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Q2 lottery spending remains at high levels

Yesterday, we analyzed the Q2 lottery data published by the DLTB (German state lottery) for the two most popular lottery products "Eurojackpot" and "Lotto 6aus49". Here's our takeaway:

Eurojackpot spending at high levels. With 2x peak jackpots, € 1.17bn were spent on Eurojackpot tickets in Q2. This corresponds to a 8% yoy decline (Q2'24: 2x peak jackpots, but with two separate run-ups instead of two peaks successively like in Q2'25) but a 3% qoq increase against Q1'25 (0x peak jackpots, but strong spill-overs from the exceptional Q4'24). All in all, **the spending remains high**, as in Q2'25 spending was only 4% below the high LTM average. Also, this indicates a shifting demand towards the Eurojackpot and away from Lotto 6aus49.

Lotto 6aus49 continues its weakness. The jackpot situation remained unexciting, continuing its streak of no peak jackpots for almost two years (7 quarters). However, Q2'25 pushed the bar even lower with an average jackpot size of only € 4.6m (vs. € 15m in 2023 or € 10m in 2024). However, the fact that the **average spending per draw of € 31.2m remained relatively constant** (only -4% yoy and -7% qoq), shows the relatively stable and recurring demand for this lottery product. Nevertheless, the demand in general for Lotto 6aus49 has declined continuously, with Q2'25 showing the lowest spending on this product since 2018.

The **shift in demand away from Lotto 6aus49 towards Eurojackpot** should have **no notable effect at ZEAL**, as customers simply substitute one lottery ticket for another, which ZEAL brokers to the state lottery. Nevertheless, the Q2 lottery data serve as a helpful indicator for ZEAL's Q2 performance, given that ZEAL accounts for a 44% market share of the online market (29% online penetration).

Q2 to show disproportionate sales growth. Given the fact, that overall lottery spending remained relatively stable qoq, but also that ZEAL acquired 247k new users in Q1 (of which 25% on average become active users), we expect 1.55m MAUs coupled with an ABPU of € 60 (+2.4% qoq due to 2x peak jackpots) for Q2. This should translate into lottery billings of € 280m (+7% yoy, +6% qoq) and a **disproportionate rise in lottery sales by 34% yoy** (+7% qoq) to € 48m (eNuW), due to price increases introduced in Q3'24. Adding the also rising sales from Games (eNuW: € 3.7m up 62% yoy), ZEAL should report **total Q2 sales of € 54m sales** (+33% yoy, +6% qoq), according to our estimates. On the back of higher expected marketing expenses (eNuW: € 18.5m, up 19% qoq) during the peaking jackpot phase, **Q2 EBITDA is seen at € 17m** (31% margin, up 5pp yoy and down 3.6pp qoq).

Against this backdrop, we are positioned 6% above the sales guidance and 16% above the EBITDA guidance. Consequently, a **guidance upgrade should be in the cards**, especially in the event of strong jackpots in H2. Therefore, we reiterate our **BUY recommendation** with unchanged **PT of € 64.00**, based on DCF.

Y/E 31.12 (EUR m)	2022	2023	2024	2025e	2026e	2027e
Sales	105.2	116.1	188.2	217.6	239.5	258.4
Sales growth	26.2%	10.3%	62.2%	15.6%	10.1%	7.9%
EBITDA	31.7	32.8	61.9	70.3	81.4	88.9
Net debt (if net cash=0)	-28.5	-30.0	-15.8	-12.5	-41.6	-71.1
FCF	27.1	25.1	74.5	48.7	57.3	59.8
Net Debt/EBITDA	-0.9	-0.9	-0.3	-0.2	-0.5	-0.8
EPS reported	0.74	0.59	2.70	1.79	2.14	2.38
EBITDA margin	30.1%	28.3%	32.9%	32.3%	34.0%	34.4%
ROCE	6.0%	7.2%	18.4%	21.5%	26.4%	30.2%
EV/sales	5.6	5.9	5.7	4.8	4.2	3.8
EV/EBITDA	18.6	20.9	17.3	14.7	12.4	11.0
PER	38.7	55.9	18.6	27.0	22.6	20.3
Adjusted FCF yield	4.6%	3.7%	7.0%	4.7%	5.7%	6.1%

Source: Company Data, NuWays AG

Close Price as of 01.07.2025

BUY 

old: Buy

Target

EUR 64.00

old: EUR 64.00

Upside

32.23%

Share Performance



High/low 52 weeks (EUR) 50.2 / 31.3

3m rel. performance 7.56%

6m rel. performance -1.43%

12m rel. performance 43.20%

Market Data

Share Price (in €) 48.40

Market Cap (in € m) 1,049.40

Number of Shares (in m pcs) 21.68

Enterprise Value (in € m) 1,036.87

Ø Volume (6 Months, in k) 4

Ticker

Bloomberg TIMA GR

WKN ZEAL24

ISIN DE000ZEAL241

Key Shareholders

Günther Group 35.17%

Working Capital 20.15%

Marc Peters 4.46%

Jens Schumann 3.58%

Free Float 36.64%

Guidance

FY'25 Sales: € 195-205m

FY'25 EBITDA: € 55-60m

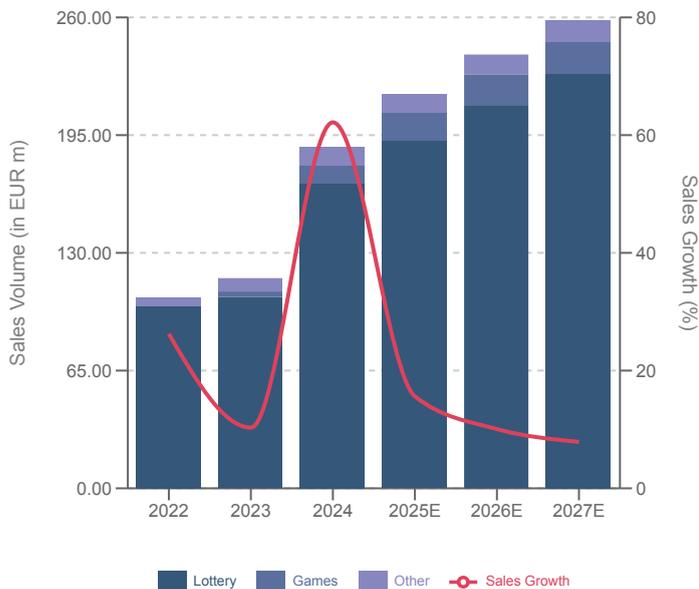
Forecast Changes

	2025e	2026e	2027e
Sales	-	-	-
EBITDA	7%	-	-
EPS	6%	-1%	-1%

Company Profile

ZEAL Network SE, Germany's leading online provider of state-licensed and other permitted lottery products, is a Hamburg-based e-commerce group that primarily brokers customer tickets to the state lottery companies via the lotto24.de and tipp24.com brands and receives a commission in return. The product range includes 'LOTTO 6aus49', 'Spiel 77', 'Super 6', 'Eurojackpot', 'GlücksSpirale', 'Keno', Lotto Clubs, 'Deutsche Fernsehlotterie' and 'freiheit+'. In mid 2023, ZEAL received the license to further offer virtual slot machine Games and currently rolls out this new business. The company was founded in Germany in 1999 as Tipp24 SE and initially operated as a lottery broker. In 2005, the company went public on the Frankfurt Stock Exchange (Prime Standard) and became one of the most successful IPOs in Germany.

Segment Breakdown



Catalysts

- Peaking Jackpots (EuroJackpot and Lotto 6aus49)
- Positive court ruling allowing active marketing of Games to Lottery costumers

Investment Case

- ZEAL is Germany's leading provider of online lottery in Germany, making up a 44% market share. It only competes with the 16 state lottery providers (one per federal state) and their online presences.
- By acting as a broker and not as an operator, ZEAL earns commissions and ticket fees from its brokerage business. This is not only asset-light (ROCEs > 20%) and easy to scale, it also comes with a highly cash-generative business model (FCF/sales > 20%). Moreover, ZEAL carries no jackpot risk as a broker.
- ZEAL does not need external financing to stem growth. The business model allows for high marketing expenditures, that are carried by recurring profits of the already large customer base. Almost all of the free cash flow is distributed to shareholders via special and base dividends as well as share buybacks.
- The growth potential is still huge, visible in a only 29% online penetration of lottery in Germany, while other European countries have much higher penetration rates (e.g. Norway: 60%, UK 45%)

Upcoming Events

Aug 05	Publication of Q2 Report
Nov 04	Publication of Q3 Report

SWOT Analysis

Strengths

- Strong customer acquisition track record
- New and innovative products to secure growth outside the state lottery
- Diverse product portfolio that includes state lottery products and own offerings (social lotteries, raffles and games)
- Established brand reputation and extreme customer loyalty

Weaknesses

- Jackpot dependency
- Highly regulated market limiting certain operations and incurs dependency on the legislator

Opportunities

- Less restrictive gambling regulation
- Effective ban of illegal online lottery providers (i.e. illegal competitors)

Threats

- Potential risks related to cybersecurity and data protection.
- Regulatory changes that can impact operations and profitability.
- Increasing competition from the state operators
- Reputation risks associated with gambling-related activities may deter potential customers or attract negative publicity.

Financials

Profit and loss (EUR m)	2022	2023	2024	2025e	2026e	2027e
Net sales	105.2	116.1	188.2	217.6	239.5	258.4
Sales growth	26.2%	10.3%	62.2%	15.6%	10.1%	7.9%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	105.2	116.1	188.2	217.6	239.5	258.4
Other operating income	2.3	1.3	3.1	2.2	2.4	2.6
Material expenses	0.0	-0.0	0.0	0.0	0.0	0.0
Personnel expenses	18.9	22.6	31.5	35.0	37.2	39.0
Other operating expenses	57.0	62.0	98.0	114.4	123.4	133.1
Total operating expenses	73.5	83.2	126.3	147.3	158.1	169.5
EBITDA	31.7	32.8	61.9	70.3	81.4	88.9
Depreciation	0.7	0.0	0.0	0.0	0.0	0.0
EBITA	31.0	32.8	61.9	70.3	81.4	88.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	8.1	9.3	8.2	8.7	8.7	8.7
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	22.9	23.6	53.7	61.6	72.6	80.1
Interest income	1.4	0.5	0.5	0.5	0.4	0.3
Interest expenses	0.7	1.8	3.2	5.0	4.8	4.5
Investment income	-0.2	-0.0	-0.6	0.0	0.0	0.0
Financial result	-0.1	-1.3	-3.4	-4.5	-4.4	-4.2
Recurring pretax income from continuing operations	22.8	22.2	50.3	57.1	68.3	75.9
Extraordinary income/loss	0.0	-0.0	0.0	0.0	0.0	0.0
Earnings before taxes	22.8	22.3	50.3	57.1	68.3	75.9
Income tax expense	6.2	8.6	-9.2	18.3	21.8	24.3
Net income from continuing operations	16.6	13.7	59.4	38.8	46.4	51.6
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	16.6	13.7	59.4	38.8	46.4	51.6
Minority interest	0.6	0.9	1.0	0.0	0.0	0.0
Net profit (reported)	16.0	12.8	58.4	38.8	46.4	51.6
Average number of shares	21.7	21.7	21.7	21.7	21.7	21.7
EPS reported	0.74	0.59	2.70	1.79	2.14	2.38

Source: Company Data, NuWays AG

Profit and loss (common size)	2022	2023	2024	2025e	2026e	2027e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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	2.2%	1.1%	1.6%	1.0%	1.0%	1.0%
Material expenses	0.0%	-0.0%	0.0%	0.0%	0.0%	0.0%
Personnel expenses	18.0%	19.4%	16.7%	16.1%	15.5%	15.1%
Other operating expenses	54.1%	53.4%	52.1%	52.6%	51.5%	51.5%
Total operating expenses	69.9%	71.7%	67.1%	67.7%	66.0%	65.6%
EBITDA	30.1%	28.3%	32.9%	32.3%	34.0%	34.4%
Depreciation	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITA	29.5%	28.3%	32.9%	32.3%	34.0%	34.4%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	7.7%	8.0%	4.4%	4.0%	3.7%	3.4%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	21.8%	20.3%	28.5%	28.3%	30.3%	31.0%
Interest income	1.4%	0.4%	0.2%	0.2%	0.2%	0.1%
Interest expenses	0.7%	1.5%	1.7%	2.3%	2.0%	1.7%
Investment income	-0.2%	-0.0%	-0.3%	0.0%	0.0%	0.0%
Financial result	-0.1%	-1.2%	-1.8%	-2.1%	-1.8%	-1.6%
Recurring pretax income from continuing operations	21.7%	19.2%	26.7%	26.2%	28.5%	29.4%
Extraordinary income/loss	0.0%	-0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	21.7%	19.2%	26.7%	26.2%	28.5%	29.4%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	15.7%	11.8%	31.6%	17.8%	19.4%	20.0%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	15.7%	11.8%	31.6%	17.8%	19.4%	20.0%
Minority interest	1.3%	1.4%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	3.5%	3.2%	12.8%	8.8%	10.2%	10.9%

Source: Company Data, NuWays AG

Balance sheet (EUR m)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	289.6	281.7	273.7	264.9	256.2	247.5
Property, plant and equipment	1.2	1.2	1.3	1.7	2.0	2.4
Financial assets	22.5	18.2	17.7	17.7	17.7	17.7
Fixed Assets	313.2	301.0	292.7	284.3	275.9	267.6
Inventories	0.0	0.0	3.2	3.2	0.0	0.0
Accounts receivable	1.4	2.6	4.8	5.0	5.5	5.5
Other assets and short-term financial assets	75.4	30.5	40.2	40.2	40.2	40.2
Liquid assets	61.2	57.7	114.9	107.6	132.7	158.2
Deferred taxes	6.9	1.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	1.5	1.7	1.7	1.7	1.7	1.7
Current Assets	146.5	93.9	164.8	157.7	180.2	205.6
Total Assets	459.7	394.9	457.5	442.1	456.1	473.2
Shareholders Equity	328.0	259.2	238.5	225.1	243.2	264.2
Minority interest	6.1	5.6	0.0	0.0	0.0	0.0
Long-term liabilities to banks	22.9	15.8	86.2	82.2	78.2	74.2
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	5.1	4.8	2.4	2.4	2.4	2.4
Provisions for pensions and similar obligations	0.1	0.7	3.5	3.5	3.5	3.5
Other provisions and accrued liabilities	4.0	4.2	7.3	7.3	7.3	7.3
NON-CURRENT LIABILITIES	32.1	25.5	99.3	95.3	91.3	87.3
Short-term liabilities to banks	4.7	7.2	10.5	10.5	10.5	10.5
Accounts payable	3.8	3.6	12.2	14.0	14.0	14.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	5.8	1.4	7.5	7.5	7.5	7.5
Other liabilities (incl. from lease and rental contracts)	33.0	48.0	62.0	62.0	62.0	62.0
Deferred taxes	46.3	44.2	27.5	27.5	27.5	27.5
Deferred income	0.0	0.3	0.0	0.0	0.0	0.0
Current Liabilities	93.5	104.7	119.7	121.6	121.6	121.6
Total Liabilities and Shareholders Equity	459.7	394.9	457.5	442.1	456.1	473.2

Source: Company Data, NuWays AG

Balance sheet (common size)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	63.0%	71.3%	59.8%	59.9%	56.2%	52.3%
Property, plant and equipment	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%
Financial assets	4.9%	4.6%	3.9%	4.0%	3.9%	3.7%
Fixed Assets	68.1%	76.2%	64.0%	64.3%	60.5%	56.5%
Inventories	0.0%	0.0%	0.7%	0.7%	0.0%	0.0%
Accounts receivable	0.3%	0.7%	1.0%	1.1%	1.2%	1.2%
Other assets and short-term financial assets	16.4%	7.7%	8.8%	9.1%	8.8%	8.5%
Liquid assets	13.3%	14.6%	25.1%	24.4%	29.1%	33.4%
Deferred taxes	1.5%	0.3%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%
Current Assets	31.9%	23.8%	36.0%	35.7%	39.5%	43.5%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Shareholders Equity	71.3%	65.6%	52.1%	50.9%	53.3%	55.8%
Minority interest	1.3%	1.4%	0.0%	0.0%	0.0%	0.0%
Long-term liabilities to banks	5.0%	4.0%	18.8%	18.6%	17.2%	15.7%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	1.1%	1.2%	0.5%	0.5%	0.5%	0.5%
Provisions for pensions and similar obligations	0.0%	0.2%	0.8%	0.8%	0.8%	0.7%
Other provisions and accrued liabilities	0.9%	1.1%	1.6%	1.6%	1.6%	1.5%
NON-CURRENT LIABILITIES	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	1.0%	1.8%	2.3%	2.4%	2.3%	2.2%
Accounts payable	0.8%	0.9%	2.7%	3.2%	3.1%	3.0%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	1.3%	0.3%	1.6%	1.7%	1.6%	1.6%
Other liabilities (incl. from lease and rental contracts)	7.2%	12.2%	13.6%	14.0%	13.6%	13.1%
Deferred taxes	10.1%	11.2%	6.0%	6.2%	6.0%	5.8%
Deferred income	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Current Liabilities	20.3%	26.5%	26.2%	27.5%	26.7%	25.7%
Total Liabilities and Shareholders Equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company Data, NuWays AG

Cash flow (EUR m)	2022	2023	2024	2025e	2026e	2027e
Net profit/loss	16.6	13.7	59.4	38.8	46.4	51.6
Depreciation of fixed assets (incl. leases)	0.7	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill & intangible assets	8.1	9.3	8.2	8.7	8.7	8.7
Other costs affecting income / expenses	-0.3	0.0	-17.2	0.0	0.0	0.0
Cash flow from operating activities	27.3	25.5	74.6	48.7	57.3	59.8
Increase/decrease in inventory	4.3	0.0	-3.2	0.0	3.2	0.0
Increase/decrease in accounts receivable	0.4	-1.2	-2.1	-0.2	-0.5	0.0
Increase/decrease in accounts payable	0.1	-0.2	8.5	1.9	0.0	0.0
Increase/decrease in other working capital positions	-1.2	4.0	21.4	0.0	0.0	0.0
Increase/decrease in working capital	3.5	2.6	24.7	1.7	2.7	0.0
Cash flow from operating activities	28.5	25.6	75.1	49.3	57.8	60.4
CAPEX	1.4	0.4	0.6	0.6	0.6	0.6
Payments for acquisitions	0.6	0.0	1.2	0.0	0.0	0.0
Financial investments	5.4	0.4	0.0	0.0	0.0	0.0
Income from asset disposals	1.2	57.2	1.9	0.0	0.0	0.0
Cash flow from investing activities	-6.2	56.4	0.2	-0.6	-0.6	-0.6
Cash flow before financing	-24.7	2.5	51.4	-3.3	29.1	29.4
Increase/decrease in debt position	16.9	-5.0	71.4	-4.0	-4.0	-4.0
Purchase of own shares	20.0	0.0	25.0	0.0	0.0	0.0
Capital measures	0.1	0.0	0.0	0.0	0.0	0.0
Dividends paid	47.0	79.4	23.8	52.0	28.2	30.4
Others	-1.2	-1.0	-40.7	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	-51.1	-85.4	-18.1	-56.0	-32.2	-34.4
Increase/decrease in liquid assets	-28.9	-3.5	57.2	-7.3	25.1	25.4
Liquid assets at end of period	61.2	57.7	114.9	107.6	132.7	158.2

Source: Company Data, NuWays AG

Key ratios	2022	2023	2024	2025e	2026e	2027e
P&L growth analysis						
Sales growth	26.2%	10.3%	62.2%	15.6%	10.1%	7.9%
EBITDA growth	14.1%	3.8%	88.3%	13.7%	15.7%	9.2%
EBIT growth	20.4%	2.9%	127.4%	14.7%	18.0%	10.3%
EPS growth	52.8%	-19.8%	356.4%	-33.6%	19.6%	11.2%
Efficiency						
Sales per employee	649.4	694.9	1,094.2	1,243.4	1,345.5	1,427.6
EBITDA per employee	195.4	196.7	359.6	401.8	457.2	491.0
No. employees (average)	162	167	172	175	178	181
Balance sheet analysis						
Avg. working capital / sales	-2.0%	-1.0%	-1.7%	-1.5%	-2.7%	-2.8%
Inventory turnover (sales/inventory)	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable turnover	5.0	8.3	8.3	8.3	8.3	7.7
Accounts payable turnover	13.2	11.4	23.6	23.6	21.4	19.8
Cash flow analysis						
Free cash flow	27.1	25.1	74.5	48.7	57.3	59.8
Free cash flow/sales	25.7%	21.7%	39.6%	22.4%	23.9%	23.1%
FCF / net profit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capex / sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Solvency						
Net debt	-28.5	-30.0	-15.8	-12.5	-41.6	-71.1
Net Debt/EBITDA	-0.9	-0.9	-0.3	-0.2	-0.5	-0.8
Dividend payout ratio	488.6%	186.2%	89.0%	72.6%	65.4%	63.0%
Interest paid / avg. debt	2.3%	4.5%	4.9%	8.1%	5.0%	5.0%
Returns						
ROCE	6.0%	7.2%	18.4%	21.5%	26.4%	30.2%
ROE	4.9%	4.9%	24.5%	17.2%	19.1%	19.5%
Adjusted FCF yield	4.6%	3.7%	7.0%	4.7%	5.7%	6.1%
Dividend yield	12.6%	3.3%	4.8%	2.7%	2.9%	3.1%
DPS	3.6	1.1	2.4	1.3	1.4	1.5
EPS reported	0.74	0.59	2.70	1.79	2.14	2.38
Average number of shares	21.7	21.7	21.7	21.7	21.7	21.7
Valuation ratios						
P/BV	1.9	2.8	4.6	4.7	4.3	4.0
EV/sales	5.6	5.9	5.7	4.8	4.2	3.8
EV/EBITDA	18.6	20.9	17.3	14.7	12.4	11.0
EV/EBIT	25.7	29.1	20.0	16.8	13.9	12.2

Source: Company Data, NuWays AG

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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	08.05.2025	Henry Wendisch	Buy	EUR 64.00	EUR 47.10
	29.04.2025	Henry Wendisch	Buy	EUR 62.00	EUR 44.70
	27.03.2025	Henry Wendisch	Buy	EUR 61.00	EUR 42.90
	07.01.2025	Henry Wendisch	Buy	EUR 60.00	EUR 48.00
	07.11.2024	Henry Wendisch	Buy	EUR 57.00	EUR 42.70
	15.10.2024	Henry Wendisch	Buy	EUR 54.00	EUR 36.50

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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.

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ment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

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