



US Sector

Date: 10/25/11

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Stock Rating:

**BUY**

Sector Weighting:

**OVERWEIGHT**

Today's Date: \$30.78

Price Target: \$37.00

Target Price Date: March 1, 2012

### COMPANY MARKET STATISTICS

Ticker: C

Exchange: New York Stock Exchange

Fiscal Year End December

52-week range (High/Low) \$51.50/\$21.40

Shares Outstanding 2.92 Billion

Avg. Daily Trading Vol. 59.47 Million

Market Capitalization \$90.50 Billion

Annual Dividend \$0.04

Dividend Yield 0.13%

Price/Earnings 8.32

Price to Book 0.51

BETA 1.45

Short Interest % 2.34%

### HIGHLIGHTS

- Citigroup recently announced strong earnings which will leave a sense of safety in current investor's minds and possibly bring in new investors because no new large announced from this company is expected until their next quarter earnings in January.
- Citigroup announced Oct 25<sup>th</sup> that it will issue \$1 Billion in a new debt offering which will yield 2.5% since credit default risk has declined at Citigroup. This money can be used to increase profits in the next quarter.

### OVERVIEW

Citigroup Inc. (Citigroup) is a global diversified financial services holding company. Citigroup businesses provide consumers, corporations, governments and institutions with a range of financial products and services. As of December 31, 2010, the Company had approximately 200 million customer accounts and did business in more than 160 countries and jurisdictions. Citigroup operates two primary business segments: Citicorp, consisting of its Regional Consumer Banking (RCB) businesses and Institutional Clients Group (ICG), and Citi Holdings, consisting of its Brokerage and Asset Management (BAM), Local Consumer Lending (LCL), and Special Asset Pool (SAP). On February 1, 2011, Citigroup acquired Maltby Acquisitions Limited (Maltby).

### REVENUE BREAKDOWN

Regional Consumer Banking: 49%

Securities and Banking: 35%

Global Transaction Services: 15%

### ANNUAL EARNINGS PER SHARE (EPS)

Current Year \$3.68

2010 \$3.60

2009 -\$8.00

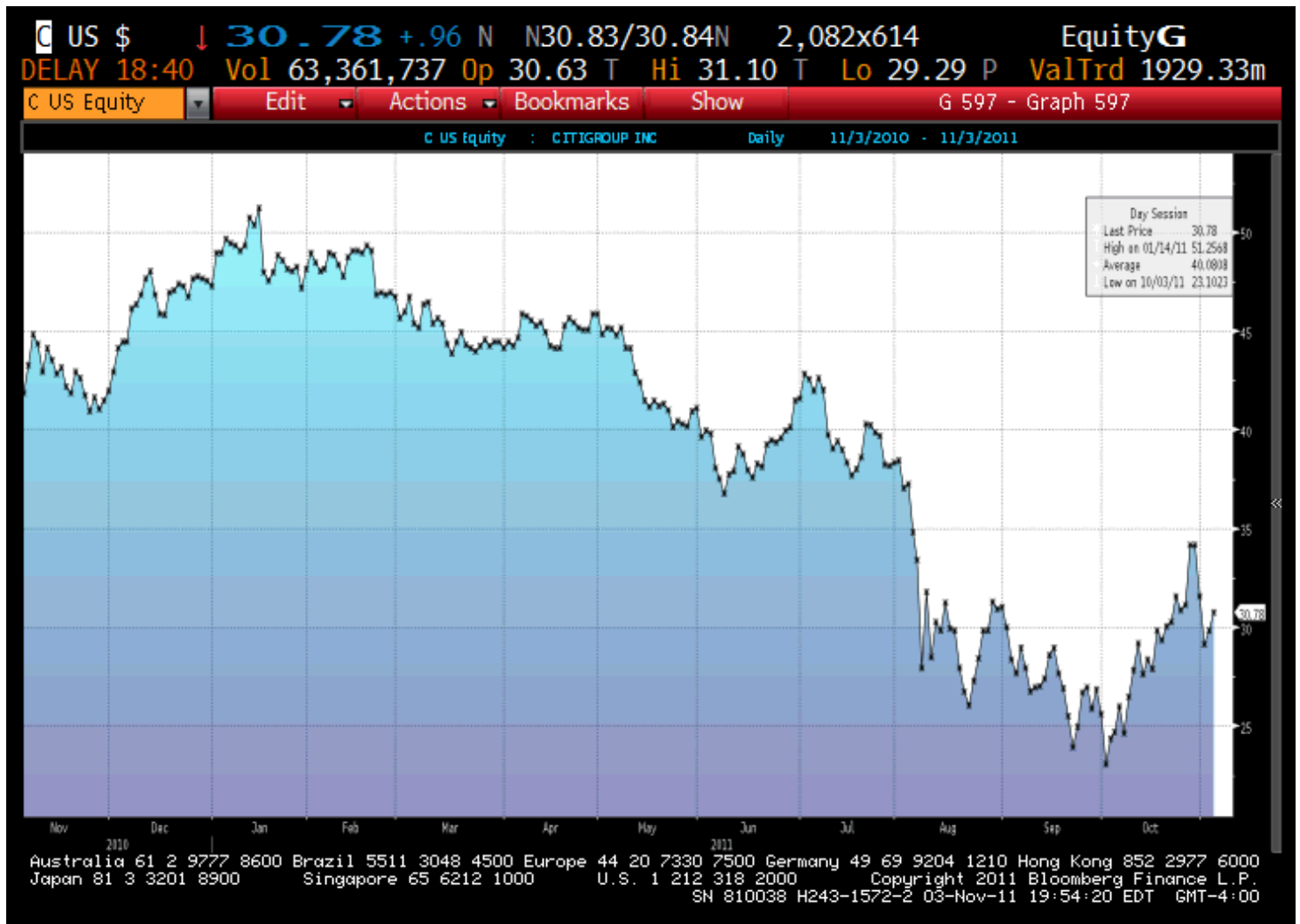
2008 -\$56.30

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## PRICE CHARTS

One Year



The stock has a downward trend; however, this is due more to the economic factors. The company's earnings have been growing during this time frame.

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## Industry/Sector Peers One Year Graph



Citigroup is seen in the center of the industry average. The trend can be seen throughout the industry due to the economic factors. However, Citi Holdings (Bad Assets) have been decreasing and Citigroup overall has been getting stronger.

Citigroup compared with the US Markets



Citigroup is seen to be underperforming the major indices; however, from the technical analysis below, it will be seen to be oversold.

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## NEWS AND EVENTS

- Citigroup decided to keep its retail partner card portfolio, instead of getting rid of this arm of the company. This branch was originally put into the Citi Holdings and was expected to be sold off. Deciding to keep this branch is a profitable choice since the card business posted a \$2.2 billion pre-tax profit for the first 9 months. Some believe this branch to be one of the more profitable parts of Citigroup.
- The company just reported quarterly earnings of \$3.7 billion compared to \$2.1 billion as of the same time last year, which is a 74% year over year growth.
- The balance sheet has gotten stronger due to increased assets in Citicorp and decreased assets in Citi Holdings

## COMPANY RISK

<b>BETA</b>	<b>Moody's Rating</b>			<b>5 YR CDS</b>
1.45		A3		228.8Y
<b>Volatility</b>	<b>WACC</b>			
53.08%		2.52%		

## PEER COMPARISON

Ticker	Market Cap	Price	Div. Yield	Trailing P/E	Forward P/E	Annual Revenue	1-Mo Return	3-Mo Return	1-Yr Return
STI.N	\$10.2B	\$19.07	1.05%	16.8	17.84	C\$8.6B	8.88%	6.58%	-25.33%
BAC.N	\$67B	\$6.60	0.61%	4.97	21.26	C\$94.5B	10.85%	0.46%	-48.62%
JPM.N	\$128.4B	\$33.81	2.96%	6.65	7.56	C\$99.5B	12.70%	1.59%	-13.71%
<b>C.N</b>	<b>\$90B</b>	<b>\$30.78</b>	<b>0.13%</b>	<b>8.54</b>	<b>7.61</b>	<b>C\$79.9B</b>	<b>26.27%</b>	<b>11.27%</b>	<b>-31.11%</b>
PNC.N	\$20.4B	\$54.06	2.59%	8.49	8.64	C\$14.3B	12.96%	14.79%	-4.82%
WFC.N	\$137.03B	\$26	1.85%	8.93	9.12	C\$80.4B	5.30%	12.69%	-10.96%
USB.N	\$48.4B	\$25.34	1.98%	11.48	10.73	C\$18.7B	11.74%	20.75%	2.45%

Citigroup has a lower P/E than the industry average and it is also one of the lowest within the entire industry. Only Bank of America and JPMorgan Chase have lower P/E's but Bank of America currently has a negative EPS and JPMorgan is another company that is currently being considered. Due to the low P/E ratios and strong earnings from this company we feel it is undervalued at this time and has a lot of upside potential.

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## REVENUE AND EARNINGS

Since 2008's recession and financial crisis many, if not all, of the financial institutions are slowly begin to improve. Citigroup's revenues have remained stable from 2009-2011 and are expected to remain strong and grow steadily into the future. Net Income and EPS have shown the largest changes by consistently growing. 2008 and 2009 were tough years for the financials, however, Citigroup has turned profitable once again and is using this profit for further expansion. These numbers can demonstrate the strength of this firm and its ability to weather the storm and come back stronger.

### Revenue

	Q1	Q2	Q3	Q4	Total
<b>Current</b>	\$19,726	\$20,622	\$20,831	\$19,100	\$80,279
<b>2010</b>	\$25,421	\$22,071	\$20,738.00	\$18,371	\$86,601
<b>2009</b>	\$24,521	\$29,969	\$20,390	\$5,405	\$80,285
<b>2008</b>	\$12,441	\$17,538	\$16,258	\$5,646	\$51,883

### Net Income

	Q1	Q2	Q3	Q4	Annual Total
<b>Current</b>	\$2,999	\$3,341	\$3,771	\$2,520	\$12,631
<b>2010</b>	\$4,428	\$2,697	\$2,168	\$1,309	\$10,602
<b>2009</b>	\$1,593	\$4,279	\$101	-\$7,579	-\$1,606
<b>2008</b>	-\$5,111	-\$2,495	-\$2,815	-\$17,263	-\$27,684

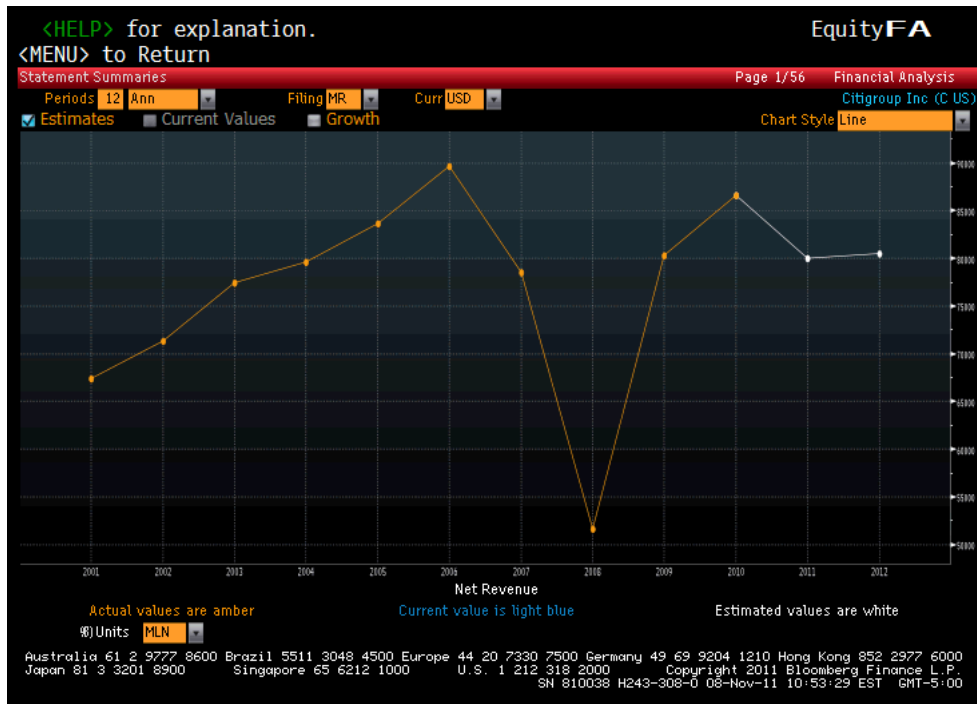
### EPS

	Q1	Q2	Q3	Q4	Total
<b>Current</b>	\$1.00	\$1.12	\$1.27	\$0.81	\$4.20
<b>2010</b>	\$1.50	\$0.93	\$0.74	\$0.40	\$3.57
<b>2009</b>	-\$1.80	\$4.90	-\$2.70	-\$3.30	-\$2.90
<b>2008</b>	-\$10.30	-\$5.50	-\$6.10	-\$34.00	-\$55.90

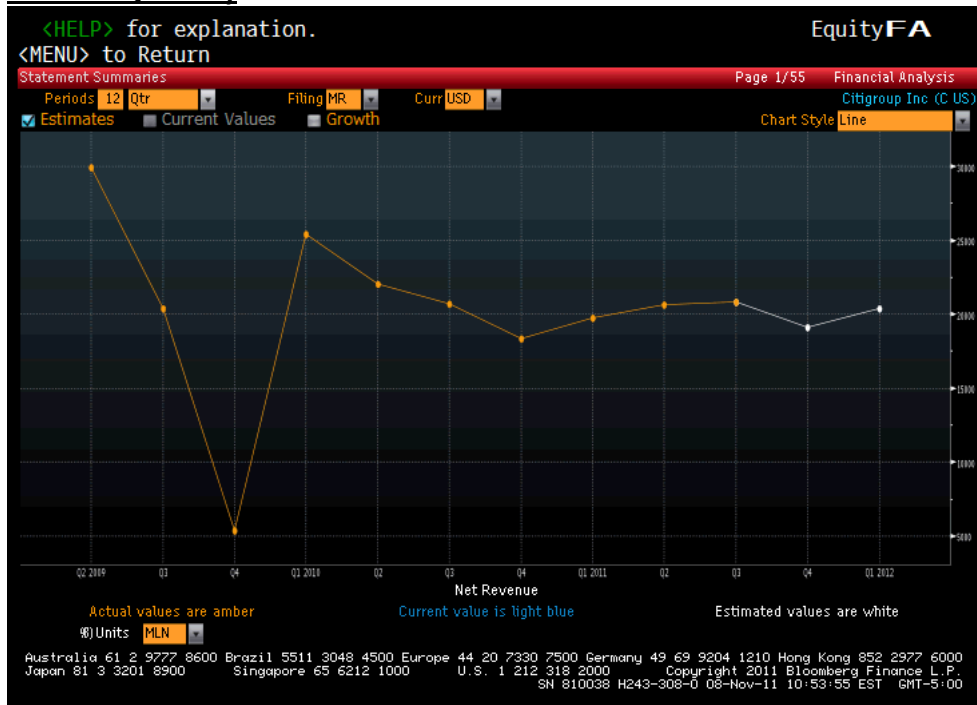
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## Revenue Annually



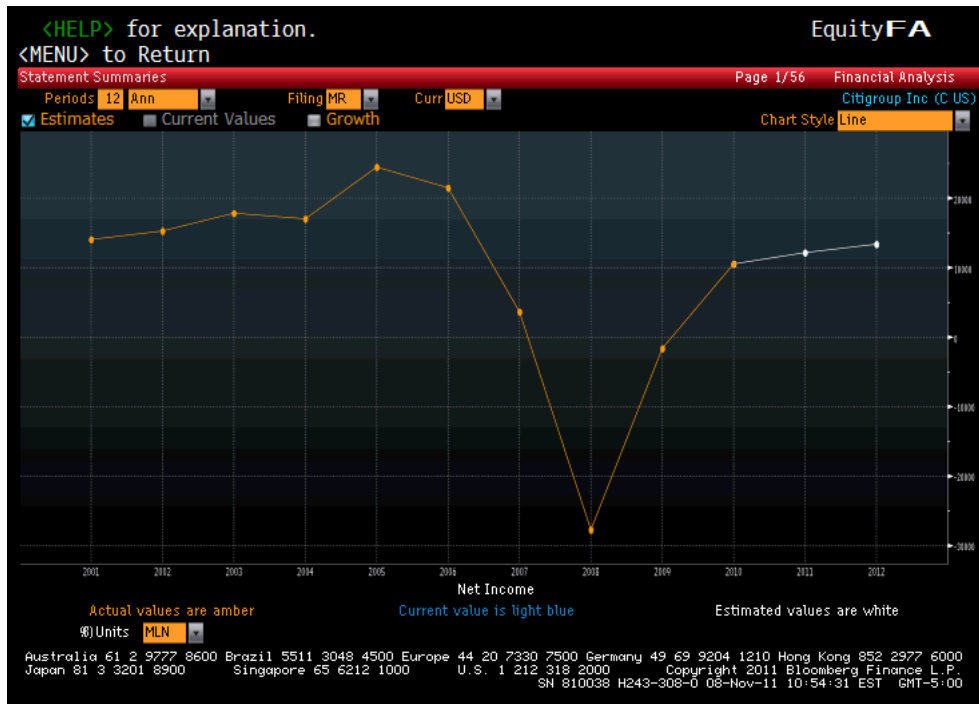
## Revenue Quarterly



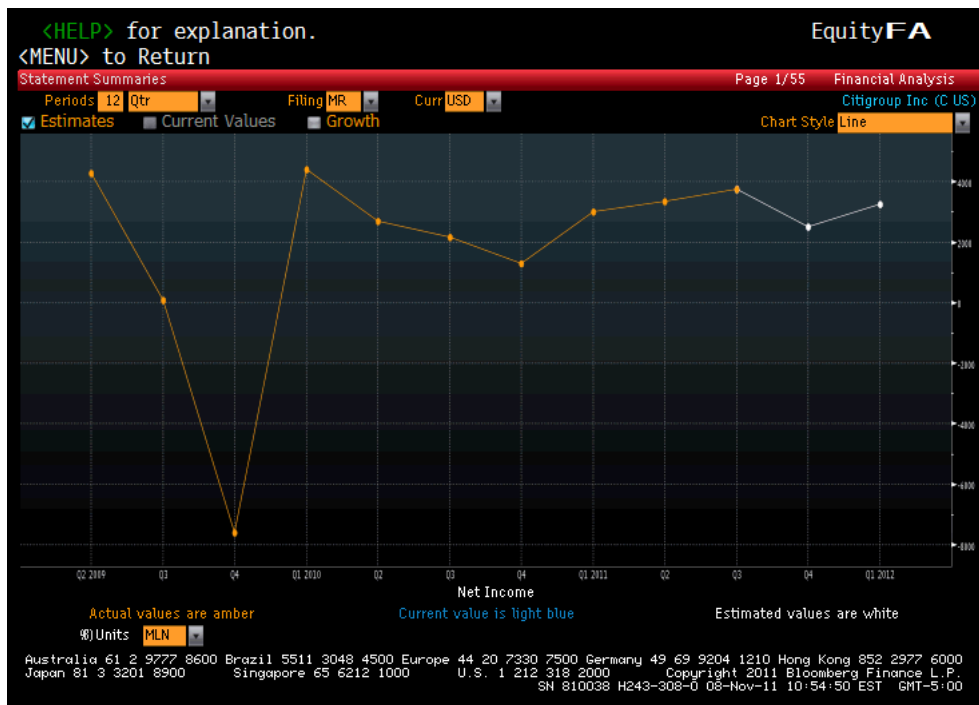
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## Income Annually



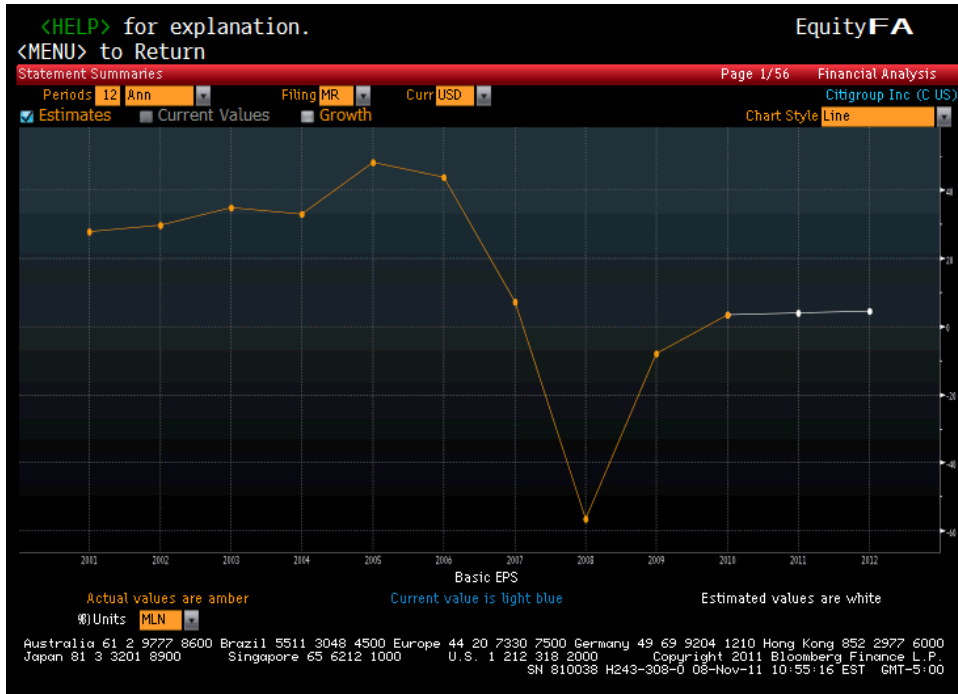
## Income Quarterly



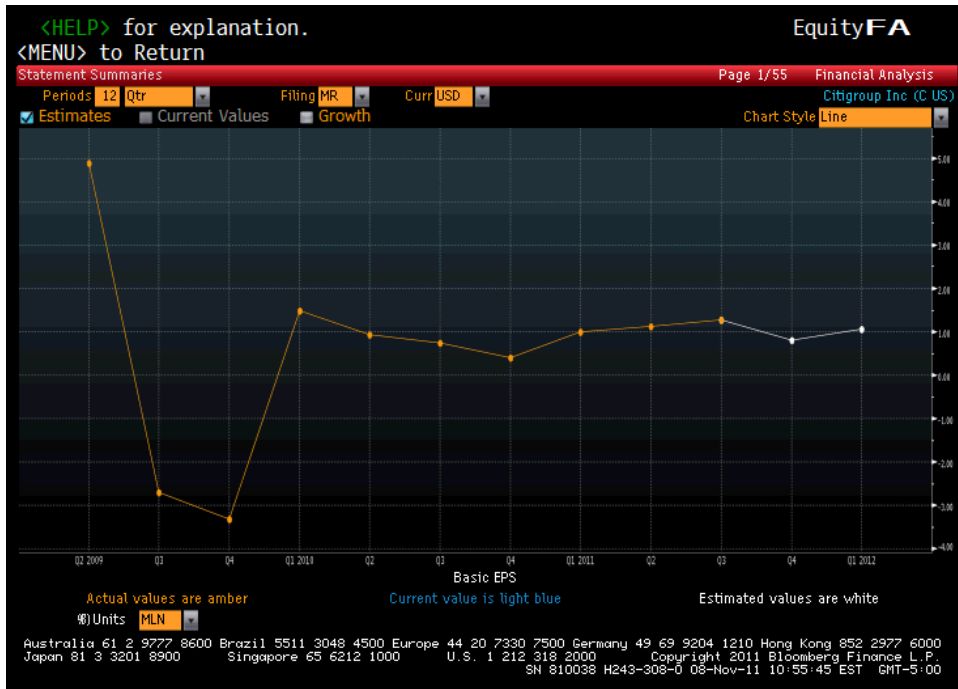
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## EPS Annually



## EPS Quarterly



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## FUNDAMENTAL RATIO ANALYSIS

The main ratios I want people to focus on are the ROE, Price-Book, and P/E ratio. ROE has been increasing steadily since the recession and is clearly demonstrating the potential for this company to grow during tough economic times. The P/E ratio is considered low compared to the industry as well as to my own personal beliefs. A financial institution of this size and power should not trade below 10. Price-Book is another great example of how this stock is undervalued. With a value of 0.52, it shows that the stock is trading below book value and that it has a 0.48 margin of safety. The book value per share is over \$56 currently and growing, increasing the margin of safety every quarter. According to the US Sectors value approach, this stock would be rated a buy.

<b>Revenue Growth</b> 3.20%	<b>ROE</b> 6.71%	<b>Current Ratio</b> N/A	<b>Price to Book</b> 0.52
<b>Gross Margin</b> N/A	<b>ROA</b> 0.33%	<b>Quick Ratio</b> N/A	
<b>Profit Margin</b> 15.48%	<b>P/E</b> 8.4	<b>Debt/Capital</b> 620.4	

## CASH FLOW ANALYSIS

Citigroup has a large cash position and is continuously increasing this value due to sales from Citi Holdings. This available capital is a source of future investment into current and new markets. The dividend is almost none existent, however, this gives the company less focus on paying out money and instead using it to grow the organization. Citigroup has announced on many occasions that it will be increasing their dividend in 2012 and this will have a positive impact on the price of the stock, so buying it now will have a higher upside potential.

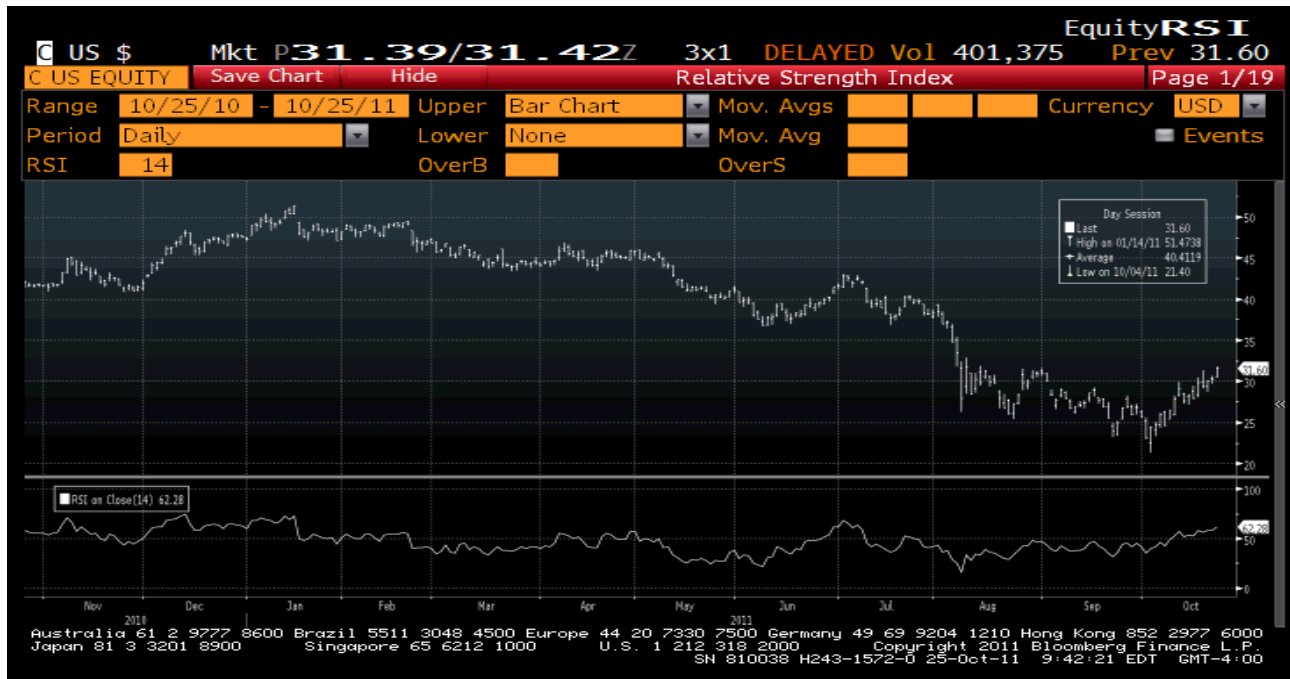
<b>Net Cash Position</b> \$28.95B	<b>Dividend</b> \$0.01	<b>Div. Growth Rate</b> 0%	<b>Price/Cash Flow</b> \$3.07
<b>FCF Per Share</b> \$3.66	<b>Dividend Yield</b> 0.13%	<b>Cash from Operation</b> \$6647 Q4	
<b>FCF Yield</b> 51.79%	<b>Dividend Payout</b> \$0.04		

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## TECHNICAL ANALYSIS

### RSI Analysis



Currently this stock has a RSI of 62, over 70 means the stock has been over bought and should have a negative downturn and under 30 means it is oversold and should have a positive uptick. Currently this technical shows the company has been somewhat overbought however, the stock has recently dropped since these numbers were collected. The RSI has dropped and the indication is more centralized.

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## Moving Average Analysis (50,100,200 Days)



The daily moving average has officially crossed the 50 day MA, and whenever a shorter MA crosses a longer term MA it signals a buy or sell opportunity. Since the crossing was upwards, this signal clearly indicates a buying opportunity and with the 100 day MA (Green Line) and 200 day MA (Yellow Line) over 8% and 28% higher, this stock has a lot of upside and the downside looks somewhat limited.

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## SELECTION METHODOLOGY

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The US Sector is focused on a value approach which mainly looks at key fundamentals. These include: P/E ratio, P/B ratio, earnings and growth. Citigroup has a low P/E ratio compared to the industry as well as other sectors overall, its P/B ratio is valuing the company below book value. The company currently have an equity value of \$175 billion which is equivalent to \$56 a share and our price target is much lower since the investment club only has a short time horizon. The earnings of the company are strong and growth is helping to increase their available capital for new expansion plans. The largest reason this company is attractive is due to their Citi Holdings (Bad Assets) reductions which only represents 31% of the company, compared to over 65% three years earlier. The assets within Citi Holdings represented a loss of \$800 million in the last quarter alone, but as these assets keep being sold off, the loss that is reported every quarter decreasing alongside, leaving the company with higher profits and more available capital for new investments.

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