



**March 2024 – STT – 19%**

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## Business model overview

- Investment Management & Investment Servicing
- Commercial & corporate; corporate & public retirement plans; financial institutions & professionals

## Leadership

- Ronald P. O'Hanley, chairman & CEO
- Eric Aboaf, vice chairman& CFO

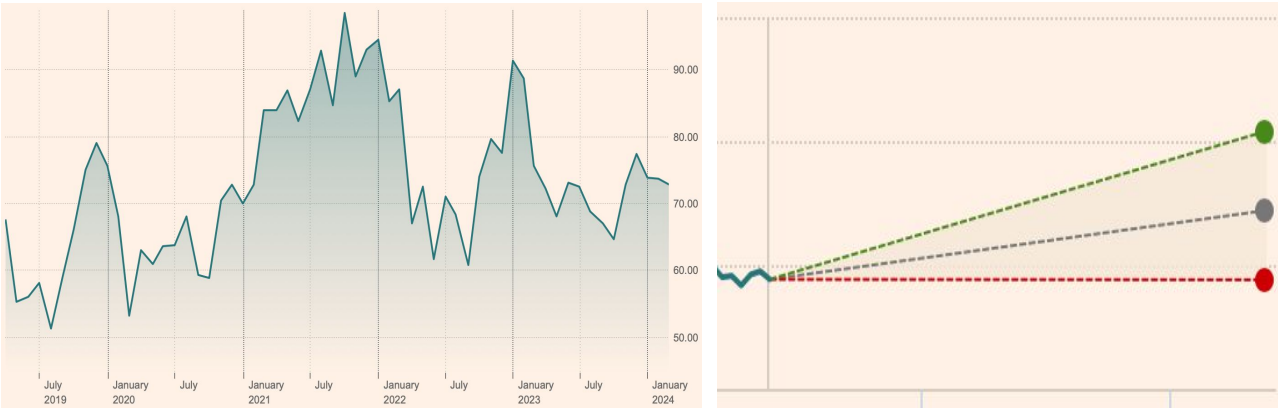
## Revenue Segmentation

Investment Management	\$2 bn	17%
Investment Servicing	\$10 bn	83%
Total Revenues in FY2023	\$12 bn	100%

## Key financials

Balance sheet (MRQ)	Current ratio	18.90
	Quick ratio	0.41
Income statement (TTM)	Operating margin	23.05%
	Return on equity	8.09%

## Share price analysis



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## Industry

### Overview

State Street operates in the financial services industry, specifically in the asset management, investment banking, and custodian banking sectors. It competes in a highly regulated and dynamic financial services environment globally.

## Market Size

State Street Corporation services nearly 10%( \$22 billion) of the world's assets and provides asset management strategies across various asset classes. The company's ability to capture a significant share of the market is influenced by factors like its diverse portfolio of products and services, global presence, and reputation for reliability.

## Competitive Landscape

State Street competes globally with financial giants like JPMorgan Chase, BlackRock, and Citigroup. Its strengths include advanced technology, a trusted brand, and cost-effective solutions. Innovation is evident in State Street Alpha and the Beacon project, offering digital asset services and reshaping investment management.

## Market Risks

Cybersecurity risks and geopolitical tensions pose threats to State Street's operations and market conditions. Given the sophisticated nature of cyber threats today, protecting its digital infrastructure is crucial to prevent financial losses and reputational damage. Adapting to these risks is crucial for long-term success in the industry. geopolitical risks, such as the ongoing war in Ukraine and other regional conflicts. These uncertainties can lead to market volatility, affecting client activity and investment performance.

## Future Outlook

State Street is well-positioned to capitalize on opportunities in the evolving financial services landscape by leveraging its global presence, strong brand reputation, diverse service offerings, and focus on innovation. However, it must continue to navigate regulatory challenges, invest in technology, and adapt to changing market dynamics to sustain long-term growth and competitiveness.

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## Why State

**Street?** A disappointing year as the world's 4th largest asset management firm (\$4.1 trillion AuM)

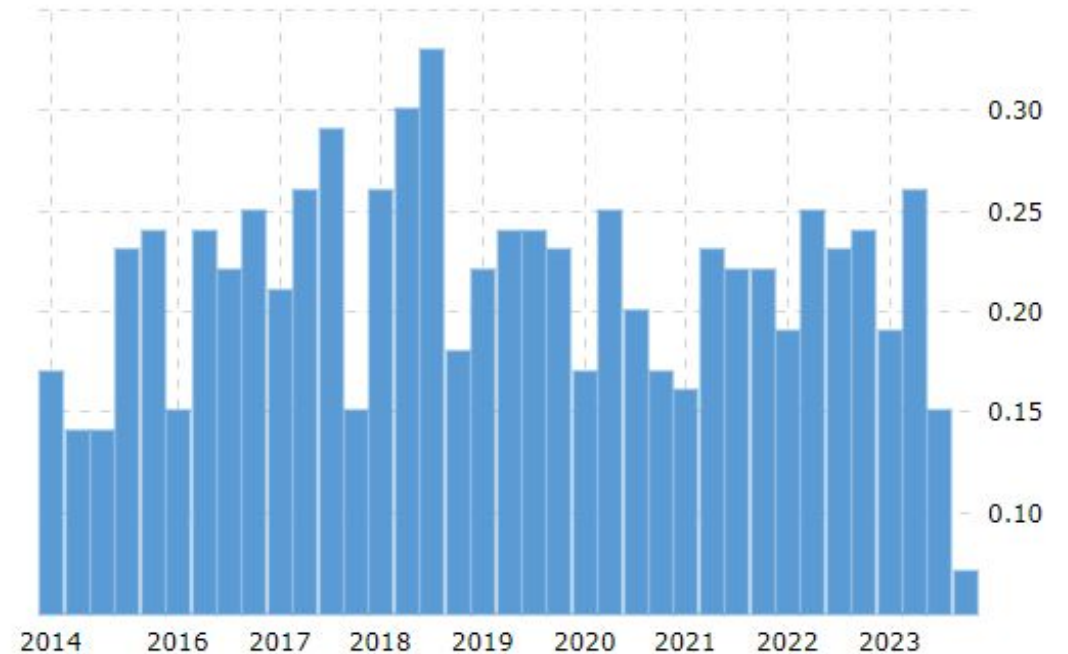
- Market leader regarding ESG
- Lowest Price/Book ratio (0.89) against other major competitors (BlackRock, Vanguard, Fidelity)

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- Recent acquisition of CF Global Trading shows investment into the trading market; diversification
  - Clean record of little/no financial scandals; strong reputation
  - Q4 2023 earnings beat estimates by 90M
  - Equity buyback off \$500 million worth of shares

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**STT - ROA - Return on Assets**

Quarterly Values



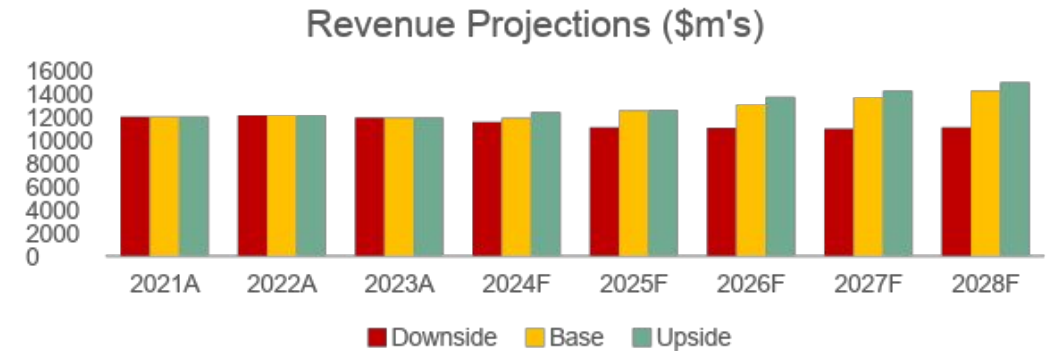
## Intrinsic valuation

### Methodology:

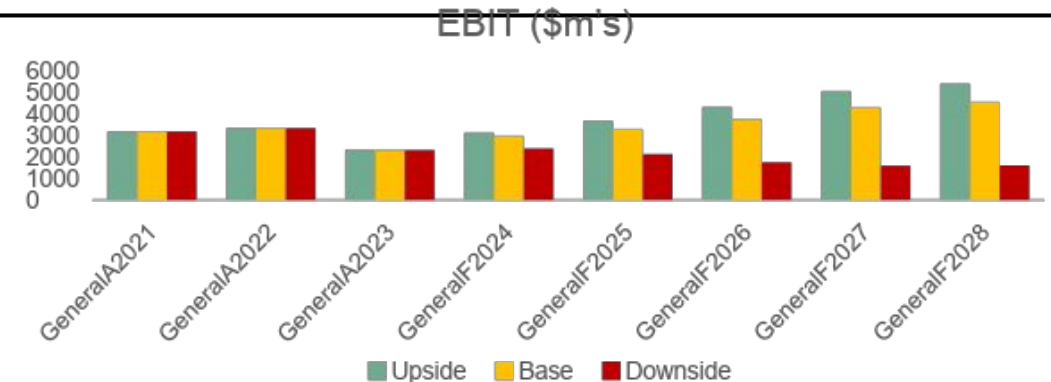
- Downside – take average of *management fees/ servicing fees* in past 3 years
- Base – Assume growth rate 4% -
- Best – Assume growth rate 6% - Tap into thematic, alternative investments (high returns on assets, strong macroeconomic environment).
- **Best : \$86, Base: \$81, Worst \$64**
- Buy before ex-dividend date (March 28<sup>th</sup>) / 1Q2024 Report - Significant price swing around this period. (Hasn't missed dividend payment in 2 years)



## Revenue projections



## EBIT projections





## **Q1 2024 Earnings Release and Dividend Announcement :**

STT is scheduled to announce its financial results for the first quarter of 2024 on April 12, 2024.

- Historically, Q1 earnings are lower compared to the other quarters
- Q2 2024 earnings expect EPS to increase by 30%



## **Interest Rates:**

Changes in interest rates can impact State Street's net interest margin (NIM).

- Federal Reserve expected to cut interest rates in 2024
- Headline inflation only 1.2% away from Federal Reserve's 2% target



## **Market Conditions:**

Market growth or downturns directly impact State Street's Assets Under Management (AUM).

- Corporate M&A dealmaking is expected to increase by 12% in 2024
  - Provides the corporation with better acquisitions to improve company performance
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## 1. Environmental

- **Concerns** State Street leaves investor group Climate Action 100+ who aims to reduce Carbon Emission in Financial Sector; Damages public reputation. Future review of STT Temperature rise at 3.1 degrees

## 2. Regulatory

- **Pushback** Financial sector overburdened by the complex financial regulations; puts State Street at disadvantage compared to Private Equity

## 3. FED Rate

- **Cuts** Double-edged sword; Foreshadowed interest rate cuts may not be as big as expected, can change investor outlook and drive share price down

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## 4. Diversifying in Different

- **Markets** Besides trading, the firm is also invested in Real Estate Markets; commercial property values decrease by 11%, State Street expected to increase loss provisions which will decrease profitability

