

# Verve Group

Another substantial upgrade

Increased guidance

Verve's AI-driven, privacy-first advertising solutions are gaining good traction and market share is increasing, with a 33% uplift in the number of larger software clients and 24% more ad impressions served in Q224. Management has issued new full year guidance indicating year-on-year revenue growth of between 24% and 30%, earning an adjusted EBITDA margin of over 30%, reflecting the leverage on a lower fixed cost base. We have adjusted our forecasts accordingly. The acquisition of Jun Group will be included from August 2024. Full H124 figures will be released on 29 August at Verve's scheduled capital markets day (CMD) in Stockholm.

Year end	Revenue (€m)	Adjusted EBITDA (€m)	PBT* (€m)	EPS* (c)	EV/EBITDA (x)	P/E (x)
12/22	324.4	93.2	38.6	13.4	9.4	20.3
12/23	322.0	95.2	26.8	35.8	9.2	7.7
12/24e	410.0	130.0	54.2	22.2	6.8	12.7
12/25e	505.0	181.8	118.5	42.9	5.0	7.4

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Headline Q2 numbers show strong progress

Organic revenue growth in Q224 was 26% ahead of prior year (27% including forex benefit), giving a topline of €96.6m for the period. Given the quoted increase in ad impressions, there is some slight sign of improvement in pricing, which may partly reflect mix. The close attention to the cost base has given Verve better operating leverage and the adjusted EBITDA margin of a shade over 30% looks to us to be sustainable. At the time of the FY23 results, guidance was for FY24 revenue of €350–370m (Edison forecast €355m). This was lifted to €380–400m earlier in the summer, with this continued good trading now raising the target window to €400–420m. Our revised number sits at mid-range. Expectations for adjusted EBITDA have similarly been upgraded, from €100–110m to €125m–135m, which represents an increase of 32–42% over the prior year. We maintain our growth expectations into FY25, lifting forecast revenue by 5% and adjusted EBITDA by 7%.

## Upcoming CMD should clarify Jun potential

The CMD at the end of this month should give more colour on the [Jun acquisition](#) and how the group's demand-side offering (ie serving advertisers and agencies) is developing. We do not expect Google's recent change of heart on the final deprecation of cookies to fundamentally shift the drive towards privacy-first, responsible advertising solutions, particularly at the high-quality end of the market.

## Valuation: Well below peers, DCF

The share price is up 173% year-to-date, reflecting the strong trading news. However, the rating still sits at a discount to peers and to the value derived in our discounted cash flow (DCF). Looking at peer average EV/revenue and EV/EBITDA multiples across FY24 and FY25, parity now suggests a share price of €4.22, up from €4.10 as calculated in June. Our DCF (weighted average cost of capital 10%, terminal growth of 2%) points to €4.97 (previously €4.64).

## Media

13 August 2024

Price **€2.73**

Market cap **€509m**

€0.087/SEK

Net debt (€m) at 31 March 2024 319

Shares in issue (including new shares) 186.4m

Free float 71.0%

Codes VER (Nasdaq)/M8G (Xetra)

Primary exchanges Deutsche Börse Scale, OTCQX

Secondary exchange Nasdaq Stockholm First North Premier Growth

## Share price performance



% 1m 3m 12m

Abs 20.4 75.3 101.2

Rel (local) 27.3 85.6 79.7

52-week high/low €2.78 €0.78

## Business description

Verve Group operates a software platform for the automated buying and selling of digital advertising spaces in real time. It is the market leader in in-app advertising in the US and among the largest providers in Europe. Verve also serves substantial CTV volumes, plus channels such as mobile web and digital out-of-home.

## Next events

Half-year results/ CMD 29 August 2024

Q3 report 28 November 2024

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**Exhibit 1: Financial summary**

	€000s	2022	2023	2024e	2025e
31-December		IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>					
Revenue		324,444	321,981	410,000	505,000
Operating costs excl. D&A		(239,691)	(193,523)	(285,113)	(332,113)
Adj. EBITDA		93,202	95,171	130,000	175,000
EBITDA		84,753	128,458	124,887	172,887
Operating profit (before amort. and excepts.)		76,556	76,943	110,104	151,782
Amortisation of acquired intangibles		(14,853)	(11,229)	(11,229)	(11,229)
Exceptionals		(27,100)	(6,500)	(3,500)	(500)
Share-based payments		(1,613)	(1,613)	(1,613)	(1,613)
Reported operating profit		34,886	57,601	93,763	138,441
Net Interest		(37,959)	(50,171)	(55,939)	(49,024)
Joint ventures & associates (post tax)		0	0	0	0
Exceptionals		0	0	0	0
Profit Before Tax (norm)		38,597	26,771	54,165	102,758
Profit Before Tax (reported)		(3,073)	7,430	37,824	89,417
Reported tax		(9,064)	(2,718)	(12,482)	(29,507)
Profit After Tax (norm)		21,085	57,220	36,291	68,848
Profit After Tax (reported)		(12,137)	46,113	25,342	59,909
Minority interests		(88)	(513)	(520)	(525)
Discontinued operations		0	0	0	0
Net income (normalised)		20,947	56,933	36,811	69,374
Net income (reported)		(12,049)	46,626	25,862	60,434
Average Number of Shares Outstanding (m)		156.2	159.2	166.0	186.4
EPS - basic normalised (c)		13.41	35.75	22.17	37.23
EPS - normalised fully diluted (c)		12.01	32.08	19.98	33.91
EPS - basic reported (c)		(7.71)	29.28	15.58	32.43
Dividend (c)		0.00	0.00	0.00	0.00
Revenue growth (%)		28.7	(0.8)	27.3	23.2
Adjusted EBITDA Margin (%)		28.7	29.6	31.7	34.7
Normalised Operating Margin (%)		23.6	23.9	26.9	30.1
<b>BALANCE SHEET</b>					
Fixed Assets		823,637	813,515	960,794	1,018,039
Intangible Assets		791,284	796,608	945,446	1,004,250
Tangible Assets		5,522	3,963	2,404	845
Investments & other		26,831	12,944	12,944	12,944
Current Assets		221,022	193,514	166,745	198,960
Stocks		0	0	0	0
Debtors		52,229	32,281	39,315	51,192
Cash & cash equivalents		149,992	121,740	87,937	108,276
Other		18,801	39,493	39,493	39,493
Current Liabilities		219,471	240,768	253,081	269,519
Creditors		68,711	80,335	100,241	116,679
Short term borrowings		31,903	34,510	58,390	58,390
Other financial liabilities		97,515	104,402	74,402	74,402
Other non-financial liabilities		21,342	21,521	20,048	20,048
Long Term Liabilities		503,443	413,804	478,804	466,804
Long term borrowings		389,386	348,038	413,038	406,038
Other long term liabilities		114,057	65,766	65,766	60,766
Net Assets		321,745	352,457	395,654	480,676
Minority interests		1,211	(182)	(182)	(182)
Shareholders' equity		322,956	352,275	395,472	480,494
<b>CASH FLOW</b>					
Operating Cash Flow		(12,137)	46,113	25,342	59,909
Depreciation & amortisation		58,135	29,402	31,125	34,447
Working capital		68,140	31,572	12,872	4,562
Exceptional & other		(15,611)	(85,443)	1,613	1,613
Tax		6,002	2,718	0	0
Net finance cost		37,959	50,171	55,939	49,024
Net operating cash flow		142,488	74,533	126,890	149,554
Capex		(46,007)	(42,878)	(38,404)	(41,691)
Acquisitions/disposals		(138,000)	0	(130,000)	(50,000)
Equity financing		27,900	0	40,050	0
Dividends		0	0	0	0
Other		(53,413)	(52,301)	(37,439)	(30,524)
Net Cash Flow		(67,032)	(20,646)	(38,903)	27,339
Opening net debt/(cash)		198,600	273,900	297,427	396,237
FX		0	(2,881)	0	0
Other non-cash movements		(8,268)	0	(59,907)	0
Closing net debt/(cash)		273,900	297,427	396,237	368,898

Source: Company accounts, Edison Investment Research

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