



REDEYE

Verve Group

Research Update

QUALITY RATING

4

4

3

People

Business

Financials

FAIR VALUE RANGE

Price 34.2

Bear 20.0

Bull 70.0

Base 45.0

MOMENTUM

4




Share Information	
Share Price SEK	34.24
Number of shares (M)	187.2
Marketplace	Frankfurt Stock Exchange
CEO	Remco Westermann
Chairman	Tobias M. Weitzl

Key Stats	
Market Cap	6.4 BSEK
Entprs. Value (EV)	9.9 BSEK
Net Debt (2025Q1)	323.7 MEUR
30 Day Avg Vol	919 K
Dividend Yield	N/A


Top Holders	
Name	Ownership
Bodhivas GmbH	24.38%
Oaktree Capital Management LP	20.33%
Nordnet Pensionsförsäkring	5.39%
Sterling Strategic Value Fund	3.18%
Trend Finanzanalysen GmbH	1.75%
Smile Autovermietung GmbH	1.63%
PAETA Holdings Limited	1.44%
Billings Capital Management LLC	1.25%
Avanza Pension	1.22%
Dawn Fitzpatrick	1.03%

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More research on Verve Group



Scan the QR code to access all Redeye publications and research tools regarding Verve Group.

redeye.se/company/verve-group

Verve Group: Increased market uncertainty

Redeye updates its view on Verve Group following its Q1 2025 report, which came in softer than expected. The company continues to take market share, although the outlook for the overall ad market has become more blurred compared to just one quarter ago. The 2025 guidance was on the weaker side in terms of margins, prompting us to revise our estimates downward following the report.

Q1 2025 – Softer margins than expected

Underlyingly, Verve appears to have started 2025 on a solid note, adding 51% more large software clients and reporting 16% organic growth, indicating market share gains. However, expectations have increased following Verve's recent strong quarters, and sales in the quarter were in line with our forecasts. In terms of profitability, Adj. EBITDA amounted to EUR30.2m, 5% below our estimate of EUR31.8m, while Adj. EBIT came in at EUR23.3m, 10% below our estimate of EUR25.8m.

2025 guidance

Market sentiment has shifted notably since Verve's latest quarterly report, with recent turmoil again highlighting the ad market's cyclical nature, where short-term uncertainty can quickly impact ad budgets. Advertisers' increased caution is already evident in Q1, as Verve's net dollar expansion rate dropped from 110% to 100% in Q1, despite limited effects from the new tariffs announced in April. In this context, the 2025 guidance of EUR530-565m in sales was relatively strong, though we view the margin guidance as somewhat soft.

Estimate changes and valuation

Following the report, we leave our sales estimates roughly unchanged, forecasting sales just below the company's guidance of EUR530–565m. Sales in Q1 were in line with our expectations, and given the increased market uncertainty, we believe it would be a strong achievement if the company meets its full-year sales guidance. We are revising down our Adj. EBITDA estimates by 9% for 2025e and by 6–8% for 2026e–2027e. We lower our Base Case from SEK50 to SEK45 and fair value range from SEK25–SEK75 to SEK20-70. Our base case corresponds to an EV/Adj EBIT multiple of c9x in 2025e.

Key Financials					
EURm	2023	2024	2025e	2026e	2027e
Total Revenue	419.4	479.7	552.2	609.3	653.9
Revenue Growth	11.4%	14.4%	15.1%	10.3%	7.3%
EBITDA	128.4	128.5	155.7	177.6	203.6
EBIT	99.0	90.3	109.8	130.2	149.5
EBIT Margin	30.7%	20.7%	20.8%	22.6%	24.2%
Net Income	46.1	28.8	52.1	66.6	87.0
EV/Sales	1.3	2.0	1.9	1.6	1.3
EV/EBIT	4.3	9.8	9.0	7.0	5.5

Q1 2025 review

Net sales came in at EUR109m, in line with our estimate of EUR109.6m. The growth was once again driven by the acquisition of Jun Group (consolidated from August 1), strong customer intake, and privacy-first targeting solutions. The number of software clients increased by 51%, and organic growth amounted to 16%, which is strong given the tough comps in Q1 last year when the company reported organic growth of 21%.

Looking at profitability, Adj EBITDA amounted to EUR27.5m, 5% lower than our expectations of EUR31.8m, while Adj EBIT came in at EUR23.3m, 10% lower than our expectations of EUR25.8m. Operating cash flow was relatively weak in the quarter, amounting to EU0.3m, down from EUR9.1m in Q1 last year.

Verve Group										
(EUR m)	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1'25A	Q1 25	Diff %	Diff (Abs)
Net Sales	78.3	98.7	82.5	96.6	113.7	144.2	109.0	109.6	-1%	-0.6
Adj EBITDA	23.1	31.7	22.0	29.1	33.6	48.5	30.2	31.8	-5%	-1.6
EBITDA	63.7	27.3	20.2	28.1	36.2	44.1	27.5	31.8	-14%	-4.3
D&A	-8.3	-7.6	-7.9	-8.5	-11.7	-10.1	-10.8	-9.8	9%	-0.9
D&A less PPA	-4.7	-4.9	-5.4	-5.9	-8.4	-6.3	-6.7	-6.0	10%	-0.6
Adj EBIT	18.4	26.8	16.6	23.2	25.2	42.2	23.3	25.8	-10%	-2.5
EBIT	55.4	19.7	12.3	19.6	24.5	33.9	16.7	22.0	-24%	-5.3
Net financials	-12.8	-14.1	-14.1	-12.9	-14.6	-16.8	-13.2	-14.4	-8%	1.2
Net Profit	39.2	4.9	0.6	6.3	7.6	14.3	0.2	5.6	-96%	-5.4
Adj Net Profit	2.2	7.5	5.0	8.8	10.9	22.5	4.1	9.4	-56%	-5.3
Adj EPS	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	-60%	0.0

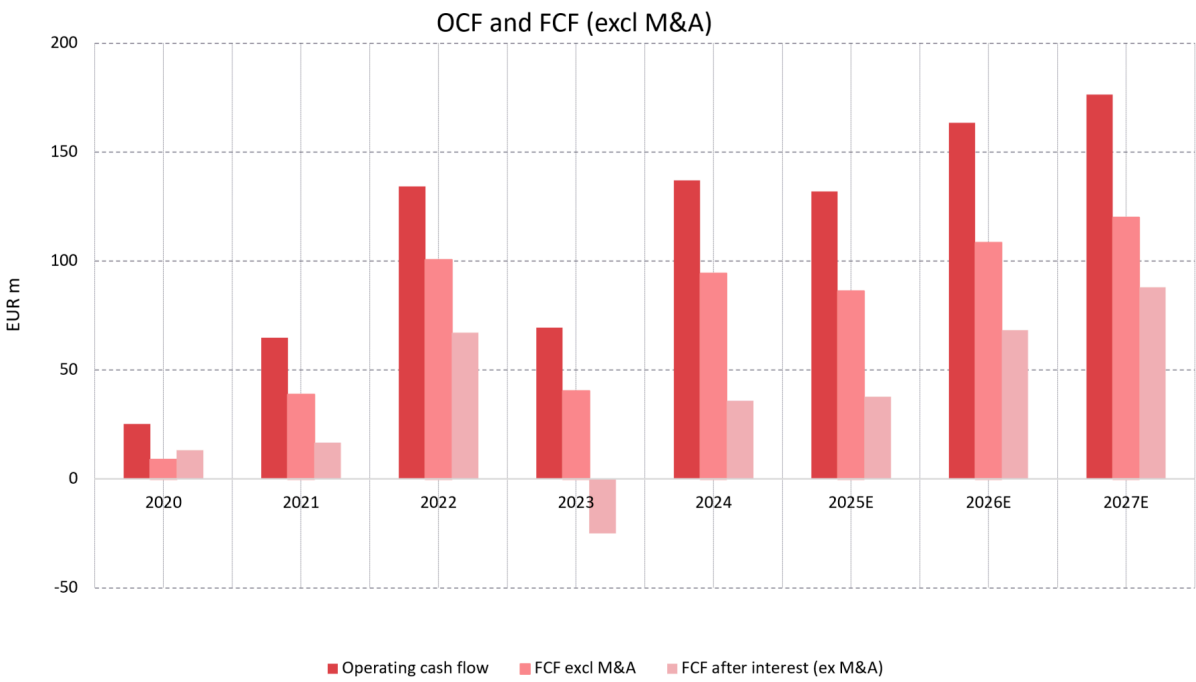
Source: Redeye Research (Forecasts)

Overall, we think the Q1 report was weaker than expected, both in terms of profitability and cash flow. It is clear that the company's market view has shifted compared to the last quarter, once again reminding us of the highly cyclical nature of the ad market. That said, our view is that Verve is still performing well in this environment and is doing what it is supposed to do, continuing to take market share and investing in its ID-less solutions. The high customer intake of 51% remains strong, although the net dollar expansion rate from the existing customer base declined to 100% (from 110% in Q4), indicating increased customer hesitancy during the quarter.

All in all, we believe both the Q1 report and full-year guidance (especially in terms of margins) came in softer than expected. With a weaker cash flow and a more cautious macro outlook, it was not surprising that the stock traded down following the report.

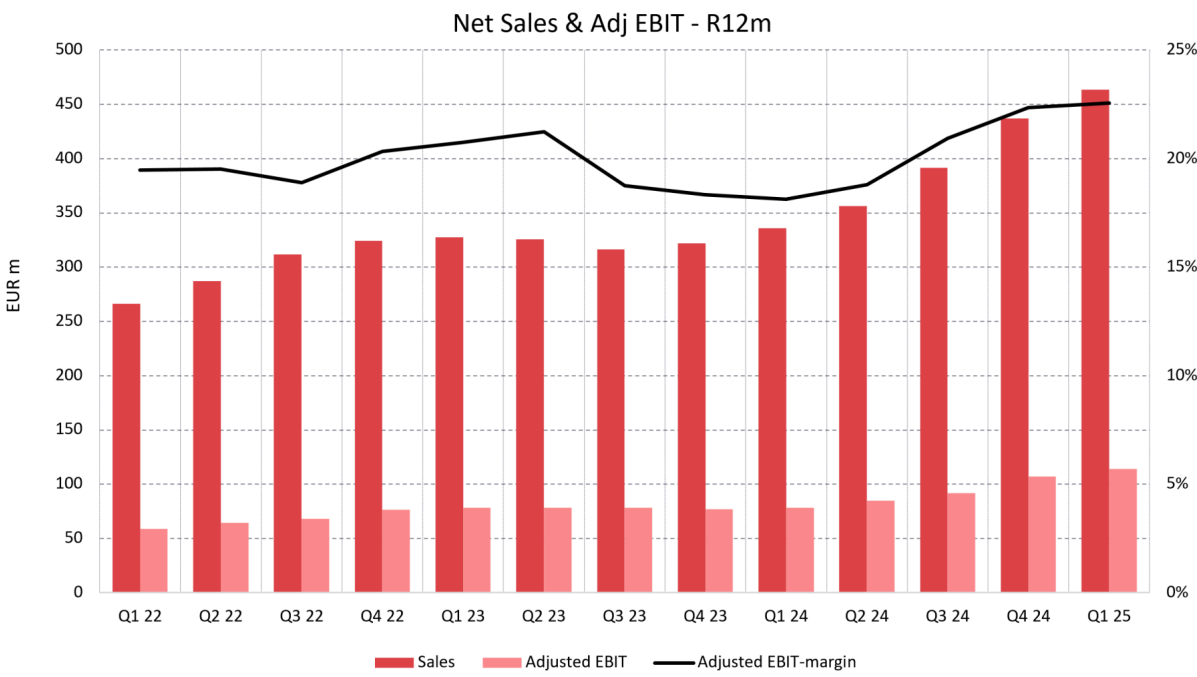
Cash flow & Net debt

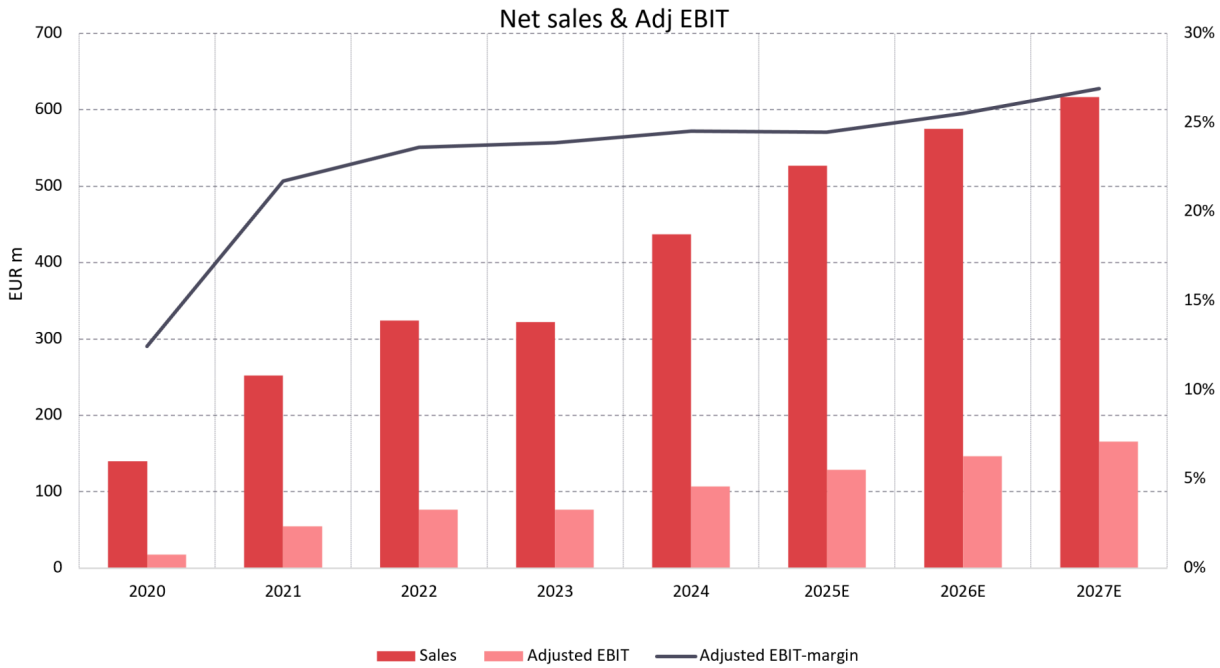
Operating cash flow was relatively weak in the quarter, coming in at EUR0.3m, while free cash flow (excluding M&A but including interest expenses) amounted to EUR-23m. H1 is typically a weak cash flow period for Verve due to working capital build-up. We continue to expect improved cash conversion going forward due to lower interest expenses from better terms on the new bond. This should reduce net debt even further (although we do not see the debt level as a problem at these levels).



Verve ended the quarter with net debt of EUR376m, and the net debt / Adj EBITDA ratio amounted to 2.8x (2.5x pro forma) at the end of the quarter. The company expects the net debt ratio to decrease to 2x in 2025. The company issued a new unsecured bond of EUR500m (under a framework of EUR600m) at the end of Q1 while redeeming older ones, resulting in annual interest cost savings of approximately EUR12.5m. Although this is clearly positive, lower interest costs going forward are already factored into our forecasts.

Financial performance





Estimate changes

Following the report, we leave our sales estimates roughly unchanged, forecasting sales just below the company's guidance of EUR530–565m. Sales in Q1 were in line with our expectations, and given the increased market uncertainty, we believe it would be a strong achievement if the company meets its full-year sales guidance. On the cost side, where expenses came in somewhat higher than expected, we are raising our estimates by 5% for 2025e and by 3–4% for 2026e–2027e. As a result, we are revising down our Adj. EBITDA estimates by 9% for 2025e and by 6–8% for 2026e–2027e.

Estimate Revisions									
	New estimates			Old estimates			Diff (%)		
EURm	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Net Sales	526.9	574.8	616.9	527.4	575.6	617.6	0%	0%	0%
Total Costs	-371.1	-397.2	-413.3	-353.2	-382.5	-401.4	5%	4%	3%
Adj EBITDA	158.4	177.6	203.6	174.2	193.1	216.2	-9%	-8%	-6%
EBITDA	155.7	177.6	203.6	174.2	193.1	216.2	-11%	-8%	-6%
D&A	-45.9	-47.4	-54.0	-42.6	-46.3	-49.2	8%	3%	10%
D&A less PPA	-29.5	-31.0	-37.6	-27.4	-31.1	-34.0	8%	0%	11%
Adj EBIT	128.9	146.6	165.9	146.8	162.0	182.2	-12%	-10%	-9%
Amortization (PPA)	-16.4	-16.4	-16.4	-15.2	-15.2	-15.2	8%	8%	8%
EBIT	109.8	130.2	149.5	131.6	146.8	167.0	-17%	-11%	-10%
Net financials	-39.5	-40.1	-32.0	-45.6	-40.1	-32.0	-13%	0%	0%
EBT	70.3	90.1	117.5	86.0	106.7	135.0	-18%	-16%	-13%
Net Profit	52.1	66.6	87.0	63.6	79.0	99.9	-18%	-16%	-13%
Adj Net Profit	71.2	83.0	103.4	78.8	94.2	115.1	-10%	-12%	-10%
Adj EPS	0.4	0.4	0.6	0.4	0.5	0.6	-10%	-12%	-10%

Source: Verve Group (Historical data), Redeye Research (Forecasts)

Financial estimates

Financial estimates									
EURm	2023	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e
Net Sales	322.0	437.0	109.0	121.1	132.3	164.4	526.9	574.8	616.9
Total Costs	-193.6	-308.5	-81.6	-86.0	-92.6	-111.0	-371.1	-397.2	-413.3
Adj EBITDA	95.1	133.2	30.2	35.1	39.7	53.4	158.4	177.6	203.6
EBITDA	128.4	128.5	27.5	35.1	39.7	53.4	155.7	177.6	203.6
D&A	-29.5	-38.2	-10.8	-11.5	-12.2	-11.5	-45.9	-47.4	-54.0
D&A less PPA	-18.2	-26.1	-6.7	-7.4	-8.1	-7.4	-29.5	-31.0	-37.6
Adj EBIT	76.9	107.1	23.3	27.7	31.6	46.0	128.9	146.6	165.9
o/w PPA	-11.2	-12.1	-4.1	-4.1	-4.1	-4.1	-16.4	-16.4	-16.4
EBIT	99.0	90.3	16.7	23.6	27.5	41.9	109.8	130.2	149.5
Net financials	-50.1	-58.5	-13.2	-10.7	-8.7	-6.7	-39.5	-40.1	-32.0
EBT	48.9	31.8	3.5	12.9	18.8	35.2	70.3	90.1	117.5
Net Profit	46.2	28.8	0.2	0.7	1.0	1.8	52.1	66.6	87.0
Adj Net Profit	57.4	47.2	4.1	4.8	5.1	5.9	71.2	83.0	103.4
Adj EPS	0.4	0.3	0.0	0.0	0.0	0.0	0.4	0.4	0.6

Margins									
Adj EBITDA margin %	30%	30%	28%	29%	30%	33%	30%	31%	33%
Adj EBIT margin %	24%	25%	21%	23%	24%	28%	24%	25%	27%
Net margin %	14%	7%	0%	1%	1%	1%	10%	12%	14%
Adj Net margin %	18%	11%	4%	4%	4%	4%	14%	14%	17%

Source: Verve Group (Historical data), Redeye Research (Forecasts)

Valuation

Peer valuation

Given that Verve’s major revenue stems from its advertising platform. We argue that globally listed ad-tech peers are the most relevant peers.

Verve trades at discounts of c50-70% versus ad-tech-related peers on EV/EBITDA multiples for 2024-2025e. The most relevant peers, in our opinion, in terms of size and niche, are Pubmatic and Magnite, trading at multiples of c6-11x EV/EBITDA in 2025e.

Peer Table										
EURm			EV/EBITDA			EV/EBIT			P/E	
Company name	EV	2024	2025	2026	2024	2025	2026	2024	2025	2026
Magnite	2,094	11.1	10.9	9.5	42.7	35.2	23.6	95.7	66.0	33.5
Apploving	110,630	42.4	29.9	22.9	61.6	38.5	28.1	73.1	45.8	31.9
Trade Desk	31,457	32.5	31.9	26.2	76.8	73.6	51.5	83.5	85.8	62.2
Pubmatic	390	4.4	6.2	4.8	>100	neg	neg	32.4	neg	>100
Viant Technology	817	19.4	17.1	13.3	>100	>100	49.6	69.1	>100	>100
LiveRamp	1,446	11.5	8.8	7.7	12.0	9.2	7.9	neg	19.7	16.8
Criteo	1,171	3.1	3.5	3.4	4.3	6.8	6.8	4.6	5.2	5.1
Median		17.8	15.5	12.5	39.5	32.7	27.9	59.7	44.5	29.9
Average		11.5	10.9	9.5	42.7	35.2	25.9	71.1	45.8	31.9
Verve Group	1,135	8.5	7.2	6.4	10.6	8.8	7.7	16.1	10.7	7.3

Source: Factset, (Forecasts)





DCF valuation

We apply a WACC of 10.5% in all DCF scenarios, derived from Redeye’s Rating model, and we use a tax rate of 20.6%. The discount analysis extends to 2038E. Below, we summarize the key financial assumptions for the scenarios. Our new valuation range is between SEK20-70 (25-75), and our base case stands at SEK45 (50). Corresponding to an EV/Adj EBIT multiple of 9x in 2025e.

Valuation scenarios			
	Bear case	Base case	Bull case
Valuation per share	20	45	70
Revenue CAGR 2025-2030	3%	7%	9%
Revenue CAGR 2031-2040	2%	3%	4%
EBIT-margin 2025-2040	19%	22%	24%
Terminal growth	2%	2%	2%
Terminal EBITDA %	25%	30%	35%

Source: Redeye research

Investment Thesis

 Case	<p>A leading ad-software platform with synergies</p> <p>Verve is a leading ad-software platform enabling monetization and user acquisition for app and content developers. Verve operates in two subsegments games and media, of which the combined market is expected to grow in excess of 10% in the coming years. Furthermore, the two subsegments enable large synergies as the games could make its UA more efficient while the media platform retains a higher share of the spending. Furthermore, the games could maximize their ad revenues which come at almost 100% gross margins. In contrast, the media segment could leverage access to first-party data. Thereby, enhancing advertisers' targeting, which makes the platform more competitive. Leading the gain of market share, scale effects, and substantial network effects.</p>
 Evidence	<p>Proven scalability</p> <p>Verve has transformed its business into a leading ad-software platform. In 2024, the number of ad impressions reached ~940 billion. This is driven by innovative services that cover the customer's entire value chain. Leading to gained market share. Furthermore, the EBITDA margin increased from 10% in 2020 to 33% in 2024. Illustrating the scalable business model.</p>
 Challenge	<p>IDFA implementations reduces market activity</p> <p>Apple's recent IDFA identifier made it harder for advertisers and game publishers to attract consumers and players. Google is planning to implement a similar standard where similar challenges could occur. Thus, this could lead to a market slowdown where Verve's innovative solutions would not materialize in any returns.</p> <p>-</p> <ul style="list-style-type: none">•
 Valuation	<p>Valuation assumptions</p> <p>We forecast a 24-30'e sales CAGR of 4% with an Adj EBITDA margin of ~32%. At our base case, Verve trades at 9x EV/adj EBITA 2025e.</p>

Redeye Quality Rating

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

4

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character. character.

The People rating is based on quantitative scores in seven categories: categories:

1. Passion 2. Execution 3. Capital Allocation 4. Communication 5. Compensation 6. Ownership 7. Board

- +

Positives
- Visionary CEO with long-term perspective and deep industry knowledge, consistently delivering on promises and creating shareholder value.
 - Strong commitment to innovation and strategic planning, focusing on ID-less solutions and niche market segments.
 - Clear and consistent investor communication, emphasizing long-term business value and transparency about mistakes.
 - Founder-CEO owns a significant stake (c25%) in the company, aligning management interests with shareholders.

- Negatives
- EPS growth has been dampened by high debt and interest costs, potentially impacting overall financial performance.
 - Lack of clear information about sustainability-related performance incentives in executive compensation plans.
 - Insufficient information available to assess the CEO evaluation process and succession planning.

Business

4

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is ased on quantitative scores in seven categories:

1. Business Scalability 2. Market Structure 3. Value Proposition 4. Economic Moat 5. Operational Risks

- +

Positives
- Strong recurring revenue model based on advertising volumes, enhancing business stability and predictability.
 - Asset-light business model allowing for efficient scaling with high incremental returns and minimal reinvestment needs.
 - Clear competitive moat through extensive database and market leadership in the in-app advertising market.

- Negatives
- Lack of a diversified and wide revenue base, potentially exposing the company to risks associated with market fluctuations or customer loss.
 - Possible cyclical nature of the advertising business, which could impact financial performance during economic downturns.

Redeye Quality Rating

Financials

3 Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company’s financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

1. Earnings Power 2. Profit Margin 3. Growth Rate 4. Financial Health 5. Earnings Quality

+ Positives

- Strong profitability with gross profit margin exceeding 40% and operating margin above 20%, indicating pricing power and competitive advantage.
- Consistent revenue growth above industry average over the last five years, suggesting market share gains and strong demand.
- High operating cash flow conversion (above 80%) over the past five years, demonstrating ability to generate real cash profits.

- Negatives

- Lack of consistent earnings growth, with EPS growth not exceeding historical averages or maintaining stability over longer periods.
- Net debt exceeds two times operating cash flow, potentially indicating challenges in debt management.
- Absence of dividend payments or growth, limiting appeal for income-focused investors.
- Return on Equity (ROE) has not consistently reached 20% over the last five years, indicating potential room for improvement in capital utilization.

Rating Distribution

Redeye Covered Companies			
Rating	People	Business	Financials
5	6	8	1
3-4	135	120	44
0-2	15	28	111
Companies	156	156	156

Disclaimer

Redeye does not issue any investment recommendations for fundamental research. However, Redeye has developed a proprietary research and rating model, Redeye Rating, in which each company is analyzed and evaluated. This research aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Financials

Income Statement					
EURm	2023	2024	2025e	2026e	2027e
Net Sales	322.0	437.0	526.9	574.8	616.9
Other Income	97.4	42.7	25.3	34.5	37.0
Total Revenue	419.4	479.7	552.2	609.3	653.9
Cost of Sales	61.8	171.9	202.6	229.9	240.6
Gross Profit	260.2	265.1	324.3	344.9	376.3
Operating Expenses	131.8	136.5	168.6	167.3	172.7
EBITDA	128.4	128.5	155.7	177.6	203.6
Depreciation and Amortization	29.5	38.2	45.9	47.4	54.0
EBIT	99.0	90.3	109.8	130.2	149.5
Net Financial Items	-50.1	-58.5	-39.5	-40.1	-32.0
EBT	48.9	31.8	70.3	90.1	117.5
Income Tax Expenses	2.7	3.0	18.3	23.4	30.6
Net Income	46.1	28.8	52.1	66.6	87.0
Balance Sheet					
EURm	2023	2024	2025e	2026e	2027e
Assets					
Non-current assets					
Property, Plant and Equipment (Net)	4.0	4.3	5.6	8.1	9.5
Goodwill	578.0	718.0	718.0	718.0	718.0
Intangible Assets	218.6	268.8	267.3	272.3	273.4
Right-of-Use Assets	0.0	0.0	0.0	0.0	0.0
Other Non-Current Assets	12.9	22.0	22.0	22.0	22.0
Total Non-Current Assets	813.5	1,013.1	1,012.9	1,020.5	1,023.0
Current assets					
Inventories	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	32.3	92.6	137.0	143.7	154.2
Other Current Assets	39.5	0.0	0.0	0.0	0.0
Cash Equivalents	121.7	146.7	123.1	191.4	279.4
Total Current Assets	193.5	239.3	260.1	335.1	433.6
Total Assets	1,007.0	1,252.4	1,273.0	1,355.6	1,456.6
Equity and Liabilities					
Non-current liabilities					
Long Term Debt	348.0	445.8	445.8	445.8	445.8
Long Term Lease Liabilities	0.0	0.0	0.0	0.0	0.0
Other Non-Current Lease Liabilities	65.8	52.7	52.7	52.7	52.7
Total Non-Current Liabilities	413.8	498.5	498.5	498.5	498.5
Current liabilities					
Short Term Debt	32.0	0.0	0.0	0.0	0.0
Short Term Lease Liabilities	45.3	94.6	94.6	94.6	94.6
Accounts Payable	80.3	104.1	125.5	136.9	146.9
Other Current Liabilities	83.2	104.4	51.6	56.1	60.0
Total Current Liabilities	240.8	303.1	271.6	287.5	301.5
Equity	352.5	450.9	502.9	569.6	656.6
Total Liabilities and Equity	1,007.0	1,252.5	1,273.0	1,355.6	1,456.6

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