



BANK OF AMERICA

Bank of America pitch

NYSE: BAC

Financials team

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Summary



NYSE: BAC

S&P 500

Founded September 1998, San
Francisco

Second largest bank in America

Banking, investment management,
risk assessment and management

Key Statistics



**Market
capitalization**

- **\$262.65 Billion (Dec 6th, 2022)**

**12-month
revenue**

- **\$103.33 Billion (As of Q3, 2022)**

Dividend Yield

- **2.67% (Dec 6th, 2022)**

Total Assets

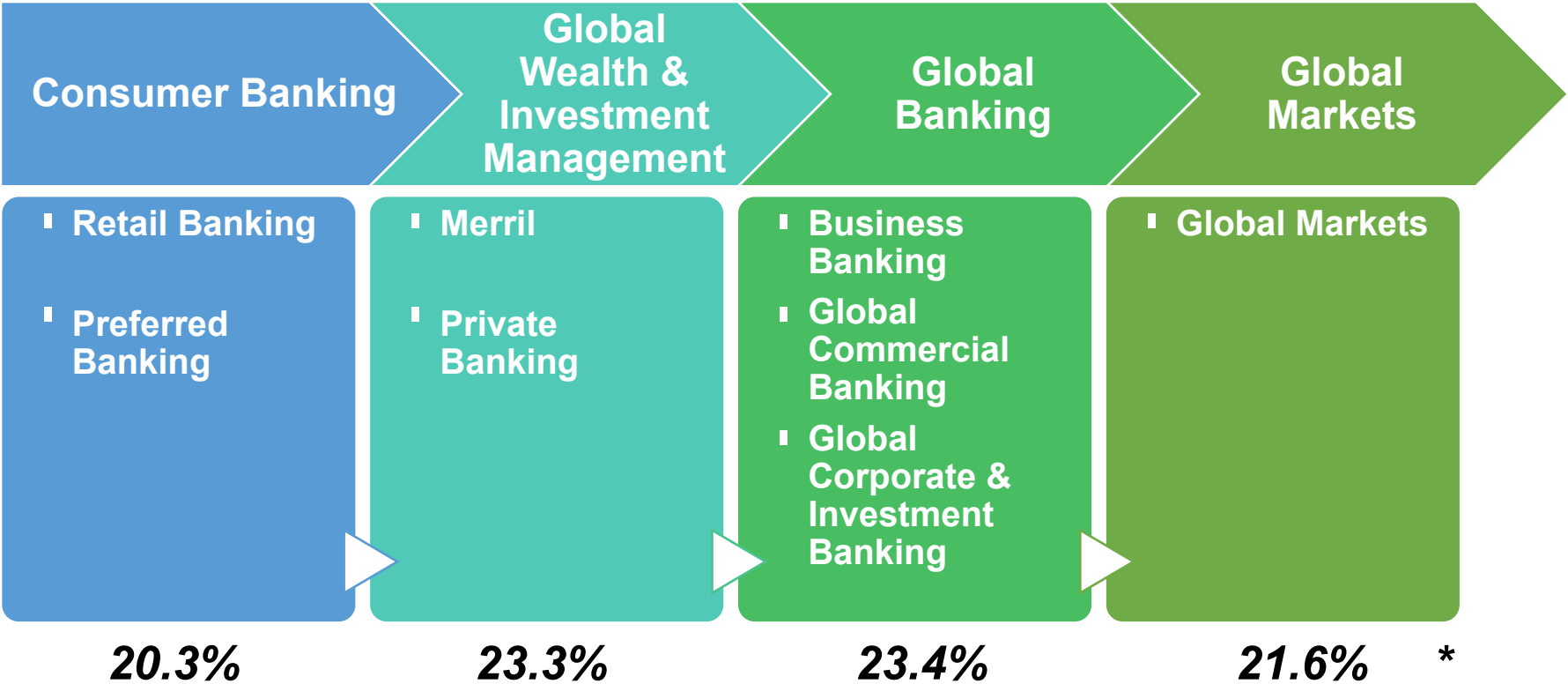
- **\$3.072 Trillion (As of Q3, 2022)**

**Total
Liabilities**

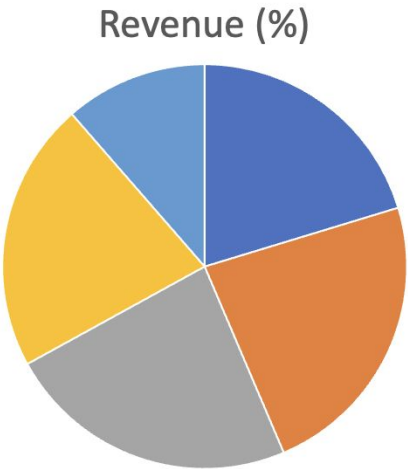
- **2.803 Trillion (As of Q3, 2022)**

Products & Revenue Breakdown

2021 Annual Report

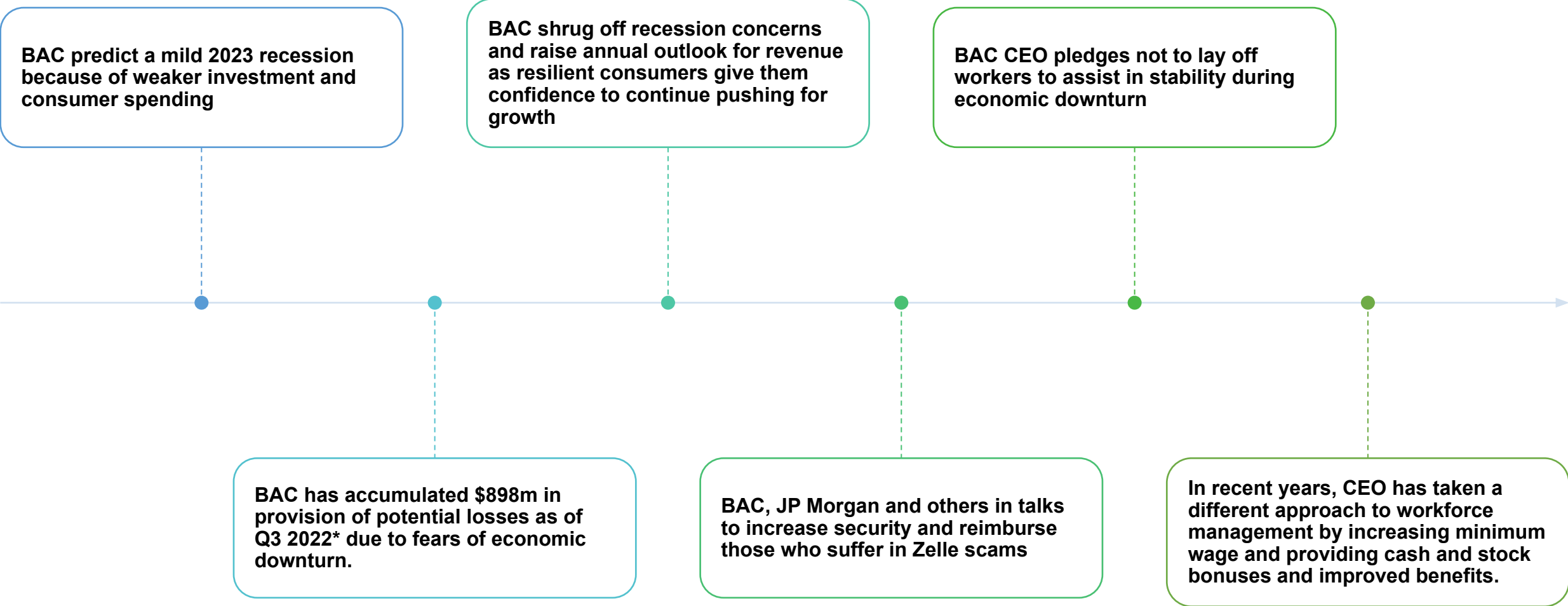


- ❑ Operating in the US and 35 other countries
- ❑ Four business segments
- ❑ Eight lines of business



*11.4% in other expenses such as asset & liability management etc.

Firm News & Business Direction



**p.5 BoA 2022 Q3 Quarterly report*



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ESG Compliance

ESG Compliance



ENVIRONMENTAL	SOCIAL	GOVERNANCE
BoA issued its second \$2 billion Equality Progress Sustainability Bond to help advance environmental sustainability.	BoA invested \$87 million for community development/affordable housing, and more than \$81 million for basic needs including nearly \$5 million for natural disaster and humanitarian needs.	36% of the directors at BoA are women
The corporation is carbon neutral, purchase 100% renewable electricity, and are working to achieve net zero GHG emissions in their financing activities, operations, and supply chain before 2050.	BoA invested \$25M to 21 Historically Black Colleges and Universities, Hispanic-serving institutions, and community colleges	50% of BoA directors are racially, ethnically, and gender diverse
BoA aims to deploy \$1 trillion by 2030 to help accelerate the transition to a low-carbon, environmentally sustainable economy	BoA helped 75,000 women from more than 140 countries and territories grow their businesses through partnerships with the Tory Burch Foundation, Vital Voices, the Cherie Blair Foundation, Kiva, and Cornell University	Since 2015, BoAs representation of teammates of colour in the top three management levels increased by 60%.

ESG Compliance - continued



Full time employees: 213,000

ESG Risk Rating COMPREHENSIVE ?

26.8 Medium Risk



Last Update: Aug 16, 2022

Exposure

Exposure refers to the extent to which a company is exposed to different material ESG issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Bank of America Corp.'s Exposure is **Medium**



Ranking

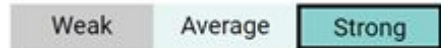
Industry Group (1st = lowest risk)
Banks 432 out of 1001

Universe
Global Universe 7976 out of 15536

Management

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices and policies.

Bank of America Corp.'s Management of ESG Material Risk is **Strong**



Industry Comparison

Company	ESG Risk Rating	Industry Rank
Bank of America Corp.	26.8	Medium 432 out of 1001
JPMorgan Chase & Co.	29.3	Medium 593 out of 1001
China Construction Bank Corp.	31	High 676 out of 1001
Industrial & Commercial Bank of China Ltd.	32.1	High 737 out of 1001
Wells Fargo & Co.	33.6	High 793 out of 1001

Bank of America’s medium ESG risk rating of 26.8 and medium exposure to different material ESG issues seems worrying. However, the corporation has strong management of ESG material risk.



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SWOT Analysis

SWOT analysis – Strengths



Strengths	This means...	Evidence
Strong brand and reputation	It has the power to attract a wide customer base	BoA serves approximately 68 million consumer and small business clients with approximately 3,900 retail financial centers, approximately 16,000 ATMs and award-winning digital banking with approximately 56 million verified digital users
International presence	It has many sources of revenue and therefore the ability to generate massive net incomes	<ul style="list-style-type: none">• Global Banking Division generated a \$3.5 billion net income in 2020• Global Wealth and Investment Management division generated a \$3.1 billion net income• Global Markets division generated \$5.2 billion, a 50% increase from the previous year and the division's highest net income since 2009.

SWOT analysis – Weaknesses



Weaknesses	This means...	Evidence
Cost-efficiency	BoAs operating expenses have increased, thus reducing their operating income	<ul style="list-style-type: none">• COVID-19 – providing better care for its employees• Processing an unprecedented amount of unemployment insurance claims• Grappling with the cost of the Paycheck Protection Program loans <p>Bank Of America operating income for the twelve months ending September 30, 2022 was \$30.890B, a 4.3% decline year-over-year.</p>
Lawsuits and controversies	<ul style="list-style-type: none">• Customers and shareholders alike lose trust in BoA and may bank with another company or withdraw their shares respectively• BoA pays large fines – money which would have otherwise been used for the corporation	<ul style="list-style-type: none">• In 2009, BoA processed debit transactions in a way that led to exorbitant fees.• In 2014, BoA paid \$16.65 billion to resolve federal and state claims due to failure to fully disclose the costs of mortgage repurchase claims.• BoA failed to uphold its liability guarantee, freezing around 350,000 accounts in 2020 due to fraudulent activities.• In 2021, BoA failed to protect thousands of unemployment benefit accounts.

SWOT analysis – Opportunities



Opportunities	This means...	Evidence
Increased reliance on virtual assistants	Increased efficiency and better service for customers	<ul style="list-style-type: none">• Erica, the bank's AI-powered virtual assistant, gained more than 1 million users within two months after being rolled out.• The bot combines predictive analysis with natural language, which means that when more people interact with Erica, the more effective it becomes.
Sustainable finance	BoA makes a positive impact on the community around them, attracting more customers and investors who align with their belief in sustainability	<ul style="list-style-type: none">• Since 2013, Bank of America has issued \$11.9 billion across nine Green, Social and Sustainability Bonds• Generated over \$400 million in loans and investments as part of their portfolio in Community Development Financial Institutions (CDFIs) to finance affordable housing, economic development, small businesses, health care centres, charter schools, and other community services.• BoA investments have contributed to the development of approximately 16% (38 gigawatt) of total installed renewable wind and solar energy capacity in the U.S.

SWOT analysis – Threats



Threats	This means...	Evidence
Hacking and security breaches	Customers and investors feel unsafe with BoA handling their data, which may encourage them to switch to another bank or lower their BoA investment/withdraw their shares	<ul style="list-style-type: none">• In 2013, a group of hackers called Par:AnoIA claimed to have accessed the bank's employee and executive data stored through a third party• In 2019, Bloomberg reported that hacker toolkits for Bank of America were being sold on the dark web.• In April 2020, Bank of America reported a data breach that leaked the information of clients under the bank's Paycheck Protection Program.
Global recession	An increase in non-performing loans and BoA possibly struggling in balancing their sheets	Bank of America's profits decreased dramatically (profit of \$17.894B in 2020, a 34.8% decline from 2019) after the bank disclosed billions of dollars from its loan loss reserves, which it had set aside during the epidemic to cover some potentially risky loans.



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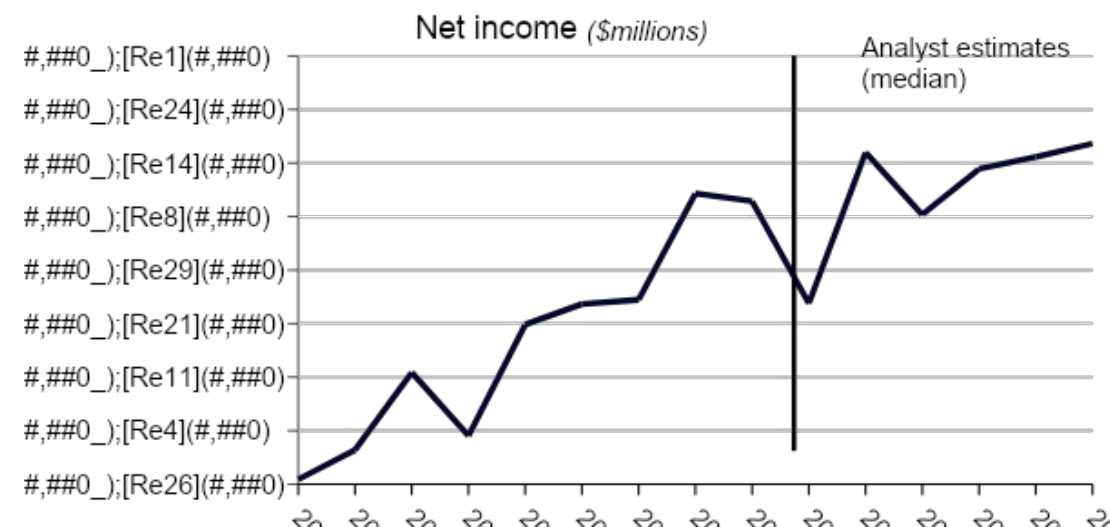
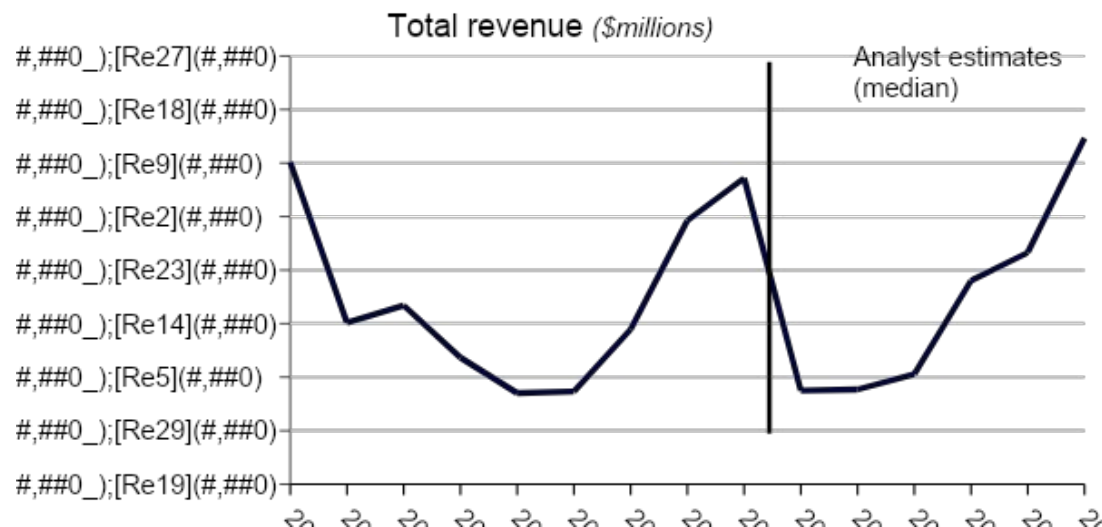
Financials

Financials – revenue and net income



												FY Analyst estimates – median*			
Millions (\$)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Interest Income growth	66,236	57,400 (13.3%).	55,020 (4.1%).	51,714 (6.0%).	49,507 (4.3%).	51,057 3.1%	57,579 12.8%	66,769 16.0%	71,236 6.7%	51,585 (27.6%).	47,672 (7.6%).	52,950 11.1%	61,223 15.6%	60,514 (1.2%).	62,265 2.9%
Non-Interest Income growth	48,838	42,678 (12.6%).	46,677 9.4%	45,115 (3.3%).	44,007 (2.5%).	42,605 (3.2%).	41,887 (1.7%).	42,858 2.3%	42,353 (1.2%).	42,168 (0.4%).	46,179 9.5%	42,024 (9.0%).	42,000 (0.1%).	43,441 3.4%	46,938 8.0%
Total revenue growth	115,074	100,078 (13.0%).	101,697 1.6%	96,829 (4.8%).	93,514 (3.4%).	93,662 0.2%	99,466 6.2%	109,627 10.2%	113,589 3.6%	93,753 (17.5%).	93,851 0.1%	95,266 1.5%	104,018 9.2%	106,637 2.5%	117,314 10.0%
Net Income growth	1,446	4,188 189.6%	11,431 172.9%	5,520 (51.7%).	15,910 188.2%	17,822 12.0%	18,232 2.3%	28,147 54.4%	27,430 (2.5%).	17,894 (34.8%).	31,978 78.7%	26,183 (18.1%).	30,444 16.3%	31,550 3.6%	32,823 4.0%

*Analyst estimates sourced from Refinitiv. Estimates come from an average of around 15 analysts, but drop off to a lower amount for 2025 predictions



Data from Refinitiv, p.18 BoA 2018 Annual Report, p.28 BoA 2020 Annual report

Financials – analyst estimates



Peer (ticker)	FY Revenue estimates – median (\$millions)*				
	2022	2023	2024	2025	CAGR
BAC	95266	104018	106636	117314	5.3%
C	75168	76410	77624	81580	2.1%
GS	48166	50451	52821	50431	1.2%
HSBA	53739	59023	61429	61501	3.4%
JPM	130891	139963	143460	143682	2.4%
MS	53842.322	56026	58771	59837.355	2.7%
USB	24547	29776	30450	32079	6.9%
WFC	74334	81786	83362	-	3.9%

Peer (ticker)	FY Net Income estimates – median (\$millions)*				
	2022	2023	2024	2025	CAGR
BAC	26182	30444	31549	32823	5.8%
C	14100	12973	14028	15394	2.2%
GS	12322	13097	13999	13014	1.4%
HSBA	16129	20074	20884	20052	5.6%
JPM	34708	37753	39660	37769	2.1%
MS	11107	12383	13506	13408	4.8%
USB	6574	7822	8244	8817	7.6%
WFC	14383	19517	20696	15854	2.5%

*Analyst estimates sourced from Refinitiv. Estimates come from an average of around 15 analysts, but drop off to a lower amount for 2025 predictions

- ❑ Analysts expect BoA's revenue to grow faster than its peers from 2022 to 2025
- ❑ Estimated revenue growth rate higher than all peers, except for USB
- ❑ Similarly, analysts expect BoA's net income to grow faster than its peers in the same time period
- ❑ Estimated Net Income growth higher than all peers, except for USB
- ❑ Very strong analyst estimates that outperform peers provide a good case for BoA



Financials – profitability and efficiency

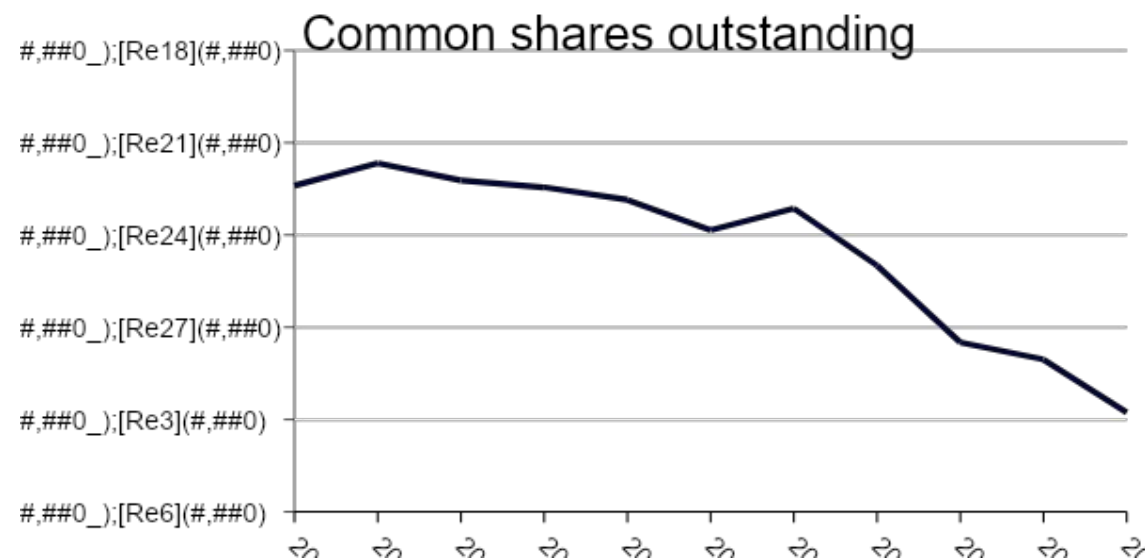
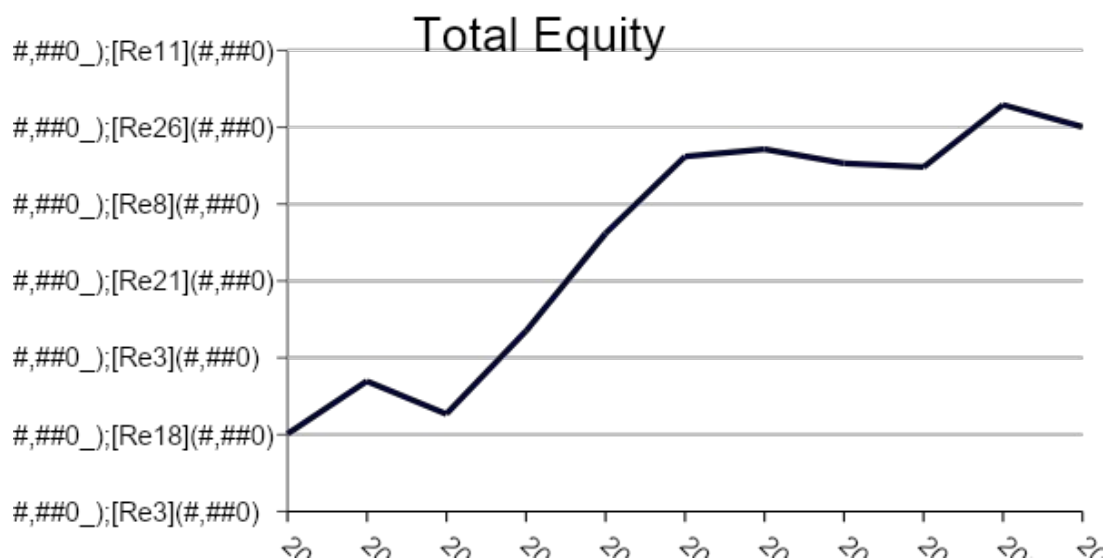
Peer (ticker)	Net Profit Margin	Pre-tax Margin	ROE common equity	ROA total assets
BAC	27.6%	71.3%	12.38	1.07
C	19.6%	54.4%	11.43	0.97
GS	25.5%	41.6%	7.21	0.49
HSBA	0.0%	52.2%	23.00	1.65
JPM	28.1%	102.9%	18.29	1.36
MS	20.8%	32.2%	15.31	1.31
USB	28.1%	75.4%	15.90	1.42
WFC	21.5%	72.6%	12.24	1.19
Average	21.4%	62.8%	14.47	1.18
Median	23.5%	62.8%	13.85	1.25

- ❑ BoA's Net Profit margin higher than industry average
- ❑ BoA's Pre-Tax margin also higher than industry average
- ❑ Suggests how BoA more efficiently utilises revenue to generate profits
- ❑ High margins also provides a buffer for profits during economic downturn
- ❑ ROE and ROA slightly lower than industry.

Financials – Balance sheet



\$Millions (except shares)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total equity growth	230,101	236,956 3.0%	232,685 (1.8%).	243,471 4.6%	256,176 5.2%	266,195 3.9%	267,146 0.4%	265,325 (0.7%).	264,810 (0.2%).	272,924 3.1%	270,066 (1.0%).
Comn. shares outs. growth	10,535,938	10,778,264 2.3%	10,591,808 (1.7%).	10,516,542 (0.7%).	10,380,265 (1.3%).	10,052,626 (3.2%).	10,287,302 2.3%	9,669,286 (6.0%).	8,836,149 (8.6%).	8,650,814 (2.1%).	8,077,831 (6.6%).



❑ Total shareholder's equity increasing consistently

❑ Common shares outstanding falling over time, providing more value to shareholders

Financials – liquidity and health



Peer (ticker)	Current ratio	Debt/equity	Payout ratio, %
BAC	0.76	1.12	26.8
C	0.98	1.40	27.3
GS	0.84	2.21	22.7
HSBA	0.96	0.47	
JPM	0.85	1.00	33.7
MS	0.79	2.36	41.7
USB	0.77	0.78	43.7
WFC	0.82	0.99	26.3
Average	0.85	1.29	31.8
Median	0.83	1.06	27.3

- ❑ BoA has a current ratio below 1, which would normally be an issue. However, this is the same across the entire industry
- ❑ Slightly lower current ratio than the industry average
- ❑ BoA has a healthy Debt/Equity ratio of 1.12 and is below the industry average, but slightly above the median
- ❑ Lower payout ratio than peers



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Valuation & Comparison

Valuation Metrics



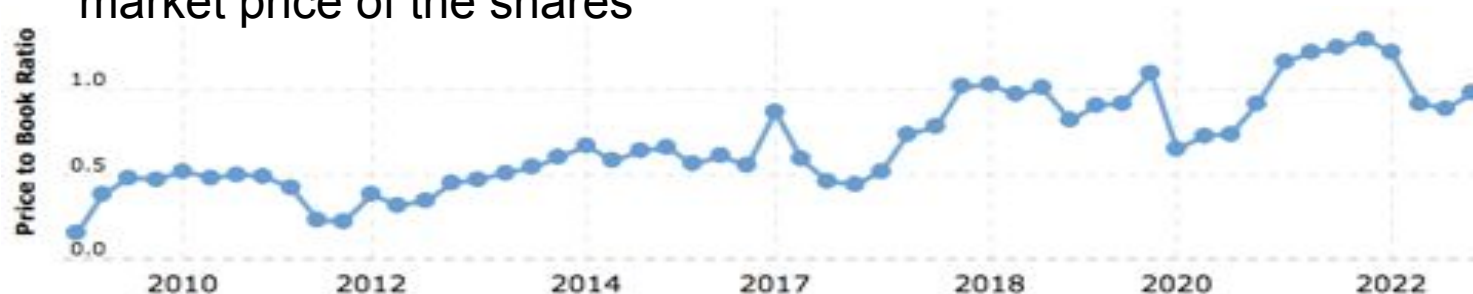
P/E Ratio

- **10.36** with the average P/E of key competitors being **10.14**. At a **historically low level**



P/B Ratio

- **0.97** with the key competitor average being **1.02**. Below 1 which shows it is potentially an undervalued stock given that the accounting value of the assets, if sold, would be greater than the market price of the shares



EV/Ebitda Multiple

- **13.78** with the average of competitors at **14.36**. Suggesting a potential undervaluation.

EV/Revenue

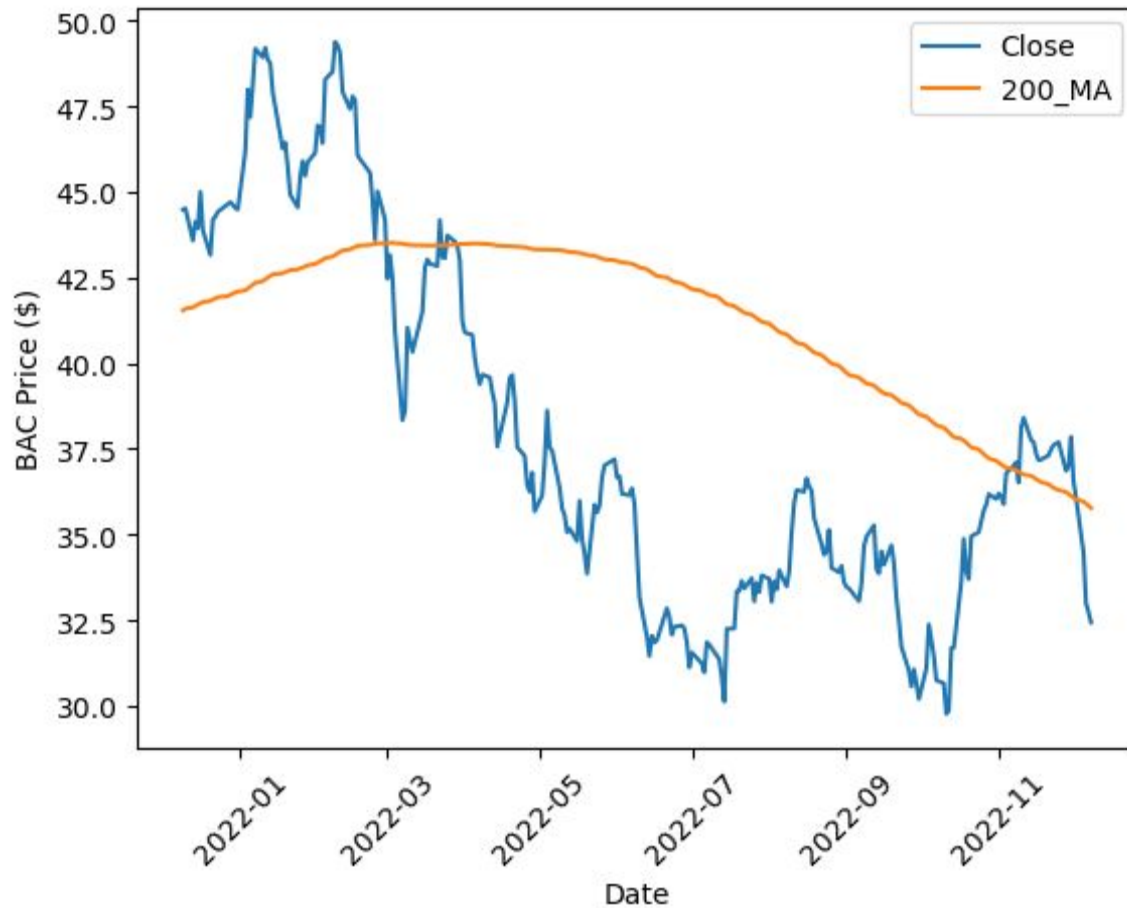
- **4.01**. In a similar range to key competitors.



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Technical Analysis & Price Forecast

Price Forecast



- Graph illustrates the closing price for BAC stock over the last 252 trading days, alongside its 200-day moving average.
- Current downward trend due to short term economic uncertainty, but price is predicted to rise again as economic cycle progresses.
- Assuming prices are expected to increase in the future, we can take the 75th percentile of the distribution to get an estimated price of \$36

Price Forecast



- Support bounce could be used as a buy signal
- Stop loss price is \$25.99
- Target price could be between \$37.00 and \$43.50
- Analysts predict average target price of \$41.07





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Risk & Volatility

Potential Risks

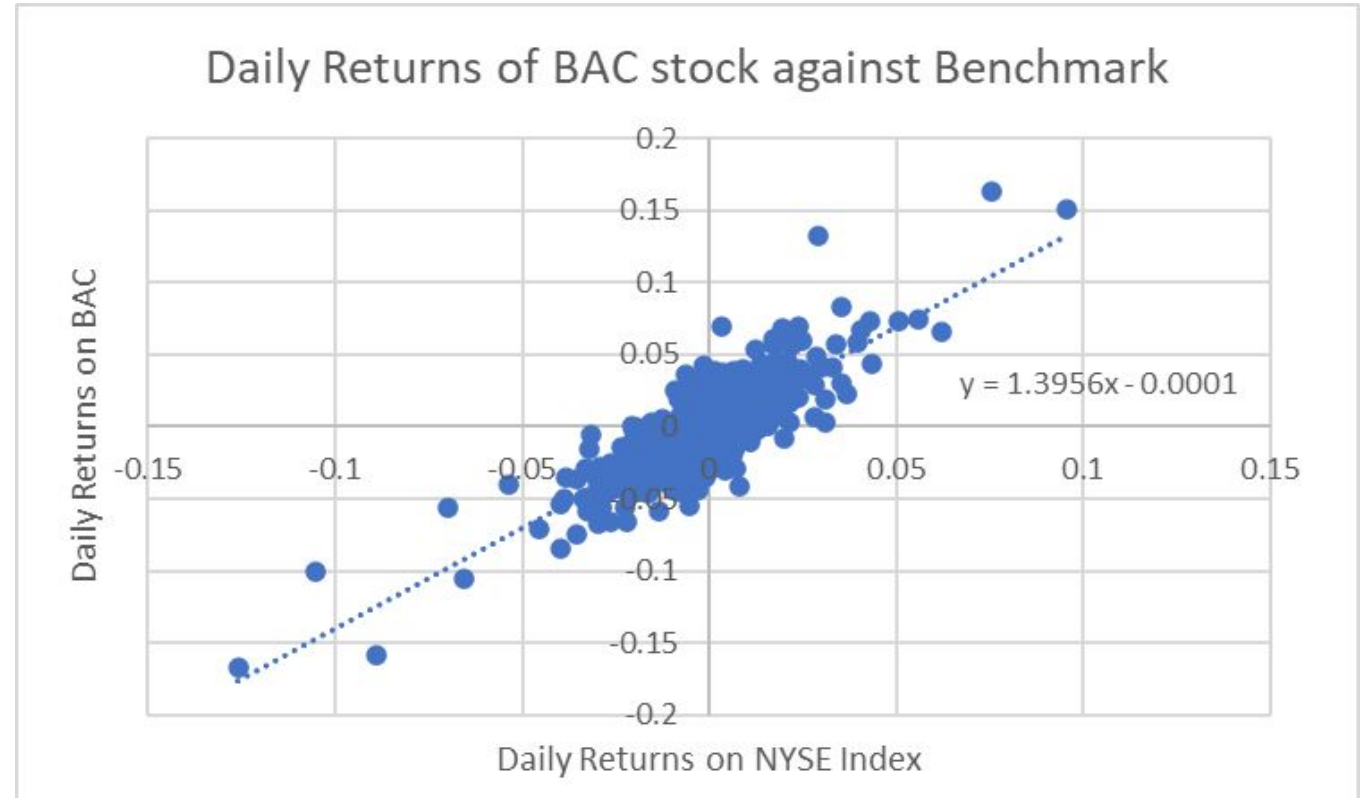


- Interest rate risks
 - A rise in interest rates cause stock prices to fall due to lower future earnings
 - This can negatively impact the total value of BAC's shares
- Reputational risks
 - Losses in current/future revenues due to poor management of ESG risk factors
 - This reputational damage can harm BAC's competitiveness and business prospects
- Credit risk
 - Less prevalent in recent years due to higher credit scores and tighter disciplinary action on defaulters with outstanding debt.
 - BAC have accumulated \$898 million in provisions for credit losses due to uncertainty of possible recession.

Bank of America's Beta



- Currently 1.4 (I.e. stock returns 140% of what the market returns).
- Indicates the stock is more volatile than the market but given its risk exposures, this is reasonable





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Conclusion & Recommendation

- Given predictions of looming recession, BAC is putting in substantial safeguards to ensure firm stability during economic downturn
- Active ESG Compliance and targets for the future
- Healthy financials, particularly debt/equity ratio
- Positive Analyst predictions of both revenue and net income to grow faster than peers between 2022-2025 provides a good case to buy now
- Short-term economic uncertainty is a threat
- Valuation metrics show a potential undervaluation of the stock
- Price predicted to rise after economic cycle progresses