Blue Owl Capital (OWL)

Updated February 10th, 2025 by Samuel Smith

Key Metrics

Current Price:	$23.6	**5 Year CAGR Estimate:**	12.7%	**Market Cap:**	$35.2B
Fair Value Price:	$18.4	**5 Year Growth Estimate:**	15.0%	**Ex-Dividend Date:**	2/19/25
% Fair Value:	128%	**5 Year Valuation Multiple Estimate:**	-4.9%	**Dividend Payment Date:**	2/28/25
Dividend Yield:	3.1%	**5 Year Price Target**	$37	**Years Of Dividend Growth:**	3
Dividend Risk Score:	F	**Retirement Suitability Score:**	F	**Rating:**	Buy

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 reported a record quarter and year, highlighting its continued expansion, strong fundraising momentum, and robust financial performance. The firm raised $9.5 billion in equity capital during the fourth quarter, bringing the full-year total to $27.5 billion, up 75% from 2023. Including debt, total fundraising reached $47 billion. Assets under management now stand at $250 billion, and pro forma for its recent IPI acquisition, AUM has reached $265 billion. The company also delivered strong earnings growth, reporting fee-related earnings of $0.23 per share and distributable earnings of $0.21 per share for the quarter. For the full year, FRE reached $0.86 per share, while DE was $0.77 per share. The firm announced a 25% dividend increase for 2025, setting an annual payout of $0.90 per share. The firm's success was driven by expansion across multiple investment areas, including direct lending, GP stakes, net lease real estate, and alternative credit. Blue Owl continued to see robust investor demand for its differentiated products, with private wealth fundraising contributing over $13.5 billion in 2024, up 50% from the prior year. Institutional fundraising was also strong, reaching $13.8 billion for the year. The firm remains optimistic about 2025, with new product launches planned in alternative credit, digital infrastructure, and European net lease strategies. In direct lending, the firm deployed $52 billion on a gross basis and $16.6 billion net, demonstrating its ability to scale in a competitive market. Refinancings and repayments remained high, reflecting the strength of its incumbent borrower relationships. Credit quality remained solid, with low nonaccruals, strong underlying borrower growth, and a minimal 11-basis-point realized loss rate. The alternative credit platform, acquired in 2024, has been successfully integrated, and the firm expects to launch a new retail-focused credit product in 2025. GP stakes performed well, with portfolio AUM growing 11% in 2024. The firm executed two strip sales in the latter half of the year, generating $1.4 billion in proceeds at a 4.1x gross multiple. Blue Owl returned $2.4 billion to GP stakes fund investors in 2024, showcasing the liquidity benefits of its strategy. In real assets, the firm deployed $7.5 billion at an average 8% cap rate, while successfully monetizing over $0.5 billion of assets at a 5.9% cap rate, capturing significant spread. Fundraising for its European net lease strategy is approaching $1 billion, moving toward a $1.5 billion target. With the IPI acquisition closing in early 2025, the firm now oversees $14 billion in digital infrastructure assets and expects to reach a $7 billion hard cap on its flagship digital fund shortly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	---	---	---	---	---	---	$0.32	$0.53	$0.65	$0.77	***$0.92***	***$1.85***
DPS	---	---	---	---	---	---	$0.13	$0.48	$0.56	$0.72	***$0.72***	***$1.60***
Shares	---	---	---	---	---	---	404.9	445.6	465.7	568.4	***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

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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 15% CAGR over the next half decade and expect the dividend per share to grow rapidly over that same period as well.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	---	---	---	43.4	21.9	21.3	30.3	***25.7***	***20.0***
Avg. Yld.	---	---	---	---	---	---	0.9%	4.1%	4.1%	3.1%	***3.1%***	***4.3%***

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 20 times is warranted.

Safety, Quality, Competitive Advantage, & Recession Resiliency

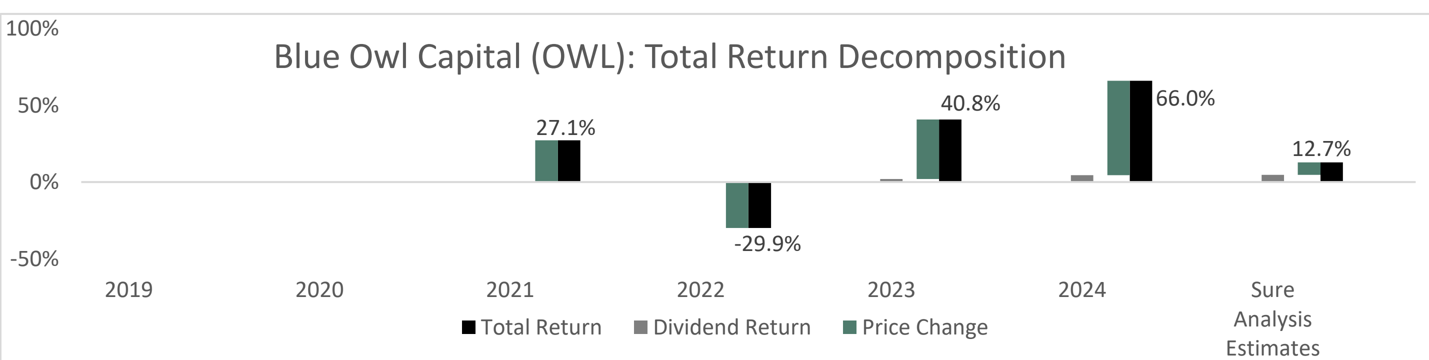
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	41%	91%	86%	94%	***78%***	***86%***

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 a 12.7% projected annualized total return over the next half-decade, and we rate it a Buy for dividend growth investors.

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.

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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.