VIGO Photonics

Infrared to drive synergies ahead of IR arrays launch

We perceive positively VIGO's recent acquisition of Infrared Associates, which brings multiple synergies, including direct presence on the attractive US market (including local production capacity), potential for cross-selling, cost synergies (including utilization of VIGO's production capacity to mitigate Infrared constraints) and strengthening VIGO's position on mid IR market. The paid price at 0.95x 2025 sales and 5.6x 2025 EBIT seems to us attractive, which we believe is partially a result of VIGO's strong market position. With consolidated Infrared as well as expected IR Arrays production launch in 2027, and improving momentum in the industry segment the company enters period of dynamic growth, which additionally corresponds with a time of expanded demand in defence industry. Last but not least the company is still in strategic option review process, which we believe might bring the conclusion this year (including decision on the future of HyperPIC project, which we currently do not include in our valuation due to lack of secured funding). In 2026E/27E we forecast the company to generate PLN 132m/175m in sales (up 42%/32%, including consolidation of Infrared for 3 quarters of 2026) and adj. EBITDA of PLN 25.8m/43.3m (up 115%/67% y/y). The expansion in sales as well as synergies with Infrared and start of IR arrays production, alongside to recent cost reduction are likely to help the company to return to healthy profitability (2027E adj. EBITDA margin of 24.8% vs. 12.9% in 2025). On our forecast, VIGO trades at 2026E/27E EV/EBITDA of 20.5x/12.2x, vs. photonic peers at 21.6/17.8x. We maintain our BUY recommendation, increasing our Fair Value to PLN 670.0, due to value creative acquisition of Infrared.

Mid-term growth driven by industry and military applications. We expect core VIGO business (excluding acquired Infrared) to deliver PLN 100m/139m in sales in 2026E/27E (up 8%/39% y/y). We forecast 2026E sales growth to be primarily driven by industry segment, driven by strong orders from the US and European clients, whereas defence is likely to present y/y decline due to expected lower orders from Safran and stabilization in sales to PCO. In 2027E, we expect continued good momentum in industry, with return to growth in defence segment, driven by improvement in contracts with Safran, new contract in the US entering production phase and IR arrays finally entering production phase (PLN 12m in sales in 2027E).

Attractively valuated Infrared Associates acquisition likely to create synergies. We perceive acquisition of Infrared Associates as very positive driver for the company. Transaction valuation at 0.95x 2025 sales and 5.6x 2025 EBIT seems highly attractive for photonic industry, whereas the synergies including expanded customer base, cross-selling potential, production optimization, production capacity in the US as well as addressing Infrared capacity constrains by VIGO's internal sourcing seems strong and clear. In 2026E we conservatively expect Infrared to deliver flat USD 8.8m in sales, in line with management goal, with 2027E result expected at USD 9.7m (up 10% y/y), thanks to synergies. We also forecast Infrared EBIT at respectively USD 1.5/1.8m in 2026E/27E.

Figure 1. Summary of financial data (PLN m)*

	2023	2024	2025	2026E	2027E	2028E
Revenues	75.4	78.3	93.0	132.2	174.6	221.4
Norm. EBITDA	15.0	5.5	12.0	25.8	43.3	65.8
Norm. net profit	9.0	-3.6	-6.8	11.3	20.8	43.6
EV/EBITDA (x)	26.3	73.0	32.2	20.5	12.2	7.5
P/E (x)	39.7	-114.1	-57.9	42.8	23.3	11.1

*Source: Company, IPOPEMA Research *HyperPIC project is not included in our detailed forecasts and valuation for VIGO Photonics as for now the project has no clear financing path.*

TMT | Technology

VIGO PHOTONICS

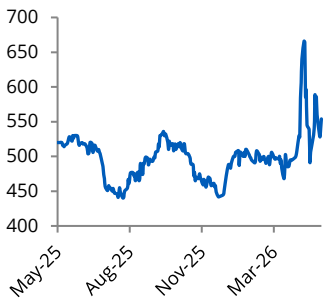
BUY

FV PLN 670.0 from PLN 610.0

21% upside

Price as of 15 May 2026 PLN 554.0

Maintained



Share data

Number of shares (m)	0.9
Market cap (EUR m)	114.3
12M avg daily volume (k)	0.7
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	674 / 428
WIG weight (%)	0.1
Reuters	VGOP.WA
Bloomberg	VGO PW

Total performance

1M	+4.9%
3M	+9.1%
12M	+4.5%

Shareholders

Warsaw Equity Management	14.3%
Józef Piotrowski	9.4%
Allianz OFE	6.7%
Investors TFI	5.9%
Janusz Kubrak	5.5%
Others	58.3%

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VIGO Photonics*

BUY **FV PLN 670**

Mkt Cap EUR 92.6m upside +21%

Valuation multiples	2024	2025	2026E	2027E	2028E
P/E (x)	na	na	42.8	23.3	11.1
EV/EBITDA (x)	73.0	32.2	20.5	12.2	7.5
EV/Sales (x)	5.1	4.2	4.0	3.0	2.2
P/BV (x)	2.4	2.5	2.9	2.6	2.1
FCF yield (%)	-1.2%	-1.9%	-7.4%	1.9%	14.0%
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Per share	2024	2025	2026E	2027E	2028E
No. of shares (m units)	0.9	0.9	0.9	0.9	0.9
norm. EPS (PLN)	-4.2	-7.8	12.9	23.8	49.8
BVPS (PLN)	194.9	179.7	190.2	214.0	263.8
FCFPS (PLN)	-5.4	-8.3	-44.9	11.7	79.2
DPS (PLN)	0.0	0.0	0.0	0.0	0.0

Change y/y (%)	2024	2025	2026E	2027E	2028E
Revenues	3.9%	18.8%	42.2%	32.1%	26.8%
Norm. EBITDA	-63.4%	118.9%	115.2%	67.6%	52.1%
EBIT	na	na	-472.4%	68.2%	90.5%
Norm. net profit	na	na	-266.4%	83.9%	109.2%

Leverage and return	2024	2025	2026E	2027E	2028E
Gross margin (%)	50.5%	49.3%	54.3%	54.7%	58.2%
Norm. EBITDA mar. (%)	7.0%	12.9%	19.5%	24.8%	29.7%
EBIT margin (%)	-5.9%	-4.4%	11.6%	14.8%	22.2%
Norm. net margin (%)	-4.6%	-7.3%	8.6%	11.9%	19.7%
Net debt / EBITDA (x)	0.4	1.0	2.4	1.5	0.5
Net debt / Equity (x)	0.0	0.1	0.4	0.3	0.1
Net debt / Assets (x)	0.0	0.1	0.2	0.2	0.1
ROE (%)	-2.1%	-4.2%	7.0%	11.8%	20.8%
ROA (%)	-1.5%	-3.2%	4.7%	7.4%	14.4%
ROIC (%)	-4.0%	-4.2%	6.2%	9.5%	18.0%

IR detectors	2024	2025	2026E	2027E	2028E
Revenues	**69.6**	**84.8**	**98.6**	**128.0**	**170.0**
Industry	34.0	38.3	54.0	60.2	70.0
Military	23.2	28.9	24.8	46.5	77.1
Transport	7.3	9.6	11.5	12.3	13.3
Medicine and Science	5.0	7.8	8.1	8.7	9.4
Others	0.0	0.2	0.2	36.0	0.2
EBIT	-3.2	0.5	-9.3	-11.2	7.0
EBITDA	7.0	10.7	6.9	14.3	32.4
norm. net profit	**-1.5**	**-1.8**	**-13.3**	**-16.2**	**1.6**
n. net profit marg.	-2.2%	-2.1%	-15.7%	-12.6%	0.9%

Semiconduct. mat.	2024	2025	2026E	2027E	2028E
Revenues	**8.7**	**8.2**	**9.5**	**10.8**	**12.0**
EBIT	-1.5	-4.6	0.6	1.2	2.7
EBITDA	1.8	-8.0	2.9	3.5	5.0
norm. net profit	**-2.1**	**-5.0**	**0.6**	**1.2**	**2.6**
n. net profit margin	-18.1%	-50.4%	4.9%	9.0%	18.2%

Cost by type	2024	2025	2026E	2027E	2028E
Salaries, other benefits	-46.5	-51.5	-53.7	-63.7	-72.6
Materials and energy	-22.1	-22.8	-29.9	-40.6	-52.1
D&A	-13.3	-13.3	-18.5	-27.9	-27.7
Services and other	-14.4	-19.5	-27.3	-29.7	-33.0

P&L (PLN m)	2023	2024	2025	2026E	2027E	2028E
Revenues	75.4	78.3	93.0	132.2	174.6	221.4
COGS	-35.8	-38.7	-47.2	-60.4	-79.2	-92.6
Gross profit	**39.6**	**39.6**	**45.8**	**71.8**	**95.4**	**128.8**
Selling costs	-9.4	-13.5	-14.4	-17.2	-23.1	-29.7
G&A costs	-33.7	-35.9	-42.4	-46.4	-54.0	-57.6
Other operating income net	11.9	5.2	6.8	7.2	7.4	7.7
EBITDA	**18.8**	**8.8**	**9.4**	**28.8**	**46.4**	**69.0**
Norm. EBITDA **	**15.0**	**5.5**	**12.0**	**25.8**	**43.3**	**65.8**
EBIT	**8.5**	**-4.6**	**-4.1**	**15.3**	**25.8**	**49.1**
Financial income (cost) net	-0.1	-1.0	-3.1	-4.0	-3.9	-3.3
Pre-tax profit	**9.0**	**-3.6**	**-6.8**	**11.3**	**21.9**	**45.8**
Income tax	-14.3	-0.4	-8.3	-2.2	-1.1	-2.3
Net profit	-5.3	-4.1	-15.1	9.2	20.8	43.6
Norm. net profit***	**9.0**	**-3.6**	**-6.8**	**11.3**	**20.8**	**43.6**

BALANCE SHEET (PLN m)	2023	2024	2025	2026E	2027E	2028E
Non-current assets	**163.5**	**166.2**	**159.6**	**209.7**	**212.6**	**207.8**
Goodwill and intangible assets	12.3	15.0	15.7	38.3	36.0	34.8
Expenditures on R&D	15.0	16.9	22.5	28.5	32.3	36.5
Investments in associates	12.6	17.8	19.0	19.0	19.0	19.0
tangible assets	111.9	104.8	97.5	119.0	120.3	112.6
Deferred tax assets	7.8	7.5	0.0	0.0	0.0	0.0
Other non-current assets	3.9	4.2	5.0	5.0	5.0	5.0
Current assets	**96.6**	**53.7**	**51.3**	**63.7**	**73.8**	**111.2**
Inventories	11.8	15.8	16.5	21.9	27.5	33.0
Trade receivables	15.9	16.9	21.8	26.4	34.4	43.0
Cash and equivalents	2.8	17.3	6.0	8.3	4.8	27.9
Other current assets	66.1	3.8	3.0	3.0	3.1	3.2
Total assets	**260.1**	**219.9**	**210.9**	**273.4**	**286.4**	**319.1**
Equity	**176.2**	**170.5**	**157.2**	**166.4**	**187.2**	**230.7**
Non-current liabilities	**40.3**	**27.2**	**27.0**	**78.5**	**68.5**	**56.0**
Loans and borrowings	19.7	11.9	7.7	58.3	56.3	46.3
Other non-current liabilities	20.6	15.3	18.5	20.2	12.2	9.7
Current liabilities	**43.6**	**22.2**	**26.7**	**28.5**	**30.7**	**32.3**
Trade payables	2.8	4.6	5.8	7.0	9.2	10.7
Loans and borrowings	32.5	8.8	12.1	12.5	12.0	11.5
Other current liabilities	8.3	8.8	8.8	9.0	9.6	10.1
Equity & liabilities	**260.1**	**219.9**	**210.9**	**273.4**	**286.4**	**319.1**
Cash conversion cycle (days)	101.8	105.9	99.1	91.1	87.1	83.1
Gross debt (PLN m)	51.3	19.5	17.7	70.8	68.3	57.8
Net debt (PLN m)	**48.5**	**2.2**	**11.8**	**62.5**	**63.6**	**29.9**

CASH FLOW (PLN m)	2023	2024	2025	2026E	2027E	2028E
Operating cash flow	**-1.6**	**-7.6**	**-7.6**	**11.3**	**23.2**	**44.1**
Pre-tax profit	9.0	-3.6	-6.8	11.3	21.9	45.8
D&A	10.3	13.4	13.6	13.5	20.6	19.8
Change in WC	0.3	-3.2	-5.4	-9.0	-11.5	-12.7
Other	-20.7	-14.2	-9.0	-4.5	-7.8	-8.9
Investment cash flow	**-0.4**	**-6.0**	**-1.0**	**-56.1**	**-20.4**	**-7.1**
Grants	14.7	8.3	11.2	7.5	3.1	7.9
CAPEX excl. R&D	-4.9	-2.3	-2.5	-15.9	-12.8	-3.6
CAPEX on R&D	-4.9	-8.8	-9.0	-16.7	-10.7	-11.4
Net investment in subsidiaries	-5.3	-3.3	-0.8	-31.0	0.0	0.0
other	-0.1	0.0	0.0	0.0	0.0	0.0
Financial cash flow	**2.6**	**28.2**	**-2.6**	**47.1**	**-6.4**	**-13.8**
Change in equity	0.0	61.5	0.0	0.0	0.0	0.0
Change in debt	4.9	-31.3	-1.6	51.1	-2.5	-10.5
Interest paid	-2.3	-2.1	-1.1	-4.0	-3.9	-3.3
Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash	**0.6**	**14.6**	**-11.2**	**2.3**	**-3.6**	**23.2**
Cash as of eop	**2.8**	**17.3**	**6.0**	**8.3**	**4.8**	**27.9**

*Source: Company (2021-23 data), IPOPEMA Research * The presented data does not consolidate HyperPIC project*

***EBITDA normalized by the non-cash settlement of grants and subsidies to tangible assets; ***net profit normalized by non-cash change in deferred tax*

CONTENTS

Valuation

Figure 2. VIGO Photonics – Valuation summary (PLN)

Valuation method	Weight (%)	FV (PLN/share)
DCF	100%	670.0
Peers comparison	0%	640.0
Fair value		**670.0**
Current price		554.0
Upside/downside		**21%**

Source: IPOPEMA Research

Figure 3. VIGO Photonics - DCF Valuation (PLN m)

	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TV
Revenues	**93.0**	**132.2**	**174.6**	**221.4**	**256.6**	**282.0**	**308.2**	**332.2**	**359.5**	**375.6**
- change y/y	*19%*	*42%*	*32%*	*27%*	*16%*	*10%*	*9%*	*8%*	*8%*	
EBITDA reported	**12.0**	**25.8**	**43.3**	**65.8**	**76.9**	**82.2**	**87.8**	**92.1**	**94.4**	**104.1**
- EBITDA margin	*12.9%*	*19.5%*	*24.8%*	*29.7%*	*30.0%*	*29.1%*	*28.5%*	*27.7%*	*26.3%*	*27.7%*
- change y/y	*119%*	*115%*	*68%*	*52%*	*17%*	*7%*	*7%*	*5%*	*3%*	
EBIT norm.*	**-7.0**	**12.3**	**22.7**	**45.9**	**57.4**	**62.8**	**68.4**	**72.4**	**74.4**	**81.9**
Tax rate	*-122%*	*0%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*9%*
NOPAT	**-15.6**	**12.3**	**21.6**	**43.6**	**54.6**	**59.7**	**65.0**	**68.8**	**70.6**	**74.5**
- change y/y	*76%*	*-179%*	*75%*	*102%*	*25%*	*9%*	*9%*	*6%*	*3%*	
D&A	13.6	13.5	20.6	19.8	19.5	19.3	19.4	19.7	20.0	20.0
Change in WC	-4.2	-9.0	-11.5	-12.7	-9.8	-6.6	-6.6	-5.8	-6.4	-5.2
CAPEX (net, less grants)	-1.0	-56.1	-20.4	-7.1	-7.7	-8.2	-8.8	-9.4	-10.0	-20.0
FCF	**-7.3**	**-39.2**	**10.3**	**43.7**	**56.5**	**64.2**	**69.0**	**73.2**	**74.2**	**69.3**
Equity risk premium	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Risk free rate	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Levered beta	1.3	1.1	1.7	1.5	1.4	1.3	1.3	1.3	1.3	1.3
Cost of Equity	12.3%	11.5%	14.6%	13.8%	13.2%	12.8%	12.6%	12.5%	12.5%	12.6%
After tax cost of debt	6.2%	12.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.0%
WACC	**11.6%**	**11.7%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**	**12.1%**
Discount factor (%)		93%	83%	74%	66%	59%	53%	47%	42%	
FCF PV (PLN m)		-36.5	8.5	32.4	37.3	37.8	36.3	34.4	31.0	
FCF PV 2026E-33E (PLN m)	181.2									
Residual growth rate (%)	4.5%									
Discounted residual value (PLN m)	398.4									
EV (PLN m)	579.6									
Investments in associates	19.0									
Others	0.0									
Net debt (PLN m, 4Q25)	11.8									
Equity value (PLN m)	**586.9**									
Number of shares (diluted, m)	0.875									
FV (PLN)	**670.0**									
Current price	554.0									
Upside/downside potential	**21%**									

*Source: IPOPEMA Research, valuation excluding HyperPIC project, *EBIT normalized by the non-cash settlement of grants and subsidies to tangible assets.*

Figure 4. DCF valuation sensitivity analysis

Residual growth rate (%)	WACC (%)				
	11.1%	**11.6%**	**12.1%**	**12.6%**	**13.1%**
3.5%	661	634	609	588	568
4.0%	698	666	638	613	592
4.5%	739	702	670	642	617
5.0%	788	745	707	675	647
5.5%	845	794	750	712	679

Source: IPOPEMA Research

Figure 5. VIGO Photonics – Peers comparison

COMPANY	Market Cap	P/E (x)			EV/EBITDA (x)			DY	Revenues CAGR	NI CAGR	ROE
	USD m	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2024-27E	2024-27E	2025E
HAMAMATSU PHOTONICS	4,354	41.1	35.1	30.3	15.9	13.0	11.9	0.2%	*-11.3%*	*1.9%*	*4.7%*
TELEDYNE TECHNOLOGIES	29,455	26.4	24.4	22.6	19.0	16.8	14.8	0.2%	*9.7%*	*8.5%*	*10.2%*
NIPPON CERAMIC	717	17.0	15.6	15.2	n.a.	n.a.	n.a.	0.3%	*11.0%*	*9.3%*	*11.4%*
OPTEX GROUP	922	19.9	18.0	14.7	n.a.	n.a.	n.a.	0.1%	*14.5%*	*15.3%*	*11.4%*
VISUAL PHOTONICS	2,104	68.0	44.0	32.4	44.5	30.4	22.5	0.3%	*30.6%*	*27.8%*	*26.5%*
IPG PHOTONICS	4,540	67.2	46.9	39.0	24.1	18.7	n.a.	0.0%	*-180.2%*	*-188.5%*	*3.0%*
MEDIAN											
VIGO PHOTONICS		**33.7**	**29.8**	**26.5**	**21.6**	**17.8**	**14.8**	**0.2%**	**10.4%**	**8.9%**	**10.8%**
premium/discount to all peers (median)	116	42.8	23.3	11.1	20.5	12.2	7.5	0.0%	*20.6%*	*8.0%*	*7.0%*
Weight		25%	25%	0%	25%	25%	0%				
Implied Price (PLN)		**640.0**									

Source: IPOPEMA Research, Bloomberg, prices as of on 14.05.2026

Figure 6. VIGO Photonics – change in forecasts 2026E-28E

	2026E	2026E	Change	2027E	2027E	Change	2028E	2028E	Change
	New	Previous	(%)	New	Previous	(%)	New	Previous	(%)
Revenues	132.2	111.4	19%	174.6	144.2	21%	221.4	182.7	21%
EBITDA	28.8	26.6	8%	46.4	42.7	8%	69.0	60.8	13%
EBIT	15.3	13.5	13%	25.8	26.8	-4%	49.1	44.4	11%
Norm. net income	11.3	9.7	16%	20.8	22.4	-7%	43.6	39.7	10%

Source: IPOPEMA Research

Infrared Associates acquisition conference takeaways

Below are our main takeaways from VIGO Photonics conference call dedicated Infrared Associates acquisition held on 26 March 2026:

Infrared Associates profile. The company continued to grow its business. Half a decade ago, Infrared revenues were around USD 4m. According to CEO they grew until COVID, dipped during COVID, and are now at new record levels. In recent years, margins remained at several-teen percent. Infrared did not supply detectors directly for weapons systems, but indirectly, e.g., for contamination detection or aviation threat detection.

Infrared Founders. Frederick Rothe – until recently the CEO of Infrared and one of the founders – will become full-time Chief Technology Officer in the USA after the acquisition. Frederick is 73 and his partner recently turned 90, so it was clearly the right time to hand over the company. According to PFR, the owners were very focused on ensuring the company would continue and grow. Apart from the two owners, the entire management team is young and remains with the company. All staff, from production to sales, have been retained. Infrared founders will not join VIGO's board or ESOP. The company wants to implement a bonus system similar to VIGO's for Infrared, but not ESOP.

Deal valuation. VIGO's CEO believes the deal valuation is very attractive. Founders emotions played a role, as they wanted to find a good partner to further expand Infrared. The first VIGO visit in Infrared with acquisition offer was around 2017. Over the years they built friendly relations and worked toward merger.

VIGO current US presence. VIGO is currently working with 138 clients from the USA.

Infrared/VIGO product portfolio comparison. According to CEO the product overlap is not large. The companies competed in the railway market, but in most cases Infrared produce products that VIGO does not. VIGO may support Infrared's production with their own epitaxy capabilities, e.g., semiconductor materials. Infrared was limited by its production capacity, and VIGO with high unutilized capacity can help here. The management does not intend to replace or cannibalize Infrared products' market but rather accelerate it.

Infrared/VIGO cross-selling opportunities. The management has already discussed cross-selling opportunities, and the potential is huge. For example, entering the Korean market, where VIGO is almost absent but Infrared is strong. There are many companies in the US and UK where VIGO has no presence and sees opportunities to offer its products. The management sees that their low-cost detectors can reach the same clients Infrared has served for years. Even where the companies share clients in Germany or the U.S., e.g., VIGO supplied a fast uncooled detector and Infrared supplied a cooled one, they can now offer a combined product set. The information campaign among clients about the merger began even before the acquisition, as required by client agreements. Now they are starting concrete discussions on new opportunities.

Product branding. The company does not intend to abandon the Infrared brand. The company bought the brand alongside other assets and believe it is strong in the selected markets and a reference brand in many areas. The management plans to use it for high-end products; where HyperPIC applies, they will likely use the VIGO brand.

The US market post-acquisition outlook. The acquisition will help to better addressing VIGO's opportunities. The US is a very important market that influences what Asia manufactures – many products are designed in the US, and then produced in Asia. Above all, acquisition improves the access to the military market. US weapons stockpiles are currently being depleted at an alarming rate. The company sees clear advantages in entering weapons systems in the drone era.

The company goals are to retain people and competencies capable of manufacturing in the US, as well as retain all clients, lose none, and maintain manufacturing quality at all levels. The production quality at Infrared is very high.

The US market competition. Until recently, there were four players in the global infrared market. Teledyne remains as one of key US players, and is part of a large US group. The high-end market is strongly dominated by VIGO. In BAE Systems' and other defence supply chains, the market remains to be addressed. There is a need to rebuild defence manufacturing capacity. There is also a need for large volumes of cheap detectors, where the US competitors do not necessarily have a broad or low-cost offering. Markets are moving toward mass scale (drones, etc.) and sensor components must also become cheaper. VIGO, focused on industrial applications, is very price-competitive. VIGO already launched several research projects with the US Army and see that thanks to the factory they will develop these collaborations faster.

Opex synergies. Selected cost-saving opportunities are emerging. CEO sees opportunities to produce epitaxy materials in Poland for the US entity, which will improve margins as well as manufacturing support from Poland, where labour costs are lower. Production capacity was Infrared's bottleneck. The small team was maxed out, while in Poland they have huge scaling potential. It's not the physical space that limits capacity but processes and tools. More assembly with electronics can be done; epitaxy and cleanroom work will come from Poland. Many Infrared orders are ASAP, so they see opportunities to accelerate. On the other hand CEO sees a need to increase R&D and design in the US for regulated markets (defence). This will not bring cost synergies but rather increased R&D costs, though often funded by clients. There will be new opportunities for research support.

Production optimization. Part of the Infrared production for European markets can be done from Poland. On the other hand some US defence clients want the entire process handled by a team composed of US citizens. Therefore the approach to production location varies depending on the specific product/market.

Asset purchase instead of whole company. According to CEO this was the lawyers' recommendation as the safer approach. However, if there were obligations related to warranties or repairs, the company still intend to honor them. Infrared Associates as a company will retain no assets.

PFR participation in deal. Works at PFR lasted a year. They participated in the entire transaction from the beginning, including due diligence. According to PFR, the valuation is very attractive and the project makes strong strategic sense. PFR perceives partnership with VIGO as strategic, aligned with the fund's goals. They look for leaders in a given industry, and VIGO fits that role. PFR expects strong growth in the US market and is also open to investing with VIGO in Asia if needed. The fund has appetite for much more.

PFR future cooperation. PFR has no guarantees of participation in future share issues, but will monitor and does not rule out increasing financing for VIGO's future investments and expansion. According to PFR's CEO, when they find the right partner, they approach it strategically, but foreign expansion is key for the fund engaged in this specific deal. PFR declined to comment on its potential interest in investing in HyperPIC project.

Details of the transaction.

The company has acquired the assets of Infrared Associates, a U.S.-based infrared detector manufacturer, for USD 8.4m (ca. PLN 31m), valuing the business at 0.95x 2025 sales and 5.6x 2025 EBIT. The purpose of the acquisition is to strengthen the company's position in the U.S., including through the takeover of contracts and production facilities.

The acquisition will be financed with a PKO loan of USD 3m for the purchase of the company (5-year term), the refinancing of VIGO's existing loans (EUR 3m and a EUR 5m revolving credit facility), and a loan from PFR's Foreign Expansion Fund amounting to USD 5.5m (fixed interest rate of 8.5%, repaid in annual installments over 10 years).

Infrared's 2024/2025 results: Revenue USD 8.9/8.8m, EBIT USD 1.4/1.5m (adjusted for transaction expenses, preliminary data).

Opinion. Positive. *The acquisition target should not come as a surprise to the market. The transaction valuation is fairly attractive, synergies from a stronger presence in the US market are quite clear and could meaningfully accelerate growth in the US. We also expect significant cost synergies.*

The company has gained access to a large pool of new clients in the US, the UK, and countries such as Korea, to whom it will now be able to sell its products and previously had low presence. At the same time, VIGO will supply materials for Infrared, whose sales had previously been limited by production capacity, which will accelerate growth and improve margins. The US entity also strengthens VIGO's position in the defence sector. The valuation is attractive thanks to the company's acquisition efforts since 2017. Overall, the tone is very positive, even though many of these elements were in our view expected.

Previously, sentiment was somewhat sceptical considering VIGO's struggles with financing for many own projects as well as expected slowdown in ongoing strategic option review (complication of the process). Now it seems it is confirmed that the deal makes business sense, and the price turned out to be genuinely very attractive, so such concerns are in our view unlikely to persist.

1Q26E results preview

Figure 7. VIGO Photonics 1Q26E results preview

P&L (PLN m)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	y/y	q/q
Sales revenues	**15.8**	**22.7**	**15.7**	**24.1**	**22.1**	**20.3**	**23.3**	**27.4**	**19.3**	***-13%***	***-29%***
Industry	6.8	8.1	7.6	11.5	10.5	8.1	8.9	10.8	8.8	*-17%*	*-19%*
Military	4.4	7.9	4.0	6.9	6.6	4.8	6.1	11.4	4.6	*-30%*	*-59%*
Transport	2.0	3.3	0.7	1.3	1.1	3.6	4.2	0.7	2.8	*163%*	*281%*
Medicine and science	1.0	1.0	1.5	1.5	2.7	1.9	1.5	1.8	1.6	*-41%*	*-12%*
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	*na*	*na*
Materials for photonics	1.6	2.4	1.9	2.9	1.2	1.8	2.6	2.6	1.5	*24%*	*-43%*
COGS	-7.8	-10.1	-7.7	-13.2	-11.8	-10.0	-11.6	-13.7	-10.2	*-13%*	*-26%*
gross profit/(loss) on sales	**8.1**	**12.6**	**8.0**	**10.9**	**10.3**	**10.3**	**11.7**	**13.6**	**9.1**	***-12%***	***-33%***
Other operating revenues	4.0	3.8	3.7	3.2	3.6	3.6	3.3	3.7	3.5	*-3%*	*-4%*
Selling costs	-2.9	-3.3	-3.5	-3.8	-4.1	-3.5	-3.4	-3.5	-3.5	*-14%*	*0%*
G&A costs	-8.4	-9.8	-8.9	-8.8	-8.7	-11.9	-11.3	-10.5	-10.5	*20%*	*0%*
Other operating costs	-2.2	-2.1	-2.0	-3.2	-1.3	-1.4	-2.1	-2.5	-2.1	*56%*	*-16%*
EBITDA	**1.9**	**4.4**	**0.6**	**1.8**	**3.1**	**0.5**	**1.6**	**4.2**	**-0.1**	***na***	***na***
EBITDA znorm.	**0.3**	**2.9**	**-1.4**	**3.6**	**2.4**	**0.6**	**2.8**	**5.4**	**1.1**	***-52%***	***-79%***
EBIT	**-1.4**	**1.2**	**-2.7**	**-1.7**	**-0.3**	**-2.9**	**-1.8**	**0.8**	**-3.5**	***1237%***	***na***
Net financial revenues	-0.2	-0.4	-0.9	0.5	-1.3	-1.3	-0.2	-0.4	-1.9	*48%*	*398%*
Net financial revenues	-0.2	-0.4	-0.2	2.7	-0.2	3.5	-0.2	-2.7	0.0	*-100%*	*-100%*
Profit (loss) before tax	**-1.8**	**0.4**	**-3.8**	**1.5**	**-1.7**	**-0.6**	**-2.2**	**-2.3**	**-5.4**	***213%***	***134%***
income tax	0.0	-0.1	-0.3	0.0	0.0	-0.3	0.7	-8.7	0.0	*-100%*	*-100%*
Net profit	-1.8	0.4	-4.1	1.5	-1.7	-1.0	-1.4	-11.0	-5.4	*213%*	*-51%*
Norm. net profit	**-1.8**	**0.4**	**-3.8**	**1.5**	**-1.7**	**0.3**	**-0.3**	**-0.4**	**-3.4**	***100%***	***869%***

Source: Company, IPOPEMA Research

Appendix 1: Risks to our forecasts and valuation

Between critical in our opinion risks for operations and results of VIGO Photonics we include:

The risk of decrease of demand for company's products. The market of MID-Infrared detectors on which VIGO operates is currently dynamically developing part of photonics. Nevertheless, there is a risk, that due to different factors (including macroeconomic, political or technological) the demand for detectors will drop significantly and the market would not grow with actual, high dynamic.

The risk of key client loss. In 2024 42% of revenues were generated from the contracts with 4 clients (vs. in 2023 40%). The end of collaboration with each of these, or the decrease of contracts value could significantly affect the dynamic of VIGO revenues growth. However we note that the competition on the IR detectors market is low (high entry barriers) and there is high cost of technology replacement (which is also the barrier for VIGO and means that acquisition of new partners is harder).

The risk of competition. Due to high concentration on the market (only few producers) and high entry barriers (complicated technology) we assume that competition risk is quite low. Nonetheless with further dynamic growth of the market and popularization of applications of MID-infrared detectors there is a risk that leading technological companies will decide to enter the market. Another risk is the fast development of technology and short life cycle of the product (there is a risk of obtaining technological advantage by one of the competitors).

Risk of key projects failure. We highlight that performance of main new projects like investment in semiconductor materials segment, IR Arrays of PIC technology may result in failure and therefore not generated expected profits for the company or generated higher than anticipated capital expenditures, which may negatively affect financial results and valuation.

The risk of losing key employees. Production of infrared detectors is a process which require highly specialized workers, which supply on the market is very limited. At the same time high qualifications of the staff is perceived by the board as one of the advantages of VIGO.

The risk of alternative technology. There is a risk that other alternative technology could appear on the market and replace VIGO products with better parameters and/or lower price.

The risk of equipment breakdown. The equipment used by VIGO is highly advanced and is not vastly available on the market. In the case of breakdown, the company could have a problem with the production delays. The costs of replacement/repair of machines could be also significant.

Risk of lower subventions/grants in the future. To keep high level of subventions to expenditures on R&D the company needs to meet many criterions. The loss of subvention, or lower level of subvention in the future would result in the necessity of higher company's own spending on R&D or higher debt level.

The Currency risk. The most of the VIGO revenues is generated in EUR, while the cost (based on salaries and other employees' benefits) are mainly in PLN, which result in exposure for currency risk. VIGO is not using currency hedging instruments.

Risk of restricting access to materials as a result of legislation. According to EU ROHS directive some substances which are currently used for VIGO's detectors production will be no longer available for use in the future due to their hazardous nature.

Appendix 2: ESG

Below we present our ESG analysis of VIGO Photonics operations:

Environmental. VIGO's detectors are used for analysis and detection of harmful gases, and thus they are used in the environment protection sector as well as in industrial applications, where they could materially contribute to the policy of reducing harmful gas emissions.

The R&D projects conducted by consortiums with VIGO's active participation (which are a part of the Horizon 2020 European program) are aimed at developing new technologies and devices for water quality control. VIGO is participating in project Waterspy, which targets the development of mobile devices for water quality control (analyzing for bacterial contamination) in important points of water distribution networks. The second project – AQUARIUS – aims to develop a device for spectroscopy for monitoring of oil pollution in transmission networks of drinkable and industrial water, especially in the petrochemical industry. In our opinion, both projects could help to reduce the level of pollution and decrease the number of diseases, especially in developing countries.

VIGO is also investing in the development of detector technology (investment in a new production hall and new clean room), which results in optimization of the production process and lower consumption of materials and energy (affordable detector) and higher yield (with the new clean room). VIGO is currently developing detectors from A(III)B(V) materials, which are expected to replace products based on HgCdTe compounds (include mercury, which according to the UE ROHS directive will be withdrawn from commercial applications in coming years). VIGO has not decided yet when HgCdTe detectors will be removed from its offer, but it is intensively working on substitutes without dangerous compounds (including an affordable detection module).

Water consumption for production is monitored on a daily basis. The company does not use any fossil fuels for heating. It does not have its own heating furnaces. Analyses are carried out once a quarter on the physical and chemical quality of wastewater. So far, no excesses have been recorded. The group generates municipal waste, hazardous waste and outside the installation, as well as other waste related to its activity. Records are kept for the waste specified in the Act.

Social responsibility. VIGO's detectors are used for military purposes, mainly in artillery applications (smart munitions, reduction in number of accidental victims due to better aiming) and for tracking warning systems. Currently applications in drug and explosive detection are being analyzed.

Governance. From 21 November 2014 when VIGO Photonics shares were admitted to trading on the WSE, the company has accepted and complied with WSE governance policy rules. We have positive feedback about VIGO's corporate governance due to: 1) lack of transactions with related parties; 2) market-based salaries of the board; 3) a transparent dividend policy; 4) solid and clear accounting standards and policy, along with high quality presented financial data; and 5) reporting of sales data at the end of each quarter and respecting deadlines for financial reporting. Another good practice of the company is also presenting the strategy with mid-term financial targets, though its realization was several times postponed in the past years. We like the long-term involvement of the board and its professional qualifications. The company also holds regular meetings with investors after the publication of quarterly earnings, when the board is ready to answer shareholders' questions.

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Peer relative comparison bases on a comparison of valuation multipliers for companies from a given sector. The leading multiples for compared company based on the future earnings, book values, operating profit or cash flows include an analyst's estimate of those values. The peer comparisons methods are less dependent on the analyst's judgment as to the individual parameters, however the valuation is highly depended on the composition of a peers' group. The weak points of peer relative valuation include: the quality and comparability of peers (with various business models, operating environments, growth phases, etc.), the selection of peers, the quality of available consensuses for peers, and a practice of comparing the multiples to median/average instead of historical premiums/discounts.
rNPV method accounts the probabilities factors assigned to future cash flows, which enables to assess specific risk factors. rNPV is commonly used to value either innovative companies or companies in case of which certain milestones need to be reached before cash flow is generated on regular basis. The weak points include subjective assumptions towards risk factor discount rates on top of the susceptibility to a change of a specific forecasts.
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BVPS – book value per share - the book value of the company's shareholders equity divided by the number of shares outstanding without treasury shares at the end of period.
CAGR – compound annual growth rate.
CFO – net cash flow from operations.
Cost/Income – operating expenses divided by total banking revenue.
D&A – depreciation and amortization.
DCF – discounted cash flow model – a valuation method based on the sum of discounted future cashflows with appropriate adjustments (such as net debt, etc., if applicable).
DDM – dividend discount model – a valuation method of based on the sum of discounted future dividends.
DPS – dividend per share – dividend of a given year divided by the number of shares outstanding without treasury shares at the moment of distribution.
DY – dividend yield – total DPS of a given financial year divided by share price.
EBIT – earnings before interests and tax.
EBITDA – earnings before interests, tax, depreciation and amortization.
EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding without treasury shares at the end of period.
EV – enterprise value – market cap adjusted by treasury shares, plus gross debt, less cash and equivalents, less associates, plus minorities.
EV/EBITDA – EV divided by EBITDA.
EV/S, or EV/revenues – EV divided by revenues (sales).
FCFE – free cash flow to the equity.
FCFF – free cash flow to the firm.
FV – fair value – fair value price of the company calculated based on valuation methods outlined in the document.
LLP – loan loss provisions – an expense set aside as an allowance for bad loans.
ND – net debt – gross debt and leases (depending on accounting standard) less cash and equivalents.
Net F&C – net fee and commission income – fee and commission income minus fee and commission expense.
NII – net interest income – interest income minus interest expense.
NPL – non-performing loan – loans that are in default or close to be in default.
P/BV – price to book value - price divided by the BVPS.
P/E – price to earnings ratio – price divided by earnings per share.
PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.
ROA – return on assets – net income (or adjusted net income) divided by the average assets.
ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.
ROIC – return on invested capital – EBIT * (1 – tax rate) divided by average invested capital.
uFCF – underlying free cash flow – IPOPEMA's measure reflecting the amount of potential cash flow generation available for distribution before outflow on discretionary purposes (such as shareholders' distribution, unannounced M&A, financial assets, etc.), calculated as follows: net cash from operations less net CAPEX on PP&E, intangibles and subsidiaries (related to announced deals), less net interest paid on debt, leases and granted loans, less lease payment, less dividends paid to minorities, plus received dividends, plus other items if necessary depending on company's specifics/presentation.
uFCFps – uFCF per share.
WACC – weighted average cost of capital.

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When applying ratings for companies following criteria are used with regards to the difference between IPOPEMA's FV and company's price at the date of recommendation:
BUY – the difference between FV and price at recommendation exceeds 10%.
HOLD – the difference between FV and price at recommendation is between (and including) -10% and 10%.

SELL - the difference between FV and price at recommendation is below -10%.

The price used throughout the recommendation to calculate adequate ratios is the "last" price stated on the front page of this document. The date and the time stated on the front page is the date and the time of the preparation of this document. This document has been distributed on 14 May 2026 at 20:00 CEST.

IPOPEMA Research - Distribution by rating category (1 January – 31 March 2026)	Number	%
Buy	6	46%
Hold	6	46%
Sell	1	8%
Total	13	100%

Rating History – VIGO Photonics

Date	Recommendation	Fair Value	Price at recommendation	Autho
24.08.2022	BUY	660.0	556.0	Michał Wojciechowsk
28.03.2023	HOLD	600.0	566.0	Michał Wojciechowsk
19.06.2023	UNDER REVIEW	-	652.0	Michał Wojciechowsk
19.02.2024	BUY	600.0	484.0	Michał Wojciechowsk
21.06.2024	BUY	600.0	540.0	Michał Wojciechowsk
12.02.2025	BUY	500.0	428.0	Michał Wojciechowsk
13.05.2025	BUY	640.0	508.0	Michał Wojciechowsk
16.10.2025	BUY	610.0	522.0	Michał Wojciechowsk
14.05.2026	BUY	670.0	554.0	Michał Wojciechowsk