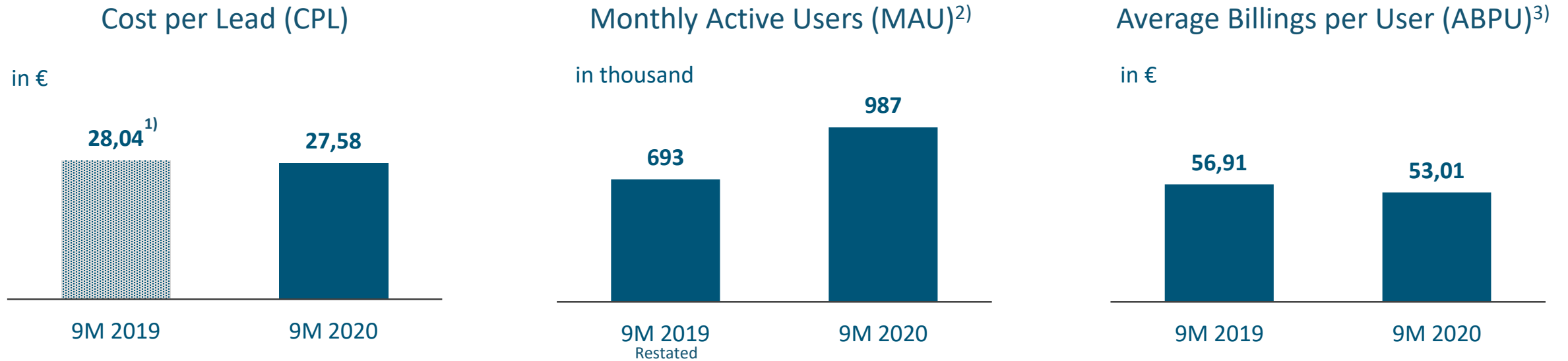
Other performance indicators II



¹⁾ In January 2020, myLotto24 Limited made an interim VAT payment of €54 million to the German tax authorities, which has a direct impact on net cash

²⁾ Just for comparison: New registered customers of LOTTO24 AG for 9M

Other performance indicators III



1) Just for comparison: CPL of LOTTO24 AG for 9M-2019

2) MAU (monthly average active users) is the number of unique users who have either purchased a ticket or participated in a draw in a given month (including free bets)) provides a measure of the Group's ability to retain and attract new customers.

9M/2019 has been restated as Lotto24's MAU's were falsely included for the entire reporting period (instead of since completion of takeover on 14 May 2019).

3) ABPU (average billings per user per month) is the average net billings received from each active customer in a given month. It is calculated by dividing monthly net billings by average monthly active users) and provides a measure of the Group's ability to increase loyalty and value from our customers.



Guidance 2020

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Guidance 2020 raised again

Comparative figures for 2019 are difficult to compare with those forecast for 2020 due to the LOTTO24 takeover in May 2019 and the business model change from a secondary lottery to an online lottery broker in Germany in October 2019.

	2020 NEW	2020 OLD	2019 ¹⁾ Actual
Billings (in €m)	610-630	<i>590-610</i>	466.7
Revenue (in €m)	80-83	<i>76-79</i>	113.5
Adjusted EBITDA (in €m)	8-10	<i>7-10</i>	29.4
Gross margin (Germany segment, in %)	Slightly above 12	<i>Slightly above 12</i>	24.3
CPL (Germany segment, in €)	Lower than previous year	<i>Lower than previous year</i>	32.50
New registered customers (Germany segment, in thousand) ²⁾	Around 900	<i>Around 800</i>	274

¹⁾ Including LOTTO24 since 14 May 2019, secondary lottery business up to 15 October 2019 and Tipp24 brokerage business beginning with 15 October 2019.

²⁾ Related to the Germany business of the ZEAL Group. 2019: incl. LOTTO24 since 14 May 2019 and Tipp24 only since the business model change on 15 October 2019.



Key Take-Aways

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ZEAL: Key take-aways

Strong first nine months 2020

Significant customer acquisition builds foundation for further growth

Cost savings continued

Guidance 2020 raised again

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Questions

Answers



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Appendix



ZEAL: Consolidated Income Statement and Balance Sheet in €k

Income Statement		30/09/20	30/09/19	Change in %
	Revenue		63,865	93,178
Total costs of operations		(59,569)	(73,139)	(18.6)
Adjusted EBITDA ¹⁾		6,903	28,253	(75.6)
EBIT		2,864	12,854	(77.7)
Profit before taxes		5,595	12,815	(56.3)
Net Profit		6,537	10,816	(39.6)

Balance Sheet		30/09/20	31/12/19	Change in %
	Current assets		96,138	173,998
Non-current assets		395,898	347,135	+14.0
ASSETS		492,036	521,133	(5.6)
Current liabilities		34,617	49,909	(30.6)
Non-current liabilities		62,997	65,499	(3.8)
Equity		394,422	405,725	(2.8)
EQUITY & LIABILITIES		492,036	521,133	(5.6)

¹⁾ Result from operating activities before amortisation, depreciation and non-recurring income/expenses

ZEAL: Business Unit Segment Reporting as of 30/09/20 in €k

	Germany	Other	Total
Revenue	57,846	6,019	63,865
Other operating income	2,339	(10)	2,329
Adjusted EBITDA¹⁾	5,235	1,668	6,903
Depreciation/amortisation	–	–	(7,695)
EBIT	–	–	2,864
Financial result	–	–	2,873
Share of loss from associates			(142)
EBT	–	–	5,595
Income tax	–	–	942
Net Profit/loss	–	–	6,537

¹⁾ Result from operating activities before amortisation, depreciation and non-recurring income/expenses

ZEAL: KPIs

Secondary lottery business						Broker Business			
Billings (in €m)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
	67.8	77.7	67.4	112.0	153.3	134.0	140.0	174.4	157.3
ABPU (in €)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
	58.0	60.4	57.5	60.5	57.3	48.4	49.5	54.5	54.9
MAU (in k)	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
	384	427	375*	365	917	925	942	1,065	954

*Restated based on prior quarter correction

Financial calendar 2021

Publication of Annual Report 2020	25 March 2021
Publication of Q1 Report	7 May 2021
Annual General Meeting	4 June 2021
Publication of Half-Year Report	12 August 2021
Publication of Q3 Report	11 November 2021



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