Invesco Ltd. (IVZ)

Updated February 28th, 2022 by Jonathan Weber

Key Metrics

Current Price:	$22	**5 Year CAGR Estimate:**	10.5%	**Market Cap:**	$10 B
Fair Value Price:	$30	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	02/15/22
% Fair Value:	75%	**5 Year Valuation Multiple Estimate:**	6.0%	**Dividend Payment Date:**	03/02/22
Dividend Yield:	3.1%	**5 Year Price Target**	$33	**Years Of Dividend Growth:**	1
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	9.7%

Overview & Current Events

Invesco Ltd. is an investment management firm with assets under management of approximately $1.6 trillion. The company serves retail, institutional, and wealth management customers around the world. Invesco was founded in 1935, and the company is headquartered in Atlanta, GA.

Invesco Ltd. reported its fourth quarter earnings results on January 25. The company was able to generate revenues of $1.4 billion during the quarter, which was up 11% compared to the prior year's period. Invesco's assets under management continued to climb during the quarter, ending at $1.61 trillion, up 5% from the end of the previous quarter, which was better than the growth rate during the previous quarter. Invesco did relatively well in terms of net flows, which stood at a positive $13 billion for the quarter, which was in line with the previous quarter. Invesco managed to generate a pretty attractive operating margin of slightly above 42% during the quarter.

Invesco generated earnings-per-share of $0.86 during the fourth quarter, which beat the analyst consensus estimate. Earnings-per-share were up by 19% versus the previous year's quarter, thanks to the positive impact of higher assets under management and the recovery from the equity market selloff that impacted results during the previous year. Invesco generated very strong results in 2021, but current forecasts see Invesco earning slightly less this year.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.49	$2.10	$2.51	$2.26	$2.06	$2.75	$2.43	$2.55	$1.94	$3.09	***$2.95***	***$3.26***
DPS	$0.64	$0.85	$0.98	$1.06	$1.12	$1.15	$1.19	$1.23	$0.79	$0.67	***$0.68***	***$0.77***
Shares[1]	441	433	429	418	404	414	410	459	463	461	***455***	***430***

Invesco has compounded its adjusted earnings-per-share at a rate 9% per year between 2008 and 2019. Growth started to stall in 2014, however, and the company has not managed to grow its profits meaningfully since then.

Through assets under management growth, Invesco was able to grow its revenues in the past, but more recently assets under management did not grow much, backing out the Oppenheimer Funds acquisition. Invesco had to battle with net outflows during some quarters, due to rising competition. The OF acquisition has boosted Invesco's assets under management, and Invesco has stated it has already captured synergies of more than $500 million on a forward basis, which should help drive the company's margins over the coming years. Invesco expects that cost synergies alone will result in a $0.60+ annual tailwind to its earnings-per-share, which is why the earnings outlook for the current year is quite solid, despite some industry headwinds such as margin compression.

Through share buybacks, Invesco can positively impact its earnings-per-share growth as well. Invesco's current $1.2 billion share repurchase program will allow the company to reduce its share count significantly over the coming years. We believe that the share issuance for the OF acquisition will only result in a temporary uptick in Invesco's share count that will be balanced out by buybacks over the years. ETF investing will remain a headwind, which is why we believe that growth will slow down to the low-single-digits in the long run, which is substantially lower than the historic growth rate.

---

[1] In Millions

Invesco Ltd. (IVZ)

Updated February 28th, 2022 by Jonathan Weber

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	16.0	15.0	14.9	16.2	14.4	12.2	7.0	7.1	8.7	7.6	***7.5***	***10.0***
Avg. Yld.	2.7%	2.7%	2.6%	2.9%	3.8%	3.4%	7.0%	6.9%	4.6%	2.9%	***3.1%***	***2.4%***

Invesco's shares trade at less than 8 times our earnings-per-share estimate for 2022 right now, which is an inexpensive valuation compared to how Invesco's shares were trading in the past. Shares were trading at a mid-teens price-to-earnings multiple throughout much of the last ten years, but we believe that multiple expansion towards that level is unlikely going forward. The fact that Invesco's earnings-per-share growth rate will be lower during the coming years, compared to how quickly the company grew in the past, leads us to believe that a future fair price to earnings multiple for Invesco will be below the teens range seen in the past. Shares trade below that fair value estimate today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	43.0%	40.5%	39.0%	46.9%	54.4%	41.8%	49.0%	48.2%	40.2%	21.7%	***23.1%***	***23.6%***

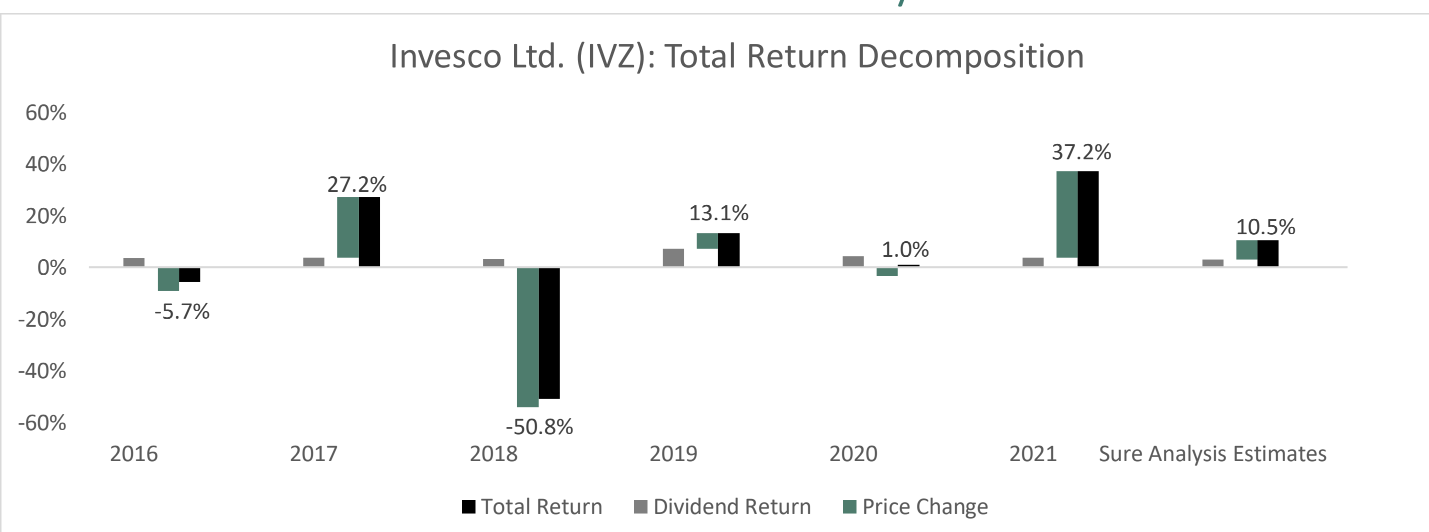
Invesco's dividend payout ratio peaked in the mid-50s in 2009 and 2016. Without a dividend cut, the payout ratio would have increased to a high level during 2020, but the 50% cut during the pandemic means that Invesco should be able to easily cover its dividend payments going forward. We do not think that there is a high risk for another dividend cut.

Invesco's brand and strong financial position provide it with a durable advantage in the highly competitive asset management industry. Invesco's strong credit rating, coupled with a compelling performance of Invesco's assets (two-thirds of AuM performed better than the respective peer group in the past), allow the asset management firm to uphold a positive reputation, which provides a competitive advantage versus peers.

Final Thoughts & Recommendation

Invesco's profits during 2020 were weak, but the company recovery to high levels of profitability in 2021. We believe that earnings-per-share will dip slightly this year, but that Invesco should be able to generate some earnings-per-share growth in the long run. Invesco's shares are not expensive at all and the total return outlook is attractive according to our estimates. We thus rate Invesco a buy at current prices.

Total Return Breakdown by Year



Click here to rate and review this research report. Your feedback is important to us.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Invesco Ltd. (IVZ)

Updated February 28th, 2022 by Jonathan Weber

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	4,050	4,645	5,147	5,123	4,734	5,160	5,314	6,117	6,146	6,895
Gross Profit	2,822	3,315	3,753	3,727	3,365	3,661	3,820	4,408	4,338	4,983
Gross Margin	69.7%	71.4%	72.9%	72.8%	71.1%	70.9%	71.9%	72.1%	70.6%	72.3%
SG&A Exp.	1,972	2,192	2,476	2,369	2,144	2,280	2,478	2,927	3,024	3,198
D&A Exp.	95	88	89	94	101	117	142	178	204	205
Operating Profit	851	1,123	1,277	1,358	1,221	1,381	1,342	1,429	1,251	1,722
Op. Margin	21.0%	24.2%	24.8%	26.5%	25.8%	26.8%	25.2%	23.4%	20.4%	25.0%
Net Profit	677	940	988	968	854	1,127	883	688	762	1,630
Net Margin	16.7%	20.2%	19.2%	18.9%	18.0%	21.8%	16.6%	11.3%	12.4%	23.6%
Free Cash Flow	720	692	1,067	1,004	506	1,046	726	992	1,115	969
Income Tax	261	337	391	398	338	268	255	235	262	531

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	17,492	19,271	20,450	25,073	25,734	31,669	30,978	39,420	36,504	32,686
Cash & Equivalents	1,123	1,915	1,918	2,215	2,070	2,518	1,805	1,701	1,710	2,147
Acc. Receivable	534	559	707	702	650	754	715	1,029	917	1,318
Goodwill & Int.	8,336	8,131	7,826	7,530	7,529	8,149	9,333	15,868	16,222	16,111
Total Liabilities	8,443	10,293	11,330	16,378	18,123	22,713	22,042	25,102	21,695	16,518
Accounts Payable	288	335	344	303	274	320	284	415	349	313
Long-Term Debt	5,085	5,806	6,726	7,510	6,506	6,876	7,635	8,315	8,797	9,421
Total Equity	8,317	8,393	8,326	7,885	7,504	8,696	8,579	9,852	10,351	11,485
LTD/E Ratio	0.61	0.69	0.81	0.95	0.87	0.79	0.89	0.60	0.61	0.61

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	3.7%	5.1%	5.0%	4.3%	3.4%	3.9%	2.8%	2.0%	2.0%	4.7%
Return on Equity	8.2%	11.3%	11.8%	11.9%	11.1%	13.9%	10.2%	7.5%	7.5%	14.9%
ROIC	4.5%	6.5%	6.5%	6.0%	5.6%	7.5%	5.4%	3.5%	3.3%	6.6%
Shares Out.	441	433	429	418	404	414	410	459	463	461
Revenue/Share	8.93	10.72	12.16	12.24	11.75	12.59	12.88	13.89	13.29	14.81
FCF/Share	1.59	1.60	2.52	2.40	1.26	2.55	1.76	2.25	2.41	2.08

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.