

V A E R G

DUE DILIGENCE

Qualisys Holding Aktiebolag (publ)

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How to read this report

VAERG Due Diligence is an IC-grade commercial stress test. It assesses pricing power, margin structure, and revenue durability to identify what can be underwritten, what cannot be verified, and where the case breaks under pressure.

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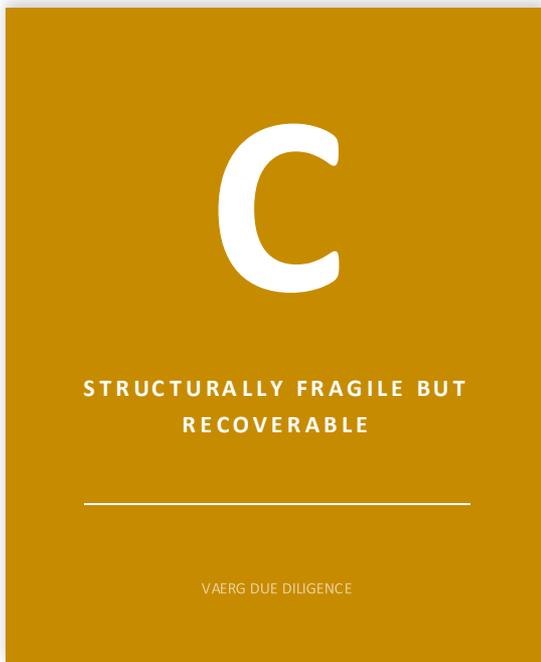
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Executive commercial framing



UNDERWRITING SCALE

- A Structurally robust
- B Underwriteable with defined conditions
- C Structurally fragile but recoverable**
- D High structural risk
- E Not underwriteable

The underwriting grade is based solely on data disclosed in the Information Memorandum. The grade may change as additional data becomes available through due diligence.

Executive commercial framing

RATIONALE

- Revenue growth decelerated from 30.5% (2022) to 6.8% (2023) to 2.0% (2024); growth thesis unsupported by trajectory.
- Engineering segment revenue declined ~30% and Entertainment declined ~73% in 2024, the two segments positioned as future growth drivers.
- Only ~540 of 3,000+ cumulative customers active in 2024, implying ~18% reactivation rate consistent with lumpy capex sales model.
- No quantified recurring revenue, no GRR/NRR, no NPS/CSAT disclosed; retention claim of ~65% recurring customers is qualitative and definitionally ambiguous.
- EBITDA margin compressed from 28.7% (2022) to 23.9% (2024) without disclosed explanation of whether compression is structural or investment-related.

Grade C reflects a profitable core business in Life Sciences with a defensible gross margin, but structural fragility in the growth thesis, revenue predictability, and margin trajectory that cannot be resolved without confirmatory data on retention, contract terms, and segment-level economics.

Executive commercial framing

WORKS IF

Life Sciences segment is confirmed to have multi-year contract visibility, quantified recurring service/license revenue exceeds 15% of total, and customer retention is verified at cohort level rather than through qualitative claims.

BREAKS IF

Revenue model is confirmed as predominantly one-time project sales with no contractual recurring component, meaning the 2.0% growth rate reflects a saturating core market with no structural floor against decline.

Verdict components

UNDERWRITEABLE FLOOR

Life Sciences segment generating 71.7% of SEK 254m revenue (FY2024) with a claimed market-leading position supported by medical device certifications (MDR Class I, MDD Class Im); gross margin of 69.2% confirmed across multiple sources

PRIMARY BREAK CONDITION

The project-based, capex-dependent revenue model produces inherently lumpy and unpredictable revenue; if Life Sciences demand stalls or a competitor replicates the technology (no patent protection), the 2.0% growth rate becomes negative with no contractual floor

CANNOT UNDERWRITE WITHOUT

- GRR/NRR and quantified customer churn rates (only qualitative claim of ~65% recurring customers)
- Contract terms, termination rights, and renewal dates for top 10 customers
- Historical realized price and discount dispersion by customer or segment

IC ACTION REQUIRED

Data gate required: recurring revenue quantification (hardware vs. software vs. services split), contract terms for top 10 customers, and segment-level margin data must be disclosed before any base case can be constructed

Structural facts

Revenue	SEK 254.2m (FY2024), growth of 2.0% vs prior year
EBITDA	SEK 60.6m, margin 23.9% (FY2024); gross margin 69.2%
Top 5 customers	31% of revenue, Top 10 = 44% (FY2024)
Life Sciences	71.7% of revenue; Engineering declined ~30% and Entertainment declined ~73% in FY2024
Order intake	SEK 298.5m (FY2024) vs SEK 214.5m (FY2023), implying book-to-bill of ~1.17x

Value positioning: Niche market leadership play with margin expansion potential contingent on recurring revenue build-out and segment recovery; not a growth story at current trajectory

Key risk: Revenue model is structurally project-based and capex-dependent with no verified contractual recurring component; combined with sharp declines in the two segments positioned as growth drivers (Engineering and Entertainment), the business has no demonstrated mechanism to sustain or accelerate growth beyond the maturing Life Sciences core

Reality gap

CLAIM IN IM	VAERG UNDERWRITING STATUS
<p>Well-diversified base of recurring customers (>540 customers)</p>	<p>Not consistent with disclosed data: business model described as 'primarily one-off revenues through project sales'; only ~540 of 3,000+ cumulative customers active, implying ~18% activity rate. 'Recurring customers' appears to mean repeat purchasers, not contractually recurring revenue.</p>
<p>Market-leading player with high entry barriers</p>	<p>Qualitative only. No third-party market share data provided. No patents held; IP relies on trade secrets and reverse-engineering complexity. Medical device certifications (MDR Class I) provide partial regulatory barrier in Life Sciences only.</p>
<p>Greatest growth potential in Engineering and Entertainment segments</p>	<p>Not consistent with disclosed data: Engineering revenue declined ~30% (SEK 97m to SEK 68m) and Entertainment declined ~73% (SEK 15m to SEK 4m) in FY2024.</p>
<p>Strong customer relationships built over 35 years</p>	<p>Qualitative only. No NPS, CSAT, or quantified retention metrics disclosed. ~65% recurring customer claim is unverified and definitionally ambiguous.</p>
<p>No single customer exceeds 8% of net sales</p>	<p>Quantified (IM-level): Top 1 = ~7%, Top 5 = 31%, Top 10 = 44% (FY2024). However, in 2022 the largest customer was a related party at 23% of revenue; the reduction to 7% is unexplained and may reflect corporate restructuring rather than organic diversification.</p>

Reality gap (cont.)

CLAIM IN IM	VAERG UNDERWRITING STATUS
Historically profitable and organically growing	Partially quantified. Profitability confirmed (EBITDA margin 23.9% FY2024), but growth has decelerated from 30.5% (2022) to 2.0% (2024). EBITDA margin has compressed from 28.7% to 23.9% over the same period.

Underwriting data status

METRIC	STATUS
Customer concentration	Quantified
Customer retention	Qualitative only
Revenue mix	Quantified
Pricing model	Qualitative only
Contract terms	Not disclosed
Churn data	Qualitative only
NRR / GRR	Not disclosed
Margin (aggregate)	Quantified
Margin (by segment)	Not disclosed
NPS data	Not disclosed
Management stability	Disclosed

IC implications

UNDERWRITEABLE

- Revenue of SEK 254.2m (FY2024), confirmed across multiple audited sources.
- Gross margin of 69.2% (FY2024), confirmed across multiple audited sources.
- EBITDA of SEK 60.6m at 23.9% margin (FY2024), with EBIT adjustments of SEK 4.1m (IPO-related, one-off) representing 8.0% of reported EBIT, below materiality threshold.
- Customer concentration: Top 1 at 7%, Top 5 at 31%, Top 10 at 44% (FY2024). Based on reported revenue concentration. Contract renewal timing, ACV dispersion, and customer-level economics not verified at this stage.
- Segment mix: Life Sciences 71.7%, Engineering 26.8%, Entertainment 1.6% (FY2024).
- Order intake of SEK 298.5m (FY2024) vs revenue of SEK 254.2m, implying book-to-bill above 1.0x.

NON-UNDERWRITEABLE

- Customer retention and durability: the IM states ~65% of the 2024 customer base were 'recurring customers,' but no GRR, NRR, or churn rate is disclosed. The gap between ~540 active customers and 3,000+ cumulative customers suggests only ~18% of historical customers are active, consistent with low repeat purchase frequency.
- Pricing power: no discounting data, no contract pricing terms, no evidence of price increases or indexation mechanisms are disclosed. Price integrity is unverifiable.
- Contract protection: no termination rights, notice periods, or renewal terms are disclosed for any customer. Revenue durability cannot be assessed at the contract level.
- Revenue model split (hardware vs. software vs. services): not quantified in any disclosed document. The IM's aspiration to grow recurring license revenue cannot be assessed without a baseline.
- Engineering and Entertainment growth thesis: Engineering revenue declined ~30% and Entertainment ~73% in FY2024. Any base case incorporating growth from these segments relies on a reversal with no disclosed evidence of pipeline, contract wins, or structural demand shift.
- Customer-level profitability: no margin data by customer or customer tier is disclosed. Whether top customers are margin-accretive or dilutive is unknown.

Evidence required for underwriting

I

Provide the revenue split between one-time system sales and recurring revenue (service contracts, software licenses, accessories) for each of FY2022, FY2023, and FY2024.

II

Provide gross margin and EBIT margin by segment (Life Sciences, Engineering, Entertainment) for FY2023 and FY2024.

III

Provide contract terms for the top 10 customers by revenue: contract type, duration, termination-for-convenience rights, notice periods, and renewal dates.

IV

Provide customer-level revenue for the top 20 customers for FY2022, FY2023, and FY2024, including customer names, to enable cohort analysis and outside-in verification.

V

Clarify the definition of 'recurring customers' (~65% of the base in 2024): does this mean customers who purchased in a prior year and purchased again, or customers on active service/license contracts? Provide the underlying data.

VI

Provide the historical relationship with Vätterledens Handel och Industri AB group entities as customers: revenue by year (FY2020-FY2024), contract terms, and whether transactions were at arm's-length pricing. The 2022 annual report discloses 23% of revenue from related parties.

Evidence required (cont.)

VII

Provide order backlog as of FY2024 year-end by segment, average order-to-revenue conversion timeline, and historical cancellation rate.

IX

Clarify CFO transition: timing and rationale for the 2023 appointment, and whether the prior CFO's departure was related to financial reporting, strategic disagreements, or other factors.

VIII

Provide any available customer satisfaction data (NPS, CSAT, win/loss analysis, or equivalent) for the past three years.

Conditional items & valuation

CONDITIONALLY UNDERWRITEABLE

Medical device certifications (MDR Class I, MDD Class Im) and ISO 9001:2015 as structural barriers to entry in Life Sciences, disclosed in annual reports but not highlighted in the IM.

Service/support contracts of 1-3 years with advance invoicing, disclosed in annual reports, as a source of partial revenue visibility.

Life Sciences segment as a defensible core, conditional on verifying that the 71.7% segment share carries margins at or above the blended level.

Order backlog conversion: the elevated book-to-bill ratio supports near-term revenue visibility, conditional on verifying order cancellation terms and historical conversion rates.

VALUATION IMPLICATIONS

Any base case anchored to the IM's growth narrative incorporates unverifiable assumptions about Engineering and Entertainment recovery, recurring revenue growth, and customer retention, none of which are supported by disclosed data. The observable base is a SEK 254.2m revenue, 23.9% EBITDA margin business with 2.0% growth, sharp deceleration from 30.5% two years prior, and a project-based model where revenue predictability is structurally limited. The gap between the ~540 active customers and 3,000+ cumulative base, combined with the absence of retention metrics and contract terms, means that revenue durability assumptions carry material unquantified risk that cannot be resolved without confirmatory due diligence.

Risk heat map

RISK	CATEGORY	SEV.	OBS.	UW STATUS
Project-based revenue volatility	Retention	4	4	Conditional
Unverifiable retention claims	Data integrity	4	2	No
No IP protection moat	Pricing integrity	4	4	Conditional
Segment mix margin erosion	Margin quality	3	4	Conditional
Segment revenue collapse	Concentration	4	5	No
Recurring revenue opacity	Data integrity	4	2	No
Low active customer ratio	Retention	3	4	Conditional

Commercial risk map

1. Segment revenue collapse

Engineering revenue declined approximately 30% (from SEK 97m to SEK 68m) and Entertainment revenue declined approximately 73% (from SEK 15m to SEK 4m) in FY2024, while the IM positions these segments as the company's primary growth vectors.

The business is 71.7% dependent on its core biomedical segment. The two segments presented as diversification and growth engines have contracted sharply in the most recent reporting period. If the core segment matures or decelerates (consistent with the broader revenue growth deceleration from 30.5% to 6.8% to 2.0% over 2022-2024), there is no offsetting growth engine with demonstrated traction. The company's forward growth thesis rests on segments where recent execution has failed.

Consequence: Revenue trajectory diverges materially from any growth-oriented business plan. Engineering and Entertainment contributed SEK 72m in FY2024 versus SEK 112m in FY2023, a SEK 40m contraction. If these segments do not recover, the company is a single-segment business with 2% blended growth and no demonstrated path to acceleration.

2. Project-based revenue volatility

The IM explicitly states the business model consists of 'primarily one-off revenues through project sales' with revenue and profit fluctuating 'significantly from quarter to quarter.' The company simultaneously claims a 'well-diversified base of recurring customers,' creating a definitional conflict.

Capital equipment purchases are discretionary and tied to customer budget cycles, grant funding (in academic and research settings), and project timelines. Each sale requires a new purchase decision rather than an automatic renewal. Revenue visibility is limited to the current order book (SEK 298.5m intake in FY2024), and conversion timing is uncertain. The IM's use of 'recurring customers' conflates repeat purchasers with contractually recurring revenue, overstating predictability.

Consequence: Revenue forecasting carries inherently higher uncertainty than a subscription or contractually recurring model. The quarterly lumpiness disclosed in the IM means any annualised run-rate assumption may misrepresent the underlying trajectory. A single quarter of delayed orders could compress reported growth materially, as the 2% FY2024 growth rate already suggests limited momentum.

Commercial risk map (cont.)

3. Unverifiable retention and satisfaction claims

The IM claims approximately 65% of the customer base in FY2024 were 'recurring customers' but provides no quantified retention metrics (GRR, NRR, logo churn). No customer satisfaction data (NPS, CSAT) is disclosed despite claims of strong relationships built over 35 years. Contract terms, renewal rates, and termination provisions are absent from materials.

Without quantified retention or satisfaction metrics, the quality of the customer relationship cannot be assessed. The 65% 'recurring' figure is undefined: it could mean customers who purchased more than once over the company's lifetime, customers active in consecutive years, or customers with service contracts. The cross-reference between the IM's >540 active customers and the annual report's 3,000+ cumulative customers suggests only approximately 18% of historical customers are currently active, which is inconsistent with a high-retention narrative.

Consequence: Any base case assumption anchored to customer loyalty or repeat purchase behaviour incorporates an unverified claim. If the true repeat purchase rate is low (consistent with the 18% active ratio), customer acquisition cost becomes a critical variable that is also undisclosed. Revenue durability cannot be underwritten at this stage.

4. No patent protection for core technology

The company holds no patents for its motion capture technology. IP protection relies entirely on trade secrets and the asserted complexity of reverse-engineering the system.

Without patent protection, the competitive moat depends on tacit knowledge, engineering complexity, and brand reputation rather than legal exclusivity. A well-resourced competitor, particularly one with lower cost structures, could replicate the technology without legal impediment. The company's medical device certifications (MDR Class I, MDD Class Im, ISO 9001:2015) provide a partial regulatory barrier in the biomedical segment, but these certifications are obtainable by competitors willing to invest in compliance. In Engineering and Entertainment, where regulatory barriers are absent, the lack of IP protection is more acute.

Consequence: Pricing authority is structurally weaker than it would be with patent protection. If a competitor enters with comparable technology at lower price points, the company's 69.2% gross margin becomes vulnerable to compression. The risk is amplified in the non-regulated segments where the company is already losing ground (the disclosed declines in Engineering and Entertainment). The moat is behavioural and reputational rather than structural, which is harder to underwrite.

Commercial risk map (cont.)

5. Recurring revenue opacity

Neither the IM nor the annual reports quantify the split between one-time system sales and recurring service/license revenue. The IM states the company aims to 'increase recurring license revenue,' and supplementary documents confirm 1-3 year service contracts exist, but no percentage or absolute figure is provided for the recurring component.

Revenue quality assessment requires understanding the proportion of contractually recurring income versus project-dependent sales. The IM's framing implies a meaningful recurring base without disclosing its size. If recurring revenue is a small fraction (consistent with the 'primarily one-off revenues' disclosure), the business has materially lower revenue visibility and predictability than a mixed hardware-software model would typically suggest. The absence of this breakdown prevents accurate assessment of revenue durability, customer lifetime value, and margin composition.

Consequence: Any valuation multiple applied to this business implicitly assumes a revenue quality level that cannot be verified. A business with 10% recurring revenue commands a different multiple than one with 30%. The gap between these scenarios is material to enterprise value, and the data to resolve it is absent from disclosed materials.

6. Margin compression trajectory

EBITDA margin has declined from 26.4% in FY2022 to 24.1% in FY2023 to 23.9% in FY2024, a cumulative compression of 2.5 percentage points from peak. This occurred despite investments in CRM/ERP and US expansion being described as largely completed by 2024. Segment-level margins are not disclosed.

The margin decline coincides with a revenue growth deceleration (30.5% to 6.8% to 2.0%), suggesting the 2022 peak was driven by operating leverage on strong revenue growth rather than structural margin improvement. As growth has stalled, the fixed cost base (including the expanded US presence and new systems) is no longer being leveraged. Without segment-level profitability data, it is not possible to determine whether the margin-accretive biomedical segment is subsidising losses in Engineering and Entertainment, or whether the compression is broad-based.

Consequence: If revenue growth remains at low single digits, the current 23.9% EBITDA margin may represent a ceiling rather than a floor. Further investment in the underperforming growth segments would compress margins without offsetting revenue gains. The absence of segment margins means the true profitability of the core business is unknown; it could be materially higher than 23.9%, masked by losses in declining segments.

Commercial risk map (cont.)

7. Low active customer ratio

The IM cites >540 customers while the annual report references 3,000+ cumulative customers. Cross-referencing these figures implies only approximately 18% of historical customers are currently active. Additionally, the historical top customer in FY2022 was a related party within the Vätterledens group, representing 23% of revenue, a concentration the IM does not disclose.

A low active-to-cumulative ratio is consistent with a capital equipment business where customers purchase infrequently (every 5-10 years as systems age or research programmes change). This means the company must continuously acquire new customers or reactivate dormant ones to maintain revenue. The cost of customer acquisition in specialised research and industrial markets is typically high, involving technical demonstrations, competitive evaluations, and long sales cycles. The historical related-party concentration raises additional questions about whether the apparent diversification by FY2024 reflects genuine commercial broadening or corporate restructuring within the Vätterledens group.

Consequence: Revenue sustainability depends more heavily on new customer acquisition than the IM's 'loyal, recurring customer base' framing suggests. If acquisition rates slow (consistent with the growth deceleration trend), revenue contracts. The related-party history means the current concentration profile may not reflect arm's-length commercial dynamics, and the transition from 23% single-customer dependency to 7% requires explanation.

Risk analysis (cont.)

HIGHEST PRIORITY RISK

Segment revenue collapse in Engineering and Entertainment. This is the only risk that is both high-severity and already confirmed in current-period data (observability = 5). It directly undermines the IM's core growth thesis and, combined with the 2% blended growth rate, raises the question of whether the company is a single-segment, low-growth business rather than a multi-segment growth platform. All forward revenue assumptions must be stress-tested against this disclosed reality.

DATA GAP RISKS

- No quantified customer retention or churn metrics (GRR, NRR, logo churn) despite qualitative claims of approximately 65% recurring customers
- No revenue split between one-time system sales and recurring service/license revenue
- No segment-level profitability (gross margin or EBITDA margin by segment)
- No discount levels, pricing architecture detail, or contract terms for top customers
- No customer satisfaction metrics (NPS/CSAT) despite claims of strong relationships
- No customer names disclosed for top 10 accounts

IC WARNING: IC cannot assess: (1) revenue durability, because no quantified retention, churn, or contract renewal data exists; (2) revenue quality, because the recurring versus one-time revenue split is undisclosed; (3) segment-level economics, because no margin data exists below the consolidated level; (4) pricing integrity, because discount practices, competitive pricing benchmarks, and contract terms are absent; (5) customer base health, because no satisfaction metrics, cohort data, or customer-level profitability is provided. The combination of a project-based capex model with these data gaps means the commercial resilience of this business cannot be independently verified from disclosed materials. The IM's qualitative claims of diversification, loyalty, and growth potential are not supported by the quantitative evidence available.

Revenue & customer structure

RECURRING REVENUE

Qualitative only

TOP 5 CONCENTRATION

31%

CONCENTRATION RISK

Low

RECURRING REVENUE

Qualitative only (no metrics). The IM states the business model consists of 'primarily one-time revenues through project sales' and notes a strategic aim to 'increase recurring license revenue.' Supplementary documents confirm the existence of 1-3 year service/support contracts invoiced in advance. However, neither the IM nor the annual reports quantify the split between system sales and contractually repeating income. The ~65% 'recurring customers' figure refers to customers who have purchased before, not to contractually committed revenue streams. This distinction is critical: repeat purchasing in a capex cycle is not the same as subscription income.

TOP 5 CONCENTRATION

The disclosed concentration profile is favourable relative to many PE-backed technology businesses. The structural concern is not the current snapshot but its stability: in a project-based capex model, a single large order can move the top-customer share by several percentage points in either direction. The absence of multi-year concentration trend data (only FY2024 is charted) prevents assessment of whether the current distribution is typical or anomalous. The FY2022 related-party concentration of 23%, undisclosed in the IM, suggests the distribution has shifted materially in a short period.

CONCENTRATION RISK

LOW to MODERATE. Top 5 at 31% and Top 10 at 44% represent a genuinely distributed revenue base by most standards. However, the risk assessment is complicated by three factors: (1) the anonymised customer data prevents outside-in verification of account quality; (2) the historical 23% related-party concentration raises questions about the durability of the current distribution; and (3) the project-based model means concentration can shift materially year-to-year as large system orders land or do not recur. Based on reported revenue concentration, contract renewal timing, ACV dispersion, and customer-level economics not verified at this stage.

Segment & geographic breakdown

SEGMENT BREAKDOWN

Life Sciences

Engineering

Entertainment

GEOGRAPHIC BREAKDOWN

Americas

EMEA

APAC

currency exposure

Supplementary documents disclose that 55% of revenue is denominated in USD, with only approximately 36% of this exposure hedged. This creates material translation and transaction risk. A 10% USD depreciation against SEK would affect approximately SEK 14m of unhedged revenue (calculated: 55% x 254.2m x

geographic trend

Not disclosed at a multi-year level in the concentration data. Geographic trend data would be required to assess whether the Americas expansion investment is yielding share gains.

Revenue bridge & exposure surfaces

REVENUE BRIDGE (FY2021 TO FY2024 (3 YEARS))

Starting revenue	SEK ~191m (FY2021, implied from 30.5% growth to FY2022 revenue of ~249m). Note: FY2021 revenue not directly stated in extraction; calculated backward from FY2022 growth rate disclosed in supplementary documents.
Acquisition contribution	None. The IM states the company has grown organically. No acquisitions are disclosed in the available materials. All revenue growth is presumed organic.
Ending revenue	SEK 254.2m (FY2024, confirmed by multiple sources)

EXPOSURE SURFACES

Segment dependency

71.7% of revenue from a single vertical. Growth thesis depends on two segments that collectively declined ~36% in FY2024.

Revenue model fragility

project-based capex sales create inherent lumpiness. The IM explicitly acknowledges significant quarter-to-quarter fluctuation. Revenue visibility is structurally limited.

Retention analysis & data gaps

RETENTION ASSESSMENT

The IM's central retention claim is that approximately 65% of the FY2024 customer base consisted of customers who had previously purchased from Qualisys. This is a repeat-purchase metric, not a retention rate in the SaaS or subscription sense. It means 65% of the ~540 active customers (~350 customers) had bought at least once before. Conversely, ~35% (~190 customers) were first-time buyers. This is consistent with a project-based capex model where customers purchase systems infrequently (every 3-7 years for research equipment upgrades). The cross-reference between the IM's >540 active customers and the annual report's 3,000+ cumulative customers implies that only approximately 18% of all historical customers were active in FY2024. This low active ratio is not evidence of churn in the traditional sense; it reflects the natural purchasing cadence of capital equipment. However, it does mean that revenue visibility is structurally limited: the business must continuously reactivate dormant accounts and acquire new customers to maintain revenue levels. No GRR, NRR, dollar-based retention, or cohort-level retention data is provided. The absence of these metrics, combined with the project-based model, means retention quality cannot be underwritten.

RETENTION COHORT ANALYSIS

The table contains zero populated retention metric cells across five cohorts. This is the single most significant data gap for underwriting revenue durability. In a project-based capex model, traditional SaaS retention metrics may not be the appropriate framework; instead, IC would need repurchase cycle analysis (average time between purchases), reactivation rates (what percentage of dormant customers return within 3/5/7 years), and order pipeline visibility by customer cohort. None of these are provided. The business cannot be underwritten as having 'sticky' or 'recurring' revenue without this data.

DATA GAPS

- Revenue model split (hardware vs. software vs. services/support) not quantified in any document

Data gaps (cont.)

DATA GAPS (CONT.)

- No customer names linked to revenue figures; all concentration data is anonymised
- No retention metrics of any kind (GRR, NRR, dollar churn, logo churn) across any cohort or segment
- No segment-level profitability (gross margin or EBIT margin by segment)
- No multi-year customer concentration trend data (only FY2024 snapshot provided)
- No revenue decomposition into new customer acquisition vs. existing customer expansion vs. churn
- No contract terms, renewal dates, notice periods, or termination rights for any customer
- No customer-level profitability data (margin by customer or customer tier)
- No customer satisfaction metrics (NPS, CSAT) despite claims of strong relationships
- No explanation of the mechanism by which related-party concentration declined from 23% (FY2022) to 7% (FY2024)
- No repurchase cycle analysis or customer lifetime value data despite the project-based model making these the relevant retention proxies
- Revenue growth decomposition (volume vs. price) not provided; cannot assess whether the 2.0% FY2024 growth reflects unit volume gains, price increases, or mix effects

Pricing architecture map

MODEL TYPE

NEGOTIATED / CONFIGURED

LIST PRICE EXISTS

NO

MODEL TYPE

Project-based system sales where customers purchase integrated packages of proprietary cameras, software, and accessories configured to application requirements. Each sale is a discrete transaction. A secondary, unquantified stream of 1-3 year service/support contracts exists.

CONTRACT TERMS

PRICE VARIATION DRIVERS

- System configuration complexity (camera count, resolution, software modules) - INFERRED

Price variation drivers (cont.)

PRICE VARIATION DRIVERS (CONT.)

- Segment-level willingness to pay (biomedical research vs. industrial vs. visual effects) - INFERRED
- Geographic pricing and currency denomination (55% USD revenue) - INFERRED from FX disclosure
- Competitive dynamics by segment (Vicon named as primary competitor) - INFERRED
- Academic/institutional vs. commercial procurement processes - INFERRED

IC WARNING: Pricing architecture is almost entirely opaque. The IM provides a business model description but no pricing mechanics, discount structures, contract terms, governance framework, or deal-level economics. The 69.2% gross margin suggests healthy unit economics at the blended level, but without visibility into price variation drivers, discount practices, or segment-level margins, neither pricing power nor pricing risk can be assessed with confidence. Any base case must treat pricing as unverified and assume that the current margin reflects a mix of outcomes whose distribution is unknown. Confirmatory due diligence must prioritise: (1) existence and structure of list prices or configuration pricing logic, (2) discount authority and approval thresholds, (3) quantification of service/licence revenue as a percentage of total, and (4) segment-level gross margins to test whether the dominant biomedical vertical subsidises or is subsidised by the declining industrial and visual effects segments.

Pricing governance & gaps

PRICING GOVERNANCE

Who sets prices	Governance is unverified
Control level	Cannot be assessed - governance data not provided

STRUCTURAL OBSERVATIONS

- Configuration-driven pricing provides natural defence against commodity price comparison but obscures deal-level margin variability
- Project-based model means no contractual price protection between purchases; each sale is a fresh negotiation
- Medical device certifications (MDR Class I, MDD Class Im) create regulatory barriers supporting pricing in the dominant bio medical segment

DATA GAPS

- No list price or rate card disclosed; cannot assess whether pricing is structured or purely negotiated
- No discount policy, volume pricing tiers, or academic pricing disclosed; price integrity unverifiable
- No contract terms for system sales (payment milestones, warranties, cancellation rights)

Data gaps (cont.)

DATA GAPS (CONT.)

- No renewal rates for service/support contracts; stickiness of the only contractual stream is unknown
- No price escalation mechanism disclosed for any revenue stream
- No customer-level or deal-level margin data; cannot assess pricing consistency across the base
- No competitive pricing benchmarks; cannot assess relative price positioning vs. Vicon or others
- Revenue split between system sales and service/licence revenue not quantified

Pricing power assessment

PRICING POWER: UNPROVEN

No evidence of exercised pricing power in materials. The IM does not disclose any history of price increases, customer acceptance rates for price changes, discount trends, or price realization data. The business operates a project-based capital equipment model where each sale is a discrete negotiation. High gross margin (69.2%) and claimed market leadership are not evidence of pricing power absent documented price increases.

WHERE POWER EXISTS

Life Sciences

CLAIMED but unverified. The IM asserts market leadership and high entry barriers in this segment. Medical device certifications (MDR Class I, MDD Class Im) and ISO 9001:2015 create regulatory friction for competitors. However, no data on price increases, price realization, or customer willingness to accept higher prices is provided.

WHERE POWER IS ABSENT

Engineering

Revenue declined approximately 30% in FY2024 (from SEK 97m to SEK 68m). A segment experiencing volume collapse is unlikely to sustain price increases. The IM identifies this as a competitive market with industrial customers who are price-sensitive capex buyers.

Entertainment

Revenue declined approximately 73% in FY2024 (from SEK 15m to SEK 4m). The IM acknowledges that the primary competitor, Vicon, is focused on this segment. A near-collapsed segment with an entrenched competitor has no pricing leverage.

Pricing evidence & verification

SUPPORTING EVIDENCE

- Gross margin of 69.2% (FY2024) is high for a hardware-inclusive business, suggesting either strong unit economics or significant software/IP value in the bundle. CLAIMED but unverified as evidence of pricing power, as margin level reflects cost structure, not demonstrated ability to raise prices.
- No patents protect the technology; IP relies on trade secrets and reverse-engineering complexity. This weakens the structural moat that would underpin long-term pricing authority.
- The company holds medical device certifications (MDR Class I, MDD Class Im) that create regulatory barriers for competitors in Life Sciences. CLAIMED but unverified as pricing power evidence; certifications create switching friction, not necessarily price acceptance.
- Revenue growth decelerated from 30.5% (2022) to 6.8% (2023) to 2.0% (2024). If the company possessed meaningful pricing leverage, one would expect either stable volume with rising ASPs or explicit disclosure of price-driven growth. Neither is present.
- Revenue growth decomposition is not provided. The 2.0% growth in FY2024 cannot be attributed to volume, price, or mix. With out this decomposition, it is impossible to determine whether any growth was price-led.
- Order intake of SEK 298.5m in FY2024 versus SEK 214.5m in FY2023 suggests improving demand, but order value per unit, average selling prices, and whether orders reflect price increases or volume recovery are all undisclosed.

CANNOT VERIFY WITHOUT

Margin quality & attribution

MARGIN ATTRIBUTION

Primary driver: Claimed: embedded proprietary software (QTM) bundled with outsourced hardware, creating a high-margin software layer on near-zero marginal cost. Unverified: no hardware vs. software margin decomposition disclosed.

- Outsourced manufacturing (Inission) converts fixed production cost to variable COGS
- Niche market positioning with limited direct competition (Vicon primary alternative)
- Medical device certifications (MDR Class I, MDD Class Im) creating regulatory entry friction in dominant segment
- Segment mix shift toward higher-margin core segment as Engineering and Entertainment decline

SUSTAINABILITY ASSESSMENT

Cannot underwrite margin expansion from current levels without segment-level profitability data and evidence of pricing actions. The 23.9% EBITDA margin should be treated as the normalised baseline, not the 28.7% FY2022 peak. Margin stability is conditional on the core segment maintaining its share and pricing, and on the contract manufacturer's cost trajectory remaining benign.

Compression risks

COMPRESSION RISKS

Segment mix normalisation on growth segment recovery

If Engineering and Entertainment recover per the seller's growth thesis, and these segments carry lower margins than the core, blended EBITDA margin declines even as revenue grows. The seller's own strategy is margin-dilutive if successful.

Competitive entry in core segment absent patent protection

No patents disclosed. A funded competitor replicating the technology for biomechanical research applications erodes pricing power in the segment generating 71.7% of revenue. Regulatory certifications slow but do not prevent entry.

Adverse FX movement on unhedged USD revenue

55% of revenue in USD with ~36% hedged. SEK strengthening compresses reported revenue and margin on the fixed SEK cost base. No disclosed FX pass-through mechanism to customers.

Contract manufacturer cost inflation

Inission pricing terms undisclosed. If manufacturing costs rise (component inflation, supply chain disruption), COGS increases flow directly to gross margin. The outsourced model that protects downside also limits cost control.

Margin integrity checks

SERVICES MASKING CHECK

Revenue growth rate 2.0% (FY2024)

Implication Service/license revenue is described as a 'minor portion' with an aspiration to grow. Without quantification, it is impossible to determine whether service income is compensating for system sales weakness...

HARDWARE-AS-A-SERVICE CHECK

Stress test note Qualisys sells systems outright, not as a service. HaaS stress test not applicable. However, the hardware margin within the bundled system sale is not disclosed, and the 69.2% blended gross margin cannot be attributed between hardware and software components.

INFLATION PASS-THROUGH

Unverifiable. The project-based sales model theoretically permits repricing between orders, but no evidence of historical price increases, list price adjustments, or average selling price trends is disclosed. The near-zero revenue growth in FY2024 amid general cost inflation suggests limited demonstrated pricing authority.

Harmonisation analysis

HARMONISATION CEILING: CONFIRMED

CEILING INDICATORS

- No customer-level pricing data disclosed in available materials
- No evidence of comparable transactions from which to measure price dispersion
- Project-based, bespoke system sales model structurally precludes like-for-like price comparison across customers

POTENTIAL RANGE

Conservative: Unknown

Optimistic: Unknown

Harmonisation analysis cannot be performed. The business sells customised capital equipment packages where each transaction reflects a unique configuration of cameras, software, and accessories tailored to the customer's application. Without standardised SKUs, disclosed price lists, or customer-level transaction data, there is no measurable price dispersion to harmonise.

LIMITATIONS

- Qualisys operates a project-based system sales model where each transaction is a bespoke configuration of hardware, software, and accessories. This means no two customer purchases are directly comparable in scope, specification, or value, which is the foundational precondition for harmonisation analysis.

Limitations (cont.)

LIMITATIONS (CONT.)

- No contract terms, pricing schedules, discount policies, or customer-level transaction data are disclosed in the materials. The pricing architecture section (Section 5) confirms pricing model status as qualitative only and discounting as not disclosed.
- The customer base of over 540 accounts spans three distinct application segments (life sciences, the two smaller verticals, and institutional versus commercial buyers), each with different system requirements, regulatory contexts, and willingness to pay. Cross-segment price comparison is economically meaningless in this context.
- Even within a single segment, system configurations vary by camera count, resolution, frame rate, software modules, and integration requirements. A 12-camera gait analysis lab for a university hospital is not comparable to a 40-camera full-body biomechanics installation for a pharmaceutical R&D facility.
- The absence of recurring contractual revenue (service contracts are described as a minor portion, unquantified) means there is no renewal-based pricing surface where dispersion could be identified and corrected over time. Each sale is effectively a standalone negotiation.

Revenue durability & elasticity risk

RETENTION STATUS: QUALITATIVE ONLY

DURABILITY FACTORS

Proprietary software ecosystem (QTM)

Customers who build research workflows, data libraries, and analytical pipelines around QTM software face meaningful migration costs. Switching to a competitor's system requires retraining staff, re-validating measurement protocols, and potentially re-running historical comparisons. In academic and clinical research settings, where methodological consistency is valued, this creates inertia against switching even when hardware alternatives exist.

Medical device regulatory certifications (MDR Class I, MDD Class Im)

In Life Sciences applications where motion capture data feeds into clinical or regulatory submissions, customers require validated, certified measurement systems. Qualisys holds ISO 9001:2015 and medical device certifications that competitors may not possess. Customers operating under regulatory oversight cannot easily substitute an uncertified system without re-validation, creating a compliance-driven switching barrier specific to the dominant Life Sciences segment.

ELASTICITY RISKS

Project-based revenue model with no contractual recurrence

Each system sale is a discrete capital expenditure decision by the customer. There is no subscription, no annual licence renewal generating baseline revenue, and no disclosed minimum purchase commitment. Revenue in any given year depends entirely on new purchase decisions being made. If customer budgets tighten, projects are delayed, or competing priorities emerge, revenue declines immediately with no contractual floor. The IM acknowledges that revenue and profit 'fluctuate significantly from quarter to quarter' due to this model.

Severe growth deceleration suggesting demand ceiling

Revenue growth has decelerated from 30.5% (2022) to 6.8% (2023) to 2.0% (2024). This trajectory is consistent with a business approaching saturation in its core market rather than one with expanding demand. If the Life Sciences segment, which represents the dominant share of revenue, is nearing a natural installed-base ceiling, future growth depends on replacement cycles and new market penetration, both of which are inherently less predictable than greenfield adoption...

Revenue durability & elasticity (cont.)

DURABILITY FACTORS

Technical integration complexity

High-precision motion capture systems are typically integrated into larger laboratory or testing environments, often alongside force plates, EMG systems, and other instrumentation. The calibration, synchronisation, and data pipeline integration represent sunk setup costs that discourage replacement. The IM claims high entry barriers based on the complexity of reverse-engineering the technology, which, while not equivalent to patent protection, suggests a degree of technical differentiation.

Institutional procurement cycles

A significant portion of the customer base consists of universities, research hospitals, and government-funded laboratories. These institutions operate on multi-year budget cycles with lengthy procurement processes. Once a vendor is approved and integrated, institutional inertia and procurement friction favour repeat purchases from the same supplier. This creates a form of passive retention, though it is driven by bureaucratic friction rather than commercial lock-in.

ELASTICITY RISKS

Segment-level revenue volatility in growth segments

Engineering revenue declined approximately 30% (from SEK 97m to SEK 68m) and Entertainment revenue declined approximately 73% (from SEK 15m to SEK 4m) in FY2024. These are the segments the IM positions as future growth drivers. The magnitude of these declines demonstrates that revenue outside Life Sciences is highly elastic to customer spending decisions and potentially to competitive dynamics. Vicon, the primary named competitor, is explicitly noted as focused on Entertainment, the segment where Qualisys experienced the sharpest decline.

No disclosed price escalation or indexation mechanism

The materials provide no evidence of contractual price escalation clauses, annual price increases, or indexation to inflation. In a project-based sales model, each transaction is a fresh pricing negotiation. If input costs rise (components, manufacturing via the outsourced contract manufacturer inission, or labour), the company must negotiate higher prices deal-by-deal rather than relying on embedded escalation. Conversely, competitive pressure could force price concessions without any contractual floor.

Revenue durability & elasticity (cont.)

DURABILITY FACTORS

ELASTICITY RISKS

Currency exposure with incomplete hedging

Approximately 55% of revenue is denominated in USD, but only ~36% of this exposure is hedged. A strengthening SEK against USD would compress reported revenue and margins on unhedged portions. In a project-based model where individual deals may take months to close, currency movements between quotation and delivery can erode deal-level profitability. This creates an elasticity risk that is partially structural and partially a governance choice.

Absence of patent protection

The company holds no patents. IP protection relies on trade secrets and the complexity of reverse-engineering. While this has been sufficient historically, it means there is no legal barrier preventing a well-resourced competitor from developing equivalent technology. If a lower-cost competitor enters the market, particularly in the less specialised Engineering segment, Qualisys would face pricing pressure without the ability to enforce exclusivity. The 'complexity moat' is a function of current competitive dynamics, not a structural protection.

Break sequence & net assessment

BREAK SEQUENCE

First to break

Non-core segment revenue (Engineering and Entertainment). These segments have already demonstrated extreme volatility, with combined declines of approximately SEK 40m in a single year...

Second to break

New customer acquisition in Life Sciences. The growth deceleration trend suggests the addressable market of new Life Sciences customers is narrowing. Under budget pressure at universities and research institutions (e.g., government funding cuts, grant cycle downturns), new system purchases would be deferred...

NET ASSESSMENT

Revenue durability is structurally weak for a business presented as a market leader with loyal customers. The project-based model means there is no contractual revenue floor; every SEK of revenue requires a fresh purchase decision. The qualitative retention claim (~65% recurring customers) describes historical repurchase behaviour across a 35-year history, not annual contractual recurrence. The gap between >540 active customers and 3,000+ cumulative customers confirms low natural repurchase frequency. The severe growth deceleration (30.5% to 2.0% over three years) and the collapse of Engineering and Entertainment segment revenues demonstrate that demand outside the core Life Sciences segment is highly elastic. Within Life Sciences, the regulatory certifications and software ecosystem create genuine, though unquantified, switching friction. However, even this segment's durability cannot be assessed without cohort-level data showing repurchase frequency, average time between purchases, and customer lifetime value. No NRR, GRR, or chum data exists in any form across any year, making trend analysis impossible. A single qualitative data point (~65% recurring) for a single year provides no directional information about whether the customer base is becoming more or less durable over time.

IC WARNING: Revenue durability cannot be underwritten on available data. The IM presents a qualitative retention narrative (~65% recurring customers, >540 active customers, well-diversified base) that, upon cross-referencing with supplementary documents, describes a project-based capex business where only ~18% of cumulative customers are active in any given period, no revenue is contractually recurring in a meaningful sense, and the two designated growth segments experienced combined revenue declines of approximately SEK 40m in the most recent year. The absence of GRR, NRR, chum rates, cohort data, contract terms, and the quantified recurring revenue split means IC has no metric-based basis for assessing whether the revenue base is stable, improving, or deteriorating. Any base case that assumes revenue stability or growth must be treated as an assumption requiring confirmatory evidence, not a conclusion supported by disclosed data.

Scenario framework

SCENARIO A: BASE CASE

Anchored to FY2024 disclosed financials: revenue of SEK 254.2m, EBITDA of SEK 60.6m (23.9% margin), and gross margin of 69.2%. The base case assumes the core biomedical research segment continues at approximately current run-rate, with no recovery in the declining Engineering or Entertainment verticals. Order intake of SEK 298.5m (FY2024) provides near-term visibility, but the project-based model means conversion timing is uncertain. No recurring revenue uplift is assumed, as the split between one-time system sales and service/license income is not quantified in available materials.

SCENARIO B: UPSIDE CASE

Assumes partial recovery in the Engineering vertical toward its FY2023 level, supported by the strong order intake disclosed for FY2024. Requires successful execution of the stated strategy to grow recurring license and service revenue, which would improve revenue quality and predictability. Also assumes the medical device certifications (MDR Class I, MDD Class Im) and ISO 9001:2015 create durable barriers in the biomedical segment, enabling modest price increases on system sales. Currency tailwinds from the 55% USD revenue exposure could contribute if SEK weakens, though only 36% of USD exposure is hedged.

Scenario framework

SCENARIO C: MANAGEMENT CASE

The IM presents Qualisys as a market leader with significant untapped growth potential in Engineering and Entertainment, supported by a global market expected to grow from USD 240m (2024E) to USD 484m (2029F). Management's goodwill impairment testing assumptions (disclosed in the 2023 annual report) embed a 15% growth rate and 13% discount rate. The narrative positions the company for sustained double-digit growth driven by market expansion, geographic penetration, and recurring revenue development. However, the most recent three-year revenue trajectory (30.5% in 2022, 6.8% in 2023, 2.0% in 2024) shows sharp deceleration that is not reconciled with these forward assumptions.

SCENARIO D: BREAK CASE

The primary failure mechanism is the convergence of two structural risks identified in the commercial risk map: continued revenue stagnation in the dominant biomedical segment combined with failure to recover in Engineering and Entertainment. The project-based, capex-dependent sales model means revenue is binary at the order level, with no contractual floor. The absence of patents means the technology moat relies entirely on complexity and institutional relationships, which erode if a competitor (notably Vicor, which is explicitly named in the materials) gains traction in adjacent segments and moves into the core biomedical market. The disclosed active customer ratio (approximately 540 of 3,000+ cumulative) suggests the business depends heavily on new customer acquisition and infrequent repurchase cycles; if acquisition slows, revenue contracts against a largely fixed cost base.

Scenario metrics & break points

BASE CASE METRICS

Revenue anchored to FY2024 level of SEK 254.2m. EBITDA margin held at 23.9%, consistent with the two-year trend of margin compression from the 2022 peak of 28.7%. Engineering segment assumed flat at the depressed FY2024 level of SEK 68m (down from SEK 97m in FY2023). Entertainment assumed immaterial at SEK 4m. No pricing uplift assumed given unproven pricing power. Gross margin held at 69.2%. The elevated order book provides modest upside optionality but is not underwritten as converted revenue without delivery confirmation.

UPSIDE CASE METRICS

Engineering recovers toward SEK 80-90m (partial reversion to FY2023 level of SEK 97m, not full recovery). Recurring revenue grows from its current unquantified base, contributing modestly to revenue quality. Gross margin stable or modestly improving from 69.2% as mix shifts toward higher-margin software/service components. EBITDA margin recovers toward the FY2023 level of 24.1% as CRM/ERP and US expansion investments (disclosed in supplementary documents) begin yielding returns. Total revenue moves modestly above the FY2024 base.

BREAK POINTS

The transition from Base Case to Break Case occurs if the biomedical segment, which has been the sole source of growth stability, begins to contract. Given the project-based model and absence of contractual recurring revenue, this transition can happen rapidly: a single quarter of delayed orders in the core segment would move revenue below the FY2024 baseline. The transition from Base Case to Upside Case requires visible evidence of Engineering recovery (order conversion data by segment) and quantified recurring revenue growth. The Management Case requires simultaneous recovery in all three segments plus successful geographic expansion, a combination not supported by any disclosed trailing evidence.

Sensitivity analysis

EBITDA SENSITIVITY

Baseline EBITDA	SEK 60.6m (FY2024, IM-disclosed)
Biomedical segment revenue contraction	Core segment (71.7% of SEK 254.2m, approximately SEK 182m) declines as research funding cycles shift or competitive pressure from Vicon intensifies
Sustained Engineering segment depression	Engineering remains at or below the FY2024 level of SEK 68m rather than recovering toward the FY2023 level of SEK 97m
Gross margin compression from competitive pricing or input costs	Outsourced production (via contract manufacturer Inission) faces cost increases, or competitive pressure forces pricing concessions on system sales
Currency headwind on USD-denominated revenue	SEK strengthens against USD; 55% of revenue (approximately SEK 140m) is USD-denominated with only 36% hedged

All figures derived from IM-disclosed FY2024 financials (revenue SEK 254.2m, EBITDA SEK 60.6m, gross margin 69.2%, segment splits, currency exposure). Operating cost base estimated from the gap between gross profit and EBITDA. Factors ranked by estimated impact magnitude, with biomedical segment contraction as the highest-impact factor given its 71.7% revenue share. Where exact impact cannot be calculated due to missing segment-level margin data, conversion factors are provided for IC to apply their own stress assumptions.

Key swing factors

Engineering segment recovery: whether the FY2024 decline of approximately 30% represents a cyclical trough or structural loss of competitiveness. The order book provides a near-term signal, but segment-level order data is not disclosed.

Recurring revenue development: the ability to grow service and license revenue from its current unquantified base would materially change revenue quality and predictability. Without quantification, this remains aspirational.

Competitive dynamics with Vicon: the IM acknowledges Vicon's strength in Entertainment, but does not address whether competitive pressure is expanding into Engineering or the biomedical segment. Patent absence means the barrier to competitive encroachment is lower than the IM implies.

Customer reactivation rate: with only approximately 18% of cumulative customers currently active, the ability to reactivate dormant accounts or maintain new customer acquisition rates is the primary volume driver. Neither metric is disclosed.

Currency exposure management: 55% USD revenue with 36% hedging creates material earnings volatility that is not addressed in the growth narrative.

VAERG

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vaerg.com

contact@vaerg.com