

IAR SYSTEMS

Strongest ever quarter

IAR's Q4 results were strong across the board despite tough YOY comparables, with encouraging early signals of commercial traction for its SaaS offering and long-awaited milestone deals in security. As IAR launches its long-awaited SaaS transition in 2025e, we expect earnings to come under pressure short-term, but its defensive recurring revenues, strong balance sheet and share buybacks should mitigate share-price volatility. We have raised our 2025e adj. EPS by 2% and reiterate our fair value of SEK160–265.

Broad-based Q4 beat. Organic sales growth was 5% YOY (11% net sales beat versus our forecast), with Asia leading the way (+18% organic growth YOY), benefiting from increased geopolitical tensions as China now comprises ~10% of IAR's sales, two milestone deals in security (from a low base), and eight pre-commercial SaaS wins to test the offering. A 97% gross margin and tight opex control translated into 64% adj. EBIT drop-through, which led to adj. EBIT 54% above our forecast (27.3% margin, up 1.8%-points YOY). 50% cash conversion (18.9% FCF margin) led to net cash of SEK111m at end-Q4, and IAR has completed share buybacks worth SEK104m since Q3 2023 (owns 7.7% of its outstanding shares and should cancel these, in our view).

We have raised our 2025e adj. EPS by 2%, as we do not extrapolate the Q4 strength at this stage. This would suggest -3% organic sales growth YOY and -43% adj. EPS growth in 2025e to factor in the SaaS transition, on: 1) a 2% sales CAGR in 2024–2028e; 2) SaaS revenues representing ~60% of 2028e net sales; and 3) an earnings trough for 2026e. Our estimates could prove too conservative, but we prefer to take a prudent stance.

SEK160–265 fair value reiterated, with the low end based on a 2025e EV/EBIT of 20x (SaaS shift-pressured earnings) and the high end on a DCF that captures IAR's targeted 'rule of 40' financials beyond 2028–2030e (20%+ sales growth at a 20%+ EBIT margin). On a perpetual-licence basis, the shares would be trading at a 2025e EV/EBIT of ~11x.

Year-end Dec	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue (SEKm)	423	461	487	480	470	487	523
EBITDA adj (SEKm)	128	156	187	177	166	170	197
EBIT adj (SEKm)	75	95	132	103	90	91	117
PTP (SEKm)	74	-203	124	87	74	75	101
EPS rep (SEK)	4.23	-16.85	10.16	4.83	4.07	4.13	5.66
EPS adj (SEK)	4.17	5.12	10.90	6.21	5.45	5.51	7.04
DPS (SEK)	1.50	1.50	1.50	1.50	2.00	2.00	0.00
Revenue growth (%)	18.1	9.0	5.7	-1.5	-2.0	3.5	7.4
EBITDA growth adj (%)	-46.2	21.4	20.2	-5.3	-6.2	2.3	16.2
EPS growth adj (%)	-14.9	22.9	112.8	-43.1	-12.3	1.1	27.7
EBITDA margin adj (%)	30.3	33.7	38.4	36.9	35.3	34.9	37.8
EV/Sales adj (x)	4.67	3.35	3.16	3.31	3.30	3.11	2.79
EV/EBITDA adj (x)	15.4	9.9	8.2	9.0	9.3	8.9	7.4
EV/EBIT adj (x)	26.4	16.2	11.7	15.5	17.3	16.7	12.5
P/E adj (x)	36.1	24.2	11.6	21.7	24.7	24.4	19.1
P/Book (x)	3.08	3.99	3.57	3.47	3.25	3.09	2.85
ROE (%)	9.2	nm	30.5	13.0	10.2	9.7	12.5
ROCE (%)	10.9	15.8	26.8	19.6	16.1	15.4	18.6
Dividend yield (%)	1.0	1.2	1.2	1.1	1.5	1.5	0.0
FCF yield (%)	3.3	6.0	4.9	4.3	3.3	3.5	4.8

Source: Company (historical figures), DNB Markets (estimates)

IARB versus OMXS30 (12m)



Source: FactSet

SUMMARY

Share price (SEK)	135
Tickers	IARB SS

CAPITAL STRUCTURE

No. of shares (m)	13.1
No. of shares fully dil. (m)	13.4
Market cap. (SEKm)	1,755
NIBD adj end-2025e (SEKm)	-166
Enterprise value adj (SEKm)	1,589
Net debt/EBITDA adj (x)	-0.94
Free float (%)	100

Source: Company, DNB Markets (estimates)

NEXT EVENT

Q1 2025	28/04/2025
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ESTIMATE CHANGES (SEKm), (SEK)

Year-end Dec	2025e	2026e	2027e
Sales (old)	474.2	467.5	478.9
Sales (new)	479.9	470.3	486.7
Change (%)	1.2	0.6	1.6
EPS adj (old)	6.02	5.25	5.03
EPS adj (new)	6.21	5.45	5.51
Change (%)	3.2	3.8	9.6

Source: DNB Markets.

This report has been commissioned and paid for by IAR Systems, and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

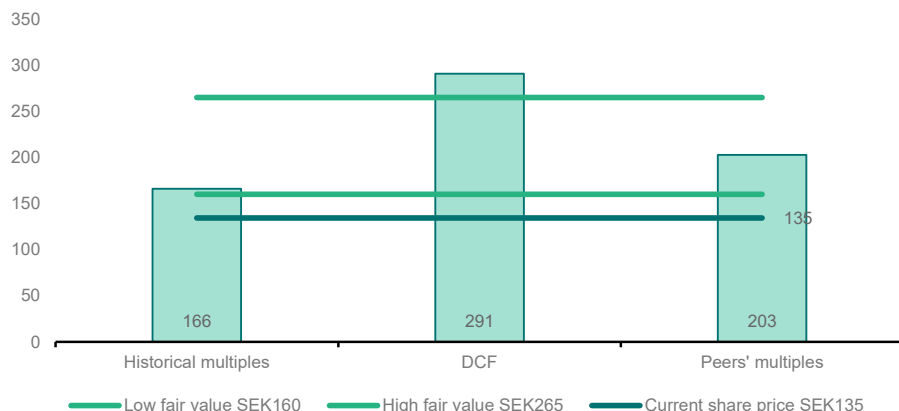
ANALYST

Joachim Gunell

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Overview

Valuation (SEK)



Source: FactSet, DNB Markets

Downside risks to our fair value

- Weakening of the embedded systems developer community (C/C++ language difficulty, cultural shifts in the workforce, low-level code abstraction, artificial intelligence etc.).
- Competitive advantages disrupted by open-source alternatives or stronger commercial technologies.
- New product developments are too costly and might not translate into sales, which could make investors lose trust in the company's ability to resurrect its organic growth profile.
- IAR Systems is highly sensitive to a strengthening of the SEK (particularly against the USD, EUR, and JPY).

Source: DNB Markets

DNB Markets estimates

- IAR Systems is a market leader in a niche industry (ensuring high code quality in embedded software and programming secure devices).
- We believe IAR Systems is in the best shape operationally in the seven years we have covered the company. As it begins its long-awaited SaaS transition in 2025e to position the company for 'rule of 40' credentials, we expect short-term margin pain for a long-term earnings quality gain.
- We expect 2025e adj. EBIT to fall 43% YOY but believe IAR could become a 20%+ sales growth company once the SaaS shift is completed in 3–5 years.

Source: DNB Markets

Valuation methodology

- We continue to base our fair value on a DCF, IAR Systems' historical valuation multiples, and a peers' multiples regression analysis (methodology unchanged).
- Our 5-year value gap potential (including a successful SaaS transition and FCFs redeployed in tuck-in M&A and continued share buybacks, yields SEK485/share in a positive scenario).
- On our estimates, IAR Systems is trading at 2025–2026e P/Es of 21–24x, EV/EBIT of 15–17x

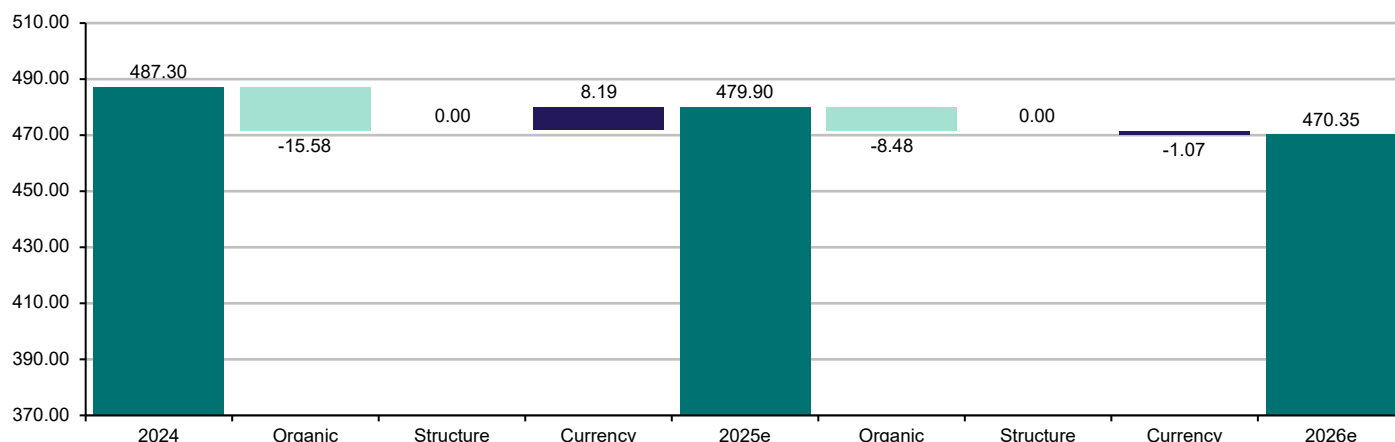
Source: DNB Markets

Upside risks to our fair value

- The company over-achieving on its financial targets (particularly 20% organic growth post SaaS shift).
- Successful traction of its new offerings (SaaS, MPUs, IoT security, RISC-V, 64-bit.) could offer potential value creation beyond our fair value.
- IoT security legislation that requires identity to be built into microcontrollers.
- SaaS transition would support the revenue mix, lessen the cyclicity, and enhance the investment profile.
- Participation in industry consolidation owing to the strategic importance of development tools.

Source: DNB Markets

Sales bridge 2024–2026e (SEKm)



Source: Company (historical figures), DNB Markets (estimates)

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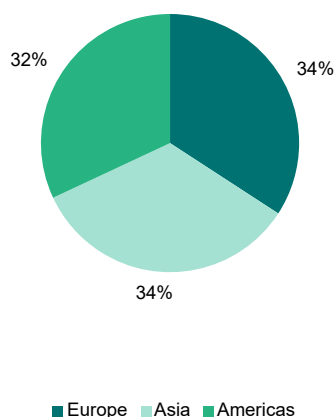
Company overview and SWOT analysis

Company description

- IAR Systems is a world-leading provider of commercial software tools and services for programming processors in embedded systems (computer hardware and software designed for a specific function) that enable the development and ensure the code quality of digital products. Its solutions support 15,000+ processors from 200+ chip vendors globally.
- Its professional customers are mainly developers (30,000 users) at OEMs building these systems for products going into its focus markets with a higher degree of certifications and regulations: automotive, medical and industrial automation.

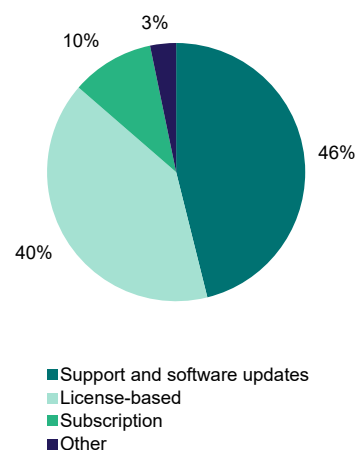
Source: DNB Markets

Sales by geography (2024)



Source: Company

Sales by mix (2024)



Source: Company

Financial targets

3–5 year targets:

- 20% annual sales growth in local currencies (organic) after its SaaS shift is completed in 3–5 years.
- EBIT margin of 20%+.

Source: Company

Key management

- CEO – Cecilia Wachtmeister (since August 2024).
- CFO – Ann Zetterberg (since 2021).

Source: Company

Largest shareholders

- Andra AP-fonden – 9.3%.
- Alcur – 8.5%.
- IAR Systems – 7.7%.
- Avanza Pension – 6.9%.

Source: Company

SWOT analysis

Strengths

- Niche-market leader with ~40% market share for commercial tools through its integrated development environment (IDE).
- Key competitive advantages are: 1) complete toolchain for developers regardless of processor/architecture and independent market position; and 2) superior industrial-quality, as its commercial customers cannot compromise on tools' code performance, reliability (industry standards compliance etc.), user-friendliness, access to support, or time-to-market.

Opportunities

- Early leader in some of the embedded industry's most prominent themes (multi-core support, embedded IoT security, safety and compliance, RISC-V, Rust, MPUs).
- Perpetual licences still make up 50%+ of IAR Systems' sales. We prefer subscription-based revenue models versus traditional perpetual licence delivery models, since the SaaS model generates more predictable revenue and cash flow, with the potential to become more profitable longer-term.

Source: DNB Markets

Weaknesses

- History of bad capital allocation in search of growth opportunities outside its core Embedded Workbench (~SEK200m Secure Thingz acquisition in 2018). That said, under its new leadership, IAR Systems has been more shareholder-friendly, with dynamic capital allocation through share buybacks.

Threats

- Competitive shift as open-source-based alternatives could gain popularity, as younger generations of developers could be unwilling to pay for licences or be restricted to a single technology from one vendor.
- OEMs and processor manufacturers might prefer high-level tools that can abstract out the lower-level hardware and software in product development.

ESG overview

Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> ■ IAR Systems’ software-development tools are market-leading in code quality, analysis, functional safety, and security. Its software ensures that the code is in line with industry standards, thereby guaranteeing its reliability when applied. ■ Increased IoT security legislation drives demand for its products, as its OEM customers must comply with new security design requirements. 	<ul style="list-style-type: none"> ■ Data loss or security bugs in the software code could trigger regulatory scrutiny as well as legal costs and reputational damage, hampering its growth prospects. ■ IAR Systems’ competitiveness relies greatly on its ability to continuously innovate. For this, its highly skilled workforce is a key resource. Failure to attract and retain such professionals could lead to delays in innovation and a loss of market share.
Actions being taken by company	<ul style="list-style-type: none"> ■ Embedded programmers need to protect their code from IP theft and illegal copying, as IoT security issues are becoming increasingly prevalent. Following the acquisition of Secure Thingz, IAR Systems’ tools are increasingly linked to sustainability, as they help developers take control of security from inception in the IP throughout the lifecycle of a digital product. 	<ul style="list-style-type: none"> ■ IAR Systems’ development tools are the most used in the embedded industry, owing to its leading optimisation technology, comprehensive debugger quality, and renowned technical support. This is confirmed by its loyal customer base (~5% annual customer churn). It has 30,000+ users, 95% of which recurring customers, we believe.

Key ESG drivers

Short-term

- IAR Systems’ security offering (Secure Desktop Provisioner, Embedded Trust, and C-Trust) ensures that its customers’ intellectual property is protected against IP theft, overproduction, and piracy, and that software updates can be managed in a secure fashion. In other words, it creates a secure infrastructure and protects its customers’ digital products from sabotage programmes and data intrusion.
- Examples of customer use cases have included: a leading vending-machine provider, whose IP was stolen (stolen credit card and transaction details); a global white-goods company, whose stolen IP led to twice as many products being manufactured; and a leading door-sensor provider, whose IP was stolen internally, which led to direct revenue loss.
- To stay ahead of the competition, IAR Systems relies heavily on its employees in the development and innovation of new technologies.
- Following the integration of Secure Thingz, IAR Systems’ addressable market has expanded from application development into manufacturing and update management (the entire lifecycle of embedded systems). To keep pace with competition in a larger market, it needs to retain highly skilled software engineers, which could come at a higher cost than its traditional business.
- An increasingly larger part of IAR Systems could revolve around Cambridge-based Secure Thingz. This could create some corporate cultural challenges versus the Uppsala-based legacy business.

Long-term

- Regulators are likely to play an active role in the long-term uptake of secure development tools. This should have an impact on programmers’ designs, as applications need to remain secure across the entire lifecycle to comply with new legislation. We note legislative initiatives in Europe (UK government, ETSI, ENISA) and the US (California and Oregon IoT Security law, IoT Cybersecurity Improvement Act), and government initiatives across Singapore, Japan, South Korea.
- Considering its offering of software development tools to over 30,000+ users as well as the sensitive nature of the data it handles, IAR Systems is exposed to possible hacking attempts and misappropriation of technological data.

Source: DNB Markets

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Key graphs

Figure 2: SaaS transition scenario (illustrative, 2021–2030e)

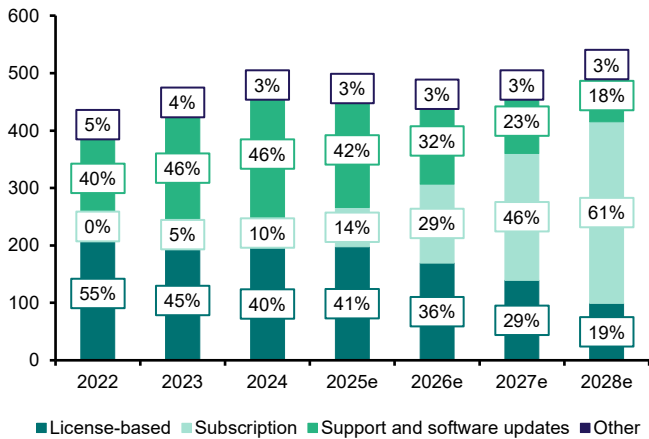
(SEKm)	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Net sales										
License-based	196	233	208	194	196	165	130	90	59	39
Subscription	0	0	21	41	65	129	211	308	438	589
SUA	142	168	211	226	203	152	114	91	78	74
Other	18	19	18	13	13	13	13	13	13	13
Total	356	420	458	474	477	460	468	503	587	715
Growth (YOY)										
License-based	-8%	19%	-11%	-7%	1%	-16%	-21%	-30%	-34%	-35%
Subscription				95%	57%	100%	63%	46%	42%	35%
SUA	-2%	19%	25%	7%	-10%	-25%	-25%	-20%	-15%	-5%
Other	26%	5%	-5%	-28%	0%	0%	0%	0%	0%	0%
Total	0%	0%	-1%	1%	0%	-4%	2%	7%	17%	22%
Sales mix										
License-based	55%	55%	45%	41%	41%	36%	28%	18%	10%	5%
Subscription	0%	0%	5%	9%	14%	28%	45%	61%	74%	82%
SUA	40%	40%	46%	48%	43%	33%	24%	18%	13%	10%
Other	5%	5%	4%	3%	3%	3%	3%	3%	2%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<i>Of which recurring</i>	40%	40%	51%	56%	56%	61%	70%	79%	88%	93%
Assumptions										
Market grow th				0%	6%	6%	6%	6%	6%	6%
Transfer license-based/SaaS					5%	20%	20%	20%	15%	10%
Transfer SUA/SaaS					10%	25%	25%	20%	15%	5%
SaaS - churn					5%	5%	5%	5%	5%	5%
SaaS - renewal					0%	50%	50%	50%	50%	50%
SaaS - consumption					0%	5%	5%	5%	5%	5%
Price perpetual license (SEK)				20,000	20,000	20,000	20,000	20,000	20,000	20,000
Price SUA license (SEK)				4,000	4,000	4,000	4,000	4,000	4,000	4,000
Price SaaS subscription (SEK)	4Y payback			9,000	9,000	9,000	9,000	9,000	9,000	9,000
Value uplift SaaS/perpetual	After 5Y				13%	13%	13%	13%	13%	13%
License-based										
(+) Base year + market grow th				194	206	218	231	245	260	276
(-) Transfer license-based/SaaS					-10	-51	-97	-148	-192	-227
(-) Churn in SaaS transfer					0	-3	-5	-7	-9	-10
Sum				194	196	165	130	90	59	39
Subscription										
(+) Base year					41	65	129	211	308	438
(+) Transfer license-based/SaaS					4	23	44	67	86	102
(-) Sales recognition licenses					-3	-15	-20	-33	-36	-46
(+) Transfer SUA/SaaS					23	51	38	23	14	4
(+) Consumption revenues					0	4	8	12	18	25
(+) Renew als					0	2	13	28	47	67
Sum					65	129	211	308	438	589
SUA										
(+) Start of the year				211	226	203	152	114	91	78
(-) Transfer SUA/SaaS				15	-23	-51	-38	-23	-14	-4
Sum				226	203	152	114	91	78	74

Source: Company (historical data), DNB Markets (estimates)

Note: This is not our forecast for IAR Systems but only an illustrative example of the how we think of the financial implications of a SaaS transition on its business model

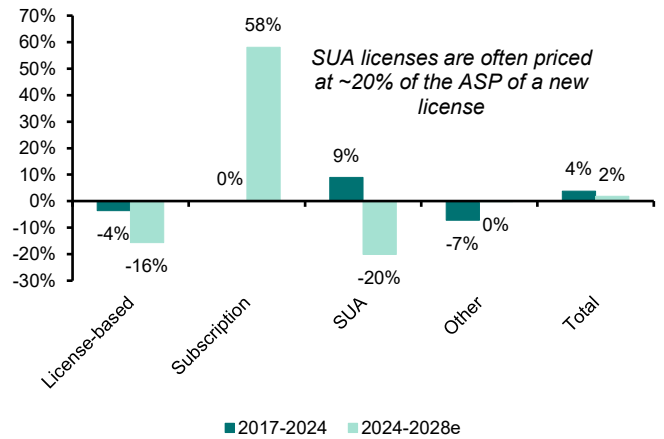
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Figure 3: Net sales mix by product type (SEKm, 2022–2028e)



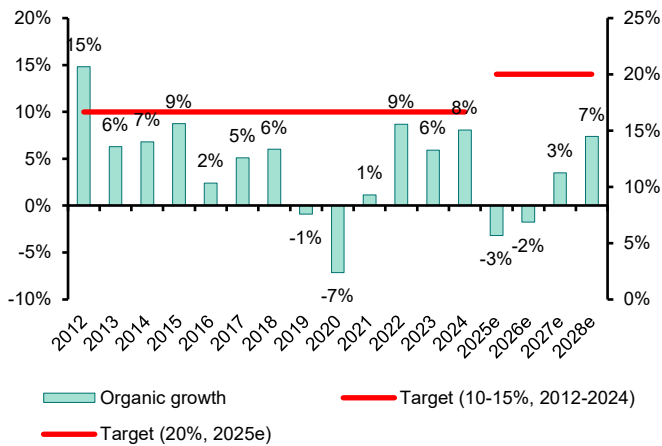
Source: DNB Markets (forecasts), company (historical data)

Figure 4: Net sales CAGR by product type (SEKm, 2017–2028e)



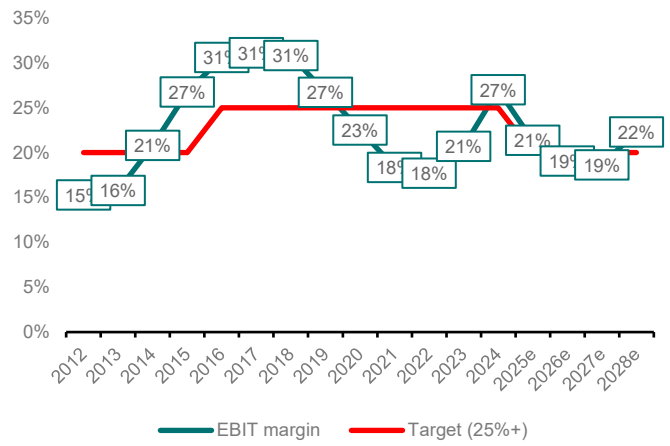
Source: DNB Markets (forecasts), company (historical data)

Figure 5: Financial goal 1 – organic sales growth of 20%+ (post SaaS transition)



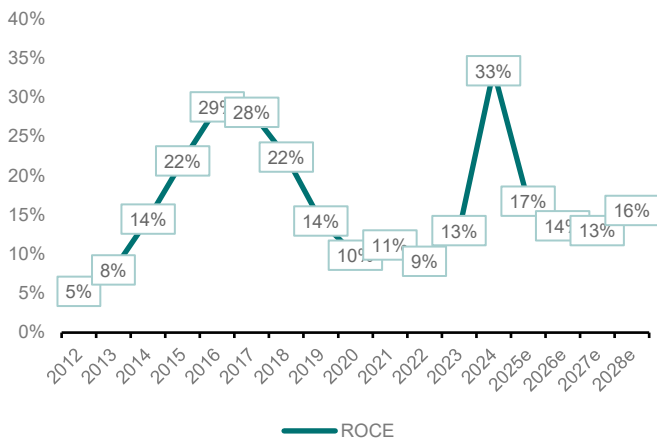
Source: DNB Markets (forecasts), company (historical data)

Figure 6: Financial goal 2 – EBIT margin >20%



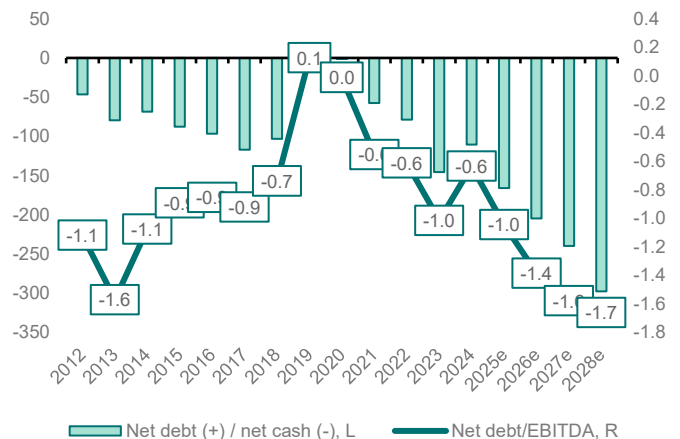
Source: DNB Markets (forecasts), company (historical data)

Figure 7: Return on capital employed (2012–2028e)



Source: DNB Markets (forecasts), company (historical data)

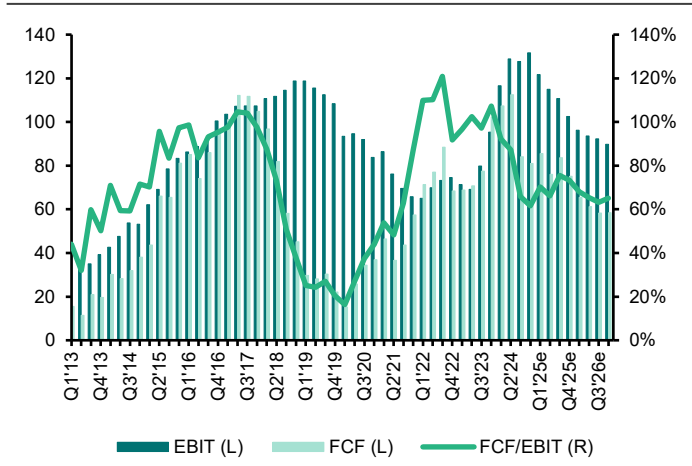
Figure 8: Net debt to EBITDA (x, SEKm, 2012–2028e)



Source: DNB Markets (forecasts), company (historical data)

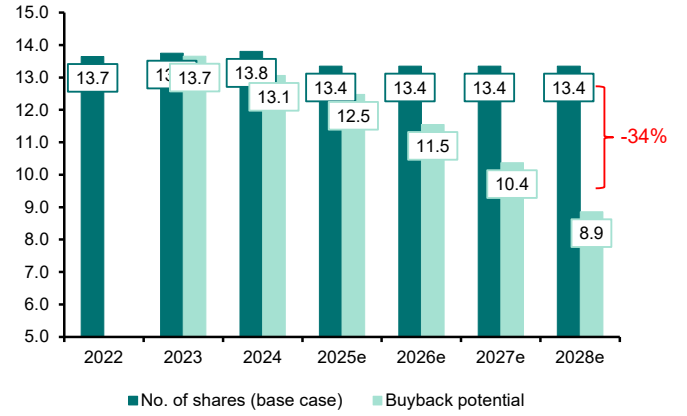
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Figure 9: LTM FCF versus LTM EBIT (2012-2025e)



Source: DNB Markets (forecasts), company (historical data)

Figure 10: Share buybacks could keep up share price during SaaS transition (assume flat net cash/EBITDA at 0.5x)



Source: DNB Markets (forecasts), company (historical data)

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Estimate revisions

Figure 11: Estimate changes

(SEKm, except per share data)	Actual	New			Old			Change		
	2023	2024	2025e	2026e	2024	2025e	2026e	2024	2025e	2026e
Net sales	460.9	487.3	479.9	470.3	474.5	474.2	467.5	3%	1%	1%
Growth YOY, of which	9.8%	5.7%	-1.5%	-2.0%	2.9%	-0.1%	-1.4%	283bp	-142bp	-59bp
Organic	5.9%	8.0%	-3.2%	-1.8%	5.1%	-3.3%	-1.6%	295bp	10bp	-17bp
Structural	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0bp	0bp	0bp
FX	3.8%	-2.3%	1.7%	-0.2%	-2.1%	3.3%	0.2%	-19bp	-162bp	-42bp
Gross profit	447.5	474.1	466.8	457.2	462.8	461.1	454.4	2%	1%	1%
Gross margin	97.1%	97.3%	97.3%	97.2%	97.5%	97.2%	97.2%	-21bp	7bp	1bp
Operating expenses	-303.8	-299.7	-307.8	-309.2	-298.6	-305.8	-308.3	0%	1%	0%
EBITDA	143.7	174.4	159.1	148.0	164.2	155.4	146.1	6%	2%	1%
Adj. EBITDA	155.5	186.9	177.1	166.0	178.6	173.4	164.1	5%	2%	1%
EBITA	117.3	144.7	113.6	101.7	130.4	111.3	101.3	11%	2%	0%
Adj. EBITA	417.0	157.2	131.6	119.7	144.8	129.3	119.3	9%	2%	0%
EBIT	-204.3	119.1	84.6	71.7	104.6	82.3	69.3	14%	3%	4%
Adj. EBIT	95.4	131.6	102.6	89.7	119.0	100.3	87.3	11%	2%	3%
Adj. EBIT margin	20.7%	27.0%	21.4%	19.1%	25.1%	21.2%	18.7%	191bp	17bp	38bp
IAC	-299.7	-12.5	-18.0	-18.0	-14.4	-18.0	-18.0	-13%	0%	0%
EPS, reported	-16.85	10.16	4.83	4.07	8.65	4.65	3.88	17%	4%	5%
Adj EPS, diluted	5.12	10.90	6.21	5.45	9.60	6.02	5.25	14%	3%	4%
DPS	1.50	1.50	1.50	2.00	3.00	2.11	1.84	-50%	-29%	9%
By product										
Net sales										
License-based	208.2	196.1	197.4	169.5	194.2	198.0	168.4	1%	0%	1%
Subscription	21.2	50.6	68.5	137.5	41.3	57.5	132.0	23%	19%	4%
Support and softw are updates	210.6	224.6	201.0	149.5	225.9	205.8	153.2	-1%	-2%	-2%
Other	20.9	16.0	13.0	13.9	13.1	13.0	13.9	22%	0%	0%
Total	460.9	487.3	479.9	470.3	474.5	472.2	467.5	3%	2%	1%
Net sales mix										
Upfront	247.5	262.6	210.4	183.3	244.6	211.0	182.3	7%	0%	1%
Recurring	210.6	224.6	269.5	287.0	229.9	263.3	285.2	-2%	2%	1%
Total	460.9	487.3	479.9	470.3	474.5	474.2	467.5	3%	1%	1%
Organic sales growth										
License-based	-14.5%	-3.6%	-1.0%	-13.9%	-4.7%	-1.3%	-15.2%	113bp	28bp	127bp
Subscription	n.a.	141.1%	33.9%	100.9%	97.3%	35.9%	129.5%	4379bp	-203bp	2860bp
Support and softw are updates	21.7%	9.0%	-12.2%	-25.4%	9.4%	-12.2%	-25.8%	-39bp	-4bp	42bp
Other	-8.2%	-10.1%	-19.1%	6.9%	-25.5%	-3.6%	6.9%	1535bp	1553bp	2bp
Total	5.9%	8.0%	-3.2%	-1.8%	5.1%	-3.3%	-1.6%	295bp	10bp	-17bp
Key ratios										
Adj. FCF	102	81	75	58	69	65	58	17%	16%	1%
Cash conversion (FCF/EBITDA)	66%	43%	42%	35%	38%	38%	35%	14%	12%	0%
Cash	197	155	201	240	165	180	210	-6%	12%	14%
Net cash (-) / net debt (+)	-146	-111	-166	-205	-127	-153	-183	-13%	9%	12%

Source: Company (historical data), DNB Markets (estimates)

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Forecasts

Figure 12: Annual income statement and key items (SEKm, 2021–2028e)

(SEKm)	2021	2022	2023	2024	2025e	2026e	2027e	2028e	24-27e CAGR
Net sales	355.8	419.9	458.1	487.2	479.9	470.3	486.7	522.6	0%
Growth YOY, of which	-4%	18%	10%	6%	-2%	-2%	3%	7%	
Organic	1%	9%	6%	8%	-3%	-2%	3%	7%	
Structural	0%	0%	0%	0%	0%	0%	0%	0%	
FX	-6%	9%	4%	-2%	2%	0%	0%	0%	
COGS	-12.0	-12.8	-13.4	-13.2	-13.1	-13.1	-13.1	-13.1	
Gross profit	346.0	410.0	447.5	474.1	466.8	457.2	473.6	509.5	
Capitalised work	64.4	50.2	36.1	49.2	49.5	50.9	52.9	56.6	
Other external expenses	-48.3	-58.2	-54.4	-58.0	-54.3	-49.7	-50.2	-52.6	
Personnel costs	-258.2	-273.0	-285.5	-290.9	-303.0	-310.4	-324.5	-334.1	
EBITDA	103.9	129.0	143.7	174.4	159.1	148.0	151.9	179.4	
IAC	-134.2	0.9	-299.7	-12.5	-18.0	-18.0	-18.0	-18.0	
Adj. EBITDA	238.1	128.1	155.5	186.9	177.1	166.0	169.9	197.4	
Depreciation and amortisation	-172.4	-53.3	-348.0	-55.3	-56.5	-58.3	-61.1	-62.9	
EBITA	83.5	103.5	117.3	144.7	113.6	101.7	104.8	131.5	
Adj. EBITA	217.7	102.6	417.0	157.2	131.6	119.7	122.8	149.5	
EBIT	-68.5	75.7	-204.3	119.1	84.6	71.7	72.8	98.5	
Adj. EBIT	65.7	74.8	95.4	131.6	102.6	89.7	90.8	116.5	-12%
Financial items	-0.1	-2.2	0.9	5.3	2.0	2.0	2.0	2.0	
Profit before tax	-68.6	73.5	-203.4	124.4	86.6	73.7	74.8	100.5	
Taxes paid	1.2	-15.7	-25.6	10.9	-23.5	-20.6	-20.9	-26.7	
Adj. Net profit	66.8	56.9	70.7	147.8	81.0	71.1	71.9	91.8	-21%
EPS	-4.94	4.23	-16.85	10.16	4.83	4.07	4.13	5.66	
Adj. EPS (diluted)	4.90	4.17	5.12	10.90	6.21	5.45	5.51	7.04	
DPS	0.00	1.50	1.50	1.50	1.50	2.00	2.00	0.00	
Margins									
Gross	96.6%	97.0%	97.1%	97.3%	97.3%	97.2%	97.3%	97.5%	
EBITDA	29.0%	30.5%	31.2%	35.8%	33.1%	31.5%	31.2%	34.3%	
Adj. EBITDA	66.5%	30.3%	33.7%	38.4%	36.9%	35.3%	34.9%	37.8%	
EBIT	-19.1%	17.9%	-44.3%	24.4%	17.6%	15.3%	14.9%	18.8%	
Adj. EBIT	18.4%	17.7%	20.7%	27.0%	21.4%	19.1%	18.6%	22.3%	
FCF margin	16.1%	16.2%	22.2%	16.6%	15.7%	12.4%	12.5%	16.1%	
Rule of 40 (EBIT)	14.6%	35.8%	29.7%	32.7%	19.9%	17.1%	22.1%	29.7%	
ROCE	9.9%	10.9%	15.8%	26.8%	19.6%	16.1%	15.4%	18.6%	
Cash flow									
Cash flow from operating activities	131.6	128.0	144.0	135.4	131.9	117.4	122.7	150.7	
Capex	-74.1	-59.6	-42.2	-54.4	-56.8	-59.0	-61.9	-66.5	
Adj. FCF	57.5	68.4	101.8	81.0	75.1	58.4	60.8	84.2	-9%
Cash conversion (FCF/EBITDA)	24%	53%	65%	43%	42%	35%	36%	43%	
Balance sheet									
Cash	113.4	148.2	197.4	155.4	200.9	239.7	274.4	332.5	
Net cash (-) / net debt (+)	-57.4	-78.9	-145.7	-110.5	-166.0	-204.8	-239.5	-297.6	
Net debt/EBITDA	-0.6x	-0.6x	-1.0x	-0.6x	-1.0x	-1.4x	-1.6x	-1.7x	

Source: Company (historical data), DNB Markets (estimates)

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Figure 13: Annual segment overview (SEKm, 2021–2028e)

(SEKm)	2021	2022	2023	2024	2025e	2026e	2027e	2028e	24-27e CAGR
Net sales by product									
License-based	196.1	233.0	208.2	196.1	197.4	169.5	139.0	99.0	-11%
Subscription	0.0	0.0	21.2	50.6	68.5	137.5	221.5	316.5	64%
Support and software updates	141.6	167.9	210.6	224.6	201.0	149.5	111.5	91.5	-21%
Other	18.1	19.0	18.1	15.8	13.0	13.9	14.8	15.7	-2%
Total	355.8	419.9	460.9	487.3	479.9	470.3	486.7	522.6	0%
Net sales growth by product									
License-based	-8%	19%	-11%	-6%	1%	-14%	-18%	-29%	
Subscription									
Support and software updates	-2%	19%	25%	7%	-11%	-26%	-25%	-18%	
Other	26%	5%	-5%	-13%	-18%	7%	6%	6%	
Total	-4%	18%	10%	6%	-2%	-2%	3%	7%	
Organic net sales growth by product									
License-based	-2%	10%	-15%	-4%	-1%	-14%	-18%	-29%	
Subscription				141%	34%	101%	61%	43%	
Support and software updates	3%	9%	22%	9%	-12%	-25%	-25%	-18%	
Other	32%	-5%	-8%	-10%	-19%	7%	6%	6%	
Total	1%	9%	6%	8%	-3%	-2%	3%	7%	
Net sales mix									
License-based	55%	55%	45%	40%	41%	36%	29%	19%	
Subscription	0%	0%	5%	10%	14%	29%	46%	61%	
Support and software updates	40%	40%	46%	46%	42%	32%	23%	18%	
Other	5%	5%	4%	3%	3%	3%	3%	3%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	
Net sales by type									
Upfront	214.2	252.0	247.5	262.6	210.4	183.3	153.7	114.6	
Recurring	141.6	167.9	210.6	224.6	269.5	287.0	333.0	408.0	
Total	355.8	419.9	458.1	487.2	479.9	470.3	486.7	522.6	
Net sales mix									
Upfront	60%	60%	54%	54%	44%	39%	32%	22%	
Recurring	40%	40%	46%	46%	56%	61%	68%	78%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	

Source: Company (historical data), DNB Markets (estimates)

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Figure 14: Quarterly segment overview (SEKm, 2023–2025e)

(SEKm)	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Net sales	126.0	119.7	123.2	112.3	132.1	119.6	117.7	116.1	126.5
Growth YOY, of which	6%	2%	-5%	-3%	5%	0%	-4%	3%	-4%
Organic	5%	5%	-3%	1%	5%	-4%	-6%	1%	-4%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
FX	1%	-3%	-2%	-4%	0%	4%	1%	2%	0%
COGS	-4.3	-3.1	-2.9	-2.6	-4.6	-3.2	-3.3	-3.3	-3.3
Gross profit	121.7	116.6	120.3	109.7	127.5	116.4	114.4	112.8	123.2
Capitalised work	9.1	10.3	10.8	14.8	13.3	12.0	12.0	12.5	13.0
Other external expenses	-19.8	-10.8	-16.8	-14.1	-16.3	-13.0	-13.3	-13.0	-15.0
Personnel costs	-66.5	-69.2	-73.6	-70.5	-77.6	-77.0	-76.0	-71.0	-79.0
EBITDA	44.5	46.9	40.7	39.9	46.9	38.4	37.1	41.3	42.2
IAC	-287.9	-2.1	-2.5	-5.3	-2.6	-4.5	-4.5	-4.5	-4.5
Adj. EBITDA	44.5	49.0	43.2	45.2	49.5	42.9	41.6	45.8	46.7
Depreciation and amortisation	-300.3	-14.8	-13.4	-13.6	-13.5	-14.1	-14.2	-14.0	-14.3
EBITA	38.0	37.1	34.2	33.2	40.2	27.1	25.7	30.1	30.6
Adj. EBITA	325.9	39.2	36.7	38.5	42.8	31.6	30.2	34.6	35.1
EBIT	-255.8	32.1	27.3	26.3	33.4	19.8	18.5	22.9	23.4
Adj. EBIT	32.1	34.2	29.8	31.6	36.0	24.3	23.0	27.4	27.9
Financial items	1.8	5.3	-3.0	2.2	0.8	0.5	0.5	0.5	0.5
Profit before tax	-254.0	37.4	24.3	28.5	34.2	20.3	19.0	23.4	23.9
Taxes paid	-1.5	31.6	-8.5	-14.7	2.5	-5.6	-5.3	-6.3	-6.4
Adj. Net profit	32.4	71.1	18.3	19.1	39.3	19.3	18.2	21.6	22.0
EPS	-18.79	5.12	1.19	1.04	2.81	1.13	1.05	1.31	1.34
Adj. EPS (diluted)	2.35	5.19	1.35	1.42	2.94	1.48	1.39	1.66	1.69
DPS	0.00	0.00	1.50	0.00	0.00	0.00	1.50	0.00	0.00
Margins									
Gross	96.6%	97.4%	97.6%	97.7%	96.5%	97.3%	97.2%	97.2%	97.4%
EBITDA	35.3%	39.2%	33.0%	35.5%	35.5%	32.1%	31.6%	35.6%	33.3%
Adj. EBITDA	35.3%	40.9%	35.1%	40.2%	37.5%	35.9%	35.4%	39.5%	36.9%
EBIT	-203.0%	26.8%	22.2%	23.4%	25.3%	16.6%	15.7%	19.7%	18.5%
Adj. EBIT	25.5%	28.6%	24.2%	28.1%	27.3%	20.4%	19.5%	23.6%	22.0%
FCF margin	22.3%	17.5%	19.1%	10.2%	18.9%	21.4%	11.9%	16.4%	13.1%
Rule of 40 (EBIT)	39.3%	38.8%	37.3%	23.8%	32.1%	20.3%	15.0%	27.0%	17.8%
ROCE	14.1%	18.7%	23.1%	25.9%	26.2%	24.3%	22.8%	21.6%	19.6%
Cash flow									
Cash flow from operating activities	36.9	32.7	35.6	27.7	39.4	39.3	27.8	33.2	31.5
Capex	-9.1	-11.7	-12.1	-16.2	-14.4	-13.8	-13.9	-14.2	-15.0
Adj. FCF	27.8	21.0	23.5	11.5	25.0	25.5	14.0	19.0	16.5
Cash conversion (FCF/EBITDA)	62%	43%	54%	25%	51%	60%	34%	42%	35%
Balance sheet									
Cash	197.4	195.8	160.5	156.9	155.4	175.9	165.4	184.4	200.9
Net cash (-) / net debt (+)	-145.7	-143.9	-113.7	-114.6	-110.5	-136.0	-130.5	-149.5	-166.0
Net debt/EBITDA	-1.0x	-0.9x	-0.6x	-0.7x	-0.6x	-0.8x	-0.8x	-0.9x	-1.0x

Source: Company (historical data), DNB Markets (estimates)

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Figure 15: Quarterly income statement and key items (SEKm, 2023–2025e)

(SEKm)	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25e	Q2'25e	Q3'25e	Q4'25e
Net sales by product									
License-based	57.1	52.4	42.9	44.1	56.7	52.3	48.4	43.0	53.8
Subscription	10.2	10.0	20.3	7.0	13.3	13.0	15.0	18.0	22.5
Support and softw are updates	55.0	54.2	56.3	58.2	55.9	51.1	51.0	51.9	47.0
Other	3.6	3.1	3.7	3.0	6.0	3.3	3.3	3.3	3.3
Total	126.0	119.7	123.2	112.3	132.1	119.6	117.7	116.1	126.5
Net sales growth by product									
License-based	0%	-2%	-19%	-2%	-1%	0%	13%	-2%	-5%
Subscription				-36%	30%	30%	-26%	157%	69%
Support and softw are updates	21%	9%	11%	5%	2%	-6%	-9%	-11%	-16%
Other	-44%	-34%	-18%	-43%	67%	5%	-12%	8%	-46%
Total	6%	2%	-5%	-3%	5%	0%	-4%	3%	-4%
Organic net sales growth by product									
License-based	-1%	1%	-17%	3%	0%	-4%	12%	-5%	-5%
Subscription									
Support and softw are updates	20%	12%	13%	10%	2%	-9%	-11%	-13%	-16%
Other	-45%	-31%	-16%	-39%	67%	1%	-13%	6%	-46%
Total	5%	5%	-3%	1%	5%	-4%	-6%	1%	-4%
Net sales mix									
License-based	45%	44%	35%	39%	43%	44%	41%	37%	43%
Subscription	8%	8%	16%	6%	10%	11%	13%	15%	18%
Support and softw are updates	44%	45%	46%	52%	42%	43%	43%	45%	37%
Other	3%	3%	3%	3%	5%	3%	3%	3%	3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net sales by type									
Upfront	70.9	65.5	66.9	54.1	76.1	55.5	51.7	46.3	57.0
Recurring	55.0	54.2	56.3	58.2	55.9	64.1	66.0	69.9	69.5
Total	125.9	119.7	123.2	112.3	132.0	119.6	117.7	116.1	126.5
Net sales mix									
Upfront	56%	55%	54%	48%	58%	46%	44%	40%	45%
Recurring	44%	45%	46%	52%	42%	54%	56%	60%	55%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Company (historical data), DNB Markets (estimates)

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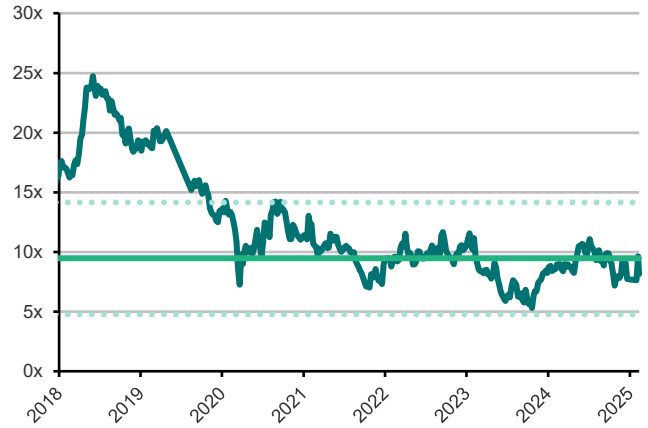
Valuation

Figure 16: EV/sales 12-month forward IAR (2018–2025)



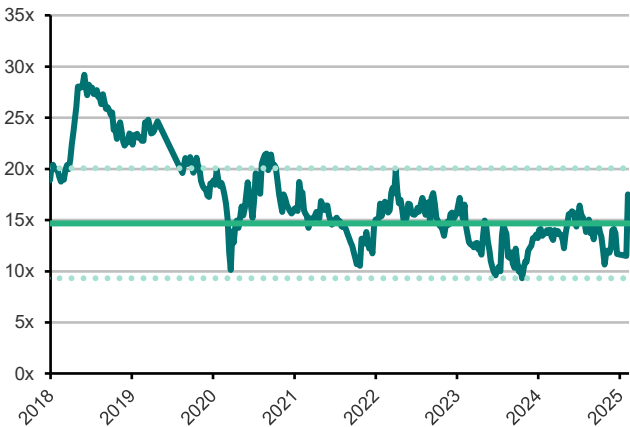
Source: Bloomberg

Figure 17: EV/EBITDA 12-month forward IAR (2018–2025)



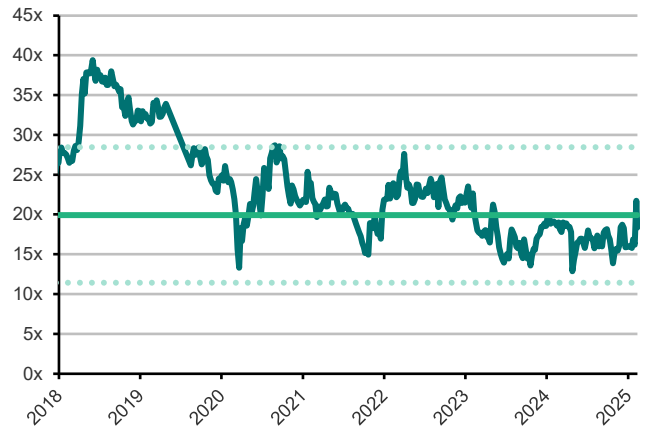
Source: Bloomberg

Figure 18: EV/EBIT 12-month forward IAR (2018–2025)



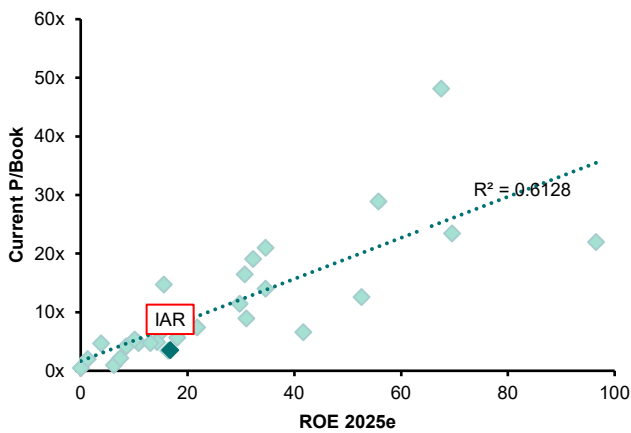
Source: Bloomberg

Figure 19: P/E 12-month forward IAR (2018–2025)



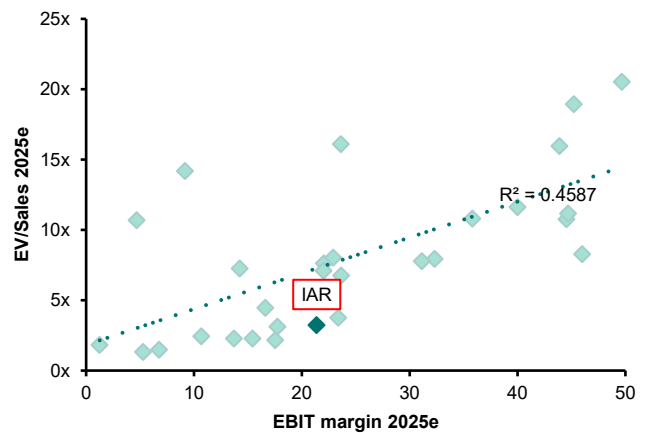
Source: Bloomberg

Figure 20: Current P/book versus ROE (2025e)



Source: Bloomberg (underlying data), DNB Markets (further calculations)

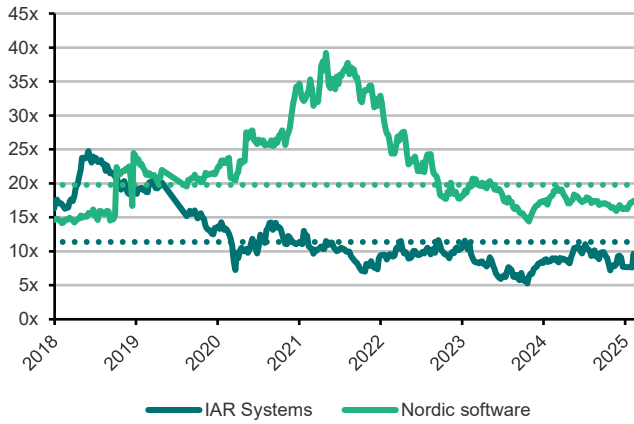
Figure 21: EV/sales versus EBIT margin (2025e)



Source: Bloomberg (underlying data), DNB Markets (further calculations)

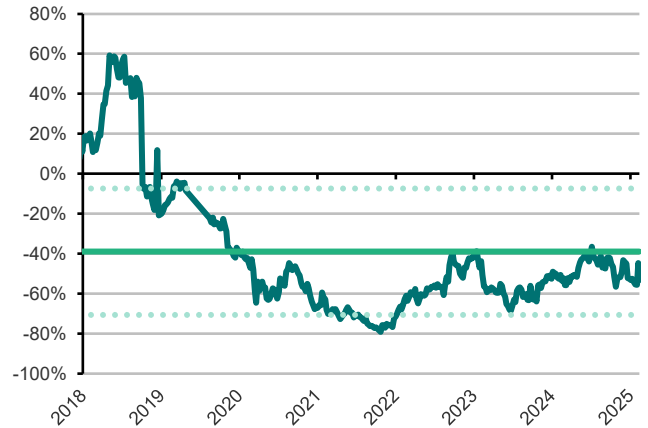
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Figure 22: EV/EBITDA 12-month forward IAR Systems versus Nordic software



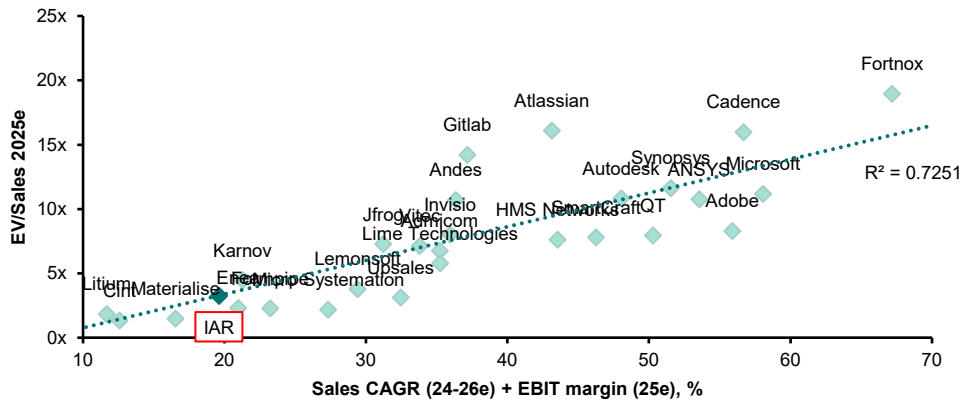
Source: Bloomberg (underlying data), DNB Markets (further calculations)

Figure 23: Premium/discount EV/EBITDA 12-month forward IAR Systems versus Nordic software



Source: Bloomberg (underlying data), DNB Markets (further calculations)

Figure 24: EV/sales 2025e versus sales CAGR + EBIT margin



Source: Bloomberg (underlying data), DNB Markets (further calculations)

Figure 25: IAR Systems' valuation versus listed peers

	Mkt. cap.	P/E (x)			EV/EBIT (x)			EV/EBITDA (x)			EV/Sales (x)			2025 yield (%)		ROE (%)		EBIT margin		CAGR 2024-2026e (%)			
	(SEKbn)	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	DPS	FCF	2025e	2026e	2025e	2026e	Sales	EBIT	EPS	
IAR Systems (DNBe)	1.8	29	35	34	15	17	17	10	10	10	3	3	3	1.1	4.1	17	14	21.4	19.1	-2	-17	-37	
Premium/discount		-28%	12%	31%	-64%	-35%	-22%	-63%	-50%	-44%	-59%	-52%	-51%										
IAR Systems (Cons.)	1.8	22	26	27	18	21	22	10	11	11	4	4	4	1.6	3.5	16	15	19.2	16.7	-1	-19	-24	
Premium/discount		-45%	-17%	2%	-57%	-21%	2%	-62%	-49%	-41%	-54%	-47%	-43%										
Nordic software																							
Addnode	15.6	31	27	25	25	21	19	15	14	13	2	2	2	1.1	3.1	18	18	10.7	11.6	-10	14	23	
Admicom	3.0	27	21	18	28	20	15	19	15	12	7	6	5	1.3	3.4	19	24	23.7	28.6	12	21	25	
Cint	1.8	12	11	7	24	12	14	4	4	4	1	1	1	0.0	0.7	0	2	5.3	9.1	7		132	
Enea	2.0	14	12	10	14		8	7	6	5	2	2	2	2.6	8.4	6	7	15.4	17.9	6	17	4	
Formpipe	1.3	20	14	11	16	11		9	7		2	2	2	4.2	6.1	14	18	13.7	18.0	10	70	59	
Fortnox	47.8	53	42	32	41	32	24	34	27	21	19	15	13	0.4	1.6	35	34	45.2	46.9	22	29	28	
Hemnet	37.3	52	40	34	41	31	27	38	29	25	20	17	14	0.6	1.9	56	69	49.7	52.5	27	35	37	
HMS Networks	26.0	41	31	27	34	26	22	26	21	18	8	7	6	0.8	2.8	15	18	22.0	24.1	22	47	59	
Invisio	15.2	47	37		34	27		30	24		8	7	6	0.8	1.8	31	31	22.9	24.8	13	26	26	
Karnov	9.6	20	17	15	25	18	16	14	12	10	4	4	4	0.7	4.6	9	13	16.6	21.3	5	57	33	
Lemonsoft	1.2	18	17	14	15	13		13	11		4	4	3	2.5	5.1	16	19	23.4	24.6	6	14	12	
Lime Technologies	4.3	34	27	24	27	22	18	18	15	13	6	5	4	1.4	3.6	35	35	21.1	22.1	14	22	28	
Litium	0.2	54	19		139	33		7	6		2	2			3.3	1	4	1.3	4.6	10		165	
Micro Systemation	1.1	18	16	14	12	10	9	10	9	8	2	2	2	3.0	5.8	42	39	17.5	18.4	10	14	10	
QT	22.6	31	26	20	24	18	14	21	17	13	8	7	6	0.0	3.1	30	27	32.3	33.9	18	24	22	
SmartCraft	4.6	31	26	21	24	19	14	19	15	12	8	7	6	0.0	3.6	14	15	31.1	33.4	15	28	24	
Upsales	0.6	22	19		17	15		12	11		3	3		4.5	3.8	97	106	17.8	17.5	15	16	19	
Vitec	25.0	46	40	37	32	29	26	18	16	15	7	7	6	0.7	2.6	11	11	22.0	22.9	12	16	19	
Engineering software																							
Adobe	2,173.9	23	20	18	18	16	14	18	16	15	8	8	7	0.0	4.6	53	52	46.0	45.7	10	9	12	
Andes	7.3	114	48		229	54		69	36		11	8		0.4	0.6	4	9	4.7	15.7	32			
ANSYS	325.1	30	28	25	26	24		25	24		11	10	9	0.0	2.8	13	13	44.5	45.1	9	10	10	
Atlassian	910.8	91	75	60	67	53	40	62	50	39	16	13	11	0.0	1.7	68	49	23.6	24.3	20	23	22	
Autodesk	703.2	36	33	28	30	26	22	28	26	22	11	9	9	0.0	2.3	70	53	35.8	35.6	12	13	11	
Cadence	899.6	44	38	34	35	30	26	34	29	25	16	14	12		2.0	32	28	43.9	45.1	13	16	15	
Gitlab	122.4	109	86	68	149	91	61	138	89	57	14	11	9	0.0	0.9	16	15	9.2	11.9	28		150	
Jfrog	44.1	55	46	37	49	38	22	41	32		7	6	5		2.4	10	12	14.2	15.7	17	27	15	
Materialise	5.7	31	22	24	21	13		10	8		1	1	1	0.0	2.5	7	8	6.7	9.3	10	49	36	
Microsoft	33,257.4	31	27	24	24	21	18	20	17	14	11	10	9	0.8	2.2	31	29	44.7	44.7	13	14	13	
Synopsys	886.8	35	31	26	28	25	20	27	23	20	12	10	9		2.0	22	20	40.0	39.2	12	12	14	
Average	1,364.0	40	31	26	43	27	21	27	21	18	8	7	6	1.0	3.1	27	27	24.3	26.4	13	25	36	
Median	15.6	31	27	24	27	23	19	19	16	15	8	7	6	0.7	2.8	18	19	22.0	24.1	12	21	22	

Source: Bloomberg (underlying data), DNB Markets (further calculations)

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Figure 26: 2028e valuation scenario

(SEKm)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Net sales	372.0	358.0	422.8	460.9	487.3	479.9	470.3	486.7	522.6
Grow th YOY	-8.3%	-3.8%	18.1%	9.0%	5.7%	-1.5%	-2.0%	3.5%	7.4%
EBITDA	132.7	103.9	129.0	143.7	174.4	159.1	148.0	151.9	179.4
EBITDA margin	35.7%	29.0%	30.5%	31.2%	35.8%	33.1%	31.5%	31.2%	34.3%
Adj. EBITDA	132.7	238.1	128.1	155.5	186.9	177.1	166.0	169.9	197.4
Adj. EBITDA margin	35.7%	66.5%	30.3%	33.7%	38.4%	36.9%	35.3%	34.9%	37.8%
EBITA	112.4	83.5	103.5	117.3	144.7	113.6	101.7	104.8	131.5
Adj. EBITA	112.4	217.7	102.6	417.0	157.2	131.6	119.7	122.8	149.5
EBIT	83.8	-68.5	75.7	-204.3	119.1	84.6	71.7	72.8	98.5
EBIT margin	22.5%	-19.1%	17.9%	-44.3%	24.4%	17.6%	15.3%	14.9%	18.8%
Adj. EBIT	83.8	65.7	74.8	95.4	131.6	102.6	89.7	90.8	116.5
Adj. EBIT margin	22.5%	18.4%	17.7%	20.7%	27.0%	21.4%	19.1%	18.6%	22.3%
Net profit	59.4	-67.4	57.8	-229.0	135.3	63.0	53.1	53.9	73.8
Adj. net profit	59.4	66.8	56.9	70.7	147.8	81.0	71.1	71.9	91.8
Adj. FCF	37.0	57.5	68.4	102.3	81.0	75.1	58.4	60.8	84.2
FCF margin	9.9%	16.1%	16.2%	22.2%	16.6%	15.7%	12.4%	12.5%	16.1%
ROCE	12.4%	9.9%	10.9%	15.8%	26.8%	19.6%	16.1%	15.4%	18.6%
ROE	9.9%	11.1%	9.1%	13.0%	33.4%	16.7%	13.6%	13.0%	15.5%
Number of shares	13.65	13.65	13.75	13.80	13.35	13.35	13.35	13.35	13.35
Market cap	1,905.5	1,605.6	2,053.0	1,691.1	1,755.2	1,755.2	1,755.2	1,755.2	1,755.2
Net debt (+) / net cash (-)	-1.5	-57.4	-78.9	-145.7	-110.5	-166.0	-204.8	-239.5	-297.6
Enterprise value	1,904.0	1,548.2	1,974.1	1,545.4	1,644.7	1,589.2	1,550.4	1,515.7	1,457.6
Adjusted									
EV/Sales	5.1x	4.3x	4.7x	3.4x	3.4x	3.3x	3.3x	3.1x	2.8x
EV/EBITDA	14.3x	6.5x	15.4x	9.9x	8.8x	9.0x	9.3x	8.9x	7.4x
EV/EBITA	16.9x	7.1x	19.2x	3.7x	10.5x	12.1x	12.9x	12.3x	9.7x
EV/EBIT	22.7x	23.6x	26.4x	16.2x	12.5x	15.5x	17.3x	16.7x	12.5x
P/E	32.1x	24.0x	36.1x	23.9x	11.9x	21.7x	24.7x	24.4x	19.1x
FCF yield	1.9%	3.7%	3.5%	6.6%	4.9%	4.7%	3.8%	4.0%	5.8%
Valuation scenario									
EV/EBIT 2028e	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x	26.0x	28.0x	30.0x
Enterprise value	1,631.1	1,864.1	2,097.1	2,330.1	2,563.1	2,796.2	3,029.2	3,262.2	3,495.2
Net debt (+) / net cash (-)	-297.6	-297.6	-297.6	-297.6	-297.6	-297.6	-297.6	-297.6	-297.6
Market cap	1,928.7	2,161.7	2,394.7	2,627.7	2,860.7	3,093.7	3,326.8	3,559.8	3,792.8
Dividends 25-28e'	91.4	71.8	52.2	26.1	0.0	0.0	0.0	0.0	0.0
Market cap incl. dividends	2,020.0	2,233.5	2,446.9	2,653.8	2,860.7	3,093.7	3,326.8	3,559.8	3,792.8
Number of shares	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Implied share price 2025e	151.3	167.3	183.3	198.8	214.3	231.7	249.2	266.6	284.1
Price potential	13%	24%	36%	48%	59%	72%	85%	98%	111%
Annualised TSR	3%	6%	8%	11%	13%	15%	17%	19%	21%

Source: Company (historical data), DNB Markets (further calculations)

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Summary of positives

Attractive position in a structural growth niche

Sweden-based IAR Systems is a world-leading provider of commercial software tools and services for programming processors in embedded systems (IAR Systems software helps developers to translate coding languages to optimised machine code for microcontrollers) that enable the development and ensure the code quality of digital products. Its professional customers are mainly developers (30,000+ technology users) at OEMs building these systems for products going mainly into its focus markets with a higher degree of certifications and regulations: automotive, medical and industrial automation. Although the niche for IAR Systems' addressable market is largely undefined, it has said it captures a ~40% market share for commercial tools. We note several prospects for the market to show a mid-to-high single-digit CAGR medium-term: 1) a continued increase in the number (and complexity) of embedded systems driven by the growth of IoT; 2) demand for reliable and advanced software tools that offer faster time-to-market and a complete development platform; and 3) a lack of software developers, which increases demand for more powerful software-development tools.

Market dynamics benefiting the market leader

In our view, IAR Systems' key competitive advantages stem from: 1) its complete toolchain for product developers across 8-, 16-, 32-, and 64-bit processors; 2) its independence, which enables it to support a wide range of design architecture – customers can choose the programming environment and tools according to their own needs, regardless of processor or project with multi-core capabilities (Arm + RISC-V), which avoids locking customers into one technical platform; and 3) superior industrial quality, as its commercial customers cannot compromise on tools' code performance, reliability, user-friendliness, or time-to-market by using inferior technologies, such as open-source alternatives. IAR Systems' solutions create codes that are compact, fast, and stable.

96%+ gross margins ensure high level of scalability

We are positive on IAR Systems' new strategy to focus on: 1) expanding its addressable markets (address more advanced MCUs and also MPUs, which represent ~40% of its current market that it does not target today); 2) widening the market reach by targeting focus verticals (higher degree of certifications and regulations) in automotive and industrial automation, and expanding its channel through distributors and partners; and 3) expanding its share of wallet with its existing customers through its new subscription offering, allowing access to its entire toolchain in a modern development environment, with the potential to add a consumption parameter (charge for build capacity). We believe IAR Systems' business model transition will allow for stronger financials medium-term, as it: 1) facilitates a more predictable (less lumpy = de-risks growth), recurring, and ultimately profitable revenue stream; and 2) enables a more rapid customer expansion and user adoption by lowering the upfront cost of deployments. With ~95% customer retention, we believe IAR Systems could scale up with its existing customer base, which, in combination with 96%+ gross margins, could provide a highly scalable cost structure as the SaaS shift is completed that could add a tailwind to significant margin expansion with high cash conversion.

More dynamic capital allocation

IAR Systems has a solid FCF profile and a strong balance sheet, and we are encouraged to see that it has become more dynamic in its capital allocation. In 2023–2024, the company bought back 5% of its outstanding shares and we believe it could sustain generous capital distributions despite being a growth company over the coming years. Keeping a 0.5x net cash/EBITDA constant from 2024 to 2028e could allow it to buy back ~30% of its outstanding shares, which could provide a cushion to its share price during the ongoing SaaS transition.

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Summary of negatives

Possible shift in the competitive landscape

IAR Systems holds leading positions across most processor types, but it still faces a highly competitive environment, particularly from the independent suppliers Green Hills Software, Wind River Systems, and Arm's development tool, Kiel, we believe. In addition, the increasingly strategic nature of development tools for many industries could attract competition from disruptive innovators or free, open-source-based alternatives, which are gaining popularity, as younger generations of developers could be unwilling to pay for licences or be restricted to a single technology from one vendor.

Potential weakening of the Embedded Workbench community

According to Slashdata, Grid Dynamics, and Evans Data Corporation, there were 13.3m active software developers writing in the C/C++ language of the ~29m active developers globally in 2024. However, C++ is relatively hard to master. As developers often understand all aspects of a programming language, the difficulty of the language may affect the future number of C++ developers. We view this as a challenge, especially if we see a wider push from processor manufacturers and OEMs to provide developers with high-level tools that can abstract out the lower-level hardware and software in product development.

Product development could prove too costly and not materialise in sales growth

We believe IAR Systems underinvested in 2015–2018, which drove a considerable EBIT margin and ROCE expansion up to 30%+, given the inherent scalability of the business model. However, as organic growth abated, IAR Systems underwent the most comprehensive investment phase in its nearly 40-year history to reignite sales growth, investing SEK500m+ over five years (2018–2022) in its security offering, 64-bit support, and RISC-V tools. As the company failed to commercialise its embedded security offering, it booked a SEK116m impairment of intangible development assets in Q4 2021 and another SEK290m in Q4 2023.

One of the most FX-sensitive stocks on the OMX Stockholm exchange

Although >98% of sales are from markets outside Sweden, we estimate ~40% of the fixed-cost base is denominated in SEK; thus, the company is sensitive to fluctuations in this currency. If the SEK were to strengthen by ~10% against its most important currencies (USD, EUR and JPY) as well as the GBP and KRW, we estimate a ~10% FX headwind to sales and a ~40% headwind to 2025e EBIT.

SaaS transition could depress earnings in the coming years

We prefer subscription-based revenue models to traditional on-premises perpetual licence delivery models, as the SaaS models tend to generate more predictable near-term revenue and cash flow, with, we believe, the potential to become more profitable long-term. We believe it makes sense that IAR Systems has started such a transition in revenue mix to add visibility while potentially opening up for new customers that would not typically pay for its high-end licence products. However, such a transition would probably come at the expense of a short-term moderation in revenue growth and profitability (cloud revenue recognised over time versus perpetual upfront, in combination with increased investments to support cloud infrastructure).

Continued market consolidation among processor vendors

The ongoing consolidation trend among processor vendors could last longer than IAR Systems expects, which could continue to create market uncertainty and disrupt IAR Systems' partner network. We believe a certain level of market fragmentation has been central to IAR Systems' competitiveness, as it has the broadest support in the market for different processor vendors and design architectures.

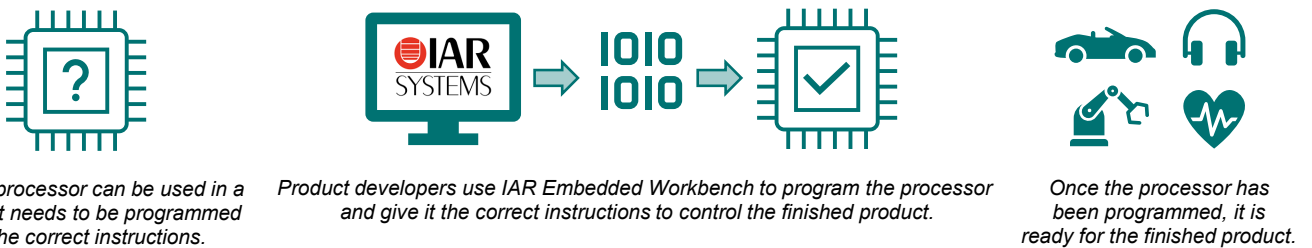
Business overview

Founded in 1983 by engineer Anders Rundgren, IAR Systems provides world-leading software for programming processors in embedded systems (computer systems designed to perform a dedicated function in a mechanical or electrical system). Its leading software tool chain – the IAR Embedded Workbench – facilitates, quality-assures, and improves the time-to-market of programming instructions in 8-, 16-, 32-, and 64-bit processors.

World-leading provider of software for programming processors in embedded systems, which enable the development of digital products

According to the company, individuals interact 30+ times a day with a product that is programmed by one of its loyal 46,000+ OEM customers (~95% recurring customers), or 30,000+ technology users found mainly in the automotive, industrial automation, medical technology, and consumer electronics industries such as Denso, Bosch, ABB, Continental, or Miele.

Figure 27: IAR Embedded Workbench in the customer’s product development



Source: Company (underlying data), DNB Markets (graph structuring)

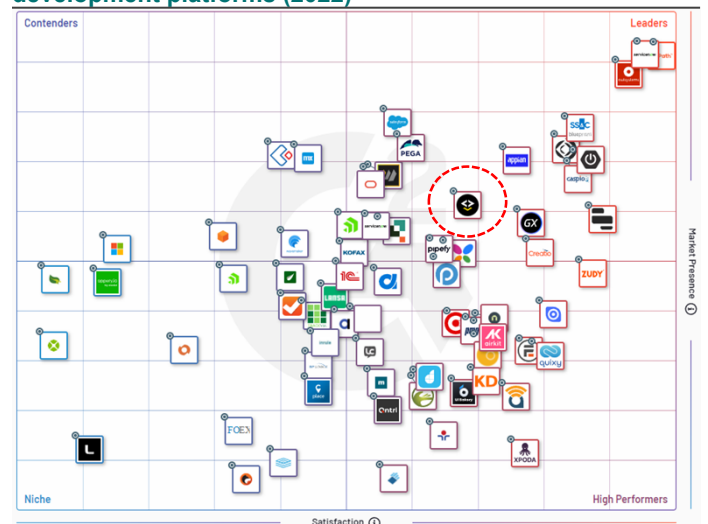
Headquartered in Uppsala, Sweden, IAR Systems has 200+ employees in 15 offices on three continents with technical support teams in its customers’ local time zones in 10+ languages. Its independent software supports more than 14,000 processors from more than 70 vendors, more than any other supplier, meaning customers can choose the programming environment and tools according to their own needs regardless of processor or project. This avoids locking customers into one technical platform. Moreover, it can re-use 70–80% of previously developed code instead of rewriting it (saving time and resources).

Figure 28: Example of customers



Source: Company

Figure 29: Users view IAR Systems as a leader for low-code development platforms (2022)



Source: G2 Grid
 Note: G2 scores products and sellers based on reviews gathered from its user community, as well as data aggregated from online sources and social networks; score is based on market presence and user satisfaction

With 40+ years’ experience in the embedded industry, IAR Systems has built long-standing relationships and an extensive partner network, including: 1) suppliers of processors and architectures (Arm, RISC-V, Renesas, STMicroelectronics, etc.); 2) industry organisations for coding standards, certification, security compliance (TÜV SÜD, CERT C, MISRA, IoT Security Foundation, etc.); 3) services vendors (cloud services vendors, programming companies, etc.);

Long-standing embedded industry partnerships

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and 4) suppliers of integrated programmes (real-time operating systems, graphics development, etc.).

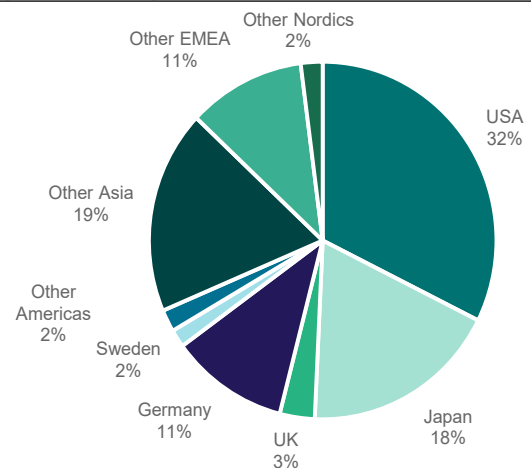
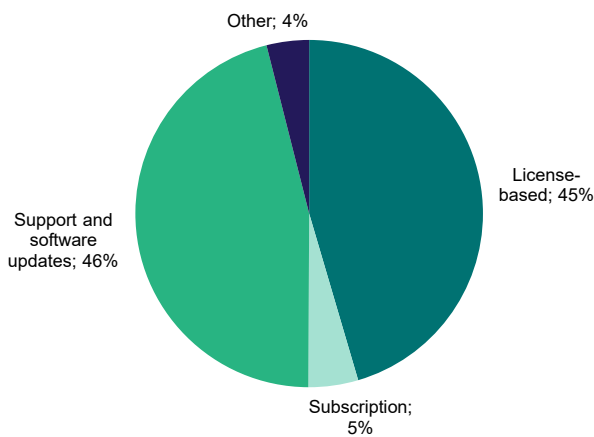
Historically, IAR Systems' business model has been primarily licence- and transaction-based, where customers (users, developers) pay upfront for right-to-use licences (perpetual software keys) to access the software, while the customer can add support and updates. This means that IAR Systems has historically depended on selling new licences to facilitate growing net sales, we believe, but its subscription-offering launch in 2025 should allow it to build a larger share of recurring revenue:

Perpetual licence-based business model with ~40% recurring revenues

- **License-based (~45% of 2024 net sales)** consist of IAR Embedded Workbench (8- to 64-bit) with world-leading code-optimisation technology, compiler, debugger probes and analysis tools (ensuring code quality and coding standards), functional safety certifications (pre-certified build tools), RISV-V architecture, and a Linux offering for continuous integration.
- **Support and updates (~46% of 2024 net sales)** consists of technical support services and update agreements, priced at an annual cost of ~20–25% of the perpetual licence price.
- **Subscription (~5% of 2024 net sales)** where IAR will offer its Embedded Workbench for Arm as a service through private or public clouds, on local computers or as a hybrid solution. This SaaS offering provides a greater flexibility for the users as it can scale up and down the number of users with easier administration. In essence, IAR Systems intends to offer its complete toolchain, but unlike many SaaS transitions that are just about changing the revenue model, IAR Systems offers a higher value to its customers, simplifying collaboration and automation in cloud environments, with greater flexibility. Moreover, IAR Systems is set to charge not only for access to its platform, but also through consumption parameters related to the usage (developers pay for build capacity) where ultimately developers who want to debug the code more often, or with shorter time-to-market, can pay for this increased functionality.

Figure 30: Net sales by revenue stream (2024)

Figure 31: Geographical net sales split (2023)



Source: Company

Source: Company

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Forecast changes – P&L

(SEKm)	New			Old			Change		
	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Revenues	480	470	487	474	468	479	6	3	8
Cost of sales	-13	-13	-13	-13	-13	-13	0	0	0
Gross profit	467	457	474	461	454	466	6	3	8
Operating expenses	-357	-360	-375	-355	-360	-374	-2	0	0
EBITDA	159	148	152	155	146	144	4	2	8
EBITDA adj	177	166	170	173	164	162	4	2	8
EBITDA margin (%)	33.1	31.5	31.2	32.8	31.3	30.1	0.4	0.2	1.1
Depreciation	-28	-28	-29	-26	-27	-28	-1	-1	-1
Amortisation	-29	-30	-32	-29	-32	-33	0	2	1
EBIT	85	72	73	82	69	65	2	2	7
EBIT adj	103	90	91	100	87	83	2	2	7
Net financial items	2	2	2	2	2	2	0	0	0
PBT	87	74	75	84	71	67	2	2	7
Taxes	-24	-21	-21	-23	-20	-19	-1	-1	-2
Net profit	63	53	54	61	51	48	2	2	6
Adjustments to net profit	18	18	18	18	18	18	0	0	0
Net profit adj	81	71	72	79	69	66	2	2	6
<i>Per share data (SEK)</i>									
EPS	4.83	4.07	4.13	4.65	3.88	3.66	0.18	0.18	0.47
EPS adj	6.21	5.45	5.51	6.02	5.25	5.03	0.19	0.20	0.48
DPS ordinary	1.50	2.00	2.00	2.11	1.84	1.76	-0.61	0.16	0.24
DPS	1.50	2.00	2.00	2.11	1.84	1.76	-0.61	0.16	0.24
<i>Other key metrics (%)</i>									
Revenue growth	-1.5	-2.0	3.5	-0.1	-1.4	2.4	-1.5	-0.6	1.0
EBIT adj growth	-22.1	-12.5	1.2	-15.7	-13.0	-4.3	-6.3	0.5	5.5
EPS adj growth	-43.1	-12.3	1.1	-37.3	-12.7	-4.2	-5.7	0.5	5.4
Avg. number of shares (m)	13	13	13	13	13	13	0	0	0
Capex	-57	-59	-62	-56	-60	-61	0	1	0
OpFCF	120	107	108	117	105	101	3	2	7
Working capital	-42	-48	-55	-42	-49	-59	0	2	4
NIBD adj	-166	-205	-240	-166	-196	-230	0	-9	-10

Source: DNB Markets

Forecast changes – By segment and assumptions

(SEKm)	New			Old			Change		
	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Assumptions									
Revenue org. % YOY	-3.20	-1.77	3.49	-3.30	-1.62	2.44	0.10	-0.15	1.05
Currency impact % YOY	1.68	-0.22	0.00	3.24	0.21	0.00	-1.56	-0.43	0.00

Source: DNB Markets

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Quarterly numbers

(SEKm)	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025e	Q2 2025e	Q3 2025e	Q4 2025e	Q1 2026e
Revenues	117	126	120	123	112	132	120	118	116	126	112
Cost of sales	-3	-4	-3	-3	-3	-5	-3	-3	-3	-3	-3
Gross profit	114	122	117	120	110	128	116	114	113	123	109
Operating expenses	-78	-86	-80	-90	-85	-94	-90	-89	-84	-94	-89
EBITDA	43	45	47	41	40	47	38	37	41	42	33
Depreciation	-7	-7	-10	-7	-7	-7	-7	-7	-7	-7	-7
Amortisation	-8	-294	-5	-7	-7	-7	-7	-7	-7	-7	-8
EBIT	29	-256	32	27	26	33	20	18	23	23	14
Net financial items	-4	2	5	-3	2	1	1	1	1	1	1
PBT	25	-254	37	24	29	34	20	19	23	24	14
Taxes	-11	-2	32	-9	-15	3	-6	-5	-6	-6	-4
Net profit	14	-256	69	16	14	37	15	14	17	17	10
Adjustments to net profit	4	288	2	3	5	3	5	5	5	5	5
Net profit adj	18	32	71	18	19	39	19	18	22	22	14
Dividend paid	0	0	0	-20	0	0	0	-20	0	0	0
Avg. number of shares (m)	14	14	14	14	13	13	13	13	13	13	13
<i>Per share data (SEK)</i>											
EPS	1.02	-18.79	5.12	1.19	1.04	2.81	1.13	1.05	1.31	1.34	0.76
EPS adj	1.29	2.35	5.19	1.35	1.42	2.94	1.48	1.39	1.66	1.69	1.10
DPS ordinary	0.00	0.00	0.00	1.50	0.00	0.00	0.00	1.50	0.00	0.00	0.00
DPS	0.00	0.00	0.00	1.50	0.00	0.00	0.00	1.50	0.00	0.00	0.00
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	7.8	7.3	-5.0	2.9	-8.8	17.6	-9.4	-1.6	-1.3	8.9	-11.1
Revenues, YOY growth	10.7	13.8	10.2	13.1	-4.3	4.8	-0.1	-4.5	3.4	-4.3	-6.0
EPS adj, YOY growth	5.2	119.5	781.6	51.2	9.6	25.4	-71.6	3.1	16.7	-42.7	-25.4
Gross margin	97.4	96.6	97.4	97.6	97.7	96.5	97.3	97.2	97.2	97.4	97.2
EBITDA adj margin	40.3	35.3	40.9	35.1	40.2	37.5	35.9	35.4	39.5	36.9	33.0
Depreciation/revenues	-5.8	-5.2	-8.2	-5.3	-6.0	-5.1	-5.7	-5.9	-5.8	-5.6	-6.2
EBIT adj margin	27.9	25.5	28.6	24.2	28.1	27.3	20.4	19.5	23.6	22.0	16.0
Net profit margin	11.9	nm	57.6	12.8	12.3	27.8	12.3	11.6	14.7	13.8	8.8

Source: Company (historical figures), DNB Markets (estimates)

Adjustments to quarterly numbers

(SEKm)	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025e	Q2 2025e	Q3 2025e	Q4 2025e	Q1 2026e
EBITDA	43	45	47	41	40	47	38	37	41	42	33
EBITDA adj	47	45	49	43	45	50	43	42	46	47	37
EBIT	29	-256	32	27	26	33	20	18	23	23	14
Other EBIT adjustments	-4	-288	-2	-3	-5	-3	-5	-5	-5	-5	-5
EBIT adj	33	32	34	30	32	36	24	23	27	28	18
Net profit	14	-256	69	16	14	37	15	14	17	17	10
Other EBIT adjustments	-4	-288	-2	-3	-5	-3	-5	-5	-5	-5	-5
Net profit adj	18	32	71	18	19	39	19	18	22	22	14

Source: Company (historical figures), DNB Markets (estimates)

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Quarterly numbers by segment and assumptions

(SEKm)	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025e	Q2 2025e	Q3 2025e	Q4 2025e	Q1 2026e
Assumptions											
Revenue org. % YOY	-4.43	5.43	4.86	-3.13	0.90	5.08	-3.60	-5.72	1.38	-4.22	-5.09
Structure impact % YOY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Currency impact % YOY	3.68	0.80	-3.01	-1.73	-4.30	-0.32	3.54	1.24	2.05	0.09	-0.90

Source: Company (historical figures), DNB Markets (estimates)

Annual P&L

(SEKm)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenues	406	372	358	423	461	487	480	470	487	523
Cost of sales	-11	-14	-12	-13	-13	-13	-13	-13	-13	-13
Gross profit	395	358	346	410	448	474	467	457	474	510
Operating expenses	-249	-225	-307	-331	-340	-349	-357	-360	-375	-387
EBITDA	146	133	104	129	144	174	159	148	152	179
Depreciation	-13	-20	-20	-26	-26	-30	-28	-28	-29	-30
Amortisation	-25	-29	-152	-28	-322	-26	-29	-30	-32	-33
EBIT	108	84	-69	76	-204	119	85	72	73	99
Net financial items	-1	-7	0	-2	1	5	2	2	2	2
PBT	107	77	-69	74	-203	124	87	74	75	101
Taxes	-26	-17	1	-16	-26	11	-24	-21	-21	-27
Effective tax rate (%)	24	23	2	21	-13	-9	27	28	28	27
Net profit	81	59	-67	58	-229	135	63	53	54	74
Adjustments to net profit	0	0	134	-1	300	13	18	18	18	18
Net profit adj	81	59	67	57	71	148	81	71	72	92
Dividend paid	-68	0	0	0	-21	-20	-20	-20	-26	-26
Avg. number of shares	14	14	14	14	14	13	13	13	13	13
<i>Per share data (SEK)</i>										
EPS	5.96	4.36	-4.94	4.23	-16.85	10.16	4.83	4.07	4.13	5.66
EPS adj	5.96	4.36	4.90	4.17	5.12	10.90	6.21	5.45	5.51	7.04
DPS ordinary	3.00	0.00	0.00	1.50	1.50	1.50	1.50	2.00	2.00	0.00
DPS	3.00	0.00	0.00	1.50	1.50	1.50	1.50	2.00	2.00	0.00
<i>Growth and margins (%)</i>										
Revenue growth	5.3	-8.3	-3.8	18.1	9.0	5.7	-1.5	-2.0	3.5	7.4
EPS adj growth	-10.6	-26.8	12.5	-14.9	22.9	112.8	-43.1	-12.3	1.1	27.7
Gross margin	97.3	96.2	96.6	97.0	97.1	97.3	97.3	97.2	97.3	97.5
EBITDA margin	35.9	35.7	29.0	30.5	31.2	35.8	33.1	31.5	31.2	34.3
EBITDA adj margin	35.9	35.7	66.5	30.3	33.7	38.4	36.9	35.3	34.9	37.8
Depreciation/revenues	-3.2	-5.5	-5.7	-6.0	-5.7	-6.1	-5.7	-6.0	-6.0	-5.7
EBIT margin	26.7	22.5	nm	17.9	nm	24.4	17.6	15.3	14.9	18.8
EBIT adj margin	26.7	22.5	18.4	17.7	20.7	27.0	21.4	19.1	18.6	22.3
PBT margin	26.4	20.6	nm	17.4	nm	25.5	18.0	15.7	15.4	19.2
Net profit margin	20.0	16.0	nm	13.7	nm	27.8	13.1	11.3	11.1	14.1

Source: Company (historical figures), DNB Markets (estimates)

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Adjustments to annual P&L

(SEKm)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
EBITDA	146	133	104	129	144	174	159	148	152	179
EBITDA adj	146	133	238	128	156	187	177	166	170	197
EBIT	108	84	-69	76	-204	119	85	72	73	99
Other EBIT adjustments	0	0	-134	1	-300	-13	-18	-18	-18	-18
EBIT adj	108	84	66	75	95	132	103	90	91	117
Net profit	81	59	-67	58	-229	135	63	53	54	74
Other EBIT adjustments	0	0	-134	1	-300	-13	-18	-18	-18	-18
Net profit adj	81	59	67	57	71	148	81	71	72	92
<i>Per share data (SEK)</i>										
EPS	5.96	4.36	-4.94	4.23	-16.85	10.16	4.83	4.07	4.13	5.66
Recommended adjustment	0.00	0.00	9.85	-0.07	21.97	0.74	1.38	1.38	1.38	1.38
EPS adj	5.96	4.36	4.90	4.17	5.12	10.90	6.21	5.45	5.51	7.04

Source: Company (historical figures), DNB Markets (estimates)

Cash flow

(SEKm)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Net profit	81	59	-67	58	-229	135	63	53	54	74
Depreciation and amortisation	37	49	172	53	348	55	57	58	61	63
Cash flow from operations (CFO)	106	118	132	128	144	135	132	117	123	151
Capital expenditure	-84	-81	-74	-60	-42	-54	-57	-59	-62	-66
Acquisitions/Investments	-19	0	0	0	0	0	0	0	0	0
Divestments	0	0	0	0	1	0	0	0	0	0
Cash flow from investing (CFI)	-102	-81	-74	-60	-43	-54	-57	-59	-62	-66
Free cash flow (FCF)	4	37	58	68	101	81	75	58	61	84
Net change in debt	30	6	1	1	0	0	0	0	0	0
Dividends paid	-68	0	0	0	-21	-20	-20	-20	-26	-26
Other	-14	-30	-16	-40	-29	-105	-10	0	0	0
Cash flow from financing (CFF)	-52	-25	-15	-40	-49	-125	-30	-20	-26	-26
Total cash flow (CFO+CFI+CFF)	-49	12	42	29	52	-44	46	39	35	58
<i>FCFF calculation</i>										
Free cash flow	4	37	58	68	101	81	75	58	61	84
Less: acquisitions	19	0	0	0	0	0	0	0	0	0
Less: divestments	0	0	0	0	-1	0	0	0	0	0
Growth (%)										
CFO	14.1	12.0	11.1	-2.7	12.5	-6.0	-2.6	-11.0	4.5	22.8
CFI	53.0	20.4	9.0	19.6	28.7	-28.0	-4.3	-4.0	-4.9	-7.4
FCF	102.8	957.1	55.4	19.0	48.4	-20.2	-7.3	-22.3	4.1	38.4
CFF	-148.3	52.7	38.6	-162.3	-24.0	-155.2	76.4	33.8	-33.3	0.0

Source: Company (historical figures), DNB Markets (estimates)

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Balance sheet

(SEKm)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Assets	825	834	813	922	700	724	726	765	797	849
Inventories	7	6	10	11	10	9	11	11	12	11
Trade receivables	67	59	59	67	78	102	66	66	63	58
Other receivables	52	64	44	34	40	47	36	36	34	31
Cash and cash equivalents	61	68	113	148	197	155	201	240	274	332
Current assets	186	196	226	260	325	313	314	352	383	432
Property, plant and equipment	7	8	15	17	16	13	14	15	15	16
Other intangible assets	624	624	567	639	348	365	364	364	364	367
Deferred tax assets	5	4	3	3	7	31	31	31	31	31
Non-current financial assets	2	3	3	4	3	3	3	3	3	3
Non-current assets	639	638	587	663	375	412	412	413	414	417
Total assets	825	834	813	922	700	724	726	765	797	849
Equity and liabilities	825	834	813	922	700	724	726	765	797	849
Total equity	592	613	585	667	423	463	506	539	567	615
Trade payables	9	5	9	8	7	8	7	7	7	6
Other payables and accruals	117	111	133	146	174	178	148	153	158	163
Short-term debt	25	18	18	0	0	0	0	0	0	0
Total current liabilities	164	150	179	173	198	207	175	180	184	189
Long-term debt	41	32	20	50	35	25	15	15	15	15
Deferred tax liabilities	27	37	28	30	43	28	28	28	28	28
Other non-current liabilities	1	1	1	2	2	2	2	2	2	2
Total non-current liabilities	69	70	49	82	79	55	45	45	45	45
Total liabilities	233	220	228	255	277	262	220	226	230	234
Total equity and liabilities	825	834	813	922	700	724	726	765	797	849
<i>Key metrics</i>										
Net interest bearing debt	18	-2	-57	-79	-146	-111	-166	-205	-240	-298

Source: Company (historical figures), DNB Markets (estimates)

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Valuation ratios

(SEKm)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<i>Enterprise value</i>										
Share price (SEK)	186.00	139.80	117.80	150.40	123.80	126.50	134.50	134.50	134.50	134.50
Number of shares (m)	13.63	13.63	13.63	13.65	13.66	13.05	13.05	13.05	13.05	13.05
Market capitalisation	2,535	1,905	1,606	2,053	1,691	1,651	1,755	1,755	1,755	1,755
Net interest bearing debt	18	-2	-57	-79	-146	-111	-166	-205	-240	-298
Net interest bearing debt adj	18	-2	-57	-79	-146	-111	-166	-205	-240	-298
EV	2,554	1,904	1,548	1,974	1,545	1,540	1,589	1,550	1,516	1,458
EV adj	2,554	1,904	1,548	1,974	1,545	1,540	1,589	1,550	1,516	1,458
<i>Valuation</i>										
EPS	5.96	4.36	-4.94	4.23	-16.85	10.16	4.83	4.07	4.13	5.66
EPS adj	5.96	4.36	4.90	4.17	5.12	10.90	6.21	5.45	5.51	7.04
DPS ordinary	3.00	0.00	0.00	1.50	1.50	1.50	1.50	2.00	2.00	0.00
DPS	3.00	0.00	0.00	1.50	1.50	1.50	1.50	2.00	2.00	0.00
P/E	31.2	32.1	-23.8	35.5	-7.3	12.5	27.8	33.1	32.6	23.8
P/E adj	31.2	32.1	24.0	36.1	24.2	11.6	21.7	24.7	24.4	19.1
P/B	4.28	3.11	2.74	3.08	3.99	3.57	3.47	3.25	3.09	2.85
Average ROE	14.2%	9.9%	-11.2%	9.2%	-42.0%	30.5%	13.0%	10.2%	9.7%	12.5%
Earnings yield adj	3.2%	3.1%	4.2%	2.8%	4.1%	8.6%	4.6%	4.1%	4.1%	5.2%
Dividend yield	1.6%	0.0%	0.0%	1.0%	1.2%	1.2%	1.1%	1.5%	1.5%	0.0%
Free cash flow yield	0.1%	1.9%	3.6%	3.3%	6.0%	4.9%	4.3%	3.3%	3.5%	4.8%
EV/SALES	6.30	5.12	4.32	4.67	3.35	3.16	3.31	3.30	3.11	2.79
EV/SALES adj	6.30	5.12	4.32	4.67	3.35	3.16	3.31	3.30	3.11	2.79
EV/EBITDA	17.5	14.3	14.9	15.3	10.8	8.8	10.0	10.5	10.0	8.1
EV/EBITDA adj	17.5	14.3	6.5	15.4	9.9	8.2	9.0	9.3	8.9	7.4
EV/EBIT	23.6	22.7	-22.6	26.1	-7.6	12.9	18.8	21.6	20.8	14.8
EV/EBIT adj	23.6	22.7	23.6	26.4	16.2	11.7	15.5	17.3	16.7	12.5
EV/capital employed	3.8	2.8	2.4	2.7	3.3	3.0	2.9	2.7	2.5	2.2
EV/NOPLAT	30.2	29.1	-29.0	33.4	-9.7	16.6	24.1	27.7	26.7	19.0
EV/OpFCF (taxed)	66.6	57.9	10.4	37.9	16.7	14.9	16.3	17.8	17.2	13.8

Source: Company (historical figures), DNB Markets (estimates)

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Key accounting ratios

	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<i>Profitability (%)</i>										
ROA	10.5	7.2	-8.2	6.7	-28.2	19.0	8.7	7.1	6.9	9.0
ROCE	17.7	12.4	9.9	10.9	15.8	26.8	19.6	16.1	15.4	18.6
ROCE after tax	13.8	9.7	7.8	8.5	12.3	20.9	15.3	12.6	12.0	14.5
<i>Return on invested capital (%)</i>										
Net PPE/revenues	1.8	2.0	4.1	3.9	3.4	2.7	2.9	3.1	3.2	3.1
Working capital/revenues	-0.2	3.4	-8.3	-10.1	-11.5	-6.0	-8.7	-10.2	-11.4	-13.3
<i>Cash flow ratios (%)</i>										
FCF/revenues	0.9	9.9	16.1	16.2	22.0	16.6	15.7	12.4	12.5	16.1
FCF yield (%)	0.9	1.9	3.6	3.3	6.0	4.9	4.3	3.3	3.5	4.8
CFO/revenues	26.1	31.8	36.8	30.3	31.2	27.8	27.5	25.0	25.2	28.8
CFO/market capitalisation	4.2	6.2	8.2	6.2	8.5	8.2	7.5	6.7	7.0	8.6
CFO/capex	126.4	145.5	177.6	214.8	341.2	248.9	232.3	198.9	198.2	226.6
CFO/current liabilities	64.4	78.9	73.7	73.9	72.9	65.5	75.4	65.1	66.5	79.8
Cash conversion ratio	4.3	62.3	-85.3	118.3	-44.3	59.9	119.2	110.0	112.8	114.0
Capex/revenues	20.6	21.9	20.7	14.1	9.2	11.2	11.8	12.6	12.7	12.7
Capex/depreciation	648.1	401.0	363.2	233.7	159.8	183.2	206.4	208.6	212.8	222.4
OpFCF margin	15.3	13.8	45.8	16.2	24.6	27.2	25.1	22.7	22.2	25.0
Total payout ratio	50.4	0.0	0.0	35.4	-8.9	14.8	31.1	49.2	48.4	0.0
<i>Leverage and solvency (x)</i>										
Net debt/EBITDA	0.13	-0.01	-0.55	-0.61	-1.01	-0.63	-1.04	-1.38	-1.58	-1.66
Total debt/total capital (BV)	0.08	0.06	0.05	0.05	0.05	0.03	0.02	0.02	0.02	0.02
LTD / (LTD + equity (MV))	0.02	0.02	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.01
<i>Cash conversion cycle</i>										
Inventory turnover days	223.1	147.6	289.0	322.2	264.2	235.0	300.8	317.8	324.4	296.1
Receivables turnover days	106.8	120.2	104.7	86.5	93.6	111.3	77.7	78.6	72.9	62.0
Credit period	310.9	129.4	279.8	239.5	182.5	226.7	200.5	198.6	190.8	174.2
Cash conversion cycle	18.9	138.3	113.8	169.2	175.3	119.6	178.0	197.7	206.5	183.9

Source: Company (historical figures), DNB Markets (estimates)

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Important Information

Company: IAR Systems
 Coverage by Analyst: Joachim Gunell
 Date: 11/2/2025

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% of total	63%	23%	7%	7%	
DNB Markets client	27%	9%	5%	3%	151

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