



Roper Technologies, Inc.

# Roper Technologies Overview

## Raymond James Conference

March 5, 2018

**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.

# Creating Shareholder Value

## Strategy

**Software and Engineered Products & Services for Diverse Niche Markets**

High Gross Margins  
Recurring Revenue

**Strong Operations Management**

Superior Operating Profits  
Excess Free Cash Flow

**Strategic Reinvestment of Cash**

R&D, Internal Growth, Acquisitions

## Results

### Significant Growth Platforms

- Leadership in Favorable Markets
- Diverse End Markets, Broad Customer Base

### Outstanding Cash Flow/Conversion

- Strong and Sustainable Margins
- High Incremental Operating Profit

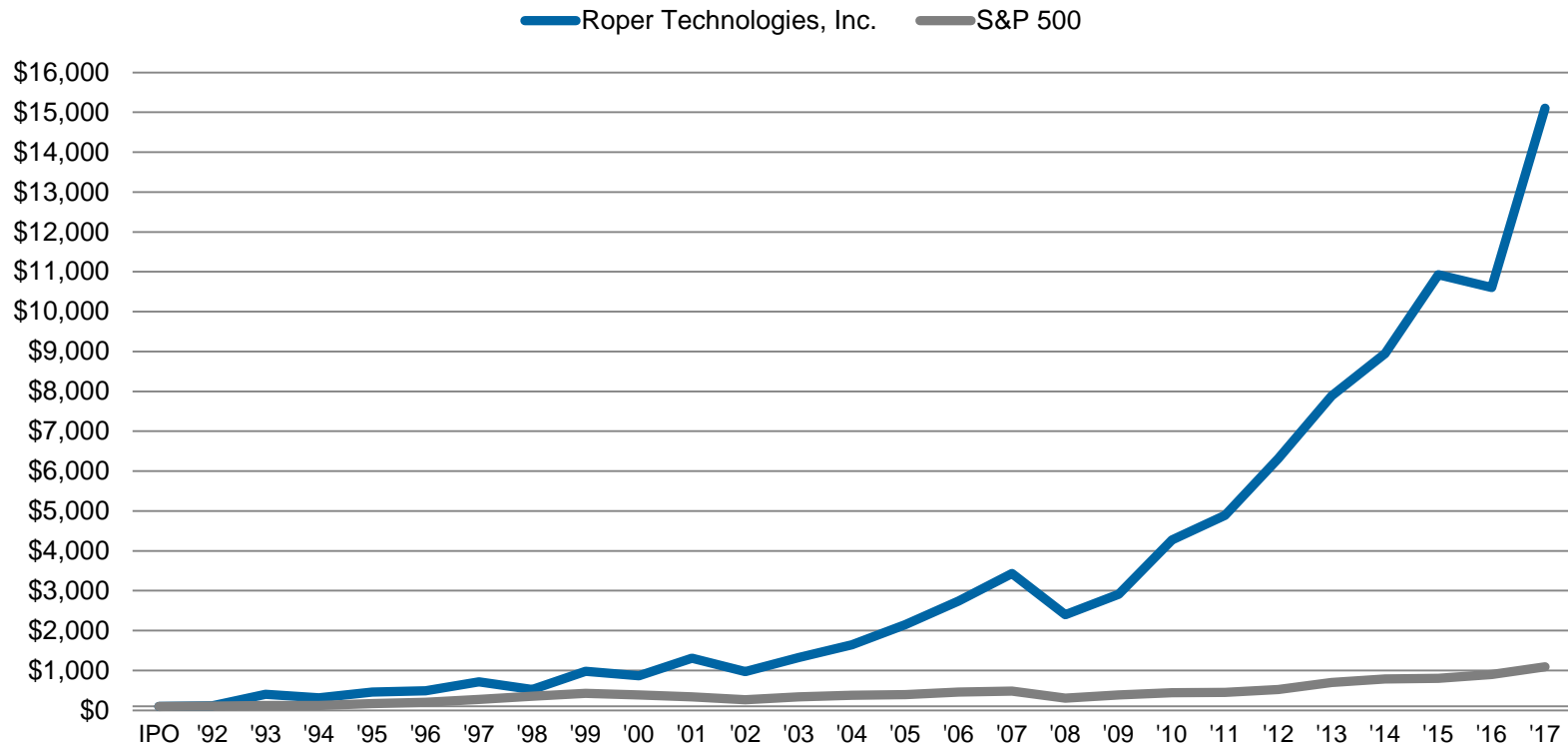
### Cash Deployment Creates Value

- Internal Strategic Growth Initiatives
- Disciplined Acquisitions

**Significant Growth; Compelling Cash Flow**

# Total Shareholder Return

## Comparison of Cumulative Total Shareholder Return



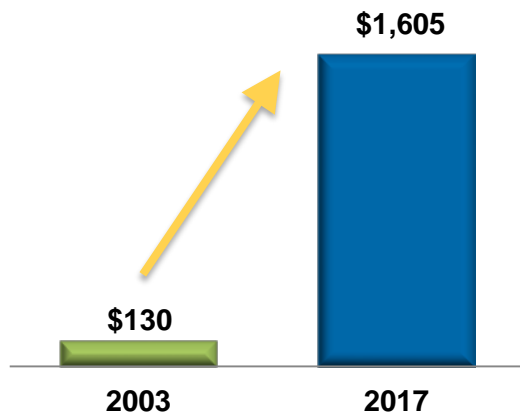
Note: Chart depicts \$100 invested in IPO vs. S&P 500

**A Proven Growth Strategy**

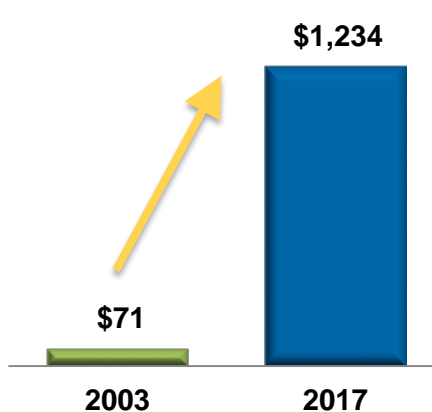
# Executing Our High Performance Model

In \$ Millions

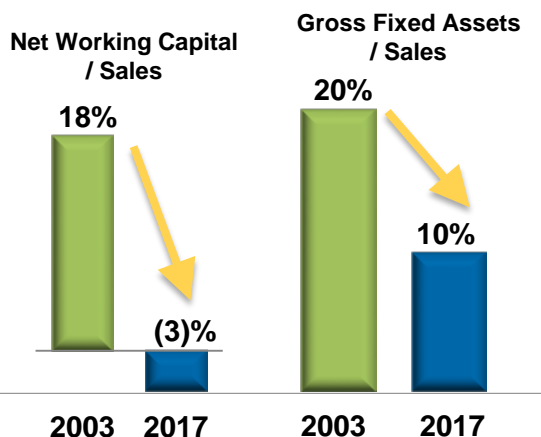
## EBITDA



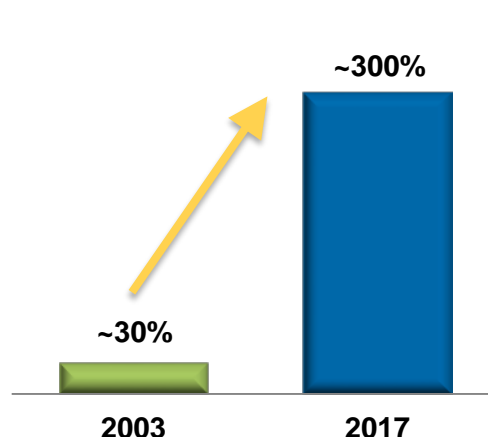
## Operating Cash Flow



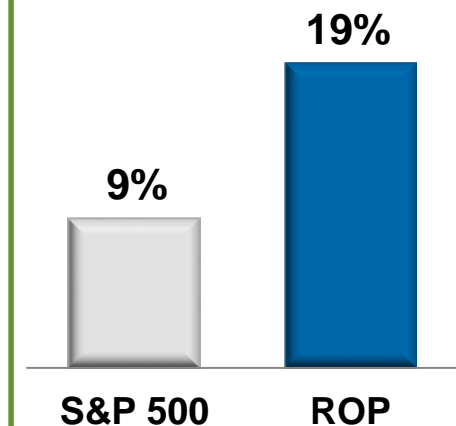
## Asset Intensity



## Cash Return on Investment



## Compound Annual Shareholder Return (2003 - 2017)



**Compounding Cash Drives Shareholder Value**

# Roper Strategy

- » **Win in Niche Markets** Through a Diverse Set of Businesses with Leading Market Positions
- » Focus on Proprietary and Differentiated Customer Solutions to Generate **High Gross Margin Recurring Revenue Streams**
- » Maintain an **Asset-Light Business Model** to Deliver Exceptional Cash Performance with Minimal Needs for Working Capital & Capital Expenditures
- » Ensure **Business Leaders are Accountable for Results** and Can Operate Within Our Nimble Governance System
- » Appreciate and **Preserve What Works While Stimulating Progress** and Change that Can Accelerate Growth and Drive Cash Returns
- » Effectively **Deploy Excess Free Cash Flow** in Acquisitions that Deliver Growth and High Cash Returns

**A Culture of Localized Innovation and Nimble Decision Making**

# Governance Process Enhances Growth and Drives Financial Discipline



- » Operating Reviews with Detailed Performance Analysis
- » Break-Even Analysis Drives Better Decision Making
- » Sales & Operating Leverage; Working Capital Efficiency
- » Incentives Tied to Continuous, Sustained Performance Improvements; Not Budget-Based
- » Product, Placement, Hit Rate Analysis
- » Cash Return on Investment Metrics
- » Group Executives Provide Strategic Leadership for Businesses

**Governance Process Drives Highly Scalable Business System**

# CRI Discipline Drives Cash Flow

## Cash Earnings

Net Income + D&A –  
Maintenance Cap-Ex

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## Gross Investment

Net Working Capital\* + Net PP&E +  
Accumulated Depreciation

=

**C**ash  
**R**eturn on  
**I**vestment

- » Common Metric throughout Roper Businesses
- » Focuses Businesses on Cash Flow Growth & Disciplined Asset Investment
- » Encourages Internal Growth Using Current or Reduced Assets
- » CRI is Highly Correlated to Market Valuation

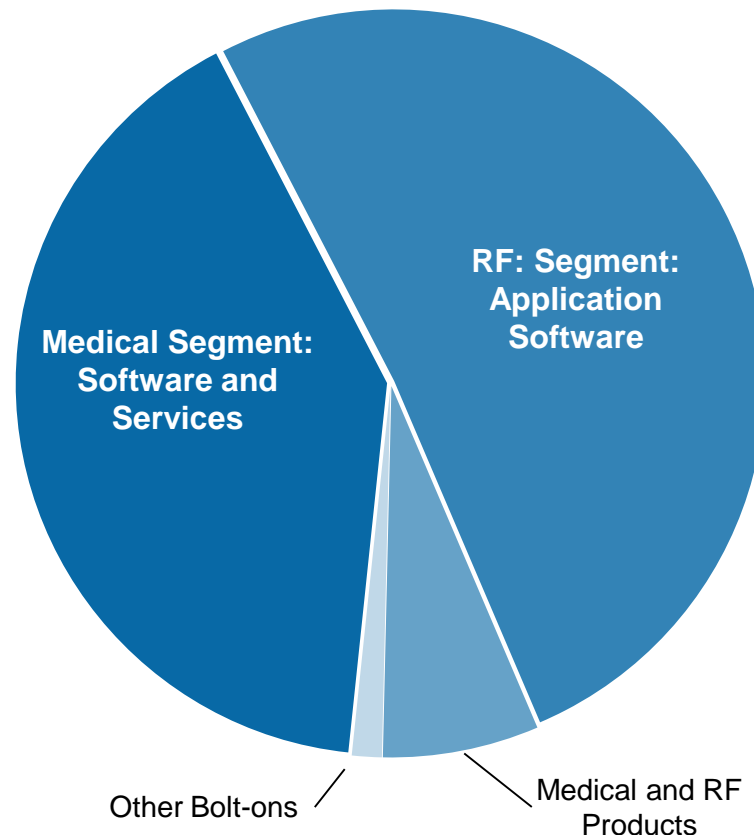


# Capital Deployment Focused on High Quality Ideas



- » We Acquire High CRI Businesses
- » High Recurring Revenue
- » Asset-Light with Powerful Cash Flow Characteristics
- » Leaders in Niche Markets with Sustainable Competitive Advantages
- » Management Teams Committed to Continued Growth and Building Platforms
- » Expect to Deploy \$7B+ Over The Next Four Years

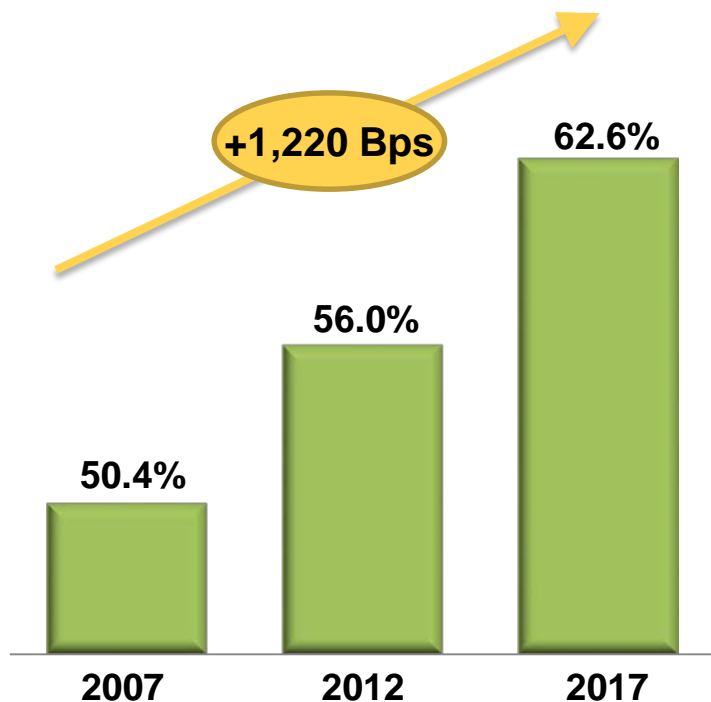
**Deployed ~\$9B in Acquisitions Over Last Seven Years (2011- 2017)**



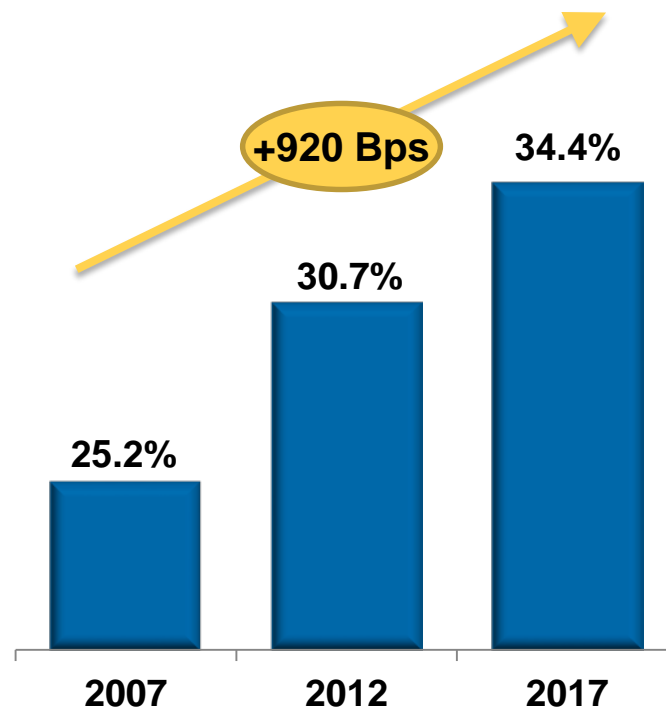
**Transformed Enterprise to Diversified Technology Company**

# 10 Year Margin History

Full Year Gross Margin



Full Year EBITDA Margin

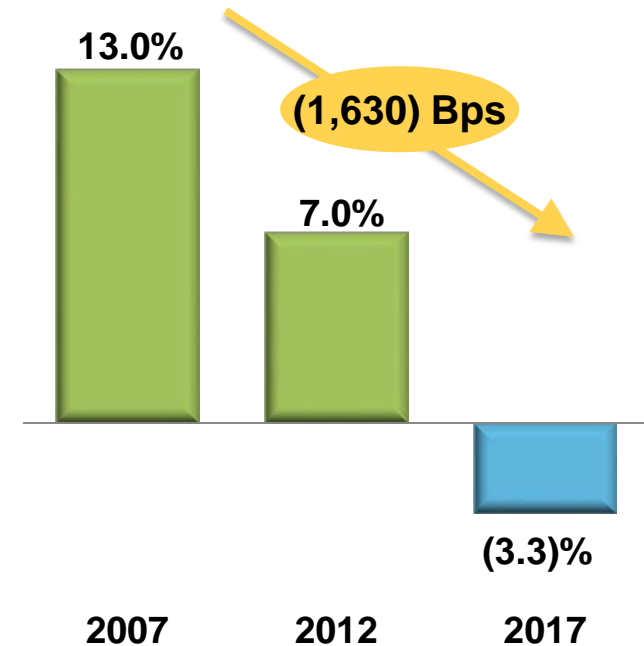


**Margin Expansion Reflective of Roper's Transformation**

# Asset-Light Business Model

## Working Capital\* as % of Q4 Annualized Net Sales

	<u>12/31/07</u> <u>(10 Yrs Ago)</u>	<u>12/31/12</u> <u>(5 Yrs Ago)</u>	<u>12/31/17</u> <u>(Today)</u>
(I) Inventory	7.8%	5.9%	4.2%
(R) Receivables	18.8%	18.5%	16.0%
(P) Payables & Accruals	12.1%	11.6%	12.0%
(D) Deferred Revenue	1.5%	5.7%	11.4%
<b>Total (I+R-P-D)</b>	<b>13.0%</b>	<b>7.0%</b>	<b>(3.3)%</b>



<i>(\$ Millions)</i>			
<i>Deferred Revenue</i>	<b>\$33</b>	<b>\$186</b>	<b>\$566</b>

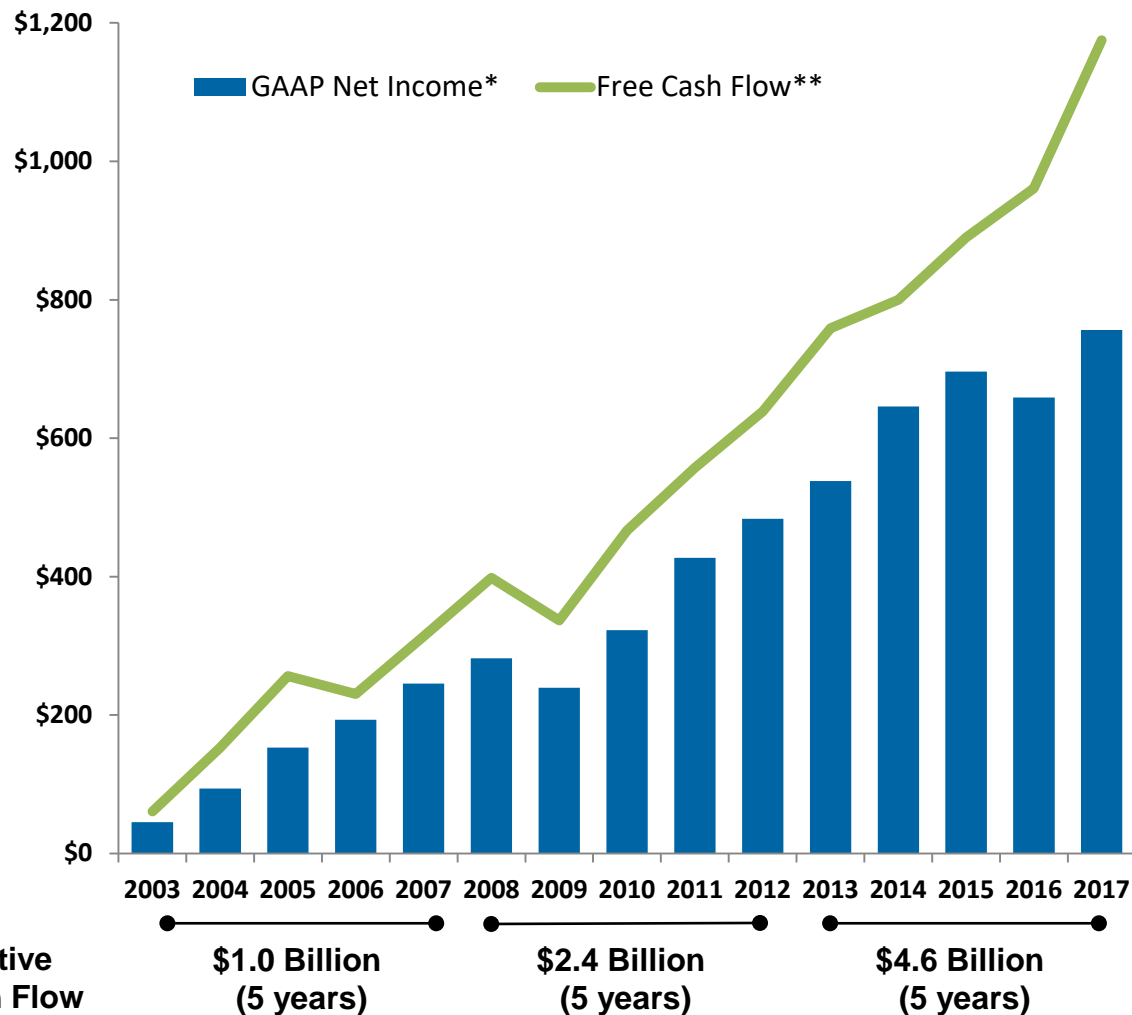
\* Defined as Inventory + A/R + Unbilled Receivables – A/P – Accrued Liabilities – Deferred Revenue; Excludes Acquisitions Completed in Each Quarter and Dividend Accrual

## Net Working Capital Now a Source of Cash

# Compelling Cash Conversion

In \$ Millions

- » Free Cash Flow Has Exceeded Net Income for 20 Consecutive Years
- » Expect Strong Cash Conversion to Continue
- » \$1.23 Billion of Operating Cash Flow in 2017



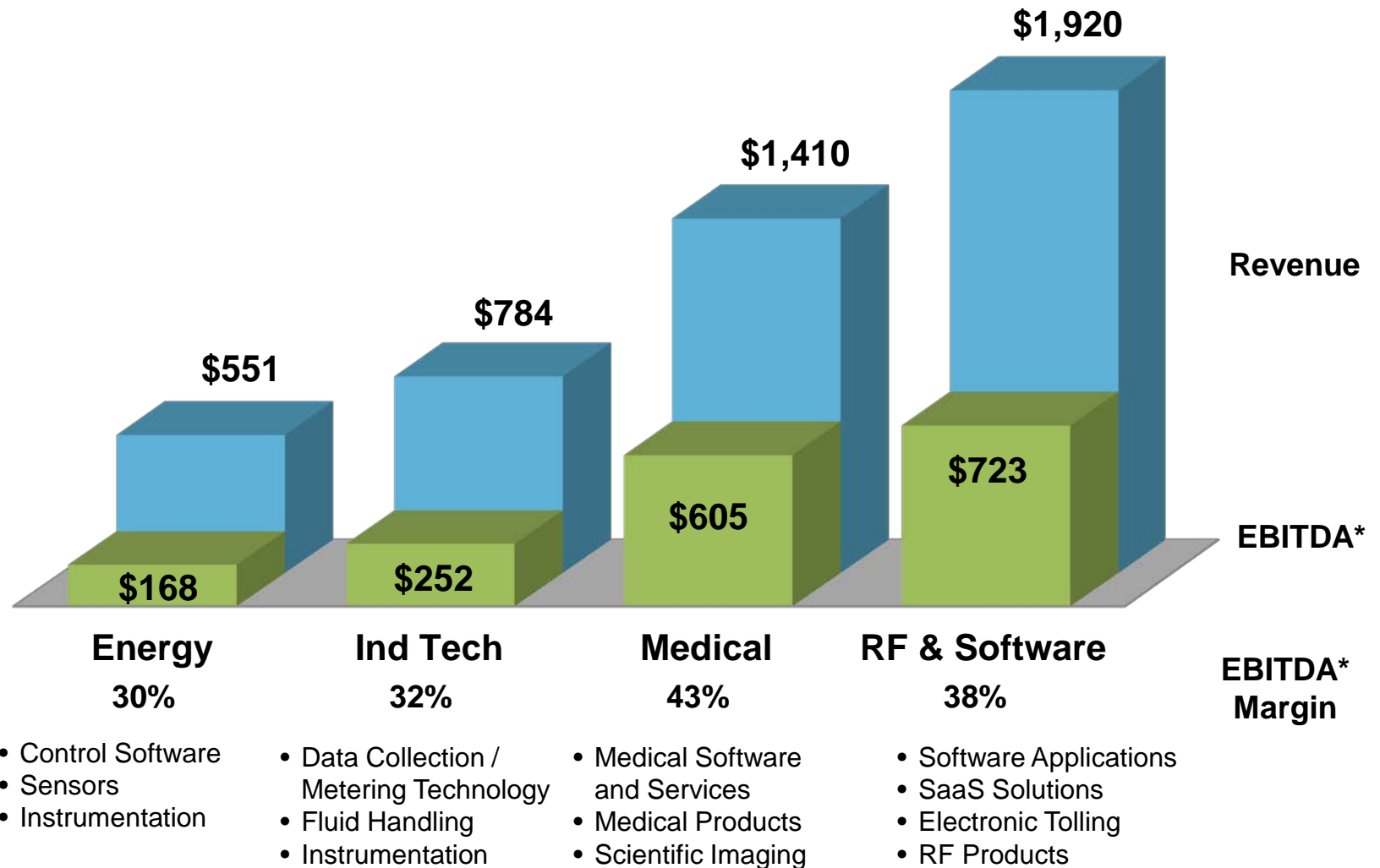
\*2017 net income excludes one-time \$215 million net gain resulting from the Tax Cuts and Jobs Act (see Appendix for reconciliation)

**Cash Flow Greatly Exceeds Net Income**

\*\*Free Cash Flow = Operating Cash Flow – Capital Expenditures – Capitalized Software Expenditures; 2016 adjusted for cash taxes from Abel sale (see Appendix for reconciliation)

# 2017 Segment Performance

In \$ Millions



\* Excludes Corporate Expenses

# Multiple Tax Reform Benefits

- » Tax Cuts and Jobs Act Provides Meaningful Benefits to Roper
- » Effective Tax Rate Expected to be 21 - 23% in 2018
  - Increases Earnings and Cash Flow
- » Expect to Repatriate \$500M+ of Offshore Cash in 2018
  - Further Enhances Acquisition Capacity
- » Mobility of Worldwide Cash Flows Enhances Ability to Deploy Capital in the United States

## Tax Reform Increases Future Capital Deployment

# Roper Technologies Today

## » Diversified Technology Company

- Independent Businesses with Leadership Positions in Niche Markets
- Highly Profitable: 63% Gross Margin, 34% EBITDA Margin
- Asset Light Model: Negative Working Capital and Minimal Cap Ex Requirements
- ~50% of EBITDA from Software and Network Businesses
- Greater than 50% of Revenue is Recurring

## » Powerful Cash Flow Engine Drives Capital Deployment

- 2017 Free Cash Flow: ~25% of TTM Revenue
- Acquire Companies that Generate Excess Free Cash Flow for Future Capital Deployment
- Expect to Deploy \$7B+ Over The Next Four Years

**Proven CRI Principles Drive Shareholder Value**

# Appendix



# Reconciliations I

(in \$ thousands)	Full Year 2017			
Margin Reconciliation	Industrial Technology	Energy Systems & Controls	Medical & Scientific Imaging	RF Technology & Software
GAAP Revenue	\$783,707	\$551,289	\$1,410,349	\$1,862,126
Add: CliniSys	-	-	49	-
Add: Construct Connect / Deltek / Onvia	-	-	-	57,443
Adjusted Revenue	783,707	551,289	1,410,398	1,919,569
GAAP Gross Profit	396,188	316,479	1,015,200	1,136,929
Add: CliniSys	-	-	49	-
Add: Construct Connect / Deltek / Onvia	-	-	-	57,443
Less: Deltek Prepaid Commissions Adj	-	-	-	(129)
Adjusted Gross Profit	396,188	316,479	1,015,249	1,194,243
GAAP Operating Profit	235,018	151,163	486,575	479,295
Add: CliniSys	-	-	49	-
Add: Construct Connect / Deltek / Onvia	-	-	-	57,443
Less: Deltek Prepaid Commissions Adj	-	-	-	(5,372)
Adjusted Operating Profit	235,018	151,163	486,624	531,366
Add Amortization	<u>8,848</u>	<u>13,433</u>	<u>105,377</u>	<u>167,794</u>
EBITA	243,866	164,596	592,001	699,160
Add Depreciation	<u>8,261</u>	<u>3,314</u>	<u>13,266</u>	<u>24,082</u>
EBITDA	252,127	167,910	605,267	723,242
EBITDA Margin	32%	30%	43%	38%

\* Excludes Corporate Expenses

# Reconciliations II

## Full Year 2017 Reconciliation of GAAP to Adjusted; Revenue, Gross Profit, Operating Profit, and EBITDA

(All Numbers are In Thousands)							Full Year 2017 Adjusted
	Full Year 2017 GAAP	One-Time Net Gain Resulting from the Tax Cuts and Jobs Act	Purchase Accounting Adjustment to Acquired Deferred Revenue and Prepaid Commissions	Impairment Charge on Minority Investment	Gain on Sale of Divested Energy Product Line	Amortization of Acquisition-Related Intangible Assets	
<b>Revenue</b>	\$4,607,471	-	\$57,492	-	-	-	\$4,664,963
<b>Gross Profit</b>	\$2,864,796	-	\$57,363	-	-	-	\$2,922,159
<b>Operating Profit</b>	\$1,210,244	-	\$52,120	-	-	-	\$1,262,364
Net Earnings	\$971,772	(\$215,430)	\$33,878	\$1,138	(\$6,110)	\$189,649	\$974,896
Taxes	62,951	215,430	18,242	613	(3,290)	102,119	396,065
Interest	180,566	-	-	-	-	-	180,566
Depreciation	49,513	-	-	-	-	-	49,513
Amortization	295,452	-	-	-	-	(291,768)	3,684
<b>EBITDA</b>	\$1,560,254	-	\$52,120	\$1,750	(\$9,400)	-	\$1,604,724

(1) For the purchase accounting adjustments, the company used a 35% tax rate as these adjustments are US-based items and 35% is the statutory tax rate in the United States.

# Reconciliations III & IV

<b>Cash Flow Reconciliation</b> (in \$ thousands)	<b>FY 2016</b>	<b>FY 2017</b>
Operating Cash Flow	\$963,833	\$1,234,482
Cash Paid for Taxes on Sale of ABEL	37,429	-
Adjusted Operating Cash Flow	1,001,262	1,234,482
Capital Expenditures	(37,353)	(48,752)
Capitalized Software Expenditures	(2,801)	(10,784)
Free Cash Flow	\$961,108	\$1,174,946

<b>Net Income Reconciliation</b> (in \$ thousands)	<b>FY 2016</b>	<b>FY 2017</b>
GAAP Net Income	\$658,645	\$971,772
One-Time Net Gain Resulting from the Tax Cuts and Jobs Act	-	215,430
Net Income (excl. Tax Cuts and Jobs Act)	\$658,645	\$756,342



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