

Initiating Coverage:

ReposiTrak, Inc. (\$TRAK)

ReposiTrak gains TRAK-tion in food safety compliance

Key Take-away: In its most recent earnings call, TRAK reported a 16% increase in revenue for its third quarter, narrowly missing revenue forecasts but surpassing EPS projections. Following the Q3 report, shares rose by 2.44% as investor sentiment increased. Investor sentiment is positively influenced by recent FDA regulatory tailwinds that TRAK is positioned to benefit from. These tailwinds are likely to compound in the coming years, making the current valuation an attractive early-stage opportunity. Its higher valuation ratios may limit the company's upside and create smaller room for error. Despite a relatively high P/E and a challenging macro environment, we believe that the stock remains undervalued given its long-term growth potential and product's inelastic demand.

Federal Regulation & Traceability: In January 2023, the FDA put into effect the Food Safety Modernization Act Section 204(d) ("FSMA 204") for items on the Food Traceability List ("FTL"). This legislation effects any person or company that manufactures, processes, packs or hold foods on the FTL, a list of high risk for food borne illnesses items. There are 16 categories on the FTL which include thousands of items commonly sold and consumed. Consequently, all actors in the food supply chain (distributors, retailers, wholesalers, etc.) must implement a traceability program that includes FDA prescribed information, Key Data Elements ("KDEs"). As of March 2025, the FDA extended FSMA 204 compliance by 30 months to July 20, 2028, providing all participants in the supply chain more time to respond to this major development.

Dividend Hike Signals Strength, but Insider Selling Clouds Outlook: ReposiTrak's board increased quarterly cash dividends to \$0.018 per share (\$0.072 per year) on March 21, 2025, representing an annual dividend yield of 0.33%. This represents the third 10% dividend hike in three years and is a signal of increased confidence and growth. More recently, share prices tumbled by 5% after CEO Randall K. Fields sold 7,500 shares between July 14-16.

Valuation: We initiate coverage with a \$23.50 PT.



Consortium Research Group
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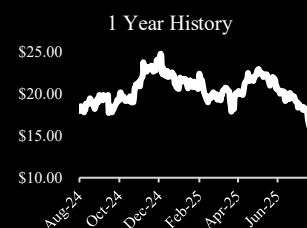
Stock Rating: Overweight

Price Target: \$23.27

Price: \$18.64

Potential Upside/Downside: 26.0%

Ticker: \$TRAK



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Company Overview

Background: ReposiTrak is a Software-as-a-Service (SaaS) company offering B2B e-commerce and supply chain management solutions for retailers, wholesalers, and distributors. Initially Riverview Software Group, the company was founded in 1990 and had its first public offering in 1998. The company has three product categories which include compliance solutions (ReposiTrak Compliance Management), traceability (ReposiTrak Traceability Network), and supply chain management (ReposiTrak Supply Chain Solutions). The company's proprietary software provides all participants in the food supply chain access to affordable, user friendly solutions to ensure compliance and vet suppliers, manage and capture supply chain events for FDA traceability standards, and provide customers with greater sourcing flexibility by allowing them to choose new suppliers from their platform.

Largest Traceability Network: TRAK prides itself on managing the largest food traceability network. Efforts to rapidly expand their network were recently celebrated when they added 60 innovative food suppliers to its traceability network. Randy Fields highlighted the network's momentum stating "Traceability is becoming a critical part of doing business in the food supply chain and suppliers are recognizing the value of a solution that's easy to use, low-cost and effective". The ReposiTrak Traceability Network does not requires hardware, allowing customers to easily access the software on the cloud. Trading partners can share data with each other for a low flat fee.

High-Margin Subscription Model: TRAK's pricing strategy operates under a high-margin subscription model with strong recurring revenue visibility. Prices are determined by considering the status of customer clients. For customers not operating with clients who are apart of ReposiTrak's network, a one-time setup fee of \$499 per facility is incurred in addition to a monthly fee of \$49 per client, per facility. For retailers, distributors, wholesalers, and restaurant operators who have signed with ReposiTrak and have made it a requirement for its suppliers to join the network, the subscription fee is \$179 per facility regardless of how many clients are sent data.

Industry Overview

Consumers Demand Transparency: Growing transparency demand from consumers is responsible for the 8.8% CAGR from 2023 to 2030 (Grand View Research). The push for food traceability networks was not only led by the FDA but also increasing consumer awareness regarding the origin of the products they consume. The COVID-19 pandemic exposed the vulnerability of the food supply chain. These disruptions underscored the need for more robust traceability solutions to efficiently address supply chain issues.

Food Waste Reduction through Traceability: Food loss and waste (FLW) remains one of society's major issues as approximately one-third of all food produced goes to waste according to the Food and Agriculture Organization. Recent developments have recognized food traceability network's potential in reducing FLW upstream. While most efforts to tackle FLW have been to reduce downstream inefficiencies, increasing real-time visibility allows those in the food supply chain to prevent waste before it happens. Approximately 13% of food waste is attributable to upstream inefficiency according to the World Economic Forum.

Blockchain and Technological Innovation: Blockchain technology has revolutionized the food traceability industry because of the credentials that ensure tamper-resistant supply chain data and increase data transparency between supply chain stakeholders.

Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Descartes Systems	\$8,807	\$9,676	61.8x	\$668		\$310
Kinaxis Inc	\$4,114	\$5,680	54.3x	\$497		\$35
IBM	\$263,753	\$313,120	27.7x	\$62,832		\$13,320
Veralto Corp	\$25,331	\$26,693	28.1x	\$5,279		\$1,310
TRAK.K	\$346	\$341	55.7x	\$22		\$7

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth	Rate L/F
Descartes Systems	31.2x	65.0%	38.6%	27.0%		13.7%
Kinaxis Inc	163.3x	61.8%	16.1%	9.5%		11.5%
IBM	23.5x	56.7%	23.3%	14.4%		1.4%
Veralto Corp	20.4x	59.8%	24.9%	23.3%		4.7%
TRAK.K	49.7x	77.5%	32.4%	24.6%		20.7%

High	163.31x	77.5%	38.6%	27.0%		20.7%
75th Percentile	49.73x	65.0%	32.4%	24.6%		13.7%
Average	57.63x	64.1%	27.1%	19.8%		10.4%
Median	31.21x	61.8%	24.9%	23.3%		11.5%
25th Percentile	23.51x	59.8%	23.3%	14.4%		4.7%
Low	20.38x	56.7%	16.1%	9.5%		1.4%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	\$	161
Implied Enterprise Value (Median)	\$	214
Implied Enterprise Value (75th Percentile)	\$	341

Implied Share Price (25th Percentile)	\$	10.17
Implied Share Price (Median)	\$	13.06
Implied Share Price (75th Percentile)	\$	20.00

Source: Refinitiv & Yahoo Finance

Investment Theses

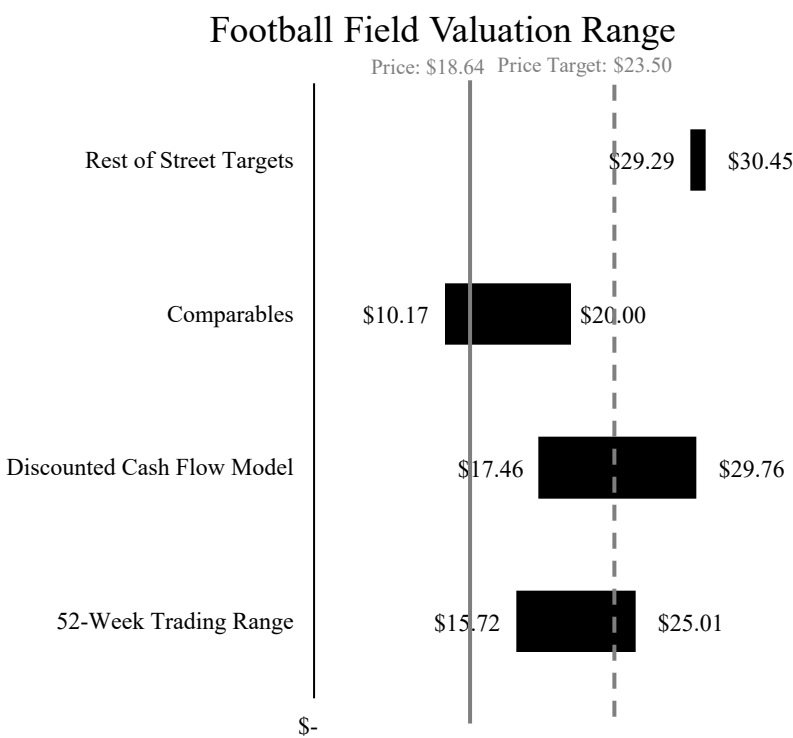
Major Regulatory Shift Driven by the FDA's Traceability Rule: The FSMA 204 is a key driver to TRAK's performance and growing addressable market as its US-centric client base will now require some sort of technical system to comply with FDA traceability standards. Due in part to the FDA's anticipated plans to increase traceability standards further, many major suppliers and retailers are implementing traceability standards that are more robust than current requirements. As the industry moves towards traceability, the FDA noted they "encourage the voluntary adoption of these practices industry-wide." Consequently, retailers and suppliers are publicly communicating that they are including additional traceability data elements, traceability for all food items (including those not on the FTL), and retailers have accelerated their timelines for suppliers to meet their unique requirements by June 30, 2025.

Profitability Metrics Indicate Strong Fundamentals: ReposiTrak's last fiscal quarter was positive as they reported 27% growth in net income. Its cash position remained solid at \$28 million, and the doesn't company hold debt allowing the company to reinvest in growth or return capital to shareholders. Its accrual ratio is also

0.11 which suggests solid liquidity as free cash flows surpass net income. Gross margins of 84.58% further indicate the company's strong profitability relative to its peers.

Price Target & Valuation

Our analysis gives (\$TRAK) a price target of \$23.50 and an Overweight rating.



Potential Downsides to Our Rating

FSMA Extension: With the FDA choosing to extend FSMA Section 204 Food Traceability Rule by 30 months this year, the possibility of another delay is present. Any further extension could temporarily slow TRAK’s promising near-term growth, however their strong position in the food traceability market suggests that revenue is still likely to reach optimistic long-run targets.

Threats From Competing Technology: ReposiTrak’s software operates in a market characterized by new software that are subject to rapid advancements. Some competitors have greater financial capabilities (i.e. IBM) and resources which could decrease TRAK’s dominance in the food traceability industry.

Premium Valuation Multiplies: TRAK trades at higher P/E and EV/EBITDA multiples relative to industry averages which raises concerns about overvaluation. However, the lack of true public comparables reflects TRAK’s differentiated position and growth potential rather than overvaluation.

Our Price Target: **\$23.50**

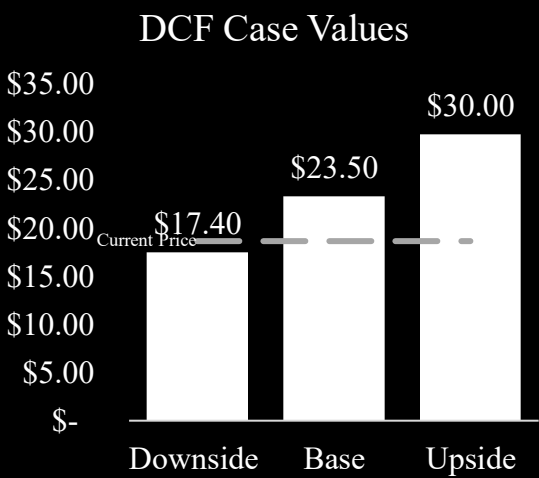
Our price target is based on a 2034 exit multiple of 22x and mid-double digit to LSD revenue growth from 2025 to 2035, with a 42% target operating margin. We apply a modest premium multiple relative to competitors due to TRAK’s SaaS revenue visibility as its backlog of notable customers continues to expand.

Our Upside Case: **\$30.00**

Our upside case assumes stronger revenue growth based on a 2034 premium multiple of 23x and operating margins reaching 44%. This is driven by a wider-than-expected moat due to lower competitive pressures and accelerating onboarding and platform adoption, supporting stronger revenue conversion and visibility.

Our Downside Case: **\$17.50**

Our downside case assumes emerging technologies capture an unprecedented portion of the market while renewal rates are lower-than expected. A broader economic slowdown could exacerbate the discount if the FDA chooses to extend the already postponed July 2028 FSMA 204 compliance deadline.



Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	20	23	27	30	34	18.7%
EBITDA	6	7	8	9	11	21.1%
EBIT	5	6	7	9	11	28.5%
NOPAT	1	3	4	5	5	47.8%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	30.4%	32.2%	29.1%	30.7%	32.2%	30.9%
EBIT Margin	24.5%	27.3%	28.0%	29.6%	31.1%	28.1%
Revenue Growth	7.1%	12.7%	15.0%	14.1%	13.2%	12.4%
EBIT Growth	-1.4%	25.5%	17.8%	20.5%	19.2%	16.3%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	49.4x	47.1x	58.1x	48.7x	41.3x	48.9x
EV/Sales	15.4x	13.7x	11.9x	10.4x	9.2x	12.1x
EV/EBITDA	50.8x	42.5x	40.9x	34.1x	28.6x	39.4x
FCF Yield	2.0%	2.1%	1.7%	2.1%	2.4%	2.8%

About \$TRAK

ReposiTrak Inc. (\$TRAK), founded in 1990 operates as a SaaS business through their cloud-based solutions. It offers B2B supply chain solutions specializing in the food industry. Through one of the largest food compliance networks (30,000+ suppliers and 110,000+ facilities), TRAK's subscription-based platform offers compliance, food traceability, and supply chain management solutions for wholesalers, retailers, and distributors. In the long-run, the small cap expects to double historical revenues in the next few years and maintain strong margins.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Repostrak Inc

Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$18.64

DCF Analysis (\$mm)																
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Stub	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	12/31/31	12/31/32	12/31/33	12/31/34	12/31/35
Discount Period						0.23	0.96	1.96	2.96	3.96	4.96	5.96	6.96	7.96	8.96	9.96
Revenue	20	21	18	19	20	23	27	30	34	38	43	47	52	57	61	65
Revenue Growth	0%	5%	-14%	6%	7%	13%	15%	14%	13%	12%	11%	11%	10%	9%	8%	7%
Supply Chain Solutions	20	21	18	19	20	23	27	30	34	38	43	47	52	57	61	65
N/A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N/A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	1	3	4	5	5	6	7	9	11	13	15	17	19	22	25	27
EBIT Margin	7%	14%	24%	27%	25%	27%	26%	30%	31%	33%	34%	36%	37%	39%	40%	42%
Tax Expense	0	0	0	0	0	0	2	2	2	3	3	4	4	5	5	6
Effective Tax Rate	3%	3%	3%	6%	7%	4%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
NOPAT	1.44	2.81	4.28	4.77	4.65	5.90	5.86	7.06	8.42	9.93	11.59	13.39	15.33	17.37	19.49	21.65
D&A	1	1	1	1	1	1	0	0	0	0	0	1	1	1	1	1
Capex	(1)	(0)	(0)	(1)	(0)	(0)	0	0	0	0	0	0	0	0	0	0
Changes in NWC	1	(0)	(0)	0	(1)	(0)	0	0	0	1	1	1	1	1	2	2
UFCF	2	4	5	6	7	7	6	7	8	10	11	13	15	16	18	20
PV of FCF						7	6	6	7	7	8	9	9	10	10	11

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.52
Risk Free Rate	4.39%
Cost of Equity	6.65%
Weighted Average Cost of Debt	4.80%
Tax Rate	21.00%
Cost of Debt	0.00%
Total Equity	\$341
Total Debt	(\$25)
Equity/Total Capitalization	100.00%
Debt/Total Capitalization	0.00%
WACC	6.65%

Terminal Value	
Propensity Growth Method	
2034 ECF	\$26
Growth	3.20%
Terminal Value	\$104
PV of Terminal Value	\$100
PV of Projection Period	\$98
PV of Terminal Value	\$100
Implied ECF	\$100
(-) Debt	\$8
(+) Cash	\$8
Implied Equity Value	\$424
Share, Shares Outstanding	14
Implied Share Price	\$30.29
Unlikely Downside	24.56%
Implied Exit NP FV EBITDA	14.83

Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$26
FV EBITDA Exit Multiple	21.86
Terminal Value	\$568
PV of Terminal Value	\$111
PV of Projection Period	\$98
PV of Terminal Value	\$111
Implied ECF	\$100
(-) Debt	\$8
(+) Cash	\$8
Implied Equity Value	\$424
Share, Shares Outstanding	14
Implied Share Price	\$30.29
Unlikely Downside	24.56%
Implied PGR	0.15%

Blended Share Price	
Propensity Growth Method	\$0%
Exit Multiple Method	\$0%
Blended Share Price	\$30.29
Unlikely Downside	24.56%