

DEFINING THE FUTURE OF LOTTERY

QUARTERLY STATEMENT
1 JANUARY – 31 MARCH 2024



Q1 2024 AT A GLANCE

€246.3m

BILLINGS

from Lotteries
(Q1 2023: €201.2m) +22%

320k

NEW REGISTERED CUSTOMERS

Germany segment
(Q1 2023: 143k) +124%

€36.1m

REVENUE, TOTAL

(Q1 2023: €26.7m) +35%

€33.04

COST PER LEAD, CPL

Germany segment
(Q1 2023: €36.77) -10%



Strong start to the new year

- Exceptionally efficient and extensive new customer acquisition measures
- Strongly accelerated revenue growth
- Goss margin significantly improved
- Squeeze-out request submitted to LOTTO24 AG

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Lotteries

€196.7m

CUSTOMER PAYMENTS FOR LOTTERIES

(Q1 2023: €158.8m) +24%

€246.3m

BILLINGS FROM LOTTERIES

(Q1 2023: €201.2m) +22%

€32.0m

REVENUE FROM LOTTERIES

(Q1 2023: €24.9m) +28%

16.3%

CUSTOMER PAYMENTS MARGIN, LOTTERIES

(Q1 2023: 15.7%) +0.6pp

13.0%

GROSS MARGIN, LOTTERIES

(Q1 2023: 12.4%) +0.6pp

€8.00

Ø REVENUE FROM LOTTERIES

Per active lottery customer per month

(Q1 2023: €7.55) +6%

Games

€6.3m

CUSTOMER PAYMENTS FOR GAMES

(Q1 2023: nil)

€31.3m

BILLINGS FROM GAMES

(Q1 2023: nil)

€2.2m

REVENUE FROM GAMES

(Q1 2023: nil)

34.7%

CUSTOMER PAYMENTS MARGIN, GAMES

(Q1 2023: nil)

7.0%

GROSS MARGIN, GAMES

(Q1 2023: nil)

€33.57

Ø REVENUE FROM GAMES

Per active games customer per month

(Q1 2023: nil)

FOREWORD

Following an extremely successful fiscal year 2023, in which we not only expanded our core business but also tapped new markets and target groups with the launch of our games business, the first quarter of 2024 was shaped by exceptionally efficient and extensive new customer acquisition measures coupled with strongly accelerated revenue growth.

The year began with an excellent jackpot environment with maximum jackpots for the 'LOTTO 6aus49' and 'Eurojackpot' lotteries. We successfully capitalised on this favourable backdrop by stepping up our marketing activities: in the first quarter of 2024, we not only generated one of the highest new registered customer figures in our company's history (320 thousand), but also achieved this at a significantly lower cost per lead (CPL) than in the same period last year.

The good jackpot situation and our ongoing measures to strengthen customer activity enabled us to lift the monthly average number of active lottery users (MAU) to a historic peak of 1,333 thousand. This represents an increase of 21% compared to the same period last year (1,100 thousand). The strong development of our active customer figures and our improved gross margin resulted in revenue growth of 35% to €36.1 million in the first quarter of 2024. Despite the €6.4 million increase in marketing expenditure to attract new customers and a major winning in our charity lottery 'Die Deutsche Traumhauslotterie' of €1 million (2023: no major winning), we succeeded in raising EBITDA by 1% to €9.4 million. Net profit rose by 382% to €21.1 million – due mainly to the initial recognition of deferred tax assets on tax losses carried forward of ZEAL Network SE following the announcement of its squeeze-out request to LOTTO24 AG.

In the first three months of the new fiscal year, we were once again delighted to receive news of major winnings for our customers. In February, a 40-year-old LOTTO24 player in Bavaria won the €62 million 'Eurojackpot'. In the same month, the main prize of our charity lottery 'Die Deutsche Traumhauslotterie' was won for the first time.

The development of ZEAL Instant Games has also been encouraging: in the first quarter of 2024, we received a licence to publish a further 64 games – these will be gradually added to our games portfolio. This licence will enable us to double our range of offerings in the near future. For the current fiscal year, we will continue to steadily expand our portfolio.

There has also been some highly promising news for ZEAL Ventures: we invested a further one million euros in the UK-based prize platform Daymade to help it grow its business. The trend towards prize-based games is becoming increasingly strong around the world. By continuing to invest in Daymade, ZEAL is therefore playing a major role in shaping the future of the gaming sector.

On 20 March 2024, ZEAL concluded share purchase agreements for shares representing 0.59% of the share capital of LOTTO24 AG. Following the execution of these agreements, ZEAL currently holds around 95.45% of shares in LOTTO24 AG (31 December 2023: 94.86%). As its stake in LOTTO24 AG now exceeds 95%, ZEAL therefore meets the conditions for a squeeze-out request pursuant to section 327a of the German Stock Corporation Act (AktG) and already submitted this request to LOTTO24 AG on 27 March 2024. Our aim is that the Annual General Meeting of LOTTO24 AG adopts a resolution to transfer the shares of its minority shareholders to ZEAL Network SE in return for appropriate cash compensation. By assuming the entire capital of LOTTO24 AG, the ZEAL Group expects to reduce its complexity, achieve moderate cost savings and optimise its tax situation by forming an income tax group between ZEAL Network SE and LOTTO24 AG following the squeeze-out. Further details will be announced in the course of the squeeze-out process.

BUSINESS REVIEW AND ECONOMIC POSITION

Summary of the Consolidated Income Statement	Q 1 2024	Q1 2023	Change in %
in € thousand			
Revenue	36,100	26,699	35%
Other operating income	442	200	121%
Personnel expenses	-6,203	-5,078	22%
Other operating expenses	-20,967	-12,516	68%
Marketing expenses	-13,390	-7,001	91%
Direct operating expenses	-4,011	-2,730	47%
Indirect operating expenses	-3,566	-2,784	28%
Exchange rate differences	35	16	120%
EBITDA	9,405	9,320	1%
Amortisation and depreciation	-1,869	-2,194	-15%
EBIT	7,537	7,126	6%
Financial result	-563	-293	92%
Share of loss from associates	-53	-38	37%
Net profit before taxes	6,921	6,795	2%
Income taxes	14,164	-2,421	
Net profit	21,085	4,374	382%
Earnings per share for profit attributable to shareholders of the parent company			
Basic and diluted earnings per share (in €/share)	0.96	0.19	401%
Other KPIs			
Number of new registered customers (thousand), Germany segment	320	143	124%
CPL (€), Germany segment	33.04	36.77	-10%

YEAR STARTS WITH RECORD JACKPOTS

In early 2024, there were particularly high jackpots for both the 'LOTTO 6aus49' and 'Eurojackpot' lotteries. For the first draw of the year on 3 January 2024, the 'LOTTO 6aus49' jackpot had already reached a record €48 million (an amount only possible since the jackpot rule was adjusted on 1 November 2023). In the case of the 'Eurojackpot' lottery, the jackpot reached its maximum level of €120 million for the second draw and remained at this level for four subsequent draws. After this extremely strong start to 2024,

the jackpot levels for both lotteries remained well below their respective maximum amounts for the remainder of the first quarter. Although neither product reached its maximum amount in the same period last year, the average jackpot level of €10.8 million for 'LOTTO 6aus49' in the first quarter of 2024 was significantly below the prior-year figure (2023: €18.2 million), while the average level of €44.2 million for the 'Eurojackpot' slightly exceeded the corresponding prior-year figure (2023: €41.7 million).

VERY SUCCESSFUL CUSTOMER ACQUISITION

The extraordinary jackpot situation in early January enabled us to acquire an extremely large number of new customers: in the first quarter of 2024, we gained 320 thousand new customers – corresponding to year-on-year growth of 124%. Our marketing measures not only proved to be successful, but also highly efficient: we achieved this outstanding level of new customer acquisition with a CPL that was 10% lower than in the first quarter of 2023.

GROUP'S EARNINGS POSITION

In the first quarter of 2024, revenue increased by 35% (€9,401 thousand). This development resulted mainly from the increase in revenue of the Germany segment (€9,286 thousand) and in particular the strong growth of its lottery business (€7,061 thousand). Our games offering launched in June 2023 generated revenue of €2,187 thousand in the first quarter of 2024 (2023: nil). The significant growth of the lottery business resulted from a strong increase in the average number of active users per month (MAU) and an improved gross margin.

In the first quarter of 2024, a major winning in our charity lottery 'Die Deutsche Traumhauslotterie' reduced revenue by €790 thousand (2023: nil). Without this major winning, revenue would have amounted to €36,889 thousand – corresponding to year-on-year growth of 38%.

Compared to the previous year, personnel expenses in the first quarter were up €1,125 thousand (22%) to €6,203 thousand. This increase resulted mainly from the rise in staffing levels (FTEs, excluding students and temporary staff) from 169 to 187 (11%), especially in connection with the roll-out of our new business fields such as 'Games', as well as from a year-on-year increase in holiday provisions and annual salary rises.

Other operating expenses increased by 68% in the first quarter of 2024 (€8,451 thousand):

- Marketing expenses rose by 91% (€6,388 thousand). This enabled us to acquire 124% more new customers than in the first quarter of 2023 with a 10% lower CPL than in the previous year.
- Direct operating expenses increased by 47% (€1,281 thousand). This development is attributable to several factors: due to the increased use of Paypal as a payment method, payment processing costs rose by 58% (€664 thousand) – and thus more strongly than customer payments (growth of 28%). Moreover, strong customer acquisition activities led to an 83% rise (€165 thousand) in customer identification costs. There was also an increase in costs for impaired customer receivables (€312 thousand), driven by strong volume growth in the first quarter and a change in the business mix. In connection with our new games offering, we incurred costs of €149 thousand for commission paid to external games developers (2023: nil).
- Indirect operating expenses rose by 28% (€782 thousand) compared to the previous year. This was mainly driven by increased costs for external service providers (€375 thousand) and personnel recruitment costs (€223 thousand).

Despite the increase in expenses necessitated by the growth of our business and above all the expansion of our customer base, we succeeded in raising EBITDA by €85 thousand (1%). Without the negative revenue effect of €790 thousand from the major winning in our charity lottery 'Die Deutsche Traumhauslotterie', EBITDA would have amounted to €10,195 thousand – corresponding to year-on-year growth of 9%.

As part of the announced squeeze-out of LOTTO24 AG and the planned subsequent formation of an income tax group between ZEAL Network SE and LOTTO24 AG, tax benefits are expected to result from the utilisation of existing tax losses carried forward. This has been accounted for in the reporting period with the initial recognition in profit or loss of deferred tax assets amounting to €17,247 thousand. These deferred tax assets on losses carried forward will be reversed accordingly on realisation of future taxable income and the associated utilisation of the losses carried forward.

This non-recurring recognition of deferred tax assets led to an increase in net profit of €16,711 thousand (382%).

DEVELOPMENT OF THE GERMANY SEGMENT

Segment reporting 'Germany'	Q 1 2024	Q1 2023	Change in %
in € thousand			
Revenue	34,703	25,417	37%
thereof from lotteries	31,974	24,913	28%
thereof from games	2,187	-	
Other operating income	442	199	121%
Personnel expenses	-5,704	-4,643	23%
Other operating expenses	-20,564	-11,905	73%
EBITDA	8,876	9,069	-2%

The increase in revenue of the Germany segment of €9,286 thousand (37%) is primarily due to the growth of our lottery business (€7,061 thousand). Our games business launched in June 2023 also contributed to this strong development with revenue of €2,187 thousand. Due to the above-mentioned increase in expenses to support growth, particularly in connection with the acquisition of new customers, EBITDA of the Germany segment fell slightly by 2%.

LOTTERY BUSINESS

Financial and other KPIs – Lotteries	Q 1 2024	Q1 2023	Change in %
Customer payments (€ thousand)	196,655	158,810	24%
Billings (€ thousand)	246,306	201,194	22%
Revenue (€ thousand)	31,974	24,913	28%
Customer payments margin (%)	16.3	15.7	+0,6pp
Gross margin (%)	13.0	12.4	+0,6pp
MAU (thousand)	1,333	1,100	21%
APPU (€)	49.18	48.12	2%
ABPU (€)	61.59	60.99	1%
ARPU (€)	8.00	7.55	6%

The 28% growth in revenue from lotteries is mainly due to three factors:

- Strong 21% increase in the average number of active customers per month (MAU). We used the long maximum jackpot phase in early January to significantly expand our customer base. Our ongoing efforts to boost the activity of existing customers continue to show good results. Even in the lower jackpot phase in February and March, MAU remained higher than in the previous year at 1,152 thousand. As a result, billings rose by 22%.
- Increase in average billings per user (ABPU) of 1% to €61.59.
- Increase in gross margin from 12.4% in the first quarter of 2023 to 13.0% in the first quarter of 2024 due to a changed product mix and further margin optimization measures. It should be noted that the major winning in our charity lottery 'Die Deutsche Traumhauslotterie' in February 2024 had a negative impact on gross margin. Without this effect, gross margin in the first quarter of 2024 would have amounted to 13.3% and exceeded the prior-year figure by as much as 0.9 percentage points.

GAMES BUSINESS

Financial and other KPIs – Games	Q 1 2024	Q1 2023	Change in %
Customer payments (€ thousand)	6,295	-	-
Billings (€ thousand)	31,332	-	-
Revenue (€ thousand)	2,187	-	-
Customer payments margin (%)	34.7	-	-
Gross margin (%)	7.0	-	-
MAU (thousand)	22	-	-
APPU (€)	96.64	-	-
ABPU (€)	480.98	-	-
ARPU (€)	33.57	-	-

Our games business launched in June 2023 continued to make good progress in the first quarter of 2024: compared to the fourth quarter of 2023, we raised revenue by 20% from €1,824 thousand to €2,187 thousand. This was mainly achieved with the existing games portfolio, as we only received the licence to publish a further 64 games in late March 2024 and these will thus only be rolled out in the course of the second quarter.

DEVELOPMENT OF THE OTHER SEGMENT

Segment reporting 'Other'	Q 1 2024	Q1 2023	Change in %
in € thousand			
Revenue	1,397	1,282	9%
Personnel expenses	-350	-436	-20%
Other operating expenses	-518	-596	-13%
EBITDA	530	252	111%

The improvement in EBITDA of the Other segment of 111% (€278 thousand) resulted mainly from the development of our ONCE business in Spain: we raised revenue by 9% (€115 thousand) and reduced external development costs by €97 thousand.

FINANCIAL AND ASSET POSITION

The following table presents a condensed consolidated statement of cash flows:

	Q1 2024	Q1 2023
in € thousand		
Main cash flows		
Cash outflow/inflow from operating activities	-2,536	6,327
Cash outflow/inflow from investing activities	-1,098	54,298
Cash inflow/outflow from financing activities	15,152	-853
Other changes in available funds	15	8
Total change in available funds	11,533	59,780
Available funds at the beginning of the period	57,704	61,209
Available funds at the end of the period	69,237	120,989

In the first quarter of 2024, available funds rose by €11,533 thousand. This development is mainly due to the following factors:

- Positive EBITDA of €9,405 thousand.
- Receipt from taking out a loan of €20,000 thousand.
- Increase in net current assets from operating activities of €10,172 thousand, mainly due to a decrease in liabilities from gaming activities of €5,961 thousand and utilisation of provisions for staff bonuses in 2023 of €3,953 thousand.
- Payment for the purchase of further shares in TH Travel Limited amounting to €1,176 thousand.
- Payments for the acquisition of further shares in LOTTO24 AG amounting to €1,538 thousand.
- Payments for the redemption of loans amounting to €2,970 thousand.

In the first quarter of 2023, the refund of the advance payment made in 2020 of €54,316 thousand from the Hannover-Nord tax authority was the main reason for the increase in available funds of €59,780 thousand.

In addition to the factors mentioned above, there was no significant change in our asset position apart from the recognition of deferred tax assets for losses carried forward of €17,247 thousand. The carrying amount of €302 thousand for the shares in LOTTO24 AG of newly acquired in the first quarter of 2024 and transferred to ZEAL Network SE by 31 March 2024 was deducted in the statement of financial position from equity attributable to non-controlling interests of LOTTO24 AG. The difference of €1,237 thousand between the carrying amount of €302 thousand and the purchase price of €1,538 thousand paid on acquisition of these additional shares was recognised in retained earnings.

FORECAST, RISK AND OPPORTUNITY REPORT

There have been no changes in our assessment of the expected development with its material risks and opportunities compared to the Group Management Report 2023.

SELECTED FINANCIAL INFORMATION

Interim Consolidated Statement of Financial Position

	31 March 2024	31 December 2023
ASSETS in € thousand		
Non-current assets		
Property, plant and equipment	1,311	1,182
Right-of-use assets	2,233	2,388
Goodwill	158,585	158,585
Intangible assets	118,849	120,707
Deferred tax assets	18,083	993
Interest-bearing bond	5,000	5,000
Other investments	12,481	12,211
Shares in associated companies	1,819	695
Receivables from finance lease	0	254
Total non-current assets	318,361	302,016
Current assets		
Income tax receivables	126	125
Trade receivables	2,524	2,645
Receivables from finance lease	1,245	1,480
Prepaid expenses	1,969	1,742
Other financial assets	28,472	28,315
Other assets	2,470	626
Cash and cash equivalents	69,237	57,704
Total current assets	106,044	92,637
ASSETS	424,404	394,653

	31 March 2024	31 December 2023
EQUITY & LIABILITIES in € thousand		
Non-current liabilities		
Deferred tax liabilities	43,677	44,217
Interest-bearing loans	29,263	15,763
Other financial liabilities	5,218	5,310
Provisions	4,012	4,221
Lease liabilities	1,852	2,388
Total non-current liabilities	84,021	71,897
Current liabilities		
Trade payables	3,428	3,613
Interest-bearing loans	10,704	7,175
Other financial liabilities	28,660	34,282
Other liabilities	6,442	8,491
Income tax liabilities	3,749	1,354
Provisions	751	708
Lease liabilities	2,075	2,374
Total current liabilities	55,809	57,997
Equity		
Subscribed capital	22,396	22,396
Capital reserves	194,163	194,163
Treasury shares	-21,067	-21,067
Other reserves	7,560	7,290
Retained earnings	75,978	56,424
Equity attributable to shareholders of the parent company	279,030	259,207
Non-controlling interest	5,544	5,551
Total equity	284,574	264,758
EQUITY & LIABILITIES	424,404	394,653

Interim Consolidated Statement of Cash Flows

	Q1 2024	Q1 2023
in € thousand		
Net profit before tax	6,921	6,795
Adjustments for		
Amortisation/depreciation	1,955	2,059
Depreciation of right-of-use assets	-86	135
Share of loss from associates	53	38
Interest income from finance leases and gains from the disposal of right-of-use assets	-41	-23
Other income from financial activities	-45	-44
Expenses from financial activities – from lease liabilities	37	47
Other expenses from financial activities	620	325
Translation differences	35	-23
Other non-cash income/expenses	-137	-76
Changes in		
Trade receivables	122	-175
Prepaid expenses	-228	-286
Other financial assets	-108	1,584
Other assets ¹	-1,844	-4
Trade payables	-185	157
Other financial liabilities	-5,714	-1,919
Other liabilities	-2,049	-1,096
Provisions	-166	-457
Interest received	41	22
Interest paid	-645	-372
Income taxes paid	-1,072	-363
Net cash outflow/inflow from operating activities	-2,536	6,327

¹ Excluding receipts from the first quarter of 2023 for the refund of advance payments made in 2020 to the Hannover-Nord tax authority amounting to €54,316 thousand, disclosed as a cash inflow from investing activities.

	Q 1 2024	Q 1 2023
in € thousand		
Cash outflow/inflow from investing activities		
Receipt from a refund of advance tax payments	-	54,316
Receipts from the repayment portion of subleases (finance lease)	303	211
Payments for the acquisition of intangible assets	-	-17
Payments for the acquisition of property, plant and equipment	-225	-41
Payments for the acquisition of shares in associated companies	-1,176	-172
Net cash outflow/inflow from investing activities	-1,098	54,298
Cash inflow/outflow from financing activities		
Payments for the repayment portion of lease liabilities	-340	-310
Receipts from the taking out of loans	20,000	-
Payments for the redemption of loans	-2,970	-543
Payments for the acquisition of non-controlling interests	-1,538	-
Net cash inflow/outflow from financing activities	15,152	-853
Net increase/decrease in cash and cash equivalents	11,518	59,772
Exchange rate-related changes in cash and cash equivalents	15	8
Available funds at the beginning of the period	57,704	61,209
Available funds at the end of the period	69,237	120,989
Composition of available funds	-	-
Cash and cash equivalents according to the statement of financial position at the end of the period	69,237	120,989

Basis of reporting

This Quarterly Statement pursuant to Section 53 of the Exchange Rules of the Frankfurt Stock Exchange covers the period from 1 January 2024 to 31 March 2024. The date of the Interim Consolidated Statement of Financial Position is 31 March 2024. This Quarterly Statement is not an interim report pursuant to IAS 34 nor does it constitute financial statements pursuant to IAS 1. It has not been reviewed by an auditor. This Quarterly Statement should be read in conjunction with the Annual Report 2023 and the additional information about the Company contained therein. You can find the Annual Report 2023 on our website at zealnetwork.de. The accounting policies and valuation principles applied in this Quarterly Statement are based on those used in the Consolidated Financial Statements for the fiscal year 2023.

Note

Unless otherwise stated, '2023' or 'Q 1 2023' in the entire Quarterly Statement refers to the comparative prior-year period (in other words, the first three months of 2023).

Financial Calendar

28 May 2024	Annual General Meeting
7 August 2024	Publication of Half-Year Report
6 November 2024	Publication of Quarterly Statement Q1–3 2024

PICTURE CREDITS

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