

## Synovus Financial Corp.

## Stock should react positively

Reiterate Rating: BUY | PO: 40.00 USD | Price: 35.09 USD

## 4Q23 adjusted EPS \$1.06 vs. BofA/consensus \$0.93/\$0.97

Beat to our estimate primarily drive by stronger fee revenue growth (\$126mn vs. our \$116mn), although net interest income (NII; \$438mn vs. \$433) and credit provisioning costs (\$46mn vs. \$50mn) also better vs. our expectations. Management maintained FY24 guidance (first disclosed in December) calling for revenue growth in the -3% to +1% range. Guidance does not assume any rate-cuts, implying potential (likely modest) downside on rate-cuts, given SNV's asset sensitive balance sheet (-100bp shock = -2% to NII). TBV/share +16% QoQ to \$27.65, common equity tier 1 (CET1) capital ratio +9bp to 10.22%. Core credit trends were relatively stable.

## Midpoint of FY24 guidance implies EPS of \$4.20

Mid-point of mgmt's FY24 guidance implies EPS of \$4.20 vs. pre-4Q BofA/consensus \$3.80/\$3.91 estimates. While rate-cuts would pose downside to the \$4.20 in EPS, we believe that to a certain extent the Street is already discounting this outcome. No change to our FY24/25e EPS of \$3.80/\$4 which assumes four rate cuts in FY24, leading us to a lower net interest margin by 4Q24 of 3.02% vs. ~3.20% mgmt. guidance.

## Stock should react positively, but...

Stock should react neutral-to-positively to the print, in our opinion. Short interest off its peak but remains elevated. However, we note that bank stocks have come under pressure in recent days as the market is digesting the potential for fewer rate-cuts. A negative tape for bank stocks today may temper any near-term stock reaction. In our view, fewer or May vs. March rate-cuts don't necessarily change our constructive outlook for bank stocks if a hard landing is avoided, the next move from the Fed is lower not higher and the 10yr UST yield is anchored closer to 4% vs. 5%. SNV shares trading at 1.3x current TBV and 9.2x 2024 P/E. Reiterate Buy.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.94	4.39	3.80	4.00	4.40
GAAP EPS	4.95	3.73	3.80	4.00	4.40
EPS Change (YoY)	-0.4%	-11.1%	-13.4%	5.3%	10.0%
Consensus EPS (Bloomberg)			3.95	4.40	NA
DPS	1.36	1.52	1.52	1.60	1.68
Valuation (Dec)					
P/E	7.1x	8.0x	9.2x	8.8x	8.0x
GAAP P/E	7.1x	9.4x	9.2x	8.8x	8.0x
Dividend Yield	3.9%	4.3%	4.3%	4.5%	4.8%

18 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,196.9	2,211.7
2025E Rev (m)	2,251.0	2,280.2
2026E Rev (m)	2,372.2	2,421.9
2026E EPS	4.30	4.40

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## Stock Data

Price	35.09 USD
Price Objective	40.00 USD
Date Established	14-Dec-2023
Investment Opinion	B-1-7
52-Week Range	24.40 USD -44.44 USD
Mkt Val / Shares Out (mn)	4,548 USD / 129.6
Free Float	95.0%
Average Daily Value	57.78 USD
BofA Ticker / Exchange	SNV / NYS
Bloomberg / Reuters	SNV US / SNV.N
ROE (2024E)	11.5%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Timestamp: 18 January 2024 07:01AM EST

# iQprofile<sup>SM</sup> Synovus Financial Corp.

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	1,801	1,821	1,736	1,781	1,897
% change	17.2%	1.1%	-4.7%	2.6%	6.6%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	0	0	0	0	0
Total Operating Income	2,214	2,283	2,212	2,280	2,422
Operating Expenses	(1,163)	(1,213)	(1,225)	(1,263)	(1,329)
% change	7.1%	4.3%	0.9%	3.1%	5.2%
Provisions Expense	(85)	(189)	(220)	(210)	(210)
% change	NA	123.6%	16.4%	-4.5%	0%
Operating Pre-Tax Income	966	881	767	807	883
Operating Net Income to Comm S/Hold.	722	642	556	588	648
GAAP Net Income	756	678	595	626	686

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	54,696	54,617	56,365	59,020	61,251
Average Interest Earning Assets	54,631	57,162	56,987	57,687	60,127
Total Gross Customer Loans	43,664	42,978	43,494	46,009	48,795
% change	10.2%	-1.6%	1.2%	5.8%	6.1%
Total Customer Deposits	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Tangible Equity	3,458	4,056	4,663	5,030	5,445
Common Shareholders' Equity	3,939	4,583	5,176	5,531	5,934

## Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	3.30%	3.19%	3.05%	3.09%	3.16%
Effective Tax Rate	21.7%	22.9%	22.1%	22.1%	22.1%
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Tangible Common Equity / Assets	6.3%	7.4%	8.3%	8.5%	8.9%
ROA	1.26%	1.07%	0.92%	0.94%	0.99%
ROE	17.7%	15.4%	11.5%	11.0%	11.3%
RoTE	18.7%	17.1%	12.8%	12.2%	12.4%
Dividend Payout Ratio	27.3%	34.2%	39.3%	39.3%	37.5%
Efficiency Ratio (Cost / Income Ratio)	52.5%	53.1%	55.4%	55.4%	54.9%

## Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	18.7%	20.2%	21.5%	21.9%	21.7%
NPLs plus Foreclosed Real Estate / Loans	0.3%	0.7%	1.0%	1.2%	1.4%
Loan Loss Reserves / NPLs	346.26%	166.35%	111.58%	91.12%	74.39%
Loan Loss Reserves / Total Loans	1.02%	1.12%	1.10%	1.06%	1.02%

## Company Sector

Banks-US Regionals

## Company Description

Synovus is a Columbus, Georgia based bank holding company with over \$57 billion in assets and a regional footprint that spans the Southeast and the Gulf Coast.

## Investment Rationale

We see the next 12-24 months as critical in changing the investor perception of the bank, which is still heavily influenced by SNV's troubled experience during the great financial crisis. A superior performance on credit metrics should validate mgmt actions taken over the last decade to reduce concentration risk while tightening underwriting standards. Outperformance on revenue growth could cement SNV as an above average organic growth franchise, and one that is also delivering top tier returns.

## Stock Data

Average Daily Volume 1,646,631

## Quarterly Earnings Estimates

	2023	2024
Q1	1.33A	NA
Q2	1.16A	NA
Q3	0.84A	NA
Q4	1.06A	NA



## Price objective basis & risk

### Synovus Financial Corp. (SNV)

Our \$40 PO is based on 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.0x/1.1x multiples respectively, below the bank's 5 year pre pandemic median of 16.0x/1.5x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks: worse than expected margin compression, greater than expected deterioration in credit quality. Upside risks: better than expected margin performance, credit quality resilience.

## Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TS LX	TS LX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
<b>NEUTRAL</b>				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman

## North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
<b>UNDERPERFORM</b>				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

IQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

## Quality of Earnings

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

## Valuation Toolkit

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales  
EV / EBITDA

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

## Numerator

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

## Numerator

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

## Denominator

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

## Denominator

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
Basic EBIT + Depreciation + Amortization



Valuation Toolkit

Numerator

Denominator

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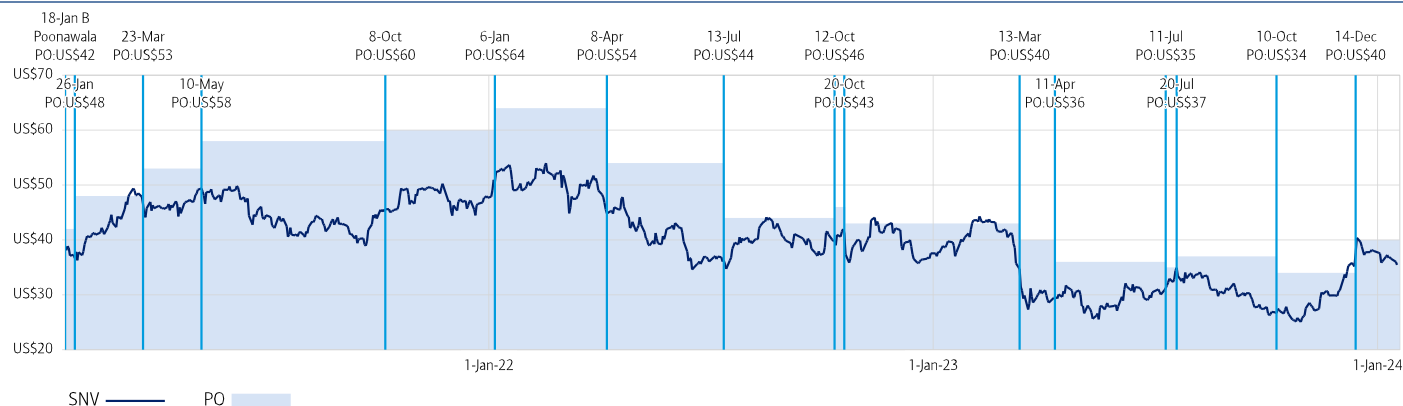
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### Synovus (SNV) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### 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%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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