Invesco Ltd. (IVZ)

Updated October 28th, 2024 by Jonathan Weber

Key Metrics

Current Price:	$18	**5 Year CAGR Estimate:**	4.7%	**Market Cap:**	$8.0B
Fair Value Price:	$17	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	11/14/24
% Fair Value:	109%	**5 Year Valuation Multiple Estimate:**	-1.7%	**Dividend Payment Date:**	12/03/24
Dividend Yield:	4.6%	**5 Year Price Target**	$18	**Years Of Dividend Growth:**	3
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 $1.5 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 third quarter earnings results on October 22. The company was able to generate revenues of $1.1 billion during the quarter, which was up 1% compared to the prior year's period. Invesco's assets under management did grow by 14% over the last year, ending at $1.74 trillion, which was a record high, which can be explained by the market's strong performance which increased the value of the assets that Invesco manages. Invesco benefitted from net inflows during the quarter, at $12.7 billion, which was a little weaker compared to the previous quarter. Invesco managed to generate an operating margin of 32% during the quarter, which was up sequentially.

Invesco generated earnings-per-share of $0.44 during the third quarter, which was a nice 26% above the previous quarter's level, and which was also better than expected by the analyst community. Invesco generated very strong results in 2021, but 2022 and 2023 were weaker years for the company. Profits will improve again this year, however, based on current estimates.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$2.51	$2.26	$2.06	$2.75	$2.43	$2.55	$1.94	$3.09	$1.68	$1.51	***$1.65***	***$1.82***
DPS	$0.98	$1.06	$1.12	$1.15	$1.19	$1.23	$0.79	$0.67	$0.75	$0.80	***$0.82***	***$0.93***
Shares[1]	429	418	404	414	410	459	463	461	455	450	***440***	***400***

Invesco had compounded its adjusted earnings-per-share at a strong rate for many years, but growth was negative over the last decade. This was largely the result of the rise of ETF investing, which pressured margins in the industry.

Through assets under management growth, Invesco was able to grow its revenues in the past, but assets under management growth can be very uneven. Market movements impact this metric heavily, which is why Invesco and its peers suffer during market downturns. During some years, Invesco battled with net outflows, with investor sentiment being responsible for outflows or inflows, depending on the individual period.

While Invesco's track record over the last decade was not compelling, we believe that the company should be able to deliver some earnings-per-share growth in the long run. Margins have recently stabilized, and Invesco is actively reducing its share count by buying back its common stock on the open market. Adjusted for the shares issued during the Oppenheimer Funds acquisition in 2019, Invesco has reduced its share count relatively reliably, although not at an overly strong pace. While ETF investing will likely remain a headwind for Invesco and its traditional asset management peers, recent margin stabilization and buybacks could allow the company to grow its earnings-per-share at a low single-digit pace over the coming years. Investors should account for the fact that profits tend to be cyclical at Invesco, however, as stock market ups and downs impact its assets under management and thus also its profitability.

[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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.9	16.2	14.4	12.2	7.0	7.1	8.7	7.6	10.7	11.9	***10.9***	***10.0***
Avg. Yld.	2.6%	2.9%	3.8%	3.4%	7.0%	6.9%	4.6%	2.9%	4.2%	4.4%	***4.6%***	***5.1%***

Invesco's shares trade at around 11 times our earnings-per-share estimate for 2024 right now, which is an inexpensive valuation in absolute terms. We nevertheless believe that Invesco trades slightly above fair value right now, as the weak growth track record and the ETF investing trend make us believe that a 10x earnings multiple is reasonable for Invesco. The dividend currently is at a very solid level of close to 5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	39.0%	46.9%	54.4%	41.8%	49.0%	48.2%	40.2%	21.7%	44.6%	53.0%	***49.7%***	***50.9%***

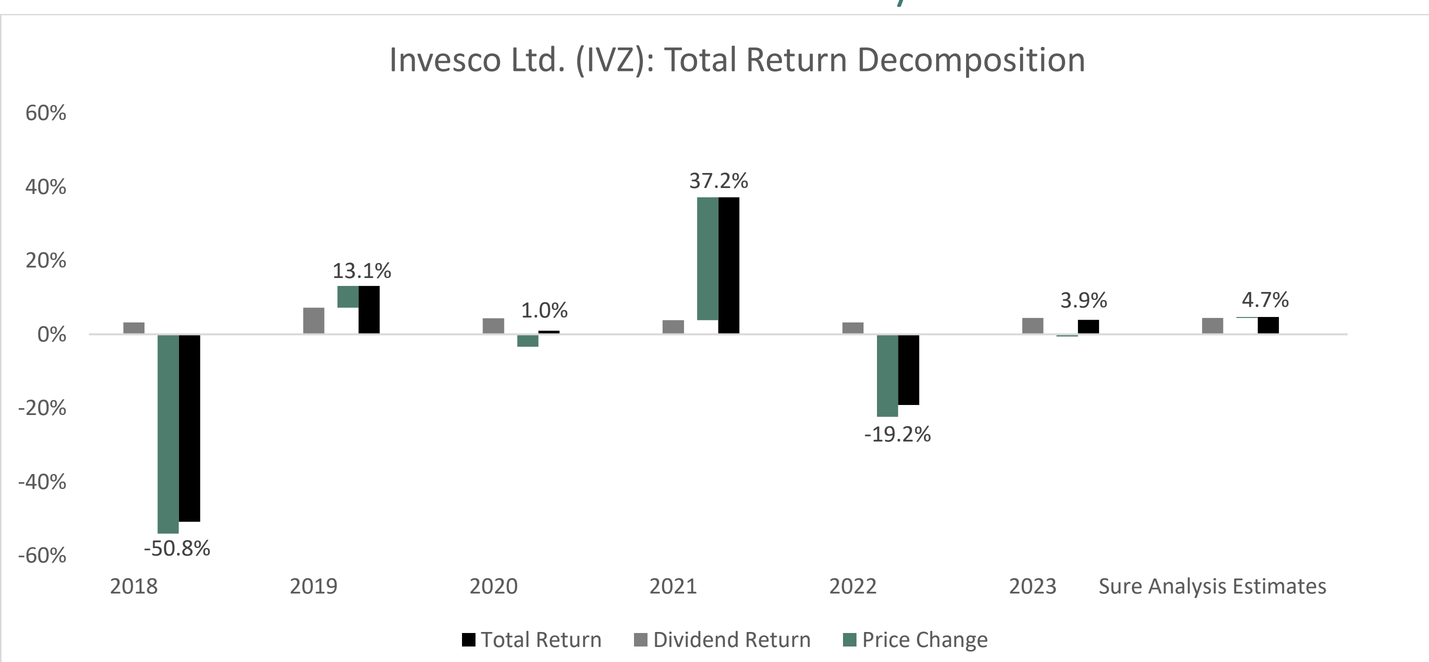
Invesco's dividend payout ratio peaked in the mid-50s in 2009, 2016, and 2023. Invesco cut its dividend by 50% during the first year of the pandemic. We do not think that there is a high risk for another dividend cut from the current level.

Invesco's strong credit rating, coupled with a compelling performance of Invesco's assets (around 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 is a competitive advantage. The trend of ETF investing has been negatively impacting Invesco, however, as companies such as Blackrock are better positioned in that area. Invesco is not resilient versus recessions and bear markets, as those can impact its profitability substantially.

Final Thoughts & Recommendation

Following excellent results in 2021, Invesco suffered from declining profitability for two years. While we believe that earnings-per-share will increase this year, profits will most likely remain well the below peak level seen a couple of years ago. Invesco's shares trade slightly ahead of our fair value estimate and the total return outlook is solid but not great, which is why we rate Invesco a hold 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	5,147	5,123	4,734	5,160	5,314	6,117	6,146	6,895	6,049	5,716
Gross Profit	2,122	2,148	1,958	2,174	2,212	2,515	2,390	2,834	2,438	2,005
Gross Margin	41.2%	41.9%	41.4%	42.1%	41.6%	41.1%	38.9%	41.1%	40.3%	35.1%
SG&A Exp.	509	477	409	429	459	540	564	523	495	554
D&A Exp.	89	94	101	117	142	178	204	205	195	
Operating Profit	1,277	1,358	1,221	1,381	1,342	1,429	1,251	1,722	1,339	(394)
Op. Margin	24.8%	26.5%	25.8%	26.8%	25.2%	23.4%	20.4%	25.0%	22.1%	-6.9%
Net Profit	988	968	854	1,127	883	688	762	1,630	921	(97)
Net Margin	19.2%	18.9%	18.0%	21.8%	16.6%	11.3%	12.4%	23.6%	15.2%	-1.7%
Free Cash Flow	1,067	1,004	506	1,046	726	992	1,115	969	510	1,301
Income Tax	391	398	338	268	255	235	262	531	322	(70)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	20,450	25,073	25,734	31,669	30,978	39,420	36,504	32,686	29,757	28,934
Cash & Equivalents	1,918	2,215	2,070	2,518	1,805	1,701	1,710	2,147	1,434	1,932
Acc. Receivable	707	702	650	754	715	1,029	917	1,318	1,006	
Goodwill & Int.	7,826	7,530	7,529	8,149	9,333	15,868	16,222	16,111	15,699	14,540
Total Liabilities	11,330	16,378	18,123	22,713	22,042	25,102	21,695	16,518	13,913	13,018
Accounts Payable	344	303	274	320	284	415	349	39	60	
Long-Term Debt	6,726	7,510	6,506	6,876	7,635	8,315	8,797	9,421	8,078	8,611
Total Equity	8,326	7,885	7,504	8,696	8,579	9,852	10,351	11,485	11,203	14,598
LTD/E Ratio	0.81	0.95	0.87	0.79	0.89	0.60	0.61	0.61	0.53	0.59

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.0%	4.3%	3.4%	3.9%	2.8%	2.0%	2.0%	4.7%	2.9%	-0.3%
Return on Equity	11.8%	11.9%	11.1%	13.9%	10.2%	7.5%	7.5%	14.9%	8.1%	-0.8%
ROIC	6.5%	6.0%	5.6%	7.5%	5.4%	3.5%	3.3%	6.6%	3.7%	-0.4%
Shares Out.	429	418	404	414	410	459	463	461	455	450
Revenue/Share	12.16	12.24	11.75	12.59	12.88	13.89	13.29	14.81	13.16	12.53
FCF/Share	2.52	2.40	1.26	2.55	1.76	2.25	2.41	2.08	1.11	2.85

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