Virtualware

3 November 2026

Virtalis acquisition reinforces Virtualware's strategic positioning

Virtualware is a Spanish enterprise software company focused on immersive training, industrial simulation and 3D-driven business solutions. Its core offering is built around **VIROO**, its proprietary XR platform, **SIMUMATIK**, its industrial simulation and virtual commissioning software, and, since the acquisition of Virtalis in September 2026, **VISREN** (Visionary Render). The group serves clients in sectors such as industry, energy, education and defence, with a growing international presence.

Market Data

Market Cap ('000)	23,846
Enterprise Value ('000)	28,902
Shares Outstanding ('000)	4,542
-12m (Max/Min)	7.50 / 4.00
Last Traded (28/10/2026)	5.25
Ticker Euronext Growth	ALVIR

Shareholders' Structure

Unai Extremo	41.3%
Sergio Barrera	41.3%
Asier Extremo	6.4%
Free Float	10.1%
Treasury Stock	1.0%

Financials

EUR m	2024	2025	2026E	2027E	2028E
Shares (m)	4.54	4.54	4.54	4.54	4.54
Revenues	4.2	4.3	6.3	11.1	12.8
% Growth YoY	*-7.7%*	*2.8%*	*46.0%*	*75.7%*	*15.2%*
Adj. EBITDA	0.3	0.02	1.3	2.8	3.7
% o/ Revenues	*7.4%*	*0.6%*	*20.3%*	*25.3%*	*28.8%*
EBITDA	0.8	0.6	1.8	3.1	4.0
% o/ Revenues	*19.2%*	*14.5%*	*28.1%*	*27.6%*	*31.2%*
Net Income	0.3	(0.3)	1.0	2.0	2.8
EPS (EUR)	0.06	(0.06)	0.22	0.44	0.61
Free Cash Flow	(0.1)	(0.9)	(2.3)	3.0	1.8
NFD	0.7	2.6	5.4	2.6	1.0
ROE (%)	12.2%	-11.9%	33.7%	40.0%	35.7%

Ratios & Multiples

Multiples	2024	2025	2026E	2027E	2028E
EV/Revenues	6.9x	6.7x	4.6x	2.6x	2.3x
EV/Adj. EBITDA	92.5x	n.m.	22.6x	10.3x	7.9x
Debt/Equity	0.8x	1.5x	1.9x	0.8x	0.4x

Source: LKS Next estimates. EV at 28/10/2026.

We are issuing this update note following the completion of the Virtalis acquisition on 28 September 2026. The deal is a relevant event for the investment thesis set in our initial coverage report: it increases the group's scale, accelerates its inorganic growth strategy and strengthens its international presence.

Two profitable software companies of comparable scale. Virtualware, founded in Bilbao in 2004, develops software for industrial immersive technologies, virtual reality and digital twins through its own platforms, VIROO and SIMUMATIK. Virtalis, founded in Manchester in 2003, develops VISREN (Visionary Render), which brings engineering data such as CAD, PLM and BIM into real-time immersive environments, and works with groups such as BAE Systems, Lockheed Martin, Thales and Blue Origin.

Platform & execution: one portfolio, three complementary layers

Engineering data flows from visual context to virtual validation and enterprise deployment, without losing product-level detail.

01 VISREN
CONNECT & CREATE
Engineering data → interactive 3D
- Converts complex engineering and industrial data into immersive environments.
- Creates the visual context for assets, systems and scenarios.
- Role: upstream data-to-experience layer.

02 SIMUMATIK
SIMULATE & EMULATE
Interactive 3D → validated behaviour
- Models machines and automation systems before physical deployment.
- Validates system behaviour earlier in the engineering workflow.
- Role: virtual testing and validation layer.

03 VIROO
GOVERN, DEPLOY & OPERATE
Validated apps → enterprise scale
- Runs RT3D applications across engines, users and devices.
- Turns individual experiences into managed operational deployments.
- Role: enterprise orchestration and operations layer.

COMPLEMENTARITY | data becomes experienced → behaviour is validated → applications are governed and deployed at scale

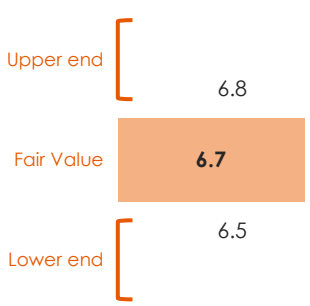
Source: Virtualware, LKS Next .

100% of Virtalis for an EV of €6.25m, with no dilution. Virtualware paid €4.95m in cash and assumed €1.3m of debt, plus an earn-out linked to Virtalis' EBITDA in 2026 and 2027. The deal is funded through banking debt and existing cash, with no new shares and therefore no dilution for existing shareholders.

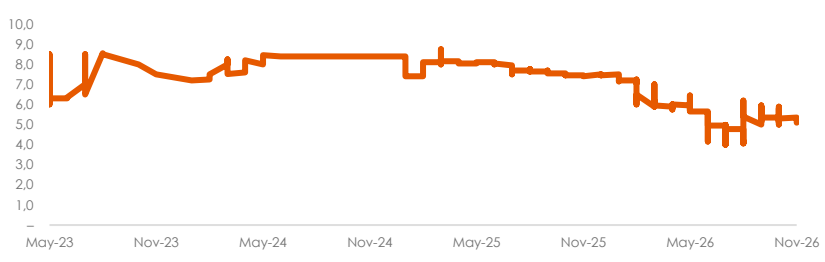
The UK becomes the group's largest market, with 37.7% of pro forma revenue, and 78% of revenue is now generated outside Spain.

We raise our fair value per share range from €5.9-€6.5 to €6.5-€6.8, implying a c.28% value increase. Virtalis is expected to be fully consolidated from 2027E, so we estimate revenue of €11.1m and adjusted EBITDA of €2.8m that year, with net debt falling below 1x EBITDA.

Valuation Range



Trading Chart



Source: LKS Next, Euronext

Virtalis' acquisition: a step-change in scale and positioning

We consider that the strategic rationale of the transaction is solid and fully consistent with the strategic pillars identified in our initial coverage report, particularly in terms of inorganic growth, international expansion and strengthening of the technological value proposition.

The acquisition is highly consistent with Virtualware's 2027-2029 strategic roadmap.

Inorganic Growth

- Second international acquisition in less than two years
- Addition of complementary technology (VISREN)
- Scaling up without a capital increase
- Doubling of the group's revenue and EBITDA

Defence

- Virtalis holds a significant position in the defense sector through clients such as: BAE SYSTEMS, LOCKHEED MARTIN, THALES
- Immersive visualization and digital twins have natural applications in military simulation, training, design review and complex defense assets.

North America

- The acquisition brings existing business relationships with major North American industrial and technology clients.
- The combined group maintains a presence in Orlando and Toronto

Digital Sovereignty

- European provider specializing in: XR, immersive visualization, digital twins and industrial simulation thanks to the combination of Virtualware (Spain), Simumatik (Sweden) and Virtalis (UK).

Strategic Impact

1. Creation of one of the largest European groups specialised in industrial immersive software

The combined entity positions itself as one of the largest European players specialised in immersive visualisation, digital twins, industrial simulation and virtual reality applied to highly critical sectors such as industry, energy, nuclear, infrastructure and defence.

2. Technological complementarity

Virtalis contributes VISREN (Visionary Render), an industrial visualisation platform capable of integrating CAD, BIM, PLM, IoT and point cloud data in real time. This technology fits naturally with VIROO and SIMUMATIK, expanding Virtualware's value proposition from immersive training and simulation into the design, engineering review and industrial validation stages.

3. Expansion across the industrial value chain

Prior to the acquisition, Virtualware's software portfolio was primarily focused on immersive training, simulation and operational use cases. The addition of VISREN (Visionary Render) extends the group's capabilities upstream into design review, engineering validation and industrial visualisation, allowing Virtualware to participate in a broader portion of customers' digital transformation workflows.

4. Cross-selling potential

The transaction adds a relevant base of industrial and defence customers, including organisations such as BAE Systems, Blue Origin, Lam Research, Lockheed Martin, Thales, Ford and Vestas. This significantly expands the cross-selling opportunities for VIROO, SIMUMATIK and VISREN (Visionary Render) across an already consolidated customer base.

5. Greater international exposure

Following the acquisition, the United Kingdom becomes the group's largest individual market, representing approximately 38% of aggregate revenue. In addition, the share of revenue generated outside Spain increases from 54% to 78% of consolidated sales, materially reinforcing the company's international profile.

6. Enhanced international scale and execution capability

The transaction significantly expands Virtualware's operational footprint through engineering hubs in Spain, Sweden and the United Kingdom, complemented by commercial presence in North America. The enlarged organisation improves the group's ability to execute larger projects, support multinational customers and address opportunities across multiple geographies.

Platform & execution: one portfolio, three complementary layers

VISREN

01 VISREN

CONNECT & CREATE

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02 SIMUMATIK

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VIROO

03 VIROO

GOVERN, DEPLOY & OPERATE

Validated apps → enterprise scale

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Integration: clear opportunities, but execution is key

With the deal closed, the focus moves to the post-merger integration (PMI). In our view the strategic fit is strong and the opportunities are clear, but how much value the deal creates will depend on integration execution.

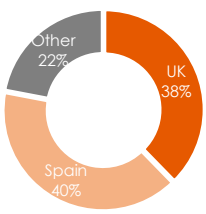
PMI: Opportunities

Cross-selling and a single portfolio are the main levers

Cross-selling. The two customer bases barely overlap. Selling VIROO and SIMUMATIK to Virtalis' defence and aerospace customers, and VISREN (Visionary Render) to Virtualware's industrial and energy clients, is in our view the most direct lever, as it does not require new products.

A single portfolio. VISREN (Visionary Render), SIMUMATIK and VIROO cover the full lifecycle of industrial real-time 3D, from engineering data to simulation and operational deployment. We believe an integrated offering strengthens the group in larger, multi-year contracts with tier-one customers.

Pro forma revenue by geography (%)



International footprint. The UK becomes the largest market, with 37.7% of pro forma revenue, and the group adds engineering capacity in the UK to its teams in Spain and Sweden, plus commercial activity in North America, a priority market in the 2027–2029 plan.

PMI: Challenges

Talent retention, integration effort and leverage are the main risks

Retaining key people. Much of Virtalis' value lies in its 19 employees and their engineering know-how. Engineering and salesforce retention is therefore a key integration risk, as the loss of critical personnel could affect technological capabilities, customer relationships and the expected benefits of the acquisition.

Integration effort. Combining three products developed in three countries into one roadmap and one commercial offer will require management time and investment. With the group doubling its size two years after the Simumatik acquisition, this puts pressure on a lean management team.

Leverage and currency. The acquisition initially increases the Group's leverage; however, stronger earnings and cash generation are expected to drive net debt / EBITDA below 1.0x in 2027E, comfortably below the 3.0x covenant set out by the company according to their last published Equity Story in October. This progressive deleveraging should restore balance sheet flexibility and increase headroom for future investment. With the UK becoming the Group's largest individual market, the acquisition also increases exposure to currency fluctuations.

While these risks remain, the earn-out structure provides some mitigation by linking part of the consideration payable to Virtalis' 2026–27 EBITDA performance. This earn-out pressure for performance mitigates the integration risk as objectives should be aligned between Virtualware and Virtalis.

What We Will Monitor

Milestones over the coming quarters

The successful integration of Virtalis over the coming months will be key to the overall success of the transaction. We will closely monitor the first cross-selling opportunities between the two customer bases, the rollout of a single integrated portfolio, the retention of Virtalis' key staff, the evolution of the earn-out linked to 2026–27 EBITDA, and the repayment of the acquisition loan within the 3.0x covenant threshold.

Virtalis doubles the group's scale, with no dilution

The transaction has been executed for an enterprise value of €6.25m. On a full-year pro forma basis, the combined Group would generate €10.0m of revenue and €2.5m of EBITDA in 2026. The transaction was funded through a combination of debt and existing cash, with no new shares issued.

The Transaction

A market-adjusted price for a profitable business of similar size

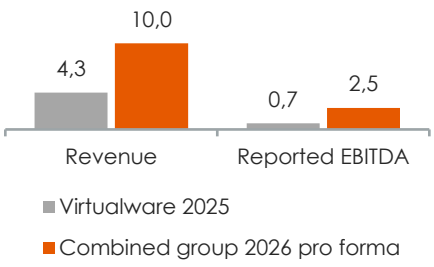
Virtualware has acquired Virtalis for an implied enterprise value of €6.25m, comprising €4.95m in cash consideration and €1.3m of assumed debt. Based on Virtalis' FY26 reported EBITDA of €1.4m, the transaction implies an acquisition multiple of c.4.5x EBITDA.

The deal also includes an earn-out linked to Virtalis' EBITDA in 2026 and 2027, payable only above minimum levels and reduced by €1m of debt. The economic details of the earnout have not been disclosed.

The upfront consideration was financed through a combination of €3.6m of bank debt and €1.35m of existing cash, broadly reflecting a 70/30 debt-to-cash funding mix.

No new shares were issued as part of the transaction, resulting in no equity dilution for existing shareholders.

Scale before and after the acquisition (€m)



Source: Virtualware, LKS Next. Combined group: company estimate for the full calendar year 2026, pro forma.

The transaction at a glance

	€m
Cash consideration	4.95
Debt assumed	1.30
Enterprise value	**6.25**
Virtalis revenue (FY to June 2026)	4.0
Virtalis reported EBITDA (FY to June 2026)	1.4
of which capitalised development	0.5
Adjusted EBITDA (excl. capitalised development)	0.87
EV / reported EBITDA	**4.5x**
EV / adjusted EBITDA	**6.9x**

Source: Virtualware, LKS Next. Adjusted EBITDA excludes capitalised development.

Combined Scale

€10m revenue and €2.5m EBITDA on a full-year pro forma basis

According to company sources, on a full-year pro forma basis, the combined Group would generate €10.0m revenue and €2.5m EBITDA in 2026, more than doubling Virtualware's 2025 revenue base of €4.3m, while the combined workforce is expected to increase to 71 employees from 52 currently.

Adjusted EBITDA

Adjusted EBITDA €0,9m after capitalised development

Virtalis reported €1.4m EBITDA for 2026. However, around €0.5m is attributed to capitalised development costs. Excluding this contribution, adjusted EBITDA stands at c.€0.9m, implying an acquisition multiple of c.6.9x versus 4.5x on reported EBITDA.

Acquisition multiple supports potential value accretion

Price paid vs Virtualware's own multiple

	Value
Virtalis EV / revenue (price paid)	1.6x
Virtualware EV / revenue 2026E at €5.25	4.6x
Virtalis valued at Virtualware's multiple (€m)	**18.3**
Enterprise value paid (€m)	6.25

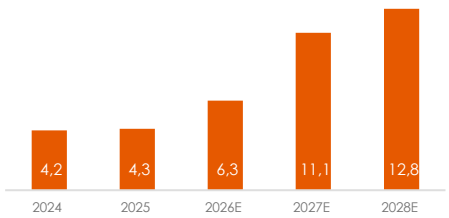
Beyond its contribution to earnings, the deal creates potential value through the price paid: Virtalis was bought on a significantly lower multiple than Virtualware's own multiple.

Virtualware paid 1.6x revenue for Virtalis, while the market values Virtualware itself at 4.6x its 2026E revenue. Applying that multiple to Virtalis' €4.0m of revenue would imply a value of c.€18m, against the €6.25m paid. While this is not realised value creation, it shows the attractive entry price and the potential upside if the market values the acquired revenue closer to the group's own multiple.

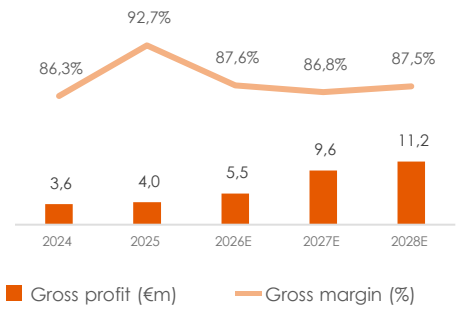
Earnings step up from 2027E, supporting rapid deleveraging

We expect 2026E to be a transition year, as our estimates incorporate only three months of Virtalis' financials, with a full-year contribution expected from 2027E onwards. In our view, the acquisition strengthens the Group's revenue and earnings base, while the additional acquisition-related debt is expected to progressively decline through cash generation.

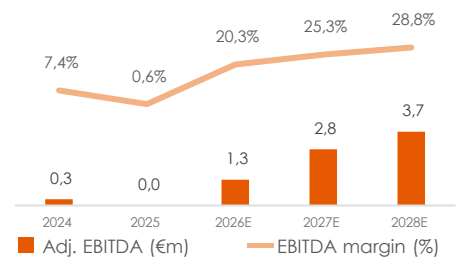
Revenue (€m)



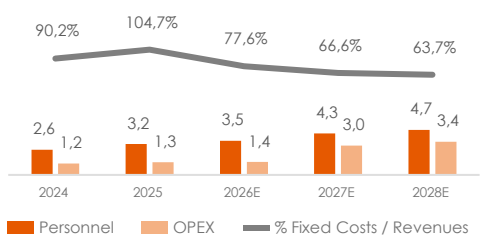
Gross profit (€m) and margin (%)



Adjusted EBITDA (€m) and margin (%)



Operating leverage (€m, %)



Forecast change

Revenue. We expect revenue to reach €6.3m in 2026E, in line with company guidance, before increasing to €11.1m in 2027E, supported by the full-year contribution of Virtalis and the enlarged customer base following the acquisition.

Adjusted EBITDA and margin. According to our estimates, it is forecasted to increase from €1.3m in 2026E to €2.8m in 2027E, with the corresponding margin expanding from 20.3% to 25.3%. This reflects expected operating leverage as revenue grows faster than the underlying cost base, supported by a higher contribution from recurrent software revenues.

Our updated estimates reflect the latest market operating trends and current market environment. **Operating costs.** The integration of Virtalis increases the Group's operating cost base, with personnel costs expected to reach €4.3m in 2027E, compared with €3.2m in our previous estimates, reflecting the enlarged workforce and a moderately higher average personnel cost. Other operating expenses are also expected to increase in line with the Group's larger scale and broader geographic footprint.

Operating leverage. We expect revenue growth to outpace the increase in the underlying cost base, resulting in fixed operating costs declining as a percentage of revenue and supporting progressive margin expansion.

Key financials (€m)

	2025A	2026E	2027E	2028E
Revenue	**4.3**	**6.3**	**11.1**	**12.8**
Adj. EBITDA*	**0.0**	**1.3**	**2.8**	**3.7**
Adj. EBITDA margin	*0.6%*	*20.3%*	*25.3%*	*28.8%*
Net income	(0.3)	1.0	2.0	2.8
EPS (€)	(0.06)	0.22	0.44	0.61
Adj. EBITDA / share (€)	0.01	0.28	0.62	0.81

*Source: Virtualware, LKS Next estimates. *Excluding own work capitalised. 2026E includes three months of Virtalis.*

Assessing the financial impact of the acquisition

The acquisition materially expands Virtualware's earnings base, with the full impact becoming visible from 2027E, when Virtalis contributes for a full twelve-month period. We forecast 2027E revenue of €11.1m, 57% above our previous estimate, while Adjusted EBITDA increases by 10% to €2.8m. The lower uplift at EBITDA level reflects the higher operating cost base and lower margins incorporated in our revised forecasts.

Per-share estimates: May 2026 estimates (Previous) vs current (€)

	2026E Previous	2026E Current	Change	2027E Previous	2027E Current	Change	2028E Previous	2028E Current	Change
Rec. EBITDA / share	0.31	0.28	-9.2%	0.56	0.62	+10.0%	0.81	0.81	+0.5%
EPS	0.19	0.22	+19.4%	0.46	0.44	-4.5%	0.67	0.61	-8.2%

Source: Virtualware, LKS Next estimates. Adjusted EBITDA excludes own work capitalised.

New earnings estimates

With no new shares issued as part of the transaction, EPS is expected to increase from €0.22 in 2026E to €0.44 in 2027E. The per-share changes in the above figure therefore compare two different sets of assumptions, not the group with and without Virtalis. They should not be read as accretion or dilution from the deal.

Earnings forecast changes: May 2026 estimates (Previous) vs current (€m)

	2026E Previous	2026E Current	Change	2027E Previous	2027E Current	Change	2028E Previous	2028E Current	Change
Revenue	**5.66**	**6.31**	**+11.3%**	**7.08**	**11.08**	**+56.7%**	**8.37**	**12.77**	**+52.5%**
Gross profit	4.98	5.53	+11.1%	6.25	9.62	+54.0%	7.45	11.18	+50.1%
Gross margin	*87.8%*	*87.6%*	*-0.2pp*	*88.3%*	*86.8%*	*-1.5pp*	*88.9%*	*87.5%*	*-1.4pp*
Adjusted EBITDA*	**1.41**	**1.28**	**-9.2%**	**2.54**	**2.80**	**+10.0%**	**3.66**	**3.68**	**+0.5%**
EBITDA margin	*24.9%*	*20.3%*	*-4.6pp*	*36.0%*	*25.3%*	*-10.7pp*	*43.7%*	*28.8%*	*-14.9pp*
Own work capitalised	0.04	0.69	n.m.	0.22	0.26	+18.7%	0.24	0.30	+26.1%
Other results	–	(0.20)	–	–	–	–	–	–	–
Reported EBITDA	1.45	1.77	+22.4%	2.77	3.06	+10.7%	3.90	3.98	+2.1%
D&A	(0.46)	(0.48)	+4.1%	(0.60)	(0.67)	+13.0%	(0.74)	(0.89)	+21.0%
Pre-tax profit	0.89	1.07	+19.6%	2.24	2.13	-4.5%	3.23	2.97	-8.2%
Net income	**0.85**	**1.01**	**+19.4%**	**2.10**	**2.01**	**-4.5%**	**3.04**	**2.79**	**-8.2%**

*Source: Virtualware, LKS Next estimates. *Excluding own work capitalised. Margin changes in percentage points. Other results 2026E: one-off acquisition costs.*

Valuation: Fair value range of €6.5–€6.8 per share

We are updating our fair value range estimates, so it considers the transformational impact of Virtalis transaction and the expected PMI efficiencies under Virtualware's management. The methodology for valuation stands as we continue relying on DCF and complement it with trading multiples analysis.

Discounted Cash-Flow Analysis

Our updated DCF incorporates the acquisition of Virtalis, the revised earnings profile of the enlarged Group and the expected normalisation of working capital over the forecast period. We estimate free cash flow of €4.0m in 2026E, €3.0m in 2027E and €1.8m in 2028E.

We maintain our expectation of strong free cash flow generation. The elevated FCF expected in 2026E is supported by advance customer payments under major contracts, resulting in a temporary working capital benefit. As this effect progressively unwinds, the increasing earnings contribution from Virtalis and the operating leverage of the combined Group become the main drivers of underlying cash generation.

Free cash flow (EUR m)

Free Cash Flow (EUR m)	2026E	2027E	2028E
Adj. EBITDA	1.3	2.8	3.7
Change WC	3.6	1.8	(0.4)
Operating Tax	(0.05)	(0.1)	(0.2)
CAPEX	(0.6)	(1.5)	(1.4)
Extraordinaries	(0.2)	0.0	0.0
Free Cash Flow	**4.0**	**3.0**	**1.8**

Source: LKS Next estimates. FCF excludes the €6.25m paid for Virtalis. Market EV of €28.9m at 28/10/2026.

Sensitivity of the DCF value to WACC and perpetual growth

DCF value per share sensitivity (€)

g \ WACC	Share Price by DCF (EUR) 10.25%	10.75%	11.25%	11.75%	12.25%
1.0%	7.08	6.63	6.23	5.87	5.54
1.5%	7.44	6.95	6.51	6.12	5.76
2.0%	7.85	7.31	**6.82**	6.39	6.01
2.5%	8.30	7.70	7.17	6.70	6.28
3.0%	8.82	8.15	7.56	7.04	6.58

Source: LKS Next estimates.

We apply a WACC of 11.25%, down from 12.9% in our Initiation of Coverage, reflecting a 12.9% cost of equity and a 4.3% after-tax cost of debt. The lower WACC primarily reflects the higher weight of debt in the Group's capital structure following the Virtalis acquisition, with debt carrying a materially lower cost than equity.

Multiple Analysis

The peer-group analysis provides a useful cross-check to our DCF, although comparability remains limited given Virtualware's significantly smaller scale, lower trading liquidity and earlier stage of development relative to the selected listed software companies.

The peer group trades at median 2026E multiples of 8.2x EV/Revenue and 27.2x EV/EBITDA. To reflect Virtualware's smaller scale and higher execution and liquidity risk, we apply a 20% discount to the peer median, resulting in reference multiples of 6.6x EV/Revenue and 21.7x EV/EBITDA. We therefore use the multiples analysis as a valuation cross-check rather than as our primary methodology.

Peer group trading multiples (x) (26LTM)

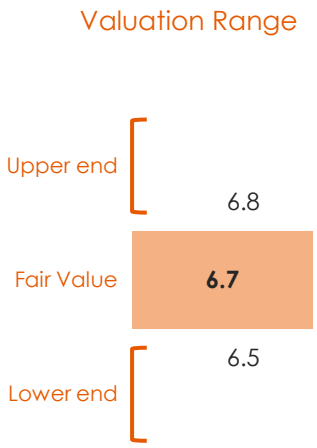
Peer Companies	Country	EV / Revenues	EV / EBITDA
Autodesk	USA	6.4x	22.0x
Bentley Systems	USA	8.2x	28.4x
PTC	USA	7.6x	13.0x
Palantir	USA	76.1x	165.4x
Cadence Design Systems	USA	15.6x	41.6x
Synopsys	USA	10.6x	27.2x
Nemetschek	Germany	7.0x	21.3x
	Maximum	76.1x	165.4x
	Minimum	6.4x	13.0x
	Median	**8.2x**	**27.2x**
	Discount (–20%)	**6.6x**	**21.7x**

Source: Yahoo Finance, MarketScreener, LKS Next. Peer multiples for the last financial year.

Valuation

We are updating our fair value range for Virtualware from €5.9–€6.5 to **€6.5–€6.8 per share**. This adjustment implies a c.24% to 30% upside to the company's current market price, which we consider appropriate given the latest news and the potential growth for the upcoming years.

Valuation Range



The upper end of our valuation range is supported by the DCF, reflecting the earnings contribution from Virtalis and the expected operating leverage of the enlarged Group.

The lower end is based on adjusted peer multiples, using an equal 50/50 weighting of EV/Revenue and EV/EBITDA. This combination balances the relevance of revenue-based valuation for software companies with still-developing margins against an earnings-based measure that captures the Group's expected profitability. We consider this approach particularly appropriate for Virtualware at its current stage of margin progression, providing a more balanced market benchmark after applying the previously described 20% discount.

Historical Fair Value Assesment

Our research is based on a fair value assessment rather than an investment recommendation framework. We therefore do not assign Buy, Hold or Sell ratings or make assumptions regarding the expected performance of the shares over a specific investment horizon.

Date	Lower End €/share	Fair Value €/share	Upper End €/share
20/05/2026	5.9	6.3	6.5
03/11/2026	6.5	6.7	6.8

Fair value reflects our assessment of the company's fundamental value based on the valuation methodologies, financial forecasts and assumptions described in this report. It should not be interpreted as a target price or investment recommendation.

Our fair value assessment may be reviewed following financial results, material changes to our estimates, corporate transactions or other developments that could materially affect the company's fundamental valuation.

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