



Roper Technologies (ROP)

Updated November 20th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$550	5 Year CAGR Estimate:	7.4%	Market Cap:	\$59.0 B
Fair Value Price:	\$474	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	01/03/25
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-2.9%	Dividend Payment Date:	01/17/25
Dividend Yield:	0.6%	5 Year Price Target	\$763	Years Of Dividend Growth:	32
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Roper Technologies (ROP) is a specialized industrial company that manufactures products such as medical and scientific imaging equipment, pumps, and material analysis equipment. Roper Technologies also develops software solutions for the healthcare, transportation, food, energy, and water industries. The company was founded in 1981, generates around \$6.2 billion in annual revenues, and is based in Sarasota, Florida.

On October 23rd, 2024, Roper posted its Q3 results for the period ending September 30th, 2024. Quarterly revenues and adjusted EPS were \$1.76 billion and \$4.62, indicating a year-over-year increase of 13% and 7%, respectively. The company's momentum during the quarter remained strong, with organic growth coming in at 4% and acquisitions further boosting top-line growth. Organic growth was once again driven by broad-based strength across its portfolio of niche-leading businesses.

Backed by Roper's growth momentum, balance sheet strength, and a large pipeline of quality acquisition opportunities, management continues to believe Roper is well positioned for continued double-digit cash flow growth.

Further, Roper raised its adjusted EPS guidance for FY2024, expecting it to land between \$18.21 and \$18.25 (up from \$18.10 to \$18.25 previously). We have utilized the midpoint of the updated range in our estimate, which implies a year-over-year increase of 9.0%.

On November 6th, 2024, Roper raised its dividend by 10% to a quarterly rate of \$0.825.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$6.42	\$6.68	\$6.60	\$9.42	\$11.81	\$13.05	\$11.55	\$14.18	\$14.28	\$16.71	\$18.23	\$29.36
DPS	\$0.85	\$1.05	\$1.25	\$1.46	\$1.70	\$1.90	\$2.10	\$2.31	\$2.54	\$2.73	\$3.30	\$5.31
Shares¹	100	101	102	103	104	105	106	107	107	107	108	111

Roper has proven consistent growth in its profitability over the years. Over the past ten years, the company has grown its adjusted EPS by an annualized rate of 11.2%. The company's pipeline of high-quality acquisition opportunities remains robust, and its existing software subsidiaries keep growing organically, adding to its recurring revenues. We retain our medium-term EPS growth expectations to 10%. While this year's projected growth of 8.8% points to a deceleration, keep in mind that it follows a year of outsized adjusted EPS growth (17% in 2023).

Roper also has a tremendous dividend growth record, numbering 32 years of consecutive dividend increases, which earns the company the Dividend Aristocrat title. The company's latest dividend raise upheld its previous rate of growth (10.0% compared to the previous hike of 9.9%).

Over the past decade, DPS has grown annually by an average of 13.8%. We retain our DPS growth projection to 10%, which aligns with Roper's latest increase and is easily supported by the underlying net income.

Due to the company constantly reducing its debt, which should translate to lower financial expenses, results could end up being stronger than our estimates in the medium-term, though we remain cautious.

¹ Share count is in millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	22.5	25.6	18.8	29.7	22.6	24.2	33.8	31.7	30.1	27.0	30.2	26.0
Avg. Yld.	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.7%

Roper's strong earnings and growth have impressed investors in recent years, with shares retaining a premium valuation despite most equities facing compressed multiples due to higher interest rates. While we believe Roper does deserve to trade with a somewhat premium valuation, we also see the stock as overvalued at the moment. We believe that a P/E of 26 reflects the company's resilient growth and quality financials, but at a fairer price. It's noteworthy that the stock's Dividend Aristocrat status is likely a contributing factor towards its premium valuation, as investors could be more willing to "overpay" for high-quality companies with a proven long-term track record of robust performance. We expect the stock's yield to remain low due to Roper's low dividend payouts.

Safety, Quality, Competitive Advantage, & Recession Resiliency

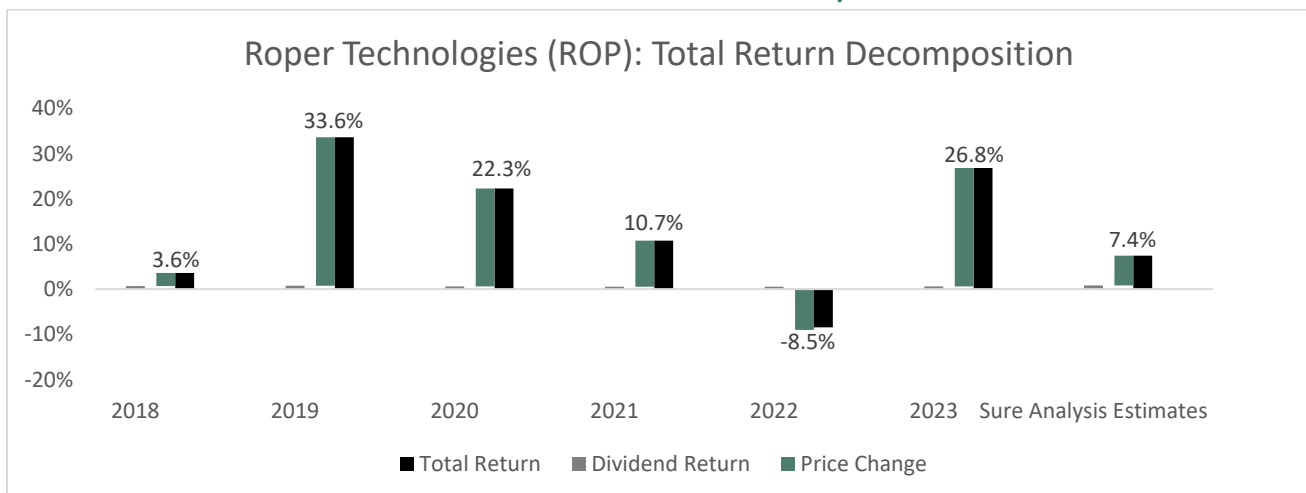
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	13%	16%	19%	15%	14%	15%	18%	16%	18%	16%	18%	18%

Roper's dividend payout ratio has been incredibly low during the last decade, even in the midst of the previous financial crisis. It should be considered exceptionally safe. During the last financial crisis, Roper remained highly profitable, although its earnings did decline by about 15%. During the pandemic earnings increased, which reassured investors of Roper's ability to generate robust results even in harsh environments. Roper is well-positioned in the niche markets it serves. Thus there are few competitive risks. It is highly likely that Roper will continue to make acquisitions similar to Vertafone, which further strengthened the company's portfolio and reduced competitive risks at the same time. Roper's inorganic growth will also improve its scale advantages over its peers, leading to improving economies of scale, as it's already visible through its decade-long gross margins expansion. Overall, Roper makes for a high-quality company.

Final Thoughts & Recommendation

Roper continues to deliver solid earnings growth. We expect annualized returns of around 7.4% through 2029, powered by Roper's EPS growth and dividend, offset by the possibility of modest valuation headwinds. As a result, we maintain a hold rating on the name. Income investors are likely to find more attractive opportunities elsewhere due to the stock's miniature yield. We do, however, believe that Roper is a high-quality company.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3549	3582	3790	4608	5191	5367	5527	5778	5372	6178
Gross Profit	2102	2165	2332	2865	3280	3427	3543	3917	3753	4307
Gross Margin	59.2%	60.4%	61.5%	62.2%	63.2%	63.9%	64.1%	67.8%	69.9%	69.7%
SG&A Exp.	1102	1137	1278	1655	1883	1929	2112	2338	2228	2562
D&A Exp.	197	204	241	345	367	416	521	634	650	755
Operating Profit	999	1028	1055	1210	1396	1498	1431	1580	1524	1745
Operating Margin	28.2%	28.7%	27.8%	26.3%	26.9%	27.9%	25.9%	27.3%	28.4%	28.2%
Net Profit	646	696	659	972	944	1,768	950	1153	4545	1384
Net Margin	18.2%	19.4%	17.4%	21.1%	18.2%	32.9%	17.2%	20.0%	84.6%	22.4%
Free Cash Flow	800	890	924	1,175	1,372	1,399	14765	1949	664	1927
Income Tax	275	306	282	63	254	460	260	288	296	375

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	8400	10168	14325	14316	15250	18109	24020	23710	26980	28170
Cash & Equivalents	610	779	757	671	364	710	308	352	793	214
Accounts Receivable	512	488	620	642	701	792	863	839	725	830
Inventories	194	190	182	205	191	199	198	176	111	119
Goodwill & Int. Ass.	6689	8354	12303	12296	13189	15483	21600	20680	23980	25330
Total Liabilities	3645	4869	8536	7453	7511	8617	13540	12150	10940	10720
Accounts Payable	144	140	152	171	165	162	178	151	123	143
Long-Term Debt	2201	3271	6210	5156	4942	5275	9566	7922	6662	6330
Shareholder's Equity	4755	5299	5789	6864	7739	9492	10480	11560	16040	17440
LTD/E Ratio	0.46	0.62	1.07	0.75	0.64	0.56	0.91	0.69	0.42	0.36

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	7.8%	7.5%	5.4%	6.8%	6.4%	10.6%	4.5%	4.8%	17.9%	5.0%
Return on Equity	14.4%	13.8%	11.9%	15.4%	12.9%	20.5%	9.5%	10.5%	32.9%	8.3%
ROIC	9.5%	9.0%	6.4%	8.1%	7.6%	12.9%	5.5%	5.8%	21.6%	6.0%
Shares Out.	100	101	102	103	104	105	106	106.5	106.8	107
Revenue/Share	35.18	35.26	36.97	44.52	49.72	51.06	52.29	54.25	50.30	57.52
FCF/Share	7.93	8.76	9.01	11.35	13.14	13.31	13.97	18.30	6.22	17.94

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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