# Virtualware

## Operating leverage in play

**ALVIR** Euronext Growth Paris Information Technology

RATING
**BUY**

TARGET PRICE
**€8.00**

LEAD ANALYST
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**Virtualware's H1 2026 results delivered one of the main things our initiation said the equity story needed: evidence that revenue growth converts into profit. Revenue rose 65% to €2.60m while personnel costs rose just 3%. EBITDA swung from –€62k to €375k (14% of revenue) and the group returned to net profit of €133k. Debt has been cut from €2.68m to €0.94m and the group now holds €1.71m of net cash, roughly a year ahead of our model. However subscription fell from 57% to 50% of revenue as services grew twice as fast — which could put our platform-mix catalyst under question. We reiterate BUY and raise our target price to €8.00 from €7.42, with most of the increase coming from the balance sheet rather than the forecast**

### Operating leverage

In our recent initiation we commented that the 2026 guidance of +30% revenue and a 20–25% EBITDA margin "requires personnel-cost discipline (slowing from +22.5% to single digits)". Management guided to headcount growth of +5% in R&D and +10% in commercial roles. In 1H26 they delivered a 3.0% increase in total personnel cost against a 65.4% increase in revenue. This is one of the most important takeaways from the 1H26 results, and it is the clearest evidence yet that the cost base can now be leveraged. Revenue grew €1.03m yoy; personnel and other operating expenses together consumed €0.19m of it; supplies consumed a further €0.21m on higher hardware content. EBITDA improved by €0.44m.

### The order book is now on the balance sheet

This is, in our view, the most under-appreciated disclosure in the interim accounts, and it is not mentioned in the board report. Long-term accruals — deferred income — rose from €1.03m to €4.44m year on year. Short-term accruals rose from €1.43m to €1.67m. Total accruals of €6.11m compare with €2.46m a year ago, against a business guiding to €5.7–6.0m of annual revenue

### Net cash position arrives a year earlier than we thought

Deleveraging from €2.68m gross debt to €0.94m, net cash - our initiation modelled net debt of €1.15m at end-2026 and a move to net cash during 2028. We were wrong; Virtualware reached net cash in 1H26. Financial debt has been cut by 65% year on year. Including the €150k loan to Hermeneus World, the associated company, the group's net position is the "nearly €2 million" the board report describes. Against our previous model this is a swing of approximately €3.65m at the 2026 year-end, equivalent to roughly €0.80 per share before the liquidity discount, or €0.64 after it. This is the largest single component of our target price increase

### Lift our target price to €8.00 implying 61% upside

Our methodology is unchanged: an EV/revenue multiple drawn from the peer set, applied to forward revenue, less a 20% discount for liquidity and micro-cap execution risk. We continue to use 7×, at the mid-point of the listed comparators (PTC/Vuforia ~7×, Unity Industry ~6×) and above the private XR training peers. The €0.58 increase in the target breaks down as approximately €0.44 from the net cash position and €0.14 from the revenue upgrade.

FINANCIALS

| Year to 31 Dec | 25A | 26EERP | 27EERP | 28EERP | 29EERP |
|---|---|---|---|---|---|
| Revenue (Euro Mil ) | 4.32 | 6.15 | 7.18 | 7.93 | 8.66 |
| Net profit (Euro Mil) | -0.26 | 0.80 | 1.30 | 1.51 | 1.85 |
| EPS (Euro) | -0.06 | 0.18 | 0.29 | 0.33 | 0.41 |
| EPS (% YoY) | - | 401% | 63% | 16% | 23% |
| PEx (@ 4.98) | - | 28.4 | 17.4 | 15.0 | 12.2 |
| ROE (%) | -12% | 27% | 30% | 26% | 24% |
| P/B(x) | 10.3 | 7.5 | 5.3 | 3.9 | 3.0 |
| Net debt to equity (%) | 122% | -83% | -86% | -84% | -82% |

Source: EERP

# 1H26 results have a number of positives

Revenue rose 65.4% to €2.60m while personnel costs rose just 3.0%. EBITDA swung from –€62k to €375k (14.4% of revenue) and the group returned to net profit of €133k. Debt has been cut from €2.68m to €0.94m and the group now holds €1.71m of net cash, roughly a year ahead of our model. The swing from a negative H1 2025 margin to 14.4% puts the group ahead of the recovery path we assumed at initiation.

## FIGURE 1

1H26 Results at a glance (€ 000's)

| | H1 2026 | H1 2025 | CHANGE |
|---|---|---|---|
| **Net turnover** | 2,600 | 1,572 | +65.4% |
| **Supplies (COGS)** | (269) | (57) | n.m. |
| **Gross margin (incl. inventory movement)** | 91.0% | 96.4% | –5.4pp |
| **Personnel costs** | (1,641) | (1,593) | +3.0% |
| **Other operating expenses** | (795) | (652) | +21.8% |
| **In-house work on assets (capitalised)** | 273 | 357 | –23.6% |
| **Operating subsidies in P&L** | 156 | 293 | –46.7% |
| **EBITDA** | 375 | (62) | +€437k |
| **EBITDA margin** | 14.4% | –3.9% | +18.3pp |
| **Depreciation & amortisation** | (222) | (210) | +5.9% |
| **Operating profit / (loss)** | 153 | (272) | +€425k |
| **Net profit / (loss)** | 133 | (299) | +€432k |
| **Net financial debt / (cash)** | (1,707) | 1,602 | –€3.31m |

*Source: Virtualware consolidated interim financial statements 30 June 2026, EERP calculations. EBITDA = operating profit plus D&A. Net financial debt = bank and other financial debt less cash and short-term financial investments; excludes the €150k loan to Hermeneus World*

We lift 2026E revenue forecast to €6.15m from €6.02m, above the top of the company's €5.7–6.0m guidance range. We are comfortable sitting above guidance given H1 delivered €2.60m and the implied H2 growth rate embedded in guidance looks conservative against the deferred income position. We raise the gross margin assumption versus our previous model while still reflecting the compression seen in H1.

## FIGURE 2

EERP estimate revisions (€m unless stated)

| | 2025A | 2026E OLD | 2026E NEW | CHG | 2027E OLD | 2027E NEW | CHG |
|---|---|---|---|---|---|---|---|
| **Revenue** | 4.32 | 6.02 | 6.15 | +2.2% | 7.14 | 7.18 | +0.6% |
| **Gross margin** | 92.7% | 88.2% | 89.5% | +1.3pp | 87.6% | 88.5% | +1.0pp |
| **EBITDA** | 0.67 | 1.17 | 1.37 | +17.5% | 2.00 | 1.96 | −1.8% |
| **EBITDA margin** | 15.6% | 19.4% | 22.3% | +2.9pp | 28.0% | 27.4% | −0.7pp |
| **Net profit** | (0.26) | 0.58 | 0.80 | +36.5% | 1.30 | 1.30 | −0.4% |
| **EPS (€)** | (0.06) | 0.13 | 0.18 | +36.5% | 0.29 | 0.29 | −0.4% |
| **Net (cash) / debt** | 2.70 | 1.15 | (2.50) | −3.65 | 0.07 | (3.71) | −3.78 |
| **Net debt / equity** | 122% | 41% | −83% | n.m. | 2% | −86% | n.m. |

*Source: EERP*

One key catalyst in our recent initiation was a shift in revenue mix: "platform rises from ~45% of revenue toward 52% in 2026 and 60% in 2027, visibility improves and gross margin stays structurally high." H1 2026 went the other way. Services grew at more than twice the rate of subscription. Because H2 has historically been the services-heavy half — subscription was approximately 38% of H2 2025 revenue — a full-year 2026 subscription mix in the 43–48% range now looks more likely than the 52% we projected. On this evidence the 65% growth rate is services-led, not platform-led.

## FIGURE 3

Revenue by business line (€000)

| | H1 2026 | H1 2025 | YOY |
|---|---|---|---|
| **Viroo SaaS** | 1,254 | 876 | +43.2% |
| **Simumatik SaaS** | 58 | 16 | +264.8% |
| **Subscription subtotal** | 1,313 | 892 | +47.2% |
| **Viroo Services** | 1,064 | 531 | +100.5% |
| **Simumatik Services** | 224 | 111 | +101.0% |
| **Services subtotal** | 1,287 | 642 | +100.6% |
| **Other** | – | 38 | −100.0% |
| **Total revenue** | 2,600 | 1,572 | +65.4% |
| **Subscription as % of revenue** | 50.5% | 56.7% | −6.3pp |

*Source: Virtualware board of directors' report H1 2026, EERP calculations*

Our valuation methodology is unchanged: an EV/revenue multiple drawn from the peer set, applied to forward revenue, less a 20% discount for liquidity and micro-cap execution risk. We continue to use 7×, at the mid-point of the listed comparators (PTC/Vuforia ~7×, Unity Industry ~6×) and above the private XR training peers.

We lift our target price on the back of higher revenue outlook

## FIGURE 4

Update to our target price

| | | REVISED TARGET PRICE |
|---|---|---|
| 1 | 2026E revenue (€m) | 6.15 |
| 2 | EV/revenue multiple | 7.0× |
| 3 | Implied enterprise value (€m) | 43.1 |
| 4 | Net cash / (debt) (€m) | 2.50 |
| 5 | Implied equity value (€m) | 45.6 |
| 6 | Shares in issue (m) | 4.542 |
| 7 | Undiscounted value per share (€) | 10.04 |
| 8 | Liquidity / execution discount | 20% |
| 9 | Target price (€) | 8.03 |
| 10 | Target price, rounded (€) | 8.00 |

*Source: EERP. Net cash is the forecast 31 December 2026 position; using the €1.71m reported at 30 June 2026 would give a target of €7.88*

# Research signature

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|---|---|
| Issuer | Virtualware |
| Listing | Euronext Growth Paris |
| Bloomberg / ISIN | ES0105704003 |
| Shares on issue | 4,542,000 |
| 52-week High / Low | €4.16 - €8.15 |
| Date | 30/7/2026 |
| Rating | BUY |
| Target price | €8.00 |

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**Recommendation history and updates.** This recommendation differs from our previous recommendation on this issuer, dated 22 June 2026, in that the target price is raised from €7.42 to €8.00. The rating is unchanged at BUY and the valuation methodology is unchanged. EERP publishes a quarterly update on each issuer under coverage and a flash note within 24 hours of any material corporate event, for as long as the coverage agreement remains in force. The definition of our ratings, the investment horizon and the sensitivity of the target price to our valuation inputs are available free of charge at https://www.europeanequityresearch.com/research. The key risks to this recommendation are set out in our initiation of 22 June 2026 and are unchanged. EERP recommendations on this issuer over the previous twelve months: 22 June 2026, Simon Powell, BUY, target price €7.42, market price at dissemination €5.58, twelve month validity; 30 July 2026, Simon Powell, BUY, target price €8.00, market price at dissemination €4.98, twelve month validity

**Prices, review and dissemination.** All prices used in this report are closing prices on Euronext Growth Paris. The reference price for Virtualware is €4.98 as at the close on 28 July 2026. Production was completed on 30 July 2026 at 19:22 CET. A draft of this report was made available to the issuer prior to publication for verification of factual accuracy only. No changes were made to the conclusions, the recommendation or the target price as a result.

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