

ePlus inc. (PLUS)

Value Fit 8 / 10

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

Analyst:

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Recommendation: **BUY**

Philosophy Fit

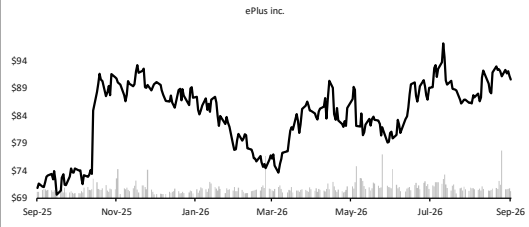
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As of:

09/28/2026

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

Performance level — ROIC (FY2027E) vs. ke	15.4% vs 9.1% → Above ke
Change in performance — ΔROIC	0.0 pts, FY2027E vs FY2026A → Flat by construction
Lifecycle phase	Phase IV — ROIC above WACC, held flat
Valuation gap — target vs. price	+16.0% → Price below our value



BUSINESS DESCRIPTION

ePlus inc. (Herndon, Virginia; founded 1990) is a technology solutions provider that sells, integrates and supports networking, security, cloud, data center and collaboration products for enterprise, mid-market, public sector and healthcare customers, mainly in the United States. It reports product, professional services and managed services segments, and sold its domestic financing business on June 30, 2025.

INVESTMENT THESIS

ePlus finished fiscal 2026 with net sales up 22.1% to \$2,442.5 million, \$410.8 million of cash and almost no debt, after selling its domestic financing business to focus on technology solutions. The market appears to be extrapolating a flat first quarter of fiscal 2027 (net sales up 1.0%) rather than the significant increase in booked and open orders that management expects to convert in the second half. Our four FCFE methods average \$105, about 16% above the current price, and the gap closes as backlog converts and shipments recover from the memory chip shortage.

MARKET SNAPSHOT

Current Price	\$90.51	Market Cap (\$B)	\$2.4	Beta	1.03
52-Week Range	\$70 to \$97	Inst. Ownership	96.3%	Insider Own.	2.1%
Shares Out. (mm)	26.2	Short Interest (% float)	5.6%	Dividend Yield	1.2%
Consensus L-T Growth	16.0%	Payout Ratio	21.3%	Cost of Equity	9.1%
Price Target	\$105.00	Upside to Target	16.0%	Value Range	\$95 to \$115

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$115.34	27.4%	16.8x P/E
Equity DCF – terminal P/S	\$95.16	5.1%	0.6x P/S
Equity DCF – terminal P/B	\$108.68	20.1%	2.3x P/B
Equity DCF – constant growth	\$102.58	13.3%	3.5% g, 9.1% ke
Average of methods	\$105.44	16.5%	Equal-weighted
Analyst price target	\$105.00	16.0%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC 0.0 pts; price is 0.86x our average value	Yes
2. Investing through company cycles	Phase IV; EBIT margin 6.8% → 6.8%	Yes
3. Initial position sizing & risk limits	Half position at entry; review below \$80 or on falling gross profit	Yes
4. Capital allocation discipline	Net debt/invested capital -33.4%; net debt/EBIT -2.4x	Yes
5. Identifiable catalysts & conservative underwriting	Catalyst: open orders convert; downside: about \$15/share net cash	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 8 / 10

1. Catalyst / Investment Drivers

Driver 1 — AI and data center infrastructure demand

Product segment sales rose 25.0% to \$466.1 million in the fourth quarter of fiscal 2026 on networking, cloud, security and collaboration, and management says AI demand is fueling spend across cloud, compute, storage and networking. Monitor product segment growth and conversion of open orders in the second half of fiscal 2027.

Driver 2 — Strategic tuck-in acquisitions broaden offerings and customer base

ePlus has repeatedly used acquisitions to expand its regional footprint and add specialized expertise it can cross-sell in both directions. Bailiwick added a Minneapolis based team serving retail, financial services and hospitality customers with edge computing and physical security work. Daymark added the New England, Microsoft focused team described below.

Driver 3 — Daymark acquisition expands customer base

The Daymark acquisition gives ePlus a Microsoft and Copilot focused team with customers in regulated industries like healthcare, energy, and financial services. ePlus can sell its broader catalog into Daymark's customer base, and sell Daymark's Microsoft expertise into its own existing base.

What does management say?

Management reaffirmed fiscal 2027 guidance for mid-single-digit growth in net sales, gross profit and adjusted EBITDA, citing a significant increase in booked and open orders and a stronger second half. It flagged product shipment delays and longer lead times from the ongoing memory chip shortage.

2. Low P/E Ratio

Yes

	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E
EPS (model)	\$4.35	\$2.88	\$4.73	\$5.71	\$6.52	\$7.22
P/E at current price	20.8x	31.4x	19.1x	15.8x	13.9x	12.5x
Comp median P/E (FactSet, incl. PLUS)	17.6x	FY2027E P/E vs. comp median		(10%)		

3. Low Price / Cash Flow

No

FCFE / share	\$4.20	\$4.99	\$1.77	\$3.50	\$3.79	\$4.19
Price / FCFE	21.6x	18.1x	51.1x	25.9x	23.9x	21.6x
Comp median P/CF (FactSet, incl. PLUS)	17.6x	Price / FCFE (today) vs. comp median		+191%		

4. Low Price / Book Value

Yes

	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E
Book value / share	\$33.89	\$36.62	\$40.75	\$43.38	\$46.53	\$48.97
Price / Book	2.7x	2.5x	2.2x	2.1x	1.9x	1.8x
ROE (EOY book)	12.8%	7.9%	11.6%	13.2%	14.0%	12.3%
Comp median P/B (FactSet, incl. PLUS)	2.3x	Price / book (today) vs. comp median		(3%)		

ePlus inc. (PLUS) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	
Total debt (\$mm)	53	19	16	16	17	17	
Net debt (\$mm)	-200	-370	-395	-381	-366	-350	
Total debt / equity (gross)	5.9%	2.0%	1.5%	1.5%	1.5%	1.5%	
Total debt / assets (gross)	3.2%	1.0%	0.9%	0.9%	0.9%	0.8%	
Net debt / invested capital	-19.2%	-34.1%	-33.4%	-31.6%	-29.8%	-27.9%	
Net debt / EBIT	-1.4x	-3.7x	-2.4x	-2.2x	-2.0x	-1.8x	
				Net cash every year; debt is 1.5% of equity. Auditor Deloitte & Touche LLP; no defined benefit pension.			
Tax rate	28.4%	Book equity (\$mm)	1,069				
6. Positive Earnings Dynamics							Yes
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	
Sales growth	7.5%	(7.5%)	19.7%	4.7%	4.9%	4.9%	
EBIT margin	6.5%	4.9%	6.8%	6.8%	6.8%	6.8%	
EPS growth	(3.1%)	(33.7%)	64.0%	20.8%	14.2%	10.7%	
7. Business Strategy & Segment Mix							Yes
Strategy	Services-led technology solutions provider; sells and integrates networking, security, cloud and data center products, then layers higher-margin professional and managed services on top. Exited domestic financing on June 30, 2025 to focus on the technology business.						
Segment / geography mix	Three segments: product (\$529.6 million, about 82% of first-quarter fiscal 2027 net sales), professional services (\$68.1 million) and managed services (\$51.3 million). Almost entirely United States.						
8. Capable Management & Insider Ownership							No
Insider ownership	2.1%	Inst. ownership	96.3%	Buybacks, % of NOPAT (FY1E)		98.1%	
Insider activity / governance	Board authorized repurchase of up to 1,500,000 shares over 12 months from August 11, 2026 and declared a \$0.27 quarterly dividend. Insider ownership is only 2.1%, so alignment rests on compensation design.						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	15.4%	Cost of equity (ke)	9.1%	EVA spread (ROIC – ke)		6.3%	
Price target / upside	\$105.00	16.0%		Value / share range (low to high)		\$95 to \$115	
10. Uses of Capital — allocation discipline							Yes
Reinvestment 29% of NOPAT, dividends + buybacks 98% in FY2027E; quarterly dividend began in fiscal 2026, alongside tuck-in acquisitions. Full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							8 / 10
FINANCIAL SUMMARY (\$mm except per share)							
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	CAGR 2024 to 2029
Sales	2,206	2,040	2,443	2,557	2,682	2,813	5.0%
Gross margin	23.2%	23.8%	24.1%	24.1%	24.1%	24.1%	
EBIT	143	101	166	174	182	191	6.0%
Net income	116	76	124	144	156	164	7.2%
EPS (basic)	\$4.35	\$2.88	\$4.73	\$5.71	\$6.52	\$7.22	10.7%
Dividend / share	—	—	\$0.75	\$0.91	\$1.03	\$1.14	
FCFE / share	\$4.20	\$4.99	\$1.77	\$3.50	\$3.79	\$4.19	(0.0%)
Invested capital	1,039	1,086	1,182	1,204	1,229	1,254	3.8%
ROIC	13.1%	10.4%	15.4%	15.4%	15.4%	15.4%	
NOPAT margin	4.7%	3.6%	4.9%	4.9%	4.9%	4.9%	
Sales / NWC	6.65x	18.82x	7.97x	7.97x	7.97x	7.97x	
Sales / NFA	4.85x	3.47x	5.26x	5.26x	5.26x	5.26x	
Sales / invested capital (ex cash)	2.81x	2.93x	3.17x	3.17x	3.17x	3.17x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	Avg 2024 to 2029
NOPAT before reinvestment (\$mm)	103	73	119	124	131	137	
Uses, as % of NOPAT							
CapEx and fixed assets (Δ NFA)	88.1%	183.7%	(103.7%)	17.4%	18.2%	18.2%	37.0%
Working capital (Δ NWC)	(86.1%)	(307.5%)	166.6%	11.5%	12.0%	12.0%	(31.9%)
Dividends	—	—	16.5%	18.3%	19.0%	19.0%	12.1%
Share buybacks	(3.6%)	10.4%	5.2%	79.8%	82.6%	82.6%	42.8%
Debt repaid (neg. = borrowing)	1.9%	46.8%	2.4%	(0.1%)	(0.1%)	(0.1%)	8.5%
Cash & securities build	145.8%	187.9%	18.0%	(10.9%)	(11.4%)	(11.5%)	53.0%
Interest & other (residual)	(46.1%)	(21.4%)	(5.0%)	(16.0%)	(20.3%)	(20.2%)	(21.5%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	2.0%	(123.8%)	62.9%	29.0%	30.2%	30.2%	5.1%
Dividends + buybacks, % of NOPAT	(3.6%)	10.4%	21.7%	98.1%	101.6%	101.6%	55.0%
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	
PLUS	ePlus inc.	18.9x	1.0x	2.2x	39.8x	9.5x	
CDW	CDW Corporation	16.3x	0.7x	6.9x	17.6x	14.0x	
NSIT	Insight Enterprises, Inc.	23.3x	0.6x	2.9x	11.3x	9.2x	
CNXX	PC Connection, Inc.	23.6x	0.8x	2.4x	53.9x	10.2x	
SCSC	ScanSource, Inc.	16.0x	0.4x	1.3x	9.8x	11.0x	
SNX	TD SYNNEX Corporation	16.0x	0.3x	2.2x		10.1x	
Median	Median, incl. PLUS	17.6x	0.6x	2.3x	17.6x	10.1x	
PLUS	Subject, at current price	19.1x	1.0x	2.2x	51.1x	11.9x	
Premium / (discount) to comp median		+9%		+50%	(3%)	+191%	+18%
Comp set from AutoTearSheet-SPageID4:D19, with PLUS first. Median includes PLUS and excludes blanks.							
KEY RISKS							
1. Backlog conversion and supply. The memory chip shortage is delaying shipments; if open orders slip past fiscal 2027, the 4.7% FY2027E sales growth is too high. Watch product segment sales and inventory.							
2. Infrastructure spending cycle. Product is about 82% of net sales and depends on enterprise AI and data center budgets; a pause hits volume and operating leverage together. Watch product gross billings.							
3. Margin mix. Product gross margin fell to 21.0% in the first quarter of fiscal 2027 from 21.3%; the model holds gross margin at 24.1%. Watch gross margin each quarter. Exit discipline: sell at the top of our value range (\$95 to \$115) or after two consecutive quarters of lower gross profit.							
Sources: model outputs linked to Auto-FinandValInfo and AutoTearSheet-SPage {FactSet}, information for educational purposes only. Not a recommendation to buy or sell any security.							