

Equity Research Report

BlackRock, Inc. (NYSE:BLK)

February 2025



| Current Price | Target Price | Potential Upside | Reccomendation | Industry |
|---------------|--------------|------------------|----------------|---------------------|
| 1075.57 | 854.76 | -20.53% | HOLD | Banking and Finance |

| BlackRock Inc. (BLK) | Market Profile |
|------------------------|-----------------|
| Closing Price | 1,016.5 |
| 52-Week High/Low | 745.5 - 1,082.4 |
| Shares Outstanding (M) | 154.88 |
| Market Cap (Billion) | \$157.50 |
| 5Y Dividend Yield | 2.43% |
| Beta (Levered) | 0.85 |
| EV/Revenue | 7.63x |
| EV/EBITDA | 17.08x |
| P/E | 24.42x |
| Revenue (TTM) B | 19.36 |
| Net Income TTM (B) | 6.07 |
| EPS (Latest Quarter) | 11.93 |



| Sensitivity Table | | | | | | |
|-------------------|-------|--------|--------|--------|--------|--------|
| Growth Rate | | | | | | |
| WACC | 854.8 | 3.0% | 2.5% | 2.0% | 1.5% | 1.0% |
| | 9.1% | 764.78 | 762.33 | 760.01 | 757.43 | 754.98 |
| | 8.6% | 809.76 | 807.11 | 804.60 | 801.80 | 799.15 |
| | 8.1% | 860.36 | 857.48 | 854.76 | 851.71 | 848.83 |
| | 7.6% | 917.69 | 914.54 | 911.57 | 908.25 | 905.11 |
| | 7.1% | 983.17 | 979.72 | 976.47 | 972.83 | 969.38 |

| 7Y DCF Valuation | |
|----------------------------|---------|
| Sum of PV of FCF | 44,004 |
| Growth Rate | 2.00% |
| WACC | 8.08% |
| Terminal Value | 137,465 |
| PV of Terminal Value | 93,217 |
| Enterprise Value | 137,222 |
| (+) Cash | 14,280 |
| (-) Debt | 14,180 |
| (-) Minority Interest | 1,893 |
| Equity Value | 135,429 |
| Diluted Shares Outstanding | 158.44 |
| Implied Share Price | 854.76 |

Investment Thesis

We suggest a Hold recommendation on BlackRock, Inc. (BLK) based on a 6-month price target of \$854.57, showing an upside potential of -20.53% from its closing price of \$1075.57 on 28/01/2025. These key points drive our suggestion:

HPS Acquisition Boosts Private Credit Presence

In December 2024, BlackRock acquired HPS Investment Partners in a \$12 billion all-stock deal to strengthen its position in the fast-growing private credit market. This significant merger combines HPS's \$148 billion in client assets with BlackRock's \$89 billion private debt platform, totalling around \$220 billion in private credit AUM. This strategic move not only enhances BlackRock's ability to meet rising institutional demand for private credit solutions but also positions the firm as a dominant player in this rapidly evolving sector.

Industry Leadership with Strong Asset Growth

BlackRock's AUM hit a record \$11.6 trillion in Q4 2024, up from \$10 trillion the previous year. This impressive growth reflects a robust CAGR of about 20% over the past decade, highlighting BlackRock's effective asset growth strategies and solid client retention. The firm's ability to consistently attract and manage substantial assets underscores its leadership and trust within the industry.

Larry Fink's Strong Leadership and Political Resilience

Co-founder and CEO Larry Fink has led BlackRock's consistent growth and innovation, particularly in expanding into new markets like private credit. Fink emphasizes that BlackRock's performance remains strong regardless of political shifts, demonstrating the firm's resilience and adaptability in various regulatory environments. His visionary leadership has been instrumental in steering the company through economic uncertainties while continuing to drive growth and innovation.

DCF Valuation Considerations

Our Discounted Cash Flow (DCF) analysis indicates an implied share price lower than BlackRock's current market value, suggesting a potential overvaluation. However, given BlackRock's industry leadership, strong growth trajectory, and strategic positioning, we recommend a "Hold" rating. The company's robust fundamentals and market dominance justify maintaining confidence in its long-term growth potential despite the DCF's conservative valuation.

News and Potential Risks

BlackRock faces potential risks, including a lawsuit filed by Tennessee in December 2023, alleging misleading ESG claims. The case was settled in January 2025, with BlackRock agreeing to improve ESG disclosures and enhance transparency in its reporting. This highlights the ongoing need for clear and honest communication in ESG practices.

Additionally, discussions around Larry Fink's potential retirement, though not imminent, raise considerations about leadership succession and long-term stability. Ensuring a smooth transition will be essential to maintaining the firm's strategic direction and market confidence.

Company Overview

BlackRock, Inc. is the world’s largest asset manager, overseeing \$11.6 trillion in assets. Founded in 1988 and headquartered in New York, BlackRock offers a broad range of investment solutions, including equities, fixed income, and alternatives. Known for its leadership in ETFs through iShares, the firm combines technology, research, and risk management to help clients achieve their financial goals. BlackRock is also a leader in sustainable investing, integrating ESG factors across its strategies. With a global presence in over 100 countries, BlackRock serves both institutional and individual investors.

Leadership

The CEO of BlackRock, Laurence Fink, exhibits forward-thinking leadership, grounded in personal experience and a long-term vision for both the firm and global financial markets. His commitment to helping individuals achieve financial security, particularly in retirement, highlights the company’s focus on social responsibility and financial inclusion. Advocating for the power of capital markets to drive economic growth, Fink is also dedicated to expanding these markets internationally, particularly in emerging countries. His leadership is marked by strategic foresight, addressing demographic shifts and evolving market needs while upholding long-term investment principles. This balanced approach - combining financial growth with broader societal impact - positions BlackRock as both an industry leader and a catalyst for positive change in the global financial system.

Investment Philosophy

BlackRock’s equity strategies are designed to balance risk, return, and cost, with the goal of achieving consistent outperformance relative to benchmarks. The firm’s investment approach blends systematic methodologies and active management, utilising technology to apply investment insights within a controlled risk framework. This model-driven approach allows BlackRock to enhance portfolio performance while maintaining transparency and strong risk management.

Recent Performance & Key Developments

BlackRock, reported a record \$11.6 trillion in AUM for 2024, driven by \$641 billion in net inflows, including \$281 billion in Q4. Full-year revenue rose 14%, bolstered by strong market performance, organic base fee growth, and higher performance and technology service fees. Operating income grew 21%, while diluted EPS increased by 15%, reflecting a higher tax rate and lower non-operating income.

BlackRock completed the acquisition of Global Infrastructure Partners in 2024, further expanding its private markets’ footprint. The firm returned \$4.7 billion to shareholders, including \$1.6 billion in share repurchases. Revenue rose 14% to \$19.36 billion, with operating income rising 23%, and a record operating margin of 44.5%.

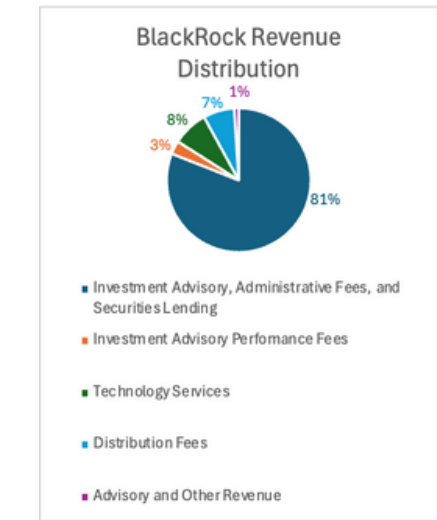
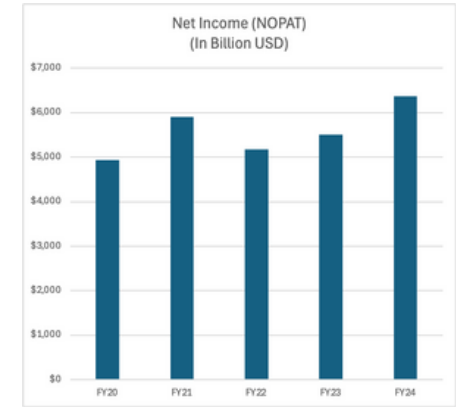
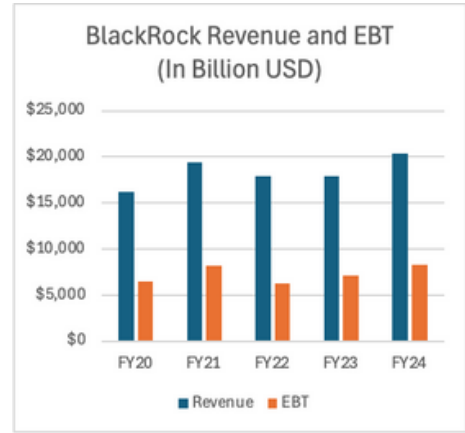
Industry Overview

As of January 2025, BlackRock has a market capitalisation of \$165.96 billion, solidifying its position as a global leader in the asset management industry. The top five competitors based on market capitalisation are:

- The Charles Schwab Corporation (NYSE: SCHW) - Market Cap: \$153.03 billion
- KKR & Co. Inc (NYSE: KKR) - Market Cap: \$148.22 billion
- Blackstone Inc (NYSE: BX) - Market Cap: \$136.66 billion
- Apollo Global Management, Inc (NYSE: APO) - Market Cap: \$97.18 billion
- Brookfield Corporation (NYSE: BN) - Market Cap: \$94.09 billion

BlackRock’s rise to global dominance is a testament to its strategic foresight, innovative approach, and ability to adapt to shifting market trends. The company’s success was built on risk management, technological innovation, and key acquisitions. Through these strategic moves, coupled with its leadership in passive investing via ETFs and the groundbreaking Aladdin platform, BlackRock has established itself as the world’s largest asset manager. With over \$11 trillion in AUM, its influence extends far beyond finance, shaping global markets, corporate governance, and even economic policy. BlackRock’s vast portfolio and reach allow it to exert considerable sway over the financial landscape, making it a key player in the global economy.

| Competitors | Market Capitalisation | ROE | ROA | Revenue | Net Income |
|--------------------------|-----------------------|--------|--------|---------|------------|
| BlackRock | \$165.96 | 15.05% | 3.60% | \$19.36 | \$6.07 |
| Apollo Global Management | \$97.18 | 33.50% | 2.54% | \$31.67 | \$5.56 |
| Interactive Brokers | \$23.86 | 21.71% | 2.36% | \$4.94 | \$0.69 |
| Brookfield Corporation | \$94.09 | 2.11% | 2.31% | \$97.66 | \$0.91 |
| AMP | \$52.70 | 56.75% | 2.11% | \$17.44 | \$2.71 |
| Charles Schwab | \$153.03 | 12.11% | 1.09% | \$18.74 | \$4.69 |
| Blackstone | \$136.66 | 22.04% | 10.02% | \$11.14 | \$2.22 |
| Ares Management | \$39.99 | 21.68% | 2.97% | \$3.68 | \$0.43 |
| KKR & Co Inc | \$148.22 | 8.28% | 1.57% | \$27.82 | \$2.99 |



BlackRock, Inc. (NYSE:BLK)
Valuation



| BlackRock Inc. - Revenue Projections | Historicals | | | | | Projected | | | | | |
|--------------------------------------|-------------|--------|--------|--------|--------|-----------|---------|---------|---------|----------|----------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
| Revenue: | 16,205 | 19,374 | 17,873 | 17,859 | 19,792 | 22,761 | 25,492 | 28,041 | 30,285 | 32,405 | 34,673 |
| Growth Rate | - | 19.56% | -7.75% | -0.08% | 10.82% | 15.0% | 12.0% | 10.0% | 8.0% | 7.0% | 7.0% |
| (-) Operating Expenses: | 9,476 | 10,996 | 11,371 | 10,412 | 10,959 | 12,518 | 13,766 | 15,142 | 16,354 | 17,498 | 18,723 |
| % of Revenue | 58.48% | 56.76% | 63.62% | 58.30% | 55.37% | 55.0% | 54.0% | 54.0% | 54.0% | 54.0% | 54.0% |
| Interest Expense (Total) | -205 | -205 | -212 | -292 | -538 | 523 | 510 | 491 | 485 | 421 | 485 |
| % of Revenue | -1.27% | -1.06% | -1.19% | -1.64% | -2.72% | 2.3% | 2.0% | 1.6% | 1.6% | 1.3% | 1.4% |
| EBT | 6,524 | 8,173 | 6,290 | 7,155 | 8,295 | 9,560 | 10,834 | 12,058 | 13,022 | 13,934 | 14,909 |
| % of Revenue | 40.26% | 42.19% | 35.19% | 40.06% | 41.91% | 42.0% | 42.5% | 43.0% | 43.0% | 43.0% | 43.0% |
| (-) Taxes | 1,238 | 1,968 | 1,296 | 1,479 | 1,783 | 1,912 | 2,167 | 2,412 | 2,604 | 2,787 | 2,982 |
| % of EBT | 18.98% | 24.08% | 20.60% | 20.67% | 21.49% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Net Income (NOPAT) | 4,932 | 5,901 | 5,178 | 5,502 | 6,369 | 7055.85 | 8157.47 | 9113.42 | 9842.50 | 10531.47 | 11268.68 |
| % of Revenue | 30.44% | 30.46% | 28.97% | 30.81% | 32.18% | 31.0% | 32.0% | 32.5% | 32.5% | 32.5% | 32.5% |
| (+) Depreciation & Amortization: | 358 | 415 | 418 | 427 | 440 | 501 | 561 | 617 | 666 | 713 | 763 |
| D&A % of Revenue | 2.21% | 2.14% | 2.34% | 2.39% | 2.22% | 2.2% | 2.2% | 2.2% | 2.2% | 2.2% | 2.2% |
| (-) Capital Expenditures: | 194 | 341 | 533 | 344 | 226 | 341 | 382 | 421 | 454 | 486 | 520 |
| % of Revenue | 1.20% | 1.76% | 2.98% | 1.93% | 1.14% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| (-) Change in Working Capital: | -32 | -595 | 570 | 321 | 346 | 410 | 459 | 505 | 545 | 583 | 624 |
| % of Revenue | -0.20% | -3.07% | 3.19% | 1.80% | 1.75% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Unlevered Free Cash Flow: | 5,128 | 6,570 | 4,493 | 5,264 | 6,237 | 6805.48 | 7877.06 | 8804.97 | 9509.37 | 10175.02 | 10887.27 |
| % Growth Rate | - | 28% | -32% | 17% | 18% | 9.1% | 15.7% | 11.8% | 8.0% | 7.0% | 7.0% |

| 5Y DCF Valuation | |
|----------------------------|---------|
| Sum of PV of FCF | 44,004 |
| Growth Rate | 2.00% |
| WACC | 8.08% |
| Terminal Value | 137,465 |
| PV of Terminal Value | 93,217 |
| Enterprise Value | 137,222 |
| (+) Cash | 14,280 |
| (-) Debt | 14,180 |
| (-) Minority Interest | 1,893 |
| Equity Value | 135,429 |
| Diluted Shares Outstanding | 158.44 |
| Implied Share Price | 854.76 |

| WACC | |
|---------------------------------------|------------|
| Equity | 157,707.00 |
| Net Debt | 100.00 |
| Cost of Debt | 5.04% |
| Tax Rate | 20.00% |
| Debt Weighting D/(D+E) | 0.06% |
| Cost of Debt | 4.03% |
| Risk Free Rate (10-Yr Treasury Yield) | 4.63% |
| Equity Risk Premium | 4.06% |
| 5 - Year Monthly Beta | 0.85 |
| Equity Weighting E/(D+E) | 99.94% |
| Cost of Equity | 8.08% |
| WACC | 8.08% |

| Comparables Analysis (In Billions USD) | | | | | | | | | | |
|--|------------------------------|--------------|------------------|------------|---------|------------|-----------|-----------|--------|-------------|
| Comparable Companies | Market Data | | | Financials | | | Multiples | | | |
| | Asset Under Management (AUM) | Equity Value | Enterprise Value | Sales | EBITDA | Net Income | AUM/P | EV/EBITDA | P/E | Price/Sales |
| BLACKROCK, INC. (XNYS:BLK) | \$11,600.0 | \$157.63 | \$155.80 | \$19.36 | \$7.67 | \$6.07 | 73.59x | 20.31x | 25.97x | 8.14x |
| STATE STREET CORPORATION (XNYS:STT) | \$4,300.0 | \$28.78 | - | \$12.55 | - | \$1.93 | 149.43x | - | 14.91x | 2.29x |
| THE CHARLES SCHWAB CORPORATION (XNYS:SCHW) | \$7,050.0 | \$150.56 | - | \$18.74 | - | \$4.69 | 46.82x | - | 32.10x | 8.03x |
| T. ROWE PRICE GROUP, INC. (XNAS:TROW) | \$1,500.0 | \$25.42 | \$22.30 | \$6.91 | \$2.65 | \$2.04 | 59.00x | 8.42x | 12.46x | 3.68x |
| INVESCO LTD (XNYS:IVZ) | \$1,700.0 | \$7.91 | \$17.73 | \$5.89 | \$1.05 | -\$0.41 | 214.92x | 16.89x | - | 1.34x |
| FRANKLIN RESOURCES, INC. (XNYS:BEN) | \$1,600.0 | \$10.47 | \$19.15 | \$8.48 | \$1.69 | \$0.43 | 152.75x | 11.33x | 24.36x | 1.24x |
| Amundi SA (XWBO:AMUN) | \$2,200.0 | \$10.93 | \$14.73 | \$6.17 | \$1.65 | \$1.25 | 201.28x | 8.93x | 8.74x | 1.77x |
| AFFILIATED MANAGERS GROUP, INC. (XNYS:AMG) | \$800.0 | \$5.63 | \$7.17 | \$2.02 | \$0.69 | \$0.54 | 142.10x | 10.39x | 10.43x | 2.79x |
| PRINCIPAL FINANCIAL GROUP, INC. (XNAS:PFG) | \$1,400.00 | \$18.73 | \$16.52 | \$14.07 | -\$0.01 | -\$0.20 | 74.75x | - | - | 1.33x |
| High | | | | | | | 214.92x | 20.31x | 32.10x | 8.14x |
| 75th Percentile | | | | | | | 152.75x | 15.50x | 25.16x | 3.68x |
| Average | | | | | | | 123.85x | 12.71x | 18.42x | 3.40x |
| Median | | | | | | | 142.10x | 10.86x | 14.91x | 2.29x |
| 25th Percentile | | | | | | | 73.59x | 9.29x | 11.44x | 1.34x |
| Low | | | | | | | 46.82x | 8.42x | 8.74x | 1.24x |

BlackRock, Inc. (NYSE:BLK) Price Movement Analysis



Chart Appendix

- February – April: Blackrock stock traded down at the beginning of April due to a proxy battle with Trian an activist investor hedge fund at Disney. The conflict began when a prominent shareholder wanted to change Disney's strategy in order to maximize cash flow and returns. However, Disney management claimed their business was working. Moreover, this battle was quite public and BLK is the second top shareholder at Disney turning this situation into a BLK proxy. To end, Disney won the battle, but the market believed the activist investor was right and the stock dropped.
- April – August: Mid-month this security was able to recover from \$745.55 with a surprise on Q2 revenue of \$4.73 billion (vs \$4.66 billion estimated) and earnings of \$9.81 (vs \$9.40 estimated). This stock was appreciated into May before the rejection of the Ether (second largest cryptocurrency) ETF. The share price took a blow which bottomed at \$752.30. Ether ETFs were approved in the month. We see the advancement of the price when Blackrock didn't back Exxon's federal lawsuit against two ESG funds. These two funds wanted to proxy vote for Exxon to reduce the medium-term greenhouse gas emissions from its business model. Moreover, BlackRock is one of the top shareholders making it an Exxon proxy. Lastly, in July the stock verged \$900 with a surprise on Q3 earnings of \$10.36 (vs \$9.963 estimated) and the launch of the iShares U.S Manufacturing ETF following the tailwinds of the resurgence of deglobalization.
- August – October: The stock appreciated through the summer with Blackrock and Microsoft set to invest \$30 Billion in the AI Infrastructure Fund to build data centers and energy projects. Moreover, the share price started strong into Q4 reporting a revenue of \$5.2 billion (vs \$5.03 billion estimated) and earnings of \$11.46 (vs \$10.452 estimated).
- October – Feb: Blackrock share price momentum carried into December with reports stating that Blackrock was in early talks about an equity stake in Millenium Management closing out with a high for the year at \$1,057.07. Additionally, in the same month, BlackRock got into legal trouble and possibly a block on their plan to acquire the financial data provider Prequin and caught backlash for not supporting board diversity. This resulted in share prices having a downward spiral until the second week of January closing at \$955.64. However, excellent Q1 revenue of \$5.68 billion (vs \$5.57 billion estimated) and earnings of \$11.93 (vs \$11.272 estimated) closed the share price to an all-time high of \$1,075.50.

Investment Risks

- The planned acquisition of Prequin, a leading alternative data provider, will give BlackRock an edge as the purchase complements its Aladdin business and the tailwinds in private credit and demand for information within the asset class. However, currently, there's a probe from the competition and market authority for a block on this purchase. 12th of February 2025 is the deadline for Phase 1 of the process.

Equity Research Report

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Named after the University of Surrey's Austin Pearce building, we thought it was only right to give credit to the place which truly ignited our immersion into economics and finance, and more specifically, our passion for understanding financial markets.