Virtualware

XR+VR=Growth

RATING
BUY

TARGET PRICE
€7.42
7×026E Revenue, 20% liquidity discount

LEAD ANALYST
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Bloomberg	**ALVIR**
ISIN	ES0105704003
52 weel High / Low	**€4.16 – 8.15**
Number of shares on issue	**4,542,000**
Target Price	**€7.42**
% Upside / downside to target price	**+33%**

Virtualware 2007 SA is a high-growth, high-margin, well-positioned enterprise extended reality (XR) play with a credible path to becoming a global standard in industrial VR. The company's evolution from bespoke virtual reality (VR) projects to a scalable SaaS platform, combined with the Simumatik acquisition, positions it at the intersection of two powerful trends, immersive industrial training and Digital twin–driven engineering transformation. The unit economics read well with low COGS, capitalised development, and a mix that is moving toward platform licences and subscriptions. We initiate coverage with a BUY recommendation based on an industry read through of 7x 2026E Revenue, with a 20% discount due to low liquidity - target price of Euro 7.42 per share.

HIGHLIGHTS

Small high margin business about to scale

Virtualware is a small, XR platform with enterprise traction and high gross margins. Net turnover was €4.55m (2023), €4.20m (2024), and €4.32m (2025). Reported gross margins sit in the high 80%s, and could be higher going forward. The model is perhaps still sub scale, but the unit economics read well - low COGS, capitalised development, and a mix that is moving toward platform licences and subscriptions. We believe that the company wins by becoming irreplaceable in installed customers, not by capturing greenfield share at scale

From Bespoke Projects to Scalable SaaS

Pre-2021, Virtualware was a bespoke VR project shop, each engagement was a custom "Statement of Work". Revenue was lumpy, gross margin was 70%and operating leverage was limited. The 2021 strategic plan launched VIROO as a platform product sold under a recurring annual subscription, with services as a bolt-on. As a result the gross margin has risen to 80-90% and the 19% EBITDA margin in 2024 demonstrated that the cost structure is capable of operating leverage. We expect EBITDA margins to rise further from here.

Sector is moving from experimental to essential

Enterprise XR training and industrial simulation are now budgeted line items at large organisations. Virtualware's edge is being European, and product led in a space that is often project focused. One or two large wins will move the company onto tech investors radars. A single multi year framework agreement can change the P&L profile, and lift the market cap.

Catalysts ahead

We see a number of catalysts 1) Shift in the revenue mix - platform rises from ~45% of revenue toward 52% in 2026 and 60% in 2027, visibility improves and gross margin stays structurally high. 2) Improved disclosure - consistent segment and geography disclosure, will support credibility and re rating. 3) Simumatik upsell. Bundling simulation with training increases ARPU and raises switching costs. Initiate with a BUY target price Euro 7.42 p.s.

FINANCIALS

Year to 31 Dec	25A	26E	27E	28E	29E
Revenue (Euro Mil)	4.32	6.02	7.14	7.78	8.46
Net profit (Euro Mil)	-0.26	0.58	1.30	1.57	1.90
EPS (Euro)	-0.06	0.13	0.29	0.34	0.42
EPS (% YoY)	-148%	321%	123%	20%	21%
PEx (@ 5.65)	-97.0	43.9	19.7	16.4	13.5
ROE (%)	-12%	21%	32%	28%	25%
P/B(x)	1.88	2.54	2.24	2.00	1.76
Net debt to equity (%)	122%	41%	2%	-21%	-37%

Source: EERP

Small high margin business about to scale

Virtualware is a developer of industrial virtual reality platforms serving nuclear, medical, educational, and defence clients. Founded in 2004 and headquartered in Basauri, Spain, the company focuses on enterprise-grade VR training, simulation, and digital-twin environments. Its flagship platform, VIROO, is used for complex industrial training environments, and recent contract wins (e.g., an ~€0.8m extension with ADIF for railway VR training) indicate traction in regulated, mission-critical sectors

Virtualware serves global organizations and institutions including GE Vernova, Volvo, Alstom, ADIF, Bosch, Kessler Foundation, Invest Windsor Essex, McMaster University, the University of El Salvador, Ohio University, the Spanish Ministry of Defense or the Basque Government..

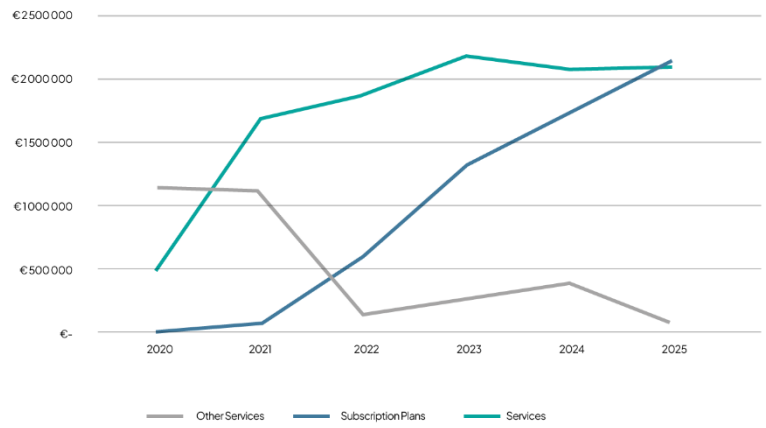
The company has successfully pivoted from a revenue model based on custom project development (Other Services) to a model based on recurring revenue from the sale of its own products and services associated with those products.

Virtualware has guided for approximately 30% organic revenue growth in 2026, targeting €5.7 to €6 million in revenue and an EBITDA margin of 20% to 25%, equivalent to approximately €1.2 million. Management has confirmed that approximately €4.0 million of the 2026 guidance midpoint was already contracted at the end of Q1 2026, representing approximately 69% revenue visibility at the mid year materially reducing execution risk relative to the headline growth target.

shifting towards subscription as the main driver of growth

FIGURE 1

Company is shifting towards subscription as the main driver of growth



Source: Virtualware

Virtualware's main products are **VIROO**, its enterprise XR platform, and **Simumatik**, its industrial emulation and digital twin platform — the two pillars of its real-time 3D software strategy.

Core Product — VIROO is infrastructure software — it sits between hardware (HTC VIVE, Meta Quest, PICO) and application logic (custom training modules, digital twins). Comparable in commercial pattern to enterprise platform plays like Unity Industrial, NVIDIA Omniverse Enterprise, or PTC Vuforia, but at a smaller scale and with a sharper focus on multi-user, sovereign / on-premise capable, enterprise-controlled deployments

VIROO is infrastructure software

- A VRaaS platform with subscription revenue.
- Multi-user, room-scale, cloud-enabled.
- Low-code content creation (Unity-based).
- Hardware-agnostic (HTC, PICO, Meta, CAVEs).
- ISO 27001 certified.
- Supports remote collaboration across geographies.
- Includes VIROO Rooms — patented tracking system (Nmerso).
- Includes VIROO Studio — content creation toolkit.

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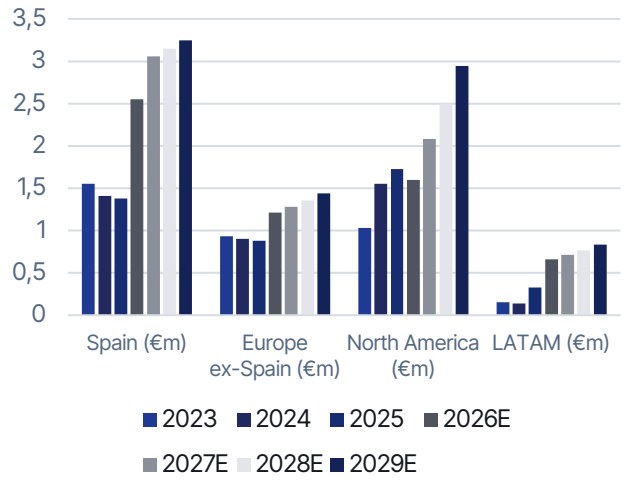
FIGURE 2

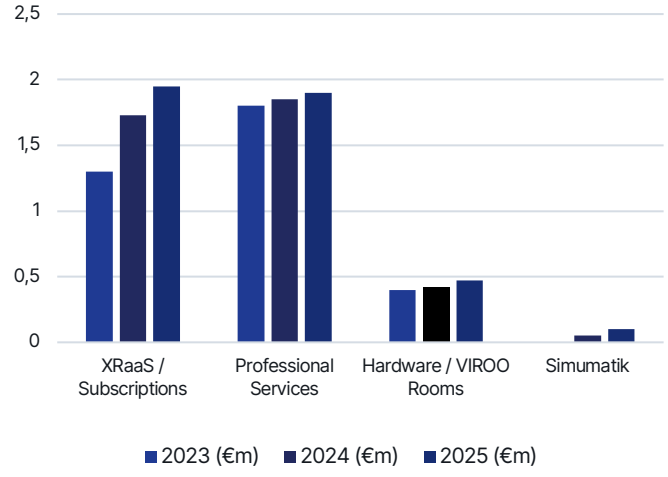
Revenue by Geography (euro mil)



Source: EERP

FIGURE 3

Revenue by business type (euro mil)



Source: EERP

The company expects North America to represent 50% to 60% of total revenues in the coming years

Virtualware is Iberia anchored but already diversified into Europe, North America and LATAM. The growth runway is in export markets, especially North America and industrial Europe.

The company expects North America to represent 50% to 60% of total revenues in the coming years, driven by continued investment in business development, strategic customers, and university partnerships across the United States and Canada.

The customer base — Virtualware's 120+ active organisations and 64 active VIROO rooms worldwide (per annual-report 2025) span six verticals. The named anchor customers are unusually concentrated for a €4M – 6M-revenue company in capital-intensive, long-cycle sectors — a strong signal of mid-cap-quality customer mix despite micro-cap revenue.

Energy / Nuclear (anchor vertical)

GE Vernova Hitachi (GVH) — 6+ year partnership; designated GVH global partner in immersive technology. BWR-X300 Small Modular Reactor digital twin completed at ATC2 facility December 2025; 4 VR simulators at NSB facility (latest July 2025 for PWR fuel handling). "Top-tier industrial clients Volvo and Gestamp" referenced as Simumatik users.

Defense / Aerospace

Spanish Ministry of Defense — SIMUR simulator (Military School of Health) since 2020.

NATO NMSG — active participation in working groups; David Moreno (Director of BD) presented at 2025 Annual Symposium in Warsaw on multi-domain XR.

TEDAE — joined September 2025 (Spanish Defense, Security, Aeronautics & Space Tech association — 100+ companies, €11.5B aggregate revenue).

Education & Public Sector

A key customer in Spain with a large multi year order

Spanish Ministry of Education / Telefonica Educacion Digital — €5.7M / 6-year contract; 66 Centers of Excellence for Vocational Training. Likely funded under Spain Recovery and Resilience Plan / NextGenEU.

Basque Government — historical anchor (€1.5M contract for 12 vocational centres in 2023; ~€135k/yr in active operating subsidies).

VIROO University Grant Program with HTC VIVE — phase 1: UCLA, Illinois Tech, UNC Greensboro ($500k of tech infrastructure).

Ohio University Digital Enterprise Collaboratory (DEC) — Athens + Dayton DTC connected XR labs; Intel and Anduril ecosystem (Ohio = 17.5% of US manufacturing GDP).

University of Central Florida DEEPspace Lab (METIL Lab) — June 2025 launch, southern US flagship.

University of Lethbridge, McMaster, University of El Salvador — additional named deployments.

Industrial / Manufacturing

Nextstar Energy (Stellantis × LG Energy Solution gigafactory, Windsor ON) — Battery Boost program, $3.8M Canadian government funded, 400+ workers trained, 98% job placement rate.

Cádiz Advanced Manufacturing Center (CFA) at Navantia facilities (Andalusian regional infrastructure).

ADIF (Spanish railway infrastructure) — RITS framework collaboration; presented at UIC WCRT in China.

MAFEX member (Spanish railway industry association).

Healthcare

Osakidetza (Basque public health) — emergency triage training; 100+ real clinical cases; co-developed with BioBizkaia, Basurto/Cruces/Urduliz hospitals.

FIGURE 4

Key Industries sectors include Energy, Automotive, Transport, Defense, Education and Health

Source: Virtualware

Important to note the customer concentration risk

There is a customer concentration risk -The single largest customer relationship (Telefonica/MEFPD) generated ~€1M of receivables crystallising as ~€5.7M signed contract value over 6 years. As of 31 Dec 2025, this single receivable (€6.22M, collected 8 Jan 2026) was equivalent to ~144% of full-year 2025 revenue. Concentration is elevated by micro-cap standards but mitigated by: - Multi-year duration (revenue spread to ~2031) Counterparty quality (Telefonica group balance sheet behind it) - Public-sector funding likely tied to EU multi-year financial framework.

FIGURE 5

Company Timeline

YEAR	EVENT
2004	Company founded as Virtualware Labs Factory
2007	Re-incorporated as Virtualware 2007 S.A.; ISO 9001:2015 obtained
2021	VRaaS / VIROO platform model launched (pivot from bespoke project services)
Apr 2023	IPO on Euronext Access Paris under ticker MLVIR at €27M valuation
Oct 2024	Acquisition of Simumatik AB (Sweden)
Jun 2025	Uplisted to Euronext Growth Paris as ALVIR; first-day close €8.10 / cap €36.79M
Sep 2025	Largest contract in company history — €5.7M / 6 yrs with Spanish Ministry of Education
2025	B Corp certification; TISAX AL3; ISO 27001/9001 renewals; VIROO 3.0 launched
2025	Evolv Rehabilitation Technologies subsidiary entered court-ordered liquidation
Dec 2025	Two independent directors appointed (Sara Antuñano Leicea, Carlos Polo Gil)
Feb 2026	First explicit forward guidance issued: +30% revenue, 20–25% EBITDA margin
Apr 2026	Strategic update — six 2027–2029 growth vectors disclosed; ATL set €5.75

Source: EERP

Intellectual property sits at the listed company level,

Intangible assets (industrial property) sit on the parent's balance sheet. Subsidiaries do not show capitalised patents. Simumatik's technology (Sweden AB) is treated as an acquired asset but the IP is consolidated centrally. No subsidiary carries patent amortisation or patent-related assets

....however, there are no active patents.

Our desk analysis shows that the company only had 1 patent that was filed in Spain in 2018 and granted on 25th July of that year but that patent appears to have lapsed on 26th August 2024 . This appears to have impacted their related patents that were filed in other jurisdictions

FIGURE 6

Current Status of Virtualware Patent filings 7

PUBLICATION	RECENT EVENT INDICATOR	CATEGORY	EVENT DESCRIPTION	COUNTRY	EVENT DATE
CA3064672A1	CA EEER	D: Search and examination	EXAMINATION REQUEST	Canada	17/12/2019
CN110809748A	CN WW01	B: Application discontinuation	INVENTION PATENT APPLICATION WITHDRAWN AFTER PUBLICATION	China	23/6/2023
EP3650996A1	EP 18D	B: Application discontinuation	APPLICATION DEEMED TO BE WITHDRAWN	Europe	22/5/2024
ES2648643B2	ES FD2A	H: IP right cessation	ANNOUNCEMENT OF LAPSE IN SPAIN	Spain	26/8/2024
WO2019008200A1	EP ENP	A: Application filing	ENTRY INTO THE NATIONAL PHASE	WIPO	7/2/2020
MX2019014856A	No legal event data found			Mexico	
US11169596B2	US FP	H: IP right cessation	LAPSED DUE TO FAILURE TO PAY MAINTENANCE FEE	USA	6/1/2026

Source: EERP, Virtualware disclosure, QUANT IP, Espacenet Patent Search

VIROO's competitive moat rests entirely on platform depth, switching costs, and customer relationships — not on registered IP protection

Management has confirmed that all patents "have no commercial value at this time and do not provide any competitive advantage" and will be allowed to lapse. This does suggest that VIROO's competitive moat rests entirely on platform depth, switching costs, and customer relationships — not on registered IP protection.

Sector is moving from experimental to essential

Global market CAGR through 2030 is aprox 25 - 35%

The **enterprise XR / VR training market** is a sub-segment of the broader extended-reality industry, with multiple industry size estimates clustering around: - Global market 2025: ~$6-8B and CAGR through 2030: 25 - 35% - and projected 2030 size of $20-30B The growth driver is the substitution of physical training infrastructure with immersive simulation in regulated, high-cost, high-risk environments — energy, defense, healthcare, manufacturing

Enterprise XR training and industrial simulation is moving from experimental to essential, and the shift is happening fast. For years, VR and AR were treated as "nice-to-have" pilots inside innovation teams; now they sit inside operational budgets because the economics now make sense. Industrial firms have realised that immersive training cuts risk, compresses learning cycles, and standardises procedures in a way that classroom or video training can't. When a technician can rehearse a hazardous procedure a hundred times in a virtual environment

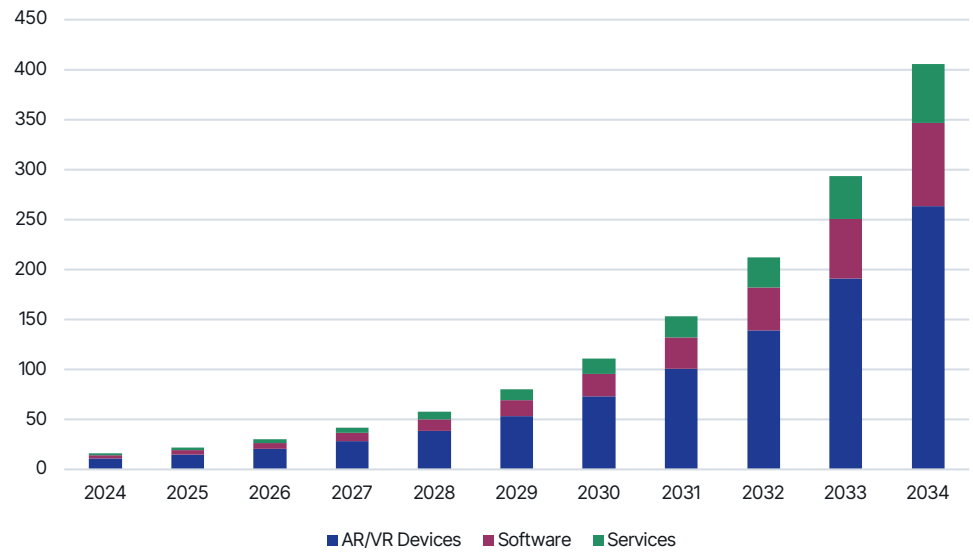
before touching real equipment, the ROI is immediate mainly thrugh fewer accidents, fewer shutdowns, and a workforce that reaches competency faster. The hardware has matured, platforms have stabilised, and CIOs are now comfortable deploying XR across factories, utilities, logistics hubs, and energy infrastructure.

At the same time, **industrial simulation** has broken out of the engineering department and become a strategic capability. **Digital twins**, multi-user VR rooms, and real-time 3D simulation are now used for everything from plant commissioning to maintenance planning to operator training. The driver is simple: industries with complex assets and high compliance burdens need tools that reduce downtime and increase predictability. XR simulation does both. The sector is still developing with fragmented vendors, uneven standards, and a mix of platform and project-led players, but the direction of travel is clear. Enterprise XR is becoming recurring, mission-critical, and embedded in the workflows of industrial companies that cannot afford failure

The relevant macro drivers:

FIGURE 7

Global AR and VR training Market (Size by component 2025-2034 USD Billion)



Source: market.us, EERP

Virtualware is positioned in the mid-to-late mature use cases (industrial procedure, clinical simulation, vocational training) with growing exposure to multi-user collaboration via VIROO Room. It is not in compliance/onboarding (where Strivr et al dominate) nor in pure consumer entertainment.

Industrial simulation & digital twin

- Industrial simulation software: ~$15-20B globally, low-double-digit CAGR
- Digital twin market: ~$15-25B by 2027 (some forecasters project $40B+ by 2030)
- Mature, slower-growing relative to enterprise XR, but with much larger absolute revenue

From Bespoke Projects to Scalable SaaS

The pivot to SaaS

Pre-2021, Virtualware was a bespoke VR projects shop — each engagement was a custom Statement of Work, scoped to a specific industrial customer's training need. Revenue was lumpy, gross margin was 70%-class (services-heavy with hardware pass-through), and operating leverage was limited. The 2021 2023 strategic plan launched VIROO as a platform product sold under a recurring annual subscription, with services as the bolt-on, not the lead. The company explicitly markets the model as VRaaS (Virtual Reality as a Service) or XRaaS.

Virtualware is, in our view, partway through this transformation, with the

The goss margin trajectory (70% → 90+% over four years) is the cleanest evidence — service-heavy revenue mixes don't produce 90%+ gross margin. The 19% EBITDA margin in 2024 demonstrated that the cost structure is capable of operating leverage; 2025 was a step back due to the +22.5% YoY personnel jump from Simumatik integration.

FIGURE 8

Evidence that the pivot to SaaS is working

SIGNAL	2022	2023	2024	2025
Subscription / VRaaS revenue	small	1.0M est.	1.73M	1.95M
Subscription % of revenue	<30%	35%	41%	45%
Gross margin	70%	74%	86.8%	93.7%
Active customer organisations	n/a	n/a	n/a	120
VIROO Rooms deployed worldwide	n/a	n/a	n/a	64
Floating licenses	n/a	n/a	n/a	3000+
EBITDA margin	adj-loss	9%	19%	16%

Source:EERP

What the SaaS pivot has NOT yet produced

- No published ARR or NRR — without these we cannot directly observe net subscription growth excluding new bookings
- The 2024 → 2025 SaaS mix moved from 41% → 45%, not toward the 60%+ that "scaling SaaS" typically implies at this stage
- VIROO Rooms remain hardware-anchored — installation drives services revenue alongside subscription, diluting the pure-software ratio
- Bookings mix in 2025 was still 81% EMEA despite 2025 revenue mix being 51% non-EMEA — the geographic pivot lags the financial one

What "fully scaled" SaaS could look like for Virtualware - A reasonable steady state for a comparable European enterprise XR company over 3-5 years: - 65-75% subscription revenue - 90-95% gross margin (sustained) - 35–45% EBITDA margin (management's own 2027–2029 target, supported by: VIROO platform GM ~95%; services GM ~70%; Simumatik COGS effectively zero) - Net Revenue Retention >110% - ARR €15-30M (3-7x current run-rate) - Free cash flow conversion >50%

Capitalisation of IP Development

Investors should note the capitalisation of software development costs – there are risks

Roughly €500–600k per year of internal development cost is being capitalised rather than expensed. Management has confirmed that approximately 20% of total personnel cost is capitalised development, and that this capitalised element accounts for approximately 80% of the total expensed R&D charge. The amortisation period applied to VIROO and Simumatik intangibles is 10 years. Management does not expect either the capitalisation ratio or the amortisation period to change materially as the products mature.

Under Spanish GAAP / Plan General de Contabilidad (PGC), valuation rules 5 and 6 permit capitalisation of in-house development costs as intangible assets ("industrial property") provided technical feasibility, intent and ability to use/sell, future economic benefit, available resources, and reliable cost measurement criteria are met – we believe that Auditors will rely on management guidance in this area. . This is broadly analogous to IAS 38 under IFRS, but applied less restrictively in practice. Capitalised intangibles are amortised over their useful life and tested for impairment annually

Why this matters for the financials - Capitalising development has three immediate effects:

1. Inflates EBITDA vs an expensed-R&D peer by the capitalised amount (~€500-600k annually)

2. Inflates intangible assets on the balance sheet

3. Creates future amortisation drag as capitalised assets are depreciated (current D&A €450-500k/yr)

The result is that today's capitalised R&D becomes tomorrow's amortisation. The system is broadly self financing — within ~10% of itself in steady state — but the timing creates non-cash optical headwinds in the income statement

The €3.32M intangible balance is concentrated on VIROO + Simumatik IP - VR/XR is a fast-moving stack — technological obsolescence is a real impairment trigger - Annual impairment testing depends on management forecasts of future exploitation

Capitalisation of industrial property has been identified as a Key Audit Matter - in both the 2023 audit and the 2024 audit-capitalisation of IP is flagged. Specifically because: - The €3.32M intangible balance is concentrated on VIROO + Simumatik IP - VR/XR is a fast-moving stack — technological obsolescence is a real impairment trigger - Annual impairment testing depends on management forecasts of future exploitation.

We discussed this question with management regarding this risk and their response is that they assesses the impairment risk of intangible assets by considering both technical and commercial factors.

They asert that the assets associated with VIROO and Simumatik are amortised over a 10-year period, which is considered prudent in relation to their economic useful life. Despite the rapid evolution of the XR sector, our products are built on a modular and scalable technological architecture that enables continuous and incremental improvements, extending their useful life beyond a specific technology cycle. In addition they believe that the economic life of these assets is supported by multi-year customer contracts, which in some cases extend up to 6 years. These contracts provide strong revenue visibility and demonstrate the product's ability to generate recurring cash flows over prolonged periods.

Additionally, management tell us that they perform regular reviews of intangible assets, analysing potential impairment indicators such as disruptive technological changes, demand evolution, or deviations in commercial performance. To date, no indications have been identified that would suggest the need to recognise any impairment

Fundamentally attractive

Valuation is anchored on a revenue multiple approach. Using our forecast 2026 revenue of €6.04 mil and a 7× EV/Revenue multiples taken from peers (see table 11) implies an EV of ~€42m. Assuming minimal net debt and ~4.5m shares this yields a base-case value of ~€9.20 per share. To reflect liquidity constraints and execution risk typical of micro-caps, we apply a 20% discount, resulting in our target price of €7.42. BUY recommendation.

Key risks

Small and lumpy revenue. At €4–6 mil revenue, one delayed project moves results. Cash flow can swing on receivables.

Platform transition still in progress . If clients keep buying bespoke projects instead of standardised deployments, scaling and margins lag the thesis.

Better funded competitors. Larger platforms can outspend on product, sales, and partnerships.

Platform and security. XR ecosystems change fast. Virtualware must stay current across devices, engines, and enterprise security requirements.

Budget cycles. Training and capex-linked deployments get deferred in downturns, even when ROI is clear

Despite past audit commentary we believe the risk of impairment of intangible assets is low

Intangible asset impairment - Material impairment would be triggered by: - Sustained deterioration in subscription revenue trend. Strategic pivot away from VIROO or Simumatik - Competitive displacement by hyperscaler XR platforms Loss of major reference customers (GVH, Spanish MoD, MEFPD) We assess the near-term impairment risk as low given the record 2025 bookings and active customer growth, as well as management assurances in terms of their regular review of the issue but it remains a tail risk worth tracking by investors

FIGURE 9

Cap Table – key data

Shares outstanding	4,542,000
Nominal value p.s. (Euro)	0.035
Issued capital	158,970
Unai Extremo %	41.51
Sergio Barrera %	41.50
Combined founder control %	83.01
Treasury shares	175,000
Implied free float %	17.00

Source: EERP

Order book visibility helps support our positive view

The 2025 CEO letter states "We have signed contracts worth over €8 million." We believe this is significant and more than double the 2024 figure. The single largest contributor is the Spanish Ministry of Education who have signed the largest contract in Virtualware's history:

over €5 million to deploy VIROO in 66 Centers of Excellence for Vocational Training. This contract alone is multi-year and will convert into revenue over several periods.

Strengthening order books support our positive outlook on valuation

Virtualware's order book is composed of multi-year platform deployments (VIROO Rooms + infrastructure) which are large, lumpy, high-value contracts (e.g., GE Vernova, Spanish Ministry of Education). The XRaaS (subscription revenue) is recurring and grows steadily: 2024 XRaaS revenue: €1.73m, 2025 XRaaS revenue: €1.95m - This recurring base is part of the "embedded" order book.

Post-acquisition, Simumatik contributes industrial simulation and digital twin projects.

FIGURE 10

Order Book Value

YEAR	ORDER BOOK VALUE	COMMENTS
2023	€5.4m	Pre-IPO momentum
2024	€3.8m	Delayed deals; Q4 recovery (€1.5m)
2025	€8m+	Record year; includes €5m+ Ministry of Education contract

Source: EERP

Forward-Looking Interpretation - The order book is now dominated by Large multi-year public sector deployments (Nuclear sector simulation contracts (GE Vernova, Hitachi) and Education sector rollouts (Spain, U.S. universities). Industrial simulation (Volvo, Gestamp, FILL) - This creates high revenue visibility for 2026–2028.

What This Means for a Forward Revenue Model - Management has provided the order book revenue recognition schedule, replacing our prior rule-of-thumb estimate of 40–60% year-1 recognition. The confirmed schedule is: 2026: €3,555,048; 2027: €1,845,859; 2028: €1,426,884; 2029: €913,584. This schedule, combined with XRaaS recurring revenue and new business, underpins the €5.7–6.0m guidance range. The MEFPD (Ministry of Education) contract alone contributes €831,600 per annum through to 2031. Implied 2026 revenue potential:

- Baseline 2025 revenue: €4.32m
- Order book conversion (conservative): €4–5m
- RaaS growth: €0.2–0.3m
- New business (run-rate): €1–2m
- Indicative 2026 revenue range: €6.0m – €7.5m

Bull-case opportunities

1. Spanish public-sector pull-through. The €5.7M MEFPD contract sets a template for Spain's other 17 autonomous communities — Catalonia, Madrid, Andalusia, Valencia each could deliver €1-2M / multi year deals. Andalusia connection already established via Cádiz CFA. Optionality: €5-15M of additional contracts over 3 years.

2. Nuclear renaissance. Global SMR (Small Modular Reactor) program — particularly GVH BWR-X300 — implies multi-year training infrastructure pipeline. Each new reactor build

generates potential VIROO simulator revenue. Optionality: €1-3M of recurring nuclear revenue by 2028.

3. NA expansion delivers >50% revenue share. The CEO guided for 50-60% NA target. With Nextstar, UCLA, Illinois Tech, UNC Greensboro, Lethbridge, Ohio DEC, UCF DEEPspace already 7 / 18 deployed and HTC VIVE channel partnership, the references exist. If achieved by FY2027-28, the stock could re-rate substantially. Management has also quantified the North American pipeline at €7 million (€4m in Canada, €3m in the USA), with VIROO representing more than 90% of that pipeline and Simumatik less than 10%.

4. Margin expansion to peer-level SaaS economics. Audited 93.7% gross margin in 2025 + 19% EBITDA margin precedent in 2024 demonstrate the model is capable of 35–45% EBITDA margin at scale — management's own medium-term target for 2027–2029, supported by VIROO platform gross margin approaching 95%, services margin at 70%, and near-zero COGS on Simumatik. Each 5pp of EBITDA margin = ~€300k incremental EBITDA = €5-10M EV at peer multiples.

5. Inorganic growth. €3.5M pro-forma cash + CEO-stated M&A intent over next 24 months + new independent directors (one capital-markets oriented) = elevated probability of accretive deal in 2026-27. Management has confirmed the acquisition capacity at €5–7 million per transaction, targeting companies with portfolio-compatible products or established customer bases in Virtualware's core verticals.

6. Defense / NATO contracts. ReArm Europe and rising defense budgets create tailwind. SIMUR (Spanish MoD) since 2020 + NATO NMSG + TEDAE membership = pipeline-building. Defense simulation contracts are typically €1-5M and multi-year.

7. AI augmentation of XR. EdukIA (R&D project 2025-26) integrates generative AI into VIROO; CTO has named AI as a 2026 strategic priority. Differentiated AI features could justify ARR uplift

Bear-case risks

Customer concentration remains a risk, but we believe management can manage this until revenues become less sensitive to a small number of key clients – international growth will help to mitigate this risk

1. 2026 guidance miss. +30% revenue, 20-25% EBITDA margin requires personnel-cost discipline (slowing from +22.5% to single digits) AND MEFPD recognition front-loading AND momentum continuation. Three things must go right. Market is already pricing scepticism (ATL set 22 Apr 2026, six days post-NA strategic PR). Management has guided headcount growth of +5% in R&D and +10% in commercial roles — a meaningful deceleration from 2025's +22.5% personnel cost surge. If this discipline holds, it supports the operating leverage case, though delivery risk remains.

2. Customer concentration / counterparty risk. One single contract (MEFPD) represents materially ~30%+ of cumulative bookings. Contract scope reduction, deployment delay, or political-cycle re prioritisation could materially impact 2026-2031 revenue. Management has confirmed that the top three customers are expected to account for 30–40% of 2026–2027 revenues, quantifying the concentration risk.

3. Deferred tax asset recoverability (€1.79M = 81% of equity). A multi-year stretch of operating losses would force write-down — directly reducing equity. – but based on our forward estimates this appears unlikely.

4. Capitalised intangibles impairment risk (€3.32M of intangibles). Concentrated on VIROO + Simumatik IP. Technological obsolescence or strategic pivot triggers possible write-down.

5. Auditor change + 2023 restatement (€364k equity revision). Yellow flag for accounting quality; magnitude was driven primarily by capital-subsidy reclassification but worth monitoring future audits require adjustment

6. Subsidy dependence. ~€500k/year of operating "income" comes from regional grants (Basque Government predominantly). Programme reduction or eligibility changes would directly hit P&L.

7. Founder concentration. 83% control + family ties on board create governance risk (partially addressed by Dec 2025 independent director appointments). Buyout / take-private risk from founders themselves cannot be ruled out.

8. Competitive displacement by hyperscaler XR. NVIDIA Omniverse, Apple Vision Pro enterprise, Meta Reality Labs all could potentially crowd VIROO if they extend native multi-user/sovereign capabilities at scale.

9. EUR strength against USD/CAD. ~half of revenue is non-EUR. A 10% EUR appreciation = ~€200k revenue compression / €100k EBITDA hit.

10. Liquidity / micro-cap risk. Free float ~17%; Euronext Growth liquidity is thin; price gaps possible on low volume

FIGURE 11

Peer Valuation analysis (only 2 are listed)

COMPANY	TICKER	HQ	BUSINESS MODEL	EST. REVENUE P.A.	EV/REV	EV/EBITDA	GROWTH RATE	GROSS MARGIN	RELEVANCE TO VIRTUALWARE
Strivr		USA	VR training SaaS	~$25–35m	4–6×	n/a	20–30%	70–80%	High — enterprise VR training at scale
Talespin		USA	XR learning platform	~$10–15m	5–7×	n/a	25–35%	75–85%	Medium — XR simulations, L&D
Pixo VR		USA	Industrial VR training	~$5–10m	3–5×	n/a	15–25%	65–75%	High — industrial training overlap
Simulanis		UK/India	XR training + digital twins	~$8–12m	3–4×	n/a	20–30%	60–70%	Very High — closest peer (XR + simulation)
Kompanions		India	XR content & training	~$5–8m	2–3×	n/a	15–20%	55–65%	Medium — multi-industry XR training
LineXero		UK	XR training simulations	~$3–5m	2–3×	n/a	10–15%	55–65%	Medium — multi-user XR scenarios
PTC (Vuforia)	PTC	USA	AR enterprise platform	~$100–150m (segment est.)	~7×	~20×	10–15%	75–80%	High — industrial AR workflows
Unity Industry	U	USA	RT3D platform	~$350–450m (subset est.)	~6×	n/a	10–15%	75–80%	High — RT3D platform competitor
Varjo		Finland	Enterprise XR hardware + cloud	~$20–30m	3–5×	n/a	20–30%	40–50%	Medium — high-end XR ecosystem

Source: EERP

Appendix: Summary financials

	2023A	2024A	2025A	2026E	2027E	2028E	2029E
Net turnover (Revenue)	**4.55**	**4.20**	**4.32**	**6.02**	**7.14**	**7.78**	**8.46**
In House work on assets	0.53	0.44	0.60	0.00	0.00	0.00	0.00
Cost of Goods Sold	-1.18	-0.56	-0.31	-0.71	-0.89	-0.96	-1.02
Other operating income (incl. subsidies)	0.42	0.48	0.54	0.55	0.60	0.73	0.73
Personnel costs	-3.06	-2.62	-3.21	-3.31	-3.41	-3.51	-3.62
Other operating expenses	-0.87	-1.18	-1.31	-1.38	-1.43	-1.49	-1.55
Subsidies allocated to P&L	0.00	0.00	0.05	0.00	0.00	0.00	0.00
Other gains / (losses)	0.04	0.04	0.00	0.00	0.00	0.00	0.00
EBITDA	**0.43**	**0.81**	**0.67**	**1.17**	**2.00**	**2.55**	**3.00**
EBITDA margin	9%	19%	16%	19%	28%	33%	35%
Depreciation & Amortisation	-0.27	-0.26	-0.46	-0.42	-0.46	-0.49	-0.53
Operating profit (EBIT)	**0.15**	**0.55**	**0.22**	**0.74**	**1.54**	**2.05**	**2.47**
EBIT margin	3%	13%	5%	12%	22%	26%	29%
Net financial income / (expense)	-0.10	-0.01	-0.40	-0.09	-0.09	-0.09	-0.09
Share in profits (losses) of equity-accounte	0.00	0.06	0.00	0.00	0.00	0.00	0.00
Profit before tax	**0.05**	**0.60**	**-0.18**	**0.65**	**1.45**	**1.96**	**2.37**
Income tax	-0.03	-0.04	-0.08	-0.06	-0.14	-0.39	-0.47
Net profit from continuing operations	0.02	0.55	-0.26	0.58	1.30	1.57	1.90
Consolidated net profit	**0.02**	**0.55**	**-0.26**	**0.58**	**1.30**	**1.57**	**1.90**
Net margin	0%	13%	-6%	10%	18%	20%	22%
EPS (€)	**0.00**	**0.12**	**-0.06**	**0.13**	**0.29**	**0.34**	**0.42**

	2023A	2024A	2025A	2026E	2027E	2028E	2029E
ASSETS							
Intangible assets (incl. capitalised dev, goo	1.75	3.12	3.32	3.52	3.79	4.09	4.39
Tangible assets	0.17	0.04	0.06	0.09	0.12	0.15	0.16
Equity-method holdings	0.11	0.16	0.17	0.17	0.17	0.17	0.17
LT financial investments	0.04	0.05	0.05	0.05	0.05	0.05	0.05
Deferred tax assets	2.09	1.87	1.79	1.79	1.79	1.79	1.79
Total non-current assets	4.15	5.25	5.39	5.63	5.93	6.24	6.57
Inventories	0.06	0.03	0.00	0.06	0.07	0.08	0.08
Trade & other receivables	1.91	1.19	7.38	2.47	2.93	3.20	3.48
Held for sale	0.00	0.38	0.00	0.00	0.00	0.00	0.00
Cash & ST investments / accruals	0.30	0.68	0.50	1.55	2.12	2.91	4.02
Other current assets	0.32	0.79	0.41	0.41	0.41	0.41	0.41
Total current assets	2.60	3.07	8.29	4.49	5.54	6.59	7.99
TOTAL ASSETS	**6.75**	**8.32**	**13.68**	**10.12**	**11.47**	**12.84**	**14.56**
EQUITY & LIABILITIES							
Share capital	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Reserves (incl. retained earnings)	1.01	2.04	2.46	2.19	2.78	4.08	5.65
Treasury shares	-0.04	-0.01	-0.13	-0.13	-0.13	-0.13	-0.13
Subsidies in equity	0.00	0.00	0.01	0.01	0.01	0.01	0.01
Net P/L for the year	-0.00	0.19	-0.26	0.58	1.30	1.57	1.90
Non-controlling interests	0.07	0.07	0.00	0.00	0.00	0.00	0.00
Other equity / reclass adjustments	0.00	-0.00	-0.03	-0.03	-0.03	-0.03	-0.03
Total equity	1.19	2.46	2.20	2.79	4.09	5.66	7.56
LT debt (banks + other)	1.17	0.79	0.74	0.74	0.74	0.74	0.74
LT accruals (deferred grants/subsidies)	1.01	1.16	4.14	1.51	1.78	1.94	2.12
Deferred tax liabilities	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Total non-current liabilities	2.18	1.95	4.88	2.25	2.53	2.69	2.86
ST debt (banks + other)	1.28	1.27	2.46	1.96	1.46	0.96	0.46
Trade & other payables	0.22	0.14	0.32	0.18	0.22	0.24	0.25
ST accruals	0.93	1.31	2.08	1.20	1.43	1.56	1.69
Held for sale (liab)	0.00	0.31	0.00	0.00	0.00	0.00	0.00
Other Payables	0.94	0.89	1.75	1.75	1.75	1.75	1.75
Total current liabilities	3.37	3.92	6.60	5.08	4.85	4.49	4.15
TOTAL EQUITY & LIABILITIES	**6.75**	**8.32**	**13.68**	**10.12**	**11.47**	**12.84**	**14.56**

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