

**Quarterly Report (Q1 2020) for:  
T. Rowe Price Group Inc. (TROW)**

**Report Date** (McNoVA meeting): **6/10/20**  
**Earnings Report Date: 4/28/20**

Percentage change in Sales from year ago quarter: **+10.2%** (down from +12.5%)  
Percentage change in Earnings per Share from year ago quarter: **-32.5%** (down from +59.9%)

Is company meeting our target sales & earnings estimates? **Beat Analysts' Sales and Earnings Estimates**

Pre-tax Profit on sales trend? **Even**  
Return on equity trends? **Up**  
Debt? (up, even, down) **Even**

Current P/E is **14.3** (down from 17.9) Where does it fall in my estimated High/Low range of P/E's? **Midpoint**  
Signature P/E = **17.25**

Club cost basis for this stock is **\$78.44** (unchanged) Current price (5/22) is **\$114.65** (down from 138.61)  
(from latest valuation)  
Current fair value: Morningstar: **\$114.00** (down from 124.00) CFRA: **\$109.31** (down from 133.54)

My SSG Total Return is **7.6%** (down from 7.7%) Projected Average Return is **4.7%** (down from 4.9%)

**What will drive future growth:** On April 28, 2020 (BMO), for the quarter ended March 31 (Q1), **T. Rowe Price Group Inc.** (TROW) reports results beating general consensus estimates (GNTX beat Zack's EPS estimates (\$1.85 vs. \$1.87 reported)). Gentex reports for the quarter and the year:

- Assets under management (AUM) end quarter at \$1.01 trillion
- Net client outflows of \$6.0 billion for Q1 2020
- Net revenues of \$1.5 billion for Q1 2020
- Diluted earnings per common share of \$1.41 for Q1 2020
- Adjusted non-GAAP diluted earnings per common share of \$1.87 for Q1 2020
- Repurchased 8.3 million shares at an average price of \$106.43
- Long-term investment performance remains strong  
[*T. Rowe Price 1<sup>st</sup> Quarter Earnings Report*]

TROW posts an 11% increase in 1Q AUM, holding up better than peers in a challenging end to the quarter. Outflows continued under what Argus Research (Argus) views as challenges in attracting customers to actively managed funds. TROW also faces pressure to reduce fund fees to remain competitive, and is likely to spend more aggressively on advertising to retain actively managed assets. Argus believes that while competitive pressure remains, the company has seen strong performance from its actively managed funds, generally a good sign for asset attraction and retention, and its focus on the growing retirement market has helped to stabilize assets under management. Argus expects TROW's emphasis on target-date funds and the launch of new products to support growth in AUM over time. TROW also has high operating margins and a strong financial position, with no debt. Argus' long-term rating remains BUY. [*Argus Research's T. Rowe Price 1<sup>st</sup> Quarter 2020 Analyst Report*]

SSG analysis indicates Hold. Recommendation: **Hold**

<b>SYMBOL</b>	<b>PERIOD</b>	<b>EVENT TITLE</b>	<b>EPS ESTIMATE</b>	<b>EPS ACTUAL</b>	<b>PREV. YEAR ACTUAL</b>	<b>DATE/TIME (ET)</b>
TROW	Q1 2020	T. Rowe Price Group, Inc. Earnings Release	\$1.79 vs. \$1.87 reported (non-GAAP; Schwab)	(\$1.41) (GAAP)	\$2.09 (GAAP)	28-April-20 BMO

## **Bulls Say. Bears Say.**

### **Bulls Say**

- With \$1.009 trillion in AUM at the end of March 2020, T. Rowe Price is one of the larger U.S.-based asset managers. Retirement accounts and variable-annuity investment portfolios account for two thirds of managed assets
- At the end of 2019, 75%, 80%, and 82% of T. Rowe Price's U.S. mutual funds were beating peers on a three-, five-, and ten-year basis, respectively.
- Target-date retirement portfolios have been a significant source of organic growth for T. Rowe Price, generating close to \$40 billion in net inflows (equivalent to a 4.8% rate of annual growth) the past five years.

### **Bears Say**

- T. Rowe Price's global/international equity performance has stumbled, with just 64% and 68% of funds beating their peers on a three-, five, and 10-year basis, respectively, at the end of 2019.
- The firm's fixed-income AUM has struggled as well, with just 63%, 65% and 66% of funds beating their peers on a three-, five-, and 10-year basis, respectively, at the end of last year.
- With a large portion of the firm's assets generating fees based on daily AUM levels rather than monthly or quarterly averages, revenue will be more heavily affected during periods of extreme market volatility.

Morningstar Fair Value Estimate: \$114.00 [*Morningstar*]