



Invesco Ltd. (IVZ)

Updated February 14th, 2023 by Jonathan Weber

Key Metrics

Current Price:	\$19	5 Year CAGR Estimate:	3.2%	Market Cap:	\$9B
Fair Value Price:	\$17	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	02/15/23
% Fair Value:	115%	5 Year Valuation Multiple Estimate:	-2.8%	Dividend Payment Date:	03/02/23
Dividend Yield:	3.9%	5 Year Price Target	\$18	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Invesco Ltd. is an investment management firm with assets under management of approximately \$1.4 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 24. The company was able to generate revenues of \$1.2 billion during the quarter, which was down 14% compared to the prior year's period. Invesco's assets under management did decline by 13% over the last year, ending at \$1.41 trillion, which can be explained by the struggling equity markets during that period as this hurts the value of the assets that Invesco manages. Invesco suffered from some outflows during the quarter, at \$3.2 billion, which was slightly better compared to the previous quarter. Invesco managed to generate an operating margin of 31% during the quarter, down from 33% previously.

Invesco generated earnings-per-share of \$0.39 during the fourth quarter, which was above the previous quarter's level. Earnings-per-share were down by 55% versus the previous year's quarter, as margin compression and lower revenues hurt its profitability meaningfully. Invesco generated very strong results in 2021, but 2022 was a way less profitable year for the company. Profits will decline marginally this year, based on current estimates.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$2.10	\$2.51	\$2.26	\$2.06	\$2.75	\$2.43	\$2.55	\$1.94	\$3.09	\$1.68	\$1.65	\$1.82
DPS	\$0.85	\$0.98	\$1.06	\$1.12	\$1.15	\$1.19	\$1.23	\$0.79	\$0.67	\$0.75	\$0.75	\$0.85
Shares¹	433	429	418	404	414	410	459	463	461	455	450	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

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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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	15.0	14.9	16.2	14.4	12.2	7.0	7.1	8.7	7.6	10.7	11.5	10.0
Avg. Yld.	2.7%	2.6%	2.9%	3.8%	3.4%	7.0%	6.9%	4.6%	2.9%	4.2%	3.9%	4.7%

Invesco's shares trade at 11-12 times our earnings-per-share estimate for 2023 right now, which is an inexpensive valuation compared to how Invesco's shares were trading in 2012 to 2017. Shares were trading at a mid-teens price-to-earnings multiple throughout those 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 slightly above our fair value estimate today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	40.5%	39.0%	46.9%	54.4%	41.8%	49.0%	48.2%	40.2%	21.7%	44.6%	45.5%	46.6%

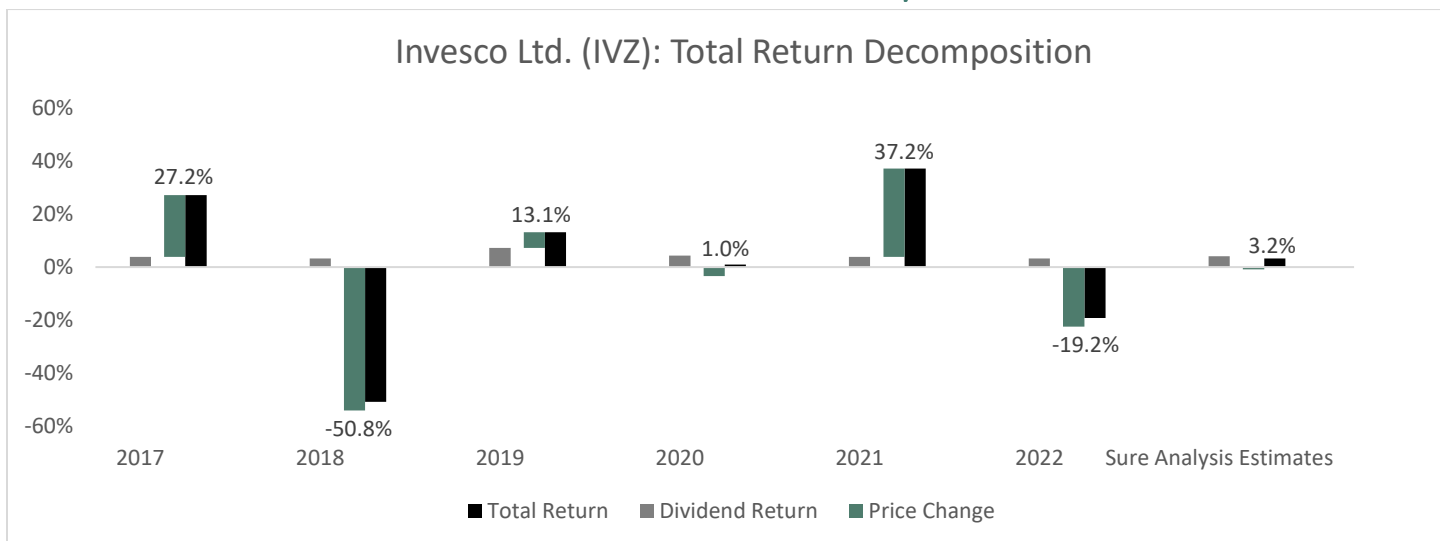
Invesco's dividend payout ratio peaked in the mid-50s in 2009 and 2016. Without a dividend cut, the payout ratio would have increased to a high level during 2020, but the 50% cut during the pandemic means that Invesco should be able to easily cover its dividend payments going forward. We do not think 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 recovery to higher levels of profitability in 2021 was very strong, but 2022 was a way weaker year again, due to the recent equity market struggles. We believe that earnings-per-share will decline marginally this year, but that Invesco should be able to generate some earnings-per-share growth in the long run. Invesco's shares trade above our fair value estimate and the total return outlook is far from strong. We rate Invesco a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	4,645	5,147	5,123	4,734	5,160	5,314	6,117	6,146	6,895	6,049
Gross Profit	3,315	3,753	3,727	3,365	3,661	3,820	4,408	4,338	4,983	4,324
Gross Margin	71.4%	72.9%	72.8%	71.1%	70.9%	71.9%	72.1%	70.6%	72.3%	71.5%
SG&A Exp.	2,192	2,476	2,369	2,144	2,280	2,478	2,927	3,024	3,198	2,381
D&A Exp.	88	89	94	101	117	142	178	204	205	
Operating Profit	1,123	1,277	1,358	1,221	1,381	1,342	1,429	1,251	1,722	1,339
Op. Margin	24.2%	24.8%	26.5%	25.8%	26.8%	25.2%	23.4%	20.4%	25.0%	22.1%
Net Profit	940	988	968	854	1,127	883	688	762	1,630	921
Net Margin	20.2%	19.2%	18.9%	18.0%	21.8%	16.6%	11.3%	12.4%	23.6%	15.2%
Free Cash Flow	692	1,067	1,004	506	1,046	726	992	1,115	969	696
Income Tax	337	391	398	338	268	255	235	262	531	322

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	19,271	20,450	25,073	25,734	31,669	30,978	39,420	36,504	32,686	29,757
Cash & Equivalents	1,915	1,918	2,215	2,070	2,518	1,805	1,701	1,710	2,147	1,434
Acc. Receivable	559	707	702	650	754	715	1,029	917	1,318	
Goodwill & Int.	8,131	7,826	7,530	7,529	8,149	9,333	15,868	16,222	16,111	15,699
Total Liabilities	10,293	11,330	16,378	18,123	22,713	22,042	25,102	21,695	16,518	12,915
Accounts Payable	335	344	303	274	320	284	415	349	313	
Long-Term Debt	5,806	6,726	7,510	6,506	6,876	7,635	8,315	8,797	9,421	8,078
Total Equity	8,393	8,326	7,885	7,504	8,696	8,579	9,852	10,351	11,485	15,214
LTD/E Ratio	0.69	0.81	0.95	0.87	0.79	0.89	0.60	0.61	0.61	0.53

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	5.1%	5.0%	4.3%	3.4%	3.9%	2.8%	2.0%	2.0%	4.7%	2.9%
Return on Equity	11.3%	11.8%	11.9%	11.1%	13.9%	10.2%	7.5%	7.5%	14.9%	6.9%
ROIC	6.5%	6.5%	6.0%	5.6%	7.5%	5.4%	3.5%	3.3%	6.6%	3.6%
Shares Out.	433	429	418	404	414	410	459	463	461	455
Revenue/Share	10.72	12.16	12.24	11.75	12.59	12.88	13.89	13.29	14.81	13.16
FCF/Share	1.60	2.52	2.40	1.26	2.55	1.76	2.25	2.41	2.08	1.52

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

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