

Evercore Inc (EVR)

\$77.27 (As of 01/21/20)

Price Target (6-12 Months): **\$81.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/02/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:A

Value: A

Growth: C

Momentum: A

Summary

Shares of Evercore have underperformed the industry over the past six months. Also, the earnings estimates have been going down ahead of its fourth quarter 2019 results. Steadily rising expenses due to recruitment spree undertaken by the company acts as a major headwind. Also, falling institutional assets under management (AUM) balance on account of foreign exchange fluctuations induces lower fees. Yet, the company benefits from consistent rise in investment banking revenues due to initiatives to boost the segment. Also, momentum is likely to continue as the markets might remain volatile due to ongoing trade war and geo-political tensions. Further, strong capital position keeps it well poised to undertake any opportunistic expansion. Moreover, the company's steady capital-deployment activities continue to enhance shareholders' confidence.

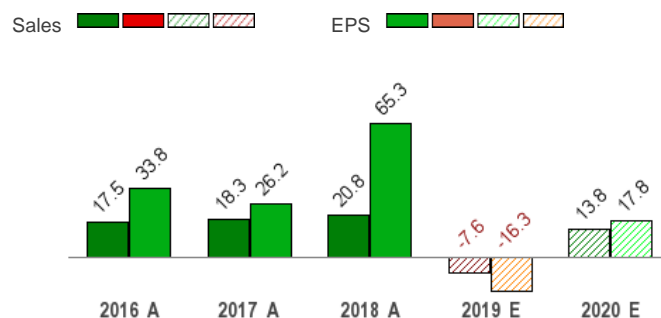
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$98.90 - \$71.06
20 Day Average Volume (sh)	404,822
Market Cap	\$3.0 B
YTD Price Change	3.4%
Beta	1.97
Dividend / Div Yld	\$2.32 / 3.0%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 43% (110 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	17.6%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	0.8%
Expected Report Date	01/29/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020					2,188 E
2019	419 A	535 A	402 A		1,923 E
2018	468 A	454 A	381 A	776 A	2,082 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$2.80 E	\$1.96 E	\$2.22 E	\$1.80 E	\$8.88 E
2019	\$1.66 A	\$2.07 A	\$1.26 A	\$2.14 E	\$7.54 E
2018	\$2.24 A	\$1.65 A	\$1.23 A	\$3.93 A	\$9.01 A

*Quarterly figures may not add up to annual.

P/E TTM	8.7
P/E F1	8.7
PEG F1	0.6
P/S TTM	1.4

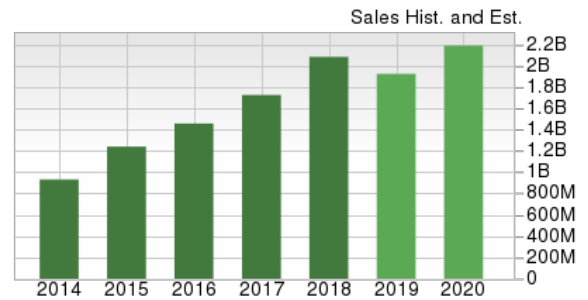
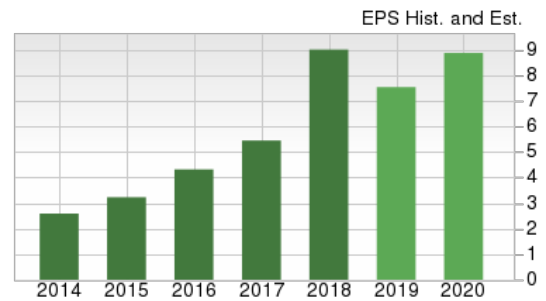
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/21/2020. The reports text is as of 01/22/2020.

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 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 segment generated 97% of net revenues in 2018.
- The **Investment Management** segment 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. The segment generated 3% of net revenues in 2018.



Reasons To Buy:

- ▲ Evercore generates majority of revenues from its investment banking business and has witnessed a CAGR of 25.3%, over the last five years (ended 2018), with the trend continuing in the first nine months of 2019 on higher advisory fees. Further, the company's efforts to increase client base in advisory solutions along with geographical expansion efforts have resulted in such solid past revenue growth. Also, momentum is expected to continue in the quarters ahead as ongoing trade war 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 43.83% compares favorably with the industry's average of 12.26%.
- ▲ Shares of Evercore have underperformed the industry over the past six months. However, the company's 2020 earnings estimates have been revised nearly 1% upward over the past 30 days. Also, 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. Further, it has a Value Score of A. Therefore, given the strong fundamentals and positive estimates revision, 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:

- ▼ Although Evercore's investment management segment comprises a smaller portion of total revenues, it has declined at a CAGR of 11.2% over the last five years (2014-2018). Though the trend slightly reversed in the first nine months of 2019, owing to higher AUM, revenues have been soft previously, 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 has witnessed a CAGR of 19.6%, over the last five years (ended 2018), with the trend continuing in the first nine months of 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 Reports Decent Q3 Earnings

Evercore reported third-quarter 2019 adjusted earnings per share of \$1.26, higher than the prior-year quarter's \$1.23 per share.

The quarterly results reflected higher revenues and rise in AUM. In addition, liquidity position was consistently strong. However, escalating expenses were a major drag.

Including certain one-time items, on a GAAP basis, net income available to common shareholders was \$43.3 million or \$1.01 per share compared with \$49.5 million or \$1.08 per share in the year-ago quarter.

Quarter Ending **09/2019**

Report Date	Oct 23, 2019
Sales Surprise	NA
EPS Surprise	17.61%
Quarterly EPS	1.26
Annual EPS (TTM)	8.92

Revenues Increase, Expenses Rise

Net revenues increased 6% year over year to \$408.5 million in the reported quarter. This upside resulted from hike in advisory fees (up 5%). On a GAAP basis, net revenues were \$402.2 million, up 5%.

Total expenses flared up 8.3% to \$323.7 million from the prior-year quarter. This upswing stemmed from rise in employee compensation and benefits expenses, along with elevated non-compensation costs.

Adjusted compensation ratio was 58%, up from the year-earlier quarter's 57.5%.

Adjusted operating margin came in at 20.8% compared with the prior-year quarter's 22.6%.

Quarterly Segment Performance (Adjusted)

Investment Banking: Net revenues jumped 6% year over year to \$392.1 million. Yet, operating income edged down 1% to \$80.4 million. Advisory client transactions were 213,000, up 9% year over year.

Investment Management: Net revenues were \$16.5 million, down 2% from the last year's comparable quarter. Operating income was \$4.4 million compared with the \$5.7 million recorded a year ago. Additionally, AUM of \$10.3 million was reported in the third quarter, up 4%.

Balance-Sheet Position

As of Sep 30, 2019, cash, cash equivalents, marketable securities and certificates of deposit totaled \$620.1 million. Moreover, current assets exceeded current liabilities by \$894.4 million as of the same date.

Capital Deployment

During the September-end quarter, the company repurchased 0.5 million shares at an average cost of \$78.87 per share.

Recent News

Dividend Update

On Oct 22, 2019, Evercore's board of directors announced a common stock quarterly dividend of 58 cents per share. The dividend was paid on Dec 13 to shareholders of record as of Nov 29, 2019.

Valuation

Evercore's shares are down 6.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 12.6% and 13.6%, over the past year, respectively.

The S&P 500 Index is up 25.3% in the past year.

The stock is currently trading at 8.68X forward 12 months earnings, which compares to 12.26X for the Zacks sub-industry, 14.71X for the Zacks sector and 19.18X 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 13.31X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$81 price target reflects 9.1X 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	8.68	12.26	14.71	19.18
	5-Year High	17.79	15.3	16.21	19.34
	5-Year Low	7.95	6.05	12.01	15.17
	5-Year Median	13.31	11.42	13.98	17.44
P/TBV TTM	Current	3.8	2.52	3.32	12.75
	5-Year High	8.22	3.33	3.98	12.75
	5-Year Low	3.61	1.6	2.44	6.03
	5-Year Median	5.36	2.4	3.46	9.09
P/S F12M	Current	1.38	3.63	6.53	3.57
	5-Year High	1.75	4.53	6.61	3.57
	5-Year Low	1.32	2.8	5.2	2.54
	5-Year Median	1.57	3.63	6.04	3

As of 01/21/2020

Industry Analysis Zacks Industry Rank: Top 43% (110 out of 255)



Top Peers

BGC Partners, Inc. (BGCP)	Neutral
E*TRADE Financial Corporation (ETFC)	Neutral
Houlihan Lokey, Inc. (HLI)	Neutral
Lazard Ltd (LAZ)	Neutral
Moelis & Company (MC)	Neutral
Morgan Stanley (MS)	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 Neutral	MS Neutral
VGM Score	A	-	-	D	C	B
Market Cap	3.02 B	545.76 M	24.43 B	2.10 B	4.55 B	90.51 B
# of Analysts	2	4	13	1	3	8
Dividend Yield	3.00%	0.70%	1.75%	9.29%	4.34%	2.50%
Value Score	A	-	-	C	B	C
Cash/Price	0.11	0.35	0.04	0.34	0.61	3.28
EV/EBITDA	5.44	5.34	14.00	8.03	3.79	-0.97
PEG Ratio	0.56	1.84	2.06	NA	NA	1.05
Price/Book (P/B)	3.04	1.80	3.39	2.63	6.68	1.23
Price/Cash Flow (P/CF)	6.35	9.10	13.69	4.78	6.05	9.26
P/E (F1)	8.82	12.04	19.00	8.93	11.58	10.44
Price/Sales (P/S)	1.42	1.59	2.68	1.01	1.73	1.68
Earnings Yield	11.49%	8.30%	5.26%	11.28%	8.64%	9.59%
Debt/Equity	0.56	0.41	0.72	1.38	3.40	2.58
Cash Flow (\$/share)	12.16	2.72	6.94	1.26	7.16	6.04
Growth Score	C	-	-	F	F	B
Hist. EPS Growth (3-5 yrs)	32.36%	12.15%	10.60%	11.03%	3.20%	19.85%
Proj. EPS Growth (F1/F0)	17.73%	13.85%	7.57%	10.66%	19.49%	7.56%
Curr. Cash Flow Growth	59.83%	27.33%	14.00%	-34.13%	3.10%	17.36%
Hist. Cash Flow Growth (3-5 yrs)	32.06%	14.18%	9.00%	1.13%	8.30%	12.40%
Current Ratio	3.07	1.31	1.23	1.08	1.91	0.78
Debt/Capital	36.03%	27.30%	42.99%	58.56%	77.26%	69.86%
Net Margin	16.67%	5.73%	11.15%	2.56%	12.29%	16.80%
Return on Equity	43.83%	12.26%	17.16%	35.30%	50.66%	11.70%
Sales/Assets	1.05	0.23	0.55	0.41	0.49	0.06
Proj. Sales Growth (F1/F0)	13.79%	4.90%	4.05%	4.73%	6.41%	0.93%
Momentum Score	A	-	-	B	A	A
Daily Price Chg	0.09%	0.00%	-0.27%	1.34%	-2.12%	-2.76%
1 Week Price Chg	3.42%	0.91%	2.29%	4.20%	2.36%	10.15%
4 Week Price Chg	1.67%	0.92%	2.13%	0.84%	8.93%	10.32%
12 Week Price Chg	2.43%	6.22%	6.99%	14.64%	11.77%	19.41%
52 Week Price Chg	-7.09%	-1.08%	21.25%	-3.05%	13.47%	31.86%
20 Day Average Volume	404,822	80,570	1,415,064	1,897,722	855,339	8,339,696
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	3.58%
(F1) EPS Est 4 week change	0.81%	0.17%	0.00%	3.85%	5.20%	3.90%
(F1) EPS Est 12 week change	-2.45%	0.00%	-0.34%	-3.57%	-5.32%	4.07%
(Q1) EPS Est Mthly Chg	1.82%	0.00%	0.00%	0.00%	4.12%	7.58%

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	A
Growth Score	C
Momentum Score	A
VGM Score	A

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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