

ANALYSIS OF AMERICAN INTERNATIONAL GROUP

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COMPANY OVERVIEW

American International Group (AIG)

PRICE: SIENA Target Price: S&P500: DJIA: S&P"Industry":
\$1.00 **\$2.58** **809.75** **8,017.59** **123.12**

Location: 70 Pine Street, New York, New York, 10270; United States

Industry: Property and Casualty Insurance

Description:

American International Group operates on a global scale generating profits across its four different market segments. They include: General Insurance, Life Insurance and Retirement services, Financial services, and Asset Management. Its most profitable segment has been its General Insurance which gives insurance services on almost all types of physical and intangible assets. Recently, its Financial Service segment has driven the company into massive debt and near bankruptcy, but thanks to government intervention the company continues to operate. It employs more than 100,000 people around the world and is headquartered in New York City.

Company Website: www.aig.com

MARKET DATA

Market Cap	\$2,690,000,000	1 Yr Price App.	-97.80%
Price to book	\$.05	Country	Global
Beta	2.84	Industry	Property and Casualty Insurance
Dividend yield	N/A	Industry Price	27.74
Shares O/S	2,690,000,000	Industry Beta	.75
Current price	\$1.00	Country Risk Premium	8.98%
52 week range	\$.33 - \$49.50	Risk Free Rate	2.87%

Valuation	Current	2009E	2010E
EPS	\$-37.85	\$.21	\$.23
P/E	4.48	5.55	5.01
CFPS	N/A	N/A	N/A
P/CFPS	N/A	N/A	N/A

RECOMMENDATION

- Outperform the Industry → BUY

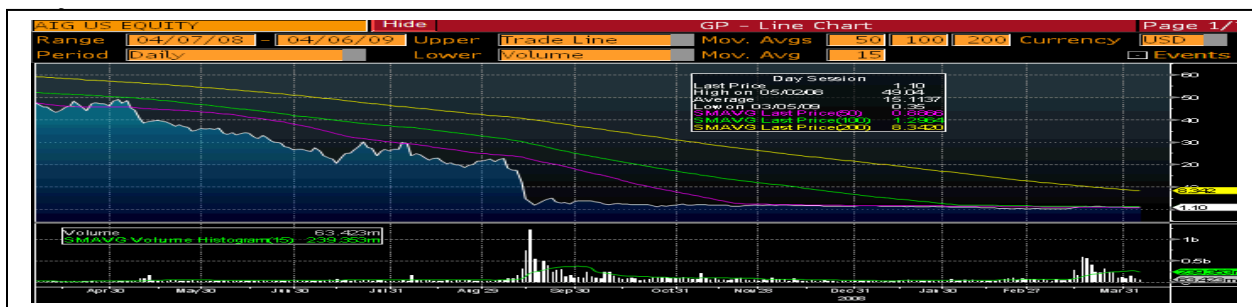


Figure 1: 1 Year Stock Price Performance

COMPANY DESCRIPTION

Products

The General Insurance Segment offers insurance products to individuals and businesses on its property, excess liability, workers, health, automobile, aviation, and residential mortgage products. The Life Insurance segment provides consumers with group or individual life insurance, payout annuities, health policies, retirement savings, and endowments. The Financial Service Segment leases aircraft and equipment, consumer financing, and capital market operation services. Finally, its Asset Management segment gives investment related services to individuals and businesses and works with individual pension funds.

Strategy

Its insurance products have been offered since 1967; however, due to the recent financial crisis that the housing market and these financial institutions have spurred, AIG has had to change its strategy and is being forced to sell a large majority of its assets to continue its operations. AIG continued to operate as an insurance company, but it levered its debt to equity ratio 11 to 1 in its financial services due to the insurance provided on credit default swaps. In short, AIG now has to reapply its original strategy of selling general insurance and cease its riskier financial service segments.

Customers

AIG provides insurance to individuals and businesses across the globe. Its largest geographic segment is in the United States followed by Europe. In recent years, it has shown increased interest in India and China; however, due to its predicament it is now being forced to scale back its operations. It plans to keep its U.S. Property and Casualty Insurance, its Foreign General Insurance, and its ownership in foreign life operations. This is important for long term future growth when looking to expand into far eastern markets again.

Suppliers

Through its Supplier Diversity Program, it has expanded its operations over the past few years to acquire the employees that are most qualified to work in its different market segments and insurance businesses to turn a profit. After scaling back its operations it has had to cut employee jobs, but still remains diversified across its financial markets.

Market and Insiders

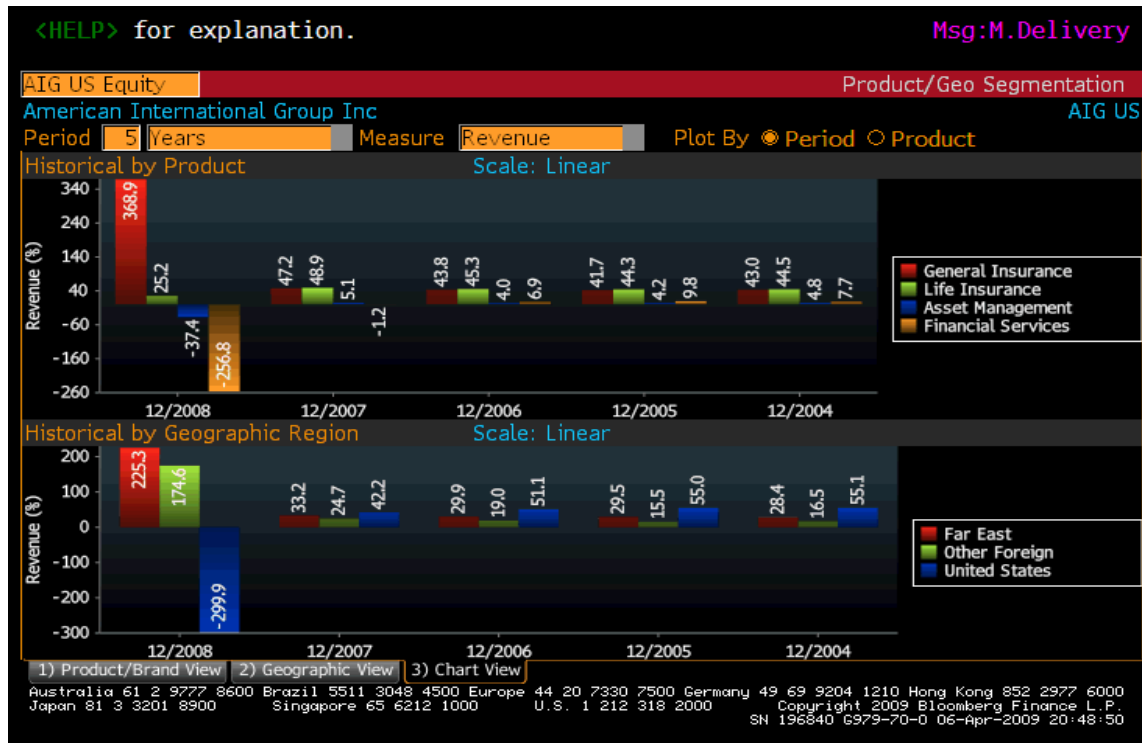
The current CEO is Edward Liddy who took office in September of 2008 after the company had announced that it would need government assistance to maintain its operations. The CFO is David Herzog who was appointed in October of 2008, and it appointed Paula Reynolds as its Vice Chairman of Restructuring at the beginning of this year. Over the past five years AIG has been traded at low volume with a share price over \$60 per share. In the past seven months its trading volume more than doubled and its share price has fallen to below \$1 per share. Its company image has been under constant criticism since it has received so much public money and has not immediately scaled back its normal business operations.

Geographic and Market Segmentation

The macro economic factors have definitely caused large changes in trading volume and share price over the past seven months. AIG's implications with so many financial institutions have put it at the center of the financial crisis and public scrutiny. The most recent stock split was made in July of 2000 for a 3:2 common stock increase. Institutions have sold more than 555,000,000 shares before the last quarter as the price fell sharply, but the largest buyer of the company has been Starr International Co. which owns more than 190,000,000 shares. The entire inside traders hold a total of 270,000,000 shares but in the last six months they have sold more than 41,000,000 shares.

Latest Developments

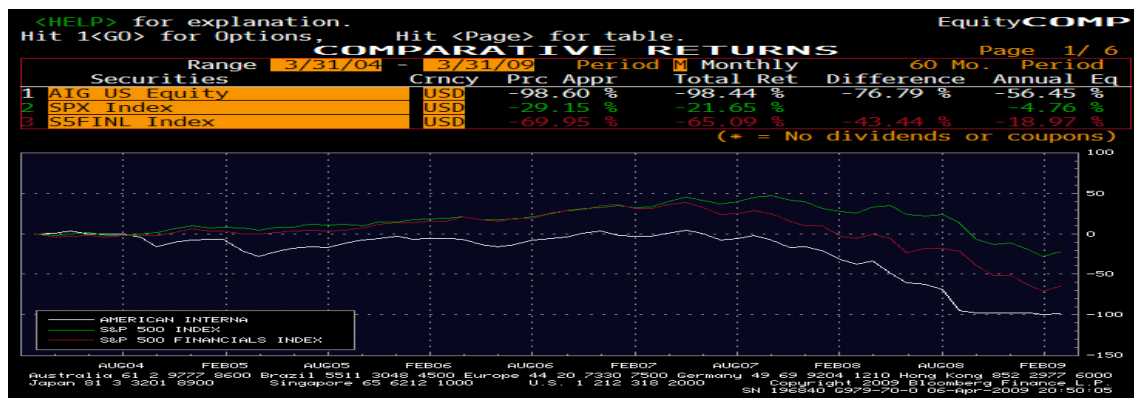
The majority of AIG's operations are based in the United States, but its influence in the Far Eastern countries was expanding in the past few years. Its other foreign influences include Latin America and Europe, but both have been stalled as well. As stated previously, its four market segments are its General Insurance, Life Insurance, Asset Management, and Financial Service positions. As you can see from the graphs below, the Financial Service segment in 2008 was the primary contributor to the company's financial problems.



INDUSTRY ANALYSIS

Overview

AIG has received a total of \$180 billion from the government as of early March 2009 making the government stake in the business 80 percent. The company receives constant attention due to its actions attributed to its bonus payouts and large stakes in mortgage backed securities instead of selling insurance. In the past several months the company has posted more than 35 separate assets available for sale ranging from Property Insurance companies in Latin America to Life Insurance companies in the Far East to private banks in the Middle East. All of this has been done in an effort to raise capital to pay off the government debt in the next five years. The terms of the government loan is set at an interest rate of four percent each year (equivalent to \$4 billion in interest payments per year) for the next five years. Although the firm is in troubling times, it is confident that the terms of the loan are appropriate for the revenue generated from the sale of its assets and its continued insurance business. However, it has been very difficult to find any information regarding expected earnings for next year or the year following due to the scattered sale of its assets and how the company image has been affected and the effect that it will have on future revenues. Since the government has taken such a large position in the company it has forced the company to become more transparent with how it is spending the money it received. It announced in March that more than \$12 billion were given to companies like Bank of America, Citigroup, Goldman Sachs and JP Morgan to pay off their position in the company.



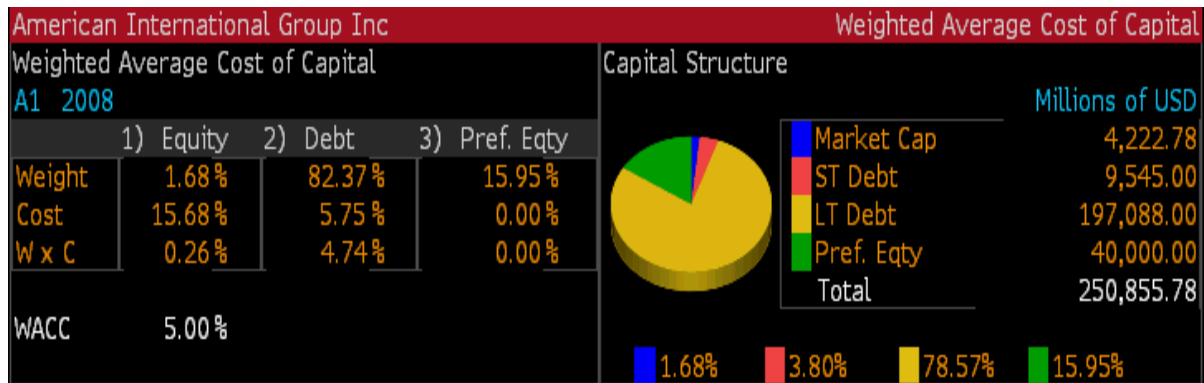
Critical Issues

The finance sector has been traded in some of the heaviest volume over the past year due to its high volatility and potential for profitability. In the past seven months it saw high volume on the sell side as investors tried to save some of the money that they were losing as the economy turned bearish. However in recent months, financial volume has started to turn in another direction. Insurance companies are not traditionally traded as high as banks and are dependent on slow growth over time like Axa and Allianz have proven. Banks are under the most pressure right now and have been flooded with financial injections from the government in order to maintain their liquidity. Wells Fargo, Bank of America, Citigroup, and JP Morgan are just a few banks that received more than \$25 billion each from the government.

The upcoming year should look positive for financials if the worst of the recession has been seen; however, it still remains to be seen as housing prices are still below normal levels and unemployment continues to rise. The U.S. Congress has met numerous times to discuss how to regulate these “exotic” securities like credit default swaps, and has forced companies to become more transparent about its operations. It recently passed regulations that forced financial companies to display its foreign holdings and investments to have a better idea of a company’s exposure to foreign markets.

Drivers of Profitability

AIG’s profitability comes from its General Insurance Segment. The insurance business is very simple because it involves collecting premiums from individuals and paying out claims when they arise. Normally, growth in these companies is slower than banks or other financial institutions, but they have normally been relied on as a safe addition to a portfolio. Only recently has the rise in claims due to institutions overvaluing their assets caused most insurance companies to be crippled by the financial crisis. As we look at the debt structure of AIG it is obvious that the Long Term Debt outweighs the rest of the capital structure due to the large injection of cash provided by the government. Its preferred equity of \$40 billion is marked by the shares it sold to the Treasury as part of the money received from the government. The WACC for the industry is only 3.27 percent, while AIG now has a WACC of almost 5 percent.



It is hard to define the long term growth potential in comparison to earnings for AIG since there are so many variables that could greatly affect the future growth of the company. In this case we use the Long Term Growth rate in comparison to the Price to Book Value per share. This will give us a better understanding of how its physical assets that generate profit are factored into the price of the company. This should give us a fair price for the company.

Capital Structure Industry		
WACC Structure	Debt (After taxes)	Equity
Weight	83.79%	11.64%
Cost (after tax for debt)	3.90%	
WACC	3.27%	
Capital Structure Firm		
WACC Structure	Debt (After taxes)	Equity
Weight	82.37%	17.63%
Cost (after tax for debt)	5.43%	
WACC	4.47%	

Barriers to entry

Starting an insurance company as diversified as AIG takes a very large capital investment in order to initially pay out claims. Competition is mostly based in regional insurance companies, but some of the larger companies like Axa, Allianz, and AIG are well known throughout the world. Due to the region based companies in the U.S., larger insurance companies need to offer lower rates on more services. Companies that remain specific to one segment of insurance are likely to see a smaller growth rate over time.

Competitors

Some of the biggest competitors in the industry operate on a global scale and are primarily based in the U.S., Europe, and China. Some of the Far Eastern countries are growing at higher rates than U.S. companies even during the recession. Axa, Allianz, Aflac, MetLife, and AIG are the primary leaders in the insurance business and the graph below shows a list of other large competitors listed by market cap.

Ticker	Last Px	Chg Pct 1D	Ret YTD Pct	Mkt Cap ↑	Rev - 1 Yr Gr:Y (%)	EPS - 1 Yr Gr:Y (%)	P/E	ROE:LF	Dvd Ind Yld - Gross
Average	2.50k	-1.18	-22.95%	13.20B	-15.09%	-41.28%	9.52	-2.66%	2.48
AIG US	1.10	-3.51%	-29.94%	15.26B	-89.91%	N.A.	N.A.	-133.73%	0.0000
1) BRK/A US	91400.00	-1.18%	-5.38%	142.51B	-8.85%	-62.28%	14.69	4.34%	0.0000
2) ALV GR	69.06	-3.82%	-7.92%	43.55B	-10.22%	-51.06%	7.84	-6.00%	5.0950
3) CS FP	10.09	-6.75%	-36.32%	30.27B	-6.07%	-82.64%	22.93	10.78%	3.9640
4) TRV US	42.14	-1.10%	-5.96%	24.92B	-5.92%	-30.40%	8.04	11.29%	2.8720
5) ZURN VX	196.5	-0.61%	-13.44%	24.71B	-41.25%	-44.26%	7.93	12.24%	5.6270
6) MFC CN	16.71	+1.89%	-18.00%	21.27B	-7.34%	-88.61%	52.22	1.93%	6.3300
7) 8766 JP	2655.00	+1.19%	3.83%	21.17B	5.62%	19.13%	41.30	1.86%	1.8110
8) MET US	25.10	-0.95%	-28.00%	20.73B	8.12%	-13.70%	6.45	11.71%	2.9600
9) CB US	41.79	-2.88%	-17.38%	15.16B	-6.27%	-29.87%	7.52	12.94%	3.3530
10) INGA NA	5.30	-2.48%	-27.69%	15.01B	-54.31%	N.A.	N.A.	-2.26%	0.0000
11) ACE US	43.66	-0.48%	-16.55%	14.64B	-3.41%	-54.17%	5.66	7.68%	2.3100
12) ALL US	20.54	-3.39%	-36.49%	11.40B	-20.06%	N.A.	6.44	-9.74%	3.8910
13) AOC US	39.90	-0.25%	-12.31%	10.94B	3.70%	-2.24%	13.81	25.64%	1.5000
14) MMC US	20.51	-2.10%	-14.65%	10.82B	3.67%	N.A.	14.76	-1.08%	3.9270
15) PRU US	22.81	-4.32%	-24.62%	10.11B	-14.90%	N.A.	9.79	-5.82%	2.5970
16) AFL US	20.66	-1.85%	-54.31%	9.84B	7.54%	-20.90%	5.18	16.25%	5.4850
17) PGR US	13.82	+0.66%	-6.68%	9.29B	-12.56%	N.A.	10.80	-1.53%	0.0000
18) AGN NA	3.26	-0.31%	-27.96%	6.91B	-80.91%	N.A.	N.A.	-7.80%	0.0000

COMPANY ANALYSIS

Ratios

The ratio analysis for AIG is difficult to understand since the company has faltered so much in 2008. Looking at the ROE and ROA both are tremendously low due to the net loss in 2008 of almost \$100 billion. The ROE shows a loss of more than -133 percent and the ROA is at -5.5 percent. The Price to Book ratio and Price to Sales ratios are only .06 and .29, respectively. Reuters expects the long term growth of the company to be 11 percent which would mean that sales are expected to increase in comparison to costs in 2009.

1-year Estimates	Sales per share	Earnings per share	Profit Margin
Industry Mean	22.09	22.51	10.74%
Firm Mean	39.93	0.23	0.58%
Firm Median	39.93	0.25	0.63%
Firm High	41.56	0.35	0.84%
Firm Low	38.29	0.00	0.00%
Firm Standard Deviation	1.63	0.12	7.36%
1-quarter Estimates	Sales per share	Earnings per share	Profit Margin
Industry Mean	23.38	0.174	0.74%
Firm Mean	-	0.03	-
Firm Median	-	0.03	-
Firm High	-	0.05	-
Firm Low	-	0.00	-
Firm Standard Deviation	-	0.02	-

AIG has halted its dividend since its financial situation deteriorated and the government issued debt has set the company weighted more than 80 percent in debt. The debt is not very flexible since the U.S. government has such a large stake in the company and it will have to pay back the money it gained as a result. However, it has already been proven that if the company needs more funding to continue business, the government will continue to oblige. Unfortunately, since there are no projections to earnings for AIG for 2009, the DuPont Analysis remains incomplete, but there is an expected increase in profit margin for the next two years.

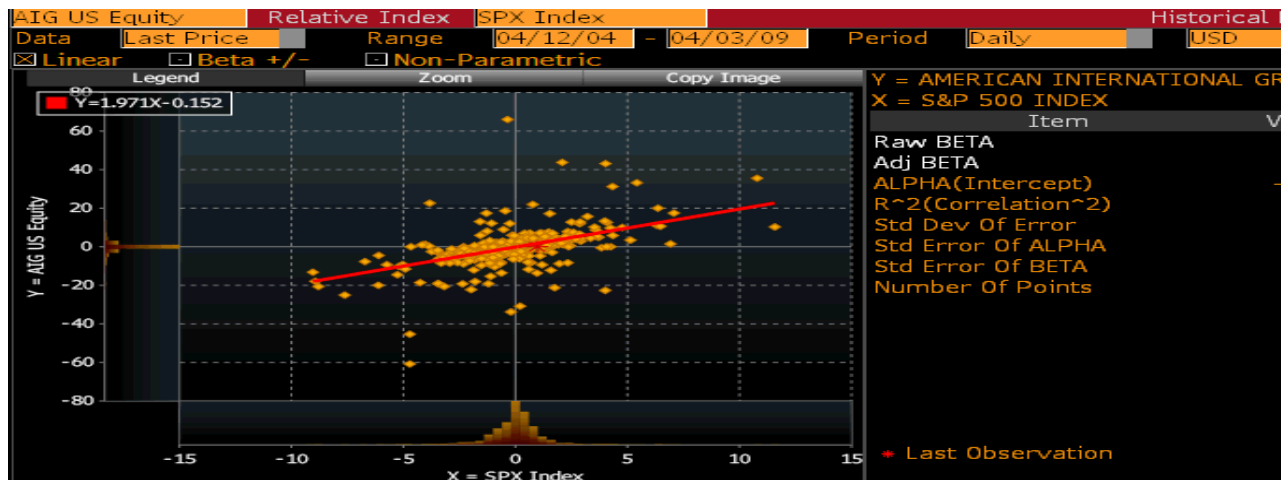
Citigroup	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	14.70%	0.09	15.73
2007	2.34%	0.08	19.28
2008	-26.18%	0.05	13.69

2009 Q1	1.96%	-	-
2009 Q2	4.28%	-	-
2009 Q3	3.17%	-	-
2009 Q4	6.49%	-	-
2009	-3.86%	-	-
2010	7.79%	-	-
AXA	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	5.33%	0.1464	14.5024
2007	4.98%	0.1569	14.6937
2008	0.89%	0.1489	16.6225
2009 Q1	N.A.	-	-
2009 Q2	N.A.	-	-
2009 Q3	N.A.	-	-
2009 Q4	N.A.	-	-
2009	3.35%	0.119415	26.7225
2010	4.63%	0.108026	24.374
JP Morgan	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	14.57%	0.0777	11.6722
2007	13.21%	0.0799	12.6776
2008	5.52%	0.0543	13.0333
2009 Q1	10.14%	-	-
2009 Q2	10.97%	-	-
2009 Q3	11.86%	-	-
2009 Q4	12.62%	-	-
2009	7.59%	0.044944	16.2845
2010	11.74%	0.041325	18.9299

Risk

The Beta value for AIG has risen greatly due to its volatility in comparison to the S&P 500 and its higher trading volume over the past seven months. The debt ratings issued by Moody's, Standard and Poor's, and Fitch's all show a credit rating that is still very respectable for a company in such financial trouble. The Altman Z score for AIG is unavailable due to the government intervention in the company. All of these ratings are primarily due to the government aid that it has received and the projection about the company's ability to pay back its loan.

American International Group Inc			
Select 'Company Tree Ratings' above for related companies			
MOODY'S		FITCH	
1) Outlook	NEG	12) Outlook	ST
2) Issuer Rating	A3	13) LT Issuer Default Rating	A
3) Senior Unsecured Debt	A3	14) Senior Unsecured Debt	A
4) JR Subordinated Debt	Ba2	15) Subordinated Debt	NR
5) Preferred Stock	WR	16) JR Subordinated Debt	BB
6) Short Term	P-1	17) Short Term	F1
		18) ST Issuer Default Rating	F1
STANDARD & POOR'S		A.M. Best	
7) Outlook	NEG	19) LT Credit Outlook	NE
8) LT Foreign Issuer Credit	A-	20) Long Term Issuer Credit	bb
9) LT Local Issuer Credit	A-		
10) ST Foreign Issuer Credit	A-1		
11) ST Local Issuer Credit	A-1		



Valuation

A look ahead at some of the key financial ratios that compares AIG to the industry can offer a better understanding of how distressed the company has become. Once the financial crisis starts to dissipate and other insurance companies start to expand and acquire assets, AIG will have a more positive look on its future cash flows. AIG will not be a leader in the economic turn-around even though it plays a great role in most financial institutions. It will be a long term leader in insurance once again after it pays back its government loans. Its size is still a large factor when looking at the future outlook of the company.

	Current	Next quarter Estimate	Next year Estimate
Firm EPS	-\$37.85	0.21	\$0.23
Firm PE	4.48	4.58	3.57
Firm CFPS	-	-	-
Firm PCF	1.10	1.10	4.30
Firm SPS	-	-	-
Firm PS	0.12	0.12	0.13
Firm BS	\$11.21	\$11.23	\$14.17
Firm PB	0.09	0.09	0.07
Firm DY	0.00%	0.00%	0.00%
Industry EPS	29.13	1.08	16.71
Industry PE	\$5.56	\$4.82	\$4.82
Industry CFPS	N/A	N/A	N/A
Industry PCF	\$6.93	\$8.54	\$11.07
Industry SPS	N/A	N/A	N/A
Industry PS	\$0.51	\$0.53	\$0.61
Industry BS	\$25.20	\$24.89	\$28.09
Industry PB	\$0.71	\$0.70	\$0.59
Industry DY	3.96%	4.25%	10.48%
Industry LT Growth	10.40%	10.40%	10.40%
Sector PE	13.2	-	8.1
Sector PCF	10.70	-	8.40
Sector PS	0.70	-	0.70
Sector PB	0.70	-	0.70
Sector DY	3.60	-	3.60
Sector LT Growth	10.40%	-	10.40%
Market PE	13.3	-	13.3
Market PCF	7.5	-	7.50
Market PS	0.9	-	0.90
Market PB	1.3	-	1.30

Market DY	5%	-	5%
Market LT Growth	11%	-	11%

SWOT ANALYSIS

Strengths

AIG is a diversified company that operates its business across many different segments. Its most profitable segments are its General Insurance and Life Insurance segments which are highly diversified within the company; they offer insurance on just about any type of product or asset whether it has physical existence or not. The restructuring of some of the officers in the company can provide AIG with a new approach about how to handle its securities so that another problem like this will not occur again.

Weaknesses

AIG has a huge amount of debt suffocating its balance sheet and forcing the company to be controlled by the government. Although the debt is temporary and the government does not wish to continue to hold a stake in the company, it causes the actions of the company to be under more scrutiny when making decisions. Also, some of its operations are not in line with the insurance business such as the airplane leasing revenues that it has generated over the past few years. Again it can be seen in its Financial Service segment that caused the enormous losses that the company incurred in 2008.

Opportunities

The government aid to the company has kept them from declaring bankruptcy and the opportunity for future growth still remains even after the bailout ceases. Its acquisitions over the years have provided the company with a large amount of assets that they can sell when the market turns bullish and will give AIG a great platform to raise capital. Also, it operates on a global scale, so the market diversification of the company could work in its favor when expansion starts again.

Threats

The global exposure has hurt the company on all fronts since the recession is not limited to the United States. As some of its larger competitors resume their expansion into foreign markets, AIG will be behind in that regard because it will have to concentrate on domestic profits. Also, it could be selling some of its best foreign assets to some of its competitors which would give them the advantage in the long term.

Target prices

Target Prices

Yahoo target price: \$5.36

Reuters target price: \$2.46

Bloomberg target price: \$1.22

Thomson one target price: \$1.65

Siena College CGFS target price: \$2.58

Siena College CGFS target price volatility: 1.26

Siena College CGFS 68 percentile target price: \$1.32

Siena College CGFS 95 percentile target price: \$.06

Siena College CGFS 99 percentile firm target price: N/A

Siena College CGFS industry target price: \$19.44

RECOMMENDATION

I recommend a **BUY** for AIG. There are so many variables to consider when looking at the future growth potential of this company. One thing is certain and that is the company will not fail due to the government aid it receives. Adding this company to your portfolio ensures a low capital investment with the potential for a large percentage return in the future. Gains can be expected to be seen sooner rather than later due to its steps taken to regain positive cash flow.

Company Name	American International Group	Ticker	AIG
Current Price	\$1.00	Target Price	\$2.58
Recommendation	BUY	Date	3/31/2009
1. Market Data			
Market Cap	\$2,690,000,000.00	1 Yr Price App.	-97.80%
Price to book	\$0.05	Country (s)	Global
Beta	2.84	Industry	Property and Casualty Insurance
Dividend yield	N/A	Median Industry Price	27.74
Shares O/S	2,690,000,000	Industry Beta	0.75
Current price	\$1.00	Country Risk Premium	8.93%
52 week range	.33 - 49.50	Risk Free Rate	2.87%
Major Holdings		Sales/purchase of stocks by insiders	
Holder	% of shares outstanding	Name and Title	Action
Starr International Company	7.73%	Starr International Co.	Sell 1,278,000 shares
Greenber	1.46%	Starr International Co.	Buy 30,914 shares
C.V. Starr & Co.	0.71%	Starr International Co.	Buy 57,805 shares
BNP Paribas Arbitrage SA	0.15%	Starr International Co.	Buy 52,398 shares
Breakdown		Machon Monika	2,970 Statement of Ownership
Shares held by all insiders	10%	Frenkel Jacob	Option exercise for 6,000 shares
Shares held by institutions and mutual funds	48%	Starr International Co.	Buy 598,386 shares
2. Country Macro Analysis			
USA	5 years historical (average)	Current	1-year Estimate
Real GDP Growth	2.78%	1.10%	2.64%
Inflation	3.14%	4.40%	3.14%
Foreign Debt as % GDP	47.88%	46.90%	46.90%
Unemployment Rate	5.08%	5.60%	6.60%
Currency Exchange Rate	1.32	1.47	1.47
Political Risk Rating (out of 100)	80.13	83.50	83.50
Financial Risk Rating (out of 100)	63.59	66.00	66.09
Economic Risk Rating (out of 100)	76.39	62.00	61.96
UK	5 years historical (average)	Current	1-year Estimate
Real GDP Growth	2.30%	0.70%	2.11%
Inflation	2.62%	3.60%	2.53%
Foreign Debt as % GDP	22.90%	20.80%	21.01%
Unemployment Rate	5.26%	5.70%	6.00%

Currency Exchange Rate	0.54	0.55	0.55
Political Risk Rating (out of 100)	81.51	77.50	77.50
Financial Risk Rating (out of 100)	78.31	68.00	68.00
Economic Risk Rating (out of 100)	77.16	71.00	69.91
Return	5-years historical (average)	1-year historical (average)	1-year forecast
AIG	-3.23%	-1.66%	158.11%
Industry	-1.29%	0.05%	-19.45%
USA	-0.55%	0.30%	-78.84%
UK	-0.34%	1.05%	0.00%
World	-0.4735%	0.49%	-79.36%
Volatility	5 years historical (average)	1-year historical (average)	1-year Estimate GARCH
AIG	-3.23%	-12.63%	89.51%
Industry	-1.29%	-1.77%	24.06%
USA	-0.55%	-4.66%	14.63%
UK	-0.34%	-6.06%	18.62%
World	-0.47%	-5.12%	15.72%
3. Company Ratios (Cross-sections and time series)			
<i>Dupont Analysis</i>			
AIG	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	12.39%	0.1238	8.9325
2007	5.6331T	0.1086	9.8602
2008	-894.17%	0.0116	13.7171
2009 Q1	0.84%	-	-
2009 Q2	0.69%	-	-
2009 Q3	0.79%	-	-
2009 Q4	0.81%	-	-
2009	3.05%	0.459743	1.41
2010	4.38%	0.319408	3.26214
Citigroup	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	14.70%	0.09	15.73
2007	2.34%	0.08	19.28
2008	-26.18%	0.05	13.69
2009 Q1	1.96%	-	-
2009 Q2	4.28%	-	-
2009 Q3	3.17%	-	-
2009 Q4	6.49%	-	-
2009	-3.86%	-	-
2010	7.79%	-	-
AXA	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	5.33%	0.1464	14.5024
2007	4.98%	0.1569	14.6937
2008	0.89%	0.1489	16.6225
2009 Q1	N.A.	-	-
2009 Q2	N.A.	-	-
2009 Q3	N.A.	-	-
2009 Q4	N.A.	-	-
2009	3.35%	0.119415	26.7225
2010	4.63%	0.108026	24.374
JP Morgan	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	14.57%	0.0777	11.6722

2007	13.21%	0.0799	12.6776
2008	5.52%	0.0543	13.0333
2009 Q1	10.14%	-	-
2009 Q2	10.97%	-	-
2009 Q3	11.86%	-	-
2009 Q4	12.62%	-	-
2009	7.59%	0.044944	16.2845
2010	11.74%	0.041325	18.9299
Wells Fargo	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	17.68%	0.0996	0.0868
2007	15.03%	0.1014	0.0759
2008	5.14%	0.0548	0.0513
2009 Q1	10.31%	-	-
2009 Q2	11.45%	-	-
2009 Q3	14.09%	-	-
2009 Q4	15.71%	-	-
2009	7.23%	0.072781	0.012189
2010	13.56%	0.065838	0.059422
Bank of America	Profit Margin	Total Asset Turnover	Equity Multiplier
2006	18.17%	0.0846	10.7911
2007	12.52%	0.0754	11.6874
2008	3.54%	0.064	10.2678
2009 Q1	8.11%	-	-
2009 Q2	10.14%	-	-
2009 Q3	12.22%	-	-
2009 Q4	13.77%	-	-
2009	5.33%	0.049384	14.8593
2010	11.96%	0.039302	16.7702

4. Company Risk			
Capital Structure Industry			Relative Dispersion (industry)
WACC Structure	Debt (After taxes)	Equity	EBITDA C.V.
Weight	83.79%	11.64%	0.57
Cost (after tax for debt)	3.90%		Free Cash Flow C.V.
WACC	3.27%		0.52
Capital Structure Firm			Relative Dispersion (firm)
WACC Structure	Debt (After taxes)	Equity	EBITDA C.V.
Weight	82.37%	17.63%	0.7
Cost (after tax for debt)	5.43%		Free Cash Flow C.V.
WACC	4.47%		0.62
Debt Rating Industry (mode)		Other Risk (Industry)	
Moodys	A2	Altman Z	N/A
S&P	A	DOL	N/A
Fitch	A+	DFL	N/A
Debt Rating Firm (mode)		Other Risk (Firm)	
Moodys	A3	Altman Z	N/A
S&P	A-	DOL	N/A
Fitch	A	DFL	N/A
Revenues and Costs Structure and Estimates			
1-year Estimates	Sales per share	Earnings per share	Profit Margin

Industry Mean	22.09	22.51	10.74%
Firm Mean	39.93	0.23	0.58%
Firm Median	39.93	0.25	0.63%
Fim High	41.56	0.35	0.84%
Firm Low	38.29	0.00	0.00%
Firm Standard Deviation	1.63	0.12	7.36%
1-quarter Estimates	Sales per share	Earnings per share	Profit Margin
Industry Mean	23.38	0.174	0.74%
Firm Mean	-	0.03	-
Firm Median	-	0.03	-
Fim High	-	0.05	-
Firm Low	-	0.00	-
Firm Standard Deviation	-	0.02	-
5. Valuation			
	Current	Next Estimate	quarter Next year Estimate
Firm EPS	-\$37.85	0.21	\$0.23
Firm PE	4.48	4.58	3.57
Firm CFPS	-	-	-
Firm PCF	1.10	1.10	4.30
Firm SPS	-	-	-
Firm PS	0.12	0.12	0.13
Firm BS	\$11.21	\$11.23	\$14.17
Firm PB	0.09	0.09	0.07
Firm DY	0.00%	0.00%	0.00%
Industry EPS	29.13	1.08	16.71
Industry PE	\$5.56	\$4.82	\$4.82
Industry CFPS	N/A	N/A	N/A
Industry PCF	\$6.93	\$8.54	\$11.07
Industry SPS	N/A	N/A	N/A
Industry PS	\$0.51	\$0.53	\$0.61
Industry BS	\$25.20	\$24.89	\$28.09
Industry PB	\$0.71	\$0.70	\$0.59
Industry DY	3.96%	4.25%	10.48%
Industry LT Growth	10.40%	10.40%	10.40%
Sector PE	13.2	-	8.1
Sector PCF	10.70	-	8.40
Sector PS	0.70	-	0.70
Sector PB	0.70	-	0.70
Sector DY	3.60	-	3.60
Sector LT Growth	10.40%	-	10.40%
Market PE	13.3	-	13.3
Market PCF	7.5	-	7.50
Market PS	0.9	-	0.90
Market PB	1.3	-	1.30
Market DY	5%	-	5%
Market LT Growth	11%	-	11%
6. Target Price and Return Estimates			
Target Industry Price	\$19.44		
Target Industry Return	-19.45%		
Target Industry Return Volatility	89.51%		
Target Firm price	2.58		
68 percentile Target Price	\$1.32		
95 percentile Target Price	\$0.06		
99 percentile Target Price	NA		

Target Firm Price Volatility	1.26
Target Firm Return	158.11%
Target Firm Volatility of Return	89.51%
Analyst: James J. Barron	