

ZEAL Network SE

Germany | Travel & Leisure | MCap EUR 764.5m

27 August 2024

UPDATE



Chasing the Dream House: BUY

What's it all about?

ZEAL Network SE is strategically reducing the dependence on high jackpot periods by launching the Traumhausverlosung social lottery, Germany's first dream house raffle. This innovative product, which offers luxurious tangible prizes like a EUR 1.1m dream home near the Baltic Sea, also appeals to younger and female demographics by tapping into specific aspirations and creating a stronger emotional connection. With high billing margins and a new TV campaign, Traumhausverlosung is set to boost revenues and improve margins, while contributing 30% of proceeds to social projects. ZEAL business also thrives by leveraging psychological drivers like hope, social influence, and the gambler's fallacy, which keep participants engaged and returning. We reiterate our BUY recommendation with an unchanged PT of EUR 56.50.

BUY (BUY)

Target price EUR 56.50 (56.50)
Current price EUR 35.30
Up/downside 60.1%

 **ResearchHub**



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ZEAL Network SE

Germany | Travel & Leisure | MCap EUR 764.5m | EV EUR 734.5m

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Chasing the Dream House: BUY

Jackpot Peaks on Hold. In the first two months of the third quarter, Eurojackpot and Lotto 6aus49 have yet to see jackpot peaks. These high jackpot periods are typically the most lucrative for lottery businesses, driving a surge in ticket sales as players chase life-changing sums. To mitigate dependency on these periods and attract a new demographic of customers—such as younger and female players—ZEAL launched the innovative *Traumhausverlosung* social lottery in August 2024.

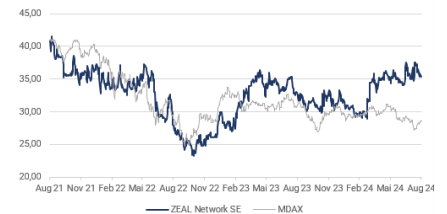
Innovative Growth. The strategic launch of *Traumhausverlosung* marks Germany's first dream house raffle, offering a luxurious house near the Baltic Sea valued at approximately EUR 1.1m, with the drawing set for November 4. This product appeals to deep emotional desires by providing high-value, tangible prizes like dream homes and luxury cars, significantly boosting participant engagement. It leverages psychological drivers such as hope and aspiration, while also ensuring a winner in each draw and dedicating 30% of ticket proceeds to social projects, enhancing both its appeal and social impact. With expected high billing margins of 25-30% (relative to 14-15% for lottery brokerage) and a new TV campaign, *Traumhausverlosung* is positioned to drive substantial future growth in revenues and profits.

Hope and Social Influence Drives Play. Lottery businesses thrive on the power of hope. Despite astronomical odds, people play the lottery because it offers an escape from reality, a glimmer of hope for a better life. This psychological allure of instant wealth keeps participants engaged, even when logic suggests otherwise. The fear of missing out is also a powerful motivator. Knowing that friends or acquaintances are playing or discussing potential wins creates social pressure, nudging others to join in. The communal aspect of lottery play reinforces the habit and generates a recurring revenue stream for ZEAL. Moreover, many players believe that after a series of losses, a win is imminent. This cognitive bias encourages persistent play, with players convinced their "big win" is around the corner, even though each draw is independent.

Est. unchanged, BUY. Despite the absence of Jackpot peaks, we expect ZEAL's positive momentum to continue, driven by its ability to innovate and the psychological drivers outlined above. We reiterate our BUY recommendation with a PT of EUR 56.50.

ZEAL Network SE	2021	2022	2023	2024E	2025E	2026E
Sales	83.3	105.2	116.0	149.1	171.5	188.6
<i>Growth yoy</i>	-4.2%	26.2%	10.3%	28.5%	15.0%	10.0%
EBITDA	27.7	31.7	32.9	42.8	52.6	61.7
EBIT	19.0	22.9	23.6	34.7	45.0	54.5
Net profit	10.8	16.0	12.8	21.0	27.6	33.7
Net debt (net cash)	-74.5	-28.5	-30.0	-43.0	-60.6	-82.2
Net debt/EBITDA	-2.7x	-0.9x	-0.9x	-1.0x	-1.2x	-1.3x
EPS reported	0.48	0.72	0.59	0.97	1.28	1.55
DPS	1.00	1.00	1.10	1.17	1.28	1.40
<i>Dividend yield</i>	2.8%	2.8%	3.1%	3.3%	3.6%	4.0%
Gross profit margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	33.3%	30.1%	28.4%	28.7%	30.7%	32.7%
EBIT margin	22.9%	21.8%	20.4%	23.2%	26.3%	28.9%
ROCE	4.2%	5.4%	6.8%	10.0%	12.8%	15.0%
EV/Sales	8.3x	7.0x	6.3x	4.8x	4.1x	3.6x
EV/EBITDA	24.9x	23.3x	22.3x	16.9x	13.4x	11.1x
EV/EBIT	36.2x	32.1x	31.1x	20.8x	15.6x	12.5x
PER	73.2x	49.3x	59.5x	36.4x	27.7x	22.7x

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 37.80 / 28.20
Price/Book Ratio 2.9x

Ticker / Symbols

ISIN DE000ZEAL241
WKN ZEAL24
Bloomberg TIMA:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	149.1	34.7	0.97
	Δ	0.0%	0.0%	0.0%
2025E	old	171.5	45.0	1.28
	Δ	0.0%	0.0%	0.0%
2026E	old	188.6	54.5	1.55
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 21.66
Book value per share: (in EUR) 11.97
Ø trading vol.: (12 months) 4,093

Major shareholders

Günther Group 35.2%
Working Capital 20.1%
Peters Marc 4.5%
Free Float 36.7%

Company description

Headquartered in Hamburg, ZEAL is an online lottery broker offering state lotteries, social lotteries, and slot machine games. The company primarily operates in Germany, with a small presence in Spain and the UK.

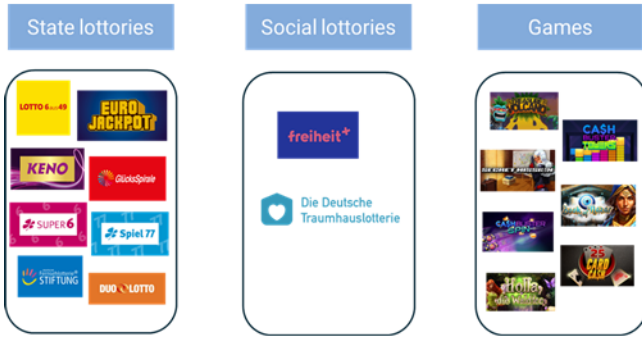
The following table displays the quarterly performance of **ZEAL Network SE**:

P&L data	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Sales	25.1	30.8	26.7	28.1	31.2	30.0	36.1	40.6
yoy growth in %	22.1%	68.2%	6.3%	15.9%	24.4%	-2.3%	35.2%	44.3%
Gross profit	25.1	30.8	26.7	28.1	31.2	30.0	36.1	40.6
Gross margin in %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA	5.6	9.7	9.3	4.4	9.4	9.7	9.4	10.7
EBITDA margin in %	22.2%	31.4%	34.9%	15.6%	30.1%	32.2%	26.0%	26.3%
EBIT	3.4	7.4	7.1	2.2	7.3	7.0	7.5	8.6
EBIT margin in %	13.4%	24.2%	26.6%	7.7%	23.4%	23.2%	20.9%	21.2%
EBT	3.3	7.4	6.8	1.9	6.9	6.6	6.9	8.6
taxes paid	0.5	2.9	2.4	0.8	2.4	3.1	-14.2	-7.9
tax rate in %	16.2%	39.2%	35.4%	39.1%	34.3%	46.1%	-204.7%	-91.9%
net profit	2.7	3.8	4.4	1.1	4.3	3.3	21.1	15.8
yoy growth in %	62.5%	-0.4%	-12.6%	-73.5%	58.1%	-13.8%	382.4%	1,305.1%
EPS	0.12	0.17	0.20	0.05	0.20	0.15	0.94	0.71

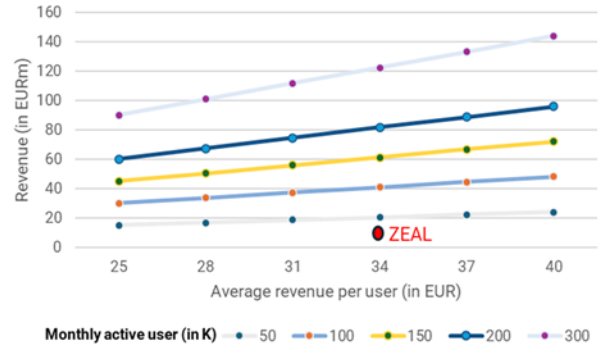
Source: Company data; mwb research

Investment case in six charts

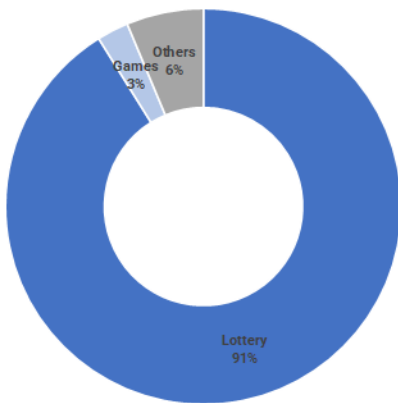
Products & Services



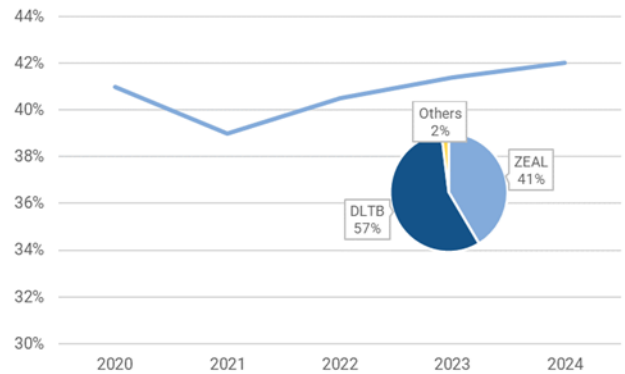
Games - What If?



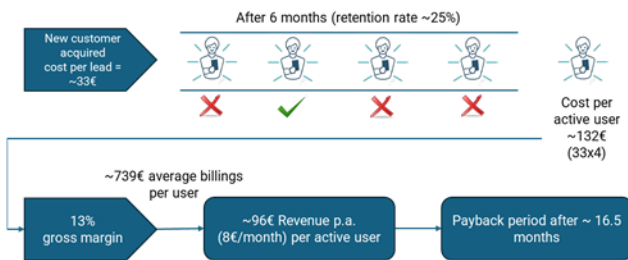
Segmental breakdown in %



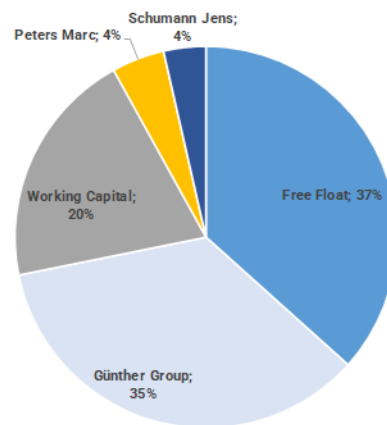
Market share and competitors



Payback period based on Q1-24 financials



Major Shareholders



Source: Company data, mwb research

SWOT analysis

Strengths

- Comprehensive product portfolio
- High customer loyalty and satisfaction
- No1. online broker for lotteries in Germany
- Recurring revenue with no jackpot risks
- Attractive dividend policy

Weaknesses

- Dependence on state lotteries and state permission
- Reliance on the German market

Opportunities

- Games (Instant win games)
- Social lotteries
- Expansion into Spain

Threats

- Better cooperation of the DLTB

Valuation

DCF Model

The DCF model results in a **fair value of EUR 56.66 per share**:

Top-line growth: We expect ZEAL Network SE to grow revenues at a CAGR of 9.5% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 10.0% in 2024E to 21.3% in 2031E.

WACC. Starting point is a historical equity beta of 0.73. Unlevering and correcting for mean reversion yields an asset beta of 0.81. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 8.5%. With pre-tax cost of borrowing at 5.0%, a tax rate of 32.0% and target debt/equity of 0.5 this results in a long-term WACC of 6.8%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	22.1	28.8	34.8	38.3	42.8	47.7	53.0	60.0	
Depreciation & amortization	8.1	7.6	7.2	6.8	6.4	6.1	5.8	0.9	
Change in working capital	3.9	6.4	4.9	5.4	5.9	6.5	7.2	1.6	
Chg. in long-term provisions	2.9	-0.1	1.9	-0.4	-1.0	0.7	0.3	1.2	
Capex	-0.5	-0.6	-0.7	-0.8	-0.8	-0.9	-1.0	-1.0	
Cash flow	36.6	42.0	48.0	49.3	53.2	60.0	65.2	62.5	1,332.1
Present value	35.7	38.5	41.1	39.5	40.0	42.2	42.9	38.5	822.3
WACC	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%

DCF per share derived from		DCF avg. growth and earnings assumptions	
Total present value	1,140.6	Planning horizon avg. revenue growth (2024E-2031E)	9.5%
Mid-year adj. total present value	1,178.9	Terminal value growth (2031E - infinity)	2.0%
Net debt / cash at start of year	-30.0	Terminal year ROCE	21.3%
Financial assets	18.2	Terminal year WACC	6.8%
Provisions and off b/s debt	na		
Equity value	1,227.1	Terminal WACC derived from	
No. of shares outstanding	21.7	Cost of borrowing (before taxes)	5.0%
		Long-term tax rate	32.0%
		Equity beta	0.73
		Unlevered beta (industry or company)	0.81
		Target debt / equity	0.5
		Relevered beta	1.08
		Risk-free rate	2.0%
		Equity risk premium	6.0%
		Cost of equity	8.5%
Discounted cash flow / share upside/(downside)	56.66 / 60.5%		
Share price	35.30		

Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	1.0%	1.5%	2.0%	2.5%	3.0%		
2.0%	37.5	39.1	40.9	42.9	45.4	2024E-2027E	13.6%
1.0%	42.7	44.8	47.4	50.4	54.1	2028E-2031E	14.3%
0.0%	49.6	52.8	56.7	61.4	67.5	terminal value	72.1%
-1.0%	59.4	64.4	70.8	79.2	90.5		
-2.0%	74.4	83.2	95.2	112.4	139.2		

Source: mwb research

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 23.65 per share based on 2024E and EUR 45.36 per share on 2028E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2024E	2025E	2026E	2027E	2028E
EBITDA	42.8	52.6	61.7	66.8	73.5
- Maintenance capex	0.9	0.8	0.8	0.7	0.8
- Minorities	1.4	1.9	2.3	2.5	2.8
- tax expenses	10.6	13.9	16.9	18.7	20.9
= Adjusted FCF	29.9	36.1	41.7	44.8	49.0
Actual Market Cap	790.6	790.6	790.6	790.6	790.6
+ Net debt (cash)	-43.0	-60.6	-82.2	-102.6	-127.8
+ Pension provisions	0.0	0.0	0.0	0.0	0.0
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	18.2	18.2	18.2	18.2	18.2
- Acc. dividend payments	23.8	49.1	76.7	107.0	136.7
<i>EV Reconciliations</i>	-85.0	-127.8	-177.0	-227.7	-282.7
= Actual EV'	705.6	662.8	613.6	562.8	507.9
Adjusted FCF yield	4.2%	5.4%	6.8%	8.0%	9.6%
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV	427.2	515.4	595.9	640.7	699.6
- <i>EV Reconciliations</i>	-85.0	-127.8	-177.0	-227.7	-282.7
Fair Market Cap	512.3	643.2	772.9	868.4	982.2
No. of shares (million)	21.7	21.7	21.7	21.7	21.7
Fair value per share in EUR	23.65	29.70	35.69	40.10	45.36
Premium (-) / discount (+)	-33.0%	-15.9%	1.1%	13.6%	28.5%

Sensitivity analysis FV						
		5.0%	6.0%	7.0%	8.0%	9.0%
Adjusted hurdle rate	5.0%	31.5	39.2	46.7	51.9	58.3
	6.0%	26.9	33.7	40.3	45.0	50.7
	7.0%	23.7	29.7	35.7	40.1	45.4
	8.0%	21.2	26.7	32.2	36.4	41.3
	9.0%	19.3	24.4	29.6	33.5	38.2

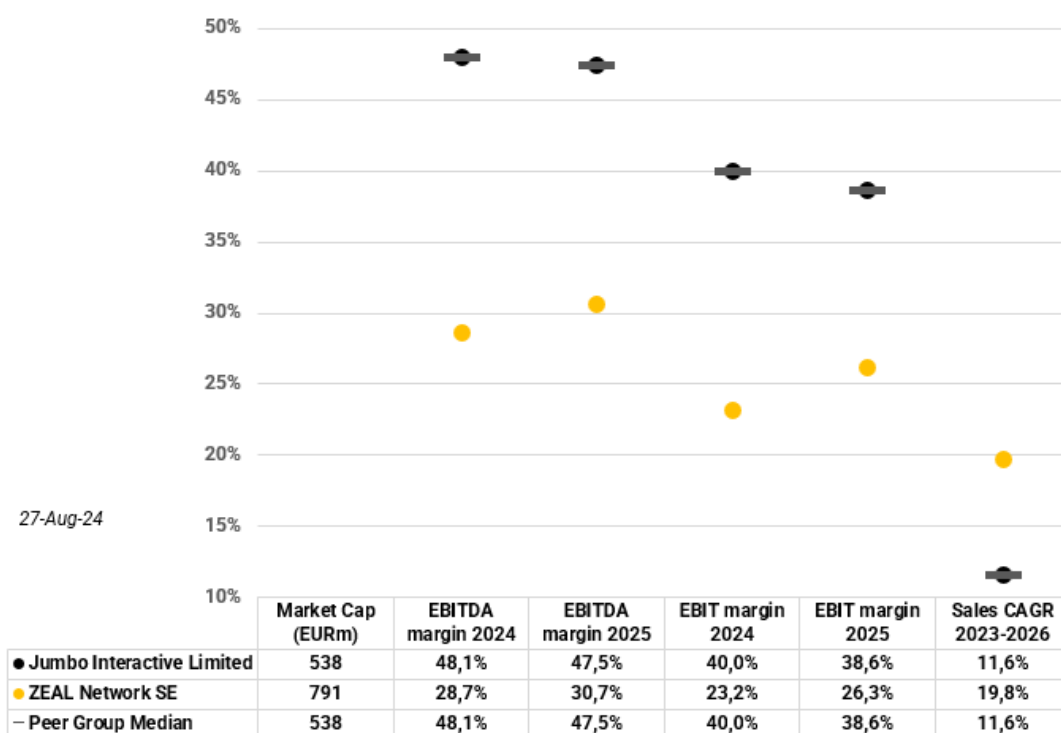
Source: Company data; mwb research

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Peer group analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company’s relative value – how much it should be worth based on how it compares to other similar companies. Given that **ZEAL Network SE** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of ZEAL Network SE consists of the stocks displayed in the chart below. As of 27 August 2024 the median market cap of the peer group was EUR 537.6m, compared to EUR 764.5m for ZEAL Network SE. In the period under review, the peer group was more profitable than ZEAL Network SE. The expectations for sales growth are lower for the peer group than for ZEAL Network SE.

Peer Group – Key data

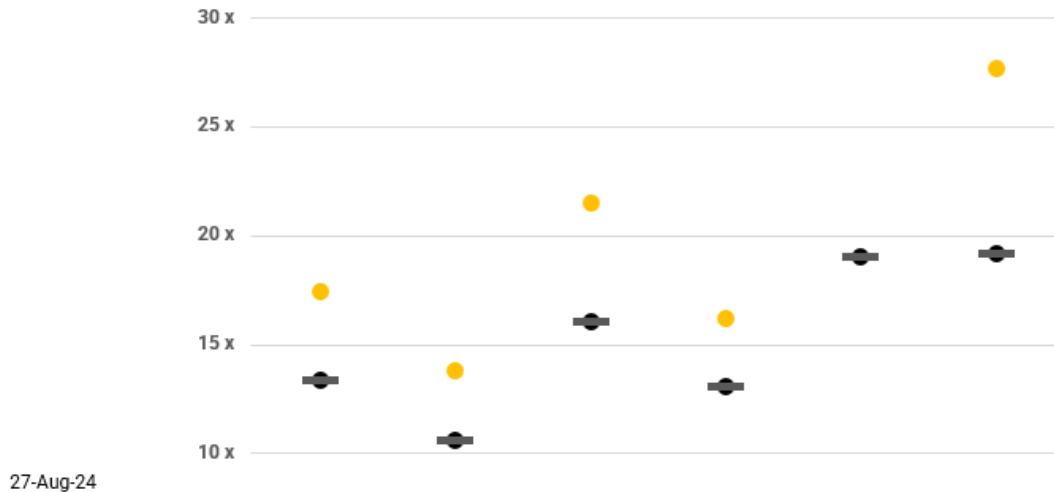


Source: FactSet, mwb research

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025.

Applying these to ZEAL Network SE results in a range of fair values from EUR 18.54 to EUR 29.31.

Peer Group – Multiples and valuation



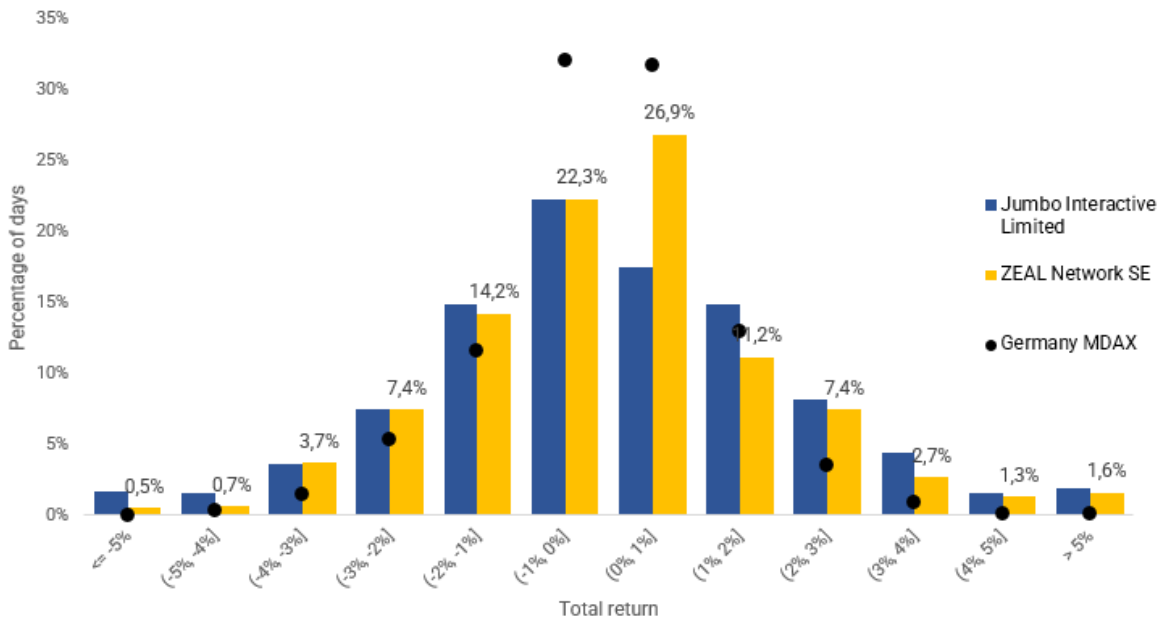
	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
● Jumbo Interactive Limited	13,4x	10,7x	16,1x	13,1x	19,1x	19,2x
● ZEAL Network SE	17,5x	13,9x	21,6x	16,2x	36,4x	27,7x
– Peer Group Median	13,4x	10,7x	16,1x	13,1x	19,1x	19,2x
Fair Value (EUR)	28,50	27,95	27,81	29,31	18,54	24,54

Source: FactSet, mwb research

Risk

The chart displays the **distribution of daily returns of ZEAL Network SE** over the last 3 years, compared to the same distribution for Jumbo Interactive Limited. We have also included the distribution for the index Germany MDAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For ZEAL Network SE, the worst day during the past 3 years was 05/07/2022 with a share price decline of -8.8%. The best day was 21/03/2024 when the share price increased by 10.7%.

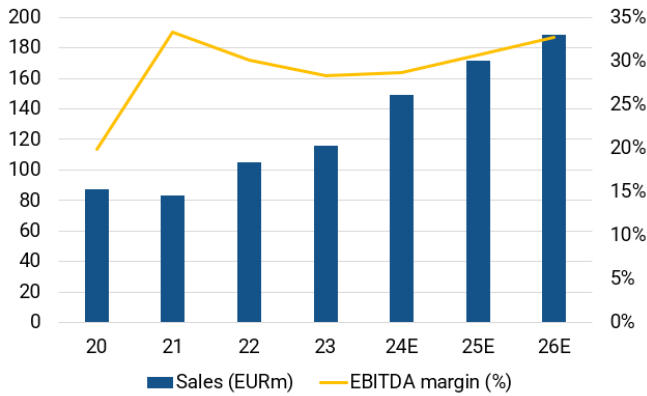
Risk – Daily Returns Distribution (trailing 3 years)



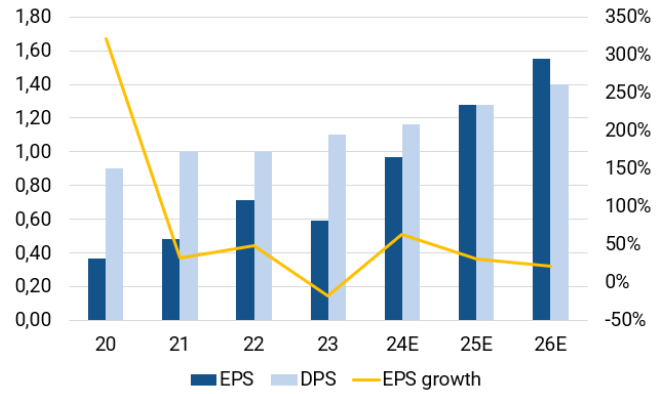
Source: FactSet, mwb research

Financials in six charts

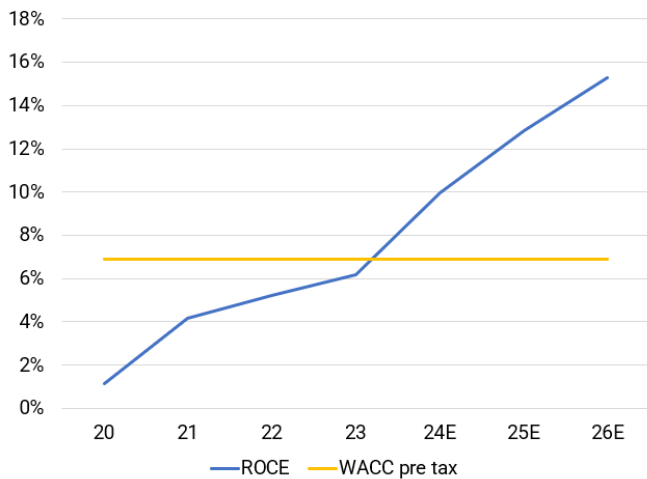
Sales vs. EBITDA margin development



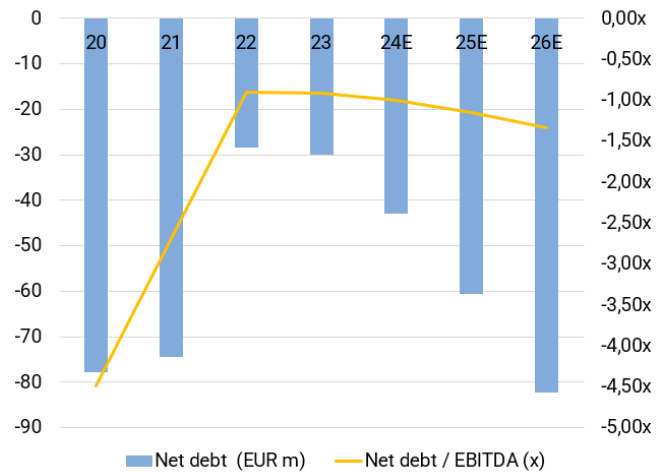
EPS, DPS in EUR & yoy EPS growth



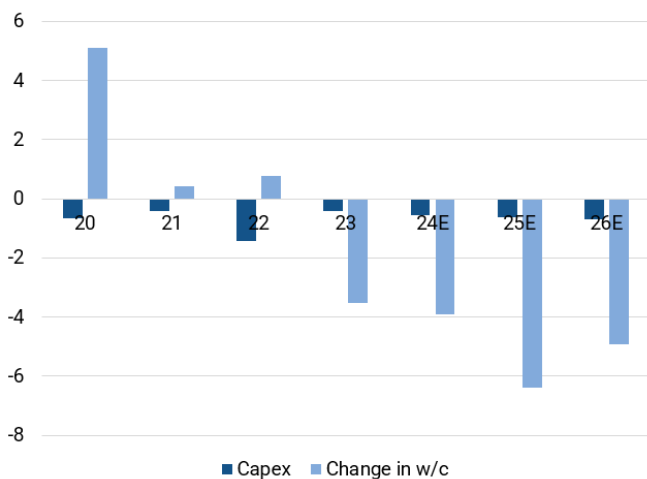
ROCE vs. WACC (pre tax)



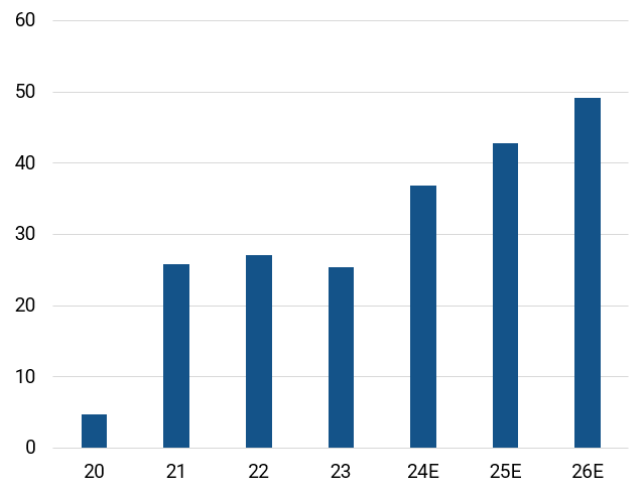
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Net sales	83.3	105.2	116.0	149.1	171.5	188.6
Sales growth	-4.2%	26.2%	10.3%	28.5%	15.0%	10.0%
Change 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	116.0	149.1	171.5	188.6
Material expenses	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	83.3	105.2	116.0	149.1	171.5	188.6
Other operating income	4.6	2.3	1.4	1.8	2.1	2.3
Personnel expenses	19.0	18.9	22.6	26.8	30.9	33.0
Other operating expenses	41.1	57.0	62.0	81.3	90.0	96.2
EBITDA	27.7	31.7	32.9	42.8	52.6	61.7
Depreciation	1.2	1.0	1.6	0.9	0.8	0.8
EBITA	26.5	30.7	31.3	41.9	51.8	60.9
Amortisation of goodwill and intangible assets	7.5	7.7	7.7	7.2	6.8	6.4
EBIT	19.0	22.9	23.6	34.7	45.0	54.5
Financial result	-2.4	-0.1	-1.3	-1.6	-1.6	-1.6
Recurring pretax income from continuing operations	16.7	22.8	22.3	33.0	43.4	52.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	16.7	22.8	22.3	33.0	43.4	52.9
Taxes	5.3	6.2	8.6	10.6	13.9	16.9
Net income from continuing operations	11.4	16.6	13.7	22.5	29.5	36.0
Result 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	22.5	29.5	36.0
Minority interest	-0.6	-0.6	-0.9	-1.4	-1.9	-2.3
Net profit (reported)	10.8	16.0	12.8	21.0	27.6	33.7
Average number of shares	22.36	22.30	21.66	21.66	21.66	21.66
EPS reported	0.48	0.72	0.59	0.97	1.28	1.55

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	0%	0%	0%	0%	0%	0%
Total sales	100%	100%	100%	100%	100%	100%
Material expenses	0%	0%	0%	0%	0%	0%
Gross profit	100%	100%	100%	100%	100%	100%
Other operating income	5%	2%	1%	1%	1%	1%
Personnel expenses	23%	18%	19%	18%	18%	18%
Other operating expenses	49%	54%	53%	55%	53%	51%
EBITDA	33%	30%	28%	29%	31%	33%
Depreciation	1%	1%	1%	1%	0%	0%
EBITA	32%	29%	27%	28%	30%	32%
Amortisation of goodwill and intangible assets	9%	7%	7%	5%	4%	3%
EBIT	23%	22%	20%	23%	26%	29%
Financial result	-3%	-0%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	20%	22%	19%	22%	25%	28%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	20%	22%	19%	22%	25%	28%
Taxes	6%	6%	7%	7%	8%	9%
Net income from continuing operations	14%	16%	12%	15%	17%	19%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	14%	16%	12%	15%	17%	19%
Minority interest	-1%	-1%	-1%	-1%	-1%	-1%
Net profit (reported)	13%	15%	11%	14%	16%	18%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E
Intangible assets (excl. Goodwill)	135.6	128.3	120.7	113.5
Goodwill	158.6	158.6	158.6	158.6
Property, plant and equipment	4.5	3.8	3.6	3.2
Financial assets	16.6	22.5	18.2	18.2
FIXED ASSETS	315.2	313.3	301.0	293.5
Inventories	0.0	0.0	0.0	0.0
Accounts receivable	1.8	1.4	2.6	2.9
Other current assets	27.4	19.1	30.5	30.5
Liquid assets	90.1	61.2	57.7	71.0
Deferred taxes	11.9	6.9	1.0	1.0
Deferred charges and prepaid expenses	57.0	57.8	1.7	2.2
CURRENT ASSETS	188.2	146.5	93.6	107.7
TOTAL ASSETS	503.4	459.7	394.7	401.1
SHAREHOLDERS EQUITY	378.2	327.9	259.2	257.8
MINORITY INTEREST	6.7	6.1	5.6	5.6
Long-term debt	12.5	26.6	18.2	18.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0
Other provisions	57.3	54.6	53.7	56.7
Non-current liabilities	69.8	81.1	71.9	74.7
short-term liabilities to banks	3.1	6.2	9.5	10.0
Accounts payable	3.7	3.8	3.6	4.0
Advance payments received on orders	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	37.9	28.8	43.5	47.7
Deferred taxes	3.9	5.8	1.4	1.4
Deferred income	0.0	0.0	0.0	0.0
Current liabilities	48.7	44.6	58.0	63.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	503.4	459.7	394.7	401.1

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	27%	28%	31%	28%	26%	23%
Goodwill	32%	34%	40%	40%	38%	37%
Property, plant and equipment	1%	1%	1%	1%	1%	1%
Financial assets	3%	5%	5%	5%	4%	4%
FIXED ASSETS	63%	68%	76%	73%	69%	65%
Inventories	0%	0%	0%	0%	0%	0%
Accounts receivable	0%	0%	1%	1%	1%	1%
Other current assets	5%	4%	8%	8%	7%	7%
Liquid assets	18%	13%	15%	18%	21%	26%
Deferred taxes	2%	2%	0%	0%	0%	0%
Deferred charges and prepaid expenses	11%	13%	0%	1%	1%	1%
CURRENT ASSETS	37%	32%	24%	27%	31%	35%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	75%	71%	66%	64%	64%	63%
MINORITY INTEREST	1%	1%	1%	1%	1%	1%
Long-term debt	2%	6%	5%	4%	4%	4%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	11%	12%	14%	14%	14%	14%
Non-current liabilities	14%	18%	18%	19%	18%	18%
short-term liabilities to banks	1%	1%	2%	2%	2%	2%
Accounts payable	1%	1%	1%	1%	1%	1%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	8%	6%	11%	12%	13%	14%
Deferred taxes	1%	1%	0%	0%	0%	0%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	10%	10%	15%	16%	17%	18%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	16.7	22.8	22.3	22.5	29.5	36.0
Depreciation of fixed assets (incl. leases)	1.2	1.0	1.6	0.9	0.8	0.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	7.5	7.7	7.7	7.2	6.8	6.4
Others	1.2	-2.2	-9.3	2.9	-0.1	1.9
Cash flow from operations before changes in w/c	26.6	29.3	22.3	33.5	37.0	45.0
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-0.5	0.4	-1.2	-0.2	-0.4	-0.3
Increase/decrease in accounts payable	0.1	0.1	-0.2	0.4	0.0	0.0
Increase/decrease in other w/c positions	-0.0	-1.2	4.9	3.7	6.8	5.2
Increase/decrease in working capital	-0.4	-0.8	3.5	3.9	6.4	4.9
Cash flow from operating activities	26.2	28.5	25.8	37.4	43.4	49.9
CAPEX	-0.4	-1.4	-0.4	-0.5	-0.6	-0.7
Payments for acquisitions	-9.5	-0.0	0.0	0.0	0.0	0.0
Financial investments	0.8	-4.8	56.5	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-9.1	-6.3	56.1	-0.5	-0.6	-0.7
Cash flow before financing	17.0	22.3	81.9	36.9	42.8	49.2
Increase/decrease in debt position	8.7	18.9	-4.7	0.3	0.0	0.0
Purchase of own shares	0.0	-20.0	0.0	0.0	0.0	0.0
Capital measures	0.1	0.1	0.1	0.0	0.0	0.0
Dividends paid	-20.1	-47.0	-78.0	-23.8	-25.2	-27.6
Others	-1.8	-3.2	-2.9	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.1	-0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-13.0	-51.2	-85.4	-23.5	-25.2	-27.6
Increase/decrease in liquid assets	4.0	-28.9	-3.5	13.3	17.6	21.6
Liquid assets at end of period	90.1	61.2	57.7	71.0	88.6	110.2

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	78.5	100.3	110.7	142.2	163.6	179.9
Europe (ex domestic)	4.9	4.9	5.4	6.9	7.9	8.7
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	83.3	105.2	116.0	149.1	171.5	188.6

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	94.2%	95.3%	95.4%	95.4%	95.4%	95.4%
Europe (ex domestic)	5.8%	4.7%	4.6%	4.6%	4.6%	4.6%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	0.48	0.72	0.59	0.97	1.28	1.55
Cash flow per share	1.17	1.28	1.19	1.69	1.97	2.27
Book value per share	16.91	14.70	11.97	11.91	12.10	12.49
Dividend per share	1.00	1.00	1.10	1.17	1.28	1.40
Valuation						
P/E	73.2x	49.3x	59.5x	36.4x	27.7x	22.7x
P/CF	30.2x	27.6x	29.6x	20.9x	17.9x	15.6x
P/BV	2.1x	2.4x	2.9x	3.0x	2.9x	2.8x
Dividend yield (%)	2.8%	2.8%	3.1%	3.3%	3.6%	4.0%
FCF yield (%)	3.3%	3.6%	3.4%	4.8%	5.6%	6.4%
EV/Sales	8.3x	7.0x	6.3x	4.8x	4.1x	3.6x
EV/EBITDA	24.9x	23.3x	22.3x	16.9x	13.4x	11.1x
EV/EBIT	36.2x	32.1x	31.1x	20.8x	15.6x	12.5x
Income statement (EURm)						
Sales	83.3	105.2	116.0	149.1	171.5	188.6
yoy chg in %	-4.2%	26.2%	10.3%	28.5%	15.0%	10.0%
Gross profit	83.3	105.2	116.0	149.1	171.5	188.6
Gross margin in %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA	27.7	31.7	32.9	42.8	52.6	61.7
EBITDA margin in %	33.3%	30.1%	28.4%	28.7%	30.7%	32.7%
EBIT	19.0	22.9	23.6	34.7	45.0	54.5
EBIT margin in %	22.9%	21.8%	20.4%	23.2%	26.3%	28.9%
Net profit	10.8	16.0	12.8	21.0	27.6	33.7
Cash flow statement (EURm)						
CF from operations	26.2	28.5	25.8	37.4	43.4	49.9
Capex	-0.4	-1.4	-0.4	-0.5	-0.6	-0.7
Maintenance Capex	0.0	0.0	0.0	0.9	0.8	0.8
Free cash flow	25.8	27.1	25.4	36.9	42.8	49.2
Balance sheet (EURm)						
Intangible assets	294.1	286.9	279.3	272.1	265.3	258.9
Tangible assets	4.5	3.8	3.6	3.2	3.1	3.0
Shareholders' equity	378.2	327.9	259.2	257.8	262.1	270.4
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	72.9	87.3	81.4	84.7	84.6	86.5
Net financial debt	-74.5	-28.5	-30.0	-43.0	-60.6	-82.2
w/c requirements	-1.9	-2.4	-1.0	-1.1	-0.7	-0.4
Ratios						
ROE	3.0%	5.1%	5.3%	8.7%	11.3%	13.3%
ROCE	4.2%	5.4%	6.8%	10.0%	12.8%	15.0%
Net gearing	-19.7%	-8.7%	-11.6%	-16.7%	-23.1%	-30.4%
Net debt / EBITDA	-2.7x	-0.9x	-0.9x	-1.0x	-1.2x	-1.3x

Source: Company data; mwb research

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