

Verve Group SE

Sweden / Application Software
 Nasdaq First North Premier & FSE
 Bloomberg: VRV GR
 ISIN: SE0018538068

Q1 results

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 6.00

103.7%
 High

KEEPING AN EYE ON THE FUTURE

Solid Q1 reporting was underpinned by another double digit OSG (organic sales growth) result (16%), while the earnings call discussed the latest adland developments and the first guidance for 2025 at length. The company is stepping up investment to spur future growth with an even sharper focus on AI and the agency sales team to leverage proven products. Market headwinds were not evident in Q1, but management acknowledged US economic risk that factor into their initial 2025 outlook. Digital advertising continues to evolve with privacy-first trends, and a bigger shakeup could be on the horizon with Google back in the regulator's crosshairs. We expect some transitory short-term performance volatility ahead, but see no reason to rein in overall optimism on Verve's prospects and stay Buy-rated with a €6 TP (upside: 104%).

Keeping an eye on the future Revenue matched FBe for the January-to-March period, but earnings narrowly undershot our targets (overleaf). Aside from discussing the impact of macro factors on Verve's business, management unpacked a number of topics on the Q1 earnings call including: (1) customer developments and challenges as these adapt to the evolving advertising landscape; (2) the ongoing adjustment to ID-less targeting, which continues to drive Verve customer growth with its workaround solutions; (3) the €40m to €45m 2025 budget for ID-less and AI technology investments to stay ahead of the adtech pack and keep customers happy in a shifting landscape; (4) the impact of Google reducing ad spend in favour of their walled gardens, such as YouTube. This had a small impact on Verve's operational KPIs; (3) some careful speculation on the impact of a potential Google breakup, which is making more headlines of late after the search giant was busted again for monopolistic behaviour in digital adland; (4) plans to beef up the agency sales demand side team to effectively market Verve's tools to a still deep pool of prospective clients; (5) ongoing platform unification of multiple tech stacks into a single SSP / DSP architecture by YE25 to drive operating efficiency, while also hinting that this has had some minor... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024	2025E	2026E
Revenue (€m)	252.2	324.4	322.0	437.0	534.9	599.1
Y/Y growth	79.8%	28.7%	-0.8%	35.7%	22.4%	12.0%
AEBITDA (€m)	71.1	93.2	95.2	133.2	157.3	178.2
AEBITDA margin	28.2%	28.7%	29.6%	30.5%	29.4%	29.7%
Net income (€m)*	28.0	21.1	57.4	40.9	62.4	76.6
EPS (diluted) (€)*	0.20	0.14	0.36	0.24	0.33	0.41
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-230.8	-42.5	33.8	-25.1	81.3	87.4
Net gearing	63.7%	85.1%	83.7%	77.9%	65.9%	51.0%
Liquid assets (€m)	180.2	150.0	121.7	146.7	182.4	223.6

* Adjusted for PPA-amortisation

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 02 Jun 2025

Closing Price	€ 2.95
Shares outstanding	186.36m
Market Capitalisation	€ 549.02m
52-week Range	€ 1.53 / 4.24
Avg. Volume (12 Months)	126,123

Multiples	2024	2025E	2026E
P/E	12.5	8.8	7.2
EV/Sales	2.3	1.9	1.7
EV/AEBITDA	7.4	6.3	5.6
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2025

Liquid Assets	€ 123.30m
Current Assets	€ 185.20m
Intangible Assets	€ 963.90m
Total Assets	€ 1,177.20m
Current Liabilities	€ 270.60m
Shareholders' Equity	€ 430.10m

SHAREHOLDERS

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



. . . disruptive operational effects during Q2; (6) doubling down on IR to better educate the markets on adtech complexities now that the company has broader investor reach occasioned by the recent uplisting to the FSE regulated market; (6) the initial 2025 guide (overleaf) outlining underlying factors behind the broad range. This seems to have unsettled the markets, but we note the range is not vastly different than the spread built into last year's first guidance; and (7) hints on the quarterly cadence within the 2025 outlook that consider some technical hiccups hampering Q2 customer onboarding and point towards a backloaded year.

FIRST QUARTER HIGHLIGHTS

Table 1: First quarter vs prior year and FBe

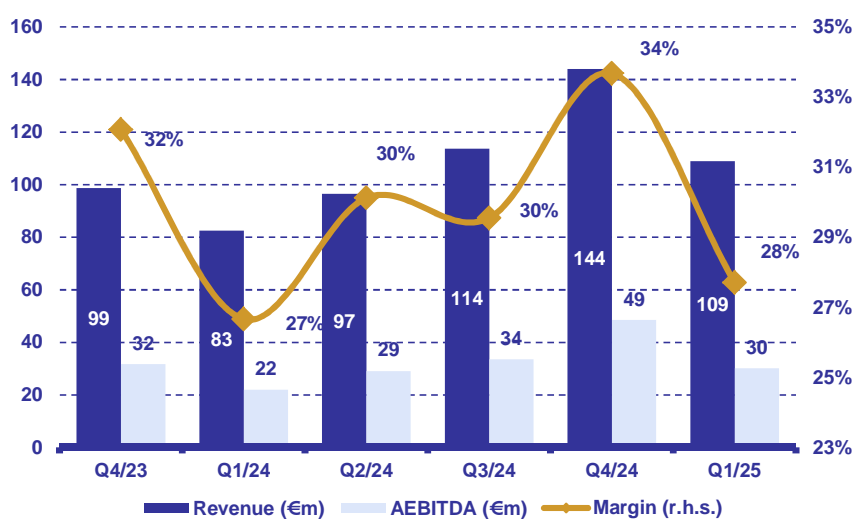
EURm	Q1/25	Q1/25E	variance	Q1/24	Variance
Revenue	109.0	109.7	-1%	82.5	32%
EBITDA	27.5	30.8	-11%	20.2	36%
Margin	25%	28%	-	24%	-
AEBITDA ¹	30.2	31.8	-5%	22.0	37%
Margin	28%	29%	-	27%	-
AEBIT ²	23.3	26.1	-11%	16.6	40%
Margin	21%	24%	-	20%	-

¹ EBITDA adjusted for one-off expenses & gains; ² EBIT adjusted for one-off & PPA expenses

Source: First Berlin Equity Research; Verve

No ad market headwinds in Q1 Organic sales beat the prior year comp by 16% building upon 21% OSG realised during the prior year March quarter. Ad budgets remained solid in Q1 with no meaningful market slowdown visible, and underlying ad impressions were up 24% YoY although down sequentially on seasonal effects (figure 2). At the Q1 juncture, sales topped €464m on an LTM basis.

Figure 1: Quarterly sales and earnings development



Source: First Berlin Equity Research; Verve

AEBITDA totalled €30m for the January-to-March period and beat the prior year comp by 37%, while AEBIT, excluding PPA amortisation of ~€3.9m, rose 40% amounted to €23m. The Q1 AEBITDA margin totalled 28% (Q1/23: 27%). This undershot the targeted corridor,



but it is a temporary effect. Verve is beefing up its brand and agent sales staff with new hires, and it will take a few months to ramp up their productivity. On a LTM basis, AEBITDA tallied €141m putting the company within shooting distance of guidance for the KPI (€155m to €175m).

Figure 2: Q1 key performance indicators



Source: First Berlin Equity Research; Verve

KPIs remain within expected seasonal corridors Total software clients numbered 3,050 at the end of Q1 (+27% Y/Y) vs 2,410 at YE23. Software clients, defined as those generating >€100k in sales p.a., totalled 1,152 for the January-to-March period vs 764 in the prior year quarter (+51%) and 1,140 in Q4/24 (+1%). The net \$ expansion rate¹ (see figure 2) dipped on seasonal effects as well as a reduction in Google's ad buying with some budgets redirected to its own properties (YouTube).

Verve brass noted publishers are seeing some pressure from the proliferation of AI / LLMs, such as ChatGPT. These are intercepting searches leading to fewer page visits across the web. However, this is not affecting Verve's business, which is chiefly driven by in-app, CTV, and other emerging channels.

Meanwhile, CTV CPMs were down a shade, due to the sudden flood of supply coming online from the streaming majors, but mobile CPMs are stable and this is where Verve does the bulk of its business.

**Table 2: Financial position highlights**

EURm	Q1/25	2024	Variance
Cash	123	147	-16%
Liabilities (short- and long-term)	747	802	-7%
Net debt	376	351	7%
Intangible assets	964	987	-2%
Total assets	1,177	1,252	-6%
Total equity	431	451	-4%
Equity ratio	37%	36%	-
Interest coverage ratio*	3.3x	3.3x	-
Net leverage ratio	2.5x	2.4x	-
* based on cash interest expenses			

Source: First Berlin Equity Research; Verve

Table 3: Cash flow developments

EURm	Q1/25	Q1/24	Variance	2024
Operating cash flow	23	24	-5%	116
Change in working capital	-22	-15	n.m.	21
Net operating cash flow	0	9	-97%	137
Investing cash flow	-10	-12	n.m.	-162
Financing cash flow	-13	5	n.m.	48
Net cash flow	-23	2	n.m.	23
Cash & cash equivalents	123	125	-1%	147

Source: First Berlin Equity Research; Verve

Operating cash flow amounted to €23m before WC adjustments. Timing effects between settlements received from demand partners and payments to suppliers meant that WC consumed around €22m in cash flow during the first quarter. Verve expects these effects to reverse throughout the year with the seasonality shift common to the ad business.



OUTLOOK AND VALUATION

Guided range not a big deal Management sounded somewhat apologetic for the wide range in the initial 2025 guide, which factors in spreads of 6.6% and 12.9% respectively for projected sales and AEBITDA. However, we note this not a massive deviation from the corresponding 5.7% and 10.0% spreads in the first-time 2024 guidance.

Figure 3: Initial 2025 guidance vs FBe

	Unit	2024	Guidance 2025	FBe
Revenue	€m	437	530 - 565	535
Grow th	%	36	21 - 29	22
AEBITDA	€m	133	155 - 175	157
Grow th	%	40	17 - 32	18

Source: First Berlin Equity Research; Verve

Verve makes +80% of its crust in America. Given the much-discussed US economic uncertainty alone, a cautious range feels prudent at this point, and we reckon investors need to use a longer lens to glass Verve' performance rather than fidget about short-term bumps in the road. Plus, it is unwise to underestimate the formidable resilience of the US consumer, despite the ongoing US tariff whiplash.

Verve also reiterated its mid-term outlook for 2028/29, calling for sales to top €1bn, which the company expects to be mostly driven by organic growth augmented by some corporate activity to fill in technology gaps as the market evolves. We take a more conservative approach for now (2029 FBe: €735m), but Verve's target hardly looks like a moonshot.

Estimates realigned with guidance We have upped our 2025 revenue estimate a notch above the low end of the sales guide and have edged staffing costs upwards to account for the discussed sales team recruits. Verve's financial boss, Mr Duus, also said tax rates should now approach 30% reflecting the improved profitability of the business, which we have also factored into 2025 FBe. The overall adjustments offset each other and our target price stays at €6 per share. We are Buy-rated on Verve.

Table 4: Changes to FBe and TP

	old	new	revision	upside	dividend yield	total return
Price target (€)	6.0	6.0	0.0%	103.7%	0.0%	103.7%
All figures in €m	old	2025E new	revision	old	2026E new	revision
Revenue	519	535	3.0%	581	599	3.0%
EBITDA	167	153	-8.0%	188	175	-6.8%
Margin (%)	32.1%	28.7%	-	32.3%	29.2%	-
EBIT	129	115	-10.9%	151	137	-9.0%
Margin (%)	24.9%	21.5%	-	25.9%	22.9%	-
AEBITDA*	171	157	-7.8%	191	178	-6.7%
Margin (%)	32.9%	29.4%	-	32.8%	29.7%	-
*adjusted for one-offs						

Source: First Berlin Equity Research estimates



Table 5: DCF model

All figures in EURm	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	535	599	665	702	735	767	797	826
NOPLAT	83	99	112	119	128	137	146	156
(+) depreciation & amortisation	38	38	45	46	48	50	51	52
(=) Net operating cash flow	121	137	157	166	176	187	198	208
(-) Investments	-78	-71	-52	-54	-57	-59	-62	-64
(-) Working capital	20	6	6	4	2	2	2	2
(=) Free cash flows (FCF)	64	72	111	115	122	130	138	146
PV of FCFs	60	61	86	80	77	74	72	68

All figures in millions		Terminal EBIT margin						
		24.1%	26.1%	28.1%	30.1%	32.1%	34.1%	36.1%
PV of FCFs in explicit period	927	9.0%	6.60	7.08	7.56	8.03	8.51	8.99
PV of FCFs in terminal period	643	9.5%	6.03	6.44	6.86	7.28	7.69	8.11
Enterprise value (EV)	1,570	10.0%	5.53	5.89	6.26	6.62	6.99	7.35
(+) Net cash / (-) net debt	-351	10.5%	5.09	5.41	5.73	6.05	6.37	6.69
(-) Non-controlling interests	-1	11.0%	4.69	4.98	5.26	5.55	5.83	6.12
Shareholder value	1,218	11.5%	4.34	4.60	4.85	5.10	5.35	5.61
Fair value per share (€)	6.00	12.0%	4.03	4.25	4.48	4.71	4.93	5.16

		Terminal growth rate						
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
Cost of equity	13.0%	9.0%	7.09	7.36	7.67	8.03	8.45	8.95
Pre-tax cost of debt	9.5%	9.5%	6.50	6.72	6.98	7.28	7.61	8.01
Tax rate	28.0%	10.0%	5.97	6.16	6.38	6.62	6.90	7.22
After-tax cost of debt	6.8%	10.5%	5.51	5.67	5.85	6.05	6.28	6.54
Share of equity capital	60.0%	11.0%	5.09	5.23	5.38	5.55	5.74	5.95
Share of debt capital	40.0%	11.5%	4.71	4.83	4.96	5.10	5.26	5.44
WACC	10.5%	12.0%	4.37	4.47	4.58	4.71	4.84	4.99

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



INCOME STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Revenues	252.2	324.4	322.0	437.0	534.9	599.1
Capitalised work	22.9	28.9	26.0	24.9	31.2	35.0
Total output	275	353	348	462	566	634
Services purchased + Other OpEx	-162.6	-215.6	-212.9	-271.7	-303.3	-338.5
Personnel expenses	-56.0	-76.2	-78.0	-79.5	-115.0	-126.1
Other operating income	8.6	23.2	71.4	17.8	5.5	5.6
EBITDA*	65.0	84.8	128.5	128.5	153.3	175.2
Depreciation & amortisation	-28.2	-58.1	-29.5	-38.2	-38.1	-38.2
Operating income (EBIT)*	36.8	26.6	99.0	90.3	115.2	137.0
Net financial result	-21.9	-38.0	-50.1	-58.5	-46.5	-44.5
Pre-tax income (EBT)	14.9	-11.3	48.9	31.8	68.7	92.5
Income taxes	1.2	-9.1	-2.7	-3.0	-19.2	-25.9
Net income	16.1	-20.4	46.2	28.8	49.4	66.6
Discontinued operations	0	0	0	0	0	0
Consolidated profit	16.1	-20.4	46.2	28.8	49.4	66.6
Minority interests	0.0	0.1	0.5	0.0	0.0	0.0
Net income to owners	16.1	-20.3	46.7	28.8	49.4	66.6
Diluted EPS (in €)	0.11	-0.13	0.26	0.15	0.24	0.32
Adj. EPS (excl PPA amort.) (diluted)	0.20	0.14	0.36	0.24	0.33	0.41
AEBITDA (excl: one-offs)	71.1	93.2	95.2	133.2	157.3	178.2
AEBIT (excl: PPA amort. & one-offs)	54.8	76.5	76.9	107.1	132.2	150.0
Net income (adj. For PPA amortisation)	28.0	21.1	57.4	40.9	62.4	76.6
Ratios						
EBITDA margin on revenues*	25.8%	26.1%	39.9%	29.4%	28.7%	29.2%
EBIT margin on revenues*	14.6%	8.2%	30.7%	20.7%	21.5%	22.9%
Net margin on revenues	6.4%	-6.3%	14.5%	6.6%	9.2%	11.1%
AEBITDA margin on revenues	28.2%	28.7%	29.6%	30.5%	29.4%	29.7%
Tax rate	n.a.	-79.9%	5.6%	9.4%	28.0%	28.0%
Expenses as % of revenues						
Services purchased + Other OpEx	64.5%	66.5%	66.1%	62.2%	56.7%	56.5%
Personnel expenses	22.2%	23.5%	24.2%	18.2%	21.5%	21.0%
Depreciation & amortisation	11.2%	17.9%	9.1%	8.8%	7.1%	6.4%
Y-Y Growth						
Revenues	-99.8%	28.7%	-0.8%	35.7%	22.4%	12.0%
EBITDA*	-99.8%	30.3%	51.6%	0.0%	19.3%	14.2%
AEBITDA	-99.8%	31.0%	2.2%	40.0%	18.1%	13.2%
Operating income*	-99.7%	-27.7%	271.9%	-8.8%	27.6%	18.9%
Net income/ loss	-99.5%	n.m.	n.m.	-38.4%	71.7%	34.7%

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



BALANCE SHEET

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Assets						
Current assets, total	283.6	221.0	193.5	239.3	277.5	326.9
Cash and equivalents	180.2	150.0	121.7	146.7	182.4	223.6
Trade receivables	97.5	52.2	32.3	60.9	62.8	70.3
Other ST assets	5.9	18.8	39.5	31.7	32.4	33.0
Non-current assets, total	650.5	823.6	813.5	1,013.1	1,019.5	1,028.1
Intangible assets	605.7	791.3	796.6	986.9	992.6	1,000.5
Property, plant & equipment	4.7	5.5	4.0	4.3	4.6	4.9
Deferred taxes	11.5	6.7	10.5	17.0	17.4	17.7
Investments in associated companies	1.2	1.0	1.0	2.4	2.4	2.4
Other financial assets	27.4	19.2	1.4	2.5	2.5	2.6
Total assets	934.1	1,044.7	1,007.0	1,252.5	1,297.0	1,355.0
Shareholders' equity & debt						
Current liabilities, total	243.4	219.5	240.8	303.1	268.5	259.3
Trade payables	53.8	68.7	80.3	104.1	126.1	140.0
ST debt	32.0	31.9	66.5	50.1	0.0	0.0
Provisions	54.0	65.2	61.7	63.3	64.2	65.2
Other current financial liabilities	83.6	32.3	10.7	44.5	36.2	11.3
Other current liabilities	20.0	21.3	21.5	41.2	42.0	42.8
Long term liabilities, total	383.2	503.4	413.8	498.5	528.2	528.8
Bonds	343.9	389.4	348.0	445.8	500.0	500.0
Other LT financial liabilities	16.0	89.6	36.9	31.0	6.0	6.2
Deferred tax liabilities	23.2	24.4	28.9	21.7	22.2	22.6
Shareholders' equity	307.5	321.7	352.5	450.9	500.3	566.9
Total consolidated equity and debt	934.1	1,044.7	1,007.0	1,252.4	1,297.0	1,355.0
Ratios						
Current ratio (x)	1.2	1.0	0.8	0.8	1.0	1.3
Net debt	195.8	273.9	294.9	351.2	329.9	288.9
ICR (x)	4.6	4.0	2.5	3.3	4.6	5.6
Net gearing	64%	85%	84%	78%	66%	51%
Net debt / EBITDA (x)	2.8	2.9	3.1	2.6	2.1	1.6
Equity ratio	33%	31%	35%	36%	39%	42%
Return on equity (ROE)	5.2%	-6.3%	13.1%	6.4%	9.9%	11.7%
Capital employed (CE)	690.7	825.2	766.3	949.4	1,028.5	1,095.7
Return on capital employed (ROCE)	5%	3%	13%	10%	11%	13%



CASH FLOW STATEMENT

All figures in EURm	2021	2022	2023	2024	2025E	2026E
Net income	16.1	-20.4	46.2	28.8	49.4	66.6
Depreciation and amortisation	28.2	58.1	29.5	38.0	38.1	38.2
Other non-cash adjustments	1.2	1.9	-66.4	-24.7	0.0	0.0
Net interest expense	21.6	38.0	50.1	58.5	46.5	44.5
Tax result	1.9	5.7	0.4	18.0	19.2	25.9
Operating cash flow	69.0	83.3	59.8	118.5	153.3	175.2
Tax expense	-0.4	-4.4	-2.4	-2.8	-19.2	-25.9
Change in working capital	-4.6	55.3	12.1	21.3	21.3	7.7
Net operating cash flow	63.9	134.2	69.4	137.0	155.5	156.9
Cash flow from investing	-294.7	-176.7	-35.7	-162.0	-74.2	-69.5
Equity inflow , net	109.3	28.5	0.0	38.5	0.0	0.0
Debt inflow , net	33.2	-0.1	-3.0	10.6	-49.8	0.3
Corporate debt inflow , net	247.0	42.7	-8.2	57.8	54.2	0.0
Interest paid	-22.1	-33.6	-48.0	-58.6	-50.0	-46.5
Other adjustments	-2.9	-25.3	0.0	0.0	0.0	0.0
Cash flow from financing	364.7	12.3	-59.1	48.3	-45.6	-46.2
Net cash flows	133.9	-30.2	-25.4	23.3	35.7	41.2
Fx adjustments	0.0	0.0	-2.9	1.7	0.0	0.0
Cash, start of the year	46.3	180.2	150.0	121.7	146.7	182.4
Cash, end of the year	180.2	150.0	121.7	146.7	182.4	223.6
Free cash flow (FCF)	-230.8	-42.5	33.8	-25.1	81.3	87.4
FCFps (in €)	-1.63	-0.27	0.21	-0.14	0.43	0.47
Y-Y Growth						
Operating cash flow	-99.7%	109.9%	-48.3%	97.3%	13.5%	1.0%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	7.6%
FCF / share	n.m.	n.m.	n.m.	n.m.	n.m.	7.6%

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Anschrift:

First Berlin Equity Research GmbH
 Friedrichstr. 34
 10117 Berlin
 Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst

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

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

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Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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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 ¹	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%

¹ 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...35	↓	↓	↓	↓
36	9 April 2024	€1.86	Buy	€3.80
37	8 May 2024	€1.79	Buy	€4.10
38	24 June 2024	€1.66	Buy	€4.90
39	14 August 2024	€2.74	Buy	€5.40
40	2 September 2024	€3.01	Buy	€5.40
41	30 October 2024	€3.40	Buy	€5.40
42	2 December 2024	€3.39	Buy	€5.50
43	10 March 2025	€3.54	Buy	€6.00
44	Today	€2.95	Buy	€6.00

INVESTMENT HORIZON

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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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