SEI Investments (SEIC)

Updated April 30th, 2025, by Josh Arnold

Key Metrics

Current Price:	$78	**5 Year CAGR Estimate:**	10.6%	**Market Cap:**	$9.7 B
Fair Value Price:	$84	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	06/27/25[1]
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	07/23/25
Dividend Yield:	1.3%	**5 Year Price Target**	$123	**Years Of Dividend Growth:**	34
Dividend Risk Score:	A	**Sector:**	Financials	**Rating:**	Buy

Overview & Current Events

SEI Investments was founded in 1968 and over the last 50+ years has grown into a market capitalization of $9.7 billion. SEI is a global provider of investment processing, investment management, and investment operations solutions for financial institutions and advisors. SEI has about $1.6 trillion combined in assets under administration and management. The company should produce about $2.2 billion in revenue this year.

SEI posted first quarter earnings on April 23rd, 2025, and results were better than expected on both the top and bottom lines. Earnings-per-share came to $1.17, which was four cents ahead of expectations. Share repurchases accounted for three cents of the growth in earnings-per-share. Revenue was up almost 8% year-over-year to $551 million, which was fractionally ahead of estimates.

Operating profit margin was 28.5%, which was a three-year high for SEI. The improvement was attributed to positive operating leverage from higher revenue, as well as cost management practices.
The company announced a $500 million increase in the share repurchase program, which is good for about 5% of the current float. In addition, SEI noted it had $700 million in cash with no long-term debt as of the end of the quarter.

We've moved our estimate to $4.65 in adjusted earnings-per-share for this year, which would be a record if achieved.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.96	$2.03	$2.42	$3.14	$3.24	$3.00	$3.81	$3.81	$3.51	$4.41	***$4.65***	***$6.83***
DPS	$0.50	$0.54	$0.58	$0.63	$0.68	$0.72	$0.77	$0.83	$0.89	$0.95	***$0.98***	***$1.37***
Shares[2]	164	159	157	159	154	146	138	134	131	127	***120***	***110***

From 2013 to 2019, SEI managed to double its earnings, and looking forward, we believe that strong growth can continue. SEI saw higher earnings-per-share in each year since 2011, until the COVID-impacted 2020. We are forecasting 8% earnings-per-share growth over the next five years as momentum remains strong. We see SEI achieving this result through continued revenue expansion as more customers adopt its SEI Wealth Platform, and its relatively newer IT services, as well as assets under management and advisement growth. We see mid-single-digit revenue growth as the primary driver of earnings going forward. SEI also buys back stock at low single-digit rates and is seeing margin expansion with its higher revenue, as evidenced in 2024. The key is revenue growth as SEI invests heavily in its future, and revenue growth has slowed.

SEI's dividend growth has been decent in recent years but it is not a high-income stock at this point. We see dividend growth going forward, but keep in mind that investors own SEI for the earnings growth potential, not for the yield, and that is not going to change anytime soon. Indeed, the payout ratio remains very low and given how much SEI invests in its platform on a regular basis, in addition to share repurchases, we expect the payout ratio to remain fairly constant.

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[1] Estimated date

[2] 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	24.4	22.6	22.3	20.3	15.8	18.3	16.0	15.3	18.1	18.7	***16.8***	***18.0***
Avg. Yld.	1.0%	1.2%	1.0%	1.0%	1.2%	1.3%	1.3%	1.4%	1.4%	1.2%	***1.3%***	***1.0%***

SEI's price-to-earnings multiple is higher than our last report, and it is now trading at 16.8 times this year's earnings, which is under our estimate of fair value at 18 times earnings. The stock's historical range is fairly narrow at 16 to 22 times earnings. We therefore see a small tailwind to total returns due to valuation expansion as the stock is trading below fair value. The dividend is not a priority for SEI as it continues to spend cash on its products and services to fuel future growth. This is not a stock one owns for the yield, and its yield is just below the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	24%	25%	20%	21%	24%	20%	22%	25%	22%	***21%***	***20%***

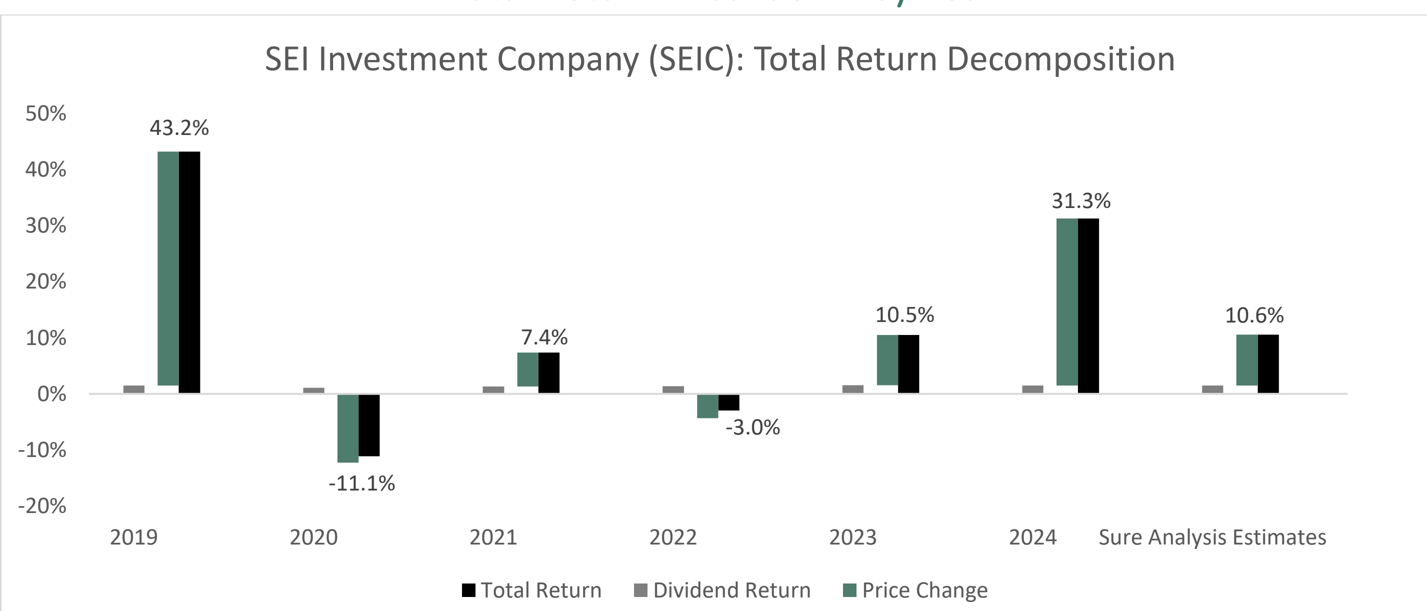
The payout ratio is very low as earnings-per-share expansion has outpaced dividend growth in recent years. There may come a time when the dividend is a significant source of returns, but SEI is understandably focused on growth today.

SEI's competitive advantage is in its platform and services, which allow it to drive efficiencies and lower risk for its clients. That does not make it immune from economic downturns, however, as the Great Recession dinged revenue and earnings meaningfully. Given the industry SEI serves, it is reasonable to expect material weakness during a recession, so that is something investors should consider. In addition, weak equity market performance is another headwind that comes up from time to time.

Final Thoughts & Recommendation

Overall, SEI looks like an undervalued stock with good growth potential. We are forecasting 10.6% total annual returns going forward, comprised of the 1.3% current yield and 8% earnings-per-share growth, in addition to a gain from valuation expansion. SEI may become an income stock in the future, but it is still very much in its growth stage, so that is a long way off. We're reiterating the stock at a buy after Q1 results. So long as assets in custody rise, SEI is a strong growth stock to consider owning.

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,334	1,402	1,527	1,624	1,650	1,684	1,918	1,991	1,920	2,125
Gross Profit	722	763	840	900	921	946	1,088	1,045	984	1,128
Gross Margin	54.2%	54.5%	55.0%	55.4%	55.8%	56.2%	56.7%	52.5%	51.3%	53.1%
SG&A Exp.	298	316	367	380	379	416	442	482	263	270
D&A Exp.	67	72	76	78	81	84	93	88	74	---
Operating Profit	358	376	397	442	460	446	553	476	425	552
Operating Margin	26.8%	26.8%	26.0%	27.2%	27.9%	26.5%	28.8%	24.2%	22.1%	26.0%
Net Profit	332	334	404	506	501	447	547	475	462	581
Net Margin	24.9%	23.8%	26.5%	31.1%	30.4%	26.6%	28.5%	23.9%	24.1%	27.3%
Free Cash Flow	334	352	373	515	468	410	581	492	388	622
Income Tax	169	175	153	108	130	121	147	134	132	166

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,589	1,637	1,853	1,972	2,151	2,167	2,354	2,384	2,520	2,685
Cash & Equivalents	680	696	744	755	841	785	825	853	835	840
Accounts Receivable	95	110	133	126	140	154	501	519	557	622
Goodwill & Int. Ass.	291	296	392	406	389	360	429	408	460	484
Total Liabilities	299	334	377	379	413	427	494	430	388	432
Accounts Payable	5	6	5	11	4	8	10	13	11	13
Long-Term Debt	---	---	30	---	---	---	40	---	---	---
Shareholder's Equity	1,290	1,303	1,477	1,593	1,739	1,740	1,861	1,954	2,132	2,252
LTD/E Ratio	---	---	0.02	---	---	---	0.02	---	---	---

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	21.2%	20.7%	23.2%	26.5%	24.3%	20.7%	24.2%	20.1%	18.9%	22.3%
Return on Equity	26.1%	25.7%	29.1%	33.0%	30.1%	25.7%	30.4%	24.9%	22.6%	26.5%
ROIC	26.1%	25.7%	28.8%	32.6%	30.1%	25.7%	30.0%	24.7%	22.6%	26.5%
Shares Out.	164	159	157	159	154	146	138	137	134	132
Revenue/Share	7.87	8.52	9.41	10.07	10.65	11.30	13.39	14.49	14.36	16.13
FCF/Share	1.97	2.14	2.30	3.19	3.02	2.75	4.05	3.58	2.90	4.72

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