Artisan Partners Asset Management (APAM)

Updated February 11th, 2025, by Josh Arnold

Key Metrics

Current Price:	$45	**5 Year CAGR Estimate:**	10.6%	**Market Cap:**	$3.6 B
Fair Value Price:	$39	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	02/14/25
% Fair Value:	117%	**5 Year Valuation Multiple Estimate:**	-3.1%	**Dividend Payment Date:**	02/28/25
Dividend Yield:	7.5%	**5 Year Price Target**	$57	**Years Of Dividend Growth:**	1
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Buy

Overview & Current Events

Artisan Partners Asset Management Inc. is a global investment management firm that provides a broad range of high value asset investment strategies across several asset classes. Artisan executed its initial public offering on March 1st, 2013. The company has been a very shareholder-friendly allocator of capital since then, paying special dividends of $0.95 per share in 2015, $0.40 per share in 2016, $0.36 per share in 2017, $0.79 per share in 2018, $1.03 in 2019, $0.31 in 2020, $0.72 in 2021, $0.35 for 2022, $0.35 in 2023, and $0.50 in 2024, in addition to its ample quarterly dividend. Artisan generates about $1.15 billion in annual revenue and trades with a market capitalization of $3.6 billion.

Artisan posted fourth quarter and full-year earnings on February 4th, 2025, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to $1.05, which was a dime ahead of estimates. Revenue was up 19% year-over-year to $297 million, beating estimates by $4.3 million. The gain in the top line was due primarily to higher average assets under management, and a $10.6 million increase in performance fee revenue.

Adjusted operating income was up 12%, and adjusted operating margin was up 180 basis points, with performance fees recognized coming in at $17 million.

AUM was $161 billion, up 7% year-over-year. The change was due to investment returns of $15.9 billion, partially offset by $3.7 billion in net cash outflows and $1.2 billion of distributions that were not reinvested.

For the full year, revenue rose 14%, while adjusted operating income rose 22%. We start 2025 with adjusted earnings-per-share of $3.50, which would represent very little change from 2024, if achieved.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.69	$2.13	$2.41	$2.94	$2.67	$3.30	$5.03	$3.11	$2.89	$3.55	***$3.50***	***$5.14***
DPS	$2.40	$2.40	$2.40	$2.40	$2.36	$2.79	$3.92	$3.67	$2.66	$2.82	***$3.36***	***$3.71***
Shares[1]	39	42	51	54	56	63	67	68	69	70	***70***	***72***

Artisan has failed to generate meaningful per-share growth since its initial public offering, due largely to a ballooning share count. Because of this, we are hesitant to expect significant growth from the firm moving forward. Our 5-year earnings-per-share growth estimate for Artisan is 8%, however, as we see the company's rising margins and focus on expense management as driving outsized earnings growth in the coming years, along with strong equity markets supporting higher AUM.

Income investors should note that the dividend figures listed in the above table exclude the numerous special dividends paid by the company since its IPO in 2013. Artisan pays a regular quarterly dividend, but it also pays out significant special dividends annually. The company's policy is to pay out 80% of the cash the company generates. At the end of the year, the board considers several factors, and determines a variable special dividend. For instance, the total yield in 2024 was in excess of 8% including special dividends.

[1] Share count in millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.1	13.7	13.0	10.9	10.2	10.6	10.0	9.5	15.3	12.1	***12.9***	***11.0***
Avg. Yld.	5.4%	8.3%	7.7%	7.5%	8.9%	8.0%	7.8%	12.3%	6.0%	6.6%	***7.5%***	***6.6%***

Like many firms, Artisan traded at elevated levels for some time following its initial public offering. Because of this, we do not believe that the company's historical valuation multiples are indicative of its fair value. Instead, we believe that a fair value for Artisan lies somewhere around 11 times earnings. The company is trading at a price-to-earnings ratio of 12.9 today. With the $3.36 annualized dividend, the stock is yielding 7.5%, excluding any special dividend received this year. We also note that because of Artisan's unusual policy of paying out most of its earnings on a variable basis, we could potentially see higher dividend payments than currently forecast if equity markets perform well. It works in the other direction, too, and actual dividends could be lower than forecast.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	89%	113%	100%	82%	89%	85%	78%	118%	92%	79%	***96%***	***72%***

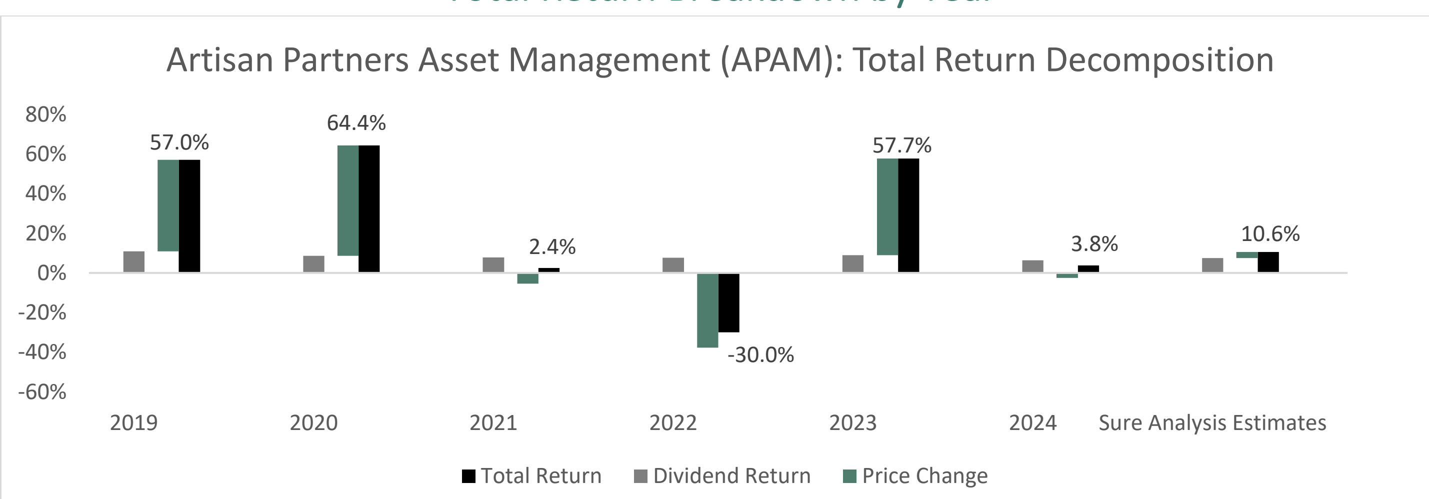
Artisan's payout ratio is 96% of earnings at current projections, but investors should keep in mind that Artisan generally pays special dividends at the end of the year, and that its quarterly dividend policy is variable. Thus, how the payout ratio performs depends significantly upon how much earnings the company can generate.

Artisan wasn't public during the Great Recession, but we expect the damage to earnings could be meaningful during a prolonged recession that brings with it lower equity prices. Artisan is a highly cyclical company, so investors looking for safety and defensiveness would look elsewhere. Adding to this risk, Artisan's competitive advantage of its well-performing funds hasn't resonated with customers. We do note that Artisan performed extremely well in 2020, and 2021 produced record earnings, but 2023 was back on track with historical results.

Final Thoughts & Recommendation

Artisan can be seen as a leveraged play on the equity markets. When markets are rising, the company will benefit from ballooning AUM due to market returns and stronger client inflows. Conversely, the company will likely perform very poorly during a bear market, as it did at the end of 2018, and indeed in 2022. We are moving the stock from hold to buy after Q4 results on a slightly raised total return outlook. Returns should accrue from 8% earnings growth, the 7.5% yield, and a 3.1% headwind from the valuation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	805	721	796	829	799	900	1,227	993	975	1112
SG&A Exp.	109	103	106	111	115	105	124	483	142	151
D&A Exp.	5	5	5	6	6	7	7	8	9	---
Operating Profit	282	234	286	305	283	358	541	344	304	367
Operating Margin	35.1%	32.5%	36.0%	36.8%	35.5%	39.8%	44.0%	34.6%	31.1%	33.0%
Net Profit	82	73	50	158	157	213	337	207	222	260
Net Margin	10.2%	10.1%	6.2%	19.1%	19.6%	23.6%	27.4%	20.8%	22.8%	23.4%
Free Cash Flow	314	263	220	319	275	316	393	293	244	---
Income Tax	47	51	421	48	28	61	107	63	72	91

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	946	936	837	805	934	1,152	1,208	1314	1406	1619
Cash & Equivalents	166	157	159	175	144	199	189	115	141	201
Accounts Receivable	60	60	90	71	81	101	116	99	101	119
Total Liabilities	829	818	729	665	795	961	912	899	802	869
Accounts Payable	18	16	25	21	54	134	37	54	78	113
Long-Term Debt	199	199	199	199	199	199	199	199	199	199
Shareholder's Equity	130	132	110	135	133	180	296	279	351	422
LTD/E Ratio	1.53	1.51	1.81	1.48	1.50	1.10	0.67	0.71	0.57	0.47

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.1%	7.8%	5.6%	19.3%	18.0%	20.4%	28.5%	16.4%	16.8%	17.2%
Return on Equity	67.9%	55.8%	41.1%	129%	117%	136%	141%	74.4%	72.5%	38.4%
ROIC	38.6%	23.1%	15.9%	48.9%	46.2%	58.4%	76.0%	33.9%	31.4%	29.6%
Shares Out.	39	42	51	54	56	63	67	62	69	70
Revenue/Share	22.72	18.90	17.82	16.96	15.63	16.18	18.79	14.59	14.13	15.79
FCF/Share	8.86	6.90	4.93	6.54	5.38	5.67	6.56	4.69	3.85	---

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