

# ZEAL

# EARNINGS CALL

Half-Year Report H1  
as of 30 June 2024

07 August 2024



Tipp24

ZEAL IBERIA

ZEAL INSTANT GAMES

ZEAL VENTURES

Traumhaus  
VERLOSUNG

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- Summary
- Financial Update
- Progress and Guidance
- Key Take-Aways



# SUMMARY H1 2024

## GROWTH AND PROFITABILITY: ZEAL REMAINS ON COURSE FOR SUCCESS

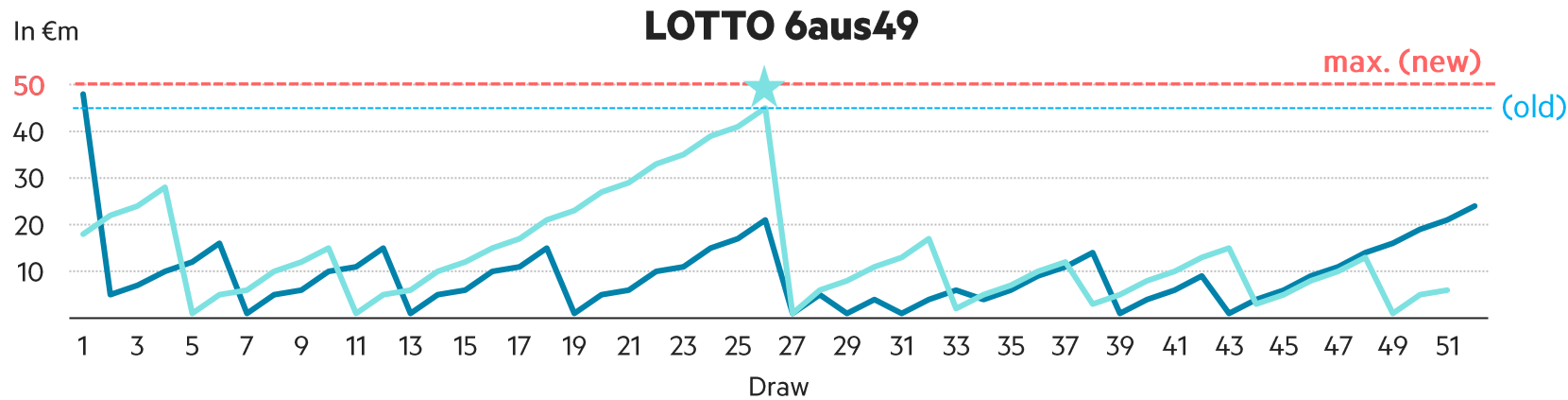
- ✗ Exceptionally efficient and extensive acquisition of new customers
- ⊕ Strong revenue growth of 40% yoy
- ⊕ Further improvement in gross margin to 13.6%
- ⊕ Significant growth of EBITDA of 46% yoy
- ⊕ Launch of new charity lottery in August 2024



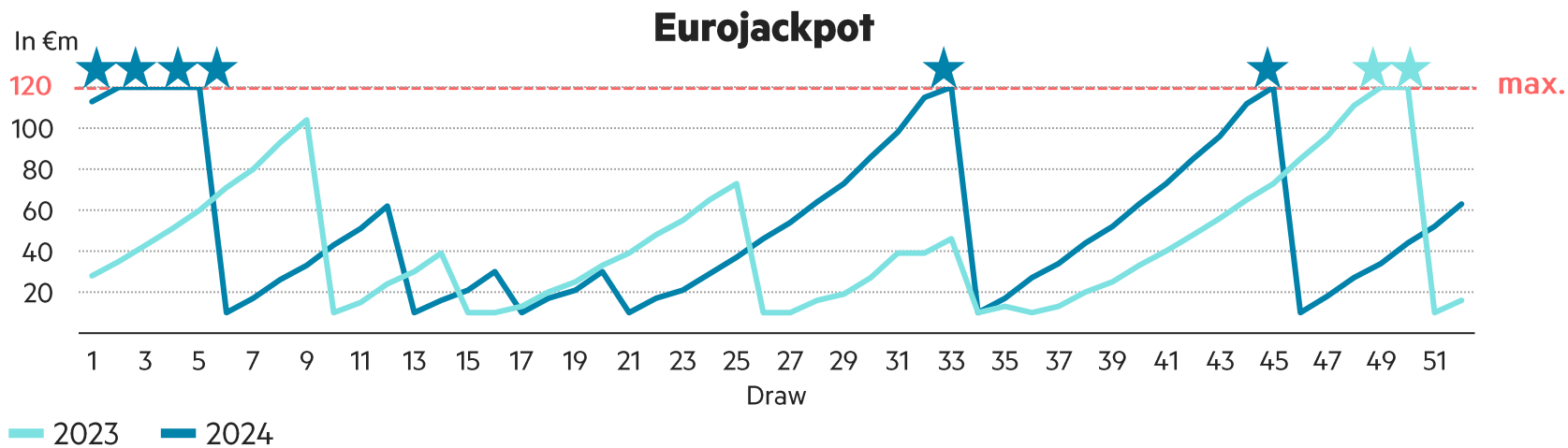




# VERY GOOD JACKPOT ENVIRONMENT – 6 PEAKS IN H1 2024 VS. 3 PEAKS IN H1 2023



in €m	Average	Peak
H1 '24	9	0
H1 '23	14	1



in €m	Average	Peak
H1 '24	53	6
H1 '23	43	2

# ZEAL INCOME STATEMENT H1 '24 – CONDENSED

INCOME STATEMENT	H1 '24 (in €k)	H1 '23 (in €k)	CHANGE (in %)
<b>REVENUE</b>	<b>76,765</b>	<b>54,829</b>	<b>+40.0</b>
- Lotteries	68,011	51,218	+32.8
- Games	4,490	52	-
<b>TOTAL COSTS OF OPERATIONS</b>	<b>-57,045</b>	<b>-41,921</b>	<b>+36.1</b>
<b>Personnel expenses</b>	<b>-14,299</b>	<b>-10,371</b>	<b>+37.9</b>
<b>Other operating expenses</b>	<b>-42,805</b>	<b>-31,609</b>	<b>+35.4</b>
Marketing expenses	-25,534	-20,021	+27.5
Direct operating expenses	-8,597	-5,410	+58.9
Indirect operating expenses	-8,673	-6,178	+40.4
<b>EBITDA</b>	<b>20,093</b>	<b>13,763</b>	<b>+46.0</b>
Amortisation and depreciation	-3,944	-4,421	-10.8
EBIT	16,149	9,342	+72.9
<b>NET PROFIT AFTER TAX</b>	<b>36,921</b>	<b>5,586</b>	<b>+561.0</b>

## REVENUE

Revenue increased by 40% due to a strong increase in MAU, ABPU and gross margin

## COST OF OPERATIONS

### Personnel expenses:

Personnel expenses increased by 38% driven by an 16% increase in FTE from 168 to 187, increase in costs for provisions for variable remuneration, and salary increases

### Marketing expenses:

Marketing expenses increased by 28% as the very good jackpot situation was used to win new customers with a low CPL

### Direct operating expenses:

Direct operating expenses increased by 59% driven by an increase in lottery billings, introduction of Games, a large number of KYC checks for new customers, an increased share of Paypal as payment method and bad debt charges

### Indirect operating expenses:

Indirect operating expenses were up by 40%, mainly driven by increased legal and consulting costs, costs for external service providers and recruiting costs

## EBITDA

EBITDA increased by 46% due to the strong increase in revenue

## NET PROFIT AFTER TAX

Net profit rose by 561% to €36.9 million due to strong increase of EBITDA and the initial recognition of deferred tax assets of ZEAL Network SE following the announcement of its squeeze-out request to LOTTO24 AG

# COST PER LEAD BELOW Q1 '23 AND Q4 '23

In €	Q 1	Q 2	Q 3	Q 4	Full Year
<b>2024</b>	33.04	<b>33.20</b>			
<b>2023</b>	36.77	50.83	50.40	37.11	45.52

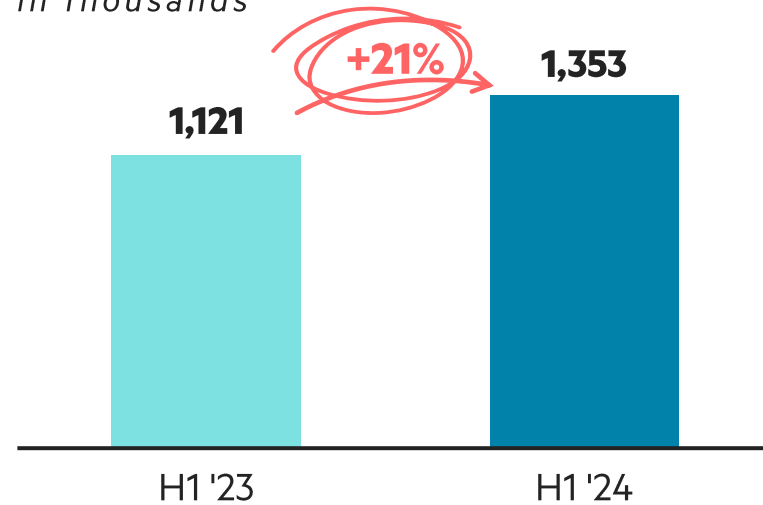
<b>Q2 '23</b>	Temporary increase in competitive pressure in online marketing during a high jackpot
<b>Q3 '23</b>	Launch of major offline (TV, billboards) advertising campaign for LOTTO24 to increase brand awareness
<b>Q4 '23</b>	<ul style="list-style-type: none"> <li>Brand campaign is already leading to positive contributions to new customer acquisition</li> <li>Disciplined and targeted acquisition activity in high media cost environment (Christmas)</li> </ul>
<b>Q1 '24</b>	Further increase in efficiency in marketing measures and benefit from increased brand awareness
<b>Q2 '24</b>	CPL has stabilized at a very good level, even outside of high jackpot periods



# LOTTERY BILLINGS WITH FURTHER JUMP DRIVEN BY GROWTH IN USER BASE AND HIGHER BILLINGS PER USER

## MONTHLY ACTIVE USERS (MAU)

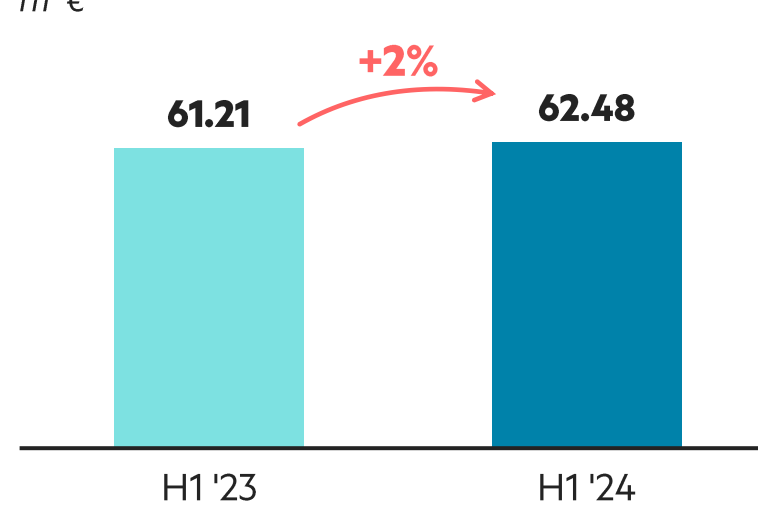
(Lotteries)  
in thousands



Strong increase in the customer base and increased level of customer activity

## AVERAGE BILLINGS PER USER, ABPU

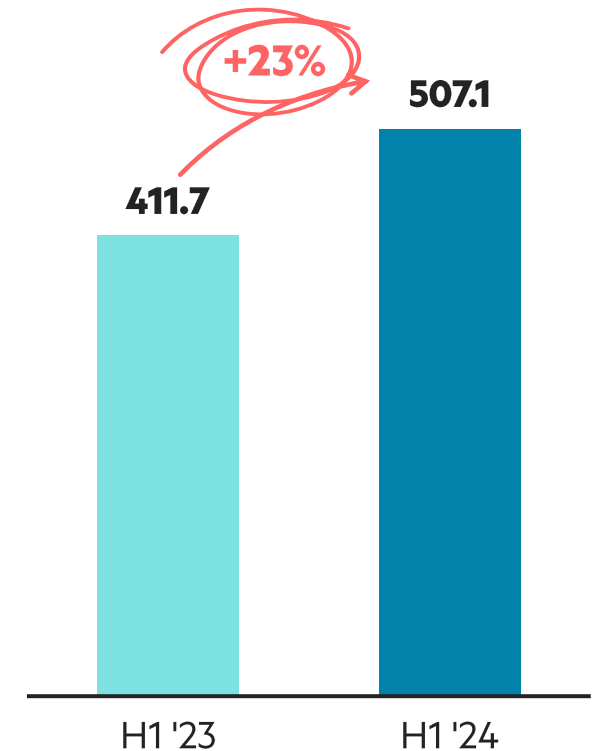
(Lotteries)  
in €



Further increase at already high levels

## BILLINGS

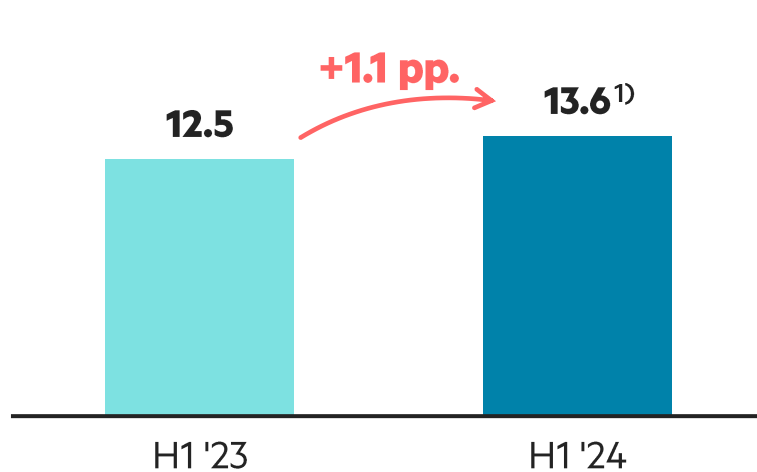
(Lotteries)  
in € millions



# GROSS MARGIN INCREASED SUBSTANTIALLY

## GROSS MARGIN

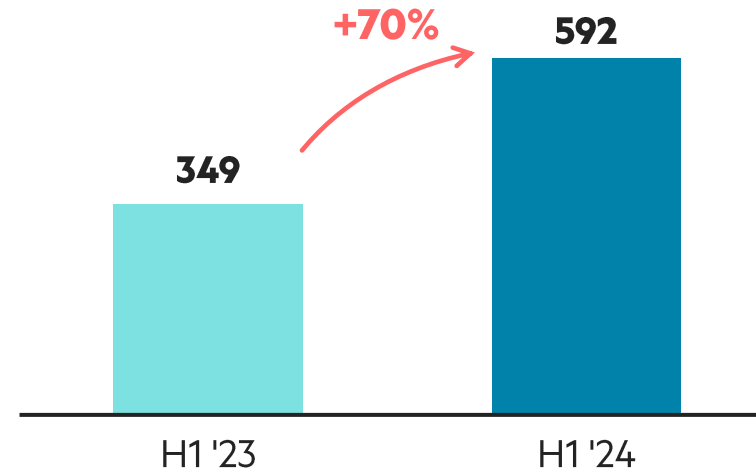
(Lotteries)  
in %



Gross margin increased due to margin optimisation measures and a changed product mix

## NEW REGISTERED CUSTOMERS

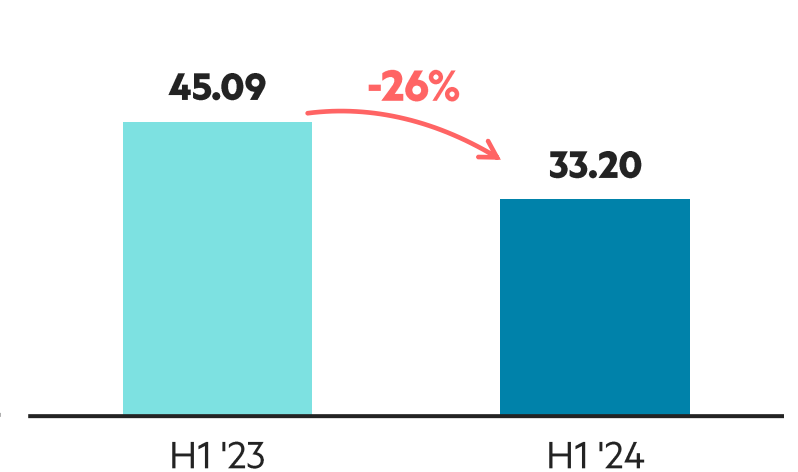
(Lotteries)  
in thousands



Strong jackpot situation coupled with efficient marketing measures

## COST PER LEAD, CPL

(Lotteries)  
in €



Good improvement of marketing efficiency across channels

<sup>1)</sup> Excluding negative impacted of one large win in “Die Deutsche Traumhauslotterie”, including this effect the gross margin in H1 '24 was 13.4%



# UPDATE ON PROGRESS TOWARDS STRATEGIC GOALS FOR 2024

## Our Strategic Goals for 2024

### Improve billings margin in lottery brokerage business

- Optimization of billings margin by increased share of high-margin products and expansion of service fees
- Measures are expected to increase billings margin for lotteries to more than 15% in H2 2024

### Increase brand awareness, marketing efficiency, customer retention

- Continue successful brand campaigns for LOTTO24
- Increase marketing efficiency in brand and performance marketing
- Further improve customer retention through early engagement, higher subscription rates and expanded lottery club offerings

### Grow Games business

- Increase number of available games on our platform
- Broaden type of games to include instant-win-games
- More proactive offering of games on platform

### Launch new charity lottery

- Charity lotteries enable product innovation
- Attractive product margins, improved independence from high jackpots
- Launch will require investment in H2 2024 (marketing, product development, prizes, etc.)

## Our Progress in H1 2024

- Billings margin already improved to 13.6% (excl. big win)
- Increase of customer service fee rolled on 10-Jun-2024 with full impact being visible from Q3 2024 onwards
- Combined effect of measures will lift billings margin for lotteries to more than 15% in H2 2024

- Mix of “campaign bursts” and “always on” for brand marketing working well
- Highly successful customer acquisition during peak jackpots
- Increased billings share from lottery clubs and “play with friends” to 7.4% (6.1% in H1 '23)

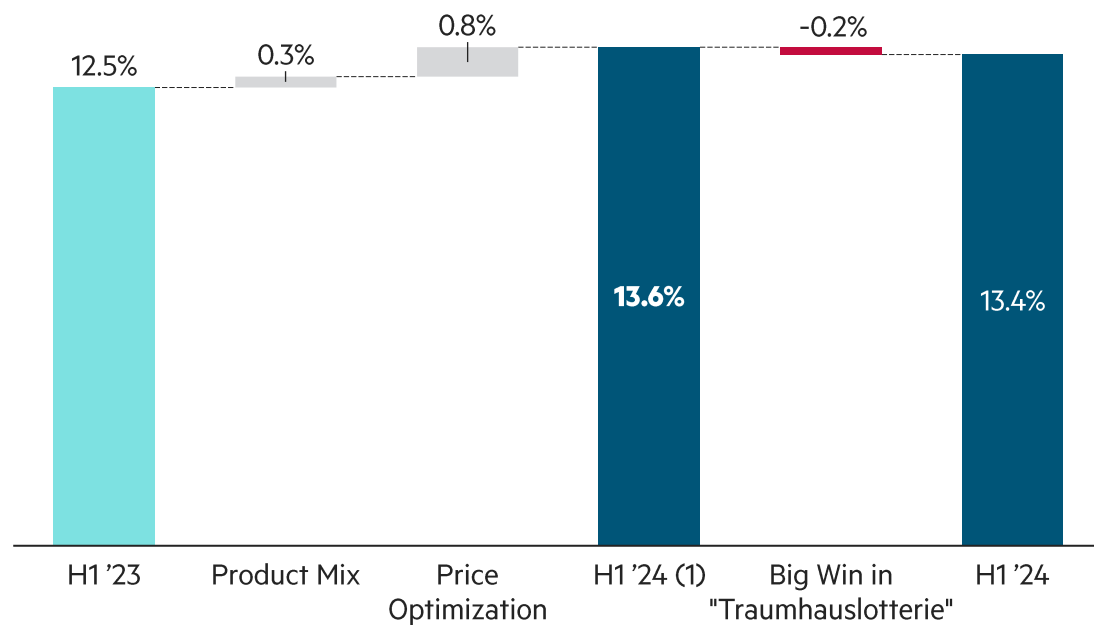
- Currently 115 Games are online, thereof 10 “instant-win-games” with lower RTP and higher appeal to our user base. Positive impact on billings margin already visible
- More proactive offering still hampered by relatively low total number of available games and license restrictions on cross-selling

- Team and product in place
- Received regulatory approval on 30-Jun-2024
- Soft-launch of new “Traumhausverlosung” in mid July with full launch on 01-Aug-2024

# HIGHER LOTTERY BILLINGS MARGIN DRIVEN BY IMPROVED PRODUCT MIX AND ROLL-OUT OF PRICE OPTIMIZATION AS EXPECTED

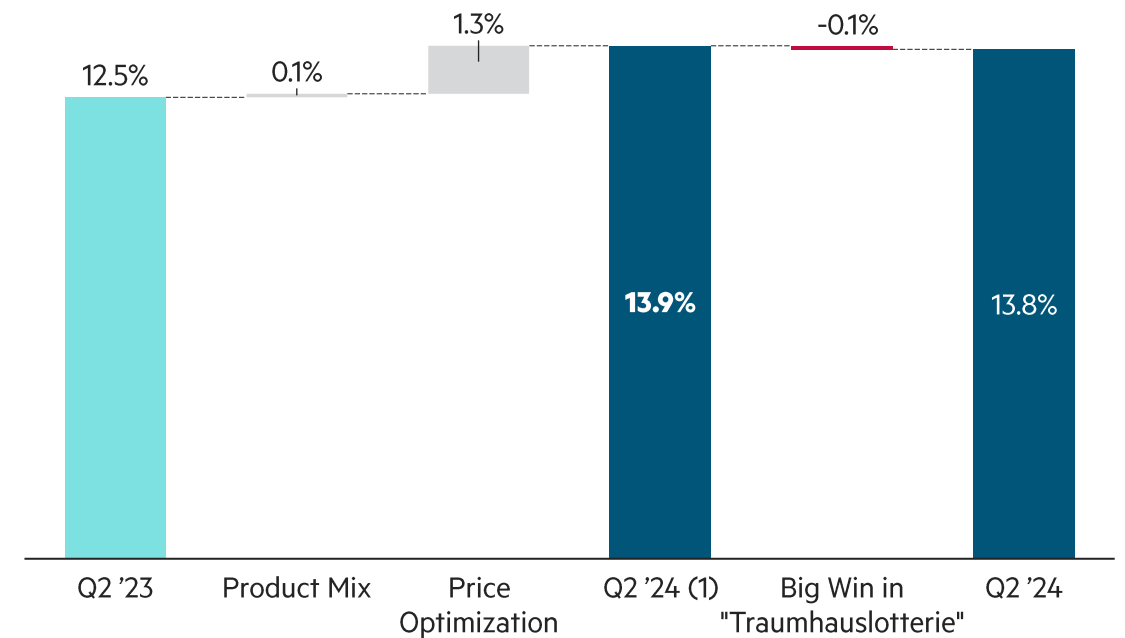
## BILLINGS MARGIN: H1 '23 VS. H1 '24

(Lotteries)  
in %



## BILLINGS MARGIN: Q2 '23 VS. Q2 '24

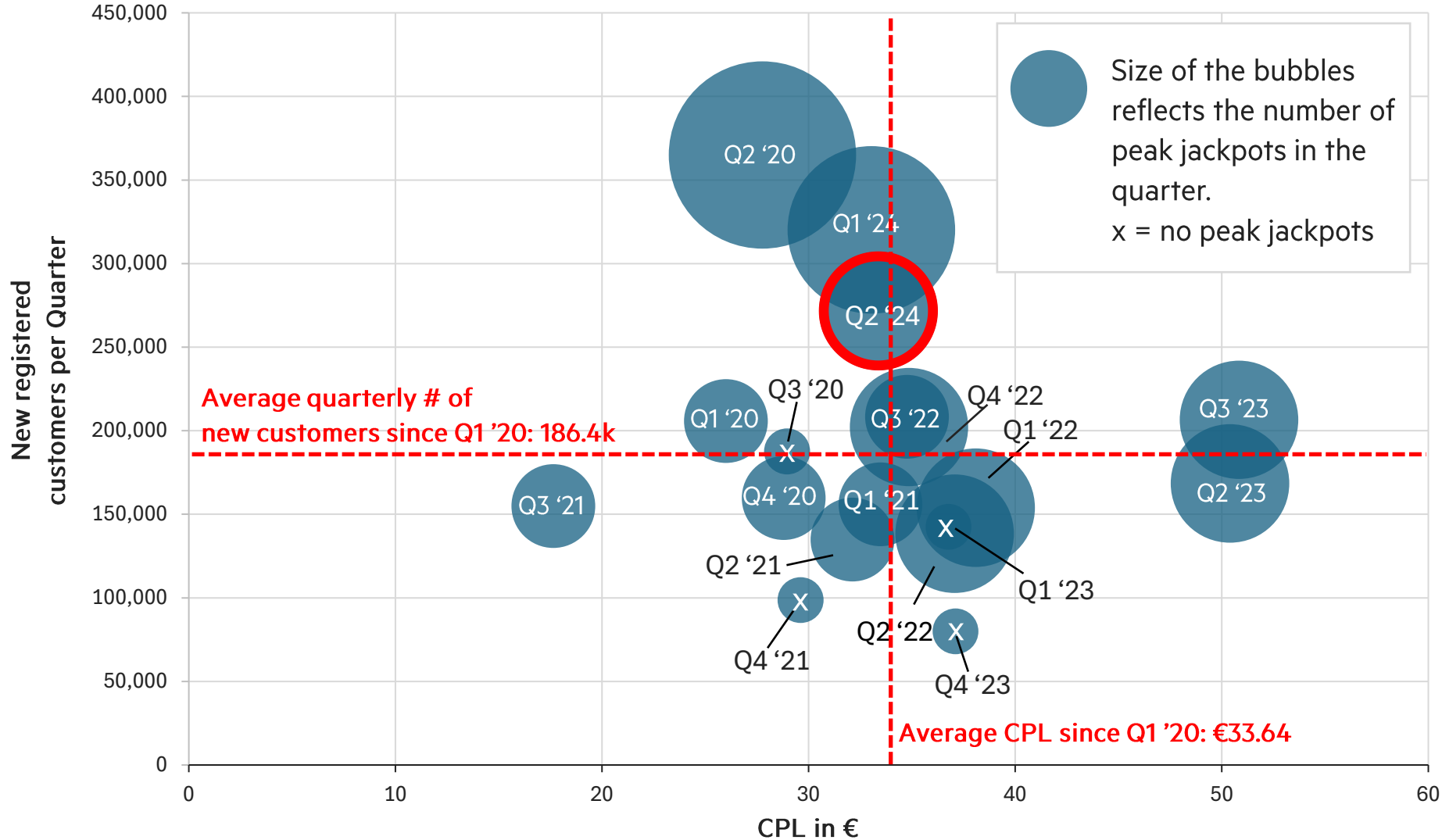
(Lotteries)  
in %



<sup>1)</sup> Excluding €0.8m effect from big win at "Die Deutsche Traumhauslotterie"



# CONTINUED HIGH MARKETING EFFICIENCY: Q2 '24 SHOWED HIGHEST NUMBER OF LEADS WITH LOWEST CPL FOR A QUARTER WITH 2 PEAKS



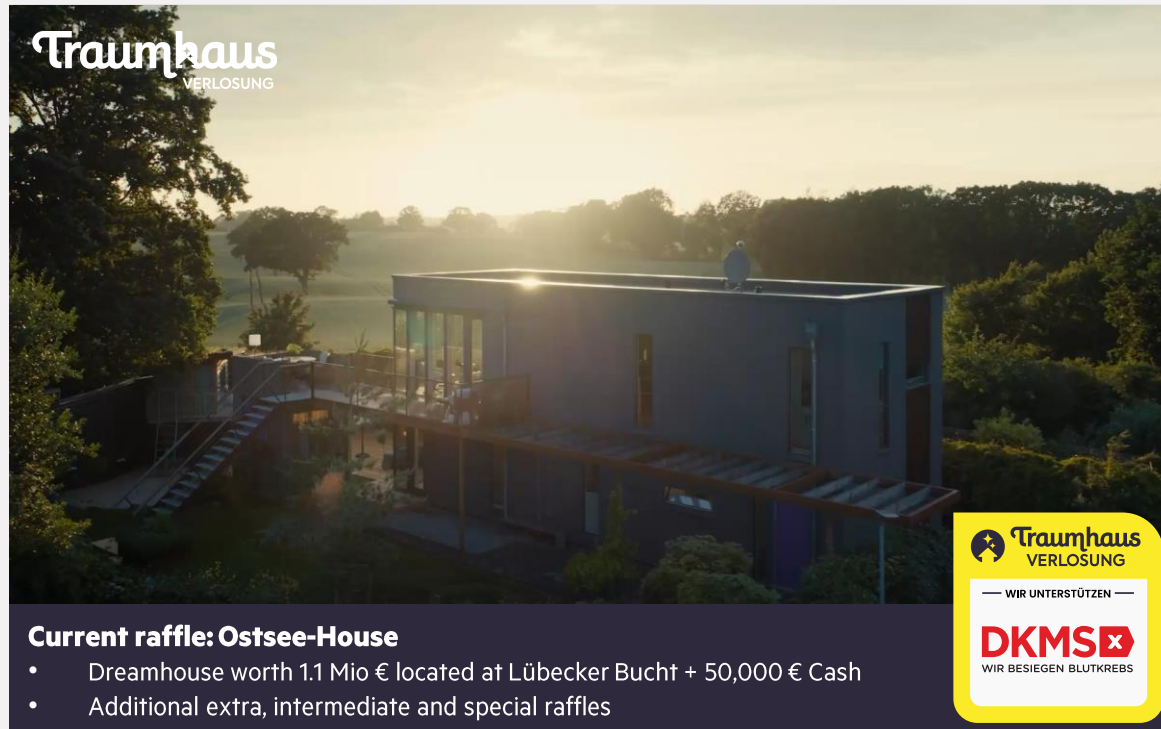
## Q2 2024 Highlights

- Continued to drive high share of brand/organic traffic through successful brand advertising
- Retained high level of efficiency in social media through insourcing of campaign management and improvements of bidding algorithms
- Improved app store marketing leading to increase in volume and efficiency

# IN AUGUST 2024 WE LAUNCHED OUR NEW CHARITY LOTTERY: THE FIRST DREAMHOUSE RAFFLE IN GERMANY

# Traumhaus

VERLOSUNG



The screenshot shows a modern, two-story house with large glass windows and a balcony, set against a backdrop of trees and a sunset. The Traumhaus Verlosung logo is in the top left corner. A yellow banner at the bottom right of the screenshot features the DKMS logo and the text 'WIR BESIEGEN BLUTKREBS'.

**Current raffle: Ostsee-House**

- Dreamhouse worth 1.1 Mio € located at Lübecker Bucht + 50,000 € Cash
- Additional extra, intermediate and special raffles

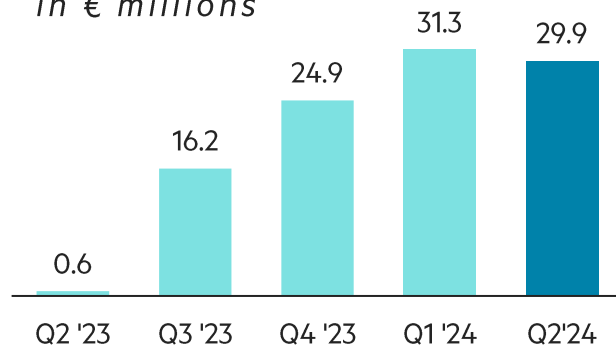
- Just like a tombola, we raffle a real dreamhouse
- Guaranteed winner for each draw
- Every entry supports a charity project
- Houses are staged by *Schöner Wohnen Kollektion*

👉 Check out: [www.traumhausverlosung.de](http://www.traumhausverlosung.de)

# GAMES BUSINESS CONTINUES TO SHOW REVENUE GROWTH AND ATTRACTIVE METRICS

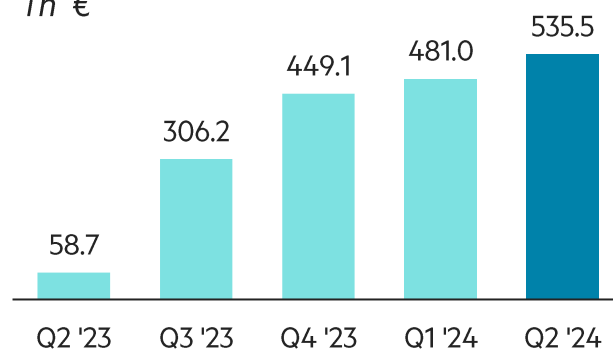
## BILLINGS

in € millions



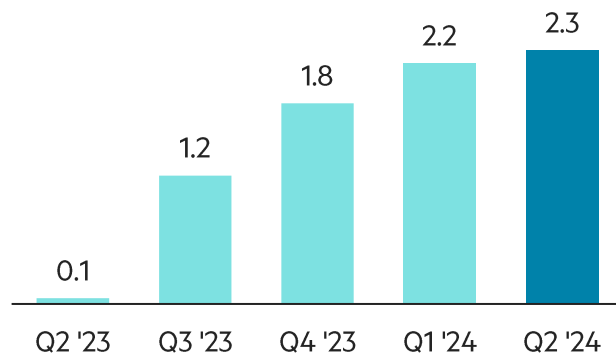
## ABPU

in €



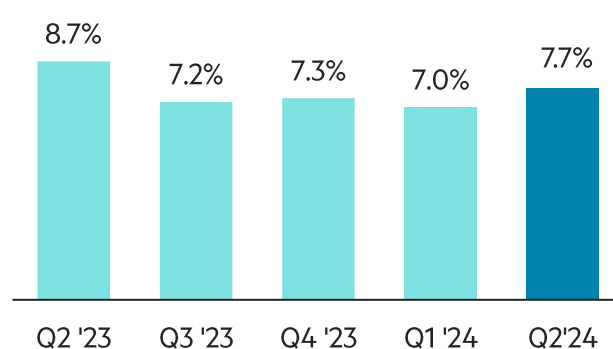
## REVENUE

in € millions



## BILLINGS MARGIN

in %



### Continuous expansion of games portfolio

We received regulatory approval to publish further 64 games – currently 115 Games are online, and we are waiting for regulatory approval for c. 300 additional games

### ABPU keeps growing

Our games customers continue to engage with our games with the first 10 “instant win games” performing very well

### Billings margins is improving

The introduction of the first “instant win games” with lower RTPs has improved the billings margin in Q2 '24 (on monthly level billings margin is above 8%).

### Deprioritized growth of MAU and billings in Q2 '24

Focus in Q2 '24 was on rollout and test of first batch of instant win games, not on growing the games customer base. Based on very positive customer reaction we will focus on growing the games customer base again from Q3 '24 onwards

# GUIDANCE 2024 REITERATED

In €m	2024 GUIDANCE	2023 Actuals
Revenue <sup>1)</sup>	140-150 (+21 – 29%)	116.1
EBITDA <sup>2)</sup>	38-42 (+16 – 28%)	32.9

- Guidance for FY 2024 based on an average jackpot environment
- Expected revenue growth of 21-29% and EBITDA growth of 16-28% versus 2023
- Acceleration of revenue growth in H2 2024 driven by margin optimization measures
- ZEAL will continue to invest into marketing (c. €40-45m for German brokerage business)
- Expected continued growth of games business
- Planned investment into launch of new charity lottery in H2 2024
- Expected mid-term revenue growth in mid-to-high teens (CAGR 2023-2026)

<sup>1)</sup> Including income from jackpot insurance;

<sup>2)</sup> Excluding transaction costs in relation to planned squeeze-out transaction at Lotto24





# KEY TAKE-AWAYS

- ✂ Exceptionally efficient and extensive acquisition of new customers
- ⚡ Strong revenue growth of 40% yoy
- ⚡ Further improvement in gross margin to 13.6%
- ⚡ Significant growth of EBITDA of 46% yoy
- ⚡ Launch of new charity lottery in August 2024



Tipp24

**freiheit+**  
DEINE LOTTERIE FÜR MEHR LEBEN

**ZEAL** INSTANT GAMES

**Traumhaus**  
VERLOSUNG



A man and a woman are laughing together. The man is on the left, wearing a plaid shirt, and the woman is on the right, wearing a white sweater. A smartphone is held in the foreground, partially obscuring the bottom right. The background is blurred. The text 'Question Answer' is overlaid in white, with a red arrow pointing from 'Question' to 'Answer' and red exclamation marks above 'Question'.

# Question Answer

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# CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET IN €K

INCOME STATEMENT	H1 '24 (in €k)	H1 '23 (in €k)	CHANGE (in %)		BALANCE SHEET	30/06/24 (in €k)	31/12/23 (in €k)	CHANGE (in %)
Revenue	76,765	54,829	+40.0		Current assets	90,986	92,637	-1.8
Total costs of operations	-57,045	-41,921	+36.1		Non-current assets	298,329	302,016	-1.2
EBITDA	20,093	13,763	+46.0	→	<b>ASSETS</b>	<b>389,315</b>	<b>394,653</b>	<b>-1.4</b>
EBIT	16,149	9,342	+72.9		Current liabilities	63,789	57,997	+10.0
Profit before taxes	14,856	8,762	+69.6		Non-current liabilities	50,571	71,897	-29.7
Income taxes	22,065	-3,176	--		Equity	274,956	264,758	+3.9
<b>Net Profit</b>	<b>36,921</b>	<b>5,586</b>	<b>+561.0</b>	→	<b>EQUITY &amp; LIABILITIES</b>	<b>389,315</b>	<b>394,653</b>	<b>-1.4</b>



# BUSINESS UNIT SEGMENT REPORTING AS OF 30/06/24 IN €K

	GERMANY	OTHER	TOTAL
Revenue	73,997	2,768	76,765
Other operating income	373	0	373
<b>EBITDA</b>	<b>19,031</b>	<b>1,062</b>	<b>20,093</b>
Depreciation/amortisation	-	-	-3,944
<b>EBIT</b>	<b>-</b>	<b>-</b>	<b>16,149</b>
Financial result	-	-	-1,208
Share of loss from associates			-85
<b>EBT</b>	<b>-</b>	<b>-</b>	<b>14,855</b>
Income tax	-	-	22,065
<b>NET PROFIT/LOSS</b>	<b>-</b>	<b>-</b>	<b>36,921</b>

# KPIS (LOTTERIES)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
<b>Pay-in</b> (in €m)	110.1	138.0	120.6	140.8	121.4	128.4	125.9	128.0	142.5	140.2	147.7	171.3	158.8	167.3	177.0	168.7	196.7	211.4
<b>BILLINGS</b> (in €m)	140.0	174.4	157.3	181.0	163.3	169.5	160.3	163.4	181.2	177.1	186.1	214.1	201.2	209.9	222.1	210.1	246.3	260.8
<b>ABPU</b> (in €)	49.46	54.48	54.90	61.30	56.36	58.40	54.40	58.00	58.31	58.18	58.90	60.73	60.99	61.42	60.73	62.31	61.59	63.34
<b>ARPU</b> (in €)	6.00	6.89	6.60	7.51	7.16	7.00	6.55	6.99	7.57	7.41	7.39	8.07	7.55	7.73	7.67	7,78	8.00	8.75
<b>MAU</b> (in k)	942	1,065	954	984	966	968	982	938	1,036	1,015	1,053	1,175	1,100	1,142	1,217	1,124	1,333	1,372
<b>CPL</b> (in €)	26.00	27.77	28.96	28.79	33.48	32.12	17.65	29.61	38.09	37.07	34.76	34.86	36.77	50.83	50.40	37.11	33.04	33.38

# KPIS (GAMES)

	Q2 2023*	Q3 2023	Q4 2024	Q1 2024	Q2 2024
<b>Pay-in</b> (in €m)	0.1	3.3	5.1	6.3	6.3
<b>BILLINGS</b> (in €m)	0.6	16.2	24.9	31.3	29.9
<b>ABPU</b> (in €)	58.74	306.14	449.1	480.98	535.52
<b>ARPU</b> (in €)	5.49	22.02	32.89	33.57	41.21
<b>MAU</b> (in k)	9	18	18	22	19

\* Games business started in June 2023.

# FINANCIAL CALENDAR 2024



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