



Bank of America Corp. (BAC)

Updated January 19th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$47	5 Year CAGR Estimate:	11.4%	Market Cap:	\$354 B
Fair Value Price:	\$44	5 Year Growth Estimate:	11.0%	Ex-Dividend Date:	03/06/2025 ¹
% Fair Value:	107%	5 Year Valuation Multiple Estimate:	-1.3%	Dividend Payment Date:	03/29/2025
Dividend Yield:	2.2%	5 Year Price Target	\$74	Years Of Dividend Growth:	12
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 \$354 billion, and should produce about \$108 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 16th, 2025, and results were better than expected on both the top and bottom lines. Earnings-per-share came to 82 cents, which was a nickel ahead of estimates. Earnings were higher from 35 cents a year ago. Revenue soared 15% higher year-on-year to \$25.3 billion, beating estimates by \$170 million.

Provisions for credit losses were \$1.5 billion, up from \$1.1 billion a year earlier. Investors should keep in mind that banks are required to take provisions for losses as loans grow, so investors should monitor actual losses carefully.

Net interest income was \$14.5 billion in Q4, up from \$14.1 billion a year ago, and beating estimates by \$200 million.

Noninterest income was \$11 billion, down from \$11.4 billion in Q3, but up sharply from \$8.01 billion a year ago.

Noninterest expense was \$16.8 billion, up from \$16.5 billion in Q3, and down from \$17.7 billion a year ago.

Average loans were \$1.08 trillion, up slightly from Q3. Average deposits were \$1.96 trillion, up from \$1.92 trillion in the third quarter.

We start 2025 with an estimate of \$3.66 in earnings-per-share on very strong 2024 results.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.31	\$1.50	\$1.83	\$2.54	\$2.75	\$1.87	\$3.57	\$3.19	\$3.08	\$3.21	\$3.66	\$6.17
DPS	\$0.20	\$0.25	\$0.39	\$0.54	\$0.66	\$0.72	\$0.78	\$0.86	\$0.92	\$1.00	\$1.04	\$1.53
Shares²	10,380	10,053	10,287	9,669	8,840	8,650	8,078	7,997	7,896	7,611	7,500	7,100

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 11% annually in the coming years from this year's \$3.66 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, and the bank is still lending cautiously despite relatively high interest rates. 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, as well as

¹ Estimated date

² Share count in millions

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management’s willingness to lend out its massive hoard of deposits. We note provisions for credit losses were elevated once again in Q4.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.6	10.3	13.5	8.7	10.7	14.1	11.3	10.4	10.9	13.7	12.8	12.0
Avg. Yld.	1.2%	1.6%	1.6%	2.3%	2.2%	2.7%	1.9%	2.6%	2.7%	2.3%	2.2%	2.1%

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 12.8 times earnings today, ahead of our fair value estimate of 12 times earnings. We forecast a modest headwind to total returns as a result. We see the yield potentially declining slightly over time as the valuation could decline to meet fair value.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	15%	17%	21%	21%	24%	39%	26%	27%	30%	31%	28%	25%

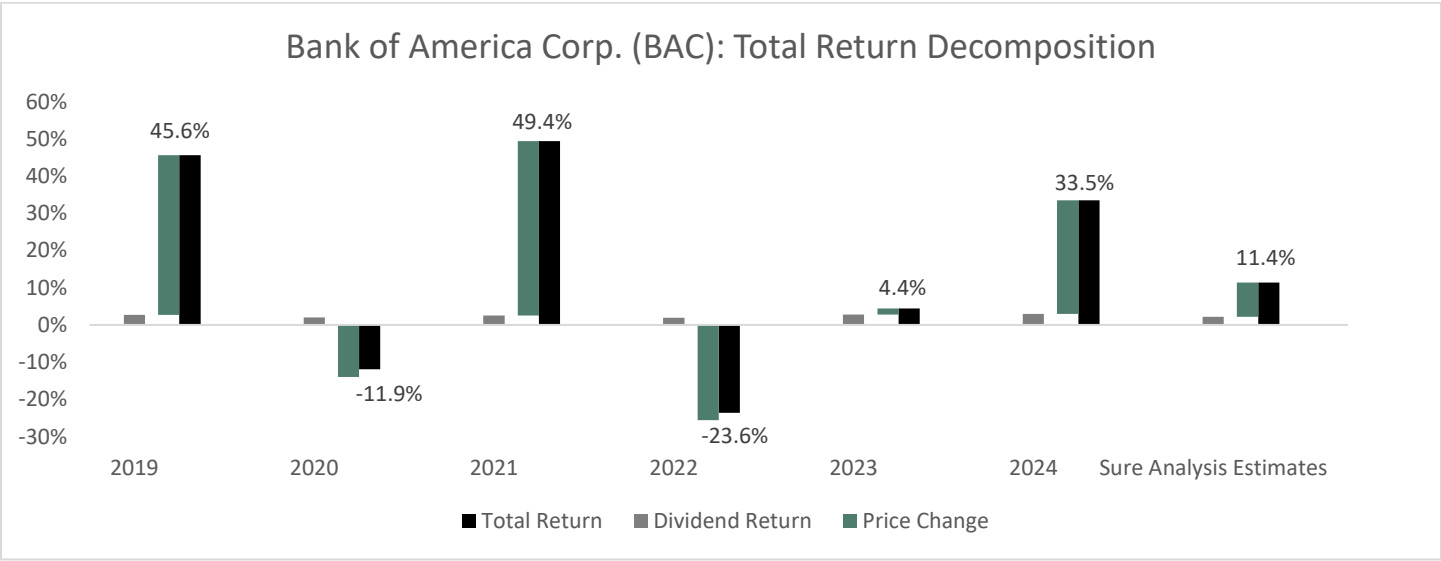
Bank of America started to raise its dividend payout ratio several years ago, but the company still only pays out less than a third of its profits in the form of dividends. The dividend in its current state is still very safe, even if earnings were to decline precipitously.

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 overvalued in our view, but the total return outlook of 11.4% annually has us moving the stock from hold to buy. We see returns accruing from 11% earnings growth, the 2.2% yield, and a 1.3% headwind from the valuation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	82,965	83,701	87,126	91,020	91,244	86,266	89,113	94,950	98,581	101,887
SG&A Exp.	49,221	47,270	41,835	40,520	42,069	41,156	45,049	45,946	47,715	49,623
D&A Exp.	2,389	2,241	2,103	2,063	1,729	1,843	1,898	1,978	2,057	---
Net Profit	15910	17822	18232	28147	27,430	17,894	31,978	27,528	26,515	27,132
Net Margin	19.2%	21.3%	20.9%	30.9%	30.1%	20.7%	35.9%	29.0%	26.9%	26.6%
Free Cash Flow	28,397	17,277	9,864	39,520	61,777	37,993	-7,193	-6,327	4,498	---
Income Tax	6,277	7,199	10,981	6,437	5,324	1,101	1,998	3,441	1,827	2,122

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	2144.3	2188.1	2281.2	2354.5	2434.1	2819.6	3169.5	3050.7	3180.2	3261.8
Cash & Eq. (\$B)	167.10	157.60	168.59	184.90	168.7	387.0	355.4	237.5	341.4	296.5
Acc. Receivable	58312	58759	61623	65814	55937	64221	72263	67543	81881	82516
Goodwill & Int.	76616	71716	71253	68951	68951	68951	69022	69022	69021	69021
Total Liab. (\$B)	1888.1	1921.9	2014.1	2089.2	2169.3	2546.7	2899.4	2777.5	2888.2	2966.2
LT Debt (\$B)	264.86	240.77	260.07	249.53	265.1	282.3	303.9	302.9	334.3	326.7
Total Equity (\$B)	233.90	240.98	244.82	243.00	241.4	248.4	245.4	244.8	263.2	272.4
LTD/E Ratio	1.03	0.90	0.97	0.94	1.00	1.03	1.13	1.11	1.15	1.11

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.8%	0.8%	1.2%	1.1%	0.7%	1.1%	0.9%	0.9%	0.8%
Return on Equity	6.9%	7.5%	7.5%	11.5%	11.3%	7.3%	13.0%	10.1%	9.4%	9.2%
ROIC	3.1%	3.5%	3.5%	5.4%	5.3%	3.3%	5.7%	4.8%	4.4%	4.3%
Shares Out.	10,380	10,053	10,287	9,669	8,840	8,650	8,558	8,168	8,080	7,936
Revenue/Share	7.38	7.58	8.10	8.91	8.66	9.81	10.41	11.63	12.20	12.84
FCF/Share	2.53	1.66	0.97	3.86	6.54	4.32	-0.84	-0.77	5.57	---

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

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