



Blackstone Group Inc. (BX)

Updated October 20th, 2023, by Nikolaos Sismanis

Key Metrics

Current Price:	\$94	5 Year CAGR Estimate:	7.2%	Market Cap:	\$114.9 B
Fair Value Price:	\$66	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	10/27/23
% Fair Value:	144%	5 Year Valuation Multiple Estimate:	-7.0%	Dividend Payment Date:	11/07/23
Dividend Yield:	3.4%	5 Year Price Target	\$116	Years Of Dividend Growth:	N/A
Dividend Risk Score:	F	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Blackstone, founded in 1985 by Peter Peterson and Stephen Schwarzman (still CEO), is one of the world's leading investment firms. At the end of Q3 2023, the company held \$1.0 trillion in assets under management (AUM), operating in Private Equity (30% of AUM), Real Estate (33%), Credit (30%) and Hedge Fund Solutions (7%). Today the \$133.4 billion market cap company employs about 4,700 people.

Note that the BX ticker previously represented an underlying unitholder interest in Blackstone, with the company acting as a general partner. However, on July 1st, 2019 Blackstone completed its transformation from a publicly traded partnership to a corporation. This move eliminated the Schedule K-1, replacing it with a Form 1099-DIV, and is intended to improve the market for the company's shares. This report marks the company's tenth quarter as a corporation.

On October 19th, 2023, Blackstone reported its Q3-2023 results for the period ending September 30th, 2023. For the quarter, management and advisory fees equaled \$1.7 million, 2.3% higher year-over-year. Incentive fees earnings recovered by 43.3% to \$158.8 million. Blackstone also posted performance allocations of \$390.5 million versus a negative \$45.8 million last year, boosting its total revenues to \$2.54 billion, compared to \$1.06 billion last year.

Blackstone's results reflected the underlying implements in the capital markets in recent quarters, also demonstrated by recording \$25.3 billion of inflows from investors.

Distributable earnings during the quarter equaled \$1.2 billion or \$0.94 per share, which was 13% and 11% lower year-over-year, respectively. Total assets under management equaled \$1,007 trillion, up 6% year-over-year, driven by \$138.9 billion in inflows during the past 12 months. Blackstone also declared a quarterly dividend of \$0.80. We have revised our FY-2023 distributable EPS estimate at \$4.10, which will be adjusted over time based on inflows and market conditions.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
DEPS	\$3.08	\$3.76	\$1.82	\$2.00	\$2.81	\$2.26	\$2.31	\$2.65	\$4.77	\$5.17	\$4.10	\$7.23
DPS	\$1.18	\$1.92	\$2.90	\$1.66	\$2.32	\$2.42	\$1.92	\$2.26	\$4.06	\$4.40	\$3.20	\$3.71
Shares¹	573	596	624	643	659	663	680	684	732	743	758	900

Note that the table above shows earnings-per-unit, distributions-per-unit and units outstanding through 2018, reflecting the previous partnership format. In addition, Blackstone had previously reported economic net income, but is no longer doing so. With the transition to a corporation complete, we are using distributable earnings as our baseline.

Blackstone's performance fees tend to be lumpy, which in turn leads to irregular results. Over the past decade, earnings-per-share grew by a compound average rate of 5.9% per annum, however this varied widely from \$3.08 all the way down to \$1.81 and back up to \$5.17. Regardless, we remain optimistic based on Blackstone's ongoing momentum and \$200.6 billion in "dry powder capital" set to deploy – a new record for the company based on its latest results.

Based on Blackstone's recent performance and market dynamics, we expect a 12% distributable EPS CAGR in the medium term from this year's reduced base, as capital markets have entered an improving trajectory. We remain

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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cautious, nonetheless, as the underlying market conditions can easily sway Blackstone’s performance. Alongside a lumpy earnings pattern, the distribution/dividend has been up and down as well. Our estimate uses the next-twelve-month payout of \$3.20 is sourced from the most recent \$0.80 dividend declaration’s run rate.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	7.4	8.6	20.2	13.2	11.3	14.9	14.4	18.6	23.7	19.3	23.0	16.0
Avg. Yld.	5.2%	5.9%	7.9%	6.3%	7.3%	7.2%	4.4%	3.9%	4.0%	4.4%	3.4%	3.2%

We are using a fair value multiple of 16 times earnings, taking into consideration that earnings can easily fluctuate based on the underlying conditions in the capital markets. With shares presently trading at 23 times our estimated earnings, we find Blackstone to be overvalued. The current valuation reflects investors’ expectations for a strong rebound in DEPS from next year. Still, we believe the stock has run ahead of itself. Meanwhile, the 3.4% dividend yield will contribute to returns, but we do note that payouts are variable and can fluctuate significantly from quarter-to-quarter along with earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	38%	51%	159%	83%	83%	107%	83%	85%	85%	85%	78%	51%

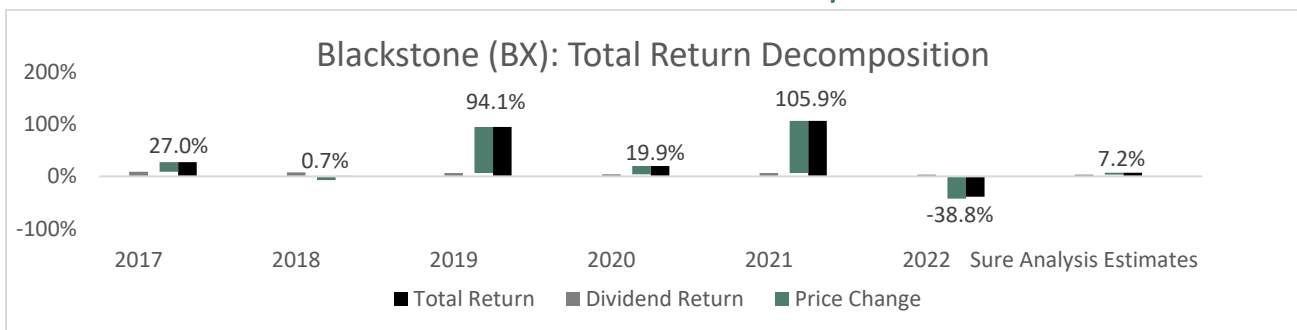
Blackstone did not fare particularly well during the last recession, posting a loss of -\$1.03 per unit in 2008. Moreover, the distribution went from \$1.20 in 2008 down to \$0.90 in 2009 and \$0.60 in 2010. However, the company recovered well, generating solid growth from 2009 through 2014. Performance during the COVID-19 pandemic was exceptional as the company was able to attract massive inflows against traditional asset management firms. In fact, this is the company’s competitive advantage, as it is the largest alternative investment firm in the world. If you’re looking to invest outside of the conventional equity space, which is a trend that has been going on for some time, Blackstone has a leading seat at the table; especially for large institutional firms looking for stability.

As of its latest results, Blackstone held \$8.4 billion in cash and equivalents and \$17.2 billion in cash and net investments, or \$14.14 per share. Blackstone has a \$4.1 billion undrawn credit revolver and maintains A+ ratings from S&P and Fitch.

Final Thoughts & Recommendation

Blackstone’s shares are still trading well-below their 2021 highs. Nevertheless, the stock has experienced a strong rally year-to-date, with investors attempting to price in strong earnings growth in the coming years. We remain optimistic about Blackstone’s earnings growth prospects. However, valuation headwinds could still suppress investors’ total return prospects. Specifically, total return potential comes in at 7.2% per annum, stemming from our distributable EPS and DPS growth estimates, the dividend yield, and the possibility for a notable valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	6613	7485	4647	5051	7005	6661	6861	5966	16650	7133
SG&A Exp.	3759	3734	2946	594	621	673	673	725	928	1123
D&A Exp.	96	102	101	83	47	59	59	71	75	67
Operating Profit	1171	1585	710	1039	1471	1542	1542	1045	5857	1748
Op. Margin	17.7%	21.2%	15.3%	20.6%	21.0%	23.1%	22.5%	17.5%	35.2%	24.5%
Free Cash Flow	3522	1625	2338	-110	-1651	27	27	1824	3922	6101
Income Tax	256	291	190	132	743	249	249	356	1184	473

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	29679	31497	22526	26403	34416	28925	28925	26270	41200	42520
Cash & Equivalents	832	1412	1837	1837	1992	2208	2208	1999	2120	4252
Accounts Receivable	888	559	613	773	875	636	---	---	---	---
Goodwill & Int. Ass.	2348	2246	2064	1981	2188	2338	2338	2249	2175	2107
Total Liabilities	15301	14164	10296	13888	20904	15312	15312	11740	19490	24560
Accounts Payable	872	1195	649	1082	2044	876	876	717	937	1158
Long-Term Debt	10467	8924	6117	8866	14815	9952	9952	6342	8714	13460
Shareholder's Equity	9963	11476	9638	9901	6634	6379	6379	6652	9423	7656

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.0%	5.2%	2.6%	4.2%	4.8%	4.9%	4.9%	3.6%	17.4%	4.2%
Return on Equity	12.9%	14.8%	6.7%	10.6%	17.8%	23.7%	23.7%	15.3%	72.9%	20.5%
Shares Out.	573	596	624	643	659	670	680	697	720	741
Revenue/Share	11.20	12.21	3.91	4.23	10.51	5.52	5.68	8.56	23.12	9.63
FCF/Share	5.96	2.65	1.97	-0.09	-2.48	0.02	0.02	2.62	5.45	8.23

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

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