

The case of Tyler Technologies



Tyler's Rap Sheet

Score Any Stock in Seconds.

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TYL

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Tyler Technologies Inc

TYL • NYSE • Software - Application

Tyler Technologies provides a full suite of software solutions and services that ...

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FIT SCORE

Is this a strong, consistent business?



Strong Fit

This company appears to fit BetterInvesting's stock study approach well. It has many characteristics worth exploring further, though more research should be done before making a decision.

View Fit Score details below

OPPORTUNITY SCORE

Is the current valuation attractive relative to its return potential?



Excellent Opportunity

This company scores strongly across what the Opportunity Score measures: a favorable balance of potential reward to risk, a valuation that sits below its own historical norms and stays reasonable for its growth, and a strong projected return. Marks like these make it well worth a closer look in your own research.

View Opportunity Score details below



Components of the Fit Score

[Learn more about the Fit Score →](#)

Fundamental Growth

Strong Growth Fit

Sales and earnings are growing at acceptable rates, with generally consistent performance over time.



Sales Quality ?

Excellent

Strong and consistent revenue growth.

9.5%

5-Yr Sales Growth



EPS Quality ?

Moderate

Mixed earnings performance.

18.7%

5-Yr EPS Growth



Alignment ?

Excellent

Sales and earnings trends are well aligned.

18.7% vs 9.5%

EPS vs Sales Growth%

Management Effectiveness

Moderate Management Fit

Profitability or capital efficiency is uneven, with periods of weaker performance.



Pre-Tax Profit Margin ?

Good

Generally solid pretax margins.

12.3%

5-yr avg pre-tax margin



Return on Equity ?

Poor

Weak returns on equity.

7.2%

5-yr avg ROE



Debt to Capital ?

Excellent

Low debt and strong capital structure.

23.1%

Debt to capital



Components of the Opportunity Score

[Learn more about the Opportunity Score →](#)



Relative Valuation ?

Excellent

The stock appears significantly undervalued compared to its historical P/E.

43.6

Current P/E

96.8

5-Yr avg P/E



PEG Ratio ?

Excellent

The stock appears very attractively priced relative to expected earnings growth.

0.9

PEG ratio



Risk to Reward ?

Excellent

Potential upside appears very favorable compared to potential downside.

8.9:1

Upside / Downside



Projected Return ?

Excellent

Projected annual return appears strong.

~18%

Projected /yr

~10%

Market avg

Our Suspect's Description?



- Cloud subscriptions of Tyler's software (the largest segment).
- Software licenses and maintenance for locally installed Tyler software.
- Professional services including consulting, system setup, training and data migration.

Core software offerings:

- ERP back-office software for government (finance, HR, procurement, tax billing).
- Case management and electronic filing tools used by judges, jail staff and attorneys.
- Computer-aided dispatch and records management for police, fire and EMS.
- Civil service digital portals for permits, licensing and property appraisals.
- Transaction and payment fees such as park reservations and court e-filing.

Other Key Information for our Suspect Tyler Tech

- Large company with \$13.5B market cap:
 - 50,000 installations.
 - 16,000 client locations.
 - Serving all 50 states as well as Canada, the Caribbean, Australia and other international markets.
- Sector: Technology.
- Industry: Software - Application.
- 7,703 employees.
- Small sampling of customers:
 - US Department of Justice (DOJ) to help manage investigations, audits FOIA requests and other complex cases.
 - Superior court of Los Angeles County uses Tyler's judicial systems to manage massive caseloads.
 - State of Maryland to build, host and manage digital portals.
 - New York City uses localized modules for public administration, community development and property appraisal data.



Analyze Growth and Quality

Valuation and Return

Quarterly Data

Ratios

Audit

Sentiment

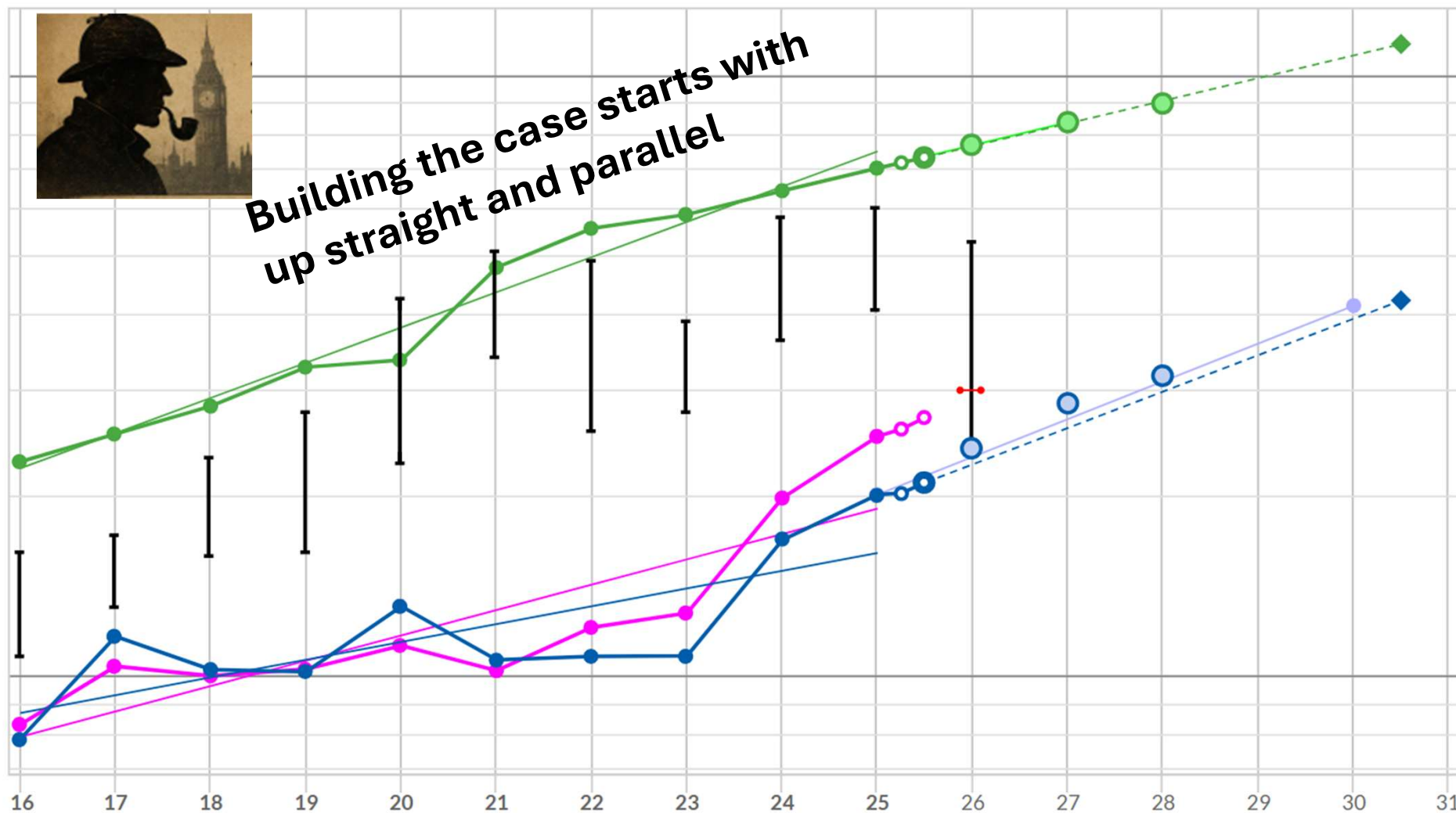
Notes

► Company: Tyler Technologies (TYL)

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Building the case starts with
up straight and parallel



SHERLOCK HOLMES' PLAN FOR WITNESS INTERVIEWS

Solving: The Case of the Missing Value

OBJECTIVE:

Gather all the facts from key witnesses and evidence to uncover the company's true value.

- S. Holmes

1 SALES MANAGER

REVIEW COMPANY GROWTH



Key Clues to Uncover:

- Historical sales growth trends
- Drivers of past growth
- Current products & services
- Future growth opportunities
- Competitive position



2 CEO

DISCUSS MANAGEMENT EFFECTIVENESS



Key Clues to Uncover:

- Strategic vision & direction
- Execution track record
- Capital allocation decisions
- Risk management
- Corporate culture & values



3 INVESTORS

DETERMINE FUTURE EXPECTATIONS OF P/E AND PRICE



Key Clues to Uncover:

- Market sentiment
- Expected earnings growth
- Future P/E range
- Future price range
- Key risks & opportunities



4 REVIEW COMPANY BOOKS

TAKE A LOOK AT COMPANY RATIOS



Key Clues to Uncover:

- Profitability ratios
- Liquidity ratios
- Solvency ratios
- Efficiency ratios
- Cash flow analysis

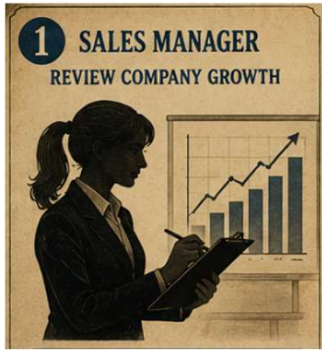


HOLMES' NOTE:

Every witness provides a piece of the puzzle.

Only when all clues are combined can the truth be revealed.

- Sherlock Holmes



What is Your Long-Term Sales Growth Projection

Witness Statements:

- SaaS revenue accounted for 33% of total and grew 20.6% in 2025, expect it to continue to grow at 20% long-term.
- Transaction revenue accounted for 35% of total and is expected to grow at 10% annually.
- If all else stays the same this would create an overall growth rate of 10.1%.

My take on all this:

- My snitch (aka BI Sentiment) said it will be 8.7%.
- The expert witnesses: Value Line L-T revenue will be 5.5% and Morningstar 9.2%.
- 5-Year trend consistent at 9.5% - encompasses the AI build out, a driver for SaaS.
- I believe the witness is being truthful but may be overly optimistic and judge it to be 9.1% long-term.





What is Your Long-Term EPS Growth Projection

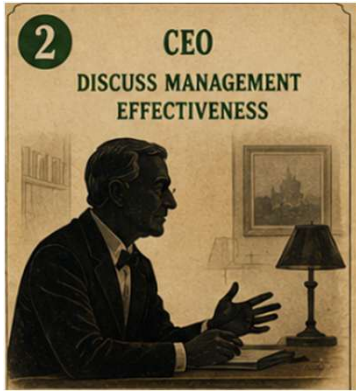
Witness Statements:

- Operating margin is currently 15.3% and is expected to grow to 20.6% over the next 3 to 5 years. This is a 34.6% growth rate in operating margin.
- Assuming the company reaches \$3.65B revenue and roughly 35% operating margin, earnings would increase by 16%.

My take on all this:

- The BI snitch says 16.3%.
- The experts (VL) say EPS growth s/b 9%, Morningstar pegs it a 15.6%, FinViz at 15.8% and Zacks at 15.0%.
- VL is the outlier, overly conservative though they project a long-term operating margin > 35%.
- I believe that eliminating the Value Line data and using the lowest estimate of the remaining experts and my snitch is the best move forward. So my judgement is 15%.





How Effective is your Management Team

Our management team does an excellent job of guiding the company as you can see from the management evaluation results below:

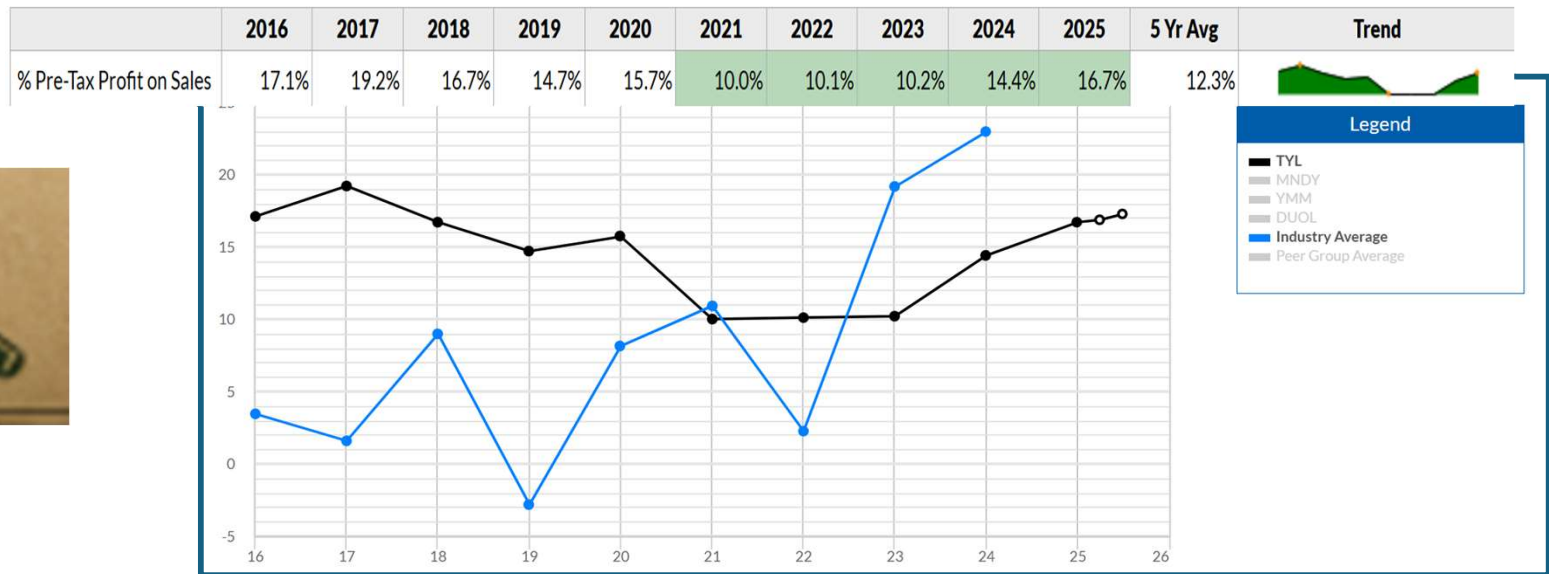
Evaluate Management												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	5 Yr Avg	Trend
% Pre-Tax Profit on Sales	17.1%	19.2%	16.7%	14.7%	15.7%	10.0%	10.1%	10.2%	14.4%	16.7%	12.3%	
% Return on Equity	11.8%	14.7%	9.9%	9.4%	10.0%	7.2%	6.3%	5.8%	7.9%	8.6%	7.2%	
% Debt To Capital	1.1%	0.0%	0.0%	1.4%	1.1%	37.4%	28.5%	19.2%	15.9%	14.8%	23.2%	



This appears to be a true statement:

- Recent measures are positive and moving in the right direction.
- But there is that big change in 2021 so let's dig a bit deeper.

Pre-Tax Profit on Sales



- Historically the company profits held down by lower margins:
 - Transaction and services mix.
 - Investment in cloud transition.
 - Software amortization.
 - Acquisition-related costs.
- The evidence shows improvement in 2024-2025 and continues through 2Q26.

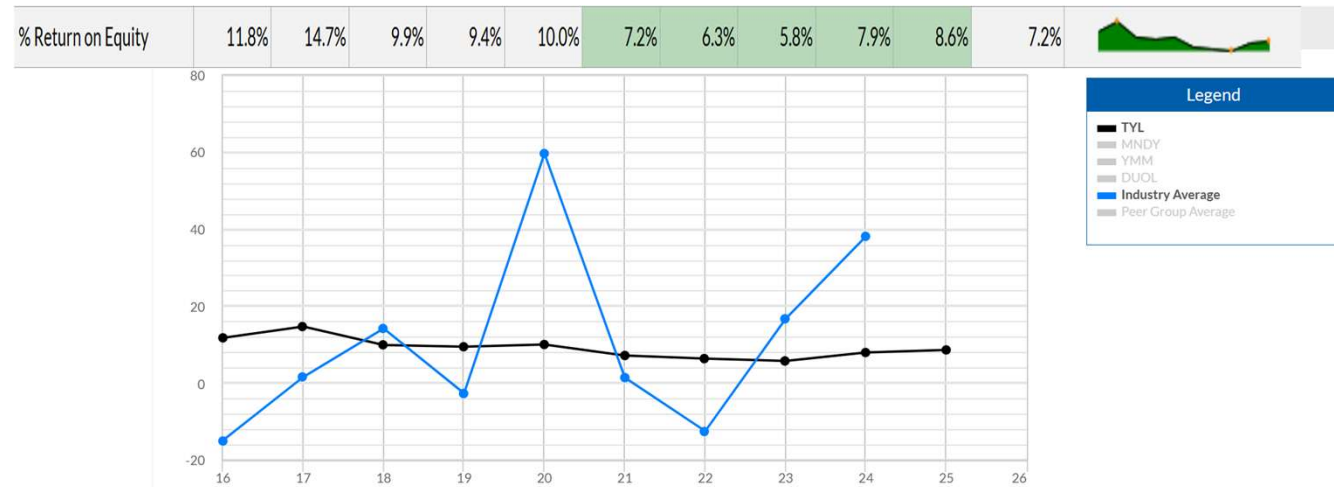
Expanding Cloud product should expand margins



Remember Ms Sales Manager said:
“Margins will continue to increase”

Note to the case file: the evidence shows improvement in Pre-Tax Profit on Sales is continuing, however, we will want to monitor this trend closely moving forward.

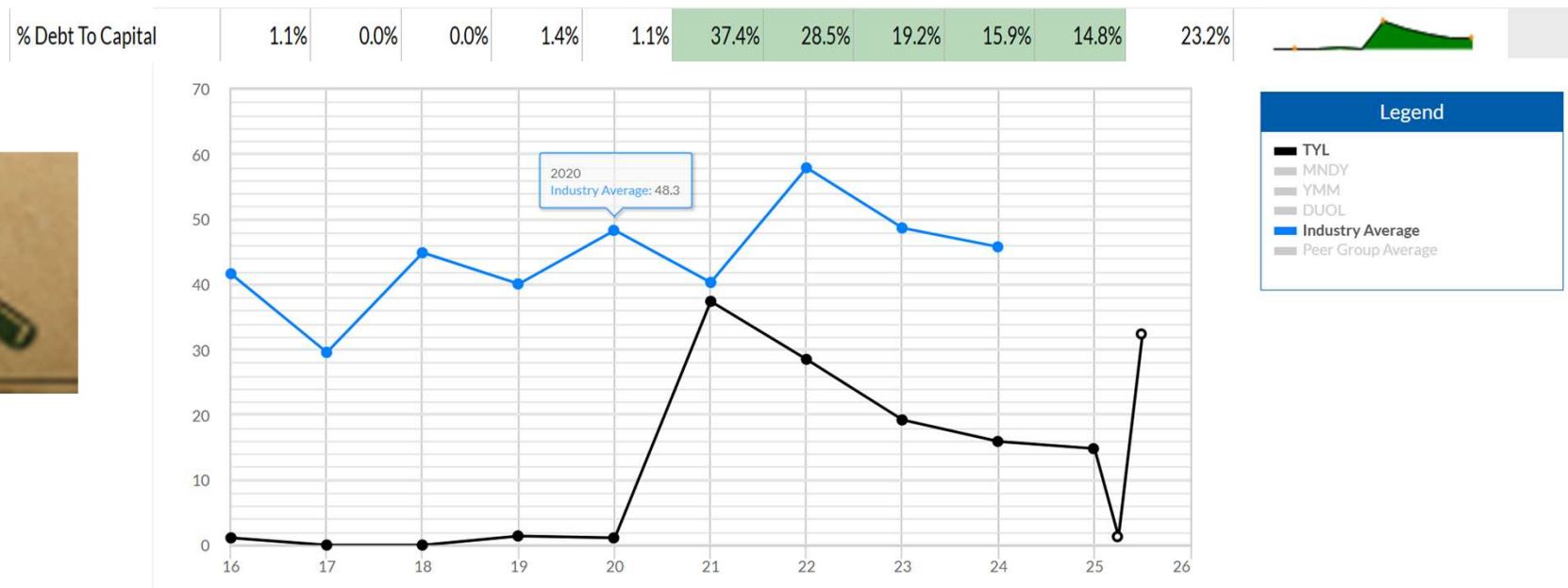
Return on Equity



- Would like to see ROE of 10% or higher
- Tyler dropped below that in 2021
- Since the NIC Inc. acquisition Tyler increased ROE while reducing debt.
- Expect ROE level to reach/exceed 10% in the near future.

Note to the case file: It appears the improvement in ROE will continue, however, we will want to monitor this trend and the level they achieve closely moving forward.

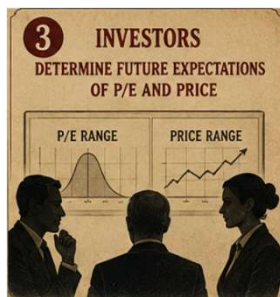
Debt to Capital



- Debt increased in 2021 tied to the NIC Inc acquisition.
- It fell through the 1Q25 as debt was retired.
- Debt levels are well below the industry average.
- A significant spike occurred in the 2nd quarter of 2025.
- Below 30% is considered conservative – low financial risk.

Investigation reveals that Tyler issued \$1.44 billion of 0.50% convertible debt in May 2026. **A conscious capital-allocation decision:**

- **Borrow inexpensively.**
- **Repurchase shares.**
- **Retain capital for acquisitions and other growth opportunities.**



How Do You Justify Those Price Earning Multiples

3. PRICE EARNINGS HISTORY as an indicator of the future

CURRENT PRICE (08/19/26): 346.88			52-WEEK HIGH: 575.93		52-WEEK LOW: 270.71			
☒ 5 Years ☐ 10 Years	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2021	557.5	372.8	3.82	146.0	97.6	0.00	0.0%	0.0%
2022	539.0	281.1	3.87	139.3	72.6	0.00	0.0%	0.0%
2023	426.8	301.7	3.88	110.0	77.8	0.00	0.0%	0.0%
2024	638.6	397.8	6.05	105.5	65.8	0.00	0.0%	0.0%
2025	661.3	445.6	7.20	91.8	61.9	0.00	0.0%	0.0%
5 YEAR AVERAGE		359.8		118.5	75.1		0.0%	
CURRENT/TTM			7.54	76.4	35.9	0.00	0.0%	
5 YEAR AVERAGE PRICE EARNINGS RATIO: 96.8				CURRENT PRICE EARNINGS RATIO: 46.0				

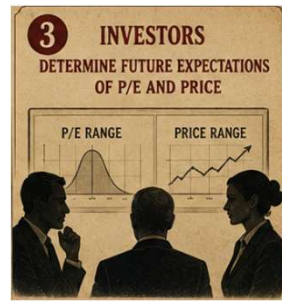
Tyler deserves a substantial premium to the overall market:

- Recurring revenue represents 87% of 2025 revenue.
- ARR grew 11% and SaaS revenue grew 20.6% in 2025.
- Client turnover has historically been only 2% annually .

And my judgements here are:

- High P/E of 40.
- Low P/E of 28.

Let's continue to find out why!



High P/E:

- Historical P/E's were high, but on their way down to more realistic levels as the company becomes larger and slower-growing and:
 - Investors have been paying too high a price for the earnings in Tech.
 - The tech sector has been coming down in recognition of this.
- VL looks for a future high price **\$540 - \$730**, expect average annual P/E of 40.
- Err on the side of being conservative.
- Given future sales growth rate, a P/E of 40 = a price of \$606

Low P/E:

- Recognize what could happen in a tech correction.
- The company has demonstrated resilience
- State and local governments need mission critical systems.
- Given our future sales growth estimate, P/E of 28 calculates low price of \$211.
- This calculation creates a very low future price.
- Plugging in an appropriate low price – our next step.

What do we expect the future high and low price of Tyler stock will be?

5 Year Average High P/E: 118.5

5 Year Average P/E: 96.8

Current P/E: 46.0

Your Average High P/E Forecast: X High EPS Forecast: = High Stock Price Forecast:

Select Low Stock Price Forecast

☐ Average Low P/E Forecast: X Low EPS Forecast: = Forecast Low Stock Price:

5 Year Average Low P/E: 75.1

TTM EPS: 7.54

Current Price (08/19/26): 346.88

5 Year Average P/E: 96.8

Current P/E: 46.0

Low EPS Forecast Update Method

- ☐ Manual update
☒ Auto-update to TTM EPS

80% of Current Price: 277.50

☐ Recent Market Low Price:

2024 Low Stock Price: 397.8

52 Week Low Stock Price: 270.7

2025 Low Stock Price: 445.6

☐ Average Low Price of Last Five Years:

☐ Price Dividend Will Support: $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.00}{---} = \text{---}$

☒ Your Low Stock Price Forecast:

Too conservative

More realistic



Follow the Money!

► Profitability Ratios

Metric	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	MRQ	Trend
Gross Margin % ?	47.0%	47.5%	47.0%	47.6%	48.6%	44.6%	42.4%	44.1%	43.8%	46.5%	47.2%	
Operating Margin % ?	17.4%	19.1%	16.3%	14.4%	15.5%	11.4%	11.6%	11.2%	14.0%	15.3%	15.1%	
Pre-Tax Profit Margin % ?	17.1%	19.2%	16.7%	14.7%	15.7%	10.0%	10.1%	10.2%	14.4%	16.7%	17.3%	
Net Profit Margin % ?	14.5%	19.5%	15.8%	13.5%	17.4%	10.1%	8.9%	8.5%	12.3%	13.5%	13.4%	
Return on Assets % ?	8.1%	11.1%	8.7%	7.4%	8.1%	4.4%	3.5%	3.5%	5.3%	5.8%		
Return on Equity % ?	11.8%	14.7%	9.9%	9.4%	10.0%	7.2%	6.3%	5.8%	7.9%	8.6%		

Profitability ratios consistent with recovery from 2021 acquisition.

► Efficiency Ratios

Metric	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Trend
Asset Turnover ?	0.56	0.57	0.55	0.55	0.47	0.43	0.39	0.42	0.43	0.43	

Acquisition history and software business model make this ratio misleading.
60% of total assets = goodwill and other intangible assets.



Cash and Working Capital!

► Cash Quality

Metric	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	MRQ	Trend
Cash From Operations (\$M) ?	192	196	250	255	355	372	381	380	625	654	731	
Net Income (\$M) ?	110	164	147	147	195	161	164	166	263	316	325	
Free Cash Flow Margin % ?	20.4%	18.2%	23.8%	19.6%	29.2%	19.9%	17.9%	16.8%	26.9%	26.6%	29.0%	

Highlighted cells indicate CFO < Net Income. Review is recommended.

- Cash From Operations is greater than Net Income and increasing.
- Net income is positive and growing.
- FCF margin consistently exceeds net profit margin.

► Working Capital Trends

Metric	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	MRQ	Trend
Sales Growth % ?	---	11.2%	11.3%	16.2%	2.8%	42.6%	16.2%	5.5%	9.5%	9.1%	8.2%	
Accounts Receivable Growth % ?	---	17.3%	27.3%	25.3%	6.1%	33.5%	7.1%	7.4%	-3.2%	10.5%	2.3%	
Inventory Growth % ?	---	---	---	---	---	---	---	---	---	---	---	

Highlighted cells indicate growth is above sales growth. Review is recommended.

- Sales growth was covered early on and inventory is a non-issue.
- A/R growth is often higher than sales growth because:
 - Government agencies purchasing, approval and payment processes.
 - Some revenue is recognized before Tyler can bill the customer.
 - Governments may hold back a portion of payment until a project has been completed.



Financial Structure!

Financial Structure

Metric	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	MRQ	Trend
Debt to Capital % ?	1.1%	0.0%	0.0%	1.4%	1.1%	37.4%	28.5%	19.2%	15.9%	14.8%	32.4%	
Debt to Equity % ?	1.1%	0.0%	0.0%	1.4%	1.1%	59.7%	39.9%	23.7%	18.8%	17.4%	47.9%	
Financial Leverage ?	1.5	1.4	1.4	1.4	1.3	2.0	1.8	1.6	1.5	1.5	1.9	
Interest Coverage ?	---	---	---	---	---	7.8	7.6	9.4	53.0	79.1	65.3	
Current Ratio ?	0.8	1.3	1.2	1.3	2.0	1.2	1.0	0.9	1.4	1.1	1.6	
Quick Ratio ?	0.7	1.2	1.1	1.3	1.9	1.1	0.9	0.8	1.3	1.0	1.5	
Goodwill / Equity % ?	71.0%	56.4%	56.9%	52.0%	42.2%	101.5%	94.9%	86.2%	74.7%	69.9%	90.7%	

- Deb to Capital was discussed earlier.
- Debt to Equity under 50% is considered conservative.
- Financial Leverage of 2.0 or less is considered conservative.
- Interest Coverage above 8 is considered sufficient.
- Current Ratio of 1.5 to 2.0 considered strong.
- Quick Ratio of 1.0 to 1.5 is considered healthy.
- Goodwill/Equity should be 50% or less:
 - 2021 acquisition - significant goodwill.
 - The MRQ increase resulted from the acquisition of For the Record (FTR) and authorized share repurchases .

0.50%
Convertible
Debt



SSG Results Summary

Zone:	BUY
Upside Downside Ratio:	3.4 To 1
Total Return (High P/E):	11.8%
Projected Return (Avg. P/E):	8.3%
Buy price to satisfy US/DS of 3 to 1 and 15% total return:	301.7
Buy Below price based on zoning selection:	354.2
Current Price (08/19/26):	346.88

