

Initiated 2026-09-28 (re-initiation; prior report `initiation-2026-09-26.md`) · Price \$80.33 (as of 2026-09-28 12:36 PM EDT, stockanalysis.com) · Mkt cap \$2.89bn · Technology / retail supply-chain network software · Model: verified

Rating: Hold — Conviction: Low

SPS is a good business at a fair standalone price, and a live sale process now dominates the next few months. The standalone base case sits only ~11% above the price, and just 5% on the Gordon method alone. Bloomberg reported on 2026-09-11 that GTCR is in talks to buy the company. A private-equity deal would cap the realised upside well short of the bull case, while talks that collapse would leave the stock exposed to a de-rating the model cannot express. That combination is a Hold, not the Buy of 09-26. That report missed the sale process entirely.

Conviction tests (3a-v-c): T1 fail — Hold → Buy at -1pp (base +24%); +1pp base +1% · T2 fail — Gordon alone +5% (Hold), exit alone +17% (Buy) · T3 pass — every historical and FY0 fact from EDGAR XBRL or the 10-K/10-Q · T4 fail — pending GTCR take-private talks (deal or break)

MODEL VALUE RANGE VS PRICE



Business overview

SPS sells subscription software that lets suppliers exchange orders, invoices and shipping notices with retailers, plus analytics and retailer-enablement programs. Nearly all revenue is recurring. Q2 2026 revenue was \$197.8mm (+6%), and adjusted EBITDA was \$66.6mm (34% margin, from 30%). The 3P revenue-recovery business was sold on 2026-06-30 for \$8.8mm, at a \$23.5mm loss, and takes ~\$10.5mm of H2 2026 revenue with it. Earnings turn on three things: customer count, upsell into ARPU, and whether SBC (\$36.8mm in H1 2026, +27%) grows slower than revenue.

Competition

The competitors that matter for the thesis's growth driver (small-supplier retention and pricing) are:

- **TrueCommerce**, the other large managed-EDI network, which sells EDI embedded in the ERP.
- **API-first platforms** such as Orderful and Cleo, which sell fast, self-service connections.
- **OpenText Business Network** at the enterprise end.

The only share datapoint found is weak. PeerSpot's review-based "mindshare" puts SPS at 12.7%, down 13.6 from a year earlier, and TrueCommerce at 2.7%, up 1.3 (2026; a measure of review traffic, not revenue share). Pressure would show first in small-supplier pricing and churn, not in retailer connections. Descartes is the closest listed comparable, at 19.1x EV/EBITDA.

Bull case

1. **A network that is hard to replace.** Retailers mandate EDI compliance, and SPS holds pre-built connections to their programs. Plays out if customer additions stay positive once the divestiture laps. *Model: rev_growth, exit_ev_ebitda*
2. **AI agents become a paid tier.** On the Q2 2026 call, SPS said it would sell its MAX agents as tiered subscriptions from late 2026 (per the 09-26 report; the transcript was not re-fetched). Plays out if agents lift ARPU the way analytics did. *Model: rev_growth*
3. **Operating leverage is real.** 2026 guidance adds ~300bp of adjusted EBITDA margin from scale. Plays out if GAAP margin (after SBC) climbs from ~25% toward 32%. *Model: ebitda_margin*

Bear case

1. **Managed EDI commoditises.** API platforms and AI-built integrations cut the cost of doing it yourself, eroding price and small-supplier retention. Plays out if recurring growth drops to low single digits and the multiple compresses toward OpenText's. *Model: rev_growth, ebitda_margin, exit_ev_ebitda, wacc*
2. **Organic growth was always slower than reported.** The 17–23% reported growth of FY2021–FY2025 was acquisition-aided: \$142.6mm was spent on one acquisition in H1 2025 alone. Today's 5–6% guide is closer to the organic rate. Plays out if 2027 guidance lands at mid-single digits again. *Model: rev_growth, exit_ev_ebitda*
3. **SBC eats the margin gains.** SBC is guided at \$69.8mm for 2026 (~8.8% of revenue). Buybacks of ~93% of H1 FCF mostly offset the dilution. Plays out if SBC keeps outgrowing 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 \$2.76bn = 36.58mm × \$80.33 – cash \$173.2mm, no debt or leases; FY2025 GAAP EBITDA \$176.6mm after SBC)	15.6x	n/a (not restated)	n/a (peers not restated)	EDGAR, 10-Q; 2026-09-28
EV/EBITDA (aggregator, TTM)	14.9x	n/a	Descartes 19.1x · Manhattan 41.1x · OpenText 6.2x	stockanalysis.com, 2026-09-28
EV/FCF (TTM, FCF before SBC)	13.7x	n/a	Descartes 21.2x · Manhattan 29.8x · OpenText 12.6x	stockanalysis.com, 2026-09-28
Forward P/E (adjusted EPS)	15.7x	n/a	Descartes 26.2x · Manhattan 34.1x · OpenText 5.7x	stockanalysis.com, 2026-09-28

OpenText's multiples are depressed by leverage and a shrinking top line (3-year revenue forecast –2.1%). Manhattan's carry a cloud-conversion premium. Descartes (3-year forecast +12.6%) is the closest like-for-like.

Model-implied value range (from `model-summary.json`; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$51.22 · Base \$89.11 · Bull \$136.32 per share, i.e. implied returns of –36.2% / +10.9% / +69.7% vs \$80.33. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** The price sits below the base case: bear-leaning growth is priced, plus a modest deal premium. Shares were \$77.23 the week before the GTCR report and \$54.44 when the Morgan Stanley mandate was reported on 2026-06-23. Citi's estimate of a take-out value near \$94 is a third-party estimate, not a verified offer.
- **Re-rating.** The exit method uses 14x against 15.6x today, a 10% de-rating. The two methods differ by 11% (Gordon \$84.35, exit \$93.87). The Gordon method is lower, so it embeds a deeper de-rating, below 14x at Year 5.
- **Tail.** The bear case is a plateau, so a harsher case was run outside the committed model: revenue +4%, 0%, –2%, –2%, 0%; GAAP margin 21%; NWC 6% of revenue; 7x exit; 10.72% WACC; 1% terminal growth. That gives \$33.00 (–59%).

Balance sheet: not meaningful. The company holds \$173.2mm of cash and no funded debt (June 30, 2026). Ratings: none.

Model note: tier `full` , status `built` , verification `verified` (3,206 formula cells matched in LibreOffice). No unverified inputs and no assumptions without basis. Scenario consistency is `OK` on all 14 rows.

- **Sourcing.** Revenue, operating income, D&A, SBC, net income and capex come from EDGAR `companyconcept` (10-K FY values). NWC is from the FY2025 10-K balance sheet; cash and shares from the Q2 2026 10-Q. They match the aggregator figures behind the 09-26 model to the \$0.01mm, so the case values barely moved; price and shares did.
- **WACC.** 8.72% = CAPM 7.72% (5.17% + 0.51 × 5.0%) plus a stated 100bp premium, because a 0.51 beta understates the risk of a stock that fell ~60% in a year.
- **EPS vs guidance.** Base Y1 EPS of \$3.08 is 34% above the \$2.24–2.33 GAAP guide. The guide includes the \$23.5mm loss on sale (~\$0.64 a share pre-tax), and the model uses a 25% tax rate. It is 37% below the \$4.84–4.93 non-GAAP guide, which excludes SBC and amortization.
- **Not modeled.** The GTCR talks (T4).

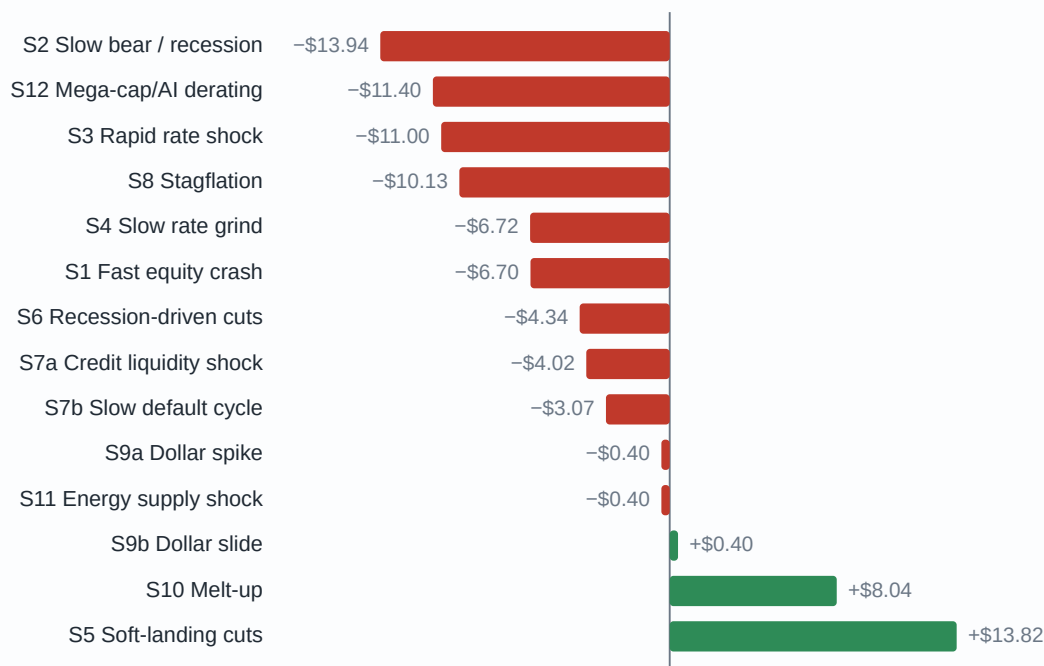
Scenario stress test

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	–	Small-cap software de-rates in a liquidity sell-off; no operating channel over weeks	Med	–\$6.70
S2 Slow bear / recession	–	Retail volumes fall; small suppliers churn; enablement slips; multiple compresses. Smaller than Base – Bear (\$37.89) on purpose: transitory, while the bear case is permanent commoditisation	High	–\$13.94
S3 Rapid rate shock	–	Discount rate rises; no debt to refinance	High	–\$11.00
S4 Slow rate grind	–	Same channel, grinding	Med	–\$6.72
S5 Soft-landing cuts	+	Lower discount rate; retail demand intact	High	+\$13.82
S6 Recession-driven cuts	–	Supplier churn outweighs the lower discount rate	Low	–\$4.34
S7a Credit liquidity shock	–	Net cash, but forced selling hits small-cap growth; LBO financing could also stall	Low	–\$4.02
S7b Slow default cycle	–	Levered retailers and small suppliers fail, removing network connections	Low	–\$3.07
S8 Stagflation	–	Higher discount rate; squeezed suppliers trim software spend	Med	–\$10.13
S9a Dollar spike	–	Small international revenue translates lower	Low	–\$0.40
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.40
S10 Melt-up	+	Momentum rotates back into de-rated small-cap software	Med	+\$8.04
S11 Energy supply shock	–	Fuel costs squeeze suppliers and freight; mild	Low	–\$0.40
S12 Mega-cap/AI derating	–	An AI unwind re-prices application software; AI-built integrations also pressure managed-EDI pricing	High	–\$11.40

Currently active/on watch per the playbook: S3 partially active in `state.md` (the macro log shows all three legs crossed at a 10Y of 5.17% on 2026-09-25); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- the GTCR talks end and the price falls toward the bear–base midpoint while the standalone case holds; or
- Q3 2026 shows sequential customer growth ex-3P with ARPU up.

Downgrades if:

- a signed deal price sits below today's price; or
- recurring growth falls below 5% divestiture-adjusted; or
- 2027 guidance is below 5%.

Watch items

- **W1:** GTCR or other bidder: a signed agreement (price, go-shop, financing) or confirmation that talks ended. Source: 8-K or press. Timing unknown ("coming weeks" as of 2026-09-11). *Model: none*
- **W2:** Q3 2026 revenue against the \$196.3–198.3mm guide, and adjusted EBITDA against \$67.4–69.4mm. Source: Q3 release (late October 2026). *Model: rev_growth, ebitda_margin*
- **W3:** SBC growth against revenue growth, against the \$69.8mm FY2026 guide. Source: Q3 10-Q. *Model: ebitda_margin*
- **W4:** 2027 guidance, if SPS stays public. Source: Q4 2026 release (February 2027). *Model: rev_growth*

Sources

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- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md`, 2026-09-25 entry

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