

## Spotlight Series: ReposiTrak Inc.

ReposiTrak Closing Price: \$12.10

Date: 02/14/2024

### DJWM Microcap Conviction List

The DJWM Microcap Strategy focuses on investing in cheap, under-the-radar stocks. This strategy combines quantitative and fundamental analysis. The Spotlight Series showcases 5-10 ideas derived from our in-depth fundamental analysis.

Ticker	Company	Summary
ELTK	Eltek	Critical defense technology manufacturer in Israel. No debt and showing impressive growth.
ENVX	Enovix	Patented battery design allows for more power in mobile devices.
EOSE	Eos Energy	Pure play in grid scale long duration energy storage. Beneficiary of the Inflation Reduction Act.
GEO	GEO Group	Prison company owns legacy assets marked well below replacement costs. Also owns a high growth tech company set to benefit from the immigration crisis.
PCT	Pure Cycle	Recycling company with patented process to return polypropylene to a virgin state.
NLOP	Net Lease Office Prop	Deep value office REIT spin-off.
TRAK	ReposiTrak	SaaS pure play on FDA's food traceability rule FSMA 204. Undervalued with strong balance sheet.

Source: DJWM

### Deep Dive: ReposiTrak Inc.

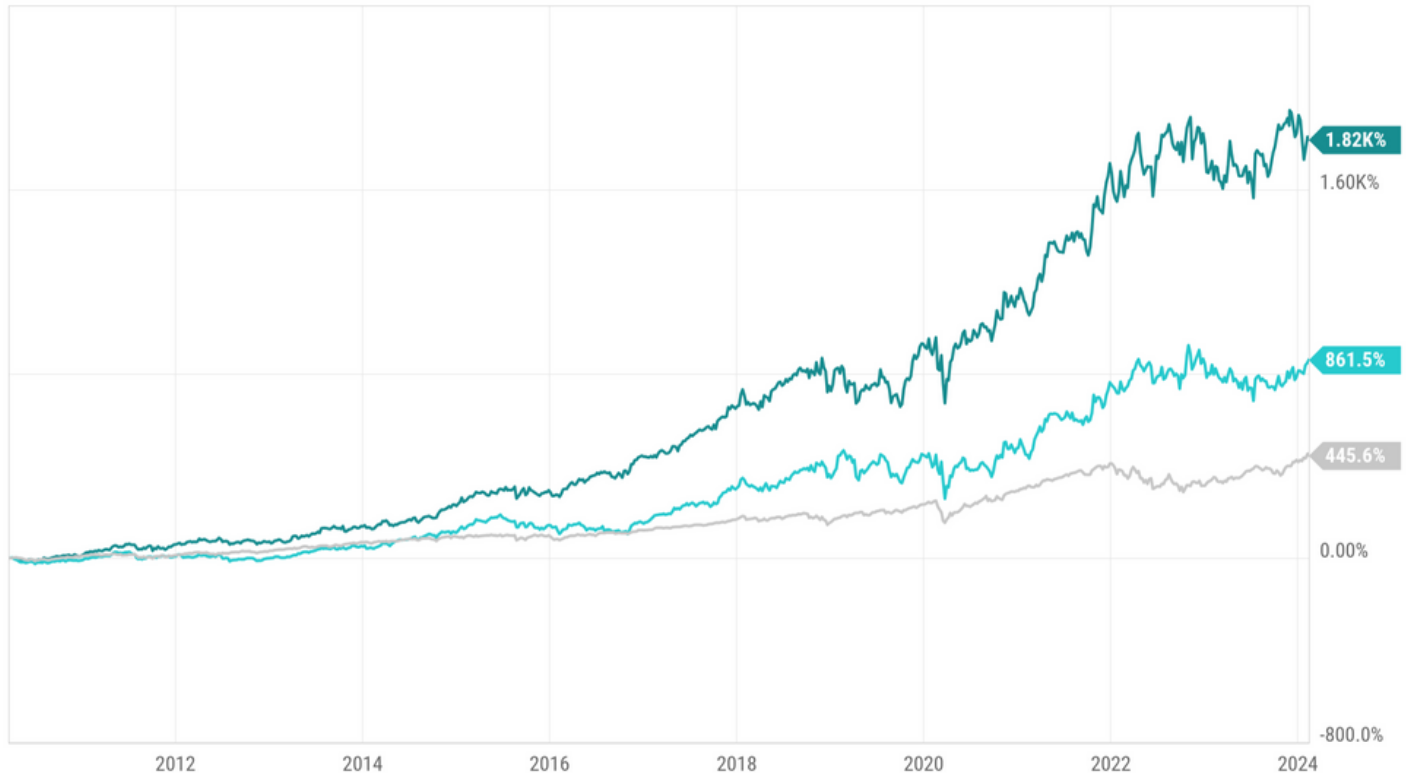
*ReposiTrak (TRAK) is a Software as a Service (SaaS) company focusing on FDA's food traceability rule FSMA 204. We believe it is undervalued and boasts a strong balance sheet.*

In 2010, my grandfather, when asked where to invest after the passage of "Obamacare," advised to buy health insurance companies. Grandpa was right (of course). Since the Affordable Care Act, health insurance stocks have outperformed the S&P 500.

## Spotlight Series: ReposiTrak Inc.

**Figure 1: Health Insurance Stocks Outperformed After the ACA**

● UnitedHealth Group Inc (UNH) Total Return	1.82K%	23.67%
● Elevance Health Inc (ELV) Total Return	861.5%	17.68%
● SPDR® S&P 500 ETF Trust (SPY) Total Return	445.6%	12.98%



Source: YCharts

The lesson stuck with me, so when I read about the FDA's Food Safety and Modernization Act (FSMA) Rule 204, I saw an opportunity.

The rule requires companies to track and keep records about the food chain from farm to fork by January 2026. Executives can be held personally responsible for noncompliance.

Investing in such themes can be risky, but this solution seemed sensible and likely to gain bipartisan support. We believed the risks of the rule being repealed were low. When the law passed, few solutions were available so ReposiTrak seemed well-positioned and undervalued. Their CEO, Randy Fields, had years of experience tracking food inventory at Mrs. Field's Cookies. Park City seemed to be hiding a tech company that sold mandatory software for millions of businesses!

We initiated a position in February of 2023.

## Spotlight Series: ReposiTrak Inc.

### Why ReposiTrak?

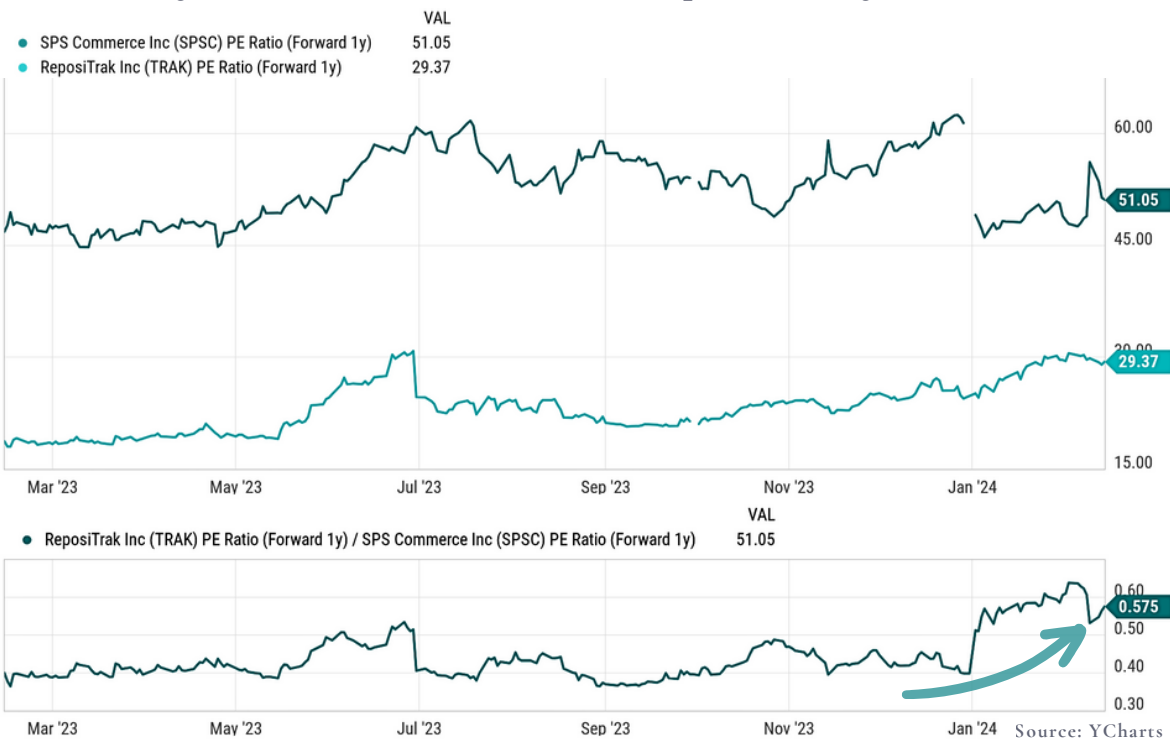
The company appeared undervalued. It had a fortress balance sheet, was already generating positive free cash flow, and had a stock repurchase program in place – signifying that management believed their stock was undervalued too.

Our bullish thesis was simple: FSMA 204 would transform the company, the valuation would re-rate to a higher SaaS multiple, and the stock would follow the path of the health insurers post the passage of the Affordable Care Act.

Since our purchase, ReposiTrak has made progress, rebranding from Park City Group (PCYG) to TRAK. In November 2023, it increased dividends and earnings rose 17% on a revenue increase of just 7%, showcasing the leverage of a SaaS company. TRAK has grown revenue at an 8% CAGR over the past 5 years and is guiding to 10-20% revenue growth.

The stock is re-rating. Compared to SPS Commerce, TRAK was trading at a significant discount 12 months ago. The gap narrowed after new customer acquisition announcements in January, and we expect it to disappear in a few years. Applying SPSC's forward PE to TRAK suggests a \$18.75 stock today, with potential for north of \$30 after a few years of 10-20% revenue growth.

Figure 2: Re-Rating on TRAK? The Valuation Gap is Closing.



## Spotlight Series: ReposiTrak Inc.

### Looking Ahead:

Competitors are emerging; IBM and SPS Commerce have entered the FSMA Rule 204 compliance market. While a risk, it also brings possible attention to ReposiTrak. If IBM or SPS Commerce report fast growing revenue from new lines of business, investors will search for a pure-play in the sector and find ReposiTrak.

ReposiTrak is positioned to win a significant share of this market – offering the product free to retailers, anticipating suppliers will join for network effects. Management's strategy amounts to corporate peer pressure, and it seems to be working, as evident from recent press releases [here](#), [here](#) and [here](#). (add hyperlinks here).

ReposiTrak (TRAK) is an intriguing investment opportunity, strategically positioned at the intersection of regulatory compliance and technological innovation. With its focus on the FDA's food traceability rule and a head-start on the competition, they are positioned to be a winner in this niche market.

While risks exist, we are encouraged by management's execution thus far, and believe ReposiTrak's discount compared to peers provides investors with a margin of safety.

~Ben James, CKA®, CIMA®

#### Deupree James Wealth Management Contact Information:

Investors please contact Mark Moss at 318.562.1034 or [Mark@deupreejames.com](mailto:Mark@deupreejames.com)

Financial advisors please contact Avery Jeffcoat at 318.562.1035 or [Avery@deupreejames.com](mailto:Avery@deupreejames.com)

For more information, visit [djmicrocap.com](http://djmicrocap.com).

Investment advisory services offered through NewEdge Advisors, LLC, a registered investment adviser. Investments & Wealth Institute TM (The Institute) is the owner of the certification marks "CIMA," and "Certified Investment Management Analyst." Use of CIMA, and/or Certified Investment Management Analyst signifies that the user has successfully completed the Institute's initial and ongoing credentialing requirements for investment management professionals.

Certified Kingdom Advisors is a professional membership community that specializes in serving the investment needs of Christians. CKA® financial professionals incorporate biblical principles in the advice they give to their clients. The issuing organization is Kingdom Advisor, Inc. Additional information is available at [kingdomadvisors.com](http://kingdomadvisors.com).

This in no way is meant to be promissory regarding performance of products. Investing involves risk including the loss of principal.