

## The Bank of New York Mellon Corporation

## BofA Securities 2024 Financial Services Conference: Takeaways

Maintain Rating: BUY | PO: 64.00 USD | Price: 54.87 USD

## Methodically executing towards improved productivity

CEO Robin Vince discussed mgmt.'s focus on driving positive operating leverage, investment spend towards growth/higher margin businesses, significant capital flexibility, while highlighting the differentiation in its deposit base vs. trust bank peers. Confident on net interest income (NII) outlook despite a range of potential interest rate backdrops. Methodical execution combined with a strong core franchise should continue to deliver upside surprises, in our opinion. Maintain Buy.

## Highlights NII defensibility

Mgmt. prepared for a range of interest rate backdrops, with focus on delivering on FY24 NII guide (-10% YoY). Deposit diversification a positive with 50%+ non-Asset Servicing related. Corporate Trust, Treasury Services, and Clearance and Collateral Management all unique vs peers to generate deposits. BK has centralized deposit/liquidity management under its Global Liquidity Solutions group (= subject matter experts) that is in charge of deploying client deposit liquidity in the most efficient manner.

## Platforming, de-siloing a multi-year tailwind

Ample opportunity to drive revenue with differentiated products/services such as Pershing (\$2.5trn on platform), Wove, trading. Mgmt. focused on making steady progress on de-siloing the bank. Global Liquidity Solutions an example of the potential sustainable tailwinds from consistent execution. As an example, a siloed organization led to eight call centers that can be consolidated into one. Standardizing sales practices and more holistic targets creating a better cross-sell culture.

## Capital return 100%+

Mgmt. highlighted the potential for healthy capital return given strong capital generation and a capital light business model. Top priority, ex. dividend payout, remains investing in the franchise which will take precedence over buybacks. However, mgmt. expects capital payout ratio of 100%+ for FY24. High bar on M&A but would consider if accelerates achievement of strategic objectives.

## Cultural shift to drive innovation

Relatively new mgmt. team (several external hires under current CEO) and an analyst program driving a cultural shift towards innovation. Attracting talent by doing interesting, impactful work (such as a new A.I. hub). A.I. can help develop better solutions for clients. The history and the scale of the franchise seen as attracting talent to the bank.

Relevant research: [BK: Transformation continues 14 Jan 2024](#)

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## Equity

## Ebrahim H. Poonawala

Research Analyst  
BofAS  
+1 646 743 0490  
[ebrahim.poonawala@bofa.com](mailto:ebrahim.poonawala@bofa.com)

## Brandon Berman

Research Analyst  
BofAS  
+1 646 855 3933  
[brandon.berman@bofa.com](mailto:brandon.berman@bofa.com)

## Christian Panebianco

Research Analyst  
BofAS  
+1 646 855 3912  
[christian.panebianco@bofa.com](mailto:christian.panebianco@bofa.com)

## Isiah Austin

Research Analyst  
BofAS  
+1 646 855 0472  
[isiah.austin@bofa.com](mailto:isiah.austin@bofa.com)

## Gabriel Angelini

Research Analyst  
BofAS  
+1 646 855 3081  
[gabriel.angelini@bofa.com](mailto:gabriel.angelini@bofa.com)

## Stock Data

Price	54.87 USD
Price Objective	64.00 USD
Date Established	14-Jan-2024
Investment Opinion	C-1-7
52-Week Range	39.65 USD -56.43 USD
Mrkt Val / Shares Out (mn)	44,692 USD / 814.5
Free Float	98.9%
Average Daily Value	241.77 USD
BofA Ticker / Exchange	BK / NYS
Bloomberg / Reuters	BK US / BK.N
ROE (2024E)	9.3%
ESGMeter™	High

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Relevant research: [4Q23 Earnings / CEO meeting takeaways: Transformation afoot](#)

## Price objective basis & risk

### **The Bank of New York Mellon Corporation (BK)**

Our \$64 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.8x/2.0x multiples respectively, in-line/below the bank's 5 year pre pandemic median of 13.4x/3.1x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to uncertainty surrounding the outlook for interest rates and equity/bond prices.

Risk to the upside is stronger equity/bond markets. Risks to the downside are a severe selloff in equity/bond markets that could put downward pressure on fee growth and M&A that could temper capital return.

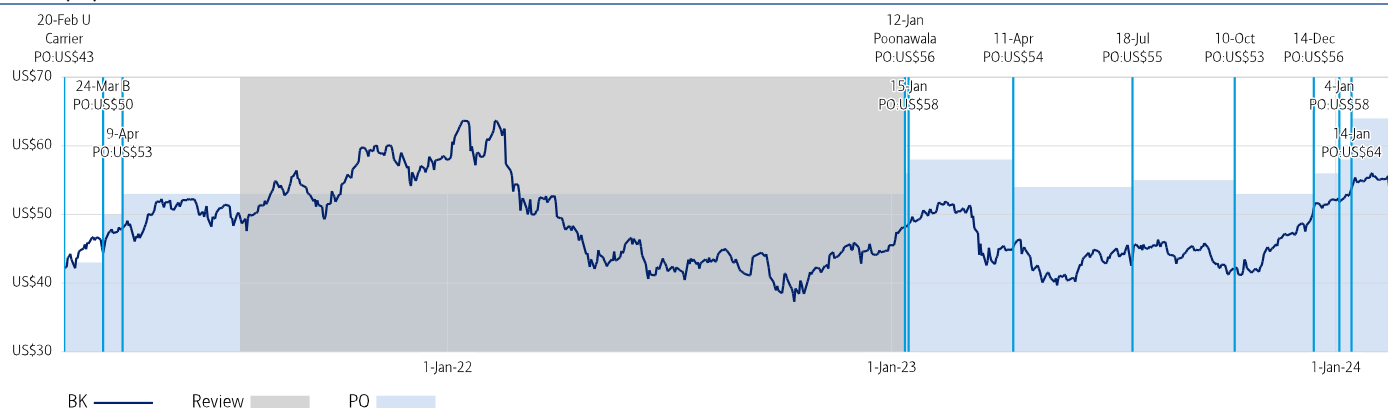
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### BNY Mellon (BK) Price Chart



BK — Review PO  
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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