VAERG

Qualisys Holding Aktiebolag (publ)

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How to read this report

VAERG Commercial Underwriting is a structural reality test designed for early deal triage. It flags the key commercial risks, underwriting limits, and breakpoints before deeper diligence. The output is diagnostic and non-instructional.

REPORT STRUCTURE

1	**2**	**3**	**4**	**5**
Commercial verdict	**Reality gap**	**Commercial risks**	**Underwriting limits**	**Base & break case**
Classification (A–E), thesis, works/breaks if, structural facts	IM claims vs. VAERG status, material findings	Ranked risk factors with evidence citations	What can and cannot be relied upon from disclosed data	Scenarios, key swing factors, and evidence required
p. 3–6	p. 7–9	p. 10–12	p. 13–14	p. 15–17

Commercial verdict

C

STRUCTURALLY FRAGILE BUT RECOVERABLE

VAERG COMMERCIAL CLASSIFICATION

CLASSIFICATION SCALE

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

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

Commercial verdict

RATIONALE

• Revenue growth decelerated from 30% (2022) to 7% (2023) to 2.0% (2024) against a stated financial goal of >15% annual growth.

• 71.6% of revenue from Life Sciences; Engineering declined 30% and Entertainment declined 73% in FY2024, meaning aggregate stability depends entirely on one segment.

• Customer retention is disclosed at 65% by customer count only; no revenue-weighted retention (NRR/GRR) is provided, leaving revenue durability unquantified for a project-based hardware business.

• EBIT declined from 57,766 TSEK (2022) to 50,214 TSEK (2024), a 13.1% contraction over two years, while revenue grew 8.9% over the same period, indicating operating deleverage.

• Order intake of 298,497 TSEK (FY2024, +39% year-on-year) is the sole forward indicator supporting the growth narrative; margin composition, conversion timing, and segment allocation of this backlog are not disclosed.

Grade C reflects a business where the disclosed financials show a one-segment growth story with two segments in material decline, compressing operating margins, and a project-based model with no verifiable recurring revenue quantum. Recovery is plausible if the order backlog converts at historical margins and Life Sciences momentum sustains, but these conditions require verification the IM does not provide.

Commercial verdict

WORKS IF
Life Sciences segment growth is durable and driven by structural demand (clinical biomechanics, rehabilitation, sports science) rather than a small number of large projects. The record order backlog converts to revenue at or above historical gross margins, and at least one of the two declining segments stabilizes. Customer retention, when measured by revenue rather than count, demonstrates that repeat purchasing sustains the installed base.

BREAKS IF
Life Sciences growth in FY2024 was concentrated in a small number of large orders that do not repeat, exposing the segment to the same project-lumpiness visible in Engineering. The 65% customer-count retention rate, if representative of revenue retention, implies annual revenue leakage that the project-based model cannot offset without continuous new customer acquisition. Engineering and Entertainment continue to contract, compressing group EBIT further as fixed costs are spread across a narrowing revenue base.

Structural facts FY2024

REVENUE	EBITDA	GROSS MARGIN	EBIT (ADJUSTED)
254.2 MSEK	**60.6 MSEK**	**69.2%**	**54.2 MSEK**

TOP 1 CUSTOMER	TOP 5 CUSTOMERS	TOP 10 CUSTOMERS	CUSTOMER RETENTION
7%	**31%**	**44%**	**65%**
of revenue	of revenue	of revenue	

ORDER INTAKE

298.5 MSEK

+39% YoY

DATA SCOPE

The IM discloses three-year audited financials, segment revenue splits, anonymised top-10 customer concentration, order intake, and a customer-count retention figure; it does not disclose recurring versus non-recurring revenue quantification, segment-level profitability, revenue-weighted retention (NRR/GRR), contract terms, discount practices, pricing architecture detail, or the composition of the order backlog.

Reality gap

CLAIM IN IM	VAERG UNDERWRITING STATUS
Attractive financial profile with high organic growth	FY2024 revenue growth was 2.0%, following 7.0% in FY2023 and 30% in FY2022. The trajectory is one of sharp deceleration, not sustained high growth.
Financial goal of >15% revenue growth per year	The most recent full year delivered 2.0% growth. The company has not achieved 15% growth since FY2022, and the stated goal has no disclosed operational mechanism to support it.
Well-diversified customer base	Top 10 customers account for 44% of revenue. The disclosed 65% retention rate is count-based only; revenue-weighted retention is not disclosed, leaving base durability unverifiable.
Cohesive growth business across segments	Engineering revenue declined 30% and Entertainment declined 73% in FY2024. Aggregate growth is entirely a function of one segment.
Strong position in a market with high entry barriers	No patents protect the core technology. The IM cites system complexity and trade secrets as barriers, but discloses no market share data, win/loss rates, or switching cost evidence.

Reality gap

CLAIM IN IM	VAERG UNDERWRITING STATUS
Recurring customer relationships create revenue stability	The business model is project-based with one-time system sales. Recurring revenue from support and licenses is described qualitatively but never quantified as a share of total revenue.
Record order intake signals accelerating momentum	Order intake is unaudited. No disclosure of order composition, margin profile, conversion timing, or concentration within the backlog. A single large project could account for the increase.
Excellent service level supports customer loyalty	No NPS, CSAT, or any quantitative service metric is disclosed. The 65% customer-count retention rate is below typical benchmarks for businesses claiming service excellence.
Macroeconomic climate explains segment weakness	The dominant segment grew 34% in the same macroeconomic environment where Engineering fell 30% and Entertainment fell 73%. A uniform macro explanation is not consistent with divergent segment outcomes.
Highly profitable and cash-generative business	EBIT declined from 57,766 TSEK (FY2022) to 50,214 TSEK (FY2024) on higher revenue. EBITDA was essentially flat at 60,637 TSEK vs 60,037 TSEK prior year. Profitability is stable, not expanding.

Material findings

The central tension in this IM is between a growth narrative and a dataset that describes a decelerating, single-segment business. Revenue growth collapsed from 30% to 7% to 2% across FY2022 to FY2024, yet the IM frames the company around a >15% annual growth target and a record order book. The order intake figure is the only forward-looking metric offered to bridge this gap, but it is unaudited, with no disclosed composition, margin profile, or conversion schedule. If the backlog is concentrated in a small number of large projects, or carries lower margins than the historical mix, the implied recovery may not materialise in the form the narrative suggests.

The segment divergence is the most structurally significant finding. The dominant segment's 34% growth in FY2024 did not occur in isolation from the declines in the other two segments; it occurred in the same macro environment the IM cites as the cause of those declines.

This makes the macro explanation internally inconsistent. The IM provides no segment-specific diagnosis, no segment-level profitability, and no indication of whether the declining segments are expected to recover, stabilise, or continue contracting. The company's aggregate margin stability may reflect a revenue mix shift toward a segment whose standalone profitability is not disclosed, rather than uniform margin performance across verticals.

The retention claim compounds the concern. A 65% customer-count retention rate, presented without revenue weighting, is a weak foundation for a "recurring customer" narrative built around project-based hardware sales. Without NRR, GRR, or cohort-level spending data, there is no way to assess whether returning customers are expanding, maintaining, or reducing their spend. The combination of project-based revenue, unquantified recurring income, and count-only retention means revenue durability cannot be underwritten from this document.

Commercial risks

1. **Designated growth segments in severe contraction**

Engineering revenue declined from 97 MSEK (FY2023) to 68 MSEK (FY2024), a fall of approximately 30%. Entertainment revenue declined from 15 MSEK to 4 MSEK over the same period, a fall of approximately 73%. The two segments positioned as future growth drivers collectively lost 40 MSEK in a single year.

The entire forward thesis depends on these verticals expanding to reduce the company's dependence on its dominant segment. Instead, they are contracting at rates that dwarf the 2.0% consolidated growth. If the dominant segment were to experience even modest softness while Engineering and Entertainment remain at current levels, consolidated revenue would revert toward levels last seen in FY2021, and the fixed cost base built for a larger business would compress operating margins materially. The IM attributes this to a 'more cautious macroeconomic climate,' but the magnitude of decline, particularly the near-elimination of Entertainment, is not consistent with a temporary cyclical pause.

Segment revenue disclosed in the IM: Engineering 97 MSEK (FY2023) to 68 MSEK (FY2024); Entertainment 15 MSEK (FY2023) to 4 MSEK (FY2024).

2. **Unverifiable order backlog underpins entire forward case**

The IM presents a record order intake in FY2024, a 39% increase year-on-year, as the primary evidence that the revenue slowdown is temporary. No disclosure is provided on backlog composition, cancellation terms, expected conversion timing, or margin profile of booked orders.

The intake figure against recognized revenue implies a growing backlog, yet the IM does not disclose whether these are firm, non-cancellable commitments or indicative orders subject to revision. If a material portion is concentrated in a single large project or carries lower margins than the historical mix, conversion could deliver revenue growth without corresponding profit growth. Without visibility into the backlog's segment composition, it is impossible to determine whether the intake reflects recovery in the contracting verticals or further concentration in the dominant segment.

Order intake and net sales figures disclosed in the IM's financial summary; no backlog composition, cancellation terms, or margin data disclosed.

Commercial risks (cont.)

3. Project-based model with no disclosed repeat-purchase economics

Revenue is generated primarily through one-time system sales. The IM states that approximately 65% of the customer base in FY2024 were returning buyers, but discloses no NRR, GRR, contract length, or quantitative split between system sales and aftermarket revenue.

The 65% figure describes customer count, not revenue weight; it is entirely possible that the majority of revenue in any given year comes from new or infrequent buyers. Without retention economics, the revenue base must be treated as substantially re-won each year. This makes the business acutely sensitive to capital expenditure cycles in its end-markets, which is consistent with the sharp segment-level swings already observed. Gross margin stability at 69.2% suggests the product mix has not shifted dramatically, but this cannot confirm whether repeat customers purchase at equivalent or declining price points over time.

Customer retention figure and gross margin disclosed in the IM; no NRR, GRR, or revenue split between system sales and aftermarket provided.

4. No patent protection on core technology

The company holds no patents and relies on trade secrets and product complexity for competitive differentiation. For a hardware-plus-software business where the entire valuation rests on technical leadership, this creates a structural vulnerability to reverse engineering or key-person departure that cannot be mitigated by commercial terms alone.

The IM's intellectual property section discloses that the company holds no patents and relies on trade secrets and system complexity as competitive barriers; no win/loss data or switching cost quantification is provided.

Commercial risks (cont.)

5. Growth deceleration is global, not regional

All three geographic regions (Americas, EMEA, APAC) showed flat to negligible revenue growth in FY2024, eliminating the possibility that weakness is isolated to a single market. A synchronized slowdown across regions is more consistent with a product-cycle or competitive dynamic than a localized macro effect.

Geographic revenue splits disclosed in the IM show no region delivering material growth in FY2024 despite the dominant segment's 34% expansion, indicating the segment growth was distributed without lifting any region's aggregate trajectory.

Compounding effect: the growth segments are contracting, the forward case rests on an unverifiable backlog, and the project-based model provides no contractual floor if conversion disappoints. If the backlog proves to be concentrated in the dominant segment or carries cancellation optionality, the business reverts to a single-segment, project-dependent profile with no disclosed retention economics to anchor a base case.

What can and can't be underwritten

UNDERWRITEABLE

- Consolidated revenue of 254,172 TSEK and EBITDA of 60,637 TSEK for the twelve months ending December 2024, derived from audited statutory financials disclosed in the IM.

- Segment revenue composition is internally consistent: the dominant segment contributed 182 MSEK, the secondary segment 68 MSEK, and the tertiary segment 4 MSEK, summing to the reported total.

- Customer account distribution across the top ten is observable and moderate: no single account exceeds 7% of total revenue, and the top five collectively represent 31%.

- Gross margin of 69.2% is consistent across the three disclosed fiscal years and positions the business as a high-margin specialized hardware supplier, though segment-level margin allocation is absent.

- EBIT adjustments total 4,029 TSEK, attributed to listing and offering costs, representing 8.0% of reported EBIT; the adjustment category is identifiable and the quantum is modest relative to the earnings base.

- The divergent segment trajectories are arithmetically verifiable: the primary segment grew 34% while the secondary declined 30% and the tertiary declined 73%, producing a blended 2.0% consolidated growth rate.

NON-UNDERWRITEABLE

- Recurring versus non-recurring revenue split: the IM references support contracts, licenses, and accessories as a growing stream but provides no quantification, making revenue durability impossible to assess for a project-based hardware business.

- Segment-level profitability: without margin data by vertical, it is impossible to determine whether the rapidly growing primary segment is margin-accretive or whether consolidated margins are being sustained by a shrinking but higher-margin secondary segment.

- Revenue-weighted retention: the disclosed 65% figure is customer-count-based and does not capture whether retained accounts are expanding, contracting, or maintaining spend; NRR and GRR remain entirely unknown.

- Pricing governance and discount practices: no data exists on list-to-realized price ratios, deal-level discounting authority, or whether large project sales involve systematic margin concessions.

- Backlog quality and conversion timing: the record order intake figure is unaudited, with no disclosure of margin profile, cancellation provisions, expected delivery schedule, or customer composition within the pipeline.

- Competitive moat durability: the absence of patent protection is disclosed, but no data on win/loss rates, competitive displacement frequency, or switching cost quantification is provided to test the claimed entry barriers.

Basis: All figures are drawn from the IM's disclosed financials, segment breakdowns, and customer distribution charts; no external verification or management representation has been applied.

Evidence required for underwriting

I

Provide a revenue breakdown between recurring streams (support contracts, software licenses, accessories) and non-recurring project sales for FY2022, FY2023, and FY2024.

II

Provide gross margin and EBIT margin by business segment (the three disclosed verticals) for FY2022, FY2023, and FY2024.

III

Provide revenue-weighted retention metrics (NRR and GRR) by segment for FY2023 and FY2024, calculated on a trailing-twelve-month basis.

IV

Provide the order backlog as of December 2024 broken down by segment, expected delivery quarter, and average project margin, including cancellation or deferral provisions applicable to booked orders.

V

Provide a top-20 customer schedule showing revenue by customer for FY2022, FY2023, and FY2024, with contract type (framework agreement vs. discrete purchase order) and remaining term indicated.

VI

Provide a detailed explanation of the drivers behind the secondary segment's 30% revenue decline and the tertiary segment's 73% decline in FY2024, including whether these reflect customer losses, project timing, or structural market shifts.

VII

Provide discount governance documentation, including approval thresholds, average realized discount by deal size tier, and any volume or loyalty pricing commitments currently in effect.

VIII

Provide customer satisfaction data (NPS or CSAT scores) for FY2023 and FY2024, and the reason for the prior CFO's departure in 2023.

Base case and break case

BASE CASE		

Revenue	EBITDA	Gross Margin
254.2 MSEK	**60.6 MSEK**	**69.2%**

The business continues as a project-based motion capture supplier generating the majority of revenue from its dominant segment, with the two smaller segments remaining at or near their depressed 2024 levels. Gross margin holds in the 68-69% band observed across the last three years, and the cost base remains roughly fixed, producing EBITDA in the range disclosed for 2023-2024. Top-line growth stays in the low single digits, driven by incremental volume in the core segment rather than recovery in the contracted verticals.

ANCHORED TO
FY2021 to FY2024 disclosed revenue (177.7 to 254.2 MSEK), EBITDA (35.7 to 60.6 MSEK), gross margin (64.6% to 69.2%), and segment splits.

KEY ASSUMPTIONS

The dominant segment sustains its 182 MSEK revenue level without material customer losses, which cannot be verified absent retention data.

Engineering and Entertainment segments stabilise near their 2024 troughs rather than declining further, an assumption unsupported by any disclosed pipeline or contract data.

The cost structure remains proportionate to current revenue, preserving EBITDA margins near the disclosed FY2024 level without requiring incremental investment to defend market position.

Base case and break case

<div style="background:#b5362a;color:white;text-align:center;font-weight:bold;">BREAK CASE</div>

The two segments positioned as growth engines fail to recover, and the dominant segment, which carried the full burden of consolidated growth in 2024, itself decelerates or contracts. The reported backlog does not convert at historical margin levels, revealing that the record booking figure reflected order timing or composition shifts rather than durable demand expansion.

TRIGGER

Engineering and Entertainment remain at or below 2024 levels for a second consecutive year while the dominant segment encounters its own demand softness or customer deferrals.

TIPPING POINT

The business reverts toward a revenue band closer to FY2021 to FY2022 levels. At FY2021 revenue of 177.7 MSEK, reported EBITDA was 35.7 MSEK; the current cost base, which has scaled to support a larger business, would compress margins materially if revenue retreats toward that band without corresponding cost reduction.

CONSEQUENCE CHAIN

First, the forward case collapses because the unverified backlog fails to deliver the revenue acceleration the IM implies. Then, with all three segments flat or declining, the project-based model's inherent lumpiness produces quarter-to-quarter volatility that erodes confidence in earnings predictability. Finally, the absence of a disclosed recurring revenue base or contractual floor means there is no structural cushion; each period's result depends entirely on new project wins, and the lack of patent protection leaves the competitive position reliant on execution alone.

Key swing factors

Backlog conversion rate and margin profile: Whether the record booking translates into revenue and profit at historical levels or represents a timing anomaly with diluted margins.

To resolve: Backlog-to-revenue conversion history and gross margin by order cohort.

Dominant segment customer durability: Whether the segment that carried 2024 results can sustain its level absent disclosed retention metrics or contractual commitments.

To resolve: Customer-level revenue by year for top 20 accounts, FY2020 to FY2024.

Recurring versus project revenue split: Whether a meaningful contractual floor exists beneath the project-based surface, fundamentally changing the risk profile of the base case.

To resolve: Quantified recurring revenue as percentage of total, FY2021 to FY2024.

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