

Value Snapshot: Samsara Inc (IOT)

Executive Summary

Company Overview

- **Name:** Samsara Inc. (IOT)
- **Ticker:** IOT (NYSE)
- **Sector:** Technology / IoT & Cloud Software
- **Core Business:** Samsara's Connected Operations Platform enables organizations with fleets, equipment, job sites, and frontline workers to digitize their physical operations. By integrating IoT devices, AI-driven analytics, and cloud-based workflows, the company provides visibility, efficiency, and safety improvements across essential industries.
- **Key Segments:** Video-Based Safety, Vehicle Telematics, Workforce Applications, Equipment Monitoring, and Site Visibility.

Snapshot Headline

- **Current Price:** \$42.17
 - **Fair Value Estimate:** \$50–\$55
 - **Margin of Safety:** ~18–30%
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Our Thesis (Value Investor Perspective)

At \$42.17 per share, Samsara represents a compelling case of a business being dismissed by consensus opinion as “too expensive” and “too early,” while the evidence shows that it is quietly transitioning from growth-at-all-costs to durable free cash flow generation.

The conventional narrative is that Samsara is a hardware-dependent IoT play in a crowded market, destined to remain unprofitable. That narrative is misleading. Fiscal 2025 revenue rose 33% to \$1.25 billion, and ARR reached \$1.54 billion in Q1 fiscal 2026, growing 31% year over year. Over 2,600 customers now contribute more than \$100,000 in ARR, an increase of more than 35% in just one year. These are not speculative pilots; they are sticky, multi-year deployments across logistics, utilities, government, and construction — industries that together account for nearly 40% of global GDP.

The most important shift has been in cash generation. Free cash flow turned positive in fiscal 2025 at \$111 million, or a 9% margin. This is not an accounting quirk but the product of maturing unit economics: gross margins expanded to 76%, sales and marketing intensity is declining as a percentage of revenue, and operating leverage is beginning to show. GAAP losses remain at \$155 million, but they are narrowing, and the trajectory points toward profitability within the next several years.

The balance sheet provides further comfort. With \$669 million in cash and no material debt obligations, coupled with \$2.65 billion in contracted backlog (RPO), Samsara has visibility and resilience. The company can reinvest heavily in product and customer expansion without threatening its financial stability.

For value investors, this is a textbook mispricing: the market is hung up on GAAP losses, while the real drivers of long-term value — recurring revenue, high gross margins, positive free cash flow, and a wide open growth runway — are already in place.

Key Metrics & Interpretation

Valuation vs. Intrinsic Value

On the surface, Samsara appears expensive at ~42x forward free cash flow. But valuation in isolation ignores both growth durability and operating leverage. With ARR compounding above 30% and free cash flow already positive, the path to scale is clear. Our intrinsic value estimate of \$50–\$55 per share suggests 18–30% upside from current levels. This upside is rooted in recurring revenue visibility and structural growth, not cyclical recovery.

Earnings Power & Cash Flow

Revenue has climbed from \$937 million in fiscal 2024 to \$1.25 billion in fiscal 2025, with Q1 fiscal 2026 revenue up 31% year over year at \$367 million. Free cash flow reached \$111 million, the first positive year in company history, reflecting operating leverage and strong collections. Gross margins expanded to 76%, comparable to software peers, despite the

presence of hardware. While GAAP net income remains negative, the inflection point toward sustained profitability is now in sight.

Balance Sheet Strength

Liquidity is robust. Samsara closed fiscal 2025 with \$669 million in cash and short-term investments and no reliance on debt financing. Remaining performance obligations of \$2.65 billion ensure future revenue recognition, anchoring visibility. This combination of cash reserves and backlog provides downside protection, reducing the risk of permanent capital impairment.

Return on Capital

Returns are not yet meaningful on GAAP terms, but incremental free cash flow margins point to rising returns on invested capital. The combination of high switching costs and a deeply integrated product suite suggests that once ROIC turns positive, it will remain above the cost of capital for years to come.

Dividend & Shareholder Yield

There is no dividend or buyback program. Management has appropriately chosen to reinvest in growth. However, the establishment of positive free cash flow introduces optionality for shareholder returns in the medium term.

Peer Comparison Snapshot

Metric	Samsara (IOT)	Snowflake (SNOW)	C3.ai (AI)	Industry Avg
Recurring Mix	~98% subscription (Samsara 10K 2024)	~95%	~80%	~80–90%
FY25 Rev Growth	33%	22%	15%	~20%
Gross Margin	76%	75%	72%	~70%

FCF Margin	9%	6%	Negative	~5–10%
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Samsara is already outperforming peers on revenue growth and cash conversion.

Score Rationale: 85/100

Samsara earns a score of 85, placing it firmly in the Tier 1, high-conviction category. This score reflects the combination of strong balance sheet health, consistent ARR growth, improving unit economics, and the early evidence of cash compounding.

The company passes several non-negotiables: it has transitioned to positive free cash flow, its balance sheet is fortified with cash, and it operates with high recurring revenue visibility. Gross margins in the mid-70s place it among software peers, while its customer integration creates wide moats through switching costs. These are the hallmarks of a company with durable long-term economics.

At the same time, the company is not yet in the highest conviction range (90+). GAAP profitability has not been achieved, valuation multiples remain optically high, and hardware onboarding still introduces operational risk. These weaknesses explain why the stock has not been re-rated by the market and why skepticism persists. For the value investor, this skepticism creates opportunity.

Crucially, the score captures not only what Samsara is today, but what it is becoming. As more contracts convert into cash, as operating leverage improves, and as adoption spreads across industries still in the early innings of digitization, Samsara has the potential to grow into a much larger and more profitable enterprise. Its durability is no longer in question — only the pace at which recognition sets in.

Interpretation & Performance History

Tier 1 companies scoring 80–100 have historically outperformed the S&P 500 by ~12% annually. Even during periods such as 2023–2024, when the S&P was dominated by a handful of mega-cap technology names and Tier 1 outperformance was +4%, the durability of high-scoring companies remained evident. At the very top end, Tier 1 scores above 90 have historically generated +19% annual outperformance.

Samsara, with a score of 85, fits neatly into this historical framework. It offers the profile of an emerging compounder, a business moving from investment-heavy growth to cash-generating stability. While it lacks a dividend or buyback program, its compounding free cash flow is the

engine of intrinsic value growth. For value-oriented investors, the signal is clear: the skepticism holding back the stock today is the very condition that creates the opportunity.

The broader interpretation is that Samsara is a business whose market price is anchored to accounting losses, while its fundamentals are tied to recurring revenues and cash generation. When markets reappraise this profile — as they have historically done with other Tier 1 companies — material upside is unlocked.

Risks & Final Take

Key Risks

The most significant risks are execution-related. Scaling hardware supply chains, achieving consistent profitability, and expanding internationally all require discipline. Competition from large, well-capitalized cloud and IoT vendors remains fierce. Valuation multiples also expose Samsara to sharp compression in risk-off markets.

Final Word

Samsara is undervalued not because its fundamentals are weak, but because the market remains focused on GAAP losses while overlooking recurring revenue, gross margin strength, and free cash flow inflection. With cash reserves, contracted backlog, and a vast untapped market, the downside is protected. The upside comes from the recognition that Samsara is becoming a durable cash compounder at the heart of a multi-decade digital transformation of physical industries. For the patient investor, this is exactly the type of business worth owning through cycles.

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