

Eleco

Technology
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SaaS model drives record recurring revenue

Eleco is an AIM-listed provider of specialist software for the planning, construction and maintenance of buildings and structures. It is building a multi-product platform across the building lifecycle and expanding its addressable market while enabling cross-sell and improving customer retention. FY25 results demonstrate the progress of this strategy, with recurring revenue now 81% of group sales (up from 56% in FY21), double-digit organic revenue growth and a material step up in earnings quality. The PEMAC acquisition has been successfully integrated, with post-period acquisitions of Kivue and the disposal of Veeuze sharpening the portfolio.

Record y-o-y growth across revenue and margins

Group revenue of £38.8m grew 20% y-o-y (11% organic), with recurring revenue up 26% (18% organic) to £31.3m. Annual recurring revenue at year-end was £34.3m, up 29%, and net revenue retention (NRR) of 110% (FY24: 109%) highlights successful cross-selling across the expanding product suite. The SaaS transition has driven a significant improvement in earnings quality, with adjusted EBITDA margins expanding from the mid-teens to 26.4% in FY25. Adjusted EBITDA rose 32% to £10.2m as the growing mix of high-margin recurring revenue and disciplined cost management drove operational gearing.

Platform broadened through M&A and new products

The construction and built environment sector remains relatively under-digitalised, providing a structural tailwind for platform adoption. The January 2025 PEMAC acquisition has been successfully integrated, strengthening the CMMS offering alongside ShireSystem. Post year-end, Kivue was acquired in February 2026, complementing the BestOutcome PM3 solution, while the non-core Veeuze visualisation business was disposed of in April 2026.

Valuation gap looks wide for quality on offer

On broker estimates, Eleco trades on 12-month forward EV/sales of c 2x and EV/EBITDA of c 8x, compared with building lifecycle software peers on medians of c 5x and c 15x. On a P/E basis, Eleco trades at c 18x for FY26e, broadly in line with peers, but the discount widens for FY27e as the increasingly subscription-heavy model and growing operating leverage point to continued margin accretion. The EV-based discount sits uncomfortably alongside a business that has demonstrated strong execution, improving retention and a meaningful shift in earnings quality, and likely remains more in line with the wider re-rating of UK small-cap software than with Eleco's own trajectory. Delivery against FY26 expectations remains the key catalyst.

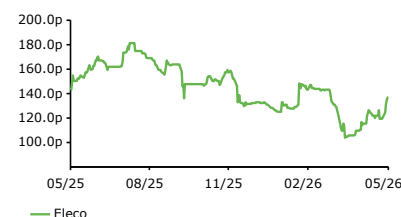
Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (£)	P/E (x)
12/24	32.4	4.2	0.04	31.4
12/25	38.8	2.8	0.02	62.8
12/26e	39.9	7.4	0.07	18.2

Source: LSEG Data & Analytics

Price 125.50p
Market cap £106m

Share price performance



Share details

Code	ELCO
Listing	AIM
Shares in issue	84.1m
Net cash/(debt) at 31 December 2025	£16.3m

Business description

Eleco provides specialist software solutions used throughout the building lifecycle, from planning, design and estimation through to construction, asset management and facilities management. Its customers span sectors including construction, retail, healthcare and manufacturing.

Bull points

- Multi-product building lifecycle platform enables cross-sell and retention.
- Recurring revenue at 81% with NRR of 110% underpins earnings visibility.
- Net cash balance sheet with no borrowings supports progressive dividends and bolt-on M&A.

Bear points

- Construction customers may defer associated services and training spend in weaker macroeconomic conditions.
- Acquisition integration and new product launches carry execution risk.
- Limited broker coverage and AIM liquidity may constrain the investor base.

Analysts

Dan Ridsdale	+44 (0)20 3077 5700
Finlay Mathers	+44 (0)20 3077 5700

tmt@edisongroup.com

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