Hamilton Lane Inc. (HLNE)

Updated February 5th, 2025, by Kody Kester

Key Metrics

Current Price:	$168	**5 Year CAGR Estimate:**	7.0%	**Market Cap:**	$9.2B
Fair Value Price:	$121	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	03/14/25
% Fair Value:	139%	**5 Year Valuation Multiple Estimate:**	-6.4%	**Dividend Payment Date:**	04/04/25
Dividend Yield:	1.2%	**5 Year Price Target**	$222	**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 that 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 December 31st, 2024, HLNE had $956 billion in assets under management. Of that amount, $821.2 billion was in non-discretionary assets, with the remaining $134.7 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 February 4th, HLNE shared its financial results for the fiscal third quarter ended December 31st. The company's total revenue jumped 34.3% year-over-year to $168.3 million during the quarter. The company's 254.3% spike in incentive fees over the year-ago period fueled the vast majority of this top-line growth in the quarter. The other portion of revenue growth came from an 11.1% increase in management and advisory fees to $126.3 million for the quarter. That was thanks to growth in assets under management stemming from market appreciation versus the prior year. HLNE's non-GAAP EPS soared 76.1% year-over-year to $1.25 during the quarter. This was $0.15 higher than the analyst consensus in the quarter. That was powered by a 980-basis point expansion in the non-GAAP net profit margin to 40.4% 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	***$4.82***	***$8.88***
DPS	-	-	-	$0.70	$0.85	$1.10	$1.25	$1.40	$1.60	$1.78	***$1.96***	***$3.16***
Shares[1]	-	-	52.8	53.1	53.3	53.5	53.6	53.7	53.7	53.9	***54.5***	***55.6***

Since its IPO in 2017, HLNE has compounded its non-GAAP EPS by almost 24% annually. The company's non-GAAP earnings base is several times larger now, so we expect growth to materially slow from that rate in the years to come. However, 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're maintaining our forecast for 13% annual growth in non-GAAP EPS through FY 2030. That level of growth should also allow annual dividend growth of around 10% to continue for the foreseeable future.

[1] Share count is 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	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	***34.8***	***25.0***
Avg. Yld.	-	-	-	1.9%	2.0%	2.2%	1.4%	1.8%	2.2%	1.6%	***1.2%***	***1.4%***

HLNE's P/E ratio has ranged from the high teens to the mid-30s in its corporate history thus far. Over that time, the average P/E ratio has been around 25. We remain convinced that this is a reasonable fair value multiple going forward because of HLNE's double-digit growth potential. Over the last few months, shares of HLNE have corrected. However, the current-year P/E ratio remains elevated at 34.8. This is still significantly above the fair value P/E ratio estimate of 25, so the near-term share price upside could remain limited.

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%	***41%***	***36%***

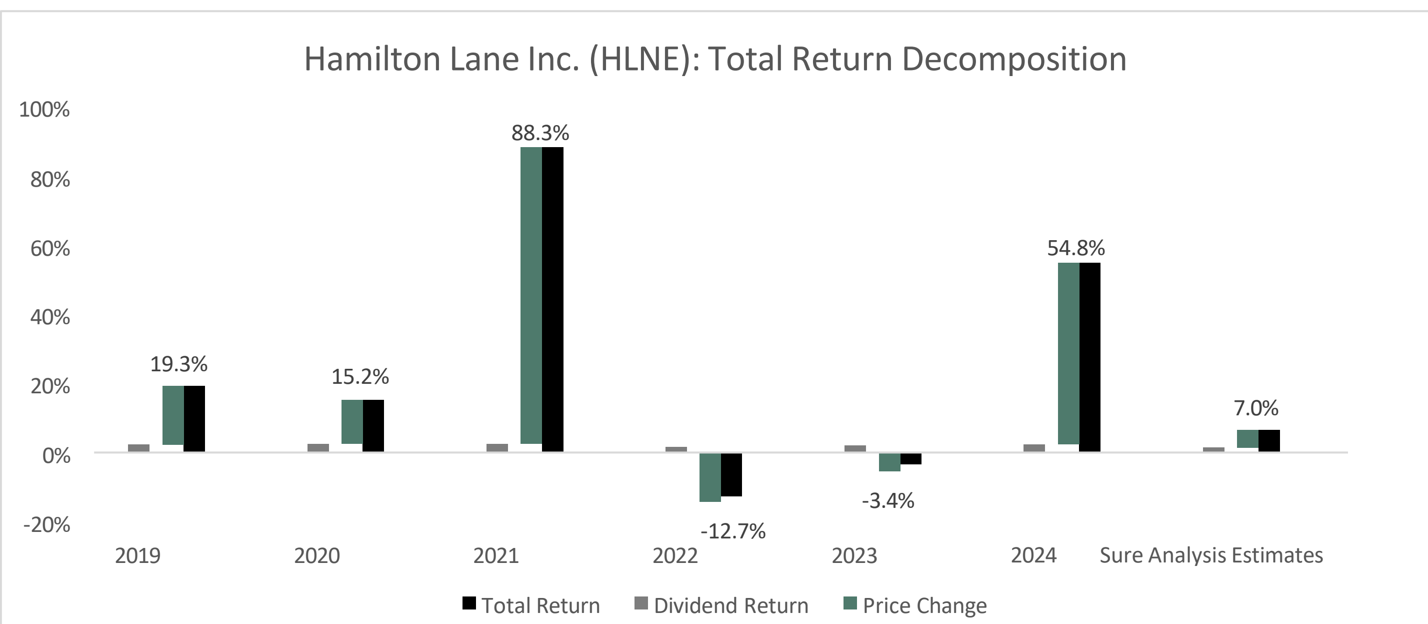
Throughout its corporate history, HLNE has done right by its clients, generating excellent returns. This has earned the company a trusted reputation as a leader within its industry, which helps it to keep existing clients and attract new clients. That also explains how HLNE has consistently grown its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

As of December 31st, the company's net cash/investment balance was $745.9 million. For a business of HLNE's size, that's considerable liquidity. Not to mention that the dividend payout ratio is still set up 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 1.2% dividend yield, 13.0% annual non-GAAP EPS growth prospects, and 6.4% annual valuation multiple downside could help it deliver 7.0% annual total returns through 2030. While the extent of HLNE's overvaluation isn't quite as much as it was three months ago, it's still too much to warrant a buy rating. Thus, we're standing by our hold rating for now.

Total Return Breakdown by Year



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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.