Raymond James Financial (RJF)

Updated October 30th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$149	**5 Year CAGR Estimate:**	8.0%	**Market Cap:**	$31.3 B
Fair Value Price:	$128	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date[1]:**	12/27/24
% Fair Value:	117%	**5 Year Valuation Multiple Estimate:**	-3.1%	**Dividend Payment Date[1]:**	01/15/25
Dividend Yield:	1.2%	**5 Year Price Target**	$205	**Years Of Dividend Growth:**	12
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

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 74% of fiscal 2024 revenue is from the company's Private Client Group (wealth management) segment. Other segments are Capital Markets (11% of revenues), Asset Management (8%), and Banking (7%). The company has more than 16,000 employees and supports 8,787 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 October 23rd, 2024, Raymond James Financial released results for its fourth quarter of fiscal year 2024 for the period ending September 30th, 2024. For the quarter, the company reported a net income of $601 million, which is a 22% increase compared to the preceding quarter's net income of $491 million, and a 39% increase compared to the same quarter in the previous year. Earnings per diluted share for the quarter were $2.86, up from $2.31 in the preceding quarter and up from $2.02 in the same quarter of the previous year. Higher non-interest expenses and provisions for credit losses due to challenging macroeconomic conditions negatively impacted RJF's results in prior quarters. However, strong performances in investment banking and brokerage contributed positively to the Capital Markets segment's outcomes. The Private Client Group and Asset Management segments also showed solid performances, with past acquisitions partially bolstering financials. Quarterly net revenues of $3.46 billion were up 13% compared to the same quarter in the previous year and up 7% 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 $1.51 trillion. The Private Client Group recorded 9% growth in net revenues, Asset Management's net revenues rose 17%, and Capital Markets' top line increased 42%. However, the Bank segment experienced a 4% decline in net revenues year-over-year, though pre-tax income increased 26%. Financial assets under management increased to a record $244.8 billion. As of September 30th, 2024, the total capital ratio was 24.1%, and the Tier 1 capital ratio was 22.8%, both of which increased since June 2024.

For the full fiscal year 2024, Raymond James achieved record earnings per diluted share of $9.70, up 22% from fiscal 2023. Looking ahead, Raymond James Financial remains optimistic about growth, particularly in the Private Client Group and Asset Management segments. The company anticipates continued momentum from its M&A pipeline and is focused on attracting and retaining high-quality financial advisors to drive net new asset growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.29	$2.43	$3.39	$4.31	$4.93	$4.07	$7.05	$7.49	$7.97	$9.70	***$10.20***	***$16.43***
DPS	$0.48	$0.53	$0.59	$0.73	$0.91	$0.99	$1.04	$1.36	$1.68	$1.80	***$1.80***	***$3.32***
Shares[2]	212	214	212	216	218	207	205	215	217	212	***210***	***200***

[1] Estimated date

[2] In millions.

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The company has grown earnings by 17.4% per year over the past decade and 20.2% over the past five years. We expect earnings to increase by 10% 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 feasible. In the reported quarter, RJF repurchased 2.6 million shares for $300 million, with $645 million remaining under the buyback authorization.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.4	14.3	14.7	14.1	11.1	12.8	10.9	12.0	11.0	12.0	***14.6***	***12.5***
Avg. Yld.	1.9%	1.5%	1.2%	1.2%	1.7%	1.9%	1.3%	1.4%	1.5%	1.5%	***1.2%***	***1.6%***

During the past decade shares of Raymond James Financial have traded with an average price-to-earnings ratio of 12.9 times earnings and today, it stands at 14.6. 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 1.2% which is just below the average yield over the past decade of 1.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Payout	21%	22%	17%	17%	18%	24%	15%	18%	21%	19%	**18%**	**20%**

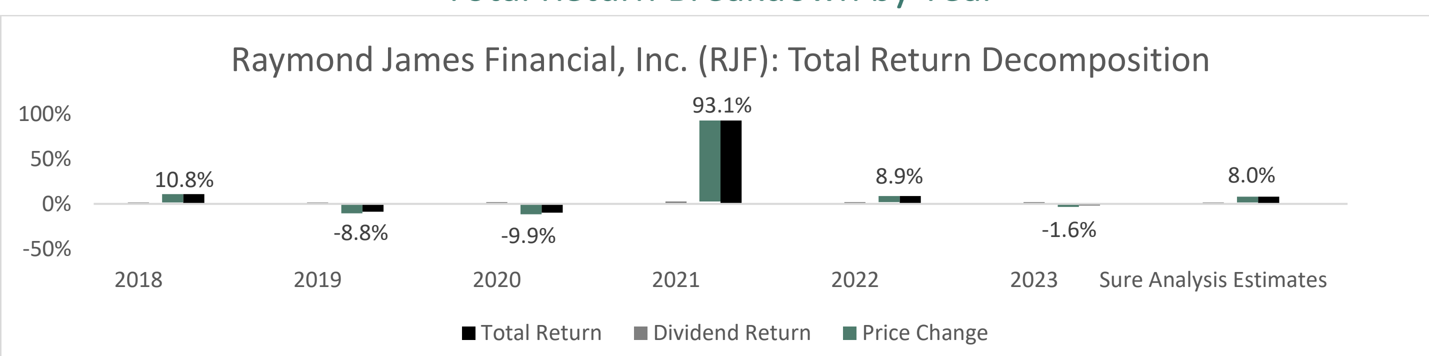
During the past five years, the company's dividend payout ratio has averaged around 18%. Raymond James Financial's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around 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 1.2%. The company should be able to grow client assets under management, organically and via acquisitions. We estimate total return potential of 8.0% per year for the next five years based on an 10% earnings-per-share growth, the dividend yield, and a valuation headwind. Shares earn a hold 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.