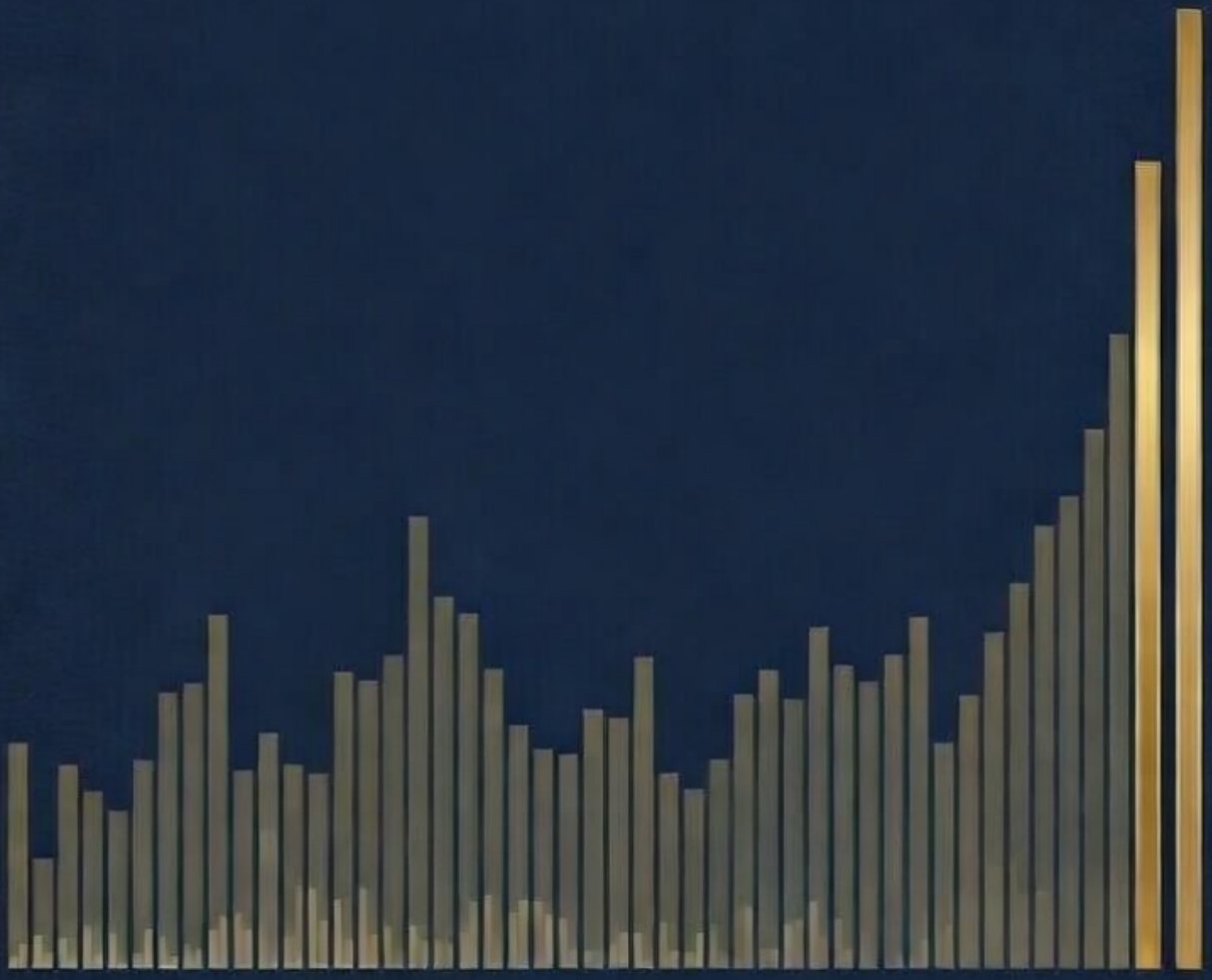
COMPOUND & CONQUER

/ Issue 8 /

The 70 businesses built to Compound & Conquer.
Markman Capital Insight



The Boring Issue

The quiet power of mission-critical compounders.

Markets are in tumult as investors face a brutal mid-November reality check. Since the start of the month, artificial intelligence stocks have shed hundreds of billions of dollars in market value, wiping out months of effortless gains in a matter of sessions.

The selling turned frantic following the abrupt resignation of Nvidia chief executive officer Jensen Huang on November 12. That unexpected exit sparked a leadership crisis and drew immediate regulatory scrutiny over export controls for the world's most coveted AI infrastructure. While Nvidia remains an extraordinary enterprise with an unmatched technological franchise, the sudden departure of its visionary founder exposes a single point of failure that investors routinely ignore while share prices are climbing.

Legendary Fidelity fund manager Peter Lynch warned against this exact trap decades ago with a blunt rule of thumb: "Go for a business that any idiot can run, because sooner or later, any idiot probably is going to run it." Lynch understood that betting on a singular genius to steer a hyper-growth empire creates dangerous key-person risk. When a company's valuation becomes inseparable from the brilliance of one executive, any tremor in the corner office sends shockwaves straight through the stock.

Lynch built his record by doing the opposite. Rather than chasing loud headlines or charismatic founders, he hunted for steady, predictable businesses that quietly dominate essential niches. You rarely see these companies debated on financial television or trending across social media feeds. They do not need the spotlight. Instead, they solve complex operational problems behind the scenes, collecting reliable profits day after day, year after year.

Boring businesses hold a decisive structural edge: their products are woven directly into the daily workflows of the global economy. Whether coordinating warehouse logistics or supplying specialized imaging sensors for aerospace and defense, these companies provide mission-critical tools that customers cannot switch off during an economic downturn. Because their operations run on entrenched systems and high switching costs rather than the daily decisions of a celebrity CEO, the cash register keeps ringing no matter who occupies the corner office.

That operational durability is what fuels true long-term compounding. Financial markets swing wildly on interest rate fears, geopolitical shocks, and sudden sector rotations. When speculative technology darlings stumble, institutional money inevitably rotates back toward companies with visible cash flows, clean balance sheets, and disciplined capital allocation. Owning these steady operators through cyclical pullbacks and rallies lets business fundamentals do the heavy lifting,

freeing investors from the losing (and stressful) game of market timing.

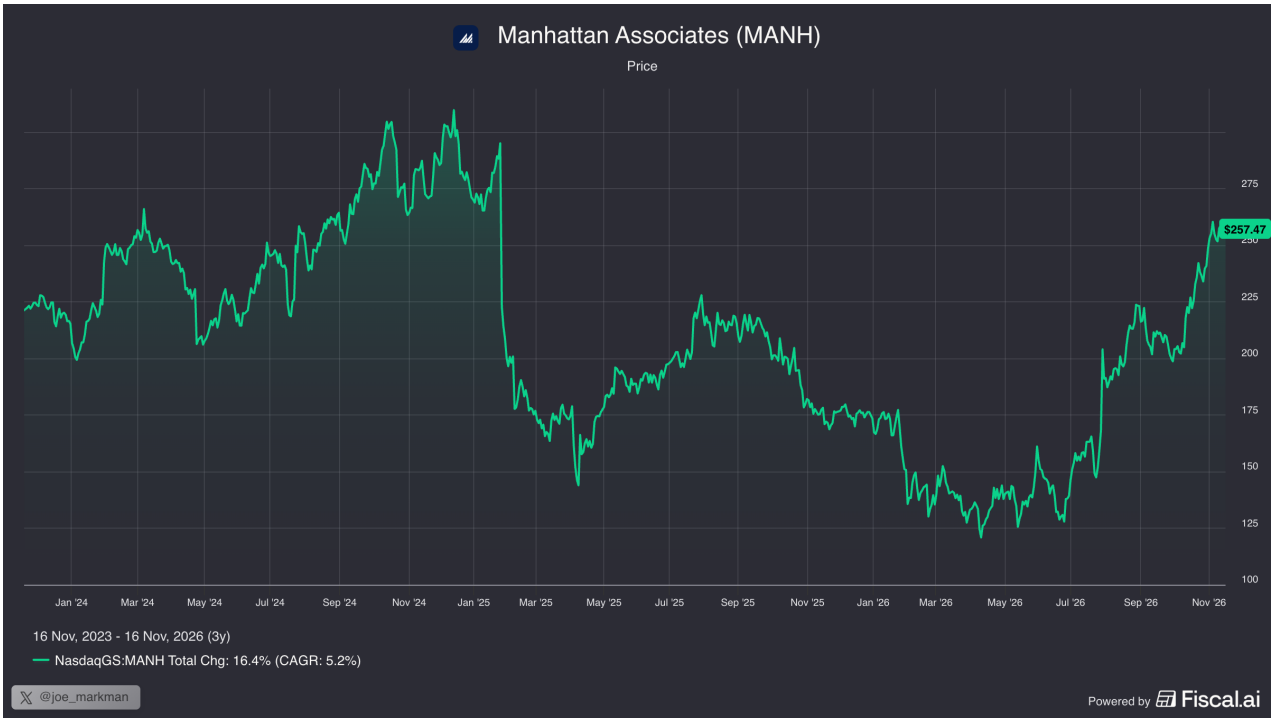
The greatest corporate compounders follow a repeatable blueprint. A business masters a specialized niche, builds unmatched technical expertise, and erects a structural moat that keeps rivals out. High switching costs lock customers into multi-year contracts, while disciplined managers turn recurring revenue into free cash flow. It's boring but over time, that cash goes straight toward retiring shares, acquiring complementary competitors, and widening the moat even further.

This month, we are spotlighting two companies from the Compound & Conquer tracking list that exemplify the power of unglamorous, mission-critical execution: Manhattan Associates and Teledyne Technologies. Neither relies on investor euphoria or a larger-than-life founder to drive results. Both operate as indispensable toll booths inside their respective industries, generating consistent, high-margin growth that rewards patient shareholders.

Own what the spotlight misses.

Manhattan Associates (MANH)

The Digital Nervous System of Global Retail



Three-year total return: +16.4%. CAGR: 5.2%. Source: Fiscal.ai.

Every time a shopper taps buy on a smartphone and expects a package on the porch the next afternoon, Manhattan Associates is doing the heavy lifting behind the curtain. The company builds the cloud software that coordinates warehouse inventory, freight logistics, and store fulfillment for the world's largest retailers and manufacturers. It owns zero delivery trucks, zero warehouses, and zero retail storefronts. Instead, it controls the mission-critical code that keeps modern supply chains moving at peak speed.

The company started in 1990 in Manhattan Beach, California, before moving to Atlanta with a straightforward mission: write warehouse software for apparel makers. For twenty years, it operated like a classic software vendor, selling one-time licenses that forced clients to maintain expensive on-site servers. Then e-commerce rewrote the rules of retail. Legacy software cracked under the pressure of real-time inventory tracking across stores, distribution hubs, and delivery vans, leaving traditional retailers scrambling to keep pace with Amazon.

Management answered that threat in 2017 by launching Manhattan Active, a cloud-native supply chain platform built from scratch. Shifting away from one-time license sales to recurring cloud subscriptions wiped out painful software upgrades for customers while locking in predictable,

high-margin revenue for Manhattan Associates. Retail giants quickly realized that adopting Manhattan Active was essential for survival, turning the platform into the undisputed industry standard.

That cloud pivot is firing on all cylinders. In the third quarter of 2026, total revenue jumped 11% year-over-year to a record $306.2 million, powered by a 28% surge in cloud subscriptions to $134.4 million. Contracted future revenue, known as remaining performance obligations, climbed 25% over the prior year to $2.59 billion. Adjusted earnings per share rose 14% to $1.55.

Manhattan Associates is a textbook Rule of 40 software compounder. Pairing 28% cloud revenue growth with a 37.6% adjusted operating margin puts the company in rare air for enterprise software efficiency. Because its platform runs in the cloud with minimal capital spending, operating profits convert straight into cash. The business generated $243.3 million in operating cash flow during the first nine months of 2026 while carrying zero debt on its balance sheet.

This operational grip creates extreme switching costs. Ripping out a warehouse management system is like performing open-heart surgery on a company's distribution network; a single software glitch can freeze shipments and burn millions of dollars per hour. Once a global retailer wires Manhattan Active into its fulfillment centers, switching to a rival vendor is practically unthinkable. Management widens that advantage for shareholders by pouring excess cash into stock buybacks. The company retired $325 million of shares through the first nine months of 2026 alone.

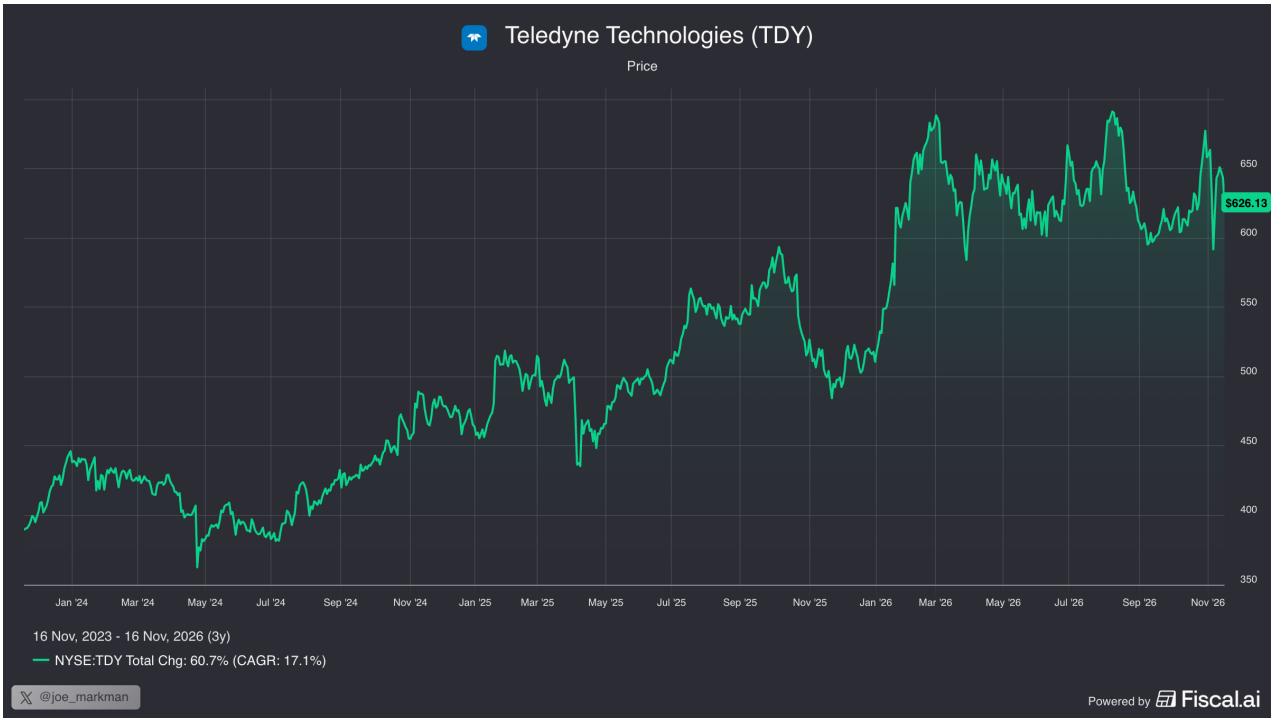
The growth runway stretches out for years. Thousands of global enterprises still run outdated, on-premise supply chain systems that cannot handle modern omnichannel orders or artificial intelligence forecasting. As those aging systems break down, corporate technology budgets flow straight into Manhattan Active. Expanding across Europe and Asia while cross-selling transportation and point-of-sale tools to existing warehouse clients gives the company multiple levers for steady compounding.

Manhattan Associates is the indispensable software backbone of modern commerce. Short-term dips in retail spending or broader tech sector sell-offs do not change the fact that global logistics grow more complex every year. Manhattan Associates sits on a $2.59 billion revenue backlog, a debt-free balance sheet, and a widening cloud moat.

Action: Accumulate on pullbacks toward $220. Price target $365 within 24 months (+65.9% from entry). Long-term hold.

Teledyne Technologies (TDY)

The Precision Eyes and Ears of Defense and Industry



Three-year total return: +60.7%. CAGR: 17.1%. Source: Fiscal.ai.

Teledyne Technologies builds the high-precision sensors, cameras, and instruments that operate where failure is not an option. Rather than fighting for razor-thin margins in crowded consumer gadgets, Teledyne dominates specialized industrial and defense niches from the ocean floor to low-Earth orbit. Every time a military satellite snaps high-resolution imagery, an autonomous underwater vehicle maps the seabed, or a commercial airliner relies on cockpit telemetry, Teledyne collects high-margin revenue.

The company traces its roots back to 1960, when Henry Singleton and George Kozmetsky founded Teledyne as an engineering conglomerate built on ruthless capital discipline. After spinning out as an independent public company in 1999, management sharpened its focus on high-end instrumentation and defense electronics. Over the next quarter-century, Teledyne executed more than sixty targeted acquisitions, quietly assembling an unmatched portfolio of proprietary imaging and sensor technologies.

The game-changing leap arrived in 2021 with the $8 billion acquisition of FLIR Systems, the global leader in thermal imaging and infrared sensors. That single deal doubled Teledyne's scale and cemented its dominance in digital imaging across military, industrial, and commercial markets.

Management has kept its foot on the accelerator, announcing an agreement in August 2026 to acquire Varex Imaging for roughly $1.1 billion to expand its X-ray and medical imaging reach.

Third-quarter 2026 results show how smoothly this engineering machine runs. Quarterly net sales rose 9.4% year-over-year to a record $1.68 billion, fueled by a 15% jump in Digital Imaging sales to $903 million. Adjusted operating margins expanded 180 basis points to 23.9%, lifting adjusted earnings per share 20.6% to a record $6.72. While flashy tech stocks swing wildly on sentiment, Teledyne keeps setting records across sales and earnings.

Cash generation remains the heartbeat of the business. In the third quarter of 2026 alone, Teledyne produced $352.5 million in operating cash flow and $319.5 million in free cash flow. Because the company sells custom-engineered components rather than off-the-shelf commodities, it commands strong pricing power while keeping capital spending lean. That steady river of cash kept debt leverage at a conservative 0.9x while allowing management to repurchase $224.6 million of stock in September and October 2026.

Teledyne's competitive moat is locked down by intellectual property, strict government certifications, and steep switching costs. Defense contractors and aerospace engineers design Teledyne sensors directly into multi-year weapons platforms, satellites, and aircraft. Once a component passes rigorous military or aviation qualification, swapping it out for a rival part requires years of costly re-testing and regulatory approval. Competitors cannot undercut Teledyne on price when mission reliability is on the line.

Powerful secular tailwinds keep pushing demand higher. Rising defense budgets across North America and Europe are driving sustained orders for infrared detectors, unmanned systems, and surveillance electronics, lifting Teledyne's funded backlog to nearly $5.3 billion. At the same time, factories, power grids, and environmental agencies rely heavily on automated machine vision and precision sensors to boost efficiency. Closing the Varex Imaging acquisition in early 2027 adds yet another high-margin growth engine.

Teledyne Technologies embraces steady, unglamorous engineering excellence. Wall Street may chase volatile semiconductor headlines, but Teledyne quietly converts complex science into record sales, expanding margins, and relentless free cash flow. Management has proved over decades that disciplined dealmaking and sharp execution compound wealth without drama.

Action: Buy on a pullback to $530. Price target $760 within 24 months (+43.4% from entry). Long-term hold.

The Discipline of Doing Nothing

This month's takeaway.

The mid-November selloff across artificial intelligence stocks serves as a timely reminder that market leadership never moves in a straight line. When headlines turn chaotic and celebrity executives step down, emotional investors rush to trade their way out of discomfort. That impulse is the enemy of real wealth creation.

Owning durable businesses like Manhattan Associates and Teledyne Technologies removes the need for constant reaction. Neither company relies on hype cycles or the daily decisions of a single charismatic founder. Instead, both run on deeply entrenched software and precision hardware that global retailers, manufacturers, and defense agencies cannot operate without.

Your job as an investor is straightforward. Build positions in these mission-critical compounders at disciplined entry prices, ignore the daily noise on financial television, and give the businesses time to execute. Over the coming years, rising backlogs, widening moats, and steady share buybacks will do the heavy lifting for your portfolio. Stay patient and let compounding run its course.