

Evercore Inc (EVR)

\$81.64 (As of 02/06/20)

Price Target (6-12 Months): **\$86.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/02/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: D

Momentum: B

Summary

Shares of Evercore have underperformed the industry over the past six months. However, the company has an impressive earnings surprise history, having beaten the Zacks Consensus Estimate in three of the trailing four quarters. The fourth-quarter 2019 results reflected lower costs and rise in AUM balance, partly muted by lower revenues. The company benefits from continued rise in investment banking revenues owing to initiatives to strengthen the segment. Also, this momentum is likely to continue, as the markets might remain volatile due to ongoing geo-political tensions. Further, strong capital position keeps it well poised to undertake opportunistic expansion. Nonetheless, steadily rising expenses due to recruitment spree acts are key concerns. Also, falling institutional AUM balance on account of foreign-exchange fluctuations induces lower fees.

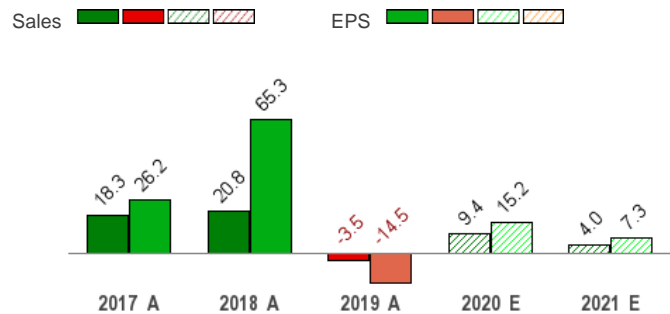
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$98.90 - \$71.06
20 Day Average Volume (sh)	655,234
Market Cap	\$3.2 B
YTD Price Change	9.2%
Beta	1.95
Dividend / Div Yld	\$2.32 / 2.8%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 22% (57 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	27.1%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	0.7%
Expected Report Date	04/22/2020
Earnings ESP	0.0%
P/E TTM	10.6
P/E F1	9.2
PEG F1	0.6
P/S TTM	1.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	480 E	555 E	549 E	683 E	2,284 E
2020	468 E	534 E	500 E	663 E	2,197 E
2019	419 A	535 A	402 A	646 A	2,009 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.38 E	\$2.07 E	\$2.37 E	\$2.73 E	\$9.52 E
2020	\$2.30 E	\$2.05 E	\$2.06 E	\$2.49 E	\$8.87 E
2019	\$1.66 A	\$2.07 A	\$1.26 A	\$2.72 A	\$7.70 A

*Quarterly figures may not add up to annual.

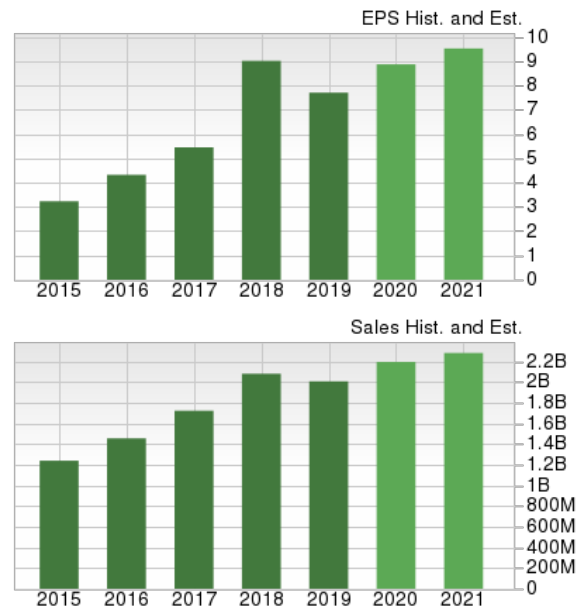
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/06/2020. The reports text is as of 02/07/2020.

Overview

Headquartered in New York, Evercore Inc. is a premier global independent investment banking advisory firm. Founded in 1995, the company operates from its offices and affiliates in North America, Europe, the Middle East and Asia.

It operates through following two segments:

- The **Investment Banking** segment (96% of net revenues in 2019) includes the advisory business through which Evercore provides advice to clients on M&As, divestitures, restructuring, capital markets and institutional equities services. The company also provides restructuring advice to companies in financial transition, as well as to creditors, shareholders and potential acquirers. In addition, the company provides its clients with capital markets advice, underwrites securities offerings, raises funds for financial sponsors and provides advisory services focused on secondary transactions for private funds interests, as well as on primary and secondary transactions for real estate oriented financial sponsors and private equity interests. The Investment Banking business also includes the Evercore ISI business through which the company offers macroeconomic, policy and fundamental equity research and agency-based equity securities trading for institutional investors.
- The **Investment Management** segment (4%) includes wealth management business through which the company provides investment advisory, wealth management and fiduciary services for high net-worth individuals and associated entities. It also consists of institutional asset management business under which it manages financial assets for sophisticated institutional investors.



Reasons To Buy:

- ▲ Evercore generates majority of revenues from its investment banking business and has witnessed a CAGR of 25.3%, over the five years (ended 2018), though declined in 2019 due to lower advisory fees. Further, the company's efforts to boost its client base in advisory solutions, along with geographical expansion efforts, have resulted in such solid revenue growth. Moreover, momentum is expected to be up in the quarters ahead as the long-standing trade-war tiff and geo-political tensions will likely keep the markets volatile.
- ▲ Evercore remains committed to enhancing shareholders' value as seen from its involvement in steady capital deployment activities. In April 2019, the company hiked its common stock dividend by 16%. Furthermore, the company has a share-repurchase program in place under which it is authorized to buy back shares worth \$750 million, with no expiration date. Also, its debt/equity ratio compares favorably with the broader industry indicating that these capital deployment activities are sustainable.
- ▲ Evercore's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The company's ROE of 37.53% compares favorably with the industry's average of 14.08%.
- ▲ Shares of Evercore have underperformed the industry over the past three months. However, the company's 2020 earnings estimates have been revised slightly upward over the past 30 days. In addition, the stock seems undervalued when compared with the broader industry. Its current price-to-cash flow (P/CF) and price-to-earnings (P/E) (F1) ratios are below the respective industry averages. Furthermore, it has a Value Score of A. Therefore, given the robust fundamentals and positive estimate revisions, the stock has upside potential.

Evercore's efforts to grow investment banking business bode well for the long term and are expected to support revenue growth. Also, steady capital deployment activities remain a positive factor.

Reasons To Sell:

- ▼ Evercore's investment management segment comprising a smaller portion of total revenues has declined at a CAGR of 11.2% over the last five years (2014-2018). Though the trend reversed in 2019 thanks to higher AUM, revenues have been soft, primarily due to disposal and restructuring of several related units. Further, falling volatile institutional AUM trend on account of foreign exchange fluctuations, has resulted in reduced fees. In the upcoming quarters, no major contribution is expected from this segment to the company's revenues.
- ▼ Evercore's expenses have witnessed a CAGR of 9.4%, over the last five years (ended 2019), on elevated employee compensation and benefits expenses. Notably, in order to build its segments, the company went on a recruitment spree, resulting in an elevation of compensation costs. We believe that continual expense rise exposes the company to operational risks, which is likely to impact bottom-line growth.
- ▼ The financial advisory market faces intense competition and impels companies to keep pace with the changing trends. Evercore faces competition from other large and established financial institutions, with greater name recognition and ability to offer a wider range of products, which enhances their competitive position. Further, new entries into the market could create additional pricing and competitive pressures, which might adversely affect its results of operations.

Declining institutional AUM revenues and intense competition remain key concerns for Evercore. Further, rising expenses due to higher compensation costs restrict bottom-line expansion to an extent.

Last Earnings Report

Evercore Q4 Earnings Beat Estimates

Evercore's fourth-quarter 2019 adjusted earnings per share of \$2.72 surpassed the Zacks Consensus Estimate of \$2.14. However, the bottom line declined 31% from the prior-year quarter.

The quarterly results reflected lower expenses and rise in AUM balance. In addition, liquidity position was consistently strong. However, decline in net revenues was a major drag. Also, performance of the Investment Banking segment failed to impress.

Including certain non-recurring items, on a GAAP basis, net income available to common shareholders was \$105.2 million or \$2.48 per share down from \$163.3 million or \$3.67 per share in the year-ago quarter.

In 2019, adjusted earnings of \$7.70 per share declined 15% from the prior year. However, it outpaced the consensus estimate of \$7.54. After adjustments, net income came at 297.4 million or \$6.89 per share compared with \$377.2 million or \$8.33 in 2018.

Revenues Decline, Expenses Down

Net revenues (adjusted) decreased 14% year over year to \$668.5 million in the reported quarter. This downside resulted from fall in advisory fees (down 19%). On a GAAP basis, net revenues were \$660.1 million, down 14%.

Adjusted net revenues in 2019 were \$2 billion, down 2%. Yet, the top line surpassed the Zacks Consensus Estimate of \$1.9 billion. On a GAAP basis, net revenues of \$2 billion decreased 3% from the prior year.

Total expenses declined 3% to \$503.4 million from the prior-year quarter. This downside stemmed from fall in employee compensation and benefits expenses, professional fees and execution, clearing and custody fees.

Adjusted compensation ratio was 58.6%, up from the year-earlier quarter's 55%.

Adjusted operating margin came in at 26.9% compared with the prior-year quarter's 34%.

Quarterly Segment Performance (Adjusted)

Investment Banking: Net revenues declined 15% year over year to \$650.9 million. Also, operating income moved down 33% to \$174.4 million. Advisory client transactions were 281,000, down 9%.

Investment Management: Net revenues were \$17.5 million, up 22% year over year. Operating income was \$5.1 million up 52%. Additionally, AUM balance of \$10.7 million was reported in the fourth quarter, up 17%.

Balance Sheet Position

As of Dec 31, 2019, cash, cash equivalents, marketable securities and certificates of deposit totaled \$1.3 billion. Moreover, current assets exceeded current liabilities by \$1 billion as of the same date.

Repurchase Update

During the December-end quarter, the company repurchased nearly 0.4 million shares at an average cost of \$75.89 per share. Notably, during 2019, the company repurchased 2.4 million shares at an average price per share of \$80.69.

Quarter Ending **12/2019**

Report Date	Jan 29, 2020
Sales Surprise	NA
EPS Surprise	27.10%
Quarterly EPS	2.72
Annual EPS (TTM)	7.71

Recent News

Dividend Update

On Jan 28, Evercore's board of directors announced a common stock quarterly dividend of 58 cents per share. The dividend will be paid on Mar 13 to shareholders of record as of Feb 28, 2020.

Valuation

Evercore's shares are down 8.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 14% and 10.4% over the past year, respectively.

The S&P 500 Index is up 22.1% in the past year.

The stock is currently trading at 9.14X forward 12 months earnings, which compares to 11.75X for the Zacks sub-industry, 14.92X for the Zacks sector and 19.08X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 17.79X and as low as 7.95X, with a 5-year median of 13.29X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$86 price target reflects 9.63X forward earnings.

The table below shows summary valuation data for EVR

Valuation Multiples - EVR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.14	11.75	14.92	19.08
	5-Year High	17.79	15.3	16.21	19.34
	5-Year Low	7.95	6.05	12.01	15.18
	5-Year Median	13.29	11.55	14.07	17.46
P/TB TTM	Current	3.98	2.46	3.3	12.75
	5-Year High	8.22	3.33	3.98	12.75
	5-Year Low	3.56	1.6	2.44	6.03
	5-Year Median	5.36	2.4	3.46	9.1
P/S F12M	Current	1.45	3.63	6.53	3.54
	5-Year High	1.75	4.53	6.61	3.54
	5-Year Low	1.3	2.8	5.39	2.54
	5-Year Median	1.55	3.63	6.04	3

As of 02/06/2020



Industry Analysis Zacks Industry Rank: Top 22% (57 out of 255)



Top Peers

Lazard Ltd (LAZ)	Outperform
Morgan Stanley (MS)	Outperform
BGC Partners, Inc. (BGCP)	Neutral
E*TRADE Financial Corporation (ETFC)	Neutral
Houlihan Lokey, Inc. (HLI)	Neutral
Moelis & Company (MC)	Neutral
Cowen Group, Inc. (COWN)	Underperform
Jefferies Financial Group Inc. (JEF)	Underperform

Industry Comparison Industry: Financial - Investment Bank				Industry Peers		
	EVR Neutral	X Industry	S&P 500	BGCP Neutral	LAZ Outperform	MS Outperform
VGM Score	B	-	-	C	C	B
Market Cap	3.19 B	520.61 M	24.40 B	1.91 B	4.61 B	89.04 B
# of Analysts	3	2	13	2	3	8
Dividend Yield	2.84%	0.71%	1.75%	10.22%	4.29%	2.55%
Value Score	A	-	-	B	B	C
Cash/Price	0.11	0.37	0.04	0.35	0.64	3.61
EV/EBITDA	5.72	5.31	14.17	7.41	3.84	-1.09
PEG Ratio	0.58	1.27	2.05	NA	NA	1.04
Price/Book (P/B)	3.21	1.82	3.31	2.39	6.76	1.21
Price/Cash Flow (P/CF)	7.89	9.48	13.63	4.35	6.13	9.11
P/E (F1)	9.13	12.35	19.08	8.12	11.64	10.27
Price/Sales (P/S)	1.59	1.59	2.67	0.91	1.73	1.65
Earnings Yield	10.86%	8.09%	5.24%	12.41%	8.59%	9.74%
Debt/Equity	0.56	0.40	0.71	1.38	3.40	2.58
Cash Flow (\$/share)	10.35	2.67	6.89	1.26	7.16	6.04
Growth Score	D	-	-	F	D	B
Hist. EPS Growth (3-5 yrs)	30.83%	12.15%	10.80%	11.03%	1.91%	19.85%
Proj. EPS Growth (F1/F0)	15.15%	14.17%	7.23%	10.66%	14.94%	7.56%
Curr. Cash Flow Growth	-16.35%	16.31%	9.51%	-34.13%	3.10%	17.36%
Hist. Cash Flow Growth (3-5 yrs)	23.10%	14.18%	8.55%	1.13%	8.30%	12.40%
Current Ratio	3.07	1.31	1.20	1.08	1.91	0.78
Debt/Capital	36.03%	26.93%	42.90%	58.56%	77.26%	69.86%
Net Margin	14.85%	7.34%	11.76%	2.65%	10.74%	16.80%
Return on Equity	37.53%	14.08%	16.98%	34.44%	53.07%	11.70%
Sales/Assets	1.00	0.23	0.54	0.37	0.48	0.06
Proj. Sales Growth (F1/F0)	9.66%	5.07%	4.15%	4.17%	6.65%	0.93%
Momentum Score	B	-	-	A	C	D
Daily Price Chg	2.59%	0.00%	-0.11%	-7.74%	0.23%	0.04%
1 Week Price Chg	2.67%	0.00%	-2.60%	-2.04%	0.10%	-4.20%
4 Week Price Chg	8.69%	0.06%	1.51%	-5.19%	1.18%	5.67%
12 Week Price Chg	7.63%	2.23%	5.63%	0.92%	16.12%	13.17%
52 Week Price Chg	-8.94%	-3.23%	17.01%	-10.31%	12.98%	32.62%
20 Day Average Volume	655,234	69,803	1,961,054	1,850,083	923,597	10,987,122
(F1) EPS Est 1 week change	0.57%	0.00%	0.00%	0.00%	0.71%	0.00%
(F1) EPS Est 4 week change	0.70%	0.70%	-0.00%	3.85%	6.05%	3.94%
(F1) EPS Est 12 week change	-0.37%	0.36%	-0.16%	3.85%	3.29%	4.07%
(Q1) EPS Est Mthly Chg	-16.36%	0.00%	0.00%	0.00%	-0.52%	7.58%

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	A
Growth Score	D
Momentum Score	B
VGM Score	B

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.

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