



Exeter Student Investment Fund

Learn. Network. Invest.

Blackstone Group Inc. [BX]

- Santhosh, PM FIG

Recommendation – Strong Buy



About Blackstone:

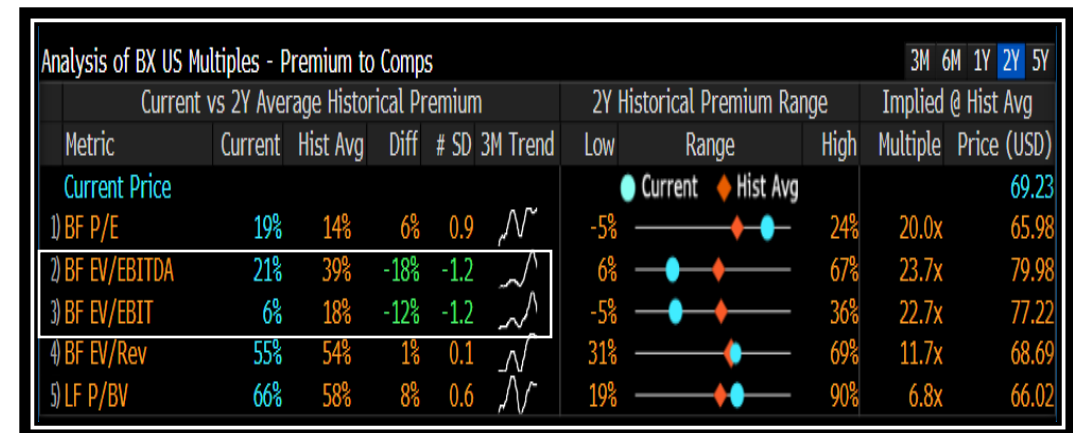
- Blackstone is one of the world's leading investment firms.
- With \$619 billion in AUM include AIV's focused on (a) Real Estate, (b) Private Equity, (c) Hedge Fund Solutions and (d) Credit.
- Highest ESG rated organization amongst the peers.

Points of Interest:

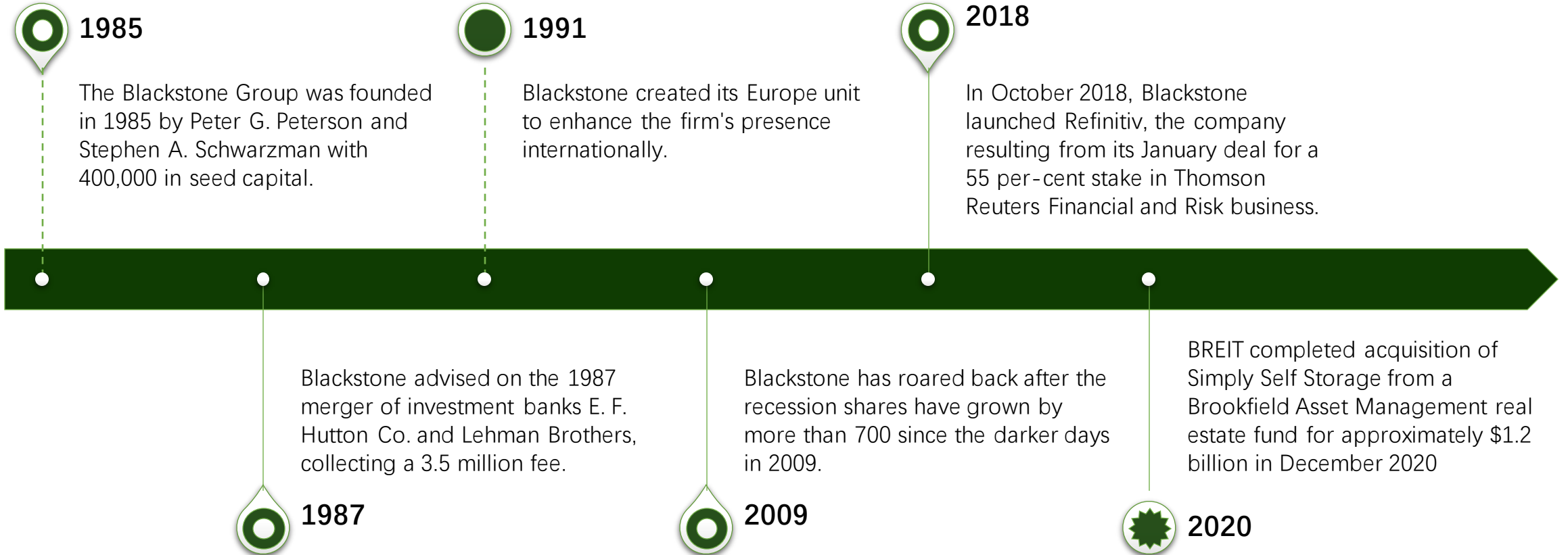
- Good Earnings quality for FY 2020 despite of the Pandemic.
- Strong Net Income Margin with an average of 22.3% over past 5 years.
- Lower side Market Cap/Total Revenue LTM of 7.7

Why a “Buy”

- Diversified company with its investments ranging from Financials to Utilities.
- Both the EV/EBITDA and EV/EBIT are valued at a discount compared to the pre-COVID levels.
- 33% Upside based on the 15% growth assumption.



Company Overview - History



Company Overview - Management



Stephen A. Schwarzman

- Stephen A. Schwarzman is Chairman, CEO and Co-Founder of Blackstone.
- He has been involved in all phases of Blackstone's development since its founding in 1985.



Jonathan D. Gray

- Jonathan Gray is President and Chief Operating Officer. He sits on Management Committee and most of its investment committees.
- He joined Blackstone in 1992.



Hamilton E. James

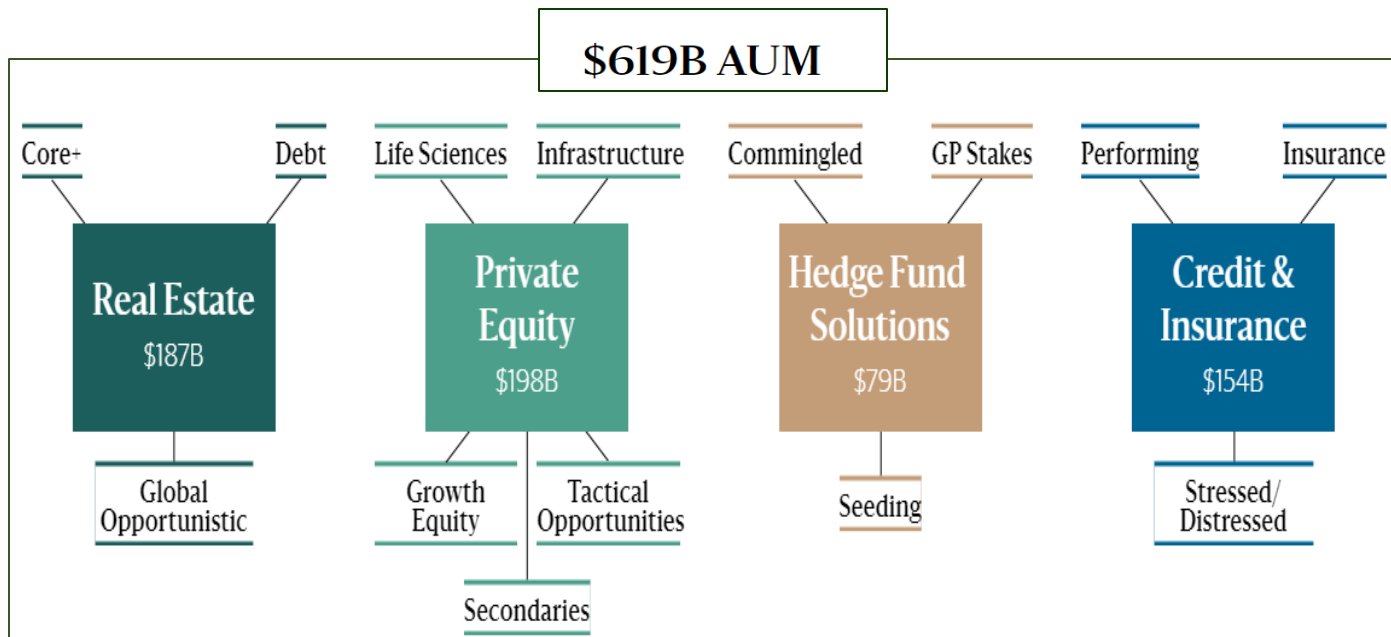
- Hamilton E. James is Executive Vice Chairman of Blackstone, and a member of Blackstone's board of directors.
- He joined Blackstone in 2002.

Company Overview – Business Model

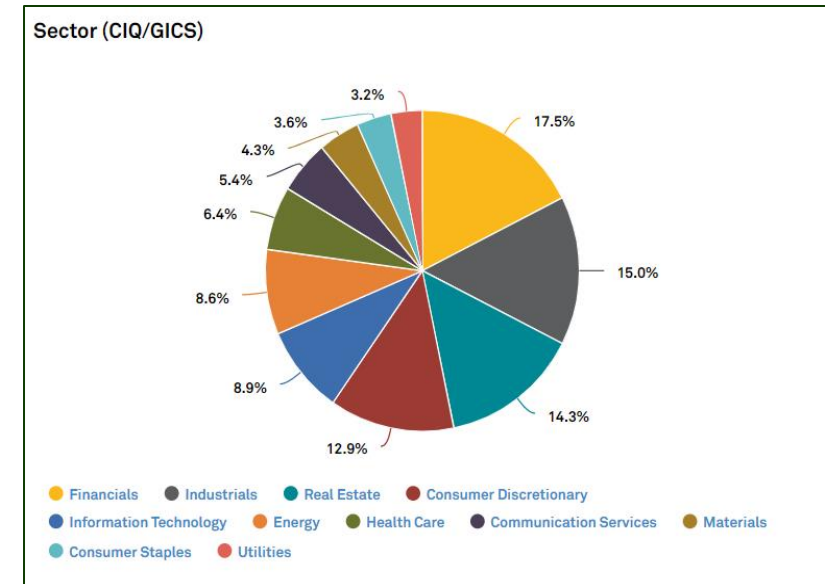


Blackstone's journey as a public company began in 2007 with our IPO. Since that time, they've grown Assets Under Management over six-fold to a record \$619 billion, and generated financial performance that ranks them among the world's top public companies.

Assets Under Management - 12/31/2020



Sector Wise Investments - 12/31/2020

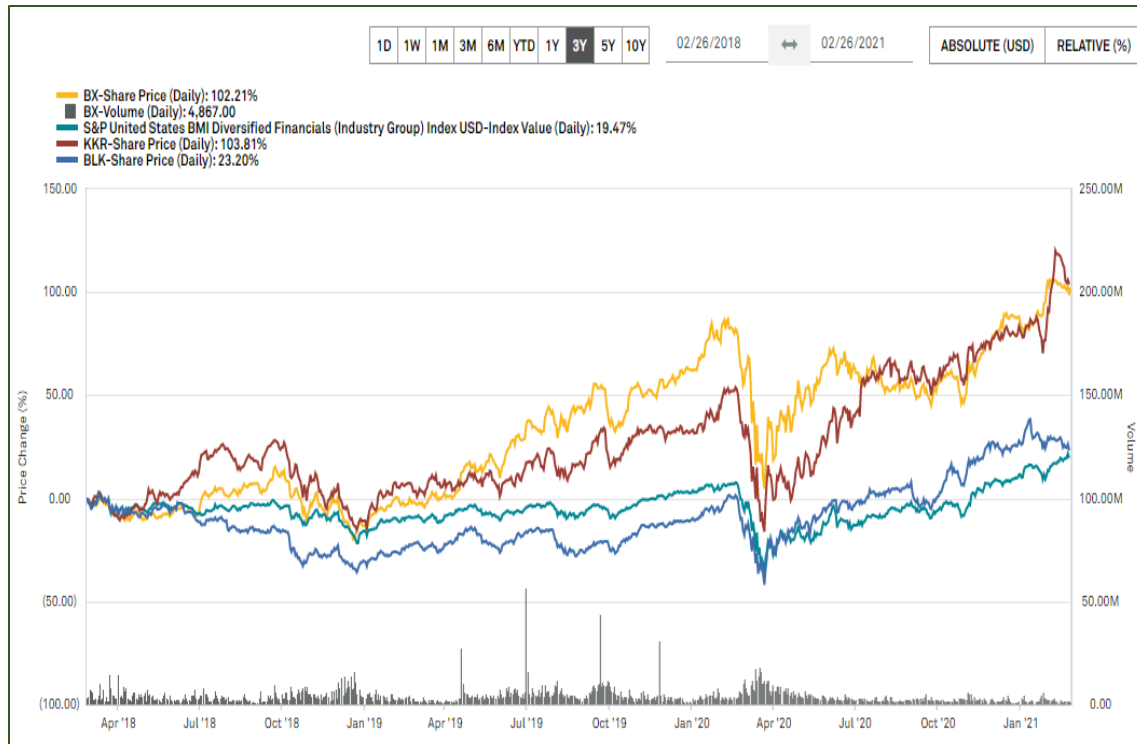


Company Overview – Share Performance & Ownership



Share Performance over the last 3 years

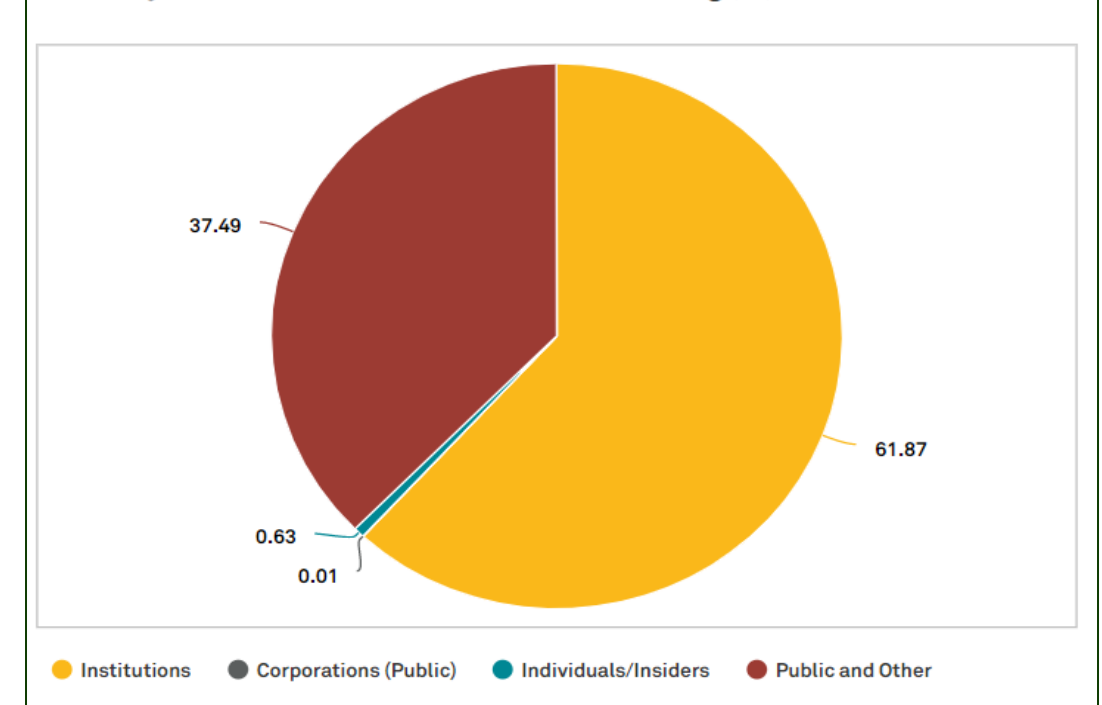
- Over the last 3 years, BX Share price has increased by 102.21%.
- Financials Industry group increased by 19.47% only.



Ownership Structure

Free Float Shares = 679,504,416 (Inst., Corp, and Public only)
Shares outstanding = 683,875,544 (Inst., Corp, Insiders, Public)
Float% = 99%

Summary: Percent of Common Shares Outstanding (%)



Company Overview – SWOT

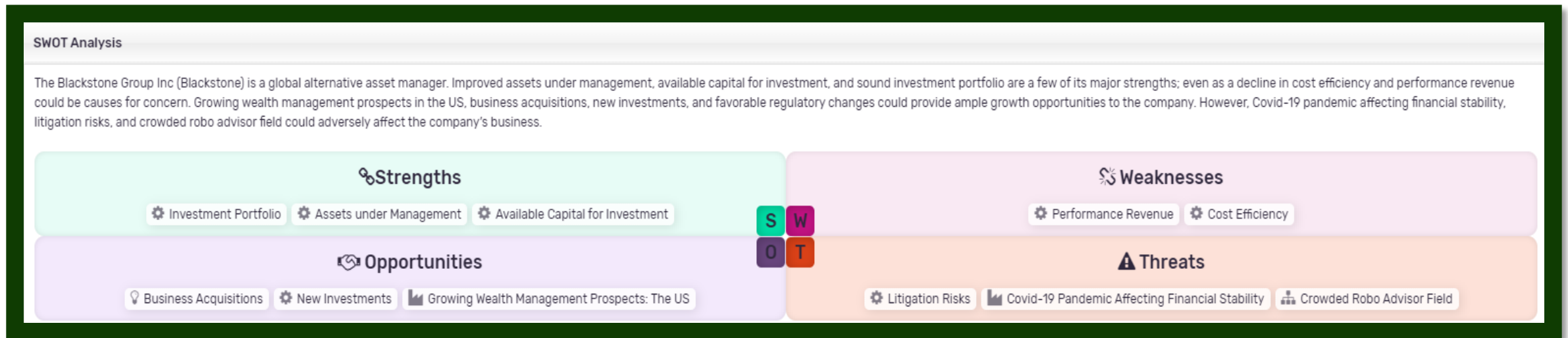


Strengths: In FY2020, it had Undrawn capital (“Total Dry Powder”) available for investment of \$147.7 billion.

Weaknesses: During the year 2020, its operating expenses as a ratio of Revenues increased to 55.83% from 52.7% in the previous year.

Opportunities: The retail liquid assets of the population are forecast to reach US\$61,698.1 billion, with US\$28,068.1 billion and US\$33,630.1 billion being the wealth of HNWIs and mass affluent, respectively.

Threats: As the adoption of Robo-advisors is increasing due to the adoption of the internet and digital devices, start-up companies are passing on the benefits of reduced administration expenses in the form of reduced trading charges, which is affecting the traditional brokerage companies' financial performance.



Catalysts and Observations



- Irrespective of the COVID pandemic, the growth rate of AUM was still positive, and poised to grow at a higher rate with M&A on the rise.

BLACKSTONE'S FOURTH QUARTER AND FULL YEAR 2020 HIGHLIGHTS	
Financial Measures	<ul style="list-style-type: none"> Fee Related Earnings ("FRE") of \$750 million (\$0.62/share) in the quarter, up 36% year-over-year <ul style="list-style-type: none"> FRE was \$2.4 billion for the year (\$1.97/share), up 33% year-over-year Distributable Earnings ("DE") of \$1.5 billion (\$1.13/share) in the quarter, up 60% year-over-year <ul style="list-style-type: none"> DE was \$3.3 billion for the year (\$2.65/share), up 16% year-over-year Net Accrued Performance Revenues of \$3.8 billion (\$3.19/share)
Capital Metrics	<ul style="list-style-type: none"> Total Assets Under Management ("AUM") of \$618.6 billion, up 8% year-over-year <ul style="list-style-type: none"> Fee-Earning AUM of \$469.4 billion, up 15% year-over-year Inflows of \$32.3 billion in the quarter and \$95.0 billion for the year Realizations of \$20.9 billion in the quarter and \$42.6 billion for the year Deployment of \$25.4 billion in the quarter and \$61.7 billion for the year
Capital Returned to Shareholders	<ul style="list-style-type: none"> Dividend of \$0.96 per common share payable on February 16, 2021 <ul style="list-style-type: none"> Dividends of \$2.26 per common share for the year \$1.3 billion to be distributed to shareholders with respect to the fourth quarter and \$3.3 billion for the year through dividends and share repurchases



Valuation - WACC



Current WACC Calculation Based on Comparable Beta's and Optimal Capital Structure

The company's WACC has been estimated using the following three approaches and an average has been used for the valuation purposes:

- Beta of comparables.
- Blackstone's current and optimal capital structure.

Average WACC stood at **9.27%** per all methods.

WACC Analysis - The Blackstone Group Inc.

(\$ USD in Millions Except Per Share Amounts in USD as Stated and Per Unit Amounts)

Discount Rate Calculations - Assumptions:

Risk-Free Rate:	1.55%
Equity Risk Premium:	6.00%
Pre-Tax Cost of Debt:	3.50%
Cost of Preferred Stock:	—

Comparable Companies - Unlevered Beta Calculation:

Name	Levered Beta	Debt	% Debt	Equity Value	% Equity	Tax Rate	Unlevered Beta
KKR & Co. Inc.	1.39	\$ 28,672.6	52.2%	\$ 26,270.4	47.8%	25.0%	1.27
The Carlyle Group Inc.	1.36	\$ 6,859.5	36.1%	12,131.1	63.9%	25.0%	1.36
Apollo Global Management, Inc.	1.63	\$ 12,171.9	51.5%	11,473.0	48.5%	25.0%	1.36
Ares Management Corporation	1.18	\$ 9,342.6	54.6%	7,773.1	45.4%	25.0%	1.14
Median:	1.38	\$ 10,757.3	51.8%	\$ 11,802.1	48.2%	25.0%	1.32

The Blackstone Group Inc. 1.33

The Blackstone Group Inc. - Levered Beta & WACC Calculation:

	Unlevered Beta	Debt	% Debt	Equity Value	% Equity	Tax Rate	Levered Beta
Current Capital Structure:	1.32	\$ 6,342.3	11.6%	\$ 48,271.2	88.4%	15.0%	1.46
"Optimal" Capital Structure:	1.32	28,307.3	51.8%	26,306.2	48.2%	15.0%	2.52

Cost of Equity Based on Comparables, Current Capital Structure:	10.32%
Cost of Equity Based on Comparables, "Optimal" Capital Structure:	16.66%
Cost of Equity Based on Historical Beta:	9.53%

WACC = Cost of Equity * % Equity + Cost of Debt * (1 - Tax Rate) * % Debt + Cost of Preferred Stock * % Preferred Stock

WACC, Current Capital Structure:	9.47%
WACC, "Optimal" Capital Structure:	9.57%
WACC, Current Capital Structure and Historical Cost of Equity:	8.77%

Average WACC Produced by All Methods: 9.27%

Valuation – Multiples & DCF Methodology – Blue Sky



The Blackstone Group Inc. – DCF Assumptions & Output:

Company Name:	The Blackstone Group Inc.
Ticker:	BX
Current Share Price:	\$ 69.23
Diluted Shares Outstanding:	697,258
Effective Tax Rate:	15.0%
Discount Rate (WACC):	9.27%

Terminal Value – Multiples Method:

Median EV / EBITDA of Comps:	15.0 x
Baseline Terminal EBITDA Multiple:	7.5 x
Baseline Terminal Value:	69,651
Implied Terminal FCF Growth Rate:	(1.2%)
(+) PV of Terminal Value:	34,277.3
(+) Sum of PV of Free Cash Flows:	24,409.5
Implied Enterprise Value:	\$ 58,686.8
% of Implied EV from Terminal Value:	58.4%
(+) Cash & Cash-Equivalents:	\$ 1,999.5
(-) Total Debt:	(6,342.3)
Implied Equity Value:	54,344.0
Diluted Shares Outstanding:	697,258
Implied Share Price from DCF:	\$ 77.94
Premium / (Discount) to Current:	12.6%

Terminal Value – Perpetuity Growth Method:

Baseline Terminal FCF Growth Rate:	1.0%
Baseline Terminal Value:	\$ 89,970.0
Implied Terminal EBITDA Multiple:	9.7 x
(+) PV of Terminal Value:	44,276.7
(+) Sum of PV of Free Cash Flows:	24,409.5
Implied Enterprise Value:	\$ 68,686.2
% of Implied EV from Terminal Value:	64.5%
(+) Cash & Cash-Equivalents:	\$ 1,999.5
(-) Total Debt:	(6,342.3)
Implied Equity Value:	64,343.4
Diluted Shares Outstanding:	697,258
Implied Share Price from DCF:	\$ 92.28
Premium / (Discount) to Current:	33.3%

Current Equity Value:	\$ 48,271.2
(-) Cash & Cash-Equivalents:	(1,999.5)
(+) Total Debt:	6,342.3
Current Enterprise Value:	52,614.0

Blue Sky –
15% Growth

The Blackstone Group Inc. – FCF Projections:		Units:	Historical					Projected									
			FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28		
Revenue:	\$ M		\$ 4,993.6	\$ 6,947.5	\$ 6,669.3	\$ 7,138.6	\$ 5,935.8	\$ 6,826.1	\$ 7,850.0	\$ 9,027.6	\$ 10,381.7	\$ 11,938.9	\$ 13,729.8	\$ 15,789.3	\$ 18,157.6		
Revenue Growth Rate:	%		10.9%	39.1%	(4.0%)	7.0%	(16.8%)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%		
Operating Income (EBIT):	\$ M		2,196.9	3,392.6	3,321.2	3,373.6	2,622.4	3,195.5	3,674.8	4,226.0	4,859.9	5,588.9	6,427.2	7,391.3	8,500.0		
Operating Margin:	%		44.0%	48.8%	49.8%	47.3%	44.2%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%		
Growth Rate:	%		41.3%	54.4%	(2.1%)	1.6%	(22.3%)	21.9%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%		
(-) Taxes, Excluding Effect of Interest:	\$ M		(329.5)	(508.9)	(498.2)	(506.0)	(393.4)	(479.3)	(551.2)	(633.9)	(729.0)	(838.3)	(964.1)	(1,108.7)	(1,275.0)		
Net Operating Profit After Taxes (NOPAT):	\$ M		1,867.3	2,883.7	2,823.0	2,867.6	2,229.0	2,716.2	3,123.6	3,592.1	4,130.9	4,750.6	5,463.2	6,282.6	7,225.0		
Adjustments for Non-Cash Charges:	\$ M																
(+) Depreciation & Amortization:	\$ M		230.9	263.3	294.6	315.3	262.2	295.8	340.2	391.2	449.9	517.3	594.9	684.2	786.8		
% Revenue:	%		4.6%	3.8%	4.4%	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%		
Net Change in Working Capital:	\$ M		(1,242.5)	(3,169.7)	(1,579.0)	(184.0)	144.3	(106.8)	(122.9)	(141.3)	(162.5)	(186.9)	(214.9)	(247.1)	(284.2)		
% Change in Revenue:	%		(252.7%)	(162.2%)	567.4%	(39.2%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)		
% Revenue:	%		(24.9%)	(45.6%)	(23.7%)	(2.6%)	2.4%	(1.6%)	(1.6%)	(1.6%)	(1.6%)	(1.6%)	(1.6%)	(1.6%)	(1.6%)		
(-) Capital Expenditures:	\$ M		(21.8)	(193.3)	(116.6)	(60.3)	(118.7)	(136.5)	(157.0)	(180.6)	(207.6)	(238.8)	(274.6)	(315.8)	(363.2)		
% Revenue:	%		(0.4%)	(2.8%)	(1.7%)	(0.8%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)		
Unlevered Free Cash Flow:	\$ M		\$ 833.9	\$ (215.9)	\$ 1,422.1	\$ 2,938.6	\$ 2,516.8	\$ 2,768.6	\$ 3,183.9	\$ 3,661.4	\$ 4,210.7	\$ 4,842.3	\$ 5,568.6	\$ 6,403.9	\$ 7,364.5		
Growth Rate:	%		N/A	(125.9%)	(758.6%)	106.6%	(14.4%)	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%		
Discount Period:	#							1	2	3	4	5	6	7	8		
Discount Rate (WACC):	%							9.27%	9.27%	9.27%	9.27%	9.27%	9.27%	9.27%	9.27%		
Cumulative Discount Factor:	#							0.915	0.838	0.767	0.702	0.642	0.588	0.538	0.492		
PV of Unlevered FCF:	\$ M							\$ 2,533.8	\$ 2,666.7	\$ 2,806.6	\$ 2,953.9	\$ 3,108.8	\$ 3,271.9	\$ 3,443.6	\$ 3,624.3		

Valuation – Multiples & DCF Methodology – Grey Sky



The Blackstone Group Inc. – DCF Assumptions & Output:

Company Name:	The Blackstone Group Inc.
Ticker:	BX
Current Share Price:	\$ 69.23
Diluted Shares Outstanding:	697,258
Effective Tax Rate:	15.0%
Discount Rate (WACC):	9.27%

Current Equity Value:	\$ 48,271.2
(-) Cash & Cash-Equivalents:	(1,999.5)
(+) Total Debt:	6,342.3
Current Enterprise Value:	52,614.0

Terminal Value – Multiples Method:

Median EV / EBITDA of Comps:	15.0 x
Baseline Terminal EBITDA Multiple:	7.5 x
Baseline Terminal Value:	42,144
Implied Terminal FCF Growth Rate:	(1.3%)
(+) PV of Terminal Value:	20,740.2
(+) Sum of PV of Free Cash Flows:	18,586.0
Implied Enterprise Value:	\$ 39,326.3
% of Implied EV from Terminal Value:	52.7%
(+) Cash & Cash-Equivalents:	\$ 1,999.5
(-) Total Debt:	(6,342.3)
Implied Equity Value:	34,983.5
Diluted Shares Outstanding:	697,258
Implied Share Price from DCF:	\$ 50.17
Premium / (Discount) to Current:	(27.5%)

Terminal Value – Perpetuity Growth Method:

Baseline Terminal FCF Growth Rate:	1.0%
Baseline Terminal Value:	\$ 55,346.2
Implied Terminal EBITDA Multiple:	9.8 x
(+) PV of Terminal Value:	27,237.4
(+) Sum of PV of Free Cash Flows:	18,586.0
Implied Enterprise Value:	\$ 45,823.4
% of Implied EV from Terminal Value:	59.4%
(+) Cash & Cash-Equivalents:	\$ 1,999.5
(-) Total Debt:	(6,342.3)
Implied Equity Value:	41,480.6
Diluted Shares Outstanding:	697,258
Implied Share Price from DCF:	\$ 59.49
Premium / (Discount) to Current:	(14.1%)

Grey Sky –
8% Growth

The Blackstone Group Inc. – FCF Projections:		Units:	Historical					Projected									
			FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28		
Revenue:	\$ M		\$ 4,993.6	\$ 6,947.5	\$ 6,669.3	\$ 7,138.6	\$ 5,935.8	\$ 6,410.6	\$ 6,923.5	\$ 7,477.4	\$ 8,075.5	\$ 8,721.6	\$ 9,419.3	\$ 10,172.9	\$ 10,986.7		
Revenue Growth Rate:	%		10.9%	39.1%	(4.0%)	7.0%	(16.8%)	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%		
Operating Income (EBIT):	\$ M		2,196.9	3,392.6	3,321.2	3,373.6	2,622.4	3,001.0	3,241.0	3,500.3	3,780.4	4,082.8	4,409.4	4,762.2	5,143.1		
Operating Margin:	%		44.0%	48.8%	49.8%	47.3%	44.2%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%	46.8%		
Growth Rate:	%		41.3%	54.4%	(2.1%)	1.6%	(22.3%)	14.4%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%		
(-) Taxes, Excluding Effect of Interest:	\$ M		(329.5)	(508.9)	(498.2)	(506.0)	(393.4)	(450.1)	(486.2)	(525.0)	(567.1)	(612.4)	(661.4)	(714.3)	(771.5)		
Net Operating Profit After Taxes:	\$ M		1,867.3	2,883.7	2,823.0	2,867.6	2,229.0	2,550.8	2,754.9	2,975.3	3,213.3	3,470.4	3,748.0	4,047.8	4,371.7		
Adjustments for Non-Cash Charges:																	
(+) Depreciation & Amortization:	\$ M		230.9	263.3	294.6	315.3	262.2	277.8	300.0	324.0	349.9	377.9	408.2	440.8	476.1		
% Revenue:	%		4.6%	3.8%	4.4%	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%		
Net Change in Working Capital:	\$ M		(1,242.5)	(3,169.7)	(1,579.0)	(184.0)	144.3	(57.0)	(61.5)	(66.5)	(71.8)	(77.5)	(83.7)	(90.4)	(97.7)		
% Change in Revenue:	%		(252.7%)	(162.2%)	567.4%	(39.2%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)	(12.0%)		
% Revenue:	%		(24.9%)	(45.6%)	(23.7%)	(2.6%)	2.4%	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)		
(-) Capital Expenditures:	\$ M		(21.8)	(193.3)	(116.6)	(60.3)	(118.7)	(128.2)	(138.5)	(149.5)	(161.5)	(174.4)	(188.4)	(203.5)	(219.7)		
% Revenue:	%		(0.4%)	(2.8%)	(1.7%)	(0.8%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)		
Unlevered Free Cash Flow:	\$ M		\$ 833.9	\$ (215.9)	\$ 1,422.1	\$ 2,938.6	\$ 2,516.8	\$ 2,643.4	\$ 2,854.9	\$ 3,083.3	\$ 3,329.9	\$ 3,596.3	\$ 3,884.0	\$ 4,194.8	\$ 4,530.3		
Growth Rate:	%		N/A	(125.9%)	(758.6%)	106.6%	(14.4%)	5.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%		
Discount Period:	#							1	2	3	4	5	6	7	8		
Discount Rate (WACC):	%							9.27%	9.27%	9.27%	9.27%	9.27%	9.27%	9.27%	9.27%		
Cumulative Discount Factor:	#							0.915	0.838	0.767	0.702	0.642	0.588	0.538	0.492		

Investment Thesis



Current Multiples based on FY 2020 Financials:

The current multiples can be interpreted as:

- The higher Price/EPS is a result of Net Income which will lower down in the following years.
- The Price/book ratio indicates the strong Balance sheet and the ability of the company to keep up the business.
- The close similarity between the P/B and P/Tangible Book ratio shows the strength of the assets and limited Intangible Assets.
- The market sentiment and analyst recommendations are inline with the valuations obtained above using the 15% growth assumption.

Multiples	
Source: S&P Capital IQ	
	NYSE:BX
P/LTM EPS (x)	46.15
P/NTM EPS (x)	21.6
Price/Book (x)	6.91
Price/Tang Book (x)	10.44
Market Cap/Total Revenue LTM (x)	7.74
Market Cap/EBT Excl Unusual Items LTM (x)	17.56
Estimates	
RECOMMENDATION	
1.90 - Outperform	
1-Buy	5-Sell
Target (\$): 73.97	
# of Analysts: 17	

Current Multiples				5) Hide Multiples			
	Last 4 Qtrs Act	Next 4 Qtrs Est	FY 2021	FY 2022	FY 2023		
Price/EPS, Adj+	26.12	21.66	21.55	18.57	16.76		
Price/Book	7.12	6.54	6.77	6.42	6.51		
Price/Cash Flow	24.59	20.57	20.57	16.35	16.56		
EV/Revenue	15.01	12.09	12.04	10.47	9.92		
EV/EBITDA	31.71	21.05	21.05	18.43	18.40		
EV/EBIT	34.55	26.79	21.01	18.27			
EV/OPP	34.55		18.18	15.46	14.40		
Dividend Yield	3.26	3.98	3.96	4.63	5.06		

ESG Considerations



“E”nvironment:

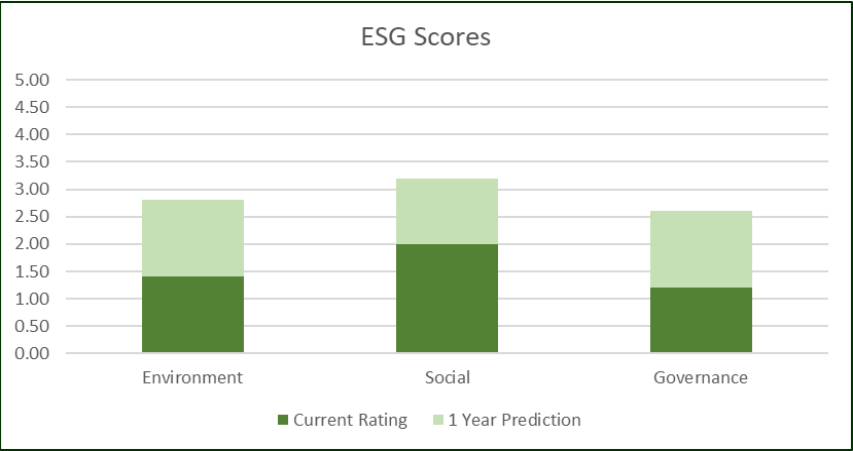
- 100% of all major in-person events produced by Blackstone are paperless.
- 4M tons of CO2 are projected to be displaced annually through renewable energy assets developed and built under Blackstone’s ownership, the equivalent of taking ~864k passenger cars off the road.
- \$7B invested in acquiring, building or financing renewable projects since 2010.

“S”ocial:

- Blackstone’s Women’s Initiative, Blackstone Diverse Professionals Network, OUT Blackstone and Blackstone Veterans Network to foster recruitment, retention and development of our employees.

“G”overnance:

- Blackstone Life Sciences (Bxls) targets highly innovative medicines and products.
- \$1M committed by Blackstone to organizations supporting veterans.
- Blackstone Charitable Foundation, Supporting Economic Growth innovation, and prosperity through Entrepreneurship.



Industry Comparison		 ESG RISK RATING		
The Bank of New York Mellon Corp.	22.7	<div><div></div><div></div><div></div><div></div><div></div></div>		Med.
BlackRock, Inc.	22.8	<div><div></div><div></div><div></div><div></div><div></div></div>		Med.
T. Rowe Price Group Inc	19.5	<div><div></div><div></div><div></div><div></div><div></div></div>		Low
The Blackstone Group, Inc.	29.3	<div><div></div><div></div><div></div><div></div><div></div></div>		Med.
Brookfield Asset Management Inc.	22.2	<div><div></div><div></div><div></div><div></div><div></div></div>		Med.



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Blackstone Group Inc. [BX] – Strong Buy

Q&A