



DSR STOCK CARD

12/16/2019

STATE STREET CORP (STT)

Business Model

Founded hundreds of years ago (really!), State Street Corporation is a financial holding company operating through Investment Servicing and Investment Management businesses. It provides services to mutual funds, corporate and public retirement plans, insurance companies, foundations, and endowments. STT is one of the two largest custodian banks in the world with over \$33 trillion in assets under custody and administration. STT has nearly \$3T in assets under management.

The Company in a Nutshell

- State Street is a complete bank handling your assets for you, no matter what they are.
- After cutting its dividend during the 2008 financial crisis, STT is back on the dividend growth track.
- STT's earnings won't increase as expected since the interest rate is likely to remain the same.

Investment Thesis

Investing in a company with such a long history and a large product and service offering is quite tempting. State Street has been a pioneer in many financial products and services such as ETF in 1993. The company enjoys a strong reputation in the industry and has survived many market crashes. STT has invested massively in technology to improve automation surrounding asset management. The bank has also built a strong expertise in back-office administration. As the financial world grows ever more complex, many firms require top quality back-office services like STT's offering. Short-term concerns around low interest rates are creating a great buying opportunity.

VALUATION

Dividend Growth Rate Years 1-10: 10.00%

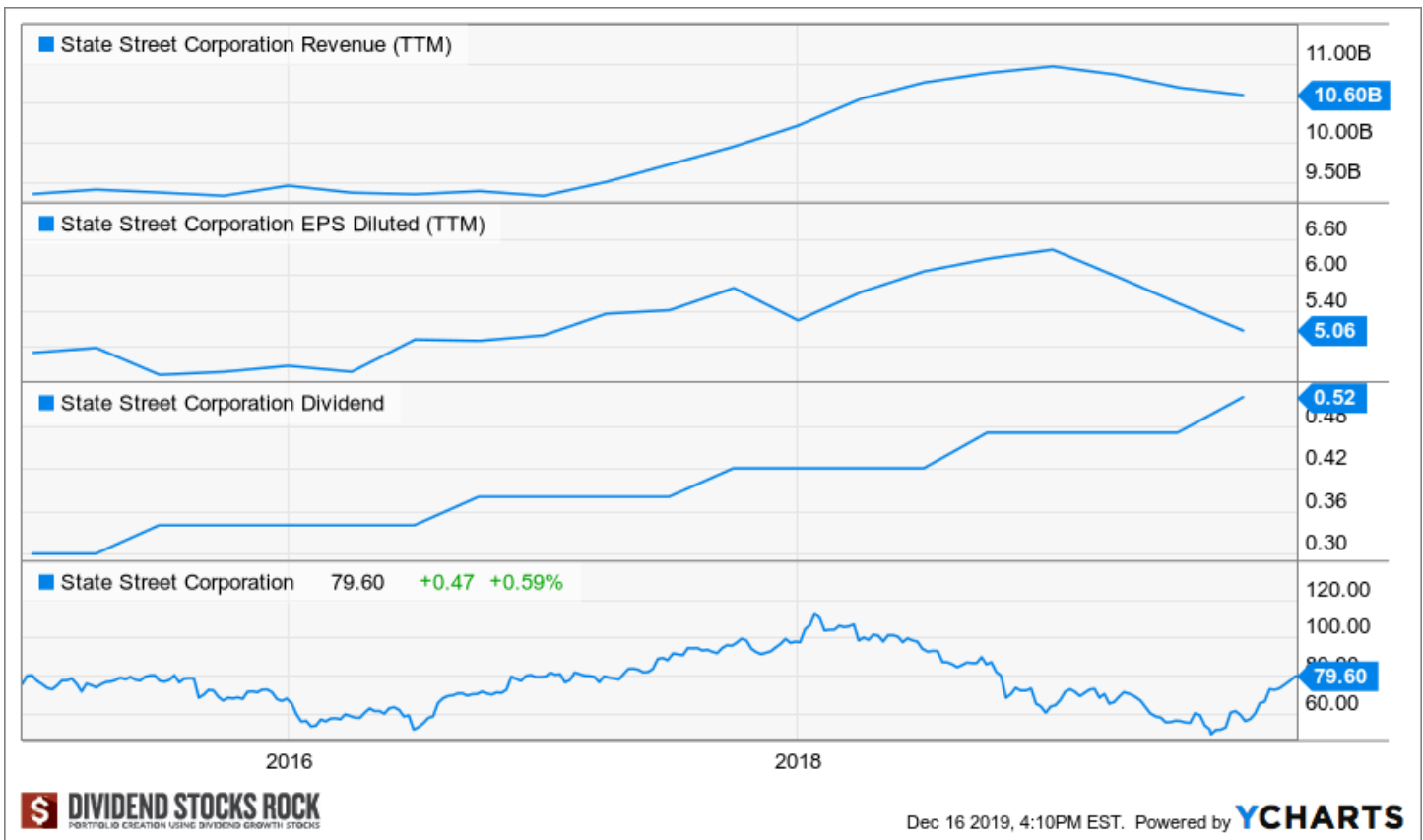
Terminal Dividend Growth Rate: 6.00%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$122.88	\$91.10	\$72.09
10% Premium	\$112.64	\$83.51	\$66.09
Intrinsic Value	\$102.40	\$75.92	\$60.08
10% Discount	\$92.16	\$68.33	\$54.07
20% Discount	\$81.92	\$60.74	\$48.06



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Potential Risks

Sometimes, being the first player in a large field isn't always an advantage. STT was the first company to introduce US listed ETFs in 1993. The company has since seen SPDR ETFs being attacked on fees by other players such as BlackRock (BLK) and Vanguard. The bank suffered greatly during the latest financial crisis and cut its dividend down to \$0.01. Keep in mind that banks are never "too big to fail".

Dividend Growth Perspective

Since its dividend cut in 2009, STT has been showing a stellar dividend growth history. The bank brought its dividend to \$0.47 in 2018. This is nearly double what it was paying at the beginning of 2008 (\$0.26). The company increased its dividend by 10.6% in 2019 (to \$0.52/share). With new regulations in place, we believe the dividend growth is safe going forward. Payout ratios are very low and shareholders can expect high single-digit to double-digit growth rates for several years.