



Bank of America Corp. (BAC)

Updated January 19th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$32	5 Year CAGR Estimate:	11.3%	Market Cap:	\$251 B
Fair Value Price:	\$33	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	03/01/2024 ¹
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.7%	Dividend Payment Date:	03/29/2024
Dividend Yield:	3.0%	5 Year Price Target	\$49	Years Of Dividend Growth:	11
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Bank of America, headquartered in Charlotte, NC, provides traditional banking services, as well as non-banking financial services to customers all over the world. Its operations include Consumer Banking, Wealth & Investment Management and Global Banking & Markets. Bank of America was founded in 1904, trades with a market capitalization of \$251 billion, and should produce about \$100 billion in revenue this year, making it one of the largest financial companies in the world on both measures.

Bank of America posted fourth quarter and full-year earnings on January 12th, 2024, and results were mixed. The bank beat adjusted earnings estimates at 70 cents per share, besting expectations by six cents. That figure excludes the special FDIC assessment charge of \$2.1 billion. Revenue was off more than 10% year-over-year, however, to \$21.96 billion. That was nearly \$1.8 billion worse than expected.

Net interest income was \$14.1 billion, down from \$14.5 billion in the prior quarter, and down from \$14.8 billion a year ago. The bank saw higher deposits costs and lower deposit balances more than offset higher asset yields.

Noninterest income was \$8.01 billion, down sharply from \$10.8 billion in Q3, and down from \$9.85 billion in last year's Q4. Noninterest expense of \$15.6 billion, down from \$15.8 billion in Q3.

Provision for credit losses were \$1.1 billion, up fractionally. Average deposits were \$1.9 trillion, which ticked slightly higher from Q3. Average loans and leases of \$1.1 trillion were also slightly higher.

We start 2024 with an estimate of \$3.15 in earnings-per-share, as we see only modest earnings growth in 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$0.36	\$1.31	\$1.50	\$1.83	\$2.54	\$2.75	\$1.87	\$3.57	\$3.19	\$3.08	\$3.15	\$4.63
DPS	\$0.12	\$0.20	\$0.25	\$0.39	\$0.54	\$0.66	\$0.72	\$0.78	\$0.86	\$0.92	\$0.96	\$1.41
Shares²	10,517	10,380	10,053	10,287	9,669	8,840	8,650	8,078	7,997	7,896	7,800	7,500

The damage from the financial crisis to Bank of America's earnings and dividend was massive. The company lost huge sums of money during the crisis, but since 2011, has produced an annual profit each year. Earnings growth has been robust but 2020 was certainly a setback. With the rebound in 2021 from relatively low levels, we see growth at 8% annually in the coming years from this year's more normalized \$3.15 per share.

Bank of America remains highly focused on reducing spending where possible, and it has finally begun building its loan book. The company has almost one trillion dollars of deposits it has not lent out, but rates are now moving lower, and the bank is still lending cautiously. The bank has aggressively bought back shares in the past, which will help boost earnings-per-share. We encourage investors to keep an eye on credit quality in the coming quarters.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Bank of America Corp. (BAC)

Updated January 19th, 2024, by Josh Arnold

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	12.6	10.3	13.5	8.7	10.7	14.1	11.3	10.4	10.9	10.2	10.5
Avg. Yld.	0.7%	1.2%	1.6%	1.6%	2.3%	2.2%	2.7%	1.9%	2.6%	2.7%	3.0%	2.9%

With a solid growth outlook and a healthy balance sheet, we believe Bank of America's valuation could settle on a low double-digits earnings multiple, in line with its peers. Shares go for just 10.2 times earnings today, slightly below our fair value estimate of 10.5 times earnings. We forecast a fractional tailwind to total returns as a result. We see the yield potentially declining slightly over time as the valuation could rise to meet fair value.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	33%	15%	17%	21%	21%	24%	39%	26%	27%	30%	31%	31%

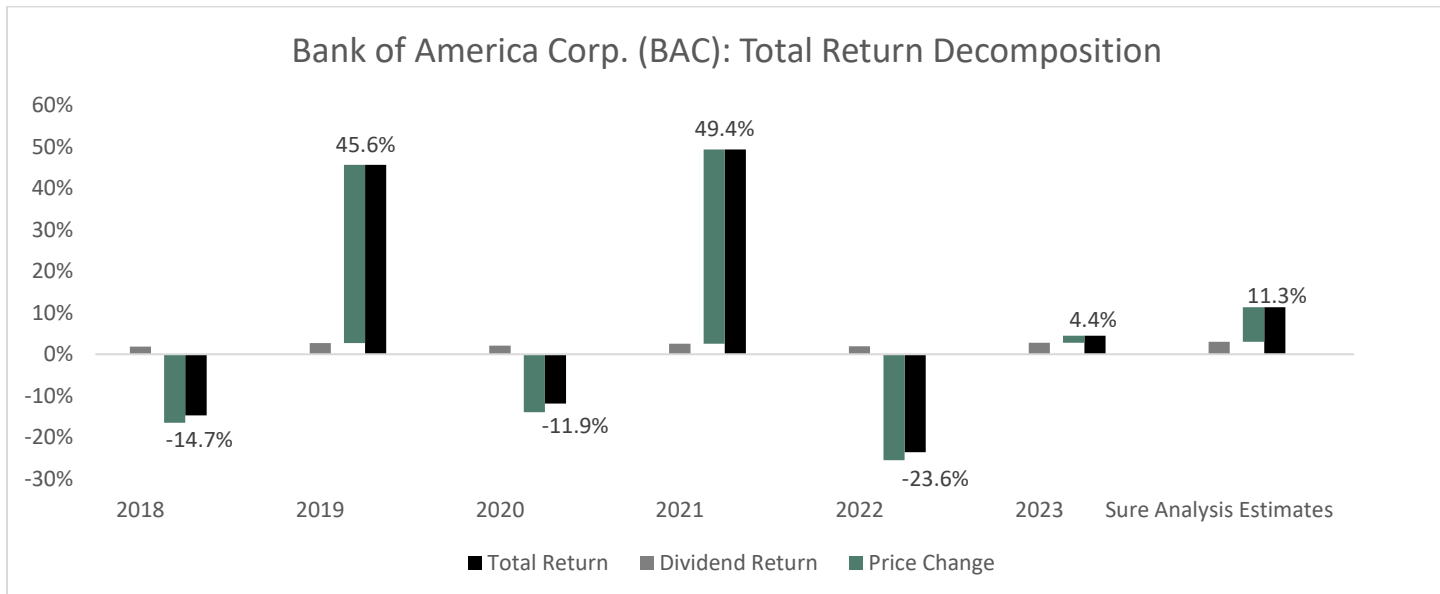
Bank of America started to raise its dividend payout ratio several years ago, but the company still only pays out less than a third of its profits in the form of dividends. The dividend in its current state is still very safe, even if earnings were to decline precipitously.

Bank of America competes with the largest banks in the U.S. It has advantages of scale given its massive branch footprint, its digital presence, and its balance sheet that puts it among the largest banks in the world. During the last financial crisis, Bank of America was hit hard, but major financial crises such as the one in 2009 are not common occurrences. During a normal recession, Bank of America should perform better than its 2007-2009 history would suggest. The impacts from the 2020 recession are a thing of the past, and the bank is moving forward with growth plans.

Final Thoughts & Recommendation

Bank of America is in a strong position, as its long-term earnings power is intact, its dividend is seeing a strong growth rate, and its balance sheet looks extremely healthy. Shares are slightly undervalued in our view, and the total return outlook of 11.3% annually has us reiterating the stock at a buy rating. We see returns accruing from 8% earnings growth, the 3% yield, and a 0.7% tailwind from the rising valuation.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Bank of America Corp. (BAC)

Updated January 19th, 2024, by Josh Arnold

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	85,894	82,965	83,701	87,126	91,020	91,244	86,266	89,113	94,950	98,581
SG&A Exp.	65,863	49,221	47,270	41,835	40,520	42,069	41,156	45,049	45,946	49,815
D&A Exp.	2,522	2,389	2,241	2,103	2,063	1,729	1,843	1,898	1,978	---
Net Profit	5520	15910	17822	18232	28147	27,430	17,894	31,978	27,528	26,515
Net Margin	6.4%	19.2%	21.3%	20.9%	30.9%	30.1%	20.7%	35.9%	29.0%	26.9%
Free Cash Flow	30,795	28,397	17,277	9,864	39,520	61,777	37,993	-7,193	-6,327	---
Income Tax	2,443	6,277	7,199	10,981	6,437	5,324	1,101	1,998	3,441	1,827

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	2104.5	2144.3	2188.1	2281.2	2354.5	2434.1	2819.6	3169.5	3050.7	3179.9
Cash & Eq. (\$B)	146.10	167.10	157.60	168.59	184.90	168.7	387.0	355.4	237.5	341.4
Acc. Receivable	61845	58312	58759	61623	65814	55937	64221	72263	67429	81606
Goodwill & Int.	77919	76616	71716	71253	68951	68951	68951	69022	69022	69021
Total Liab. (\$B)	1861.1	1888.1	1921.9	2014.1	2089.2	2169.3	2546.7	2899.4	2777.5	2888.2
LT Debt (\$B)	274.31	264.86	240.77	260.07	249.53	265.1	282.3	303.9	302.9	334.3
Total Equity (\$B)	224.16	233.90	240.98	244.82	243.00	241.4	248.4	245.4	244.8	263.2
LTD/E Ratio	1.13	1.03	0.90	0.97	0.94	1.00	1.03	1.13	1.11	1.15

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.3%	0.7%	0.8%	0.8%	1.2%	1.1%	0.7%	1.1%	0.9%	0.9%
Return on Equity	2.5%	6.9%	7.5%	7.5%	11.5%	11.3%	7.3%	13.0%	11.2%	10.4%
ROIC	1.1%	3.1%	3.5%	3.5%	5.4%	5.3%	3.3%	5.7%	4.8%	4.4%
Shares Out.	10,517	10,380	10,053	10,287	9,669	8,840	8,650	8,558	8,168	8,080
Revenue/Share	8.12	7.38	7.58	8.10	8.91	8.66	9.81	10.41	11.63	12.20
FCF/Share	2.91	2.53	1.66	0.97	3.86	6.54	4.32	-0.84	-0.77	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.