



Raymond James Financial (RJF)

Updated January 27th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$113	5 Year CAGR Estimate:	10.6%	Market Cap:	\$24 B
Fair Value Price:	\$119	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	04/01/24
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date¹:	04/18/24
Dividend Yield:	1.6%	5 Year Price Target	\$174	Years Of Dividend Growth:	12
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

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 is from the U.S. and 67% of fiscal 2023 revenue is from the company's wealth management segment. Other segments are capital markets (16% of revenues), asset management (8%), and RJ Bank (9%). 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 January 24th, 2024, Raymond James Financial released results for its first quarter of fiscal year 2024 for the period ending December 31st, 2023. For the quarter, the company reported a net income of \$497 million, which is a 15% increase compared to the preceding quarter's net income of \$432 million, and a 2% decrease compared to the same quarter in the previous year. Earnings per diluted share for the quarter were \$2.32, up from \$2.02 in the preceding quarter and up from \$2.30 in the same quarter of the previous year. Quarterly net revenues of \$3.01 billion were up 8% compared to the same quarter in the previous year and down 1% from the preceding quarter. The company saw growth in its Private Client Group and Asset Management segments, with the Private Client Group assets under administration reaching a record \$1.31 trillion. The Private Client Group recorded 8% growth in net revenues, Asset Management's net revenues rose 14%, and Capital Markets' top line increased 15%. However, the Bank segment experienced an 8% decline in net revenues and pre-tax income. Financial assets under management increased to a record \$215 billion. As of December 31st, 2023, the total capital ratio was 23.0%, and the Tier 1 capital ratio was 21.6%.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.21	\$2.29	\$2.43	\$3.39	\$4.31	\$4.93	\$4.07	\$7.05	\$7.49	\$8.30	\$9.50	\$13.96
DPS	\$0.43	\$0.48	\$0.53	\$0.59	\$0.73	\$0.91	\$0.99	\$1.04	\$1.36	\$1.68	\$1.80	\$3.32
Shares²	209	212	214	212	216	218	207	205	215	215	210	200

The company has grown earnings by 15.8% per year over the past decade and 14.0% 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 12 consecutive years. Over the last five years, the average annual dividend growth rate is 13%. In November 2023, the company increased its quarterly dividend by 7.1% from \$0.42 to \$0.45 per share. In market downturns, the company's management strives to maintain its most recent dividend, if feasible³. In the reported quarter, RJF repurchased 1.41 million shares for \$150 million and \$1.39 billion remaining under the buyback authorization.

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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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	15.2	16.4	14.3	14.7	14.1	11.1	12.8	10.9	12.0	11.0	11.9	12.5
Avg. Yld.	1.9%	1.3%	1.5%	1.2%	1.2%	1.7%	1.9%	1.3%	1.4%	1.5%	1.6%	1.9%

During the past decade shares of Raymond James Financial have traded with an average price-to-earnings ratio of 13.8 times earnings and today, it stands at 11.9. We are using 12.5 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 1.6% which is above the average yield over the past decade of 1.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	19%	21%	22%	17%	17%	18%	24%	15%	18%	20%	19%	24%

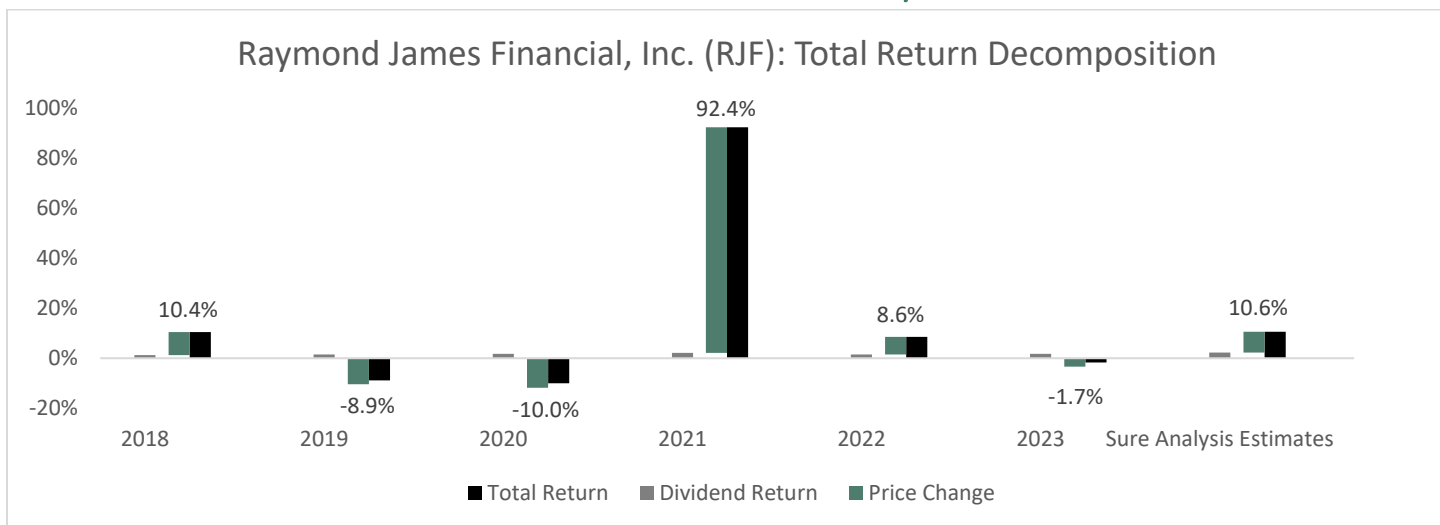
During the past five years, the company's dividend payout ratio has averaged around 18%. Raymond James Financial's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around 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 138 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 2022, 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 1.7%. The company should be able to grow client assets under management, organically and via acquisitions. We estimate total return potential of 10.6% per year for the next five years based on an 8% earnings-per-share growth, the dividend yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	4,769	5,101	5,345	6,292	7,182	7,646	7,889	9,630	10,850	11,470
SG&A Exp.	3,705	3,951	4,053	4,680	5,328	5,654	5,992	7,123	8,021	7,299
D&A Exp.	64	68	72	84	99	112	119	134	145	165
Net Profit	480	502	529	636	857	1,034	818	1,403	1,509	1,739
Net Margin	10.1%	9.8%	9.9%	10.1%	11.9%	13.5%	10.4%	14.6%	13.9%	15.2%
Free Cash Flow	447	825	(695)	(315)	750	439	3,930	6,551	(19)	(3,687)
Income Tax	268	296	271	289	454	341	234	388	513	541

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	23,326	26,468	31,487	34,883	37,413	38,830	47,482	61,891	80,950	78,360
Cash & Equivalents	2,350	2,808	1,650	3,670	3,500	3,957	5,390	7,201	6,178	9,313
Acc. Receivable	2,127	2,185	2,715	2,767	3,343	2,671	2,435	2,831	2,934	2,525
Goodwill & Int.	354	377	503	493	639	611	600	882	1,931	1,907
Total Liabilities	18,892	21,682	26,424	29,190	30,961	32,187	40,306	53,588	71,520	68,170
Accounts Payable	4,936	5,564	6,751	5,585	5,831	4,361	6,792	13,991	11,450	5,447
Long-Term Debt	1,890	1,867	2,289	3,063	2,449	2,444	2,933	2,895	3,329	3,139
Total Equity	4,141	4,522	4,917	5,582	6,368	6,581	7,114	8,245	9,338	10,140
LTD/E Ratio	0.46	0.41	0.47	0.55	0.38	0.37	0.41	0.35	0.34	0.31

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.1%	2.0%	1.8%	1.9%	2.4%	2.7%	1.9%	2.6%	2.1%	2.2%
Return on Equity	12.3%	11.6%	11.2%	12.1%	14.3%	16.0%	11.9%	18.3%	17.2%	17.9%
ROIC	8.2%	7.7%	7.6%	7.9%	9.7%	11.5%	8.5%	13.2%	12.6%	13.3%
Shares Out.	212	214	212	216	218	207	205	206	215	217
Revenue/Share	22.14	23.30	24.66	28.61	32.18	35.40	37.51	45.60	50.40	52.87
FCF/Share	2.08	3.77	(3.21)	(1.43)	3.36	2.03	18.69	31.02	(0.09)	(17.00)

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

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