

Initiated 2026-09-28 (re-initiation; prior report `initiation-2026-09-26.md`) · Price \$139.37 (as of 2026-09-28 12:52 PM EDT, stockanalysis.com) · Mkt cap \$15.12bn · Technology / engineering (CAD and PLM) software · Model: verified

Rating: Hold — Conviction: Low

PTC is a high-quality, ~97%-recurring design and product-data software franchise, compounding constant-currency ARR at ~9%. At ~14.9x FY2025 GAAP EBITDA on the model's basis, the price already pays for most of that. The base case, which fades ARR growth to ~6.5% and nudges the multiple down slightly, lands almost exactly on today's price. The bull case, where ARR holds ~10%, and the bear case, where seat growth stalls, are roughly equal and opposite. This replaces the 2026-09-26 Buy. That model was built from aggregator pages. On EDGAR figures, FY2025 EBITDA is ~5% lower (\$1,084.9mm vs \$1,143.4mm) and the multiple is higher (14.9x vs 14.0x), which removes the margin of safety the Buy rested on.

Conviction tests (3a-v-c): T1 fail — Hold → Buy at -1pp (base +10.5%), borderline Sell at +1pp (base -10.2%) · T2 pass · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

PTC sells Creo (CAD) and Onshape (cloud CAD), Windchill (PLM), Codebeamer (application lifecycle management) and ServiceMax (field service) to discrete manufacturers in aerospace, automotive, industrial equipment and medical devices. Under ASC 606, multi-year term licences are recognised largely upfront. Reported revenue therefore swings with renewal timing: Q3 FY26 revenue fell 6.8% to \$600.0mm while constant-currency ARR ex-divested rose 9.1% to \$2,448mm. The Kepware and ThingWorx IoT businesses were sold in March 2026 for a \$462.6mm gain. Earnings turn on three things: ARR growth (seat expansion plus price), the pace of the SaaS transition, and SBC, which ran at \$185.8mm in 9M FY26 against \$216.2mm for all of FY2025.

Competition

PTC competes mainly with Dassault Systèmes (CATIA, SOLIDWORKS, ENOVIA) and Siemens (NX, Teamcenter), with Autodesk in mid-market CAD. Dassault grew Q2 2026 revenue 4% in constant currency, with 3DEXPERIENCE software and cloud software each up 14%. It guides 2026 growth to 3–5% ex-FX (Q2 2026 release, July 2026). PTC's ~9% ARR growth is therefore ahead of its largest listed rival. Pressure would show up first in seat expansion and renewal pricing; PLM data is costly to migrate. The closest listed comparable, Dassault, trades at 14.5x aggregator EV/EBITDA, so PTC is not cheap against it (stockanalysis, 2026-09-28).

Bull case

1. **Steady ARR compounding.** FY26 ARR guidance was raised to +9–9.5% cc, and FCF is guided at ~\$850mm after ~\$100mm of one-off divestiture taxes. Plays out if ARR holds ~10% into FY2027–28 and the multiple moves toward Autodesk's 18.6x. *Model: rev_growth, exit_ev_ebitda*
2. **SaaS and ALM widen the wallet.** Onshape and Codebeamer sell into software-defined products (autos, medical devices). Plays out if PLM and ALM keep taking on-premise Teamcenter and ENOVIA seats. *Model: rev_growth*
3. **A simpler, higher-margin company after the IoT sale.** 9M FY26 GAAP EBITDA margin was 36.8%, against 26.9–30.3% in FY2022–FY2024. Plays out if flat headcount and SaaS scale push GAAP EBITDA margin toward 45%. *Model: ebitda_margin*

Bear case

1. **FY2025 flatters the base.** FY2025 revenue grew 19% and GAAP EBITDA margin hit 39.6% because large renewals were recognised upfront. FY26 revenue is guided flat to down. Plays out if margin settles near 34% and ARR growth slows to ~4%, which would make 14.9x an expensive multiple on normalised earnings. *Model: rev_growth, ebitda_margin, exit_ev_ebitda*
2. **AI-native design tools and price competition cap seats.** Generative design and AI copilots could reduce engineers per product, and rivals could price aggressively. Plays out if net new ARR slows while industrial activity stays healthy. *Model: rev_growth, exit_ev_ebitda, wacc*
3. **SBC outgrows revenue.** SBC is ~8% of revenue, and model FCF deducts it as a real cost. The FY26 buyback (~\$1.625bn, taking shares from 119.5mm to 108.5mm) is funded partly by divestiture proceeds and won't repeat at that scale. Plays out if SBC keeps rising faster than revenue. *Model: ebitda_margin*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$16.20bn, no leases / FY2025 GAAP EBITDA \$1,084.9mm after SBC)	14.9x	n/a (not restated)	n/a (peers not restated)	EDGAR / <code>model-inputs.json</code> , 2026-09-28
EV/EBITDA, aggregator (TTM, lease-inclusive)	12.7x	n/a (unverified)	Autodesk 18.6x · Bentley 22.8x · Dassault 14.5x	stockanalysis.com, 2026-09-28
EV/FCF (TTM, FCF before SBC)	17.3x	n/a (unverified)	Autodesk 15.0x · Bentley 21.4x · Dassault 16.1x	stockanalysis.com, 2026-09-28
Forward P/E (consensus adjusted EPS)	16.4x	n/a	Autodesk 16.1x · Bentley 21.3x · Dassault 15.4x	stockanalysis.com, 2026-09-28

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$73.69 · Base \$137.74 · Bull \$201.21 per share, i.e. implied returns of –47.1% / –1.2% / +44.4% vs \$139.37. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the base case: it pays for ~7–8% growth and GAAP margins rising to ~41%, nothing more.

Re-rating. The base exit multiple of 14x is a ~6% de-rating from today's 14.9x on the model's basis. The two methods differ by 10.5%: exit-multiple \$144.64, Gordon \$130.85. The Gordon method embeds a lower terminal multiple than 14x at a 9.6% WACC and 3.0% terminal growth, so it is the more demanding of the two, not noise.

Tail, quantified. A harsher case was run on a scratch copy outside the repo: revenue –3%, +1%, flat, flat, then +1%; GAAP EBITDA margin 34% then 32%; NWC 3% of revenue; 8x exit; 11.6% WACC; 1.5% terminal growth. It gives **\$49.36 (–64.6%)**.

Balance sheet:

- Net leverage 0.99x FY2025 EBITDA (gross 1.31x); coverage 16.4x.
- Liquidity: \$351.5mm cash plus ~\$775mm undrawn on the \$1.25bn revolver.

- Nearest material maturity: all \$1,425.1mm of debt falls in 2028. That is the \$500mm 4.000% notes (February 2028), the \$475.0mm drawn on the revolver (January 2028) and the \$450.1mm term loan (maturity assumed to match the facility).
- Ratings: n/a (unverified).

Model note:

- Tier **full** , status **built** , verification **verified** (LibreOffice recalculation matched all 3,207 formula cells). No unverified inputs, no assumptions without a basis, and all 14 scenarios **OK** .
- Every historical series and FY0 fact comes from SEC EDGAR XBRL or the 10-K/10-Q statements. The debt split was read through a search summary of the 10-Q. Its total (\$1,425.1mm principal) ties to the balance sheet (\$1,423.3mm net of issuance costs).
- Estimates: the 21% tax rate, the ~5% facility coupon and the term-loan maturity.
- Shares are the 108.51mm basic count from the 10-Q cover, which excludes ~1% RSU dilution (est.).
- EBITDA is GAAP, after SBC, and excludes ROU-lease amortization. The prior model's aggregator D&A of \$135.4mm included \$32.9mm of lease amortization.
- Base Y1 (FY2026) EPS of \$6.29 differs from GAAP guidance of \$8.46–9.18 because that guide includes the divestiture gain. It also sits below the non-GAAP guide (\$7.87–8.42), which excludes SBC and amortization.

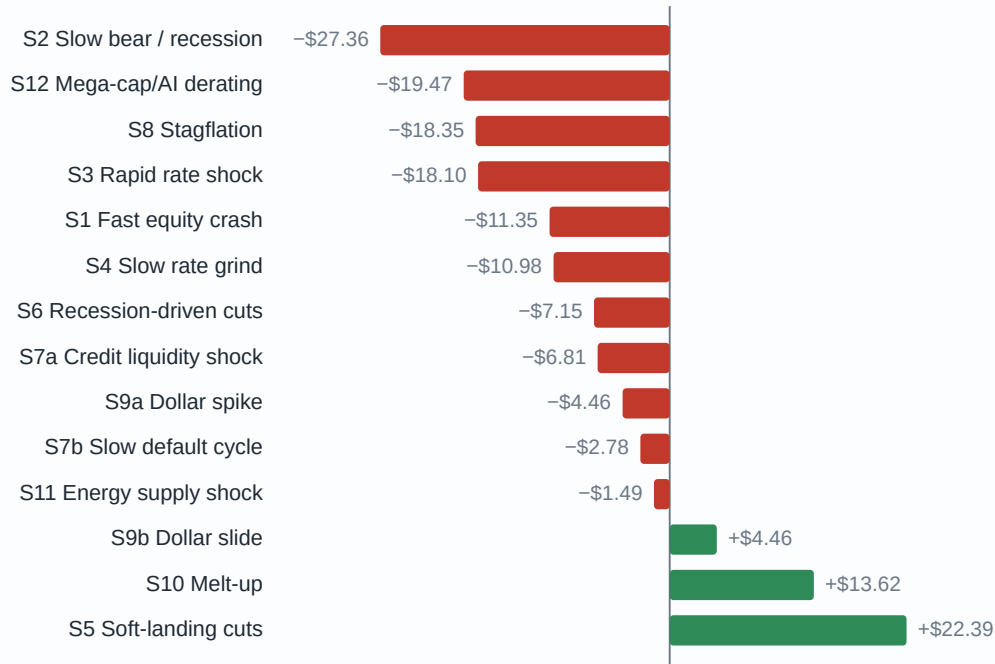
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Software de-rates in a liquidity sell-off; no operating channel over weeks	Med	–\$11.35
S2 Slow bear / recession	–	Manufacturers freeze engineering hiring and seat expansion; ARR growth halves for two years; multiple compresses. Smaller than Base – Bear (\$64.05) on purpose: transitory, while the bear case is a permanent plateau	High	–\$27.36
S3 Rapid rate shock	–	Discount rate rises; ~\$925mm floating-rate facility reprices	High	–\$18.10
S4 Slow rate grind	–	Same channel, grinding	Med	–\$10.98
S5 Soft-landing cuts	+	Lower discount rate; industrial R&D budgets intact	High	+\$22.39
S6 Recession-driven cuts	–	Seat freezes outweigh the lower discount rate	Low	–\$7.15
S7a Credit liquidity shock	–	Forced selling; undrawn revolver and no maturity before 2028 limit the liquidity channel	Low	–\$6.81
S7b Slow default cycle	–	Some levered industrial customers cut seats	Low	–\$2.78
S8 Stagflation	–	Higher discount rate; manufacturers squeezed by input costs slow software spend	High	–\$18.35
S9a Dollar spike	–	A large share of ARR is outside the US and translates lower	Low	–\$4.46
S9b Dollar slide	+	Mirror of S9a	Low	+\$4.46
S10 Melt-up	+	Momentum rotates back into de-rated quality software	Med	+\$13.62
S11 Energy supply shock	–	Energy costs hit European manufacturers hardest; mild seat slowdown	Low	–\$1.49
S12 Mega-cap/AI derating	–	An AI unwind that re-prices application software hits the multiple; AI-native design tools feed the seat-count fear	High	–\$19.47

Currently active/on watch per the playbook: `state.md` lists S3 as partially active, but the macro log shows all three S3 legs met since 2026-09-24 (10Y 5.17% on 09-25), and S3 is a High row here. S8, S10 and S11 are on watch; S8 is also High.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- FY2027 guidance holds cc ARR growth at 9%+ with FCF above \$1bn and SBC growing slower than revenue; or
- the price falls toward ~12x FY0 EBITDA with ARR growth intact.

Downgrades if:

- cc ARR growth falls below 7%; or
- FY2027 FCF guidance is flat on FY2026's underlying ~\$950mm (est., \$850mm plus ~\$100mm of one-off taxes); or
- net debt rises above ~1.5x EBITDA to fund buybacks.

Watch items

- **W1:** Q4 FY26 cc ARR growth against the +9–9.5% guide — below 9% is a miss. Source: Q4 FY26 release, early November 2026. *Model: rev_growth*
- **W2:** FY2027 guidance for ARR growth, FCF and GAAP operating margin. Source: Q4 FY26 release. *Model: rev_growth, ebitda_margin*
- **W3:** SBC growth against revenue growth (9M FY26 SBC \$185.8mm). Source: FY2026 10-K, November 2026. *Model: ebitda_margin*
- **W4:** Refinancing of the 2028 notes and credit facility, plus leverage after the FY26 buybacks. Source: FY2026 10-K. *Model: none*

Sources

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- PTC FY2025 10-K balance sheet and cash flows (accn 0001193125-25-291326) — <https://www.sec.gov/Archives/edgar/data/857005/000119312525291326/R2.htm> · [/R7.htm](#) — accessed 2026-09-28
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- Dassault Systèmes Q2 2026 results — <https://www.globenewswire.com/news-release/2026/07/23/3331853/0/en/Dassault-Syst%C3%A8mes-Solid-Q2-results-and-confirming-full-year-objectives-Delivering-AI-native-solutions-and-expanding-in-Life-Sciences-with-the-acquisition-of-ArisGlobal.html> — accessed 2026-09-28
- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md`, 2026-09-25 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.