

# Standard Chartered PLC

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## StanChart boss Bill Winters' future in doubt as major target missed again

Standard Chartered PLC (LON:STAN) boss Bill Winters last year fell out with investors over his pay and with Thursday's results revealing that the American has failed in his primary turnaround target his future may be in doubt.

With shares in StanChart having fallen more than 40% since Winters started and tensions still apparent with some major UK shareholders over bonuses and pensions payments, it might not be a surprise to see him leave before the end of the year, though his efforts to turn the lender around have not been fruitless.

**READ:** StanChart to miss targets due to coronavirus and Hong Kong troubles Arriving after stints as London boss of JPMorgan's investment bank and as founder and chief executive of hedge fund Renshaw Bay, Winters joined StanChart as chief executive in 2015 after former CEO Peter Sands was given the heave-ho.

He was brought in to arrest falling profits at the emerging markets-focused bank, where bad debts were rising and costs were getting out of control, with other issues including regulatory fines and rows with major investors.

Winters started decisively, cutting the dividend and unveiling a strategy that included a massive 15,000 job cuts to help slash costs, along with the restructuring of US\$100bn of risky assets amid an increased focus on retail banking.

A key target has been to increase the return on tangible equity, a measure of profitability used by banks and others.

The initial plan in 2016 was to hit a 8% RoTE by the 2018 results, but Winters only managed to reach 5.1% by the deadline.

On Thursday, StanChart said that RoTe in 2019 was just 6.4% and the recent combination of coronavirus with lower interest rates, a softer Hong Kong economy and an environment of lower interest rates was likely to result in slower income growth than expected in 2020, meaning Winters' updated 2021 RoTE target of 10% was not likely to be reached.

He had previously declared his "relentless" focus towards RoTE targets.

Analysts at UBS forecast RoTE will reach around 7.1% in 2020, or 6.7% at the underlying level and said the US\$0.5bn share buyback was "smaller than we had expected" after US\$1bn was bought last year.

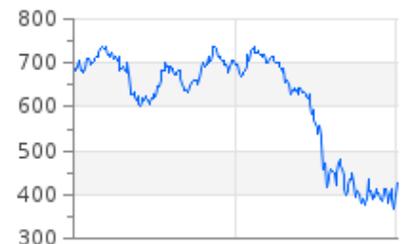
Richard Hunter, head of markets at Interactive Investor, suggested the missed numbers should have been expected because of the bank's large Asia focus.

"In recent months the Chinese economy had started to show signs that it was beginning to come off the boil, the

**Price:** 431

**Market Cap:** £13.6 billion

### 1 Year Share Price Graph



June 2019 November 2019 June 2020

### Share Information

**Code:** STAN

**Listing:** LSE

**52 week High Low**  
742.6 368.4

**Sector:** Banks

**Website:** [www.standardchartered.com](http://www.standardchartered.com)

### Company Synopsis:

*Standard Chartered is a banking group with operations in many of the world's fastest growing markets, and derives over 90 per cent of its profits from the emerging trade corridors of Asia, Africa and the Middle East.*

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protests in Hong Kong helped tipped the region into recession and latterly, the as yet unquantified impact of the coronavirus has led to a virtual shutdown in China.

"More broadly, the interest rate environment tightens the screw further, and margin compression has added to weaker net interest income and net interest margin figures, particularly in the final quarter, leading to a 25% reduction in underlying pre-tax profit.

"These factors in turn have led to an outlook from the bank which is uninspiring."

All in all, the very focus on Asia which may yet prove to be of long-term benefit is biting the bank in the nearer term, said Hunter.

However, the analysts at Shore Capital were sanguine.

"Given the current macro-economic backdrop and the impact of the coronavirus outbreak, we are not surprised that Standard Chartered has become more cautious in its outlook.

"However, consensus is already targeting an RoTE outlook that is considerably more conservative than previous management guidance, which is also more than reflected in the current P/TNAV multiple of just 0.6x."

Furthermore, the broker noted that the recent sale of the group's 45% stake in Permata in Indonesia for 1.77 times book value "highlights that there is considerable value in emerging market banking assets, even when they generate very little profitability".

"So while there are near-term challenges, we believe that value will be realised in due course for patient investors. As such, we retain our positive stance and would take advantage of current market uncertainty to pick up stock."

#### Pay battle

Last year, Winters lost patience after an ongoing battle with UK institutional investors over his pay details, when he received a total of £5.95mln.

More than a third of votes cast at StanChart's annual shareholder meeting were against its directors' remuneration report.

The report included a cash payment of £474,000 for Winters in place of a pension contribution for that year, which was higher than any other CEO of a London-listed bank.

"I don't know what the focus on pension allowances is when we've been totally transparent that the board decided not to impose a pay cut on me, not to violate the contract that they have with me. That's it. I mean the rest is noise," he told reporters at the AGM.

He later the FT that "Picking on individual pension arrangements... and suggesting that there is some big issue there is immature and unhelpful".

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