

Evercore Inc (EVR)

\$67.36 (As of 06/08/20)

Price Target (6-12 Months): **\$71.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/14/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

Summary

Shares of Evercore have underperformed the industry over the past six months. The company has an impressive earnings surprise history, having beaten the Zacks Consensus Estimate in three of the trailing four quarters. Evercore 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 the coronavirus crisis. Further, a strong capital position keeps it well poised to undertake opportunistic expansion and acquisitions. However, escalating expenses on account of rising compensation costs resulting from the company's recruitment spree is a key concern. Moreover, falling volatile institutional assets under management trend on account of foreign exchange fluctuations, keeps pressure on the company's fees.

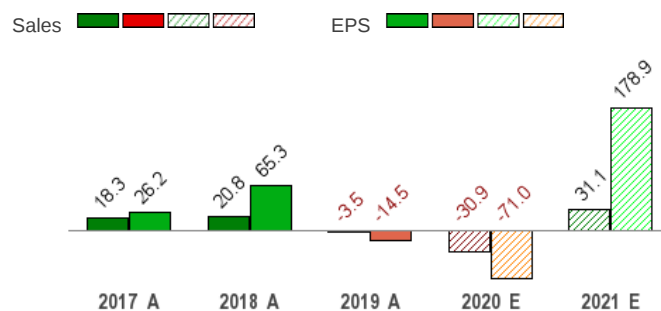
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$91.59 - \$33.25
20 Day Average Volume (sh)	490,747
Market Cap	\$2.7 B
YTD Price Change	-9.9%
Beta	1.87
Dividend / Div Yld	\$2.32 / 3.4%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 33% (83 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	17.5%
Last Sales Surprise	3.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/22/2020
Earnings ESP	0.0%
P/E TTM	9.3
P/E F1	30.3
PEG F1	1.9
P/S TTM	1.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	349 E	414 E	442 E	548 E	1,819 E
2020	433 A	310 E	297 E	349 E	1,388 E
2019	419 A	535 A	402 A	646 A	2,009 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.09 E	\$1.47 E	\$1.86 E	\$1.81 E	\$6.22 E
2020	\$1.21 A	\$0.46 E	\$0.25 E	\$0.31 E	\$2.23 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.

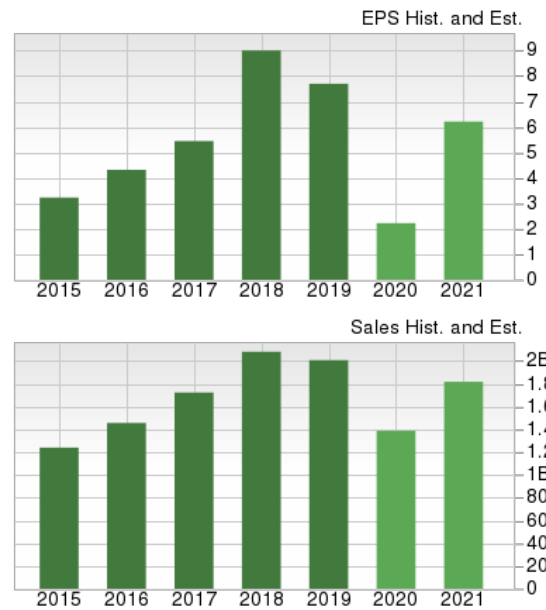
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/08/2020. The reports text is as of 06/09/2020.

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 (97% 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 (3%) 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 ongoing coronavirus concerns will likely keep the markets volatile. Notably, revenues escalated in first-quarter 2020.
- ▲ 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. Though its debt/equity ratio compares unfavorably with the broader industry, the consistent earnings record indicates that these capital deployment activities are sustainable.
- ▲ Amid the coronavirus crisis and its impact on economy, the company holds a debt level of \$717.7 million and debt-capital ratio of 0.39 (compared with the industry average of 0.74), as of Mar 31, 2020, which have been increasing over the past few quarters. Nevertheless, based on the company's time-interest-earned ratio, currently at 19.8X, which indicates the company's ability to meet its debt obligations based on the current income and consistent earnings record, we believe Evercore carries less credit risk and has lesser likelihood of default of interest and debt repayments if the economic situation worsens.
- ▲ Evercore's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The company's ROE of 33.05% compares favorably with the industry's average of 14.28%.

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. Notably, revenues decreased in first-quarter 2020 as well.
- ▼ Evercore's expenses have witnessed a CAGR of 9.4%, over the last five years (ended 2019), on elevated employee compensation and benefits expenses. The uptrend continued in first-quarter 2020 as well. 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.
- ▼ Shares of Evercore have underperformed the industry over the past six months. Also, the company's 2020 earnings estimates have been revised 25.9% downward over the past 60 days. Also, the stock seems overvalued when compared with the broader industry. Its current price/earnings (F1) and price-to-book ratios are above the respective industry averages. Therefore, given the above concerns and lack of positive estimate revisions, the stock has limited upside potential.

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 Q1 Earnings Beat Estimates

Evercore reported first-quarter 2020 adjusted earnings per share of \$1.21, beating the Zacks Consensus Estimate of \$1.03. However, results were down 27% from the prior-year quarter's \$1.66 per share.

The quarterly results reflect higher revenues. In addition, liquidity position was consistently strong. However, escalating expenses and fall in AUM were major drags, increasing investors' concerns. Hence, following the results, shares of the company declined 5.9%.

Including certain one-time items, on a GAAP basis, net income available to common shareholders was \$31.2 million or 74 cents per share compared with \$67.2 million or \$1.52 per share in the year-ago quarter.

Revenues Increase, Expenses Rise

Net revenues increased 4% year over year to \$435 million in the reported quarter. This upside resulted from a hike in advisory fees (up 10%), along with commissions and trades (32%). The figure also surpassed the Zacks Consensus Estimate of \$420 million. On a GAAP basis, net revenues were \$427 million, up 3%.

Total expenses flared up 14% to \$365 million from the prior-year quarter. This upswing mainly stemmed from rise in employee compensation and benefits expenses.

Adjusted compensation ratio was 62%, up from the year-earlier quarter's 58%.

Adjusted operating margin came in at 19% compared with the prior-year quarter's 22.8%.

Quarterly Segment Performance (Adjusted)

Investment Banking: Net revenues jumped 4% year over year to \$419 million. Yet, operating income slid 14% to \$79.2 million. Advisory client transactions were 222,000, up 2% year over year.

Investment Management: Net revenues were \$15.9 million, down 1% from the prior year's comparable quarter. Operating income was \$3.3 million, down 15% year over year. Additionally, an AUM of \$9.5 million was reported in the first quarter, down 2% year over year.

Balance-Sheet Position

As of Mar 31, 2020, cash, cash equivalents, marketable securities and certificates of deposit totaled \$852.3 million. Moreover, current assets exceeded current liabilities by \$879.6 million as of the same date.

Capital Deployment

During the March-end quarter, the company repurchased 0.8 million shares at an average cost of \$76.02 per share.

Quarter Ending 03/2020

Report Date	Apr 22, 2020
Sales Surprise	3.21%
EPS Surprise	17.48%
Quarterly EPS	1.21
Annual EPS (TTM)	7.26

Recent News

Dividend Update

On Apr 21, Evercore's board of directors announced a common stock quarterly dividend of 58 cents per share. The dividend will be paid on Jun 12, to shareholders of record as of May 29, 2020.

Valuation

Evercore's shares are down 9.9% in the year-to-date period and 24.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 5.1% and 12.6% in the year-to-date period. Over the past year, the Zacks sub-industry is up 6.1%, while the sector is down 5.4%.

The S&P 500 Index is up 0.2% in the year-to-date period and 11.8% in the past year.

The stock is currently trading at 16.95X forward 12 months earnings, which compares to 14.52X for the Zacks sub-industry, 18.09X for the Zacks sector and 23.35X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 17.79X and as low as 3.96X, with a 5-year median of 13.14X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$71 price target reflects 17.8X 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	16.95	14.52	18.09	23.35
	5-Year High	17.79	15.31	18.09	23.35
	5-Year Low	3.96	6.04	11.58	15.23
	5-Year Median	13.14	11.47	13.98	17.49
P/TB TTM	Current	3.12	2.42	3.57	12.69
	5-Year High	8.22	3.33	4	12.76
	5-Year Low	1.53	1.4	2	5.96
	5-Year Median	5.27	2.38	3.48	9.29
P/S F12M	Current	1.73	4.05	6	3.63
	5-Year High	1.75	4.53	6.65	3.63
	5-Year Low	0.65	2.74	4.95	2.53
	5-Year Median	1.39	3.55	6.06	3.02

As of 06/08/2020

Industry Analysis Zacks Industry Rank: Top 33% (83 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Tradeweb Markets Inc. (TW)	Outperform	1
BGC Partners, Inc. (BGCP)	Neutral	3
ETRADE Financial Corporation (ETFC)	Neutral	4
Interactive Brokers Group, Inc. (IBKR)	Neutral	5
SBI Holdings Inc. (SBHGF)	Neutral	3
Cowen Group, Inc. (COWN)	Underperform	3
Piper Jaffray Companies (PIPR)	Underperform	4
Oppenheimer Holdings, Inc. (OPY)	NA	NA

Industry Comparison Industry: Financial - Investment Bank				Industry Peers		
	EVR	X Industry	S&P 500	BGCP	ETFC	IBKR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	5
VGM Score	F	-	-	B	A	B
Market Cap	2.73 B	589.72 M	23.56 B	1.18 B	11.43 B	18.72 B
# of Analysts	2	2	14	2	4	1
Dividend Yield	3.44%	0.00%	1.8%	1.22%	1.08%	0.89%
Value Score	D	-	-	A	B	F
Cash/Price	0.23	0.63	0.06	0.63	0.61	2.90
EV/EBITDA	5.45	1.86	13.19	1.46	4.05	-27.89
PEG Ratio	1.87	2.04	3.18	NA	NA	NA
Price/Book (P/B)	2.63	1.72	3.19	1.64	1.96	2.30
Price/Cash Flow (P/CF)	6.45	9.28	12.52	2.64	10.35	82.81
P/E (F1)	29.28	16.70	23.31	5.22	19.32	22.87
Price/Sales (P/S)	1.35	1.42	2.51	0.54	4.03	7.53
Earnings Yield	3.30%	5.75%	4.15%	19.15%	5.18%	4.37%
Debt/Equity	0.60	0.36	0.76	0.00	0.24	0.00
Cash Flow (\$/share)	10.44	2.30	7.01	1.24	5.00	0.54
Growth Score	F	-	-	C	B	A
Hist. EPS Growth (3-5 yrs)	28.77%	15.61%	10.87%	2.60%	37.93%	32.89%
Proj. EPS Growth (F1/F0)	-71.10%	-25.70%	-10.76%	3.28%	-33.56%	-13.22%
Curr. Cash Flow Growth	-15.37%	2.06%	5.48%	5.03%	-5.88%	15.90%
Hist. Cash Flow Growth (3-5 yrs)	23.38%	13.28%	8.55%	9.17%	13.09%	28.50%
Current Ratio	3.14	1.31	1.29	0.84	0.29	1.11
Debt/Capital	37.58%	28.51%	44.75%	3.17%	17.79%	0.00%
Net Margin	12.96%	9.77%	10.59%	0.38%	29.81%	6.36%
Return on Equity	33.05%	14.28%	16.26%	42.22%	15.84%	2.12%
Sales/Assets	0.90	0.29	0.55	0.40	0.04	0.04
Proj. Sales Growth (F1/F0)	-30.71%	-1.41%	-2.62%	5.38%	-11.59%	-3.89%
Momentum Score	F	-	-	C	B	A
Daily Price Chg	4.24%	0.00%	1.55%	3.95%	1.31%	3.61%
1 Week Price Chg	17.26%	3.87%	7.51%	22.91%	12.12%	2.67%
4 Week Price Chg	30.64%	19.98%	15.61%	23.22%	26.23%	11.98%
12 Week Price Chg	61.15%	37.52%	38.10%	7.17%	75.36%	12.88%
52 Week Price Chg	-24.09%	-5.28%	3.66%	-35.24%	10.91%	-17.51%
20 Day Average Volume	490,747	108,684	2,648,536	4,076,873	2,481,366	637,749
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.60%	0.00%
(F1) EPS Est 12 week change	-75.00%	-26.80%	-15.97%	2.44%	-12.29%	-21.20%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	2.82%	0.00%

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	F
Momentum Score	F
VGM Score	F

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.