

Verve Group

Company report

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✓ Inderes corporate customer

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The strong momentum continues

In yesterday's business update, Verve reported continued strong performance, with the organic growth accelerating to 31% in Q3, exceeding our expectations of 21%. The growth was driven by a strong onboarding of new large software clients, more spending from existing customers, and an overall strong demand for ID-less targeting solutions. We are getting increasing evidence that Verve's mobile in-app capabilities and focus on privacy-centric targeting solutions is enhancing its competitive position, as reflected in its above-market growth rates and market share gains in recent quarters. This gives us a stronger conviction in the investment case going forward, leading us to revise our estimates upward. We reiterate our Accumulate recommendation with an increased target price of SEK 50 (previously SEK 38).

Organic growth accelerated in Q3

In Q3, Verve added 147 new large software clients q/q, representing a 45% growth y/y, bringing its client base close to 1,000 (excl. Jun Group). This is nearly double from two years ago. Moreover, we view positively on Verve continuing to take market share on iOS devices - where Apple removed its IDFA identifier in 2021 - with revenues increasing by 51% y/y, underscoring its ability to deliver value to customers through privacy-centric solutions. Additionally, Verve's newer ad formats (full-screen & video ads) grew 230+% and 80+% q/q, leading us to believe that Verve also experienced higher CPMs during the quarter, positively impacting top-line growth and profitability.

We raise our estimates

On the back of the stronger-than-expected organic revenue growth in Q3, coupled with the rapid inflow of new large customers, we have raised our estimates. For FY2024, we now expect revenues of 425 MEUR (prev. 413 MEUR), surpassing the upper limit of the company's guidance. We believe Verve held off on raising its full-year guidance as a precautionary measure and a guidance update with the Q3 report on November 28 wouldn't be surprising. Verve has demonstrated solid cost control this year, and we expect that the strong growth, along with an enhanced operating leverage, to support margin improvement for the remainder of the year. Verve's better-than-expected top-line performance in recent quarters, coupled with a rapidly expanding customer base, gives us the confidence to raise our estimates beyond FY2024. For 2025-2026, we've adjusted our revenue and adj. EBIT estimates upward by 4-5% and 6-10%, respectively. While ad budgets are inherently cyclical and sentiment can shift quickly, the rapid increase in large software clients should, in our view, support stronger and more sustainable growth going forward.

Strong business performance supports a further upside in the share

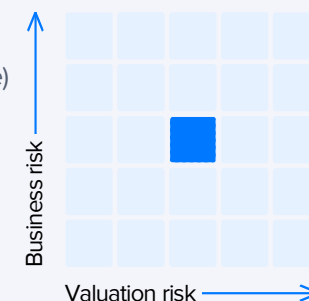
The share has nearly quadrupled since the beginning of the year, and for good reason. The company has demonstrated strong momentum in its core business, improved margins, and set the stage for a healthier capital structure and future cash generation through the acquisition of Jun Group, bond refinancing, and a capital raise. Despite the surge in the share price, we believe Verve is still reasonably priced. Based on our 2025 estimates and at our target price, Verve trades at an adjusted EV/FCFF multiple of 12x, in line with the peer median, but below the median in 2026. As we expect Verve to grow its FCFF at a faster pace than the peer median between 2024-2026 - the key driver of the FCFF multiple - we consider an EV/FCFF multiple on par with the median to be acceptable, despite Verve's current higher leverage compared to the peer group. Our DCF model, which we believe better captures the company's long-term value creation, points to a potential upside for the stock at SEK 51.2 per share, further reinforcing our positive investment stance.

Recommendation

Accumulate
(prev. Accumulate)

50.00 SEK
(prev. 38 SEK)

Share price:
45.2 SEK



Key indicators

	2023	2024e	2025e	2026e
Revenue	322.0	424.9	521.1	573.2
growth-%	-1%	32%	23%	10%
EBIT adj.	76.9	109.8	138.3	156.3
EBIT-% adj.	23.9 %	25.8 %	26.5 %	27.3 %
Net Income	46.7	32.0	59.0	76.6
EPS (adj.)	0.15	0.30	0.41	0.51
P/E (adj.)	6.6	12.9	9.6	7.7
P/B	0.5	1.7	1.5	1.3
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	5.9	9.8	7.6	6.4
EV/EBITDA	4.8	8.1	6.4	5.4
EV/S	1.4	2.5	2.0	1.7

Source: Inderes

Guidance

(Unchanged)

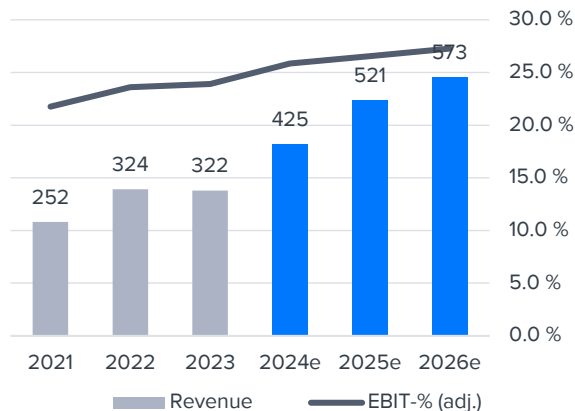
Revenue EUR 400-420 million (24-30%) and adjusted EBITDA EUR 125-135 million (31-42% growth)

Share price



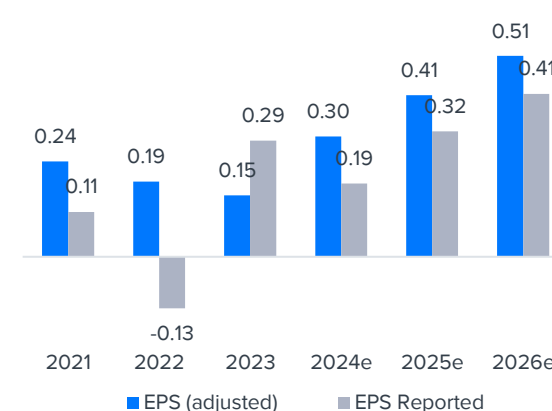
Source: Millstream Market Data AB

Revenues and operating profit-%



Source: Inderes

Earnings per share



Source: Inderes



Value drivers

- High single-digit growth in the programmatic ad market over the medium to long term, with In-app and CTV markets growing even faster
- Market-leading mobile In-App SSP
- Several proprietary targeting solutions for a post-identifier and cookie-less world
- Strong and increasing industry recognition could boost revenue growth
- A trusted end-to-end omnichannel platform
- Own first-party content that provides data to the ad platform
- Improved quality of earnings and increased potential for synergies in coming years following the acquisition of Jun Group



Risk factors

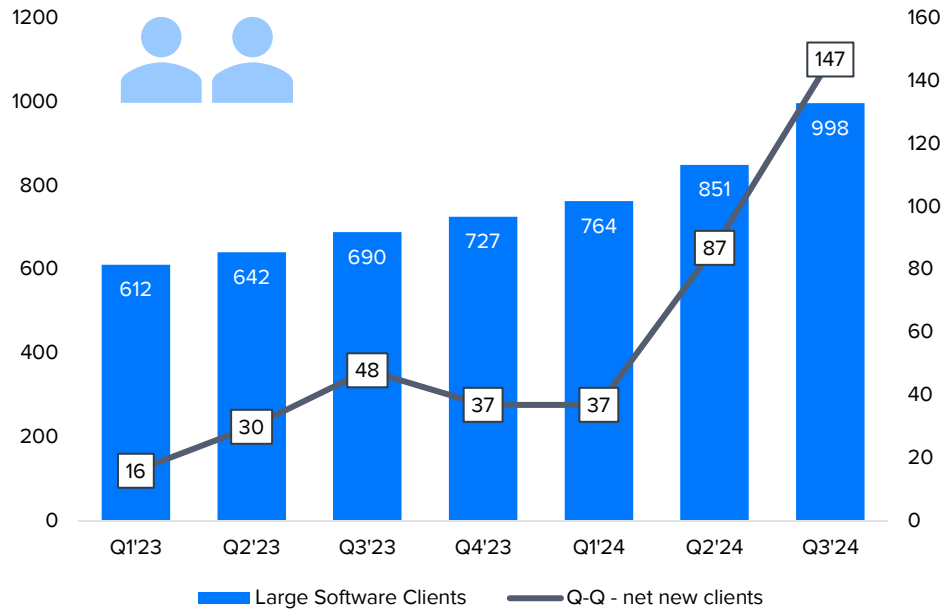
- Failing to maintain/increase market share in programmatic advertising
- Market disruption due to technological or regulatory reasons
- Despite a partial recovery in ad spending, persistent low CPMs and evolving privacy regulations pose ongoing risks
- Rapid slowdown in first-party games revenue
- Macroeconomic challenges could constrain marketing budgets and decelerate growth

Valuation	2024e	2025e	2026e
Share price (EUR)	3.93	3.93	3.93
Number of shares, millions	172.8	186.4	186.4
Market cap (MEUR)	732	732	732
EV (MEUR)	1076	1055	1000
P/E (adj.)	12.9	9.6	7.7
P/E	21.2	12.4	9.6
P/B	1.7	1.5	1.3
P/S	1.7	1.4	1.3
EV/Sales	2.5	2.0	1.7
EV/EBITDA	8.1	6.4	5.4
EV/EBIT (adj.)	9.8	7.6	6.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

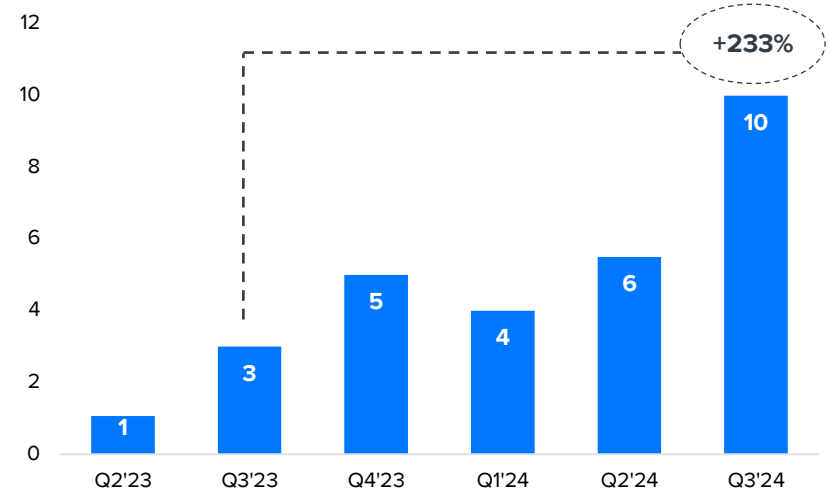
KPIs

Large Software Clients *

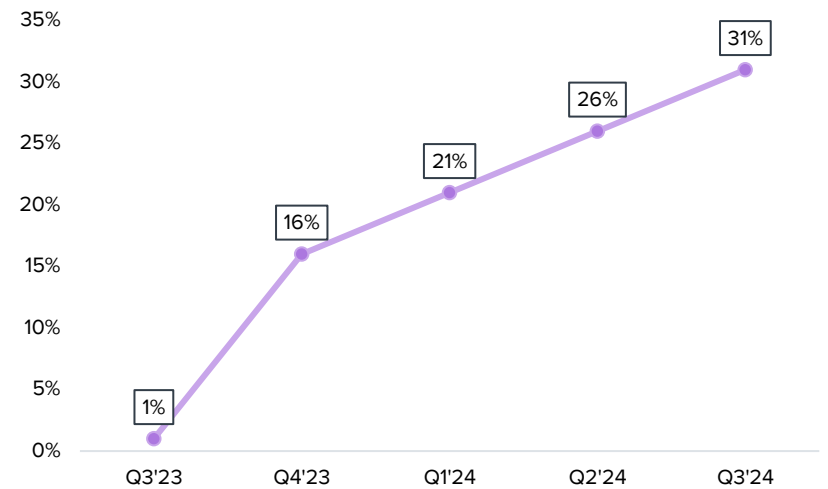


* Customers with > USD 100,000 revenue per year

Full-screen & video ads (MEUR)



Organic growth -%, q/q



Upward revisions in our estimates

Estimated changes

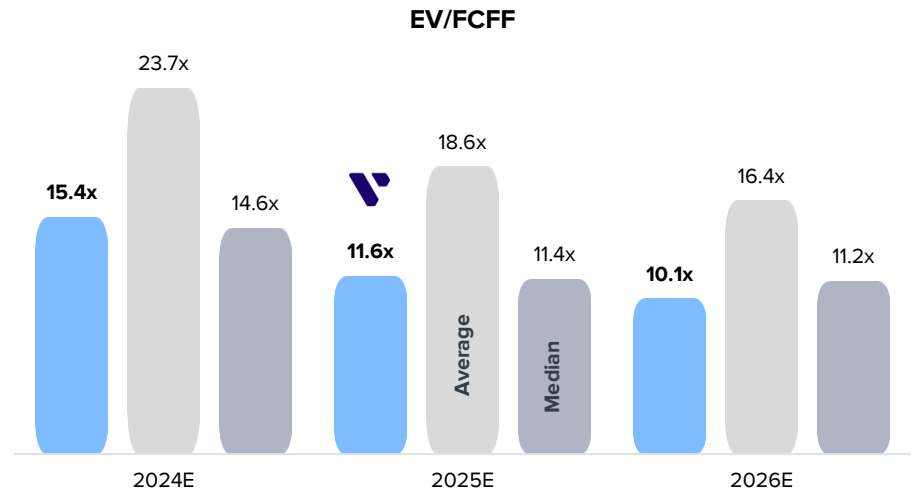
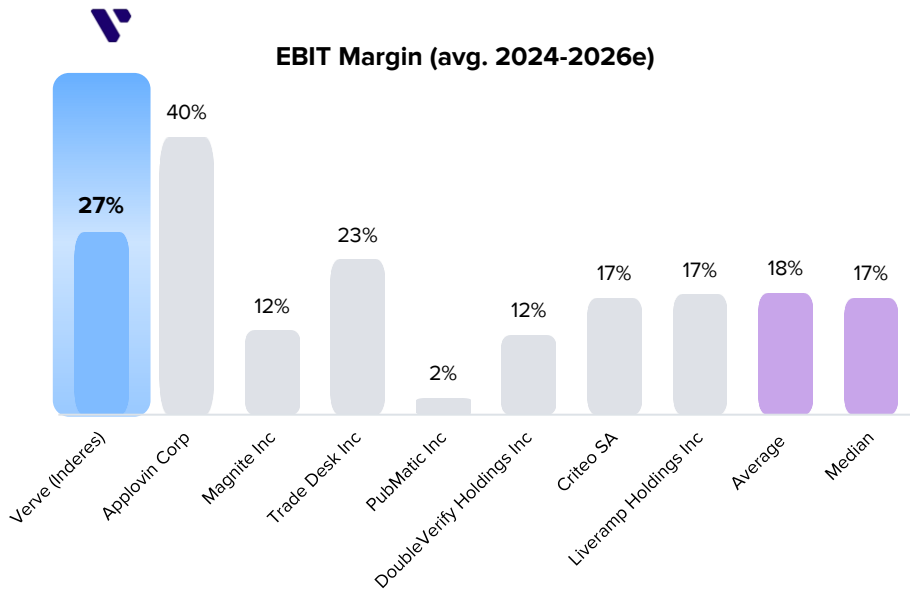
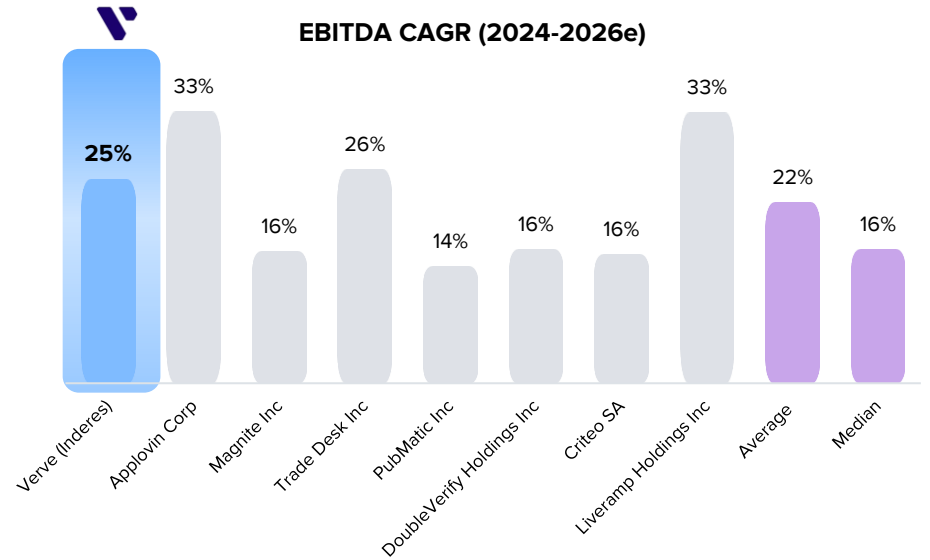
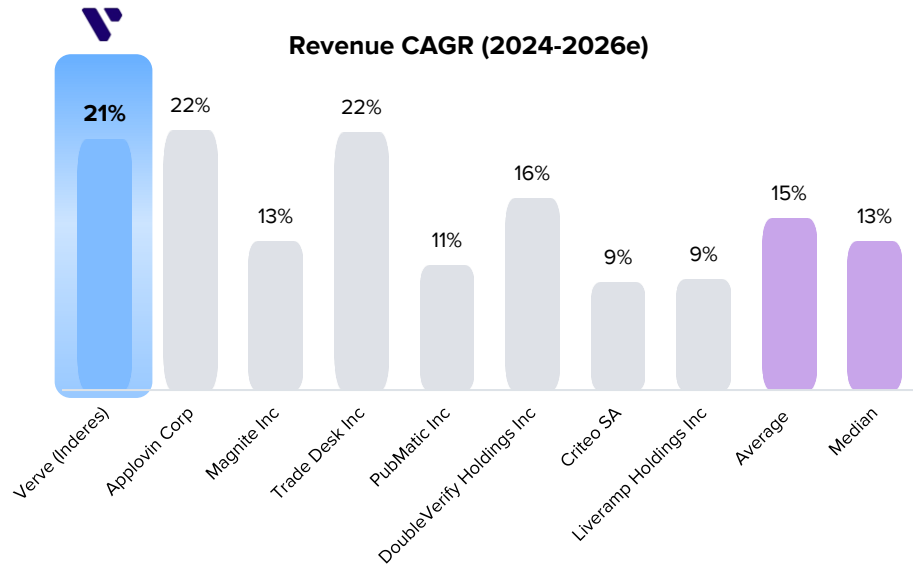
- Due to the stronger-than-expected organic growth shown in Q3, we have raised our revenue estimates for 2024 by 3% to 425 MEUR, which currently exceeds the upper-limit of the company's guidance by 5 MEUR.
- Verve's fast-growing client base provides a stronger foundation a higher and more sustainable growth going forward, why we increase our revenue estimates for 2025-2026 by 4-5%.
- Following our upward revision of revenue estimates, we have also raised our adjusted EBIT forecasts, driven by enhanced scalability. This adjustment has subsequently led to a higher estimate for FCFF generation.
- We noted that our earlier assumptions about the cash flow impact of the Jun Group were too

conservative and revised these accordingly.

Estimate revisions MEUR / EUR	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	413	425	3%	499	521	4%	547	573	5%
EBITDA	120	125	4%	157	165	5%	176	186	6%
EBIT (excl. NRIs)	104	110	5%	130	138	6%	143	156	10%
EBIT	84.0	89.4	6%	113	121	7%	125	138	11%
PTP	34.7	38.3	10%	70.3	78.6	12%	88.4	102	16%
EPS (excl. NRIs)	0.28	0.30	8%	0.37	0.41	9%	0.45	0.51	12%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

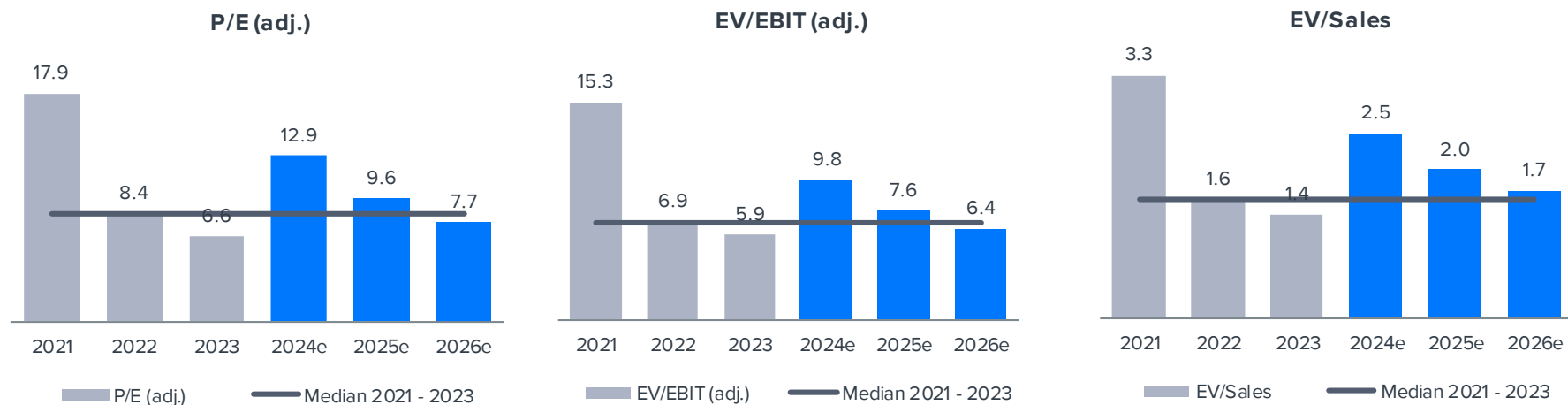
Verve vs Peers: At a glance



Valuation table

Valuation	2021	2022	2023	2024e	2025e	2026e	2027e
Share price (EUR)	4.30	1.60	1.02	3.93	3.93	3.93	3.93
Number of shares, millions	141.7	156.2	159.2	172.8	186.4	186.4	186.4
Market cap (MEUR)	644	255	163	732	732	732	732
EV (MEUR)	840	525	456	1076	1055	1000	907
P/E (adj.)	17.9	8.4	6.6	12.9	9.6	7.7	6.9
P/E	37.9	neg.	3.5	21.2	12.4	9.6	8.3
P/B	2.1	0.8	0.5	1.7	1.5	1.3	1.1
P/S	2.6	0.8	0.5	1.7	1.4	1.3	1.2
EV/Sales	3.3	1.6	1.4	2.5	2.0	1.7	1.5
EV/EBITDA	11.8	5.6	4.8	8.1	6.4	5.4	4.5
EV/EBIT (adj.)	15.3	6.9	5.9	9.8	7.6	6.4	5.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Applovin Corp	53,315	56,146	36.9	29.3	24.9	21.4	13.7	11.7	50.0	37.9	44.8
Magnite Inc	1,637	1,846	38.3	24.2	10.1	8.8	3.3	3.0	16.8	13.7	2.4
Trade Desk Inc	55,554	54,167	135.4	91.4	57.5	47.3	23.9	19.9	75.7	64.0	22.4
PubMatic Inc	699	545	892.0	59.8	6.6	5.8	2.0	1.9	74.6	57.8	2.6
DoubleVerify Holdings Inc	2,724	2,414	37.3	29.2	12.4	10.7	3.9	3.4	55.8	42.1	2.6
Criteo SA	2,212	1,962	12.5	10.2	5.8	5.5	1.9	1.8	10.3	10.0	2.1
Liveramp Holdings Inc	1,538	1,219	12.9	10.4	12.1	9.7	2.0	1.8	17.0	15.4	1.8
Verve (Inderes)	732	1076	9.8	7.6	8.1	6.4	2.5	2.0	12.9	9.6	1.7
Average			166.5	36.4	18.5	15.6	7.2	6.2	42.9	34.4	11.2
Median			37.3	29.2	12.1	9.7	3.3	3.0	50.0	37.9	2.6
Diff-% to median			-74%	-74%	-33%	-34%	-23%	-31%	-74%	-75%	-32%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	324	68.8	76.2	78.3	98.7	322	82.5	96.6	115	131	425	521	573	625
EBITDA (excl. NRI)	93.2	19.1	21.3	23.1	31.7	95.2	22.0	29.1	37.5	44.9	134	165	186	201
EBITDA	84.8	17.4	20.0	63.7	27.3	128	20.2	28.1	34.5	42.6	125	165	186	201.3
Depreciation	-58.1	-6.4	-7.2	-8.3	-7.6	-29.5	-7.9	-8.5	-8.8	-10.9	-36.1	-44.0	-47.4	-53.7
EBIT (excl. NRI)	76.6	15.2	16.6	18.4	26.8	76.9	16.6	23.2	31.8	38.2	110	138	156	165
EBIT	26.6	11.0	12.8	55.4	19.7	99.0	12.3	19.6	25.8	31.7	89.4	121	138	148
Net financial items	-38.0	-10.5	-12.7	-12.8	-14.1	-50.1	-14.1	-12.9	-12.0	-12.0	-51.0	-42.7	-36.3	-30.2
PTP	-11.3	0.6	0.1	42.6	5.6	48.9	-1.9	6.7	13.8	19.7	38.3	78.6	102	117
Taxes	-9.1	0.0	1.4	-3.4	-0.7	-2.7	2.5	-0.4	-3.4	-4.9	-6.3	-19.7	-25.5	-29.4
Minority interest	0.1	0.3	0.2	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-20.3	0.82	1.7	39.3	4.9	46.7	0.6	6.3	10.3	14.8	32.0	59.0	76.6	88.1
EPS (adj.)	0.19	0.03	0.03	0.01	0.08	0.15	0.03	0.06	0.09	0.12	0.30	0.41	0.51	0.57
EPS (rep.)	-0.13	0.01	0.01	0.25	0.03	0.29	0.00	0.04	0.06	0.09	0.19	0.32	0.41	0.47
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	28.7 %	4.4 %	-2.4 %	-10.6 %	6.3 %	-0.8 %	20.0 %	26.8 %	46.3 %	32.9 %	32.0 %	22.6 %	10.0 %	9.0 %
Adjusted EBIT growth-%	39.5 %	11.4 %	1.0 %	-0.3 %	-4.6 %	0.5 %	9.7 %	39.9 %	72.2 %	42.9 %	42.7 %	26.0 %	13.0 %	5.9 %
EBITDA-%	26.1 %	25.3 %	26.2 %	81.4 %	27.7 %	39.9 %	24.5 %	29.1 %	30.1 %	32.5 %	29.5 %	31.7 %	32.4 %	32.2 %
Adjusted EBIT-%	23.6 %	22.0 %	21.8 %	23.5 %	27.1 %	23.9 %	20.2 %	24.0 %	27.7 %	29.1 %	25.8 %	26.5 %	27.3 %	26.5 %
Net earnings-%	-6.3 %	1.2 %	2.3 %	50.1 %	5.0 %	14.5 %	0.7 %	6.5 %	9.0 %	11.3 %	7.5 %	11.3 %	13.4 %	14.1 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	824	814	980	982	982
Goodwill	588	578	672	672	672
Intangible assets	204	219	291	294	291
Tangible assets	5.5	4.0	4.4	3.4	5.3
Associated companies	1.0	1.0	1.0	1.0	1.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	19.2	1.4	1.4	1.4	1.4
Deferred tax assets	6.7	10.5	10.5	10.5	10.5
Current assets	221	194	192	212	258
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	18.8	39.5	0.0	0.0	0.0
Receivables	52.2	32.3	88.8	108	119
Cash and equivalents	150	122	104	104	139
Balance sheet total	1045	1007	1173	1194	1239

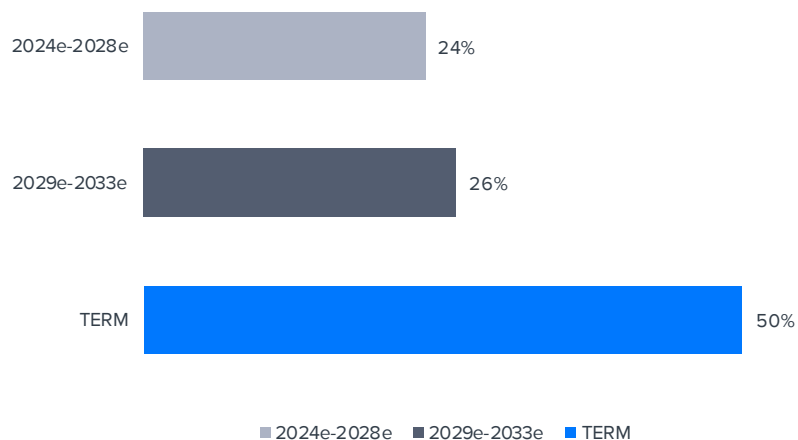
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	322	352	424	483	560
Share capital	159	159	1.6	1.6	1.6
Retained earnings	1.4	48.1	80.1	139	216
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	162	145	343	343	343
Minorities	-1.2	0.2	0.2	0.2	0.2
Non-current liabilities	503	414	521	461	416
Deferred tax liabilities	24.4	28.9	28.9	28.9	28.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	389	348	415	395	375
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	89.6	36.9	76.9	36.7	11.7
Current liabilities	219	241	228	250	264
Interest bearing debt	31.9	66.5	32.0	32.0	32.0
Payables	90.1	102	123	146	159
Other current liabilities	97.5	72.4	72.4	72.4	72.4
Balance sheet total	1045	1007	1173	1194	1239

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-0.8 %	32.0 %	22.6 %	10.0 %	9.0 %	8.0 %	7.0 %	6.0 %	4.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	30.7 %	21.0 %	23.3 %	24.2 %	23.6 %	21.0 %	20.0 %	19.0 %	18.5 %	18.5 %	18.5 %	18.5 %
EBIT (operating profit)	99.0	89.4	121	138	148	142	144	145	147	152	155	
+ Depreciation	29.5	36.1	44.0	47.4	53.7	58.2	62.3	65.8	63.6	66.0	59.8	
- Paid taxes	-2.1	-6.3	-19.7	-25.5	-29.4	-28.9	-30.5	-31.3	-32.3	-33.9	-35.2	
- Tax, financial expenses	-2.8	-8.4	-10.7	-9.1	-7.5	-6.5	-5.6	-5.1	-4.5	-4.0	-3.5	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-14.1	4.3	3.6	2.7	0.5	-0.7	-0.8	0.9	-0.8	-1.3	0.8	
Operating cash flow	109	115	139	154	165	164	170	176	173	178	177	
+ Change in other long-term liabilities	-52.7	40.0	-40.2	-25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.5	-203.0	-45.5	-47.1	-49.2	-51.3	-52.4	-53.7	-56.0	-60.2	-62.9	
Free operating cash flow	41.3	-48.0	52.9	81.8	116	112	117	122	117	118	114	
+/- Other	0.0	40.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	41.3	-8.0	52.9	81.8	116	112	117	122	117	118	114	1390
Discounted FCFF		-7.9	47.2	66.1	84.7	74.6	70.5	66.5	57.9	52.9	46.1	564
Sum of FCFF present value		1122	1130	1083	1017	932	857	787	720	663	610	564
Enterprise value DCF		1122										
- Interest bearing debt		-414.5										
+ Cash and cash equivalents		122										
-Minorities		-0.3										
-Dividend/capital return		0.0										
Equity value DCF		829										
Equity value DCF per share		4.4										
Equity value DCF per share (SEK)		51.2										

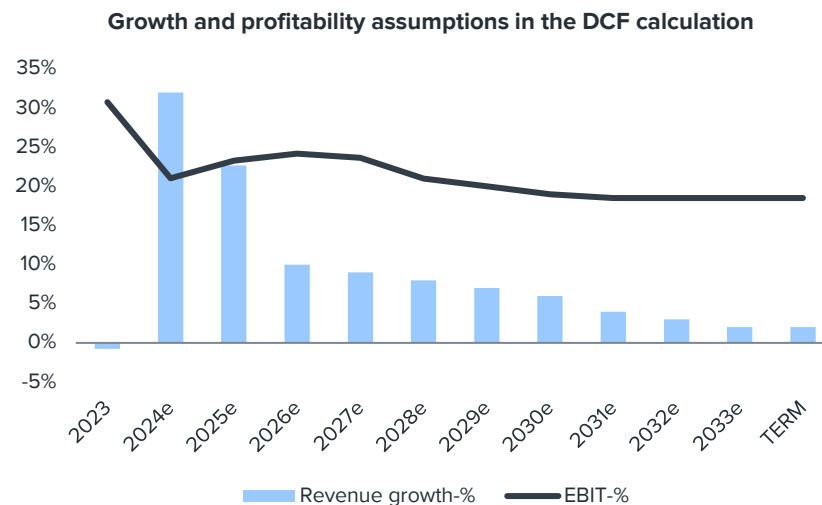
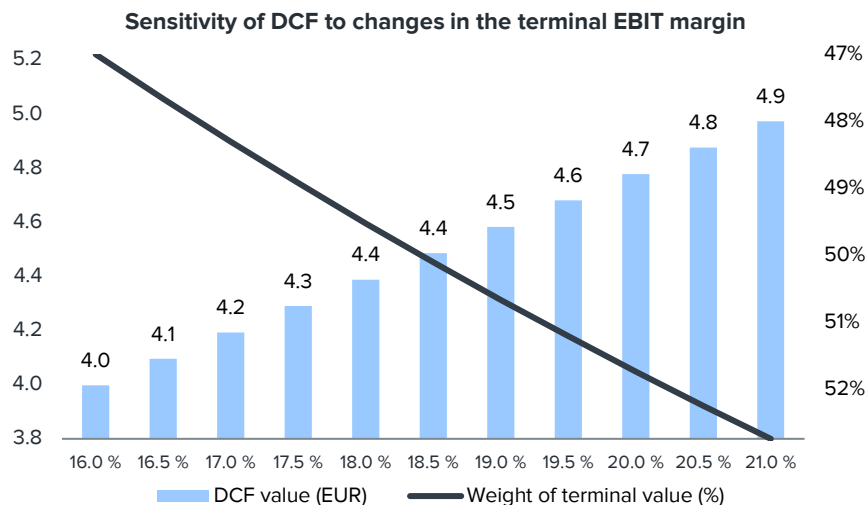
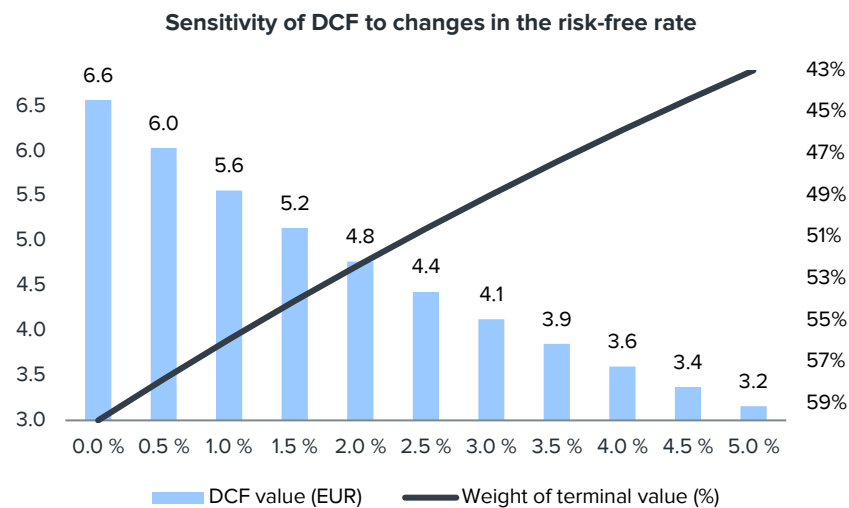
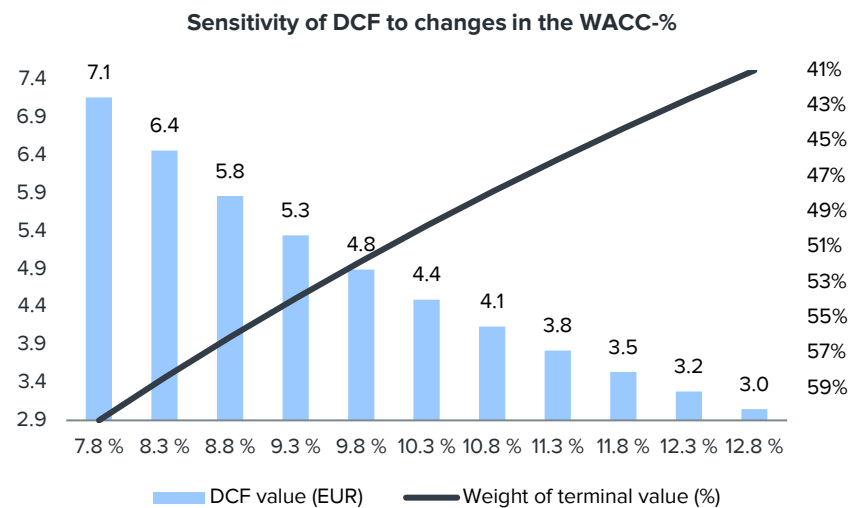
Cash flow distribution



WACC

Tax-% (WACC)	25.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	8.2 %
Equity Beta	1.45
Market risk premium	4.75%
Liquidity premium	1.70%
Risk free interest rate	2.5 %
Cost of equity	11.1 %
Weighted average cost of capital (WACC)	10.3 %

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	252.2	324.4	322.0	424.9	521.1	EPS (reported)	0.11	-0.13	0.29	0.19	0.32
EBITDA	65.0	84.8	128.5	125.4	165.3	EPS (adj.)	0.24	0.19	0.15	0.30	0.41
EBIT	36.8	26.6	99.0	89.4	121.3	OCF / share	1.06	0.52	0.69	0.67	0.74
PTP	14.9	-11.3	48.9	38.3	78.6	FCF / share	-1.66	-0.52	0.26	-0.05	0.28
Net Income	16.1	-20.3	46.7	32.0	59.0	Book value / share	2.17	2.07	2.21	2.46	2.59
Extraordinary items	-18.1	-49.9	22.1	-20.4	-17.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	934.1	1044.7	1007.0	1172.8	1194.3	Revenue growth-%	80%	29%	-1%	32%	23%
Equity capital	307.5	321.7	352.5	424.4	483.4	EBITDA growth-%	145%	30%	52%	-2%	32%
Goodwill	412.0	587.7	578.0	672.0	672.0	EBIT (adj.) growth-%	214%	40%	0%	43%	26%
Net debt	195.8	271.3	292.8	343.4	322.5	EPS (adj.) growth-%	117%	-21%	-18%	96%	34%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	25.8 %	26.1 %	39.9 %	29.5 %	31.7 %
EBITDA	65.0	84.8	128.5	125.4	165.3	EBIT (adj.)-%	21.8 %	23.6 %	23.9 %	25.8 %	26.5 %
Change in working capital	82.0	8.6	-14.1	4.3	3.6	EBIT-%	14.6 %	8.2 %	30.7 %	21.0 %	23.3 %
Operating cash flow	150.2	80.9	109.5	115.0	138.6	ROE-%	6.6 %	-6.4 %	13.8 %	8.2 %	13.0 %
CAPEX	-389.4	-236.3	-15.5	-203.0	-45.5	ROI-%	7.7 %	3.7 %	13.1 %	10.9 %	13.6 %
Free cash flow	-234.8	-81.8	41.3	-8.0	52.9	Equity ratio	32.9 %	30.8 %	35.0 %	36.2 %	40.5 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	63.7 %	84.3 %	83.1 %	80.9 %	66.7 %
EV/S	3.3	1.6	1.4	2.5	2.0						
EV/EBITDA	11.8	5.6	4.8	8.1	6.4						
EV/EBIT (adj.)	15.3	6.9	5.9	9.8	7.6						
P/E (adj.)	17.9	8.4	6.6	12.9	9.6						
P/B	2.1	0.8	0.5	1.7	1.5						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Buy The 12-month risk-adjusted expected shareholder

return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2022-12-12	Buy	23 kr	16.90 kr
2023-01-03	Buy	26 kr	18.00 kr
2023-06-01	Buy	22 kr	12.70 kr
2023-09-01	Buy	21 kr	15.20 kr
2023-12-01	Buy	16 kr	10.10 kr
2024-03-01	Buy	17 kr	12.09 kr
2024-03-21	Buy	20 kr	16.98 kr
<i>Change of Analyst</i>			
2024-05-08	Accumulate	24 kr	20.85 kr
2024-06-24	Buy	28 kr	18.52 kr
2024-07-05	Accumulate	29 kr	25.25 kr
2024-08-13	Accumulate	35 kr	31.55 kr
2024-08-30	Accumulate	38 kr	33.65 kr
2024-10-31	Accumulate	50 kr	45.20 kr



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