

ZEAL Network SE

Others - Germany

Buy (old: Buy)

20.12.2024

EUR 60.00 (old: EUR 60.00)

Early X-Mas present for shareholders, guidance raised again

FY'24 sales should arrive between € 175-185m (eNuW old: € 170m), whereas **EBITDA should range between € 55 and € 59m** (eNuW old: € 45m). This corresponds to an € 17m increase over the old sales guidance and a € 13m increase over the old EBITDA guidance, implying a strong incremental EBITDA margin of 75%. At mid-point of the new guidance, this implies Q4 sales growth of 100% and an EBITDA expansion by 130% yoy, highlighting the strong Q4 performance.

The **record and historically unprecedented 7x peak and consecutively rolled-over jackpots** (vs. 5x in 2023 and 6x per 9M'24), which put **Germany in a never seen before lottery fever**, explains our **€ 11m top-line underestimation**. Consequently, we raise our Q4 estimates for **MAU** (eNuW: 1.5m old vs. 1.6m MAU new), **average pay-in per user APPU** (eNuW: € 51.40 old vs. € 56.60 new) and **lottery billings margin** (eNuW: 16.3% old vs. 17.3% new) above our previous assumption. As we model with statistically average jackpots, these KPIs should normalize again going forward. Regarding EBITDA, by adding the € 11m of underestimated sales and keeping our Q4 OPEX estimate mainly unchanged, we arrive at our new FY'24e EBITDA estimate of € 57m (+ 75% yoy).

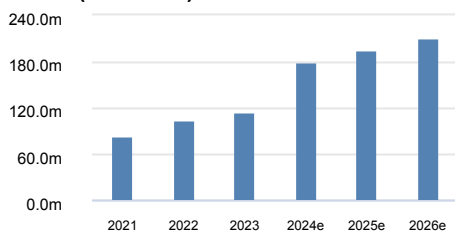
Additional to that, a **key highlight should be the acquisition of new customers during the peak jackpot time**. Previously, we anticipated a user intake of 400k in Q4, which now seems too low. Therefore, we now expect 590k users to have registered during Q4, which would imply a staggering 1.4m new registrations (+134% yoy) for FY'24e. This **bodes extremely well for the future**, as the larger customer base (with its extremely loyal and steady spending behaviour) expands the revenue base even more. On average, 1 of 4 registrations becomes a monthly active user (MAU). Given the overall elevated online marketing activity during black and cyber week, we expect a slightly higher, but a still very attractive **Q4 CPL of € 40** (FY'24e average: € 37, -19% yoy). To put this into perspective, we calculate a **marketing ROI of 34%** (net income effect per user divided by effective customer acquisition cost) for **FY'24e** (vs. 20% in FY'23), highlighting the **improving and value accretive marketing operations**. - see p.2 for details

Against this backdrop, we maintain our **positive view on the stock and reiterate our BUY recommendation**. Furthermore, we leave our FY'25e and beyond estimates unchanged, explaining our **unchanged PT of € 60.00**, based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	83.3	105.2	116.0	181.0	194.4	211.9
Sales growth	-4.2%	26.2%	10.3%	56.0%	7.4%	9.0%
EBITDA	27.7	31.7	32.8	57.3	52.6	59.5
Net debt (if net cash=0)	-38.5	-28.5	-29.7	7.6	-2.8	-15.2
FCF	26.0	27.1	24.9	47.8	36.3	40.6
Net Debt/EBITDA	-1.4	-0.9	-0.9	0.1	-0.1	-0.3
EPS pro forma	0.48	0.74	0.59	2.68	1.32	1.54
EBITDA margin	33.3%	30.1%	28.3%	31.7%	27.1%	28.1%
ROCE	n.a.	6.0%	7.2%	15.3%	13.0%	15.4%
EV/sales	10.5	6.5	8.7	5.8	5.3	4.8
EV/EBITDA	31.6	21.7	30.6	18.2	19.6	17.2
PER	99.1	64.9	80.9	17.9	36.2	31.1
Adjusted FCF yield	1.8%	3.8%	4.0%	6.8%	3.9%	4.5%

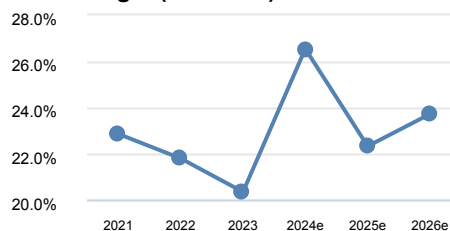
Source: Company data, NuWays, Close price as of 17.12.2024

Sales (2021-26e)



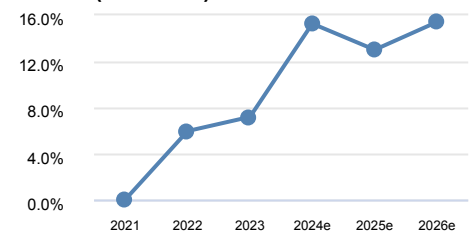
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

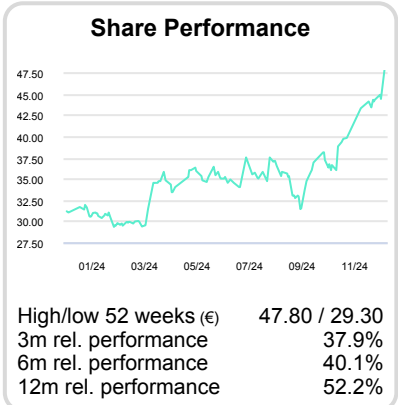
ROCE (2021-26e)



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.



Market data

Share price (in €)	47.80
Market cap (in € m)	1035.2
Number of shares (in m pcs)	21.7
Enterprise value (in € m)	1043.5
Ø trading volume (6 months)	3,796

Identifier

Bloomberg	TIMA GR
Reuters	TIMAn
WKN	ZEAL24
ISIN	DE000ZEAL241

Key shareholders

Günther Group	37.4%
Working Capital	21.4%
Marc Peters	4.7%
Jens Schumann	3.8%
Free Float	32.7%

Estimates changes

	2024e	2025e	2026e
Sales	6%	0%	0%
EBIT	36%	0%	0%
EPS	18%	0%	0%

Comment on changes

- Estimate changes reflect our increased user KPI estimates.

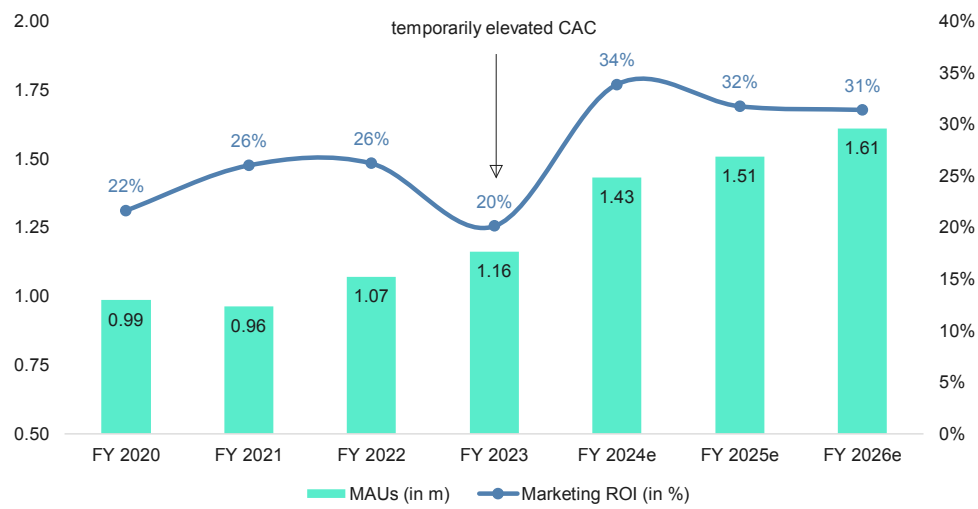
Guidance

- FY'24 Sales : € 158-168m
- FY'24 EBITDA: € 42-46m

ZEAL Network SE

Update - 20.12.2024

ZEAL's marketing efficiency on the rise



Source: NuWays Research

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	83.3	105.2	116.0	181.0	194.4	211.9
<i>Sales growth</i>	-4.2%	26.2%	10.3%	56.0%	7.4%	9.0%
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	181.0	194.4	211.9
Other operating income	4.6	2.3	1.3	1.8	1.9	2.1
Material expenses	0.0	0.0	-0.0	0.0	0.0	0.0
Personnel expenses	19.0	18.9	22.6	34.0	36.8	39.0
Other operating expenses	41.2	57.0	62.0	91.5	106.9	115.5
Total operating expenses	55.6	73.5	83.2	123.7	141.8	152.4
EBITDA	27.7	31.7	32.8	57.3	52.6	59.5
Depreciation	0.7	0.7	0.0	0.0	0.0	0.0
EBITA	27.0	31.0	32.8	57.3	52.6	59.5
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	48.1	43.4	50.3
Interest income	0.2	1.4	0.5	0.5	0.4	0.3
Interest expenses	2.0	0.7	1.8	1.8	1.7	1.6
Investment income	-0.3	-0.2	-0.0	0.0	0.0	0.0
Financial result	-2.4	-0.1	-1.3	-1.3	-1.3	-1.3
Recurring pretax income from continuing operations	16.7	22.8	22.2	46.7	42.1	48.9
Extraordinary income/loss	0.0	0.0	-0.0	0.0	0.0	0.0
Earnings before taxes	16.7	22.8	22.3	46.7	42.1	48.9
Income tax expense	5.3	6.2	8.6	-11.2	13.5	15.7
Net income from continuing operations	11.4	16.6	13.7	57.9	28.6	33.3
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	57.9	28.6	33.3
Minority interest	0.6	0.6	0.9	0.0	0.0	0.0
Net profit (reported)	10.8	16.0	12.8	57.9	28.6	33.3
Average number of shares	22.4	21.7	21.7	21.7	21.7	21.7
EPS reported	0.48	0.74	0.59	2.68	1.32	1.54

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%	56.0%	7.4%	9.0%
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%	1.0%	1.0%
Material expenses	0.0%	0.0%	-0.0%	0.0%	0.0%	0.0%
Personnel expenses	22.9%	18.0%	19.4%	18.8%	18.9%	18.4%
Other operating expenses	49.4%	54.1%	53.4%	50.6%	55.0%	54.5%
Total operating expenses	66.7%	69.9%	71.7%	68.3%	72.9%	71.9%
EBITDA	33.3%	30.1%	28.3%	31.7%	27.1%	28.1%
Depreciation	0.9%	0.6%	0.0%	0.0%	0.0%	0.0%
EBITA	32.4%	29.5%	28.3%	31.7%	27.1%	28.1%
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%	5.1%	4.8%	4.4%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	22.9%	21.8%	20.3%	26.5%	22.3%	23.7%
Interest income	0.2%	1.4%	0.4%	0.3%	0.2%	0.1%
Interest expenses	2.4%	0.7%	1.5%	1.0%	0.9%	0.8%
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%	25.8%	21.6%	23.1%
Extraordinary income/loss	0.0%	0.0%	-0.0%	0.0%	0.0%	0.0%
Earnings before taxes	20.0%	21.7%	19.2%	25.8%	21.6%	23.1%
Tax rate	31.5%	27.4%	38.6%	-24.0%	32.0%	32.0%
Net income from continuing operations	13.7%	15.7%	11.8%	32.0%	14.7%	15.7%
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%	32.0%	14.7%	15.7%
Minority interest	0.7%	0.6%	0.8%	0.0%	0.0%	0.0%
Net profit (reported)	12.9%	15.2%	11.0%	32.0%	14.7%	15.7%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	298.0	289.6	281.7	310.1	302.1	294.2
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	329.4	321.5	313.6
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.8	1.4	2.6	4.1	4.4	4.8
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	93.3	89.6	88.0
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	130.7	127.3	126.1
TOTAL ASSETS	503.8	459.7	394.6	460.1	448.8	439.7

SHAREHOLDERS EQUITY	378.2	328.0	259.2	267.9	270.3	275.2
MINORITY INTEREST	6.7	6.1	5.6	5.6	5.6	5.6
Long-term liabilities to banks	7.6	22.9	15.8	25.8	21.8	17.8
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	42.9	5.1	4.8	4.8	4.8	4.8
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	4.2	4.2	4.2
NON-CURRENT LIABILITIES	54.8	32.1	25.5	35.5	31.5	27.5
Short-term liabilities to banks	1.1	4.7	7.2	70.3	60.3	50.3
Accounts payable	3.7	3.8	3.6	4.5	4.8	4.8
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	3.9	5.8	1.4	1.4	1.4	1.4
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	27.0	27.0	27.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	64.0	93.5	104.4	151.2	141.5	131.5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	503.8	459.7	394.6	460.1	448.8	439.7

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	59.2%	63.0%	71.4%	67.4%	67.3%	66.9%
Property, plant and equipment	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%
Financial assets	3.3%	4.9%	4.6%	3.9%	4.0%	4.1%
FIXED ASSETS	62.6%	68.1%	76.3%	71.6%	71.6%	71.3%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.4%	0.3%	0.7%	0.9%	1.0%	1.1%
Other assets and short-term financial assets	16.5%	16.4%	7.7%	6.6%	6.8%	6.9%
Liquid assets	17.9%	13.3%	14.6%	20.3%	20.0%	20.0%
Deferred taxes	2.4%	1.5%	0.3%	0.2%	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%	28.4%	28.4%	28.7%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	75.1%	71.3%	65.7%	58.2%	60.2%	62.6%
MINORITY INTEREST	1.3%	1.3%	1.4%	1.2%	1.2%	1.3%
Long-term liabilities to banks	1.5%	5.0%	4.0%	5.6%	4.8%	4.0%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	8.5%	1.1%	1.2%	1.0%	1.1%	1.1%
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%	0.9%	0.9%	1.0%
NON-CURRENT LIABILITIES	10.9%	7.0%	6.5%	7.7%	7.0%	6.2%
Short-term liabilities to banks	0.2%	1.0%	1.8%	15.3%	13.4%	11.4%
Accounts payable	0.7%	0.8%	0.9%	1.0%	1.1%	1.1%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.8%	1.3%	0.3%	0.3%	0.3%	0.3%
Other liabilities (incl. from lease and rental contracts)	1.3%	7.2%	12.2%	10.4%	10.7%	10.9%
Deferred taxes	9.7%	10.1%	11.2%	5.9%	6.0%	6.1%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	12.7%	20.3%	26.5%	32.9%	31.5%	29.9%
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	57.9	28.6	33.3
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	-17.2	0.0	0.0
Cash flow from operating activities	19.4	27.3	25.3	49.2	37.7	41.9
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	-1.5	-0.3	-0.4
Increase/decrease in accounts payable	0.1	0.1	-0.2	0.9	0.3	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	-0.6	0.0	-0.4
Cash flow from operating activities	26.4	28.5	25.3	49.4	37.9	42.1
CAPEX	0.4	1.4	0.4	1.5	1.5	1.5
Payments for acquisitions	1.2	0.6	0.0	36.3	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	-37.8	-1.5	-1.5
Cash flow before financing	5.7	-24.7	2.3	-12.3	10.3	12.4
Increase/decrease in debt position	7.0	16.9	-5.0	73.1	-14.0	-14.0
Purchase of own shares	0.0	20.0	0.0	25.0	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	23.8	26.0	28.2
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	-51.1	-85.4	24.3	-40.0	-42.2
Increase/decrease in liquid assets	4.0	-28.9	-3.8	35.8	-3.7	-1.6
Liquid assets at end of period	90.1	61.2	57.4	93.3	89.6	88.0

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	-4.2%	26.2%	10.3%	56.0%	7.4%	9.0%
EBITDA growth	60.0%	14.1%	3.8%	74.5%	-8.1%	13.1%
EBIT growth	254.3%	20.4%	2.9%	103.7%	-9.7%	15.8%
EPS growth	32.1%	52.8%	-19.8%	352.8%	-50.6%	16.3%
Efficiency						
Sales per employee	530.8	649.4	694.9	1,052.3	1,110.9	1,190.4
EBITDA per employee	176.6	195.4	196.7	333.2	300.8	334.3
No. employees (average)	157	162	167	172	175	178
Balance sheet analysis						
Avg. working capital / sales	5.8%	-2.0%	-1.0%	-0.7%	-0.3%	-0.1%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover	7.8	5.0	8.3	8.3	8.3	8.3
Accounts payable turnover	16.2	13.2	11.4	9.0	9.0	8.3
Cash flow analysis						
Free cash flow	26.0	27.1	24.9	47.8	36.3	40.6
Free cash flow/sales	31.2%	25.7%	21.4%	26.4%	18.7%	19.1%
FCF / net profit	227.9%	163.4%	182.1%	82.5%	127.1%	122.0%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-38.5	-28.5	-29.7	7.6	-2.8	-15.2
Net Debt/EBITDA	-1.4	-0.9	-0.9	0.1	-0.1	-0.3
Dividend payout ratio	435.4%	488.6%	186.2%	44.9%	98.5%	91.2%
Interest paid / avg. debt	3.8%	2.3%	4.5%	2.7%	3.0%	1.9%
Returns						
ROCE	n.a.	6.0%	7.2%	15.3%	13.0%	15.4%
ROE	2.9%	4.9%	4.9%	21.6%	10.6%	12.1%
Adjusted FCF yield	1.8%	3.8%	4.0%	6.8%	3.9%	4.5%
Dividend yield	2.2%	6.6%	11.2%	2.3%	2.5%	2.7%
DPS	2.1	3.6	1.1	1.2	1.3	1.4
EPS reported	0.48	0.74	0.59	2.68	1.32	1.54
Average number of shares	22.4	21.7	21.7	21.7	21.7	21.7
Valuation ratios						
P/BV	2.8	3.2	4.0	3.9	3.8	3.8
EV/sales	10.5	6.5	8.7	5.8	5.3	4.8
EV/EBITDA	31.6	21.7	30.6	18.2	19.6	17.2
EV/EBIT	46.0	30.0	42.6	21.7	23.8	20.3

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	09.12.2024	Wendisch, Henry	Buy	EUR 60.00	EUR 44.30
	25.10.2024	Wendisch, Henry	Buy	EUR 57.00	EUR 36.00
	09.07.2024	Wendisch, Henry	Buy	EUR 54.00	EUR 34.00
	10.05.2024	Wendisch, Henry	Buy	EUR 53.00	EUR 36.00

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjust-

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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