



This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 4.0.

245/2024/AR/April 30, 2024

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
<b>Brand24</b>	<b>Not rated</b>	<b>56.2</b>	<b>Not rated</b>	Mikołaj Stępień Sobiesław Pająk, CFA

**Event: Acquisition of a majority stake and intention to announce a tender offer by Prowly.**

- On April 29, after the market close, Semrush (via its subsidiary Prowly), informed about a purchase of a controlling stake in Brand24 (1,281,999 shares – c. 57.58% of the share capital). The shares were purchased from the majority shareholders: Larq Growth Fund 1 FIZ, UNFOLD.VC ASI, Piotr Wierzejewski and Michał Sadowski. The mentioned shareholders sold all the shares they held.
- The transaction value encompasses PLN 43 million (implying c. PLN 33.54 per share) and earn-out in the amount of US\$ 3 million (implying c. PLN 9.43 per share). The earn-out will be paid on the condition that the buyers do not initiate arbitration proceedings related to claims regarding possible defectiveness of the clauses of the agreement. The total transaction value (including the earn-out) stands at c. PLN 55 million (implying c. PLN 43 per share).
- On April 30, during the WSE trading session, Prowly declared an intention to announce a tender offer for the remaining shares of Brand24 at a price of PLN 45.5 per share.
- Semrush is a SaaS platform providing tools for online marketing, with over 100,000 paying customers and over 1 million active users of a free version. Since the acquisition of Prowly in 2020 Semrush has expanded operations and currently has 13 branches all over the world, including one in Warsaw. The composition of Brand24 management will not change.

**Our comment:** The price in the tender offered by Semrush is 13% lower than Brand24's market price from 3 weeks ago and 19% lower than our 12M EFV. While deciding whether to accept the tender offer or decline it investors should take into consideration the following issues:

- A disposal of all the shares by Brand24's management may lead to the situation when a high share market price stops being the priority for the Company's management (who after the sale of their stakes will hold no interest either in Brand24 or in Semrush);
- Potential sales synergies (cross-selling for Semrush's clients) and economies of scale stemming from a cooperation with Semrush look promising and may contribute to a material increase of the clients base and in consequence to a sales growth of Brand24. It should be noted that a potential dynamic revenues growth may require a significant increase in the Company's operating costs (the management has already announced a considerable rise of employment) putting pressure on the profits. American tech companies (such as Semrush) often prioritize fast expansion of the scale of activity at the expense of the current profitability. In our view, it is rational to presume that an increase in the Company's profits stemming from synergies with Semrush may be delayed in time.

*The report is not a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.*