

Roper Technologies, Inc. (ROP)

Value Fit 6 / 10

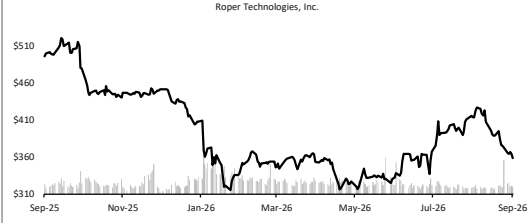
University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst: Tamara Huynh Rodriguez Recommendation: BUY As of: 09/28/2026

Philosophy Fit 3 / 5

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	5.7% vs 7.7% → Below ke
Change in performance — ΔROIC	0.0 pts, FY2026E vs FY2025A → Flat (held at FY0)
Lifecycle phase	Phase I — lowest expectations
Valuation gap — target vs. price	+15.5% → Price below our value



BUSINESS DESCRIPTION

Roper Technologies, Inc. is a diversified technology company, which engages in the provision of engineered products and solutions for global niche markets. It operates through the following segments: Application Software, Network Software, and Technology Enabled Products. The Application Software segment includes Aderant, CBORD/Horizon, ClniSys, Data Innovations, Deltek, Frontline Education, IntelliTrans, PowerPlan, Strata, and Vertafore. The Network Software segment is composed of ConstructConnect, DAT, Foundry, iPipeline, iTradeNetwork, Loadlink, MHA, SHP, and SoftWriters. The Technology Enabled Products segment refers to CIVCO Medical Solutions, FMI, Inovonics, IPA, Neptune, Northern Digital, rf IDEAS, and Verathon. The company was founded by George D. Roper in 1890 and is headquartered in Sarasota, FL.

INVESTMENT THESIS

Roper converts about 31% of sales to free cash flow (JPM 2026E) and is using it to retire stock, and organic growth should speed up in the second half as Neptune, DAT and TEP recover. At \$358.56 the stock trades at 16.2x FY2026E EPS against a peer median of 33.1x, and the average of our four methods is \$414, +15.5% upside. The call rests on the three multiple-based methods, which use consensus adjusted EPS. The constant-growth value of \$219 does not support it, and both JPM (Underweight) and Mizuho (Underperform) disagree.

MARKET SNAPSHOT

Current Price	\$358.56	Market Cap (\$B)	\$35.5	Beta	0.68
52-Week Range	\$316 to \$520	Inst. Ownership	106.1%	Insider Own.	0.4%
Shares Out. (mm)	107.4	Short Interest (% float)	5.3%	Dividend Yield	1.0%
Consensus L-T Growth	4.3%	Payout Ratio	14.7%	Cost of Equity	7.7%
Price Target	\$414.00	Upside to Target	15.5%	Value Range	\$219 to \$544

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$529.01	47.5%	32.3x P/E
Equity DCF – terminal P/S	\$364.86	1.8%	4.2x P/S
Equity DCF – terminal P/B	\$543.99	51.7%	2.9x P/B
Equity DCF – constant growth	\$219.40	(38.8%)	2.0% g, 7.7% ke
Average of methods	\$414.32	15.5%	Equal-weighted
Analyst price target	\$414.00	15.5%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 3 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC 0.0 pts; price is 0.87x our average value	No
2. Investing through company cycles	Phase I; EBIT margin 28.3% → 28.3%	Yes
3. Initial position sizing & risk limits	Half-size start given split valuation; add as leverage falls	Yes
4. Capital allocation discipline	8% of shares retired near lows; debt paydown next (4.1x EBIT)	Yes
5. Identifiable catalysts & conservative underwriting	Clear catalysts, but only 3 of 4 methods show upside	No

VALUE CRITERIA — 10-Point Checklist · Score: 6 / 10

1. Catalyst / Investment Drivers	Yes					
Driver 1 — Per-Share Compounding	Free cash flow margin is about 31% (JPM 2026E adjusted FCF of \$2.6 billion), and Roper has retired about 9.0 million shares for \$3.2 billion this year, roughly 8% of shares outstanding. The model takes share count from 107.4 million (FY2025A) to 104.0 million (FY2028E) and EPS from \$14.30 to \$27.44 (forecast EPS is on an adjusted basis).					
Driver 2 — Second-Half Organic Ramp	Management raised 2026 organic growth guidance to about 6% (from 5% to 6%), and JPM models 7.1% organic growth in 3Q with TEP up 11%. Neptune's 2Q should be its last negative quarter, DAT freight indicators are improving with the larger benefit in 2027, and CentralReach and Subsplash begin counting as organic. Model sales growth is 8.5% in FY2026E.					
Driver 3 — Deleveraging, Then M&A	Net leverage is about 3.4x after the buyback. Management plans to direct near-term cash to debt reduction, helped by about \$1.2 billion of after-tax Indico proceeds expected in the second half, to rebuild capacity for a targeted \$5 billion or larger M&A cycle over the next 12 to 18 months. The model has net debt/EBIT easing from 4.1x to 3.5x by FY2028E.					
What does management say?	Management raised 2026 adjusted EPS guidance by \$0.30 at the midpoint to \$22.15 to \$22.30 and said softer Network and Application Software results reflected timing and mix, not attrition, competition or AI disruption. Capital deployment now shifts toward debt reduction ahead of renewed M&A, and management sounded more positive on the deal pipeline.					
2. Low P/E Ratio	Yes					
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
EPS (model)	\$12.84	\$14.47	\$14.30	\$22.13	\$24.71	\$27.44
P/E at current price	27.9x	24.8x	25.1x	16.2x	14.5x	13.1x
Peer median P/E (FactSet, incl. ROP)	33.1x	FY2026E P/E vs. peer median		(51%)		
3. Low Price / Cash Flow	Yes					
FCFE / share	-\$4.35	-\$0.28	\$3.19	-\$3.76	\$1.92	\$2.74
Price / FCFE	NM	NM	112.3x	NM	186.6x	130.8x
Peer median P/CF (FactSet, incl. ROP)	19.3x	ROP P/CF (FactSet) vs. peer median		(30%)		
4. Low Price / Book Value	Yes					
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Book value / share	\$163.65	\$176.17	\$185.12	\$204.63	\$223.27	\$234.29
Price / Book	2.2x	2.0x	1.9x	1.8x	1.6x	1.5x
ROE (EOY book)	7.8%	8.2%	7.7%	10.8%	11.1%	7.6%
Peer median P/B (FactSet, incl. ROP)	2.9x	Price / book (today) vs. peer median		(33%)		

Roper Technologies, Inc. (ROP) — Value Criteria, continued

5. Financial Soundness							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	6,532	7,824	9,535	10,121	10,562	11,010	
Net debt (\$mm)	6,318	7,636	9,237	9,417	9,482	9,551	
Total debt / equity (gross)	37.4%	41.5%	48.0%	45.9%	44.6%	43.4%	
Total debt / assets (gross)	23.2%	25.0%	27.6%	26.7%	26.1%	25.6%	
Net debt / invested capital	24.5%	26.7%	29.2%	27.2%	25.6%	24.2%	
Net debt / EBIT	3.6x	3.8x	4.1x	3.9x	3.7x	3.5x	
Tax rate	20.6%	Book equity (\$mm)	19,882	Net debt/EBIT easing to 3.5x by FY2028E			
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	15.0%	13.9%	12.3%	8.5%	5.9%	5.6%	
EBIT margin	28.2%	28.4%	28.3%	28.3%	28.3%	28.3%	
EPS growth	37.9%	12.7%	(1.1%)	54.7%	11.7%	11.0%	
7. Business Strategy & Segment Mix							Yes
Strategy	Decentralized acquirer of vertical software and niche technology businesses: buy high-margin, recurring-revenue companies, run them for cash, and redeploy free cash flow into M&A and buybacks. Recurring and reoccurring revenue is about 85% of Application Software.						
Segment / geography mix	Application Software 56%, Network Software 21% and Technology Enabled Products 23% of 2026E sales (JPM). The customer base is mainly in the United States.						
8. Capable Management & Insider Ownership							No
Insider ownership	0.4%	Inst. ownership	106.1%	Buybacks, % of NOPAT (FY1E)		10.6%	
Insider activity / governance	Insider ownership is only 0.4% (FactSet), so alignment rests on pay design. The board backed large buybacks at about 3.4x leverage; the promised shift to debt reduction is the near-term test of discipline.						
9. Valuation — Value Creation (ROIC vs. ke)							No
ROIC (FY1E)	5.7%	Cost of equity (ke)	7.7%	EVA spread (ROIC – ke)		(2.1%)	
Price target / upside	\$414.00	15.5%		Value / share range (low to high)		\$219 to \$544	
10. Uses of Capital — allocation discipline							No
Reinvestment 138% of NOPAT, dividends plus buybacks 11% in FY2026E; reinvestment is mainly acquisitions, partly debt-funded. Detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met		6 / 10					
FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023 to 2028
Sales	6,178	7,039	7,903	8,572	9,075	9,585	9.2%
Gross margin	69.7%	69.3%	69.2%	69.2%	69.2%	69.2%	
EBIT	1,745	1,997	2,235	2,425	2,567	2,711	9.2%
Net income	1,368	1,549	1,536	2,386	2,624	2,855	15.8%
EPS (basic)	\$12.84	\$14.47	\$14.30	\$22.13	\$24.71	\$27.44	16.4%
Dividend / share	\$2.72	\$3.01	\$3.31	\$3.29	\$3.68	\$4.08	
FCFE / share	-\$4.35	-\$0.28	\$3.19	-\$3.76	\$1.92	\$2.74	(191.2%)
Invested capital	25,747	28,592	31,605	34,662	37,034	39,434	8.9%
ROIC	5.4%	5.5%	5.7%	5.7%	5.7%	5.7%	
NOPAT margin	22.2%	22.3%	22.4%	22.4%	22.4%	22.4%	
Sales / NWC	-5.20x	-4.93x	-5.69x	-5.69x	-5.69x	-5.69x	
Sales / NFA	0.23x	0.24x	0.24x	0.24x	0.24x	0.24x	
Sales / invested capital (ex cash)	0.24x	0.25x	0.25x	0.25x	0.25x	0.25x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023 to 2028
NOPAT before reinvestment (\$mm)	1,370	1,573	1,774	1,924	2,037	2,152	
Uses, as % of NOPAT							
CapEx & acquisitions (Δ NFA)	119.8%	197.8%	161.5%	143.9%	102.3%	98.1%	137.2%
Working capital (Δ NWC)	(10.9%)	(15.3%)	2.3%	(6.1%)	(4.3%)	(4.2%)	(6.4%)
Dividends	21.2%	20.5%	20.0%	18.5%	19.2%	19.7%	19.8%
Share buybacks	(24.0%)	(12.4%)	9.4%	(7.8%)	29.0%	35.6%	5.0%
Debt repaid (neg. = borrowing)	24.8%	(82.1%)	(96.4%)	(30.5%)	(21.7%)	(20.8%)	(37.8%)
Cash & securities build	(42.2%)	(1.7%)	6.2%	21.1%	18.5%	17.6%	3.2%
Interest & other (residual)	11.3%	(6.8%)	(2.9%)	(39.0%)	(43.0%)	(46.1%)	(21.1%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	108.9%	182.5%	163.7%	137.8%	97.9%	94.0%	130.8%
Dividends + buybacks, % of NOPAT	(2.8%)	8.0%	29.5%	10.6%	48.2%	55.3%	24.8%
Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.							
COMPS OVERVIEW (current multiples, FactSet)							
Ticker	Company		P/E	P/S	P/B	P/CF	EV/EBIT
ROP	Roper Technologies, Inc.		14.9x	4.4x	1.9x	13.5x	25.6x
VLTO	Veralto Corporation		24.5x	4.2x	7.7x	21.6x	20.1x
DHR	Danaher Corporation		39.9x	6.3x	3.0x	23.9x	33.8x
FTV	Fortive Corp.		33.1x	4.0x	2.8x	16.4x	29.6x
TRMB	Trimble Inc.			3.6x	2.6x	16.9x	31.8x
AME	AMETEK, Inc.		36.7x	7.3x	5.1x	29.7x	25.5x
Median	Median, including ROP		33.1x	4.3x	2.9x	19.3x	27.6x
ROP	Subject, at current price		25.1x	4.9x	1.9x	112.3x	21.4x
Premium / (discount) to peer median			(24%)	+14%	(33%)	+483%	(23%)
Peer set from AutoTearSheet-5PageIDi4:Di9. Median includes ROP and excludes blanks.							
KEY RISKS							
1. Organic growth stays mid-single-digit. The second-half ramp depends on Neptune, DAT and Deltec; if 3Q organic growth misses JPM's 7.1%, the 2026 guide and our 8.5% sales growth are at risk. Watch 3Q organic growth by segment.							
2. AI pressure on vertical software. Both brokers cite AI disruption as a cap on the multiple, and Mizuho flagged negative recurring and reoccurring revenue in 2Q. Watch Application Software recurring growth.							
3. Leverage and acquisition returns. Net debt/EBIT is 4.1x and model ROIC of 5.7% sits below the 7.7% cost of equity, so a \$5 billion deal at a full price would widen the gap. The constant-growth value of \$219 is -38.8% from here.							
4. Earnings basis. Forecast EPS uses consensus adjusted figures, which exclude acquired-intangible amortization, while history is GAAP. That lifts the P/E, P/S and P/B values.							
Exit discipline: sell if 3Q organic growth comes in below 5%, if net leverage rises above 3.5x without a deal that earns more than our cost of equity, or if the position breaches the fund's drawdown limit.							
Sources: model outputs linked to Auto-FinadValInfo and AutoTearSheet-5Page (FactSet); pillar 4 and criterion 6 figures from Roper Q2 2026 earnings release (Form 8-K, July 23, 2026, sec.gov). Information for educational purposes only. Not a recommendation to buy or sell any security.							