

KKR & Co. Inc.

4Q23 First Impression – Solid results with most key metrics exceeding expectations

Maintain Rating: BUY | PO: 109.00 USD | Price: 88.45 USD

Overall results were solid; Maintain Buy rating

Fundraising, investing, and realizations all came in better than our estimates while strong transaction fees led to fee-related earnings and distributable EPS beats. Distributable EPS of \$1.00 compared to \$0.96 BofA and \$0.93 consensus. We maintain our Buy rating as we are bullish on KKR's fundraising cycle, its income statement's asymmetrical upside into a recovery and the potential for the S&P 500 Index add.

Distributable EPS beat driven by transaction fees

Distributable earnings beat consensus expectations (and ours) due to higher transaction fees (\$264M vs. \$195M estimate). Realizations were slightly better while realized investment income was softer than we expected.

Stronger than expected fundraising but AuM miss

Inflows of \$31B beat our \$28B forecast but total AuM of \$553B came in lower than our \$566B estimate (fee-earning AuM missed too). Fundraising was driven by credit and liquid strategies (\$22B).

Robust investing and investing performance

Deployment of \$16B was higher than our \$11B forecast and fund returns were generally in-line with our expectations: PE (+3%), credit (leveraged +3%, alt +2%), real assets (opportunistic -1%, infra +5%). Book value flat q/q and missed our estimate.

Earnings call @ 10am ET: KKR will host its 4Q23 earnings call at 10am ET this morning. Dial in: (877) 407-0312.

Exhibit 1: KKR 4Q23 actuals vs. our estimates

KKR beat fundraising, investing, realizations and distributable earnings estimates

	4Q23						
	4Q22	3Q23	4Q23E	4Q23A	4Q23A vs. 4Q23E	Q/Q	YoY
Fundraising (\$B)	16.3	13.6	28.2	31.4	11%	130%	93%
Investing (\$B)	15.7	9.0	10.8	15.6	45%	73%	-1%
Realizations (\$B)	11.4	10.9	10.4	13.5	30%	24%	18%
Distributable earnings	\$1.00	\$0.88	\$0.96	\$1.00	4%	14%	0%

Source: Company reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	4.21	4.10	3.38	4.70	5.73
EPS Change (YoY)	69.8%	-2.6%	-17.6%	39.1%	21.9%
DPS	0.58	0.62	0.66	0.70	0.74
Valuation (Dec)					
P/E	21.0x	21.6x	26.2x	18.8x	15.4x
Dividend Yield	0.7%	0.7%	0.7%	0.8%	0.8%

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Stock Data

Price	88.45 USD
Price Objective	109.00 USD
Date Established	11-Jan-2024
Investment Opinion	B-1-7
52-Week Range	47.46 USD -89.84 USD
Mrkt Val / Shares Out (mn)	77,759 USD / 879.1
Free Float	75.7%
Average Daily Value	255.13 USD
BofA Ticker / Exchange	KKR / NYS
Bloomberg / Reuters	KKR US / KKR.N
ROE (2023E)	12.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

FRE: Fee-related earnings

PE: Private Equity

iQprofileSM KKR & Co. Inc.

Economic Income (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Management fees	2,071	2,656	3,027	3,467	3,949
Other fees	46	91	105	111	144
Total fee-related revenue	2,854	3,523	3,784	4,570	5,432
Performance fees	2,142	2,177	1,117	2,207	3,078
Total revenue	6,195	6,230	5,212	7,426	9,271
Base compensation expense	(702)	(770)	(852)	(1,005)	(1,168)
Non-compensation expense	(449)	(586)	(597)	(712)	(826)
Total fee-related expenses	(1,152)	(1,356)	(1,449)	(1,717)	(1,994)
Performance fee compensation	(1,239)	(1,334)	(726)	(1,413)	(1,939)
Total expenses	(2,652)	(3,139)	(2,649)	(3,637)	(4,476)
Total fee-related earnings	1,703	2,167	2,335	2,852	3,439
Distributable earnings	4,629	4,711	4,166	5,791	7,159
Taxes	(688)	(744)	(777)	(1,179)	(1,539)
After tax distributable earnings	3,712	3,667	2,973	4,120	5,091
Distributable earnings per share	4.21	4.10	3.38	4.70	5.73
Distribution per share	0.58	0.62	0.66	0.70	0.74

Assets Under Management

Assets under Management - EOP	470,554	503,897	565,993	636,417	709,894
Fee Paying AUM	271,803	384,656	435,724	489,415	547,123

Company Sector

Asset Management

Company Description

KKR a leading global investment firm that manages capital across several alternative asset classes including private equity, credit and real assets. KKR has a differentiated business model with a large balance sheet and a sizable capital markets business. KKR has offices worldwide and is headquartered in New York. KKR was founded in 1976 and publicly listed on the NYSE in 2010.

Investment Rationale

KKR has successfully diversified its businesses away from private equity and the US market and now has multiple small to mid-sized businesses that are scaling quickly in parallel. This includes infrastructure, real estate, credit, insurance and in Asia. We look for these businesses to help KKR generate mid-teen FFE and book value growth over the next three years.

Quarterly Earnings Estimates

	2022	2023
Q1	1.13A	0.81A
Q2	0.99A	0.73A
Q3	0.97A	0.88A
Q4	1.00A	0.96E

Price objective basis & risk

KKR & Co. Inc. (KKR)

Our price objective for KKR is \$109 and is derived from 17.5x 2026E cash earnings. Our definition of cash earnings uses the company's distributable earnings metric and adds back stock-based comp. We apply the multiple on our normalized cash earnings forecast for KKR's asset management business.

Downside risks: Strong capital deployment activity in the frothy years (2020-21), valuation complexity with FRE, expense allocations, insurance business and capital intensive model, business model is private equity heavy and this business is experiencing multiple cyclical headwinds (returns - inflation & bear market, fundraising - crowded backdrop, denominator effect), insider-selling potential, KKR's voting structure may prevent an S&P 500 Index add.

Analyst Certification

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US - Brokers, Asset Managers, & Exchanges Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AllianceBernstein	AB	AB US	Craig Siegenthaler, CFA
	Ameriprise Financial	AMP	AMP US	Craig Siegenthaler, CFA
	Ares Management Corp	ARES	ARES US	Craig Siegenthaler, CFA
	BlackRock, Inc.	BLK	BLK US	Craig Siegenthaler, CFA
	Blackstone	BX	BX US	Craig Siegenthaler, CFA
	Blue Owl Capital	OWL	OWL US	Craig Siegenthaler, CFA
	Cboe Global Markets	CBOE	CBOE US	Craig Siegenthaler, CFA
	Interactive Brokers	IBKR	IBKR US	Craig Siegenthaler, CFA
	Intercontinental Exchange	ICE	ICE US	Craig Siegenthaler, CFA
	KKR & Co. Inc.	KKR	KKR US	Craig Siegenthaler, CFA
	Raymond James Financial	RJF	RJF US	Mark McLaughlin, CFA
	TPG Inc	TPG	TPG US	Craig Siegenthaler, CFA
	Tradeweb Markets Inc.	TW	TW US	Craig Siegenthaler, CFA
	Victory Capital Holdings, Inc.	VCTR	VCTR US	Craig Siegenthaler, CFA
	Virtu Financial	VIRT	VIRT US	Craig Siegenthaler, CFA
NEUTRAL				
	Affiliated Managers Group	AMG	AMG US	Craig Siegenthaler, CFA
	Apollo Global Management	APO	APO US	Craig Siegenthaler, CFA
	Brookfield Asset Management	BAM	BAM US	Craig Siegenthaler, CFA
	CME Group Inc	CME	CME US	Craig Siegenthaler, CFA
	Invesco	IVZ	IVZ US	Craig Siegenthaler, CFA
	Janus Henderson Group	JHG	JHG US	Craig Siegenthaler, CFA
	LPL Financial Holdings	LPLA	LPLA US	Craig Siegenthaler, CFA



US - Brokers, Asset Managers, & Exchanges Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Patria	PAX	PAX US	Craig Siegenthaler, CFA
UNDERPERFORM				
	Charles Schwab Corp.	SCHW	SCHW US	Craig Siegenthaler, CFA
	Franklin Resources	BEN	BEN US	Craig Siegenthaler, CFA
	Nasdaq	NDAQ	NDAQ US	Craig Siegenthaler, CFA
	Robinhood Markets	HOOD	HOOD US	Craig Siegenthaler, CFA
	T. Rowe Price	TROW	TROW US	Craig Siegenthaler, CFA
	The Carlyle Group	CG	CG US	Craig Siegenthaler, CFA

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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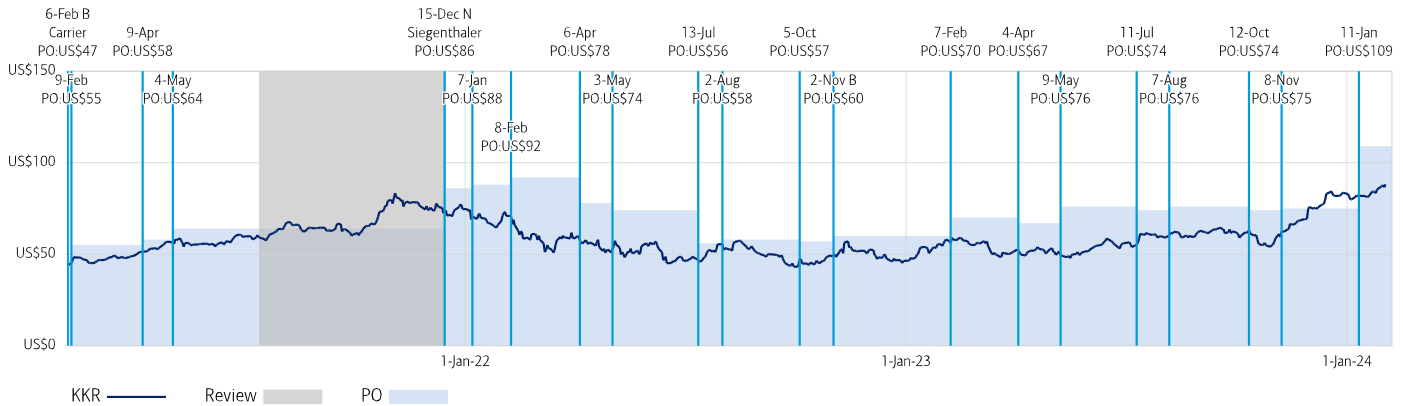
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KKR & Co. Inc. (KKR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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