Hamilton Lane Inc. (HLNE)

Updated November 7th, 2024, by Kody Kester

Key Metrics

Current Price:	$190	**5 Year CAGR Estimate:**	5.0%	**Market Cap:**	$10.5B
Fair Value Price:	$124	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	12/13/24
% Fair Value:	153%	**5 Year Valuation Multiple Estimate:**	-8.2%	**Dividend Payment Date:**	01/07/25
Dividend Yield:	1.0%	**5 Year Price Target**	$228	**Years Of Dividend Growth:**	7
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Founded in 1991, Hamilton Lane Incorporated is a global private markets investment solutions provider which primarily serves institutional investors. Secondarily, HLNE also has a private wealth channel for non-institutional investors (e.g., family offices and high-net-worth individuals).

Globally, the company operates across nearly two dozen offices in the United States, Canada, Europe, Asia, the Middle East, Latin America, and Australia. HLNE provides clients with a variety of services, including private equity and private credit, real estate, venture capital, and infrastructure. The company's investment solutions are comprised of funds managed by third-party managers, direct investments alongside funds, and acquisitions of secondary stakes in funds.

As of September 30th, HLNE had $947.4 billion in assets under management. Of that amount, $816.1 billion was in non-discretionary assets, with the remaining $131.4 billion in discretionary assets. In the fiscal year 2024, which ended March 31st, no single client made up more than 3% of the company's management and advisory fee revenue. Furthermore, the top 10 clients only generated roughly 14% of management and advisory fee revenue in FY 2024.

On November 6th, HLNE released its financial results for the fiscal second quarter ended September 30th. The company's total revenue climbed 18.2% over the year-ago period to $150 million in the quarter. A 70.8% year-over-year jump in incentive fees accounted for the majority of this topline growth during the quarter. The remaining revenue growth was fueled by a 9.7% increase in management and advisory fees to $119.8 million for the quarter. That was due to a similar rate of growth in assets under management via market appreciation. HLNE's non-GAAP EPS rose by 20.2% over the year-ago period to $1.07 in the quarter. This missed the analyst consensus by $0.02 during the quarter. That was made possible by a 120-basis point expansion in the non-GAAP net profit margin to 38.8% for the quarter.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-	-	$0.89	$1.64	$1.91	$2.01	$2.73	$4.39	$3.34	$3.92	***$4.95***	***$9.12***
DPS	-	-	-	$0.70	$0.85	$1.10	$1.25	$1.40	$1.60	$1.78	***$1.96***	***$3.45***
Shares[1]	-	-	52.8	53.1	53.3	53.5	53.6	53.7	53.7	53.9	***55.4***	***57.4***

Since its IPO in 2017, HLNE has compounded its non-GAAP EPS by nearly 24% annually. The company's non-GAAP earnings base is much bigger now, so we expect growth to be markedly slower than that rate. Yet, HLNE's growth prospects are still promising with organic growth via new clients and greater existing client account balances. Bolt-on acquisitions remain another growth avenue for HLNE. This is why we continue to anticipate 13% annual growth in non-GAAP EPS through 2029. That level of growth should also allow annual dividend growth in the low- double-digits to persist in the years ahead.

[1] Share count is in millions.

Hamilton Lane Inc. (HLNE)

Updated November 7th, 2024, by Kody Kester

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	-	-	20.5	25.7	22.9	24.4	33.3	17.8	23.1	28.8	***38.3***	***25.0***
Avg. Yld.	-	-	-	1.9%	2.0%	2.2%	1.4%	1.8%	2.2%	1.6%	***1.1%***	***1.5%***

HLNE's P/E ratio has ranged from the high teens to the mid-30s in its corporate history. Over that time, the average P/E ratio has been approximately 25. In the years to come, we still view this as a reasonable fair value multiple because of HLNE's double-digit growth profile. The continued climb of the stock in recent weeks has pushed its current-year P/E ratio up to 38.3. Even the forward P/E ratio of 35.4 is elevated well beyond our fair value multiple, so the valuation is still stretched.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	-	43%	45%	55%	46%	32%	48%	45%	***40%***	***38%***

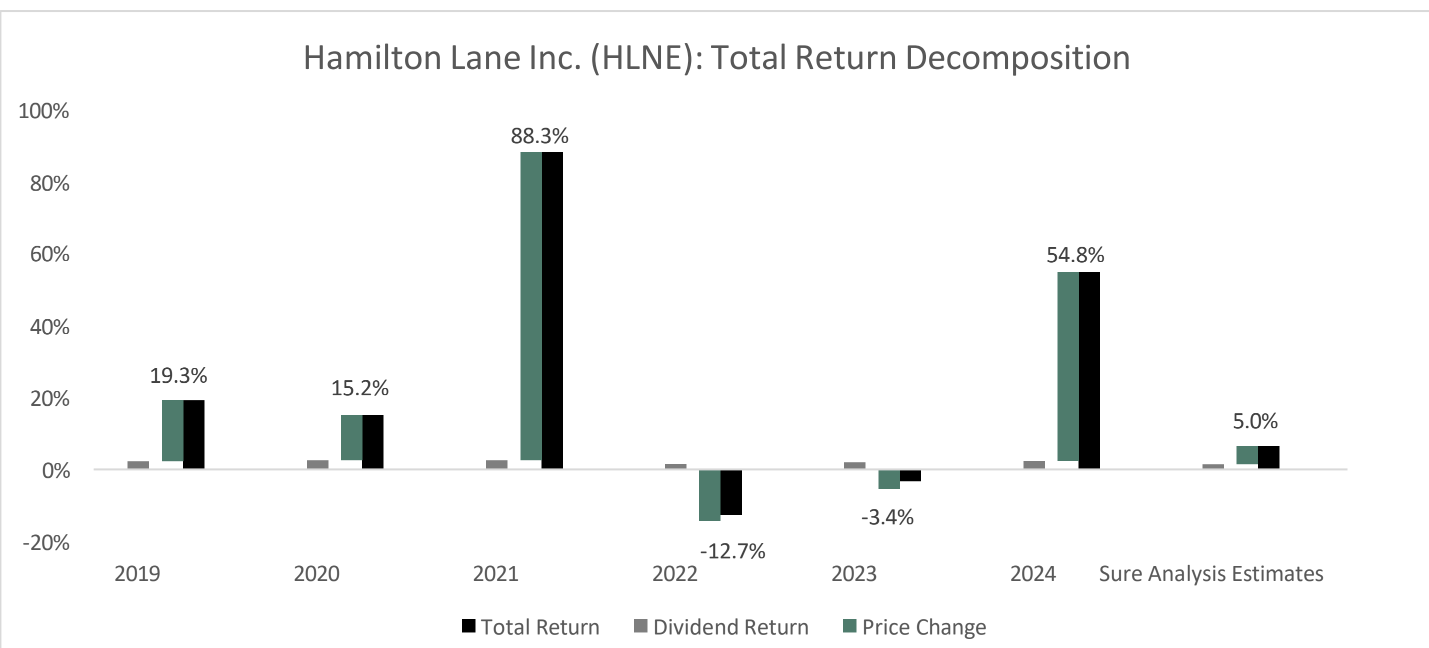
In its corporate history, HLNE has done right by its clients, generating excellent returns. This has earned the company a trusted reputation as a leader within its industry, which helps it to keep existing clients and attract new clients. That also explains how HLNE has consistently grown its non-GAAP EPS over the years.

The company's interest coverage ratio was 52.8x in the first half of FY 2025 ended September 30th. That's vigorous, and means HLNE is a financially solvent business. Not to mention that the dividend payout ratio is poised to be in the high 30% to low 40% range for FY 2025. Barring a major catastrophe, that should allow HLNE to keep upping the dividend for at least the next few years.

Final Thoughts & Recommendation

HLNE's 1.0% dividend yield, 13.0% annual non-GAAP EPS growth prospects, and 8.2% annual valuation multiple contraction may generate 5.0% annual total returns through 2029. The additional surge in the stock in recent weeks has overextended the valuation even more. As a result, we're maintaining our hold rating.

Total Return Breakdown by Year



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.

Hamilton Lane Inc. (HLNE)

Updated November 7th, 2024, by Kody Kester

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	155	181	180	244	252	274	342	368	529	554
Gross Profit	95	89	108	161	153	188	225	260	379	387
Gross Margin	61.3%	49.1%	59.9%	66.0%	60.7%	68.7%	65.9%	70.5%	71.8%	70.0%
SG&A Exp.	27	27	32	38	49	72	70	90	139	142
D&A Exp.	2	2	2	2	3	3	4	5	7	8
Operating Profit	68	62	76	123	104	116	156	170	240	246
Operating Margin	44.0%	34.2%	42.3%	50.4%	41.3%	42.5%	45.6%	46.1%	45.4%	44.4%
Net Profit	-	-	1	17	34	61	98	146	109	141
Net Margin	0.0%	0.0%	0.3%	7.1%	13.3%	22.2%	28.7%	39.7%	20.6%	25.4%
Free Cash Flow	73	108	80	94	106	110	169	161	222	110
Income Tax	0	1	0	33	31	14	24	66	55	54

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	202	197	241	294	361	474	1,137	1,295	1,141	1,271
Cash & Equivalents	67	69	32	48	49	50	87	72	112	115
Accounts Receivable	16	12	12	15	20	30	29	52	47	108
Total Liabilities	128	309	154	158	191	236	546	557	566	595
Accounts Payable	2	1	1	2	3	2	2	3	5	5
Long-Term Debt	108	243	84	84	71	75	163	171	214	196
Shareholder's Equity	56	(123)	60	78	110	155	238	347	415	525
LTD/E Ratio	1.92	(1.97)	1.40	1.07	0.64	0.48	0.69	0.49	0.51	0.37

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets		0.0%	0.3%	6.5%	10.3%	14.6%	12.2%	12.0%	9.0%	11.7%
Return on Equity				15.6%	22.0%	29.9%	23.7%	22.0%	16.6%	22.5%
ROIC		0.0%	0.4%	8.9%	14.6%	22.0%	18.4%	17.6%	12.9%	17.0%
Shares Out.	-	-	52.8	53.1	53.3	53.5	53.6	53.7	53.7	53.9
Revenue/Share	9.10	10.59	9.80	12.85	10.38	9.64	10.24	6.85	9.85	10.27
FCF/Share	4.28	6.34	4.38	4.97	4.37	3.88	5.05	3.00	4.13	2.04

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