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Roper Technologies Inc (ROP) CEO Neil Hunn on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-24-19 Earnings Summary

Press Release SEC *10-Q* *Slides*

EPS of $3.29 beats by $0.08 | Revenue of $1.36B (2.80% Y/Y) misses by $-13.47M

Earning Call Audio

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Roper Technologies Inc (NYSE:ROP) Q3 2019 Results Earnings Conference Call October 24, 2019 8:00 AM ET

Company Participants

Zack Moxcey - Vice President, Investor Relations

Neil Hunn - President and Chief Executive Officer

Rob Crisci - Executive Vice President and Chief Financial Officer

Conference Call Participants

Deane Dray - RBC Capital Markets

Robert McCarthy - Stephens

Christopher Glynn - Oppenheimer

Steve Tusa - JPMorgan

Robert Jamieson - Cowen

Alex Blanton - Clear Harbor Asset Management

Operator

The Roper Technologies Third Quarter 2019 Financial Results Conference Call will now begin. [Operator Instructions]. As a reminder, this call is being recorded. And now I would like to turn the call over to Zack Moxcey. Please go ahead.

Zack Moxcey

Good morning. And thank you all for joining us as we discuss the third quarter financial results for Roper Technologies. Joining me on the call this morning are Neil Hunn, President and Chief Executive Officer; Rob Crisci, Executive Vice President and Chief Financial Officer; Jason Conley, Vice President and Controller; and Shannon O'Callaghan, Vice President of Finance.

Earlier this morning, we issued a press release announcing our financial results. The press release also includes replay information for today's call. We have prepared slides to accompany today's call which are available through the webcast and are also available on our website.

Now if you'll please turn the Slide 2, we begin with our Safe Harbor statement. During the course of today's call, we will make forward-looking statements which are subject to risks and uncertainties as described on this page in our press release and in our SEC filings. You should listen to today's call in the context of that information.

And now please turn to Slide 3. Today, we will discuss our results for the quarter primarily on an adjusted non-GAAP basis. Reconciliations between GAAP and adjusted measures can be found in our press release and in the appendix of this presentation on our website. For the third quarter, the difference between our GAAP results and adjusted results consists of the following items: amortization of acquisition-related intangible assets; purchase accounting adjustments to acquire deferred revenue; transaction related expenses for our completed acquisitions and the announced divestiture of Gatan; and lastly, tax expense adjustments related to our divestitures.

And now if you please turn to Slide 4, I will hand the call over to Neil. After our prepared remarks, we will take questions from our telephone participants. Neil?

Neil Hunn

Thanks, Zack, and good morning, everyone. As usual, we'll start with our third quarter highlights. I'll then turn the call over to Rob to discuss our financial results. Then I'll walk us through the segment details and outlook, followed by our Q4 and remaining 2019 guidance. I'll then wrap up our prepared comments with a summary of our third quarter activities and share some of our early thoughts for 2020, then we'll open it up for Q&A.

Next slide please. We had another really strong quarter here at Roper. Revenue grew to $1.36 billion, margin execution was tremendous, really fantastic, and free cash flow came in at $387 million or 29% of revenue in the quarter. Gross margins expanded 80 basis points in the quarter broadly across the enterprise. And we always like to see the leverage down the P&L with organic revenue plus 2%, EBITDA up 5% and DEPS growing 6%. We saw broad-based growth across our software businesses in both our Application and Network segments. Our medical product franchises remains very strong as well as RF product businesses.

Neptune had a nice quarter coming off strong double-digit comp from a year ago. But we did experience some short-term supply chain capacity constraints, which we will double-click into later in this call. Our Process Technologies segment continue to do a really impressive job of executing through the expected decline in oil and gas markets with tremendous margin improvements in the quarter. Also, we announced and closed two acquisitions, iPipeline and ComputerEase for a total of approximately $1.8 billion. Our capital deployment capability continues to operate at a high level. We'll talk much more about these acquisitions later in the call.

Further, we successfully executed a $1.2 billion very attractive bond offering in the quarter and we also agreed to the divest Gatan to AMETEK for $925 million, which is a great outcome for Roper and our shareholders.

Finally, as we look towards 2020 we are encouraged by many factors, not the least of which is TransCore's recent contract award to deploy and maintain New York City's congestion pricing tolling initiative. At the end of the call we will further unpack some of our views for 2020.

With that, I'll now turn the call over to our CFO to walk you through our consolidated quarterly results. Rob?

Rob Crisci

Thanks Neil, good morning, everyone. Turning to the next slide on the Q3 income statement metrics, go over some of the numbers for the quarter. Revenue was $1.358 billion, which was a 3% increase over prior year, organic plus 2%. That organic growth was led by our two segments that are primarily software -- our Application Software segment at plus 5% organic and our Network Software & Systems at plus 4% organic growth.

Margins, as Neil mentioned, were really spectacular, great execution by our business leadership teams across the enterprise. We had gross margin up 80 basis points to 64.6%, EBITDA margin up 90 basis points to 36.7%, the EBITDA for the quarter of $498 million, which was 5% growth. We benefited a little bit in the quarter as we looked down to the DEPS line from some favorable timing of perpetual license wins where we recognized I would say a few cents of earning in the quarter in Q3 that we had expected originally in Q4 around timing of those wins, primarily at Aderant and Deltek. And that gave us at the bottom-line DEPS of $3.29, which was well above our guidance range of $3.16 to $3.20.

Next slide.

Next slide our asset light business model, always one of our favorite slides. As many of you know, the big part of the Roper governance model is our focus on the balance sheet, working capital efficiency. As part of our annual review process we will be meeting with every business over the next couple of months as we look forward to the next three years. Of course, the number one focus on that is going to be around our long-term growth opportunities and strategic deployment for all the businesses and we will also spend some time focusing on do we have the right business model, are we doing a great job in terms of collecting our receivables and managing our working capital, so we can continue to compound our cash flow.

And if you look at the numbers on the slide, once again, great performance, negative working capital, minus 3.1% for the enterprise. Inventory 4.4%, down quite a bit over six years ago, receivables better than six years ago. And then of course, the big increase in deferred revenue as we've moved more and more towards high recurring revenue model across the enterprise and the deferred revenue of 13.5% is definitely excellent. We expect that number to only continue to rise moving forward.

Next slide.

On to compounding cash flow. So again consistent strong cash flow conversion for the company. Operating cash flow of $404 million in the quarter represents 30% of revenue, free cash flow of $387 million representing 29% of revenue and a 78% conversion of free cash flow to EBITDA. If you look at our TTM free cash flow, very nice double-digit growth at 12% versus prior year. And if you look to the right to the bars we had a 15% CAGR on TTM free cash flow over the past few years. So again, consistent cash flow compounding at Roper, which we certainly expect to continue.

Next slide.

So turning to the next slide on our strong financial position. Soon after we were successful in the iPipeline process in August, we saw what was happening with the overall rate environment. And one of our principles around the balance sheet is to always be opportunistic if we can lock in what we view as good long-term rates. So we went ahead and were able to access the bond market in August, right before the summer slowdown. It was really an excellent job by the full Roper team and all of our advisors to get ready and hit the market and have a really successful outcome. So we were able to do a $1.2 billion bond offering, split between $500 million of five-year notes at 2.35% and $700 million of 10-year notes at 2.95%. At the time, I believe it was the lowest year-to-date coupon for any company at our rating levels. So really a great execution by the broader team.

Furthermore, the Gatan divestiture as Neil mentioned, we expect to close later this month, that will further enhance our ability to deploy capital. We ended the Q3 right around 3.0 times gross debt to EBITDA and then when we add in the expected $700 million or so proceeds from Gatan we will be well under 3 times. And as you know every month we generate a high level of cash that goes first and foremost to pay down our revolver when there is a balance. And so we always have ample of ability to deploy capital and we will end the quarter here in really a great position to continue deploying capital moving forward and taking advantage of our high quality pipeline of acquisition opportunities.

So with that, I'll turn it back over to Neil.

Neil Hunn

Thanks Rob. Let's turn to our Application Software segment. Revenue came in at $405 million, which represented increase of 5% on an organic basis. EBITDA was $168 million, an increase of 7% versus prior year and EBITDA margins were 41.4%. At Deltek we saw the continuation of a few trends that we discussed over the past several quarters. Specifically Deltek grew high single-digits in the quarter following the difficult 2Q comp. In addition, we continue to see a good balance of perpetual software transactions and a continued acceleration in recurring revenues as a result of an increased mix of business towards Deltek SaaS offerings.

Also the business continued to see a nice bounce of activity across their two macro end markets, professional services and government contracting. Deltek’s team continues to execute exceptionally well. Also in the quarter, we acquired ComputerEase for a $185 million. ComputerEase is a leading enterprise software solution provider for construction firms with particular emphasis on the smaller end of the market. They have over 6,000 customers in North America and deliver the software on -- either on on-premise basis or in the cloud. This solution is very specific to the needs of building contractors including job costing, construction accounting, project management, asset management as well as payroll. This business fits nicely with Deltek's leadership position and the architecture and engineering vertical. This is a great addition to Delkek's AEC platform.

Aderant experienced yet again double-digit growth as a result of continued share gains within the large law vertical and the adoption of their newer SaaS solutions targeting smaller law firms and cross-selling new products to the larger firms. As you may know, we have highlighted Aderant's competitive strength for several past quarters and are proud of the long-term market share gains by the Aderant team.

Strata logged another great quarter based on very strong new logo ads, continued strong renewal activity and the adoption of their new bolt-on products for their cost accounting and decision support SaaS products targeted to the hospital market. Data Innovations and CliniSys performed quite well in the quarter, each up high single-digits. Data Innovations, our global clinical laboratory middleware or connectivity software business continued nice share gains for their core connectivity products. And CliniSys, our European hospital laboratory ERP business continues to benefit from market consolidation in most of the Western European markets. In particular, CliniSys products are essentially the only hospital laboratory ERP products proven to scale to meet the needs of the larger consolidated customers. We're quite bullish that this trend will continue for many years to come.

And before we turn to the outlook, CBORD did very well in the quarter on increases in their recurring subscription revenues. Of importance, we announced a partnership with Apple whereby the students' and the faculty's security and payments credentials can be on-boarded into the Apple Wallet. Six universities Clemson, University of San Francisco, University of Tennessee Knoxville, University of Vermont, MIT, and University in Kentucky have or are adopting this technology for this full year. For CBORD, this opens up a new recurring revenue stream as each credential is activated. Though very early, this could prove to be a nice long-term growth driver for CBORD. And finally, and we have to highlight the tremendous, just excellent cash performance in the quarter from CBORD. Great job and congrats to Jim, Rob and the entire team there.

As we turn to the outlook, we want to highlight that Deltek and Aderant were benefited by the acceleration of a few high margin perpetual transactions. These transactions were in the sales funnel at the end of last quarter but the timing of which is always difficult to pinpoint. So we assumed they were closed in Q4. But they were executed in Q3. Notwithstanding, we continue to expect mid-single-digit organic increases for this segment in Q4.

Next slide, please. Turning to our Network segment, revenue in our Network Software & Systems segment for the quarter were $394 million, an increase of 4% on an organic basis. EBITDA was $176 million increasing 15% versus the prior year, and EBITDA margins were 44.7%. During the quarter, we acquired iPipeline for $1.625 billion. iPipeline, we'll report it in this segment, and we'll discuss iPipeline in detail on the following slide.

The quarter was highlighted by continued growth in our DAT or North American freight match business. In particular, we saw strength in demand for a rate data offering which helped drive increased ARPU in the quarter. Foundry also started strong with double-digit revenue growth in their first full quarter as part of Roper. In particular, there was nice growth across both their media and entertainment core vertical, and their emerging digital design business. Also in the quarter, Jody and the team delivered major releases to both their Nuke and Katana product offering.

iTrade grew double-digits in the quarter based on strong renewal activity and new customer adds. MHA's performance in the quarter was highlighted by several strong trends. To remind everyone, MHA is the largest group purchasing network for the non-hospital market with leadership positions and long-term care pharmacies, long-term care facilities and home infusion marketplaces. The team continues to win the market share gain relative to on-boarding new and startup pharmacies. Importantly, in the quarter, MHA continued to see the benefits of increased customer purchasing volumes due to several new pharmaceutical products being on contract.

Also, it's worth reminding everyone about the favorable end market conditions, essentially the aging of America and the increasing demands this aging demographic puts on the healthcare system. This trend benefits MHA.

Finally, the President of MHA, Mike Sicilian announced his intention to retire from the business. Mike has been the MHA President since our acquisition in 2013 and has done a terrific job growing MHA and providing leadership to both SoftWriters and SHP. Congrats to Mike for a wonderful career with MHA and Roper. And Mike, thank you.

His successor Diane Koontz has been MHA's COO for the GPO business for several years. As a result, MHA's leadership succession plan has been seamless, which is a testament to Mike and Diane working together in pursuit of this transition for several quarters.

Turning to RF IDeas, we continue to see strength in this business. In fact, another record quarter for RF IDeas. The strength was based on continued adoption of RF Ideas' core reader technology in secure print and secure sign on applications. This is another very good example of a leadership niche business and in this case Roper style products business. Great job by the team.

And finally, in the quarter TransCore was down low single-digits based on project timing. Importantly TransCore was recently awarded with the design, implementation and maintenance contract for New York City's Central Business District Tolling Program. The total contract value was approximately $507 million and we expect to recognize approximately $200 million of revenue associated with this contract next year. The recurring revenue operations and maintenance portion of the contract will commence in early 2021 and run for a minimum of six years. Thank you to the MTA for trusting TransCore to deliver on this very important and highly visible contract. And also congratulations to Tracy and the entire TransCore team for building the products and technologies needed to implement this project as well as the many years of experience integrating similar solutions. As we return to the outlook, we continue to expect mid single-digit organic growth for this segment in the final quarter of the year.

Next slide please. iPipeline is a wonderful addition to our growing stable of software businesses. iPipeline is a leader in cloud-based software solutions for the life insurance industry. Specifically, iPipeline provides the necessary workflow automation solutions needed to quote, apply, underwrite and manage life insurance products. The software solutions enable very broad network of carriers, distributors and agents in the sales and delivery of life insurance products. The purchase price was $1.625 billion and is immediately cash accretive. We expect the business to grow in the high single-digit range and this is based on the company's long history of revenue, EBITDA and cash flow growth.

For 2020, we expect iPipeline to deliver approximately $200 million in revenue at roughly 40% EBITDA margins and generate approximately $70 million of after-tax unlevered free cash flow. Importantly, iPipeline is a Roper style software business. They have very strong cash flow characteristics and is very asset light, in fact negative net working capital. The management teams led by Larry Berran exemplify what we look for in our leaders. Long-term commitment to solving customer problems with solutions that have recurring revenue streams, teams that love to build great businesses. They are the clear leader in this niche vertical and as a result have very deep domain knowledge. And given this, they have very high levels of recurring revenue and their customer intimacy provides clear opportunities to continually enhance the products and solutions to continue to grow over the long-term. We've been tracking this business for several years and are excited to welcome the team to Roper.

Next slide please. Revenue in the quarter in our Measurement & Analytic Solutions segment were $389 million, a decrease of 2% on an organic basis. EBITDA was $137 million, a decrease of 6% versus the prior year and EBITDA margins were 34.4%. Verathon had a strong quarter whose growth was led by increases in their GlideScope consumables recurring revenue. In addition, the Verathon team has done a nice job launching their new single use bronchoscope product line, well on path to becoming a meaningful product for Verathon within the first year of launch.

NDI had another great quarter. This quarter’s strength was rooted in NDI’s electromagnetic and optical measurement systems used by several OEMs in surgical applications. Great job again by the NDI team.

Our CIVCO MMI business in Iowa City had a very nice quarter that was highlighted by strong execution in their ultrasound guidance market. Neptune did well in the quarter especially coming off a strong double-digit comp from a year ago, but the quarter's growth was hampered by supply chain constraints specific to their newer ultrasonic residential meter offering. Of note, over the past couple of years Neptune has invested to develop a static meter based on ultrasound technology for both the residential and larger commercial and industrial meter markets.

In the quarter Neptune saw bookings for ultrasonic meters outstripped their current production capacity, which we view as generally a good thing as this newer product appears to be striking a positive chord with several new customers. The Neptune operating and supply chain teams are working aggressively to boost production, which we expect to see the benefit of as we head into 2020. All-in-all, a good quarter for Neptune.

As we expected our short cycle industrial businesses declined high single-digits. This performance was consistent with the last part of last quarter and consistent with our expectations heading into Q3. The business has started taking cost actions in Q3 and will continue into Q4 to best position these businesses for 2020. Importantly, this group did a tremendous job managing margins in the quarter. As we have discussed, we reached an agreement to sell Gatan to AMETEK for $925 million. We expect the sale to close at the end of this month.

Given the backdrop of a two-year sales process and a very intensive divestiture workload over the last three to four months, the Gatan business had a challenging third quarter down high single-digits as volume shifted out of Q3 and into Q4. We expect most of these delayed shipments to occur after the closing of the divestiture.

As we turn to our guidance, we see organic revenues flat for the fourth quarter. We see our medical product business is growing mid single-digit plus for the final quarter of the year. We expect Neptune to grow low single-digits as they are working to expand their static meter supply chain capacity and we expect our short cycle industrial businesses to be down high single-digits. Finally, as we mentioned before, we expect the divestiture of Gatan to close later in this month. Of note, Gatan's annual EBITDA has historically been extremely back-end weighted through the last two months of the year, a period we do not expect to own in 2019.

Next slide please.

And finally revenue for our Process Technologies segment for the quarter were $160 million, a decrease of 5% on an organic basis. EBITDA was $58 million, a decrease of 3% versus prior year and EBITDA margins were 36.6%, an increase of 100 basis points. We saw very strong actually outstanding margin performance for this group of businesses in the quarter. This was driven by our business unit leadership teams executing to remove cost from the businesses on a rapid basis. To this end and it's always worth reminding everyone the vast majority of our businesses' cost structure are variable. For this reason when times are good we tend to only have modest incrementally positive leverage, but this meaningfully benefits us when times get more challenging. We are able to quickly take cost out of the system and position the businesses in the most optimal manner. The teams did a great job of this in the quarter.

Relative to CCC we continue to see strength in their LNG project pipeline and we are the contracted vendor in essentially all new projects coming online over the next several years.

Finally and prior to turning to our guidance, we are excited to announce new presidents at both our PAC and CCC businesses. Both businesses have and continue to perform well, but the addition of Ed and Pete to our team should greatly enhance these two businesses' ability to develop and deploy strategy, drive targeted operational improvements, and simplify the operational complexity of each of these businesses. Welcome to both Ed and Pete to the Roper family.

Turning to our outlook, we do see and expect a weakened outlook for upstream oil and gas businesses as we head into Q4. Given this we are guiding to mid single-digit organic revenue declines in this segment for Q4.

Next slide please. Core guidance, we are tightening our DEPS guidance to a range of $12.98 to $13.02 compared to our prior guidance of $12.94 to $13.06. Also for establishing Q4 adjusted DEPS guidance to be in the range of $3.32 to $3.36. Please note that Q4 and the full year guidance includes an $0.08 headwind based on the net impact of our Q3 acquisitions and the Q4 divestiture of Gatan. Finally we expect our tax rate to be approximately 22% in the quarter.

Next slide please. As we turn to our final slide before Q&A. We continue to see strength in our niche market strategy and governance model that promotes nimble local execution. This led to strong performance in the quarter across the enterprise. EBITDA margins were up 90 basis points to 36.7%. DEPS grew 6% to $3.29 and TTM free cash flow increased by 12%. Also and importantly, we successfully deployed $1.8 billion for two terrific Roper like software businesses in the quarter, ComputerEase and iPipeline.

Finally in the quarter we were able to reach an agreement with AMETEK to divest Gatan for $925 million and complete a $1.2 billion bond offering is a very attractive long-term rate. Great execution across the entire enterprise in the quarter.

As we look towards 2020, we see several encouraging trends. First, our enterprise continues to be less and less exposed to macro cyclical impacts as our expanding software portfolio increases our recurring revenue mix. This is a longer-term trend that we feel great about.

Next, our balance sheet remains very strong and will only be strengthened by the Gatan divestiture proceeds. Further, our acquisition pipeline remains very strong with several high quality opportunities across various stages of deal maturity. We continue to see a very large number of very high quality assets.

And finally, TransCore's New York City congestion pricing infrastructure project will drive meaningful revenue, approximately $200 million for the enterprise, beginning in 2020.

Now as we turn to questions we want to remind everyone that what we do is very simple. We compound cash flow by running a portfolio of operating businesses that have market-leading positions and niche industry. We provide the business leaders with Socratic coaching about what great looks like relative strategy, operations, innovation and talent development. We incent our management teams based on growth. We have a culture of mutual trust and transparency. And finally, we take our excess free cash flow and deploy it to buy businesses that have better cash returns than our existing company. These simple ideas deliver powerful results.

Now, let's turn the call over to your questions.

Question-and-Answer Session

Operator

Thank you. We will now go to the question-and-answer portion of the call. [Operator Instructions]. We will begin with Deane Dray, RBC Capital Markets.

Deane Dray

Hey maybe you can just start with some clarification on the perpetual license revenues that came in for Deltek and Aderant. Just give us some context here. Is this the customer deciding when these will be executed and are they one-time? And I think Rob said that it pulled maybe $0.02 out of what would have been in the fourth quarter and the third quarter, is that right?

Rob Crisci

Yes, it was probably closer to $0.03, maybe $0.04. It's just timing those things come in at really 100% margin. And so what, go ahead, you can talk about the customers.

Neil Hunn

Yes, I mean, the situation for both Aderant and Deltek, these were larger -- on the larger side of transactions. They were pretty late stage in the pipeline as we're preparing our guidance for this coming quarter, but you never know on the timing of these larger deals. And so we'll tend to take a more conservative posture on the timing and they just came in a little bit earlier than we thought.

Deane Dray

Got it. And then on the congestion tolling win. So, congratulations on that, everyone has been watching this as the contract and where the first major city in the U.S. will take on this technology. So you already have Stockholm, you already have London. Are there other U.S. cities that you are in negotiations with and do you have the capacity to roll out more of these systems?

Neil Hunn

I think there is -- if you Google congestion pricing you see almost every large U.S. city sort of thinking about it or talking about it or in some stage or in the legislation to begin. But that said, all eyes are watching this implementation, not just how TransCore does, but how the initiative works for the city. How the funding works? How it goes? So I think the funding here is going to underlie our support of $15 billion bond offerings which is part of a $50 billion capital plan for MTA. And so the whole picture is being watched, but we're certainly encouraged this could be a very long-term opportunity to do other cities for us.

Deane Dray

Got it. And then just last one from me. Just can you clarify on Neptune and this high quality problem of demand on your ultrasonic smart meters? Are you losing any business or any customers getting turned away because you can't supply them over the near-term or is this going into backlog?

Neil Hunn

It's 100% going into backlog. In fact the majority of these wins came from competitive displacements of ultrasonic technology that was not working as well as our product does. And so it's in backlog, it was -- this is not a sort of a customer surprise per se. It was just a little bit of push out in terms of capacity on our side. But it's not -- it's all positive from our point of view.

Operator

And Robert McCarthy with Stephens has the next question.

Robert McCarthy

Good morning, everyone, and congratulations on a great quarter. A lot of really good things to talk about. But I think rather than talk about the good things I'll be more of the fox and hedgehog. The Gatan divestiture, I think you guys were in print about a year ago when you announced the sale to Thermo about $150 million in sales. And then I think the most recent press release suggested $180 million, but now I think you cited for the full year expectation of some disappointment there. So, what is the updated expectation for 2019 revenues for Gatan in the context of what you've already disclosed?

Rob Crisci

Right. So, yes, the full year numbers are the numbers that were disclosed I think when the announcement was made. So, I mean, there is no update at all to that.

Robert McCarthy

Okay, alright. Fair enough. I guess I'll take care of that offline. In a more positive light, obviously longer tune on Neptune, I would say the following. In attending some industry conferences recently around the smart grid in general and grid automation in general across a variety, whether it would be electricity, water et cetera, with the utilities. There seems to be kind of a rising wave that the canopy of the Internet of things and data is really going to be a nice secular growth story here. And it could be the bleeding edge of IoT over the near term. Are you seeing from what you're seeing in Neptune's markets and the software opportunities there even from a capital deployment perspective? Are you seeing a sea change in that market? Is that becoming more attractive to you than perhaps history would suggest? Any color there in terms of what the secular organic dynamics are with respect to that general vertical?

Neil Hunn

Yes. So, our experience with in this water industry, I don't think -- there's no sea change. It's sort of tectonically changing. It's slow and paced and conservative. That said, for many years. At least three or four that I can think going through the Neptune strategic plans. They have focused a number of resources on what they call network-as-a-service and then also the data that comes out of the water meter to be able to do more leak detection and more reporting to the customers on sort of their utilization patterns et cetera. So, it is certainly attractive. Neptune opened an R&D center and a software development center in the Atlanta market, the sort of how some of these resources. That said, it is a small part of Neptune today. I mean Neptune is the leader and will continue to be the leader both on the mechanical meters and emerging on the sort of static ultrasonic meters. And as you know, the technology that we place on top of the meter has been a long-term differentiated advantage for us as you don't have to touch the meter as the reading technology changes from sort of mobile to fixed. So, that's our views on there and happy to spend more time on that, if you like.

Operator

Now we'll take a question from Christopher Glynn with Oppenheimer.

Christopher Glynn

Curious with the -- on the heels of the efficient reprocessing of the Gatan transaction, just wondering how you're viewing the market overall for strategic buyers of manufacturing assets and your kind of view of that whole dynamic around your portfolio mix?

Neil Hunn

I don't know if that's a trick question, but we -- the businesses that we have that are on the product side are great businesses. They've been in the portfolio for a long-time. They're amazing cast producers that enable sort of our -- meaningfully enable our capital deployment strategy. We talked in this quarter how the cost structures are positioned to be on a variable basis to best sort of let us sort of right up and down as the macro market rides them. And so they are in the portfolio. We like them in the portfolio and expect them to stay in the portfolio.

Christopher Glynn

And I don't know if this is a hedgehog question or not, but I didn't hear anything on PowerPlan, just wondering how that's tracking financially and culturally. I think you've had it for about a year now?

Neil Hunn

Yes culturally it's great. Joe, who is the leader of that business has done a great job with the culture and sort of getting on the right growth sort of drivers and footing. We talked about a couple of times in the past. Well around the time we acquired the business, we were just on the back end of a sort of an industry-wide adoption of lease accounting software to which PowerPlan was one of many benefactors of. On the back side of that we had to -- had in our currently finishing retooling the go-to-market capability to go back to the old school way of identifying leads or working leads and closing leads. So, we saw a great momentum in that last quarter in terms of adds to the pipeline. We saw that continue this quarter, but more importantly the pipeline adds or added last quarter matured and got closer in the later stages of the sales funnel. So, they've done a really nice job retooling the go-to market. We feel good about the business as we head into next year.

Operator

Next question will come from Julian Mitchell with Barclays.

Unidentified Analyst

This is [Joe] on for Julian. Just starting with kind of a broader question on your SaaS businesses. As they become a larger part of the portfolio, how are you guys thinking about the longer -- medium term trends of your kind of average revenue per user. You mentioned that Aderant was benefiting this quarter from cross-selling and then things like that. Do you think that's something that's going to be able to have in other SaaS businesses? And then I guess just as a part two there. Are you offering any incentives to your customers to switch over into the SaaS products, I guess at Deltek in particular? And then does that kind of imply a tailwind can come in when those incentives go away a little further down the line?

Neil Hunn

Alright. Hey, there's a lot in there. So, I'll try to sort of take it one by one. So, it's hard for us to make out a comprehensive or broad-based sort of statement across the many SaaS businesses that we have or businesses that are selling their products on a subscription basis around the cross-selling up-selling, but it is -- that said for each one, it is a very meaningful part of their strategy, right, where just take the most recent one iPipeline. They've got gross retention in the high 90s and net retention like 110. So, a big part of their strategy is cross-selling and up-selling additional products to the existing customer base. As I'm sure you're aware, I mean the heaviest cost in a SaaS business is the cost to acquire a customer. And so then we want to see the solution sort of stack on top of that over a long period of time. So, we're certainly -- that is certainly the strategy of each one of our businesses. But if that's a generalized statement, it’s hard to give you a specific one because each business -- its deployment against that is unique to that business. Relative to your question on incentives, certainly not from a financial point of view, I mean there is a very compelling value proposition for a customer to migrate their implementation from on-premise to the cloud, not the least of which is the headaches of managing the technology, infrastructure moves to us, to the users of the software. Perhaps the largest benefit of the value proposition is, they get the benefit of all the new releases when the new releases are released, which oftentimes and almost most cases is not the case when it's hosted by the customer and the list goes on, but they are not financial incentives to sort of migrate to the cloud. And again maybe the final thing I would say is, this is -- there is no push from us to mandate X percent of revenue gets into the cloud by Y date. This is very much company by company and that company is being pulled by their customers to go into the cloud. And as a result, the businesses are at various stages of maturity.

Unidentified Analyst

Got it. Thank you. And then just a follow-up. How are you guys seeing kind of the commercial construction market right now and how that will impact Deltek and other offerings?

Neil Hunn

Yes. So, it’s -- the company we have most index -- commercial construction in the U.S. is our construct connect business. The principal business they are in is, is they have virtually every commercial development project in the U.S. They have visibility to that project in the planning phase from many years out when they were just doing the permittings to right before shovel goes in the ground. And so that set of leads if you will or projects becomes more and more valuable to the contractors as the economy gets weaker and weaker. And so it somewhat has a sort of a counter-cyclical sort of demand associated with that.

So, feel pretty good on the Deltek side with our recent acquisition, ComputerEase on the small end of the contractor side and sort of automating their businesses. Same thing when times get a little bit more tough than the customers look for more efficiencies in the software that we just bought sort of enables that.

Operator

Moving to a question from Steve Tusa with JPMorgan.

Steve Tusa

So, you guys didn't give a total company organic revenue update for the year, for guidance. I think it was 4% the last quarter. What's that going to be now?

Neil Hunn

Yes. So, we gave each of the segments. I think if you add up all the segments for the fourth quarter, it's going to be pretty close to the Q3 organic, so in the 2% range. So, I think if you add that up for the full year, we're somewhere just north of 3%.

Steve Tusa

And then with regards to Gatan, I think they said something like $70 million in EBITDA, I'm not sure how much D&A goes with that. But what is the kind of dilution for next year from that deal?

Rob Crisci

Yes. So, our best estimate would be $45 million to $50 million of EBITDA would go away. That was in '19 obviously, wouldn't have in 2020. As Neil mentioned, it really is very consistent that their last quarter is their biggest quarter as I'm sure you know from covering us for a long period of time and actually November, December is 35% to 40% of our annual EBITDA typically. So, that's our best guess is sort of what numbers we'll get that we won't get next year.

Steve Tusa

Do you know what the difference is between the $70 million and the $50 million that they're talking about $70 million? What's the difference between that and your $50 million?

Rob Crisci

November and December.

Q - Steve Tusa

Okay, got it. So, it's the calendar issue. Got it.

Rob Crisci

Right. We are assuming it gets sold this month.

Steve Tusa

Okay. And then one last one, I mean, acknowledging the pipeline looks good at PowerPlan. What is actually -- what was actually the growth of that business in the quarter?

Rob Crisci

PowerPlan, the quarter was down a little bit over past -- over last year.

Neil Hunn

Steve which is we expected given we are rebuilding the pipeline there.

Steve Tusa

Yes. And what is it year-to-date?

Rob Crisci

Year-to-date, it's down slightly year-to-date.

Operator

We'll now move to a question from Joe Ritchie with Goldman Sachs. And Joe you may be muted please unmute. There's no response from that line. We'll move to the next question. And that will come from Joe Giordano with Cowen.

Robert Jamieson

Hey, good morning. This is Robert in for Joe this morning. I just have a follow-up to Deane's question on the New York City order in TransCore. Can you give us a little bit of color on what the margin profile is there and how that changes throughout the contract?

Neil Hunn

Yes, it's just pretty simple, right. So, it's a little north of $500 million contract. About half of that is the design and implementation. The remaining half is six years worth of maintenance operations. It's consistent with TransCore's margin structure, which is a little bit below that of Roper on a consolidated basis.

Robert Jamieson

Okay, thank you.

Neil Hunn

And project profile -- sorry the margin profile is pretty consistent across the totality of the period.

Robert Jamieson

Okay, perfect. That helps. And then just another one without giving any names, are there any businesses within your portfolio that you're looking at or that makes sense to divest in the next year or so?

Neil Hunn

Certainly, if there were, we couldn't talk about it. So, we can't talk about it.

Operator

Now we'll take a question from Alex Blanton with Clear Harbor Asset Management.

Alex Blanton

Just wanted to clarify what you said about the margins in the New York City business, you say was slightly below the average for the company?

Neil Hunn

Yes.

Alex Blanton

I wanted to go to, what you said about CCC and the bridge there, project opportunities going forward. Could you repeat that?

Neil Hunn

Sure. There are -- the exact number I don't have on my fingertip. A dozen or so larger LNG projects that are in the feed sort of in the planning phase, late stage of planning phase across the globe and were specified and I think 11 of the 12 and still have an opportunity in the 12th. And so we're -- the long-term sort of projects positioning you see what you've commented on that for several quarters is quite good.

Alex Blanton

But what kind of revenue growth that we're talking about there, these compared with let's say the recent past?

Neil Hunn

As you know these projects take many years to unfold. And so we're talking about just the very long-term, the next several years of CCC based on these projects, very long lead time projects appears to be quite robust, don't want to get into the comments of specific growth rates of specific companies many years down the road.

Alex Blanton

When CCC was first acquired in 1992 they were doing almost entirely retrofits of existing projects because the compressor companies that were selling compressors to these projects were not using CCC software in the compressors that they were delivering initially to those projects. So, CCC would come along and just retrofit because the operators of those projects found that their search control and all of the rest were superior to what was being provided by the OEMs. It sounds as if that has completely changed. Is that correct? Now it's been adopted?

Neil Hunn

I wouldn't say it's been completely changed. I mean the balance -- the business is balanced between new projects and retrofits. One of the strategies of the business -- in fact it probably tilted more towards new and a little bit lesser towards the retrofits in the past several years and the leadership team there has worked really hard to position CCC with the various customer opportunities across the globe to do more of getting larger percentage of market share of the retrofit opportunities to get more back in balance. And so we can fully endorse the strategy and look forward to execution against it.

Alex Blanton

And finally is your principal competition in that business still the OEMs as it was?

Neil Hunn

Sure. Yes.

Operator

And that will end our question-and-answer session for the call. We will now go back to your host for closing remarks.

Zack Moxcey

Thank you everyone for joining us today. We look forward to speaking with you during our next call.

Operator

And with that, ladies and gentlemen, this does conclude your conference for today. Thank you for your participation. You may now disconnect.