# Verve Group SE

Sweden / Application Software
Nasdaq First North Premier & FSE
Bloomberg: VRV GR
ISIN: SE0018538068

Comprehensive update

| | |
|---|---|
| **RATING** | **BUY** |
| **PRICE TARGET** | **€ 6.00** |
| Return Potential | 130.2% |
| Risk Rating | High |

## DEMYSTIFYING ADLAND

**Verve accelerated its digital advertising journey in 2021 and has built a formidable software platform to capitalise on adland growth trends in programmatic and AI-driven solutions. The company now differentiates itself from its rivals with a suite of applications that dovetail with emerging privacy-first requirements helping the it win market share in a growth sector. Q1 reporting has the company on track to expand sales some 22% this year (FBe), and Verve brass are aiming for a €1bn topline around 2028 / 2029. We thus think Verve is in the midst of a growth phase that is still underappreciated by the markets. We are Buy-rated on Verve with a €6 TP (upside: 130%).**

**Demystifying adland** Many non-specialist investors are bewildered by the digital ad game. Perhaps it is the blinding speed at which transactions occur, or the technology stacks and algorithms that drive it, but programmatic, or digital advertising, is not really complicated. Consider it an electronic marketplace where ad space is bought and sold by advertisers and publishers at prices determined much in the way that stocks are traded on electronic exchanges. Our report aims to demystify these transactions that are at the heart of Verve's adtech business. Others think that Verve, the formally branded Media Games Invest, is still an online gaming publisher. We can disabuse investors of this lingering notion. Verve is a full-fledged adtech specialist that now leverages legacy gaming assets to drive its ad business.

**High-growth business anchored by seasoned team** We like Verve for: (1) its strong position in adland that leans on proprietary technology to address growing privacy-first trends; (2) exposure to a global digital ad market with a ~$0.8trn 2024 TAM; (3) its growing track record for taking market share with its solutions to drive organic upside; (4) its seasoned management and acquisition teams with top M&A credentials; and (5) a solid balance sheet will allow growth alongside proven access to the debt and equity markets. We believe Verve is in the midst of a growth phase that leverages these strengths. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

| | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| Revenue (€m) | 324.4 | 322.0 | 437.0 | 534.9 | 599.1 | 665.0 |
| Y/Y growth | 28.7% | -0.8% | 35.7% | 22.4% | 12.0% | 11.0% |
| AEBITDA (€m) | 93.2 | 95.2 | 133.2 | 157.3 | 178.2 | 203.2 |
| AEBITDA margin | 28.7% | 29.6% | 30.5% | 29.4% | 29.7% | 30.5% |
| Net income (€m)* | 21.1 | 57.4 | 40.9 | 62.4 | 76.6 | 92.0 |
| EPS (diluted) (€)* | 0.14 | 0.36 | 0.24 | 0.33 | 0.41 | 0.49 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FCF (€m) | -42.5 | 33.8 | -25.1 | 70.7 | 86.2 | 122.2 |
| Net gearing | 85.1% | 83.7% | 77.9% | 68.0% | 53.0% | 33.8% |
| Liquid assets (€m) | 150.0 | 121.7 | 146.7 | 171.9 | 211.8 | 293.3 |

** Adjusted for PPA-amortisation*

### RISKS

Risks include but are not limited to: financing, technology, and regulatory risks.

### COMPANY PROFILE

Verve Group SE is a fast-growing, profitable digital media company that provides AI-driven ad-software solutions. The company matches global advertiser demand with publisher ad-supply, enhancing results through first-party data from its own content, while pursuing its "Let's make media better" mission.

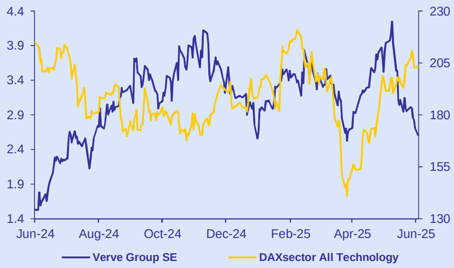
### MARKET DATA

As of 16 Jun 2025

| | |
|---|---|
| Closing Price | € 2.61 |
| Shares outstanding | 186.36m |
| Market Capitalisation | € 485.65m |
| 52-week Range | € 1.53 / 4.24 |
| Avg. Volume (12 Months) | 130,867 |

| **Multiples** | **2024** | **2025E** | **2026E** |
|---|---|---|---|
| P/E | 11.1 | 7.8 | 6.4 |
| EV/Sales | 2.1 | 1.7 | 1.5 |
| EV/AEBITDA | 7.0 | 5.9 | 5.2 |
| Div. Yield | 0.0% | 0.0% | 0.0% |

### STOCK OVERVIEW




### COMPANY DATA

As of 31 Mar 2025

| | |
|---|---|
| Liquid Assets | € 123.30m |
| Current Assets | € 185.20m |
| Intangible Assets | € 963.90m |
| Total Assets | € 1,177.20m |
| Current Liabilities | € 270.60m |
| Shareholders' Equity | € 430.10m |

### SHAREHOLDERS

| | |
|---|---|
| Bodhivas GmbH | 24.4% |
| Oaktree Capital Mngt | 20.3% |
| Nordnet Pensionsförsäkring | 4.8% |
| Sterling Active Fund | 4.4% |
| Free Float | 46.1% |

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# INVESTMENT CASE—DEMYSTIFYING ADLAND

**We are Buy-rated on Verve with a €6 TP** Verve's shares saw a significant rebound last year moving up from 5-year lows (<€1) to mark new highs (>€4) since its 2021 operational pivot to programmatic. We trace this rally to the recovery in the advertising markets and the fact that previously nonplussed investors are finally starting to understand Verve's adtech business. The transition from a predominantly gaming company to an adtech specialist has confused the markets at times. We think prospects for further operational upside are excellent, although the path will hinge largely on the performance of the US economy currently under pressure from an erratic political agenda. After the latest retreat is the share price, Verve is trading at a highly attractive EV /AEBITDA multiple of 5.3x on 2026 FBe or 5.2x on street numbers (Bloomberg). Our target price equates to 130% upside.

**Embracing the new privacy paradigm** Thanks to its suite of ID-less targeting solutions, Verve is in the vanguard of privacy-first trends now reshaping digital advertising. Its early development of ATOM (Anonymized Targeting on Mobile) started even before Apple introduced a software update in April 2021 that put an end to identifier eavesdropping. The company has since added Moments.AI and SKAN to its toolbox, and all solutions were developed in-house with proprietary data and technology. We think Verve's tech stack differentiates it from rivals and serves as the backbone of the company's growth as evidenced by the 27% expansion of total software customers to 3,050 since 2023.

**Programmatic is the straw that stirs the advertising drink** Over the past two decades, the advertising business has undergone a transformation similar to the financial markets during the 1980s with the introduction of automated trading systems. Programmatic, or the automated trading of ad slots, was the adland disrupter designed to make the process of placing and selling ads faster, easier, more transparent, and more effective. These real-time transactions are complex, fiendishly fast, and good at reaching the right target groups. We think Verve can leverage its programmatic business to grow sales at 15% CAGR for the period 2025 to 2027, while keeping AEBITDA margins north of 30%.

**Market forecasts call for further growth** According to Statista, a market watcher, the global advertising market was thought to be worth nearly $1.1trn in 2024 with digital channels accounting for 72%, or $790bn of this. Drawing on Statista's data, programmatic advertising accounted for 59% of all advertising expenditures in 2024, and this portion is expected to top 65% by 2028. Other market watchers have pulled back their 2025 growth rates in the wake of the trade war, which has stoked recession fears and put global bourses on a rollercoaster. Most put ad market growth between 5% and 8% for this year with continued ad budget migration from offline to digital channels. However, we consider it more prudent to user a longer lens to gauge market prospects, which put global ad spend north of $1.3trn in 2028 underpinned by a 4.7% CAGR. Digital channels are projected to grow at a faster clip. Statista calls for a 6.8% CAGR to drive digital spend north of $1trn in 2028.

**Tariff whiplash to continue but should not kill ad growth** Trump's tariff war is forcing firms across the world to rethink supply chains and some peddlers of hard goods to even turn away customers. Faced with dwindling profitability, some firms are dialling back advertising budgets. This could have a ripple effect across digital media operators, although Verve brass noted on the Q1 earnings call that such headwinds were minimal so far. Verve is not directly exposed to the higher levies with its US based operations, but some of its big customers are. Plus, eroding consumer confidence could hurt spending and prompt advertisers to tighten their budgets. eMarkter, a research outfit, believes 2025 ad spend will still grow by ~5% in a worst case scenario (figure 12 overleaf) that assumes hefty tariffs once the dust from the trade war settles.

# SWOT ANALYSIS

## STRENGTHS

- **Technology tool box** The company controls several in-house developed tools that have helped keep Verve ahead of the pack and serve as the engine of its organic sales growth in a tech driven sector.
- **M&A prowess** Verve has completed ~40 acquisitions over the years transforming itself into an adtech player. The experience not only allows Verve to smoothly integrate purchased outfits; it also can pay off with good deals. Last summer's Jun Group tie-up resulted mainly from Verve's ability to move quickly.
- **Access to capital** Verve has demonstrated good access to capital evidenced by the latest bond refinancing for €0.5bn. Access to capital keeps the war chest full for operational investments and opportunistic corporate activity, while the new 4.0% coupon will shave some €12.5m off financing costs p.a.
- **Experience counts** Programmatic is hard. It involves a dizzying array of technology, systems, and solutions operating in concert at all times. Verve leans on a seasoned staff with an entrepreneurial spirit embodied by CEO Remco Westermann and his +30 years of experience in business building.
- **Big exposure to world's largest ad market** Americans like to buy stuff and Verve makes some 80% of its crust in the US market. Few groups can match the resiliency of the American consumer led by wealthier folks who are responsible for the bulk of American discretionary spending.

## WEAKNESSES

- **M&A strategy is expensive** Verve's business consistently delivers attractive AEBITDA margins ~30%, but the business is expensive to finance. Interest expenses traced mainly to corporate debt ate up some 65% of EBIT in 2024, although this should slide below 40% in 2025, thanks to the refinanced bonds.
- **Acquisitions can be distracting** Investors tend to reward organic growth with higher multiples than purchased growth. Although Verve brass want to focus on organic growth, we believe M&A will be a part of the future as Verve looks to keep pace with a fast-changing business.
- **High intangibles and goodwill** These line items tallied some €992m at YE24 and comprised some 77% of the balance sheet total. The high level is traced chiefly to past acquisitions. Thus far, there have been no significant write-downs.
- **Visibility okay, not great** Contracts with advertisers and publishers tend to have short-term escape clauses, so that they can remain agile in a fast changing sector. Although Verve is not overly dependent on any single client, budget commitments generally give Verve a 1 to 2 month visibility.
- **Adtech black box** Investors and other stakeholders often highlight the dauntingly obfuscated inner workings of programmatic as the rub. Their complexity and speed often keep performance metrics hidden, even from advertisers.

## Opportunities

- **Harness synergies** Verve is a proven innovator and privacy-first trailblazer with good products and systems to drive efficiency and performance. We think there is room to improve its AI routines and data models, while straining to lower OpEx through scale. Ongoing Sell Side Platform (SSP) and Demand Side Platform (DSP) streamlining should also help coral embedded synergies.
- **Selective corporate activity** M&A is idling for now, but management continue to scan the market for strategic opportunities to deepen the company's technology bullpen and boost engagement across the ad value chain. Mr Westermann (CEO) hinted on the Q1 call that M&A will contribute to the achievement of the €1bn sales target for 2028/29.
- **Google is breaking the law (again)** The search giant is firmly in the regulator's crosshairs having recently been busted twice (overleaf) for monopolistic practices. Many say it's time to break up the search giant. This could allow ad budgets trapped in its walled gardens to flow to the rest of the market, which could likely help Verve, although it's too soon to speculate on the magnitude.
- **Continue taking market share** We see plenty of scope for Verve to broaden its customer base and increase wallet share as the company continues to onboard and scale new clients (advertisers and publishers).
- **Geographic expansion** The business is US-centric (~80%), but the company does have footholds in other regions (Scandinavia, UK, Germany, Brazil) that it can scale up with its proven strategy and ID-less tools.
- **Ride the CTV bandwagon** Traditional linear TV is on the decline owing to the emergence of connected TV (CTV) as a dominant growth channel (~14% YoY 2024). This channel remains a relatively small portion of Verve's business having racked up some €39m in sales last year—about 9% of group topline. Verve controls a good technology stack and a deep well of premium CTV inventory to ensure its advertisers can effectively reach audiences and drive its CTV business.

## Threats

- **Tethered to the US economy** The US economy is the juggernaut constantly tailgating in the rear view mirror of Verve's growth engine (~80% of Verve's business). A downturn in the world's largest economy could spook American consumers and hit the ad budgets that drive Verve's growth and profitability.
- **Fast changing technology** Apple ended snooping (IDFA) in 2021, but Verve was ready with its contextual solutions. Now AI is on the verge of boxing out creative agencies by allowing businesses to dream up campaigns in-house. If Verve is unable keep pace with such technology changes, its competitive position could be compromised. Staying ahead of the game has been a strength, but getting it wrong in the future could disrupt performance.
- **At the mercy of tech-giants and their "walled-gardens"** Verve's solutions run on third party devices controlled mainly by Apple (iPhone, iPad) and Google (Android). Sudden changes to these devices or their operating systems could undermine the performance or functionality of Verve's products and services. Plus, closed ecosystems restrict access to applications, content, and user data making tracking and targeting more difficult, although Verve relies heavily on its first-party data and contextual solutions.

# VALUATION

We use a three-phase DCF model to value Verve. After filling out its bench with numerous digital advertising services and solutions over the years, we now regard the company as a full-fledged ad-tech specialist and believe this approach is best suited to the fee-driven business. The first phase is based on explicit production forecasts through 2027. Subsequent phase 2 projections run through 2038 and are based on growth as well as normalised earnings assumptions, while phase 3 reflects TV (terminal value).

Verve is straining to keep pace with an evolving digital adland with a current focus on technology that prioritises privacy-first trends. We expect a strong growth trajectory over the midterm led by software client wins and further scaling of existing platform users. We forecast a three-year revenue CAGR of 15% for the period 2025 to 2027. Verve offers good cash generation potential, thanks to a negative working capital structure common to the business model. This helps finance technology investments and strategic corporate activity, when the right deal comes along. Our model factors in a 2.5% terminal growth rate and a 30% terminal AEBITDA margin.

## DCF MODEL

| All figures in EURm | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **535** | **599** | **665** | **702** | **735** | **767** | **797** | **826** |
| **NOPLAT** | **83** | **99** | **112** | **119** | **128** | **137** | **146** | **156** |
| (+) depreciation & amortisation | 38 | 38 | 45 | 46 | 48 | 50 | 51 | 52 |
| **(=) Net operating cash flow** | **121** | **137** | **157** | **166** | **176** | **187** | **198** | **208** |
| (-) Investments | -78 | -71 | -52 | -54 | -57 | -59 | -62 | -64 |
| (-) Working capital | 10 | 5 | 5 | 3 | 2 | 1 | 1 | 1 |
| **(=) Free cash flows (FCF)** | **53** | **70** | **110** | **114** | **121** | **129** | **137** | **145** |
| **PV of FCF's** | **50** | **60** | **85** | **80** | **77** | **74** | **71** | **68** |

| All figures in millions | |
|---|---|
| PV of FCFs in explicit period | 916 |
| PV of FCFs in terminal period | 651 |
| Enterprise value (EV) | 1,568 |
| (+) Net cash / (-) net debt | -351 |
| (-) Non-controlling interests | -1 |
| Shareholder value | 1,215 |
| Fair value per share (€) | 6.00 |

| | | Terminal EBIT margin | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 24.1% | 26.1% | 28.1% | 30.1% | 32.1% | 34.1% | 36.1% |
| WACC | 9.0% | 6.60 | 7.08 | 7.56 | 8.04 | 8.51 | 8.99 | 9.47 |
| | 9.5% | 6.02 | 6.44 | 6.85 | 7.27 | 7.69 | 8.10 | 8.52 |
| | 10.0% | 5.51 | 5.88 | **6.25** | **6.61** | **6.98** | 7.34 | 7.71 |
| | 10.5% | 5.07 | 5.39 | **5.71** | **6.04** | **6.36** | 6.68 | 7.00 |
| | 11.0% | 4.67 | 4.96 | **5.24** | **5.53** | **5.82** | 6.10 | 6.39 |
| | 11.5% | 4.32 | 4.57 | 4.83 | 5.08 | 5.34 | 5.59 | 5.84 |
| | 12.0% | 4.00 | 4.23 | 4.46 | 4.68 | 4.91 | 5.14 | 5.36 |

| | |
|---|---|
| Cost of equity | 12.9% |
| Pre-tax cost of debt | 7.0% |
| Tax rate | 28.0% |
| After-tax cost of debt | 5.0% |
| Share of equity capital | 70.0% |
| Share of debt capital | 30.0% |
| WACC | 10.5% |

| | | Terminal growth rate | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
| WACC | 9.0% | 7.08 | 7.36 | 7.67 | 8.04 | 8.46 | 8.96 | 9.56 |
| | 9.5% | 6.48 | 6.71 | 6.97 | 7.27 | 7.61 | 8.01 | 8.49 |
| | 10.0% | 5.96 | 6.15 | **6.37** | **6.61** | **6.89** | 7.22 | 7.59 |
| | 10.5% | 5.49 | 5.65 | **5.83** | **6.04** | **6.27** | 6.53 | 6.84 |
| | 11.0% | 5.07 | 5.20 | **5.36** | **5.53** | **5.72** | 5.94 | 6.19 |
| | 11.5% | 4.69 | 4.81 | 4.94 | 5.08 | 5.24 | 5.43 | 5.64 |
| | 12.0% | 4.34 | 4.45 | 4.56 | 4.68 | 4.82 | 4.97 | 5.15 |

**Please note our model runs through 2038 and we have only shown the abbreviated version for formatting purposes*

We assign a 12.9% COE (cost of equity) to the growing business based on our multifactor risk model which takes into account company-specific risks such as (1) strength of management; (2) earnings quality; (3) transparency; (4) financial risk; (5) competitive position; (6) as well as company size and free float. The primary risk in our view is the fast changing technology that drives the adtech market.

The company has a long history of combining corporate debt with equity to fund growth. We expect this to continue into the foreseeable future and assume a 70% equity ratio in our WACC. Verve issued a new corporate bond in March for €500m with a 4% coupon + Euribor, and management like to keep a war chest of around €100m for good financial flexibility. We also factor in a 2.6% risk free rate (referencing 10y German treasury) into our 10.5% WACC. These assumptions result in fair shareholder value of €1.2bn or €6 per share.

## WHERE WE COULD BE OFF WITH OUR ASSUMPTIONS

**Upside risks to price target and rating** (1) the company could again surprise by dusting off its M&A tool belt to strengthen its technology stack, particularly on the DSP side of the equation. We note the last deal for Jun Group was highly accretive; (2) ongoing technology innovation could accelerative market share gain; (3) business across the emerging CTV and DOOH (digital out-of-home) channels may outpace present assumptions; (4) we may have underestimated operational synergies and scale effects still embedded in Verve's network; and (5) the US economy could outperform expectations that have been dialled back in H1/25.

**Downside risks to price target and rating** (1) digital advertising is a technology race and customers are quick to jump on new bandwagons in pursuit of ROI; (2) a US recession could become a reality forcing consumers to tighten their belts, even the well-healed are not *completely* immune. As we saw in late 2022 and early 2023 this would cause brands to tighten ad budgets and disrupt Verve's growth trajectory; and (3) a shifting playing field with generative AI as the wild card could cause a sudden and broad disruption to the ad game.

# COMPANY PROFILE

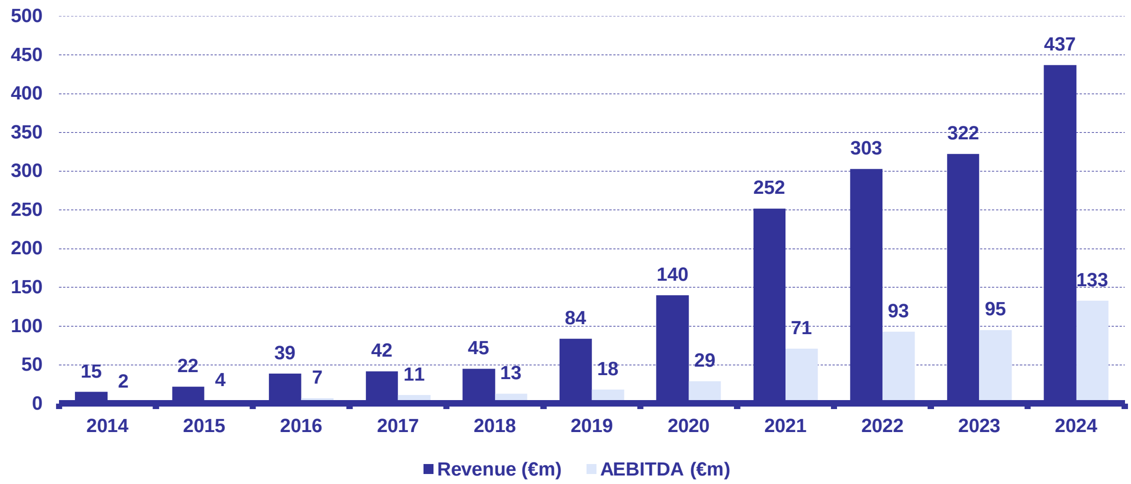
Verve operates a highly advanced ad-software platform that connects advertisers and publishers. The former want to promote their goods and services to consumers through advertisements, while publishers are looking to monetise their owned-content by selling digital advertising space to the highest bidder. Headquartered in Sweden, Verve operates offices across Europe and North America.

Verve's strategy is anchored by its "Let's make media better" mission that promotes better results for brands, agencies, publishers, and yes consumers, with its suite of advertising solutions deployed across emerging media channels, such as mobile, CTV, and DOOH (Digital Out-of-Home).

In our view, Verve differentiates itself from the adtech pack with innovative technology that does not depend on identifiers such as cookies or IDFA (Identifier for Advertisers) as explained overleaf (Privacy Paradigm). Verve also distinguishes by its unparalleled mobile ad supply and deep client rosters on both sides of the SSP / DSP equation. Plus, we think the adtech specialist benefits from a culture that combines corporate maturity and polish with the spirit and energy of a start-up.

Operations have been on a tear since 2014 when the company first reported €15m in sales as a gaming specialist. Revenue topped €437m in 2024 pushing the topline CAGR over the period to 40%, thanks to the combination of organic and external drivers. This growth spurred a 52% AEBITDA CAGR for the same period.

**Figure 1: Historical revenue and AEBITDA development**




*Source: First Berlin Equity Research; Verve Group SE*

## HISTORY & BACKGROUND

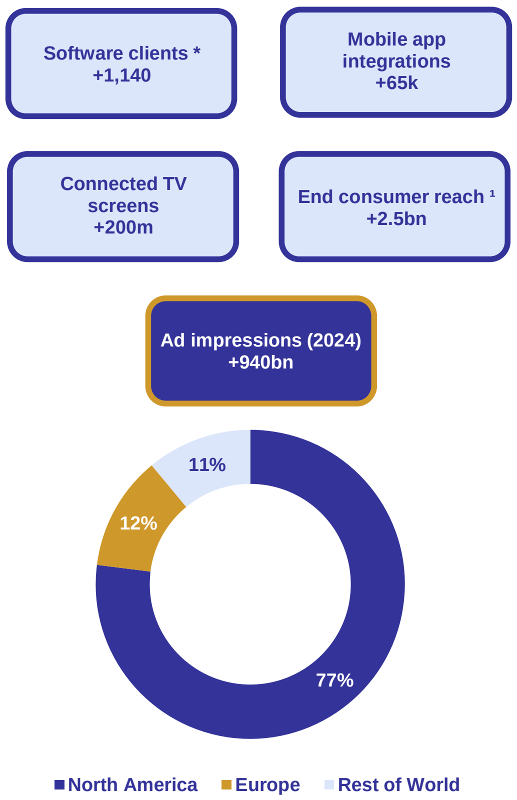
Verve was founded in 2012 under the brand gamigo. The nascent company fully acquired gamigo AG from Axel Springer to exploit market opportunities in online gaming through a "buy-integrate-build-improve" M&A approach. This was aimed at rolling up distressed gaming outfits and paved the way for +25 takeovers making the renamed Media and Games Invest (MGI) one of Europe's top gaming publishers.

In 2016, the company bought adspree media GmbH. The deal kicked off an operational reboot and started MGI's journey in the ad world. The buy & build strategy then shifted towards the media business. In 2020, MGI acquired Verve wireless, a top North American mobile data platform for location-based programmatic video and display marketing. This ultimately became the mothership of MGI's media operations, and advertising revenues eclipsed gaming turnover for the first time in 2021, thanks to 38% OSG.

After a lengthy lull in corporate activity to focus on pulling the organic growth levers, Verve surprised the markets last year with the takeover of Jun Group—a US-based digital media company—to boost its ad software platform (see note of 24 June 2024). Verve's transformation from a predominantly online gaming business to an ad-tech company over the past years had been heavily geared towards the supply-side (SSP), which accounted for ~90% of 2023 turnover with only a 10% DSP contribution.

The tie-up with Jun Group significantly increased the ratio of its DSP business to around 24% on a pro-forma basis and put the business mix within shooting distance of its eventual 50/50 target. The company also rebranded under the name Verve Group SE in 2024 to better align its image with its digital media and ad-tech focus.

**Figure 1: Operational highlights as of Q4/24**




*Source: First Berlin Equity Research; Verve Group SE*

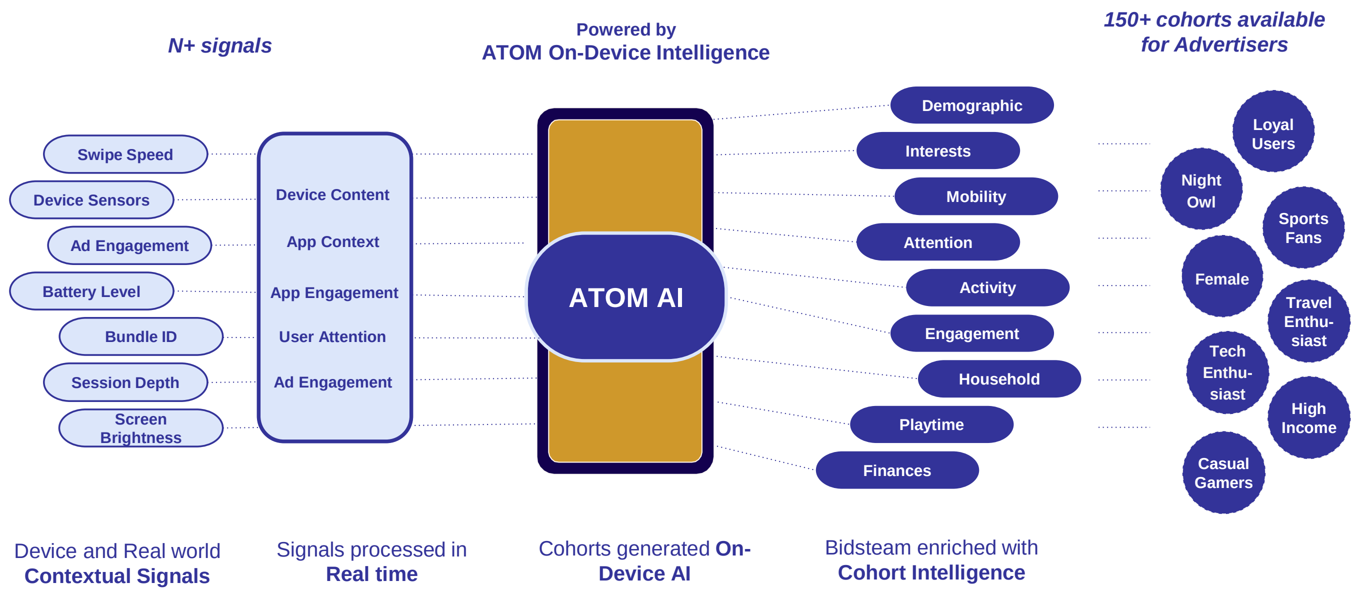
Verve is dual listed on the Frankfurt Stock Exchange (FSE) and on the Nasdaq First North Premier Exchange In May 2025, the company uplisted its shares to the Regulated Market of the Frankfurt Stock Exchange (old: Scale, FSE). The move should promote broader investor access, increased share liquidity and potentially pave the wave the way for inclusion in small- and mid-cap indices.

## KEY TECHNOLOGY

The company controls a full technology stack—much of which was developed in-house—allowing Verve to automate the buying and selling of ads across all devices and cover most of the key steps in the digital advertising value chain. In our view, the company has two major distinguishing assets designed to help clients chase better ROIs with their advertising campaigns.

**Combining on-Device AI. . .** ATOM was among the first cohort targeting tools. Developed by Verve, this solution is bundled with its software development kit (SDK) and uses machine learning and computing models to process device signals and real-world user context to predict their traits and classify them into cohorts. In 2024, the solution was updated to ATOM 3.0 and patented. The latest iteration allows Verve to predict the traits and demographics of users through their gestures and patterns on their mobile devices without having to rely on IDs/PIIs (Personal Identifiable Information). Plus, all data processing and storage occurs securely within the user's device. Verve claims that ATOM has the potential to reach more than 1.5 billion users across 10,000+ apps.

**Figure 2: ATOM builds models with on-device AI**

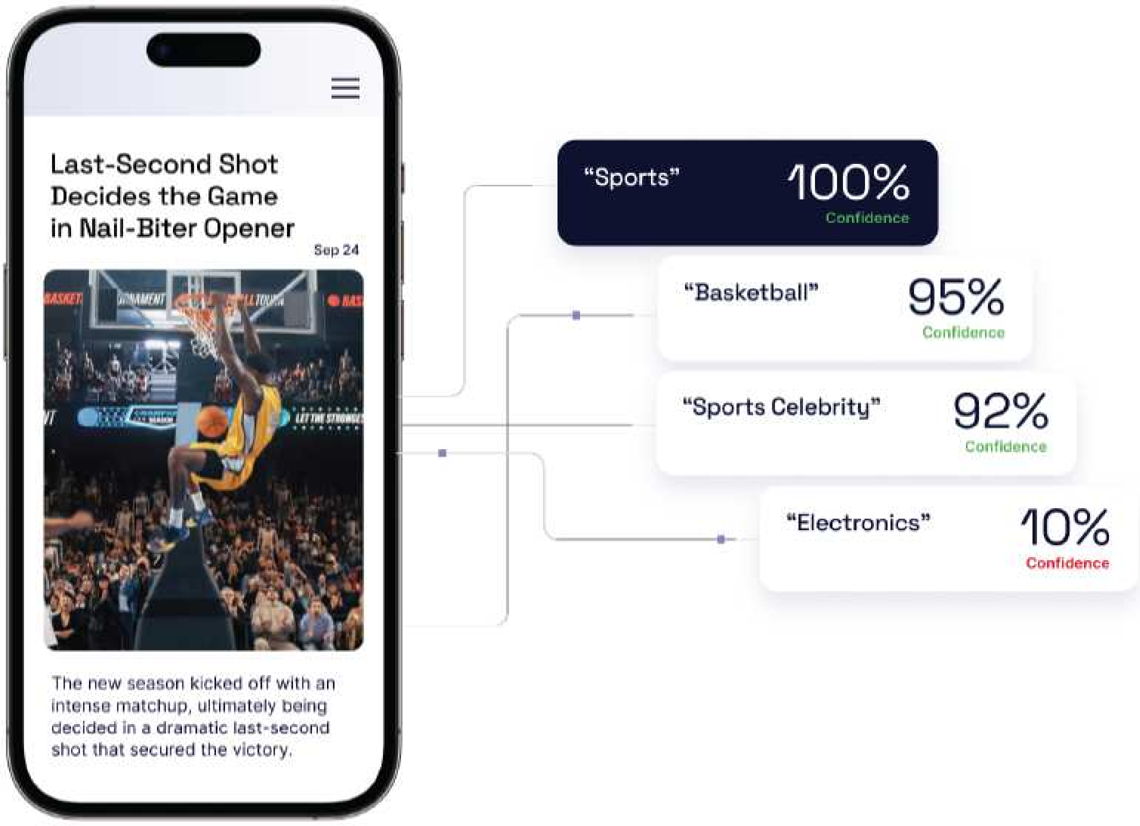



*Source: First Berlin Equity Research; Verve Group SE*

**. . . with agility and no data risk** Moments.AI is the other workhorse in Verve's technology stable (figure 3 overleaf). The tool identifies and analyses performance levers such as keywords, semantics, and meta tags within 10 milliseconds to deliver insights that clients need to activate precision targeting, while ensuring zero-risk data handling and providing flexible targeting options across 700+ market segments.

Digiday Awards Europe recently named Moments.AI the best contextual targeting solution based on an independent test vs two market leading products. The study targeted football fans to gauge the platforms' ability to deliver timely and relevant ads. Moments.AI won in a landslide scoring 86% percent compared to <5% in terms of ad impressions. The result underpins Verve's claim that Moments.AI outperforms competitors by a whopping 36x in terms of targeting speed and accuracy.

**Figure 3: Moments.AI principals**




*Source: First Berlin Equity Research; Verve Group SE*

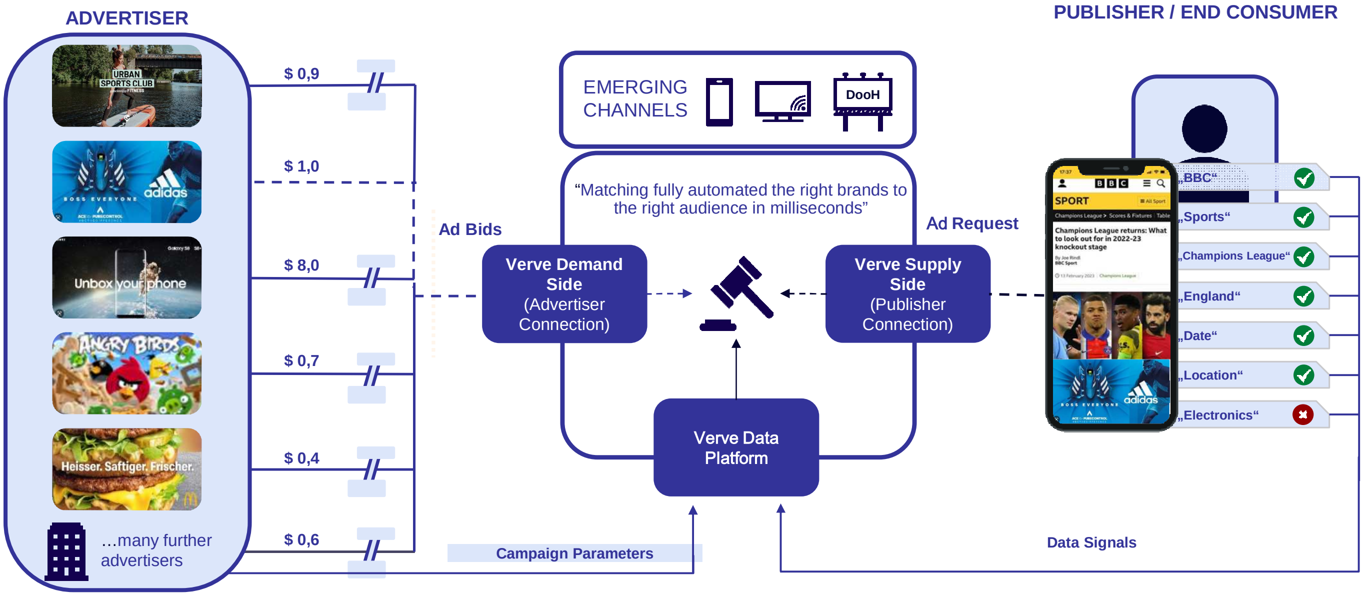
# BUSINESS MODEL—HOW DOES IT WORK?

To be clear, Verve is now a digital media company with gaming having been essentially repurposed (overleaf). Until recently nonplussed investors struggled to grasp Verve's pivot away from online gaming into digital advertising. We think the story only started to resonate with the markets about a year ago, and the stock finally caught a bid in early 2024.

In the days of Mad Men, a popular television drama series set in 1960s adland, advertisers, brands and agencies solicited ad space directly from publishers by phone, or often over cocktails. This was time consuming and inefficient. Later, email ushered in the digital age. Over the past two decades, the advertising business has undergone a transformation similar to the financial markets during the 1980s with the introduction of automated trading systems. Today, technology is changing the industry faster than at any time since the Mad Men era and has left some Madison Avenue admen choking on their Old Fashioneds.

Programmatic, or the automated trading of ad slots, was the disrupter designed to make the advertising business faster, easier, more transparent, and more effective. These real-time transactions are complex, fiendishly fast, and mystifying.

**Figure 4: How a programmatic auction works**




*Source: First Berlin Equity Research; Verve Group SE*

**Programmatic auctions** Digital advertising has two basic elements (figure 4). A DSP (Demand-Side Platform) allows advertisers to efficiently buy ad impressions across various publisher websites that a consumer has just clicked on, while an SSP (Supply-Side Platform) does the exact opposite. It enables publishers to sell their ad inventory to advertisers at the highest possible price.

An auction is held, and the "winning" ad is transmitted within milliseconds. The idea is to help publishers get the best price for their space and advertisers the best return on their investment (ROI). Revenue is then split between the SSP with the winning bid (Verve) and the served publisher.

Verve now controls both sides of the equation. Its business is still weighted towards the supply-side, but the gap narrowed with the aforementioned acquisition of demand-side specialist, Jun Group, last year. The main channels for Verve's business is in app and CTV, which helps insulate business from the challenges in search with the disruption of AI.

**The adtech black box** Beneath the surface of programmatic is a symphony of kaleidoscopic algorithms working in harmony with machine learning models to power ad platforms and make decisions at warp speed. And yes these inner workings do indeed remain hidden from advertisers, even when they interact with the platform and set parameters.

For instance, little is known about what happens when a potential customer visits a website and clicks on an ad. User data is sent to an exchange, and the impression is bid on by thousands of advertisers. And it's all automated i.e. no human intervention. Algorithms evaluate bids, targeting parameters, and even quality scores. Potential customers are then segmented based on assessments of their behavioural data and demographics. Plus, there are issues of invalid traffic and click fraud—bogus signals from bots and disengaged users that can impact model training. Only bits of this data trickle back to marketers.

Advertisers understandably want to know more about how their budget is being spent, and adtech is straining to create more transparent supply chains with new innovations. But full transparency into these complex platforms will likely remain an elusive target with the rollout of new deep learning models. This daunting obfuscation is often the investor's rub with the digital ad business, but let's not forget most successful businesses have a secret sauce that they are slow to unveil.

## WHAT HAPPENED TO THE GAMING BUSINESS?

As laid out in the Company Profile section, the then gamigo spent its early years from 2012 to 2016 rolling up a highly fragmented gaming market and controlled a sizable portfolio populated chiefly with free-to-play (F2P) massively multiplayer online games (MMOGs). In 2018, management began to explore synergies between gaming and digital advertising, thereby starting Verve's adtech journey before the full strategic pivot in 2021.

The legacy gaming business has now been deemphasised but still runs in the background under the gamigo roof. Owned & operated games *mainly* support advertising operations: (1) with their trove of first-party data to drive its ad-models; (2) by providing unique in-game ad-spaces; (3) by serving as labs to test Verve's SDK and provide insights into the publisher world.

# THE PRIVACY PARADIGM

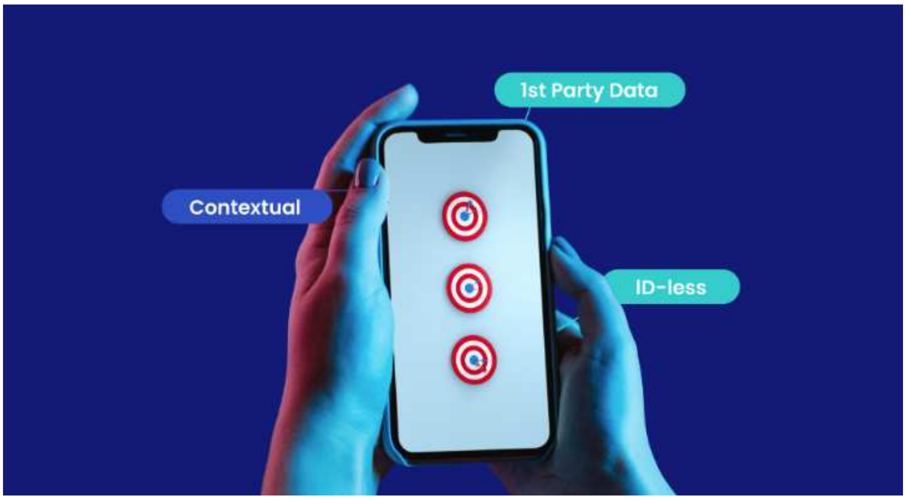
**Apple was the first to clamp down on snooping. . .** In 2021, the digital advertising business was going gangbusters, thanks largely to the ability to monitor and micro-profile audiences with behavioural tracking tools. But in April that year, Apple, which supplies over one-fifth of the world's smartphones, introduced a software update that ended much of this eavesdropping. Apple's mobile operating system suddenly forced apps to ask users if they want to be tracked. Many folks were tired of feeling watched and forbid apps to access their "identifier for advertisers" (IDFA) code, which singles out their device, and stopped them from tracking their activity across other firms' apps and websites. Over three-quarters of Apple users did. This amounted to a seismic shift in in-app advertising and forced actors to rethink how they target digital ads to minimise budget waste.

**. . . but Google has been wishy washy** After years of wrangling, Google announced last July that it will not be phasing out third-party (3P) cookies in its Chrome browsers after all. Instead, the search-major introduced a new experience in Chrome that lets folks make an informed choice that applies across their web browsing, so that they could adjust that choice at any time."

But marketers should be disabused of the notion that Google's cookies U-turn is a signal to maintain the status quo. Snooping with 3P cookies was always a bad idea for consumer privacy, and the sun is setting on the age of behavioural tracking tools. Plus, Google has made sudden flip-flops on its Google Advertising ID (GAID) policy before.

The privacy clamp down sent digital advertisers back to the drawing board for workaround solutions that could target mobile users and mitigate ad-budget waste as effectively as tracking did in the good ol' days, while also meeting folks' growing privacy demands. Verve actually began preparing for the IDFA changes in 2020 and has three solutions proving that cookies aren't needed.

**Figure 5: Rethinking solutions in an ID-less world**




*Source: First Berlin Equity Research; Verve Group SE*

**Contextual-based targeting** This privacy-friendly approach has taken the reins by allowing brands to now target content, not consumers. For instance, an ad for ski goggles is inserted into an article ranking Colorado's top ski resorts. Here the brand doesn't require user data to get its goggles in front of the right audience. At Verve, tools, such as Moments.AI and Dataseat, were built from scratch to trail blaze the ID-less frontiers.

**First-party data** With the sunset of third-party IDs and cookies, the easiest way to learn about customers is already siloed on many company servers. First-party data is the information companies have collected directly from their customers and is widely regarded as the Holy Grail of personalised ad campaigns for audiences. And Verve controls a trove of 1P data thanks to its vast gaming portfolio dating back to its gamigo origins, as well as data from Verve's SDK (software development kit) base.

**Cohort-based targeting** Cohort-based advertising straddles the world between contextual targeting and personalised targeting i.e. cookies-based, by targeting anonymised groups of people who share common interests and online behaviour. Verve's ATOM 3.0 solution, (Anonymized Targeting On Mobile), uses on-device AI to classify users into cohorts for accurate and granular targeting without depending on IDs. Advertisers can then target cohorts based on interests, demographics, and other factors.

**Upshot** No one likes being bombarded with advertisements, but good targeting at least helps make the right products visible, which is at the heart of Verve's "make media better" mission. Verve says <20% of iOS ad-requests on its platforms currently have reliable identifiers, while over 80% must be targeted without the use of IDs. Based on current privacy trends, management reckon some 80% of future advertising will be made of space sold without the help of identifiers The company continues to invest in proprietary AI and machine learning algorithms to maintain its edge in optimised ad performance, ad spend, and satisfactory engagement rates.

# UNDERSTANDING THE AD MARKET

Everyone understands what advertising is and most folks hate it. Few grasp its real value or how large the market is. We have outlined a few of the underlying adland drivers below, while also first providing a bit of cool history.

## WHY DO FOLKS BUY SO MUCH STUFF THEY REALLY DON'T NEED?

It's no secret that the majority of folks love to shop, and advertising is designed to draw attention to certain products and services. Most advanced societies tend to depend on economic growth, and like it or not (many don't), advertising is an inescapable part of modern life that is indispensable to the businesses that serve us. It is the straw that stirs the economic drink, and it has gone through radical changes with the first major disruption occurring around 100 years ago.

Despite the wild images from the Roaring Twenties, few know that it was still taboo for women to smoke in public back then. But Edward Bernays, nephew of Sigmund Freud, changed this in 1929 with his unique "Torches of Freedom" campaign (figure 6) to convince women that cigarettes were not just vices for ladies of ill repute and prostitutes. His campaign was based on a revolutionary method that persuaded folks to buy products based on *emotion* rather than practicality or *need*. Bernays removed the stigma and gave women the courage to light up in public by appealing to their desires for emancipation. This new emotional approach revolutionised the ad game. Mr Draper, the unflappable creative star of Mad Men, was not wrong when he said "advertising is based on one thing: happiness."

**Figure 6: Lucky Strikes 1930 ad campaign with an emotional approach**

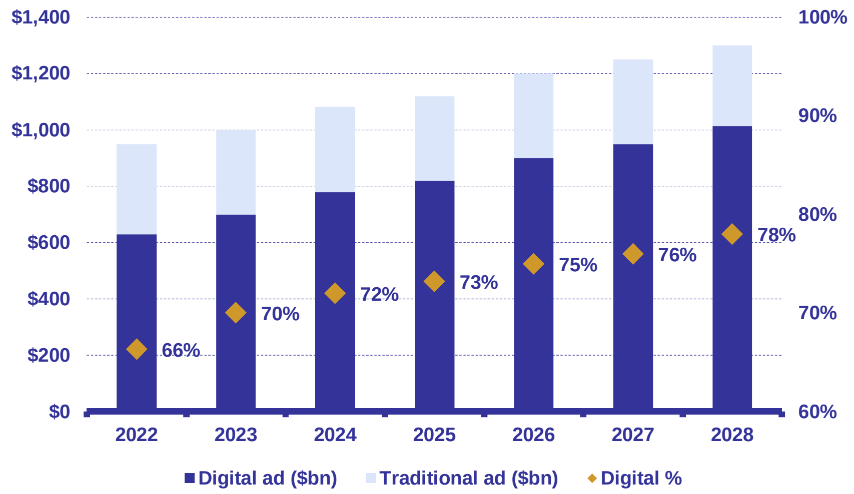

*Source: History Day Ltd.*

In modern times, traditional offline advertising was overtaken by digital ads in 2019 in terms of market size, and the younger sibling accounted for +72% of global advertising investments in 2024. This owes mainly to the amount of time we spend in front of the screen now estimated to be 6 hours and 40 minutes each day—up ~30 minutes per day since 2013. The rapid expansion of the digital society has shaped online advertising by spawning new markets, players, and business models. At the same time, the proliferation of smartphones and other mobile devices has radically altered the way marketers engage with consumers. Mobile is now the dominant channel (figure 10 overleaf) for the delivery of an array of banners, videos, social network ads and campaigns either in-app or through search.

## WHAT MARKET WATCHERS THINK

Today, advertising is big business. Total spend topped $1.1trn worldwide last year equal to a 7.3% increase on an annualised basis. Compared to 2019, overall ad spend is up over 50% with digital expenditures serving as the workhorse. Market watchers vary in their forecasts, but consensus is that growth is set to continue for years to come.

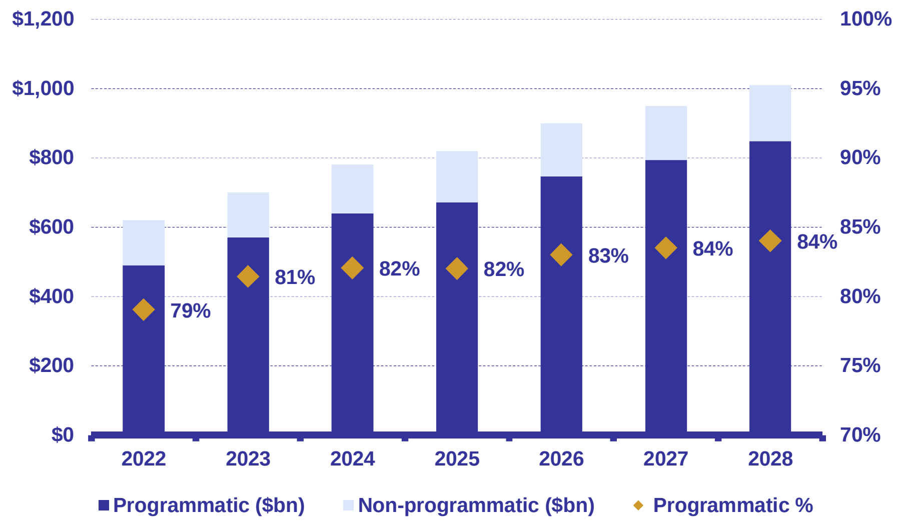
**Figure 7: Global digital ad spend developments**




*Source: First Berlin Equity Research, Statista*

Statista puts global ad spend north of $1.3trn in 2028 underpinned by a 4.7% CAGR for the period 2025 to 2028. Digital ad expenditures should continue to outpace traditional platforms with a 6.8% CAGR over the same period. The research outfit also expects digital channels to capturing ~18 percentage points from 2019 to 2024 to reach a 72% share and account for some 78% of the overall volume by 2028.

**Figure 8: Global programmatic ad spend developments**

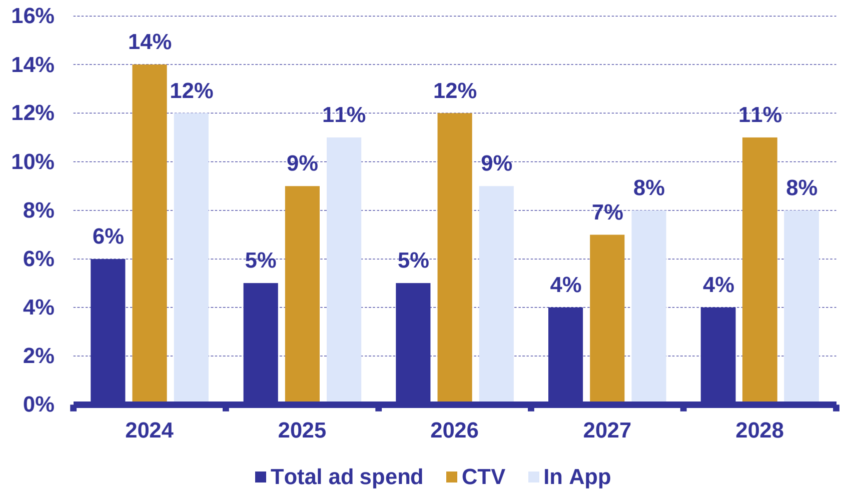



*Source: First Berlin Equity Research, Statista*

**Since 2019 programmatic share up 6PP to 82%** Programmatic has become the dominant force in digital adland, and there is more embedded growth ahead—retail media and CVT channels are thought to have grown 21% and 14% respectively in 2024, while an emerging DOOH segment was up 9% YoY and is also becoming a factor in digital spend.

**Growth in connected TV (CTV) tops them all** Streaming TV is both thriving and changing, driven by technological advancements and shifting consumer behaviours. Today, over 80% of US households have at least one connected TV device and streaming now accounts for 41% of total TV time. This compares to 31% two years ago. Plus, Statista says that around 64% of American CTV users prefer ad-supported content if they can pay less for streaming services. These metrics all make streaming a highly attractive channel for marketers.

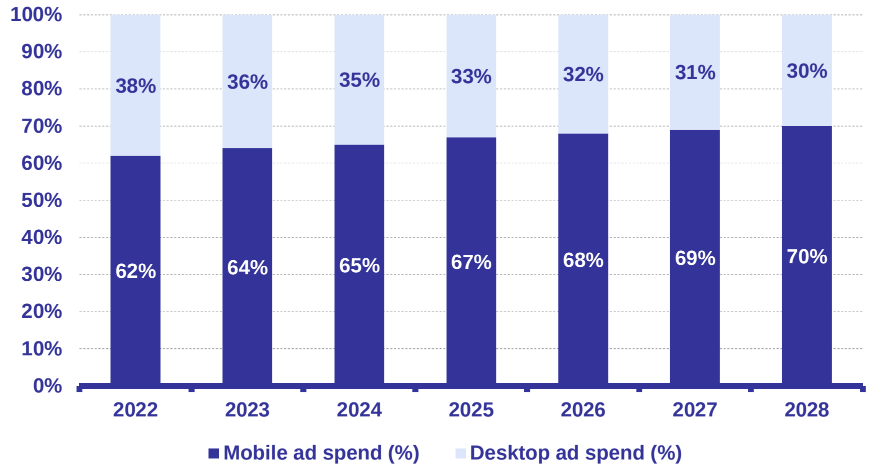
**Figure 9: Growth in emerging ad delivery channels**




*Source: First Berlin Equity Research, Statista*

eMarketer, a research outfit, is even more bullish projecting CTV ad spending to grow at a 16% clip in 2025 propelling the market north of $33bn, while saying that 58% of media agents plan to up their CTV ad investments and cut linear TV ad expenditures by 32% this year.

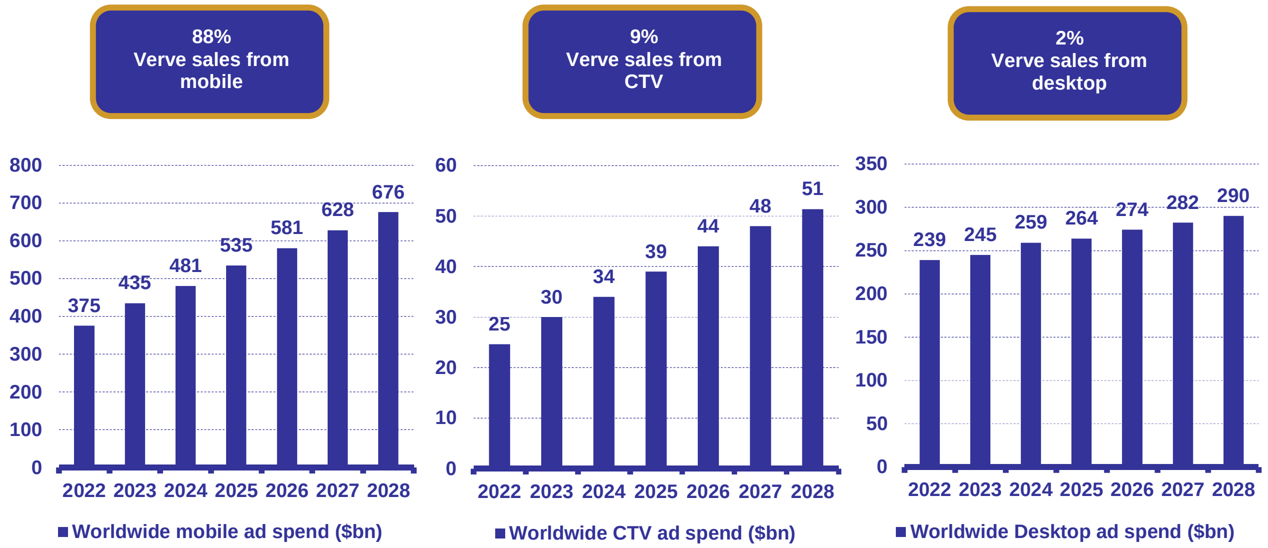
**Figure 10: Global digital ad spend per device type**




*Source: First Berlin Equity Research, Statista*

Finally, mobile is the dominant device / channel to reach consumers with ads (figure 10), which is where Verve makes most of its hay. Combined with its in-app solutions, Verve has its tentacles spread into two of the most important digital channels.

**Figure 11: Summary of Verve's TAMs (mobile in-app + CTV) and operational weighting**

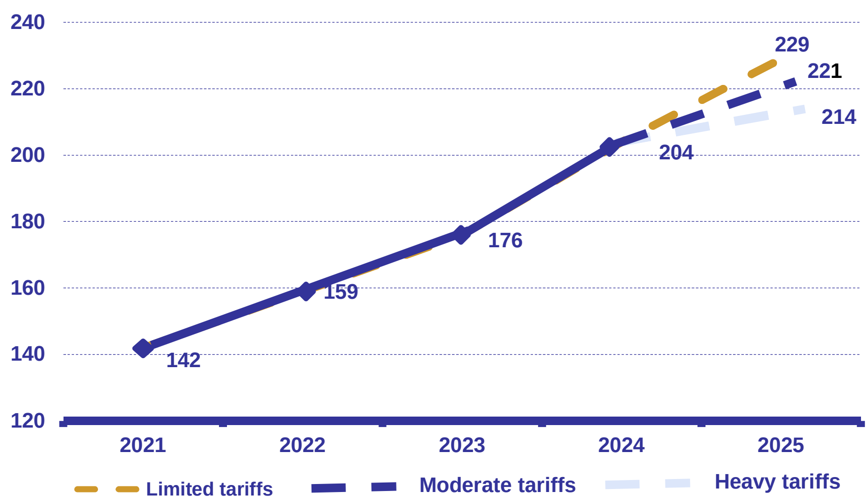



*Source: First Berlin Equity Research, Verve, Statista*

## WHAT ABOUT THE TRADE WAR?

Investors and adland stakeholders have tariff whiplash after months of scrambling to adjust to the moving targets of the Trump administration. eMarketer has assessed the potential impact of the US trade war on 2025 US mobile ad spend (figure 12) based on three scenarios: (1) the limited tariff case assumes Trump will only apply tariffs to select trading partners; (2) the moderate scenario assumes US economic growth slows with the downturn limited by partial tariff relief from trade agreements; and (3) a hefty tariff case means sweeping US tariffs trigger a global recession and retaliations, ratcheting up inflation, damaging business and consumer sentiment.

**Figure 12: Impact of tariff scenarios on 2025 US mobile ad spend ($bn)**




*Source: First Berlin Equity Research, eMarketer*

In the best case scenario, US mobile ad spend grows 12% YoY in 2025 to $229bn. In the moderate case growth comes in at 8% on an annualised basis, and in the worst case growth dips down to 5% vs the prior year.

## GOOGLE'S IN THE PROSECUTORS' CROSSHAIRS

Google’s control of the search ecosystem, from its Chrome browser and Android operating system, to its dominance in digital advertising and search, gives it unmatched power over who gets heard and who gets paid. As a result, Google trousers about 30% of the ad dollars that flow through its digital advertising ecosystem. Antitrust watchdogs say that power has stifled competition, undermined journalism and distorted the digital economy. A legal battle to possibly dismantle the tech giant is underway.

Last August, Mr Amit Mehta, a federal judge in Washington, ruled that Google illegally maintained its search monopoly by locking up defaults on browsers and devices. Then in April, a Virginia federal judge, Leonie Brinkema, found that Google was illegally monopolising the digital advertising market, and manipulating auctions at the expense of publishers and rivals. These two rulings are tantamount to the most significant antitrust blows against the search giant in decades and pave the way for US antitrust prosecutors to seek a breakup of Google's ad products.

Antitrust enforcers are also worried that Google's ill-gotten search monopoly gives it an advantage in AI products like Gemini and vice versa, and now the US Department of Justice (DoJ) wants Google to sell its Chrome browser and share search data with rivals.

According to settlement papers submitted 2 June 2025, the search giant agreed to spend $500m over 10 years to overhaul its compliance structure and to settle shareholder litigation accusing Google of antitrust violations. The settlement was revealed the same day that Mr Mehta wrapped up hearings started in April. The US District Judge plans to make a ruling by August on how to tackle the monopoly but said he will consider less aggressive measures than Google's 10 year regime to restore competition.

Google broke the law, now it's up to the DoJ to show whether it has the mettle to demand structural solutions, and not just fines that lack teeth. What it means for digital adland will be complex—some it will be good, some of it may not.

**What a shakeup would possibly mean** Competition will certainly foster opportunities for ad tech companies to emerge and innovate. Publishers will have more choices in how they sell their ad inventory, and thus boost yields. A Google breakup might force the search giant to be more transparent with its data and to open up its systems to third-party tools. This in turn could spark more collaboration and innovation in digital marketing.

But a bust-up would also force advertisers to navigate a multitude of separate ad platforms with the removal of the familiar, cohesive system they have confidently leaned on to this point. New independent platforms might levy higher fees over less efficient systems, potentially increasing costs for advertisers, and marketers may have to rethink strategies to reach customers outside of Google's ecosystem.

Verve was recently guarded about the opportunities that could arise for its business. But given the company's track record to innovate and adjust to market trends, we would expect Verve to emerge a winner on a reset chess board.

# FINANCIALS AND CAPITAL STRUCTURE

**Good reporting transparency** The company uplisted to the FSE Regulated market in May. Verve reports a full set of financials on a quarterly basis and hosts conference calls in conjunction with results.

Segmental reporting breaks down business activities between Sell Side Platform (SSP) and Demand Side Platform (DSP) operations. Geographically, some 80% of Verve's business runs through the US.

The company's advertising business generates fees from both sides of the SSP / DSP equation with SSP having accounted for roughly 80% of external Q1/25 sales. But the gap narrowed significantly after last summer's Jun Group acquisition (SSP Q1/24: 95%). Earnings contributions are more balanced with the SSP segment having chipped in some 63% of Q1/25 EBITDA vs 86% a year ago.

**Table 1: Segment reporting breakdown**

| in €m | DSP | SSP | Eliminations | Consolidated |
|---|---|---|---|---|
| **Q1/25** | | | | |
| **Total revenue** | **29.6** | **92.1** | **-12.6** | **109.1** |
| Intersegment revenue | 7.9 | 4.7 | -12.6 | 0 |
| External revenue | 21.6 | 87.4 | | 109 |
| **EBITDA** | **10.1** | **17.4** | | **27.5** |
| | | | | |
| **Q1/24** | | | | |
| **Total revenue** | **12.5** | **80.8** | **-10.8** | **82.5** |
| Intersegment revenue | 8 | 2.8 | -10.8 | 0 |
| External revenue | 4.45 | 78 | | 82.5 |
| **EBITDA** | **2.8** | **17.4** | | **20.2** |

*Source: First Berlin Equity Research, Statista*

**Capital structure built for organic and external growth** In terms of the balance sheet, the company has run at an average negative WC / sales ratio of -10% the last three years. The company carries no inventory and the timing of receivable and payables normally means WC is positive during the first six months, switching to a negative cadence in the last half of the year.

In terms of CapEx, the adtech specialist spends between €38m and €45m per annum on keeping its technology suite ahead of the pack. Corporate activity was a big driver in Verve's early days but has been more opportunistic of late. The last major deals ranged between $126m (KingsIsle in 2021) and $170m (Jun Group in 2024).

The company generally likes to keep a full war chest for opportunistic corporate activity with liquid assets rarely dipping below €100m. Growth has historically been financed with a blend of equity and straight corporate bonds.

Earlier this year, the company placed a €500m bond with a 4-year tenor and a floating rate coupon of 3-month EURIBOR plus 4% p.a. This allowed Verve to repay the more expensive outstanding unsecured debt (€445m) on the books and reduce the overall coupon by 273 basis points for annualised savings of €12.5m to release into cash flows and bottom line earnings.

# MARCH QUARTER RESULTS

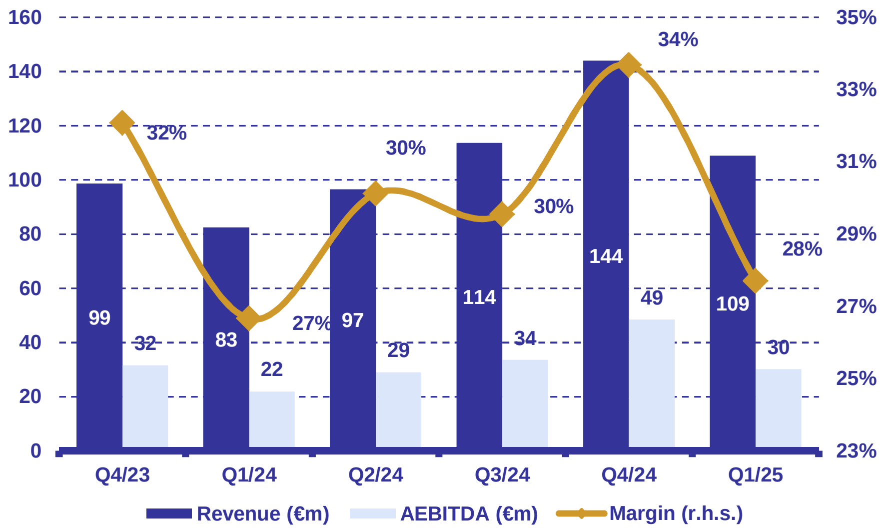
**Table 2: First quarter vs prior year and FBe**

| EURm | Q1/25 | Q1/25E | *variance* | Q1/24 | *Variance* |
|---|---|---|---|---|---|
| Revenue | 109.0 | 109.7 | *-1%* | 82.5 | *32%* |
| EBITDA | 27.5 | 30.8 | *-11%* | 20.2 | *36%* |
| *Margin* | *25%* | *28%* | - | *24%* | - |
| AEBITDA[1] | 30.2 | 31.8 | *-5%* | 22.0 | *37%* |
| *Margin* | *28%* | *29%* | - | *27%* | - |
| AEBIT[2] | 23.3 | 26.1 | *-11%* | 16.6 | *40%* |
| *Margin* | *21%* | *24%* | - | *20%* | - |
| [1] *EBITDA adjusted for one-off expenses & gains;* [2] *EBIT adjusted for one-off & PPA expenses* | | | | | |

*Source: First Berlin Equity Research; Verve*

**No ad market headwinds in Q1** Organic sales beat the prior year comp by 16% building upon 21% OSG realised during the prior year March quarter. Ad budgets remained solid in Q1 with no meaningful market slowdown visible, and underlying ad impressions were up 24% YoY although down sequentially on seasonal effects (figure 13). At the Q1 juncture, sales topped €464m on an LTM basis.

**Figure 13: Quarterly sales and earnings development**




*Source: First Berlin Equity Research; Verve*

AEBITDA totalled €30m for the January-to-March period and beat the prior year comp by 37%, while AEBIT, excluding PPA amortisation of ~€3.9m, rose 40% amounted to €23m. The Q1 AEBITDA margin totalled 28% (Q1/23: 27%). This undershot the targeted corridor, but it is a temporary effect. Verve is beefing up its brand and agent sales staff with new hires, and it will take a few months to ramp up their productivity. On a LTM basis, AEBITDA tallied €141m putting the company within shooting distance of guidance for the KPI (€155m to €175m).

**Figure 14: Q1 key performance indicators**


*Source: First Berlin Equity Research; Verve*

**KPIs remain within expected seasonal corridors** Total software clients numbered 3,050 at the end of Q1 (+27% Y/Y) vs 2,410 at YE23. Software clients, defined as those generating >€100k in sales p.a., totalled 1,152 for the January-to-March period vs 764 in the prior year quarter (+51%) and 1,140 in Q4/24 (+1%). The net $ expansion rate[1] (see figure 14) dipped on seasonal effects as well as a reduction in Google's ad buying with some budgets redirected to its own properties (YouTube).

Verve brass noted publishers are seeing some pressure from the proliferation of AI / LLMs, such as ChatGPT. These are intercepting searches leading to fewer page visits across the web. However, this is not affecting Verve's business, which is chiefly driven by in-app, CTV, and other emerging channels.

Meanwhile, CTV CPMs were down a shade, due to the sudden flood of supply coming online from the streaming majors, but mobile CPMs are stable and this is where Verve does the bulk of its business.

**Table 3: Q1 financial position highlights**

| EURm | Q1/25 | 2024 | *Variance* |
|---|---|---|---|
| Cash | 123 | 147 | *-16%* |
| Liabilities (short- and long-term) | 747 | 802 | *-7%* |
| Net debt | 376 | 351 | *7%* |
| Intangible assets | 964 | 987 | *-2%* |
| Total assets | 1,177 | 1,252 | *-6%* |
| Total equity | 431 | 451 | *-4%* |
| Equity ratio | 37% | 36% | - |
| Interest coverage ratio* | 3.3x | 3.3x | - |
| Net leverage ratio | 2.5x | 2.4x | - |

** based on cash interest expenses*

*Source: First Berlin Equity Research; Verve*

**Table 4: Q1 cash flow developments**

| EURm | Q1/25 | Q1/24 | *Variance* | 2024 |
|---|---|---|---|---|
| Operating cash flow | 23 | 24 | *-5%* | 116 |
| Change in w orking capital | -22 | -15 | *n.m.* | 21 |
| Net operating cash flow | 0 | 9 | *-97%* | 137 |
| Investing cash flow | -10 | -12 | *n.m.* | -162 |
| Financing cash flow | -13 | 5 | *n.m.* | 48 |
| Net cash flow | -23 | 2 | *n.m.* | 23 |
| Cash & cash equivalents | 123 | 125 | *-1%* | 147 |

*Source: First Berlin Equity Research; Verve*

Operating cash flow amounted to €23m before WC adjustments. Timing effects between settlements received from demand partners and payments to suppliers meant that WC consumed around €22m in cash flow during the first quarter. Verve expects these effects to reverse throughout the year with the seasonality shift common to the ad business.

# 2025 GUIDANCE AND OUTLOOK

**Guided range not a big deal** Management sounded somewhat apologetic on the Q1 call for the wide range in the initial 2025 guide, which factors in spreads of 6.6% and 12.9% respectively for projected sales and AEBITDA. However, we note this not a massive deviation from the corresponding 5.7% and 10.0% spreads in the first-time 2024 guidance.

**Table 5: Initial 2025 guidance vs FBe**

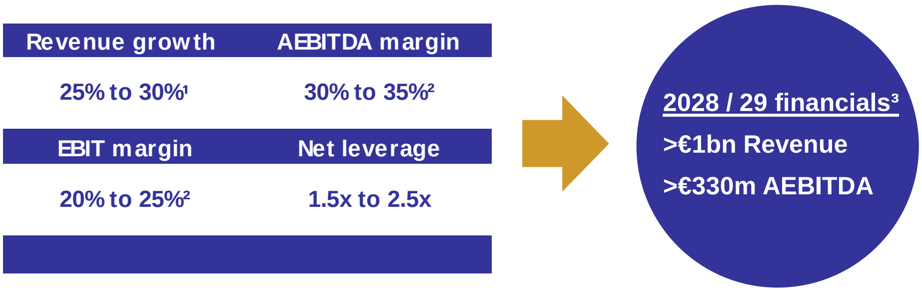
| | Unit | 2024 | Guidance 2025 | FBe |
|---|---|---|---|---|
| Revenue | €m | 437 | 530 - 565 | 535 |
| Grow th | % | 36 | 21 - 29 | 22 |
| AEBITDA | €m | 133 | 155 - 175 | 157 |
| Grow th | % | 40 | 17 - 32 | 18 |

*Source: First Berlin Equity Research; Verve*

Verve makes +80% of its crust in America. Given the much-discussed US economic uncertainty alone, a cautious range feels prudent at this point, and we reckon investors need to use a longer lens to glass Verve' performance rather than fidget about short-term bumps in the road. Plus, it is unwise to underestimate the formidable resilience of the US consumer, despite the ongoing US tariff whiplash.

Verve also reiterated its mid-term outlook for 2028/29, calling for sales to top €1bn, which the company expects to be mostly driven by organic growth augmented by some corporate activity to fill in technology gaps as the market evolves. We take a more conservative approach for now (2029 FBe: €735m), but Verve's target hardly looks like a moonshot.

**Figure 15: Mid-term guidance on a 3 to 5 year horizon**




*¹ Rev CAGR across 3 to 5-year time horizon,; ² EBITDA and EBIT margin on adjusted basis,; ³ using mid-point of of 2025 FY guide*

*Source: Verve Group SE*

**Estimates recently realigned with guidance** In our Q1 update (see note of 3 June 2024), we upped our 2025 revenue estimate a notch above the low end of the sales guide and edged staffing costs upwards to account for the discussed sales team recruits. Verve's financial boss, Mr Duus, also said tax rates should now approach 30% reflecting the improved profitability of the business, which we also factored into 2025 FBe. The overall adjustments offset each other and our target price remained unchanged at €6 per share.

**Table 6: Changes to FBe in *prior* Q1 update**

| | old | new | *revision* | upside | dividend yield | total return |
|---|---|---|---|---|---|---|
| **Price target (€)** | **6.0** | **6.0** | ***0.0%*** | ***130.2%*** | ***0.0%*** | ***130.2%*** |
| | | **2025E** | | | **2026E** | |
| **All figures in €m** | **old** | **new** | ***revision*** | **old** | **new** | ***revision*** |
| Revenue | 535 | 535 | *0.0%* | 599 | 599 | *0.0%* |
| EBITDA | 153 | 153 | *0.0%* | 175 | 175 | *0.0%* |
| *Margin (%)* | *28.7%* | *28.7%* | - | *29.2%* | *29.2%* | - |
| EBIT | 115 | 115 | *0.0%* | 137 | 137 | *0.0%* |
| *Margin (%)* | *21.5%* | *21.5%* | - | *22.9%* | *22.9%* | - |
| AEBITDA* | 157 | 157 | *0.0%* | 178 | 178 | *0.0%* |
| *Margin (%)* | *29.4%* | *29.4%* | - | *29.7%* | *29.7%* | - |

** adjusted for one-offs*

*Source: First Berlin Equity Research estimates*

# EXECUTIVE BOARD

**Chief Executive Office**

Remco Westermann is the founder of Verve Group having started the journey in 2012 with the gamigo acquisition. He brings over 30 years of professional experience, including 20+ in mobile and online entertainment, and has led over 35 deals across the adtech and gaming sectors to drive the company's combined organic and external growth strategy. Mr Westermann has a Master of Science in Business Economics and he holds 90% of Sarasvati GmbH shares, which controls 100% of Bodhivas GmbH, which in turn holds 24.4% of Verve shares.

**Chief Financial Officer**

Christian Duus joined the Verve executive board as CFO at the start of 2025 and brings more than 20 years of experience in international strategy formulation, business development, financial analysis, and operational execution. Previously, he worked at Adform, serving as Senior VP of Corporate Development and Commercial Operations from 2015 before taking over as CFO in 2019. He holds a master's degree in business administration, finance, and accounting from Copenhagen Business School and lives in Stockholm.

**Chief Operating Officer**

Jens Knauber has a long history with Verve serving as the head of gamigo group for which he is still responsible now. His experience spans over 10 plus years in the gaming industry and includes over 300 published games. Previously, Mr Knauber held a series of leadership positions at Hamburg publisher dtp entertainment AG. He holds 3.1m phantom stock and 15k shares in Verve.

**Chief Executive Officer (Verve Adtech)**

Sameer Sondhi serves as CEO of Verve - Ad Tech / Media. He leads corporate strategy, company-wide sales and operations, business & corporate development, as well as new product development and Leading Global Marketing efforts. Prior to Verve Group, Mr Sondhi headed global business development efforts at InMobi. He has a graduate degree in Electronics from Delhi University and a Masters in Computers from ICSE, India.

**Chief Commercial Officer**

Axel Stil is a serial digital entrepreneur and a results-driven business leader with notable achievements in digital media and ad technology. At GroupM Services EMEA, he managed a staff of over 2,500 and led digital activation across 40 markets for brands such as Unilever, Nike, Google, Ford and Vodafone. Mr Stil holds a Bachelor's degree in Marketing from the Hogeschool Rotterdam. He has 500k Phantom shares of Verve.

# INCOME STATEMENT

| All figures in EURm | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Revenues** | **324.4** | **322.0** | **437.0** | **534.9** | **599.1** | **665.0** |
| Capitalised work | 28.9 | 26.0 | 24.9 | 31.2 | 35.0 | 39.9 |
| **Total output** | **353** | **348** | **462** | **566** | **634** | **705** |
| Services purchased + Other OpEx | -215.6 | -212.9 | -271.7 | -303.3 | -338.5 | -374.1 |
| Personnel expenses | -76.2 | -78.0 | -79.5 | -115.0 | -126.1 | -136.3 |
| Other operating income | 23.2 | 71.4 | 17.8 | 5.5 | 5.6 | 5.7 |
| **EBITDA*** | **84.8** | **128.5** | **128.5** | **153.3** | **175.2** | **200.2** |
| Depreciation & amortisation | -58.1 | -29.5 | -38.2 | -38.1 | -38.2 | -44.6 |
| **Operating income (EBIT)*** | **26.6** | **99.0** | **90.3** | **115.2** | **137.0** | **155.6** |
| Net financial result | -38.0 | -50.1 | -58.5 | -46.5 | -44.5 | -40.1 |
| **Pre-tax income (EBT)** | **-11.3** | **48.9** | **31.8** | **68.7** | **92.5** | **115.5** |
| Income taxes | -9.1 | -2.7 | -3.0 | -19.2 | -25.9 | -33.5 |
| **Net income** | **-20.4** | **46.2** | **28.8** | **49.4** | **66.6** | **82.0** |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| **Consolidated profit** | **-20.4** | **46.2** | **28.8** | **49.4** | **66.6** | **82.0** |
| Minority interests | 0.1 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net income to owners** | **-20.3** | **46.7** | **28.8** | **49.4** | **66.6** | **82.0** |
| **Diluted EPS (in €)** | **-0.13** | **0.26** | **0.15** | **0.24** | **0.32** | **0.40** |
| **Adj. EPS (excl PPA amort.) (diluted)** | **0.14** | **0.36** | **0.24** | **0.33** | **0.41** | **0.49** |
| **AEBITDA (excl: one-offs)** | **93.2** | **95.2** | **133.2** | **157.3** | **178.2** | **203.2** |
| **AEBIT (excl: PPA amort. & one-offs)** | **76.5** | **76.9** | **107.1** | **132.2** | **150.0** | **168.6** |
| **Net income (adj. For PPA amortisation)** | **21.1** | **57.4** | **40.9** | **62.4** | **76.6** | **92.0** |
| **Ratios** | | | | | | |
| EBITDA margin on revenues* | 26.1% | 39.9% | 29.4% | 28.7% | 29.2% | 30.1% |
| EBIT margin on revenues* | 8.2% | 30.7% | 20.7% | 21.5% | 22.9% | 23.4% |
| Net margin on revenues | -6.3% | 14.5% | 6.6% | 9.2% | 11.1% | 12.3% |
| AEBITDA margin on revenues | 28.7% | 29.6% | 30.5% | 29.4% | 29.7% | 30.5% |
| Tax rate | -79.9% | 5.6% | 9.4% | 28.0% | 28.0% | 29.0% |
| **Expenses as % of revenues** | | | | | | |
| Services purchased + Other OpEx | 66.5% | 66.1% | 62.2% | 56.7% | 56.5% | 56.3% |
| Personnel expenses | 23.5% | 24.2% | 18.2% | 21.5% | 21.0% | 20.5% |
| Depreciation & amortisation | 17.9% | 9.1% | 8.8% | 7.1% | 6.4% | 6.7% |
| **Y-Y Growth** | | | | | | |
| Revenues | 28.7% | -0.8% | 35.7% | 22.4% | 12.0% | 11.0% |
| EBITDA* | 30.3% | 51.6% | 0.0% | 19.3% | 14.2% | 14.3% |
| AEBITDA | 31.0% | 2.2% | 40.0% | 18.1% | 13.2% | 14.0% |
| Operating income* | -27.7% | 271.9% | -8.8% | 27.6% | 18.9% | 13.5% |
| Net income/ loss | n.m. | n.m. | -38.4% | 71.7% | 34.7% | 23.2% |

** non-adjusted 2023 earnings impacted by one-time earn-out release for AiM*

# BALANCE SHEET

| All figures in EURm | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current assets, total** | **221.0** | **193.5** | **239.3** | **277.5** | **326.9** | **418.1** |
| Cash and equivalents | 150.0 | 121.7 | 146.7 | 171.9 | 211.8 | 293.3 |
| Trade receivables | 52.2 | 32.3 | 60.9 | 73.3 | 82.1 | 91.1 |
| Other ST assets | 18.8 | 39.5 | 31.7 | 32.4 | 33.0 | 33.7 |
| **Non-current assets, total** | **823.6** | **813.5** | **1,013.1** | **1,019.5** | **1,028.1** | **1,035.4** |
| Intangible assets | 791.3 | 796.6 | 986.9 | 992.6 | 1,000.5 | 1,007.2 |
| Property, plant & equipment | 5.5 | 4.0 | 4.3 | 4.6 | 4.9 | 5.2 |
| Deferred taxes | 6.7 | 10.5 | 17.0 | 17.4 | 17.7 | 18.1 |
| Investments in associated companies | 1.0 | 1.0 | 2.4 | 2.4 | 2.4 | 2.4 |
| Other financial assets | 19.2 | 1.4 | 2.5 | 2.5 | 2.6 | 2.6 |
| **Total assets** | **1,044.7** | **1,007.0** | **1,252.5** | **1,297.0** | **1,355.0** | **1,453.5** |
| **Shareholders' equity & debt** | | | | | | |
| **Current liabilities, total** | **219.5** | **240.8** | **303.1** | **268.5** | **259.3** | **275.2** |
| Trade payables | 68.7 | 80.3 | 104.1 | 126.1 | 140.0 | 153.8 |
| ST debt | 31.9 | 66.5 | 50.1 | 0.0 | 0.0 | 0.0 |
| Provisions | 65.2 | 61.7 | 63.3 | 64.2 | 65.2 | 66.2 |
| Other current financial liabilities | 32.3 | 10.7 | 44.5 | 36.2 | 11.3 | 11.5 |
| Other current liabilities | 21.3 | 21.5 | 41.2 | 42.0 | 42.8 | 43.7 |
| **Long term liabilites, total** | **503.4** | **413.8** | **498.5** | **528.2** | **528.8** | **529.4** |
| Bonds | 389.4 | 348.0 | 445.8 | 500.0 | 500.0 | 500.0 |
| Other LT financial liabilities | 89.6 | 36.9 | 31.0 | 6.0 | 6.2 | 6.3 |
| Deferred tax liabilities | 24.4 | 28.9 | 21.7 | 22.2 | 22.6 | 23.1 |
| **Shareholders' equity** | **321.7** | **352.5** | **450.9** | **500.3** | **566.9** | **648.9** |
| **Total consolidated equity and debt** | **1,044.7** | **1,007.0** | **1,252.4** | **1,297.0** | **1,355.0** | **1,453.5** |
| **Ratios** | | | | | | |
| Current ratio (x) | 1.0 | 0.8 | 0.8 | 1.0 | 1.3 | 1.5 |
| Net debt | 273.9 | 294.9 | 351.2 | 340.4 | 300.7 | 219.6 |
| ICR (x) | 4.0 | 2.5 | 3.3 | 4.6 | 5.6 | 7.3 |
| Net gearing | 85% | 84% | 78% | 68% | 53% | 34% |
| Net debt / EBITDA (x) | 2.9 | 3.1 | 2.6 | 2.2 | 1.7 | 1.1 |
| Equity ratio | 31% | 35% | 36% | 39% | 42% | 45% |
| Return on equity (ROE) | -6.3% | 13.1% | 6.4% | 9.9% | 11.7% | 12.6% |
| Capital employed (CE) | 825.2 | 766.3 | 949.4 | 1,028.5 | 1,095.7 | 1,178.3 |
| Return on capital employed (ROCE) | 3% | 13% | 10% | 11% | 13% | 13% |

# CASH FLOW STATEMENT

| All figures in EURm | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Net income** | **-20.4** | **46.2** | **28.8** | **49.4** | **66.6** | **82.0** |
| Depreciation and amortisation | 58.1 | 29.5 | 38.0 | 38.1 | 38.2 | 44.6 |
| Other non-cash adjustments | 1.9 | -66.4 | -24.7 | 0.0 | 0.0 | 0.0 |
| Net interest expense | 38.0 | 50.1 | 58.5 | 46.5 | 44.5 | 40.1 |
| Tax result | 5.7 | 0.4 | 18.0 | 19.2 | 25.9 | 33.5 |
| **Operating cash flow** | **83.3** | **59.8** | **118.5** | **153.3** | **175.2** | **200.2** |
| Tax expense | -4.4 | -2.4 | -2.8 | -19.2 | -25.9 | -33.5 |
| Change in working capital | 55.3 | 12.1 | 21.3 | 10.8 | 6.4 | 6.1 |
| **Net operating cash flow** | **134.2** | **69.4** | **137.0** | **144.9** | **155.7** | **172.7** |
| **Cash flow from investing** | **-176.7** | **-35.7** | **-162.0** | **-74.2** | **-69.5** | **-50.5** |
| Equity inflow, net | 28.5 | 0.0 | 38.5 | 0.0 | 0.0 | 0.0 |
| Debt inflow, net | -0.1 | -3.0 | 10.6 | -49.8 | 0.3 | 0.3 |
| Corporate debt inflow, net | 42.7 | -8.2 | 57.8 | 54.2 | 0.0 | 0.0 |
| Interest paid | -33.6 | -48.0 | -58.6 | -50.0 | -46.5 | -41.1 |
| Other adjustments | -25.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash flow from financing** | **12.3** | **-59.1** | **48.3** | **-45.6** | **-46.2** | **-40.7** |
| **Net cash flows** | **-30.2** | **-25.4** | **23.3** | **25.2** | **40.0** | **81.4** |
| Fx adjustments | 0.0 | -2.9 | 1.7 | 0.0 | 0.0 | 0.0 |
| Cash, start of the year | 180.2 | 150.0 | 121.7 | 146.7 | 171.9 | 211.8 |
| **Cash, end of the year** | **150.0** | **121.7** | **146.7** | **171.9** | **211.8** | **293.3** |
| **Free cash flow (FCF)** | **-42.5** | **33.8** | **-25.1** | **70.7** | **86.2** | **122.2** |
| **FCFps (in €)** | **-0.27** | **0.21** | **-0.14** | **0.38** | **0.46** | **0.65** |
| **Y-Y Growth** | | | | | | |
| Operating cash flow | 109.9% | -48.3% | 97.3% | 5.8% | 7.4% | 11.0% |
| Free cash flow | n.m. | n.m. | n.m. | n.m. | 21.8% | 41.8% |
| FCF / share | n.m. | n.m. | n.m. | n.m. | 21.8% | 41.8% |

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## ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

### ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

| Category | | 1 | 2 |
|---|---|---|---|
| Current market capitalisation (in €) | | 0 - 2 billion | > 2 billion |
| Strong Buy[1] | An expected favourable price trend of: | > 50% | > 30% |
| Buy | An expected favourable price trend of: | > 25% | > 15% |
| Add | An expected favourable price trend of: | 0% to 25% | 0% to 15% |
| Reduce | An expected negative price trend of: | 0% to -15% | 0% to -10% |
| Sell | An expected negative price trend of: | < -15% | < -10% |

*[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.*

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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## RECOMMENDATION & PRICE TARGET HISTORY

| Report No.: | Date of publication | Previous day closing price | Recommendation | Price target |
|---|---|---|---|---|
| Initial Report | 7 November 2019 | €1.23 | Buy | €2.10 |
| 2...35 | ↓ | ↓ | ↓ | ↓ |
| 36 | 9 April 2024 | €1.86 | Buy | €3.80 |
| 37 | 8 May 2024 | €1.79 | Buy | €4.10 |
| 38 | 24 June 2024 | €1.66 | Buy | €4.90 |
| 39 | 14 August 2024 | €2.74 | Buy | €5.40 |
| 40 | 2 September 2024 | €3.01 | Buy | €5.40 |
| 41 | 30 October 2024 | €3.40 | Buy | €5.40 |
| 42 | 2 December 2024 | €3.39 | Buy | €5.50 |
| 43 | 10 March 2025 | €3.54 | Buy | €6.00 |
| 44 | Today | €2.61 | Buy | €6.00 |

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Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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**Legally required information regarding**

- **key sources of information in the preparation of this research report**
- **valuation methods and principles**
- **sensitivity of valuation parameters**

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