

BlackRock, Inc. (BLK)

\$584.04 (As of 08/21/20)

Price Target (6-12 Months): **\$613.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 07/20/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: F

Summary

Shares of BlackRock have outperformed the industry so far this year. Its earnings have surpassed the Zacks Consensus Estimate in three and lagged in one of the trailing four quarters. The company's initiatives to restructure the equity business will likely continue supporting top-line growth. Moreover, its inorganic growth efforts bode well for the future. Additionally, despite the continued concerns owing to the coronavirus outbreak, the company's solid assets under management (AUM) balance will likely aid revenue growth in the quarters ahead. However, persistently increasing expenses, mainly owing to higher administration costs, are expected to hurt the company's bottom line to some extent in the near term. Also, BlackRock's high dependence on overseas revenues is a concern and makes us apprehensive about its growth prospects.

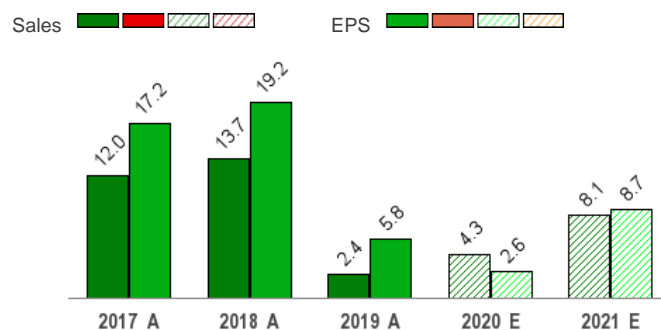
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$605.72 - \$323.98
20 Day Average Volume (sh)	477,045
Market Cap	\$89.1 B
YTD Price Change	16.2%
Beta	1.27
Dividend / Div Yld	\$14.52 / 2.5%
Industry	Financial - Investment Management
Zacks Industry Rank	Top 19% (49 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	13.8%
Last Sales Surprise	2.0%
EPS F1 Est- 4 week change	-0.0%
Expected Report Date	NA
Earnings ESP	1.3%
P/E TTM	19.5
P/E F1	20.0
PEG F1	2.0
P/S TTM	5.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					16,400 E
2020	3,710 A	3,648 A	3,828 E	4,015 E	15,166 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	\$7.12 E	\$7.80 E	\$8.25 E	\$8.72 E	\$31.76 E
2020	\$6.60 A	\$7.85 A	\$7.36 E	\$7.77 E	\$29.23 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 08/21/2020. The reports text is as of 08/24/2020.

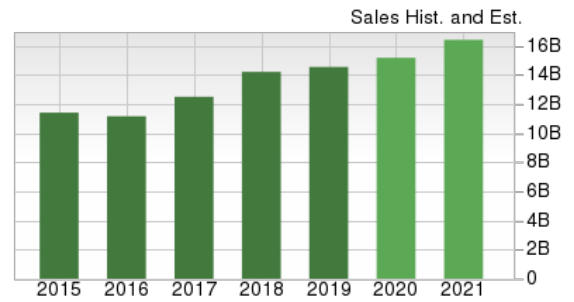
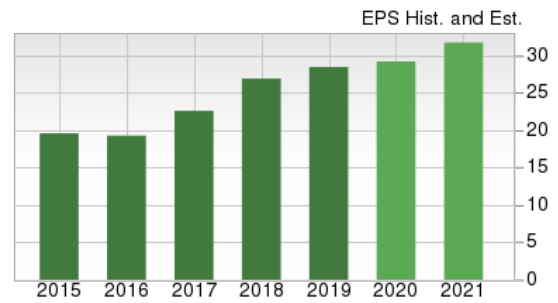
Overview

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 \$3,519.2 billion as of Jun 30, 2020.
- **Fixed Income:** BlackRock's fixed income asset class is evenly divided between passive and active mandates. AUM under this class was \$2,411.1 billion as of Jun 30, 2020.
- **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 Jun 30, 2020, AUM under this class was \$551.4 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 \$200 billion as of Jun 30, 2020.
- **Cash Management:** Cash management products include both taxable and tax-exempted money market funds and customized separate accounts. AUM under this class was \$619.4 billion as of Jun 30, 2020.
- **Advisory:** Total AUM from this asset class was \$16.9 billion as of Jun 30, 2020.

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 broad product diversification, revenue mix and steadily improving AUM are expected to boost revenues. The company's inorganic growth strategy has also attributed to AUM growth. AUM witnessed a six-year CAGR of 9.8% (2014-2019), with the uptrend continuing in the first half of 2020, owing to the significant rise in market volatility, resulting from the coronavirus outbreak. Also, the company's revenues (on a GAAP basis) have witnessed a CAGR of 5.6% over the six year period ended 2019. The uptrend for revenues also continued in the first six months of 2020. Despite the current economic crisis, owing to the pandemic, the company's efforts to strengthen the iShares and ETF operations, and increased focus on active equity business will likely continue to aid revenue growth.
- ▲ As of Jun 30, 2020, the company had total debt worth \$21.6 billion, significantly higher than the cash and cash equivalents balance of \$5.5 billion. However, the company's second-quarter 2020 times-interest-earned ratio of 28.1 increased sequentially. Notably, its total debt to total capital of 39.7% increased sequentially in the second quarter. Despite being highly leveraged, the company is expected to be able to continue to meet debt obligations in the near term as it does not have any significant amount maturing before 2023.
- ▲ BlackRock's capital deployment activities look impressive. The company hikes dividends annually. In January 2020, it announced a 10% hike in quarterly dividend. Also, it has a share repurchase plan in place. As of Jun 30, 2020, nearly 5.1 million shares were left to be repurchased under the existing program. The company's earnings power will likely enable it to sustain capital deployments and enhance shareholder value.

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. The uptrend continued in the first half of 2020. As the company is undertaking restructuring initiatives to 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 14.17% compares unfavorably with 14.67% for the S&P 500. This reflects that it is less efficient in using shareholders' funds.
- ▼ Shares of BlackRock have outperformed the industry so far this year. However, the company's current-year earnings estimates have moved marginally lower over the past 30 days. Further, the stock seems overvalued when compared with the broader industry. Its current price-to-book and price-earnings (F1) ratios are above the respective industry averages. Thus, given the concerns and negative estimate revisions, the stock has limited upside potential.

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 Beats on Q2 Earnings, Revenues & AUM Rise

BlackRock's second-quarter 2020 adjusted earnings of \$7.85 per share hugely surpassed the Zacks Consensus Estimate of \$6.90. The figure reflects a rise of 22.5% from the year-ago quarter's number.

Results benefited from an improvement in revenues. Also, expenses declined marginally. Further, long-term net inflows resulted in a rise in assets under management (AUM) balance, which was a major positive for the company.

Net income attributable to BlackRock (on a GAAP basis) was \$1.21 billion, up 21% from the prior-year quarter.

Revenues Improve, Expenses Decline Marginally

Revenues (on a GAAP basis) were \$3.65 billion, increasing 3.5% year over year. The upside stemmed from an increase in almost all components of revenues, except for distribution fees, and advisory and other revenues. Moreover, the reported figure surpassed the Zacks Consensus Estimate of \$3.58 billion.

Total expenses amounted to \$2.24 billion, down marginally from the year-ago quarter. The decline was due to a fall in direct fund expenses, and general and administration costs.

Non-operating income (on a GAAP basis) was \$357 million, up from \$57 million recorded in the year-ago quarter.

BlackRock's adjusted operating income was \$1.41 billion, up 10% year over year.

Net Inflows Support AUM Growth

As of Jun 30, 2020, AUM totaled \$7.32 trillion, reflecting a rise of 6.9% year over year. In the reported quarter, the company witnessed long-term net inflows of \$62.21 billion.

Share Repurchase Update

The company repurchased shares worth \$1.1 billion in the reported quarter.

Outlook

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

Core general and administration expenses in 2020 are expected to be up 2% year over year.

It anticipates effective tax rate of 23% for 2020.

Quarter Ending 06/2020

Report Date	Jul 17, 2020
Sales Surprise	1.96%
EPS Surprise	13.77%
Quarterly EPS	7.85
Annual EPS (TTM)	29.94

Recent News

PNC Financial Divests 22.4% Ownership in BlackRock - May 15, 2020

PNC Financial has divested its entire 22.4% ownership interest in BlackRock through a secondary offering. Following this, BlackRock repurchased \$1.1 billion worth of its shares.

PNC Financial had made an investment in BlackRock in 1995. The stake was in the form of common stock and convertible participating preferred shares that shall convert to common stock upon selling.

Dividend Update

On Jul 15, BlackRock announced a quarterly cash dividend of \$3.63 per share. The dividend will be paid out on Sep 22 to shareholders of record as of Sep 4.

Valuation

BlackRock's shares are up 16.2% in the year-to-date period and 44.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 3.8% and 17.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 10.1% while the sector is down 7%.

The S&P 500 index is up 5.4% in the year-to-date period and 18.3% in the past year.

The stock is currently trading at 18.92X forward 12 months earnings, which compares to 12.51X for the Zacks sub-industry, 16.40X for the Zacks sector and 22.85X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.30X and as low as 11.11X, with a 5-year median of 16.95X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$613 price target reflects 19.86X 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	18.92	12.51	16.4	22.85
	5-Year High	23.3	14.38	16.4	22.85
	5-Year Low	11.11	9.73	11.6	15.25
	5-Year Median	16.95	12.46	14.26	17.58
P/B	Current	2.72	1.88	2.45	4.56
	5-Year High	2.98	2.23	2.91	4.56
	5-Year Low	1.5	0.97	1.72	2.83
	5-Year Median	2.16	1.78	2.53	3.75
P/S F12M	Current	5.58	3.97	6.22	3.71
	5-Year High	6.8	3.97	6.67	3.71
	5-Year Low	3.4	2.35	4.97	2.53
	5-Year Median	4.97	3.03	6.06	3.05

As of 08/21/2020

Industry Analysis Zacks Industry Rank: Top 19% (49 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Artisan Partners Asset Management Inc. (APAM)	Outperform	1
SEI Investments Company (SEIC)	Outperform	2
T. Rowe Price Group, Inc. (TROW)	Outperform	1
Franklin Resources, Inc. (BEN)	Neutral	3
Blackstone Group IncThe (BX)	Neutral	3
Eaton Vance Corporation (EV)	Neutral	2
Federated Hermes, Inc. (FHI)	Neutral	2
Invesco Ltd. (IVZ)	Neutral	3

Industry Comparison Industry: Financial - Investment Management				Industry Peers		
	BLK	X Industry	S&P 500	BEN	IVZ	SEIC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	D	-	-	C	B	C
Market Cap	89.06 B	1.02 B	23.62 B	10.40 B	4.66 B	7.59 B
# of Analysts	6	3	14	1	7	4
Dividend Yield	2.49%	1.69%	1.65%	5.15%	6.11%	1.35%
Value Score	D	-	-	B	A	C
Cash/Price	0.06	0.16	0.07	0.64	0.26	0.10
EV/EBITDA	16.44	6.07	13.29	2.59	12.48	9.62
PEG Ratio	2.00	1.45	3.03	NA	1.09	1.45
Price/Book (P/B)	2.72	1.61	3.11	0.94	0.47	4.44
Price/Cash Flow (P/CF)	18.44	8.52	12.69	7.24	3.23	13.36
P/E (F1)	19.98	10.76	21.51	10.76	6.50	17.39
Price/Sales (P/S)	5.93	1.90	2.43	1.93	0.72	4.58
Earnings Yield	5.00%	9.20%	4.46%	9.29%	15.38%	5.76%
Debt/Equity	0.66	0.20	0.76	0.13	0.87	0.02
Cash Flow (\$/share)	31.67	1.75	6.93	2.90	3.14	3.88
Growth Score	C	-	-	D	D	B
Hist. EPS Growth (3-5 yrs)	11.24%	8.05%	10.44%	-2.98%	-0.30%	14.53%
Proj. EPS Growth (F1/F0)	2.62%	-4.99%	-5.53%	-22.62%	-38.82%	-8.10%
Curr. Cash Flow Growth	6.72%	-4.05%	5.20%	-22.73%	24.49%	-0.22%
Hist. Cash Flow Growth (3-5 yrs)	6.05%	4.10%	8.52%	-10.94%	3.83%	8.52%
Current Ratio	4.02	2.07	1.33	4.20	1.76	5.22
Debt/Capital	41.02%	25.38%	44.50%	16.00%	38.81%	2.02%
Net Margin	29.55%	9.10%	10.13%	19.04%	8.15%	28.47%
Return on Equity	14.17%	11.91%	14.67%	12.39%	9.93%	27.38%
Sales/Assets	0.09	0.34	0.51	0.36	0.17	0.80
Proj. Sales Growth (F1/F0)	4.31%	0.00%	-1.54%	-11.93%	-3.41%	0.67%
Momentum Score	F	-	-	C	B	D
Daily Price Chg	0.12%	-0.23%	-0.15%	-0.85%	1.20%	0.82%
1 Week Price Chg	0.05%	0.02%	1.09%	-1.61%	-0.93%	-0.04%
4 Week Price Chg	1.02%	0.44%	1.64%	0.91%	-5.06%	-3.11%
12 Week Price Chg	8.79%	4.82%	6.72%	11.00%	24.72%	-3.99%
52 Week Price Chg	39.39%	-9.69%	1.00%	-22.43%	-36.23%	-8.87%
20 Day Average Volume	477,045	107,161	1,873,576	3,566,353	4,851,045	525,607
(F1) EPS Est 1 week change	-0.03%	0.00%	0.00%	-0.13%	0.09%	0.00%
(F1) EPS Est 4 week change	-0.03%	0.81%	1.79%	3.69%	-2.15%	-0.42%
(F1) EPS Est 12 week change	12.71%	8.35%	3.35%	8.91%	7.16%	7.78%
(Q1) EPS Est Mthly Chg	-0.11%	1.68%	0.42%	-6.71%	4.57%	0.32%

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	C
Momentum Score	F
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.