

EVERCORE (EVR) – Long PT: \$150.52

EVERCORE

Today's Price: \$129.40
 Dividend Yield: 2.1%
 Market Cap: \$5,679M
 Industry: Financial Advisory
 Headquarters: New York, NY

A well-renowned company offering consistently exceptional service that promises to continue to grow and expand

Business Overview

Evercore Inc. is an investment banking advisory company that operates through two primary sectors: Investment Banking and Investment Management. Evercore delivers strategic corporate advisory, capital markets advisory and institutional equities services.

Thesis Points

1. Industry and Sector Growth: Evercore operates within the investment banking/financial sector which is significant because banks have continued to do well as result of higher interest rates purely because of the impact on revenue. However, Evercore is poised for stable growth and less volatility in response to hikes based on the company's maturity and also the fact that higher interest rates negatively high growth sectors rather than low growth sectors like financials. The sector itself is also trading at a discount compared to pre-COVID multiples and the S&P 500. Finally, lower deal flow is overstated because companies have a large amount of cash on hand which is utilized in transactions and which will impact deal flow.

2. Company Diversification:

Evercore has prioritized diversification for growth opportunities. Domestic growth is supported by increased presence in white space areas and expanding offerings including in activism defense. Evercore is prepared for an environment of strong deal flow but also is expanding other areas that are not reliant on interest rates. International growth is also important given their multi-pronged strategy to develop their presence abroad. All of this is supported by management who continues to gain diverse perspectives.

3. Evercore's maturity & stability make it a prime candidate during interest rate increases: Rate increases mean that you want to look for quality over growth. This means that you ditch the Tesla and go for the company that will have stable earnings and long term growth. Evercore provides this. Evercore has an extremely healthy balance sheet, positive increasing net income, positive increasing free cash flow, a high dividend, share repurchases, and stable growth projections that show less risk of volatility than its competitors. Evercore is primely positioned to be a stable grower during interest rate increases.



Industry Overview

Evercore Inc is a boutique bank working in both investment banking and investment management. The investment banking industry is one that is fairly established with larger players like JP Morgan or Goldman Sachs but boutique banks focus on deals that are middle cap or smaller but advise on larger deals as well. Service offerings of boutique banks induces M&A advisory, restructuring, underwriting and corporate finance. Some are concerned about market stability and deal flow in an inflationary environment as the investment banking industry is strongly influenced by general market conditions. Covid-19 pandemic increased deal flow due to low rates. Most banks hold some sort of global position as well but concentrated in the United States. Investment management includes managing assets for families, foundations and endowments. Overall, Evercore is positioned to deal with market tensions and growth while maintaining operations.



Additional Commentary – Valuation/Risks/News

Valuation: Based on its ratios, including P/E and EV/EBITDA, Evercore is trading at a discount to many of its peers. The discounted cash flow valuation resulted in 9.91% implied upside for the Exit Multiple Method and 16.32% implied upside for the Gordon Growth Method

Risks: Deal flow could be suppressed after a record year, evercore could be considered stagnant rather than mature, and interest rate increases being overstated poses a risk to the long term thesis points.

