

# Roper Technologies, Inc.

## US Satellite\*

Recommended since 19.10.2020

22.07.2022



<b>Country</b> US	<b>Market capitalization (bn)</b> USD 44.4	<b>Perf. since reco. (%)</b>
<b>Sector</b> Technology	<b>Free float</b> 99.6%	Roper Technologies, Inc. -2.9
<b>Factset</b> ROP-US	<b>Closing price</b> USD 412.73	Sector -0.9
<b>ISIN</b> US7766961061	<b>ESG Risk score*</b> 22.8 Medium risk	

### Profile

Roper Technologies, Inc. is a diversified tech group specialising in niche solutions. The group operates in the following segments: business-specific applications (facilities management, healthcare, insurance, etc.); systems and networks software; and industrial measurement, analysis and process solutions (pumps, compressors, flows, metrology, etc.). The company was founded in December 1981 and now controls almost 50 businesses. It is headquartered in Sarasota, Florida, has over 16,000 employees and generates nearly 80% of its sales in the US.

### Strengths/opportunities

- Proven compounder status: sustainable growth.
- Centrally funded.
- Decentralised operational management of companies owned.

### Weaknesses/threats

- Industrial holding company structure makes for less transparency.
- Model optimised through debt leverage, albeit under control.

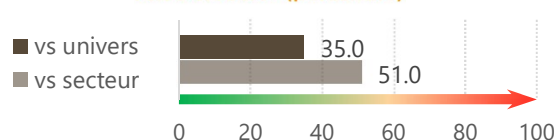
### Investment case

- Roper Technologies is a little known company that receives little attention. Its model is firmly based on the principle of compounding, whereby free cash flow from the companies it controls is used to fund the acquisition of other businesses that are leaders in their niches which are themselves growing and generating significant free cash flow, and so on.
- The model is optimised though debt, which – like funding and its allocation to businesses – is managed centrally by the holding company. However, management of the group's businesses is autonomous and decentralised: Roper Technologies is not a consolidated industrial group seeking synergies but a portfolio of leading unlisted firms whose growth and profitability are rooted in their own inherent qualities.
- Between 2005 and 2021, sales grew from \$1.45bn to \$5.78bn, operating profit from \$0.27bn to \$1.58bn (giving a margin of >27%) and free cash flow from \$0.26bn to \$1.95bn, equating to annual growth rates of 9%, 12% and 13% respectively, with just one year of negative growth in 2009 (when sales declined 11%). This makes Roper a worthwhile buy-and-hold investment in a private portfolio, where investors can take advantage of periods of underperformance to build or strengthen their positions. Qualities once again confirmed in FY2021, with 19% y/y growth in sales and 1H-2022 with 10% y/y growth in sales and 11% in Ebitda.

### Valuation

Assuming free cash flow growth of 10% a year over the period 2023-2026, and then 5% a year out to 2032, our valuation comes out at \$511 per share, more than 12% above the current share price.

### ESG risk vs. universe & sector (percentile)\*



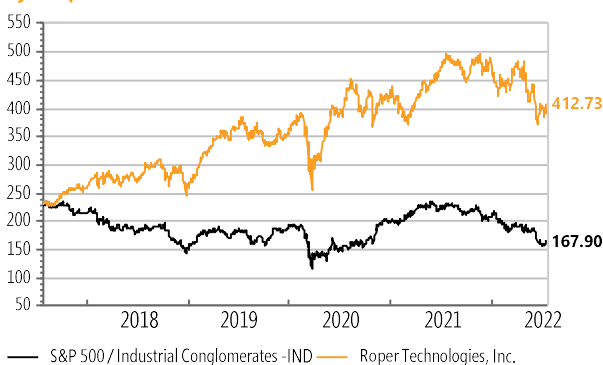
USD	12/2021	2022e	2023e
Sales revenue (mio)	5'778	6'244	6'579
Sales growth	19.0%	8.1%	5.4%
EBIT adjusted (mio)	1'580	1'741	1'898
% of sales	27.3%	27.9%	28.9%
Net income (mio)	983	1'165	1'314
Net income growth	3.5%	18.6%	12.8%
FCF/Sales	34.3%	30.1%	29.8%
Net debt/Ebitda	3.5x	1.2x	0.9x
Dividend yield	0.6%	0.6%	0.6%
PE	47.8x	27.9x	25.7x
P/BV	4.5x	3.1x	2.9x

Factset estimates

### ESG - risks and key points

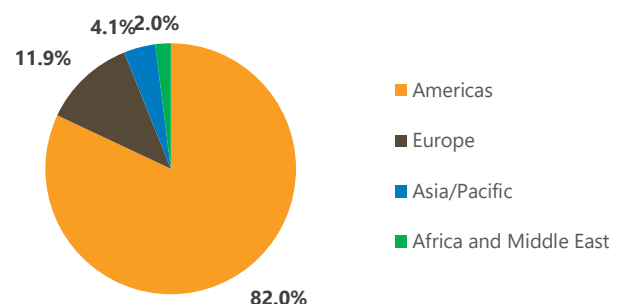
- Roper Technologies is rated medium for ESG risk, close to the low-risk threshold.
- The group has not been involved in any particular controversies.
- Given the group's hi-tech and often digital activities, the potential risks mainly revolve around its ability to attract and retain talent as well as confidentiality and data protection.

### 5-year performance vs sector



Source: FactSet

### Sales breakdown - 12/2021



\*: see overleaf

Source: Factset, Sustainabilitycs

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

## Offices & Branches

### Bordier & Cie Genève

Rue de Hollande 16  
CH-1204 Genève  
Case postale  
CH-1211 Genève 3  
T + 41 58 258 00 00  
F + 41 58 258 00 40

### Bordier & Cie Berne

Spitalgasse 40  
Case postale  
CH-3001 Berne  
T + 41 58 258 07 00  
F + 41 58 258 07 10

### Bordier & Cie Nyon

Rue de la Porcelaine 13  
CH-1260 Nyon  
Case postale 1045  
CH-1260 Nyon 1  
T + 41 58 258 07 50  
F + 41 58 258 07 70

### Bordier & Cie Zurich

Talstrasse 83  
CH-8001 Zürich  
T + 41 58 258 05 00  
F + 41 58 258 05 50

### Bordier & Cie (France) S.A.

1, rue François 1er  
75008 Paris – France  
T + 33 1 55 04 78 78  
F + 33 1 49 26 92 48

### Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102  
Zonamerica  
91600 Montevideo  
Uruguay  
T + 598 2 518 2700  
F + 598 2 518 2703

### Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00  
138 Market Street  
Singapore 048946  
T + 65 6239 9999  
F + 65 6239 9998

### Bordier Bank (TCI) Ltd

Leeward Highway  
Caribbean Place  
Providenciales  
Turks and Caicos  
T + 1 649 946 45 35  
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.