

HIRCUS RESEARCH

Initial Take

on

innoscripta (1INN)

15th March 2026

RECOMMENDATION

LONG / BUY

Executive Summary

innoscripta is the undisputed leader in German R&D tax-credit SaaS, and one of the most attractive growth software businesses listed in Europe. The company combines hyper-growth revenue (51% CAGR from 2021-2025), best-in-class EBIT margins (61% in FY25), near-zero capital intensity, and a structurally expanding market — yet trades at approximately 9x forward EBIT, a valuation more consistent with a low-growth consulting business than a platform SaaS company with a 60%+ margin profile. The current entry point, at roughly 40% below the IPO price, is in our view a liquidity-driven anomaly rather than a reflection of business fundamentals.

The core product — the innoscripta Platform and its Clusterix enhancement — digitises the entire R&D tax-credit lifecycle under Germany's Research Allowance Act (FZulG). There is no comparable end-to-end software solution in the German market. The company commands approximately 16% of all BSFZ applications, operates with exclusive 3-to-5-year auto-renewal contracts, maintains churn below 2%, and has built this position entirely organically, without M&A. Once a client signs, competitors are contractually locked out. These are not soft competitive advantages; they are structural, compounding moats.

FY25 results confirmed the thesis with force. Revenue grew 60% to EUR 103.4m and EBIT grew 70% to EUR 63.4m — demonstrating that growth is increasingly margin-accretive, not margin-dilutive. The fact that EBIT outpaced revenue by 10 percentage points illustrates the core investment insight: the platform is built, the compliance infrastructure is in place, and each incremental customer adds near-zero incremental cost. The balance sheet carries EUR 34m of net cash and essentially no fixed assets or goodwill. Return on invested capital exceeds 80%, placing innoscripta among the highest-quality businesses on any European exchange.

Looking forward, FY26 brings two hard regulatory tailwinds — the assessment base cap rising from EUR 10m to EUR 12m, and the introduction of a 20% flat-rate overhead surcharge — both of which mechanically increase the subsidy volumes that innoscripta charges commission on, without any increase in sales effort. Management has guided revenue of at least EUR 140m (+35% growth) and EBIT of at least EUR 80m for FY26 (57% margin), both of which we consider achievable (although not crucial to the thesis). International expansion into the UK and France is structured as margin-neutral and represents a multi-year free call option on a far larger addressable market.

Our DCF fair value is EUR 206 per share, implying 187% upside from the current price of EUR 72. The current market price requires investors to believe that either growth decelerates sharply to below 20%, or that EBIT margins structurally compress to the low 30s — assumptions inconsistent with guidance, regulatory tailwinds, and the demonstrated operating leverage of the business. Continuous insider buying through late 2025 and early 2026 (EUR 13.1m of open-market purchases by both founders at an average of ~EUR 81/share) provides a powerful market-based validation of this mispricing — creating a significant asymmetric risk/reward buy opportunity.

KEY INVESTMENT HIGHLIGHTS

- **Undisputed market leader in a nascent, structurally expanding market.** Germany's R&D tax credit scheme is less than six years old — yet comparison with France (scheme introduced 1983) and the UK (2000) suggests the German market has the potential to grow 10-to-15-fold as corporate adoption matures. innoscripta already commands ~16% of all BSFZ applications, operates with exclusive 3-5 year auto-renewal contracts, and maintains churn below 2% across 2,500+ customers. There is no comparable end-to-end software competitor in Germany. This dominant position was built entirely organically.
- **Best-in-class financial quality, confirmed and accelerating.** FY25 revenue of EUR 103.4m grew 60% YoY; EBIT of EUR 63.4m grew 70% YoY — EBIT outpacing revenue by 10 percentage points, translating into 370bps of margin expansion to 61.3%. ROIC exceeds 80%. FCF conversion is ~95% of net income. Capex is below 0.3% of revenue. These are not the metrics of a company in investment mode — they are the metrics of a platform business at full maturity, in a market that is still in its first innings.
- **Two mechanical regulatory tailwinds take effect in FY26, not yet in consensus.** From 1 January 2026: (1) the R&D assessment base cap rises from EUR 10m to EUR 12m, enabling up to 20% higher commission per large client with no additional sales effort; (2) a new 20% flat-rate overhead surcharge (Gemeinkostenpauschale) automatically increases approved R&D cost bases for all clients. Both apply to the existing book of business. Management guidance of EUR 140m+ for FY26 does not fully reflect these tailwinds — the guidance is a floor, not a point estimate.
- **A 5%+ dividend yield from a 60%-margin growth business — a structural mispricing signal.** Management has proposed a FY25 dividend of EUR 40.0m (EUR 4.00/share), implying a 5.3% yield at the current share price. This is exceptional for any software company, let alone one growing revenue at 40%+. The yield creates a hard valuation floor, expands the potential investor base, and directly contradicts the market's implicit assumption that this is a high-risk, capital-hungry growth story.
- **Founders are buying stock aggressively at current prices.** Between June 2025 and February 2026, the two CEOs purchased shares in the open market for EUR 13.1m at an average of ~EUR 81/share — well above the current price. The largest single transaction was EUR 5.5m at ~EUR 70 on 3 February 2026. Founders with 68% combined ownership and full visibility into the business are adding exposure at these levels. The signal is unambiguous.
- **The current entry point is a liquidity-driven anomaly, not a fundamental one.** The stock trades 40% below its May 2025 IPO price and ~47% below its November 2025 all-time high, despite a business that has materially outperformed every financial expectation since listing. The decline is explained entirely by: a 16% free float that amplifies any selling pressure; broader SaaS multiple compression; and within-year H2 growth phasing concerns. None of these impair the medium-term earnings trajectory. The market is pricing a permanent impairment that the data does not support.
- **International expansion is a free call option on a market several times the size of Germany.** The UK and France have R&D tax credit regimes 20-40 years more mature than Germany's, with structurally higher uptake rates. innoscripta's low-code/no-code Clusterix platform requires minimal localisation. Management is building organic country teams on a disciplined "prove-it" mandate, structured to be margin-neutral in the near term. No value is ascribed to international expansion in our base-case DCF — any revenue contribution from FY27 onwards is pure upside.

BASIC INFORMATION

Company Name:	innoscripta	Date of Last Reporting:	31-Dec-2025
Ticker:	1INN	FY End:	December
Established Year:	2012	Currency:	EUR (€)
IPO Date:	May 2025	Enterprise Value:	€702m
HQ Country:	Germany (Munich)	Market:	€720m
Sector:	Technology / Software	Share Price:	EUR 72
Industry:	Application Software	Fair Value per Share:	EUR 206
Employees:	322	% Upside (Downside):	187%

Business Description

innoscripta is a Munich-based Software-as-a-Service company that sits at the intersection of fiscal-incentive policy and enterprise compliance software. Its core mission is to eliminate the complexity, manual effort, and documentation risk that companies face when claiming R&D tax credits under Germany's Research Allowance Act (Forschungszulagengesetz, or FZulG), which came into force in January 2020.

The company's two principal products — the innoscripta Platform and its enhanced variant, Clusterix — together form a single, cloud-based environment that manages every stage of the R&D tax-credit lifecycle: project eligibility evaluation, personnel time-tracking, GoBD-compliant documentation, application preparation and submission to the BSFZ (Germany's Research Allowance Certification Office), tax office filing, audit support, and multi-year archiving.

innoscripta employs 322 people, nearly half of whom are in sales (remaining staff work in fields such as IT and project management) and operates primarily from Munich (HQ relocating to Tutzing in Apr-2026 for operational efficiency). The employee base reflects the sales-driven nature of customer acquisition in an expanding market. Revenue today is almost entirely generated in Germany, though the company has clients with German-subsidary operations across France, Sweden, Finland, Switzerland, and the United States. Active international expansion into the UK and France began in 2025 and continues in 2026, structured as organic, zero-to-one local sales teams rather than acquisitions.

The customer base spans R&D-intensive industries including automotive, aerospace, biotechnology, medical technology, mechanical engineering, IT/software, and professional services (examples: Leica Biosystems, FERRERO, BearingPoint, ING).

Founded in 2012 by Michael Hohenester, innoscripta began as a consulting firm advising small and medium-sized enterprises on federal innovation and funding programmes. Through the first decade, the business model evolved from traditional advisory services toward technology-enabled consulting. The pivotal transformation came in 2021 when the company launched its proprietary cloud-based innoscripta Platform and executed a full pivot to a SaaS-first, commission-based revenue model. This shift was driven by recognition that Germany's newly enacted FZulG would create a structurally large and rapidly growing market, one that analogue consultants and generic software tools were poorly equipped to serve. The subsequent four years produced explosive growth, with revenue compounding at approximately 62% annually from 2020 to 2025. The company listed on the Frankfurt Scale segment in May 2025 in a secondary-only IPO at EUR 120 per share — founders and existing shareholders sold; the business received no new capital, reflecting its low need for external funding.

Business & Revenue Model

PRODUCT OFFERING

The innoscripta platform is the company's core offering. Access to the platform is provided free of charge to clients; revenue is generated exclusively on a success-fee (commission) basis as a percentage of the total R&D tax incentive recoverable from the German government. Warburg Research estimates this commission at approximately 5% of eligible R&D personnel costs. Because the success fee is calculated on the approved government subsidy, innoscripta's revenue is directly aligned with the economic value it creates for its clients — creating a powerful and transparent value proposition.

Clusterix is the enhanced edition of the platform, incorporating advanced project analytics, dashboard integrations, multi-entity data consolidation, and broader R&D project management capabilities. It is currently offered as a free add-on to the core Platform, positioning the product for potential upsell and monetisation in future periods as clients grow. The architecture is low-code/no-code, meaning the platform can be adapted to different national regulatory frameworks with limited engineering effort — a critical enabler for international expansion.

The platform covers the full tax-credit process: from initial project qualification and eligibility screening, through application preparation and submission to the BSFZ, to post-approval documentation, audit support, and long-term archiving. This end-to-end coverage is the company's key differentiator; no comparable all-in-one platform solution exists in the German market.

REVENUE MODEL

innoscripta's commission-based model creates several structural advantages. First, client onboarding carries zero upfront financial risk for the customer, dramatically lowering sales friction. Second, innoscripta's economic interest is perfectly aligned with the client's — it earns more as R&D spending grows and as the government increases the maximum claimable amount. Third, the commission model naturally creates a recurring revenue dynamic: companies continue to engage innoscripta in each new fiscal year as long as they conduct R&D. This is reinforced contractually by exclusive 3-to-5-year agreements that auto-renew, creating a contract base with extraordinarily high visibility.

The revenue recognition cycle is tied to the BSFZ approval process. Clients enter an application process that typically takes several months, meaning revenue is recognised upon approval and disbursement rather than upon submission. This introduces modest timing variability between quarters but does not impair annual revenue visibility given the high approval success rate of over 75%.

CUSTOMER PROFILE

The core target market is companies with meaningful R&D personnel costs in Germany. The sweet spot is companies with 35 or more R&D employees and average R&D employee salaries of approximately EUR 77,000 — consistent with knowledge-intensive industries like IT, mechanical engineering, life sciences, and advanced manufacturing. By end-2025, innoscripta had >2,500 customers, growing at 40% year-on-year. No single client represented more than 0.9% of total revenue, underscoring the granularity and resilience of the revenue base. The churn rate is below 2% — among the lowest in enterprise SaaS — reflecting both contractual lock-in and genuine client satisfaction.

Management has articulated a deliberate strategic shift toward larger customers with higher R&D budgets, particularly those with more than 75 R&D employees. This is not simply a growth strategy — it is a profitability maximiser. With the assessment cap raised to EUR 12m from EUR 10m in 2026 and the new 20% overhead surcharge, the revenue per large client increases materially, and the per-account servicing cost remains fixed, further expanding per-unit economics.

Market Dynamics

MARKET SIZE & GROWTH

Germany's R&D tax credit market is, by global standards, nascent. The FZulG only came into force in January 2020, initially with a EUR 2m assessment cap, raised to EUR 4m in mid-2020. The Growth Opportunities Act of 2024 accelerated market expansion by lifting the cap to EUR 10m; FY26 legislation raises this again to EUR 12m and introduces the overhead surcharge. The total addressable market in Germany is estimated to be capable of growing 10-to-15-fold from current levels — a comparison with mature markets in France (R&D tax credits since 1983) and the United Kingdom (since 2000) suggests that as the German market matures, R&D tax credits could represent approximately 10% of total company R&D expenditure, versus a fraction of that today.

The BSFZ received approximately 11,400 applications in the twelve months to March 2025. innoscripta's platform was used in approximately 16% of all applications — making it the single-largest contributor by a substantial margin. Given that applications are growing as corporate adoption of the scheme increases, and that innoscripta's customer count is growing at over 50% per year, absolute volume growth compounds with market penetration gains.

INDUSTRY STRUCTURE

R&D budgets are structurally more stable than most corporate expenditure items because they reflect long-term innovation strategy rather than short-term revenue. During the 2020-2022 COVID period, aggregate R&D spending in Germany proved broadly resilient. The OECD estimates global R&D spending will grow at 7% annually through 2030, driven by geopolitical competition for technological leadership. innoscripta's revenue is further insulated from economic cycles because the benefit it unlocks for clients (a government subsidy) is counter-cyclical: in economic downturns, CFOs are if anything more motivated to recover every available government incentive. The company's high approval success rate (>75%) means clients have strong incentive to remain on the platform even in periods of budget pressure.

The R&D tax-credit advisory market is highly fragmented and dominated by three categories of incumbent: specialised consulting firms (e.g. Leyton, FI Group, Ayming, ABGi), audit and professional services firms (KPMG, EY, Deloitte, BDO), and generic software providers (ServiceNow, Monday.com, Atlassian, SAP modules). None of these categories provides an end-to-end, R&D-specific, cloud-native platform comparable to innoscripta. Consulting firms are insufficiently digitalised; generic software tools lack regulatory specificity and audit-trail compliance; audit firms are service-oriented rather than software-oriented.

In Germany, there is no direct software competitor offering a comparable end-to-end platform. Internationally, niche players such as EmpowerRD (UK), WhisperClaims (UK), Boast.ai (US), and Source Advisors (US/UK) operate in adjacent markets but lack the depth, regulatory specificity, and scale of innoscripta's platform. The German market's characteristics — rigorous GoBD documentation requirements, a single-authority (BSFZ) approval process, and high penalty risk for non-compliance — create a regulatory moat that generic or international players cannot easily bridge.

COMPETITIVE ADVANTAGE

innoscripta's competitive moat is multi-layered:

First, the platform advantage: a proprietary, purpose-built, fully cloud-native solution with deep regulatory integration has taken years and significant IP investment to build — replication by a new entrant would take 3-5 years at minimum.

Second, the data and process advantage: accumulated application data, submission histories, and a high-approval-rate track record create a compounding quality advantage that makes the platform increasingly sticky over time.

Third, contractual exclusivity: once a client signs an exclusive 3-5 year agreement, they are contractually blocked from engaging a competitor — meaning the addressable target market for new entrants shrinks with every innoscripta customer won.

Fourth, regulatory knowledge: innoscripta employs specialist teams who monitor BSFZ regulatory changes in real time, feeding updates directly into the platform — a continuous process that provides protection against new entrants who must build such capability from scratch.

REGULATORY ENVIRONMENT

The regulatory framework is, simultaneously, innoscripta's biggest risk and its biggest growth driver. The FZulG is embedded in German tax law and enjoys cross-party support as an R&D stimulus mechanism, making outright repeal unlikely. Changes to caps and rates are structurally positive (as demonstrated by the 2024 and 2026 increases). The EU State Aid framework governs the design of R&D tax relief schemes across member states, but this has not historically constrained German programme expansion. BSFZ documentation and audit requirements continue to tighten, increasing the complexity burden on unaided companies and driving further adoption of innoscripta's platform. For international markets, the UK's HMRC has substantially reformed its R&D relief scheme in recent years (merging the SME and RDEC schemes from April 2024), increasing documentation complexity and thereby creating demand for platform solutions.

Financials

HISTORICAL PERFORMANCE

Revenue CAGR from 2021-2025 was approximately 51% — one of the highest among European listed software companies in this period. The inflection point was 2024, when EBIT margins crossed 50% and FCF conversion reached ~95% of net income for the first time, confirming the business had achieved mature SaaS unit economics. The fact that FY25 EBIT growth (+70%) materially outpaced revenue growth (+60%) demonstrates the extreme operating leverage embedded in the model: once the platform is built and the compliance infrastructure is in place, each new client adds near-zero incremental cost.

In €m, Dec y/e	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue	19.8	27.3	39.4	64.7	103.4
<i>% Growth</i>	<i>134%</i>	<i>38%</i>	<i>44%</i>	<i>64%</i>	<i>60%</i>
EBITDA	8.0	9.3	15.6	37.5	63.7
<i>% Margin</i>	<i>40%</i>	<i>34%</i>	<i>40%</i>	<i>58%</i>	<i>62%</i>
EBIT	7.9	9.2	15.5	37.3	63.4
<i>% Margin</i>	<i>40%</i>	<i>34%</i>	<i>39%</i>	<i>58%</i>	<i>61%</i>

The balance sheet is exceptionally clean. innoscripta carries no goodwill or significant intangible assets, reflecting entirely organic growth. Net cash is growing rapidly from EUR 17.3m at end-FY24 to EUR 34m at end-FY25, demonstrating that the business self-funds comfortably. Capital intensity is negligible: capex is less than 0.3% of revenue, making the business essentially a pure cash-generating engine. FCF conversion relative to net income was approximately 95% in FY25, rising toward 100% as working-capital receivables from the BSFZ approval cycle stabilise.

FORWARD-LOOKING FINANCIALS

FY26 company guidance (released 25 Feb 2026) is for consolidated revenue of at least EUR 140m and EBIT of at least EUR 80m (57% margin). Analyst consensus estimates EUR 143.2m and EUR 85.6m respectively, implying 38-39% revenue growth and EBIT margin of 59.8% in FY26. Our assessment aligns with the guidance and sees EUR 140m as achievable given: (a) the existing customer base provides a high-visibility recurring revenue base, (b) new customer acquisition in FY25 was strong with the customer count growing 40% YoY, and (c) the two regulatory tailwinds (cap increase to EUR 12m, overhead surcharge) take effect from 1 January 2026 and are not yet embedded in guidance.

KEY AREAS OF QUALITY

CAPITAL ALLOCATION

innoscripta's capital allocation is straightforward given the asset-light model. Growth capex is minimal (sub-0.3% of revenue), reflecting the software nature of the product. R&D investment is, ironically, expensed rather than capitalised, consistent with conservative accounting and contributing to clean, high-quality earnings. Sales is the company's primary investment lever — with approximately 150 employees to drive customer acquisition.

The company paid dividends of EUR 24.0m (EUR 2.40/share) in respect of FY24 profits in 2025, a 95.6% payout ratio that was a one-time distribution associated with the IPO process. Management has proposed a dividend of EUR 40.0m (EUR 4.00/share) in respect of FY25 profits, which implies a ~94% payout ratio and 5.3% dividend yield at the current market price.

M&A is not a current priority; management has explicitly stated that international expansion will be pursued organically, though selective acquisitions to gain local client access in the UK and France remain an option for the future.

RETURN ON INVESTED CAPITAL

innoscripta's return on invested capital is exceptional by any standard, and its trajectory is among the most compelling in European software. The business earns returns on capital that dwarf its cost of capital — a reflection of its asset-light structure, pricing power, and near-zero incremental cost of serving new customers.

The asset base is genuinely minimal. The company carries no goodwill, no significant intangible assets, and maintenance capex below 0.3% of revenue. Invested capital is accordingly thin: equity less net cash represents the entirety of the company's capital deployment, and that figure remains modest despite rapid earnings growth. This results in 80%+ ROIC — a rare case where returns are increasing as the business scales, not declining, because the incremental capital required to grow is close to zero.

The mechanism driving these returns is straightforward. The innoscripta Platform was built once and requires minimal ongoing investment to maintain. Each new customer contract adds commission revenue with no corresponding increase in platform cost, no inventory, and no physical infrastructure.

Looking forward, the ROIC profile should remain structurally elevated. The shift toward larger clients (75+ R&D employees) generates higher revenue per account at the same or lower incremental servicing cost, improving per-unit economics further. International expansion introduces some near-term capital and headcount investment, but management has been explicit that it is structured to be margin-neutral, and the platform's low-code/no-code architecture means localisation requires minimal engineering capital. As those markets mature, international ROIC should converge toward the domestic profile. A business compounding NOPAT at 40%+ on a near-zero capital base is precisely what extraordinary long-run shareholder value creation looks like.

REVENUE VISIBILITY

Revenue visibility at innoscripta is structurally superior to most enterprise software businesses, and is at its highest point in the company's history. Three distinct layers create this visibility.

The first and most durable layer is the existing contracted customer base. innoscripta's exclusive 3-to-5-year auto-renewal contracts with over 2,500 customers mean that the overwhelming majority of prior-year revenue is contractually visible before the first day of a new fiscal year. Churn is below 2% — this is not a metric that fluctuates materially year to year; it is a structural feature of a product with high switching costs and contractual lock-in. As a rule of thumb, approximately 95%+ of innoscripta's current year revenue will recur organically in the following year, simply by virtue of existing clients renewing and continuing to claim R&D tax credits. No single client represents more than 0.9% of total revenue, so the base is not exposed to concentration risk.

The second layer is the commission model's natural anchor to R&D spending. Because innoscripta earns a percentage of the government subsidy recovered — which is itself tied to clients' R&D personnel costs — revenue is linked to spending that is one of the most stable line items in a corporate budget. R&D headcount and wage bills do not fluctuate materially year to year. Clients do not reduce R&D activity because of a soft quarter. This creates a revenue floor that is largely independent of the economic cycle.

The third and most dynamic layer is the regulatory uplift to ticket sizes. From 1 January 2026, the assessment cap rises from EUR 10m to EUR 12m per client, enabling innoscripta to earn up to 20% more commission from its largest existing accounts with no change in customer behaviour or sales effort. Simultaneously, the new 20% flat-rate overhead surcharge (Gemeinkostenpauschale) automatically increases the approved R&D cost base for all clients, again boosting commission revenue. These are mechanical, regulatory tailwinds that apply to the existing book of business — they require no new customer acquisition to flow through to revenue.

SOURCES OF GROWTH

The company's revenue growth is driven by four distinct levers operating simultaneously.

First, market penetration in Germany: the FZulG market is less than six years old, with penetration rates far below comparable mature markets — simple awareness and adoption growth drives new customer wins without innoscripta needing to displace competitors.

Second, ticket-size inflation: as the assessment cap rises and the overhead surcharge takes effect in 2026, the average revenue per customer grows without any increase in customer count.

Third, mix-shift toward larger clients: management's strategic focus on companies with 75+ R&D employees generates higher revenue per account, improving unit economics further.

Fourth, geographic expansion: the UK and France represent, by reference to their relative R&D spending and scheme maturity, addressable markets potentially several times the current German revenue base. This revenue contribution is unlikely to be material before FY27-28 but represents a significant medium-term catalyst.

PROFITABILITY & OPERATING LEVERAGE

innoscripta's profitability profile is not the result of a recent investment cycle completing — it is the natural output of a software business that has reached product-market fit with near-100% gross margins and a cost structure that scales materially slower than revenue. Gross margins have consistently operated in the 94-98% range, reflecting the fact that the innoscripta Platform has effectively zero cost of goods sold: there is no hardware, no third-party data cost, and no meaningful per-client delivery cost once the platform is running.

The clearest illustration of operating leverage is the 2024-to-2025 progression. Revenue grew 60%, while EBIT grew 70% — a 10 percentage point gap that translated into 370 basis points of EBIT margin expansion, from 57.6% to 61.3%. This occurred despite meaningful investment in sales headcount (the company grew its commercial team through 2024 and 2025 to support customer acquisition). The implication is that the incremental revenue from new customers is landing at a materially higher margin than the existing average — because the fixed cost base (platform maintenance, G&A, regulatory monitoring teams) is essentially flat, and new revenue drops through to EBIT at near-100% contribution margin.

Looking at the cost structure in detail: personnel expenses represent approximately 25% of revenue in FY25 (down from 28% in FY24 and 43% in FY21), other operating expenses approximately 10% (down from 12% in FY24), and capex less than 0.3%. The combination means that as revenue scales, the only meaningful cost growth is in sales headcount — and management has demonstrated it can grow the customer base faster than it grows its sales team. This is the hallmark of a platform business reaching critical mass: the incremental customer is served by the platform, not by a proportional increase in people.

Near-term, FY26 margins are likely to see modest compression from approximately 61% to 59-60%, driven by investment in international sales teams (UK and France). This is deliberate and guided; management has described it as margin-neutral at the group level, and we take that at face value given the small absolute scale of the initial country teams. Over a 5-year horizon, we model EBIT margins stabilising in the 55-60% range as international operations grow toward their own breakeven, before converging toward a terminal margin of approximately 52% as the geographic mix shifts and a larger share of revenue comes from markets that are earlier in their maturity curve than Germany. Even this conservative terminal assumption places innoscripta in the top decile of EBIT margins among European software peers.

Management & Ownership

Michael Hohenester (CEO & Founder) is the dominant figure in the business and the primary source of strategic direction. His indirect ownership of 55% of shares via Hohenester Beteiligungs-UG makes him the company's largest stakeholder by a substantial margin, ensuring complete alignment between management and shareholder interests. The secondary offering at IPO was a partial liquidity event for founders, but the retained 55% stake means Hohenester remains deeply incentivised by long-term value creation. His background is in consulting and innovation funding, giving him deep domain expertise in the R&D incentive landscape.

Alexander Meyer (co-CEO & CFO) is another key figure in the business. The Meyer family (13% via Meyer Beteiligungs-UG) represents the secondary founder group, with a significant stake confirming continued founding-team commitment post-IPO.

The innoscripta Beteiligungsgesellschaft (15%) is a company-controlled vehicle, likely used for employee equity incentivisation — a programme that management has specifically cited as a key purpose of the IPO and an important retention tool for top talent.

Currently, only 16% of the shares are free floating.

In mid-25, both Michael Hohenester and Alexander Meyer committed to purchase up to EUR 12m worth of innoscripta shares, to further support the aftermarket performance. In the period between 17th June 2025 and 3rd February 2026 the two CEOs have in total purchased 161,410 shares for a total of EUR 13.1m (EUR ~81/share). The most significant purchase was EUR 5.5m (EUR ~70/share) on 3rd February 2026 by Michael Hohenester.

Risks

The table below sets out the key risks to the thesis:

Risk	Potential Impact	Mitigant
Regulatory rollback	Any reduction in the FZulG cap, rate cut, or abolition of the scheme would reduce addressable market volume. Revenue is tied to a government programme.	FZulG has cross-party support; embedded in tax law; structurally underpinned by EU R&D policy and global innovation competition. Cap has been raised twice since 2020.
Revenue model transparency	Commission tied to BSFZ approval creates quarterly lumpiness; slower approval cycle or higher rejection rates could delay revenue recognition.	Over 75% approval rate is sector-leading; multi-year contract base increases visibility; timing risk is quarterly, not structural.
Revenue growth deceleration	Growth decelerated markedly in H2 2025 relative to H1 2025 (+93% YoY), with the full-year landing at 60%. If this intra-year moderation reflects demand saturation rather than phasing, forward growth assumptions are too optimistic.	Market penetration remains low vs. UK/France benchmarks; FY26 regulatory tailwinds provide incremental revenue per client; international expansion opens new channels.
Low free float / illiquidity	16% free float concentrates selling pressure in small volumes; forced sellers (fund redemptions, stop-losses) can cause disproportionate price dislocations.	Insider buying at low prices signals informed support; fundamental value diverges materially from trading price, supporting eventual mean reversion.
International execution risk	UK/France expansion could consume management bandwidth and erode margins if not structured carefully. Local regulatory and sales expertise may be harder to build than anticipated.	Management has adopted a disciplined 'prove-it' sales mandate; organic team build (not M&A); structured as margin-neutral in near term.
Key-person dependency	Business is founder-led; loss of Michael Hohenester would create significant strategic and operational uncertainty.	55% ownership stake provides powerful retention incentive; management team continuity has been stable throughout rapid growth phase.
Single-market concentration	~100% of revenue is German-sourced. A German economic recession or regulatory shock would have outsized impact vs. a diversified business.	Germany is a AAA-rated, large industrial economy with structural R&D incentives. International diversification is planned for FY27+.

Market Pricing Dynamics

innoscripta listed on the Frankfurt Scale segment on 23 May 2025 at EUR 120.00 per share — the midpoint of the EUR 110-140 book-building range — with a secondary-only offering of approximately 1.58m shares. This valued the business at approximately EUR 1.2 billion at IPO. Critically, no primary capital was raised; the IPO was a liquidity event for founders and existing shareholders rather than a balance-sheet transaction. This structure, combined with the 16% free float, created a technically illiquid stock from day one.

Following the IPO, innoscripta's shares appreciated materially on the back of strong H1 2025 results (revenue EUR 44m, +93% YoY; EBIT EUR 23m, +127% YoY), which demonstrated that the growth trajectory had, if anything, accelerated. By November 4, 2025, the stock reached its all-time high of EUR 137.00, representing a 14% premium to the IPO price and a market capitalisation of EUR 1.37 billion.

Year-to-date, innoscripta's share price has declined ~17%, despite continued strong underlying financial performance. The pullback has been driven by a combination of factors: sequential growth moderated in H2 2025 relative to the exceptionally strong H1 2025, prompting investor concerns about whether >60% YoY growth is sustainable; the company's limited free float amplifies volatility, meaning even modest fund outflows can pressure the share price in a thinly traded market; and, most importantly, broader macro sentiment.

Like many software companies, innoscripta has been caught in the ongoing “SaaSocalypse,” where AI-related disruption fears and higher rates have compressed multiples across growth software. Yet this narrative arguably misses the core structural tailwind for the business. As companies pour capital into AI, they must document that investment to claim R&D tax credits—making innoscripta effectively a pick-and-shovel play on AI capex itself. As the scale and complexity of innovation spending accelerates, so does the need to systematically track, document, and monetise R&D activity, expanding the addressable market for innoscripta's automation platform. In that sense, the recent share price weakness appears more reflective of macro SaaS sentiment than company-specific fundamentals, while the AI-driven surge in corporate R&D investment could ultimately act as a powerful demand driver for the platform.

Valuation

We utilise a DCF model to value innoscripta, forecasting the financials over a 15-year period fully reflecting its high-growth phase.

Growth is assumed to remain at ~26 % level for the next 5 years, skewed higher in the first couple of years - in line with management guidance of +35% growth in FY26. Further, we assume a gradual decrease in growth over the remaining 10 years – as the German market matures and the international businesses are still in early ramp – to 2% in the terminal year.

We model EBIT margins gradually decreasing to 52% in the terminal year, in the near-term due to investment in international sales headcount, and in the long-term as international markets scale - there will be initial investment phases that modestly dilute group margins before new geographies reach breakeven. We see this as a conservative assumption vs the current ~60% EBIT margin.

Other key assumptions in the DCF include:

Tax Rate:	33.5% (reflecting Munich-based corporate tax rate)
NWC:	Growing in line with revenue
WACC:	10.3% (based on a 1.3 beta, 2.75% risk-free rate, and near-zero leverage – further upside in capital structure)
Terminal Growth Rate:	2.0%

OUR VALUATION RESULTS IN A FAIR VALUE PER SHARE OF EUR 206

THIS REPRESENTS 187% UPSIDE TO THE CURRENT MARKET SHARE PRICE

SENSITIVITY ON % UPSIDE TO CURRENT PRICE BY NEXT 5 YEAR REVENUE GROWTH AND TARGET TERMINAL MARGINS

		Target EBIT margin				
		48%	50%	52%	54%	56%
5 year Revenue CAGR	18%	57%	64%	70%	77%	84%
	20%	79%	86%	94%	102%	109%
	22%	104%	112%	121%	130%	139%
	24%	132%	142%	152%	162%	172%
	26%	164%	176%	187%	199%	210%
	28%	201%	214%	227%	241%	254%
	30%	243%	258%	273%	288%	304%
	32%	290%	308%	325%	343%	360%
	34%	344%	364%	384%	404%	425%
	<i>Target EBITDA %</i>		48%	50%	52%	54%
<i>Target Cash EBITDA %</i>		48%	50%	52%	54%	56%

SENSITIVITY ON % UPSIDE TO CURRENT PRICE BY TERMINAL WACC AND GROWTH RATE

		Terminal Growth Rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
Terminal WACC	12.6%	132%	139%	147%	155%	165%
	12.0%	139%	147%	155%	165%	176%
	11.4%	146%	155%	165%	175%	187%
	10.8%	155%	164%	175%	187%	201%
	10.3%	164%	175%	187%	201%	217%
	9.7%	175%	187%	201%	217%	235%
	9.1%	187%	201%	217%	235%	257%
	8.5%	201%	217%	236%	257%	283%
	8.0%	218%	236%	258%	284%	315%
	<i>Terminal Implied PE</i>		10x	10x	11x	12x
<i>Terminal Implied FCF Yield</i>		9.2%	8.7%	8.2%	7.7%	7.2%

WHAT YOU NEED TO BELIEVE

Closing this report, we list the key points you should need to believe to accept the EUR 206/share valuation of innoscripta:

- The FZulG framework remains broadly intact through the forecast period and is not materially reversed by a change of government. Historical precedent (the scheme survived coalition changes in 2021 and was enhanced in 2024) and structural EU-level innovation policy support this view.
- innoscripta sustains revenue growth in the 30-40% range in FY26 and a 26% CAGR over FY26-FY30 — achievable given sub-20% German market penetration, the two 2026 regulatory tailwinds, and international expansion optionality.
- EBIT margins remain in the 52-60% range through FY30, compressing only modestly as international investment is absorbed. The SaaS cost structure, near-zero capex, and high operating leverage make this plausible even under adverse scenarios.
- Management executes international expansion in a disciplined, margin-neutral manner consistent with stated strategy. The 'prove-it' mandate and organic build approach reduce the probability of value-destroying acquisitions or margin dilution.

We have high conviction in the above being true. The market price implies pricing in one or more of:

- a sharp deceleration in FY26 growth to below 20%, far below management guidance
- a permanent structural compression in EBIT margins to the low 30s
- a significant regulatory risk or market contraction event
- a significant deterioration of moat and pricing potential through competitive forces, such as AI agentic disruption

None of these scenarios are consistent with the historical/current performance, and the structurally strong outlook described in this report. We believe the market is pricing temporary macro and liquidity-driven discounts as if it were a permanent impairment of business fundamentals, creating a significant asymmetric risk/reward buy opportunity that fundamental investors can exploit.