

March 31, 2022

BlackRock

**Recast of 2020 and 2021 as
adjusted operating income,
operating margin, net income
attributable to BlackRock, Inc.
and earnings per share**

BlackRock update to its non-GAAP definitions

Beginning in the first quarter of 2022, BlackRock, Inc. (the “Company”) updated its definitions of operating income, as adjusted, operating margin, as adjusted, and net income attributable to BlackRock, Inc., as adjusted, to include adjustments related to amortization of intangible assets, acquisition-related compensation costs for non-recurring retention-related deferred compensation awards and contingent consideration fair value adjustments incurred in connection with certain acquisitions. Management believes excluding the impact of these expenses in its calculation of operating income, as adjusted, operating margin, as adjusted, and net income attributable to BlackRock, Inc., as adjusted, provides a helpful indication of the Company’s financial performance over time, thereby providing helpful information for both management and investors while also increasing comparability with other companies.

Refer to pages 3-6 for the Company’s operating income, as adjusted, operating margin, as adjusted, net income attributable to BlackRock, Inc., as adjusted, and reconciliations to the most directly comparable GAAP measures, operating income, operating margin and net income attributable to BlackRock, Inc., for 2020 and 2021, as such measures have been recast to reflect the inclusion of such new adjustments.

Reconciliation of 2021 U.S. GAAP operating income and operating margin to operating income and operating margin, as adjusted

Year Ended December 31, 2021											
(in millions), (unaudited)	Three Months Ended								Year Ended		
	March 31		June 30		September 30		December 31		December 31		
	Recast for Updated Non-GAAP Adjustments	Previously Reported									
Operating income, GAAP basis	\$ 1,545	\$ 1,545	\$ 1,931	\$ 1,931	\$ 1,935	\$ 1,935	\$ 2,039	\$ 2,039	\$ 7,450	\$ 7,450	
Non-GAAP expense adjustments:											
Amortization of intangible assets	34	-	37	-	38	-	38	-	147	-	
Acquisition-related compensation costs	17	-	47	-	12	-	12	-	88	-	
Contingent consideration fair value adjustments	3	-	1	-	29	-	1	-	34	-	
Lease cost - Hudson Yards	-	-	-	-	11	11	17	17	28	28	
Operating income, as adjusted (1)	1,599	1,545	2,016	1,931	2,025	1,946	2,107	2,056	7,747	7,478	
Product launch costs and commissions	185	185	-	-	99	99	-	-	284	284	
Operating income used for operating margin measurement	\$ 1,784	\$ 1,730	\$ 2,016	\$ 1,931	\$ 2,124	\$ 2,045	\$ 2,107	\$ 2,056	\$ 8,031	\$ 7,762	
Revenue, GAAP basis	\$ 4,398	\$ 4,398	\$ 4,820	\$ 4,820	\$ 5,050	\$ 5,050	\$ 5,106	\$ 5,106	\$ 19,374	\$ 19,374	
Non-GAAP adjustments:											
Distribution fees	(340)	(340)	(369)	(369)	(401)	(401)	(411)	(411)	(1,521)	(1,521)	
Investment advisory fees	(165)	(165)	(154)	(154)	(184)	(184)	(176)	(176)	(679)	(679)	
Revenue used for operating margin measurement	\$ 3,893	\$ 3,893	\$ 4,297	\$ 4,297	\$ 4,465	\$ 4,465	\$ 4,519	\$ 4,519	\$ 17,174	\$ 17,174	
Operating margin, GAAP basis	35.1%	35.1%	40.1%	40.1%	38.3%	38.3%	39.9%	39.9%	38.5%	38.5%	
Operating margin, as adjusted (1)	45.8%	44.4%	46.9%	44.9%	47.6%	45.8%	46.6%	45.5%	46.8%	45.2%	

See note (1) on pages 7-8 for more information on as adjusted items.

Reconciliation of 2021 U.S. GAAP net income attributable to BlackRock, Inc. and earnings per share to net income attributable to BlackRock, Inc. and earnings per share, as adjusted

Year Ended December 31, 2021										
	Three Months Ended								Year Ended	
	March 31		June 30		September 30		December 31		December 31	
	Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments	
	Previously Reported	Previously Reported								
<i>(in millions, except per share data), (unaudited)</i>										
Net income attributable to BlackRock, Inc., GAAP basis	\$ 1,199	\$ 1,199	\$ 1,378	\$ 1,378	\$ 1,681	\$ 1,681	\$ 1,643	\$ 1,643	\$ 5,901	\$ 5,901
Non-GAAP adjustments:										
Amortization of intangible assets, net of tax	26	-	28	-	29	-	29	-	112	-
Acquisition-related compensation costs, net of tax	13	-	36	-	9	-	9	-	67	-
Contingent consideration fair value adjustments, net of tax	2	-	1	-	22	-	1	-	26	-
Lease cost - Hudson Yards, net of tax	-	-	-	-	9	9	13	13	22	22
Income tax matters	-	-	171	171	-	-	(45)	(45)	126	126
Net income attributable to BlackRock, Inc., as adjusted (2)	\$ 1,240	\$ 1,199	\$ 1,614	\$ 1,549	\$ 1,750	\$ 1,690	\$ 1,650	\$ 1,611	\$ 6,254	\$ 6,049
Diluted weighted-average common shares outstanding	154.3	154.3	154.4	154.4	154.3	154.3	154.6	154.6	154.4	154.4
Diluted earnings per common share, GAAP basis	\$ 7.77	\$ 7.77	\$ 8.92	\$ 8.92	\$ 10.89	\$ 10.89	\$ 10.63	\$ 10.63	\$ 38.22	\$ 38.22
Diluted earnings per common share, as adjusted (2)	\$ 8.04	\$ 7.77	\$ 10.45	\$ 10.03	\$ 11.34	\$ 10.95	\$ 10.68	\$ 10.42	\$ 40.51	\$ 39.18

See note (2) on page 8 for more information on as adjusted items.

Reconciliation of 2020 U.S. GAAP operating income and operating margin to operating income and operating margin, as adjusted

Year Ended December 31, 2020										
	Three Months Ended								Year Ended	
	March 31		June 30		September 30		December 31		December 31	
	Recast for Updated Non-GAAP Adjustments	Previously Reported								
<i>(in millions), (unaudited)</i>										
Operating income, GAAP basis	\$ 684	\$ 684	\$ 1,406	\$ 1,406	\$ 1,757	\$ 1,757	\$ 1,848	\$ 1,848	\$ 5,695	\$ 5,695
Non-GAAP expense adjustments:										
Amortization of intangible assets	25	-	27	-	27	-	27	-	106	-
Acquisition-related compensation costs	12	-	(3)	-	9	-	2	-	20	-
Contingent consideration fair value adjustments	25	-	(2)	-	-	-	-	-	23	-
Charitable Contribution	589	589	-	-	-	-	-	-	589	589
Operating income, as adjusted (1)	1,335	1,273	1,428	1,406	1,793	1,757	1,877	1,848	6,433	6,284
Product launch costs and commissions	87	87	-	-	83	83	2	2	172	172
Operating income used for operating margin measurement	\$ 1,422	\$ 1,360	\$ 1,428	\$ 1,406	\$ 1,876	\$ 1,840	\$ 1,879	\$ 1,850	\$ 6,605	\$ 6,456
Revenue, GAAP basis	\$ 3,710	\$ 3,710	\$ 3,648	\$ 3,648	\$ 4,369	\$ 4,369	\$ 4,478	\$ 4,478	\$ 16,205	\$ 16,205
Non-GAAP adjustments:										
Distribution fees	(276)	(276)	(253)	(253)	(288)	(288)	(314)	(314)	(1,131)	(1,131)
Investment advisory fees	(169)	(169)	(176)	(176)	(168)	(168)	(191)	(191)	(704)	(704)
Revenue used for operating margin measurement	\$ 3,265	\$ 3,265	\$ 3,219	\$ 3,219	\$ 3,913	\$ 3,913	\$ 3,973	\$ 3,973	\$ 14,370	\$ 14,370
Operating margin, GAAP basis	18.4%	18.4%	38.5%	38.5%	40.2%	40.2%	41.3%	41.3%	35.1%	35.1%
Operating margin, as adjusted (1)	43.6%	41.7%	44.4%	43.7%	48.0%	47.0%	47.3%	46.6%	46.0%	44.9%

See note (1) on pages 7-8 for more information on as adjusted items.

Reconciliation of 2020 U.S. GAAP net income attributable to BlackRock, Inc. and earnings per share to net income attributable to BlackRock, Inc. and earnings per share, as adjusted

Year Ended December 31, 2020											
	Three Months Ended								Year ended		
	March 31		June 30		September 30		December 31		December 31		
	Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		Recast for Updated Non-GAAP Adjustments		
	Previously Reported	Previously Reported									
<i>(in millions, except per share data), (unaudited)</i>											
Net income attributable to BlackRock, Inc., GAAP basis	\$ 806	\$ 806	\$ 1,214	\$ 1,214	\$ 1,364	\$ 1,364	\$ 1,548	\$ 1,548	\$ 4,932	\$ 4,932	
Non-GAAP adjustments:											
Amortization of intangible assets, net of tax	19	-	21	-	21	-	21	-	82	-	
Acquisition-related compensation costs, net of tax	10	-	(2)	-	7	-	1	-	16	-	
Contingent consideration fair value adjustments, net of tax	19	-	(2)	-	-	-	-	-	17	-	
Charitable Contribution, net of tax	226	226	-	-	-	-	-	-	226	226	
Income tax matters	-	-	-	-	54	54	25	25	79	79	
Net income attributable to BlackRock, Inc., as adjusted (2)	\$ 1,080	\$ 1,032	\$ 1,231	\$ 1,214	\$ 1,446	\$ 1,418	\$ 1,595	\$ 1,573	\$ 5,352	\$ 5,237	
Diluted weighted-average common shares outstanding	156.4	156.4	154.7	154.7	153.7	153.7	154.5	154.5	154.8	154.8	
Diluted earnings per common share, GAAP basis	\$ 5.15	\$ 5.15	\$ 7.85	\$ 7.85	\$ 8.87	\$ 8.87	\$ 10.02	\$ 10.02	\$ 31.85	\$ 31.85	
Diluted earnings per common share, as adjusted (2)	\$ 6.90	\$ 6.60	\$ 7.96	\$ 7.85	\$ 9.41	\$ 9.22	\$ 10.32	\$ 10.18	\$ 34.57	\$ 33.82	

See note (2) on page 8 for more information on as adjusted items.

Notes and supplemental information

BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”); however, management believes evaluating the Company’s ongoing operating results may be enhanced if investors have additional non-GAAP financial measures. Management reviews non-GAAP financial measures to assess ongoing operations and considers them to be helpful, for both management and investors, in evaluating BlackRock’s financial performance over time. Management also uses non-GAAP financial measures as a benchmark to compare its performance with other companies and to enhance comparability for the reporting periods presented. Non-GAAP measures may pose limitations because they do not include all of BlackRock’s revenue and expense. BlackRock’s management does not advocate that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Non-GAAP measures may not be comparable to other similarly titled measures of other companies.

Management uses both GAAP and non-GAAP financial measures in evaluating BlackRock’s financial performance. Adjustments to GAAP financial measures (“non-GAAP adjustments”) include certain items management deems nonrecurring or that occur infrequently, transactions that ultimately will not impact BlackRock’s book value or certain tax items that do not impact cash flow.

Beginning in the first quarter of 2022, the Company updated its definition of operating income, as adjusted, operating margin, as adjusted, and net income attributable to BlackRock, Inc., as adjusted, to include adjustments related to amortization of intangible assets, acquisition-related compensation costs for non-recurring retention-related deferred compensation awards and contingent consideration fair value adjustments incurred in connection with certain acquisitions.

Computations for all periods are derived from the condensed consolidated statements of income as follows:

(1) Operating income, as adjusted, and operating margin, as adjusted: Management believes operating income, as adjusted, and operating margin, as adjusted, are effective indicators of BlackRock’s financial performance over time, and, therefore, provide useful disclosure to investors. Management believes that operating margin, as adjusted, reflects the Company’s long-term ability to manage ongoing costs in relation to its revenues. The Company uses operating margin, as adjusted, to assess the Company’s financial performance, to determine the long-term and annual compensation of the Company’s senior-level employees and to evaluate the Company’s relative performance against industry peers. Furthermore, this metric eliminates margin variability arising from the accounting of revenues and expenses related to distributing different product structures in multiple distribution channels utilized by asset managers.

- Operating income, as adjusted, includes non-GAAP expense adjustments. Beginning in the first quarter of 2022, the Company updated its definition of operating income, as adjusted, to include adjustments related to amortization of intangible assets, acquisition-related compensation costs for non-recurring retention-related deferred compensation awards and contingent consideration fair value adjustments incurred in connection with certain acquisitions. Management believes excluding the impact of these expenses when calculating operating income, as adjusted, provides a helpful indication of the Company’s financial performance over time, thereby providing helpful information for both management and investors while also increasing comparability with other companies. In addition, as previously reported in 2021, the Company recorded expense related to the lease of office space for its future headquarters located at 50 Hudson Yards in New York (“Lease cost – Hudson Yards”). While the Company expects to begin to occupy the new office space in late 2022 (and begin cash lease payments in May 2023), the Company is required to record lease expense from August 2021 because it obtained access to the building to begin its tenant improvements. As a result, the Company is recognizing lease expense for both its current and future headquarters until its current headquarters lease expires in April 2023. Management believes removing Lease cost – Hudson Yards when calculating operating income, as adjusted, is useful to assess the Company’s financial performance and enhances comparability among periods presented. In 2020, the Charitable Contribution expense of \$589 million has been excluded from operating income, as adjusted, due to its nonrecurring nature.

Notes and supplemental information (cont'd)

- Operating income used for measuring operating margin, as adjusted, is equal to operating income, as adjusted, excluding the impact of product launch costs (e.g. closed-end fund launch costs) and related commissions. Management believes the exclusion of such costs and related commissions is useful because these costs can fluctuate considerably and revenue associated with the expenditure of these costs will not fully impact BlackRock's results until future periods.
- Revenue used for calculating operating margin, as adjusted, is reduced to exclude all of the Company's distribution fees, which are recorded as a separate line item on the condensed consolidated statements of income, as well as a portion of investment advisory fees received that is used to pay distribution and servicing costs. For certain products, based on distinct arrangements, distribution fees are collected by the Company and then passed-through to third-party client intermediaries. For other products, investment advisory fees are collected by the Company and a portion is passed-through to third-party client intermediaries. However, in both structures, the third-party client intermediary similarly owns the relationship with the retail client and is responsible for distributing the product and servicing the client. The amount of distribution and investment advisory fees fluctuates each period primarily based on a predetermined percentage of the value of AUM during the period. These fees also vary based on the type of investment product sold and the geographic location where it is sold. In addition, the Company may waive fees on certain products that could result in the reduction of payments to the third-party intermediaries.

(2) Net income attributable to BlackRock, Inc., as adjusted: Management believes net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted, are useful measures of BlackRock's profitability and financial performance. Net income attributable to BlackRock, Inc., as adjusted, equals net income attributable to BlackRock, Inc., GAAP basis, adjusted for significant nonrecurring items, charges that ultimately will not impact BlackRock's book value or certain tax items that do not impact cash flow.

See note (1) above regarding operating income, as adjusted, and operating margin, as adjusted, for information on the updated presentation of non-GAAP expense adjustments related to amortization of intangible assets, acquisition-related compensation costs for non-recurring retention-related deferred compensation awards and contingent consideration fair value adjustments incurred in connection with certain acquisitions, as well as previously reported Lease cost – Hudson Yards and Charitable Contribution.

Per share amounts reflect net income attributable to BlackRock, Inc., as adjusted divided by diluted weighted-average common shares outstanding.