

Banking & Finance: BNY Mellon Stock Drops on Costs Forecast 2

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Bank of New York Mellon Corp. executives warned investors that its expenses may rise more than expected this year, sending shares of the bank down nearly 8% on Thursday.

The forecast overshadowed BNY Mellon's fourth-quarter results, which beat analysts' expectations for profits.

On a conference call with analysts, BNY Mellon signaled that costs could rise by as much as 2% in 2020. The forecast disappointed investors who hoped cost-cutting would do more to offset continuing **technology** investments, leading some to question whether BNY will meet earnings estimates for 2020.

Analysts expect the company to earn \$4.30 a share this year, according to estimates polled by S&P Global Market Intelligence.

"Everyone thought they went through a period of investment and were able to remain disciplined," said UBS analyst Brennan Hawken.

"The reason why the 2% [in expense growth] is a disappointment is because the estimates reflected that. The earnings were fine; the outlook was disappointing."

BNY Mellon's shares fell \$3.97, or 7.8%, to \$46.72 in Thursday trading.

On the call, BNY Mellon's interim chief executive Todd Gibbons said the custody bank's priorities were "unchanged." The bank continues to focus on automating operations, lowering expenses and finding new business opportunities to lift revenue, according to Mr. Gibbons.

"Maintaining our investment in **technology** is key to this" strategy, Mr. Gibbons said. "Our overall **technology** spend for 2020 is expected to exceed the \$3 billion we spent in 2019."

The longtime BNY Mellon executive stepped in as CEO in October when Charles Scharf left to take the top job at Wells Fargo & Co.

BNY Mellon reported quarterly results that exceeded Wall Street estimates.

The bank reported net income of \$1.45 billion, or \$1.52 a share, in the quarter, up 67% from \$870 million, or 84 cents, a year earlier.

Excluding certain costs and gains, including the proceeds from the sale of its stake in a business, BNY Mellon earned \$989 million, or \$1.01 a share. On that basis, analysts had expected \$1.

Without those items, revenue totaled \$3.99 billion, down slightly from \$4.01 billion a year ago.

While BNY Mellon's businesses generated higher fees during the period, lower interest rates continued to weigh on its overall results. Net interest revenue fell 8% to \$815 million.

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