Verve Group SE[*5a,5b,7,11]

Strong new customer business and expanded advertising budgets ensure record financial year, share price target raised again

Industry: ad-tech
Focus: software applications
Foundation: 2011

Employees: >800
Company headquarters: Stockholm
Management Board: R. Westermann, C. Duss, J. Knauber, A. Stil, S. Sondhi

Verve Group SE (Verve) is a fast-growing, profitable digital media company that provides AI-driven ad-software solutions. Verve matches global advertiser demand with publisher ad-supply, enhancing results through first-party data from its own content. Aligned with our mission, “Let’s make media better,” the company focuses on enabling better outcomes for brands, agencies, and publishers with responsible advertising solutions, with an emphasis on emerging media channels. Verve’s main operational presence is in North America and Europe, and it is registered as a Societas Europaea in Sweden (registration number 517100-0143). Its shares are listed on the Nasdaq First North Premier Growth Market in Stockholm and the Scale segment of the Frankfurt Stock Exchange. The Company has two secured bonds listed on Nasdaq Stockholm and the Frankfurt Stock Exchange Open Market. Verve's certified adviser on the Nasdaq First North Premier Growth Market is FNCA Sweden AB.

in € million	FY 23	FY 24[*1]	FY 25e	FY 26e	FY 27e
Revenues	321.98	437.01	502.11	596.79	716.74
Adj. EBITDA	95.17	133.25	162.94	197.88	242.26
EBITDA	128.46[*2]	128.52	156.84	191.58	236.16
Net result (after minorities)	46.73[*2]	28.80	43.88	67.97	98.26
Earnings per share	0.29	0.15	0.23	0.36	0.53
Dividend per share	0.00	0.00	0.00	0.00	0.00
EV/Revenues	3.18	2.35	2.04	1.72	1.43
EV/Adj. EBITDA	10.77	7.69	6.29	5.18	4.23
EV/EBITDA	7.98	7.98	6.54	5.35	4.34
P/E ratio (after minorities)	14.42	23.40	15.36	9.91	6.86
P/B ratio		1.49			

*[*1]according to preliminary figures [*2]positively influenced by a revaluation effect of € 62.76 million*

Investment Case

- The Verve Group operates a digital advertising software platform and is the market leader in high-growth mobile in-app advertising in the US digital advertising market.
- A dynamic growth series (revenue $CAGR_{20-24}$: +33.0%) has been achieved in the company's history to date, based on organic and inorganic growth effects with a clearly positive M&A track record.
- Strong positioning with innovative advertising solutions (e.g. ATOM or Moments.AI) in established (in-app, mobile web, etc.) and up-and-coming advertising channels (CTV, DOOH, etc.) in the fast-growing programmatic (digital) advertising market.
- Promising company outlook for FY 2025 and strong mid-term guidance issued, including an expected future revenue CAGR of 25% to 30.0% and an Adj. EBITDA CAGR of 30.0% to 35.0%.
- **Attractive valuation with upside potential:** With expected double-digit percentage sales and Adj. EBITDA growth to € 716.74 million and € 242.26 million respectively by 2027 and a derived price target of € 8.30, we assign a "BUY" rating and continue to see significant upside potential in the Verve share.

Rating: BUY
Target price: EUR 8.30

Share and master data

Closing price (previous day)	3.60 EUR
Stock exchange	XETRA
ISIN	SE0018538068
WKN	A3D3A1
Number of shares (in millions)	187.17
MCap (in m EUR)	673.80
Enterprise value (in m EUR)	1,025.00
Transparency level	Nasdaq First North Premier
Market segment	Open market
Accounting / end of FY	IFRS / 31/12/

Shareholder structure

Bodhivas GmbH	24.38%
Oaktree	20.33%
Nordnet	5.29%
Freefloat	50.00%

Financial dates

28/05/25	Annual Report Q1 2025
11/06/25	Annual General Meeting
19/08/25	Annual Report Q2 2025
18/11/25	Annual Report Q3 2025

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Last GBC Research

Date: Publication / Target price in EUR / Rating
05/12/2024: RS / 6.70 / BUY
09/09/2024: RS / 6.60 / BUY

** The research studies listed above can be viewed at www.gbc-ag.de

Completion: 06/03/2025 (8:21)
First transfer: 06/03/2025 (10:30)

Validity of the price target: until 31 December 2025 at the latest

* Catalogue of possible conflicts of interest on p8

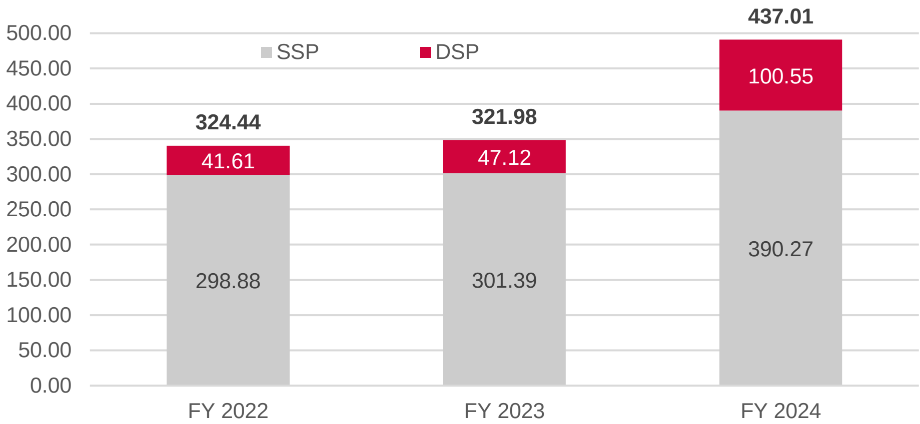
BUSINESS DEVELOPMENT FY 2024

P&L in € million	FY 2022	FY 2023	FY 2024*1
Revenues	324.44	321.98	437.01
Adj. EBITDA	93.20	95.17	133.25
EBITDA	84.75	128.46*3	128.52
Net result (after minorities)	-20.32*2	46.73*3	28.80

*Sources: Verve Group SE; GBC AG *1 according to preliminary figures; *2 negatively influenced by a one-off amortisation effect of € 23.6 million; *3 positively influenced by a revaluation effect of € 62.76 million*

Verve published its preliminary business figures for 2024 on 27 February 2025. According to these figures, the operator of a fully-integrated advertising software platform (ad-tech platform) recorded a record year thanks to strong organic growth with a significant increase in revenue of 35.7% to € 437.01 million (PY: € 321.98 million) and was thus able to benefit significantly from the ongoing recovery of the advertising market. In particular, the dynamic growth of 46.0% in the fourth quarter (of which 24.0% was organic growth, excluding Jun M&A and currency effects) to € 144.20 million (Q4 2023: € 98.7 million) made a significant contribution to this, with the final quarter also closing with new record figures at revenue and earnings level.

Development of Group and segment sales (in € million)*



*Sources: Verve Group SE; GBC AG *Segment revenue before consolidation effects*

In addition to the significant organic growth impetus (organic growth achieved: approximately 24.0%), the Jun Group acquisition carried out in summer 2024 also further increased the pace of growth.

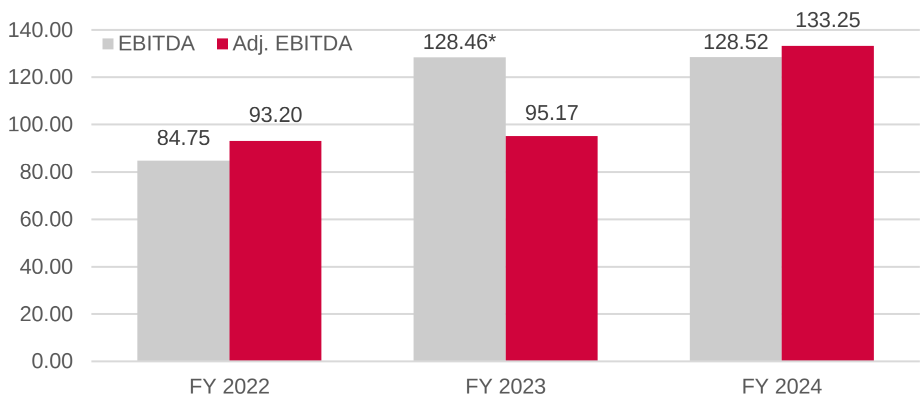
According to the company, the Group integration of this acquired technology company is proceeding according to plan. Their technological and personnel integration is progressing well, with the first successes already visible in the form of a significantly higher organic growth rate of 10.0% for the Jun business in the past financial year 2024 (PY: 1.0%). Verve expects to realise further sales synergies in the current financial year and believes it is well on track to achieve at least the originally communicated € 9.0 million in synergies in the 2025 financial year. In the medium term, the company even sees further potential for annual sales synergies in the range of € 30.0 million to € 40.0 million.

In terms of revenue distribution, the traditionally largest advertising segment "Supply Side Platform" (revenue share of SSP: 89.3%) accounted for the lion's share of revenue, with revenue totalling € 390.27 million (PY: € 301.39 million). Due to the strengthening of the “Demand Side Platform” as a result of the Jun acquisition, sales in this segment jumped to € 100.55 million (PY: € 47.12 million), resulting in a somewhat more balanced segment mix than before.

The rapid revenue growth recorded resulted primarily from an increase in the software customer base and the expansion of advertising budgets with existing software customers. The number of major customers (sales volume > € 100,000) on Verve's ad-tech platform increased significantly by 56.8% year-on-year to 1,140 at the end of the fourth quarter (number of major customers at the end of Q4 2023: 727). Even excluding their acquisition in June, the company also reported strong (organic) customer growth of 39.5% to 1,014 software customers on an adjusted basis. At the same time, existing software customers increased their advertising budgets significantly by 15.0% to a rate of 110.0% at the end of the fourth quarter (net USD expansion rate Q4 2023: 95.0%). At the same time, the volume of digital advertising delivered or placed increased significantly by 33.0% to 274 billion at the end of the fourth quarter (advertising ads at the end of Q4 2023: 206 billion).

On the product side, growth was driven in part by increased customer demand for Verve's innovative ID-less advertising solutions (e.g. in the form of ATOM 3.0 or Moments.AI). With revenue growth well above the average for the advertising industry, Verve succeeded in gaining significant market share and thus further expanding its leading market position, particularly in the mobile market segment.

Development of EBITDA and adjusted EBITDA (in € million)



*Sources: Verve Group SE; GBC AG   *positively influenced by a revaluation effect in the amount of € 62.76 million*

Their extremely positive business development was also reflected at all earnings levels. With EBITDA totalling € 128.52 million, the strong level of the previous year (PY: € 128.46 million) was even slightly exceeded. However, it should be noted at this point that the previous year's figure was significantly positively influenced by a revaluation of the AxesInMotion earn-out payment liability (positive special effect of € 62.76 million). Adjusted for special effects (e.g. M&A and restructuring costs or revaluation of balance sheet items), adjusted EBITDA (Adj. EBITDA) increased significantly by 40.0% to € 133.25 million (PY: € 95.17 million). This resulted in a moderate increase in the adjusted EBITDA margin (Adj. EBITDA margin) to 30.5% (PY: 29.6%).

In terms of net performance, a clearly positive consolidated result (after minority interests) of € 28.80 million was generated, which was below the previous year's level (PY: € 46.73 million). However, this significant decline is mainly due to the positive one-off effect from the revaluation of an M&A-related payment obligation described above.

The company guidance (sales of € 400 to € 420 million and Adj. EBITDA of € 125 to € 135 million) raised again by Verve's management at the end of August 2024 was thus significantly exceeded in terms of sales and was at the upper end of the communicated earnings guidance range in terms of earnings. Our sales and earnings forecast was also exceeded (sales of € 410.02 million and Adj. EBITDA of € 128.11 million).

With the publication of its preliminary business figures, the ad-tech group has also provided a rough outlook for the current financial year 2025 and intends to further concretise this guidance in the further course of the year (probably in the first quarter). Against the backdrop of an already good start to the year, Verve's management expects double-digit organic growth for the current financial year, with this targeted significant business expansion to be achieved primarily through the increased marketing of ID-less advertising solutions and an expected strong US advertising market (Verve's core market).

At the same time as issuing a general outlook for the current financial year, Verve's management has once again confirmed its medium-term guidance (sales CAGR: 25.0% to 30.0%; Adj. EBITDA margin: 30.0% to 35.0%). Accordingly, the technology company expects continued high growth momentum in the form of double-digit profitable growth rates beyond the current financial period.

In light of their strong performance, the continuation of their high growth momentum and their extremely positive company outlook, including confirmation of the medium-term guidance, we have left our previous sales and earnings forecasts for the financial years 2025 and 2026 unchanged. We have also included the 2027 financial year in our detailed estimate period for the first time with specific estimates.

Based on our confirmed forecasts and the first-time inclusion of the 2027 financial year in our detailed estimate period, which have also led to a higher starting point for the estimates for the subsequent financial years, we have significantly raised our previous price target to € 8.30 per share (previously: € 6.70 per share). In view of the current share price level, we therefore continue to assign a "BUY" rating and continue to see significant upside potential in Verve shares.

VALUATION

Modelling assumptions

We have valued Verve Group SE using a three-stage DCF model. Starting with the specific estimates for the years 2025 to 2027 in phase 1, the forecast for 2028 to 2032 in the second phase is based on value drivers. We expect sales to increase by 5.0% (previously: 5.0%). We have assumed an EBITDA target margin of 32.9% (previously: 32.1%). We have included the tax rate in phase 2 at 30.0%. In the third phase, a residual value is also determined after the end of the forecast horizon using perpetuity. In the terminal value, we assume a growth rate of 2.5% (previously: 2.5%).

Determination of the cost of capital

The weighted average cost of capital (WACC) of Verve Group SE is calculated from the cost of equity and the cost of debt. The fair market premium, the company-specific beta and the risk-free interest rate must be calculated to determine the cost of equity.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Technical Committee for Business Valuations and Business Administration (FAUB). This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. The average yields of the previous three months are used to smooth out short-term market fluctuations. The value currently used for the risk-free interest rate is 2.5% (previously: 2.5%).

We use the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to outperform low-risk government bonds.

According to the GBC estimation method, the current beta is 1.36 (previously: 1.36).

Using the assumptions made, we calculate a cost of equity of 10.0% (previously: 10.0%) (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of the cost of equity of 80.0% (previously: 80.0%), the weighted average cost of capital (WACC) is 9.0% (previously: 9.0%).

Valuation result

The fair value per share we have calculated for the end of the 2025 financial year corresponds to a target price of € 8.30 per share (previously: € 6.70 per share). Our price target increase is primarily the result of the first-time inclusion of the 2027 financial year in our detailed estimate period and the associated higher starting point for the estimates for subsequent financial years.

DCF MODEL

Phase	estimate			consistency					final
In EUR million	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	FY 31e	FY 32e	
Turnover	502.11	596.79	716.74	752.58	790.21	829.72	871.20	914.76	
Sales growth	14.9%	18.9%	20.1%	5.0%	5.0%	5.0%	5.0%	5.0%	2.5%
EBITDA	156.84	191.58	236.16	247.97	260.37	273.39	287.05	301.41	
EBITDA margin	31.2%	32.1%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	
EBITA	113.63	144.86	184.63	196.38	213.04	229.27	245.41	261.64	
EBITA margin	22.6%	24.3%	25.8%	26.1%	27.0%	27.6%	28.2%	28.6%	23.9%
NOPLAT	79.54	101.40	129.24	137.47	149.13	160.49	171.78	183.15	
Working capital (WC)	4.15	11.99	17.88	37.63	39.51	41.49	43.56	45.74	
Fixed assets (OAV)	255.43	236.91	217.20	199.26	185.77	175.36	167.44	161.34	
Invested capital	259.58	248.90	235.08	236.89	225.28	216.84	211.00	207.08	
Return on investment	30.4%	39.1%	51.9%	58.5%	63.0%	71.2%	79.2%	86.8%	75.6%
EBITDA	156.84	191.58	236.16	247.97	260.37	273.39	287.05	301.41	
Taxes on EBITA	-34.09	-43.46	-55.39	-58.92	-63.91	-68.78	-73.62	-78.49	
Change OAV	-25.50	-28.20	-31.82	-33.65	-33.83	-33.71	-33.73	-33.67	
Change WC	-15.61	-7.84	-5.89	-19.75	-1.88	-1.98	-2.07	-2.18	
Investments in goodwill	-66.00	-25.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	15.64	87.08	143.06	135.65	160.74	168.92	177.63	187.07	2326.42

Determination of capital costs	
Risk-free return	2.50%
Market risk premium	5.50%
Beta	1.36
Cost of equity	9.96%
Target weighting	80.00%
Borrowing costs	6.50%
Target weighting	20.00%
Tax shield	20.18%
WACC	**9.01%**

Determination of fair value	FY 25e	FY 26e
Value of operating business	2008.60	2102.47
Present value of explicit FCFs	736.71	716.00
Present value continuing value	1271.89	1386.47
Net debt	455.15	415.98
Value of equity	1553.45	1686.50
Minority interests	-0.22	-0.23
Value of the share capital	1553.23	1686.26
Outstanding shares in million	187.17	187.17
Fair value of the share in EUR	**8.30**	9.01

Sensitivity analysis

		WACC				
		8.4%	**8.7%**	**9.0%**	**9.3%**	**9.6%**
Return on capital	**75.1%**	9.23	8.72	8.25	7.83	7.45
	75.3%	9.26	8.74	8.28	7.85	7.47
	75.6%	9.28	8.77	**8.30**	7.88	7.49
	75.8%	9.31	8.79	8.32	7.90	7.51
	76.1%	9.34	8.82	8.35	7.92	7.53

APPENDIX

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or

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The respective recommendations/classifications/ratings are linked to the following expectations:

BUY	The expected return, based on the calculated price target, including dividend payment within the corresponding time horizon is >= + 10%.
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