Vertex Dynamics, Inc.

Corporate Valuation Report: Discounted Cash Flow & Comparable Company Analysis

Key Statistics

Rating	BUY (Initiate)
Price Target	$44.00
Current Price	$35.75
Implied Upside	+23.1% ↑
52-Wk Range	$28.40 – $41.20
Market Cap.	$5,094mm
Enterprise Value	$5,334mm
Diluted Shares	142.5mm
Net Debt	$240mm
FY26E Revenue	$1,513mm
FY26E EBITDA Margin	28.5%
WACC	9.8%

BUY – INITIATE VTXD | Software & Services

Investment summary. Vertex Dynamics is a mid-cap provider of cloud-native data infrastructure software that enables enterprises to ingest, govern, and query high-volume operational data in real time. We initiate coverage with a **BUY** rating and a 12-month price target of **$44.00**, implying **23.1%** upside from the current price. Our target blends a discounted cash flow valuation and a triangulation of comparable-company trading multiples, both of which point to meaningful undervaluation relative to the company's decelerating-but-durable growth profile and expanding margin trajectory.

Vertex has compounded revenue at a 21% three-year CAGR while lifting EBITDA margin from 22.0% (FY2023A) to 27.0% (FY2025A), a combination we believe the market continues to underprice following a sector-wide multiple compression in cloud software names over the past eighteen months. We see further margin expansion as the Managed Cloud Services segment scales and professional-services intensity declines with product maturity.

Prepared by Meridian Research LLC, Equity Research. This report is for illustrative purposes; all companies, figures, and individuals referenced are fictional.

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1 Executive Summary

Vertex Dynamics, Inc. ("Vertex" or "the Company") sells subscription access to a cloud-native platform for real-time data ingestion, governance, and analytics, targeting mid-market and enterprise customers migrating operational workloads off legacy on-premises warehouses. We initiate coverage with a **BUY** rating and a **$44.00** 12-month price target, blending a discounted cash flow (DCF) valuation and a comparable-company multiples analysis. Against a current price of $35.75, our target implies **23.1% upside**.

Investment thesis, in brief:

- **Durable growth at a discount.** Vertex is projected to grow revenue at a 15.5% CAGR over FY2026E–FY2030E while EBITDA margin expands roughly 550 basis points, yet the stock trades at 3.4x FY2026E revenue versus a peer average of 4.4x.
- **Two independent methods converge.** Our DCF ($44.00/share) and comparable-company triangulation ($44.29–$45.03/share) agree within a narrow band, which we read as evidence the gap to the current price reflects sentiment rather than a genuine growth or margin shortfall.
- **Margin inflection is underway, not assumed.** EBITDA margin has already expanded 500 basis points over the last two fiscal years (FY2023A–FY2025A) as Managed Cloud Services scaled; our forecast merely extends a trend already visible in reported results.

1.1 Valuation Summary

Table 1 presents the output of each valuation method alongside its implied share price. Full methodology and supporting schedules are developed in Sections 3–5.

Table 1: Summary of valuation methods and implied share price

Methodology	Key Metric	Multiple / Rate	Implied Value / Share
Discounted Cash Flow	WACC 9.8%, terminal g 3.0%	–	$44.00
Comparable Companies – EV/EBITDA	FY2026E EBITDA $431mm	15.2x (peer median)	$44.29
Comparable Companies – EV/Revenue	FY2026E Revenue $1,513mm	4.4x (peer mean)	$45.03
Blended Price Target (50/25/25 weight)			**$44.00**
Current Price (8/3/26)			$35.75
Implied Upside			**+23.1%**

1.2 Key Financial Highlights

Table 2: Selected historical and projected financials ($ in millions, except per-share and margin data)

	FY2025A	FY2026E	FY2027E	FY2028E	FY2030E
Revenue	1,240	1,513	1,800	2,088	2,550
Revenue growth (%)	22.2%	22.0%	19.0%	16.0%	9.0%
EBITDA	335	431	540	658	867
EBITDA margin (%)	27.0%	28.5%	30.0%	31.5%	34.0%
Unlevered free cash flow	–	238	308	387	530

2 Company Overview

Founded in 2014 and headquartered in Austin, Texas, Vertex Dynamics designs and operates a cloud-native platform that lets enterprises ingest, govern, and query high-volume operational data with sub-second latency. The Company sells primarily to mid-market and large enterprise customers in financial services, logistics, and industrial technology who are migrating workloads off legacy on-premises data warehouses. As of FY2025A, Vertex served approximately 2,300 enterprise customers with a 96% gross revenue retention rate and 118% net revenue retention, reflecting healthy expansion within the existing customer base.

2.1 Business Segments

Vertex organizes its business into three reporting segments:

- **Core Platform (72% of FY2025A revenue).** Subscription access to the Vertex data-infrastructure platform, billed on a consumption-adjusted annual contract basis. This is the highest-margin segment and the primary driver of net revenue retention.
- **Managed Cloud Services (19% of FY2025A revenue).** Fully managed hosting and operations for customers that prefer not to operate the platform in-house. This is the fastest-growing segment and the main driver of the margin expansion embedded in our forecast.
- **Professional Services & Support (9% of FY2025A revenue).** Implementation, migration, and premium support engagements. Management has guided to a declining mix from this segment as the product matures and time-to-value shortens, which we view as a positive margin signal rather than a demand concern.

2.2 Historical Financial Performance

Vertex has compounded revenue at a 21.1% CAGR from FY2023A to FY2025A while steadily expanding EBITDA margin, evidence of operating leverage as the Core Platform segment scales ahead of fixed infrastructure and go-to-market costs. Table 3 summarizes the three-year trend that anchors our forecast assumptions in Section 3.

Table 3: Vertex Dynamics historical financial summary ($ in millions)

	FY2023A	FY2024A	FY2025A
Revenue	845	1,015	1,240
Revenue growth (%)	–	20.1%	22.2%
EBITDA	186	254	335
EBITDA margin (%)	22.0%	25.0%	27.0%
Enterprise customers (period end)	1,540	1,910	2,300
Net revenue retention (%)	111%	115%	118%
Gross revenue retention (%)	94%	95%	96%

2.3 Capital Structure

As of the most recent reported quarter, Vertex carried $390mm of total debt (a single term loan tranche maturing 2029) against $150mm of unrestricted cash, for net debt of $240mm. Diluted shares outstanding were 142.5mm. Management has publicly targeted a long-run capital structure of roughly 12% debt to total capitalization, which we hold constant in our WACC calculation in Section 3.

3 Discounted Cash Flow Analysis

We forecast unlevered free cash flow explicitly for FY2026E–FY2030E and capitalize the residual value beyond FY2030E using a Gordon growth terminal value. Our approach follows standard practice for CAPM-based cost of capital and DCF construction [1, 2].

3.1 Weighted Average Cost of Capital

We estimate a WACC of 9.8%, built from a CAPM cost of equity and an after-tax cost of debt weighted at Vertex's targeted capital structure (Table 4). The equity risk premium and beta inputs follow standard market-practice sourcing [3–5].

Table 4: WACC build

Component	Value
Risk-free rate (10-year sovereign benchmark)	4.2%
Equity risk premium	5.5%
Levered beta	1.15
Cost of equity (CAPM)	10.5%
Pre-tax cost of debt	5.8%
Marginal tax rate	24.0%
After-tax cost of debt	4.4%
Target equity / total capitalization	88%
Target debt / total capitalization	12%
WACC	**9.8%**

3.2 Free Cash Flow Projection

Revenue growth decelerates from 22.0% in FY2026E to 9.0% in FY2030E as the Company laps its largest cohort of enterprise wins and the addressable base matures; EBITDA margin expands from 28.5% to 34.0% over the same period as Managed Cloud Services scales and professional-services intensity declines. Capital expenditure eases from 5.5% to 4.5% of revenue as platform infrastructure investment plateaus, and incremental net working capital investment is held at 1.5% of revenue. Table 5 presents the full build.

Table 5: Unlevered free cash flow projection ($ in millions)

	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Revenue	1,513	1,800	2,088	2,339	2,550
Revenue growth (%)	22.0%	19.0%	16.0%	12.0%	9.0%
EBITDA	431	540	658	772	867
EBITDA margin (%)	28.5%	30.0%	31.5%	33.0%	34.0%
Less: depreciation & amortization	(68)	(76)	(84)	(94)	(102)
EBIT	363	464	574	678	765
Less: cash taxes @ 24.0%	(87)	(111)	(138)	(163)	(184)
NOPAT	276	353	436	515	581
Plus: depreciation & amortization	68	76	84	94	102
Less: capital expenditures	(83)	(94)	(102)	(110)	(115)
Less: increase in net working capital	(23)	(27)	(31)	(35)	(38)
Unlevered free cash flow	**238**	**308**	**387**	**464**	**530**
Discount factor @ 9.8% (mid-year)	0.954	0.869	0.792	0.721	0.657
Present value of free cash flow	**227**	**268**	**306**	**335**	**348**

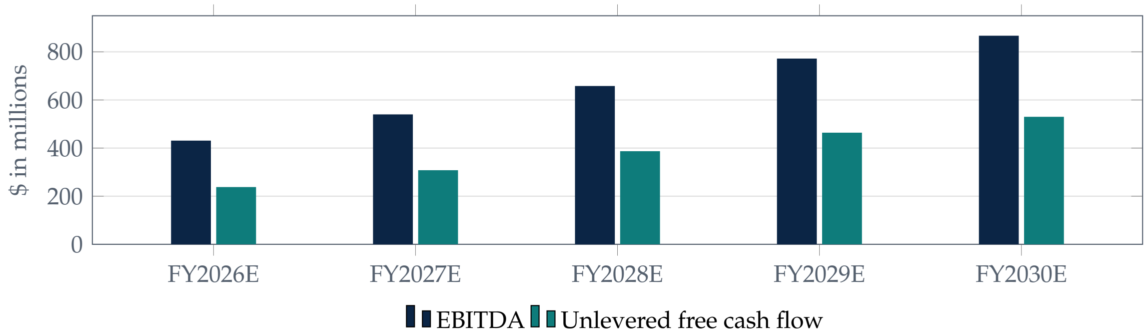

Figure 1: Projected EBITDA and unlevered free cash flow, FY2026E–FY2030E ($ in millions). The widening gap reflects cash taxes, capital expenditure, and working-capital investment absorbing a roughly constant share of EBITDA even as the margin itself expands.

3.3 Terminal Value and Enterprise Value

We apply a 3.0% terminal growth rate, modestly above long-run nominal GDP growth expectations and consistent with Vertex's exposure to a still-expanding data-infrastructure category. Table 6 bridges from the present value of explicit-period cash flow to an implied value per share.

Table 6: DCF enterprise and equity value bridge ($ in millions, except per-share data)

Item	Value
Sum of PV of FY2026E–FY2030E unlevered FCF	1,484
FY2031E terminal-year FCF (FY2030E × 1.03)	546
Terminal value (FY2031E FCF / (WACC − g))	8,029
Discount factor @ 9.8%, year 5 (end-of-year)	0.626
Present value of terminal value	5,023
Implied enterprise value	**6,507**
Less: net debt	(240)
Implied equity value	**6,267**
Diluted shares outstanding (mm)	142.5
Implied value per share	**$44.00**

As a cross-check, the implied terminal value corresponds to an exit multiple of 9.3x FY2030E EBITDA – meaningfully below the 14.0x–16.0x range at which the comparable-company set in Section 4 currently trades, which we view as an appropriately conservative discount given the deceleration to 9.0% growth embedded in the terminal year.

3.4 Sensitivity Analysis

Table 7 shows implied value per share across a plausible range of WACC and terminal growth assumptions. Our base case (WACC 9.8%, g 3.0%) sits near the center of the grid.

Table 7: Sensitivity of implied value per share to WACC and terminal growth rate

	Terminal growth rate (g)		
WACC	**2.5%**	**3.0%**	**3.5%**
9.3%	$45.80	$47.65	$49.75
9.8% (base case)	$42.20	**$44.00**	$46.05
10.3%	$38.95	$40.55	$42.35

4 Comparable Company Analysis

4.1 Peer Selection

We selected four publicly traded enterprise software companies that compete directly with Vertex for data-infrastructure and analytics budget, share a subscription revenue model, and fall within a comparable revenue-scale band ($790mm–$2,050mm). Precedent-transaction analysis was considered but excluded from the primary triangulation given the small sample of recent control transactions in this specific niche; we instead rely on trading comparables, consistent with standard equity-research practice [2, 6].

- **Nexa Cloud Systems (NXCS)** – largest peer by revenue; broader multi-cloud governance suite supports its top-of-range multiple.
- **Synapse Data Corporation (SNPD)** – closest peer by business-model mix, though smaller in scale.
- **Nimbus Analytics (NMBA)** – fastest-growing peer, skewed toward real-time analytics workloads similar to Vertex's core use case.
- **Apex Software Group (APXS)** – smallest peer by revenue; a lower-bound reference given its more mature, slower-growing base.

4.2 Trading Multiples

Table 8 summarizes trading multiples as of the report date. We apply forward (FY2026E) multiples to Vertex's own FY2026E revenue and EBITDA to preserve consistency between the peer set and the target.

Table 8: Comparable company trading multiples ($ in millions, forward FY2026E basis)

Company	EV	Revenue	EBITDA Margin	EV/Revenue	EV/EBITDA	P/E
Nexa Cloud Systems (NXCS)	9,850	2,050	30.0%	4.8x	16.0x	28.4x
Synapse Data Corp. (SNPD)	4,120	980	28.0%	4.2x	15.0x	24.7x
Nimbus Analytics (NMBA)	6,340	1,410	32.1%	4.5x	14.0x	26.1x
Apex Software Group (APXS)	3,275	790	27.0%	4.1x	15.4x	22.9x
Peer mean			**29.3%**	**4.4x**	**15.1x**	**25.5x**
Peer median			**28.5%**	**4.4x**	**15.2x**	**25.4x**
Vertex Dynamics (VTXD), FY2026E	5,334	1,513	28.5%	**3.5x**	**12.4x**	n/m

Vertex trades at a discount to every peer on both EV/Revenue and EV/EBITDA despite an EBITDA margin in line with the peer mean, and a forecast three-year forward growth rate ahead of Apex and Synapse. We view the discount as unsupported by fundamentals and the primary source of upside captured in this analysis.

4.3 Implied Valuation from Multiples

Applying the peer mean EV/Revenue multiple and the peer median EV/EBITDA multiple to Vertex's FY2026E financials yields the implied equity values in Table 9.

Table 9: Implied valuation from comparable company multiples ($ in millions, except per-share data)

	EV/Revenue Method	EV/EBITDA Method
Applied multiple	4.4x (peer mean)	15.2x (peer median)
Vertex FY2026E metric	$1,513mm	$431mm
Implied enterprise value	$6,657mm	$6,551mm
Less: net debt	($240mm)	($240mm)
Implied equity value	$6,417mm	$6,311mm
Diluted shares outstanding	142.5mm	142.5mm
Implied value per share	**$45.03**	**$44.29**

5 Valuation Triangulation and Price Target

5.1 Weighting Methodology

We derive our 12-month price target by blending the three independent estimates developed in Sections 3 and 4, weighting the DCF most heavily on the view that it best captures Vertex's idiosyncratic margin trajectory, while the comparable-company methods anchor the estimate to where the market is currently paying for similar growth and profitability profiles. Table 10 shows the blend.

Table 10: Price target blend

Methodology	Weight	Implied Value / Share
Discounted cash flow	50%	$44.00
Comparable companies – EV/EBITDA	25%	$44.29
Comparable companies – EV/Revenue	25%	$45.03
Blended price target	**100%**	**$44.00**

5.2 Football Field Summary

Figure 2 plots the full range of each methodology – the DCF sensitivity grid from Table 7 and the low/high trading multiples from the comparable-company set – against the stock's 52-week trading range. All three forward-looking methodologies imply a range that sits meaningfully above both the current price and the trailing 52-week high, which we view as the central evidence supporting our BUY rating.

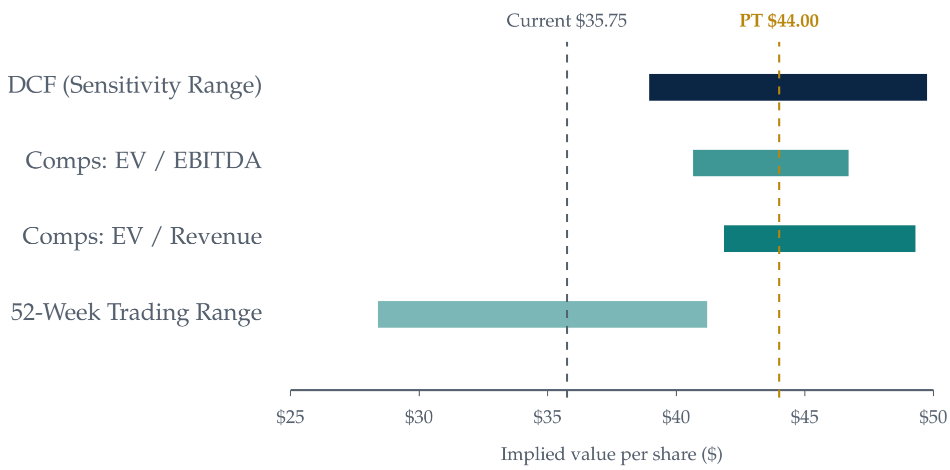

Figure 2: Valuation "football field": implied value per share by methodology, plotted against the current share price and 12-month price target.

5.3 Recommendation

We initiate coverage of Vertex Dynamics with a **BUY** rating and a **$44.00** price target, representing 23.1% upside from the $35.75 current price. Under our fictional rating framework, BUY denotes expected total return of 15% or more over the following 12 months; HOLD denotes expected total return between 0% and 15%; SELL denotes expected total return below 0%.

6 Key Risks to the Thesis

- **Hyperscaler competition.** Large cloud infrastructure providers continue to bundle adjacent data-governance and analytics tooling with core compute and storage offerings, which could compress Vertex's pricing power or slow new-logo acquisition, particularly in the mid-market segment.
- **Customer concentration.** Vertex's top ten customers represented approximately 24% of FY2025A revenue; the loss or material downsizing of a top account would disproportionately affect near-term growth relative to a more diversified peer.
- **Elongating enterprise sales cycles.** A significant share of forecast growth depends on converting the current pipeline of large enterprise migrations; macro-driven budget scrutiny could push conversion timing beyond our explicit forecast window.
- **Execution risk on Managed Cloud Services.** The margin expansion embedded in our model depends on continued

operating leverage in the Managed Cloud Services segment; slower-than-expected scaling would delay the margin inflection central to our thesis.

- **Terminal value sensitivity.** As shown in Table 7, roughly 77% of our DCF-implied enterprise value derives from the terminal value; a 50 basis point adverse move in either WACC or terminal growth materially compresses the implied share price.
- **Multiple compression risk.** Our comparable-company analysis assumes peer multiples hold near current levels; a sector-wide de-rating of cloud software multiples – as occurred over 2024–2025 – would lower the implied value from both comps methods independent of Vertex's own execution.
- **Key person and talent retention risk.** Vertex's platform architecture depends on a concentrated senior engineering team; unplanned departures could slow the product roadmap that underpins our net-revenue-retention assumptions.

Disclosures

Analyst Certification. The analyst(s) responsible for this report certify that all views expressed herein accurately reflect their personal views about the subject company and its securities, and that no part of analyst compensation is tied to the specific recommendations expressed in this report.

Company Disclosures. Meridian Research LLC and its affiliates do not hold any equity interest in Vertex Dynamics, Inc. exceeding 1% of outstanding common stock. Meridian Research LLC has not received investment banking fees from Vertex Dynamics, Inc. in the past 12 months and does not expect to receive any such fees in the next 3 months.

Rating Framework. BUY = total expected return of 15% or more over the following 12 months; HOLD = total expected return between 0% and 15%; SELL = total expected return below 0%.

References

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