



T. Rowe Price Group Inc. (TROW)

Updated February 11th, 2025, by Nathan Parsh

Key Metrics

Current Price:	\$109	5 Year CAGR Estimate:	10.3%	Market Cap:	\$24 B
Fair Value Price:	\$129	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/14/25
% Fair Value:	84%	5 Year Valuation Multiple Estimate:	3.5%	Dividend Payment Date:	03/29/25
Dividend Yield:	4.7%	5 Year Price Target:	\$150	Years Of Dividend Growth:	39
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

T. Rowe Price Group, founded in 1937 and headquartered in Baltimore, MD, is one of the largest publicly traded asset managers. The company provides a broad array of mutual funds, sub-advisory services, and separate account management for individual and institutional investors, retirement plans and financial intermediaries. T. Rowe Price has a market capitalization of about \$24 billion and had assets under management (AUM) of more than \$1.6 trillion as of December 31st, 2024.

On February 5th, 2025, T. Rowe Price announced fourth quarter and full year results for the period December 31st, 2024. For the quarter, revenue increased 11% to \$1.82 billion, though this was \$50 million less than expected. Adjusted earnings-per-share of \$2.12 compared favorably to \$1.72 in the prior year, but missed estimates by \$0.08. For the year, revenue grew 9.8% to \$7.1 billion while adjusted earnings-per-share of \$9.33 compared to \$7.59 in 2023.

During the quarter, AUMs of \$1.639 billion were up 19.2% year-over-year and 3.1% sequentially. Market appreciation of \$205.3 billion was partially offset by \$43.2 billion of net client outflows. Operating expenses of \$1.26 billion increased 0.1% year-over-year and 6.4% quarter-over-quarter.

We expect T. Rowe Price to earn \$9.23 per share in 2025.

On February 11th, 2025, T. Rowe Price raised its quarterly dividend 2.4% to \$1.27, marking the company's 39th year of increasing its payout.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.63	\$4.84	\$6.13	\$7.01	\$8.07	\$9.58	\$12.75	\$8.02	\$7.59	\$9.33	\$9.23	\$10.70
DPS	\$2.08	\$2.16	\$2.28	\$2.80	\$3.04	\$3.60	\$4.32	\$4.80	\$4.88	\$4.96	\$5.08	\$5.89
Shares¹	250	245	245	238	235	231	229	225	224	223	223	200

T. Rowe Price's earnings, as well as its dividends, have grown substantially over the last decade. While earnings did drop during the last financial crisis, the overall record has been solid. Since 2015, the company has grown earnings-per-share by an average compound rate of 8.1% per year, though EPS is down slightly over the last five years. Moreover, the company performed well in 2020.

Asset managers like T. Rowe have low variable costs. As a result, higher revenues, driven primarily by increasing assets under management, allow for margin expansion and attractive earnings growth rates. Assets under management grow in two basic ways: increased contributions and higher underlying asset values. While asset values are finicky, the trend is upward over the long-term. On the contribution side, T. Rowe Price's strong past performance is a key selling point and could attract customers going forward. In addition, T. Rowe has another growth lever in the way of share repurchases.

With that being said there is a significant and ongoing challenge for traditional asset managers. Namely, the advance of low-cost ETFs, where other asset managers such as Blackrock or Vanguard are much better positioned. This could lead to lower growth rates for T. Rowe Price, as managers are forced to compete on price and reduce management fees.

¹ 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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Taking the company’s strong history and solid financial position paired against a challenging industry, we are forecasting 3% growth over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.7	14.7	13.1	15.6	12.4	12.8	14.5	13.6	14.2	12.1	11.8	14.0
Avg. Yld.	2.7%	3.0%	2.8%	2.6%	2.8%	2.8%	2.3%	4.4%	4.5%	4.4%	4.7%	3.9%

Shares of T. Rowe have declined \$3, or 2.7%, since our November 3rd, 2024 update. The stock has traded hands with an average P/E ratio of about 14 times earnings in the last decade. We believe this is a reasonable starting point, taking into consideration an excellent balance sheet paired with moderate growth potential. With shares trading below this level, we forecast a slight valuation tailwind. Multiple expansion could increase annual returns by 3.5% through 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	45%	45%	37%	40%	38%	38%	34%	60%	64%	53%	55%	55%

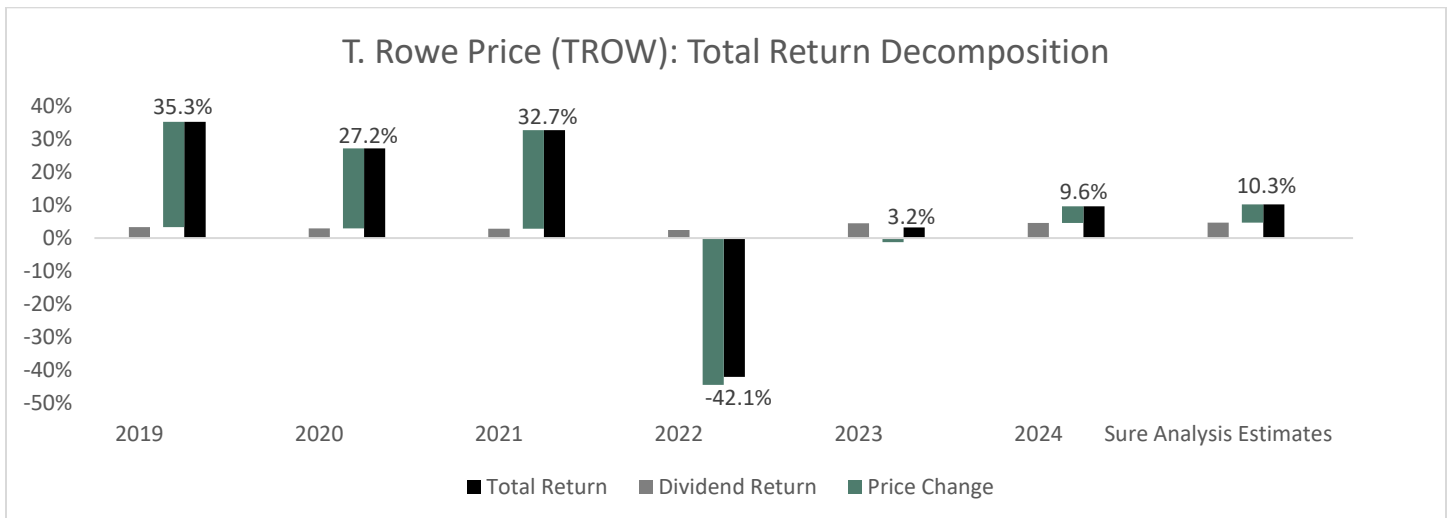
While T. Rowe has put together a solid record, asset managers do not tend to have a large competitive advantage. Fund performance and general customer stickiness help – once you invest with a company you tend to stay invested, and the benefits of switching are unknown. However, the “race to the bottom” as it relates to fees has been and will continue to be an important and ongoing challenge in the industry.

During the Great Recession T. Rowe posted earnings-per-share of \$2.40, \$1.82, \$1.65, and \$2.53 in the 2007 through 2010 stretch. This is instructive, as it shows both the cyclical nature in lesser times along with the ability to bounce back. The company’s balance sheet is in excellent shape with zero long-term debt.

Final Thoughts & Recommendation

T. Rowe Price is projected to return 10.3% annually through 2030, up from our prior estimate of 9.7%. This forecast stems from a 3% earnings growth rate, a starting yield of 4.7%, and a low single-digit contribution from multiple expansion. T. Rowe Price has been a great business, with strong operating metrics for many years. Market improvements added to the quarter, but expenses were also up. Additionally, the focus on lower fees remains a headwind for the industry as a whole. The company has a long history of dividend growth and offers a generous yield. T. Rowe Price earns buy rating due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,201	4,285	4,855	5,373	5,618	6,207	7,672	6,488	6,461	7,094
Gross Profit	2,606	2,418	2,781	3,126	3,233	3,590	4,679	3,566	3,206	3,839
Gross Margin	62.0%	56.4%	57.3%	58.2%	57.5%	57.8%	61.0%	55.0%	49.6%	54.1%
SG&A Exp.	239	618	723	780	846	845	969	1,070	1,168	1,213
D&A Exp.	126	133	144	160	191	190	205	646	482	254
Operating Profit	1,899	1,800	2,059	2,346	2,387	2,746	3,710	2,496	2,038	2,521
Operating Margin	45.2%	42.0%	42.4%	43.7%	42.5%	44.2%	48.4%	38.5%	31.5%	35.5%
Net Profit	1,223	1,215	1,498	1,838	2,131	2,373	3,083	1,558	1,789	2,100
Net Margin	29.1%	28.4%	30.9%	34.2%	37.9%	38.2%	40.2%	24.0%	27.7%	29.6%
Free Cash Flow	1,379	22	43	1,451	1,318	1,704	3,213	2,122	911	1,686
Income Tax	779	707	924	616	678	719	896	499	655	684

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,107	6,225	7,535	7,689	9,330	10,659	12,509	11,643	12,279	13,472
Cash & Equivalents	1,172	1,205	1,903	1,425	1,782	2,152	1,523	1,756	2,067	2,650
Accounts Receivable	446	455	565	550	647	863	1,058	749	808	877
Goodwill & Int. Ass.	666	666	666	666	666	666	3,607	3,273	3,150	3,011
Total Liabilities	345	529	718	825	1,107	1,390	2,255	1,956	1,988	2,022
Accounts Payable	171	181	216	229	215	188	431	407	423	354
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	4,762	5,009	5,824	6,124	7,102	7,707	9,023	8,840	9,505	10,345
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	22.8%	21.4%	21.8%	24.1%	25.0%	23.7%	26.6%	12.9%	15.0%	16.3%
Return on Equity	24.1%	23.2%	23.9%	26.9%	28.3%	27.1%	31.6%	15.6%	17.9%	19.3%
ROIC	24.1%	23.2%	23.9%	26.9%	28.3%	27.1%	31.6%	15.6%	17.9%	19.3%
Shares Out.	250	245	245	238	235	231	229	225	224	223
Revenue/Share	16.10	17.12	19.81	21.76	23.55	26.85	33.53	28.57	28.74	31.77
FCF/Share	5.29	0.09	0.18	5.88	5.52	7.37	14.04	9.34	4.05	7.55

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

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