

ZEAL Network SE

Others - Germany

Buy (old: Buy)

10.04.2024

EUR 51.00 (old: EUR 51.00)

Games business – a second EBITDA accelerator?

Following recent additions to the Games portfolio, we take this opportunity for another deep dive into the new Games business, **highlighting the favourable business metrics** and showing its **enormous potential for ZEAL**, once scaled. Here's our take:

User metrics exceed those of lottery by far: thanks to the repetitive character of Games, the customer journey gives ZEAL much more monetization opportunities, as users can play 24/7 and for multiple times a day vs. 1-3 days Lottery players need to wait for the next jackpot draw. This is reflected at much higher ARPU (average revenues per user) of currently € 25.82 at Games vs. only € 7.68 at Lottery.

Change in Games KPIs ahead: While the business is still in roll-out, ZEAL is about to add higher billings margin Games to the now 59 games counting portfolio. Hence, we expect changing KPIs as billings margins directly influence the pay-in to billings ratio, the pay-in margin and ultimately ARPU.

Finding the sweet spot: maximizing the ARPU at Games should be one of ZEAL's main target. As it controls the average billings margin (i.e., by changing the Games product mix), it can experiment to some extent, as higher billings margins reduce RTP and thus user activity. By finding the optimal billings margin, the pay-in margin and thus ARPU can be maximized.

Conservative estimates already show promising bottom line effects: According to our current estimates, the new business should account for 12% of group EBITDA in '24 (€ 5m) and for 17% of group EBITDA by FY'26e (€ 11m), based on conservative user growth assumptions (40k by FY'26 vs. 17k in FY'23) and only slight EBITDA margin improvements (50% in FY'26e vs. 42% in FY'23).

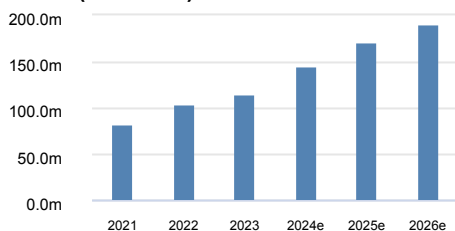
Huge potential, once scaled: To assess the impact of the Games business once meaningful user numbers are reached, our sensitivity analysis shows the enormous potential stemming from Games: Assuming 200k MAUs, an ARPU of € 30 and a 50% EBITDA margin, the annually **recurring EBITDA contribution from Games alone could amount to € 36m** (vs. € 33m on group level in '23).

In sum, the Games business has the potential to become a significant second pillar of growth and profitability for ZEAL. Hence, we confirm **ZEAL's position in the NuWays' AlphaList** and reiterate our **BUY recommendation** with an unchanged **PT of € 51.00**, based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	83.3	105.2	116.0	146.0	171.6	191.6
Sales growth	-4.2%	26.2%	10.3%	25.8%	17.5%	11.7%
EBITDA	27.7	31.7	32.8	40.9	54.9	66.2
Net debt (if net cash=0)	-38.5	-28.5	-29.7	-43.9	-59.7	-80.7
FCF	26.0	27.1	24.9	38.8	42.5	50.0
Net Debt/EBITDA	-1.4	-0.9	-0.9	-1.1	-1.1	-1.2
EPS pro forma	0.48	0.72	0.57	0.82	1.28	1.65
EBITDA margin	33.3%	30.1%	28.3%	28.0%	32.0%	34.6%
ROCE	5.0%	6.0%	7.2%	11.1%	16.6%	21.4%
EV/sales	10.5	6.7	6.5	5.1	4.2	3.7
EV/EBITDA	31.6	22.4	23.0	18.2	13.2	10.6
PER	73.0	49.2	61.4	42.9	27.5	21.3
Adjusted FCF yield	1.8%	3.7%	3.9%	4.0%	5.6%	7.1%

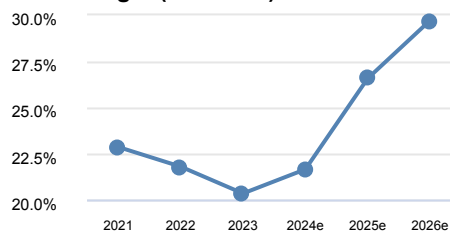
Source: Company data, NuWays, Close price as of 09.04.2024

Sales (2021-26e)



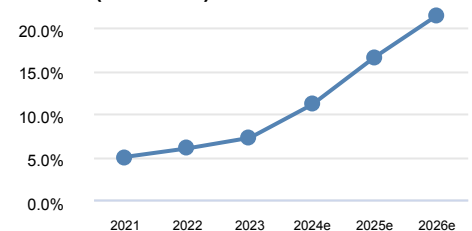
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)

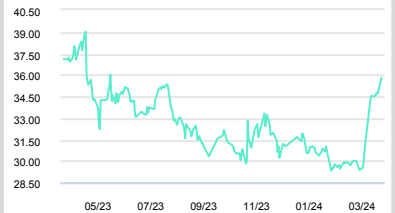


Source: NuWays Research

Company description

ZEAL brokers lottery products via the internet under two well-known web-domains: Lotto24.de and Tipp24.de and receives brokerage commissions from the lottery operators. In addition, the company also operates instant win games & charity based lotteries.

Share Performance



High/low 52 weeks (€)	39.00 / 29.30
3m rel. performance	5.9%
6m rel. performance	-1.9%
12m rel. performance	-12.1%

Market data

Share price (in €)	35.80
Market cap (in € m)	785.1
Number of shares (in m pcs)	22.3
Enterprise value (in € m)	741.9
Ø trading volume (6 months)	15,022

Identifier

Bloomberg	TIMA GR
Reuters	TIMAn
WKN	ZEAL24
ISIN	DE000ZEAL241

Key shareholders

Günther Group	35.2%
Working Capital	20.2%
Marc Peters	4.5%
Jens Schumann	3.6%
Free Float	36.6%

Estimates changes

	2024e	2025e	2026e
Sales	1%	2%	3%
EBIT	1%	-2%	4%
EPS	1%	-2%	4%

Comment on changes

- Estimate changes reflect slight assumption changes of the Games business' user economics.

Guidance

- FY'24 Sales : € 140-150m
- FY'24 EBITDA: € 38-42m
- FY'24 marketing exp.: € 40-45m

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How do Games work at ZEAL?

The new Games business strongly differs from the lottery in manifold characteristics. The most important ones, in our view, are the **user behaviour** (i.e., repetitiveness and customer loyalty) as well as the time it takes to play a second time. Furthermore, ZEAL acts an **operator** at Games, instead of acting as a broker like at Lottery. By controlling the games portfolio, ZEAL also controls the Games' KPIs (e.g., return to player rates and billings margins, both within the legal framework), whereas at Lottery ZEAL can only generate sales via service fees and brokerage commissions and thus has less control over the Lottery product mix.

Differentiators	Lottery	Games
ZEAL's role	Broker	Operator
Repetitiveness / user behaviour	low	high
Availability to play	at jackpot draws	24/7
Time until next play	1-3 days	few minutes
Maximum payout	€ 120m	€ 30k
Controllability of margins & product offering	limited / dependent	free / independent
Selling proposition	dream of winning the big jackpot	pastime playing and quick wins
Customer loyalty	high	lower

Source: NuWays

While Lottery customers are highly loyal and regular players, Games users show less loyalty but if they play, they play at much higher rates and for different reasons: At Lottery, customers dream about winning a large jackpot while **Games are more of a pastime play with the goal of quick wins**, as the win is disclosed almost instantly. This has the positive effect, that after a certain amount was won back (return to player, RTP), it can be played with again. At each play, ZEAL generates billings and a percentage of that as sales (i.e., the billings margin).

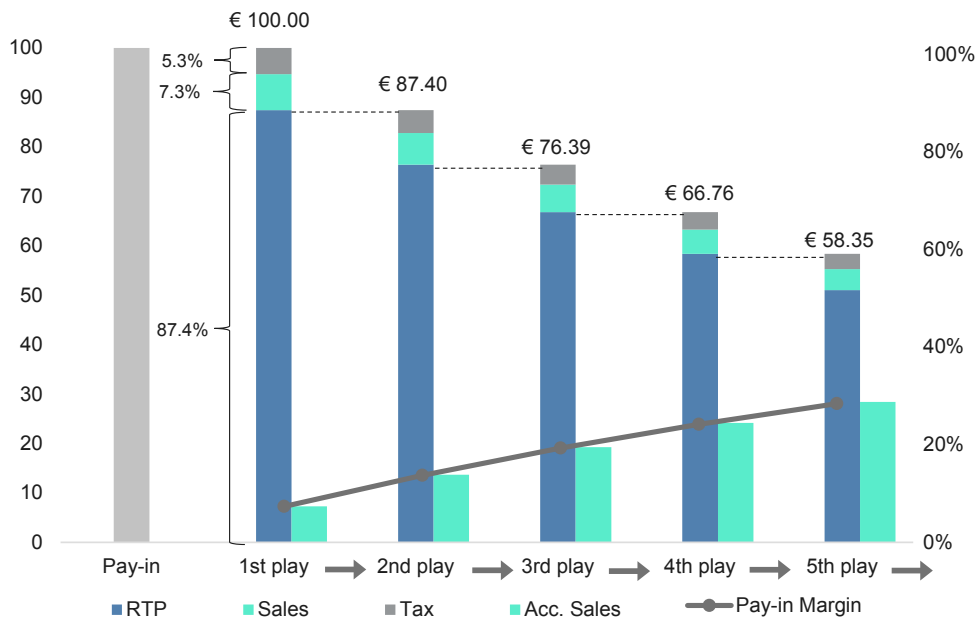
Consequently, we regard Games as complementary business for ZEAL next to Lottery, which is and continues to be its DNA. With Games, Lottery players that are otherwise unengaged between two jackpot draws, now have the possibility to additionally engage in Games, **increasing the overall customer monetization opportunities for ZEAL**.

The **current portfolio comprises 59 Games** with billings margins ranging from 6% - 31% (i.e., RTPs of 64% - 89%). The **roll-out is hence not complete yet**, and ZEAL aims to increase the portfolio size to up to 200 Games by the end of H1'24e. This, however, largely depends on the regulator, that needs to approve each individual game separately, currently acting as a bottle-neck in the ongoing roll-out.

Repetition rate drives billings and sales

A key difference between Games and Lottery is the repetitive nature of Games. While it takes up to 3 days for a Lottery player to play at the next jackpot draw, a Game usually takes 1-2 minutes and then the player can play again. This has the effect, that at each play, ZEAL generates a percentage of the billings as sales, as it currently (as of '23) returns 87.4% to the player and has to deduct a direct tax of 5.3%. The remainder (100% in billings - 87.4% RTP – 5.3% tax = 7.3%) is recorded as sales. In the example below, a customer pays in € 100 and uses that amount to play a Game. After the first round, the player receives on average € 87.40, whereas ZEAL deducted € 5.30 in tax and recorded the remaining € 7.30 as sales. Then, the player can use the € 87.40 and "reinvest" it to play a second time. This time, again, ZEAL records 7.5% of that as sales (€ 6.38), after returning 87.2% to the player (€ 76.39) and deducting 5.3% (€ 4.63) as tax. Depending on user behaviour, this process can take multiple repetitions until either the player does not want to continue, runs out of money in his account or he deposits additional money (i.e., additional pay-in), starting the cycle anew.

Customer journey at Games (exemplary €100 pay-in and '23 metrics)



Source: Company data, NuWays

With each repetition, ZEAL thus accumulates more billings and sales with a constant 7.5% billings margin each time. This accumulation over the repetitions inevitably leads to a rising pay-in margin, which is the accumulated sales generated in relation to the initial pay-in. This is also the reason why the pay-in to billings ratio (multiplier of pay-in to accumulated billings) currently stands at 4.9x at Games vs. only 1.3x at lottery, where average repetition rates are much lower. In Lottery, you either win or lose, while the RTP averages at 50%, meaning that on average, only at every second play, a lottery player wins back his stake. Therefore, "reinvesting" a lottery win to play a second time is not as easily possible as at Games.

Highly attractive user economics at Games

Thanks to the high repetition rates at Games, the user economics of Games exceed that of Lottery by far: Assuming the same pay-in of € 100 at Games and Lottery, it generates c. € 490 of billings at Games (4.9x pay-in to billings ratio) vs. c. € 130 (1.3x ratio) at Lottery. This more than compensates the 5.2pp lower billings margin, as 7.3% on € 490 (€ 35.77) at Games is more than double of 12.5% on € 130 (€ 16.25) at Lottery. Putting the sales generated in relation to the original pay-in of € 100 (i.e., the pay-in margin), this advantage becomes even more visible.

Current user metrics (per user and month, based on FY'23e)	Lottery	Games	Delta
Pay-in (APPU)	€ 48.85	€ 72.57	+ 48.5%
Pay-in to billings ratio	1.3x	4.9x	3.9x
Billings (ABPU)	€ 61.34	€ 353.74	+ 476.7%
Billings margin	12.5%	7.3%	- 5.2 pp
Revenue (ARPU)	€ 7.68	€ 25.82	+ 236.1%
Pay-in margin	15.7%	35.6%	+ 19.9 pp

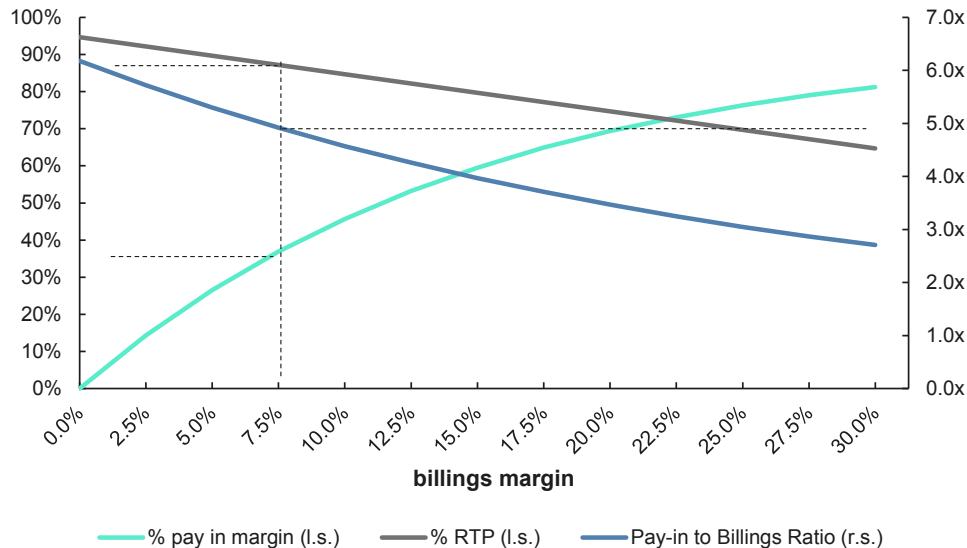
Source: Company data, NuWays

In a comparable scenario (equal pay-in at Games and Lottery), Games' user metrics already exceed those of Lottery. Thus, it is even more attractive for ZEAL, that the average pay-in per user (APPU) at Games even exceeds that of lottery by 50%, as it became visible in Q3 and Q4'23 (see table above).

Finding the sweet spot

What counts for ZEAL is to find the optimal billings margin, at which the pay-in margin (and hence the ARPU) is maximized without jeopardizing user activity due to lower RTP.

RTP, pay-in margin & pay-in to billings ratio depend on the billings margin



Source: NuWays (own calculation and assumption)

During Q3 and Q4 '23, the product mix averaged at a billings margin of 7.3%, meaning a RTP of 87.4%, a pay-in to billings ratio of 4.9x and a pay-in margin of 35.6% (see dotted line), yielding an ARPU of € 25.82.

As the Games roll-out continues, ZEAL now adds more and more Games with higher billings margins of 28% (i.e., lower RTPs of 67%), hence we expect a product mix shift towards a 10-15% billings margin. This should lead to a higher pay-in margin of 45-60%, but on the other hand also decrease user activity (i.e., lower pay-in to billings ratio due to less repetition rates and RTPs) to 4.0x - 4.6x and RTP between 80% - 85% (eNuW).

As a result, the overall effect on ARPU depends on how the players react to lower RTP Games. This should become visible with Q1'24e results, whether an increase in billings margin leads to higher or lower ARPUs. In our view, ZEAL should therefore aim to find the billings margin sweet spot, at which the ARPU is maximized.

Current Games estimates already support profitability

Based on what we know so far, we assume conservative MAU growth, while we model that the ongoing shift towards higher billings margin games (which should in return lower RTP and hence user activity) does not positively nor negatively affect APPUs. Overall, this should lead to slightly better than today's ARPUs of € 36 for FY'24e and € 40 for FY'25e (vs. € 26 for FY'23).

Games estimates	Q3'23	Q4'23	FY'23	Q1'24e	Q2'24e	Q3'24e	Q4'24e	FY'24e	FY'25e	FY'26e	CAGR '23-26e
MAUs (in k)	18	18	17	20	22	24	24	23	34	40	33%
% yoy						33%	33%	32%	51%	18%	
Pay-Ins (in € m)	3.3	5.1	8.5	5.1	5.9	6.0	6.0	23.0	35.9	42.7	71%
% yoy						82%	18%	169%	56%	19%	
APPU	€ 62.36	€ 92.05	€ 72.57	€ 85.00	€ 89.39	€ 83.33	€ 83.33	€ 85.26	€ 88.00	€ 89.00	7%
Pay-in to billings ratio	4.9x	4.9x	4.9x	4.9x	4.8x	4.7x	4.5x	4.7x	4.6x	4.3x	
Billings (in € m)	16.2	24.9	41.6	25.0	28.4	27.9	27.1	108.3	165.2	184.6	64%
% yoy						72%	9%	160%	52%	12%	
ABPU	€ 306.14	€ 449.10	€ 353.74	€ 416.50	€ 430.33	€ 384.39	€ 373.68	€ 401.22	€ 404.80	€ 384.48	3%
Revenues (in € m)	1.2	1.8	3.0	1.9	2.4	2.6	2.8	9.7	16.5	22.1	94%
% yoy						127%	56%	221%	69%	34%	
Billings-margin (sales in % of billings)	7.2%	7.3%	7.3%	7.5%	8.4%	9.5%	10.5%	9.0%	10.0%	12.0%	
Pay-in margin (sales in % of pay-ins)	35.3%	35.7%	35.6%	36.8%	40.6%	44.0%	47.4%	42.4%	46.0%	51.8%	
ARPU	€ 22.02	€ 32.89	€ 25.82	€ 31.24	€ 36.51	€ 36.91	€ 39.79	€ 36.11	€ 40.48	€ 46.14	21%
EBITDA (in € m)	1.0	0.4	1.4	0.8	1.2	1.4	1.5	4.9	8.3	11.1	99%
margin	83.8%	20.8%	46.1%	45.0%	48.6%	52.2%	52.4%	50.0%	50.0%	50.0%	
% share of group EBITDA	9.4%	3.9%	4.3%	9.9%	15.0%	10.5%	13.0%	11.9%	15.0%	16.7%	

Source: Company data, NuWays

On profitability, we conservatively assume a constant EBITDA margin, although the margin should converge towards the incremental margin of 85% (eNuW) with rising scale. All in all, our conservative model leads to an € 11m EBITDA effect by FY'26e, which should explain 17% of group EBITDA (vs. only 4% in FY'23).

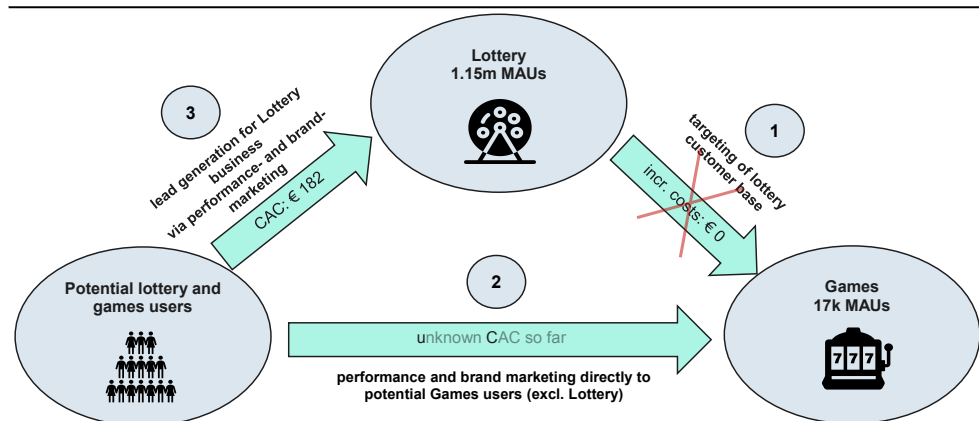
Next step: reaching scale

Currently, the Games business still lacks scale, counting only 17k MAU. This is mainly due to the fact that ZEAL is currently not allowed to actively target existing lottery customers, as this is a auxiliary condition to its Games license.

Nevertheless, it remains a crucial step for ZEAL to reach a significant Games user base in order to reap the benefits of scale and operating leverage. We identify three opportunities which could increase the Games business user base:

- (1) active targeting of ZEAL's existing 1.2m lottery customers at little to no extra costs and,
- (2) targeting outside customers with performance marketing at the expense of additional marketing expense or
- (3) acquiring outside customers for the Lottery business first and convert them to Games at a later stage. This could have the positive effect of increased customer monetization and customer lifetime value at ZEAL, as the customer is extremely loyal at lottery and then reverts to Games every now and then for pastime plays and quick wins, thus spending additional money on Games.

Opportunities to expand Games' MAUs



Source: NuWays

While we regard the first option as the next logical step, it is still under regulatory evaluation. Should this change to the benefit of ZEAL, it would certainly be the preferred option, as it would add significant user numbers overnight. For the time being, ZEAL also does not conduct performance marketing for the Games business, as it still has not reached a significant scale. The third option would be the best of two worlds (outside marketing and conversion from lottery to Games), but is only possible, if the active targeting of Lottery users is possible. Thus, we regard the second option as a further ace up ZEAL's sleeve, should the first (and third) option not work out.

Enormous potential ahead

Currently, 17k MAUs engage in Games, which implies at conversion rate of only 1.5% of lottery customers. Hence, we conducted a sensitivity analysis to our top- and bottom-line estimates of Games if ZEAL manages to reach conversion rates of up to 30% (i.e. c. 300k MAUs at Games).

Sales potential (in € m)

		MAUs							
		17k	20k	30k	50k	75k	100k	200k	300k
ARPU	€ 20.00	4.1	4.8	7.2	12.0	18.0	24.0	48.0	72.0
	€ 22.50	4.6	5.4	8.1	13.5	20.3	27.0	54.0	81.0
	€ 25.00	5.1	6.0	9.0	15.0	22.5	30.0	60.0	90.0
	€ 27.50	5.6	6.6	9.9	16.5	24.8	33.0	66.0	99.0
	€ 30.00	6.1	7.2	10.8	18.0	27.0	36.0	72.0	108.0
	€ 32.50	6.6	7.8	11.7	19.5	29.3	39.0	78.0	117.0
	€ 35.00	7.1	8.4	12.6	21.0	31.5	42.0	84.0	126.0
	€ 37.50	7.7	9.0	13.5	22.5	33.8	45.0	90.0	135.0
	€ 40.00	8.2	9.6	14.4	24.0	36.0	48.0	96.0	144.0
	€ 42.50	8.7	10.2	15.3	25.5	38.3	51.0	102.0	153.0

Source: NuWays

EBITDA potential with € 30 ARPU (in € m)

		MAUs							
		17k	20k	30k	50k	75k	100k	200k	300k
EBITDA margin (ARPU of € 30)	30%	1.8	2.2	3.2	5.4	8.1	10.8	21.6	32.4
	35%	2.1	2.5	3.8	6.3	9.5	12.6	25.2	37.8
	40%	2.4	2.9	4.3	7.2	10.8	14.4	28.8	43.2
	45%	2.8	3.2	4.9	8.1	12.2	16.2	32.4	48.6
	50%	3.1	3.6	5.4	9.0	13.5	18.0	36.0	54.0
	55%	3.4	4.0	5.9	9.9	14.9	19.8	39.6	59.4
	60%	3.7	4.3	6.5	10.8	16.2	21.6	43.2	64.8
	65%	4.0	4.7	7.0	11.7	17.6	23.4	46.8	70.2
	70%	4.3	5.0	7.6	12.6	18.9	25.2	50.4	75.6
	75%	4.6	5.4	8.1	13.5	20.3	27.0	54.0	81.0
80%	4.9	5.8	8.6	14.4	21.6	28.8	57.6	86.4	
85%	5.2	6.1	9.2	15.3	23.0	30.6	61.2	91.8	

Source: NuWays

For example (see *bordered cell*), a hypothetical base of 200k MAUs should return € 72m in annually recurring sales and additional of € 36 of annually recurring EBITDA stemming only from Games (vs. € 33m group EBITDA in FY'23), assuming current user metrics. Again, enormous upside to the bottom-line stems from the likely EBITDA margin expansion towards 85% incremental EBITDA margin, while the sensitivity analysis above assumes the current 50% EBITDA margin. In a more realistic 60-70% EBITDA margin scenario, annual EBITDA could amount to € 43-50m. If we furthermore apply an EV/EBITDA multiple of 15x (vs. currently 17.3x), this should add another € 540m (vs. € 742m today) to ZEAL's current EV:

EV potential with € 30 ARPU and 50% EBITDA margin (in € m)

		MAUs							
		17k	20k	30k	50k	75k	100k	200k	300k
EV/EBITDA Multiple (45% EBITDA margin)	5.0x	15	18	27	45	68	90	180	270
	7.5x	23	27	41	68	101	135	270	405
	10.0x	31	36	54	90	135	180	360	540
	12.5x	38	45	68	113	169	225	450	675
	15.0x	46	54	81	135	203	270	540	810
	17.5x	54	63	95	158	236	315	630	945
	20.0x	61	72	108	180	270	360	720	1,080
	22.5x	69	81	122	203	304	405	810	1,215
	25.0x	77	90	135	225	338	450	900	1,350

Source: NuWays

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	83.3	105.2	116.0	146.0	171.6	191.6
<i>Sales growth</i>	-4.2%	26.2%	10.3%	25.8%	17.5%	11.7%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	83.3	105.2	116.1	146.0	171.6	191.6
Other operating income	4.6	2.3	1.3	1.5	1.5	1.6
Material expenses	0.0	0.0	-0.0	0.0	0.0	0.0
Personnel expenses	19.0	18.9	22.6	24.8	28.3	30.7
Other operating expenses	41.2	57.0	62.0	81.8	89.9	96.4
Total operating expenses	55.6	73.5	83.2	105.1	116.7	125.4
EBITDA	27.7	31.7	32.8	40.9	54.9	66.2
Depreciation	0.7	0.7	0.0	0.0	0.0	0.0
EBITA	27.0	31.0	32.8	40.9	54.9	66.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	7.9	8.1	9.3	9.3	9.3	9.3
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	19.0	22.9	23.6	31.6	45.6	57.0
Interest income	0.2	1.4	0.5	1.2	1.1	1.0
Interest expenses	2.0	0.7	1.8	1.8	1.8	1.8
Investment income	-0.3	-0.2	-0.0	0.0	0.0	0.0
Financial result	-2.4	-0.1	-1.3	-0.6	-0.7	-0.8
Recurring pretax income from continuing operations	16.7	22.8	22.2	31.0	44.9	56.2
Extraordinary income/loss	0.0	0.0	-0.0	0.0	0.0	0.0
Earnings before taxes	16.7	22.8	22.3	31.0	44.9	56.2
Income tax expense	5.3	6.2	8.6	11.5	14.4	16.9
Net income from continuing operations	11.4	16.6	13.7	19.5	30.5	39.3
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	11.4	16.6	13.7	19.5	30.5	39.3
Minority interest	0.6	0.6	0.9	1.2	1.9	2.5
Net profit (reported)	10.8	16.0	12.8	18.3	28.6	36.8
Average number of shares	22.4	22.3	22.3	22.3	22.3	22.3
EPS reported	0.48	0.72	0.57	0.82	1.28	1.65

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	-4.2%	26.2%	10.3%	25.8%	17.5%	11.7%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	5.5%	2.2%	1.1%	1.0%	0.9%	0.8%
Material expenses	0.0%	0.0%	-0.0%	0.0%	0.0%	0.0%
Personnel expenses	22.9%	18.0%	19.4%	17.0%	16.5%	16.0%
Other operating expenses	49.4%	54.1%	53.4%	56.0%	52.4%	50.3%
Total operating expenses	66.7%	69.9%	71.7%	72.0%	68.0%	65.4%
EBITDA	33.3%	30.1%	28.3%	28.0%	32.0%	34.6%
Depreciation	0.9%	0.6%	0.0%	0.0%	0.0%	0.0%
EBITA	32.4%	29.5%	28.3%	28.0%	32.0%	34.6%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	9.5%	7.7%	8.0%	6.3%	5.4%	4.8%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	22.9%	21.8%	20.3%	21.6%	26.6%	29.7%
Interest income	0.2%	1.4%	0.4%	0.8%	0.6%	0.5%
Interest expenses	2.4%	0.7%	1.5%	1.2%	1.0%	0.9%
Investment income	-0.4%	-0.2%	-0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	20.0%	21.7%	19.2%	21.2%	26.2%	29.3%
Extraordinary income/loss	0.0%	0.0%	-0.0%	0.0%	0.0%	0.0%
Earnings before taxes	20.0%	21.7%	19.2%	21.2%	26.2%	29.3%
Tax rate	31.5%	27.4%	38.6%	37.0%	32.0%	30.0%
Net income from continuing operations	13.7%	15.7%	11.8%	13.4%	17.8%	20.5%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	13.7%	15.7%	11.8%	13.4%	17.8%	20.5%
Minority interest	0.7%	0.6%	0.8%	0.9%	1.1%	1.3%
Net profit (reported)	12.9%	15.2%	11.0%	12.5%	16.7%	19.2%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	298.0	289.6	281.7	272.4	263.2	253.9
Property, plant and equipment	0.6	1.2	1.2	1.2	1.2	1.2
Financial assets	16.6	22.5	18.2	18.2	18.2	18.2
FIXED ASSETS	315.2	313.2	301.0	291.8	282.5	273.3
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.8	1.4	2.6	2.0	2.3	2.6
Other assets and short-term financial assets	82.9	75.4	30.5	30.5	30.5	30.5
Liquid assets	90.1	61.2	57.4	67.6	79.4	96.4
Deferred taxes	11.9	6.9	1.0	1.0	1.0	1.0
Deferred charges and prepaid expenses	1.5	1.5	1.7	1.7	1.7	1.7
CURRENT ASSETS	188.6	146.5	93.6	102.9	115.0	132.3
TOTAL ASSETS	503.8	459.7	394.6	394.7	397.5	405.5

SHAREHOLDERS EQUITY	378.2	328.0	259.2	252.8	254.4	262.0
MINORITY INTEREST	6.7	6.1	5.6	6.8	8.7	11.3
Provisions for pensions and similar obligations	0.4	0.1	0.7	0.7	0.7	0.7
Other provisions and accrued liabilities	4.0	4.0	4.2	7.0	8.2	9.2
Short-term liabilities to banks	1.1	4.7	7.2	7.2	7.2	7.2
Accounts payable	3.7	3.8	3.6	4.5	5.3	5.3
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	6.5	33.0	48.0	48.0	48.0	48.0
Deferred taxes	48.8	46.3	44.2	44.2	44.2	44.2
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	10.2	36.8	51.6	52.6	53.4	53.4
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	503.8	459.7	394.6	394.7	397.5	405.5

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	59.2%	63.0%	71.4%	69.0%	66.2%	62.6%
Property, plant and equipment	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%
Financial assets	3.3%	4.9%	4.6%	4.6%	4.6%	4.5%
FIXED ASSETS	62.6%	68.1%	76.3%	73.9%	71.1%	67.4%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.4%	0.3%	0.7%	0.5%	0.6%	0.6%
Other assets and short-term financial assets	16.5%	16.4%	7.7%	7.7%	7.7%	7.5%
Liquid assets	17.9%	13.3%	14.5%	17.1%	20.0%	23.8%
Deferred taxes	2.4%	1.5%	0.3%	0.3%	0.2%	0.2%
Deferred charges and prepaid expenses	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%
CURRENT ASSETS	37.4%	31.9%	23.7%	26.1%	28.9%	32.6%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	75.1%	71.3%	65.7%	64.0%	64.0%	64.6%
MINORITY INTEREST	1.3%	1.3%	1.4%	1.7%	2.2%	2.8%
Provisions for pensions and similar obligations	0.1%	0.0%	0.2%	0.2%	0.2%	0.2%
Other provisions and accrued liabilities	0.8%	0.9%	1.1%	1.8%	2.1%	2.3%
Short-term liabilities to banks	0.2%	1.0%	1.8%	1.8%	1.8%	1.8%
Accounts payable	0.7%	0.8%	0.9%	1.2%	1.3%	1.3%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	1.3%	7.2%	12.2%	12.2%	12.1%	11.8%
Deferred taxes	9.7%	10.1%	11.2%	11.2%	11.1%	10.9%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	2.0%	8.0%	13.1%	13.3%	13.4%	13.2%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	11.4	16.6	13.7	19.5	30.5	39.3
Depreciation of fixed assets (incl. leases)	0.7	0.7	0.0	0.0	0.0	0.0
Amortisation of goodwill & intangible assets	7.9	8.1	9.3	9.3	9.3	9.3
Other costs affecting income / expenses	0.2	-0.3	0.0	0.0	0.0	0.0
Cash flow from operating activities	19.4	27.3	25.3	38.8	42.5	50.0
Increase/decrease in inventory	0.0	4.3	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-0.5	0.4	-1.2	0.7	-0.3	-0.3
Increase/decrease in accounts payable	0.1	0.1	-0.2	0.9	0.8	0.0
Increase/decrease in other working capital positions	-0.1	-1.2	3.8	0.0	0.0	0.0
Increase/decrease in working capital	-0.5	3.5	2.4	1.6	0.4	-0.3
Cash flow from operating activities	26.4	28.5	25.3	39.0	42.7	50.2
CAPEX	0.4	1.4	0.4	0.2	0.2	0.2
Payments for acquisitions	1.2	0.6	0.0	0.0	0.0	0.0
Financial investments	0.0	5.4	0.4	0.0	0.0	0.0
Income from asset disposals	1.0	1.2	57.2	0.0	0.0	0.0
Cash flow from investing activities	-0.6	-6.2	56.4	-0.2	-0.2	-0.2
Cash flow before financing	5.7	-24.7	2.3	14.2	15.7	21.0
Increase/decrease in debt position	7.0	16.9	-5.0	-4.0	-4.0	-4.0
Purchase of own shares	0.0	20.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.1	0.0	0.0	0.0	0.0
Dividends paid	20.1	47.0	79.4	24.5	26.8	29.0
Others	-8.7	-1.2	-1.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	-0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-21.8	-51.2	-85.4	-28.5	-30.8	-33.0
Increase/decrease in liquid assets	4.0	-28.9	-3.8	10.2	11.7	17.0
Liquid assets at end of period	90.1	61.2	57.4	67.6	79.4	96.4

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	-4.2%	26.2%	10.3%	25.8%	17.5%	11.7%
EBITDA growth	60.0%	14.1%	3.8%	24.4%	34.3%	20.7%
EBIT growth	254.3%	20.4%	2.9%	33.9%	44.3%	24.9%
EPS growth	32.0%	48.4%	-19.8%	43.0%	56.4%	28.7%
Efficiency						
Sales per employee	530.8	649.4	694.9	848.8	980.6	1,076.4
EBITDA per employee	176.6	195.4	196.7	237.5	313.5	372.0
No. employees (average)	157	162	167	172	175	178
Balance sheet analysis						
Avg. working capital / sales	5.8%	-2.0%	-1.0%	-1.7%	-1.1%	-1.4%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover	7.8	5.0	5.0	5.0	5.0	5.0
Accounts payable turnover	16.2	13.2	11.4	11.4	11.4	10.2
Cash flow analysis						
Free cash flow	26.0	27.1	24.9	38.8	42.5	50.0
Free cash flow/sales	31.2%	25.7%	21.4%	26.6%	24.8%	26.1%
FCF / net profit	227.9%	163.4%	182.1%	198.5%	139.1%	127.2%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-38.5	-28.5	-29.7	-43.9	-59.7	-80.7
Net Debt/EBITDA	-1.4	-0.9	-0.9	-1.1	-1.1	-1.2
Dividend payout ratio	435.7%	503.3%	191.8%	146.3%	101.4%	84.8%
Interest paid / avg. debt	3.8%	2.3%	4.5%	6.3%	7.5%	9.1%
Returns						
ROCE	5.0%	6.0%	7.2%	11.1%	16.6%	21.4%
ROE	2.9%	4.9%	4.9%	7.2%	11.2%	14.1%
Adjusted FCF yield	1.8%	3.7%	3.9%	4.0%	5.6%	7.1%
Dividend yield	6.0%	10.2%	3.1%	3.4%	3.7%	4.0%
DPS	2.1	3.6	1.1	1.2	1.3	1.4
EPS reported	0.48	0.72	0.57	0.82	1.28	1.65
Average number of shares	22.4	22.3	22.3	22.3	22.3	22.3
Valuation ratios						
P/BV	2.1	2.4	3.0	3.1	3.1	3.0
EV/sales	10.5	6.7	6.5	5.1	4.2	3.7
EV/EBITDA	31.6	22.4	23.0	18.2	13.2	10.6
EV/EBIT	46.0	30.9	32.0	23.5	15.9	12.4

Source: Company data, NuWays

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Company	Disclosures
ZEAL Network SE	2

Historical target price and rating changes for ZEAL Network SE

Company	Date	Analyst	Rating	Target Price	Close
ZEAL Network SE	09.11.2023	Wendisch, Henry	Buy	EUR 51.00	EUR 30.00

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Date of publication creation: 10/04/2024 07:51 AM

Date of publication dissemination: 10/04/2024 07:51 AM

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