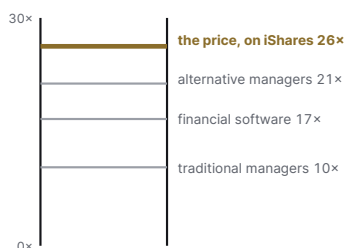


EQUITY VALUATION · FINANCIALS · BLK · 16 OCTOBER 2026

BlackRock (BLK) — Defending the ETF Fee Premium Against Commoditization?

BlackRock earned \$15.93 a share as adjusted in the third quarter, on \$205 billion of net inflows. About half of what it earns after tax comes from ETFs and index funds, where competition is fought on price: Vanguard, after two fee cuts, has gathered more new ETF money than iShares this year. Yet iShares' fee rate has risen over two years, mostly because its asset mix has shifted toward pricier funds. At \$1,134 the market values BlackRock at about \$193 billion once the shares still owed for its 2024–25 acquisitions are counted, and pays about 26 times after-tax earnings for the index business, more than for any listed peer group. Fair value \$1,031 a share, 9.1% below Friday's close: the price needs the move to index funds to run about four years longer than the house expects.

TON618 CAPITAL RESEARCH · AS OF 16 OCTOBER 2026



The ladder, and the rung the price puts iShares on.

At \$1,134, with the other businesses held at the house's values, the shares pay about 26 times after-tax earnings for the index business — more, per after-tax dollar, than private-markets managers fetch.

THE PRICE · THE PRINT · THE BUSINESSES · ISHARES · PRIVATE MARKETS · ALADDIN · VALUE

On Wednesday 14 October BlackRock reported third-quarter revenue of \$7.75 billion, up 19% on a year earlier, as-adjusted earnings of \$15.93 a share against a consensus of \$14.25, and \$205 billion of net inflows, \$135 billion of them into iShares. Assets under management reached \$15.5 trillion. Base fees grew at an 11% annualized organic rate, the ninth straight quarter at or above the firm's 5% target, and the operating margin rose 320 basis points to 47.8%. The chairman told the call that "for the first time in my career ... I'm seeing genuine shortages of capital". A full year after HPS and Prequin joined (two after Global Infrastructure Partners), BlackRock is, he said, "at the center of many of these conversations" about where capital goes. The shares opened 2% higher and gave most of it back by midday, at \$1,068.36, on a day the S&P 500 fell 1% and the listed private-markets managers about 3%. Two days later, on Friday 16 October, they closed at \$1,134.38, the price this note uses. This note asks whether BlackRock can defend the fee premium on its largest business — measured here by iShares' own base-fee rate (\$5), not a rival-by-rival spread — as commoditization has slowly eaten at ETF fees, and what the price already assumes.

What this note answers

1. **How did BlackRock get here, and where does it say it is going?** From a bond shop to iShares and Aladdin, the three acquisitions of 2024–25, and the 2030 plan.
2. **Who does it compete with, and on what?** The rivals in each business, and the five forces that set its prices.
3. **What did the quarter and the call say?** What printed, what management stressed, and what nobody asked.
4. **What does each business earn?** BlackRock reports one segment; the house splits its earnings four ways and shows how.
5. **Is the ETF business losing price as it gains assets?** Nine quarters of fee rates against nine quarters of growth.
6. **How much does bitcoin matter?** The bitcoin ETF and the digital-asset business, measured five ways, and the plan for them.
7. **Do the private-markets acquisitions earn what was paid?** The deal decks against the run-rate, and the sector's core question.
8. **What sits outside the businesses?** Aladdin, the balance sheet at mark, and the shares still to be issued.
9. **What is it worth?** Each business grown for as long as its driver runs, the proponent's case on its own inputs, and a cross-check.
10. **What does the price pay for?** The multiple the price implies on each business, against the peers, the growth it needs, and BlackRock's own record.
11. **What would change our view?** Dated, observable conditions in both directions.

\$1,031

FAIR VALUE PER SHARE, PROBABILITY-WEIGHTED (BEAR \$669 / BASE \$1,003 / BULL \$1,450); 9.1% BELOW THE 16 OCTOBER CLOSE OF \$1,134.38; THE PRICE IS 10.0% ABOVE IT

The read. About half of what BlackRock earns after tax — \$4.7 billion of about \$9.7 billion a year at the third quarter's pace — comes from ETFs and index funds, where competition is fought on price. The case that this business is being commoditized is real but partial. iShares' share of global ETF assets slipped from 28.3% to 27.3% over the year to August, and in 2026 it is taking about a fifth of new ETF money while Vanguard, after two fee cuts, takes more. Yet iShares' fee rate rose from 17.03 to 17.36 basis points over two years, mostly through mix, while its ETF assets grew 57%. The CFO said about half of BlackRock's flows this year (\$270 billion of \$524 billion) went into products charging 10 to 60 basis points, and the fee rate on bond ETFs, the one group getting cheaper, fell 3%. The house assumes the fee rate erodes 3% a year — between like-for-like records of a fall of about 4.5% a year in 2020–25 and about flat over the past two years — and values the index business at **21.5 times** after-tax earnings: fee earnings grow 9.75% a year, a little below the 10.7% iShares' fees compounded from 2015 to 2025, for about ten years while money keeps moving from active to index funds, then converge to 3.5%. At \$1,134 the price pays **26 times**, more than the median of any listed peer group after tax, and slightly more than Blackstone and Ares before tax (19.7 times against 19.2), and needs that move to run **14.0 years**, or a 10.3% cost of equity instead of 11%. On the proponent's own inputs the model gives **\$2,054**. Bitcoin shows a premium can be won in a new wrapper, so far — IBIT holds 60.7% of its market at a 0.25% fee, against 0.14–0.15% for the cheapest rivals — but digital assets were 1.0% of 2025's base fees. Tokenization is an option the note states but does not value (\$6).

26.3×

After-tax earnings multiple the price implies for the ETF and index business, other businesses at house values; 20.0× if one multiple is applied to every fee stream

+0.33bp

iShares' all-ETF base-fee rate, 17.03 to 17.36 basis points, third quarter 2024 to third quarter 2026, as ETF assets grew 57%; mostly mix, a quarter from rates within the groups; fixed-income ETFs the one group getting cheaper

14.0 yrs

How long money must keep moving from active to index funds for the price, at the house's growth rates — until active funds hold about 14.5% of US fund assets; the house expects ten years, to 25%

+2.3%

Private-markets base fees, third quarter on third quarter, the first comparable quarter since HPS closed; fee-paying assets +4.7%; fee rate 81.6 → 79.0 basis points on a like-for-like basis

Terms used throughout, defined once. **AUM:** assets under management. **Base fees:** the management fees BlackRock earns as a percentage of AUM, including the securities-lending revenue it allocates to products; the **fee rate** is annualized base fees over average AUM, in **basis points (bp)**, hundredths of a percent. **Organic growth:** growth from net client flows, excluding market moves. **ETF:** exchange-traded fund; **iShares** is BlackRock's ETF brand. **Non-ETF index:** index mandates and funds that are not ETFs, mostly institutional. **Private markets:** infrastructure, private credit, private equity and real estate funds — the business GIP (Global Infrastructure Partners) and HPS (HPS Investment Partners) were bought to build. **Fee-paying AUM:** assets that earn management fees now. **FRE:** fee-related earnings, management fees less the costs of earning them, the measure private-markets managers are valued on; **P/FRE** is price over FRE. **Performance fees:** fees earned when funds beat hurdles; volatile. **Aladdin:** BlackRock's investment-management software; **ACV** is annual contract value, the forward value of its recurring subscriptions. **As adjusted:** BlackRock's non-GAAP earnings, which exclude acquisition accounting (amortization of acquired intangibles, remeasurement of share-settled deal payments, retention awards). **Cost of equity (CoE):** the return shareholders require; built here as the 10-year Treasury yield plus the stock's beta times an equity risk premium. **Sum of the parts (SOTP):** valuing each business on its own terms and adding them up. **Terminal growth:** the growth rate assumed after the explicit forecast. **Growth stages:** the explicit forecast is split into periods, each lasting as long as the thing that drives its growth; every length is stated and argued in §9. **Gordon-equivalent growth:** the single perpetual growth rate a given multiple implies, $g = (M \times \text{CoE} - \text{payout}) / (M + \text{payout})$.

THE OTHER SIDE, FIRST

The case for the price

The strongest case that \$1,134 is right, in the terms its proponents would use.

1. **The record is better than the house's growth stages allow.** Organic base-fee growth has been at or above the 5% target for nine straight quarters and at or above 8% for five. Trailing twelve-month ETF organic asset growth ran 11–14% in every one of the last nine quarters. iShares' organic growth averaged 11% a year from 2015 to 2025, and 11–12.5% in the last two, as its assets grew five-fold. And the ETF fee rate rose, from 17.0 to 17.4 basis points, while ETF assets grew 57%. The shift from mutual funds to ETFs and the move of active management into the ETF wrapper (iShares active assets doubled in a year to more than \$160 billion, the chief executive said) are decade-long, not cyclical. A fee drift of –3% a year assumes compression resumes after two years in which it stopped.
2. **BlackRock is cheap against its own history and its own analysts.** At 20.4 times trailing adjusted earnings it sits below its 2015–25 year-end median of 21.3 times. Twenty of the twenty-one analysts on Robinhood's tally rate it a buy, and the lowest price target on file, \$1,212, is 7% above the price.
3. **The 2030 plan is running ahead.** In June 2025 management set out to roughly double operating income to \$15 billion and market value to \$280 billion by 2030 before market gains, with private markets and technology rising from 15% to over 30% of revenue. Five quarters in, organic base-fee growth is 10% over twelve months against a 5% target, and the operating margin is 47.8% against a 45% floor. The margin excluding performance fees rose 230 basis points in a year — operating leverage a model held at today's margin does not credit.
4. **Private markets is worth more than its current fees.** \$96 billion is not yet earning fees — up to about \$0.76 billion a year at today's rate, though the figure can include leverage and capital that earns only performance fees — and \$139 billion is available to invest. GIP and HPS run at fee-related margins above 50%. The chief executive says the firm is "in the mix of almost every conversation" on financing AI infrastructure. And the deferred deal shares are paid only if GIP and HPS hit their milestones, so the dilution comes with the growth.
5. **The cost of equity is too high.** BlackRock's earnings are among the most diversified in finance: by asset class, client type and region, with technology and private markets beside index. At a 10% cost of equity — a beta of about 1.0 instead of the 1.20–1.34 measured — the house's own three cases give a weighted \$1,194 a share, above the price.
6. **The move to index funds has further to run.** Active funds still hold 48% of US long-term fund assets, and index domestic-equity funds own only 19% of US stocks. If active funds fall to about 14% rather than 25% — fourteen years at the current pace — the weighted value is \$1,136; base growth at a 10% cost of equity with that runway gives \$1,254; the strongest growth case with both gives \$2,054.

7. **Digital assets are an option the model leaves out.** IBIT holds 60.7% of US spot-bitcoin ETF assets, and iShares took about 90% of 2025's inflows into US digital-asset ETFs by BlackRock's count. BlackRock manages most of the reserves behind Circle's USDC stablecoin and runs what it calls the largest tokenized fund in the world. The chairman says tokenization may be roughly where the internet was in 1996. A sum of the parts built on today's fees cannot see that option.

Of these, this note tests:

- (1) in §5, §9 and §10, where the ETF platform's growth and fee rate are laid against the growth the price needs and against the decade's record;
- (2) in §10, where the trailing multiple is set against the 10-year Treasury yield at each year-end;
- (3) in §1 and §9, where the plan's milestones are scored and margin expansion is run as a sensitivity;
- (4) in §7 and §8, where the uninvested commitments, the fee rate and the deal decks are reconciled to the run-rate and the contingent shares are scaled with performance by case;
- (5) in §9, where the cost of equity is built in the open and every result is shown at 10%, 11% and 12%;
- (6) in §9, where the length of every growth stage is argued from what drives it and the value of each alternative length is shown;
- (7) in §6, where bitcoin's weight in BlackRock's flows, fees, growth and value is measured and the tokenization pieces are sized.

It cannot test:

- Sell-side price targets, which are opinions it reports but does not test.
- Whether the 2025–26 flow pace is the new normal, which only the next several years can settle.
- How far the move to index funds finally runs, which the stage table lets the reader judge.
- How large tokenization becomes, which no record yet measures.
- Aladdin's margin and the cost split between the businesses, which BlackRock does not publish.
- Whether the market's lower discount rate on BlackRock is a durable judgment on its risk.

 HOW IT GOT HERE

How BlackRock got here, and where it says it is going

From bonds to iShares to Aladdin. BlackRock was founded in 1988 as a fixed-income manager. It merged with PNC's asset manager in 1995, listed in 1999, bought Merrill Lynch Investment Managers in 2006 and, on 1 December 2009, bought Barclays Global Investors, with iShares, for about \$15 billion in cash and stock (the history is drawn from Part 1 of the house's bank series, *US Banking Before the Print*). Aladdin, the risk system the founders built for their own bond portfolios, became a business sold to other investors. Assets under management grew from \$4.6 trillion at the end of 2015 to \$14.0 trillion at the end of 2025 and \$15.5 trillion at the end of September. As-adjusted earnings per share went from \$19.60 in 2015 to \$48.09 in 2025, 9.4% a year, through two down years (2016 and 2022).

Three acquisitions in eighteen months. BlackRock then bought into the businesses public markets were losing to private capital. Global Infrastructure Partners closed on 1 October 2024 for \$3 billion in cash and about 12 million shares, a nominal \$12.55 billion: about 7 million shares at closing (6.9 million as issued) and up to about 5 million more after five years on performance milestones. Preqin, a private-markets data provider, closed on 3 March 2025 for £2.5 billion (about \$3.2 billion) in cash. HPS, a private-credit manager, closed on 1 July 2025 for 8.5 million units of a BlackRock subsidiary exchangeable one for one into shares ("Subco Units"), worth \$8.5 billion at closing, plus 2.8–4.4 million more units in about five years. The cash legs were largely funded with \$5.5 billion of notes issued in 2024. The chairman's 2026 letter calls the work — HPS, Preqin and the smaller ElmTree closing in 2025, following GIP — "our largest integrations in more than 15 years".

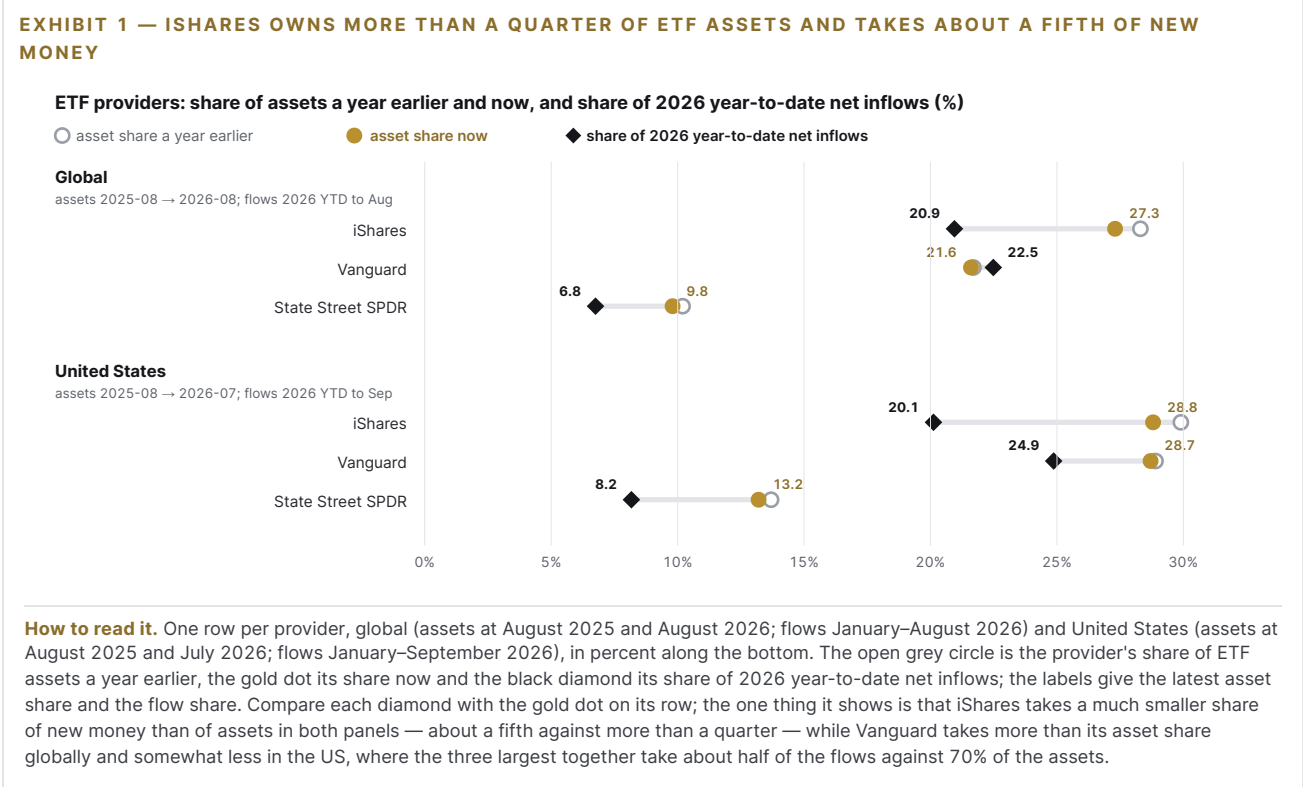
The plan. At its June 2025 Investor Day management set two through-the-cycle targets: organic base-fee growth of at least 5% and an as-adjusted operating margin of at least 45%. It also set a 2030 aspiration before market gains: operating income from about \$8 billion to \$15 billion, revenue from \$20 billion to more than \$35 billion (10% a year), market value from about \$140 billion to \$280 billion, private markets and technology from 15% to more than 30% of revenue, and \$400 billion of private-markets fundraising from 2025 to 2030. Five quarters in, twelve-month organic base-fee growth is 10% and the third-quarter margin 47.8%. Twelve-month private-markets fundraising is \$68 billion, against the roughly \$67 billion a year the plan needs, and market value is \$184 billion.

 THE FIELD

The field: who BlackRock competes with, and on what

BlackRock competes in four markets against four different sets of rivals.

BUSINESS	MAIN RIVALS	WHERE BLACKROCK STANDS	WHAT THEY COMPETE ON
ETFs and index	Vanguard, State Street, Schwab, Invesco	Largest: 27.3% of global ETF assets (August); 28.8% of US against Vanguard's 28.7% (July)	Fees, trading liquidity, breadth, distribution
Active and cash	T. Rowe Price, Franklin, Invesco, Affiliated Managers	Flows positive but carried by multi-asset; active equity and bonds together about flat in 2023–24	Performance, fees, wrappers
Private markets	Blackstone, Apollo, Brookfield, KKR, Ares	Behind all five on fee-paying assets (\$336 billion; Blackstone \$962 billion, Ares \$410 billion) and behind Blackstone, Brookfield and KKR on twelve-month fundraising (\$68 billion against \$133–263 billion); definitions differ	Fundraising, origination, insurance capital
Aladdin	State Street (Charles River), Clearwater, FactSet, MSCI, Broadridge	More than 360,000 users of Aladdin and Preqin (May 2025); contract value up 12% against 6–8% recurring-revenue growth at the rivals that report it	One platform from front office to back; the cost of switching



Rivalry: high, and fought on price. iShares remains the largest ETF provider, but it is losing share. Its share of global ETF assets slipped from 28.3% to 27.3% in the year to August, its lead over Vanguard in the US narrowed from 1.0 point to 0.1, and in 2026 Vanguard has gathered more new money than iShares, globally and in the US. Vanguard made what it

called its largest-ever fee cut in February 2025 and another in February 2026, from an average expense ratio of 0.06%. Schwab and State Street (in Europe) cut in 2026. In the US, the asset-weighted fee on index equity ETFs fell from 0.21% in 2017 to 0.14% in 2025 (ICI). BlackRock's own 10-K warns that competition "may lead to additional fee compression".

Suppliers: concentrated, but the dependence runs both ways. BlackRock relies on a relatively concentrated group of index providers and says the structure may limit its ability to renegotiate. Yet MSCI earns 11.8% of its revenue from BlackRock (first half of 2026), almost all of it on BlackRock's fund assets. In January the two extended their ETF licence to 2035 under a revised fee structure. MSCI's fee on the ETF assets linked to its indexes fell from 2.43 to 2.28 basis points over the year to June, though MSCI does not say how much of that is the new terms. BlackRock also reported investment discretion over about 7% of MSCI's shares at the end of 2024.

Buyers: intermediaries and the largest institutions. Retail money reaches BlackRock principally through brokers, banks and advisers whose terms are renegotiated periodically; distribution and servicing costs rose to \$2.46 billion in 2025. Institutional index mandates are 29% of long-term assets but 6% of base fees, and 2025's \$119 billion of institutional index outflows came primarily from one client. More than 30,000 advisers used BlackRock's model portfolios at the end of 2024; BlackRock does not disclose how much money they steer.

New entrants and substitutes. Starting an ETF is easy; scaling one is hard. The number of ETF providers worldwide rose from 896 to 1,044 in the year to August, and a record 2,141 ETFs launched in the first seven months of 2026. Yet the three largest providers still take about half of all net inflows. The substitutes — direct indexing (BlackRock bought Aperio in 2021), separately managed accounts, collective investment trusts, tokenized funds and private credit in place of public bonds — are mostly businesses BlackRock also runs.

What it means for the value. Three findings matter for the inputs. First, rivalry is the main risk to the base case's 10% organic growth and 3% annual fee fall, which \$5 argues from the record. iShares now takes about a fifth of new ETF money while owning more than a quarter of the assets. Over the same two years, though, its ETF fee rate rose, mostly through mix, and its trailing organic growth held at 11–14%. Second, the scale gap in private markets, and the growth gap it shows up as (\$7), is why the house does not pay the listed managers' multiple on the evidence so far. Third, Aladdin's rivals that report it grow recurring revenue at 6–8% (FactSet, State Street's software, MSCI's analytics), below the 12% the base case gives it.

THE PRINT AND THE CALL

What the print and the call said

What printed. Revenue was \$7,752 million: base fees \$6,036 million (+20% on the year), performance fees \$630 million and technology services \$588 million (+14%). Of the performance fees, \$409 million came from liquid alternatives, largely one hedge fund whose measurement year ends in September, and \$110 million from HPS. As-adjusted operating income rose 27% to \$3,330 million and as-adjusted net income 37% to \$2,621 million. GAAP diluted earnings were \$10.57 a share. The \$5.36 gap to \$15.93 is almost all acquisition accounting, and two items make up \$4.64 a share of it: a \$556 million after-tax charge (\$564 million before tax) as the fair value of the shares still owed to GIP and HPS rose with BlackRock's own share price, and \$207 million after tax (\$276 million before) of amortization of acquired intangibles. Buybacks were \$550 million; the dividend \$5.73.

What management stressed. On margins, the chief financial officer said: "Excluding the impact of all performance fees and related compensation, our adjusted operating margin for the third quarter would have been 48.6%", up 230 basis points on a year. On fees, he said that on an equivalent day count "our annualized effective fee rate was approximately flat compared to the second quarter". On growth, he said organic base-fee growth has been "nine consecutive quarters at or above our 5% long-term target", and that BlackRock can sustainably deliver 6–8%, with more in strong markets. Of the \$524 billion of flows so far this year (the release shows \$527 billion over the nine months), he said about \$270 billion went into products charging 10 to 60 basis points — active ETFs, country funds, diversifiers. The chief executive: "We raised \$25 billion in private credit in our first full year with HPS." On syndication, the CFO said such revenues are "incremental to our model, not the primary driver of value creation"; on evergreen private-credit funds sold to wealthy individuals, "We still have redemptions in the queue." The fourth-quarter buyback will be at least \$550 million.

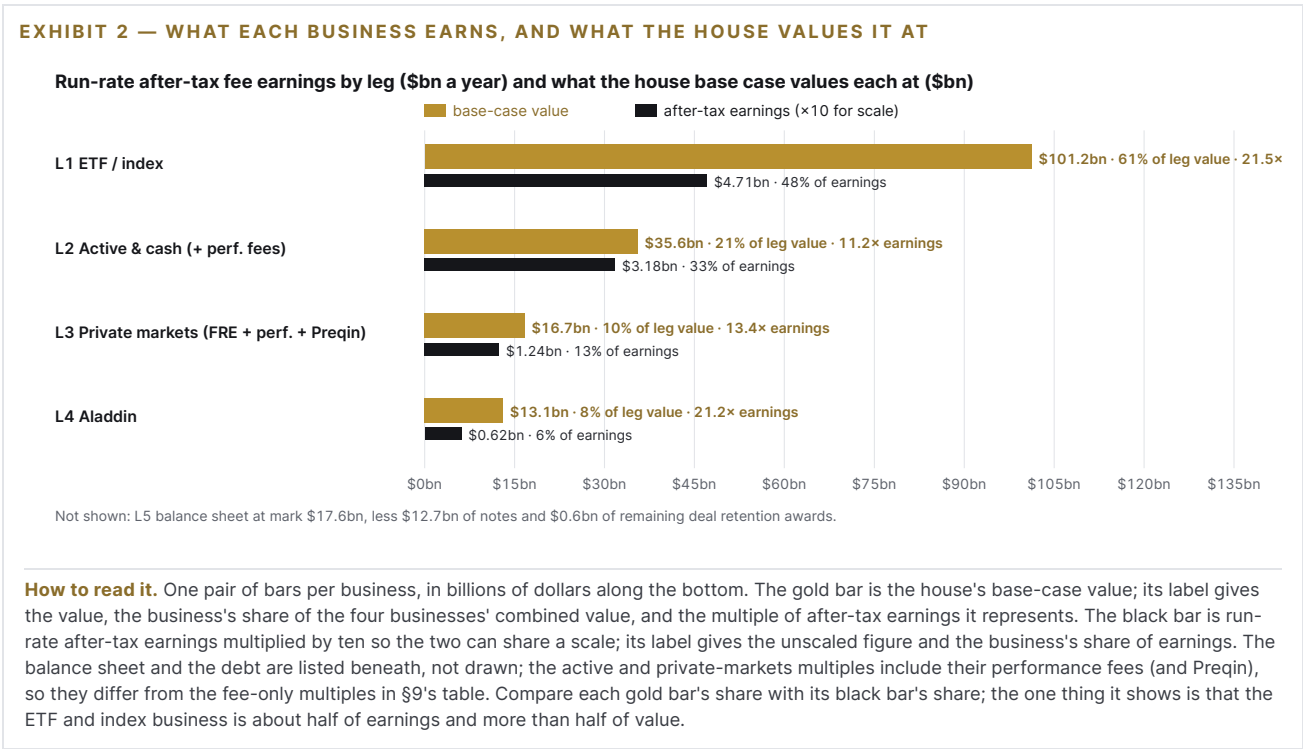
What went unasked. Six analysts asked about organic-growth drivers, rates and AI financing, tax-aware accounts, margins and syndication. None asked about the fee rate on private markets, the gap between private-markets fee-paying assets and fees, the \$564 million share-settled charge, the 6.8–9.6 million deal shares still to be issued, or the end of the GIP sellers' two-year lock-up.

THE FOUR BUSINESSES

Four businesses, one income statement

The split. BlackRock does not publish costs by business, so the house allocates and says how. Third-quarter recurring revenue, after distribution pass-throughs and before performance fees, was \$6,337 million; the CFO's 48.6% margin on it is \$3,080 million of recurring operating income. Private markets is given a 45% fee-related margin (management says GIP and HPS run above 50%; BlackRock's older private-markets funds are assumed lower). Technology is given 40%, above SS&C's adjusted operating margin (38.5%) and FactSet's (34.5% for its 2026 fiscal year) and well below MSCI's operating margin (56%); BlackRock does not disclose Aladdin's. The public-markets businesses take the rest, a 50.1% margin, split between ETF and index and active and cash at that one rate. The \$371 million of advisory fees BlackRock passes on to distributors and its \$84 million of other revenue are both placed in active and cash management, where the retail mutual funds sit. Performance fees are taken at their last-twelve-months level, \$1,961 million, at the 40% contribution the CFO's two margins imply.

The result. At a 25% tax rate (management's guide for the fourth quarter), run-rate after-tax fee earnings are \$9.75 billion: ETF and index \$4.71 billion, active and cash \$2.86 billion, private-markets fee earnings \$0.89 billion, Aladdin \$0.62 billion, Preqin \$0.08 billion (on an estimated \$280 million of revenue; the 10-K gives about \$210 million for the ten months of 2025), private-markets performance fees \$0.27 billion and the rest \$0.32 billion.



What the split decides. Very little of the total. A uniform margin on every business changes the weighted value by about \$1 a share; private markets at 50% and technology at 45%, or 40% and 35%, change it by about \$1, because the moves between businesses offset. A five-point higher margin on ETF and index than on active, with the total held, adds \$31; spreading the pass-throughs pro rata between the two instead takes off \$17 and lifts the multiple the price implies for the index business to 27.1 times. The allocation decides which business carries the value, not how much there is.

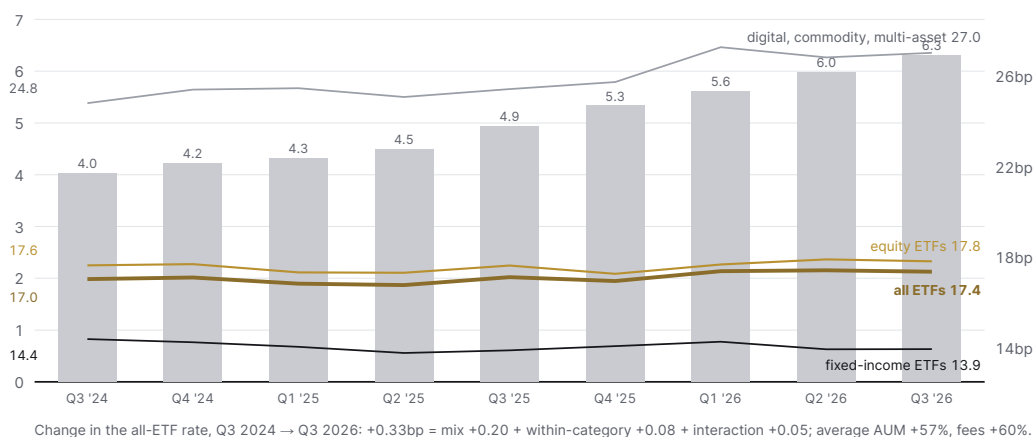
iShares: the fee rate against the growth

 **17.03 → 17.36bp** the ETF base-fee rate, third quarter 2024 to third quarter 2026, while average ETF assets grew 57%

No compression in the aggregate. Over the eight quarters to September, average ETF assets rose 57% and ETF base fees 60%. The all-ETF fee rate went from 17.03 to 17.36 basis points. Split three ways, the rise is mostly mix: equity ETFs, at 17.8 basis points the larger and dearer group, grew from 73% to 75% of ETF assets, and digital-asset, commodity and multi-asset ETFs earn 27 basis points. Of the 0.33-point rise, 0.20 is mix, 0.08 is rates within each group and 0.05 the interaction of the two. Within the groups, equity ETFs went from 17.65 to 17.82 basis points while fixed-income ETFs fell from 14.38 to 13.94, a 3% cut. BlackRock includes securities-lending revenue in base fees without splitting it by product; lending revenue rose from \$149 million to \$253 million a quarter. If every dollar of it were ETF revenue, lending would explain at most 0.12 basis points of the rise; the rest, at least 0.21, is management fees.

EXHIBIT 3 — ETF ASSETS AND ETF FEE RATES, NINE QUARTERS

ETF average AUM (\$tn, bars, left) and ETF base-fee rates (bp, lines, right), nine quarters



How to read it. Grey bars are average ETF assets each quarter, in trillions of dollars on the left scale, labelled on top. The lines are annualized base-fee rates in basis points on the right scale: the heavy dark-gold line is all ETFs, gold is equity ETFs, black is fixed-income ETFs, grey is digital-asset, commodity and multi-asset ETFs; each line is labelled with its first and last values. The note beneath splits the change in the all-ETF rate into mix, within-group and interaction effects. Compare the slope of the bars with the slope of the heavy line; the one thing it shows is that assets rose by more than half while the rate drifted up, with fixed-income ETFs the one group getting cheaper.

What it means for the growth stages. The index business is valued on rates that hold across a ten-year stage, not on the last year. The base case takes 10% organic growth (iShares averaged 11.0% from 2015 to 2025, with a trough of 6.4% in 2023) and 4% market drift. It lets the fee rate drift down 3% a year, between the two records measured the same way. In 2020–25 the all-ETF rate fell 4.2% a year; split into mix and rates within each group, mix added 0.34 basis points and rates within the groups took off 4.36, a like-for-like fall of about 4.5% a year (equity ETFs 4.7%, fixed-income ETFs 4.5%). In 2024–26 rates within each group added 0.08 basis points, about flat, and mix 0.20 of the 0.33. Mix added to the rate in both periods; the –3% applies to the blended rate, which fell 4.2% a year in 2020–25 and rose about 1% a year in 2024–26, so it sits between the raw records as well. The house does not carry the flat recent record forward because fixed-income ETFs, the one group getting cheaper, are where compression would resume. Weighted 87% ETFs and 13% non-ETF index (–2.4% organic, the past year's rate), that is 9.75% a year, a little below the decade's 10.7%.

The bear and bull rates. The bear case takes 6.5% organic growth (the 2022–23 trough averaged 6.6%), 2% market drift and the 2020–25 compression. That leaves no faster stage at all: it holds the decade's two weakest years for ten years running, when no other year since 2015 was below 8%. The bull case takes 2024–25's 12% organic growth, 6% market

drift and compression easing to -1.5% a year: 15% a year for ten years, near the top tenth of ten-year growth among large US companies. Two things to watch. The CFO expects the fourth quarter, which brings 30-40% of iShares' annual flows, to continue the shift toward higher-fee categories. And institutional index outflows were \$104 billion in nine months — the third quarter's \$27 billion of them, the CFO said, concentrated in low-fee index equities.

⊕ BITCOIN AND DIGITAL ASSETS

Bitcoin and the digital-asset bet

The franchise. iShares Bitcoin Trust (IBIT) began trading on 11 January 2024 at a 0.25% fee. By 15 October 2026 it held 803,871 bitcoin, worth \$66.2 billion. On the trusts' own filings it had 60.7% of US spot-bitcoin ETF assets at the end of June, up from 59.4% at the end of 2025, while the category's assets fell 37%. BlackRock calculates that iShares took about 90% of 2025's inflows into US digital-asset ETFs. Around IBIT sit an ether trust (ETHA, \$8.4 billion), a trust that stakes its ether (ETHB, March 2026), a bitcoin income fund that writes calls on IBIT (BITA, June 2026), IBIT options (November 2024) and bitcoin products in Europe, Canada and Australia. BlackRock has filed no Solana or XRP products. In all, its digital-asset products held \$79.6 billion at 30 September.

How much it matters, measured five ways.

MEASURE	2024	2025	2026 SO FAR
Share of BlackRock's long-term net inflows	8.4%	6.1%	1.1% (nine months)
Share of iShares' ETF net inflows	10.5%	6.6%	1.3%
iShares organic growth with / without digital assets	11.2% / 10.0%	12.5% / 11.8%	—
Share of total base fees	~0.3% (estimate)	1.0% (\$193 million)	0.7%
Share of organic base-fee growth (estimate)	up to ~18% of 4%	~5% of 9%	~1% of 10% (last twelve months)

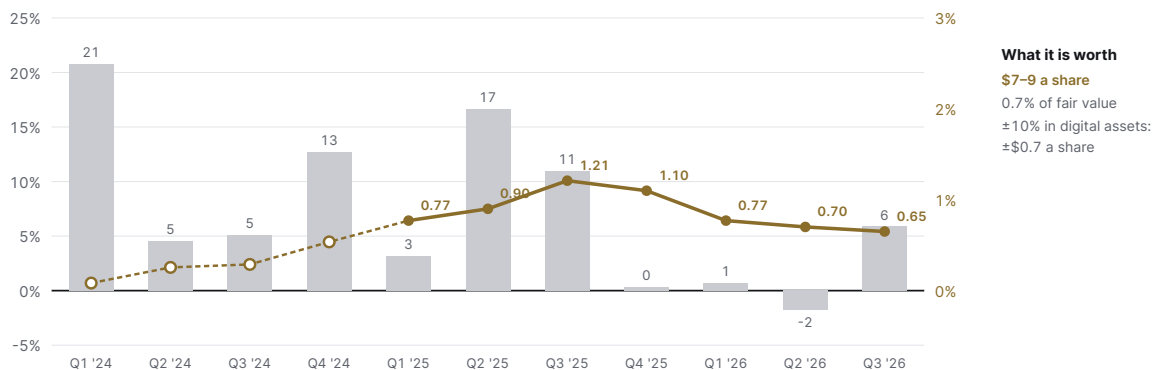
Two more readings complete the picture. First, digital assets explain about 0.05 of the 0.33 basis-point rise in the ETF fee rate over two years (\$5). Second, valued at the index business's own multiple, digital-asset fees carry about \$7-9 a share, under 1% of the \$1,031 fair value. They get no premium because the cheapest rivals charge 0.14-0.15% against IBIT's 0.25%, and the assets swing with the bitcoin price. At the bull case's 35 times they would carry \$12-15, and a 10% change in digital-asset assets moves the value by about \$0.7 a share. For tokenization to close the \$103 gap to the price on its own, it would have to add about \$2.1 billion a year of fee revenue at today's margins — almost nine times what BlackRock's digital products and the Circle reserves earn now.

The market's read. Since IBIT's launch, BlackRock's share price has moved with bitcoin, beyond what the S&P 500 explains, by about 0.07% for each 1%. That is less than five of the six other listed asset managers measured (T. Rowe Price 0.09%, Invesco 0.08%, KKR 0.10%, Ares 0.13%, Blackstone 0.19%; Apollo 0.01%), and only the gap to Blackstone is statistically clear. In short, bitcoin was a flow story for BlackRock — one dollar in twelve of 2024's long-term inflows — and in 2025 a small fee story: about one dollar in a hundred of base fees (about one in 150 in the latest quarter).

The plan, and the defence. At the 2025 Investor Day management named digital assets among its "new \$500M+ businesses". That reads as a revenue ambition, as the chairman described the same target for active ETFs on the October call, while digital-asset fees run at about \$150-190 million a year. The chairman named digital assets among the top contributors to organic growth in 2025 and still cited them, with tokenization, in January 2026; his quotes in the April, July and October releases do not mention them. On the third-quarter call the chief financial officer said the digital-asset products "raised \$8 billion in the quarter". On distribution, one of BlackRock's model portfolios (a 60/40 with alternatives) held IBIT at 1% in May 2026, and its investment institute called 1-2% of a 60/40 portfolio a reasonable range in December 2024.

EXHIBIT 4 — BITCOIN BROUGHT BLACKROCK FLOWS BEFORE IT BROUGHT FEES

Digital-asset ETPs: share of BlackRock's ETF net inflows (bars, left) and of its total base fees (line, right), by quarter



How to read it. Quarters from the first of 2024 to the third of 2026 along the bottom. Grey bars are digital-asset products' share of BlackRock's ETF net inflows, in percent on the left scale, labelled on top (negative when they had outflows). The dark-gold line is digital assets' share of BlackRock's total base fees, in percent on the right scale: solid and labelled where BlackRock reports the figure (from 2025), dashed with open circles for 2024, estimated from the bitcoin and ether trusts' sponsor fees. The side panel gives the value the fees carry. Compare the bars' early height with the line's level; the one thing it shows is that bitcoin's share of new money was highest in early 2024 and mid-2025, near zero for three quarters and about 6% in the latest, while its share of fees never reached much more than 1%.

The defence is scale: the largest US spot-bitcoin fund, options that traded about \$3.7 billion a day on average over the twelve months to June (BlackRock's figure), and bitcoin products listed in at least nine countries. The pressure comes from price and from flows. On price, Morgan Stanley's own bitcoin trust launched in April 2026 at 0.14%, and Grayscale's mini trust charges 0.15%, against IBIT's 0.25%. On flows, the digital-asset products took in \$0.6 billion, \$0.9 billion and – \$3.1 billion in the three quarters after September 2025, then \$7.9 billion; the bitcoin price drives most of the swings in assets (\$22.9 billion of market gains in the third quarter against \$7.9 billion of inflows).

The wider bet: tokenization. The chairman's 2026 letter says tokenization "may be roughly where the internet was in 1996" and that BlackRock plans to lead the move of traditional investments into digital wallets. The pieces are in place, and small in revenue. BUIDL, its tokenized Treasury fund, held about \$1.7 billion at the end of 2025 on eight blockchains, by Securitize's figures; BlackRock owns a 4.5% stake in Securitize, which runs the platform BUIDL is issued on. It also offers tokenized share classes of its Treasury money funds and a reserve fund built for US stablecoin issuers. And it manages the fund that holds most of the reserves behind Circle's USDC stablecoin, \$62.5 billion at 30 September. Under a four-year agreement from March 2025, Circle keeps at least 90% of its US-managed reserves outside bank deposits in BlackRock products, unless rules require otherwise; BlackRock in turn commits not to launch a competing payment stablecoin while Circle meets its obligations. The house estimates the fund's net fee to BlackRock at about \$50 million a year. BlackRock also sits on the tokenization working group of DTCC, which settles US securities, and on the UK Treasury's Digital Markets Champion industry taskforce. None of this is in the model beyond its fees: the option is stated, not valued.

Quantum, and the consortium. IBIT's filings have named quantum computing as a risk since its first registration statement in June 2023. The language was expanded in May 2025, and again in August 2026 to cover coins whose public keys are already exposed. In June 2026 BlackRock's digital-assets team judged quantum likely to be a manageable risk for blockchains if the industry upgrades in time, while warning that a machine able to break today's cryptography could arrive well within the coming decade. On 23 July 2026 BlackRock was one of nine founding members of the Bitcoin Security Consortium, with Coinbase, Fidelity Digital Assets, Strategy, Galaxy, Block, Blockstream, Anchorage Digital and ARK Invest. The members pledged \$15 million over three years to fund developers working on bitcoin's long-term security, post-quantum cryptography included. Each member directs its own money, BlackRock's share is not disclosed, and the group takes no position on specific protocol changes. BIP-360, a proposal that protects coins against one class of quantum attack, entered bitcoin's proposals repository in February 2026 and is still a draft. For BlackRock the exposure

is indirect: a quantum failure would hit the assets behind \$80 billion of its products, which earned 1.0% of its 2025 base fees.

PRIVATE MARKETS

Private markets: what was bought, and what it earns

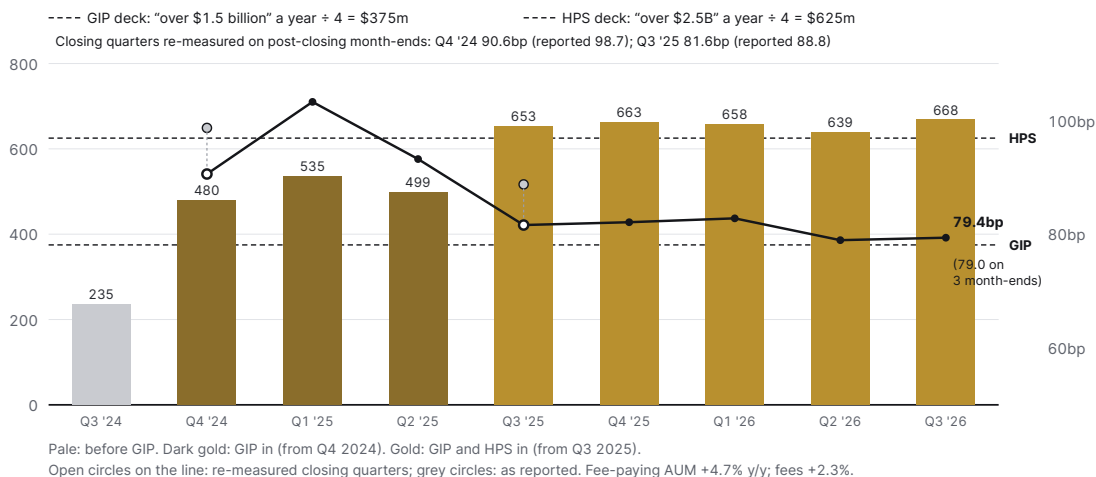
\$668m private-markets base fees in the third quarter, against \$653m a year earlier — the first comparable quarter since HPS closed

What the decks said. In January 2024 BlackRock told investors GIP would bring "\$400+ million of post-tax annual FRE at margins greater than 50%" and lift private-markets management fees "to over \$1.5 billion". It priced the deal at "~25-29× 2024E P/FRE", in line with what it called "premium private markets franchises now trading at 25-35x P/FRE". In December 2024 it said HPS would add "~\$850M of 2025E base fees and \$360M of post-tax 2025E FRE" and take private-markets management fees "to over \$2.5B". It priced that deal at "~30× 2025E P/FRE", against franchises "valued at 30-34x P/FRE".

What the run-rate shows. Private-markets base fees were \$668 million in the third quarter, \$2.65 billion annualized — 6% above the "over \$2.5B" pro forma. They have stayed between \$639 and \$668 million in each of the five quarters since HPS closed. Over the year, fee-paying private-markets AUM rose 4.7%, to \$336 billion, while fees rose 2.3%; the fee rate fell from 81.6 to 79.0 basis points. Both rates are measured on the quarter's three month-ends; the release's own figures, 88.8 and 79.4, average in the prior quarter-end, which for the third quarter of 2025 is a June month-end from before HPS closed. Realizations of \$30.7 billion offset 59% of twelve months' \$52.5 billion of net inflows; fundraising was \$68 billion and deployment \$88 billion.

EXHIBIT 5 — PRIVATE-MARKETS BASE FEES AGAINST WHAT THE ACQUISITION DECKS PROJECTED

Private-markets base fees (\$m a quarter, bars, left) and fee rate on average AUM (bp, line, right)



How to read it. Bars are private-markets base fees each quarter, in millions of dollars on the left scale: pale before GIP, dark gold with GIP (from the fourth quarter of 2024), gold with GIP and HPS (from the third quarter of 2025). The black line is the fee rate on the release's average private-markets AUM, in basis points on the right scale; in the two quarters in which a deal closed the release's average includes a pre-closing month-end, so those points are re-measured on post-closing month-ends (open circles; the grey circles are the rates as reported). The two dashed lines are the deck projections of private-markets management fees, "over \$1.5 billion" after GIP and "over \$2.5B" after HPS, divided by four. The last point is 79.4 as reported and 79.0 on three month-ends, the open circles' basis. Compare the last five gold bars with the upper dashed line; the one thing it shows is that the fees reached the decks' "over \$2.5B" floor at HPS's closing and have stayed there.

The decks' \$850 million of HPS base fees cannot be traced in BlackRock's lines. Private-markets base fees stepped up by \$154 million a quarter (about \$0.6 billion a year) when HPS closed, and HPS's public-credit funds are reported inside

fixed income. The fee-rate fall reads as mix (private credit, infrastructure debt and insurance mandates charge less than equity funds) or as step-downs when older funds pass their investment periods; BlackRock does not publish fees by strategy to separate the two.

The sector's core question. Does the private-markets business earn the multiple the market pays listed private-markets managers, or a traditional-manager multiple? On the decks' own estimates, GIP and HPS together brought \$0.76 billion of post-tax FRE for \$24.55 billion of nominal consideration: about 31 times excluding the retention pools, as the decks did (32 including them). The decks' own multiples were lower, for different reasons. On the nominal value, GIP's 25–29 times implies fee earnings above the "\$400+ million" floor used here, and HPS's 30 times also left out the value of its performance-related earnings ("PRE").

Against the listed managers. Listed private-markets managers now trade at about 21 times post-tax fee earnings, 15–30% below the decks' own 25–30 times. They earn it with growth BlackRock's private-markets fees have not shown: Ares' fee-related earnings rose 20% and its management fees 14% on its segment basis in its second quarter, year on year, and Blackstone's FRE per share rose 20%. The house's base case gives BlackRock's private-markets fee earnings 4% growth a year through the 2030 plan and after, and values them at 13.7 times (\$12.2 billion). At the listed managers' 21 times they would be worth \$19.1 billion; at the traditional managers' 10 times, \$9.3 billion. The whole swing is **\$9.8 billion, \$58 a share, 5.1% of the price** on after-tax multiples (\$80 a share, 7.0%, if the listed managers' pre-tax multiple is applied to BlackRock's pre-tax fee earnings).

Where the evidence points. On the evidence so far the question resolves toward the lower multiple. Yet moving private markets alone from 13.7 to 21 times adds \$6.9 billion, about \$40 a share — about two-fifths of the distance between the house's value and the price. The upside is visible too: the \$96 billion not yet earning fees (a figure that can include leverage and capital earning only performance fees) would add up to about \$0.76 billion a year if deployed at today's rate, which the bull path absorbs over about two years.

ALADDIN, BALANCE SHEET, SHARES

Aladdin, the balance sheet, and the share count

Aladdin. Technology services revenue was \$588 million in the third quarter, up 14%, and annual contract value grew 12% (13% at constant currency). Management commits to "low- to mid-teens" ACV growth over the long term. The 10-K says Aladdin is the majority of technology revenue; Preqin added about \$210 million in 2025. The house values Aladdin at 21.2 times after-tax earnings in the base case. Growth of 12% is held for five years — one full renewal of a contract book whose fixed-minimum contracts run one to five years, with about \$1.3 billion of 2026 fees fixed as minimums — then converges to 4% over five. That multiple is above the software median of 17 times because Aladdin's growth is above FactSet's 7% and SS&C's 8%, and in line with MSCI's 12% total run-rate growth (MSCI's analytics business, the closer comparison, grows about 6%). Aladdin is \$13.1 billion of the base case, 8% of the four businesses' value; even MSCI's 29 times would add only about \$5 billion.

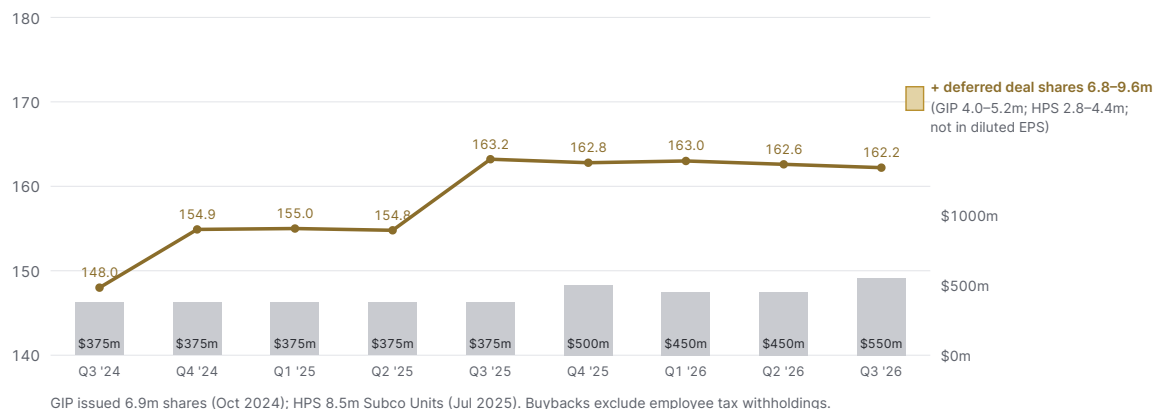
The balance sheet at mark. The latest balance sheet is at 30 June; the third-quarter 10-Q is due in early November. At that date BlackRock held \$10.2 billion of cash outside its consolidated funds, of which about \$2.2 billion must stay in regulated subsidiaries. It held \$7.0 billion of investments (seed capital, co-investments, private equity and real assets), after removing the deferred-compensation hedges and the carried interest owed to employees, and \$2.7 billion of corporate minority stakes (iCapital, Circle, Securitize and others). Against that sit \$12.7 billion of notes. Net, the balance sheet adds \$4.9 billion, before an estimated \$0.6 billion after tax of acquisition retention awards still to be expensed. That \$0.6 billion is the house's estimate, not a filed figure: two more years at the \$381 million annualized pace of the nine months' \$286 million before tax. The 10-Q shows \$354 million of unrecognized performance-based awards, and the HPS retention pool of \$675 million vests over five years. Tangible equity is negative, –\$5.0 billion, because the \$62.6 billion of goodwill and intangibles exceeds book equity. That is why a price-to-tangible-book comparison with the banks, the house's tool for JPMorgan and Goldman Sachs, does not apply.

The shares. Shares outstanding including Subco Units rose from 148.0 million in September 2024 to 162.2 million in September 2026. The deals added 6.9 million shares for GIP and 8.5 million units for HPS at the closings, and employee awards about 2 million net, against \$3.45 billion of buybacks over eight quarters, about 3.3 million shares at the period's

prices. Still to come are 4.0–5.2 million GIP shares and 2.8–4.4 million HPS units, carried at \$7.9 billion at June. The house counts them in the share count, scaled with performance — the maximum in the bull case, the minimum in the bear — because they pay out when GIP and HPS hit their targets. Under the Subco agreement the HPS units can be redeemed for shares at set times after 1 July 2026; BlackRock registered up to 12.0 million shares for them and the deferred units on 30 June. The closing units, though, carry two- and three-year lock-ups (per the December 2024 deal presentation), and the GIP sellers' initial lock-up ended on 1 October 2026.

EXHIBIT 6 — SHARES OUTSTANDING, BUYBACKS, AND THE DEAL SHARES STILL OWED

Shares outstanding incl. Subco Units (m, line, left) and quarterly buybacks (\$m, bars, right)



How to read it. The dark-gold line is shares outstanding including Subco Units at each quarter-end, in millions on the left scale, labelled at each point. The grey bars are each quarter's buyback, in millions of dollars on the right scale, labelled inside the base. The bracket at the right is the range of deal shares still to be issued to GIP and HPS sellers, stacked on the latest count. Compare the line's two steps with the height of the bars; the one thing it shows is that two years of buybacks offset about a fifth of the shares issued for the deals, with up to 9.6 million more to come.

THE VALUE

The value

How each business is valued. Each business's run-rate after-tax earnings are grown through stages set by what drives them. A first stage runs at the business's own growth rate for as long as its driver runs; growth then converges in a straight line to a terminal rate of 1.5–4%, at which the final year is capitalized. Each business is discounted at an 11% cost of equity, with 90% of its earnings paid out. By the house convention, explicit years are discounted at mid-year and the terminal value from the end of the last stage (discounting it from mid-year too would add \$27 a share). The multiple that results is an output, not a choice. Performance fees are capitalized at 8, 10 and 12 times after related compensation; the balance sheet is carried at mark and the notes at face.

How long each business grows faster than normal. Every length below is an argument a reader can dispute; the sensitivities give the value of each alternative.

BUSINESS	WHAT DRIVES THE FASTER GROWTH	HOW LONG, AND WHY	THEN	GROWTH WHILE IT LASTS (BEAR / BASE / BULL)
ETF and index	Money moving from active funds and mutual-fund wrappers into ETFs and index funds; iShares' organic growth was 6–19% in every year from 2015 to 2025, 11% on average, as its assets grew five-fold	10 years: active funds fall from 48% of US long-term fund assets to 25% at the 2020–25 pace of 2.4 points a year	Five years converging to 3.0 / 3.5 / 4.0%; iShares takes about a fifth of 2026's global ETF flows against a 27.3% share of assets	3.4% / 9.75% / 15.0%
Active and cash	Nothing durable: active funds lose share industry-wide, and BlackRock's active flows, though positive, have been carried by multi-asset — active equity and fixed income together were about flat in 2023–24	No faster stage	Three years converging to 1.5 / 2.5 / 3.0%: with no advantage, nothing holds the current pace	today's –0.9% / 5.8% / 10.7%, converging from year one
Private markets	The 2030 plan — \$400 billion raised in 2025–30 — and investing \$139 billion of uninvested commitments	4 years: to the plan's horizon, 2030	Five years converging to 3.0 / 4.0 / 4.0%, as fees on committed capital step down after investment periods (92% of the \$951 million of contracted committed-capital fees fall due by 2028)	–2.0% / 4.0% / 13.0%
Aladdin and Preqin	Contract value from new mandates and upsell, protected by the cost of switching platforms	5 years: one renewal of the book; contracts with fixed minimum fees run one to five years	Five years converging to 3.0 / 4.0 / 4.0%	7% / 12% / 15%

Why these lengths. Once its driver stops, faster-than-average growth rarely survives long. Across US companies from 1951 to 1998, sales growth stayed above the median five years running for 6.3% of firms and ten years running for 0.9%; for operating income, such runs were barely more common than chance would give (Chan, Karceski and Lakonishok, 2003). Hence the five-year convergence wherever a faster stage ends. By that standard, fifteen years of faster growth in the index business is an exception. It is granted because the driver is measurable and has already run fifteen years: the index share of US fund assets rose from 19% in 2010 to 52% in 2025, and active funds lost 1.8 points of share a year in 2010–15 and 2.4 in both 2015–20 and 2020–25, with no sign yet of slowing. Aladdin's five years at 12% is itself a run the same base rates put at about one firm in sixteen, granted for the same reason: a contract book whose renewals can be counted.

Where a reader can disagree. The 25% floor — about half of today's active share survives — is the house's assumption: it rests on the base rates, not on a slowdown in the data. The clock is also US-only. It leaves out iShares' funds outside the US and the move of index mutual funds (21% of US fund assets, about flat since 2020) into ETFs; a reader who thinks either extends the runway can read the value off the length line. The price needs a floor of about 14.5%. A reader who expects active funds to fall to about 14% gets \$1,136, about \$25 for each year of the move; one who expects them to stop at about 36% (five years) gets \$910. The cases vary the growth rates and hold the lengths, so an optimistic rate and an optimistic length are never stacked; lengths move separately in the sensitivities.

Two caps, and the plan. Ninety per cent of fee earnings is paid out. Seed capital, co-investment and general-partner commitments are the reinvestment the growth requires, and the 90% is the capacity of a business whose growth needs little capital, not its recent practice (BlackRock returned about 61% of its last four quarters' adjusted earnings in cash). Terminal growth is capped at 4%, the house ceiling for every valuation, because no fee pool outgrows the economy it draws on forever. The proponent's \$2,054 keeps both caps. Every case reaches or nears management's 2030 aspiration of \$15 billion of operating income, though the cases include market drift and the plan does not: pre-tax operating income in years four and five (performance fees grown 2% a year) is \$14.3–14.7 billion in the bear case, \$17.2–18.4 billion in the base and \$20.0–22.3 billion in the bull. One ten-year straight-line fade on every business, a common shortcut, would give \$878 on the same growth rates.

The cost of equity. The 10-year Treasury yield was 5.09% on 16 October. BlackRock's beta against the S&P 500 is 1.34 on five years of weekly returns (1.23 after the Blume adjustment toward one) and 1.20 on two years. With the house's 4.8% equity risk premium, those give 11.5%, 11.0% and 10.8%. The house uses 11.0%, the adjusted estimate, between the recent and the raw, and shows 10% and 12%.

	BEAR (25%)	BASE (50%)	BULL (25%)
ETF and index: stage growth → terminal; multiple	3.4% → 3.0%; 12.4×	9.75% → 3.5%; 21.5×	15.0% → 4.0%; 35.2×
Active and cash (today's pace → terminal)	-0.9% → 1.5%; 9.5×	5.8% → 2.5%; 11.3×	10.7% → 3.0%; 12.6×
Private-markets fee earnings	-2.0% → 3.0%; 9.3×	4.0% → 4.0%; 13.7×	13.0% → 4.0%; 21.0×
Aladdin and Preqin	7.0% → 3.0%; 14.8×	12.0% → 4.0%; 21.2×	15.0% → 4.0%; 24.9×
Performance fees (after comp)	8×	10×	12×
Deal shares still owed	6.8m	8.2m	9.6m
Equity value	\$113.1bn	\$170.9bn	\$249.1bn
Per share	\$669	\$1,003	\$1,450

Weighted 25/50/25, fair value is **\$1,031** a share, \$176.0 billion — 9.1% below the price. The terminal value is 32–79% of each business's value, highest for active and cash, which converges within three years.

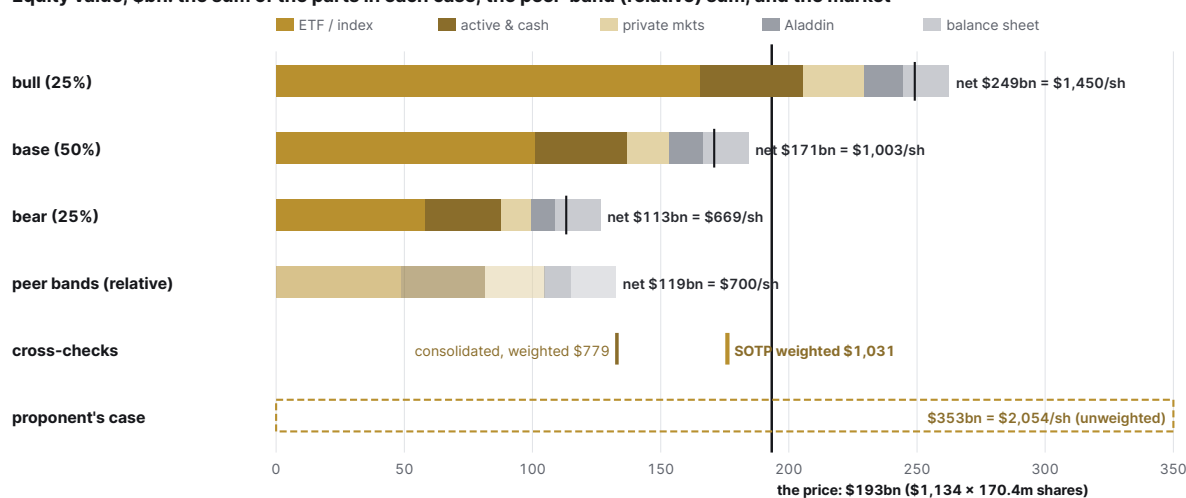
The sensitivities. Each change below moves the weighted value by the amount shown:

- one point on the cost of equity: \$123–162 a share (\$1,194 at 10%, \$909 at 12%);
- each year of the move to index funds: about \$25 (five years gives \$910, eight \$982, twelve \$1,083, fourteen \$1,136);
- a three- or eight-year convergence: –\$31 or +\$47;
- half a point on every terminal growth rate: \$40–46;
- a 20% fall in equity markets with bonds flat: –\$111 (about 15% off the index business's fees and 8% off active's, taking non-ETF index as 75% equity and multi-asset as half; performance fees held, so understated);
- two points on the index business's stage growth: \$96–115;
- two points on the operating margin: about \$40.

Aladdin's contract stage at three or eight years, or the private-markets plan stage at two or eight, moves it by \$15 or less.

EXHIBIT 7 — THE SUM OF THE PARTS IN EACH CASE, AGAINST THE PRICE

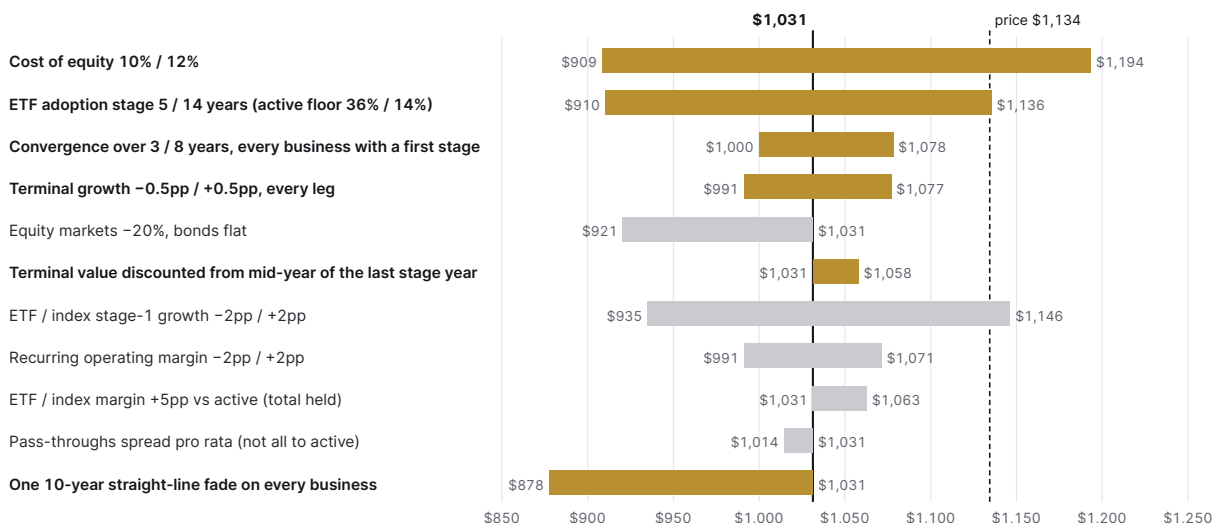
Equity value, \$bn: the sum of the parts in each case, the peer-band (relative) sum, and the market



How to read it. Horizontal stacked bars of equity value in billions of dollars along the bottom: ETF and index (gold), active and cash (dark gold), private markets (pale gold), Aladdin (grey), balance sheet at mark (pale grey). The short black tick inside each bar is the net value after the \$12.7 billion of notes and the retention awards, labelled with the value a share. The black vertical line is the market's value at the 16 October close on the share count that includes the deal shares still owed. The fourth bar values each business at its listed peer group's median multiple instead; the cross-check row marks the consolidated model's weighted value and the sum of the parts' weighted value; the dashed outline is the proponent's case. Compare the black ticks with the vertical line; the one thing it shows is that the price sits between the house's base and bull cases, above the peer-multiple sum and well below the proponent's case.

EXHIBIT 8 — WHAT MOVES THE VALUE

Probability-weighted fair value a share when one input moves, everything else held



How to read it. Each bar is the probability-weighted fair value a share, read along the bottom, when the one input in its label is moved as stated and everything else is held. The solid vertical line is the central value, \$1,031; the dashed line is the price. Gold bars are the model's structural inputs (discount rate, stage lengths, terminal growth, terminal discounting, and one straight-line fade for comparison); grey bars are operating and allocation inputs. Compare each bar's reach toward the dashed line; the one thing it shows is that the price is within reach of several single inputs — a 10% discount rate, a fourteen-year move to index funds or two points more index growth each passes it on its own; a longer convergence or higher terminal growth reaches about \$1,078 and \$1,077, short of it.

The proponent's case and the cross-check. On the proponent's inputs — bull growth on every business, a 10% cost of equity, fourteen years of the move to index funds and the maximum deal shares, within the same two caps — the model gives **\$2,054**. The base case with only the lower discount rate and the longer runway gives \$1,254. As a cross-check, the firm can be valued instead as one block, on the return it earns on its book (\$68.3 billion including the Subco interest and the share-settled deal payments, of which \$62.6 billion is goodwill and intangibles). On that basis it is worth \$779 a share weighted; the price needs that return to settle at 29% at an 11% cost of equity, against 11.2–16.6% on as-adjusted book in 2015–25. The two methods are \$39.3 billion apart in the base case, for two reasons of about equal size. The block model makes book grow with earnings, retaining about \$2.4 billion a year a fee business does not need (\$18.5 billion). And one firm-wide return path cannot hold the index business's ten-year first stage (\$20.8 billion). That is why asset managers are valued on their parts.

WHAT THE PRICE PAYS FOR

What the price pays for, against the peers and the record

26.3× after-tax earnings multiple the price implies for the ETF and index business, with active, private markets and Aladdin held at the house's values

The method. With the value built, the price can be read backwards. Hold three businesses at the house's values and ask what multiple the fourth must carry for the total to equal \$193.3 billion: \$1,134.38 times 170.4 million shares, which include the midpoint of the 6.8–9.6 million deal shares still owed. BlackRock's diluted share count leaves those shares out until their conditions are met; they are counted here once, as shares.

EXHIBIT 9 — THE MULTIPLE THE PRICE IMPLIES ON EACH BUSINESS

After-tax earnings multiple on each leg: peer band, the house base case, and what the price implies

◆ peer-group median (run-rate)

● house base case (argued stages, CoE 11%)

○ implied by the price, other legs at base

L1 ETF / index

band: traditional

L2 Active & cash

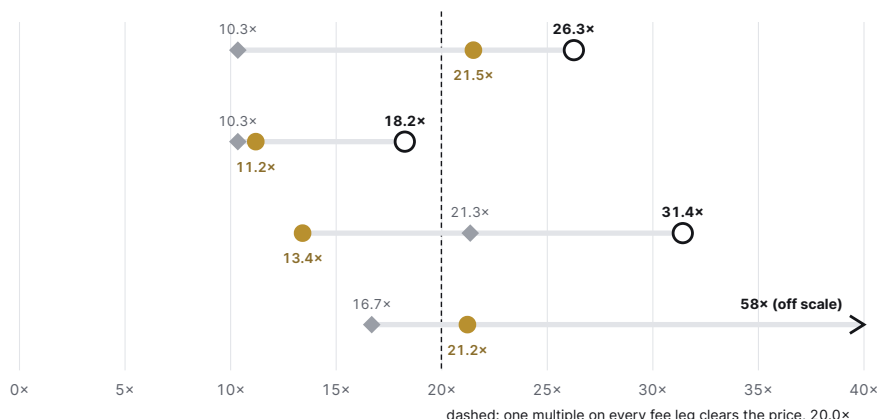
band: traditional

L3 Private markets

band: alternatives (post-tax FRE)

L4 Aladdin

band: software



How to read it. One row per business, in multiples of after-tax earnings along the bottom. The grey diamond is the median multiple of that business's listed peer group at the 16 October close (traditional managers on adjusted earnings for the first two rows, listed private-markets managers on post-tax fee-related earnings, financial software on adjusted earnings); the gold dot is the house's base-case multiple; the open black circle is the multiple the share price implies when the other three businesses are held at the house's base-case values. The active and private-markets dots blend in performance fees (and Preqin); the private-markets dot sits far below its diamond mainly because of the 4% growth assumed against the peers' ~15%, and only slightly because of the blending. The dashed line is the single multiple that clears the price on every business at once. Compare each open circle with the diamond and dot on its row; the one thing it shows is that the price asks more of the index business, per after-tax dollar, than the market asks of any listed peer group.

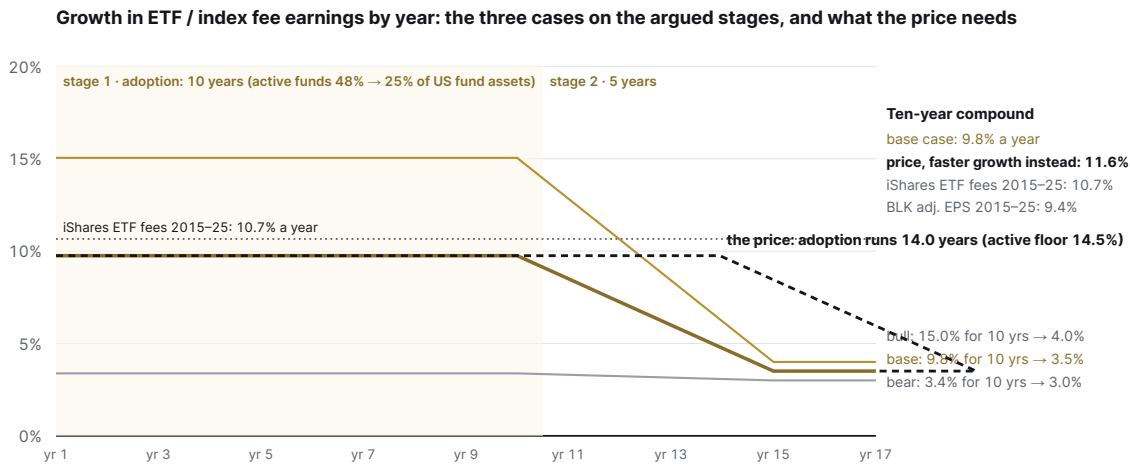
The answer. With the other businesses at the house's values, the price pays **26.3 times** after-tax earnings for the ETF and index business: \$123.7 billion against the house's \$101.2 billion. Put on any other single business, the gap would need 18.2 times for active and cash, 31 times for private markets or 58 times for Aladdin. One multiple on every fee stream, **20.0 times**, implies 6.2% perpetual growth at an 11% cost of equity. The peer groups trade at about 10 times for traditional managers (2% perpetual growth), 21 times post-tax fee earnings for Blackstone and Ares (6.5%) and 17 times for financial software (5.3%). Taxes differ — Blackstone and Ares pay about 10% on their fee earnings, BlackRock about 25% — so before tax the gap narrows but holds: 19.7 times for BlackRock's index business against 19.2 for the two managers. Per dollar a shareholder keeps, and per dollar of pre-tax fee income, the price pays more for iShares than the market pays for listed private-markets managers.

Against the peers. At those peer medians BlackRock would be worth \$700 a share, or \$617 on the traditional multiple alone. The house's base case, \$1,003, is higher mostly for one reason: BlackRock's own growth. The check is to run the same stages on growth rates set from each group's disclosures — about 2.5% for traditional managers (the house's reading of their flat-to-negative flows), 15% for private-markets managers (Ares' fees +25%, Blackstone's fee-related earnings per share +20%) and 8% for software (organic growth of 7–12%). They return multiples within two turns of where the groups trade (11.0 and 10.4 against 10.3; 23.1 against 21.3; 16.3 against 16.7). So of the \$51.7 billion by which the house's base-case sum exceeds the peer sum, \$4.5 billion is the model disagreeing with the market about the peer groups and \$47.2 billion is BlackRock's own growth. That growth is \$49.4 billion in the index business and \$6.2 billion in active, Aladdin and Preqin, against an \$8.4 billion deduction for private markets growing more slowly than its listed peers. The price adds about \$22 billion more on top of the house's base case.

The growth it needs. On the house's stages, the index business's fee earnings grow 9.75% a year for ten years, then converge to 3.5% over five. For the weighted value to reach the price at an 11% cost of equity, one of two things must hold in every case. Either the move to index funds lasts **14.0 years**, until active funds are down to about 14.5%, or, holding ten years, the index business grows about 1.8 points a year faster (11.6% in the base). On the base case alone — the basis of the 26.3 times — the move would have to last about 17 years, to about 7%. The record to set against that: iShares' ETF fees compounded 10.7% a year from 2015 to 2025 and its organic asset growth averaged 11%; active funds lost 2.4 points of share a year in 2020–25 and 2.2 since 2010; and BlackRock's adjusted earnings per share

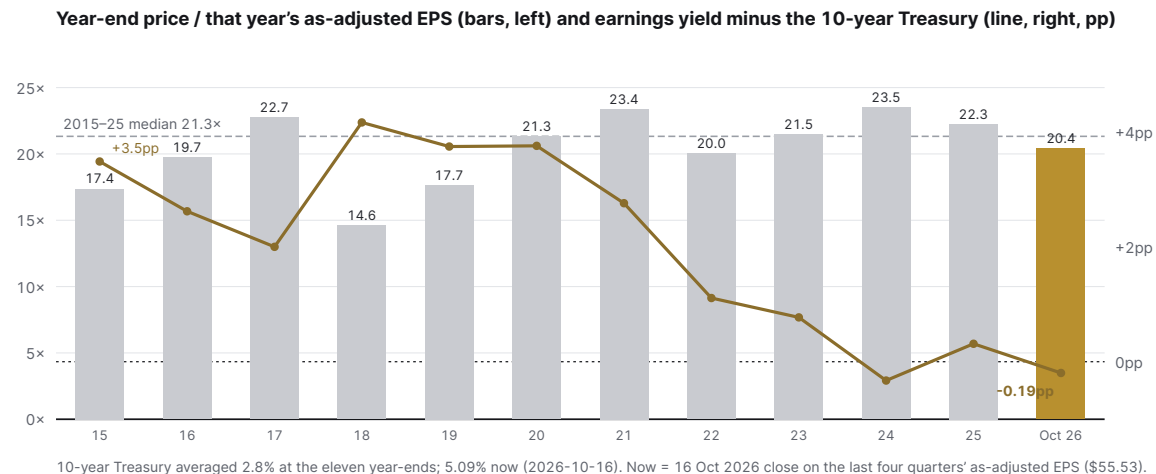
compounded 9.4% a year. At a 10% cost of equity the house's own growth already clears the price; at 12% the index business would need about 4.2 points a year more in every case.

EXHIBIT 10 — HOW LONG THE INDEX BUSINESS MUST GROW FASTER FOR THE PRICE



How to read it. Annual growth in ETF and index fee earnings, in percent on the left scale, for years one to seventeen along the bottom. The shaded band is the first stage — the ten years in which active funds fall from 48% to 25% of US fund assets at the 2020-25 pace — followed by a five-year convergence and then terminal growth. The solid lines are the house's bear (grey), base (dark gold, heavier) and bull (gold) paths, labelled at the right; the dotted line is the 10.7% a year at which iShares' ETF fees grew from 2015 to 2025. The dashed black line is the base path with its first stage lengthened to 14.0 years, the length that, applied in every case, brings the weighted value to the price. The side panel gives ten-year compound rates. Compare where the dashed line turns down with the edge of the shaded band; the one thing it shows is that the price asks for about four years more of the move to index funds, not a faster pace.

EXHIBIT 11 — TEN YEARS OF MULTIPLES, AGAINST THE TREASURY YIELD



How to read it. Grey bars are BlackRock's share price at each year-end from 2015 to 2025 divided by that year's as-adjusted earnings per share, read on the left scale; the gold bar is the 16 October close over the last four quarters' earnings. The dashed grey line is the eleven-year median. The dark-gold line is the earnings yield (the inverse of the bar) minus the 10-year Treasury yield at the same date, in percentage points on the right scale, with the dotted line at zero. Compare the gold bar with the median, then the line's last point with its first; the one thing it shows is that the multiple is below its decade median while the yield it offers over Treasuries has gone from about three and a half points to slightly below zero.

Against its own history. At 20.4 times its last four quarters' adjusted earnings (\$55.53), BlackRock sits below its 2015-25 year-end median of 21.3 times. But the 10-year Treasury yield has risen from an average 2.8% at those year-ends to 5.09% (16 October). The spread between the two — BlackRock's 4.9% earnings yield less the Treasury yield — is now

–0.19 points, against a median 2.6 points at the eleven year-ends; only one of those year-ends (2024, –0.33) was lower than today. The multiple has fallen less than rates have risen.

WHAT WOULD CHANGE IT

What would change our view

Each condition is read on the three quarterly releases from the fourth quarter of 2026 to the second quarter of 2027 (the last lands in mid-July 2027), and each pair is stated in the same form, so the record can move the house either way.

The house view moves up — toward the price, or past it — if:

- **(a)** the ETF platform's trailing organic asset growth averages 12% or more over the three quarters, or the all-ETF fee rate averages 17.4 basis points or more. The base case is then rebuilt on the bull case's index-business growth, which alone lifts the weighted value to about \$1,220.
- **(b)** private-markets base fees — \$668 million in the third quarter — average \$730 million a quarter or more, the uninvested commitments converting. The base is rebuilt on the bull case's private-markets growth: about \$1,051. The threshold sits beyond the bull path's own three-quarter average of about \$710 million, so firing needs more than the case it re-bases to.
- **(c)** ACV growth runs at 14% or more in two consecutive quarters: about \$1,038.
- **(g)** the as-adjusted margin excluding performance fees reaches 50% in a quarter when the S&P 500 is flat or down, the operating leverage the proponent argues for: about \$1,059.

The house view moves down, further from the price, if:

- **(d)** ETF trailing organic asset growth averages below 8% over the same three quarters, or the all-ETF fee rate averages below 16.8 basis points. The base is rebuilt on the bear case's index-business growth: about \$905.
- **(e)** private-markets base fees average below \$650 million a quarter: about \$1,020. The threshold sits beyond the bear path's own three-quarter average of about \$661 million, so firing needs more than the case it re-bases to.
- **(h)** ACV growth runs below 10% in two consecutive quarters: about \$1,020.
- **(f)** the as-adjusted margin excluding performance fees falls below 47.2% in a quarter when the S&P 500 is flat or up: about \$1,003.

If conditions on both sides fire, the base case is rebuilt on the measured values.

Where the thresholds sit. The ETF organic-growth thresholds sit two points either side of the base case's 10%. The fee-rate thresholds sit 0.3 basis points either side of the base path's three-quarter average of 17.1 basis points (17.36 in the third quarter, falling 3% a year), beyond both the bull path's 17.2 and the bear path's 17.0. The margin thresholds sit 1.4 points either side of the third quarter's 48.6%. On organic growth the last nine quarters (11–14%) already sit above the base and the latest is at the 12% threshold, so (a) is the condition closest to firing.

The annual check. The length of the move to index funds — the assumption the price turns on — is read once a year instead. ICI's Fact Book reports the active share each spring in whole points; at the 2020–25 pace it would be about 46% at the end of 2026. A reading of 47% or more (the move nearing its floor) would shorten the stage, worth about \$25 a share for each year removed; 46% keeps it; 45% or less (the move running faster than assumed) would lengthen it by the same measure.

Tokenization, rates and silence. Tokenization has its own trigger: if BlackRock begins to report tokenized-fund or stablecoin-reserve revenue as a line, the house values it as a business rather than an option. So does the discount rate: a 10-year Treasury yield averaging below 4.5% for a full quarter lowers the cost of equity by about 0.6 points and lifts the weighted value to about \$1,121; one averaging above 6% takes it to about \$918. Silence counts: a release, supplement or call that stops reporting ETF organic growth, private-markets base fees, ACV or the margin excluding performance fees is scored as the condition not met.

Sources and Method

Primary filings (SEC EDGAR, BlackRock, Inc., CIK 2012383; before October 2024, CIK 1364742). The third-quarter 2026 earnings release and supplement (Form 8-K, 14 October 2026, Exhibits 99.1 and 99.2); the eight prior quarterly releases back to the third quarter of 2024; the 10-Qs for the second and first quarters of 2026 and the third quarter of 2025; the 10-Ks for 2025 and 2024; the fourth-quarter releases for 2015–2025 (the ten-year record; as-adjusted definitions changed in 2022, and each year is taken as first reported — 2021, for example, was later restated from \$39.18 to \$40.51 — which leaves the 9.4% compound rate, the 21.3 times median and the two down years unchanged); the GIP announcement and investor presentation (12 January 2024) and the 2024 10-K's note on the GIP owners' agreements; the Preqin announcement (1 July 2024), the HPS agreement and investor presentation (3 December 2024), the HPS closing (1 July 2025), the 2024 note offerings and the Subco share registration (30 June 2026). BlackRock's 2025 Investor Day CFO slides (investor relations site) and the chairman's 2026 annual letter to investors.

The call. BlackRock posts no transcript or prepared remarks; quotations rest on two independent transcriptions (MarketBeat; gloom.sh), checked against each other word for word. Quotations appear verbatim only where both agree; elsewhere the note paraphrases.

Industry data and research. Investment Company Institute, *2026 Investment Company Fact Book*, chapter 2 (index and active shares of US long-term fund assets, 2010–2025; index funds' share of US stocks); ETFGI, global ETF industry release of 19 August 2026 (assets and provider shares of assets and flows at the end of July 2026); L. Chan, J. Karceski and J. Lakonishok, "The Level and Persistence of Growth Rates", *Journal of Finance* 58(2), 2003 (runs of above-median growth, 1951–1998). iShares' organic growth and fee rates for 2015–2025 are computed from the fourth-quarter releases' annual asset roll-forwards and fourth-quarter base fees.

Competition. ETFGI's global and US ETF industry releases (data for August 2024 to September 2026); Vanguard's fee announcements of 3 February 2025 and 2 February 2026; Schwab's (11 June 2026) and State Street's (UCITS, January 2026) fee changes; ICI Fact Book 2026, chapter 6; MSCI's 2025 10-K, second-quarter 2026 10-Q and 27 January 2026 8-K (the BlackRock licence amendment); the latest releases of State Street and Brookfield Asset Management, and FactSet's 10-K. Aladdin's rivals in §2 are drawn from BlackRock's own Investor Day technology peer list (State Street's Charles River, Clearwater, MSCI, Broadridge) and from FactSet's filings, which name Aladdin; MSCI's filings name BlackRock Solutions. Private-markets peers are at 30 June 2026, BlackRock at 30 September. ETFGI's iShares asset level runs above BlackRock's own reported figure, so ETFGI is used only for shares and trends.

Digital assets. The 10-Ks and 10-Qs of the iShares Bitcoin, Ethereum, Staked Ethereum and Bitcoin Premium Income trusts and of the other US spot-bitcoin trusts (net assets at 31 December 2025 and 30 June 2026); iShares fund pages and holdings files (15 October 2026); the SEC order permitting IBIT options (September 2024); BUIDL's Form D filings and Securitize's registration statements; Circle's 2025 10-K and 2026 10-Q, and the Circle Reserve Fund's Forms N-MFP3 and N-CSR; BlackRock's tokenized share-class prospectuses; BlackRock's quantum paper (June 2026); the joint release launching the Bitcoin Security Consortium (23 July 2026); the bitcoin/bips repository (BIP-360); DTCC (May and July 2026) and HM Treasury (July 2026) releases. Digital-asset assets, flows and base fees are BlackRock's own quarterly rows from 2025; 2024 figures are derived from later releases' restated tables and, for fees, the trusts' sponsor fees. The digital-asset value is its fees' share of the index business's revenue at that business's base multiple. The bitcoin co-movement regresses weekly returns on the S&P 500 (SPY) and bitcoin (CoinMetrics reference rate), January 2024 to October 2026.

Market data. BlackRock and peer prices are 16 October 2026 regular-session closing prices from Schwab; BlackRock's \$1,134.38 is the 16:00 ET closing print; weekly and monthly price histories, fundamentals, analyst ratings and earnings dates from Robinhood. The print-day prices in the opening are Robinhood last trades at about 12:59 ET on 14 October. The \$14.25 consensus is Robinhood's on the morning of the print; Part 1 of the bank series froze \$14.15 on 8 October. The analyst tally was re-pulled on 16 October: rating counts as of the morning of the print, high and mean targets raised since, the low unchanged at \$1,212. "The S&P 500 fell 1%" is the SPY move at 12:59 ET on 14 October. The 10-year yield is the US Treasury daily par yield curve's 10-year rate for 16 October 2026 (FRED publishes the same series as DGS10 the next business day); year-end yields from FRED DGS10.

Peers. The four most recent earnings releases of T. Rowe Price, Invesco, Franklin Templeton and Affiliated Managers Group (adjusted or economic earnings per share); Blackstone, Ares, KKR and Apollo (fee-related earnings per share, with each firm's tax on segment earnings used to state the multiple after tax; KKR's and Apollo's prices include insurance businesses and are shown, not used); MSCI, FactSet and SS&C (adjusted earnings per share). Run-rate multiples use the latest quarter times four on both sides; trailing-twelve-month multiples are shown beside them. Every multiple is on the firm's own after-tax earnings (Blackstone and Ares about 10% tax on fee earnings, KKR 16%, Apollo 19%, BlackRock 25%); before tax the listed private-markets median is 19.2 times. Peer price-to-earnings multiples embed each peer's own net cash and non-operating income, while BlackRock's business multiples are on operating earnings with the balance sheet added separately — a small mismatch in the peer comparison.

Method. Run-rate earnings are third-quarter 2026 base fees and technology revenue annualized by day count (365/92), with performance fees at their last-twelve-months level. The ETF fee-rate splits (§5) use each quarter's ETF base fees and average assets by asset class (equity, fixed income, and multi-asset, commodity and digital-asset ETFs together) from the earnings releases, annualized by day count: the eight quarters to September 2026, and the fourth quarters of 2020 and 2025, each split into mix, rates within each group and their interaction; the cost allocation is the house's (§4). Each business is valued on the growth stages of §9, with 90% payout and an 11.0% cost of equity (10-year Treasury 5.09% plus beta 1.20–1.23 times a 4.8% equity risk premium gives 10.8–11.0%; the house uses 11.0%); the model workbook's Stages sheet lists every stage, its driver, its evidence and its year-by-year growth. The retention-award deduction (\$0.6 billion) is the house's estimate, not a filed figure. Shares: 154.6 million common plus 7.6 million Subco Units at 30 September 2026, plus the deal shares still owed (6.8 / 8.2 / 9.6 million by case); ordinary share-based compensation is expensed in earnings, so restricted-stock dilution is not also added. Balance sheet at 30 June 2026. The cross-check values the firm on excess return over the cost of equity on its book including goodwill and the share-settled deal payments.

Model gate. The house's financial-model gate (capital consistency, a terminal growth ceiling that warns above 4% and fails at 5%, once-only counting, transparency, and a check that every growth stage is argued and stated for the reader) passed with five warnings and no failures. The business multiples are registered with it as cross-checks, not inputs: each is the output of a staged path ending at 2.5–4.0% growth, so its single-rate equivalent overstates the perpetual assumption (as inputs, the 6.5% equivalents would fail). The warnings, verbatim: the base-case leg multiples for ETF and index (21.5 times), private-markets fee earnings (13.69 times) and Aladdin (21.21 times) "implies perpetual g 6.5%", "4.2%" and "6.5%" respectively, "above the terminal ceiling; the multiple is a growth assumption, write it down"; the listed private-markets managers' median (21.35 times) "implies perpetual g 6.5%" and the software median (16.69 times) "implies perpetual g 5.3%", with the same rider; the peer multiples are market facts, not inputs. BlackRock owns no insurer: the private-markets-manager template's insurance leg is empty by design (the variant chosen for this note), and the price-to-tangible-book regression used for the banks does not apply because tangible equity is negative.

What this note does not cover. It is a valuation, not a forecast of the next quarter, and it does not score the tripwires in Part 1 of the bank series (none names BlackRock). Short interest was not checked; the third-quarter 10-Q will update the balance sheet; Preqin's revenue run-rate is an estimate; post-print target changes are secondary reports and are not used.

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