EDISON

Verve Group

Q324 figures

ID-less targeting solutions

Media

Verve Group is emerging as a strong adtech player, with particular strength in mobile and growing positions in connected TV (CTV) and digital out-of-home (DOOH). The recent Q324 update showed a further sequential quarterly increase in top-line organic growth to 31% as its ID-less advertising solutions build traction in the market. Comparatives now start to toughen, but we have edged our FY24 revenue forecast to the top of management's guided €400–420m range, delivering adjusted EBITDA in the upper half of a €125–135m range. We now publish our first thoughts on FY26, showing further good growth. Despite a substantial re-rating from €1.03 at the start of the year, the valuation remains at a discount to (mostly US-based) peers, with parity of rating indicating a price of €5.59.

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	10.8	25.0
12/23	322.0	95.2	26.8	35.8	10.6	9.4
12/24e	420.0	131.0	56.1	23.7	7.7	14.5
12/25e	510.0	175.0	99.2	35.8	5.7	9.5
12/26e	545.0	188.0	121.6	43.9	5.3	7.8

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

Privacy-safe, brand-safe, delivering better outcomes

Verve Group has been built with an ID-less mindset to connect advertisers with publishers and thus with end consumers, across its own data platform. It works across all digital channels, but is primarily mobile based, with growing activity in CTV and DOOH and emergent activity in retail media and in audio/podcasts. Its targeting is AI- and data-driven, without the need for individually identifying data in the form of cookies or other user IDs. The acquisition of Jun Group earlier this year enhanced group capabilities and offers opportunities to grow through leveraging Verve's ad supply (both ID-based and ID-less) and marketing infrastructure.

Growth and further margin expansion for FY26

We have only made minor adjustments to our FY24 revenue and adjusted EBITDA forecasts and leave our adjusted EBITDA for FY25 unchanged. Our early thoughts for FY26 suggest revenue growth of around 7% and an edge up in the EBITDA margin, although this could well prove cautious. The group has already reached and exceeded its mid-term targets on margin and net leverage. Financing is primarily through corporate bonds and net leverage on adjusted trailing 12-month (TTM) basis EBITDA to end September was 2.6x.

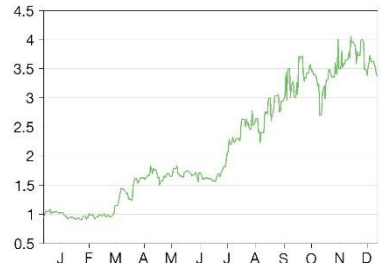
Valuation: Re-rating not yet closed discount

Looking at average EV/revenue and EV/EBITDA multiples across FY24–25e, parity across the peer set would suggest a share price of €5.59, from the €4.75 calculated with the October Q3 trading update, as sector prospects have improved and share prices have moved sharply ahead. This is a little below the figure derived from our DCF of €5.89 (WACC: 10%, terminal growth of 2%), up from €5.28 in September.

13 December 2024

Price	**€3.39**
Market cap	**€633m**
Net debt (€m) at 30 September 2024	377.7
Shares in issue	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	(8.5)	12.0	268.3
Rel (local)	(14.8)	1.5	202.8
52-week high/low		€4.05	€0.87

Business description

Verve Group operates a fast-growing, profitable ad-software platform that matches global advertiser demand with publisher ad-supply while improving results through first-party data from own content. Verve's main operational presence is in North America and Europe.

Next events

FY24 results	End February 2025

Analyst

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Edison profile page

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Investment summary

Company description: One-stop shop for programmatic advertising

Verve Group operates an ad-software platform that matches global advertiser demand with publisher ad inventory, with the added benefit of the first-party data from its owned and operated content as well as integrations into 65k mobile apps, allowing it to optimise transactions. This owned and operated inventory also allows Verve to roll out changes to the SDKs for testing before going live with external publishers. Verve is best known for its capabilities in the mobile space, but it also covers the full range of digital devices served by programmatic advertising, including CTV, DOOH, retail media and audio/podcast. Verve has grown through acquisition and organically, with the pieces now in place to build further scale. Currently, revenues are 77% weighted to the supply (publisher) side (Q324), with ambitions to gain further penetration on the demand (advertiser) side. The group has been using AI and machine learning for several years in its ad-targeting capabilities and is well placed to take advantage of industry changes around privacy. Verve is headquartered in Sweden, but the bulk of its revenues are generated in North America.

Valuation: Re-rated but still trading at a discount to peers

Verve's share price is up more than 250% over the year to date as successive upgrades to guidance have been taken onboard by the market and confidence in both management and market prospects has built. However, the valuation has yet to catch up with the peer set, where performance has been wildly divergent. Looking at average (median) EV/revenue and EV/EBITDA multiples across FY24 and FY25, parity across the peer set suggests a share price of €5.59, from the €4.75 calculated with the October Q3 trading update, as sector prospects have improved and share prices have moved sharply ahead. This is close to the €5.89 derived from our DCF (WACC: 10%, terminal growth of 2%), up from €5.28 previously. Both approaches result in figures well above the current share price of €3.36.

Financials: Growth opportunities and decreasing leverage

There are four key revenue growth drivers:

- Market growth from emerging channels such as mobile and CTV, expected to grow in double digits over the next three years.
- Adding new clients and growing share of wallet, including new verticals and geographies.
- Adding new products, new formats, new marketplaces and new channels.
- Synergies from the combination with Jun Group.

Adjusted EBITDA margins are set to increase as Jun is consolidated, but the degree of uplift is tempered by the continuing optimisation of the group and investment in new activities. The group's balance sheet is financed through bond issuance, supplemented by a directed share issue to part-fund the Jun purchase. Leverage is coming back more quickly than originally anticipated and should be below 2.0x by end FY25 (Edison modelling: 1.9x). On a TTM basis to end September, the ratio was 2.6x.

Sensitivities: Markets and underlying economics

The group is partially dependent on the health of the underlying digital US advertising market, which itself depends on the health of the US consumer economy. Indications are that the outturn for digital advertising spend in FY24 has been better than originally feared. Our 13% forecast revenue growth for Verve for FY25 is ahead of current industry growth expectations for FY25 (WPP's GroupM is pencilling in pure-play digital, which excludes CTV and DOOH, growing 10.0%, with the

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whole market progressing 7.7% to $1.1tn; Dentsu's forecasts are slightly lower at +9.2% and +5.9% respectively). The adtech ecosystem is highly complex and, arguably, does not act in the best interests of its end users, with multitudinous players and a lack of transparency. Verve has a goal of 'making advertising better', which should align it more closely with both demand and sell sides. Its financial performance depends additionally on the interest rate environment, given the extent of debt on the balance sheet. As this burden eases (as modelled), M&A opportunities should resume a stronger role in the group's development.

Company description: Global adtech solutions

Verve is emerging as a significant player in the adtech space, building on its leading position in mobile to offer a cross-platform, vertically integrated solution to both advertisers and publishers. Verve provides technical solutions for app publishers to monetise and advertise their apps and generate revenues. This is achieved by matching the ad publishers' ad inventory with demand from advertising companies, targeting specific types of app users in particular geographies. Verve's origins lie in the games segment, where gamigo was founded in 2000. It was purchased by CEO Remco Westermann out of Axel Springer in 2012 to form the core on which the gaming operation has been built. It was restructured over the next couple of years into a format that was better aligned to grow through M&A and achieve the critical mass needed to attract users and, crucially, the data that comes with them. A good variety of high-quality content is an essential element of driving user acquisition at a cost that will enable attractive returns.

Through delivering content attractive to users, Verve has built an extensive pool of first-party data. The value and utility of this resource has risen markedly as concerns over privacy have climbed up the agenda of both regulators and the public over the last few years. With the changes made to Apple's tracking to an opt-in basis and the vacillations on the withdrawal by Google of third-party cookie usage (now not going ahead as intended), the traditional model of monetisation through advertising has been fundamentally compromised.

Why the residual games exposure?

As Media and Games Invest, Verve had a substantial user and audience base over the years. This resource enabled it to develop and assemble its own proprietary SDKs, bringing together a group of tools that enable the programming of mobile applications, now being used within more than 65k direct publisher integrations. This has the following advantages:

- global scale – very attractive to publishers and to advertisers;
- access to very large volumes of permissioned data; and
- ability to test and improve on a very fast turnround basis, much cheaper than using external resources.

The group withdrew from massive multiplayer online games and sold its 7% stake in Enad Global 7 in Q422 (funds received in H123). Its last major game in development was withdrawn in September 2024.

Major global adtech in mobile and CTV

With its data lake built on predominantly casual gamers, and fewer legacy providers, the mobile adtech in-app space has provided fertile ground for Verve to build its presence. This has been achieved through a combination of organic growth and acquisition.

Exhibit 1 shows the graphic the company has compiled to illustrate how the various elements have been added and integrated over time. The name was changed to Verve Group from MGI (Media and Games Invest) in 2024 (having previously been Media & Games Invest). Verve is now the key

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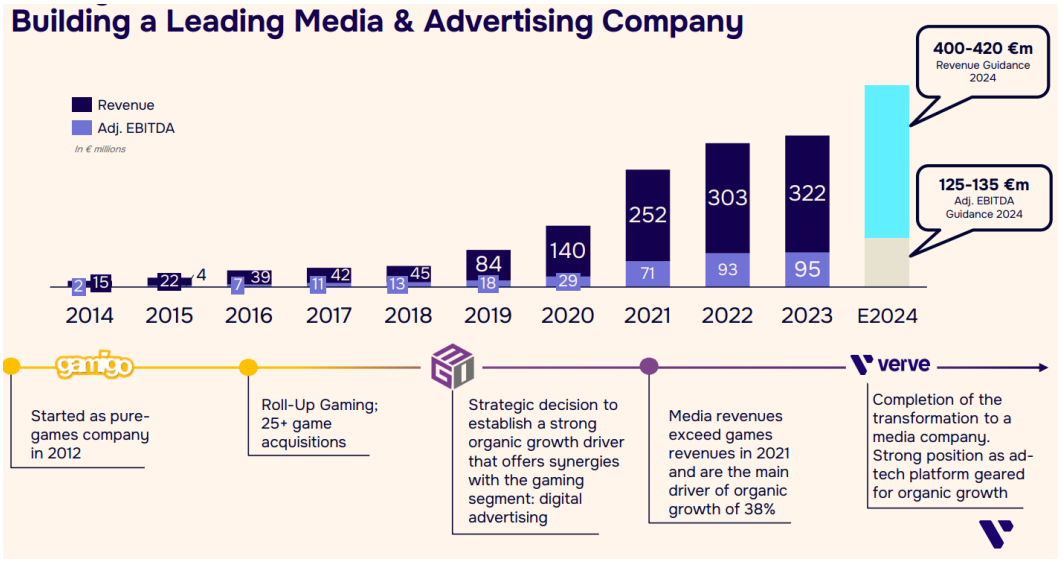
go-to-market brand (www.Verve.com) for both the mobile and the CTV programmatic offerings, with the brands of Smaato and PubNative subsumed more recently.

Exhibit 1: Gestation of the group



Source: Verve Group

Corporate aim to 'make media better'

Verve describes itself as providing a platform that 'matches global advertiser demand with publisher ad-supply, enhancing results through first-party data from its own content'. The group has a stated mission, **Let's make media better**. It aims to do this through enabling better outcomes for advertisers, agencies and publishers with responsible advertising solutions, while focusing on emerging media channels. What is a better outcome? One that means a brand can use its budget to reach the right audiences, in the right places, at the right time, without unnecessary inefficiencies that leach value from the chain. For advertisers, this particularly means facilitating efficient customer acquisition; for publishers, it means best monetisation at scale.

The focus is on the open internet, optimising across the omnichannel customer journey. (In this context, the open internet is used to describe the web outside of what are termed the walled gardens – these being the likes of Facebook, X etc – where data is garnered and retained within the site rather than made available for independent use.)

Mobile is at the core of the business, with management estimating the organic market growth rate at 10% and CTV also a strong capability, with a slightly higher organic CAGR of 10.5%. Here the group has an estimated reach of 60% of US households. Verve is also addressing emerging opportunities, particularly in DOOH, where ad-serving can also be informed by additional data points such as time of day or live weather information. There is also work being done to build out the opportunity in retail media and in audio and podcasts (which are notably strong in Scandinavia).

What does Verve actually do?

The language around adtech is notorious for its use of obtuse terminology, which we attempt to demystify further in the section of this report describing the industry below. At its core, Verve provides a platform on which publishers can sell the 'space' within their digital content that is suitable for advertisements – otherwise known as ad inventory. This is done faster than the eye can detect, on a programmatic (automated) basis that allows advertisers to bid for the most suitable spaces and for the successful bidder to populate it with their content. Verve's supply-side (ie from the publishers' end) platform is now integrated into more than 65k apps through in-house written SDKs. Combined with the inventory available from Verve's own games within gamigo, this gives a

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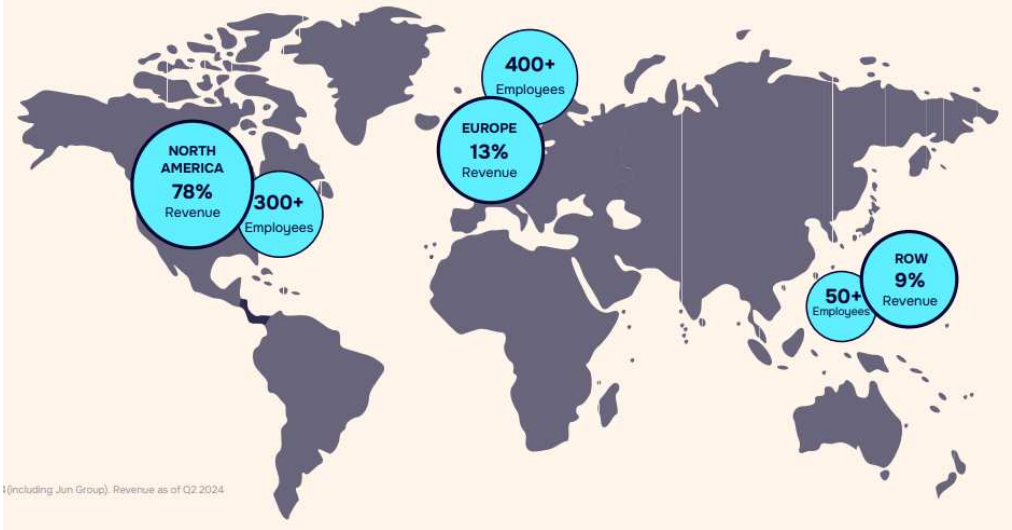
significant resource of inventory to the market, all on a privacy-first basis, ie with no personal identifiers used as part of the process. This is extremely important, given the rapid shifts happening in the digital advertising market. From the opposite end, ie the advertisers and their agencies, Verve is working with more than 85 third-party demand-side platforms (DSPs) as well as its own internal DSPs. This includes all the major names in the DSP space such as The Trade Desk, Amobee, Xandr, Criteo, BidSwitch and Display & Video 360.

Verve operates a self-serve, cloud-based platform, enabling advertisers to create, manage and optimise data-driven digital advertising campaigns across all relevant formats and devices. Clients are primarily Fortune 500 companies or the major holding company agencies. As indicated on the Q3 results call, Verve is now building direct relationships with agencies and advertisers, as well as via the DSPs. It works across the major agency groups, including Omnicom, IPG, Publicis, WPP and Dentsu (a client of Edison Investment Research), and major name advertisers ranging from Coca-Cola, HBO and PayPal through to Estée Lauder and Gillette.

Exhibit 2: Geographic revenue and employee distribution as at end FY23



Source: Verve Group

On the supply side, the group has a wide range of publishers with which it has direct relationships, some of whom are represented in Exhibit 3 below. The focus remains clearly on the growth channels of mobile (albeit that this is now firmly established), CTV and DOOH, where Verve has strong market positioning (third-ranked on market share for North America after Magnite and Google Ad Exchange on Google Play; fourth on iOS, and fourth and sixth respectively in EMEA; second and top respectively in Latin America; third and second respectively in Asia Pacific, according to Pixalate).

It is worth noting that the group's rankings are even higher when logged on Pixalate's trust rankings for mobile supply-side platforms (SSPs), which takes into account issues such as prevalent fraud and brand safety. Verve is top ranked in each of North America, Latin America, EMEA and Asia-Pacific in Q324. This matters because of the poor levels of transparency and trust prevalent across the sector due to the degree of fraud and wastage.

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Exhibit 3: Supply-side customer base showing sectors and scale

Source: Verve Group

Verve had a strong position as an SSP, as explained above, but was less prominent in the market as a DSP itself, although this was an area of focus to build a more evenly balanced operation. This process has been accelerated with the acquisition in the summer of Jun Group. The capital markets day (CMD) presentation highlighted that on a pro-forma basis the proportion of revenues from the DSP side of the business for Q224 increased from 14% to around 30%.

Jun also has a very high-quality client list, including media companies like the BBC, Condé Nast and CNET and brands such as Walmart, Costco, Honda and Pfizer. Its capabilities in machine learning and AI are advanced. They include a targeting algorithm, Schema, using first-party data (and zero-party data through polling where applicable) and combining with other targeting touch points such as past purchases and behavioural attributes, which is then mapped across inventory channels. Jun's machine learning platform, Vera, then analyses information in real time from point-of-sale data and the other data sources to track and to optimise the campaign performance. The capabilities spread across media channels, including CTV and DOOH, with Jun estimating their network reach at more than 111 million and over 90% of North American households.

The key synergistic benefits of the deal include:

- opening Verve's CTV inventory supply to Jun;
- giving Jun access to Verve's international sales network;
- give a unified 'nose-to-tail' offering for brand clients, initially in the US market;
- expanding reach of Verve-sourced demand; and
- working together to promote app install opportunities for clients.

By having the ability to connect the supply and the demand side of the equation, the number of parties taking a slice of the fee naturally reduces, giving a far better deal for both advertiser and publisher.

Privacy-first approach

Verve's Moments.AI uses content analysis, keywords, semantics, and meta tags to analyse and assign a confidence score to provide contextual information, all within 10 milliseconds. These are aligned with over 700+ interest segments as defined by the Interactive Advertising Bureau, 11 GARM (Global Alliance for Responsible Media) brand safety segments, and a library of other contextual segments or mix-and-match to create bespoke segments.

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Verve has also developed ATOM, which utilises signals from the device, using machine learning to build cohorts for targeting without the data leaving the device, so ensuring that the process remains privacy compliant, with no individually identifying data transferred.

Adtech transition continues

The programmatic advertising industry developed in a manner that baked in large-scale inefficiency and a lack of transparency, meaning that advertisers derive a relatively small proportion of value from their spend. In a programmatic digital advertising market valued at around $460bn for FY24 (source: Dentsu), estimates of how much of that spend is wasted on fraud, made-for-advertising websites and brand safety-compromising sites range from 12% (Juniper) to 44% (Next&Co). Even if the lower figure is closer to the actual figure, it is a very substantial sum that is being wasted.

The LUMA Partners consultancy provides useful graphics, known as LUMAscapes, which clearly show the complexity of the market. While the one produced covering the mobile advertising market may not be quite so crowded as that for display, the sheer numbers of participants imply a considerable degree of inefficiency.

Consolidation inevitable

Given the complexity and the crowded landscape, the market is obviously not operating to the best interests of its users, who would prefer to deal efficiently, with fewer counterparties.

With pressure being brought to bear by the demand side and the supply side, consolidation at some point is inevitable. While a core group of four or five would probably be optimal to avoid too much concentration, it is unlikely that even twice that level will be reached due to the amount of private equity funding that has been invested. While this money has backed genuine innovation and technological creativity, many are not scalable and will eventually either fade away or become part of larger platforms at some stage. Verve has been doing exactly this – seeking out innovation that does more than add scale for its own sake.

Breaching the walled gardens

For a long time, the influence of big tech has dictated how funds have flowed, with Alphabet, Meta, Apple, Amazon and Alibaba controlling the narrative. Their ‘walled gardens’, such as Facebook, Amazon and Google, account for around one-third of time spent on the internet but around two-thirds of advertising spend. With the growth of mobile and a lack of innovation in the user experience, the time spent in walled gardens has been falling over the last decade, but the influence of this handful of huge participants has reached the stage of meaningful pushback from regulators on both sides of the Atlantic and the oligopoly is no longer immune, with a possible break up of Alphabet/Google on the cards to curb its influence in search.

In retail media, one of the fastest-growing areas of ad spend, Amazon is leveraging its huge quantities of first-party data, which it uses to determine its most advantageous sales categories. However, the status quo is unlikely to shift straight away.

Increasing recognition of the limitations for competition of the walled gardens has been pushing more participants to see what can be done on the open web. As businesses on the open web scale, there is always the danger that they become their own walled gardens protecting and harnessing their own data. Organisations such as Disney and Walmart have enormous troves of first-party data that is only currently being used to a limited extent. The development of the CTV market is building similar large data lakes for the likes of Netflix.

With such a shifting landscape, being an efficient and transparent partner of scale is an attractive concept, and it is this territory that Verve is seeking to occupy. It is also important to continue to

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innovate and be flexible to meet the needs of a demanding client base, which may include further acquisitions.

All waiting to see how AI changes the landscape

The development of AI and machine learning tools and techniques has been going on for years, pretty much under the radar. In the last year or so, the extent of this preparation has been becoming clearer. What is not yet clear, though, is what impact it will have on the marketing services industry and whether the divide between the winners and the losers will broaden. The obvious applications are in version generations and iterations and tailoring for different markets. Whether this extends to genuine hyper-personalisation remains to be seen.

The use case for AI in media planning and buying is even more obvious, particularly for programmatic advertising and for optimising campaigns across media channels.

It also serves to increase the value inherent in first-party data, which is increasingly understood by those who generate and control it.

Interview with CEO

Below is the interview we recorded with CEO Remco Westermann at the CMD in Stockholm in August.

Exhibit 4: Executive interview with CEO Remco Westermann

Source: Edison Investment Research

Management well-versed in adtech sector and M&A

The senior management team is headed by Remco Westermann, who has been CEO and chairman since 2012. He has extensive experience in the mobile and online entertainment industry. He founded Bob Mobile (which he exited in 2012 and which later became CLIQ Digital, a client of Edison Investment Research) and helped build the mobile media company Sonera Zed, managing its German subsidiary as CEO. Previously, Remco was a manager at leading companies such as Balance Point and a consultant at Rost & Co. In the dynamic, highly competitive and fast-growing games market, Remco has built up a leading and fast-growing online games company through a successful M&A strategy, following the acquisition and repositioning of gamigo in 2012. In 2018, Verve came about via a reverse merger. Remco has an indirect holding in 24.4% of the equity.

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Paul Echt has been group CFO since 2018, prior to which he gained more than 10 years' experience in the tech and finance industry as a finance manager. He previously held positions at UniCredit Bank in Berlin, Munich and New York and Shopgate in San Francisco. Paul holds 45,320 shares in the company. With the recent Q3 results, Paul has announced that he is stepping down on 31 December 2024 but will remain in an advisory role for a further six months to ensure a smooth transition. The new CFO designate is Christian Duus, who joins from Adform, where he had been CFO since 2019, having previously been senior VP of corporate development and commercial operations. Before joining Adform, Christian was at Bain & Company for many years. He is a Danish national but is based in Stockholm, where Verve has its headquarters.

COO Jens Knauber joined in 2012 with more than 10 years' experience as a manager in the gaming industry, with over 300 published games. He held a series of leadership positions at Hamburg publisher dtp entertainment and has a strong background in games publishing with a wide global network in the gaming industry. He is responsible for gamigo.

Sameer Sondhi is the group's chief revenue officer as well as CEO of Verve Adtech and was appointed CRO in 2022. Prior to joining the group, Sameer was SVP and general manager of global business development at InMobi. He has over 25 years' experience in the mobile industry across mobile content data services, media and messaging.

Alex Stil is Verve's chief commercial officer, appointed in July 2024 to manage the strategic expansion of the demand side of the group, improve the client experience and increase market presence. He is a serial digital entrepreneur and business leader, with notable achievements in digital media and adtech, including at GroupM, where he was president of GroupM Services EMEA.

Sensitivities

There are a number of factors that investors should bear in mind when investing in Verve:

- Changes to the market: The advertising ecosystem is complex and dominated by a handful of very large players such as Alphabet and Meta. Verve may be disadvantaged by moves made by these large players or by changes in the regulatory environment, which now look likely to result in a break-up of the Alphabet empire, which may well play in Verve's favour.
- Macro influences on demand and pricing: Advertising volume revenues are closely tied to the underlying economies and, in particular, the health of consumer markets. In periods of weak demand, the prices achieved for ad inventory will be under pressure and higher volumes will be needed to maintain revenues.
- Progress of recovery: The overall digital advertising market has performed better than had been expected earlier in the year, but the recovery has been uneven and the benefits firmly skewed towards the largest market participants like Alphabet and Meta. The outlook for FY25 is for digital advertising to grow in a 9–10% range.
- Ad fraud: Bad actors are prevalent across the sector and Verve's operations are unlikely to be immune, with possible repercussions in terms of customer acquisition and volumes. Increasing vertical integration across the tech stack should mean fewer possible entry points.
- Leverage: Management had set guidance for net leverage at 2.0–3.0x and this has now been reconfigured to 1.5–2.5x. At the end of September, net leverage was 2.6x TTM, down from 3.2x TTM at end Q323. Management is guiding to a multiple of 2.4x on a pro-forma basis (ie assuming that Jun Group had contributed for the entire period) and falling further through FY25. Our modelling puts the end-FY25 figure at 1.8x.
- Interest rates and stock market rating: High interest rates are obviously unfavourable for Verve, given that its bonds carry a coupon at a margin over Euribor. A high-interest rate environment obviously increases the cost of capital but does have the advantage of reducing the amount of

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competition for attractive assets. The improvement in the group's stock market rating over recent periods increases the utility of equity in negotiating earnings-enhancing transactions.

- Key person exposure: We believe that Verve's share price and potentially its operations could be affected by the loss of key management, particularly CEO Remco Westermann.
- Corporate structure: Remco Westermann (currently a board member and CEO) is the largest shareholder in Verve through his indirect holding in Bodhivas, which holds 24.4% of group equity and €3.2m bonds with ISIN SE0018042277 and €1.0m bonds of MGI with ISIN: SE0019892241.

Valuation

We evaluate Verve compared to three sets of peers: (relatively) pure adtech, ad software combined with content (games or other) and (relatively) pure gaming. Although this leads to a cumbersome peer table, it allows us to see the slightly different dynamics. Adtech performance in the year to date has been very mixed, with particularly strong performances from Viant Technology, Nexxen, The Trade Desk and Magnite, with Digital Turbine, Perion and DoubleVerify at the other end of the scale. The median performance has been a gain of 5%, down from 9% when we last carried out this exercise in September. Ad software and content companies also had a mixed showing, with AppLovin continuing to perform particularly strongly (+749% year to date), while the purer gaming companies have (on average) underperformed.

Looking at average EV/revenue and EV/EBITDA multiples across FY24 and FY25, parity across the peer set would suggest a share price of €5.59, from the €4.75 calculated with the October Q3 trading update, as sector prospects have improved and share prices have moved sharply ahead. This is a little below the figure derived from our DCF of €5.89 (WACC: 10%, terminal growth of 2%), up from €5.28 previously.

Both approaches result in figures well above the current share price of €3.36, which has nearly trebled over the year to date as the market has gained confidence in both Verve's financial performance and improved sentiment around the sector.

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Exhibit 5: Peer group valuations

	Price	Ytd perf	Market cap	Net debt	EV/Sales (x)			EV/EBITDA (x)			P/E (x)		
Company	**(local ccy)**	**(%)**	**(€m)**	**(€m)**	**FY0**	**FY1e**	**FY2e**	**FY0**	**FY1e**	**FY2e**	**FY0**	**FY1e**	**FY2e**
Ad-tech													
The Trade Desk	134.1	86	63,073	(1,251)	34.6	26.6	21.8	87.5	63.7	51.8	108.1	82.7	71.3
Pubmatic	16.8	3	793	(158)	2.6	2.3	2.1	9.5	7.4	7.0	918.2	79.1	
Viant Technology	21.0	205	1,260	(196)	5.1	4.0	3.5	41.6	25.8	20.8	-	144.2	89.0
Magnite	16.9	81	2,266	191	4.9	4.3	3.9	16.0	12.9	11.5	32.8	22.4	18.2
AcuityAds Holdings	2.0	23	67	(32)	0.4	0.4	0.3	36.4	9.2	5.2	-	-	40.8
Perion	9.1	(71)	418	(428)	-	-	-	-	-	-	3.9	31.4	43.8
Fluent	2.7	(32)	51	13	0.2	0.3	0.2	12.2	-	10.5	-	-	-
Taboola	4.3	(2)	1,365	(33)	1.0	0.8	0.7	18.0	7.0	6.1	103.6	14.0	9.3
Outbrain	6.9	59	329	(43)	0.3	0.3	0.3	10.4	8.3	6.3	-	74.7	43.5
DoubleVerify Holdings	20.8	(44)	3,348	(276)	5.8	4.9	4.3	18.4	14.6	12.9	61.7	57.1	41.8
Integral Ad Science Hold	10.8	(25)	1,673	26	3.9	3.4	3.1	11.8	9.7	8.6	447.6	44.6	32.7
LiveRamp Holdings	32.3	(15)	2,011	(342)	3.1	2.8	2.4	26.8	16.6	12.6	45.9	22.9	23.8
Digital Turbine	1.5	(79)	144	324	0.8	0.9	1.0	3.1	5.5	7.6	1.3	3.0	6.0
Nexxen	386.0	89	621	(89)	1.8	1.6	1.5	7.0	5.2	4.7	23.6	13.2	10.9
Criteo	42.1	66	2,216	(307)	2.0	1.9	1.7	7.4	5.6	5.3	16.1	10.5	10.1
YOC	16.1	7	56	(1)	1.8	1.5	1.3	12.7	9.3	7.5	20.6	14.5	10.3
Median		**5**			**2.0**	**1.9**	**1.7**	**12.7**	**9.3**	**7.6**	**39.3**	**27.2**	**28.3**
Ad-software and content													
AppLovin	338.2	749	108,158	2,533	36.9	25.3	20.9	81.1	44.8	34.5	402.0	84.4	58.6
IronSource	26.6	(35)	10,192	1,016	5.7	6.6	6.5	31.6	31.6	27.8	-	-	-
Azerion	1.1	(44)	129	144	0.5	0.5	0.5	4.1	4.1	3.6	9.4	-	30.0
Future	992.0	25	1,337	NULL	1.5	1.4	1.4	4.1	4.6	4.7	7.4	8.3	7.8
Median		**(5)**			**3.6**	**4.0**	**4.0**	**17.8**	**18.1**	**16.3**	**9.4**	**46.4**	**30.0**
Gaming													
Embracer Group	33.0	21	3,720	1,552	1.6	1.4	1.6	6.7	5.5	6.2	8.3	11.5	10.7
Stillfront Group	8.1	(33)	358	372	1.2	1.2	1.2	3.2	3.7	3.4	3.8	5.6	3.9
Paradox Interactive	197.2	(13)	1,811	(107)	7.7	9.3	7.1	12.1	15.2	10.7	37.6	43.6	30.6
Modern Times Group	92.8	8	964	(202)	1.5	1.5	1.4	5.9	5.4	4.2	13.3	12.5	8.3
Rovio Entertainment	9.3	(0)	707	(106)	-	-	-	-	-	-	-	-	-
Team17	218.0	18	387	(45)	2.0	1.8	1.7	10.1	6.8	6.5	15.4	10.3	9.9
Median		**0**			**1.6**	**1.5**	**1.6**	**6.7**	**5.5**	**6.2**	**13.3**	**11.5**	**9.9**
Total average		(0)			1.9	2.5	2.4	12.4	11.0	10.0	20.7	28.4	22.7
Verve	3.4	235	628	300	3.1	2.4	2.0	10.6	7.7	5.7	9.4	14.5	9.5
Premium/(discount) to ad-tech					**53%**	**28%**	**17%**	**(17%)**	**(17%)**	**(24%)**	**(76%)**	**(47%)**	**(66%)**
Premium/(discount) to ad-software and content					**(12%)**	**(40%)**	**(50%)**	**(41%)**	**(58%)**	**(65%)**	**0%**	**(69%)**	**(68%)**
Premium/(discount) to gaming					**96%**	**60%**	**23%**	**59%**	**40%**	**(7%)**	**(29%)**	**26%**	**(4%)**
Premium/(discount) to total					**66%**	**(2%)**	**(19%)**	**(15%)**	**(30%)**	**(43%)**	**(54%)**	**(49%)**	**(58%)**

Source: LSEG Data & Analytics. Note: Prices as at 12 December 2024.

Financials

Exhibit 6: Adjustments to forecasts, new FY26 projections

	Revenue (€m)			Adjusted EBITDA (€m)			EPS (c)		
	Old	**New**	**% chg.**	**Old**	**New**	**% chg.**	**Old**	**New**	**% chg.**
2024e	410	420	+2	130	131	+1	24.6	23.7	-4
2025e	505	510	+1	175	175	u/c	38.6	35.8	-7
2026e	-	545	-		188	-	-	43.9	-

Source: Edison Investment Research

We have only made marginal adjustments to our forecasts on the back of the recent Q324 figures, as shown here. We are using this opportunity to introduce our first thoughts on the trajectory through FY26, based on the group's momentum and thoughts on market CAGRs. This is for a

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revenue uplift of 7% on the prior year and a further small uplift in adjusted EBITDA margin from 34.3% to 34.5%.

Ad impressions continuing to build

We show below the progression in ad impressions, which combines with CPMs (cost per mille, ie the price of advertising impressions) to indicate the health of the market and point towards the group revenue figure. Verve also discloses its total client numbers and those generating revenues of at least $100k. It should be borne in mind that a client may move backwards and forwards over that threshold as its own business waxes and wanes. Looking across these quarterly statistics, the slowdown through FY23 is clear, as is the pick-up in the market from Q423 which is reflected in Verve's revenue. In Q324, 77% of revenues were from the SSP side, with this including Jun (9M24: 83%).

Exhibit 7: Key quarterly statistics

€m	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
Ad impressions (bn)	156	161	172	181	166	181	186	206	199	224	243
Supply-side software clients >$100k revenue	479	513	546	551	557	559	559	568	594	-	-
Demand-side software clients >$100k					55	83	131	159	170	-	-
Total software clients >$100K	479	513	546	551	612	642	690	727	764	851	1076
Total software clients				1,913	1,847	1,976		2,276	2,410	2,518	>2,800
Revenue	65.9	78.1	87.6	92.9	68.8	76.2	78.3	98.7	82.5	96.6	113.7
y-o-y revenue growth (%)	27%	37%	39%	16%	4%	-2%	3%	26%	20%	27%	45%
q-o-q revenue growth (%)	-18%	19%	12%	6%	-26%	11%	3%	26%	-16%	17%	18%
EBITDA	16.9	20.0	21.4	26.5	17.4	17.4	63.7	27.3	20.2	28.1	36.2
Adjusted EBITDA	17.6	21.1	23.0	24.0	19.1	19.1	23.1	31.7	22.0	29.1	33.6
Adjusted EBITDA margin (%)	27%	27%	26%	26%	28%	25%	30%	32%	27%	30%	30%

Source: Verve Group

At the start of the current financial year, management guidance was for FY24 revenues of €350–370m, generating adjusted EBITDA of €100–110m (a margin of 29.2% at the mid-point). At mid-year, with the acquisition of Jun Group, this was raised to €380–400m, with adjusted EBITDA coming in at €115–125m (margin of 30.8%). At the time of the CMD/half-year figures and with a strong August trading period, a further upgrade was indicated, with revenue guidance lifted to €400–420m and adjusted EBITDA to €125–135m (margin 31.7%).

On the back of the recent Q324 figures, we have shifted our modelling to the top end of the revenue guidance, edging our adjusted EBITDA number ahead from €130m to €131m. While the medium-term outlook is still somewhat uncertain, we have maintained our FY25 forecasts at the previous level. It is worth pointing out that the pro-forma revenue figure for FY24, including 12 months of contribution from Jun Group, is €447m, implying an underlying FY25 growth rate of 13%. This is ahead of current industry growth expectations for FY25 (WPP's GroupM is pencilling in pure-play digital, which excludes CTV and DOOH, growing 10.0%, with the whole market progressing 7.7% to $1.1tn; Dentsu's forecasts are slightly lower at +9.2% and +5.9% respectively).

In terms of the expense lines, the largest is purchased services and other operating expenses, which includes line items such as revenue shares, payment costs, direct advertising expenses, royalties and server and technology costs. They amounted to 56.1% of revenue in FY23, down from 58.1% in FY22. For the first nine months of FY24 (9M24), the percentage was 64.5% (9M23: 66.9%). The full-year effect is smaller due to the inherent weighting of revenues to the fourth quarter.

Employee expenses are running at 26.7% of revenues over 9M24 (9M23: 27.0%).

Jun Group has historically generated a higher underlying adjusted EBITDA margin than that of Verve: 48.1% in the trailing 12 months to June 2024. Rather than reflect the full benefit, we have assumed that most of the uplift will be ploughed back into the integration and repositioning of the group. The medium-term margin prospects, though, are enhanced. Management has outlined the

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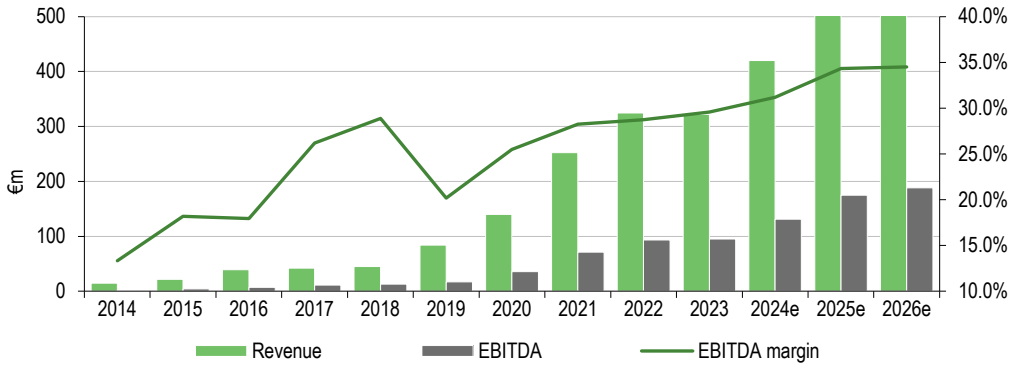
potential revenue synergies from the combination at around $9m, with the EBITDA synergy benefit coming in at around $8m. We regard this as feasible. Verve gets a better deal on cloud services and the combined scale should open up improved terms with other third-party vendors.

Exhibit 8: Summary historical and forecast financials

€m	2020	2021	2022	2023	2024e	2025e	2026e	CAGR FY20-26e
Revenue	**140.2**	**252.2**	**324.4**	**322.0**	**420.0**	**523.0**	**545.0**	**25.4%**
Operating expenses (excluding D&A, share-based payments and one-off costs)	(104.5)	(187.1)	(239.7)	(193.5)	(294.1)	(337.1)	(359.1)	
Adjusted EBITDA	**35.8**	**71.2**	**93.2**	**95.2**	**131.0**	**175.0**	**188.0**	**31.9%**
EBITDA	35.8	65.0	84.8	128.5	125.9	172.9	185.9	
D&A	(7.4)	(16.3)	(8.2)	(51.5)	(12.9)	(18.7)	(20.3)	
Normalised operating profit	**28.4**	**48.8**	**76.6**	**76.9**	**113.0**	**154.2**	**165.6**	**34.2%**
Amortisation from acquired intangibles	(8.1)	(12.0)	(14.9)	(13.7)	(19.0)	(26.0)	(26.0)	
Exceptional items	(7.0)	(4.7)	(27.1)	(6.5)	(3.5)	(0.5)	(0.5)	
Share-based payments	(2.2)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	
Reported operating profit	**11.0**	**30.6**	**33.0**	**55.1**	**88.9**	**126.0**	**137.5**	**52.2%**
Normalised pre-tax profit	**21.2**	**26.8**	**38.6**	**26.8**	**58.1**	**99.2**	**121.6**	**33.7%**
Normalised net income	15.6	28.0	20.9	57.0	39.4	67.0	82.0	31.8%
Free cash flow	6.1	25.0	100.9	34.5	119.0	114.6	114.5	63.0%
Net debt/(cash)	57.7	198.6	273.9	297.4	370.0	324.0	267.0	
Net debt to adjusted EBITDA	1.6	2.8	2.9	3.1	2.8	1.9	1.4	
Revenue growth (%)	67.1	79.8	28.7	(0.8)	30.4	21.4	6.9	
Adjusted EBITDA margin (%)	*25.5*	*28.2*	*28.7*	*29.6*	*31.2*	*34.3*	*34.5*	
Normalised operating margin (%)	*20.2*	*19.3*	*23.6*	*23.9*	*26.9*	*30.2*	*30.4*	
Reported operating margin (%)	*7.9*	*12.1*	*10.2*	*17.1*	*21.2*	*24.7*	*25.2*	
Normalised PBT margin (%)	*15.1*	*10.6*	*11.9*	*8.3*	*13.8*	*19.4*	*22.3*	
Net income margin (%)	*11.1*	*11.1*	*6.5*	*17.7*	*9.4*	*13.1*	*15.0*	

Source: Verve Group accounts, Edison Investment Research

Exhibit 9: Long-term revenue and margin trend



Source: Verve Group accounts, Edison Investment Research

Jun acquisition funded by shares, liquidity resources

Management considered a traditional rights issue to fund the purchase of Jun Group, but instead opted for a directed share issue, which could be done more quickly and cheaply and allowed the group greater control. This was successfully accomplished in June 2024, with the issue of 27.1m new shares, raising SEK450m (c €40m at the then exchange rate). The subscription rate was SEK16.60 (€1.475) and Bodhivas and Oaktree followed their investment to maintain the capital structure unchanged.

The purchase price of €120m was paid at the closing date at the end of August. Two additional payments of €25m are due 12 months and 18 months after the closing date (included in our modelling). Details of the subsequent bond issue are included in the section on the balance sheet, below.

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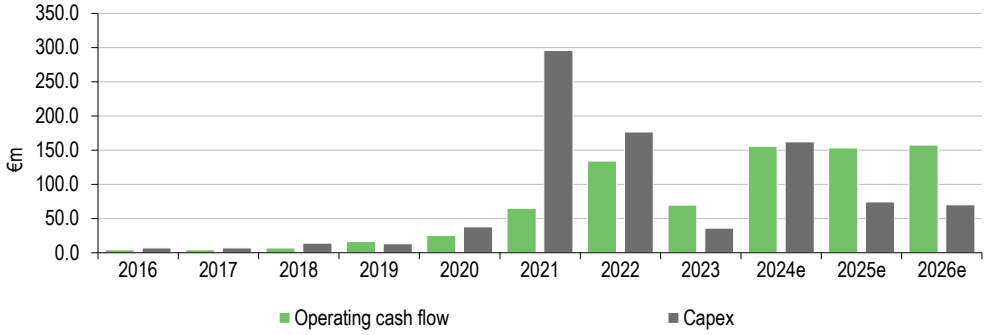
Heavy investment phase over, now about funding growth

It can be quite distortive to look at any one particular annual accounting period and get a clear picture of how any company uses its cash resource, so we find greater insight from looking over a more extended period. Exhibit 10 below shows clearly the scale of the operations Verve has built over the years and the timing of the heaviest investment in building the group's platform and capabilities, peaking in FY21.

Exhibit 10: Long-term cash generation and capex

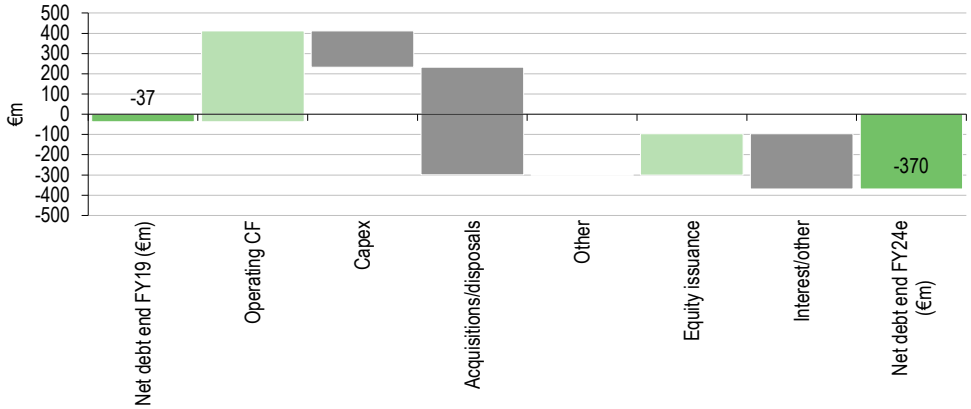


Source: Verve Group accounts, Edison Investment Research

In Exhibit 11 below, we look at the generation and absorption of cash over the four years from FY19 to FY24e, as the group has undergone the transition to its current business model. This shows more clearly the investment that has been made in terms of capital spend on developing the platforms, tools and offering and the cumulative spend on acquisitions that have given the group the wider capabilities to provide to its clients. As would be expected from a group in this rapid build investment phase, the value delivered to shareholders has been in capital appreciation rather than distribution.

Having slowed the earlier frenetic pace of acquisitions, the Jun Group deal marked a return to the fray to accelerate the group's build in capability and capacity on the supply side, as described above.

Exhibit 11: Cumulative cash flow FY19–24e



Source: Verve Group accounts, Edison Investment Research

Balance sheet supported by bond issuance

- Verve's debt is primarily in the form of quoted bonds, rather than bank debt. In November 2020, the then Media and Games Invest issued a €80m senior secured floating rate callable bond, followed by a €40m tap issue in March 2021. The group subsequently placed a €150m bond issue under its existing senior secured floating rate callable bond in June 2021, priced at 102% of par. As part of this, existing bondholders agreed to increase the bond framework to €350m.

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Media and Games Invest placed another subsequent bond issue of €80m in September 2021, priced at 103% of par.

- In April 2022, MGI completed the book building of a directed share issue of 9,569,378 new ordinary A shares, at a price of SEK31.35, which was oversubscribed. The investors comprised a number of Swedish and international institutional investors, including Oaktree Capital Management, the company's largest institutional shareholder. This raised SEK300m and rebalanced the balance sheet following the acquisition of AxesInMotion.
- In June 2022, MGI placed €175m of new senior secured bonds at 98.00% of par, with a floating rate coupon of Euribor plus 6.25% and repurchased €115m of existing senior secured bonds (to November 2024). This offering generated strong demand from primarily institutional investors based in the Nordics, continental Europe, North America and Asia, ultimately allowing the bonds to be priced at 98.00% of par. The bond had a maximum term to June 2026.
- In March 2023, €176.2m of the bonds maturing in 2024 were bought back, and the remaining €34.7m of the 2024 bonds remaining in the market were refinanced by the issue of bonds to the value of €88.5m.
- Also in March 2023, Media and Games Invest placed €225m of a maximum €300m of senior secured floating rate callable bonds due in March 2027. The coupon is three months Euribor plus 7.25% and the bonds were placed at par and are currently trading at €1.0375.
- In July 2024, the group issued Subsequent Bonds ('subsequent' to the June 2022 placing) to the value of €65m, priced at 102.5% of par, listed on Nasdaq Stockholm as of September 2024. As with the initial offering, these run through to June 2026 at Euribor plus 6.25%. These currently trade at €1.0175.

Across the portfolio, 90% of the bonds now mature in 2026 and 2027, giving plenty of room for manoeuvre on refinancing options in what may be a more favourable interest rate environment. We expect to see further newsflow on this during H125.

Approximately 65% of the group's bond interest rates are hedged.

Balance sheet adjustments

An earlier acquisition, AxesInMotion, did not reach EBITDA targets set at the time of purchase due to market weakness post pandemic. This prompted a release of the earnout during FY23, distorting the group's reported financial performance. There is now no further earnout liability on the group balance sheet, following the reversal of the previously outstanding €15.6m.

With the Q324 results, Verve took an impairment charge of €2.3m on a mobile game that had been in development for three years and which underperformed on its launch in July. This was the last game under development in the pipeline.

Debt coming back inside leverage target range

As at end September, Verve was carrying €377.7m of net interest-bearing debt, being cash and cash equivalents of €119.0m and debt of €496.7m. Our modelling indicates a year-end net debt figure of €370.0m, which may well be improved on if the supportive trading conditions continue through Q424. On a TTM basis to end September, net leverage was 2.6x, close to the intended range for the full year. Our modelling suggests leverage falling to 2.4x pro forma for the financial year to December, with 1.9x for the following year and 1.4x for FY26. This level would indicate a greater appetite for M&A.

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Exhibit 12: Financial summary

€000s	2022	2023	2024e	2025e	2026e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue	324,444	321,981	420,000	510,000	545,000
Operating costs excl. D&A	(239,691)	(193,523)	(294,113)	(337,113)	(359,112)
Adj. EBITDA	93,202	95,171	131,000	175,000	188,000
EBITDA	84,753	128,458	125,887	172,887	185,888
Operating profit (before amort. and excepts.)	76,556	76,943	113,035	154,156	165,591
Amortisation of acquired intangibles	(14,853)	(13,706)	(19,000)	(26,000)	(26,000)
Exceptionals	(27,100)	(6,500)	(3,500)	(500)	(499)
Share-based payments	(1,613)	(1,613)	(1,613)	(1,613)	(1,613)
Reported operating profit	26,618	55,124	88,922	126,043	137,480
Net Interest	(37,959)	(50,128)	(54,974)	(54,990)	(44,021)
Joint ventures & associates (post tax)	0	0	0	0	0
Exceptionals	0	0	0	0	0
Profit Before Tax (norm)	38,597	26,814	58,060	99,165	121,570
Profit Before Tax (reported)	(11,341)	4,996	33,948	71,053	93,459
Reported tax	(9,064)	(2,718)	(11,203)	(23,447)	(30,841)
Profit After Tax (norm)	21,085	57,312	38,900	66,441	81,452
Profit After Tax (reported)	(20,405)	46,218	22,745	47,605	62,617
Minority interests	(88)	(513)	(520)	(525)	(524)
Discontinued operations	0	0	0	0	0
Net income (normalised)	20,947	57,025	39,420	66,967	81,978
Net income (reported)	(20,317)	46,731	23,265	48,130	63,141
Average Number of Shares Outstanding (m)	156.2	159.2	166.1	186.8	186.8
EPS - basic normalised (c)	13.4	35.8	23.7	35.8	43.9
EPS - normalised fully diluted (c)	12.0	32.1	21.4	32.7	40.1
EPS - basic reported (c)	(13.0)	29.3	14.0	25.8	33.8
Dividend (c)	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	28.7	(0.8)	30.4	21.4	6.9
Adjusted EBITDA Margin (%)	28.7	29.6	31.2	34.3	34.5
Normalised Operating Margin (%)	23.6	23.9	26.9	30.2	30.4
BALANCE SHEET					
Fixed Assets	823,637	813,515	972,104	1,000,092	1,022,214
Intangible Assets	791,284	796,607	942,238	969,661	991,218
Tangible Assets	5,522	3,963	4,642	5,207	5,772
Investments & other	26,831	12,945	25,224	25,224	25,224
Current Assets	221,022	193,513	252,119	299,092	359,639
Stocks	0	0	0	0	0
Debtors	52,229	32,281	43,726	51,699	55,247
Cash & cash equivalents	149,992	121,740	168,900	207,900	264,900
Other	18,801	39,493	39,493	39,493	39,493
Current Liabilities	219,471	240,768	273,132	284,708	291,580
Creditors	68,711	80,335	155,923	170,290	177,162
Short term borrowings	31,903	34,510	0	0	0
Other financial liabilities	97,515	104,402	94,370	94,370	94,370
Other non-financial liabilities	21,342	21,521	22,839	20,048	20,048
Long Term Liabilities	503,443	413,804	508,959	469,644	469,644
Long term borrowings	389,386	348,038	444,530	437,530	437,530
Other long term liabilities	114,057	65,766	64,429	32,114	32,114
Net Assets	321,745	352,456	442,132	544,831	620,629
Minority interests	(1,211)	182	182	182	182
Shareholders' equity	322,956	352,274	441,950	544,649	620,447
CASH FLOW					
Operating Cash Flow	(20,405)	46,218	22,745	47,605	62,617
Depreciation & amortisation	70,694	29,491	36,965	46,844	48,409
Working capital	55,284	12,051	6,260	6,395	3,324
Exceptional & other	1,907	(66,328)	33,486	1,613	1,613
Tax	1,340	(1,940)	4,500	0	0
Net finance cost	37,959	50,065	54,974	54,990	44,021
Net operating cash flow	146,779	69,556	158,930	157,447	159,983
Capex	(45,859)	(35,047)	(39,930)	(42,832)	(45,531)
Acquisitions/disposals	(138,000)	0	(119,235)	(32,000)	(25,000)
Equity financing	28,517	0	40,050	0	0
Dividends	0	0	0	0	0
Other	(53,413)	(52,301)	(109,586)	(36,614)	(32,453)
Net Cash Flow	(61,976)	(17,792)	(69,771)	46,000	56,999
Opening net debt/(cash)	198,600	273,900	297,427	370,000	324,000
FX	0	(2,881)	0	0	0
Other non-cash movements	(13,324)	(2,854)	(2,801)	0	0
Closing net debt/(cash)	273,900	297,427	370,000	324,000	267,000

Source: Verve accounts, Edison Investment Research

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Contact details	Revenue by geography
Stureplan 6 11435, Stockholm Sweden www.Verve.com	Not disclosed but Edison estimates around 80% of revenues are generated in North America.

Management team

CEO: Remco Westermann	CFO: Paul Echt
Remco is the founder of Verve Group. He started by acquiring gamigo in 2012 and aligning its business model to 'buy, integrate, build and improve', through over 35 acquisitions across digital advertising and gaming, combined with strong organic growth. He has been CEO and sits on the Board of Directors since the group's listing in 2018 on the Frankfurt Stock Exchange. His earlier career includes over 15 years working in the mobile/online entertainment industry. Prior to Verve, he founded the listed company Bob Mobile. He also helped build Sonera Zed and managed its German subsidiary for several years as CEO.	Paul Echt has been group CFO since 2018, prior to which he gained more than 10 years' experience in the tech and finance industry as a finance manager. He previously held positions at UniCredit Bank in Berlin, Munich and New York and Shopgate in San Francisco. He will step down on 31 December but continue in an advisory role up until June 2025
CFO designate (from 1 January 2025): Christian Duus	**COO: Jens Knauber**
Christian joins from Adform, where he first held the role of senior VP of corporate development and commercial operations from 2015 until he took over as CFO in 2019. He brings more than 20 years' experience in international strategy formulation, business development, financial analysis and operational execution. Prior to Adform, Christian worked for many years in management consulting for Bain & Company and held executive business development positions with publicly listed companies GN Store Nord and North Media. Christian is based in Stockholm and holds a master's degree in business administration, finance and accounting from Copenhagen Business School.	Jens Knauber joined in 2018 with more than 10 years' experience as a manager in the gaming industry, with over 300 published games. He held a series of leadership positions at Hamburg publisher dtp entertainment and has a strong background in games publishing with a wide global network in the gaming industry. He is responsible for gamigo.

Principal shareholders	(%)
Bodhivas*	24.4
Oaktree Capital Management	17.7

Note: *CEO Remco Westermann holds 90% of the shares in Sarasvati, which holds 100% of Bodhivas.

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