



# BlackRock Inc: Fundamental Stock Research Analysis

May 9, 2013

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Before analyzing a company for investment, it's important to have a perspective on how well the business has performed. Because at the end of the day, if you are an investor, you are buying the business. The FAST Graphs™ presented with this article will focus first on the business behind the stock. The orange line on the graph plots earnings per share since 2001. A quick glance vividly reveals the historical operating record of the company.

BlackRock Inc (BLK) is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide.

This article will reveal the business prospects of BlackRock Inc through the lens of FAST Graphs – fundamentals analyzer software tool. Therefore, it is offered as the first step before a more comprehensive research effort. Our objective is to provide companies that have excellent historical records and appear reasonably priced based on past, present and future data and expectations.

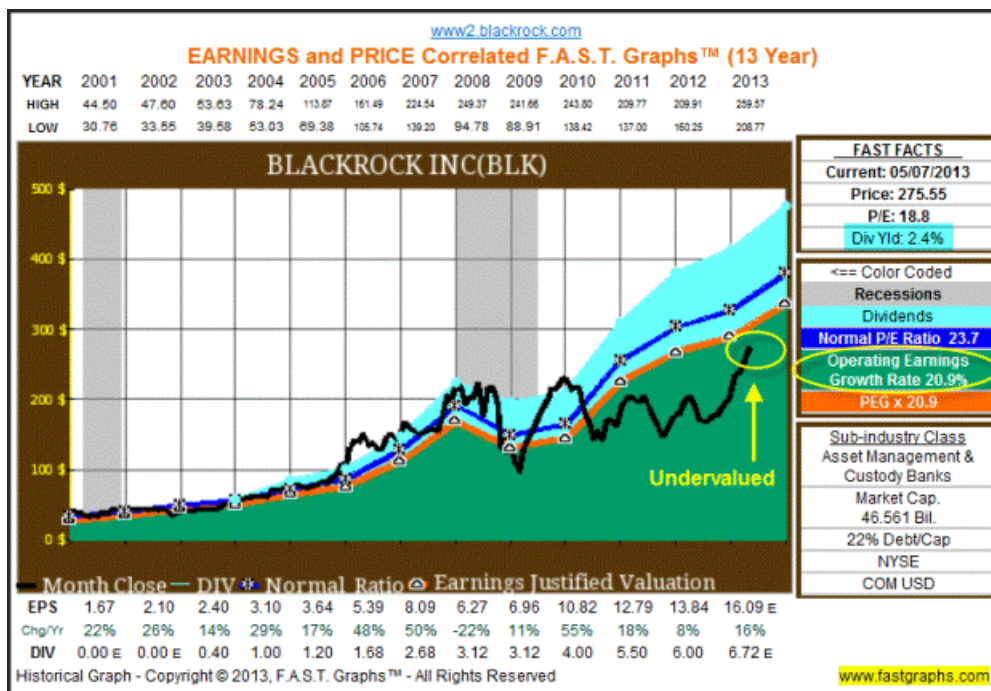
A quick glance at the graph itself and the orange earnings justified valuation line will tell the readers volumes about how well the company has historically been managed and performed as an operating business. Simply put, the reader should ask whether this example is worthy of a greater investment of their time and effort based on the data as presented and organized. The FAST Graphs' unique advantage is the graphical articulation of the price value proposition.

Earnings Determine Market Price: The following earnings and price correlated F.A.S.T. Graphs™ clearly illustrates the importance of earnings. The Earnings Growth Rate Line or True Worth™ Line (orange line with white triangles) is correlated with the historical stock price line. On graph after graph the lines will move in tandem. If the stock price strays away from the earnings line (over or under), inevitably it will come back to earnings.

## Earnings & Price Correlated Fundamentals-at-a-Glance

A quick glance at the historical earnings and price correlated FAST Graphs™ on BlackRock Inc shows a picture of undervaluation based upon the historical earnings growth rate of 20.9% and a current P/E of 18.8. Analysts are forecasting the earnings growth to continue at about 13.8%, and when you look at the forecasting graph below, the stock appears slightly overvalued (it's outside of the value corridor of the five orange lines - based on future growth).

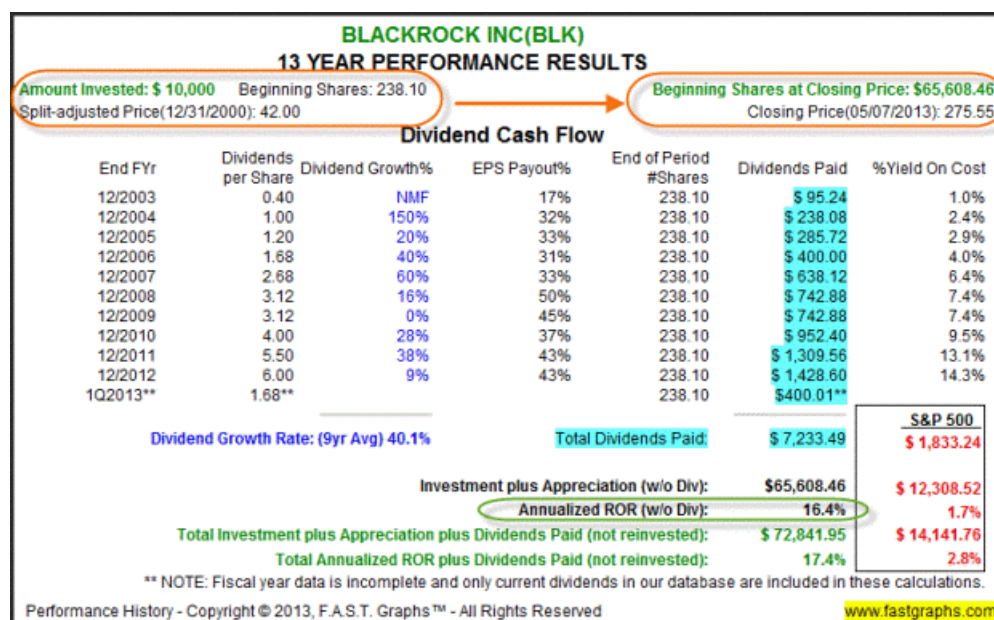
## BlackRock Inc: Historical Earnings, Price, Dividends and Normal P/E Since 2001



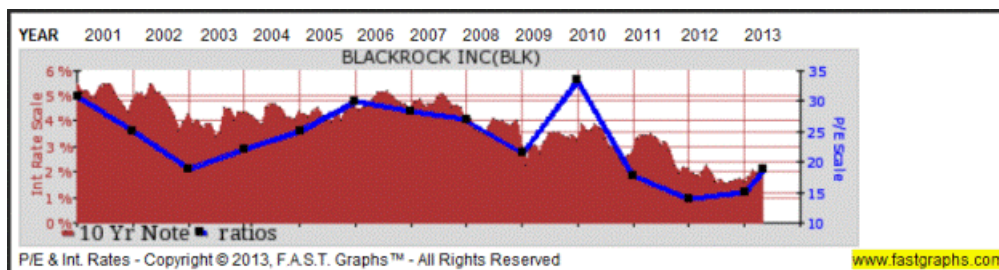
## Performance Table BlackRock Inc

The associated performance results with the earnings and price correlated graph, validates the principles regarding the two components of total return: capital appreciation and dividend income. Dividends are included in the total return calculation and are assumed paid, but not reinvested.

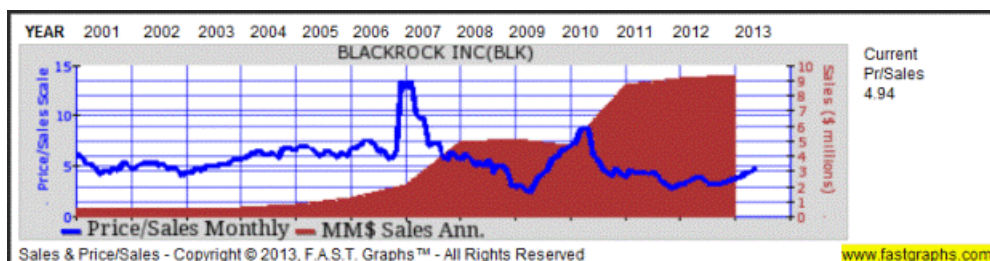
When presented separately like this, the additional rate of return a dividend paying stock produces for shareholders becomes undeniably evident. In addition to the 16.4% Annualized ROR (w/o Div) (green circle), long-term shareholders of BlackRock Inc, assuming an initial investment of \$10,000, would have received an additional \$7,233.49 in total dividends paid (blue highlighting) that increased their Annualized ROR (w/o Div) from 16.4% to a Total Annualized ROR plus Dividends Paid of 17.4% versus 2.8% in the S&P 500.



The following graph plots the historical P/E ratio (the dark blue line) in conjunction with 10-year Treasury note interest. Notice that the current price earnings ratio on this quality company is as low as it has been since 2001.



A further indication of valuation can be seen by examining a company's current P/S ratio relative to its historical P/S ratio. The current P/S ratio for BlackRock Inc is 4.94 which is historically normal.



## Looking to the Future

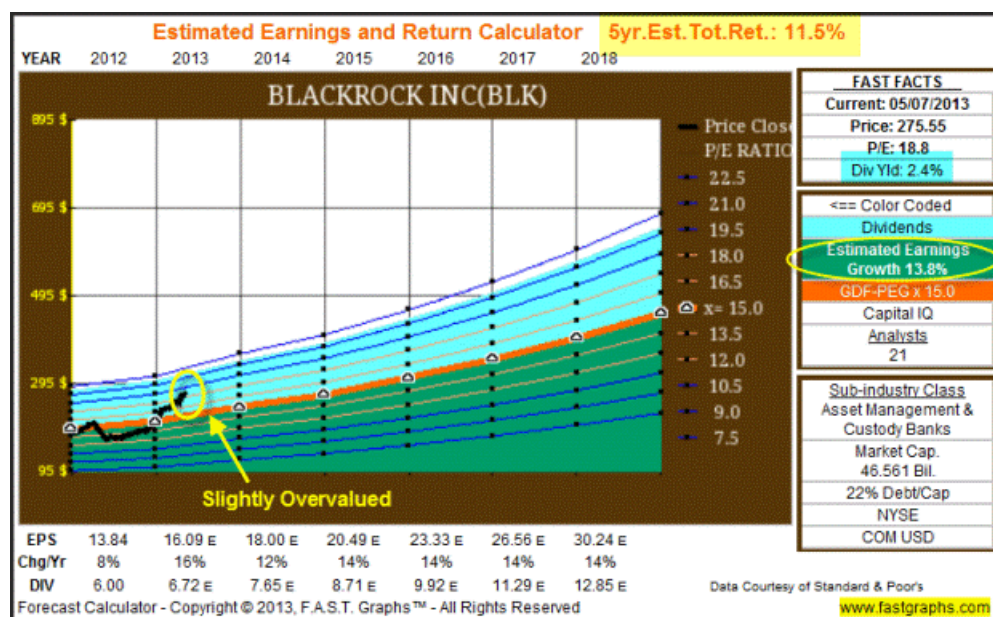
Extensive research has provided a preponderance of conclusive evidence that future long-term returns are a function of two critical determinants:

1. The rate of change (growth rate) of the company's earnings
2. The price or valuation you pay to buy those earnings

*Forecasting future earnings growth, bought at sound valuations, is the key to safe, sound and profitable performance.*

The Estimated Earnings and Return Calculator Tool is a simple yet powerful resource that empowers the user to calculate and run various investing scenarios that generate precise rate of return potentialities. Thinking the investment through to its logical conclusion is an important component towards making sound and prudent commonsense investing decisions.

The consensus of 21 leading analysts reporting to Capital IQ forecast BlackRock Inc's long-term earnings growth at 13.8%. BlackRock Inc has low long-term debt at 22% of capital. BlackRock Inc is currently trading at a P/E of 18.8, which is above the value corridor (defined by the five orange lines) of a maximum P/E of 18. If the earnings materialize as forecast, based upon forecasted earnings growth of 13.8%, BlackRock Inc's share price would \$453.62 at the end of 2018 (brown circle on EYE Chart), which would represent a 11.5% annual rate of total return which includes dividends paid (yellow highlighting).



## Earnings Yield Estimates

Discounted Future Cash Flows: All companies derive their value from the future cash flows (earnings) they are capable of generating for their stakeholders over time. Therefore, because Earnings Determine Market Price in the long run, we expect the future earnings of a company to justify the price we pay.

Since all investments potentially compete with all other investments, it is useful to compare investing in any prospective company to that of a comparable investment in low risk Treasury bonds. Comparing an investment in BlackRock Inc to an equal investment in 10-year Treasury bonds illustrates that BlackRock Inc's expected earnings would be 6.2 (purple circle) times that of the 10-year T-bond interest (see EYE chart below). This is the essence of the importance of proper valuation as a critical investing component.

10 YEAR EARNINGS YIELD ESTIMATES									
Closing Price(05/07/2013): \$275.55 - Assume an Investment of \$10,000									
Estimated Earnings \$11,024.31 -vs- T-Bond Earnings \$1,770.00									
BLACKROCK INC(BLK)								10 Yr Treasury Bond	
# Year	36.29 Shares @	Dividends per Share	EPS Gr 13.8% GDF-PEG x 15.0	Earnings Yield	Div. Yield	Estimated Dividends	Target Prc Est Tot Ret	T-Bond Rate 1.77%	Annual Yield
1) 2013	\$16.09 E	\$ 6.72 E	\$583.91 E	5.8%	2.4%	\$243.87 E	\$241.35 -14.9%	\$177.00	1.8%
2) 2014	\$18.00 E	\$ 7.65 E	\$653.22 E	6.5%	2.8%	\$277.64 E	\$270.00 1.9%	\$177.00	1.8%
3) 2015	\$20.49 E	\$ 8.71 E	\$743.69 E	7.4%	3.2%	\$316.10 E	\$307.39 7.1%	\$177.00	1.8%
4) 2016	\$23.33 E	\$ 9.92 E	\$846.69 E	8.5%	3.6%	\$359.88 E	\$349.97 9.4%	\$177.00	1.8%
5) 2017	\$26.56 E	\$11.29 E	\$963.96 E	9.6%	4.1%	\$409.72 E	\$398.44 10.7%	\$177.00	1.8%
6) 2018	\$30.24 E	\$12.85 E	\$1,097.47 E	11.0%	4.7%	\$466.47 E	\$453.62 11.5%	\$177.00	1.8%
7) 2019	\$34.43 E	\$14.63 E	\$1,249.47 E	12.5%	5.3%	\$531.07 E	\$516.45 12.1%	\$177.00	1.8%
8) 2020	\$39.20 E	\$16.66 E	\$1,422.52 E	14.2%	6.0%	\$604.63 E	\$587.98 12.4%	\$177.00	1.8%
9) 2021	\$44.63 E	\$18.97 E	\$1,619.54 E	16.2%	6.9%	\$688.37 E	\$669.41 12.7%	\$177.00	1.8%
10) 2022	\$50.81 E	\$21.60 E	\$1,843.84 E	18.4%	7.8%	\$783.71 E	\$762.13 12.9%	\$177.00	1.8%
Totals			\$11,024.31 E	Ratio 6.2:1		\$4,681.46 E		\$1,770.00	
Performance History - Copyright © 2013, F.A.S.T. Graphs™ - All Rights Reserved								www.fastgraphs.com	
Fundamental company data and index data provided by S&P Capital IQ									

## Summary & Conclusions

This report presented essential "fundamentals at a glance" illustrating the past and present valuation based on earnings achievements as reported. Future forecasts for earnings growth are based on the consensus of leading analysts. Although with just a quick glance you can know a lot about the company, it's imperative that the reader conducts their own due diligence in order to validate whether the consensus estimates seem reasonable or not.

**Disclosure :** No position at the time of writing.

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