

Quinten Hafkamp: Welcome back to a new Deep Dive analysis. My name is Quinten. Today is January 13, and for our first Deep Dive of the new year we're diving into Chapters Group, a so-called serial acquirer. Or rather: buying other companies as a business model. And then you can probably already guess who will be joining Rowan and me. That is none other than Michael Gielkens of Tresor Capital, the expert in this field. Let's get started.

Rowan Nijboer: Let's go!

Quinten Hafkamp: Rowan, I looked it up again: at the end of last month we polled the community on which companies members would like to see again in the Deep Dives. Now I know Chapters scored very high in that poll. And then you thought: yeah, then I should message Michael again right away.

Rowan Nijboer: Yes, because Chapters also happened to be high on my wishlist. Yeah—and who else would you want for that other than Michael Gielkens? I was with him at the Investor Day in Hamburg. Now I don't have some hotline to the CEO Jan Mohr. Because this morning, really right before the podcast, Michael called: "I actually want to know two more things. Can't we delay the podcast until Friday?" I said: "Yeah, preferably not." And then he basically said: "Yeah, I'll just call Jan Mohr then. Maybe he'll pick up immediately." Well—turns out: Jan picks up, and an hour later we're still recording this podcast. So yeah, someone who is that close to management, at such a relatively small company where a lot is happening, you just want Michael Gielkens at the table. So great to have you here, Michael.

Michael Gielkens: Thanks for the invitation. Nice to spar about Chapters. And thanks to Jan I now know just a little bit Mohr. So that's a nice kickoff at least.

Quinten Hafkamp: Yeah, and a lot of members will already know it because of Topicus in your portfolio too, Rowan. But for those who don't: a serial acquirer—what exactly do they do?

Rowan Nijboer: Yeah, so they buy other companies. That's the core of their business. And we all know, research shows that 70 to 80 percent of acquisitions fail. Because too much is always paid, and so on. But there is one category that performs exceptionally well and that does it, as it were, systematically or programmatically. And I'm a big fan of that. And you have them in all shapes and sizes. Now I happen to have Topicus in my portfolio. But yeah, we previously did a

Deep Dive on Vitec Software, also a similar company. And now Chapters Group— which looks a lot like Topicus, so from that perspective very interesting. But there are also big differences.

Quinten Hafkamp: All right, then straight to Chapters Group. How long have they been around?

Michael Gielkens: Chapters actually goes back to around 1998. Back then you had the company Medical Columbus, which was hospital software. But that's really only the first chapter of the book, so to speak. And about ten years ago, or eight years ago or so, they decided to sell the business. Jan Hendrik Mohr was one of the shareholders. He had an investment fund, JMX, and through that he held shares in Medical Columbus. At some point they decided to sell the operational business—basically the software division. And suddenly you had a pile of cash. Then you can do two things. You can distribute the money to shareholders and say: okay, we'll take the company off the exchange, we'll wind it down. Or you transform the company into an operating business. And the interesting thing is that Jan Mohr has long had Warren Buffett as a kind of role model. And yeah, as a holding company that's a very interesting business. And he basically concludes: suddenly I have a listed company and a pile of cash, and I have experience investing—can we maybe make more of this? Then Medical Columbus was renamed to Medicon, and a few years later renamed again to Chapters Group—really with the idea that it's a book with multiple chapters. And they then started buying multiple companies. Solutions for SMEs that maybe had no successor—German Mittelstand companies. But fairly quickly they concluded that software and vertical market software is a superior business model. And it quickly became the target to add more and more of these digital businesses to the portfolio.

Quinten Hafkamp: And as of now then, Rowan? How many companies do they own—how many subsidiaries?

Rowan Nijboer: Yeah, 60-plus already. You almost lose count, because the pace is high. Especially over the past year. I just saw a press release that Topicus TSS bought 23 companies in 2025. Well, by estimate Chapters also bought at least 20 in the past year. And that's quite scaled up. In 2024 they were still at 14. So somehow, what you sometimes see with serial acquirers is that a few per year works—maybe three, maybe four, maybe five. But to go from ten to twenty, that requires a completely different approach, a completely different structure. Because then you're really doing it systematically and methodically. And they're already at that pace now. Even though their renewed strategy—like Michael says—only really started forming about three years ago into purely buying VMS companies.

Quinten Hafkamp: Yeah, and those VMS companies—what’s so special or interesting about that?

Michael Gielkens: We could talk the whole podcast about it, but let me try to keep it concise. Look, the interesting thing is: software is a very attractive business model. I think everyone knows that. Recurring revenue, high margins. It’s often a relatively small part of the customer’s total costs—often less than 1% of revenue in maintenance costs. But it is mission critical—literally. It is crucial to the successful operation of the company. The interesting thing about vertical market software versus horizontal software: horizontal is best compared to, say, Microsoft Excel. Whether you’re a hospital or a nail salon or a golf course—you use Excel. In most cases people use it for accounting or that kind of thing. You can apply it in all sectors. Vertical market software is software developed specifically for one niche sector. Think Spanish libraries. Think software for Finnish sauna production. I’m making that up on the spot. But it can also be for larger institutions: software for hospitals, software for registering weapons, software for symphony orchestras. And that brings us right back to Chapters—one of their subsidiaries. So these are much smaller markets, less interesting for big software players. They can’t really use scale advantages there. Because the markets are relatively small, you often have only a handful of players active in them. So it’s often an oligopolistic market, or you even have a monopoly. And that strengthens the competitive advantage of vertical market software. And if you then have a company like Topicus or Chapters, where you have dozens of these companies together that are relatively uncorrelated across end markets—then at the holding level you have a nicely internally diversified portfolio.

Rowan Nijboer: Yeah, not much to add. It’s just the perfect business model. The only problem is that we as investors can’t buy those tiny companies Michael mentions on the stock market. So luckily we have a vehicle for that, like Topicus or Chapters. Yeah, and customer loyalty is just insane. At Chapters, across all those companies together, 97% of customers stay customers the next year—if Chapters does absolutely nothing. That’s the highest gross retention you can have. That’s above Salesforce, above Klaviyo. Above “Rowan Nijboer Investing.” Yeah look, with our membership, if a member has a bad day, or thinks “I don’t like Rowan’s face,” they hit stop and they never come back. But that’s not how it works for a professional orchestra of André Rieu that runs their whole HR on that system. You can’t just stop. Then your whole core business collapses. And the core of your business, with your data in it about customers and so on—you can’t get away from that. So in that sense it’s the holy grail. And you have serial acquirers in all kinds of variants; everyone looks for their own niche. But in terms of—Michael, I don’t know how you see it—this is the niche of niches. And maybe it’s the only one where you can really scale to a hundred, two hundred, maybe a thousand companies. It’s not easy, but it’s easier because those companies keep generating cash because customers are so loyal.

Michael Gielkens: That recurring revenue stream just makes it a very attractive model. And especially those switching costs—they're very high. It's such an essential part of the business. If you want to switch to another system, you have to turn your entire company upside down. You have to retrain staff, you might have to get customers used to a new way of interacting with you or your system. Your business might even grind to a halt for half a year if the migration doesn't go smoothly. So very often the question is: why take those risks? Because maybe another system is cheaper, or has slightly more features? So once someone is a customer, you're so valuable to them. It's so crucial. It's not like you enter a recession and say: you know what, I'll stop using that software for a while because we're tightening belts. You might cut marketing, you might cut R&D, maybe hire less or let people go. But you keep the software intact. So it's also very anti-cyclical. And with a collection of more than sixty companies like Chapters, or more than two hundred like Topicus, or even more than a thousand like Constellation under your flag, you create a well-diversified business at the holding level. And the companies you buy generate cash flow which you can reinvest. And if you have good management, they set a high return hurdle to put that money back to work. And that's how you get a flywheel that can sustain itself.

Quinten Hafkamp: Yeah, I'm not sure, but I think Michael might be a fan of this model.

Michael Gielkens: You could put it that way, Quinten. I'll say: at Tresor Capital, roughly a fifth of our family holding strategy is in these kinds of software serial acquirers—across different niches and one or two special situations, you might say. But yeah, Chapters Group is one of them. And I'll also say that personally I have an even more concentrated exposure that's above that. So saying I'm a fan is probably an understatement.

Rowan Nijboer: Yeah, and Michael—at that member day, a case was presented from a subsidiary. Because the great thing about this model is: you pay very little in multiples—around seven times EBITDA—for those small businesses. That already gives you a nice starting yield. But what you often see is those companies aren't well managed. There's a founder who's been there forever; no professional has really looked at it. And founders are very close to customers. And for example pricing their products—there was a case: the CEO, Maurer is his name, we'll come back to him with management—but he proposed to the founders to double prices for customers. Imagine that—100%: “Dear valued customer, your prices are doubling.” The founders were completely shocked. But they settled on 88%. Because I think they could explain pretty well why that was reasonable. And the founders thought customers would cancel en masse. But not a single customer left. That example says it, I think.

Michael Gielkens: It shows a founder is perhaps more conservative. And the advantage with Chapters Group is: they have people who previously worked successfully at Constellation or Topicus. People who worked at other serial acquirers, and who understand what value you deliver with that system. And if you've developed new features for years and essentially given away a lot of value for free, or you haven't kept up with inflation so the real value of your cash flows declines every year... then you can even get an enormous catch-up move in extreme examples like this. And you'll often still see customers say: "Actually, we thought it was a very good price." But even if the price nearly doubles, the system is so essential that they won't just switch to a competitor—if there even is one. That's the second question.

Quinten Hafkamp: Yeah, and you already said it: they're all niche subsidiaries. But we can still divide them into three segments, right Rowan?

Rowan Nijboer: Yeah, in terms of segments—and what's extra attractive at Chapters—is when you deliver to governments and bureaucracy. And if you're talking about customers that don't switch, it's even lower there. And about half the companies they own deliver to governments or semi-government. They're even more attractive customers. And a bit less than half is to enterprise customers, business customers. And then you have a special category, a special bucket: the Financial Technology segment, which we can go into more later. But that's how you can break it down. I personally know very little about all the companies. I can name a few examples like the bus administration system in Hamburg or that symphony thing. But for the rest, as an investor you can let that part rest and let the company do its work—and those customers don't leave.

Quinten Hafkamp: Yeah, we just briefly touched on Chapters' investment strategy. You already said that because they pay a low multiple, there's already a nice starting yield. And then they sometimes still start turning certain knobs afterwards, if I'm hearing correctly—right?

Rowan Nijboer: Yeah, and then I think you get to maybe a difference with Topicus. Both companies believe in a certain degree of decentralization. So you buy those companies and you largely leave them alone. And I think that makes sense. Warren Buffett taught us that. A business that is dealing with customers itself knows much better what's going on and what's good for those customers than Jan Mohr at headquarters. So you have to let them do their thing. The question is: what will you do? We just mentioned that pricing example—so you can steer actively on that. And you can compare companies with each other. Now, Topicus has already bought two hundred companies; Chapters is at sixty now. So Chapters also gets a kind

of benchmark criteria. Plus they hired a lot of people at Chapters who are also bringing that benchmarking system over. That basically means: if one company spends 20% of revenue on R&D, but the same type of company elsewhere spends 30%—then maybe R&D at that one can go down a bit to raise margins. And by comparing companies like that, you can gradually push margins up at the group level. And that's very interesting.

In terms of differences... Something I found difficult at that investor day, Michael: they came up with this hip term, the Manuscript Method. And at first I thought: okay, what is this? Are you now going to impose things on all those subsidiaries? That doesn't work. How can you now sell extra stuff to them? But when you look further—where does this system come from? It comes from Danaher. Most people won't know Danaher, but it's one of the most successful conglomerates in America. Also a serial acquirer, founded by Mitch Rales. And they came up with their own system called the Danaher Business System, DBS. And the Manuscript Method is very—yeah, I think it's built a lot on that, copied from it. Logical. Because DBS has been working for decades, and it's very successful. Lots of companies try to copy it. And Chapters is trying too.

And what they're going to do there is essentially... yeah, they also want to make those companies more efficient, meddle a bit, sell extra things in AI and cybersecurity, cross-sell things. Really strip processes down inside a company. And that goes a step further than what Topicus does. I think Michael can add some good things here too.

Michael Gielkens: What you see—this was very telling—I won't say who said it, but someone at Chapters said to me: you can say at Constellation, for example, they organize a conference and best practices are shared there. That's systematic too. But at Chapters it's simply expected, as an entrepreneur, that you take those best practices on board. And a dental software company in Austria can maybe learn from a manufacturing company in the UK. What can they learn from each other? For example, pricing strategy. It can be a totally different sector, but you can still learn from that example of the company that raised prices by more than 80%, even though the founders didn't want to implement it at all. Yeah, that's a lesson for all companies in the Chapters group that were hesitant to bring prices closer to the value they deliver.

And the interesting thing is, I think you have a more systematic way of continuously optimizing. The Danaher Business System is also a bit rooted in Kaizen. We'll get to Mitch Rales later—he's one of the bigger shareholders of Chapters and also one of the mentors of the management team. He basically says: okay, we start with best practices like Constellation or Topicus also do.

But we keep optimizing them continuously, keep implementing them continuously. And that's how you get a company where you still have decentralization, but also a number of centralized standards.

I don't know if you remember that slide, Rowan, from the Capital Markets Day, where they talk about standards and centralized versus decentralized. If you have no standards and you're decentralized, it's a circus. If you are standardized and centralized, it's an army. And if you are standardized and decentralized, they say: that's how we do it at Chapters. And there were all kinds of funny AI-generated images shown, especially representing that circus.

Look, it's a matter of: every company remains decentralized. Every entrepreneur, every founder, or every management team stays in charge of their business. Only, you do need to benchmark centrally. So for example every company has to report to headquarters in the same way. Sessions are organized regularly where knowledge is shared. But also where they think about: how can you implement AI in your business processes? How can you ensure cybersecurity—for mission-critical software—that your company is always online and there are no hacks from the outside, no corporate espionage or ransomware, or in the case of police or transport even state actors like Iran or North Korea, who might want to create disruption. How do you implement these essential components in the system?

So what you could say is that Chapters and its subsidiaries are much more— you could almost say—like a consultancy, where software is the method in which this is captured, rather than software being the product itself. So the software is really the result of a conversation between the entrepreneur and the consultant. And based on customer feedback, the software is then built with the functionalities they need.

Rowan Nijboer: Clear. And Michael, this of course sounds like the holy grail in theory. Topicus is still a bit cautious with this. Constellation too. They also studied Danaher. They could have done this too. We don't really know yet—we haven't seen real concrete financial results of whether this works. Because something like this needs time, so it couldn't really be there yet. What makes you convinced this is a good move?

Michael Gielkens: It's combining the best of two worlds. So systems that have proven themselves. I mean, look at Constellation's historical CAGR—even after the recent drawdown—and you're still above 30% per year since the IPO. And look at Danaher's historical returns. You can integrate the best lessons from both systems. But it is, of course, less of a safe

bet than Topicus. There you have... it's more mature, over €10 billion market cap, more than 200 companies underneath. So you're dealing with a business that is much more de-risked. A strategy that has been implemented at Constellation since 1995. Rolled out at Total Specific Solutions and Topicus since roughly 2013. And at Chapters in the current form only for a number of years. So you could say there's higher potential risk, but also higher potential return. In that sense, risk and return do line up.

Rowan Nijboer: Yeah, and can I also see it a bit like this: look, if that Manuscript Method turns out not to work, it's not like the customers of those subsidiaries suddenly all leave. It's also not like you've made huge costs, and created huge frustration in the organization. In that sense, you can also kind of let it go and say: yeah, we tried and it didn't work. If it does work—what will you see? Then maybe instead of organic growth of a few percent per year you go to maybe 10%. Or am I thinking in that order of magnitude?

Michael Gielkens: They're targeting, among other things through optimizations and developing new features, implementing things like cybersecurity or AI, to achieve more than 10% autonomous growth. Why they will likely deliver that in the coming years is probably because a very large part of the portfolio was still under-earning. Meaning, like that company with the 80%+ price increase—there are many more examples of price increases alone that you can still implement. But also upselling, cross-selling of additional features.

Chapters, for example, bought cybersecurity companies. If, say, there are two software providers active in a niche, and one is a Chapters company—and they can also offer cybersecurity and develop new features thanks to AI—then they obviously have an edge over a competitor. So—still, Chapters is a riskier story than Topicus. But now I think I've lost the essence of your question.

Rowan Nijboer: If that system works, how big that effect is.

Michael Gielkens: If you grow 2–3% autonomously—maintenance revenue might grow 4 to 5%. You see that at Constellation. At Topicus you see it already around 6% or higher. What is maintenance revenue for the listener? Yeah, the recurring maintenance revenue. So it's basically the annually recurring revenue. You pay an annual subscription fee, and in return the system—the software—is maintained, and potentially new features are added. So it's a very recurring form of revenue. It's that recurring revenue we talked about earlier. And you could say it's the most valuable.

Yeah, if that revenue grows not just with inflation but noticeably more—even more than what Topicus has been able to deliver over the past five or six years—then you basically get more cash flow from the existing business. That's how you can see it. So you also get more capital you can reinvest. With which you buy more cash flow that you can reinvest again, so you significantly accelerate the flywheel. And a business with higher autonomous growth naturally also gets a higher valuation multiple in the market.

Quinten Hafkamp: Okay, and I don't want to make it more complicated, but Chapters Group then outsources buying companies to platforms in which they are majority shareholders. How does that work exactly?

Rowan Nijboer: Yeah, Jan Mohr obviously doesn't have time to buy companies all day. He's kind of calling types like Michael Gielkens. So yeah, he has to outsource buying companies too. And they do that through what they call platforms. They have, what is it, six, seven, eight platforms—it depends on how you define them. And those do the buying themselves.

And how do they get the money? Partly they finance themselves along the way because the companies they already bought generate cash flow. But partly also through loans from the holding company, Chapters Group. And they pay 10% interest on that.

And what's also nice in this concept is that in the beginning such a platform—there are usually two directors on it—those also become co-owners. Often 20% in that platform. And Chapters itself owns 80%. So that skin-in-the-game concept Michael always talks about to death—they've set that up really well here.

And yeah, their biggest platform by far is Ockham Software. That's now renamed a bit to Chapters Software—kind of the German arm. Yeah, that one has now already created two small baby platforms under it. And this is basically, I think, the only route. And that's why it's essential they did it: to scale the acquisition volume in terms of number of deals over time. And you can only do that if you decentralize buying companies very strongly.

And they also have a platform focused on France, one focused on the telecom sector, one in Switzerland. In cybersecurity they have a platform too. And that's how they do targeted acquisitions.

And because you have local or specific platforms everywhere, that also appeals to the sellers. Because if Constellation comes to buy a German company with English-speaking people, and the entrepreneur is essentially selling to a Canadian company— that appeals less than selling to a German platform, people who know the market, where you become part of an identity, Chapters Group, so the founder's life work continues for a long time. That helps, I think, for a relatively smaller serial acquirer with a clear profile and lots of growth potential.

Quinten Hafkamp: How do you look at that, Michael?

Michael Gielkens: On the one hand I find it very interesting to create that skin in the game at platform level. But there is— in Q4 Jan Mohr indicated in a podcast that they're now kind of converting it with a put-call option. That's a technical term for something Constellation also has with Topicus: the Strikwerda family—Robin van Poelje and his wife Cisca Strikwerda—hold about 30% of Topicus. And according to a pre-agreed formula they can sell at that valuation—that's a put. Or Constellation can take it over at that price—that's a call.

What Chapters is doing now—among other things with Ockham Software—the founders of Ockham have basically been bought out for their 20%. And with each platform, there is now the possibility that the founder or the co-owners can sell their stake to Chapters under a pre-set formula. Or Chapters can buy it from them. So basically becoming more and more 100% owner over time. That way, skin in the game gradually shifts more towards Chapters at the holding level than at platform level. But especially for new platforms it's very interesting to still have that skin in the game, so that you are co-owner for a meaningful part.

One of the new platforms of 2025 was Waterkant by Jan Regenbogen. I happened to meet him at the Berkshire Hathaway meeting—where I also saw you with Jan Kleinpoelhuis in 2022. And since then I kept some contact with him: how is it going at Topicus, how is it going at Constellation? And I ended up with him because he turned out to be an old friend of Jan Hendrik Mohr. So part of my due diligence on Chapters two years ago happened through him. And he said: "Yeah, I'm considering leaving Topicus and starting for myself." And he said: "Yeah, I'm talking to a few parties, but I don't see myself joining under a big party, because I want to be an entrepreneur." And he ultimately joined under Chapters Group, with his own platform Waterkant, where he also put in some capital himself. Now 20% owner. And he was one of the most active platforms in 2025, even though they were only founded, I believe, in Q2. I found that very interesting. It's a shame to lose a source at Topicus. But it's nice to have him again.

And with Jan and the management of Chapters we also stayed out late after the Capital Markets Day in Hamburg, but I won't share too many details about that.

Rowan Nijboer: Jan Regenbogen at Waterkant—because for someone like that, or many M&A managers who learned the craft at Topicus—yeah, Chapters can offer them a good deal: some entrepreneurship and still the professionalism and the money and so on. Yeah, that's a competitive advantage in attracting talent too.

Michael Gielkens: Yeah, you hear Jan Mohr say very clearly in that podcast how important it is that they bind good talent to them. Because it remains a people business. You have to convince entrepreneurs that your platform, or Chapters as a group, is a good home for their life's work. And often there's no successor—son or daughter won't take over the software company. Then it's nice if you have a Chapters with a similar mindset, and certainly those local platforms.

A French company will for example sell to the platform Enloq. While a German company might more easily go to Waterkant. That local expertise matters. Because every country—or even every region—has its own customs and habits. We only have to look at the Netherlands. I'm from South Limburg. You deal with people differently there than in Amsterdam or Zeeland or Groningen, you name it. So even within the Netherlands, there are entrepreneurs in Limburg who might struggle with a hard “G,” or vice versa that someone from Limburg wants to buy a company in Amsterdam and they say: that's harder. That “Holland” directness—people say: a down-to-earth Limburger is harder to combine with our Burgundian habits and customs, based on stereotypes. Whereas in your region, Rowan, people are of course very down-to-earth.

Rowan Nijboer: Very down-to-earth. Well, they can drink beer, so in that sense not always so sober. But there is a certain stereotyping. And it helps if you're active locally and have a local network. And Jan Regenbogen just brings a gigantic network—of potential acquisition candidates and people he knows he needs to talk to. Those are the people Chapters recruited. That's gold.

Michael Gielkens: I coincidentally saw on LinkedIn this week that someone I know—who has written quite a few good analyses on serial acquirers—has now been hired as an M&A Associate at Chapters. So I immediately said to Jan Mohr: you really do have a nose for talent. A lot of good people are coming. They feel attracted to Chapters. And let's say some of the

more successful people from Constellation or the Topicus group—they could easily start for themselves. And it says a lot that they say: we're going to build a new chapter together with Chapters. Pun intended.

Quinten Hafkamp: Yeah, we've named quite a few branches now. But we haven't mentioned one yet, Rowan—and that's also a bit of the odd one out. Where do you have it—the Financial Technologies?

Rowan Nijboer: Yeah, because this is a digital business, but it's not typical VMS. But it's now about a third of revenue if you kind of extrapolate it. So it's good to give that some attention. And this actually started with Chapters buying a small stake in the German company Fintiba in 2021. That stake was built up over time through a few transactions. What Fintiba does is arrange so-called blocked accounts. That's specifically for foreign students or expats who go to Germany. Because Germany has a rule that—yeah—they don't want to let in “poor wretches,” but someone has to have money when they enter. So they basically expect a foreign student to put, I believe, €12,000 into such a blocked account—and that's why it's called blocked. You can't withdraw it immediately, but gradually, once you're in Germany, you receive it to spend. And you need that to obtain a visa. So as a foreign student you have to go through this. And Fintiba does that.

And what Chapters did really well is that last year, in 2024, they also bought Coracle. That was the number three in that market—because there are only three players. And what they did this year is a monster move that makes me wonder whether the German regulator should even allow this. Because they've now also bought the other player, Expatrio. So numbers 1, 2 and 3 in that market—there are only three active—are now in the hands of Chapters. And they own 62% of that company. So they basically now have a kind of monopoly. It used to still be possible via banks, but yeah, these are fintech players. So the banks can't compete and stopped competing. And you can already feel what's coming: what those companies will do next. Where you previously had to fight and advertise for customers, now you basically don't have to advertise anymore. That saves so much money. And yeah, you can of course also—Chapters is a pricing expert. So what you also see is that they increased the price by 79% for foreign students who go there. Yeah, and the competitor Expatrio also increased prices by 30%. And yeah, more will surely happen behind the scenes. And they can roll out all kinds of other additional products. Michael, how on earth did this get through a regulator?

Michael Gielkens: Maybe they weren't restrained by any real knowledge of the market. But look, what's interesting is that until a few years ago this market was still served by Deutsche

Bank. Deutsche Bank had a system, and it was this draconian monster. A foreign student—so we're talking about non-EU students, students from Asia, you have many from India—they come to Germany to study. They had to physically go to a Deutsche Bank branch, while they didn't even have a visa yet, but they still had to show up in person to identify themselves. And they had to be there multiple times to verify their identity, prove sufficient means, et cetera. It was such a pain in the ass, if I may call it that. And a number of the names you just mentioned jumped on that—Fintiba was one of them—and started offering it online. And suddenly you could do it digitally from your home country. By uploading documents, providing proof, et cetera, life became much easier.

Those digital players—especially Expatrio and Fintiba, the top two—were so successful that Deutsche Bank simply stopped offering these products. So the digital players competed the bank out of the market. And what's interesting is: I heard at Chapters' Capital Markets Day that Expatrio and Fintiba were spending €1 million per year just on Google Search ads to outrank each other. So a student researching what's needed to get a visa would end up with both Expatrio and Fintiba. By merging, you immediately remove that roughly €1 million—straight to EBITDA.

But even more interesting: because there are no other players left, the price was raised by 80%. They only did that in Q4, so that's all incremental extra cash flow that drops straight to the bottom line.

But the even more interesting part... Look, they're not buying this company because—Jan Mohr told me for this Deep Dive that they did pay more than their normal multiples. So above 10x EBITDA for the valuation at which they contributed Fintiba into the merged company. But that's because they expect mega growth.

They offer the blocked account—you have to park your money there. That's basically the guarantee for the German government that you can pay your study and living costs. And through that platform you can also take out health insurance, because that's also required. So you get your bank account and your health insurance from one provider.

But Chapters' idea is: why stop there? Why not offer additional things? Can we also offer savings products? Maybe other types of insurance? Maybe financing? That blocked account is the legal requirement the student has to satisfy. But if that platform is digital-native and intuitive, a pleasant system—think of logging into DUO and seeing your student loan

environment—imagine you can arrange everything you need to be successful in Germany as a student. And the upside from things that are relatively easy to develop on top of the Fintiba/Expatrio story—yet have very high incremental margins—is enormous.

So they expect to go from, say, 20–30% EBITDA margin to significantly higher. I think 50% is very realistic for this business. And the market for international students grows about 6% per year. That's organic growth, a major tailwind. So this is one of the divisions that can contribute to that high double-digit organic growth at the holding level. I dare say this deal is not $1+1=2$ —the merger might be $1+1=3$, or $1+1=4$. Or eight or more. Because you create a market leader. This is a special situation on top of the regular VMS business. It's a very specific niche market that only applies to Germany. And you have a regulatory moat: as an international student you have to become a customer of Fintiba—otherwise you can't study in Germany.

Quinten Hafkamp: Yeah, then it's also logical they paid that high multiple. And Michael, I'm curious—how did they even come across this? Because you said it's a bit of a specialty. Not the most typical VMS company alongside the others. But they still found it.

Michael Gielkens: Yeah, it's basically one of the companies they bought in that early phase. And gradually— you can also see it very nicely on Chapters' website—they gradually increased their stake in that business. And the equity piece of Chapters... ultimately they had 100%. And within half a year they immediately did that deal with Expatrio as well. They have 61%, and the remainder is with the founders of Expatrio. I believe maybe a small piece still from Fintiba and Coracle, but I don't have that exactly at hand. But this was one of those companies that was looking for a partner, and Chapters was one of the companies that could provide the capital.

Rowan Nijboer: Yeah, in that sense it's good that this company came onto the path in 2021, when Chapters hadn't yet formulated its clear VMS strategy. Because otherwise they might not have... It's maybe luck in disguise. But this deal in the first half of 2025—normally I'm not a fan of side hustles. But this is a very big, very beautiful, and lucrative side hustle. Even if they pay a slightly higher multiple. Yeah, this is a no-brainer.

And now we just have to hope that regulation keeps requiring blocked accounts, of course. Because otherwise you might have a problem. But it's like I said: 30% of revenue, and an even larger share of profits. That will likely shift in the future as they keep buying more VMS companies. At least, Fintiba and such will grow over time, but normally the acquisition growth

should be faster over the long term. So in the future it may become a smaller share, but right now it's a very important part of the investment case.

Quinten Hafkamp: Yeah, sometimes they also do that by expanding minority stakes. I think that's what happened at Fintiba too. Do they have more of that?

Rowan Nijboer: Yeah, a few more investments, but they really want to get rid of those. It's small, kind of clutter in the margins. What might be fun to mention is an investment they made in another VMS serial acquirer listed in the UK: Software Circle. And they built up that stake—I first expected that when they built it up, they had 30% of that company, that they would also use it as a kind of platform. But they're now gradually selling it down. Either they don't have that much confidence in the strategy—Michael will surely know more—or they just want to free up cash because they see so many growth opportunities elsewhere and can do it themselves.

Michael Gielkens: This is something I asked Jan Mohr directly. Software Circle— we also had a meeting with management of that company, as part of our due diligence on Chapters before we took a position. It's a very nice business. Jan was one of the board members, or even the chairman I think—he has now been replaced by Marc Maurer. But unlike the non-listed platforms, they say: this is a listed company trading at a multiple above 20x. And the proceeds from selling down that position can be spent on companies we can buy at six or seven times. So it's not a sign they no longer trust Software Circle as a business. It's more: we can buy companies where we can own 80% or more, at 6–7x. And I also see it as a way to become less dependent on raising equity—issuing shares—to finance acquisitions. They may monetize liquid positions like this. And they also recently started issuing new debt to use more leverage, instead of raising capital in the market.

Quinten Hafkamp: Anything to make that flywheel spin faster.

Michael Gielkens: 100%.

Quinten Hafkamp: Then let's move on to the market and competition. Rowan, I and many members have probably heard your worries a few times about emerging competition for Topicus in the VMS market. But how many of these companies are still actually for sale? And should we also worry about that at Chapters Group?

Rowan Nijboer: Yeah, I think I already know Michael's answer here. I did indeed hesitate for a long time about selling my Topicus shares. Up to the point that in 2025 they suddenly spent €600–700 million on acquisitions—mainly because two really big ones came along. But I'm not worried about the number of companies that are for sale. I think Constellation Software talks about an internal deal flow of VMS companies of around 70,000. Now, maybe 20,000 of those are in Europe then. Well, of course they're not all for sale right now. It's only 1, 2, 3 percent that comes to market annually. And moreover, not every company is suitable for Chapters. That market is also growing. Software as a market is growing. So I think it's big enough in terms of the number of companies.

My biggest concern is the number of companies hunting for these companies—that there are now 25 to 50 serious VMS serial acquirers in Europe hunting. Most of them in private equity and the like. Now, I do think Chapters has an advantage, but the competition is pretty intense. And yeah, at Topicus... So in that sense, like I said at the beginning: Topicus bought 23 companies last year. And Chapters apparently also manages to buy 20 in this market. That maybe also says something about Topicus' caution—that the companies are there, but Topicus maybe just doesn't want to pay enough. Or yeah, maybe they're not aggressive enough on certain things. It remains something I'm doubtful about in the long term. But if I hear Jan Mohr in the latest podcast... one thing he had no doubt about was whether he could buy enough companies.

Michael Gielkens: That's exactly what I was going to say. So he doesn't really see that as a risk. Look, let me put it this way: it's becoming more of an issue for Constellation, because they have to put larger and larger amounts to work. A 100% reinvestment rate at a 20% return hurdle is easier to achieve if you're around, say, €1 billion in size. Even at €10 billion it's still doable. But if you're another 7 to 8 times larger, like Constellation's model, then after a few years you'll have to redeploy €5 billion per year. Then the law of large numbers starts to matter. And they've already lowered the return hurdle for very large deals to 15%. We're also shareholders of Constellation, because 15% is still a very nice return. And in recent years they managed to reinvest 100%.

But at the level of Chapters, it's much less the question of whether they can find enough acquisition targets. Because you're fishing in smaller ponds, so to speak. Not that Constellation or Topicus don't do small deals too. But because you're a relatively small and relatively young company, 20 acquisitions have more impact on a company with 40 companies, than on Topicus. In that sense you can see that scaling a Chapters is more forceful than scaling a Topicus. Also because Chapters accelerates that growth by raising capital in every possible way:

with financing, by issuing shares. They do that because they say: we see the market opportunity as immense to consolidate this market.

And there are still so many companies, because the European market is more fragmented than the North American market. You have many more local champions, because you have local customs, local languages, local regulation. Every country has different rules. Whereas software you roll out in New York you might also roll out in neighboring states, because the language and perhaps the regulation are the same. While software from the Netherlands—you can't even take it to Flanders, because Belgian regulation is totally different, or Belgian requirements are different from the Netherlands. So if you look at all sectors and all regions and you say you're active in Europe, then Europe still offers a very attractive market to consolidate, usually at lower multiples. Much more fragmented.

I dare say I hear numbers between 100,000 and 200,000 vertical market software companies worldwide, mentioned by Constellation. And people from Topicus and now Chapters also mention that number. Companies are bought every year, but companies are also started every year. So new ones are added every year too. In that sense, the total addressable market might stay roughly the same size. And even if at some point you have to buy a thousand companies a year, in a market of 100,000 to 200,000 companies, you still have an interesting runway and potential. At least for the next five years, I'm not worried about that— not even for Constellation.

Rowan Nijboer: Yeah, Michael, if I may ask one thing. So in 2025, Chapters and Topicus bought roughly the same number of companies. While Topicus has an army of M&A people in all European countries. They've been there much longer with a network and all kinds of connections. Why is Topicus sleeping? That they can't do it faster. Or does Chapters do something different? How could they scale up so quickly? It can of course be as simple as paying more, but I don't think they often bid together on the same company—they hardly run into each other that much, only occasionally. So how is that possible?

Michael Gielkens: They hardly run into each other, indeed. Is it maybe a combination of the fact that platform managers have skin in the game? Is it a combination of the fact that Chapters can also buy relatively smaller companies than Topicus and still move the needle? Because you're talking about bigger absolute amounts that Topicus has to spend to achieve a 100% reinvestment rate than Chapters, for example. It's easier to deploy €50 million of EBITDA than €300 million.

In that sense I think that plays a role. But also Jan Mohr's vision—how should I say it—he really puts fire under people, or... he's the typical founder who energizes people, who can bind people to him. I just mentioned Jan from Waterkant, who chooses to do it under Chapters. He bought more than five companies in 2025 since he started. That does show something. Maybe he's an exceptional talent together with his business partner at the platform. And maybe they got the blessing from Jan Mohr: "Go for it." Maybe they also had those contacts from companies at Topicus. You do have contact with an entrepreneur. I've heard from Topicus that on average they have contact for seven years before an entrepreneur sells. Yeah, maybe different requirements than at Topicus.

Rowan Nijboer: Do they also pay more?

Michael Gielkens: I do dare to say there have been acquisitions where they paid more than six or seven times, yes. Look, that will play a role too. That 20% hurdle rate at Topicus is sacred. If you can make 19.8%, they say: yeah, then we just won't do it. I dare say that Chapters may have the conviction that they will improve those companies more operationally—something Topicus does much less. So they say: if we pay a slightly higher entry multiple at the start, but we can optimize those companies further by applying the Manuscript Method, then overall we can achieve a higher return on that acquisition. Whereas at Topicus it's simply: the company stays as it is. They do flip some switches: there's a dashboard—this percentage you may spend on R&D, this percentage... you may no longer give discounts even if it's a big customer, that kind of thing. So it's a fantastic machine. But it's more focused on milking the cash flows. Whereas at Chapters you're maybe also trying to develop more features to increase the autonomous growth potential.

Rowan Nijboer: Yeah, and even if you might not have that—if you can't increase organic growth—they could still achieve the same return as Topicus by borrowing a bit more. Am I saying that correctly?

Michael Gielkens: Yes, leverage can also be a way. That's interesting. Because as a platform you're triggered to think very carefully about the cost of capital. As a platform you get the money from Chapters holding, and you borrow it from Chapters at 10%. So you effectively build a 10% cost of capital in. While bank financing might be cheaper. You still have to borrow from Chapters first—at 10%. And they also target, after optimizations, a return on invested capital of more than 20%.

Rowan Nijboer: So they do aim for the same returns on those acquisitions as Topicus.

Michael Gielkens: Yes. And what's also important to mention: maybe I discussed it with Jan earlier today—about that return on invested capital. The target is of course more than 20%. I even heard 25%. You're not there yet, obviously. If you take the EBITDA run rate and look at invested capital—invested capital has exploded. That mainly has to do with the fact that they did that Expatrio deal. A lot of capital went there. But they've also spent a lot of capital on companies that have not yet contributed to EBITDA. You buy something today—the cost comes before the benefit. From today onward it starts to count in profit. And those companies have not been optimized yet. So the Manuscript Method—the reason they have conviction that in 2025, 2026, 2027 they can achieve double-digit autonomous revenue growth— is also because of those optimizations through the Manuscript Method.

Quinten Hafkamp: So you're saying: give it some time in that respect as well.

Michael Gielkens: I saw some questions come by, also from community members: "I don't get to that 25%." And we've also referenced that 25% in an article or two. But that's towards the future. It might be good to know: I personally model 15 to 20% in my own valuation model, just to be more cautious. It still has to prove itself and materialize. And so far, expectations have been exceeded every year. But as the company gets bigger and more complex, it could be that there's a half-year delay in those metrics. In that respect, I say: I just look two or three years ahead. And then the companies that are now part of the business—then that capital should be able to deliver around 20%.

Quinten Hafkamp: Then Rowan, just to touch on it: this was basically all about competition at the serial acquirer level. What about competition at the subsidiary level? Or is that not very special?

Rowan Nijboer: Yeah, that's not relevant. In such a niche market there are often two, maximum three competitors, sometimes there's only one. So yeah, I think we can ignore that.

Quinten Hafkamp: All right, then we move on to the moat. I have a feeling it might have something to do with switching costs.

Rowan Nijboer: Yeah, I think we can keep this short. This is simply the lock-in effect. That's the moat. And it's very strong. And yeah, that's it. And the rest mainly comes down to management, I think.

Quinten Hafkamp: Well, that might have been the shortest moat ever. Then let's go straight to management. It's of course still a company with a relatively short track record. Do you then also have to rely extra on the CEO and the rest of management?

Michael Gielkens: I dare say this is what they call a bet on the jockey. There are a number of companies we also follow—like an Asseco via Topicus. That's one of the companies where a lot of capital went last year. The case for why we took a modest position is simple: we see what Topicus' business model does to margin development, to compounding. And we have conviction that Topicus can deliver strong performance.

We have that same conviction with Jan Mohr, with Marc Maurer, with CFO Marlene Carl. Marc Maurer is the Chief Operating Officer, or basically the director of all the software companies. So yes, this is very much a bet on the management team. But also on the partners they were able to bring into the company. That's kind of the who's who of the financial world, you could say.

We mentioned Mitch Rales. If you look at Danaher, it has delivered more than 20% CAGR for 40 years since its founding. He was co-founder with his brother Steven Rales. He owns about 15% of Chapters Group. That's already amazing to have on board. If you look further—who else? The author of *The Outsiders*, William Thorndike, has a meaningful position. I believe that's Sun Mountain Partners, around 5% of the shares. Daniel Ek's family office owns more than 10%. Daniel Ek is Spotify's founder. So he's invested his non-Spotify capital into interesting companies where he thinks he can make a great return, and he invested in Chapters. MIT—Massachusetts Institute of Technology—one of the most renowned universities in the US—also owns shares. There are some very heavy hitters invested. And then you have management that directly and indirectly owns about 5% of the shares, including Jan Mohr and chairman Matthias Saggau.

Rowan Nijboer: Yeah, it's remarkable how well Jan Mohr managed to gather the right people around him at age 37. Crazy how he did that so well. Yeah, you could say he's a kind of wonder kid. He was already reading a book about Buffett when he was eleven. Hard to imagine—some little kid with such a thick book. But he was already in Omaha at eighteen, I believe, at the Berkshire Hathaway shareholders meeting—if not earlier. And really a prodigy. And in that sense, I'd dare to put it like this: Constellation Software, because it's already so mature, can do

without Mark Leonard. But Chapters Group can't yet do without Jan Mohr. So there really is key-man risk. And he has to deliver. If he were to leave, the whole system could collapse. And one more thing: the CFO is 36. They know each other, I think, from student days, which makes sense given they're about the same age. They also like drinking beer together, I believe.

Michael Gielkens: I've never seen anyone drink as much beer as the CFO in such a short time, and still say useful things. You can laugh about it, of course. But it also shows: that whole Capital Markets Day and the shareholders meeting the day after—it really shows that if management is so important for an investment case, like it is here, then it's reassuring that after a few pints they still say the same things as they did before.

And we did a lot of due diligence—together with other investors too, some of whom were also in Hamburg—to figure out: who is this person? Because the business model, we know it. It's basically a copy-paste of the VMS acquirer model like there are so many. But who is the founder with the vision, who attracts talent, who incentivizes platform managers, who gets people excited? And what's his vision? How does he view the sector?

And the fact that, on the one hand, the names we just mentioned are major shareholders—the fact that they themselves have a lot of capital, or even most of their wealth, in Chapters shares—plus the fact that they say the same things at the end of the evening as at the beginning of the afternoon... It's not foolproof, let me be honest. But you do know they're sincere in that respect.

I dare say I've spoken with enough management teams by now to know very well when someone says things mainly because they think it sounds good, and when someone says something because they truly mean it. And with everyone at Chapters—also among the staff—you could talk to basically anyone, including former employees, other owners. With someone who had €50 million in shares, and someone with €5,000 in shares, internal and external. Everyone essentially gave the same answer. That either means we're dealing with a management team that's sincere—or we uncovered a very special cult.

Quinten Hafkamp: And Rowan, is it also a younger organization overall, besides the young age of the people at the top?

Rowan Nijboer: Yeah, I do notice it a bit that it's not yet a fully professionalized machine. And yeah, you can ask: does it need to be? Because then maybe the entrepreneurial spirit disappears. But a few examples: for instance, they give a target for organic growth at the start of 2025 of 10 to 13 percent, and a few months later—or halfway through the year—already lower it to around 5%. Then I think: maybe don't give that target in the first place. Or at least, when there are so many moving parts, are you not doing yourself a disservice by giving it and then immediately not meeting it? That feels unreliable.

Another example: in Hamburg, the slides from the investor day—Jan said: “Yeah, we'll send those to you by email, so you don't have to take notes.” They were full of extremely valuable information. But then they didn't send them, and they consciously chose not to share them, citing competitive sensitivity. Yeah, that's... not entirely correct.

End of 2025 they got hacked. Do they have to say that on LinkedIn? Especially when they want to sell cybersecurity products. The website is kind of a mess. You have to email them to get on the mailing list—like, that it isn't automated for a kind of tech company. Just a lot of little things that don't really say anything about the business, but it comes across as sloppy.

Michael Gielkens: It is still a young organization. Which is funny, by the way, because if you look at digital presence—if you go to Topicus' or Constellation Software's website, especially Constellation, you'd think it was built in the 1990s and they never did anything again. If you go to subsidiaries, sometimes in the footer where it says “copyright” and then the year, you'll see things like copyright 2021, copyright 2017. So in that sense they keep their focus on developing the software.

But yes, it's not smart if you make a promise and then don't deliver. That promise comes from wanting to be transparent and open, but then you get pulled back—by one of the other directors or staff—like: “Hey, we shared important information on those slides.” For example the name of the company where that 80%+ price increase happened. The name, the photo of the founders, were on the slides. I can understand—and some of our group could already see it coming—we were all taking photos like: there's so much information being shared here. I can absolutely imagine: also from privacy considerations, for example that customer—the customer who received that 80% price increase—might think: maybe I should send an email after all if I see this. Or a competitor could use it to undercut prices and try to pull some customers away. I'm just hypothesizing. So I can understand why they didn't send those slides.

They really expose their operations there, with the idea: our shareholders are our partners. But on the other hand, the information you share... Look, someone who attends a Capital Markets Day should have the same information as someone who's external. And if you contact management and say: "I heard that at the Capital Markets Day there was an exercise with those different earnings-per-share models... How do you go from platform cash flow to cash flow at the Chapters level? What about accounting rules?"—we basically got a masterclass on that in Hamburg.

They are willing to guide shareholders through it, for example via a video call, but they don't want to publish it on their website. So you can... yeah, maybe that's youthful enthusiasm. They've now hired a Head of Communications too, someone to guide this more, for example Andreas Bergius. I think that's a logical move.

If you're so focused on execution, on building the company, and you want to take your partner-owners along, that's admirable. But you also have to create a level playing field.

Quinten Hafkamp: Yeah, a Head of Communications probably can't hurt.

Rowan Nijboer: Yeah, I've rarely had such a transparent day. That's why I really loved it. They shared everything, gave away all their secrets. Everything I'd wanted to know for years about Topicus, they basically served on a silver platter. And I would advise them not to do that. Because it will bite you at some point.

Also an example like that price increase case. If you're proud of it—look, we buy companies and then we raise prices—and that ends up in German media, it won't be good for your reputation. Then they'll come after you. So you want to keep things like that under the radar.

Quinten Hafkamp: A member also asked: they're growing extremely fast, maybe almost aggressively fast. Isn't there a risk of management being too hungry and making the wrong acquisitions? And yeah, how successful have the acquisitions actually been so far?

Rowan Nijboer: Yeah, that is something I worry about—that a young group of people just wants to grow hard. And yes, they're inspired by all sorts of people and have the right mentors, but by moving too fast... and history gives endless examples: moving too fast and you

overreach. Yeah, that's a concern. And you'll only find out in one, two, three years that the companies bought now were maybe not that good. Or that the Manuscript Method actually only has a negative effect. It's almost impossible to control. You end up where Michael said: trust the driver, the jockey.

Michael Gielkens: That's how it is with younger companies, potential multi-baggers. Companies that can go five or ten times. You won't see that as quickly with Constellation. And also less quickly with Topicus. But it's good to think very consciously about position sizing if you're considering taking a position. Because yes, they call it taking on too much, or biting off more than you can chew. If you take too big a bite, you might choke. Those are risks to consider.

Fortunately management thinks about that too. And as long as they have a broader platform—Marc Maurer, for example, monitors the operations of the platforms from Chapters. The platforms monitor their subsidiaries. And Chapters focuses more on implementing best practices—so that's more the central Manuscript Method. And Jan Mohr then thinks more strategy-wise: what's the existential AI risk, or is it an opportunity? We'll talk about that in a moment. How do we implement cybersecurity? Is it smart to signal publicly that you had a cybersecurity incident, especially as a young and smaller company?

Because it's smaller and younger, the range of outcomes is much larger. That means more upside in potential, but I also dare say that Constellation and Topicus are easier to predict and model than Chapters. If you start a DCF with 10% organic growth and, say, 15% acquisition growth over ten years, you get numbers where you think: okay, is this realistic? And every investor has to assign a probability to how likely they think that is.

Quinten Hafkamp: So yes, there are always risks attached. And we'll list those later towards the end. For now, let's move on to finances and capital allocation. Rowan: debt, debt, debt—do they have it, and how much?

Rowan Nijboer: Yeah, if you look at the latest balance sheet, there's quite a bit of debt outstanding, around €150 million. It's a bit of a puzzle with this company. But it's not that it's too much, in my view. EBITDA for 2025 will be around €50 million. So about three times EBITDA isn't that risky. By traditional standards it's on the high side, but again: the subsidiaries pay their dividends, money comes in from customers. So in that sense, no problem.

If you look at the other financials, like profit and cash flows, as they're reported, they're basically not relevant, I think. Net losses get bigger every year. So even though they buy very profitable companies, they report larger net losses. And that's not necessarily bad, because Michael already mentioned it: serial acquirers have to write down goodwill accounting-wise—especially here because Chapters is tied to German HGB reporting. So you amortize those businesses over time, while the businesses you buy are increasing profit each year. So you could say: okay, then look at free cash flow. But the free cash flow they report also understates the company. Because an acquisition often only counts temporarily, while HQ costs are already fully there. And optimizations take 12–24 months. So at first profitability isn't that attractive, while interest expenses and debt costs—like the bond they recently issued at 7%—those costs show up quickly as soon as you do the acquisition.

I think we'll come back at valuation to what rules of thumb you can use and what you can do with it. One more thing on capital allocation: they've issued shares in recent years to raise money. And that's a pretty neat trick. Because you issue shares at what, 20–30 times EBITDA—depending on how you calculate it. In any case, a high multiple. And then you use that cash to buy companies at seven times EBITDA. That's multiple arbitrage. And you turbocharge your business. Topicus doesn't need the money anymore or has too much cash, so they don't do that. But early on, if you can do this, it gives an extra lever to returns—some financial engineering. Many people don't like it, but mathematically it works, as long as you don't go too extreme and buy everything that moves. If you do it in a controlled way, it's an extra boost. Just like using a bit more debt than Topicus. Topicus could have increased returns by borrowing more, like Berkshire does. Some people hate that because it adds risk. But again, if André Rieu keeps paying his software subscription to Symphony at Chapters, it's fine. There are cash flows that finance it.

Michael Gielkens: Nice that the Maastricht connection still gets made with André Rieu.

Quinten Hafkamp: Exactly. Michael, does this kind of share issuance scare investors off, because it's not the most obvious structure, even though it's actually pretty logical for Chapters?

Michael Gielkens: Actually, that used to be a red flag for me. In the past, at Tresor we basically never looked at companies that did dilution in this way. Buffett once said it was actually a mistake to do this. But there are also major success stories of people who managed to do it very cleverly. The best example is Singleton at Teledyne—he's also in the book *The Outsiders*, which I can recommend to everyone. He did it in a genius way: when the multiple was high, he issued shares to buy companies at low multiples. When the multiple was low, he bought back his own shares.

And now there are two or three companies that use capital like this as a currency—turning equity into cash, so to speak. As a shareholder you get diluted. But in the case of Chapters, they're very conscious of the cost and value of capital. I happen to know that the last funding round in March this year was done at 28 times trailing EBITDA—28 times the last twelve months of EBITDA up to the end of March 2025. And they only did that because:

One, they had enough opportunities to invest that capital.

But two, and not unimportant, they placed it with strategic partners who come on board for the long term and believe in the Chapters story.

Larry Cunningham has a book—besides *Quality Investing*, which I recommend to everyone—called *Quality Shareholders*. Alongside skin in the game, you can also ride along with the success of external partners. And you effectively become a partner of Mitch Rales and you also become a partner of Daniel Ek—two very successful founders—who say: “Hey, I see something special happening at Chapters.” By issuing capital, these strategic partners increase their stake in Chapters. So they're basically saying: “We give you capital to invest.” At this valuation they're willing to inject tens of millions in extra capital, so you can do acquisitions at 6–7 times EBITDA and accelerate the flywheel.

So I've adjusted my opinion on that a bit. It mainly comes down to what they do with the capital. And as long as there's conviction that they can buy companies where they earn at least 15% return—because that is a minimum return on capital we require, or at least the return on incremental invested capital—if they can get close to that through the optimizations they've laid out, then I'm willing to go along with it.

Rowan Nijboer: Duly noted.

Quinten Hafkamp: Then let's move on to valuation. How do we look at it? We already said: rapid growth, lots of moving parts, hard to predict, a lot of trust in management, a wide range of outcomes. I suspect valuing this company is very difficult.

Rowan Nijboer: Yeah, it's a puzzle. The faster the company grows, the harder it gets. The shorter the track record, the harder it gets. And it's a market cap of €940 million—so truly a small cap on the stock market. You can look at it in an extremely simple way: just say, I trust that they earn 15, 20, maybe 25% returns on those acquisitions. If it's 20%... then the long-term return, if they can sustain that long enough, will also be roughly 20% per year. That's a logical assumption somewhere. I have no assumptions that say Chapters shouldn't be able to make 20% returns on those acquisitions over time.

They also share an estimate of earnings per share in 2027. And then they make certain assumptions in the years after that about organic growth, the prices they pay for acquisitions, and how much they spend on acquisitions. If you then calculate a particular scenario—which I found fairly reasonable—say 5% organic growth and paying 7 times EBITDA and then buying €24 million of EBITDA... If you run that through completely, I arrive at a return of 10% per year over the next seven years. That may not sound astronomical. With such fast growth you might want more. And I also think it can be much higher. Because if organic growth is a bit higher, or they manage to allocate much more capital to acquisitions, then it can be much higher. But that's the philosophy. Michael—how do you look at it?

Michael Gielkens: We agreed beforehand that I wouldn't name all the details of my model, otherwise everyone would get square eyes. But let's put it this way: that 20% growth—we're looking at the same slide, Rowan, with all those scenarios they shared.

And I do dare say: okay, if Topicus grows 5%, but Topicus doesn't really do optimizations... and Chapters does. If you can grow, say, 7–8% organically and 12–13% through acquisitions, you're simply growing 20% per year if you can sustain it. And if the runway is indeed as attractive, and the pipeline is as full as Jan Mohr and his team believe, then you could underwrite a CAGR of more than 15%. I'm willing to take that bet for part of the portfolio.

So then the questions are: what organic growth do you underwrite? What acquisition-driven growth do you assume? What multiple do you think is fair to pay for it? What discount rate do you use? And after adjusting for capital structure, do you end up with an attractive risk-return profile?

I do dare say that given the fact they're under-earning now—and expect a big pick-up, for example in the FinTech segment with Fintiba/Expatrio, where the costs of competing with each other disappear and synergies can be achieved—plus the price increase, and new products—

you can probably get 20–25% growth in cash flow in that part next year. Then you don't need that much additional organic growth to start from a very strong base. I don't think that's in the share price yet. But it still has to materialize. And predicting is, by definition, the problem. They say: predicting is very hard, especially when it's about the future.

Rowan Nijboer: Yeah, and you also have Topicus, or you have Topicus and Constellation. Topicus is currently trading at 26 times free cash flow—historically cheap. Constellation also—price-wise—a horror year behind it. We'll get to the AI risk in a moment. But how do you compare these in terms of valuation? The safe Topicus versus the less safe—or not unsafe, but youthful—Chapters, where you might underwrite 15% return. But you might also underwrite something like that for Topicus at the current price. How do you deal with that? If you had to choose, how would you approach that valuation-wise?

Michael Gielkens: It has to do with the broader range of outcomes. The bandwidth of scenarios at Topicus is much narrower than at Chapters. So if I say—let's say Topicus is maybe 35% below fair value—then at Chapters I might be closer to 45%. I am making assumptions about the expected materialization of the drop-through to earnings from the price increases they did. But it's also more uncertain.

So if I had to put all my money in one of the two, I would still choose Topicus. If you see my portfolio, you'd think I did exactly that, by the way—but that's another story. But with a small wink.

That said, my horizon can also handle allocating a meaningful part to Chapters. But then I explicitly assume: it can also completely collapse. So for our clients, in our total holding portfolio, we likely won't allocate much more than 2–2.5% to this, even though we think the potential is very large, simply because the risk is also significant.

Rowan Nijboer: Yeah, for you it's also reputational risk. And that risk might be a bit bigger at Chapters. Then with Topicus you're safer. But I fully agree: Chapters does have multi-bagger potential. Topicus is now eleven times larger in market cap. And €1 billion market cap for Chapters is not much. It can still grow hard for a long time. This is one of those companies that could go 5x or 10x, and maybe on a 20–30 year horizon 50x—if they roll it out flawlessly. That can happen if they execute it very well. But I understand why you're more cautious on exposure, because it's a different kind of risk.

Michael Gielkens: It also serves a different role in a portfolio. Because Constellation and Topicus—aside from the AI risk that’s being priced in now—operations are very steady and stable. A steady state: 20–30% cash flow growth per year, of which 4–6% is organic and the rest is acquisitions. In a year where they deploy more, you might get 20% acquisition growth; in a quieter year, maybe 10%. But you can reasonably estimate the range.

And then Jan Mohr suddenly pulls that Expatrio merger out of his hat—boom, you have a monopolist, a market leader. And then a new bond is issued, with up to €100 million they can raise at 7% to do more acquisitions. They’re playing a different game of chess. But who would have expected the Asseco deal at Topicus? I think few people had that in their models. So even there, you have very interesting potential. And that’s purely growing the cash flow from this level.

Quinten Hafkamp: Michael, you’re saying “risk” wonderfully often. I think it’s finally time to move on to both the opportunities and the risks. But we always start with the risks. Rowan: what’s the biggest risk at Chapters Group?

Rowan Nijboer: Yeah, what lights up most—and what plays a role for members and also for investors, because you can see it clearly in the share prices of Constellation and Topicus—is the AI risk. And especially the progress over the past half year in what AI can do and what you can build with vibe coding in software. And that in the future probably all software—virtually all software—will be written with AI, and therefore the cost of software basically goes to zero. That’s simply a disruption risk for all these companies.

And the familiar story is: VMS companies, yeah, that’s so specific. So much regulation. They will be the last ones to go. Earlier on, you might see the horizontals like Adobe or Salesforce or Wix get hit. I think those should really brace themselves and absolutely have to reinvent themselves—otherwise they won’t be in the game in the future.

And with those VMS players I find it a hard one. Because on the one hand I think: no, they’re fairly safe. But on the other hand I think: if at André Rieu’s orchestra there’s someone who gets a bit irritated with that imperfect system, that hasn’t been maintained for way too long and whose prices have been raised sharply year after year—then that person could vibe code the same system themselves. It’s not perfect now, but maybe in three years it is. And then it costs nothing. And you can also put your own things in it and discuss with the group how you want to develop it—that’s basically the ideal scenario.

But I do think certain VMS businesses in portfolios are more sensitive than others—like a Nedap with Ons. Those seem safe to me. That's so regulated in healthcare and everything. And the government side is probably much safer too because of all the bureaucracy. But how much, and the degree and the impact—I'm talking negative now. I think we should talk about opportunities later, but on the negative aspect I'm curious how you see it, Michael.

Michael Gielkens: I think an important point to make is that development costs were never the moat for this type of software. The moat is that it's truly mission critical. So that means: if the bus software at Chapters—the software for buses and trams and public transport—then is it more important that the software always works, that the buses always... that passengers always get timely information, that the driver gets the right route information, etc.? Or does such a transport company or a hospital or such institutions mainly look at the reliability of the system— that it always keeps running?

Suppose a developer shows up who became redundant—because software companies need fewer developers. Suddenly you lose your job and you think: you know what, I'll make software for this sector. One: the total addressable market per vertical market software company is so small that it's already less interesting. Step two: you still have to convince the entrepreneur or the public institution. Say you go to a civil servant and you say: "Well, with AI I developed software. It's maybe 10 or 20% cheaper, it looks a bit sleeker." Yeah, but that means we have to rip out the entire system roots and all—the system that may not be perfect, but does work and does what it's supposed to do. We have to retrain staff, customers have to learn a new system. There's no track record of uptime, while the existing software may have been around for twenty years. And by engaging with the existing VMS vendor, you've been able to request features you want. There is sector-specific knowledge required.

You mention that orchestra member at André Rieu. I can easily imagine they have more need to prepare the next show or write new music than to build software. A company buys software so they don't have to develop it themselves—that's the whole essence of software.

Yes, some companies will be disrupted. One hundred percent: of the 60 subsidiaries Chapters currently has—65 or 70—some percentage will be disrupted. For Topicus' 200 companies, some percentage will be disrupted. Same for Constellation. That's reality. So the range of outcomes has widened. And the consequence is: if risk increases—even if it hasn't shown up in the numbers yet—if perceived risk increases, people are willing to pay a lower multiple. And you've seen that in the multiple contraction across the sector in the last half year.

So you start thinking about the shift to... In the past we had something similar: people said, “The move to the cloud. All this software is on-premise. So that shift to the cloud will be a huge hit for Constellation.” We’ve seen this movie before. That was a more gradual development. But eventually a lot of Constellation’s software moved from on-premise to the cloud, became SaaS. And still people talk about the massive opportunity of companies that still need to migrate—while the cloud has been around for ten, fifteen years. AWS wasn’t invented five years ago. Google Cloud and Microsoft Azure aren’t brand new either. These are not developments where, overnight, you say: “I’ve coded a new piece of software. The solution that served us fine for fifteen years, costs 1% of our revenue, and is essential to booking our revenue and profit and paying invoices—we’ll just rip that out because someone built something new.”

And if you look at the opportunity side: systems like the cloud, ChatGPT, Gemini—those are just as available to existing software vendors as they are to new builders. So as a customer, are you going to entrust your reliable customer data... your electronic patient records at a GP or hospital... to a brand new party whose system has just been developed and has no multi-year track record? Are you even allowed to, by law and regulation?

We hear from many customers in education and healthcare that it’s simply prohibited to work with AI, or systems built on AI, because of data risk. Is your data in the Netherlands or in America? In the current geopolitical context, is that desirable? Many additional questions come up. People often focus only on: “Oh, you can easily build new software now.”

Rowan Nijboer: Yeah, I get it. On the other hand, I wonder whether we fully grasp the progress—and therefore the speed. That an AI... someone in André Rieu’s orchestra says: “Hey, replicate the current system we’re using.” They give a prompt to an AI agent: replicate our current system completely. Okay, a few minutes later it’s fully replicated. And I also have these things I don’t like and want to improve. Those get changed too. Then you have a much better system. And you can roll it out to other orchestras for a fraction of the price those orchestras are paying. Those orchestras might pay a thousand, a few thousand euros a year. But there are also school institutions paying Topicus millions per year because they’re huge groups. So there’s a difference. An orchestra won’t switch as quickly, but a school institution—if they pay a few million and can do it for half later... There are so many degrees and layers. I don’t know if we can fully foresee how fast it will go.

And even that you can then truly, as a person with 50 AI agents, also do all the sales. That it can all be done and explained perfectly. That you can basically be ten times cheaper and still

make a lot of profit than today's Chapters, and so on. So I think it's something to keep an eye on in the long run.

But now we've addressed AI risk mostly as a negative. I think we should discuss opportunities too, because I think the opportunities are bigger than the risks. There will likely be some pain, but there are also huge opportunities. Like upselling products—Michael already said it: you're inside that customer. So you can sell other extra services. Things that previously didn't have a business case because it would take ten programmers and wouldn't pay off—you can now build very quickly and sell to your existing customer base. And of course, you can ultimately remove half your programmers, or deploy your current programmers toward those extra opportunities. So either margins go up or revenue goes up.

Michael Gielkens: So you can also say: existing software companies can develop more features thanks to AI. Development time becomes much shorter. Development time for new features is shorter. And what Jan Mohr shows in a nice way—he uses a slightly childish example, but he does it based on his little daughter. He says his daughter has Crocs shoes. And those Crocs, he says, you can almost see as the software. But you have all kinds of things you can attach to them—those little charms, Jibbitz. Everyone can customize their own shoes. And he says: you should see software as the existing system of record. The software is the infrastructure layer. And on top of that software you can build all kinds of applications with AI.

If a customer says: "I'd like these features added." You can now develop that much more easily. So as a customer of Chapters—who do you develop this with? Back to André Rieu and that Symphony example. Do you develop it with a brand new party? Do you develop it yourself? Or is it most logical that you, like you always have, engage with your software partner and say: "We'd like these improvements." If you have an AI-first company, then the vendor can build that in the next update. And because you deliver more value, you may be able to charge a higher price. And because you don't need as many people, you can operate with fewer people and margins may even go up.

And another opportunity aspect I haven't heard many people mention yet: suppose multiples on software companies are under pressure. Listed multiples get impaired, and maybe private multiples too. Do we know companies that buy software companies who might benefit from lower multiples? I know a few—we've mentioned several today. So is that a risk? Or is it: yes, some companies will be disrupted, some will be displaced.

In VMS, watch for accelerated write-downs or amortization of goodwill or intangibles. Watch for a slowdown in organic growth. Or signals from these companies. I dare say Chapters and Constellation and Topicus are transparent enough that they will communicate if there's an impact. Their management is ethical enough and clear enough in communication that you'll hear it in their reporting, or at the annual shareholder meeting where there's Q&A.

But for me it's still not clear whether this is a net benefit or a headwind. If five Chapters companies are disrupted, that hurts Chapters more than it hurts Topicus. But because Chapters is smaller, it's also more dynamic, and might implement AI more actively than Topicus or Constellation.

On the other hand, if at Constellation a hundred out of 1,400 are disrupted within two or three years by AI, those are learning moments for the rest of the portfolio. Then it becomes very valuable that you can share best practices and lessons learned: this company did too little with AI, maybe a new entrant emerged and took share. Those that aren't AI-first get displaced faster. Those are lessons you can share within the group. That's the beauty of a self-learning organization.

Quinten Hafkamp: Well, are you convinced?

Rowan Nijboer: Well, I'm not convinced of anything that's still developing. We'll see. We'll adjust our view if things change. But I'm not overly gloomy—although I do question whether we can fully oversee it and to what extent. But yeah, like with any company, there are risks and opportunities.

Quinten Hafkamp: Do you want to quickly name the other risks and opportunities? Many we've already mentioned, but let's still briefly list them here.

Rowan Nijboer: Yeah, very briefly. Acquisition discipline—things moving so fast that there may be sloppiness and they overpay, or buy the wrong-quality companies. Integration of the Manuscript Method—that it turns out to be too difficult. Maybe the debt. It's manageable, but an acquisition like Expatrio that's mainly financed with loans—debt can always turn against you. If the Manuscript Method doesn't work and everything disappoints, then debt starts to hurt immediately. Key-man risk if Jan Mohr leaves. And because Fintiba is so large—if the

regulation requiring a blocked account disappears, or if Germany shuts the doors to foreign students (which they shouldn't), but because it's 30%, that would hurt a lot.

And opportunities: runway—like Michael said, there are still thousands of suitable acquisition candidates. Also the method they want to implement. AI we just discussed. And over time they can do larger acquisitions, so they can sustain the growth tempo longer.

Michael Gielkens: Opportunities or threats we missed—I think we covered everything. I think especially the key-man risk. What I do think is very important for people who want to value Chapters: the full-year 2025 report will make the key moving parts much clearer. They will report more transparently per group, and also more intuitively. Right now it's a bit of a mess to dig into the numbers and build a valuation. I can imagine for many people this belongs in the "too hard pile."

I do dare say—at least, that was promised to me—that this full-year 2025 report comes out around March, so in about a month or two, two and a half. And then it should hopefully become easier for investors to make assumptions. Then every investor can build their own model, so to speak.

Quinten Hafkamp: Then we'll now see how easy it is to reach a full conclusion. Michael may have already given it a bit. So I'll start with you, Rowan.

Rowan Nijboer: Yeah, I compare Chapters next to Topicus. Topicus has of course fallen 30%. I also think Topicus is historically cheaper. And I really think that's very attractive. Because fundamentally they do largely the same thing. Fundamentally the business models aren't that risky if you pay seven, eight times earnings. Then not that much can happen for those stable businesses. Unless AI really becomes so insanely good, in a way we can't even imagine, that it disrupts all those companies. I just can't picture that yet.

And it already came up: Topicus is, I think, much more a safe bet. And Chapters is potentially the pot of gold—a potential multi-bagger. If they execute well, then it probably will be. Because the machine or system is there. I do believe in that. The question is still: what exactly do they do in practice? What do they ultimately pay for the companies they buy, which I don't really have visibility on—at least with a delay. So you have to trust management.

And I didn't get a bad impression of management. But often I like to follow them for longer. So I hope there will be an investor day in Hamburg again this year, because that's also going to be great fun again, of course.

I do think it's a beautiful company. There's a lot of potential. And it strengthened my confidence in Topicus that acquisition speed and such—there are candidates out there to buy. Chapters shows it. And I think Topicus will study Chapters too—how they get those deals and so on. I wouldn't be surprised if at Constellation's AGM a question comes up: how is it that they can ramp up that tempo in Europe? At least, I'd think that's a fair question.

But no—beautiful company. Management and so on basically does everything right, says the right things, the right mentors around the company, the right shareholders. And still very small, so the big guys can barely be in it. At least, fund managers won't be looking actively yet because it's so small—except for those crazies like Michael Gielkens who dig into everything in depth. There won't be many fund managers actively looking yet, because it's just still that small.

Quinten Hafkamp: And Rowan, could they coexist next to each other in your portfolio, or would you rather choose one of the two?

Rowan Nijboer: Well, I have about 15% of my portfolio in Topicus now. I wouldn't then also buy Chapters for 5% and go to 20%. Then I'd rather sell 5% of Topicus and put 5% into Chapters, so I don't increase that overall exposure. They could absolutely coexist. Normally I do like to choose. But it is a very different profile. Look, between Mastercard and Visa—same profile—you can choose based on valuation. With these two, it's the same business model, but a completely different profile in terms of growth phase. So they could sit in the same portfolio.

Chapters has more multi-bagger potential, and therefore also a smaller position than Topicus. And maybe over the years they prove themselves so strongly that I move fully to Chapters—because Topicus might be too conservative in growth and too large. That could happen too. As they prove themselves more, it can grow in the portfolio.

Quinten Hafkamp: Michael, go ahead with your conclusion.

Michael Gielkens: Look, for people who really want to dive into the details and the nitty gritty, I'd recommend the conclusions from our own pieces on the site.

Rowan Nijboer: Definitely.

Michael Gielkens: We recently launched a new newsletter site. So you can search for Chapters there very well. The conclusion I would attach to it is: I can very well imagine this ends up in the "too hard pile" for many people. I can imagine that a company still somewhat in its infancy, that sometimes makes naive communication mistakes and such, that you say: well, I'll just go for the safe bet of Topicus or Constellation. You're going to make great returns from these levels—I'm convinced of that. I think Rowan is too.

But it can't hurt to do what Tom Gayner from Markel sometimes does. He says: I take a library card, a tracking position. I put a very small part of my capital into it. That way I follow it. And as you build conviction that the company is doing things the right way, or as the case becomes more de-risked, you already have some exposure and you keep following the company. And you can gradually build the position.

We also spread our VMS exposure—between 15 and 20%—across five companies. Chapters is one of them. We also have a smaller player we haven't written about yet that has similar growth and very high organic growth. These are ways to play a theme, but diversified. Of course, Constellation and Topicus are our larger names.

But in building a portfolio—if you don't want to have 20 or 30 positions—that's different. Then it makes sense you choose. I think Topicus and Chapters can coexist. And my conclusion is: after thorough due diligence—and now four or five physical meetings with management and multiple calls—if I email Jan Mohr, I always get a reply within 20 minutes. Whether it's Friday night, holiday period, or just a workday. I personally find that very pleasant. It gives you access, and it does give you a comfortable feeling.

In contrast: with Topicus I haven't been able to speak to Robin van Poelje yet. I do know that Topicus executives are subscribed to our newsletter, so I like that. But they haven't replied to my LinkedIn messages. If you're listening, please do respond.

So that compensates somewhat for the fact that the Topicus case is far more de-risked. But maybe it also has less upside potential, less explosive growth potential than Chapters. That's just the difference between venture capital and private equity. With a small cap, you shoot more with buckshot, but you can also make a nice return.

Quinten Hafkamp: Then this was it for Chapters Group. Michael, I want to thank you for coming and for all the insights and stories you shared again. As Michael said, he shares very valuable things in his newsletters—highly recommended. Not only about Chapters Group, but also about many other companies. Listener, if you still have questions after this Deep Dive—which I can imagine—then feel free to share them in the community, where Rowan at least reads along, and Michael will probably take a look at some point too. And then we'll see you again next month for the next Deep Dive. Thank you.