

# Verve Group SE

Sweden / Application Software  
 Nasdaq First North Premier & Xetra  
 Bloomberg: M8G GR  
 ISIN: SE0018538068

Q3 prelims

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 5.40**

Return Potential 58.8%  
 Risk Rating High

## BUSINESS ON A HEATER

Verve published a handful of preliminary Q3 KPIs, which showed a continuation of growth trends evident in the prior three quarters. OSG (organic sales growth) was up 31% Y/Y underpinned by customer onboardings, scaling up existing customers, greater demand for ID-less targeting solutions as well as full-screen and video ads. Verve operations have been on a heater this year—this appears to have extended in the September quarter. We expect earnings to be similarly good when the company reports a full set of Q3 numbers on 28 November. The stock caught a bid on today's ad-hoc, extending the exceptional YTD share price performance. We are Buy-rated on Verve with an unchanged €5.4 TP.

**Business on a heater** The ad-tech specialist registered its third consecutive quarter of double digit OSG north of 20%. The company noted in the ad-hoc that its large software client base (customers with > \$100K revenue per annum) grew by 45% Y/Y from 690 to 998 (excluding the Jun Group acquisition). Verve also said that revenue, generated by snooping-sensitive iOS users who switched off tracking after Apple installed an opt-out toggle, was up 51% on the prior year period as Verve's privacy-first targeting solutions continue to benefit from this trend. Moreover, revenue from full-screen video ads jumped 233% Y/Y, thanks to Verve's competitive edge in immersive ad formats. No further topline or earnings KPIs were reported.

**Bandwagon quickly getting crowded** Verve shares are now up an eye-popping 270% YTD with investors piling back onto the bandwagon having leapt off during the 2023 headwind year. Nevertheless, the stock still trades at a modest 5.4x 2025E EV/AEBITDA. The company is firmly on track to hit our 2024 topline target (€409m), and 2025 is shaping up for similar performance. Verve is well positioned to advance in the "privacy-first" game that continues to reshape digital advertising. We reiterate our Buy rating and €5.4 target price. (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Revenue (€m)	140.2	252.2	324.4	322.0	409.2	509.5
Y/Y growth	157.2%	79.8%	28.7%	-0.8%	27.1%	24.5%
AEBITDA (€m)	29.1	71.1	93.2	95.2	126.1	171.6
AEBITDA margin	20.7%	28.2%	28.7%	29.6%	30.8%	33.7%
Net income (€m)*	6.6	28.0	21.1	57.4	38.5	73.2
EPS (diluted) (€)*	0.04	0.20	0.14	0.36	0.22	0.39
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-12.5	-230.8	-42.5	33.8	-51.5	89.1
Net gearing	31.2%	63.7%	84.3%	73.9%	87.1%	75.9%
Liquid assets (€m)	46.3	180.2	150.0	121.7	97.3	100.5

## RISKS

Risks include but are not limited to: revenue diversity, financing, technology, and regulatory risks.

## COMPANY PROFILE

Verve Group SE is a fast-growing, profitable digital media company that provides AI-driven ad-software solutions. The company matches global advertiser demand with publisher ad-supply, enhancing results through first-party data from its own content, while pursuing its "Let's make media better" mission.

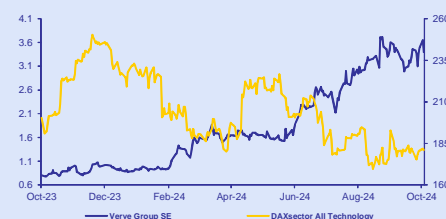
## MARKET DATA

As of 29 Oct 2024

Closing Price € 3.40  
 Shares outstanding 186.36m  
 Market Capitalisation € 633.62m  
 52-week Range € 0.77 / 3.72  
 Avg. Volume (12 Months) 71,456

Multiples	2023	2024E	2025E
P/E	9.4	15.3	8.7
EV/Sales	2.9	2.3	1.8
EV/AEBITDA	9.8	7.4	5.4
Div. Yield	0.0%	0.0%	0.0%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Jun 2024

Liquid Assets € 144.80m  
 Current Assets € 219.00m  
 Intangible Assets € 813.40m  
 Total Assets € 1,059.40m  
 Current Liabilities € 236.30m  
 Shareholders' Equity € 401.70m

## SHAREHOLDERS

Bodhivas GmbH 24.4%  
 Oaktree Capital Mngt 20.3%  
 Nordnet Pensionsförsäkring 4.8%  
 Sterling Active Fund 4.4%  
 Free Float 46.1%



## VALUATION MODEL

Table 1: DCF model

All figures in EUR '000	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	409,238	509,502	560,452	616,497	648,248	677,412	705,037	731,547
NOPLAT	60,332	90,796	107,282	120,901	128,226	135,108	141,751	148,237
(+) depreciation & amortisation	36,849	41,497	36,691	42,408	44,059	45,575	47,012	48,390
<b>(=) Net operating cash flow</b>	<b>97,181</b>	<b>132,292</b>	<b>143,974</b>	<b>163,308</b>	<b>172,285</b>	<b>180,683</b>	<b>188,763</b>	<b>196,627</b>
(-) Investments	-166,039	-67,034	-68,435	-47,779	-50,239	-52,499	-54,640	-56,695
(-) Working capital	1,066	6,412	4,492	5,106	3,033	2,731	2,542	2,399
<b>(=) Free cash flows (FCF)</b>	<b>-67,793</b>	<b>71,670</b>	<b>80,031</b>	<b>120,636</b>	<b>125,079</b>	<b>130,914</b>	<b>136,664</b>	<b>142,331</b>
PV of FCFs	-66,658	63,702	64,300	87,614	82,115	77,691	73,313	69,019

All figures in thousands	WACC	Terminal EBIT margin							
		23.8%	25.8%	27.8%	29.8%	31.8%	33.8%	35.8%	
PV of FCFs in explicit period	824,011	9.1%	5.94	6.34	6.74	7.14	7.54	7.94	8.34
PV of FCFs in terminal period	527,499	9.6%	5.44	5.79	6.14	6.48	6.83	7.18	7.53
Enterprise value (EV)	1,351,510	10.1%	5.00	5.30	5.61	5.91	6.22	6.53	6.83
(+) Net cash / (-) net debt	-260,390	10.6%	4.61	4.88	5.15	5.41	5.68	5.95	6.22
(-) Non-controlling interests	-811	11.1%	4.26	4.50	4.74	4.97	5.21	5.45	5.69
Shareholder value	1,090,309	11.6%	3.95	4.16	4.37	4.58	4.79	5.00	5.21
Fair value per share (€)	5.40	12.1%	3.67	3.86	4.04	4.23	4.42	4.61	4.79

	WACC	Terminal growth rate							
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	
Cost of equity	13.2%	9.1%	6.38	6.60	6.85	7.14	7.48	7.88	8.36
Pre-tax cost of debt	9.5%	9.6%	5.85	6.04	6.25	6.48	6.76	7.08	7.45
Tax rate	28.0%	10.1%	5.39	5.54	5.72	5.91	6.14	6.40	6.70
After-tax cost of debt	6.8%	10.6%	4.97	5.11	5.25	5.41	5.60	5.81	6.05
Share of equity capital	60.0%	11.1%	4.60	4.71	4.84	4.97	5.13	5.30	5.50
Share of debt capital	40.0%	11.6%	4.27	4.36	4.47	4.58	4.71	4.86	5.02
WACC	10.6%	12.1%	3.96	4.04	4.13	4.23	4.34	4.46	4.60

\*Please note our model runs through 2038 and we have only shown the abbreviated version for formatting purposes



## INCOME STATEMENT

All figures in EUR '000	2020	2021	2022	2023	2024E	2025E
<b>Revenues</b>	<b>140,220</b>	<b>252,166</b>	<b>324,444</b>	<b>321,981</b>	<b>409,238</b>	<b>509,502</b>
Capitalised work	15,994	22,851	28,928	25,954	28,597	33,627
<b>Total output</b>	<b>156,214</b>	<b>275,017</b>	<b>353,373</b>	<b>347,935</b>	<b>437,835</b>	<b>543,129</b>
Services purchased + Other OpEx	-96,365	-162,623	-215,619	-212,949	-240,264	-282,702
Personnel expenses	-39,573	-55,978	-76,207	-77,975	-82,257	-98,313
Other operating income	6,272	8,626	23,206	71,447	5,328	5,488
<b>EBITDA*</b>	<b>26,549</b>	<b>65,042</b>	<b>84,753</b>	<b>128,458</b>	<b>120,643</b>	<b>167,602</b>
Depreciation & amortisation	-15,508	-28,238	-58,135	-29,456	-36,849	-41,497
<b>Operating income (EBIT)*</b>	<b>11,041</b>	<b>36,804</b>	<b>26,618</b>	<b>99,002</b>	<b>83,794</b>	<b>126,105</b>
Net financial result	-7,139	-21,919	-37,959	-50,067	-52,007	-54,257
<b>Pre-tax income (EBT)</b>	<b>3,901</b>	<b>14,885</b>	<b>-11,341</b>	<b>48,935</b>	<b>31,787</b>	<b>71,848</b>
Income taxes	-1,194	1,169	-9,064	-2,718	-8,079	-16,166
<b>Net income</b>	<b>2,707</b>	<b>16,054</b>	<b>-20,405</b>	<b>46,217</b>	<b>23,708</b>	<b>55,682</b>
Discontinued operations	0	0	0	0	0	0
<b>Consolidated profit</b>	<b>2,707</b>	<b>16,054</b>	<b>-20,405</b>	<b>46,217</b>	<b>23,708</b>	<b>55,682</b>
Minority interests	352	7	88	513	-24	-56
<b>Net income to owners</b>	<b>3,059</b>	<b>16,060</b>	<b>-20,317</b>	<b>46,730</b>	<b>23,685</b>	<b>55,627</b>
<b>Diluted EPS (in €)</b>	<b>0.03</b>	<b>0.11</b>	<b>-0.13</b>	<b>0.27</b>	<b>0.13</b>	<b>0.28</b>
<b>Adj. EPS (excl PPA amort.) (diluted)</b>	<b>0.04</b>	<b>0.20</b>	<b>0.14</b>	<b>0.36</b>	<b>0.22</b>	<b>0.39</b>
<b>AEBITDA (excl: one-offs)</b>	<b>29,090</b>	<b>71,100</b>	<b>93,153</b>	<b>95,171</b>	<b>126,143</b>	<b>171,602</b>
<b>AEBIT (excl: PPA amort. &amp; one-offs)</b>	<b>14,916</b>	<b>54,826</b>	<b>76,508</b>	<b>76,943</b>	<b>104,044</b>	<b>147,655</b>
<b>Net income (adj. For PPA amortisation)</b>	<b>6,582</b>	<b>28,024</b>	<b>21,085</b>	<b>57,446</b>	<b>38,458</b>	<b>73,232</b>
<b>Ratios</b>						
EBITDA margin on revenues*	18.9%	25.8%	26.1%	39.9%	29.5%	32.9%
EBIT margin on revenues*	7.9%	14.6%	8.2%	30.7%	20.5%	24.8%
Net margin on revenues	2.2%	6.4%	-6.3%	14.5%	5.8%	10.9%
AEBITDA margin on revenues	20.7%	28.2%	28.7%	29.6%	30.8%	33.7%
Tax rate	30.6%	n.a.	-79.9%	2.5%	10.0%	22.5%
<b>Expenses as % of revenues</b>						
Services purchased + Other OpEx	68.7%	64.5%	66.5%	66.1%	58.7%	55.5%
Personnel expenses	28.2%	22.2%	23.5%	24.2%	20.1%	19.3%
Depreciation & amortisation	11.1%	11.2%	17.9%	9.1%	9.0%	8.1%
<b>Y-Y Growth</b>						
Revenues	67.1%	79.8%	28.7%	-0.8%	27.1%	24.5%
EBITDA*	70.8%	145.0%	30.3%	51.6%	-6.1%	38.9%
AEBITDA	60.6%	144.4%	31.0%	2.2%	32.5%	36.0%
Operating income*	120.9%	233.4%	-27.7%	271.9%	-15.4%	50.5%
Net income/ loss	n.m.	425.0%	n.m.	n.m.	-49.3%	134.9%

\* non-adjusted 2023 earnings impacted by one-time earn-out release for AiM



## BALANCE SHEET

All figures in EUR '000	2020	2021	2022	2023	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>92,375</b>	<b>283,599</b>	<b>221,022</b>	<b>193,513</b>	<b>174,839</b>	<b>188,390</b>
Cash and equivalents	46,254	180,157	149,992	121,739	97,289	100,459
Trade receivables	37,009	97,497	52,229	32,281	39,242	48,856
Other ST assets	9,112	5,945	18,801	39,493	38,308	39,074
<b>Non-current assets, total</b>	<b>293,467</b>	<b>650,495</b>	<b>823,637</b>	<b>813,515</b>	<b>1,001,323</b>	<b>1,002,082</b>
Property, plant & equipment	1,742	4,681	5,522	3,963	4,168	4,422
Intangible assets	272,829	605,746	791,284	796,607	983,993	984,276
Deferred taxes	15,737	11,545	6,651	10,506	10,716	10,930
Investments in associated companies	1,207	1,154	1,003	1,003	1,003	1,003
Other financial assets	1,952	27,369	19,177	1,436	1,443	1,450
<b>Total assets</b>	<b>385,842</b>	<b>934,094</b>	<b>1,044,659</b>	<b>1,007,028</b>	<b>1,176,162</b>	<b>1,190,471</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>78,205</b>	<b>243,434</b>	<b>219,471</b>	<b>240,769</b>	<b>200,160</b>	<b>455,079</b>
Trade payables	30,037	53,754	68,711	80,335	88,362	104,388
ST debt	6,087	32,027	31,903	66,510	22,000	265,000
Provisions	17,257	54,036	65,225	61,656	62,581	63,520
Other current financial liabilities	12,897	83,568	32,290	10,747	5,374	0
Other current liabilities	11,927	20,049	21,342	21,521	21,844	22,171
<b>Long term liabilities, total</b>	<b>130,792</b>	<b>383,168</b>	<b>503,443</b>	<b>413,804</b>	<b>551,344</b>	<b>255,052</b>
Other LT financial liabilities	11,671	16,034	89,618	36,881	81,881	25,000
Bonds	95,355	343,925	389,386	348,038	440,000	200,000
Deferred tax liabilities	23,766	23,209	24,439	28,885	29,463	30,052
<b>Shareholders' equity</b>	<b>176,845</b>	<b>307,492</b>	<b>321,745</b>	<b>352,455</b>	<b>424,658</b>	<b>480,341</b>
<b>Total consolidated equity and debt</b>	<b>385,842</b>	<b>934,094</b>	<b>1,044,659</b>	<b>1,007,028</b>	<b>1,176,162</b>	<b>1,190,471</b>
<b>Ratios</b>						
Current ratio (x)	1.2	1.2	1.0	0.8	0.9	0.4
Net debt	55,188	195,795	271,297	260,390	370,085	364,541
ICR (x)	4.1	4.6	4.0	2.5	3.3	4.4
Net gearing	31%	64%	84%	74%	87%	76%
Net debt / EBITDA (x)	1.9	2.8	2.9	2.7	2.9	2.1
Equity ratio	46%	33%	31%	35%	36%	40%
Return on equity (ROE)	1.5%	5.2%	-6.3%	13.1%	5.6%	11.6%
Capital employed (CE)	307,637	690,660	825,188	766,259	976,002	735,393
Return on capital employed (ROCE)	4%	5%	3%	13%	9%	17%



## CASH FLOW STATEMENT

All figures in EUR '000	2020	2021	2022	2023	2024E	2025E
<b>Net income</b>	<b>2,707</b>	<b>16,054</b>	<b>-20,405</b>	<b>46,217</b>	<b>23,708</b>	<b>55,682</b>
Depreciation and amortisation	15,508	28,238	58,135	29,456	36,849	41,497
Other non-cash adjustments	4,072	1,165	1,907	-66,403	0	0
Net interest expense	6,264	21,600	37,959	50,065	52,007	54,257
Tax result	1,194	1,939	5,702	439	8,079	16,166
<b>Operating cash flow</b>	<b>29,745</b>	<b>68,996</b>	<b>83,298</b>	<b>59,774</b>	<b>120,643</b>	<b>167,602</b>
Tax expense	0	-425	-4,362	-2,379	-8,079	-16,166
Change in working capital	-4,543	-4,634	55,284	12,051	3,866	7,287
<b>Net operating cash flow</b>	<b>25,202</b>	<b>63,937</b>	<b>134,220</b>	<b>69,446</b>	<b>116,430</b>	<b>158,723</b>
<b>Cash flow from investing</b>	<b>-37,707</b>	<b>-294,729</b>	<b>-176,672</b>	<b>-35,694</b>	<b>-167,920</b>	<b>-69,615</b>
Equity inflow , net	26,876	109,338	28,517	0	40,095	0
Debt inflow , net	-1,420	33,230	-51	-2,991	-15,000	-28,881
Corporate debt inflow , net	27,678	247,047	42,733	-8,162	57,452	0
Interest paid	-6,018	-22,059	-33,610	-47,972	-55,507	-57,057
Payments for non-controlling interests	-17,480	0	0	0	0	0
Other adjustments	-3,862	-2,861	-25,301	0	0	0
<b>Cash flow from financing</b>	<b>25,774</b>	<b>364,695</b>	<b>12,288</b>	<b>-59,125</b>	<b>27,040</b>	<b>-85,938</b>
<b>Net cash flows</b>	<b>13,269</b>	<b>133,903</b>	<b>-30,164</b>	<b>-25,373</b>	<b>-24,450</b>	<b>3,170</b>
Fx adjustments	0	0	0	-2,883	0	0
Cash, start of the year	32,984	46,254	180,157	149,992	121,739	97,289
<b>Cash, end of the year</b>	<b>46,253</b>	<b>180,157</b>	<b>149,992</b>	<b>121,737</b>	<b>97,289</b>	<b>100,459</b>
<b>Free cash flow (FCF)</b>	<b>-12,505</b>	<b>-230,792</b>	<b>-42,452</b>	<b>33,752</b>	<b>-51,490</b>	<b>89,108</b>
<b>FCFps (in €)</b>	<b>-0.15</b>	<b>-1.63</b>	<b>-0.27</b>	<b>0.21</b>	<b>-0.30</b>	<b>0.48</b>
<b>Y-Y Growth</b>						
Operating cash flow	56.4%	153.7%	109.9%	-48.3%	67.7%	36.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
FCF / share	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

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**All publications of the last 12 months were authored by Ellis Acklin.**

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**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

**ASSET VALUATION SYSTEM**

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

**ASSET RECOMMENDATION**

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

**RISK ASSESSMENT**

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

**RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	7 November 2019	€1.23	Buy	€2.10
2...31	↓	↓	↓	↓
32	7 December 2023	€0.80	Buy	€3.20
33	11 March 2024	€1.37	Buy	€3.60
34	20 March 2024	€1.27	Buy	€3.60
35	9 April 2024	€1.86	Buy	€3.80
36	8 May 2024	€1.79	Buy	€4.10
37	24 June 2024	€1.66	Buy	€4.90
38	14 August 2024	€2.74	Buy	€5.40
39	2 September 2024	€3.01	Buy	€5.40
40	Today	€3.40	Buy	€5.40

**INVESTMENT HORIZON**

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.



### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

**SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main**

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