

Virtualware

Manchester Calling

ALVIR Euronext Growth Paris Information Technology

RATING
BUYTARGET PRICE
€8.00LEAD ANALYST
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Virtualware completed the acquisition of Virtalis Holdings Limited on 28 September 2026. This is its second acquisition, after Simumatik in October 2024, and its largest. It paid €4.95m cash and assumed €1.3m of debt, with enterprise value of €6.25m, or 1.58× Virtalis's FY26 revenue and 7.2× its adjusted EBITDA. The post acquisition group now lifts its pro forma 2026 revenue to €10.3m against €6.3m standalone. The UK now becomes its largest single market. Our estimated full year 2026 earnings fall, because only three months of Virtalis earnings consolidate which is less than the €337k of transaction costs. 2026E EPS goes from €0.16 to €0.09. From 2027 the deal is earnings accretive by around 14%. Our target price remains unchanged at €8.00, we reiterate BUY.

Largest Acquisition to date

Virtalis is virtual reality and real-time 3D visualisation software business, founded in 2003 and headquartered at Sale in Cheshire (just on the outskirts of Manchester) . It builds software that turns large engineering datasets — CAD assemblies, plant models, ship and aircraft structures — into immersive environments that engineers can walk through, review and train in. Its flagship product is Visionary Render. This is Virtualware's second acquisition, after Simumatik in October 2024, and its largest. It paid €4.95m cash and assumed €1.3m of debt, an enterprise value of €6.25m,

Unusually well connected

What Virtualware has bought is small, profitable and extremely well-connected. 19 people near Manchester generate almost €4 million of revenue and €1.38 million of reported EBITDA, serving a customer list that includes BAE Systems, Lockheed Martin, Thales, Blue Origin, Lam Research, Seaspan, Subsea 7, Vestas and Ford. That is an impressive customer list for such a small company.

Strong similarities

Both Virtualware and Virtalis sell enterprise software that renders complex industrial data in real time, both are hardware-agnostic, and neither competes on headsets. What differs is the customer base. Virtualware's anchor verticals are nuclear and energy through its long partnership with GE Vernova Hitachi, Spanish public education through the €5.7m vocational-training contract, rail through ADIF, and healthcare through Osakidetza. Virtalis sits in aerospace and defence primes, space, semiconductor capital equipment, marine and offshore, and wind. The overlap is close to nil. Virtualware has spent two years building toward defense and Virtalis arrives with BAE, Lockheed and Thales as existing customers.

Not immediately earnings accretive but the deal is value accretive

Due to the transaction costs, there is a 46% dilution in 2026, but from 2027 it is 14% accretive on a like-for-like basis.

Virtalis contributes €1.38m of reported EBITDA; purchase-price amortization of €0.61m a year and incremental interest of €0.18m a year take back more than half of it before tax. It is value accretive – Virtualware bought revenue more cheaply than its own is valued.

FINANCIALS

YEAR TO 31 DEC	25A	26EERP	27EERP	28EERP	29EERP
Revenue (€m)	4.32	7.29	11.52	12.49	13.46
EBITDA (€m)	0.67	1.31	3.35	3.92	4.47
EBITDA margin	15.6%	18.0%	29.1%	31.4%	33.2%
Net profit (€m)	(0.26)	0.40	1.44	1.71	2.12
EPS (€)	(0.06)	0.09	0.32	0.38	0.47
P/E (@ €5.25)	n.m.	60.2	16.6	13.9	11.3
Net debt / (net cash) (€m)	2.70	4.89	4.21	3.21	1.76

Source: EERP. Consolidated group; Virtalis consolidates for three months of 2026E and in full from 2027E. 2026E carries €337k of transaction costs.

What is Virtualis?

Virtualis is a virtual reality and real-time 3D visualization software business, founded in 2003 and headquartered at Sale in Cheshire. It builds software that turns large engineering datasets such as plant models, ship and aircraft structures into immersive environments that engineers can walk through, review and train in. Its flagship product is Visionary Render. The business was owned by the Alpina Technology Fund I and its co-investment vehicle alongside AMS GB 1. This transaction appears to be a private-equity exit; the founders, Barrie and Andrew Hill, returned to the board in February 2023 and ran the business through a restructuring that produced the current cost base.

Impressive client book

What Virtualware has bought looks to be a small, profitable and well-connected business. 19 people in Manchester generate €3.97m of revenue and €1.38m of reported EBITDA, serving a customer list that includes BAE Systems, Lockheed Martin, Thales, Blue Origin, Lam Research, Seaspan, Subsea 7, Vestas and Ford.

FIGURE 1

Virtualis at a glance

FOUNDED / HEADQUARTERS		2003 · SALE, MANCHESTER
Employees		19
Financial year end		30 June
FY26 revenue		€3.97m
FY26 gross margin		88.9% (company definition)
FY26 reported EBITDA		€1.38m — 34.9% margin
FY26 adjusted EBITDA		€0.87m — 21.9% margin, after €0.51m of capitalised development
Vendors		Alpina Technology Fund I, ATF I Co-Invest, AMS GB 1
Named customers		BAE Systems, Lockheed Martin, Thales, Blue Origin, Lam Research, Seaspan, Subsea 7, Vestas, Ford

Source: Virtualware announcements, EERP.

How it fits with Virtualware

The two businesses occupy similar positions in the industry segment. Both sell enterprise software that renders complex industrial data in real time, both are hardware-agnostic, and neither competes on headsets. The key differences are in the customer base.

Virtualware's key verticals are nuclear and energy through its partnership with GE Vernova Hitachi, public education through the €5.7m vocational-training contract with the Spanish government, rail through ADIF, and healthcare through Osakidetza. Virtualis sits in aerospace and defense, space, semiconductor capital equipment, marine and offshore, and wind. Virtualware has spent two years building toward defense and Virtualis brings BAE, Lockheed and Thales as customers.

UK now becomes the
largest single market

The UK now becomes the largest single market at almost 38% of pro forma revenue, and revenue generated outside Spain rises from 54% to 78%. For a company whose stated ambition is 50–60% of revenue from North America, a second English-speaking base with defense references is a more plausible route than Bilbao alone.

What they paid

The headline in the August announcement was €5m, but that was just the equity component. The 16th October disclosure confirms that the €4.95m cash was equity consideration and that €1.3m of debt stays inside Virtualis, so the enterprise value is €6.25m. There is also an earnout: a percentage of Virtualis's EBITDA in 2026 and 2027, payable only above undisclosed minimum levels and reduced by €1m of the assumed debt. The percentage, the thresholds, any cap and whether any part is conditional on continued employment have not been disclosed, so we carry an estimated fair value of €0.6m and treat the rest as an open item.

7.2 x adjusted EBITDA

The distinction between reported and adjusted EBITDA matters more here than usual. Virtualis's €1.38m of reported EBITDA includes €0.51m of development spend capitalised rather than expensed. On the adjusted figure of €0.87m — which is management's own reconciliation, not ours — the entry multiple is 7.2x, not the 4.5x the reported number implies. That is a fair price for a defence-exposed software asset rather than the bargain the August press release suggested.

FIGURE 2

Consideration and entry multiples

CASH PAID ON COMPLETION	€4.95M
Debt assumed within Virtualis	€1.30m
Enterprise value	€6.25m
Contingent consideration — EERP estimate	€0.60m
Transaction costs expensed in 2026	€0.34m
EV / FY26 revenue	1.58x
EV / FY26 reported EBITDA	4.5x
EV / FY26 adjusted EBITDA	7.2x

Source: Virtualware regulated announcement 16 October 2026; EERP. Enterprise value excludes the earnout, which is absorbed by the €1m debt offset up to that level and raises EV one-for-one above

Funding for the deal came through a €3.6m five-year amortising facility at EURIBOR plus 1.0–1.5%, with the balance from existing cash. The syndicate is worth noting: alongside BBVA sit the Instituto Vasco de Finanzas, Cofides and Elkargi — two public financing bodies and a mutual guarantee society. Investors should note that the debt is in euros against a sterling-earning asset. The mismatch is unhedged.

The table below shows calendar 2026 as if Virtualis had been owned for the full year. It is not what will be reported — only three months consolidate — but it is the run-rate the market will capitalise.

FIGURE 3

Pro forma profit and loss, calendar 2026 (€m)

€M	VIRTUALWARE	VIRTALIS 12M	ADJUSTMENTS	PRO FORMA
Revenue	6.30	3.97	–	10.27
Reported EBITDA	1.30	1.38	–	2.68
less capitalised development	(0.67)	(0.51)	–	(1.18)
Adjusted EBITDA	0.63	0.87	–	1.50
D&A	(0.43)	(0.40)	(0.61)	(1.44)
EBIT	0.87	0.98	(0.61)	1.24
Net financial income/(expense)	(0.06)	–	(0.18)	(0.24)
Profit before tax	0.81	0.98	(0.79)	1.01
Tax	(0.08)	(0.25)	0.07	(0.26)
Net profit	0.73	0.73	(0.72)	0.75
EPS (€)	0.161			0.164

Source: EERP. Adjustments are a full year of purchase-price amortisation (€0.61m on a Spanish GAAP basis, including goodwill), a full year of incremental interest, and the deferred tax unwind on the intangible uplift. Transaction costs are excluded as non-recurring. Purchase-price allocation is preliminary.

Changes to our estimates

Two things have changed. Virtualware raised FY26 guidance in its October Equity Story (published 19th Oct) to revenue above €6.3m, from €5.7–6.0m, and we have moved our standalone forecast up to €6.30m from €6.15m. On EBITDA the company guides lower than we had modelled, and we have cut our standalone estimate to €1.30m from €1.37m.

As part of closing the deal management have raised their guidance

Separately, Virtualis consolidates for three months. Of the €1.14m increase in 2026E group revenue, €0.15m is the guidance upgrade and €0.99m is the acquisition. On EBITDA the two almost cancel: the guidance reset takes €0.07m out, while Virtualis's €0.35m quarter is offset by €0.34m of transaction costs

FIGURE 4

EERP estimate revisions (€m unless stated)

	2026E OLD	2026E NEW	CHG	2027E OLD	2027E NEW	CHG
Revenue	6.15	7.29	+18.5%	7.18	11.52	+60.5%
EBITDA	1.37	1.31	−4.4%	1.96	3.35	+70.9%
EBITDA margin	22.3%	18.0%	−4.3pp	27.3%	29.1%	+1.8pp
Net profit	0.80	0.40	−50.5%	1.32	1.44	+9.4%
EPS (€)	0.176	0.087	−50.5%	0.290	0.317	+9.4%
Net (cash) / debt	(2.50)	4.89	n.m.	(3.71)	4.21	n.m.

Source: EERP. Old figures as published by EERP 30 July 2026

Is the deal earnings accretive? – Due to the transaction costs there is 46% dilution in 2026, but from 2027, it is accretive on a like-for-like basis.

The 2027 accretion is 14%. Virtualis contributes €1.38m of reported EBITDA; purchase-price amortization of €0.61m a year and incremental interest of €0.18m a year take back more than half of it before tax. Buy a business on 7.2× adjusted EBITDA, fund it with debt, and write off the intangibles over seven to ten years, and the earnings arithmetic is self explanatory

FIGURE 5

EPS accretion (€)

	2026E	2027E	2028E	2029E
Virtualware standalone	0.161	0.277	0.328	0.404
Consolidated group	0.087	0.317	0.377	0.466
Accretion / (dilution)	(46%)	+14%	+15%	+15%

Source: EERP

Is the deal value accretive? - Yes — and by more than the earnings arithmetic suggests, because Virtualware bought revenue more cheaply than its own is valued at.

FIGURE 6

What the acquired revenue is worth at different multiples

MULTIPLE APPLIED TO VIRTALIS FY26 REVENUE OF €3.97M	IMPLIED EV	VS €6.25M PAID	VALUE PER SHARE
Price paid — 1.58x	€6.25m	—	—
Virtualware's own market multiple — 2.83x	€11.2m	+€5.0m	+€1.09
EERP target multiple after discount — 5.6x	€22.2m	+€16.0m	+€3.51
EERP headline multiple — 7.0x	€27.8m	+€21.5m	+€4.74

Source: EERP

Valuation

Our methodology is unchanged: an EV/revenue multiple of 7.0×, drawn from the listed comparators PTC/Vuforia at roughly 7× and Unity Industry at roughly 6×, applied to forward revenue, less a 20% discount for liquidity and micro-cap execution risk.

FIGURE 7

Update to our target price

1	Updated 2026E post acquisition consolidated revenue (€m)	7.29
2	EV/revenue multiple	7.0×
3	Implied enterprise value (€m)	51.03
4	Less net debt (€m)	(4.89)
5	Less additional contingent consideration (€m)	(0.60)
6	Implied equity value (€m)	45.55
7	Shares in issue (m)	4.542
8	Undiscounted value per share (€)	10.03
9	Low share liquidity discount	20%
10	Target price (€)	8.02
11	Target price, rounded (€)	8.00

Source: EERP

The acquisition adds €1.0m to 2026E revenue - one quarter of Virtualis, which at 7.0× is worth €6.9m of enterprise value, or €1.22 per share after the discount. Against that, the net financial position swings by €7.3m and a €0.6m contingent consideration liability appears, together worth €1.39 per share. The deal is therefore slightly negative for our target price on a 2026 basis, not because it destroys value but because our target price is anchored on 2026E revenue, which contains only one quarter of Virtualis, while the full cost of acquiring it sits on the balance sheet today.

Applying the same methodology to 2027E consolidated revenue of €11.52m gives a target price of €13.25. We have not rolled the base year, because doing so mid-year would be a methodology change dressed up as an estimate change, and because a 67% increase in target price driven purely by the choice of denominator would not be credible. But by the time of the FY26 results the 2026 base will be historic, and the roll will have to happen. Investors should understand that the mechanical consequence of our published method is a materially higher target price once 2027 becomes the forward year.

Research signature

LEAD ANALYST

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Prices, review and dissemination. All prices used in this report are closing prices on Euronext Growth Paris. The reference price for Virtualware is €5.25 as at the close on 16 October 2026. Production was completed on 22 October 2026 at 12:44 CET and disseminated shortly thereafter. A draft of this report was made available to the issuer on 18 October 2026 for verification of factual accuracy only. The estimates were subsequently updated to reflect the revenue guidance published by the issuer on 19 October 2026. No changes were made to the conclusions, the recommendation or the target price as a result of the issuer's review.

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