

ZEAL Network SE

Others - Germany



Buy (old: Buy)

07.01.2025

EUR 60.00 (old: EUR 60.00)

Strong market share gain in 2024

Topic: The state lottery (DLTB) released its 2024 lottery data with details about the on- and offline distribution channels, which implies a strong market share gain for ZEAL. In detail:

More lottery spending: lottery spending increased by 4.4% yoy to € 8.56bn in 2024. As there were no price increases throughout the year, the increase should stem from a higher user activity. The main products remained Lotto 6aus49 (€ 3.5bn, -8% yoy) and a strong Eurojackpot (€ 2.6bn, +30% yoy).

Online growth and offline decline: in 2024, lottery players spent € 2.59bn (+28% yoy) via the online channel on lottery products (eNuW, based on DLTB data). On the other hand, this implies a 4% yoy decline to € 5.97bn in the offline channel. Consequently, the online penetration **increased** by 5.5pp yoy to 30.3% (eNuW)

Large jump in market share: Based on our estimate of ZEAL's FY'24 bilings incl. own products of € 1.19bn (+ 34% yoy) and the published € 1.4bn (+ 17% yoy) in online billings from the state lottery, ZEAL should show a **market share jump by +4.6pp yoy to 46%** in 2024 (eNuW). This clearly shows that ZEAL is able to outperform the state lottery's online offering as a result of its highly specialized and efficient online marketing operations.

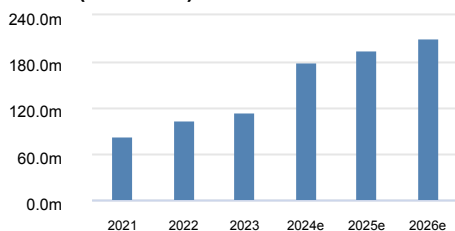
Outlook for 2025: following a superb 2024, ZEAL should have an **easy to reach comparable base in H1'25e**, thanks to the strong user intake of the past and the price increase as of H2'24. Going into H2'25e, the positive base effect of the price increase will be gone and a similarly strong H2'25 lottery environment like in H2'24 is not predicatble. Therefore, we expect a **tough comparable base for H2'25e**. Nevertheless, the company will remain on a growth path in FY'25e (eNuW: +7% yoy sales growth). Moreover, the increasing fix cost coverage allows for a better cost mix towards the high-return marketing spendings, further sustaining growth.

All in all, **ZEAL remains in the driver seat of the German online transformation** of lottery by outperforming the state and also by creating a **market outside the state lottery** with its own and well received products such as games, freiheit+ and the dream house raffle "Traumhausverlosung", that all come in at higher margins and show large growth potentials. Therefore, we **recommend to BUY** with 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	8.9	5.9	5.5	5.0
EV/EBITDA	31.6	21.7	31.6	18.7	20.2	17.7
PER	102.0	66.8	83.3	18.4	37.3	32.0
Adjusted FCF yield	1.8%	3.8%	4.0%	6.6%	3.8%	4.3%

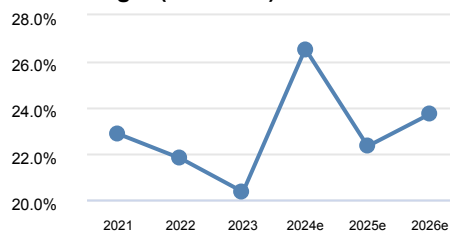
Source: Company data, NuWays, Close price as of 17.12.2024

Sales (2021-26e)



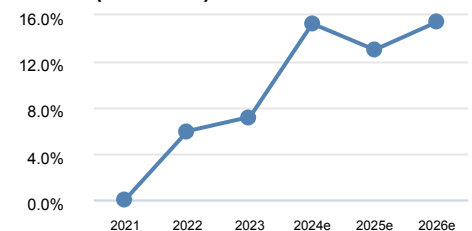
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

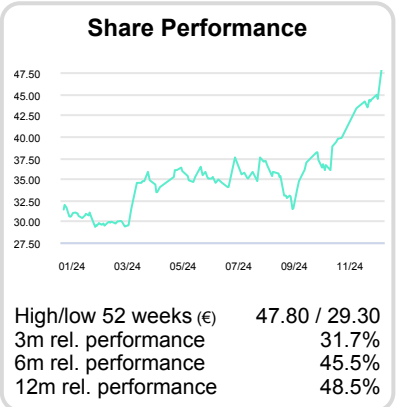
ROCE (2021-26e)



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)	1065.5
Number of shares (in m pcs)	21.7
Enterprise value (in € m)	1063.5
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

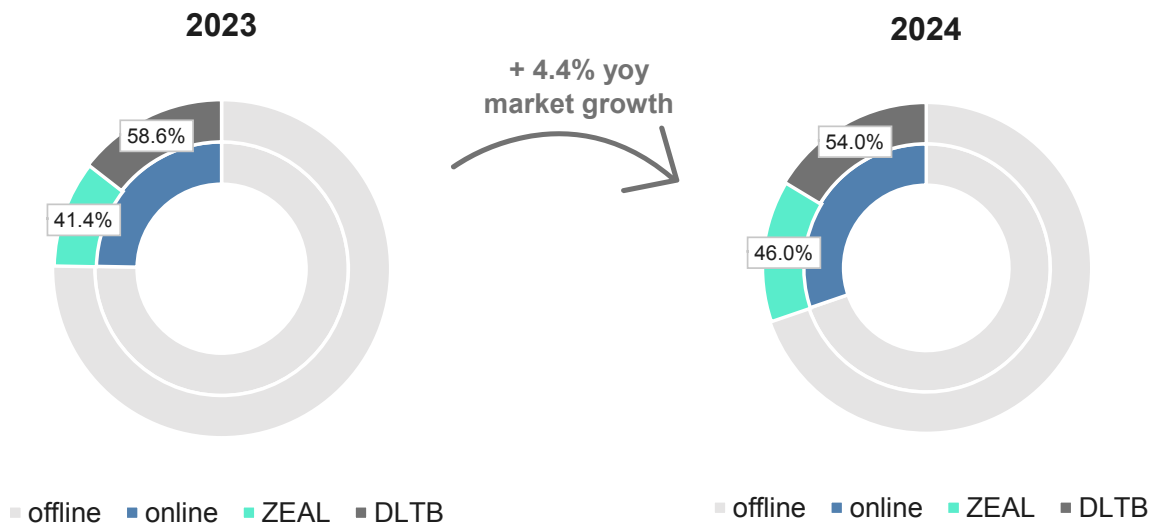
	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

ZEAL Network SE

Update - 07.01.2025

Lottery market in Germany



Source: DLTB, NuWays

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%	6.6%	3.8%	4.3%
Dividend yield	2.2%	6.6%	11.2%	2.2%	2.4%	2.6%
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	2.9	3.2	4.1	4.0	3.9	3.9
EV/sales	10.5	6.5	8.9	5.9	5.5	5.0
EV/EBITDA	31.6	21.7	31.6	18.7	20.2	17.7
EV/EBIT	46.0	30.0	43.9	22.3	24.5	20.9

Source: Company data, NuWays

Disclosures

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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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