

Truist Financial

BofA Securities 2024 Financial Services Conference: Takeaways

Reiterate Rating: BUY | PO: 45.00 USD | Price: 35.77 USD

A simpler Truist, positioned to play offense

CFO Mike Maguire discussed the significant balance sheet and strategic optionality offered by the announced sale of its remaining stake in the insurance business (TIH; expected close 2Q24). Additionally, discussed mgmt's focus on executing on its growth and efficiency strategies on the back of the re-org announced last year (led to headcount reduction, exiting smaller non-core businesses). Following these strategic actions, Truist should emerge as a simpler investment story, where disciplined execution combined with a high growth footprint across the US Southeast and ample capital/liquidity has positioned the bank to deliver superior EPS growth and profitability. At 1.2x P/TBV (pro-forma for the sale), 5.9% dividend yield, sub-11x P/E (in-line with super-regional peers)

Improved capital position

Capital generation from the sale of TIH (+230bp to CET1 under current rules or +255bp on Basel Endgame fully phased-in), improves capital and liquidity profile, and affords TFC the opportunity to pursue market share. Strategic actions have provided room to pursue loan growth while introducing share repurchases to the capital deployment hierarchy. We believe that investors should look beyond the lack of immediate EPS accretion from the TIH sale (expected to be neutral to EPS) and focus on the flexibility to defend EPS near-term, and upside potential as mgmt. optimizes the balance sheet.

Back on the front foot

The excess capital positioning also allows mgmt. to provide a more growth-oriented message to its bankers, morale boosting. This after the bank and employees have endured a relatively challenging period for the bank on the back of the SunTrust/BB&T merger. While mgmt. expects C&I demand to remain muted, TFC positioned to capture share if/when sentiment turns and activity levels pick-up (possibly once rate-cuts begin).

NII largely intact

Mgmt. indicated fewer rate cuts (vs. 5 cuts embedded in outlook) shouldn't have material impact on FY24 net interest income (NII). NII should benefit from fixed asset repricing dynamics, including \$2-3bn/qtr in securities cash flows, rolling off at 2-2.5% yield. That said, Mr. Maguire noted higher-for-longer could represent a headwind. Have seen deposit remixing slow but expect deposit betas continuing to drift higher in early-2024, driven by retail. Meanwhile, noninterest bearing deposits (28% of total) unlikely to drift materially lower. When Fed cuts rates, mgmt. expects reverse deposit betas to exhibit a similar pace to that on the way up (48% cycle-to-date), including the lag effect.

Increased focus on other fee businesses

With the loss of fee contribution from TIH, mgmt.'s concentration of fees as a % of revenue falls to the high-20%. Improving penetration in wealth management, payments a key opportunity. Investment banking another opportunity to lean into relationships, commercial clients could prove a gateway for increased wallet share. Continued investments (talent, products + scale) to drive growth, improve profitability. Relevant research: [TFC: Turnaround on track](#)

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Stock Data

Price	35.77 USD
Price Objective	45.00 USD
Date Established	18-Jan-2024
Investment Opinion	B-1-7
52-Week Range	25.56 USD -47.85 USD
Mrkt Val / Shares Out (mn)	27,913 USD / 780.3
Free Float	99.3%
Average Daily Value	367.23 USD
BofA Ticker / Exchange	TFC / NYS
Bloomberg / Reuters	TFC US / TFC.N
ROE (2024E)	8.5%
ESGMeter™	High

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Price objective basis & risk

Truist Financial (TFC)

Our \$45 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.8x multiples respectively, in-line with the bank's 5 year pre pandemic median of 13.2x/2.2x given reduced uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: higher than expected credit losses, greater than expected revenue pressure, regulatory changes that would impact growth/profitability, execution risk tied to STI/BBT merger of equals that completed in December 2019.

Analyst Certification

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Truist Financial (TFC) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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