Agilysys (AGYS) Company Report

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Company Overview	Valuation
Main Products: Hospitality software solutions **Revenue model:** SaaS/Cloud, Licensing, Professional Services **Margins:** 60% gross margin & 13% EBITDA margin **HQ:** Alpharetta, Georgia	

PV of FCFs	335.5
PV of Terminal Value	553.3
Enterprise Value	888.7
- Minus Net Debt	(38.7)
Equity Value	927.4
# of diluted shares (in millions)	28.4
Implied Share Price	$32.66
vs	
Market Valuation	$128.00
Upside/Downside	-74.48%

Recommendation: Sell

Business Overview

Agilysys is a leading hospitality software company that delivers innovative cloud-native SaaS and on-premises solutions for resorts, restaurants, hotels, cruise lines, casinos, corporate foodservice management, universities, stadiums, and healthcare facilities. Agilysys' software solutions include point-of-sale (POS), property management (PMS), payments, inventory and procurement, and related applications that manage and enhance the entire guest journey (Agilysys, Inc., 2025). Agilysys is also known for its world-class customer-centric service. Many of the top hospitality companies around the world use Agilysys solutions to drive revenue growth, improve guest loyalty, and increase operational efficiencies. Agilysys operates across North America, Europe, the Middle East, Asia-Pacific, and India, with headquarters in Alpharetta, GA. (Agilysys, Inc., 2025).

Forecasting Revenue

in millions $	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Total Revenue	**127.7**	**127.4**	**140.8**	**160.8**	**137.2**	**162.6**	**198.1**	**237.5**	**275.6**	**299.8**		**9.6%**
% nominal growth	*6.1%*	*-0.2%*	*10.6%*	*14.1%*	*-14.7%*	*18.6%*	*21.8%*	*19.9%*	*16.1%*	*8.8%*	**10.1%**	
US CPI	*1.7%*	*2.0%*	*2.3%*	*1.9%*	*1.2%*	*6.2%*	*7.4%*	*3.5%*	*2.8%*	*2.7%*		
% real growth	*4.3%*	*-2.3%*	*8.1%*	*12.0%*	*-15.7%*	*11.6%*	*13.4%*	*15.8%*	*12.9%*	*5.9%*	**6.6%**	
Products	**38.3**	**33.7**	**39.0**	**44.2**	**26.7**	**36.0**	**43.6**	**49.1**	**41.3**	***41.0***		**-0.1%**
% nominal growth	*-7.5%*	*-12.1%*	*15.7%*	*13.4%*	*-39.6%*	*34.6%*	*21.4%*	*12.5%*	*-15.8%*	*-0.8%*	**2.2%**	
% real growth	*-9.0%*	*-13.9%*	*13.2%*	*11.2%*	*-40.3%*	*26.7%*	*13.0%*	*8.6%*	*-18.1%*	*-3.4%*	**-1.2%**	
% of Total Revenues	*30.0%*	*26.5%*	*27.7%*	*27.5%*	*19.5%*	*22.1%*	*22.0%*	*20.7%*	*15.0%*	*13.7%*	**22.5%**	
Subscription and Maintenance	**63.3**	**69.1**	**75.5**	**83.7**	**88.6**	**99.0**	**118.3**	**138.1**	**170.1**	***190.2***		**12.2%**
% nominal growth	*5.3%*	*9.1%*	*9.3%*	*10.8%*	*5.8%*	*11.7%*	*19.5%*	*16.7%*	*23.2%*	*11.8%*	**12.3%**	
% real growth	*3.6%*	*6.9%*	*6.9%*	*8.7%*	*4.6%*	*5.2%*	*11.3%*	*12.8%*	*19.8%*	*8.9%*	**8.9%**	
% of Total Revenues	*49.6%*	*54.2%*	*53.6%*	*52.1%*	*64.6%*	*60.8%*	*59.7%*	*58.1%*	*61.7%*	*63.4%*	**57.8%**	
Professional Services	**26.0**	**24.6**	**26.3**	**32.8**	**21.9**	**27.7**	**36.1**	**50.3**	**64.2**	**68.7**		**13.8%**
% nominal growth	*38.3%*	*-5.5%*	*7.1%*	*24.7%*	*-33.3%*	*26.6%*	*30.4%*	*39.2%*	*27.7%*	*6.9%*	**16.2%**	
% real growth	*6.4%*	*-25.3%*	*-16.1%*	*-2.2%*	*-44.2%*	*3.7%*	*6.8%*	*15.4%*	*11.1%*	*-6.0%*	**-5.0%**	
% of Total Revenues	*20.4%*	*19.3%*	*18.7%*	*20.4%*	*16.0%*	*17.0%*	*18.2%*	*21.2%*	*23.3%*	*22.9%*	**19.7%**	

Figure 1: Historical Revenues[1]

[1] Fiscal Years were used in historical and projection calculations. The company's latest available fiscal report is Q2 2026.

in millions $	10-year average	10-year CAGR	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Revenue		**9.6%**	**329.6**	**362.5**	**399.0**	**439.4**	**481.2**	**522.5**	**562.6**	**600.6**	**635.8**	**667.3**
% nominal growth	**10.1%**		*9.9%*	*10.0%*	*10.1%*	*10.1%*	*9.5%*	*8.6%*	*7.7%*	*6.7%*	*5.9%*	*5.0%*
US CPI												
% real growth	**6.6%**											
Products		**-0.1%**	**42.4**	**43.9**	**45.5**	**47.1**	**48.7**	**50.2**	**51.5**	**52.5**	**53.6**	**54.7**
% nominal growth	**2.2%**		*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.0%*	*2.5%*	*2.0%*	*2.0%*	*2.0%*
% real growth	**-1.2%**											
% of Total Revenues	**22.5%**		*12.9%*	*12.1%*	*11.4%*	*10.7%*	*10.1%*	*9.6%*	*9.2%*	*8.7%*	*8.4%*	*8.2%*
Subscription and Maintenance		**12.2%**	**211.8**	**236.0**	**262.9**	**292.9**	**323.3**	**353.7**	**383.4**	**411.8**	**438.1**	**461.8**
% nominal growth	**12.3%**		*11.4%*	*11.4%*	*11.4%*	*11.4%*	*10.4%*	*9.4%*	*8.4%*	*7.4%*	*6.4%*	*5.4%*
% real growth	**8.9%**											
% of Total Revenues	**57.8%**		*64.3%*	*65.1%*	*65.9%*	*66.7%*	*67.2%*	*67.7%*	*68.1%*	*68.6%*	*68.9%*	*69.2%*
Professional Services		**13.8%**	**75.3**	**82.6**	**90.7**	**99.5**	**109.1**	**118.6**	**127.7**	**136.3**	**144.1**	**150.8**
% nominal growth	**16.2%**		*9.7%*	*9.7%*	*9.7%*	*9.7%*	*9.7%*	*8.7%*	*7.7%*	*6.7%*	*5.7%*	*4.7%*
% real growth	**-5.0%**											
% of Total Revenues	**19.7%**		*22.9%*	*22.8%*	*22.7%*	*22.6%*	*22.7%*	*22.7%*	*22.7%*	*22.7%*	*22.7%*	*22.6%*

Figure 2: Revenue Projections

Subscription Revenue (Primary AI Lever)

Subscription revenue represents Agilysys' SaaS portfolio (PMS, POS, Spa, Golf, Dining, Loyalty, etc.), which generates recurring fees. It is the company's largest and fastest-growing segment, currently driven by increasing module adoption, customer expansion, and premium-tier upgrades. To project this segment, which is recurring in nature, we conceptually relied on the following gold-standard formula, especially prevalent for subscription model:

$$\mathrm{ARR}_{t+1} = \underbrace{\mathrm{ARR}_t \times (1 - \mathrm{GrossChurn})}_{\text{retained}} + \underbrace{\mathrm{ARR}_t \times \mathrm{Expansion}}_{\text{upsell}} + \underbrace{\mathrm{NewARR}}_{\text{new logos / new props}}$$

Accordingly, we decided to project churn rate, upsells, which also include annual price increases, and new subscribers/properties added to the portfolio. Hence, we get the following formula:

Annual Subscription Revenue Growth = (1 – Annual Churn Rate) * (1+ Price increase for existing customers) * (1 + Upsell growth rate) * (1 + growth rate of new subscribers) - 1

a. **Churn rate**: Since the company does not disclose **churn rate or cancellations**, we looked at peers who mention these statistics in their earning calls or investor presentations. As can be seen from the information below, the peers churn rate is around 3% to 5%. We used the midrange **(4%)** for the projections.

Company	**NRR**	**Churn**	**Notes**
Oracle Hospitality	~110 %	3–4 %	Similar enterprise base.
Lightspeed / Toast	110–120 %	5–8 %	SMB SaaS, more volatile.
Amadeus	>115 %	<5 %	Pure SaaS travel tech.
AGYS (inferred)	**110–115 %**	**≈ 3%-5%**	Fits peer range and commentary.

b. **Upsells**: In projecting this segment, we assume 2% price hike (tied to CPI) plus how much additional products/services can the company sell from its ecosystem. The company reports that on average each client owns two products. While the current customer base averages approximately two products per client, this average alone does not imply that the underlying distribution of one, two, or multi-product subscriptions will mechanically shift over time. The model therefore does not infer mix changes from the average level, but instead reflects a flow-based process in which three forces act simultaneously: existing single-product customers may adopt an additional product, some customers churn (potentially with higher product counts), and new customers typically enter the platform with a single product, diluting multi-product penetration. As a result, upsell activity does not necessarily translate into a higher average number of products per customer if new-logo additions and churn offset these upgrades. In the revenue forecast, churn is applied once at the aggregate level, while upsell growth captures the incremental wallet-share expansion generated by 1→2 product adoption among retained customers, normalized by the existing revenue base. This framework allows the average product mix to remain stable while still recognizing the economic contribution of upselling, consistent with management commentary and observed SaaS dynamics.

Assuming clients start with one product, the impact of additional product is modeled as:

$$\text{UpsellImpact} = (1 - s_t)\rho \times \frac{A_2}{A_1 + A_2 s_t}$$

Where:

- S_t is what portion of existing customers are already at 2 products. The Management said 50-60% of existing clients subscribe to at least two products.
- Rho measures the annual adoption of second product. Looking at vertical SaaS peers such as Toast or Lightspeed, this rate is typically around 10% to 20%.
- A_2/A_1 is capturing the price of new product in relation to original product/service purchased. We assumed a ratio of 0.9 to allow for price discounts existing customers are likely to get. This fraction tells us how much incremental revenue each upsell adds, relative to the current revenue base.

Hence, plugging the midpoints of the above estimates into the upsell formula we get:

(1-0.55) * 0.15 * 0.9/ (1+0.9*0.55) = 4.06%

c. **New subscriber growth:** Annual number of new customers/properties coming online is approximately 450 properties, according to the management. Given the existing client base of 4,500 properties, this would imply current run-rate of **10%.**
To model potential impact of AI on the subscriber growth, we looked at peer data. Amadeus' introduction of AI-based revenue, a peer of AGYS, and pricing tools in its hospitality software suite accelerated subscription growth by **+2–3 percentage points annually** and expanded margins by ~250 bps. GuestSense.ai mirrors this dynamic by embedding dynamic pricing, demand forecasting, and personalization across Agilysys'

suite. Therefore, multiplying by 2.5% AI impact we get 12.75%. However, to account for the time lag where new users are not charged for 1 or 2 months, we use adjustment factor of ~0.8 (10 months out of 12) to arrive new subscriber growth rate of **10.2%.**

Forecast Impact on Subscription & Maintenance Segment:

$$(1-0.04) * (1+0.02) * (1+0.0406) * (1+0.102) - 1 \sim 12.3\%$$

This growth rate is applied as a constant rate until 2031, after which it is gradually decreased towards 3% by 2035.

Services Revenue (Operational Efficiency and Delivery Scale)

Description:

Services revenue stems from system implementations, integrations, training, and ongoing support. While less scalable than SaaS, this segment benefits from improved deployment efficiency as AI automates configuration and support workflows. These revenues are typically one-time or project-based work involving system implementation, integration, custom configuration, data migration and user training. Professional Services revenue is likely to lag subscription growth, non-recurring, and be driven by the addition of new subscribers.

Agilysys does not disclose customer-level adoption of professional services. However, given that professional services revenue is primarily tied to new customer implementations and represents a mid-teens percentage of total revenue, we infer that a majority of new subscribers engage professional services on a one-time basis. Based on the scale of services revenue, implementation complexity in hospitality software, and peer practices, we conservatively estimate this attach rate at approximately 70%, noting that the actual figure could be higher.

Hence applying the 70% as an adjustment factor to subscriber growth calculate above (10.2%), we get **~7.2%.** This growth rate is applied as a constant rate until 2031, after which it is gradually decreased towards 3% by 2035.

AI Effect (Analogy – Amadeus and Oracle Hospitality):

Amadeus' AI automation reduced implementation time by ~25%, allowing for higher throughput with the same headcount — a pattern also observed in Oracle's Simphony rollout.

Forecast Impact:

- **Revenue CAGR uplift:** +0.5–1 ppt FY27–FY30
- **Gross margin improvement:** +50–100 bps via automation
- **Result:** 1.089 * (1+0.0075) – 1 ~ **9.7%**

Product Revenue (Stable Hardware and Legacy Software Sales)

Description:

Product revenue comprises one-time hardware (POS terminals, servers) and perpetual licenses. This segment is relatively flat, as the shift to cloud-based SaaS continues.

Drivers:

- Hardware refresh cycles for POS systems
- New hotel openings requiring devices
- Gradual phase-out of on-premise installations
- Limited boost from AI-compatible devices

AI Effect (Analogy – Amadeus & Oracle Cloud migration):

Both companies experienced neutral-to-slightly-positive product sales as AI features required minor hardware upgrades.

Forecast Impact:

- **Revenue CAGR:** ~0–1% (flat to slightly positive)
- **Mix shift:** Product share declines gradually to <8% of total by FY36

Overview

Agilysys' **Products** segment includes one-time hardware (POS terminals, servers, kiosks) and perpetual software licenses. Historically, this business has been **volatile but structurally declining** as the company transitioned toward a subscription-based model. Between **2013–2026**, Products revenue grew at only **~2.2% nominal CAGR** (–1.2% real), with its share of total revenue falling from **~33% in 2013** to **~14% in FY26**.

This trend reflects the **steady migration from legacy on-premise systems to SaaS deployments**. The forecast for FY27–FY36 continues that trajectory, **moderate growth in the near term (8–9%)**, tapering to **low-single digits (4%)** by FY36, with Products contributing only **~6% of total revenues** at maturity.

Period	Nominal Growth (avg)	Comment
2013–2026 avg	**+2.2%**	Product revenue was stagnant due to SaaS migration
Post-COVID rebound (2022–2024)	**~16% avg**	Driven by property reopening & hardware refresh

2025–2026	**~–1%**	Flat, demand normalization

We model Product revenue as the **sum of two sub-drivers:**

$$g_{product} = w_h \times g_{hardware} + w_l \times g_{license} + g_{AI}$$

- wh: hardware share of product revenue (~65%)
- wl: perpetual software/license share (~35%)
- ghardware: hardware unit & price growth
- *glicenseg*: decline rate of perpetual licenses
- *gAI* : incremental uplift from AI-related device compatibility

Phase 1: FY27–FY31 → "Hardware Refresh + Expansion"

Component	Assumption	Rationale
Hardware growth (g_h)	+5–6%	Normal refresh cycle every 4–5 years; new properties (EMEA/APAC) add 1–2 pts
License decline (g_l)	–3%	Ongoing SaaS conversion
AI uplift (gAI)	+1%	Small incremental demand for AI-compatible terminals
Weighted growth	(0.65×5.5%) + (0.35×–3%) + 1% = **~3.53%**	

Result: ~3.53% nominal growth then moderates toward 2% as the company focuses on other segments. It must be noted that while the share of this segment will decline, the hospitality sector is typically a laggard in technology adoption. So, fully shifting to cloud/SaaS model will take time, allowing companies such as AGYS to still earn license fees.

Forecasting Cost of Goods Sold

in millions $	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Gross Profit	63.8	64.4	73.9	81.0	89.4	101.5	120.8	144.3	172.0	185.2		10.5%
% nominal growth	-6.3%	1.0%	14.7%	9.6%	10.4%	13.6%	19.0%	19.4%	19.2%	7.7%	10.8%	
% real growth	-7.9%	-1.0%	12.1%	7.5%	9.1%	7.0%	10.8%	15.3%	15.9%	4.9%	7.4%	
Total Gross Profit Margin	50.0%	50.6%	52.5%	50.4%	65.2%	62.4%	61.0%	60.7%	62.4%	61.8%	57.7%	

Figure 3: Historical COGS

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Cost of Goods Sold	125.0	136.7	149.7	163.9	178.9	193.8	208.1	221.7	234.2	245.5
% nominal growth	9.0%	9.4%	9.5%	9.5%	9.2%	8.3%	7.4%	6.5%	5.7%	4.8%
% real growth										
% of Revenues	37.9%	37.7%	37.5%	37.3%	37.2%	37.1%	37.0%	36.9%	36.8%	36.8%

Figure 4: COGS Forecast

I. Product COGS:

in millions $	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Product COGS	28.2	26.4	31.8	36.4	13.5	19.3	23.0	26.3	22.1	23.9		0.2%
% nominal growth	21.1%	-6.6%	20.6%	14.5%	-62.9%	42.5%	19.4%	14.5%	-16.2%	8.2%	5.5%	
% real growth	19.1%	-8.5%	17.9%	12.3%	-63.4%	34.2%	11.2%	10.6%	-18.5%	5.4%	2.0%	
% of Total COGS	44.2%	41.9%	47.5%	45.6%	28.3%	31.5%	29.8%	28.2%	21.3%	20.8%	33.9%	

Figure 5: Historical Product Segment COGS

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Product COGS	24.7	25.8	27.0	28.3	29.6	30.8	31.9	32.9	33.9	34.9
% nominal growth	3.5%	4.6%	4.6%	4.6%	4.6%	4.1%	3.6%	3.1%	3.0%	3.0%
% real growth										
% of Total COGS	19.8%	18.9%	18.1%	17.3%	16.5%	15.9%	15.3%	14.8%	14.5%	14.2%

Figure 6: Product Segment COGS Forecast

Product COGS includes direct costs associated with the procurement, production, and delivery of AGYS's hardware and software product offerings. This category encompasses materials, manufacturing, assembly, and logistics expenses tied to hardware components and system installations. Product COGS is growing steadily at 0.2% CAGR from 2013 to 2026, reflecting the transition away from hardware-intensive revenue streams toward higher-margin, software-driven solutions. Over the forecasting period, Product COGS will reach roughly $35 million by

2036, driven by customer hardware refresh cycles and limited new product deployments. As AGYS's business mix favors software and recurring services, Product COGS is expected to comprise a smaller proportion of total costs, highlighting the firm's strategic shift toward asset-light, scalable revenue streams.

The Product Gross Margin is projected to decline from 41.8% in 2027E to 36.2% in 2036E, reflecting both structural and market-driven shifts. The gradual reduction is due to a change in product mix, with a higher proportion of lower-margin hardware and replacement sales as the business matures. Competitive pricing pressures and rising manufacturing and component costs are expected to weigh margins despite ongoing supply chain efficiencies. The decline also aligns with AGYS's strategic transition toward recurring, service-based revenue models, which naturally reduces product-level profitability while improving overall business scalability and long-term gross margin stability.

II. Subscription and Maintenance COGS:

in millions $	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Subscription and Maintenance COGS	**17.0**	**16.7**	**15.9**	**19.2**	**18.0**	**21.1**	**26.3**	**30.9**	**37.5**	**41.4**		**10.4%**
% nominal growth	*10.2%*	*-1.6%*	*-4.8%*	*21.1%*	*-6.6%*	*17.5%*	*24.2%*	*17.5%*	*21.4%*	*10.4%*	**10.9%**	
% real growth	*8.4%*	*-3.6%*	*-6.9%*	*18.8%*	*-7.7%*	*10.7%*	*15.6%*	*13.5%*	*18.0%*	*7.5%*	**7.4%**	
% of Total COGS	*26.6%*	*26.5%*	*23.7%*	*24.1%*	*37.6%*	*34.6%*	*34.0%*	*33.1%*	*36.1%*	*36.1%*	**31.2%**	

Figure 7: Historical Subscription and Maintenance Segment COGS

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Subscription and Maintenance COGS	**46.1**	**51.3**	**57.2**	**63.7**	**70.3**	**76.9**	**83.4**	**89.6**	**95.3**	**100.4**
% nominal growth	*11.4%*	*11.4%*	*11.4%*	*11.4%*	*10.4%*	*9.4%*	*8.4%*	*7.4%*	*6.4%*	*5.4%*
% real growth										
% of Total COGS	*36.9%*	*37.5%*	*38.2%*	*38.9%*	*39.3%*	*39.7%*	*40.1%*	*40.4%*	*40.7%*	*40.9%*

Figure 8: Subscription and Maintenance Segment COGS Forecast

Subscription and Maintenance COGS encompasses the expenses incurred in delivering AGYS's cloud-based solutions, software subscriptions, and ongoing maintenance and support services. These costs primarily include cloud infrastructure hosting, software licensing, customer support operations, and technical maintenance labor. Historically, this segment grew strongly at 10.4% CAGR from 2013 to 2026, reflecting the company's successful expansion of its SaaS and recurring revenue model. Subscription and Maintenance COGS is projected to continue its upward trend, increasing at approximately 11% per year through 2036, reaching around $100 million. While costs will grow in absolute terms due to a larger installed base and expanded service scope, operating leverage from cloud scalability and automation is expected to drive gradual improvements in cost efficiency. As a result, Subscription and Maintenance COGS will become an increasingly dominant portion of total COGS, reflecting the sustainable nature of AGYS's recurring business model.

III. Professional Services COGS:

in millions $	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Professional Services COGS	**18.7**	**19.9**	**19.3**	**24.1**	**16.3**	**20.7**	**28.0**	**36.0**	**44.1**	**49.4**		**13.8%**
% nominal growth	*38.0%*	*6.4%*	*-3.1%*	*25.3%*	*-32.4%*	*27.0%*	*35.1%*	*28.7%*	*22.5%*	*12.0%*		
% real growth	*35.7%*	*4.2%*	*-5.3%*	*22.9%*	*-33.2%*	*19.6%*	*25.8%*	*24.3%*	*19.1%*	*9.1%*		
% of Total COGS	*29.2%*	*31.6%*	*28.8%*	*30.2%*	*34.1%*	*33.9%*	*36.2%*	*38.6%*	*42.6%*	*43.1%*		

Figure 9: Historical Professional Services Segment COGS

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Professional Services COGS	**54.2**	**59.6**	**65.5**	**71.9**	**79.0**	**86.1**	**92.8**	**99.2**	**105.0**	**110.2**
% nominal growth	*9.7%*	*9.9%*	*9.9%*	*9.9%*	*9.9%*	*8.9%*	*7.9%*	*6.9%*	*5.9%*	*4.9%*
% real growth										
% of Total COGS	*43.4%*	*43.6%*	*43.7%*	*43.9%*	*44.2%*	*44.4%*	*44.6%*	*44.8%*	*44.9%*	*44.9%*

Figure 10: Professional Services Segment COGS Forecast

Professional Services revenue is projected to grow from $54 million in 2027E to $110 million by 2036E, driven by continued implementation and integration demand supporting AGYS's expanding SaaS customer base, keeping pace with revenue growth as service delivery remains labor-intensive and scales with project volume. While modest efficiency gains are expected through standardization and improved resource utilization, rising labor costs and ongoing investment in delivery capacity offset most benefits. As a result, the segment's gross margin remains relatively stable at ~27%, reflecting a mature, steady-state cost structure where professional services function primarily as an enabler of recurring revenue growth rather than a major profit driver.

Forecasting Gross Profit

AGYS																
in millions $	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Gross Profit	**57.6**	**64.0**	**60.1**	**68.1**	**63.8**	**64.4**	**73.9**	**81.0**	**89.4**	**101.5**	**120.8**	**144.3**	**172.0**	**185.2**		**10.5%**
% nominal growth	*16.1%*	*11.1%*	*-6.2%*	*13.4%*	*-6.3%*	*1.0%*	*14.7%*	*9.6%*	*10.4%*	*13.6%*	*19.0%*	*19.4%*	*19.2%*	*7.7%*	**10.8%**	
% real growth	*14.0%*	*9.6%*	*-7.3%*	*12.9%*	*-7.9%*	*-1.0%*	*12.1%*	*7.5%*	*9.1%*	*7.0%*	*10.8%*	*15.3%*	*15.9%*	*4.9%*	**7.4%**	
Total Gross Profit Margin	*61.3%*	*63.2%*	*58.0%*	*56.6%*	*50.0%*	*50.6%*	*52.5%*	*50.4%*	*65.2%*	*62.4%*	*61.0%*	*60.7%*	*62.4%*	*61.8%*	**57.7%**	
Products Gross Margin	*44.9%*	*50.8%*	*41.2%*	*43.7%*	*26.3%*	*21.7%*	*18.4%*	*17.6%*	*49.4%*	*46.5%*	*47.3%*	*46.4%*	*46.6%*	*41.8%*	**36.2%**	
Subscription and Maintenance Gross Margin	*79.0%*	*79.7%*	*77.8%*	*74.4%*	*73.2%*	*75.8%*	*78.9%*	*77.0%*	*79.7%*	*78.6%*	*77.8%*	*77.6%*	*78.0%*	*78.2%*	**77.5%**	
Professional Services Gross Margin	*35.4%*	*30.1%*	*21.8%*	*28.0%*	*28.2%*	*19.2%*	*26.9%*	*26.5%*	*25.5%*	*25.3%*	*22.6%*	*28.4%*	*31.3%*	*28.0%*	**26.2%**	

Figure 11: Historical Gross Profits

AGYS										
in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Gross Profit	**204.6**	**225.8**	**249.3**	**275.5**	**302.2**	**328.7**	**354.5**	**379.0**	**401.6**	**421.8**
% nominal growth	*10.5%*	*10.4%*	*10.4%*	*10.5%*	*9.7%*	*8.8%*	*7.8%*	*6.9%*	*6.0%*	*5.0%*
% real growth										
Total Gross Profit Margin	*62.1%*	*62.3%*	*62.5%*	*62.7%*	*62.8%*	*62.9%*	*63.0%*	*63.1%*	*63.2%*	*63.2%*
Products Gross Margin	*41.8%*	*41.2%*	*40.5%*	*39.9%*	*39.3%*	*38.7%*	*38.1%*	*37.4%*	*36.8%*	*36.2%*
Subscription and Maintenance Gross Margin	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*	*78.2%*
Professional Services Gross Margin	*28.0%*	*27.9%*	*27.8%*	*27.7%*	*27.6%*	*27.4%*	*27.3%*	*27.2%*	*27.1%*	*27.0%*

Figure 12: Gross Profit Forecasts

AGYS's gross profit has grown steadily, rising from $57.6 million in 2013 to $185.2 million in 2026 LTM (10-year CAGR 10.5%), driven by revenue expansion and a shift toward higher-margin recurring revenues. The total gross margin improved from around 61% to 62%, reflecting stronger mix and cost savings. Gross profit is projected to reach $422 million by 2036E, with total margin expanding slightly to 63%, supported by continued SaaS growth, operating leverage, and an improved service mix.

By segment, Product Gross Margin declined from 40% to 36% as hardware's share fell and pricing competition increased. Subscription and Maintenance Gross Margin remained robust near 78%, supported by SaaS scalability and low delivery costs. Professional Services Gross Margin stayed modest (~26–28%) due to labor intensity but is stabilizing with process standardization.

Specifically, the Subscription and Maintenance Gross Margin is held flat at 78.2% throughout the forecast period to reflect the segment's mature and stable cost structure. AGYS's cloud-based and software subscription operations have reached a level of operational efficiency and scale where incremental cost per customer is minimal, and major infrastructure investments have already been absorbed. Cloud hosting, licensing, and support expenses tend to scale proportionally with revenue, limiting further margin expansion. Competitive pricing and reinvestment in platform enhancements offset potential efficiency gains. Therefore, maintaining a constant 78.2% gross margin reflects a steady-state equilibrium which balances modest productivity improvements from automation and scale with ongoing reinvestment in customer support and system reliability to sustain high service quality.

Forecasting SG&A

AGYS																
in millions $	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
SG&A	**34.3**	**34.8**	**38.0**	**41.6**	**40.7**	**42.1**	**42.8**	**44.2**	**47.5**	**42.5**	**53.4**	**64.7**	**74.0**	**80.0**		**6.8%**
% nominal growth	*-16.5%*	*1.4%*	*9.2%*	*9.3%*	*-2.1%*	*3.5%*	*1.6%*	*3.4%*	*7.3%*	*-10.5%*	*25.7%*	*21.2%*	*14.3%*	*8.2%*	**7.3%**	
% real growth	*-18.0%*	*0.0%*	*7.9%*	*8.9%*	*-3.7%*	*1.4%*	*-0.7%*	*1.5%*	*6.0%*	*-15.8%*	*17.0%*	*17.1%*	*11.2%*	*5.3%*	**3.9%**	
% of Revenues	*36.5%*	*34.4%*	*36.7%*	*34.5%*	*31.9%*	*33.1%*	*30.4%*	*27.5%*	*34.6%*	*26.1%*	*27.0%*	*27.3%*	*26.8%*	*26.7%*	**28.1%**	

Figure 13: Historical SG&A

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
SG&A	**87.0**	**94.8**	**103.3**	**112.6**	**121.5**	**129.8**	**137.0**	**142.9**	**147.5**	**150.3**
% nominal growth	*8.8%*	*8.9%*	*9.0%*	*9.0%*	*7.9%*	*6.8%*	*5.6%*	*4.3%*	*3.2%*	*1.9%*
% real growth										
% of Revenues	*26.4%*	*26.1%*	*25.9%*	*25.6%*	*25.3%*	*25.0%*	*24.7%*	*24.5%*	*24.2%*	*23.9%*

Figure 14: SG&A Forecasts

Selling, General & Administrative (SG&A) expenses represent AGYS's operating costs related to sales, marketing, corporate functions, and administrative support. Historically, SG&A increased from $34 million in 2013 to $80 million in 2026, reflecting a 10-year CAGR of 6.8%, while declining as a share of revenue from ~36% to 27%, driven by operating leverage and disciplined cost management.

Agilysys has demonstrated sustained operating leverage in SG&A over the past decade, with SG&A growing at a slower rate than revenue and declining as a percentage of sales from approximately 36% to 27%. To quantify forward-looking SG&A efficiency, the model anchors to this observed historical relationship rather than assuming a target margin. Specifically, the cumulative historical gap between revenue growth and SG&A growth is translated into the associated decline in SG&A as a share of revenue, and only one-tenth of this historical margin improvement is assumed to be realized annually going forward. This approach implies approximately 28 basis points of annual SG&A margin expansion, materially below the historical pace, reflecting a maturing cost structure while still capturing incremental scale benefits. As a result, SG&A is projected to decline gradually from 26.7% to 23.9% of revenue by 2036E, despite continued nominal investment in sales enablement, customer success, and corporate infrastructure.

Forecasting R&D

AGYS																
in millions $	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
R&D	**23.9**	**25.2**	**25.3**	**26.7**	**29.0**	**27.9**	**37.8**	**41.5**	**55.3**	**46.3**	**50.3**	**56.7**	**62.4**	**66.8**		**9.6%**
% nominal growth	*9.4%*	*5.5%*	*0.4%*	*5.4%*	*8.8%*	*-3.8%*	*35.4%*	*9.6%*	*33.5%*	*-16.3%*	*8.5%*	*12.9%*	*10.0%*	*7.0%*	**10.6%**	
% real growth	*7.4%*	*4.1%*	*-0.8%*	*5.0%*	*7.1%*	*-5.8%*	*32.3%*	*7.6%*	*31.9%*	*-21.2%*	*1.0%*	*9.0%*	*7.0%*	*4.2%*	**7.3%**	
% of Revenues	*25.4%*	*24.9%*	*24.5%*	*22.2%*	*22.8%*	*21.9%*	*26.9%*	*25.8%*	*40.3%*	*28.5%*	*25.4%*	*23.9%*	*22.6%*	*22.3%*	**24.7%**	

Figure 15: Historical R&D

AGYS										
in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
R&D	**73.4**	**81.8**	**91.1**	**101.5**	**112.4**	**123.5**	**134.5**	**145.2**	**155.4**	**164.9**
% nominal growth	*9.9%*	*11.3%*	*11.4%*	*11.4%*	*10.8%*	*9.9%*	*8.9%*	*8.0%*	*7.0%*	*6.1%*
% real growth										
% of Revenues	*22.3%*	*22.6%*	*22.8%*	*23.1%*	*23.4%*	*23.6%*	*23.9%*	*24.2%*	*24.4%*	*24.7%*

Figure 16: R&D Forecasts

R&D expenses are expected to rise from $73 million in 2027E to $165 million by 2036E, reflecting an average annual growth of approximately 9%, in line with Agilysys's historical 10-year CAGR of 9.6%. This growth trajectory reflects the company's continued emphasis on product innovation, platform modernization, and software development to enhance its cloud-based hospitality management solutions. The forecast assumes consistent reinvestment in engineering and technology capabilities to support SaaS expansion, new feature development, and integration enhancements, as Agilysys scales its subscription and enterprise customer base.

While nominal R&D spending increases over time, it remains stable as a percentage of revenues (22–25%), indicating that investment levels are growing proportionally with revenue while benefiting from modest efficiency gains and development process scalability. Overall, the R&D forecast reflects a balanced approach between sustaining innovation and preserving operating leverage, consistent with Agilysys's long-term strategy of driving product differentiation through continual technological advancement.

Forecasting D&A

in millions $	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
D&A	2.2	2.4	2.7	2.6	2.6	2.8	2.6	2.9	5.0	7.2	7.4		12.7%
% nominal growth	-29.6%	7.1%	12.9%	-5.1%	1.7%	6.7%	-8.1%	13.6%	70.4%	45.9%	2.2%	**14.7%**	
% real growth	-29.9%	5.3%	10.6%	-7.2%	-0.2%	5.5%	-13.5%	5.7%	64.6%	41.9%	-0.5%	**11.2%**	
% of Revenues	1.9%	1.9%	2.1%	1.8%	1.6%	2.0%	1.6%	1.5%	2.1%	2.6%	2.5%	**2.0%**	

Figure 17: Historical D&A

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
D&A	8.1	8.7	9.4	10.0	10.7	11.3	11.9	12.3	12.6	13.1
% nominal growth	9.9%	7.3%	7.3%	7.3%	6.6%	5.7%	4.7%	3.7%	2.8%	3.4%
% real growth										
% of Revenues	2.5%	2.4%	2.3%	2.3%	2.2%	2.2%	2.1%	2.0%	2.0%	2.0%

Figure 18: D&A Forecasts

Depreciation and Amortization (D&A) are projected to increase steadily from $8.1M in 2027E to $13.1M in 2036E, representing an approximate 5% annual growth rate, while remaining stable at around 2% of total revenues. This trend reflects AGYS's ongoing but moderating investment cycle. Historically, D&A grew at a 12.7% CAGR from 2016–2026, driven by heavy capitalized software development and infrastructure expansion during the company's cloud transition.

Going forward, D&A growth moderates as AGYS shifts from infrastructure build-out to maintenance and optimization, implying fewer large-scale capitalized projects. The stable D&A-to-revenue ratio suggests a balance between continued product innovation and disciplined capital management. Fundamentally, this forecast assumes capital expenditures will track revenue growth, depreciation schedules remain consistent, and amortization of existing software assets gradually tapers off as new investments replace legacy systems.

Forecasting CAPEX

in millions $	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Capital Expenditures	(5.9)	(4.2)	(6.1)	(3.3)	(3.4)	(1.4)	(1.2)	(7.2)	(8.1)	(2.8)	(2.1)		-9.8%
% nominal growth	*26.9%*	*-29.5%*	*47.7%*	*-46.0%*	*3.1%*	*-59.4%*	*-13.8%*	*504.7%*	*12.3%*	*-65.8%*	*-24.1%*	**32.9%**	
% real growth	*26.4%*	*-30.7%*	*44.7%*	*-47.2%*	*1.1%*	*-59.9%*	*-18.9%*	*462.9%*	*8.5%*	*-66.7%*	*-26.1%*	**26.8%**	
% of Revenues	*-4.9%*	*-3.3%*	*-4.8%*	*-2.4%*	*-2.1%*	*-1.0%*	*-0.7%*	*-3.7%*	*-3.4%*	*-1.0%*	*-0.7%*	**-2.3%**	

Figure 19: Historical Capex

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Capital Expenditures	(2.3)	(4.0)	(6.0)	(8.4)	(11.1)	(12.0)	(13.0)	(13.8)	(14.7)	(15.4)
% nominal growth	*9.9%*	*72.4%*	*49.9%*	*39.4%*	*32.5%*	*8.6%*	*7.7%*	*6.7%*	*5.9%*	*5.0%*
% real growth										
% of Revenues	*-0.7%*	*-1.1%*	*-1.5%*	*-1.9%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*	*-2.3%*

Figure 20: Capex Forecasts

Capital Expenditures (CAPEX) are projected to decrease from $(2.3)M in 2027E to $(15.4)M in 2036E, reflecting sustained investment in cloud infrastructure, product innovation, and data security. Historically volatile due to large software and system upgrades, CAPEX is expected to normalize as AGYS shifts toward a mature, asset-light SaaS model. The forecast assumes spending will scale with revenue and R&D growth, maintaining -0.7 to -2.3% of revenues, supported by recurring platform enhancements and technology refresh cycles rather than major new deployments.

Forecasting Net Working Capital

in millions $	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 LTM	10-year average	10-year CAGR
Net Working Capital	(19.1)	(22.0)	(20.5)	(19.6)	(17.9)	(22.1)	(27.2)	(33.4)	(41.0)	(54.9)	(32.7)		5.5%
% nominal growth	-7.0%	15.0%	-6.7%	-4.5%	-8.3%	23.1%	23.4%	22.9%	22.8%	33.7%	-40.5%	8.1%	
% real growth	-7.3%	13.1%	-8.6%	-6.6%	-10.1%	21.6%	16.2%	14.4%	18.6%	30.0%	-42.0%	4.7%	
% of Revenues	-15.9%	-17.2%	-16.1%	-13.9%	-11.2%	-16.1%	-16.7%	-16.9%	-17.3%	-19.9%	-10.9%	-15.6%	

Figure 21: Historical NWC

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Net Working Capital	(35.9)	(40.2)	(45.1)	(50.5)	(56.3)	(62.2)	(68.1)	(73.9)	(79.5)	(84.7)
% nominal growth	9.9%	12.0%	12.0%	12.1%	11.4%	10.5%	9.5%	8.5%	7.6%	6.6%
% real growth										
% of Revenues	-10.9%	-11.1%	-11.3%	-11.5%	-11.7%	-11.9%	-12.1%	-12.3%	-12.5%	-12.7%

Figure 22: NWC Forecasts

Net Working Capital (NWC) is projected to decrease from $(35.9)M in 2027E to $(84.7)M in 2036E, maintaining a negative balance of roughly –11% to –13% of revenues. Historically, AGYS’s NWC position has remained negative due to its highly efficient cash conversion cycle, supported by strong deferred revenue from prepaid software subscriptions and maintenance contracts.

The forecast assumes continued working capital efficiency as the company’s business model remains predominantly SaaS-based, where customer prepayments and low inventory requirements reduce the need for operating liquidity. Moderate growth in accounts receivable is expected in line with expanding revenues, partially offset by higher deferred revenue as subscription adoption deepens.

The outlook reflects scalable operations and disciplined working capital management, with negative NWC sustained by recurring revenue streams and strong billing practices. This structure supports robust free cash flow generation even as revenue grows, consistent with AGYS’s asset-light, high-margin business model.

Valuation Inputs

Risk-free rate	4.09%
Stock beta	1.01
Market Risk Premium	4.33%
Cost of Equity	8.47%
Cost of Debt	5.69%
We	100.00%
Wd	0.00%
Tax rate	25%
WACC	8.47%
Net Debt	(38.7)
Equity	3,569.4

Figure 23: WACC Parameters

Since the company is 100% equity financed, WACC is equal to cost of equity. The market risk premium of 4.33% is taken from Professor Aswath Damodaran's website. 91% of the revenues for the company is derived from the U.S market, so U.S corporate tax rate was used in the analysis.

Beta discussion:

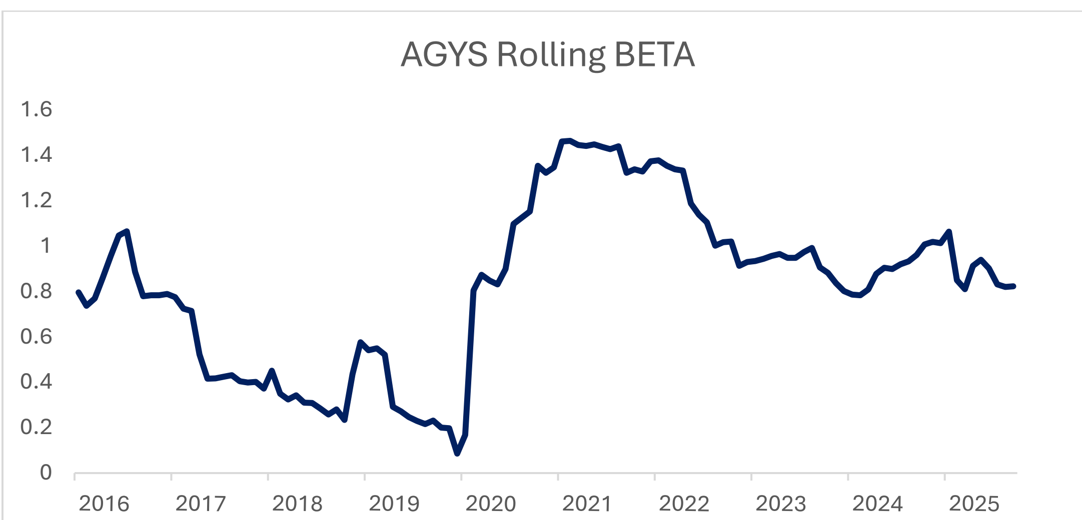

Figure 24: AGYS Rolling Beta

When 5-year rolling beta of AGYS was calculated using Wilshire 5000 as the market index, the resulting estimate is not stable to be used in the analysis.

Given the unstable stock beta, we decided to use the industry beta, calculating it based on rolling 5-year global prepackaged software industry returns and Wilshire 5000 Index returns, which captures total equity market cap in the U.S. As this output is more stable and recently traded within a narrower range (1 to 1.04) than previous beta estimates, **we have used latest beta (1.01) for our DCF model.**

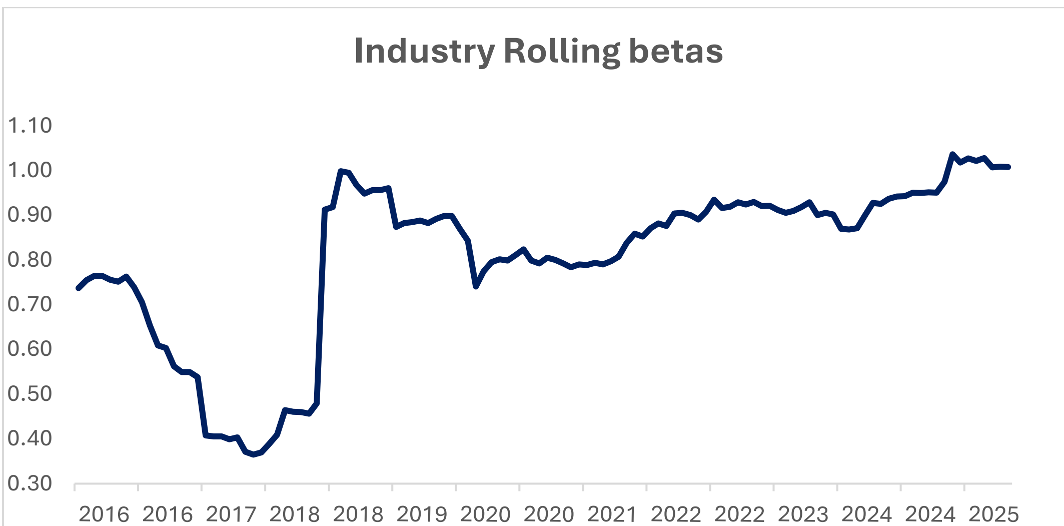

Figure 25: Prepackaged Software Industry Rolling Beta

DCF model

in millions $	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Free Cashflows										
Revenues	$329.6	$362.7	$399.4	$440.2	$480.4	$518.7	$553.7	$584.4	$609.7	$628.8
EBIT	35.8	41.2	47.3	54.2	61.1	67.6	73.5	78.6	82.5	84.8
NOPAT	26.9	30.9	35.5	40.7	45.8	50.7	55.1	58.9	61.9	63.6
D&A	8.1	8.7	9.4	10.1	10.7	11.2	11.7	12.0	12.1	12.3
Capex	(2.3)	(4.0)	(6.0)	(8.4)	(11.1)	(12.0)	(12.8)	(13.5)	(14.1)	(14.5)
Change in NWC	(3.2)	(4.3)	(4.9)	(5.5)	(5.6)	(5.5)	(5.3)	(4.9)	(4.3)	(3.6)
FCFF	35.9	39.9	43.7	47.8	51.0	55.5	59.3	62.3	64.3	65.1
Discounted FCFF	33.7	34.5	34.8	35.2	34.6	34.7	34.1	33.1	31.4	29.4

Figure 26: Discounted FCF

Terminal Value Calculations	
Growth rate	3%
FCF in 2036	67.0
Terminal Value	1,226.1
PV of Terminal Value	553.3

Figure 27: Terminal Value

PV of FCFs	335.5
PV of Terminal Value	553.3
Enterprise Value	888.7
- Minus Net Debt	(38.7)
Equity Value	927.4
# of diluted shares (in millions)	28.4
Implied Share Price	$32.66
vs	
Market Valuation	$128.00
Upside/Downside	-74.48%

Figure 28: Implied Share Price

We obtain implied share price of $32.66 vs market price of $128, showing a large discrepancy. We believe this is down to two factors. First, the market using a much lower beta estimate at ~0.8. Secondly, the market is projecting much larger revenue growth figures, hovering around 20% - 25% vs 10% growth used in the analysis. The market's optimism is largely due to AI-related trends and greater focus by the management on the subscription model. To demonstrate discrepancy visually, the following sensitivity table is useful:

		Beta		
	32.66	**0.8**	**1**	**1.1**
Subscription Revenue Growth	**11%**	$35.2	$29.8	$27.6
	20%	$86.5	$71.3	$65.4
	25%	$136.3	$111.3	$101.7
	30%	$208.4	$169.2	$154.1
	35%	$311.4	$251.6	$228.6
	40%	$456.9	$367.7	$333.4

Figure 29: Sensitivity Analysis

One thing to note is that in the last 52-week period the share price traded between $63 to $145, showing high volatility and fast-changing investor sentiment regarding the company.

Figure 30: Share Price Performance

<u>Market Valuation & Investment Recommendation</u>

The discrepancy between our valuation and the market's is primarily due to differing revenue growth assumptions and higher beta estimate we used in the analysis (1.01 vs 0.82 latest beta).

Regarding the revenue growth differential, this primarily stems from growth rate applied to subscription and maintenance segment revenues. The last two quarters' actual annualized revenue growth for the segment are 22.7% and 20.6%, respectively. Those levels are considerably higher than recent 10-year CAGR of 12.2% for the segment. In our view, the market is extrapolating latest revenue growth figures for the segment based on developments around AI and how company's product suite is going to be impacted by AI. While we see AI as a net positive and do incorporate those expectations into our segment forecasts, lack of market leadership, in a market where Oracle controls 50%, and rather commoditized nature of some of its products, coupled with tangible recent AI analogues from peers, convinced us to use a lower growth rate projection.

Free Cashflows										
in millions $	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**	**2036E**
Revenues	$345.4	$399.4	$463.6	$540.0	$630.4	$737.5	$864.5	$1,015.6	$1,196.1	$1,412.1
EBIT	40.1	51.0	64.5	81.0	101.4	126.4	157.1	194.6	240.4	295.6
NOPAT	30.0	38.3	48.4	60.8	76.0	94.8	117.8	146.0	180.3	221.7
D&A	8.5	9.6	10.9	12.3	14.0	16.0	18.2	20.8	23.8	27.6
Capex	(2.4)	(4.4)	(7.0)	(10.3)	(14.5)	(17.0)	(19.9)	(23.4)	(27.6)	(32.5)
Change in NWC	(5.0)	(6.7)	(8.1)	(9.7)	(11.7)	(14.0)	(16.8)	(20.3)	(24.6)	(29.8)
FCFF	41.1	50.2	60.3	72.5	87.2	107.8	132.9	163.6	201.1	246.6
Discounted FCFF	38.8	44.0	49.1	54.9	61.3	70.3	80.6	92.2	105.2	119.9

Figure 31: Market FCF

Terminal Value Calculations	
Growth rate	3%
FCF in 2036	254.0
Terminal Value	5,470.5
PV of Terminal Value	2,659.5

Figure 32: Market Terminal Value Calculation

PV of FCFs	716.3
PV of Terminal Value	2,659.5
Enterprise Value	3,375.8
- Minus Net Debt	(38.7)
Equity Value	3,414.5
# of diluted shares (in millions)	28.4
Implied Share Price	$120.24
vs	
Market Valuation	$128.00
Upside/Downside	-6.06%

Figure 33: Market Valuation

However, if we were to use the latest beta and constant revenue growth rate of 20.6%, we would get implied valuation of $120.24, only 6% off the current market price of $128.

Overall, **our recommendation is to sell** as we don't think high revenue growth projections baked into the market price can be justified, despite solid business performance.

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