

Financial Analysis: Blackrock - 2025 FY summary

Executive Summary

Executive Summary: BlackRock 2025 Quarterly Performance Review

BlackRock demonstrated robust financial performance throughout 2025, marked by significant revenue growth and record Assets Under Management (AUM), while strategically integrating key acquisitions. However, a closer examination reveals persistent pressures on GAAP profitability and specific operational costs, largely attributable to these strategic expansion efforts.

Revenue Trend:

BlackRock experienced strong and accelerating revenue growth across 2025. Quarterly revenue consistently increased year-over-year, starting with **\$5.276 billion in Q1 (up 12% YoY)**, rising to **\$5.423 billion in Q2 (up 13% YoY)**, and then accelerating significantly to **\$6.509 billion in Q3 (up 25% YoY)** and **\$7.008 billion in Q4 (up 23% YoY)**. This impressive growth was primarily driven by organic base fee expansion, positive market movements impacting average AUM, and substantial contributions from recent acquisitions, including GIP, HPS Investment Partners, and Prequin. Assets Under Management (AUM) reached a new record high of **\$14.042 trillion by year-end**, up from \$11.584 trillion in Q1, reflecting strong net inflows across iShares ETFs, private markets, and technology services.

Headcount Changes:

The reported total headcount for Q1 2025 was **23,000**. For Q2, Q3, and Q4, the provided data indicates **no reported change** in total headcount. While the company's strategic acquisitions (GIP, HPS, Prequin) inherently involve the integration of personnel, the net impact on overall headcount beyond the Q1 baseline was not explicitly detailed in the quarterly reports. However, increased employee compensation and benefits expenses, partly due to non-recurring retention-related deferred compensation from these acquisitions, suggest significant personnel-related costs associated with integration.

Write-offs and Risk Profile:

The company reported **zero write-offs** across all four quarters of 2025, indicating strong asset quality and effective risk management in this specific area. However, a critical review of the financial results highlights several areas of underlying risk and operational pressure:

* **GAAP vs. Adjusted Metrics:** A consistent theme throughout the year was the significant divergence between GAAP and "as adjusted" financial metrics. GAAP diluted EPS and operating income frequently showed year-over-year declines (e.g., Q4 GAAP EPS down 33%, operating income down 20%), primarily due

to substantial non-cash acquisition-related expenses, including amortization of intangible assets, contingent consideration adjustments, and non-recurring compensation costs. While these are often excluded from "as adjusted" figures to reflect ongoing operations, their material impact on reported GAAP profitability is notable.

* **Net Interest Income (NII):** NII experienced a notable decline, turning negative from Q2 onwards (Q1: \$7 million; Q2: -\$29 million; Q3: -\$22 million; Q4: -\$16 million), signaling pressure on the firm's interest-earning assets or rising interest expenses.

* **Operational Expenses:** Employee compensation and benefits, along with general & administration expenses, increased significantly, partly due to acquisition-related costs and non-recurring retention compensation.

* **Specific Q4 Impacts:** Q4 saw additional pressures from a \$109 million non-recurring charitable contribution, a \$455 million increase in the change in fair value of contingent consideration (primarily GIP-related), and losses on investments, including a \$116 million pre-tax loss related to a minority investment in Circle.

* **Segment-Specific Net Flows:** Despite overall strong net inflows, specific segments experienced negative long-term net flows, notably in the APAC region (Q4: \$(8) billion) and institutional index products (Q4: \$(11.57) billion), suggesting localized challenges or shifts in client allocations.

* **Regulatory/Legal:** No specific new regulatory or legal developments were detailed in any of the quarterly reports, beyond standard forward-looking statements regarding potential risks.

In conclusion, BlackRock's 2025 performance was characterized by exceptional revenue growth and AUM expansion, driven by strategic acquisitions and strong organic inflows. While the absence of write-offs is positive, the significant impact of acquisition-related costs on GAAP profitability, the decline in net interest income, and specific segment outflows present areas for continued monitoring and strategic management. The company's focus on integrating its expanded platform and pursuing growth in private markets and technology is expected to drive long-term value, despite these short-to-medium term GAAP-level pressures.

Quarterly Metrics

Metric	Q1	Q2	Q3	Q4
Quarterly Revenue Bn	5.276	5.423	6.509	7.008
Eps	9.64	10.19	8.43	13.16
Net Interest Income Millions	7	-29	-22	-16
Dividend Per Share	5.21	5.21	5.21	5.21
Assets Under Supervision Bn	11583.928	12527.59	13463.625	14041.518

Total Headcount	23000	0	0	0
Write Offs Millions	0.0	0.0	0.0	0.0
Credit Loss Provisions Millions	0.0	0.0	0.0	0.0
Operating Expenses Bn	3.578	3.692	4.554	5.347
Return On Equity Bn	0.0	0.0	0.0	0.0
Return On Equity Tier1 Capital Bn	0.0	0.0	0.0	0.0
Net Profit Growth Percentage	-4.01	6.56	-19.0	-32.51
Liquidity Coverage Ratio Percentage	0.0	0.0	0.0	0.0
Risk Weighted Assets Bn	0.0	0.0	0.0	0.0

Qualitative Insights

Key Highlights

[Q1]: BlackRock reported a strong start to 2025 with first-quarter diluted EPS of \$9.64, or \$11.30 as adjusted. The firm achieved \$84 billion in quarterly total net inflows, reflecting a 3% annualized organic asset growth. This growth was notably driven by a record first quarter for iShares® ETFs, alongside robust contributions from private markets and active net inflows, demonstrating broad-based strength across its platform.

Revenue saw a significant 12% increase year-over-year, reaching \$5.276 billion. This was primarily attributed to the positive impact of market movements, organic base fee growth, and fees related to the GIP Transaction. Technology services and subscription revenue also showed strong momentum, growing 16% year-over-year, bolstered by continued demand for Aladdin® and the partial impact of the Prequin Transaction.

While GAAP operating income increased modestly by 0.3% year-over-year, the as adjusted operating income saw a more substantial 14% increase, reflecting the underlying operational performance excluding certain acquisition-related costs. The company also demonstrated its commitment to shareholder returns with \$375 million in share repurchases and a 2% increase in its quarterly cash dividend to \$5.21 per share. Assets under management (AUM) concluded the quarter at an impressive \$11.584 trillion.

[Q2]: BlackRock reported strong Q2 2025 financial results, with diluted EPS of \$10.19 (\$12.05 as adjusted) and a record Assets Under Management (AUM) of \$12.5 trillion. The company achieved \$68 billion in quarterly total net inflows, contributing to \$152 billion year-to-date, driven by record first-half performance in iShares ETFs, private markets, and cash.

Revenue saw a significant 13% year-over-year increase, reaching \$5.423 billion, primarily due to organic base fee growth, positive market beta, foreign exchange movements, and approximately \$240 million in fees from the GIP Transaction. Technology services and subscription revenue also surged by \$104 million year-over-year, reflecting robust demand for Aladdin® technology offerings and contributions from the Prequin acquisition.

Strategic initiatives continue to bolster BlackRock's platform, including surpassing the fundraising target for GIP's fifth flagship with \$25.2 billion raised. The recent acquisition of HPS Investment Partners on July 1st is expected to further enhance client AUM by \$165 billion, positioning the firm for continued growth in the second half of the year.

[Q3]: BlackRock reported robust financial results for Q3 2025, with diluted EPS of \$8.43 (GAAP) or \$11.55 (as adjusted). The quarter was marked by significant growth, including \$205 billion in total net inflows, primarily driven by record demand for iShares ETFs, private markets, and cash management products. This strong inflow contributed to a 10% annualized organic base fee growth for the quarter.

Revenue saw a substantial 25% increase year-over-year, reaching \$6.509 billion, bolstered by organic base fee growth, positive market impact on average AUM, and contributions from the GIP and HPS acquisitions. Assets Under Management (AUM) achieved a new record high of \$13.5 trillion, with iShares ETFs surpassing \$5 trillion and cash franchises exceeding \$1 trillion in AUM. The recent acquisition of HPS Investment Partners added \$165 billion to client AUM.

The company highlighted strong performance in its various revenue streams. Investment advisory, administration fees, and securities lending revenue increased by \$1.0 billion year-over-year. Performance fees rose by \$128 million, largely due to private markets, including the impact of the HPS transaction. Technology services and subscription revenue also grew by \$112 million, reflecting sustained demand for Aladdin technology and the contribution from the Preqin acquisition. BlackRock emphasized its unified platform, public-private investment model, and Aladdin technology as key differentiators, positioning it for continued momentum into the fourth quarter.

[Q4]: BlackRock concluded 2025 with significant momentum, reporting a record-breaking year and quarter for net inflows. The company achieved \$14 trillion in Assets Under Management (AUM), driven by \$698 billion in full-year net inflows, including a robust \$342 billion in the fourth quarter alone. This strong performance translated into a 12% annualized organic base fee growth in Q4, reflecting broad-based strength across various segments like iShares ETFs, systematic active equities, private markets, and technology services.

Financially, BlackRock saw a 23% increase in GAAP revenue for the fourth quarter, reaching \$7.008 billion. The company's "as adjusted" metrics painted an even stronger picture, with a 22% increase in operating income and a 10% rise in diluted EPS to \$13.16 for Q4 2025. Demonstrating confidence in future growth, the Board of Directors approved a 10% increase in the quarterly cash dividend to \$5.73 per share, alongside significant share repurchases contributing to \$5 billion returned to shareholders in 2025.

Strategically, BlackRock is expanding its unified platform, integrating recent acquisitions like GIP, HPS, and Preqin, which are broadening its business pipeline across public and private markets, technology, and data. The firm is actively pursuing its goal of \$400 billion in private markets fundraising by 2030 and is positioned at the forefront of emerging growth channels, including digital assets and tokenization. These initiatives underscore BlackRock's differentiated position as a scale operator in both traditional and decentralized financial markets, aiming to deliver enhanced outcomes for clients and sustained shareholder growth.

Critical View

[Q1]: A critical review of BlackRock's Q1 2025 report reveals several areas where the headline figures, particularly "as adjusted" metrics, may downplay underlying challenges. Despite a 15% increase in "as adjusted" diluted EPS, the GAAP diluted EPS actually decreased by 8% year-over-year. Similarly, GAAP operating income saw a minimal 0.3% increase, starkly contrasting with the 14% rise in "as adjusted" operating income. These discrepancies are largely attributed to significant acquisition-related costs, including amortization of intangible assets, compensation, transaction costs, and contingent consideration fair value adjustments, which are excluded from the "as adjusted" figures. While these may be non-recurring, their substantial impact on GAAP profitability suggests that recent acquisitions are weighing heavily on reported earnings.

Furthermore, the company's net income attributable to BlackRock, Inc. experienced a 4% year-over-year decline, falling from \$1,573 million in Q1 2024 to \$1,510 million in Q1 2025. This decline in a core GAAP profitability metric indicates a contraction in overall earnings despite revenue growth. Performance fees also decreased by \$144 million from the prior year, primarily due to lower revenue from private markets and liquid alternative products, signaling potential softness or increased competition in these key investment areas.

Another notable concern is the significant drop in net interest income, which plummeted from \$49 million in Q1 2024 to just \$7 million in Q1 2025. This substantial reduction could point to pressures on the firm's interest-earning assets or rising interest expenses, impacting a component of its overall profitability. The heavy reliance on "as adjusted" metrics, while providing a view of ongoing operations, can obscure the full financial impact of strategic activities like acquisitions on the company's reported GAAP results.

[Q2]: While BlackRock reported record AUM and strong adjusted earnings, a closer look reveals several areas that warrant critical attention. GAAP operating income decreased by 4% year-over-year, and the GAAP operating margin significantly declined by 560 basis points to 31.9%. This is largely attributed to noncash acquisition-related expenses and a \$39 million restructuring charge, which are excluded from the "as adjusted" results, potentially masking underlying operational cost pressures.

Furthermore, the reported \$68 billion in quarterly net inflows was significantly impacted by a single institutional client's \$52 billion lower-fee index partial redemption, suggesting that organic growth might be less robust than the headline figure implies. Performance fees also saw a notable \$70 million decrease year-over-year, primarily from private markets and liquid alternative products, partially offsetting overall revenue gains.

The company also experienced a substantial decline in net interest income, moving from a positive \$52 million in Q2 2024 to a negative \$29 million in Q2 2025. This \$81 million swing could indicate challenges in managing interest rate exposures or changes in cash management strategies. The increase in employee compensation and general & administration expenses, partly due to acquisition-related costs and noncash contingent consideration adjustments, also highlights rising operational overheads, even if some are deemed non-recurring.

[Q3]: While BlackRock's report highlights strong inflows and AUM growth, a critical examination reveals several areas that are downplayed or warrant closer scrutiny. The significant 23% year-over-year decrease in GAAP diluted EPS and a 3% decline in GAAP operating income are immediately attributed to "noncash acquisition-related expenses" and subsequently overshadowed by "as-adjusted" figures. This practice, while common, can obscure the full impact of acquisition costs on reported profitability. The GAAP operating margin also saw a substantial contraction from 38.6% to 30.0%, indicating a notable decrease in operational efficiency on a reported basis.

Furthermore, even the "as adjusted" diluted EPS growth was a modest 1% year-over-year, which the company explains by "lower nonoperating income and a higher diluted share count." This suggests that even after adjustments, underlying profitability growth is challenged by factors beyond acquisition-related expenses. A sharp decline in net interest income, moving from a positive \$82 million in Q3 2024 to a negative \$22 million in Q3 2025, also represents a significant drag on nonoperating results that is not prominently featured in the initial highlights.

The report also notes a substantial increase in employee compensation and benefits, partly due to "nonrecurring retention-related deferred compensation expense" from recent acquisitions. While acquisitions naturally increase costs, labeling a significant portion as "nonrecurring" might minimize the ongoing integration expenses. Similarly, the large increase in amortization and impairment of intangible assets, though explained by acquisitions, is a real expense impacting GAAP earnings. The decline in liquid alternative performance fees, attributed to a "single hedge fund" with strong performance in the prior year, highlights a potential reliance on specific, non-diversified revenue sources within that segment.

[Q4]: Despite the strong "as adjusted" results and positive narrative, a closer look at BlackRock's GAAP performance reveals some significant declines. GAAP operating income for Q4 2025 decreased by 20% year-over-year, while GAAP net income and diluted EPS both saw a substantial 33% reduction. These declines were influenced by several large expenses, including a \$109 million nonrecurring charitable contribution and a significant \$455 million increase in the change in fair value of contingent consideration, primarily related to the GIP acquisition, which negatively impacted GAAP operating income.

Furthermore, employee compensation and benefits expense rose sharply by \$699 million from Q4 2024, partly due to nonrecurring retention-related deferred compensation from the HPS Transaction. The company also reported a negative net interest income of \$(16) million and a net loss on investments of \$(38) million for the quarter, alongside a nonoperating noncash pre-tax loss of approximately \$116 million related to its minority investment in Circle.

Geographically, the APAC region experienced negative long-term net flows of \$(8) billion in Q4 2025, and institutional index products also saw negative net flows of \$(11.57) billion. While the overall net inflows were strong, these specific areas indicate underlying challenges or shifts that could warrant further scrutiny beyond the headline figures.

Regulatory & Legal

[Q1]: The Q1 2025 report does not detail any specific new regulatory or legal developments that occurred or significantly impacted BlackRock during the quarter. The "FORWARD-LOOKING STATEMENTS" section includes standard cautionary language regarding "the unfavorable resolution of legal proceedings" and the "impact of legislative and regulatory actions and reforms, regulatory, supervisory or enforcement actions of government agencies and governmental scrutiny relating to BlackRock," as well as "changes in law and policy." However, these are general disclosures about potential risks rather than specific events or updates from the first quarter of 2025. Therefore, there are no specific regulatory or legal developments to summarize from the provided report for this period.

[Q2]: The Q2 report does not explicitly detail any specific regulatory or legal developments that occurred or significantly impacted the company during the quarter. General forward-looking statements mention potential risks related to legislative and regulatory actions, legal proceedings, and changes in tax legislation, but these are not presented as specific developments within the reporting period.

[Q3]:

[Q4]: The report does not detail any specific regulatory or legal developments that occurred during Q4 2025. While the "FORWARD-LOOKING STATEMENTS" section broadly acknowledges risks related to "legislative and regulatory actions and reforms, supervisory or enforcement actions of government agencies and governmental scrutiny," and "the unfavorable resolution of legal proceedings," these are general disclosures of potential risks rather than specific events or outcomes from the quarter. Therefore, there are no concrete regulatory or legal developments to summarize for the period.