



Blue Owl Capital (OWL)

Updated December 27th, 2024 by Samuel Smith

Key Metrics

Current Price:	\$23.6	5 Year CAGR Estimate:	11.1%	Market Cap:	\$35.9 B
Fair Value Price:	\$19.5	5 Year Growth Estimate:	12.4%	Ex-Dividend Date:	2/22/25 ¹
% Fair Value:	121%	5 Year Valuation Multiple Estimate:	-3.7%	Dividend Payment Date:	3/5/25 ²
Dividend Yield:	3.1%	5 Year Price Target	\$35	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Blue Owl Capital is one of the world's largest alternative asset managers that offers primarily permanent capital solutions to clients. It is headquartered in New York City and went public in 2021. Its largest business segment is direct lending, but it also offers general partner private equity investment solutions and manages a large triple net lease real estate investment portfolio.

Blue Owl Capital (OWL) delivered another strong quarter in Q3. Over the last 12 months, management fees have grown by 26%, fee-related earnings (FRE) by 27%, and distributable earnings by 22%. These achievements reflect Blue Owl's stable business model, with 91% of management fees derived from permanent capital, ensuring predictable earnings even amid volatile markets. The firm's focus on sectors like direct lending, alternative credit, and digital infrastructure aligns with secular trends, offering high growth potential.

Blue Owl's strategic acquisitions have further diversified its portfolio. The recent acquisition of IPI gives it access to the digital infrastructure market, which includes hyperscale data centers with tenants such as top-tier technology and AI companies. This move complements Blue Owl's existing net lease business, creating synergies and opportunities for new products tailored to the wealth management channel. Similarly, the integration of Atalaya, a leader in alternative credit, strengthens Blue Owl's ability to provide bespoke solutions across credit markets. Fundraising also remains strong, with \$7.9 billion raised in Q3, including \$4.2 billion from private wealth—a record for this channel. Institutional fundraising also grew, reflecting diversification across investor bases and product lines. Gross inflows into perpetual products reached \$9.3 billion over the last 12 months, a 67% increase year-over-year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	---	---	---	---	---	---	\$0.32	\$0.53	\$0.65	\$0.78	\$1.40
DPS	---	---	---	---	---	---	---	\$0.13	\$0.48	\$0.56	\$0.72	\$1.20
Shares	---	---	---	---	---	---	---	404.9	445.6	465.7	568.4	600.0

OWL is currently growing rapidly as it strives to rapidly scale its three asset management platforms and achieve economies of scale. OWL's business model is uniquely structured in the alternative asset management space to avoid generating any carried interest while also consisting primarily of permanent capital. As a result, its earnings stream is expected to be much more stable than those of its peers. OWL's fundraising outlook appears to be strong for the foreseeable future despite the deceleration in the growth rate, and its permanent capital, carried interest-free earnings stream should be able to be quite resilient in the face of economic turmoil. On top of that, its general partner solutions and triple net lease real estate businesses should be able to generate exceptionally stable earnings through economic cycles while its direct lending platform benefits from rising interest rates. As a result, we estimate that earnings per share will grow at a 12.4% CAGR over the next half decade and expect the dividend per share to grow rapidly over that same period as well.

¹ Estimated

² Estimated

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	2013	2014	2015	2016	2017	2018	2019	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	---	---	---	43.4	21.9	21.3	30.3	25.0
Avg. Yld.	---	---	---	---	---	---	---	0.90%	4.10%	4.1%	3.1%	3.4%

OWL has a very short operating history as a public company and therefore it is difficult to know exactly what valuation multiple is fair. Given that the company is still growing quickly in its early stages and recently expanded into the digital infrastructure space that should benefit from the rapid growth of artificial intelligence, we think a relatively high valuation multiple of 25 times is warranted.

Safety, Quality, Competitive Advantage, & Recession Resiliency

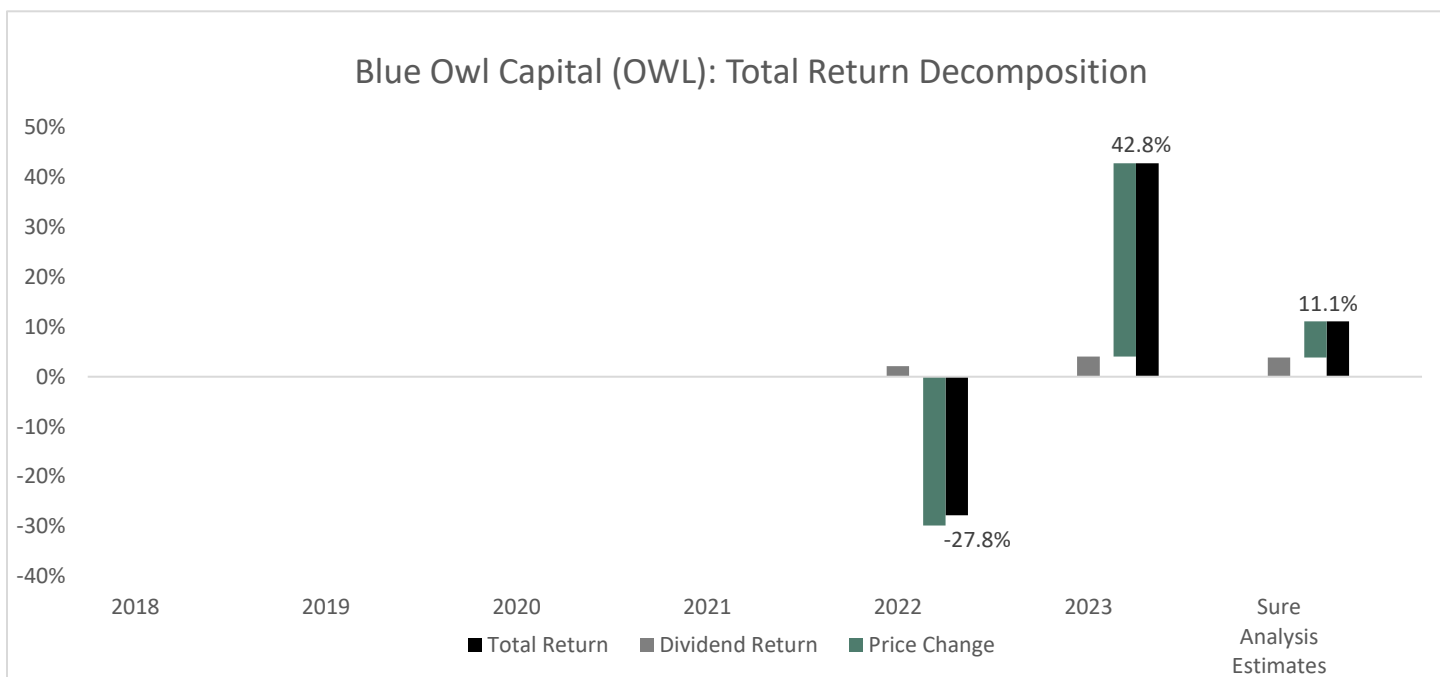
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	---	---	41%	91%	86%	92%	86%

OWL's competitive advantage stems from its large and dominant market positioning in both direct lending and general partner private equity solutions. As a result, it should be able to continue raising funds at a strong pace in the coming years to further scale those businesses. While OWL has not operated through a recession before, we think it is better positioned than many asset managers to weather an economic storm given that almost all its assets under management is permanent capital and it does not accrue carried interest on its balance sheet either, resulting in a very stable earnings stream. Its balance sheet is also quite strong given its investment grade credit rating.

Final Thoughts & Recommendation

OWL offers investors pretty attractive risk-reward at the moment thanks to its very strong expected earnings per share and dividend per share growth over the next half decade backed by a solid investment grade balance sheet and a fairly defensively positioned and well-diversified business model. That said, the recent rise in the stock price means that it will likely face some valuation multiple contraction headwinds in the coming years. Overall, it offers investors an 11.1% projected annualized total return over the next half-decade, and we rate it a Buy for dividend growth investors.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue						191	250	824	1,370	1,732
Gross Profit						79	9	(673)	475	861
Gross Margin						41.4%	3.6%	-81.7%	34.7%	49.7%
SG&A Exp.						52	68	140	221	243
D&A Exp.						1	1	115	259	311
Operating Profit						27	(59)	(927)	(2)	318
Operating Margin						14.3%	-23.5%	-113%	-0.2%	18.4%
Net Profit						23	(78)	(376)	(9)	54
Net Margin						12.0%	-31.2%	-45.7%	-0.7%	3.1%
Free Cash Flow						43	5	276	663	881
Income Tax						0	(0)	(65)	(9)	26

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets							122	8,266	8,893	8,818
Cash & Equivalents							12	43	68	104
Accounts Receivable								5	12	16
Inventories										
Goodwill & Int. Ass.							-	6,744	6,611	6,334
Total Liabilities							623	2,419	3,344	3,540
Accounts Payable										
Long-Term Debt							356	1,174	1,625	1,681
Shareholder's Equity							(508)	1,664	1,605	1,528
LTD/E Ratio							(0.70)	0.71	1.01	1.10

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets								-9.0%	-0.1%	0.6%
Return on Equity								-14.1%	-0.2%	1.0%
ROIC								-10.9%	-0.1%	0.8%
Shares Out.								404.9	445.6	455.7
Revenue/Share						0.60	0.78	0.63	3.16	3.62
FCF/Share						0.13	0.01	0.21	1.53	1.84

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

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