



Raymond James Financial (RJF)

Updated August 5th, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	\$102	5 Year CAGR Estimate:	7.4%	Market Cap:	\$20.8 B
Fair Value Price:	\$93	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	09/30/22
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.0%	Dividend Payment Date¹:	10/15/22
Dividend Yield:	1.3%	5 Year Price Target	\$136	Years Of Dividend Growth:	10
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Raymond James Financial (RJF) is a financial holding company whose major operations include wealth management, investment banking, asset management, and commercial banking. Approximately 90% of the company's revenue comes from the U.S. and 68% of fiscal 2021 revenue is from the company's wealth management segment. Other segments are capital markets (16% of revenues), asset management (9%), and RJ Bank (7%). The company has more than 15,000 employees and supports more than 8,700 independent contractor financial advisors across the United States, Canada, and the United Kingdom. The company was founded in 1962 and is headquartered in St. Petersburg, Florida.

On July 27th, 2022, Raymond James Financial released its third-quarter fiscal 2022 results (which ended June 30th). For the quarter, the company reported net income of \$299 million which represents a 3% decline compared with a quarterly net income of \$307 million in the same quarter of 2021. Reported earnings per diluted share for the same periods were \$1.61 and \$1.88, a decrease of 14% year-over-year. Quarterly net revenues of \$2.72 billion were up 10% compared to the prior year's fiscal third-quarter. The results are largely driven by higher short-term interest rates, a rise in loan demand, and net interest income. Declines in total brokerage revenues and investment banking revenues resulting from the challenging market environment acted as headwinds. Raymond James Financial has \$1.13 trillion in client assets under administration, Private Client Group assets in fee-based accounts of \$606.7 billion, and financial assets under management of \$182.4 billion.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$1.47	\$1.72	\$2.21	\$2.29	\$2.43	\$3.39	\$4.31	\$4.93	\$4.07	\$7.05	\$7.40	\$10.87
DPS	\$0.35	\$0.37	\$0.43	\$0.48	\$0.53	\$0.59	\$0.73	\$0.91	\$0.99	\$1.04	\$1.36	\$2.51
Shares²	207	209	212	214	212	216	218	207	205	206	204	200

The company has grown earnings by 19% per year over the past nine years and 16.9% over the past five years. We expect earnings to increase by 8% per year for the next five years. The company has been able to increase its yearly dividend payout for 10 consecutive years. Over the last five years, the average annual dividend growth rate is almost 13%. In December 2021, the company increased its quarterly dividend by 30.8% from \$0.26 to \$0.34 per share. In market downturns, the company's management strives to maintain its most recent dividend, if feasible³. Since fiscal year 2016, the company has returned \$2.4 billion to shareholders through dividends and share repurchases. The company has \$1 billion remains under the current share repurchase authorization.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	15.2	16.4	15.2	16.4	14.3	14.7	14.1	11.1	12.8	10.9	13.8	12.5
Avg. Yld.	1.9%	1.3%	1.3%	1.3%	1.5%	1.2%	1.2%	1.7%	1.9%	1.3%	1.3%	1.8%

¹ Estimated date

² In millions.

³ Analyst & Investor Day - May 25, 2022

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.



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During the past decade shares of Raymond James Financial have traded with an average price-to-earnings ratio of about 12.7 times earnings and today, it stands at 13.8. We are using 12.5 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 1.3% which is just below the average yield over the past decade of 1.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	24%	22%	19%	21%	22%	17%	17%	18%	24%	15%	18%	23%

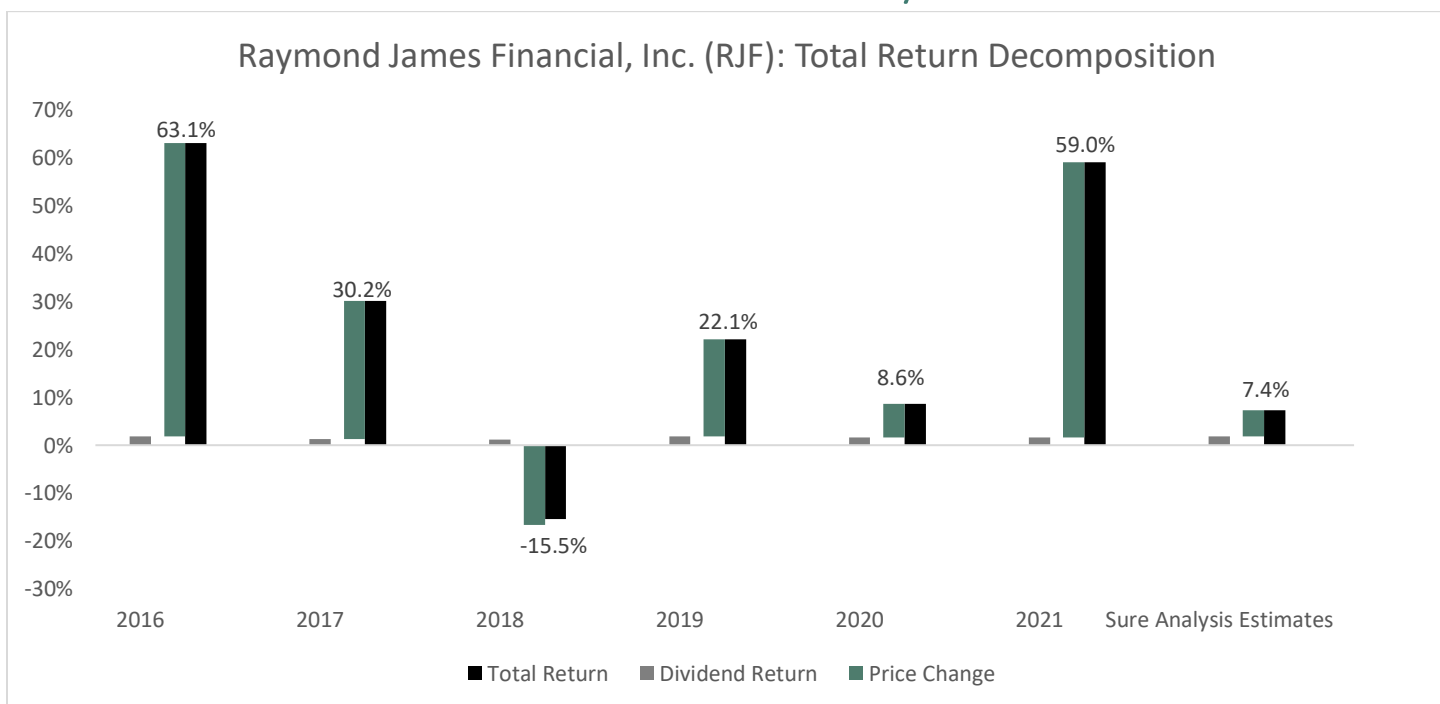
During the past five years, the company's dividend payout ratio has averaged around 18%. Raymond James Financial's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe. Management is targeting a 20% to 30% dividend payout ratio.

Raymond James' revenue and earnings held up well despite the current bear market and previous recessions. The company has an impressive streak of 137 consecutive quarters of profitability and strong credit ratings (A-/Stable Outlook - Fitch). The company has diverse and complementary businesses and the ability to leverage different services across revenue segments. Its strategy is to be the "Premier Alternative" to Wall Street. The company has established a track record for growing efficiently through acquisitions in recent years. In June, Raymond James Financial completed its \$1.1 billion acquisition of TriState Capital Holdings Inc. We expect the company to use its free cash flow to continue its M&A activities in the coming years but at a slower pace.

Final Thoughts & Recommendation

Raymond James Financial is a well-established capital markets company with a solid earnings track record and a dividend yield of 1.3%. The company should be able to grow client assets under management, organically and via acquisitions. We estimate total return potential of 7.4% per year for the next five years based on an 8% earnings-per-share growth, and a valuation headwind. The shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	3,738	4,408	4,769	5,101	5,345	6,292	7,182	7,646	7,889	9,630
SG&A Exp.	2,935	3,436	3,705	3,951	4,053	4,680	5,328	5,654	5,992	7,123
D&A Exp.	51	66	64	68	72	84	99	112	119	134
Net Profit	296	367	480	502	529	636	857	1,034	818	1,403
Net Margin	7.9%	8.3%	10.1%	9.8%	9.9%	10.1%	11.9%	13.5%	10.4%	14.6%
Free Cash Flow	314	587	447	825	(695)	(315)	750	439	3,930	6,551
Income Tax	176	197	268	296	271	289	454	341	234	388

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	21,160	23,186	23,326	26,468	31,487	34,883	37,413	38,830	47,482	61,891
Cash & Equivalents	2,144	2,723	2,350	2,808	1,650	3,670	3,500	3,957	5,390	7,201
Acc. Receivable	2,067	1,983	2,127	2,185	2,715	2,767	3,343	2,671	2,435	2,831
Goodwill & Int.	361	361	354	377	503	493	639	611	600	882
Total Liabilities	17,480	19,188	18,892	21,682	26,424	29,190	30,961	32,187	40,306	53,588
Accounts Payable	5,317	6,683	4,936	5,564	6,751	5,585	5,831	4,361	6,792	13,991
Long-Term Debt	1,411	1,342	1,890	1,867	2,289	3,063	2,449	2,444	2,933	2,895
Total Equity	3,269	3,663	4,141	4,522	4,917	5,582	6,368	6,581	7,114	8,245
LTD/E Ratio	0.43	0.37	0.46	0.41	0.47	0.55	0.38	0.37	0.41	0.35

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	1.5%	1.7%	2.1%	2.0%	1.8%	1.9%	2.4%	2.7%	1.9%	2.6%
Return on Equity	10.1%	10.6%	12.3%	11.6%	11.2%	12.1%	14.3%	16.0%	11.9%	18.3%
ROIC	6.8%	7.0%	8.2%	7.7%	7.6%	7.9%	9.7%	11.5%	8.5%	13.2%
Shares Out.	207	209	212	214	212	216	218	207	205	206
Revenue/Share	18.91	20.91	22.14	23.30	24.66	28.61	32.18	35.40	37.51	45.60
FCF/Share	1.59	2.78	2.08	3.77	(3.21)	(1.43)	3.36	2.03	18.69	31.02

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

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