

Evercore Inc (EVR)

\$55.10 (As of 07/30/20)

Price Target (6-12 Months): **\$58.00**

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:D

Value: C

Growth: F

Momentum: A

Summary

Shares of Evercore have underperformed the industry over the past six months. Yet, the company has an impressive earnings surprise history, having beaten the Zacks Consensus Estimate in three of the trailing four quarters. The second-quarter 2020 results reflected increase in AUM, lower revenues and escalating expenses. Evercore benefits from continued rise in investment banking revenues owing to initiatives to fortify 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 rising compensation costs due to recruitment spree is a key concern. Moreover, falling volatile institutional assets under management trend strains the company's fees.

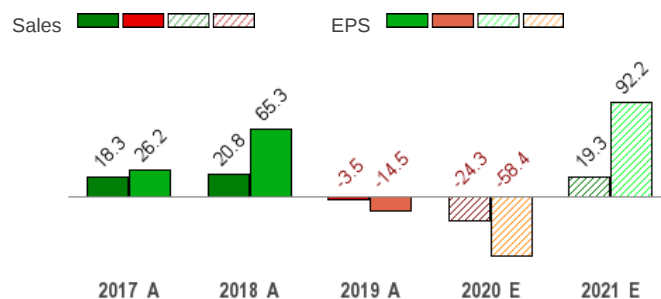
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$86.43 - \$33.25
20 Day Average Volume (sh)	445,224
Market Cap	\$2.2 B
YTD Price Change	-26.3%
Beta	1.91
Dividend / Div Yld	\$2.32 / 4.2%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 15% (39 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	20.5%
Last Sales Surprise	12.2%
EPS F1 Est- 4 week change	33.6%
Expected Report Date	10/28/2020
Earnings ESP	0.0%
P/E TTM	8.2
P/E F1	17.2
PEG F1	1.1
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	345 E	421 E	464 E	574 E	1,814 E
2020	433 A	512 A	300 E	327 E	1,520 E
2019	419 A	535 A	402 A	646 A	2,009 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.69 E	\$1.14 E	\$1.70 E	\$2.63 E	\$6.15 E
2020	\$1.21 A	\$1.53 A	\$0.28 E	\$0.19 E	\$3.20 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.

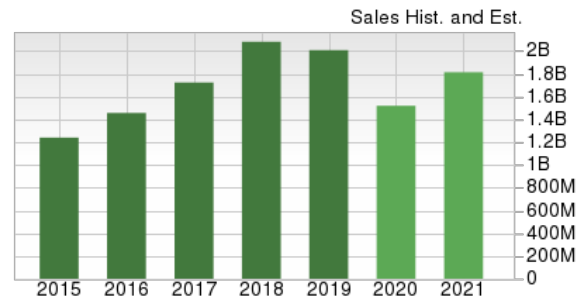
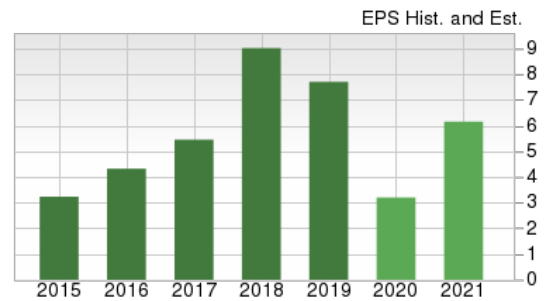
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/30/2020. The reports text is as of 07/31/2020.

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 the first half of 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.
- ▲ Evercore's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The company's ROE of 29.65% compares favorably with the industry's average of 14.01%.
- ▲ Shares of Evercore have underperformed the industry over the past six months. Yet, the company's 2020 earnings estimates have been revised 33.3% upward over the past 30 days. Therefore, given the strong 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. Notably, revenues decreased in the first half of 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 the first half of 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.
- ▼ 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.

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 Q2 Earnings Beat Estimates, Revenues Down

Evercore reported second-quarter 2020 adjusted earnings per share of \$1.53, beating the Zacks Consensus Estimate of \$1.27. However, results were down 26.1% from the prior-year quarter's \$2.07 per share.

The quarterly results reflected a solid liquidity position and an increase in AUM. However, decline in revenues and escalating expenses were major concerns.

Including certain one-time items, on a GAAP basis, net income available to common shareholders was \$56.4 million or \$1.35 per share compared with the \$81.7 million or \$1.88 per share witnessed in the year-ago quarter.

Quarter Ending 06/2020

Report Date	Jul 22, 2020
Sales Surprise	12.22%
EPS Surprise	20.47%
Quarterly EPS	1.53
Annual EPS (TTM)	6.72

Revenues Fall, Expenses Rise

Net revenues decreased 4% year over year to \$513.9 million in the reported quarter. This downside resulted from a fall in advisory fees (down 24%), partially offset by strong commissions and trades (up 11%). However, the revenue figure surpassed the Zacks Consensus Estimate of \$456.6 million. On a GAAP basis, net revenues came in at \$507.1 million, down 5%.

Total expenses went up 4% to \$408.6 million from the prior-year quarter. This upswing mainly stemmed from rise in employee compensation and benefits expenses.

Adjusted compensation ratio was 65%, up from the year-earlier quarter's 58%.

Adjusted operating margin came in at 20% compared with the prior-year quarter's 25.8%.

Quarterly Segment Performance (Adjusted)

Investment Banking: Net revenues dropped 4% year over year to \$500 million. Moreover, operating income slid 25% to \$100.5 million. Advisory client transactions were 222,000, down 1% year over year.

Investment Management: Net revenues were \$13.9 million, down 17% from the prior year's comparable quarter. Operating income came in at \$2.2 million, plummeting 55% year over year. Additionally, an AUM of \$10.4 million was reported in the second quarter, up 3% year over year.

Balance-Sheet Position

As of Jun 30, 2020, cash, cash equivalents and marketable securities totaled \$1.1 billion. Moreover, current assets exceeded current liabilities by \$951.1 million as of the same date.

Capital Deployment

During the June-end quarter, the company repurchased 4,000 shares at an average cost of \$58.28 per share.

Recent News

Dividend Update

On Jul 21, Evercore's board of directors announced a common stock quarterly dividend of 58 cents per share. The dividend will be paid on Sep 11, to shareholders of record as of Aug 28, 2020.

Valuation

Evercore's shares are down 26.3% in the year-to-date period and 32.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 13.5% and 18.2% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are down 2.8% and 12.9%, respectively.

The S&P 500 Index is up 1.3% in the year-to-date period and 9.8% in the past year.

The stock is currently trading at 11.21X forward 12 months earnings, which compares to 11.41X for the Zacks sub-industry, 16.35X for the Zacks sector and 22.69X 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 13.07X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$58 price target reflects 11.79X 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	11.21	11.41	16.35	22.69
	5-Year High	17.79	15.3	16.35	22.69
	5-Year Low	3.96	6.04	11.59	15.25
	5-Year Median	13.07	11.47	14.16	17.52
P/TB TTM	Current	2.53	2.11	3.34	12.82
	5-Year High	8.22	3.33	4	12.94
	5-Year Low	1.53	1.4	2.01	5.96
	5-Year Median	5.13	2.36	3.48	9.54
P/S F12M	Current	1.32	3.39	6.04	3.59
	5-Year High	1.74	4.54	6.66	3.59
	5-Year Low	0.65	2.75	4.96	2.53
	5-Year Median	1.38	3.53	6.06	3.02

As of 07/30/2020

Industry Analysis Zacks Industry Rank: Top 15% (39 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Cowen Group, Inc. (COWN)	Outperform	1
BGC Partners, Inc. (BGCP)	Neutral	4
ETRADE Financial Corporation (ETFC)	Neutral	2
Interactive Brokers Group, Inc. (IBKR)	Neutral	1
Piper Jaffray Companies (PIPR)	Neutral	3
Raymond James Financial, Inc. (RJF)	Neutral	3
SBI Holdings Inc. (SBHGF)	Neutral	NA
Tradeweb Markets Inc. (TW)	Neutral	3

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	-	-	4	2	1
VGM Score	D	-	-	B	A	C
Market Cap	2.23 B	635.51 M	22.57 B	986.79 M	11.23 B	20.66 B
# of Analysts	2	2	14	2	3	1
Dividend Yield	4.21%	0.30%	1.83%	1.45%	1.10%	0.80%
Value Score	C	-	-	B	B	F
Cash/Price	0.26	0.72	0.07	0.72	0.00	2.70
EV/EBITDA	4.47	2.35	12.96	0.86	6.79	-28.78
PEG Ratio	1.10	1.35	3.04	NA	NA	NA
Price/Book (P/B)	2.15	1.56	3.13	1.38	1,831.90	2.50
Price/Cash Flow (P/CF)	5.28	8.24	12.61	2.22	10.17	91.41
P/E (F1)	17.14	13.52	22.06	4.68	16.66	23.13
Price/Sales (P/S)	1.12	1.31	2.42	0.46	3.91	8.31
Earnings Yield	5.81%	6.89%	4.31%	21.38%	6.00%	4.32%
Debt/Equity	0.60	0.27	0.75	0.00	0.23	0.00
Cash Flow (\$/share)	10.44	1.94	6.94	1.24	5.00	0.54
Growth Score	F	-	-	D	A	B
Hist. EPS Growth (3-5 yrs)	25.45%	17.73%	10.85%	2.60%	34.95%	24.33%
Proj. EPS Growth (F1/F0)	-58.44%	-11.70%	-7.75%	-3.28%	-24.32%	-5.29%
Curr. Cash Flow Growth	-15.37%	-3.18%	5.39%	5.03%	-5.88%	15.90%
Hist. Cash Flow Growth (3-5 yrs)	23.38%	11.36%	8.55%	9.17%	13.09%	28.50%
Current Ratio	3.14	1.24	1.31	0.84	0.30	1.10
Debt/Capital	37.58%	24.49%	44.32%	3.17%	17.15%	0.00%
Net Margin	11.84%	9.74%	10.44%	1.06%	28.69%	6.36%
Return on Equity	29.65%	14.01%	14.73%	42.31%	19.67%	2.23%
Sales/Assets	0.85	0.29	0.52	0.39	0.06	0.03
Proj. Sales Growth (F1/F0)	-24.11%	0.00%	-1.95%	0.68%	-6.43%	2.69%
Momentum Score	A	-	-	B	A	C
Daily Price Chg	-2.03%	-0.36%	-0.92%	2.99%	-2.73%	-1.11%
1 Week Price Chg	-1.12%	0.00%	0.37%	-2.30%	-4.38%	-3.87%
4 Week Price Chg	-3.82%	0.17%	4.14%	5.34%	3.10%	15.62%
12 Week Price Chg	9.43%	8.45%	12.21%	-0.36%	27.12%	22.88%
52 Week Price Chg	-32.81%	-10.08%	-1.73%	-47.63%	8.11%	-2.39%
20 Day Average Volume	445,224	81,325	1,887,986	3,837,115	2,087,696	788,300
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	1.24%	0.00%
(F1) EPS Est 4 week change	33.61%	9.91%	0.38%	-3.28%	8.73%	22.86%
(F1) EPS Est 12 week change	43.82%	10.81%	-0.07%	-8.53%	9.32%	9.14%
(Q1) EPS Est Mthly Chg	12.00%	3.68%	0.16%	-7.14%	24.60%	20.51%

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	C
Growth Score	F
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.

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