

**ZEAL**

**COMPANY  
OVERVIEW**

April 2024



Tipp24

ZEAL IBERIA

ZEAL INSTANT GAMES

ZEAL VENTURES

CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT



## **ZEAL at glance**

Market Overview

Business Model


Upside Strategy

Snapshot 2023 results

Outlook 2024

**AMBITION:**

# DEFINE THE FUTURE OF LOTTERY



**ZEAL IS A LOTTERY  
TECHNOLOGY COMPANY.**



We combine user insights, lottery expertise and eCommerce excellence to define the future of lottery.

# PURPOSE: WE LET PEOPLE DREAM, WE CONTRIBUTE TO SOCIETY

With our work we  
let people dream

**BIG**

And with every lottery-ticket sold we contribute to society. Either directly by supporting social causes through social lotteries or indirectly through state lotteries.



# COMPANY STRUCTURE

## Business divisions

- 🎯 Consumer lottery brands
- 🏢 B2B & Government
- 🤝 Partnerships & Ventures

# ZEAL

## German Lottery broker

Leading German online provider of state licensed lottery products



Tipp24

ZEAL INSTANT GAMES

## Lottery partnerships/ventures

State lotteries/charities External investments/Internal incubation

ONCE

ZEAL VENTURES

CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT



**ZEAL at glance**

Market Overview

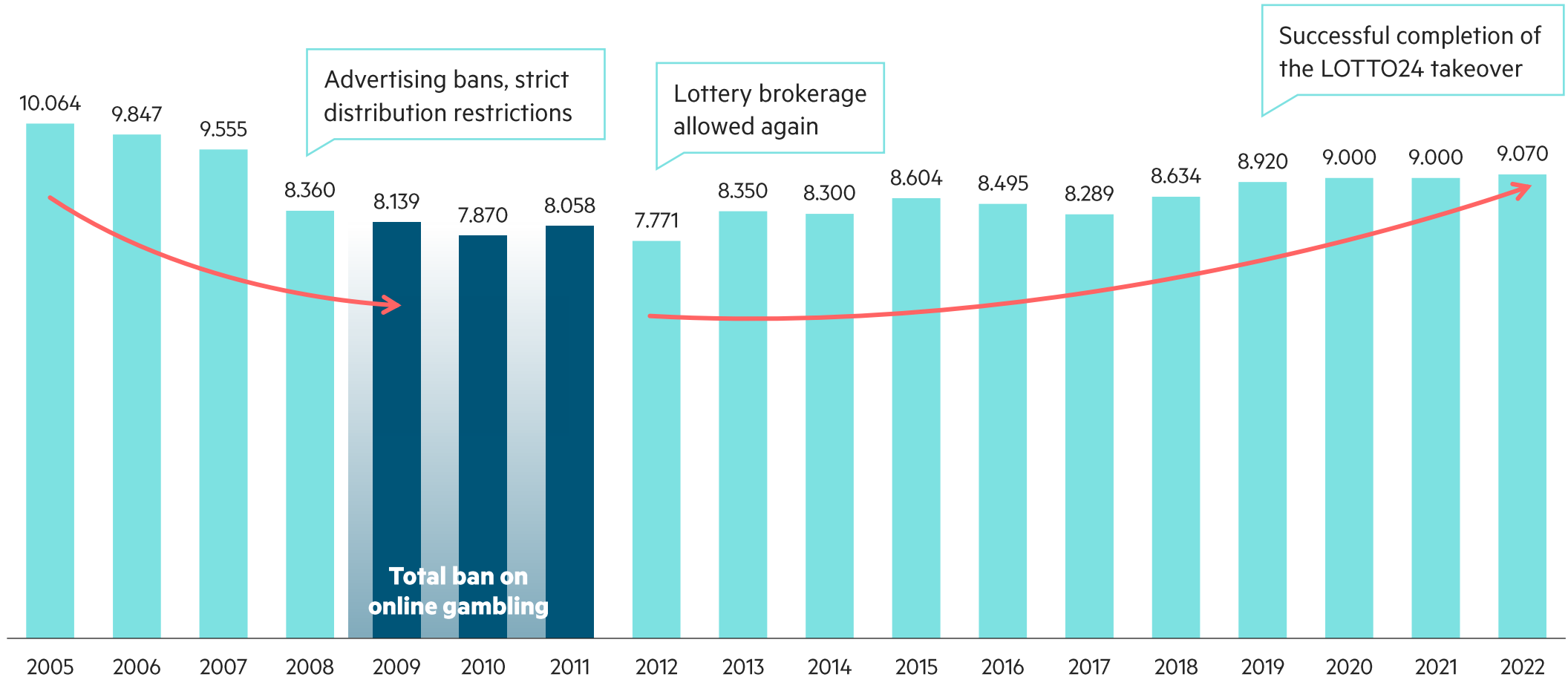
Business Model

Upside Strategy

Snapshot 2023 results

Outlook 2024

# VERY STABLE LOTTERY MARKET IN GERMANY (IN € K)



According to DLTB 2023 and the providers of charity lotteries 2022/2023

# DUE TO HIGHLY EFFICIENT MARKETING ACTIVITIES, MARKET SHARE EXPANDED FURTHER IN 2023



12%

2013

€ 253 million =  
**4% online penetration<sup>2</sup>**

40.9%

2022

€ 1.7 billion =  
**23% online penetration<sup>2</sup>**

41.4%

2023

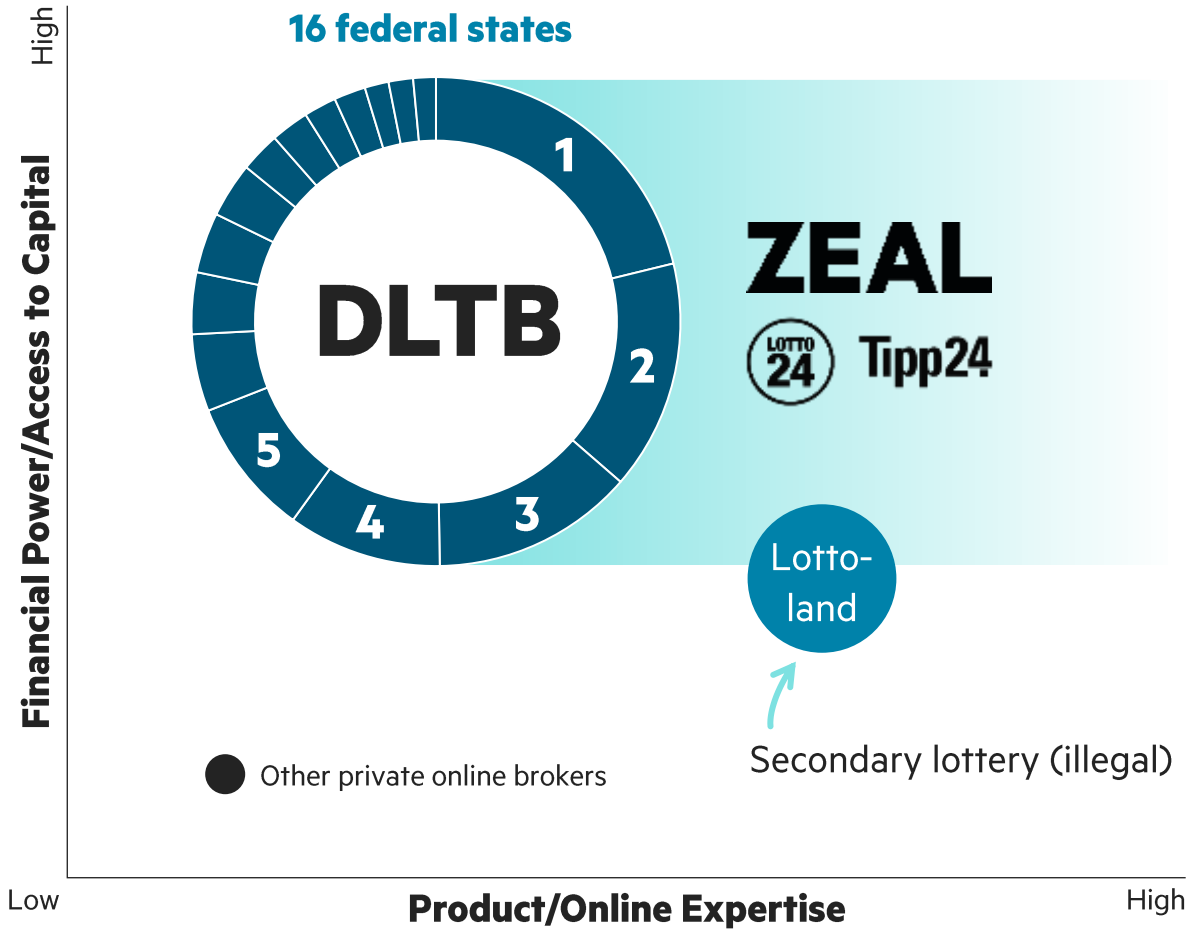
€ 2.0 billion =  
**24% online penetration<sup>2</sup>**

<sup>1</sup> According to information of the German Association of State-Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«) and calculations of the German Lottery Association (»Deutscher Lottoverband, DLV«)

<sup>2</sup> Total sales of the DLTB lottery market: 2013: € 7.0bn/ 2021: € 7.9bn, 2022: € 8.0bn



# FAVOURABLE COMPETITIVE LANDSCAPE



## Competitive insights

- State-lottery providers slightly bigger but deeply fragmented into 16 individual organizations
- Other competitors either small or without necessary permit

- |                         |                |
|-------------------------|----------------|
| 1 North-Rhine Westfalia | 2 Bavaria      |
| 3 Baden-Wuerttemberg    | 4 Lower Saxony |
| 5 Hesse                 |                |

CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT



**ZEAL at glance**

Market Overview

Business Model

Upside Strategy

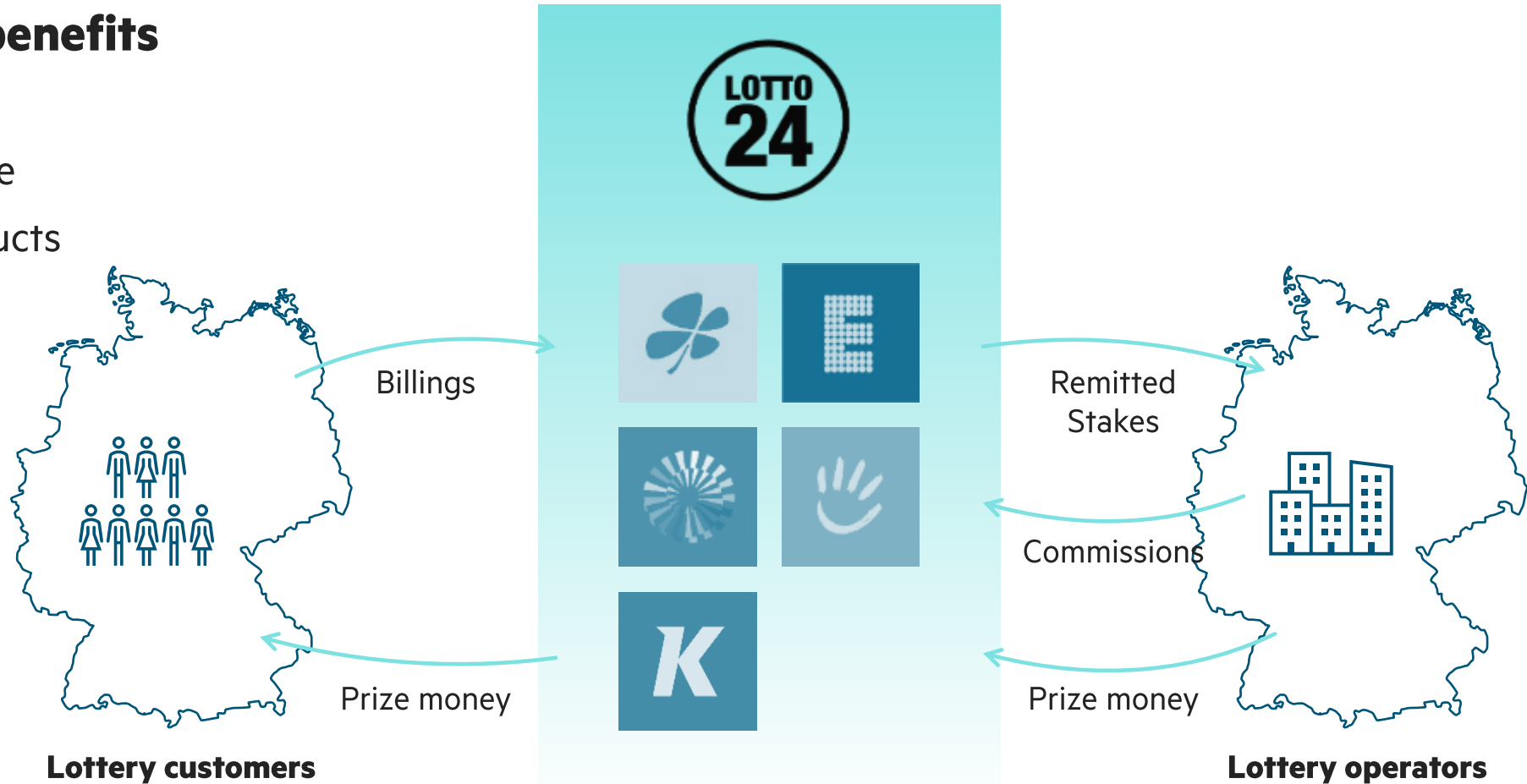
Snapshot 2023 results

Outlook 2024

# UNIQUE BUSINESS MODEL: ONLINE LOTTERY BROKERAGE

## Business model benefits

- ⊗ No jackpot risks
- ⊗ Highly predictable
- ⊗ Established products



# STRONG CUSTOMER VALUE PROPOSITION

**Best product portfolio**

**Trusted brands**

**Servicing all of Germany**



## Superior user experience

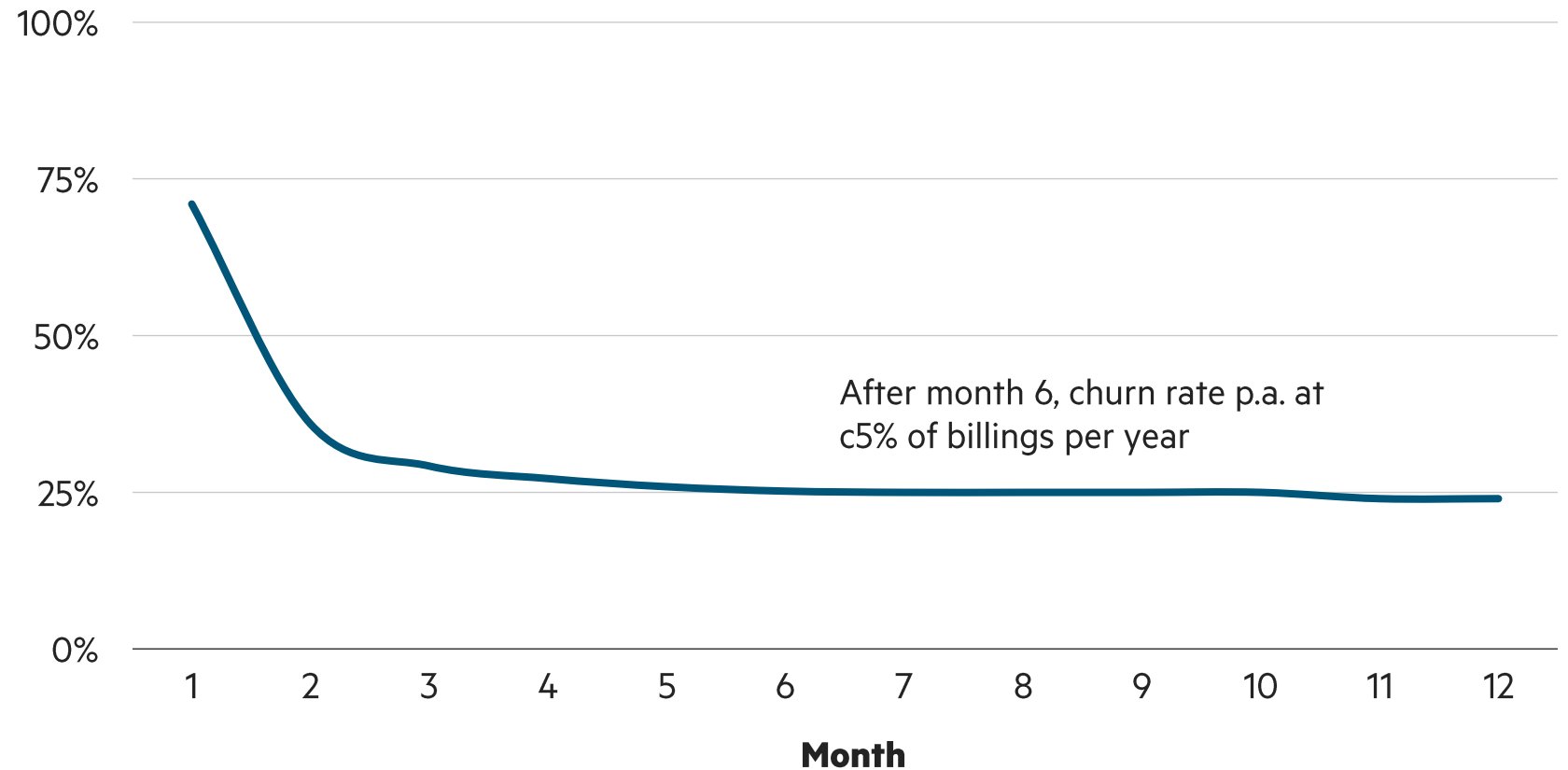
- Available anywhere anytime (24/7)
- Secure – no risk of losing the ticket
- Automatic price notification & price collections
- Strong web, mobile and apps experiences
- Data driven recommendations and CRM

# HIGH CUSTOMER RETENTION RATE

25%

High billings retention rate after 6 months

Billings Retention rate per registered customer cohort in month after registration



Source: Historical Lotto24 customer data since 2013

CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT



**ZEAL at glance**

Market Overview

Business Model

Upside Strategy

Snapshot 2023 results

Outlook 2024

# PROMISING LONG-TERM MARKET POTENTIAL



**€2.5 – €3.5bn**  
ZEAL's ambition

50% Online Market share

**€5 – €7bn**  
expected online market size

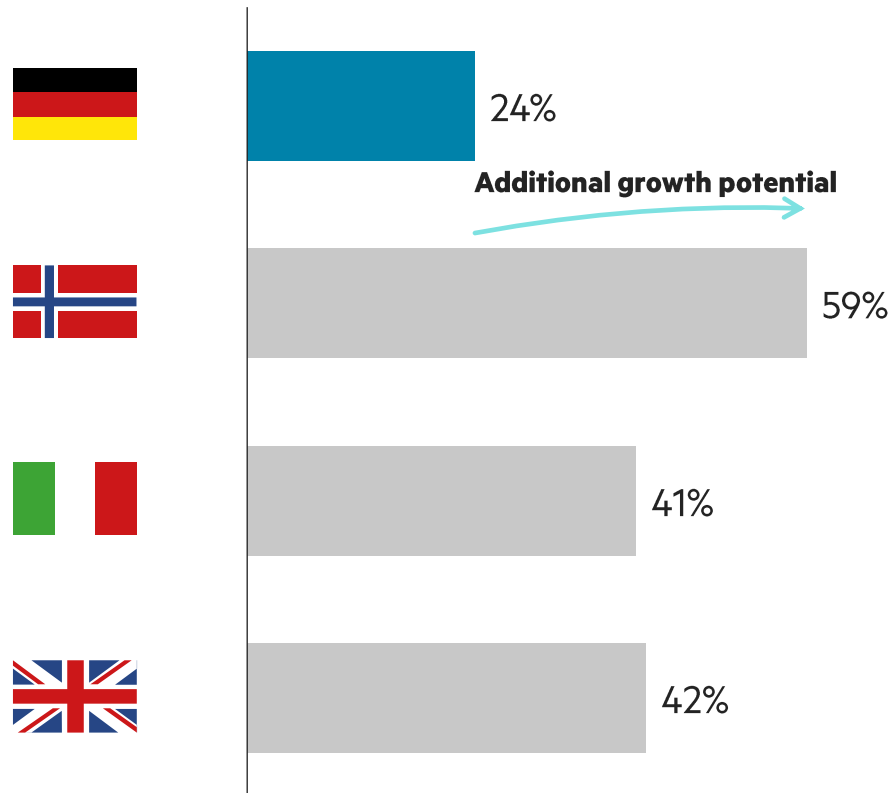
50-70% expected online penetration

**€10bn**  
total market size

Source: Figures of DLTB 2023 and the providers of charity lotteries 2022/2023

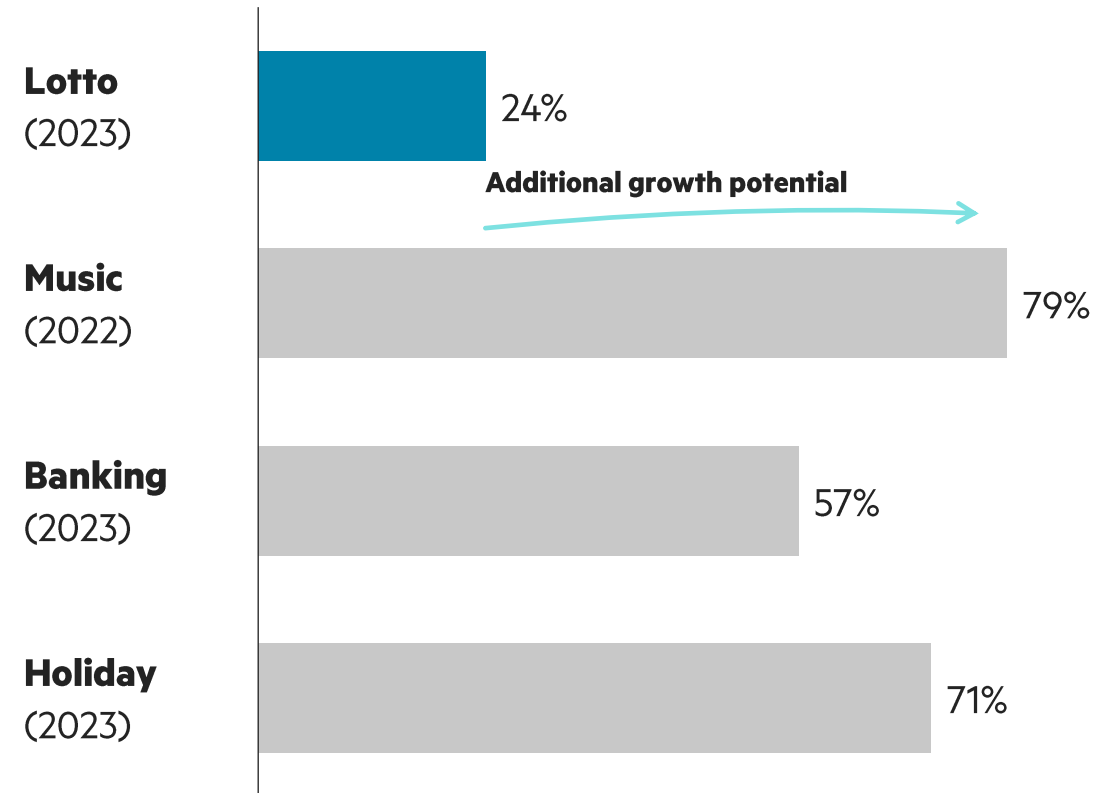
# ONLINE MARKET PENETRATION IS STILL COMPARABLY LOW

## Online lottery penetration by countries



Source: La Fleur's 2022 European Lottery Abstract (based on 2021 numbers)

## Online penetration in selected online industries



Source: statista, VIR Daten und Fakten 2024, BVMI Musikindustrie in Zahlen 2023, German Association of State-Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«), German Lottery Association (»Deutscher Lottoverband, DLV«)



CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT



**ZEAL at glance**

Market Overview

Business Model

Upside Strategy

Snapshot 2023 results

Outlook 2024

# ZEAL INCOME STATEMENT FY 2023 – CONDENSED

INCOME STATEMENT	FY 2023 (in €k)	FY 2022 (in €k)	CHANGE (in %)
<b>REVENUE</b>	<b>116,050</b>	<b>105,201</b>	<b>+10.3</b>
- Lotteries	105,652	98,221	+7.6
- Games	3,040	-	-
<b>TOTAL COSTS OF OPERATIONS</b>	<b>-84,419</b>	<b>-75,851</b>	<b>+11.3</b>
<b>Personnel expenses</b>	-22,555	-18,892	+19.4
Other operating expenses	-61,979	-56,965	+8.8
<b>Marketing expenses</b>	-36,016	-34,126	+5.5
<b>Direct operating expenses</b>	-12,011	-10,652	+12.8
<b>Indirect operating expenses</b>	-13,952	-12,187	+14.4
<b>EBITDA</b>	<b>32,905</b>	<b>31,659</b>	<b>+3.9</b>
Amortisation and depreciation	-9,256	-8,730	+6.0
EBIT	23,649	22,928	+3.1
<b>NET PROFIT AFTER TAX</b>	<b>13,721</b>	<b>16,572</b>	<b>-17.2</b>

## REVENUE

Revenue increased by 10% due to the strong growth of lottery billings and launch of games business

## TOTAL COSTS OF OPERATIONS

Total costs of operations increased by 17% compared to previous year

### Personnel expenses:

Personnel expenses increased by 19% due to an increase in the average number of employees from 161 to 172 (+7%) and higher variable compensation

Personnel expenses also include €639K of non-recurring costs in connection with the departure of two C-level executives and €463K in costs related to prior years

### Marketing expenses:

Marketing expenses increased by 6% as marketing activities were stepping up during periods of high jackpots such as June and September and investment into brand building

### Direct operating expenses:

Direct operating expenses increased by 13% driven by 11% higher lottery billings and launch of games business

### Indirect operating expenses:

Indirect operating expenses were up by 14%, mainly due to costs for strategic technical projects for our Spanish ONCE business, costs for consulting and increased software costs This was partially offset by a decrease of insurance premiums for our charity lotteries.

They also include €250K in one-off costs for the search for a new CFO.

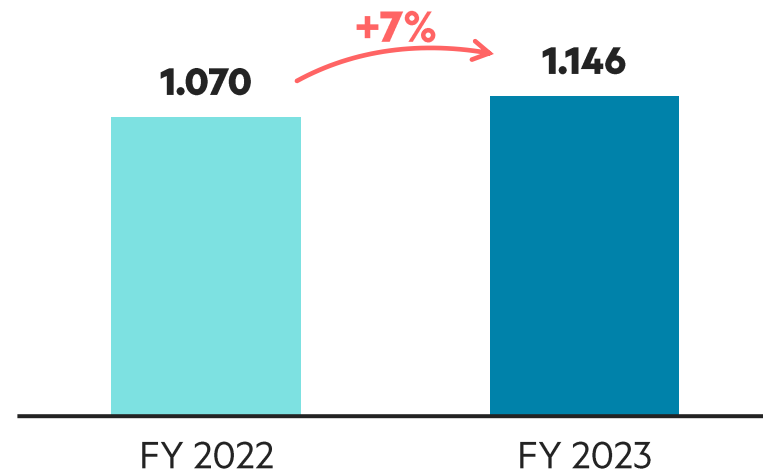
## EBITDA

EBITDA increased by 4% mainly as a result of the increase of revenues despite increased customer acquisition costs and brand investment. Excluding the one-off costs mentioned above the underlying EBITDA for 2023 was €34.257K

# LOTTERY BILLINGS GROW FASTER THAN MARKET DRIVEN BY GROWTH IN USER BASE AND HIGHER BILLINGS PER USER

## MONTHLY ACTIVE USERS (MAU)

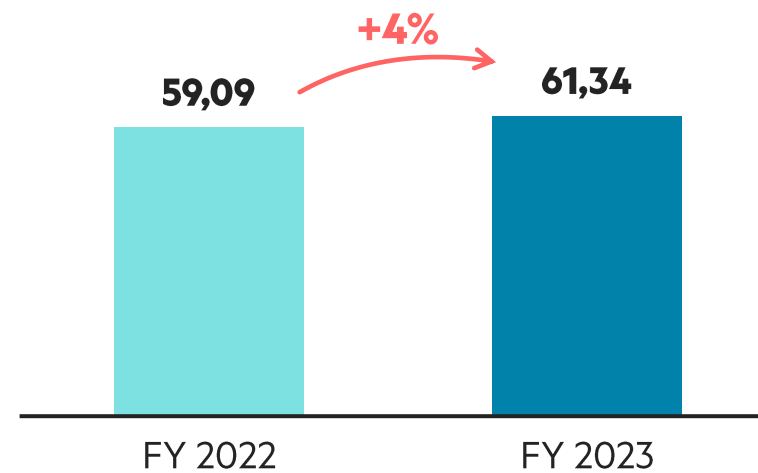
(Lotteries)  
in thousands



Continuous increase in the customer base and higher level of customer activity

## AVERAGE BILLINGS PER USER, ABPU

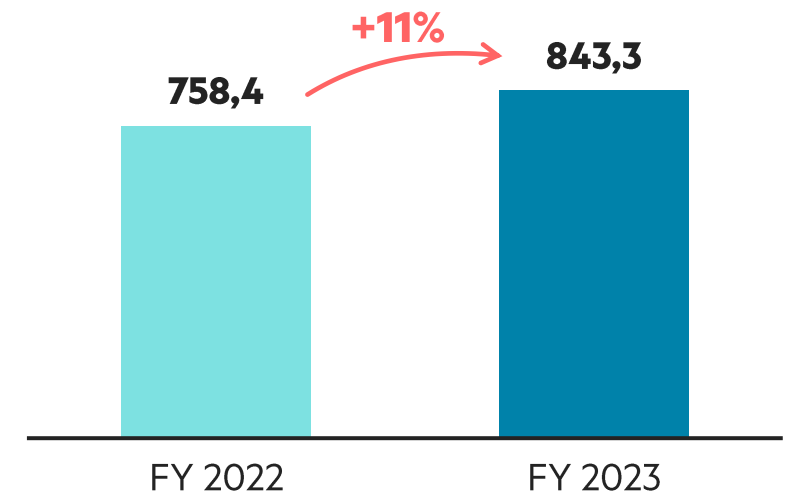
(Lotteries)  
in €



Further increase at already high levels

## BILLINGS

(Lotteries)  
in € millions

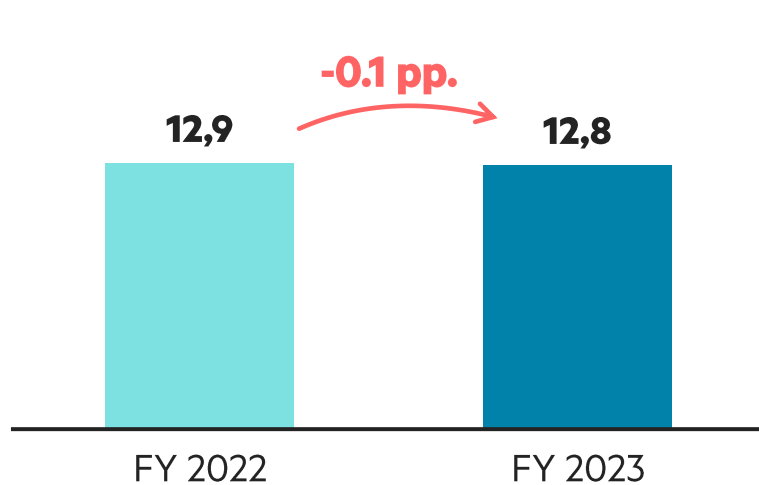


Double-digit billings growth for ZEAL ahead of market growth

# STABLE LOTTERY GROSS MARGIN

## GROSS MARGIN

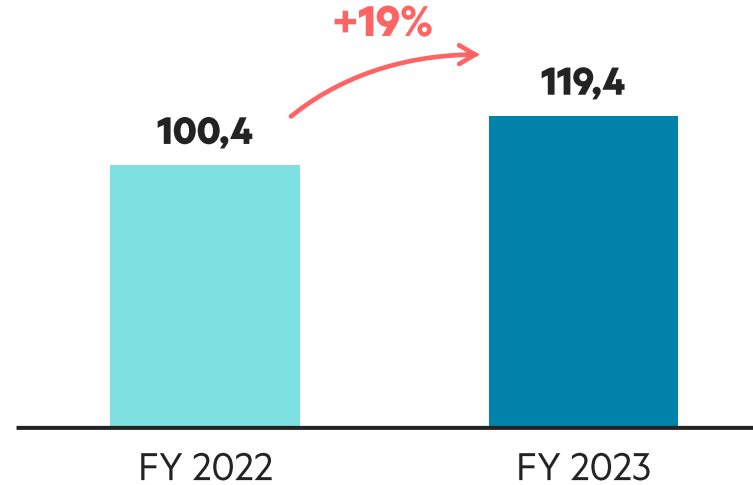
(Lotteries)  
in %



**Gross margin stable versus last year <sup>1)</sup>**

## NEW REGISTERED CUSTOMERS PER JACKPOT PEAK

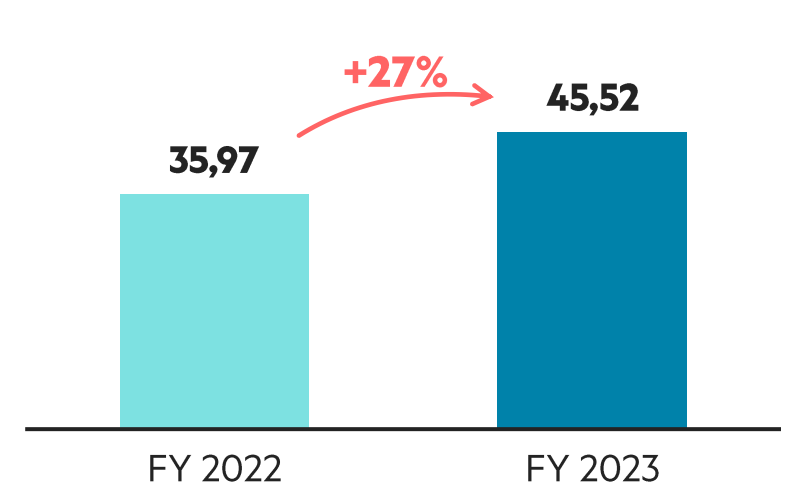
(Lotteries)  
in thousands



**Good level of customer acquisition in challenging jackpot environment**

## COST PER LEAD, CPL

(Lotteries)  
in €



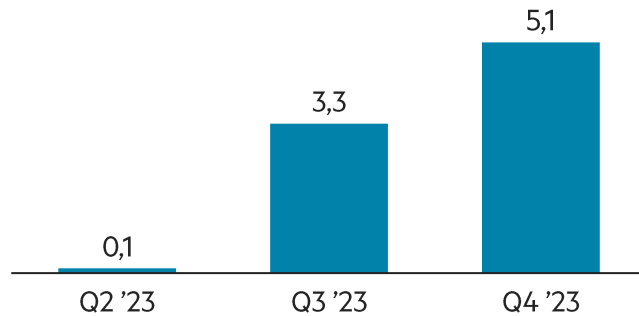
**Increase driven by media cost inflation, intensified competition in online channels and expansion of brand investment in second and third quarter**

<sup>1)</sup> Excludes impact of two large wins in freiheit+ (none in 2022), incl. impact from wins gross margin was 12.5%

# SUCCESSFUL LAUNCH OF GAMES BUSINESS WITH VERY GOOD EARLY TRACTION

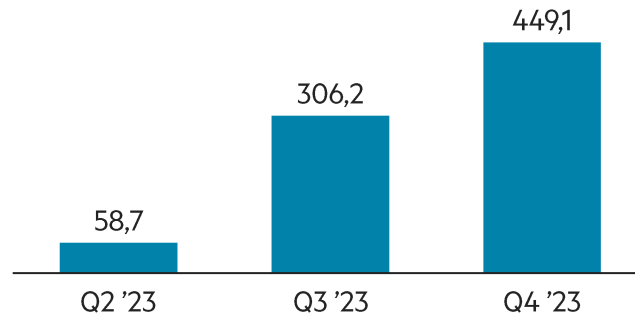
## PAY-INS

in € millions



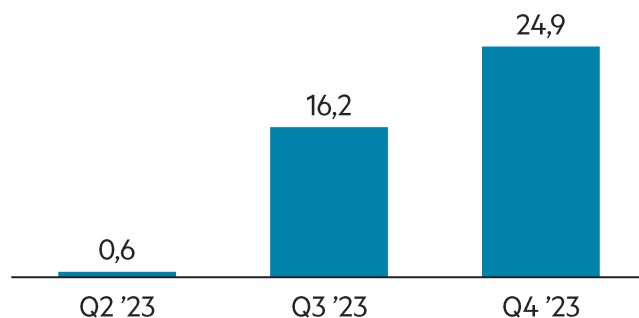
## ABPU

in €



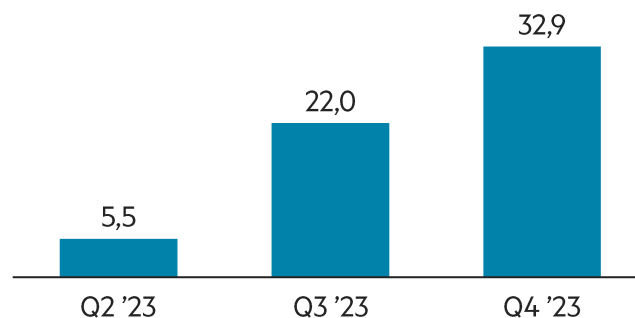
## BILLINGS

in € millions



## ARPU

in €



### 🚀 Games business successfully launched

New Games offer is well received –  
**full business roll-out still in progress**

### 🚀 Continuous expansion of games portfolio

Currently 49 games online - more games will follow in the next weeks, but the authorities are still the bottle neck

### 🚀 Key customer engagement metrics developing well

Increasing overall pay-ins and billings as well as increasing billings and revenue per active user

### 🚀 Games business already profitable in 2023

EBITDA contribution of €1.4m

# OVERVIEW OF STRATEGIC FOCUS AREAS FOR 2024

## Improve billings margin in lottery brokerage business

- Optimization of billings margin by increased share of high-margin products (e.g., lottery clubs) 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 and customer retention

- Continue successful brand campaigns for LOTTO24 and inter-link with performance marketing during high jackpot phases
- 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 (bottleneck remains regulatory approval process)
- Broaden type of games to include instant-win-games (subject to regulatory approvals)
- More proactive offering of games on platform (within current confines of our license)

## Launch new charity lottery

- With freiheit+ we already have a well-performing charity lottery product
- Charity lotteries enable product innovation to cater to unmet customer needs
- Attractive product margins, improved independence from high jackpots
- Launch will require investment in H2 2024 (marketing, product development, prizes, etc.)

CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT  
CONTENT



**ZEAL at glance**

Market Overview

Business Model

Upside Strategy

Snapshot 2023 results

Outlook 2024

# GUIDANCE 2024

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

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

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

- ⊗ Guidance for FY 2024 based on a 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)



# SIX REASONS TO INVEST IN ZEAL

**No. 1** in online lotteries  
in Germany

**unique** cash generating  
business model

**loyalty** Outstanding  
customer loyalty

**growth** High growth opportunities in  
an underpenetrated market

**extension** Extension into Games  
and Charity Lotteries

**capital return** Attractive dividends  
and share buy-backs



**Question**  
**Answer**

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