Silvercrest Asset Management Group Inc. (SAMG)

Updated September 26th, 2024 by Samuel Smith

Key Metrics

Current Price:	$16.6	**5 Year CAGR Estimate:**	9.9%	**Market Cap:**	$235M
Fair Value Price:	$15.8	**5 Year Growth Estimate:**	6.8%	**Ex-Dividend Date:**	12/14/24[1]
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date:**	12/21/24[2]
Dividend Yield:	4.8%	**5 Year Price Target**	$22	**Years Of Dividend Growth:**	7
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Buy

Overview & Current Events

Silvercrest Asset Management Group is a prominent investment management firm specializing in providing personalized wealth management services to high-net-worth individuals, families, and select institutional investors. Founded in 2002, the firm is headquartered in New York City and is known for its client-centric approach, combining sophisticated investment strategies with comprehensive financial planning. Silvercrest offers a wide range of services, including portfolio management, estate and tax planning, family office services, and philanthropic advisory.

Silvercrest Asset Management Group Inc. (SAMG) reported its second-quarter 2024 results on August 1st, highlighting steady market conditions since the fourth quarter of 2023. However, market leadership remained narrow, with Large Cap Growth driving higher markets while Large Cap Value and Small Cap sectors declined, affecting Silvercrest's assets. Despite this, the company's U.S. Value and Small Cap Growth strategies performed well relative to the market.

During the second quarter, Silvercrest's discretionary assets under management (AUM) fell by $1.1 billion to $21.6 billion, primarily due to the loss of institutional mandates. Nevertheless, total AUM increased modestly by 4.7% year-over-year, reaching $33.4 billion. Revenue for the quarter grew by 4.2%, or $1.3 million, compared to the previous year. However, higher expenses due to increased compensation costs have affected the company’s profitability metrics, even as top-line revenue rose.

The company is actively investing in its future growth, including key hires such as a global equity investment team and a new business development professional in the Southeast. These investments are expected to drive significant future growth, particularly in the firm's institutional and ultra-high-net-worth client segments. Silvercrest's institutional business pipeline decreased to $1.0 billion during the quarter but remains higher than at the end of 2023. The new Global Equity team is expected to contribute significant inflows in the future.

On July 30, 2024, Silvercrest's Board of Directors approved a 5% increase in its quarterly dividend, raising it from $0.19 to $0.20 per share of Class A common stock, payable on September 20, 2024. Second-quarter 2024 highlights include total AUM of $33.4 billion, revenue of $31.0 million, and a GAAP consolidated net income of $4.4 million. The company reported adjusted EBITDA of $7.2 million and adjusted net income of $4.4 million. Basic and diluted earnings per share were $0.28, with adjusted earnings per share of $0.31 and $0.30, respectively.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$0.86	$0.78	$0.86	$0.95	$1.30	$1.17	$1.89	$1.35	$1.12	$1.44	***$1.44***	***$2.00***
DPS	$0.48	$0.48	$0.48	$0.48	$0.56	$0.60	$0.64	$0.66	$0.70	$0.74	***$0.80***	***$1.00***
Shares[3]	7.8	8.0	8.1	8.1	8.5	9.5	9.7	9.9	9.6	9.5	***9.5***	***21.5***

As the chart above illustrates, while SAMG’s earnings per share have experienced some volatility from year to year, the overall trend has been strongly higher over time. This strong earnings growth has enabled management to consistently

[1] Estimate
[2] Estimate
[3] Share count 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.

grow its dividend each year for several years now. Moreover, with the expected payout ratio for 2024 being just slightly over 50%, it appears that SAMG is poised to continue growing its dividend per share for years to come at a pace that is likely going to be only slightly slower than our expected 6.8% earnings-per-share CAGR for the company through 2029.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	17.44	16.67	12.79	14.74	13.85	17.09	7.94	12.59	10.71	10.42	***11.53***	***11.00***
Avg. Yld.	3.20%	3.69%	4.36%	3.43%	3.11%	3.00%	4.27%	3.88%	5.83%	4.93%	***4.82%***	***4.55%***

SAMG stock currently trades for a price-to-earnings ratio of 11.5 based on our earnings estimate for this year. Our estimate of fair value is a price-to-earnings ratio of 11 due to the volatility of the earnings from year to year, countered by the solid growth track record of the company and its focus on growing its dividend consistently. As a result, SAMG stock appears to be slightly overvalued and poised for slight valuation multiple contraction moving forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

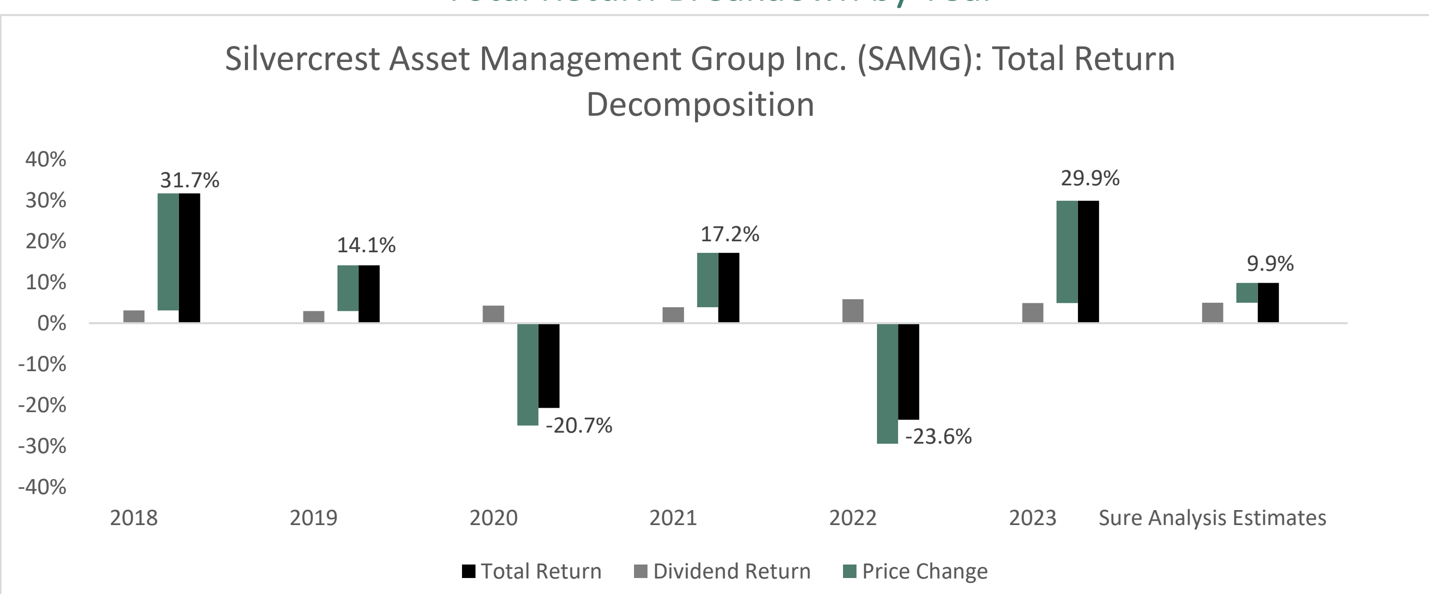
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	56%	62%	56%	51%	43%	51%	34%	49%	63%	51%	***56%***	***50%***

SAMG is highly profitable, which leads to very strong interest coverage ratios and its balance sheet is overall quite strong, with low debt levels and strong current and quick ratios. Meanwhile, its capital-light business model enables it to return a significant amount of cash to shareholders while also investing for growth in the business. It operates in a fairly niche part of the wealth management industry, so it is able to avoid competing quite as heavily with some of the biggest names in the asset management industry as some other companies face. Moreover, by building long-term relationships with its clients, it is able to improve the stickiness of its assets under management. It is also worth noting that its earnings did not suffer too much during COVID-19 and it even grew its dividend in 2020.

Final Thoughts & Recommendation

SAMG stock appears to be slightly overvalued at the moment, resulting in an expected annual tailwind from multiple expansion alongside solid growth potential and an attractive current dividend yield. As a result, our overall annualized total return expectation over the next half-decade is an attractive 9.9%, making the stock a Buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	69	75	80	91	99	102	108	132	123	117
Gross Profit	29	32	31	37	41	42	46	59	52	45
Gross Margin	42.0%	43.0%	38.9%	40.7%	41.3%	41.2%	42.2%	44.9%	41.9%	38.1%
SG&A Exp.	14	15	17	17	20	23	23	29	13	26
D&A Exp.	2	2	3	3	2	3	4	4	4	4
Operating Profit	15	17	15	20	21	19	22	31	39	19
Operating Margin	22.1%	22.6%	18.2%	22.3%	21.4%	18.5%	20.6%	23.2%	31.3%	16.0%
Net Profit	5	5	5	5	10	9	10	15	19	9
Net Margin	6.9%	7.1%	6.2%	5.8%	9.8%	8.5%	9.2%	11.2%	15.3%	7.7%
Free Cash Flow	20	16	17	29	27	15	26	43	22	17
Income Tax	6	7	5	14	5	5	5	7	8	4

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	100	108	112	117	133	214	214	229	213	200
Cash & Equivalents	31	32	38	54	69	53	62	86	77	70
Accounts Receivable	3	2	4	5	3	5	4	3	4	3
Goodwill	31	40	39	37	35	93	90	88	85	83
Total Liabilities	47	47	46	45	51	116	110	113	87	78
Accounts Payable	3	4	4	4	3					
Long-Term Debt	4	5	2	1	-	16	13	9	6	3
Shareholder's Equity	43	46	47	49	56	65	71	80	85	83
LTD/E Ratio	0.10	0.10	0.05	0.02	-	0.25	0.18	0.11	0.07	0.03

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.8%	5.1%	4.5%	4.6%	7.7%	5.0%	4.7%	6.6%	8.5%	4.4%
Return on Equity	9.4%	9.3%	7.9%	7.7%	12.5%	9.6%	9.9%	13.3%	15.5%	7.3%
ROIC	8.2%	8.6%	7.4%	7.5%	12.4%	8.8%	8.7%	12.2%	14.6%	7.1%
Shares Out.	7.8	8.0	8.1	8.1	8.5	9.5	9.7	9.9	9.6	9.5
Revenue/Share	9.14	9.57	9.99	11.25	11.88	11.61	11.35	13.58	12.55	12.41
FCF/Share	2.59	2.02	2.15	3.55	3.26	1.70	2.76	4.48	2.28	1.81

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