
Performance VS OMXS30

Share Information

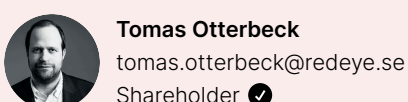
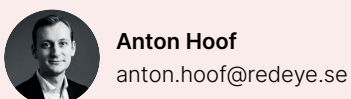
Share Price SEK	42.85
Number of shares (M)	187.2
Marketplace	Frankfurt Stock Exchange
CEO	Remco Westermann
Chairman	Tobias M. Weitzl

Key Stats

Market Cap	N/A
Entprs. Value (EV)	--
Net Debt (2024Q4)	299.0 MEUR
30 Day Avg Vol	347 K
Dividend Yield	N/A

Top Holders

Name	Ownership
Bodhivas GmbH	24.38%
Oaktree Capital Management LLP	20.33%
Nordnet Pensionsförsäkring	5.55%
Sterling Strategic Value Fund	3.21%
Trend Finanzanalysen GmbH	1.75%
Smile Autovermietung GmbH	1.63%
PAETA Holdings Limited	1.44%
Billings Capital Management LLC	1.25%
Dawn Fitzpatrick	1.03%
Avanza Pension	1.02%

Redeye Equity Analysts

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: Strong momentum continues

Redeye updates its view on Verve Group following its Q4 2024 report, which came in stronger than expected across the board. The growth drivers were in line with the previous quarter, and Verve continues to gain market share, demonstrating that its product investments are yielding results. With a solid outlook for 2025, a strong underlying ad market, and reduced financing costs, we continue to expect strong fundamental improvements throughout the year.

Q4 2024 – Beat across the board

Verve ended the year on a strong note, with an organic growth of 24% (up from 16% in Q4 last year). Net sales amounted to EUR144m, 11% higher than our expectations of EUR131m. The organic growth was once again driven by strong customer intake, privacy-first targeting solutions, and full-screen video ads. Looking at profitability, Adj EBITDA amounted to EUR48.5m, 13% higher than our expectations of EUR43.1m, while Adj EBIT came in at EUR42.1m, 14% higher than our expectations of EUR36.9m.

Solid outlook for 2025

After listening to the conference call, the management team seems confident in delivering high double-digit organic growth in 2025. We believe this should be achievable since Verve's core market (in-app advertising in the US) is expected to grow at an underlying CAGR of 10% from 2024e to 2028e. Hence, given that Verve has outgrown the market in recent quarters, growing organically by 15-20%, should be doable.

Estimate changes and valuation

On the back of the report, we are making relatively small adjustments, leaving our sales and margin assumptions roughly unchanged. We currently forecast sales growth of approximately 21% for 2025e. We increase our Base Case from SEK45 to SEK50 and fair value range from SEK20–SEK65 to SEK25–75. Our base case corresponds to an EV/Adj EBIT multiple of c8x in 2025e.

Key Financials	2023	2024	2025e	2026e	2027e
EURm					
Net Sales	322.0	437.0	527.4	575.6	617.6
Sales Growth	-0.8%	35.7%	20.7%	9.1%	7.3%
EBITDA	128.4	128.5	174.2	193.1	216.2
EBIT	99.0	90.3	131.6	146.8	167.0
EBIT Margin	30.7%	20.7%	24.9%	25.5%	27.0%
Net Income	46.1	28.8	63.6	79.0	99.9
EV/Sales	1.3	2.0	2.0	1.7	1.4
EV/EBIT	4.3	9.8	8.1	6.7	5.3

Q4 2024 review

Verve ended a solid 2024 with a strong report, beating both our and consensus expectations across the board. The highlight, in our view, continues to be the organic growth, which amounted to 24% despite tough comps of 16% last year. This is once again driven by improved product offering, customer intake and increased revenues per existing customers. Net sales came in at EUR144.2m, 11% higher than our estimate of EUR130.5m. The number of software clients increased by 57% (up from 45% in Q4).

In terms of profitability, Adj EBITDA amounted to EUR48.5m, 13% higher than our expectations of EUR43.1m, while Adj EBIT came in at EUR42.1m, 14% higher than our expectations of EUR36.9m. Operating cash flow was also strong in the quarter, amounting to EUR55.4m, up from EUR42m in Q4 last year, despite a lower positive effect from working capital releases.

Verve Group										
(EUR m)	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4'24a	Q4 24E	Diff %	Diff (Abs)
Net Sales	76.2	78.3	98.7	82.5	96.6	113.7	144.2	130.5	11%	13.7
Adj EBITDA	21.3	23.1	31.7	22.0	29.1	33.6	48.5	43.1	13%	5.4
EBITDA	20.0	63.7	27.3	20.2	28.1	36.2	44.1	42.1	5%	2.0
D&A	-7.2	-8.3	-7.6	-7.9	-8.5	-11.7	-10.1	-10.6	-5%	0.5
D&A less PPA	-4.7	-4.7	-4.9	-5.4	-5.9	-8.4	-5.5	-6.1	-10%	0.6
Adj EBIT	16.6	18.4	26.8	16.6	23.2	25.2	42.1	36.9	14%	5.2
EBIT	12.8	55.4	19.7	12.3	19.6	24.5	33.9	31.4	8%	2.5
Net financials	-12.7	-12.8	-14.1	-14.1	-12.9	-14.6	-16.8	-14.0	20%	-2.8
Net Profit	1.5	39.2	4.9	0.6	6.3	7.6	14.3	13.3	8%	1.0
Adj Net Profit	4.0	2.2	7.5	5.0	8.8	10.9	18.1	18.8	-3%	-0.7
Adj EPS	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	-11%	0.0

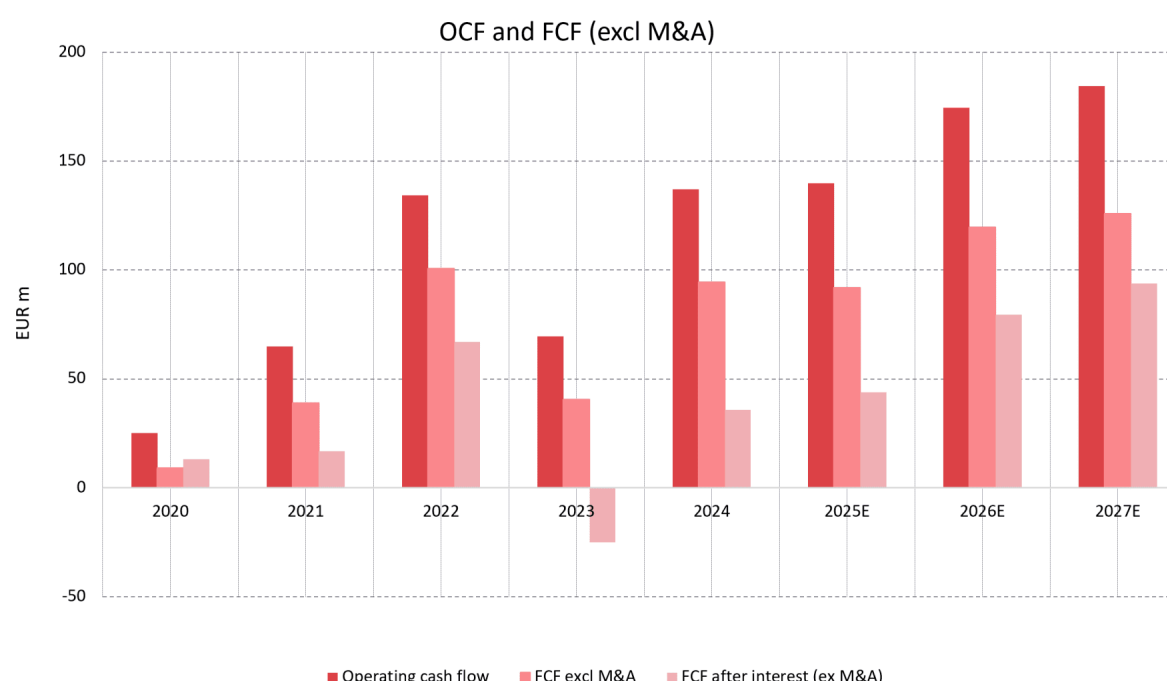
Source: Redeye Research (Forecasts)

Overall, we think the Q4 report was very strong, with the company beating our expectations across the board. When comparing it to listed peers, it is also evident that Verve continues to outgrow the market and gain market share. On top of that, customer retention remains high at 97%, while existing customers continue to increase their spending, as demonstrated by a net expansion rate of 110%.

Regarding the outlook, the company states in the report that 2025 has started strong and that it expects meaningful double-digit organic growth for the year, supported by continued investments in ID-less targeting solutions, an expanded sales force, and further platform integrations that drive higher revenue synergies within the group. With sustained high organic growth, increased efficiency within the group, and lower financing costs due to overall lower interest rates and the potential refinancing of existing bonds, we expect solid EPS growth in 2025, supporting the share price. The stock had been relatively weak leading up to the report, so we were not surprised by the reaction on the reporting day.

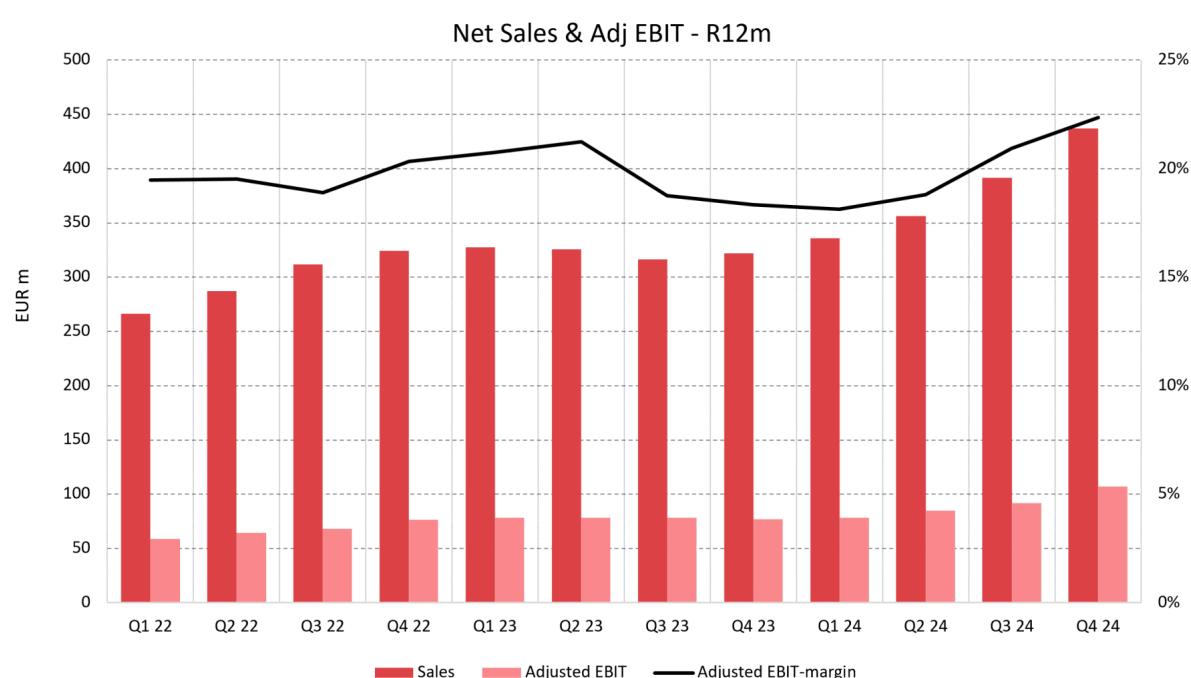
Cash flow & Net debt

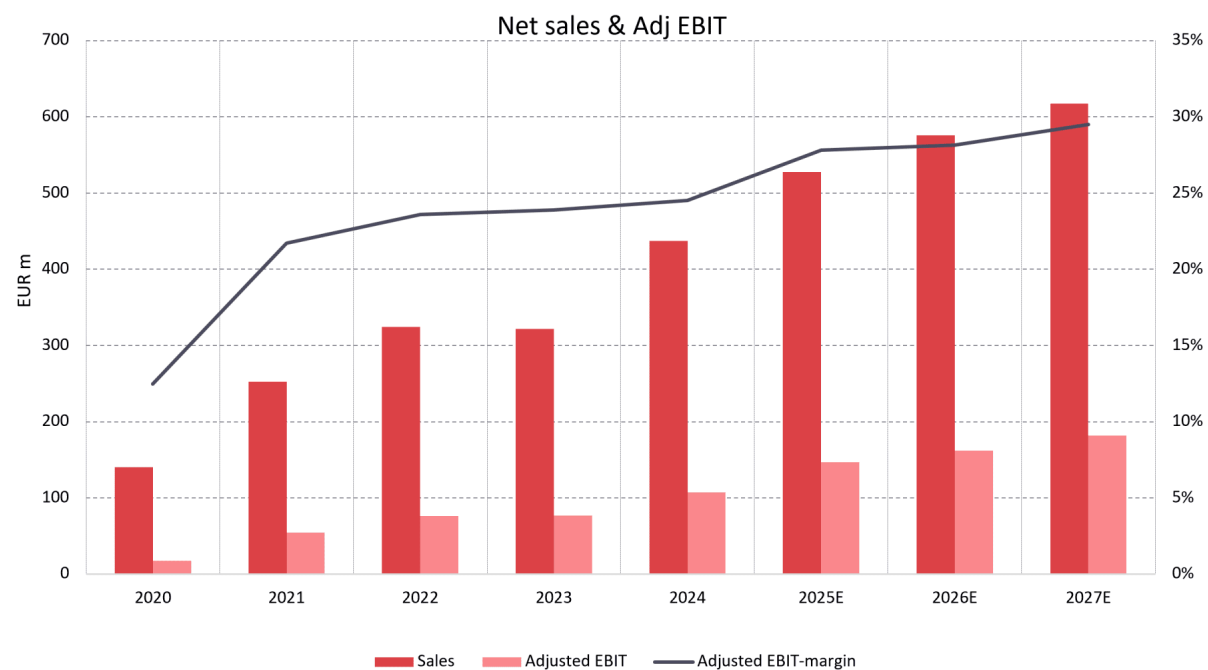
Operating cash flow was relatively strong, coming in at EUR55.4m, while free cash flow (excluding M&A but including interest expenses) amounted to EUR26.5m. H2 is typically a strong cash flow period for Verve due to working capital releases, which was also evident in Q3. We continue to expect improved cash conversion going forward due to lower interest expenses from better terms on the new bond, and interest rate cuts from central banks. 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 EUR351m, and the net debt / Adj EBITDA ratio amounted to 2.7x (2.4x pro forma) at the end of the quarter. The company expects the net debt to decrease to 2x in 2025. Overall, after being the main topic throughout 2023, we believe debt concerns have reduced materially in 2024, and with interest rates expected to come down, we think this issue can now be considered resolved. Moreover, Redeye also believes that Verve should operate with debt to boost returns, as the business is relatively stable and generates strong cash flows.

Financial performance





Estimate changes

On the back of the report, we are making relatively small adjustments, leaving our sales and margin assumptions roughly unchanged. We currently forecast sales growth of approximately 21% for 2025e. Verve will continue to see a positive impact from the Jun Group acquisition, especially in H1, as it was first consolidated in August 2024. Given the company's positive outlook for 2025, we believe our estimates remain relatively conservative, and we would not be surprised if we were to nudge them up during the year.

Estimate Revisions									
EURm	New estimates			Old estimates			Diff (%)		
	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Net Sales	527.4	575.6	617.6	520.5	568.2	609.6	1%	1%	1%
Total Costs	-353.2	-382.5	-401.4	-343.7	-373.7	-402.5	3%	2%	0%
Adj EBITDA	174.2	193.1	216.2	176.8	194.5	207.1	-1%	-1%	4%
EBITDA	174.2	193.1	216.2	176.8	194.5	207.1	-1%	-1%	4%
D&A	-42.6	-46.3	-49.2	-47.6	-49.7	-52.5	-11%	-7%	-6%
D&A less PPA	-27.4	-31.1	-34.0	-28.6	-30.7	-33.5	-4%	1%	1%
Adj EBIT	146.8	162.0	182.2	148.2	163.9	173.6	-1%	-1%	5%
Amortization (PPA)	-15.2	-15.2	-15.2	-19.0	-19.0	-19.0	-20%	-20%	-20%
EBIT	131.6	146.8	167.0	129.2	144.9	154.6	2%	1%	8%
Net financials	-45.6	-40.1	-32.0	-45.2	-40.0	-32.0	1%	0%	0%
EBT	86.0	106.7	135.0	84.0	104.8	122.6	2%	2%	10%
Net Profit	63.6	79.0	99.9	62.1	77.6	90.7	2%	2%	10%
Adj Net Profit	78.8	94.2	115.1	81.1	96.6	109.7	-3%	-3%	5%
Adj EPS	0.4	0.5	0.6	0.4	0.5	0.6	-4%	-4%	4%

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

Financial estimates

Financial estimates									
EURm	2023	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e
Net Sales	322.0	437.0	109.6	128.2	128.5	161.1	527.4	575.6	617.6
Total Costs	-193.6	-308.5	-77.9	-85.9	-86.1	-103.4	-353.2	-382.5	-401.4
Adj EBITDA	95.1	133.2	31.8	42.3	42.4	57.7	174.2	193.1	216.2
EBITDA	128.4	128.5	31.8	42.3	42.4	57.7	174.2	193.1	216.2
D&A	-29.5	-38.2	-9.8	-10.9	-10.9	-11.1	-42.6	-46.3	-49.2
D&A less PPA	-18.2	-26.1	-6.0	-7.1	-7.1	-7.3	-27.4	-31.1	-34.0
Adj EBIT	76.9	107.1	25.8	35.3	35.3	50.4	146.8	162.0	182.2
o/w PPA	-11.2	-12.1	-3.8	-3.8	-3.8	-3.8	-15.2	-15.2	-15.2
EBIT	99.0	90.3	22.0	31.5	31.5	46.6	131.6	146.8	167.0
Net financials	-50.1	-58.5	-14.4	-12.4	-10.4	-8.4	-45.6	-40.1	-32.0
EBT	48.9	31.8	7.6	19.1	21.1	38.2	86.0	106.7	135.0
Net Profit	46.2	28.8	5.6	14.1	15.6	28.3	63.6	79.0	99.9
Adj Net Profit	57.4	47.2	9.4	17.9	19.4	32.1	78.8	94.2	115.1
Adj EPS	0.4	0.3	0.1	0.1	0.1	0.2	0.4	0.5	0.6
Margins									
Adj EBITDA margin %	30%	30%	29%	33%	33%	36%	33%	34%	35%
Adj EBIT margin %	24%	25%	24%	28%	28%	31%	28%	28%	30%
Net margin %	14%	7%	5%	11%	12%	18%	12%	14%	16%
Adj Net margin %	18%	11%	9%	14%	15%	20%	15%	16%	19%

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% 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 c7-12x 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	2,666	13.9	12.3	10.7	50.8	38.1	29.4	>100	77.9	>100
Apploving	127,655	49.0	35.0	26.7	71.1	46.6	34.3	84.3	58.2	40.0
Trade Desk	34,299	35.4	31.9	25.6	83.8	74.3	49.8	91.1	82.3	58.7
Pubmatic	581	6.8	6.5	5.7	>100	>100	40.2	44.3	69.6	26.0
Viant Technology	1,276	30.6	25.0	20.0	35.5	28.4	34.7	>100	>100	>100
LiveRamp	1,558	11.7	9.3	7.6	12.1	9.7	7.6	neg	52.2	24.8
Criteo	2,063	5.5	5.6	5.1	7.0	6.7	6.1	8.0	8.3	7.7
Median		13.9	12.3	10.7	43.1	33.3	34.3	64.3	63.9	26.0
Average		21.8	17.9	14.5	43.4	34.0	28.9	56.9	58.1	31.4
Verve Group	1,090	8.2	6.3	5.6	10.2	7.4	6.7	15.7	9.4	6.4

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 SEK25-75 (20-65), and our base case stands at SEK50 (45). Corresponding to an EV/Adj EBIT multiple of 8x in 2025e.

Valuation scenarios			
	Bear case	Base case	Bull case
Valuation per share	25	50	75
Revenue CAGR 2025-2030	3%	7%	9%
Revenue CAGR 2031-2040	2%	3%	4%
EBIT-margin 2025-2040	20%	23%	25%
Terminal growth	2%	2%	2%
Terminal EBITDA %	25%	30%	35%

Source: Redeye research

Investment Thesis

🏠 Case

A leading ad-software platform with synergies

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.

🔍 Evidence

Proven scalability

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.

⚠️ Challenge

IDFA implementations reduces market activity

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.

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💎 Valuation

Valuation assumptions

We forecast a 24-30'e sales CAGR of 4% with an Adj EBITDA margin of ~32%. At our base case, Verve trades at 8x EV/adj EBITA 2025e.

Redeye Quality Rating

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the guiding locks 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.

The People rating is based on quantitative scores in seven 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. character.

The Business rating is based 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 Financials rating is based on quantitative scores in seven 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	5	7	1
3-4	133	118	37
0-2	17	30	117
Companies	155	155	155

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	527.4	575.6	617.6
Other Income	97.4	42.7	27.9	34.5	37.1
Total Revenue	419.4	479.7	555.4	610.1	654.6
Cost of Sales	61.8	171.9	198.3	230.2	234.7
Gross Profit	260.2	265.1	329.1	345.3	382.9
Operating Expenses	131.8	136.5	154.9	152.2	166.7
EBITDA	128.4	128.5	174.2	193.1	216.2
Depreciation and Amortization	29.5	38.2	42.6	46.3	49.2
EBIT	99.0	90.3	131.6	146.8	167.0
Net Financial Items	-50.1	-58.5	-45.6	-40.1	-32.0
EBT	48.9	31.8	86.0	106.7	135.0
Income Tax Expenses	2.7	3.0	22.4	27.7	35.1
Net Income	46.1	28.8	63.6	79.0	99.9
Balance Sheet					
EURm	2023	2024	2025e	2026e	2027e
Assets					
Non-current assets					
Property, Plant and Equipment (Net)	4.0	4.3	6.3	8.8	11.4
Goodwill	578.0	718.0	718.0	718.0	718.0
Intangible Assets	218.6	268.8	272.2	278.5	285.4
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	1,018.5	1,027.3	1,036.8
Current assets					
Inventories	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	32.3	92.6	137.1	143.9	154.4
Other Current Assets	39.5	0.0	0.0	0.0	0.0
Cash Equivalents	121.7	146.7	128.8	208.2	302.1
Total Current Assets	193.5	239.3	266.0	352.1	456.5
Total Assets	1,007.0	1,252.4	1,284.5	1,379.4	1,493.3
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	125.6	137.1	147.1
Other Current Liabilities	83.2	104.4	51.3	55.8	59.8
Total Current Liabilities	240.8	303.1	271.5	287.5	301.4
Equity	352.5	450.9	514.5	593.5	693.4
Total Liabilities and Equity	1,007.0	1,252.5	1,284.5	1,379.4	1,493.3

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Disclaimer

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