

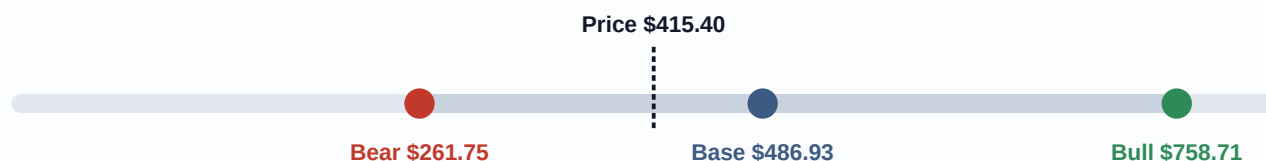
Initiated 2026-10-22 · Price \$415.40 (intraday 2026-10-22 9:58am ET, market open, stockanalysis.com) · Mkt cap \$41.1bn (99.0mm shares) · Information technology / vertical application software · Model: verified

Rating: Buy — Conviction: Low

Roper is down 19% over 52 weeks on the fear that AI agents commoditize its portfolio of niche workflow software. The filings show the opposite so far: Q3 organic growth accelerated to 7%, the EBITDA margin held near 40%, and full-year adjusted DEPS guidance was raised again. At ~16x model-basis EBITDA, the price sits about two-thirds of the way from our Bear case to our Base case, and the upside to Bull is more than twice the downside to Bear. Conviction is Low because the call does not survive a 1pp higher discount rate, and because it rests on the Gordon method more than on the exit-multiple method.

Conviction tests (3a-v-c): T1 fail (Base +2.5% at +1pp → Hold; +37.9% at -1pp) · T2 fail (Gordon alone +26.4%; exit-multiple alone +8.0% → Hold) · T3 pass (every FY0 fact and historical series from EDGAR XBRL, the 2025 10-K and the Q3 release; no est. inputs) · T4 pass (no pending deal, ruling or contract that alone moves value >25%)

MODEL VALUE RANGE VS PRICE



Business overview

Roper runs decentralized vertical software and technology businesses and recycles their cash into acquisitions. Q3 2026 revenue of \$2.17bn split into Application Software 57% (Deltek for government contractors, Vertafore for insurance agencies, Aderant for law firms, PowerPlan for utilities, CentralReach for autism care, Procare for childcare), Network Software 21% (DAT freight marketplace, ConstructConnect, iPipeline, SoftWriters) and Technology Enabled Products 22% (Neptune water meters, Verathon medical devices, Northern Digital). Three variables drive earnings: organic growth in recurring software (price escalators, seat counts, module upsell), a ~40% EBITDA margin, and the return Roper earns on the \$2–3.6bn a year it spends on acquisitions.

Competition

Competition is business by business: Vertafore competes with Applied Systems (private) in agency management; Deltek competes with Unanet and the ERP majors; Tyler Technologies is the closest listed comparable. The pressure the thesis rests on is new: AI-native workflow tools that could undercut seat-based pricing. Roper's answer is to ship agentic products itself (six agentic SKUs at Vertafore); management says AI-influenced bookings reached 75% of CentralReach's Q1 new business (company framing). Against peers, consensus 3-year revenue growth is TYL 9.4%, VRSK 6.1% and SSNC 5.7%, versus ROP 7.0% including M&A (stockanalysis, 2026-10-22). On forward P/E, ROP (17.3x) trades well below TYL (26.9x) and VRSK (24.1x) and above SSNC (11.7x).

Bull case

1. **AI monetization lifts organic growth** — agentic SKUs priced as add-ons on a sticky installed base push organic growth toward 7%. Q3 already showed 7% against a ~6% full-year guide. Plays out if Q4 and 2027 organic growth hold at 6–7% while AI attach rates rise. *Model: rev_growth*
2. **Margin expansion** — AI automates support, onboarding and implementation work, adding ~2pp to a ~40% EBITDA margin. Plays out if the adjusted EBITDA margin breaks above 40.5% as AI revenue scales. *Model: ebitda_margin*
3. **Re-rating toward a compounder multiple** — once growth is proven resilient, the 2026 de-rating partially reverses, toward 18x model-basis EBITDA. *Model: exit_ev_ebitda*
4. **Capital deployment optionality** — >\$6bn of deployment capacity plus Indicor proceeds. *Model: not in the value range — acquisitions and the residual Indicor stake are excluded from the organic DCF*

Bear case

1. **AI erodes seat-based vertical software** — cheaper AI-native tools and in-house agents shrink seats and pricing power, and organic growth falls to ~2%. Plays out if net revenue retention slips and DAT and ConstructConnect volumes soften. *Model: rev_growth*
2. **Margin compression** — AI compute costs, price concessions at renewal and lower-margin bolt-ons take the margin to ~37%. Plays out if adjusted EBITDA margin keeps falling year on year (–40bp in Q3). *Model: ebitda_margin*
3. **Ex-growth roll-up multiple** — the market prices Roper as a levered serial acquirer with fading organic growth: 10x EBITDA at a 9.1% discount rate. Plays out if 2027 organic growth guides to ≤4%. *Model: exit_ev_ebitda, wacc*
4. **Capital allocation risk** — \$2.7bn of 2026 buybacks plus continued 20x+ acquisitions lift net leverage at a time of 5%+ Treasury yields. *Model: not in the value range — future acquisitions are outside the organic DCF*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$50.5bn = mkt cap \$41.1bn – cash \$0.31bn + debt \$9.72bn; EBITDA = GAAP operating income + D&A, FY2025; leases excluded)	16.1x FY2025	n/a (unverified)	aggregator TTM, lease-inclusive: SSNC 13.26x · VRSK 19.20x · TYL 34.62x (ROP 14.80x on that basis)	model-inputs.json ; stockanalysis.com 2026-10-22
P/E	18.6x the \$22.35–22.40 FY2026 adjusted DEPS guide (ex amortization); 16.2x the \$25.60–25.65 GAAP guide (includes Indicor gains)	n/a (unverified)	forward: SSNC 11.71x · VRSK 24.06x · TYL 26.87x (ROP 17.32x)	Q3 2026 release; stockanalysis.com 2026-10-22
FCF yield (OCF – capex – capitalized software, over mkt cap)	5.9% on FY2025 (\$2,435.6mm); 6.55% aggregator TTM	n/a (unverified)	SSNC 8.48% · VRSK 4.94% · TYL 4.64%	2025 10-K; stockanalysis.com 2026-10-22

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$261.75 · Base \$486.93 · Bull \$758.71 per share, i.e. implied returns of –37.0% / +17.2% / +82.6% vs \$415.40. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What's priced in.** The price sits 68% of the way from Bear to Base. The market is pricing some AI-disruption risk, but less than half the Bear case.
- **Re-rating.** Base's 14.0x exit is a 13% de-rating from today's 16.1x. The two methods differ by 17%: Gordon \$525.12 versus exit \$448.74. The Gordon method embeds the higher terminal multiple, so the Base midpoint leans on it.

- **Timing bias.** Net debt and shares are at 2026-09-30, but Y1 is all of FY2026. About \$1.8bn of YTD FCF is therefore counted twice, roughly \$18 a share (est.). Net of that, Base is about +13%.
- **Tail.** The Bear case is a plateau, so we ran a failure sensitivity on a scratch copy. Its assumptions: revenue flat in 2027, then –2% / –2% / 0%; margin falling to 35%; NWC at –10% of revenue; an 8x exit; a 9.6% WACC; and 1% terminal growth. The Bear midpoint falls to \$170.30 (–59.0%).

Balance sheet: net leverage 2.6x FY2025 EBITDA (gross 2.7x); coverage 10.1x. Nearest material maturity: \$700mm of 3.80% notes due December 2026, then \$700mm of 1.40% notes in 2027. About \$1.2bn of revolver and commercial paper floats. Ratings BBB+ / Baa2 (expected ratings on the August 2025 issue; current outlook n/a (unverified)).

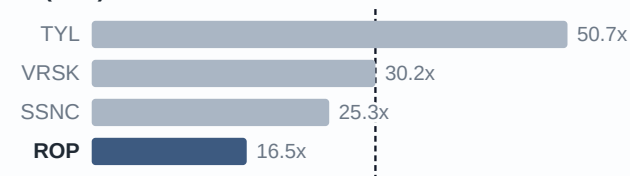
Model note: tier `full` , status `built` , verification `verified` (3,207 formula cells matched in LibreOffice). No unverified inputs and no assumptions without a basis. Scenario consistency is `OK` on all 14 rows; S6 was reconciled once.

- **Sourcing.** Revenue, operating income, D&A, receivables, payables and current deferred revenue are EDGAR XBRL 10-K values for FY2021–25, as restated. FY2021 AR and AP are as first filed, so FY2021 NWC is not comparable. Capex, OCF and the note tranches come from the 2025 10-K. Cash, debt and shares come from the Q3 release.
- **Revolver line.** The \$1,219.7mm revolver/CP line is derived as total debt less note principal.
- **What's excluded.** The DCF is organic: there is no acquisition spend after Y1. The Indicor stake is excluded.
- **EPS vs guidance.** Base Y1 EPS of \$17.06 is well below both guides: \$22.38 adjusted, which excludes ~\$860mm of amortization, and \$25.63 GAAP, which includes Indicor gains. Measure watch items against revenue and margin, not EPS.

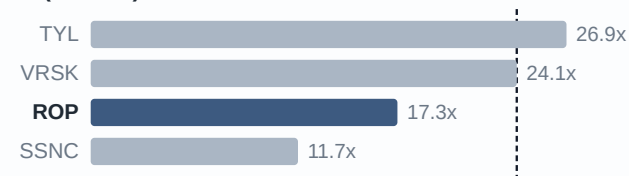
RELATIVE VALUE VS PEERS

Metric	ROP	TYL	SSNC	VRSK	Peer median	vs median
P/E (TTM)	16.5x	50.7x	25.3x	30.2x	30.2x	–45%
P/E (forward)	17.3x	26.9x	11.7x	24.1x	24.1x	–28%
PEG	2.3x	1.7x	n/a	2.0x	1.8x	+24%
EV/EBITDA (TTM)	14.8x	34.6x	13.3x	19.2x	19.2x	–23%
EV/Sales (TTM)	5.8x	6.5x	4.3x	9.3x	6.5x	–11%
P/B	2.1x	5.1x	3.1x	n/a	4.1x	–48%
FCF yield	6.5%	4.6%	8.5%	4.9%	4.9%	+1.6pp

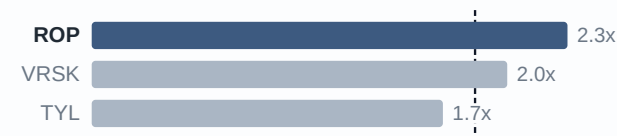
P/E (TTM)



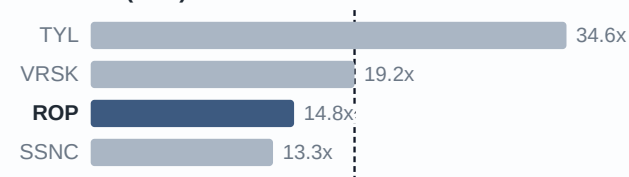
P/E (forward)



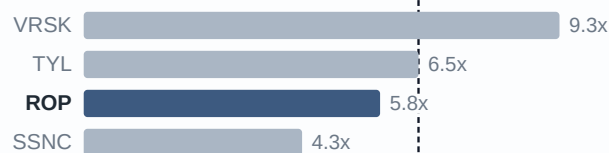
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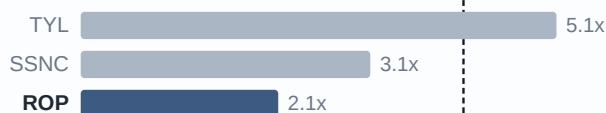
EV/EBITDA (TTM)



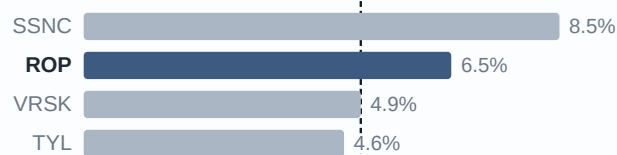
EV/Sales (TTM)



P/B



FCF yield



As of 2026-10-22. One source and one definition for every company: aggregator TTM and consensus-forward multiples, EV netting reported cash and including lease liabilities in debt. Not the model's own EV basis (see the report's valuation table). Pages fetched 2026-10-22 between 9:51 and 10:06am ET with the market open; quotes are intraday. ROP was +4.5% on its Q3 release that morning. Dashed line = peer median. Source: stockanalysis.com/stocks/<ticker>/statistics/, fetched 2026-10-22.

Notes. PEG as given by the source, resting on its consensus growth estimates; the source shows none for SS&C. ROP's TTM P/E includes Indicor equity-investment gains, which flatter TTM earnings. ROP's 14.80x uses the source's \$3.29bn TTM EBITDA; on the model's basis (FY2025 GAAP operating income + D&A, leases excluded) it is 16.1x. The source lists no P/B for Verisk.

Scenario stress test

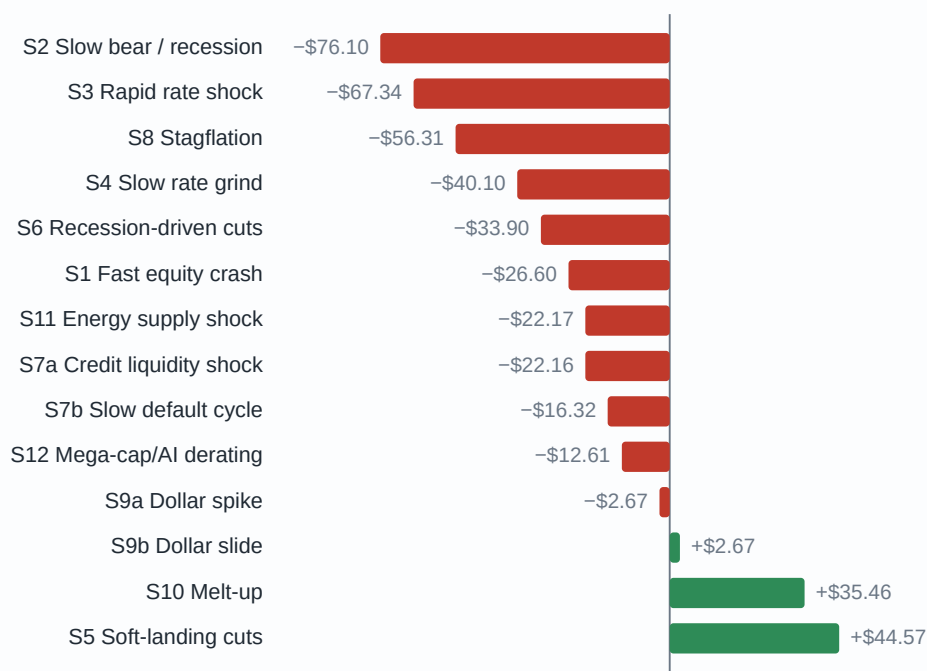
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Liquidity de-rating of a 0.75-beta large cap; fixed-rate notes, no funding channel	Med	–\$26.60
S2 Slow bear / recession	–	DAT freight, ConstructConnect bids, Neptune meters and Verathon capital equipment slow; recurring software holds. Milder than Base – Bear (\$225) because it is a two-year cycle, not a permanent loss of pricing power	High	–\$76.10
S3 Rapid rate shock	–	Higher discount rate on a long-duration multiple; ~\$1.2bn floating debt and \$1.4bn 2026–27 maturities reprice	High	–\$67.34
S4 Slow rate grind	–	Rates weigh on the multiple and on acquisition economics	Med	–\$40.10
S5 Soft-landing cuts	+	Lower discount rate and cheaper acquisition funding	Med	+\$44.57
S6 Recession-driven cuts	–	Same volume losses as S2 plus a recession de-rating; lower rates only partly offset	Med	–\$33.90
S7a Credit liquidity shock	–	Wider BBB spreads raise refinancing and CP cost and pause debt-funded M&A	Low	–\$22.16
S7b Slow default cycle	–	Small-customer churn in agency, legal and childcare software; weaker freight brokers on DAT	Low	–\$16.32
S8 Stagflation	–	Wage inflation and higher rates outweigh price escalators	High	–\$56.31
S9a Dollar spike	–	Small translation loss; revenue is predominantly US	Low	–\$2.67
S9b Dollar slide	+	Mirror image	Low	+\$2.67
S10 Melt-up	+	A de-rated quality compounder re-rates in a risk-on tape	Med	+\$35.46

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S11 Energy supply shock	-	Indirect: input-cost and rate pressure; freight disruption is mixed for DAT	Low	-\$22.17
S12 Mega-cap/AI derating	±	Software de-rates with AI leaders, partly offset by less funding for AI-native rivals	Low	-\$12.61

Currently active/on watch per the playbook: S3 partially active (price-level leg only); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: organic growth guides to $\geq 6\%$ for 2027 with the adjusted EBITDA margin $\geq 40\%$. That would make the exit-multiple method alone clear the cost of equity. **Downgrades if:** organic growth falls below 4% for two quarters, or the adjusted EBITDA margin drops below 39% , or net leverage rises above $3.5\times$ on debt-funded buybacks or acquisitions.

Watch items

- **W1:** Organic growth — Q4 2026 $\geq 6\%$ and initial 2027 organic guide $\geq 5\%$ — Q4 release — late January 2027 — *Model: rev_growth*
- **W2:** Adjusted EBITDA margin — FY2026 $\geq 39.5\%$, no further y/y decline in Q4 — Q4 release — late January 2027 — *Model: ebitda_margin*
- **W3:** Net debt and refinancing — \$700mm 3.80% notes repaid or refinanced in December 2026; net leverage $\leq 3.0\times$ — 2026 10-K — February 2027 — *Model: none*
- **W4:** Indicor pump divestiture closes and proceeds are distributed — 8-K or Q4 release — *Model: none*

Sources

- Roper Q3 2026 earnings release (8-K) — <https://www.sec.gov/Archives/edgar/data/0000882835/000088283526000042/a2026q3earningsrelease.htm> — accessed 2026-10-22
- Roper Form 10-K for 2025 (R5 earnings, R9 cash flows, R63 debt) — <https://www.sec.gov/Archives/edgar/data/882835/000088283526000009/rop-20251231.htm> — accessed 2026-10-22
- EDGAR XBRL companyconcept: revenue, OperatingIncomeLoss, DepreciationDepletionAndAmortization, ContractWithCustomerLiabilityCurrent — <https://data.sec.gov/api/xbrl/companyconcept/CIK0000882835/us-gaap/OperatingIncomeLoss.json> — accessed 2026-10-22
- EDGAR XBRL companyfacts (receivables, payables) — <https://data.sec.gov/api/xbrl/companyfacts/CIK0000882835.json> — accessed 2026-10-22
- Roper prices \$2.0bn senior notes, August 2025 (expected ratings) — <https://finviz.com/news/132797/roper-technologies-prices-public-offering-of-500-million-senior-unsecured-notes-due-2028-500-million-senior-unsecured-notes-due-2030-1-billion-senior-unsecured-notes-due-2035> — accessed 2026-10-22
- Roper Q2 2026 call highlights (MarketBeat) — <https://www.marketbeat.com/instant-alerts/roper-technologies-q2-earnings-call-highlights-2026-07-23/> — accessed 2026-10-22
- Roper Q1 2026 earnings summary (VectorShift; secondary) — <https://vectorshift.ai/research/companies/roper/earnings/2026-q1> — accessed 2026-10-22
- stockanalysis.com statistics: ROP, TYL, SSNC, VRSK — <https://stockanalysis.com/stocks/rop/statistics/> — accessed 2026-10-22
- Macro log (10Y 5.13%, 2026-10-21) — <logs/macro-2026-10.md>

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