

Midlincoln Research

September - 5 2025

Company: BlackRock, Inc
Ticker: NYSE-BLK
Rating: Neutral
12 m TP \$1100

Analyst: Ovanes Oganisian

BlackRock – Growing AUM

Executive Summary

Recommendation: Neutral, moderate overweight

Thesis Highlights:

- Industry-leading position with record AUM (~\$12.5 trillion)
- Strong organic growth across advisory and technology (Aladdin)
- Strategic expansion into private markets via acquisitions (HPS, GIP, Preqin)
- Revenue-growth outlook underpinning ambitious 2030 targets (e.g., \$35 billion)

Target Price: 1100-1200

Company Overview

- **Profile:** BlackRock, founded in 1988, is the world's largest asset manager with \$12.5 trillion in AUM as of Q2 2025.
- **Key Businesses:**
 - **iShares ETFs:** Dominant global ETF provider
 - **Asset Management:** Advisory, administration, and securities lending services
 - **Aladdin:** A proprietary, end-to-end risk and portfolio management technology platform
- **Recent Acquisitions:**
 - **HPS Investment Partners** added ~\$165 billion AUM in July 2025
 - **Preqin**, bolstering private markets data and tech
 - Previously acquired **Global Infrastructure Partners (GIP)**

Metric	Value
Market Cap	~\$174–175 bn
Revenue (TTM)	~\$22 bn
Net Income (TTM)	~\$7.0 bn
EPS (TTM)	~\$41.3
P/E (TTM)	~27x
EV / EBITDA	~21x
DCF (Base Case, 12.4% WACC)	\$268 / share
SOTP DCF (10% WACC)	\$470 / share
SOTP DCF (8% WACC)	\$521 / share
Target Price (mid-range)	~\$1100–1200 / share
Investment Recommendation	Neutral / Moderate overweight
Dividend Yield	~1.9%
AUM	\$12.53 trillion
ETF AUM	~\$5.0 trillion
Private Markets AUM	~\$1.6 trillion
Crypto AUM	~\$84 bn

Financials
US

Industry Landscape

- **Asset Management Trends:**
 - Shift toward passive strategies (ETFs), fee compression, and rapid growth in private markets and tech services.
 - **Market Position:**
 - iShares controls ~34% of the U.S. ETF market share
 - Among just a few “Big Three” asset managers alongside Vanguard and State Street
 - **Competitive Positioning:** BlackRock is accelerating private market capabilities to compete with Apollo, Blackstone, and KKR
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Financial Analysis (Q2 2025 Highlights)

- **Revenue:** \$5.42 billion (+13% YoY)
 - **Adjusted Operating Income:** ~\$2.1 billion (+12% YoY)
 - **EPS:** \$12.05 adjusted; +16% YoY vs. +2% GAAP diluted EPS (\$10.19)
 - **AUM:** Record \$12.5 trillion; up ~18% YoY
 - **Flows:**
 - \$152 billion YTD net inflows; Q2 inflows impacted by a single \$52 billion index redemption
 - **Organic Fee Growth:** 6% in Q2 and H1; 7% over past 12 months
 - **Technology Revenue:** Boosted by \$60 million from Preqin; ACV +16% (excluding Preqin)
 - **Performance Fees:** Declined significantly (~58% YoY)
 - **Share Buybacks:** \$375 million repurchased in the quarter
 - **Margins:** Profit margin slipped to ~43.3% from 44.1%, largely due to lower performance fees
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Investment Thesis

Strengths:

- **Scale & Diversification:** Dominant ETF franchise (iShares), broad global footprint, diversified revenue streams.
- **Growth Drivers:** Strong tech platform (Aladdin), private market expansion via acquisitions (HPS, Preqin, GIP).
- **Resilience & Execution:** Consistent organic base fee growth and record inflows despite market volatility.

Risks:

- **Fee Pressure:** Continued declines in performance fees could pressure margins.
 - **Market Sensitivity:** AUM and revenues tied to market conditions and client flows.
 - **Integration & Execution Risk:** Acquired businesses need successful integration to deliver expected returns.
 - **Regulatory & Political Risk:** BlackRock's size and focus on ESG invite scrutiny.
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Peer Comparison

- **Relative Peer Comparison:** Compare P/E, EV/EBITDA vs. asset managers like Vanguard (private), State Street, Fidelity (private), etc.

• Ticker	• Metric	• Value
• BlackRock (BLK)	• P/E (TTM)	• ~27.3x (Price \$1,127 / EPS \$41.34)
• BlackRock (BLK)	• EV / EBITDA (TTM)	• ~21.4x (EV ≈ \$183.3bn / EBITDA ≈ \$8.57bn)
• State Street (STT)	• P/E (trailing)	• ~13x
• T. Rowe Price (TROW)	• EV/EBITDA	• ~8x
• Invesco (IVZ)	• EV/EBITDA	• ~14–15x
• Franklin Res (BEN)	• EV/EBITDA	• ~10–11x

Outlook & Goals

- **Ambitions:** Scale annual revenue from ~\$20 billion in 2024 to \$35 billion by 2030—including 30% from private markets and technology
- **Fundraising Target:** \$400 billion in private market fundraising through 2030
- **Tech Expansion:** Aladdin already serves 200+ institutional clients, creating a strategic moat.

Business Segments

1. **iShares ETFs & Indexing (~65–70% of base fees)**
 - Stable, high-scale, lower-margin (net fees compressed but volume growing).
 - Growth tied to AUM flows + market appreciation.
2. **Active Asset Mgmt (traditional active, fixed income, equity, multi-asset)**
 - Lower share of revenue, mid-margin.
3. **Private Markets / Alternatives (~10% AUM, growing)**
 - BlackRock buying HPS, GIP, Preqin → targeting \$400bn fundraising by 2030.
 - Higher fee rates, less commoditized.
4. **Technology Services (Aladdin, Preqin data, eFront)**
 - Smaller base today (low-single-digit % of rev) but **double-digit growth** and sticky recurring.

Assumptions for FCF by Line (illustrative, based on Q2 2025 run-rate)

- **Consolidated 2025E revenue base:** ~\$22 bn. (TTM 2024 ~\$20 bn, Q2 growth ~13% YoY).
- **Segment split (rev share, approximate):**
 - iShares/Index: ~55%
 - Active: ~25%
 - Private Mkts: ~10%
 - Tech/Aladdin: ~7%
 - Other (advisory, lending, misc.): ~3%
- **Operating margin assumption:**
 - iShares: 42% (scale but fee pressure)
 - Active: 35%
 - Private Mkts: 50% (higher mgmt & performance fees)
 - Tech: 55% (software-like)
- **Tax rate:** 21%
- **Capex:** modeled as ~3% of segment revenue (except tech ~5% to support growth).

Forecast Growth Assumptions (2025–2030E)

- **iShares/Index:** +5% CAGR (flows + appreciation, offset by fee compression).
 - **Active:** +2% CAGR (low growth).
 - **Private Markets:** +15% CAGR (acquisitions + fundraising).
 - **Tech/Aladdin:** +12% CAGR (organic + Preqin cross-sell).
 - **Other:** flat.
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Segment FCF (illustrative 2030E)

- **iShares/Index**
2025E rev ~\$12.1bn → 2030E ~\$15.5bn.
EBIT margin 42% → EBIT ~\$6.5bn. After tax, capex adj. → **FCF ~\$4.8bn.**
- **Active**
2025E rev ~\$5.5bn → 2030E ~\$6.1bn.
EBIT margin 35% → EBIT ~\$2.1bn. → **FCF ~\$1.5bn.**
- **Private Mkts**
2025E rev ~\$2.2bn → 2030E ~\$4.5bn.
EBIT margin 50% → EBIT ~\$2.3bn. → **FCF ~\$1.7bn.**
- **Tech/Aladdin**
2025E rev ~\$1.5bn → 2030E ~\$2.6bn.
EBIT margin 55% → EBIT ~\$1.4bn. → **FCF ~\$1.0bn.**
- **Other**
FCF ~\$0.2bn stable.

Total 2030E FCF ≈ \$9.2bn (vs ~\$4bn TTM base).

Valuation by Segment (using distinct multiples/WACC)

- **iShares/Index:** treat as commoditized asset mgmt → 12–14x FCF.
- **Active:** 10–12x FCF.
- **Private Mkts:** higher-growth alt managers trade 15–18x FCF.
- **Tech/Aladdin:** fintech/SaaS comps trade 20–25x FCF.
- **Other:** 8–10x.

Implied Enterprise Value (2030 FCF × multiple, discounted back @ 10–12%)

- **iShares:** $\$4.8\text{bn} \times 13\text{x} = \sim\62bn → $\text{PV} \approx \$35\text{bn}$.
- **Active:** $\$1.5\text{bn} \times 11\text{x} = \sim\16bn → $\text{PV} \approx \$9\text{bn}$.
- **Private Mkts:** $\$1.7\text{bn} \times 17\text{x} = \sim\29bn → $\text{PV} \approx \$18\text{bn}$.
- **Tech:** $\$1.0\text{bn} \times 22\text{x} = \sim\22bn → $\text{PV} \approx \$13\text{bn}$.
- **Other:** $\$0.2\text{bn} \times 9\text{x} = \sim\2bn → $\text{PV} \approx \$1\text{bn}$.

Total SOTP EV ≈ \$76bn → equity ≈ \$67bn (less net debt).

~\$430/sh intrinsic value (midpoint).

Interpretation

- **Blended DCF (earlier)** gave ~\$268/sh base — heavily penalized by high WACC and low consolidated FCF.
- **Segment SOTP** (with differentiated multiples) yields **~\$430/sh** → still below current ~\$1,127/sh, but closer, and shows the **tech/private “premium” narrative**.
- The market is effectively valuing tech + private markets at even higher multiples, and assuming stronger growth.
- If Tech grows faster (15%+ CAGR) and Private hits fundraising targets (\$400bn AUM by 2030), you could justify **\$600–700/sh valuation** from SOTP.

1. Capital Structure Reality

- **Equity weight** ~95% in my calc (EV ≈ \$183bn vs. mkt cap ≈ \$174bn → net debt only ~\$9bn).
 - With such little leverage, the **WACC ≈ cost of equity**. So the real debate is: *what’s the right cost of equity for BlackRock?*
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Cost of Equity (CAPM)

Previous assumptions

- Risk-free (10yr UST, Aug 2025) = **4.25%**.
- Beta = **1.43** (Yahoo 5yr).
- Equity risk premium (ERP) = **6.0%**.

Results

$$\text{CoE} = 4.25\% + 1.43 \times 6.0\% = \mathbf{12.8\%}$$

More optimistic assumptions

(a) Beta Adjustment

- BlackRock is highly diversified (12.5T AUM across asset classes, geographies, and products).
- An **adjusted beta ~1.1–1.2**

(b) Equity Risk Premium

- ERP of 6.0% is conservative/high. Many practitioners use **5.0–5.5%** in the U.S. today.

(c) Risk-Free Rate

- 10yr yields have spiked, but for long-horizon valuations, some normalize to **~3.5–4.0%** (LT inflation + term premium).
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CoE Scenarios

WACC	Total EV (bn)	Equity Value (bn)	Implied Price (\$/sh)
9%	\$85.5	\$76.7	\$495
10%	\$81.7	\$72.9	\$470
11%	\$78.1	\$69.3	\$447

Breakdown by Segment (example @ 10% WACC)

- **iShares / Indexing** → PV ≈ \$37bn
 - **Active Mgmt** → PV ≈ \$10bn
 - **Private Markets** → PV ≈ \$20bn
 - **Tech / Aladdin + Preqin** → PV ≈ \$14bn
 - **Other** → PV ≈ \$1bn
- Total EV ≈ \$82bn → Equity ≈ \$73bn → \$470/sh**
- With a **lower WACC (9–10%)**, BlackRock's intrinsic value rises significantly
 - The **SOTP DCF range is \$447–495/sh**, still below the market (~\$1,127).
 - The gap suggests the market is:
 1. Pricing **even higher growth** in tech & private markets, or
 2. Using **lower discount rates** (perhaps 8% or less, treating Aladdin like SaaS), or
 3. Embedding **option value** for BlackRock's scale, brand, and systemic position.

AUM Breakdown

Segment	Estimated AUM	% of Total AUM
iShares ETFs	\$5.0 trillion	39.8%
Private Markets	\$1.6 trillion	12.7%
Active Mutual Funds	\$1.0 trillion	8.0%
Private Credit	\$0.2 trillion	1.6%
Cash Management / MMFs	\$1.0 trillion	8.0%
Institutional Advisory	\$1.0 trillion	8.0%
Technology & Aladdin	\$1.0 trillion	8.0%
Other / Miscellaneous	\$0.73 trillion	5.8%
Total	\$12.53 trillion	100%

By Asset Class: Equity vs. Fixed Income ETFs

- **Fixed-Income ETF Growth & Base**

- Global fixed-income ETF AUM reached **\$2.6 trillion** in 2024, with a projected rise to **\$6 trillion by 2030**.
 - Equity ETFs are much larger—globally, there is approximately **\$5.4 trillion in equity ETFs** compared to **\$1.4 trillion in fixed-income ETFs** in the U.S. alone.
 - Given iShares is the dominant provider (approx. 34% U.S. ETF market share), we can infer a similar ratio for BlackRock's AUM split: roughly **70–75% in equity ETFs**, **25–30% in fixed income ETFs** globally.
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By Geography: Europe & UK vs. Global

- **Europe & UK**

- U.S. asset managers (including BlackRock) now manage **\$4.9 trillion** in assets across Europe & the UK (ETFs + mutual funds), up from \$2.2 trillion a decade ago.
- Within that, BlackRock oversees **~\$1.4 trillion in ETFs/index trackers alone** across Europe & the UK.

- **Global Reach**

- BlackRock's total AUM is **\$12.5 trillion** as of 2025.
- Given \$1.4 trillion in ETFs in Europe/UK, it suggests about **11–12% of ETF AUM** comes from that region. The rest—likely **~85–90%**—is from the U.S., Asia, emerging markets, and other global regions.

Estimated ETF AUM Breakdown — iShares (Approximate)

<i>Region</i>	<i>% of ETF AUM</i>	Estimated AUM (assuming total ETF AUM ~\$4.7 trillion)
U.S. / North America	~50–60%	~\$2.3–2.8 trillion
Europe & UK	~11–12%	~\$0.5 – 0.6 trillion
Asia / Other Regions	~30–35%	~\$1.4 – 1.6 trillion

Estimated Asset Class Breakdown

- **Equity ETFs:** ~70–75% → **~\$3.3–3.5 trillion AUM**
- **Fixed Income ETFs:** ~25–30% → **~\$1.2–1.4 trillion AUM**

Key Observations

- **Equity ETFs dominate iShares AUM**, reflecting the maturity and popularity of equity-index strategies.
- **Fixed-income ETFs**, while smaller today (approx. 30% of ETF AUM), are expanding rapidly—projected to more than double by 2030.
- **Geographically**, the U.S. remains the largest source of ETF AUM, but **Europe & UK**, while still secondary, represent a significant and growing area (~\$1.4 trillion in ETF/index AUM).

Crypto Segment Insights

Current Crypto AUM

- BlackRock's **iShares Bitcoin Trust (IBIT)** has **exceeded \$80 billion** in AUM within ~374 days of launch—making it the fastest-growing ETF ever.
- Its **Ethereum ETF** (launched ~6 months later) has reached approximately **\$4 billion**, bringing total U.S. crypto ETF AUM to around **\$84 billion**.
- Public sources estimate that **BlackRock's crypto holdings overall have passed \$100 billion** as of mid-August 2025, dominated by Bitcoin.

Strategic Aspirations

- Internal reports indicate a bold **\$50 billion crypto AUM target by 2030**, signaling that digital assets are becoming a strategic priority.
 - BlackRock is also exploring expansion beyond Bitcoin/Ethereum into other cryptoassets (e.g., cardano, solana) and advancing **tokenisation** via products like the **\$3 billion BUIDL fund**.
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iShares ETF AUM Breakdown (Approximate)

By Asset Class

- **Equity ETFs:** ~70–75% of total ETF AUM
- **Fixed Income ETFs:** ~25–30%
- **Crypto ETFs:** ~2–3% today (~\$84 bn vs. est. ~\$4.7 trn total ETF AUM)

By Geography (ETF focus)

Integrated SOTP DCF Breakdown (now including Crypto)

Here's how we could categorize:

1. **iShares / Indexing (Equity & Fixed Income ETFs)**
2. **Active Asset Management**
3. **Private Markets**
4. **Technology (Aladdin / eFront / Preqin)**
5. **Crypto / Digital Assets** (new line)
6. **Other**

Illustrative Crypto FCF Scenario (2030E)

- **Current Crypto AUM** ~ \$84 bn
- **2030 Target:** \$50 bn crypto AUM (BlackRock's stated ambition)
- Assume digital asset products generate **high margin (60%)** and **recurring fees**
- Estimated **2030 Crypto Revenue:** \$1.0 bn → with margin, **FCF ≈ \$0.6 bn**

Sample SOTP Values (assuming multiples like fintech or high-growth fund managers: 20× FCF)

- **Crypto EV:** $\$0.6\text{bn} \times 20 = \12bn
- Discounted PV (at, say, 10% WACC, over 5 years): $\approx \$7.4\text{ bn}$ added to total EV

This helps show how crypto could be a meaningful incremental value driver—though modest compared to legacy lines, it's high-growth and bucketed under tech-like valuation.

Key Takeaways

- **Digital Assets Are Emerging** but already significant—~\$84 billion AUM in crypto ETFs and \$100 billion+ in holdings.
 - **Strategic Ambition:** Aiming for \$50 billion AUM by 2030 shows BlackRock sees crypto as a long-term growth vector.
 - **Valuation Rationale:** Crypto products warrant higher multiples (20×+) due to early-stage growth potential and tech-like margin dynamics.
 - **Diversification Benefit:** Adds a non-correlated, regulatory-anchored proof-point of innovation in a historically traditional firm.
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