

BlackRock, Inc. (BLK)

\$530.26 (As of 01/15/20)

Price Target (6-12 Months): **\$600.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: A

Summary

Shares of BlackRock have outperformed the industry over the past year. The company's earnings surpassed the Zacks Consensus Estimate in two of the trailing four quarters. Its fourth-quarter 2019 results benefited from higher revenues, partly offset by rise in costs. Amid a tough operating environment, the company's initiatives to restructure the actively-managed equity business and expand through acquisitions will likely further boost the top line. Impressive growth in assets under management (AUM) is expected to continue supporting profits. The company's capital deployment actions (share buyback and dividend payouts) reflect solid balance sheet. However, higher expenses mainly due to rise in general and administration costs will likely hurt the bottom line to an extent. Further, high dependence on overseas revenues is a concern.

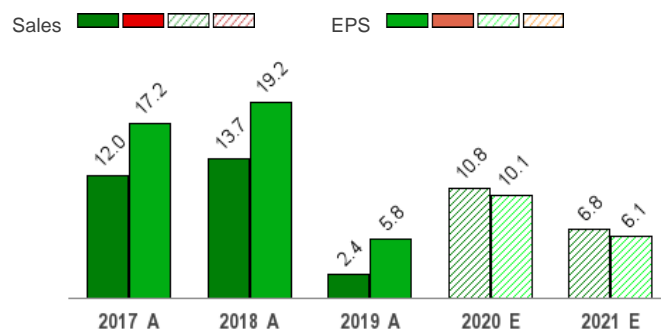
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$531.62 - \$401.43
20 Day Average Volume (sh)	441,371
Market Cap	\$81.9 B
YTD Price Change	5.5%
Beta	1.54
Dividend / Div Yld	\$13.20 / 2.5%
Industry	Financial - Investment Management
Zacks Industry Rank	Top 13% (32 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.7%
Last Sales Surprise	2.5%
EPS F1 Est- 4 week change	3.0%
Expected Report Date	04/21/2020
Earnings ESP	0.0%
P/E TTM	18.6
P/E F1	16.9
PEG F1	1.7
P/S TTM	5.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					17,212 E
2020	3,738 E	3,868 E	4,000 E	4,232 E	16,114 E
2019	3,346 A	3,524 A	3,692 A	3,977 A	14,539 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$33.26 E
2020	\$7.33 E	\$7.69 E	\$7.99 E	\$8.40 E	\$31.35 E
2019	\$6.61 A	\$6.41 A	\$7.15 A	\$8.34 A	\$28.48 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/15/2020. The reports text is as of 01/16/2020.

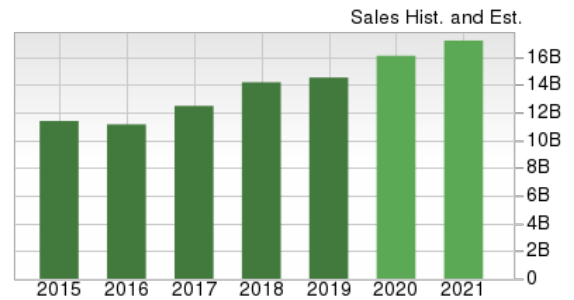
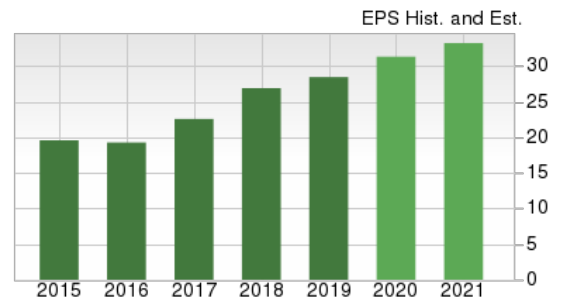
Overview

BlackRock Inc., headquartered in New York, offers products that span the risk spectrum, including active, enhanced and index strategies through a variety of structures that include separate accounts, mutual funds, iShares (ETFs) and other pooled investment vehicles.

BlackRock manages its AUM through the following categories:

- **Equity:** BlackRock's equity AUM reflects the diversity of its business model and includes a wide range of both active and passive strategies. AUM for this class was \$3,820.3 billion as of Dec 31, 2019.
- **Fixed Income:** BlackRock's fixed income asset class is evenly divided between passive and active mandates. AUM under this class was \$2,315.4 billion as of Dec 31, 2019.
- **Multi-Asset Class:** BlackRock's multi-asset class team manages a range of personalized mandates that leverages its broad investment expertise in global equities, currencies, bonds and commodities and its extensive risk management capabilities. As of Dec 31, 2019, AUM under this class was \$568.1 billion.
- **Alternatives:** BlackRock Alternative Investors manage the company's alternative investment efforts, including product management, business development and client service. AUM under this class was \$178.1 billion as of Dec 31, 2019.
- **Cash Management:** Cash management products include both taxable and tax-exempted money market funds and customized separate accounts. AUM under this class was \$545.9 billion as of Dec 31, 2019.
- **Advisory:** Total AUM from this asset class was \$1.8 billion as of Dec 31, 2019.

In 2017, BlackRock acquired the First Reserve Energy Infrastructure Funds and Cachematrix. In 2018, it acquired Tennenbaum Capital Partners and the asset management business of Citibanamex. In 2019, the company acquired Paris-based eFront.



Reasons To Buy:

- ▲ BlackRock has expanded largely via acquisitions — both domestic and overseas. In 2019, it acquired eFront. Earlier in 2018, it acquired Citibanamex's Asset Management business in Mexico and Tennenbaum Capital. Apart from these, over the years, the company has acquired several firms across the globe, thus expanding its footprint and market share. Nonetheless, the acquisition of Barclays Global Investors in 2009 remains the biggest deal by far. With a strong liquidity position, the company remains well poised to grow through opportunistic acquisitions.
- ▲ BlackRock's strong global presence, broad product diversification, revenue mix and steadily improving AUM will enable it to boost revenues. Its inorganic growth strategy has also attributed to AUM growth. AUM witnessed a six-year CAGR of 9.8% (2014-2019). Also, the company's revenues (on a GAAP basis) have witnessed a CAGR of 5.6% over the same time frame. Gradual improvement in market conditions, efforts to strengthen the iShares and ETF operations, solid AUM balance and increased focus on active equity business will likely continue to aid revenue growth.
- ▲ BlackRock's capital deployment activities look impressive. The company hikes dividends annually. In January 2019, it announced a 5% hike in quarterly dividend. Further, it has an active share repurchase program in place. The company's earnings power will likely allow it to continue enhancing shareholder value.
- ▲ Shares of BlackRock have outperformed the industry over the past year. Moreover, the company's current-year earnings estimates have moved marginally higher over the past seven days. Given the strength in fundamentals and positive estimate revisions, the stock has upside potential.

BlackRock seems well poised to capitalize on opportunistic acquisitions to enhance financial performance. Also, its efforts to gain market share in the active equity business will aid profitability.

Reasons To Sell:

- ▼ BlackRock has been witnessing a persistent rise in operating expenses. Total expenses have increased at a CAGR of 6.3% over the last six years (2014-2019) mainly due to rise in general and administration costs. Also, as the company is undertaking restructuring initiatives to modify size and shape of the workforce and improve operating efficiency, expenses are expected to remain elevated in the near term.
- ▼ BlackRock is a geographically diversified company with presence in almost all the major markets of the world. Its dependence on overseas revenue has been gradually increasing over the last few years. Despite generating just about one-third of the revenues from overseas markets, a number of risks stemming from the regulatory and political environment, foreign exchange fluctuations and performance of regional economy could negatively affect its top-line growth.
- ▼ Further, BlackRock's trailing 12-month return on equity (ROE) undercuts its growth potential. The company's ROE of 14.05% compares unfavorably with ROE of 17.16% for the S&P 500. This reflects that it is less efficient in using shareholders' funds.
- ▼ BlackRock seems overvalued when compared with the broader industry. Its current price-to-book and price-earnings (F1) ratios are above the respective industry averages.

Mounting expenses (mainly owing to higher general and administration costs) are likely to hurt BlackRock's bottom line to an extent. High dependence on overseas revenues makes us apprehensive.

Last Earnings Report

BlackRock Q4 Earnings Beat Estimates as Revenues Rise

BlackRock's fourth-quarter 2019 adjusted earnings of \$8.34 per share surpassed the Zacks Consensus Estimate of \$7.67. Moreover, the figure was 37.2% higher than the year-ago quarter's number.

Results benefitted from an improvement in revenues. Moreover, growth AUM, driven by net inflows, was a positive. However, higher expenses hurt results to some extent.

Net income attributable to BlackRock (on a GAAP basis) was \$1.30 billion, up 40.3% from the prior-year quarter.

For 2019, adjusted earnings were \$28.48 per share, up from \$26.93 recorded a year ago. Moreover, the figure surpassed the Zacks Consensus Estimate of \$27.87. Net income attributable to BlackRock (GAAP basis) was \$4.48 billion for the year, increasing 4% from the previous year.

Revenues Improve, Expenses Rise

Revenues for the reported quarter (on a GAAP basis) were \$3.98 billion, increasing 15.8% year over year. The upside stemmed from an increase in almost all components of revenues, except for distribution fees. Moreover, the reported figure surpassed the Zacks Consensus Estimate of \$3.88 billion.

For 2019, revenues (GAAP basis) were \$14.54 billion, increasing 2.4% year over year. Moreover, the reported figure beat the Zacks Consensus Estimate of \$14.43 billion.

Total expenses for the quarter amounted to \$2.44 billion, up 11.5% year over year. The increase was due to rise in all cost components. The company did not incur any restructuring charge in the quarter.

Non-operating income (on a GAAP basis) was \$96 million against non-operating expenses of \$72 million recorded in the year-ago quarter.

BlackRock's adjusted operating income was \$1.54 billion, up 17.4% year over year.

Net Inflows Support AUM Growth

As of Dec 31, 2019, AUM totaled \$7.43 trillion, reflecting rise of 24.3% year over year. In the reported quarter, the company witnessed long-term net inflows of \$99 billion.

Share Repurchases

In 2019, BlackRock repurchased shares worth \$1.7 billion.

Outlook

For 2020, the company expects rise in core G&A expenses of 5% year over year, mainly due to continued investments in technology and market data along with the full-year impact of the eFront acquisition.

Growth in technology services revenues is expected to be in low to mid-teens range over the long term.

The company expects to repurchase at least \$1.2 billion of shares in 2020.

It anticipates effective tax rate of 23% for 2020.

Quarter Ending 12/2019

Report Date	Jan 15, 2020
Sales Surprise	2.53%
EPS Surprise	8.74%
Quarterly EPS	8.34
Annual EPS (TTM)	28.51

Recent News

Dividend Update

On Nov 19, 2019, BlackRock announced a quarterly cash dividend of \$3.30 per share. The dividend was paid out on Dec 23 to shareholders of record as of Dec 6.

Valuation

BlackRock's shares are up 28.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 7.7% and 12.2%, respectively over the past year.

The S&P 500 index is up 23.6% in the past year.

The stock is currently trading at 16.94X forward 12 months earnings, which compares to 12.40X for the Zacks sub-industry, 14.85X for the Zacks sector and 18.96X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.30X and as low as 13.04X, with a 5-year median of 16.92X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$600 price target reflects 19.17X forward earnings.

The table below shows summary valuation data for BLK

Valuation Multiples - BLK					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.94	12.4	14.85	18.96
	5-Year High	23.3	14.39	16.21	19.34
	5-Year Low	13.04	9.85	12.01	15.17
	5-Year Median	16.92	12.44	13.98	17.44
P/B TTM	Current	2.52	2.09	2.83	4.49
	5-Year High	2.98	2.22	2.89	4.49
	5-Year Low	1.66	0.97	1.83	2.85
	5-Year Median	2.14	1.74	2.5	3.61
P/S F12M	Current	5.07	3.57	6.53	3.52
	5-Year High	6.8	3.66	6.61	3.52
	5-Year Low	3.88	2.32	5.2	2.54
	5-Year Median	4.94	3.01	6.04	3

As of 01/15/2020

Industry Analysis Zacks Industry Rank: Top 13% (32 out of 254)



Top Peers

Invesco Ltd. (IVZ)	Outperform
SEI Investments Company (SEIC)	Outperform
T. Rowe Price Group, Inc. (TROW)	Outperform
Franklin Resources, Inc. (BEN)	Neutral
Blackstone Group Inc/The (BX)	Neutral
Eaton Vance Corporation (EV)	Neutral
Federated Investors, Inc. (FIL)	Neutral
Legg Mason, Inc. (LM)	Neutral

Industry Comparison Industry: Financial - Investment Management				Industry Peers		
	BLK Neutral	X Industry	S&P 500	BEN Neutral	IVZ Outperform	SEIC Outperform
VGM Score	D	-	-	B	B	C
Market Cap	81.86 B	867.32 M	24.22 B	12.54 B	8.17 B	9.81 B
# of Analysts	6	3	13	5	7	3
Dividend Yield	2.49%	2.27%	1.75%	4.30%	6.89%	1.07%
Value Score	D	-	-	A	A	D
Cash/Price	0.06	0.17	0.04	0.48	0.19	0.08
EV/EBITDA	17.65	9.05	14.11	3.96	13.24	13.10
PEG Ratio	1.69	1.52	2.06	1.38	0.77	1.48
Price/Book (P/B)	2.52	1.75	3.34	1.19	0.82	5.76
Price/Cash Flow (P/CF)	17.87	10.14	13.57	8.66	6.09	17.39
P/E (F1)	16.91	11.00	18.90	9.66	6.58	17.80
Price/Sales (P/S)	5.63	2.53	2.65	2.17	1.45	6.01
Earnings Yield	5.91%	8.91%	5.29%	10.35%	15.22%	5.62%
Debt/Equity	0.76	0.25	0.72	0.07	0.78	0.02
Cash Flow (\$/share)	29.67	1.94	6.94	2.90	2.96	3.75
Growth Score	D	-	-	D	D	C
Hist. EPS Growth (3-5 yrs)	9.01%	5.83%	10.56%	-4.92%	0.27%	13.16%
Proj. EPS Growth (F1/F0)	10.08%	10.72%	7.59%	3.17%	4.59%	12.82%
Curr. Cash Flow Growth	0.00%	8.89%	14.73%	-22.73%	-6.37%	28.86%
Hist. Cash Flow Growth (3-5 yrs)	7.27%	6.31%	9.00%	-10.94%	1.83%	11.96%
Current Ratio	2.33	2.20	1.24	2.96	1.57	5.74
Debt/Capital	44.43%	23.45%	42.99%	12.33%	36.94%	2.17%
Net Margin	30.79%	11.59%	11.14%	20.71%	8.86%	29.95%
Return on Equity	14.05%	12.39%	17.16%	12.28%	10.60%	29.77%
Sales/Assets	0.09	0.38	0.55	0.40	0.16	0.82
Proj. Sales Growth (F1/F0)	10.83%	6.93%	4.23%	-1.64%	13.14%	6.22%
Momentum Score	A	-	-	A	A	A
Daily Price Chg	2.30%	0.00%	0.27%	-0.51%	0.56%	-0.62%
1 Week Price Chg	1.71%	0.96%	0.39%	-0.28%	0.17%	0.60%
4 Week Price Chg	6.16%	1.39%	2.17%	-3.75%	-1.96%	-2.51%
12 Week Price Chg	16.01%	4.06%	6.65%	-9.90%	4.17%	13.91%
52 Week Price Chg	28.38%	6.51%	22.43%	-18.94%	-1.69%	35.59%
20 Day Average Volume	441,371	96,062	1,545,017	3,074,559	3,760,350	459,643
(F1) EPS Est 1 week change	0.56%	0.00%	0.00%	-0.15%	0.37%	0.00%
(F1) EPS Est 4 week change	2.98%	0.56%	0.00%	1.27%	2.52%	2.80%
(F1) EPS Est 12 week change	2.65%	0.30%	-0.41%	-2.33%	4.08%	2.42%
(Q1) EPS Est Mthly Chg	3.75%	0.71%	0.00%	1.98%	1.70%	3.11%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	D
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.