

# ZEAL Network SE & Lotto24 AG

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Investor Call, Quarterly Release as of 30/09/19  
13 November 2019



**ZEAL**





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# ZEAL: Important events in the first nine months of 2019

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9M  
2019

- Successful completion of the acquisition of Lotto24 AG
- Lotto24 fully consolidated\*
- Solid billings performance but high jackpot pay-out negatively impacted EBITDA
- Additional cost synergies realised
- Reduction of employees from 350 to 203
- ZEAL returned its former Tipp24 secondary lottery business to German brokerage
- Relocation of the company's registered office back to Hamburg

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\* Included from 14 May 2019

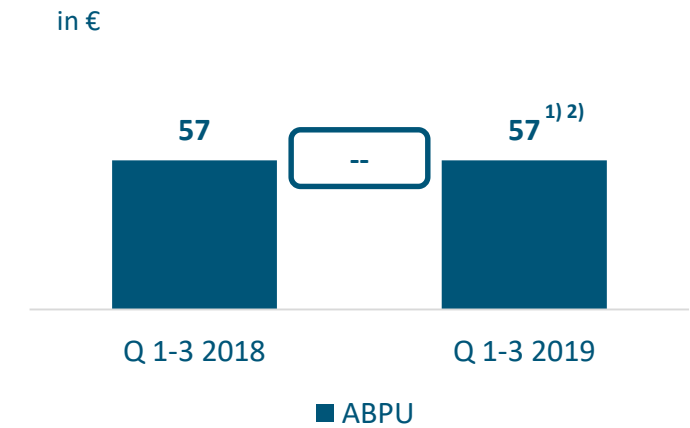
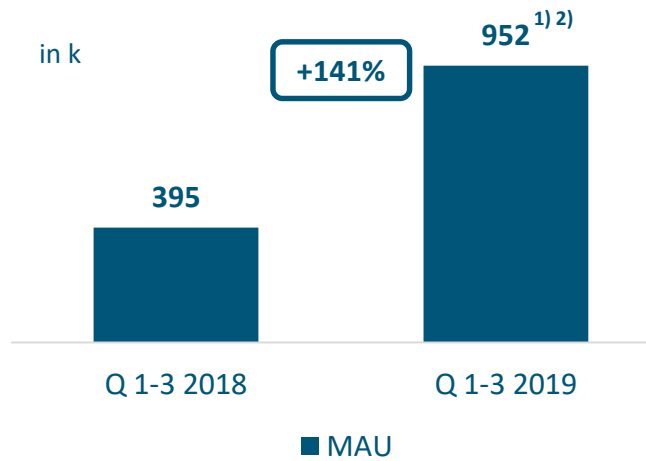
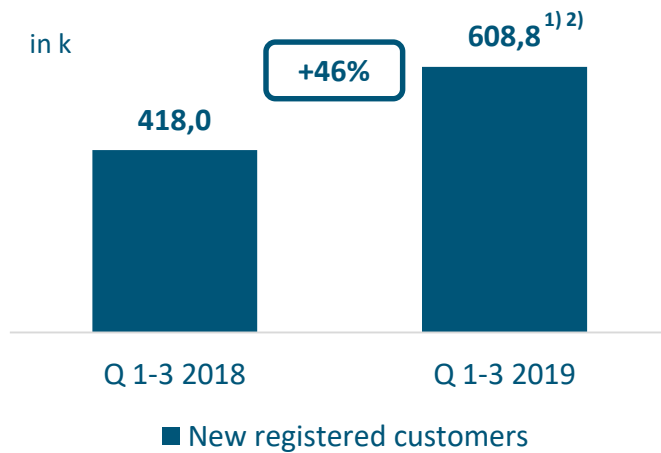
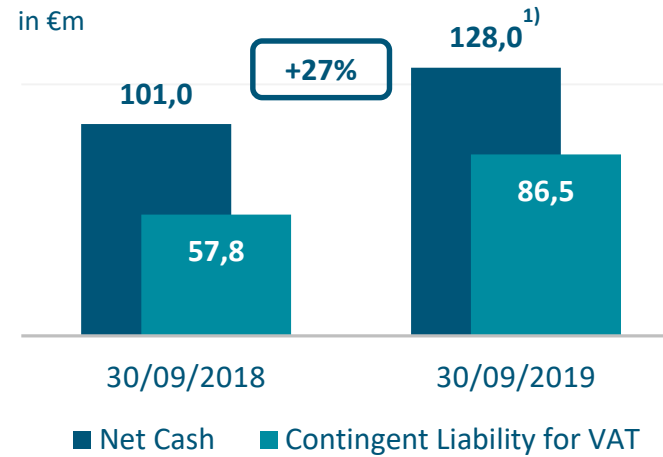
# ZEAL: 9M 2019 –

## Fully consolidating Lotto24 since 14 May 2019

	9M 2019	9M 2018	Change in %
<b>Income Statement</b>			
Billings	332,649	212,354	+56.6
Revenue	93,178	111,202	(16.2)
<b>Total operating performance (TOP)</b>	<b>101,166</b>	<b>114,129</b>	<b>(11.4)</b>
Personnel expenses	(17,166)	(22,374)	(23.3)
Other operating expenses	(55,973)	(62,382)	(10.3)
Marketing expenses	(16,089)	(13,896)	+15.8
Direct costs of operations	(26,798)	(32,122)	(16.6)
Other costs of operations	(13,086)	(16,364)	(20.0)
<b>EBITDA</b>	<b>28,253</b>	<b>29,977</b>	<b>(5.8)</b>
Amortisation and depreciation	(5,404)	(880)	+514.1
Exceptional items	(9,995)	-	n/a
<b>EBIT</b>	<b>12,854</b>	<b>29,097</b>	<b>(55.8)</b>
<b>Profit after tax</b>	<b>10,816</b>	<b>20,102</b>	<b>(46.2)</b>

Comments
<ul style="list-style-type: none"> <li>➤ <b><u>Billings:</u></b> <ul style="list-style-type: none"> <li>– Acquisition of Lotto24 contributed €124.7m</li> <li>– Relevant jackpots only partially supported growth</li> </ul> </li> <li>➤ <b><u>TOP:</u></b> <ul style="list-style-type: none"> <li>– Mainly driven due to the large jackpot pay-out which was partially offset by contributions from Lotto24</li> </ul> </li> <li>➤ <b><u>Personnel expenses &amp; other operating expenses:</u></b> <ul style="list-style-type: none"> <li>– Reduced by almost €12m despite absorbing Lotto24 costs of €11m                             <ul style="list-style-type: none"> <li>➤ <b><u>Personnel expenses:</u></b> <ul style="list-style-type: none"> <li>– Reduction of employees from 350 to 203</li> </ul> </li> <li>➤ <b><u>Direct costs:</u></b> <ul style="list-style-type: none"> <li>– Decrease in hedging costs and non-deductible VAT</li> </ul> </li> <li>➤ <b><u>Other costs of operations:</u></b> <ul style="list-style-type: none"> <li>– Decrease mainly driven by legal &amp; advisory, rental costs and travel costs</li> </ul> </li> </ul> </li> <li>➤ <b><u>EBITDA:</u></b> <ul style="list-style-type: none"> <li>– Negatively impacted by significant jackpot win in August</li> </ul> </li> </ul> </li></ul>

# ZEAL: Other performance indicators



<sup>1)</sup> Including Lotto24

<sup>2)</sup> Lottery betting and brokerage segment



# ZEAL: Reunification with Lotto24

## Organisation



- Internal organisation structure defined
- Reduction of employees from 350 to 203



**DONE**

## Governance



Contracts governing the future cooperation between ZEAL and Lotto24 signed



**DONE**

## Business model change



Lotto24 now also brokers lottery tickets to the state lottery companies via the domains Tipp24.de and Tipp24.com



**DONE**

## Relocation



- ZEAL is back in Hamburg
- ZEAL shares switched to the new ISIN DE000ZEAL241 / WKN ZEAL24



**DONE**

## Restructuring



€13.7m already incurred of the total expected (one-off) implementation costs of €15-20m

**WELL ON TRACK**

## Synergies



- €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**



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## Lotto24: Important events in the first nine months of 2019

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9M  
2019

- Lotto24 is a member of the ZEAL Group
- Lotto24 with strong third quarter
- Billings above previous year
- Revenues slightly below previous year
- Profitability improved
- Supervisory Board enlarged from three to six members
- Contracts governing the future cooperation between ZEAL and Lotto24 signed

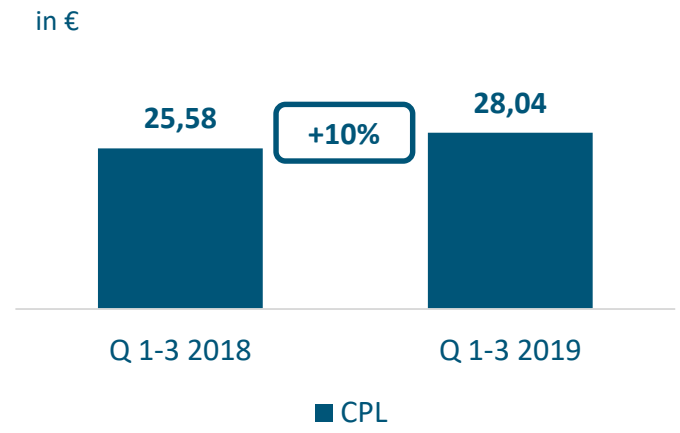
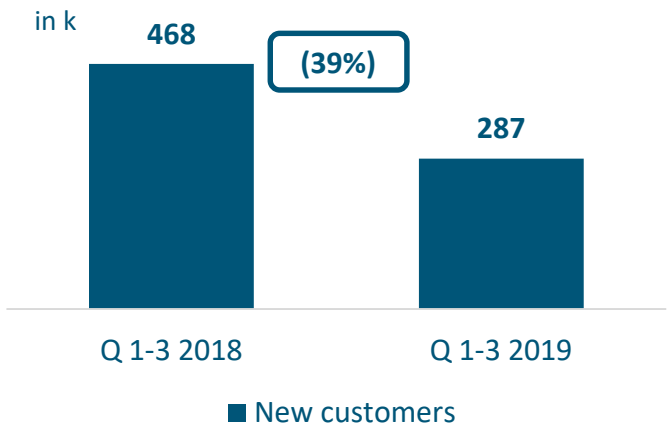
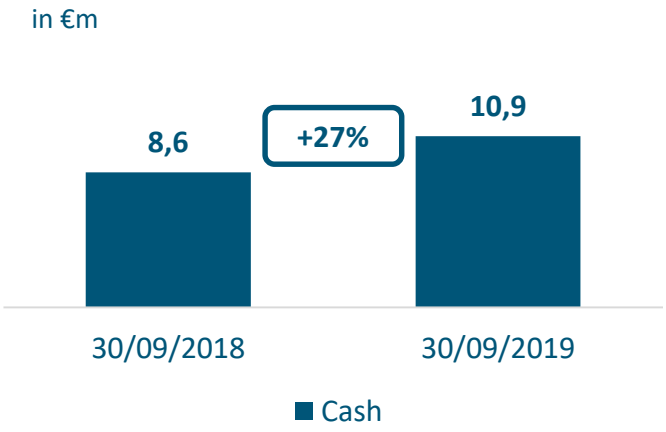


# Lotto24: 9M 2019

Income Statement		9M 2019	9M 2018	Change in %
	Billings	240,516	235,896	+2.0
	Revenues	27,537	28,104	(2.0)
	<b>Total performance</b>	<b>27,590</b>	<b>28,326</b>	<b>(2.6)</b>
	Personnel expenses	(5,930)	(6,341)	(6.5)
	Other operating expenses	(15,924)	(18,505)	(14.0)
	Marketing expenses	(8,048)	(11,968)	(32.8)
	Direct operating expenses	(1,995)	(2,260)	(11.7)
	Indirect operating expenses	(5,881)	(4,277)	+37.5
	<b>EBITDA</b>	<b>5,273</b>	<b>3,045</b>	<b>+73.2</b>
<b>EBIT</b> before one-off expenses	<b>4,122</b>	<b>2,165</b>	<b>+90.4</b>	
One-off expenses	(1,345)	-	-	
<b>EBIT</b>	<b>2,777</b>	<b>2,165</b>	<b>+28.3</b>	
<b>Profit</b>	<b>3,401</b>	<b>7,827</b>	<b>(56.5)</b>	

Comments
<ul style="list-style-type: none"> <li>➤ <b><u>Billings:</u></b> <ul style="list-style-type: none"> <li>– Up by 2%</li> </ul> </li> <li>➤ <b><u>Revenues:</u></b> <ul style="list-style-type: none"> <li>– Decreased due to jackpot-related lower share of lotto clubs</li> </ul> </li> <li>➤ <b><u>Personnel expenses:</u></b> <ul style="list-style-type: none"> <li>– Fell due to the decrease in headcount</li> </ul> </li> <li>➤ <b><u>Marketing expenses:</u></b> <ul style="list-style-type: none"> <li>– Activities reduced due to weak jackpot trend</li> </ul> </li> <li>➤ <b><u>Indirect operating expenses:</u></b> <ul style="list-style-type: none"> <li>– Increase in the use of external IT management and consultancy services and increase in legal and consultancy fees</li> </ul> </li> <li>➤ <b><u>EBIT before one-off expenses:</u></b> <ul style="list-style-type: none"> <li>– Doubled mainly due to controlled lower marketing activities</li> </ul> </li> </ul>

# Lotto24: Other performance indicators





## Lotto24: Guidance 2019<sup>1)</sup>

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- Stable billings and revenues at prior-year level (stand-alone)
- Including positive effects from also brokering tickets via Tipp24.de and Tipp.com since 15 October 2019, billings and revenues above prior-year figures
- Gross margin slightly below the prior year level
- Fall in number of new customers (excluding Tipp24 customers added as a result of the ZEAL business model change)
- Higher CPL than previous year
- EBIT well above the break-even mark <sup>2)</sup>
- Exact financial implications can only be predicted more accurately when the Tipp24 customer migration has been more advanced

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

<sup>2)</sup> Without consideration of any transaction costs incurred during the takeover





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- Dependent on a number of key factors:
  - Future jackpot development for major lottery products
  - Effects on the customer base that cannot be conclusively assessed
- 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
- Due to relocation to Germany interim dividends will no longer be paid
- Proposal on the appropriation of profits and a new dividend policy will be published in our 2019 financial statements in March 2020 at the latest



## ZEAL: Key take-aways

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Majority of implementation cost spent

Implementation of cost synergies well on track

Tipp24 returned to German lottery brokerage

Headquarter relocated back to Hamburg

# ZEAL

Questions

Answers

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# Appendix



# ZEAL: Consolidated Income Statement and Balance Sheet in €k

Income Statement		30/09/19	30/09/18	Change in %
	Revenue		93,178	111,202
Total operating performance		101,166	114,129	(11.4)
Total costs of operations		(88,312)	(85,032)	+3.9
EBITDA		28,253	29,977	(5.8)
EBIT		12,854	29,097	(55.8)
Earnings before taxes		12,815	28,848	(55.6)
<b>Profit</b>		<b>10,816</b>	<b>20,102</b>	<b>(46.2)</b>

Balance Sheet		30/09/19	31/12/18	Change in %
	Current assets		177,876	162,280
Non-current assets		349,065	6,932	+4,935.6
<b>ASSETS</b>		<b>526,941</b>	<b>169,212</b>	<b>+211.4</b>
Current liabilities		47,086	42,096	+11.9
Non-current liabilities		64,867	3,918	+1,555.6
Equity		414,988	123,198	+236.8
<b>EQUITY &amp; LIABILITIES</b>		<b>526,941</b>	<b>169,212</b>	<b>+211.4</b>

## ZEAL: Business Unit Segment Reporting as of 30/09/19 in €k

	Lottery betting	Lottovate	Brokerage	Business unit total	Normalisation adjustments	Other adjustments	Statutory
Revenue from secondary lottery	78,815	–	–	<b>78,815</b>	(28,958)	134	<b>49,991</b>
Revenue from instant win games	8,548	–	–	<b>8,548</b>	3,746	–	<b>12,294</b>
Revenue from ticket sales and commission	12,691	3,928	14,274	<b>30,893</b>	–	–	<b>30,893</b>
Other operating income	2,317	249	60	<b>2,626</b>	4,785	577	<b>7,988</b>
<b>Total operating performance</b>	102,371	4,177	14,334	<b>120,882</b>	(20,427)	711	<b>101,166</b>
<b>EBITDA</b>	48,797	(3,100)	3,355	<b>49,052</b>	(20,427)	(372)	<b>28,253</b>
Depreciation/amortisation	–	–	–	<b>(5,404)</b>	–	–	<b>(5,404)</b>
Exceptional costs	–	–	–	<b>(9,995)</b>	–	–	<b>(9,995)</b>
<b>EBIT</b>	–	–	–	<b>33,653</b>	(20,427)	(372)	<b>12,854</b>
Financial result	–	–	–	–	–	(25)	<b>(25)</b>
<b>EBT</b>	–	–	–	<b>33,653</b>	(20,427)	(411)	<b>12,815</b>
Income tax	–	–	–	–	–	(1,999)	<b>(1,999)</b>
<b>Net Profit/loss</b>	–	–	–	<b>33,653</b>	<b>(20,427)</b>	<b>(2,410)</b>	<b>10,816</b>



# ZEAL: KPIs

Billings (in €m)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
	61.7	72.4	68.3	65.5	67.8	77.7	67.2	69.7	195.7

ABPU (in €)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
	60.3	59.7	58.0	53.3	58.0	60.4	57.5	60.5	57.3

MAU (in k)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
	341	405	392	410	384	427	375*	365	917

\*Restated based on prior quarter correction

## Lotto24: Income Statement and Balance Sheet in €k

Income Statement		30/09/19	30/09/18	Change in %
	Billings		240,516	235,896
Revenues		27,537	28,104	(2.0)
Total costs of operations		(24,760)	(25,939)	(4.5)
EBITDA		5,273	3,045	+73.2
EBIT		2,777	2,165	+28.3
Net profit before taxes		2,678	1,262	+30.0
<b>Net Profit</b>		<b>3,401</b>	<b>1,843</b>	<b>(56.5)</b>

Balance Sheet		30/09/19	31/12/18	Change in %
	Current assets		21,900	17,093
Non-current assets		36,534	33,294	+9.7
<b>ASSETS</b>		<b>58,434</b>	<b>50,388</b>	<b>+16.0</b>
Current liabilities		19,867	16,324	+21.7
Non-current liabilities		2,840	1,738	+63.4
Equity		35,727	32,326	+10.5
<b>EQUITY &amp; LIABILITIES</b>		<b>58,434</b>	<b>50,388</b>	<b>+16.0</b>

# ZEAL + Lotto24: Financial Calendar 2020

Publication of Annual Report 2019	26 March 2020
Publication of Q1 Report	14 May 2020
Annual General Meeting	17 June 2020
Publication of Q2 Report	13 August 2020
Publication of Q3 Report	12 November 2020



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