



A DIVERSIFIED TECHNOLOGY COMPANY

# Q3 2019 FINANCIAL RESULTS

OCTOBER 24, 2019

SIMPLE IDEAS. POWERFUL RESULTS.

# SAFE HARBOR STATEMENT



The information provided in this presentation contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements may include, among others, statements regarding operating results, the success of our internal operating plans, and the prospects for newly acquired businesses to be integrated and contribute to future growth, profit and cash flow expectations. Forward-looking statements may be indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "should," "will," "believes" or "intends" and similar words and phrases. These statements reflect management's current beliefs and are not guarantees of future performance. They involve risks and uncertainties that could cause actual results to differ materially from those contained in any forward-looking statement. Such risks and uncertainties include our ability to identify and complete acquisitions consistent with our business strategies, integrate acquisitions that have been completed, realize expected benefits and synergies from, and manage other risks associated with, the newly acquired businesses. We also face general risks, including our ability to realize cost savings from our operating initiatives, general economic conditions and the conditions of the specific markets in which we operate, changes in foreign exchange rates, difficulties associated with exports, risks associated with our international operations, increased product liability and insurance costs, increased warranty exposure, future competition, changes in the supply of, or price for, parts and components, environmental compliance costs and liabilities, risks and cost associated with asbestos related litigation and potential write-offs of our substantial intangible assets, and risks associated with obtaining governmental approvals and maintaining regulatory compliance for new and existing products. Important risks may be discussed in current and subsequent filings with the SEC. You should not place undue reliance on any forward-looking statements. These statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

We refer to certain non-GAAP financial measures in this presentation. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found within this presentation.

Today's Conference Call Will Discuss Results Primarily on an Adjusted (Non-GAAP) Basis. The Q3 Results are Adjusted for the Following Items:

- (1) Acquisition-Related Intangible Amortization Expense
- (2) Purchase Accounting Adjustment to Acquired Deferred Revenue
- (3) Transaction-Related Expenses for Completed Acquisitions and Announced Divestiture
- (4) Tax Expense Adjustments Related to Divestitures

See Appendix for Reconciliations from GAAP to Adjusted Results



- Q3 Enterprise Highlights and Financial Results
- Segment Detail & Outlook
- Q4 & FY 2019 Enterprise Guidance
- Q&A

- Revenue +3% to \$1.36B; Organic +2%
- Gross Margin +80 Bps to 64.6%
- EBITDA +5% to \$498M; EBITDA Margin +90 Bps to 36.7%
- DEPS +6% to \$3.29
- Free Cash Flow of \$387M; 29% of Revenue
- Deployed \$1.8B for Acquisitions of iPipeline and ComputerEase
- Entered Agreement with AMETEK to Divest Gatan for \$925M

**Nimble Execution by Business Leaders; Disciplined Capital Deployment**

# Q3 INCOME STATEMENT METRICS



	Q3'18	Q3'19	
Revenue	\$1,321	\$1,358	+3%; Organic +2%
Gross Profit	\$842	\$877	
Gross Margin	63.8%	64.6%	+80 bps
EBITDA	\$473	\$498	+5%
EBITDA Margin	35.8%	36.7%	+90 bps
Interest Expense	\$48	\$49	
Tax Rate	21.5%	20.6%	
Net Earnings	\$323	\$346	
DEPS	\$3.09	\$3.29	+6%

In \$ millions, except DEPS.

Results are presented on an Adjusted (Non-GAAP) basis. See appendix of this presentation and press release for reconciliations from GAAP to Adjusted results.

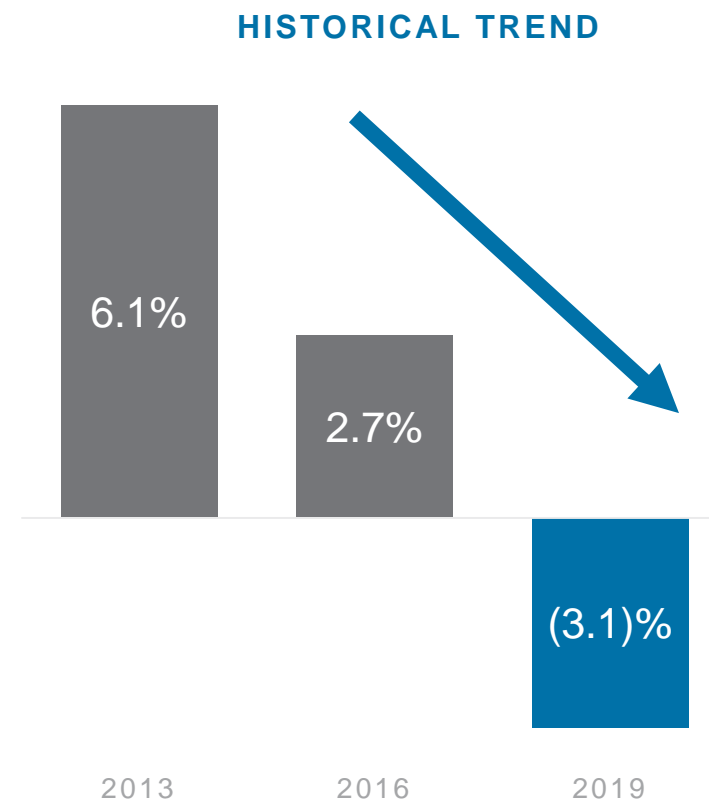
# ASSET-LIGHT BUSINESS MODEL



## NET WORKING CAPITAL <sup>(1)(2)</sup> AS % OF Q3 ANNUALIZED REVENUE

	<u>9/30/13</u>	<u>9/30/16</u>	<u>9/30/19</u>
(I) Inventory	6.2%	5.2%	4.4%
(R) Receivables	17.8%	16.3%	16.9%
<hr/>			
(P) Payables & Accruals	11.5%	11.1%	10.9%
(D) Deferred Revenue	6.4%	7.7%	13.5%
<hr/>			
Total (I+R-P-D)	6.1%	2.7%	(3.1)%

Note: Percentages may not sum correctly due to rounding.



## Negative Net Working Capital Remains a Source of Cash

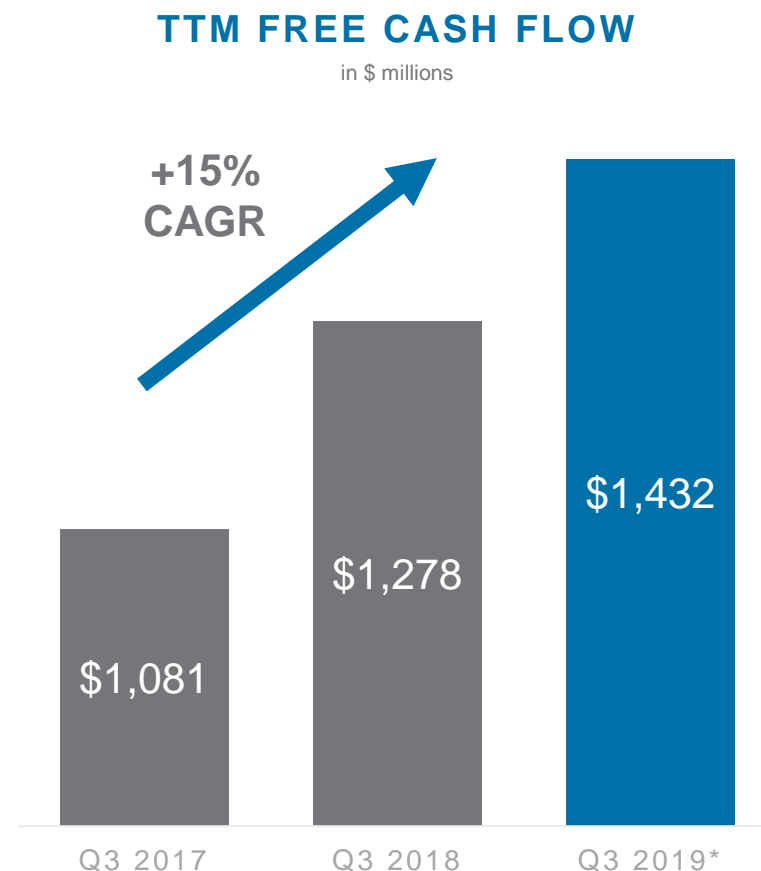
1) Defined as Inventory + A/R + Unbilled Receivables – A/P – Accrued Liabilities – Deferred Revenue; Excludes Acquisitions & Divestitures Completed in Each Quarter, Dividend Accrual, and Current Operating Lease Liabilities.

2) Includes assets and liabilities that have been classified as held-for-sale on Roper's balance sheet.

# COMPOUNDING CASH FLOW



- Q3 Operating Cash Flow: \$404M
  - 30% of Revenue
- Q3 Free Cash Flow: \$387M
  - 29% of Revenue
- TTM Free Cash Flow: \$1.43B\*
  - +12% vs Prior Year
  - 27% of Revenue



## Cash Remains the Best Measure of Performance

\* Adjusted for Cash Taxes from Sale of Scientific Imaging Businesses, See Reconciliation in Appendix.

Free Cash Flow = Operating Cash Flow less Capital Expenditures and Capitalized Software

Results are presented on an Adjusted (Non-GAAP) basis. See appendix of this presentation and press release for reconciliations from GAAP to Adjusted results.



- Successful \$1.2B Bond Offering in August
  - Opportunistically Timed for Attractive Rate Environment
  - \$500M of 2.35% Senior Notes due 2024
  - \$700M of 2.95% Senior Notes due 2029
- Gatan Divestiture Enhances Ability to Deploy Capital
  - Gross Debt-to-EBITDA at End of Q3: 3.0x <sup>(1)</sup>
  - Expect ~\$700M After-Tax Proceeds from Gatan Divestiture at the End of October

## Well Positioned for Continued Capital Deployment

1) Per credit facility definition.

Results are presented on an Adjusted (Non-GAAP) basis. See appendix of this presentation and press release for reconciliations from GAAP to Adjusted results.

# **SEGMENT DETAIL & OUTLOOK**

## Q3 HIGHLIGHTS

- Deltek Growth Driven by Large Perpetual GovCon Wins and Continued Strength in Professional Services End Markets
- Acquired ComputerEase for \$185M
  - Enhances Deltek’s Software Offering for Project-Based Commercial Construction
  - Tight Complement to Existing Architecture & Engineering Footprint
- Double-Digit Aderant Growth Aided by Timing of Large Wins and Continued Share Gains
- Excellent Strata SaaS-based Growth from New Logos, Strong Retention and New Product Adoption
- Data Innovations and CliniSys Laboratory Software Strength on Expansions to Existing Customer Footprint
- CBORD Recurring Subscription Growth; Announced Mobile Credential Support for Student ID Cards in Apple Wallet

## Q3 RESULTS

30% of Roper Revenue

Revenue	\$405	+7% vs PY +5% Organic
EBITDA	\$168	+7% vs PY 41.4% Margin

## Q4 OUTLOOK

- Q3 Benefited from Accelerated Timing of High Margin Perpetual License Wins
- Continued MSD Organic Revenue Growth

## Q3 HIGHLIGHTS

- Continued DAT Network Expansion; Rate Data Offering Helped Drive Higher Revenue Per Customer
- Foundry Growth Across Media & Entertainment and Digital Design; Major Product Releases Enhance Software Solutions for Complex Visualizations
- iTradeNetwork Double-Digit Growth from Strong Renewals and New Customer Adds
- MHA Growth from Favorable Long-Term Care Pharmacy Trends, Customer Additions and New On-Contract Products
- TransCore Down LSD on Project Timing
- Strong RF IDEas Growth from Secure Print and Identity Access Management Solutions
- TransCore Selected for Central Business District Tolling Program in New York City
  - Design and Build Project; 6-Year Operating and Maintenance Agreement; \$507M Total Contract Value

## Q3 RESULTS

29% of Roper Revenue

Revenue	\$394	+15% vs PY +4% Organic
EBITDA	\$176	+15% vs PY 44.7% Margin

## Q4 OUTLOOK

- Continued MSD Organic Revenue Growth



## Meets All Acquisition Criteria

- ✓ Strong Cash Flow Characteristics
  - ✓ Asset Light (Negative Working Capital)
  - ✓ Excellent Management Team
  - ✓ Niche Market Leader
  - ✓ Deep Domain Expertise
  - ✓ High Recurring Revenue
  - ✓ Multiple Growth Opportunities
- Cloud-Based Software Solutions for the Life Insurance Industry
    - Workflow Automation and Seamless Integration Across Broad Network of Carriers, Distributors and Agents
    - Enables Day-To-Day Connectivity Essential to Design, Delivery and Fulfillment of Life Insurance
  - Purchase Price: \$1.625 Billion; Immediately Cash Accretive
  - Expect High Single-Digit Organic Revenue Growth
  - Strong History of Revenue, EBITDA and Cash Flow Growth Expected to Continue
  - Expected 2020 Financial Impact
    - ~\$200M of Revenue
    - ~\$70M of After-Tax Free Cash Flow, Excluding Financing Costs

**Another Great Niche Software Business for Roper**

## Q3 HIGHLIGHTS

- Verathon Growth from Strong Recurring GlideScope Consumables Revenue and Launch of New Single-Use Bronchoscope
- Adoption of Optical and Electromagnetic Measurement Technologies Drove Continued Strong NDI Growth
- CIVCO Medical Solutions Growth Led by Ultrasound Infection Control Products
- Neptune Supply Chain Constraints for New Ultrasonic Meters Impacted Growth Against Strong Double-Digit Prior Year Comp
- Short Cycle Industrial Businesses Declined HSD, as Expected
- Challenging Quarter for Gatan (Down HSD); Volume Shifted from Q3 to Q4
- Reached Agreement to Sell Gatan to AMETEK for \$925M

## Q3 RESULTS

29% of Roper Revenue

Revenue	\$398	(7)% vs PY (2)% Organic
EBITDA	\$137	(6)% vs PY 34.4% Margin

## Q4 OUTLOOK

- Flat Organic Revenue Growth for Segment
  - Medical Products MSD+ Growth
  - Neptune LSD Growth: Expanding Capacity to Meet Strong Demand for New Ultrasonic Meters
  - Short Cycle Industrial Again Down HSD
- Expect Gatan Divestiture to Close at the End of October
  - Historically, Gatan’s Annual EBITDA Weighted Heavily to Final Two Months of the Year

## Q3 HIGHLIGHTS

- MSD Revenue Decline, as Expected
- Strong Segment Margin Performance from Nimble Execution and Proactive Cost Actions in Response to Difficult Market Conditions
- Continued CCC Growth Driven by System Replacement and Upgrade Projects
- New Presidents On Board at CCC and PAC

## Q3 RESULTS

12% of Roper Revenue

Revenue	\$160	(6)% vs PY (5)% Organic
EBITDA	\$58	(3)% vs PY 36.6% Margin

## Q4 OUTLOOK

- Expect MSD Organic Revenue Decline
  - Weakened Outlook for Upstream O&G

# **GUIDANCE UPDATE**



- Updating Full Year 2019 Guidance
  - Adjusted DEPS: \$12.98 - \$13.02
    - Previously \$12.94 - \$13.06
  
- Establishing Q4 2019 Guidance
  - Adjusted DEPS: \$3.32 - \$3.36
    - Includes ~\$(0.08) Net Headwind from Q3 Acquisitions & Q4 Gatan Divestiture
  - Tax Rate: ~ 22%

- Niche Market Strategy and Nimble Execution Drove Strong Quarter
  - EBITDA Margin +90 Bps to 36.7%
  - DEPS +6% to \$3.29
  - Deployed \$1.8B for Acquisitions of iPipeline and ComputerEase
  - TTM Free Cash Flow +12%
- Positive Momentum Building for 2020
  - Expanding Software Portfolio Increases Recurring Revenue Mix
  - Strong Balance Sheet: Gatan Proceeds Enhance Acquisition Powder and Bond Offering Captures Favorable Fixed Rates
  - Active Pipeline of High-Quality Acquisition Opportunities
  - TransCore Won New York City Project: \$507M Design and Build Project Including 6-Year Operating and Maintenance Agreement

**Simple Ideas. Powerful Results.**

# APPENDIX

# RECONCILIATIONS I



## Adjusted Revenue, Gross Profit and EBITDA Reconciliation (\$M)

	Q3 2018	Q3 2019	V %	TTM Q3'18	TTM Q3'19	V %
<b>Adjusted Revenue Reconciliation</b>						
GAAP Revenue	\$ 1,319	\$ 1,354	3%	\$ 5,041	\$ 5,348	6%
Purchase accounting adjustment to acquired deferred revenue	2	3 <sup>A</sup>		15	7	
Adjusted Revenue	<u>\$ 1,321</u>	<u>\$ 1,358</u>	<u>3%</u>	<u>\$ 5,056</u>	<u>\$ 5,355</u>	<u>6%</u>
<b>Adjusted Gross Profit Reconciliation</b>						
GAAP Gross Profit	\$ 840	\$ 874		\$ 3,171	\$ 3,407	
Purchase accounting adjustment to acquired deferred revenue	2	3 <sup>A</sup>		15	7	
Adjusted Gross Profit	<u>\$ 842</u>	<u>\$ 877</u>	<u>4%</u>	<u>\$ 3,186</u>	<u>\$ 3,414</u>	<u>7%</u>
GAAP Gross Margin	63.7%	64.5%	+80 bps	62.9%	63.7%	+80 bps
Adjusted Gross Margin	63.8%	64.6%	+80 bps	63.0%	63.8%	+80 bps
<b>Adjusted EBITDA Reconciliation</b>						
GAAP Net Earnings	\$ 248	\$ 278		\$ 1,131	\$ 1,154	
Taxes	64	60		53	244	
Interest Expense	48	49		178	185	
Depreciation	12	12		50	48	
Amortization	83	94		310	345	
EBITDA	<u>\$ 455</u>	<u>\$ 493</u>	<u>8%</u>	<u>\$ 1,721</u>	<u>\$ 1,976</u>	<u>15%</u>
Purchase accounting adjustment to acquired deferred revenue	2	3 <sup>A</sup>		15	7	
Transaction-related expenses for completed acquisitions and announced divestiture <sup>B</sup>	-	2		-	6	
One-time expense for accelerated vesting	-	-		-	35	
Purchase accounting adjustment for commission expense	-	-		(1)	-	
Gain on sale of Scientific Imaging businesses	-	-		-	(120)	
Debt extinguishment charge	16	-		16	-	
Adjusted EBITDA	<u>\$ 473</u>	<u>\$ 498</u>	<u>5%</u>	<u>\$ 1,751</u>	<u>\$ 1,903</u>	<u>9%</u>
% of Adjusted Revenue	35.8%	36.7%	+90 bps	34.6%	35.5%	+90 bps

Note: Numbers may not foot due to rounding.

# RECONCILIATIONS II



## Adjusted Revenue Growth Reconciliation

Q3 2019	Application Software	Network Software & Systems	Measurement & Analytical Solutions	Process Technologies	Roper
Organic Growth	5%	4%	(2%)	(5%)	2%
Acquisitions/Divestitures	2%	11%	(5%)	-	2%
Foreign Exchange	(1%)	-	(1%)	(1%)	(1%)
Rounding	1%	-	1%	-	-
Total Adjusted Revenue Growth	7%	15%	(7%)	(6%)	3%

## Adjusted Segment Reconciliation (\$M)

	Application Software		Network Software & Systems		Measurement & Analytical Solutions		Process Technologies	
	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019
GAAP Revenue	\$ 378	\$ 405	\$ 342	\$ 391	\$ 430	\$ 398	\$ 169	\$ 160
Add: Foundry, iPipeline	2	-	-	3	-	-	-	-
Adjusted Revenue	380	405	342	394	430	398	169	160
GAAP Gross Profit	256	275	237	272	253	235	94	92
Add: Foundry, iPipeline	2	-	-	3	-	-	-	-
Adjusted Gross Profit	258	275	237	275	253	235	94	92
Adjusted Gross Margin	67.8%	67.9%	69.2%	69.7%	59.0%	58.9%	55.9%	57.4%
GAAP Operating Profit	98	110	128	138	136	127	57	55
Add: Foundry, iPipeline	2	-	-	3	-	-	-	-
Adjusted Operating Profit	100	110	128	141	136	127	57	55
Adjusted Operating Margin	26.2%	27.2%	37.4%	35.7%	31.7%	31.9%	33.7%	34.7%
Add Amortization	52	53	22	32	7	7	2	2
Adjusted EBITA	151	163	150	173	143	134	59	57
Add Depreciation	5	5	3	4	3	3	1	1
Adjusted EBITDA	156	168	153	176	146	137	60	58
Adjusted EBITDA Margin	41.0%	41.4%	44.7%	44.7%	34.1%	34.4%	35.6%	36.6%

Note: Numbers may not foot due to rounding.

# RECONCILIATIONS III



## Adjusted Net Earnings Reconciliation (\$M) <sup>C</sup>

	<u>Q3 2018</u>	<u>Q3 2019</u>	<u>V %</u>
GAAP Net Earnings	\$ 248	\$ 278	12%
Purchase accounting adjustment to acquired deferred revenue	2	2 <sup>A</sup>	
Amortization of acquisition-related intangible assets <sup>D</sup>	65	73	
Transaction-related expenses for completed acquisitions and announced divestiture <sup>B</sup>	-	2	
Debt extinguishment charge	13	-	
Adjustment to income tax expense related to the gain on sale of Scientific Imaging businesses <sup>E</sup>	-	1	
Adjustment to previously recognized deferred tax expense related to new deal structure for divestiture of Gatan <sup>F</sup>	-	(10)	
Measurement period adjustment to 2017 provisional income tax amounts resulting from the Tax Cuts and Jobs Act	(3)	-	
Adjusted Net Earnings	<u>\$ 323</u>	<u>\$ 346</u>	<u>7%</u>

## Cash Flow Reconciliation (\$M)

	<u>Q3 2018</u>	<u>Q3 2019</u>	<u>V %</u>	<u>TTM Q3'17</u>	<u>TTM Q3'18</u>	<u>TTM Q3'19</u>
Operating Cash Flow	\$ 418	\$ 404	(3%)	\$ 1,136	\$ 1,335	\$ 1,460
Add: Cash taxes paid on sale of Scientific Imaging businesses	-	-		-	-	39
Adjusted Operating Cash Flow	<u>\$ 418</u>	<u>\$ 404</u>	<u>(3%)</u>	<u>\$ 1,136</u>	<u>\$ 1,335</u>	<u>\$ 1,499</u>
Capital Expenditures	(11)	(14)		(46)	(47)	(57)
Capitalized Software Expenditures	(3)	(3)		(9)	(10)	(10)
Adjusted Free Cash Flow	<u>\$ 404</u>	<u>\$ 387</u>	<u>(4%)</u>	<u>\$ 1,081</u>	<u>\$ 1,278</u>	<u>\$ 1,432</u>

# RECONCILIATIONS IV



## Adjusted DEPS Reconciliation <sup>C</sup>

	<u>Q3 2018</u>	<u>Q3 2019</u>	<u>V %</u>
GAAP DEPS	\$ 2.37	\$ 2.64	11%
Purchase accounting adjustment to acquired deferred revenue	0.02	0.02 <sup>A</sup>	
Amortization of acquisition-related intangible assets <sup>D</sup>	0.62	0.70	
Transaction-related expenses for completed acquisitions and announced divestiture <sup>B</sup>	-	0.02	
Debt extinguishment charge	0.12	-	
Adjustment to income tax expense related to the gain on sale of Scientific Imaging businesses <sup>E</sup>	-	0.01	
Adjustment to previously recognized deferred tax expense related to new deal structure for divestiture of Gatan <sup>F</sup>	-	(0.10)	
Measurement period adjustment to 2017 provisional income tax amounts resulting from the Tax Cuts and Jobs Act	(0.03)	-	
Rounding	(0.01)	-	
Adjusted DEPS	<u>\$ 3.09</u>	<u>\$ 3.29</u>	<u>6%</u>

## Forecasted Adjusted DEPS Reconciliation <sup>C</sup>

	<u>Q4 2019</u>		<u>FY 2019</u>	
	<u>Low End</u>	<u>High End</u>	<u>Low End</u>	<u>High End</u>
GAAP DEPS	\$ 2.51	\$ 2.55	\$ 11.05	\$ 11.09
Purchase accounting adjustment to acquired deferred revenue <sup>G</sup>	0.04	0.04	0.08	0.08
Amortization of acquisition-related intangible assets <sup>D</sup>	0.77	0.77	2.74	2.74
Transaction-related expenses for completed acquisitions and announced divestiture <sup>B</sup>	-	-	0.04	0.04
Gain on sale of Scientific Imaging businesses <sup>H</sup>	-	-	(0.83)	(0.83)
Adjustment to previously recognized deferred tax expense related to new deal structure for divestiture of Gatan <sup>F</sup>	-	-	(0.10)	(0.10)
Adjusted DEPS	<u>\$ 3.32</u>	<u>\$ 3.36</u>	<u>\$ 12.98</u>	<u>\$ 13.02</u>

Note: Numbers may not foot due to rounding.

- A. Q3'19 acquisition-related fair value adjustment to deferred revenue related to the acquisition of Foundry and iPipeline (\$3M pretax, \$2M after-tax).
- B. Transaction-related expenses for completed acquisitions and announced divestiture (\$2M pretax, \$2M after-tax for Q3'19; \$6M pretax, \$5M after-tax for FY'19).
- C. All 2018 and 2019 adjustments taxed at 21%, except for the gain on sale of the Scientific Imaging businesses which was taxed at 27%.
- D. Actual results and forecast of estimated amortization of acquisition-related intangible assets (\$M, except per share data); for comparison purposes, prior period amounts are also shown below. Tax rate of 21% applied to amortization.

	<u>Q3 2018A</u>	<u>Q3 2019A</u>	<u>Q4 2019E</u>	<u>FY 2019E</u>
Pretax	\$82	\$93	\$103	\$364
After-tax	\$65	\$73	\$81	\$288
Per share	\$0.62	\$0.70	\$0.77	\$2.74

- E. Adjustment to income tax expense related to sale of Scientific Imaging businesses (\$1M).
- F. Adjustment to previously recognized deferred tax expense related to new deal structure for divestiture of Gatan (\$10M).
- G. Forecasted acquisition-related fair value adjustments to acquired deferred revenue of Foundry and iPipeline as shown below (\$M, except per share data).

	<u>Q4 2019E</u>	<u>FY 2019E</u>
Pretax	\$5	\$11
After-tax	\$4	\$9
Per Share	\$0.04	\$0.08

- H. Gain on sale of Scientific Imaging businesses (\$120M pretax, \$87M after-tax).





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