

## BlackRock

# 4Q23 First Impression – Mixed results but positive on GIP acquisition

Reiterate Rating: BUY | PO: 1,034.00 USD | Price: 792.61 USD

BlackRock reported softer than expected long-term net flows while core profits came in better than expected. Overall, we view the results as mixed but are positive on the GIP (\$100B AuM, infrastructure, 25x 24/25E FVE and 15x earnings) acquisition announcement. Additionally, we expect a guidance update on several metrics on the call (buybacks, core G&A). BLK took a \$61M restructuring charge in the quarter relating to severance/deferred comp acceleration in Aladdin and its Alts business. Following results today, we reiterate our Buy rating on BLK as we expect its organic base fee growth to reaccelerate in 2024 with BLK best-positioned to win the mass fixed income reallocations given its #1 passive/ETF business.

## ETFs are the main driver of positive LT net flows

Long-term net flows of \$63B missed our \$117B forecast and total AuM of \$10.0Tn came in slightly lower than our estimate of \$10.1T. Net inflows were primarily driven by ETFs (+\$88B) and institutional active (+\$8B) and the broadly positive LT net flows equate to 3% annualized organic growth and positive base fee organic growth (+2% estimate). By geography, BLK's net flows were positive in all 3 regions: Americas +\$54B, EMEA +\$8B, APAC +\$1B. By channel, ETFs and institutional active were positive versus modest outflows in retail and institutional index. Net flows by asset class saw positive flows into equity (\$34B) and fixed income (\$32B) compared to outflows from multi-asset (-\$1B) and Alts (-\$3B). Note: There were \$18B of non-ETF equity index outflows in 4Q23.

### Exhibit 1: BLK 4Q23 actuals vs. our estimates

BLK beat on EPS, adjusted operating income and revenue but missed on LT net flows

	4Q22	3Q23	4Q23E	4Q23A	Q/Q	Y/Y
LT Net Flows (\$B)	145.7	(12.6)	117.2	62.7	-596%	-57%
Adjusted EPS	\$8.93	\$10.91	\$8.94	\$9.66	-11%	8%
Adjusted Operating Income (\$mm)	1,577	1,691	1,625	1,716	1%	9%
Adjusted Revenue	3,840	3,996	4,123	4,129	3%	8%

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	40.50	35.36	37.06	41.58	45.68
GAAP EPS	38.18	34.70	36.19	40.76	44.89
EPS Change (YoY)	19.6%	-12.7%	4.8%	12.2%	9.9%
Consensus EPS (Bloomberg)			37.16	39.37	44.59
DPS	16.52	19.52	20.00	21.00	23.10
Valuation (Dec)					
P/E	19.6x	22.4x	21.4x	19.1x	17.4x
GAAP P/E	20.8x	22.8x	21.9x	19.4x	17.7x
Dividend Yield	2.1%	2.5%	2.5%	2.6%	2.9%

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## Stock Data

Price	792.61 USD
Price Objective	1,034.00 USD
Date Established	11-Jan-2024
Investment Opinion	B-1-7
52-Week Range	596.18 USD -819.00 USD
Mrkt Val / Shares Out (mn)	117,911 USD / 148.8
Free Float	92.0%
Average Daily Value	541.04 USD
BofA Ticker / Exchange	BLK / NYS
Bloomberg / Reuters	BLKUS / BLKN
ROE (2023E)	14.3%
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

GIP- Global Infrastructure Partners

# iQprofile<sup>SM</sup> BlackRock

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Revenue	19,374	17,873	17,881	19,921	21,618
% Change	19.6%	-7.7%	0%	11.4%	8.5%
Investment Advisory Fees	15,260	14,451	14,427	15,975	17,243
Compensation & Benefits	(6,043)	(5,681)	(5,800)	(6,564)	(7,053)
% Change	19.9%	-6.0%	2.1%	13.2%	7.5%
Non-Compensation Expenses	(5,881)	(5,716)	(5,811)	(6,132)	(6,477)
Net Income to Ordinary Shareholders	5,901	5,269	5,434	6,071	6,633
Adjusted Net Income (Operating)	6,260	5,369	5,565	6,193	6,749
% Change	19.7%	-14.2%	3.6%	11.3%	9.0%
Adjusted EBITDA (Operating)	8,590	7,485	7,378	8,421	9,341
Cash EPS	38.58	33.36	36.85	41.42	45.48
% Change	7.9%	-13.5%	10.5%	12.4%	9.8%

## Performance Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Operating Margin	38.5%	36.2%	35.1%	36.3%	37.4%
Pre-Tax Profit Margin	42.2%	35.7%	38.9%	39.3%	39.6%
Net Profit Margin	32.3%	30.0%	31.1%	31.1%	31.2%
Comp Expense/Revenue	31.2%	31.8%	32.4%	32.9%	32.6%
Non-Comp Expense / Revenue	30.4%	32.0%	32.5%	30.8%	30.0%
Net Revenue Growth	19.6%	-7.7%	0%	11.4%	8.5%
Operating Expense Growth	13.5%	-4.4%	1.9%	9.3%	6.6%

## Asset Management Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Assets Under Management (\$bn)	10,010,143.0	8,594,481.0	10,112,217.4	11,211,199.6	12,505,756.8
% Change	15.4%	-14.1%	17.7%	10.9%	11.5%
% Equity	53.4%	51.6%	53.1%	52.5%	51.9%
% Fixed Income	28.2%	29.5%	27.9%	29.1%	30.3%
% Money Mkt / Other	NA	NA	NA	NA	NA
Net New Flows (\$bn)	552,911.0	315,876.0	350,528.8	413,292.6	543,965.5
Organic Growth	6.4%	3.2%	4.1%	4.1%	4.9%
Organic Growth ex-Money Market	5.7%	4.3%	3.3%	4.7%	5.2%
Advisory Fees / Avg. AUM	NA	NA	NA	NA	NA

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Assets	152,648	115,957	118,403	121,364	124,604
Total Shareholders' Equity	37,806	37,816	40,262	43,223	46,463
Tangible Shareholders' Equity	37,806	37,816	40,262	43,223	46,463
BVPS (Stated Equity)	251.63	254.50	273.66	295.74	320.07
ROE (Stated Equity)	17.1%	14.2%	14.3%	14.8%	15.1%
Cash & Investments	4,975	3,976	6,422	9,383	12,623
Net Cash & Investments Per Share	32.19	26.18	42.77	63.00	85.43

## Company Sector

Asset Management

## Company Description

BLK is the largest asset manager in the world with over \$9Tn in assets under management. Its acquisitions of Merrill Lynch Investment Management and iShares transformed it from a fixed income focused investment firm into a diversified manager with scaled distribution. It has leading and/or early mover franchises in ETFs, institutional fixed income, multi-asset, technology solutions, ESG, direct indexing with a large alternatives business.

## Investment Rationale

We expect the BLK stock to outperform as the firm continues to take profitable market share through its secular growth businesses (ETFs, fixed income, multi-asset, ESG, alternatives), expansion in Asia and its technology solutions platform. We also estimate BLK has significant scale advantages, especially on distribution with institutions and retail distributors that are consolidating their asset manager relationships.

## Quarterly Earnings Estimates

	2022	2023
Q1	9.52A	7.93A
Q2	7.36A	9.28A
Q3	9.55A	10.91A
Q4	8.93A	8.94E

## Additional details

**Core EPS beat driven by higher operating margin & non-op:** BLK reported 4Q23 adjusted EPS of \$9.66 which came in above our estimate (\$8.94) and the consensus (\$8.88). The core beat was driven mostly by a better adjusted operating margin (41.6% vs. 39.4% BofA) while non-operating income provided most of the upside versus our estimates as well as a small tax beat. Adjusted operating income of \$1.7B was slightly above our forecast driven by an expense beat (lower comp, distribution costs & direct fund expense) and excludes the \$61M restructuring charge. Although revenues of \$4.6B were roughly in-line with our forecast, there was a small beat on adjusted revenues.

**Earnings call @ 7:30am ET:** Dial-in number is (313) 209-4913 with PIN: 3392098. We are focused on the following topics on the upcoming call: GIP acquisition, bond reallocation potential following the Fed pause, investing vs. operating margin “awareness” and perspective on newly announced layoffs, future M&A (tech + big deal potential) and base fee organic growth trajectory.

### Exhibit 2: LT organic growth rate

BLK has the highest expected 2024 organic growth in the peer group

	4Q22	1Q23	2Q23	3Q23	4Q23E	1Q24E	2018	2019	2020	2021	2022	2023E	2024E
BLK	8.0%	5.2%	2.7%	-0.6%	3.0%	3.7%	2.1%	6.1%	3.7%	5.7%	4.3%	3.3%	4.7%
IVZ	-1.3%	1.5%	-0.4%	1.3%	7.4%	0.9%	-4.8%	-4.8%	-1.6%	7.6%	0.0%	2.5%	3.7%
TROW	-6.4%	-5.1%	-6.0%	-5.0%	-9.2%	-4.3%	1.0%	1.2%	0.2%	-2.4%	-3.9%	-6.7%	-4.0%
BEN	-3.5%	-1.1%	0.1%	-2.0%	-1.5%	0.1%	-7.6%	-7.8%	-9.0%	-1.9%	-1.9%	-1.7%	0.0%
AMG	-8.1%	-0.5%	-1.6%	-1.4%	-1.6%	-1.1%	-3.2%	-10.3%	-10.9%	-5.6%	-6.1%	-5.1%	-4.2%
AB	-1.2%	0.5%	-2.4%	-1.1%	-0.7%	0.0%	-1.4%	4.9%	-0.4%	3.8%	-0.5%	-1.0%	1.5%
VCTR	-12.2%	-3.3%	-5.4%	-4.3%	-2.8%	-2.7%	-3.9%	3.5%	-7.8%	-2.8%	-1.4%	-4.1%	-1.0%
JHG	-16.0%	7.7%	-0.6%	-3.2%	-7.1%	-2.5%	-4.9%	-8.3%	-6.5%	-4.0%	-8.4%	-1.1%	-1.0%

Source: Company filings, BofA Global Research estimates

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## Reiterate Buy rating; Best-positioned for rebalancings

We expect the BLK stock to outperform other Traditional Asset Managers over the next 12 months as the firm takes profitable market share through its secular growth businesses where it has a leading franchise and/or early mover advantages (ETFs, fixed income, multi-asset, ESG, alternatives, technology). BLK also has significant scale advantages, especially with global distribution, as institutions and retail intermediaries are consolidating their asset manager relationships. We forecast 4-6% organic growth for BLK across the cycle which should translate into low double-digit EPS growth due to beta, operating leverage and capital management. However, we expect stronger/peak organic growth in 2024-25 driven by significant investor reallocations (fixed income & privates).



## Price objective basis & risk

### BlackRock, Inc. (BLK)

Our PO of \$1034 is based on a 20x 2026E EPS multiple. This is slightly lower than the mid-point of where the stock has traded over the last 12-18 months (17 to 24x range on next 12 month EPS). The asset manager stocks are currently trading at a wide range (5-42x) with an average of 15x EPS and our PO assumes BLK maintains its historical premium (especially relative to the traditional asset managers given BLK's higher growth prospects).

Risks to our PO are (1) capacity and regulatory issues created by size, (2) negative markets or market-driven mix shift (divergent beta), (3) fee pressure (pricing cuts).

## Analyst Certification

I, Craig Siegenthaler, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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	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
<b>NEUTRAL</b>				
	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
	Patria	PAX	PAX US	Craig Siegenthaler, CFA
<b>UNDERPERFORM</b>				
	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

## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### **Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### **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

### **Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### **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**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **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

Basic EBIT + Depreciation + Amortization

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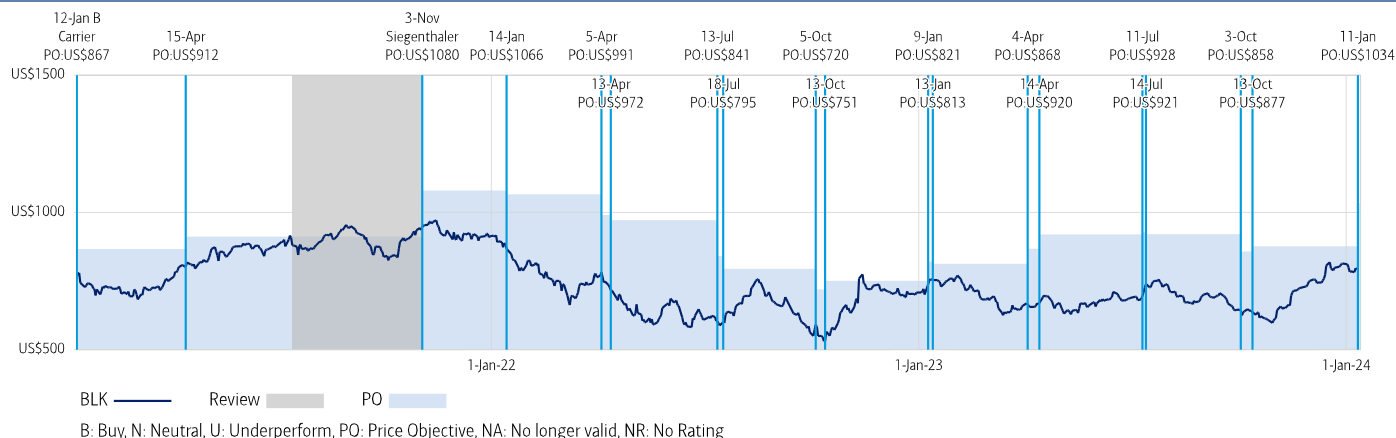
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### Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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