

Date: 10/31/2012

Analyst Name: Kristen Hecht

CIF Stock Recommendation Report (Fall 2012)

Company Name and Ticker: Metlife (MET)

Section (A) Summary

Recommendation Buy: Yes No		Target Price: \$42.00	Stop-Loss Price: \$30.00
Sector: Financial	Industry: Life Insurance	Market Cap (in Billions): \$36,691.78	# of Shrs. O/S (in Millions): 1,057.40
Current Price: \$35.03	52 WK Hi: \$39.55	52 WK Low: \$27.60	EBO Valuation: \$39.62
Morningstar (MS) Fair Value Est.: \$46.00	MS FV Uncertainty: High	MS Consider Buying: \$23	MS Consider Selling: \$80.50
EPS (TTM): 2.05	EPS (FY1): 5.29	EPS (FY2): 5.33	MS Star Rating: Four
Next Fiscal Yr. End Dec 2012	Last Fiscal Qtr. End: Less Than 8 WK: Y N	If Less Than 8 WK, next Earnings Ann. Date:	Analyst Consensus Recommendation: Outperform
Forward P/E: 6.43	Mean LT Growth: 13.1%	PEG: .49	Beta: 1.95
% Inst. Ownership: 75.37%	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: 3.1	Short as % of Float: 3.5%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	5.59	23.27	33.63
P/S (TTM)	.52	5.5	5.38
P/B (MRQ)	.6	1.1	1.39
P/CF (TTM)	2.4	31.36	13.03
Dividend Yield	2.1	1.76	2.02
Total Debt/Equity (MRQ)	100.11	56.65	184.25
Net Profit Margin (TTM)	9.6	5.93	17.46
ROA (TTM)	.86	.27	1.12
ROE (TTM)	11.82	4.53	6.88

<p><u>Investment Thesis</u></p> <p>MetLife is the largest life insurer in the U.S and I don't see that position changing in the future, but I don't see that position creating value for the CIF in the short time horizon we have. MetLife is currently exiting the banking sector and attempting to lessen the risk in their portfolio. This business restructuring could positively affect their business in the long run, as will the growth they are pursuing in Asia, but I believe it will take too long to show in the stock price. The relative valuation as well as the fundamental valuation gives implied prices slightly higher than what MetLife is currently trading at. If I gave a sell recommendation the target price would only be a few dollars higher than what it is currently trading at. MetLife does not have a history of constantly beating analyst's estimates, and I don't see this pattern changing dramatically. The short interest has been very volatile over the last year, much more so than their closet competitor, Prudential. MetLife's top priority is to no longer be a bank holding company that is regulated by the Fed, and until that is complete the company won't be entirely free to focus on growth and increasing profits. The loss on derivatives in the third quarter that contributed to their net loss is not confidence boosting, and I fear this could happen again. Right now is not the time to buy MetLife stock, as it could experience volatility while it restructures its business.</p>	<p><u>Summary</u></p> <p>Provide brief summary of your analysis in each section that follows</p> <p><u>Company Profile:</u> MetLife is an insurance, annuity and employee benefits company that operates in over 50 countries, and is the largest life insurer in the U.S and Mexico.</p> <p><u>Fundamental Valuation:</u> The 1 year above normal growth rate I choose yielded an EBO of \$39.62 which is a higher price than the current price for MetLife, however a high beta may have made this number unreliable in estimating the true value of the stock.</p> <p><u>Relative Valuation:</u> The median implied prices for five of the six metrics were in the range of \$37.85 -\$66.16, which suggests that MetLife is slightly undervalued when compared to its competitors.</p> <p><u>Revenue and Earnings Estimates:</u> While revenues have yielded no surprise or negative surprises in four of the last five quarters, EPS have had positive surprises in all of the last five quarters.</p> <p><u>Analyst Recommendations:</u> There analysts recommend an outperform rating, and there have been very little changes in the last 3 months. The Reuter's mean rating is 1.85.</p> <p><u>Institutional Ownership:</u> While there is 75.43% institutional ownership, there is a slight net decrease in ownership over the last three months.</p> <p><u>Short Interest:</u> The short interest has increased in the last two weeks and has been very volatile in the last year, the days-to-cover has also been very volatile and MetLife had much higher days-to-cover than its closet competitor Prudential, and slightly larger short ratio, and short % of float. Overall it is a bearish indication.</p> <p><u>Stock Price Chart:</u> Over the last three months MetLife has underperformed its competitors while outperforming the S&P 500 and the XLF, while over the last year it has stayed very close to its competitors but has been outperformed by the S&P 500 and the XLF again. Overall the stock charts do not show that the</p>
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	market expects MetLife to do either exceedingly well or poor in the future.
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Section (B) Company Profile (two pages maximum)

Company Summary

MetLife offers insurance, annuities and employee benefits programs to the U.S and over 50 countries. They offer life insurance, non-medical health insurance (dental, disability), auto insurance and home insurance. They are the largest life insurance company in the U.S and Mexico and provide life insurance for 90% of the top 100 companies in the Fortune 500. After their acquisition of ALICO from AIG in November of 2010, MetLife services 90 million customers worldwide. They specialize in providing group life insurance to large corporations who don't shop exclusively based on price. As of the second quarter of 2012 MetLife choose to restructure it's revenues into three segments, the Americas (74%), Asia (18%) EMEA (6%). They are also currently registered as a bank holding company, and due to that are partially governed by the Fed. In March they failed the Fed's stress test and were blocked by the government from buying back stocks or raising their dividend, but have recently been attempting to exit the banking sector and de-register as a bank holding company. A signal of this goal is their recent announcement to sell their mortgage servicing portfolio to JP Morgan Chase for an undisclosed amount, as well as their decision earlier this year to sell their online banking deposit services to GE (Metlife.com). Their acquisition of ALICO in 2010 signals MetLife's attempts to expand more into the global market, particularly in the emerging market of Asia.

MetLife does offer auto and home insurance in the Northeast, thus Hurricane Sandy will affect them. However MetLife holds only a .7% market share of the U.S Property and Casualty insurance industry and this segment provides 4.64% of revenues for 2011 (seekingalpha.com), so the hurricane will have a much larger effect on the insurance companies that are more focused in the property and casualty industry. Also recently MetLife released their third quarter earnings. They reported a net loss of \$984 million despite operating revenues increasing 47% from 2011 due to a \$1.6 billion one time after tax goodwill impairment and \$467 million loss on derivatives (finance.yahoo.com).

Business Model, Competition, Environment and Strategy

MetLife operates in the extremely competitive life insurance industry. The products are virtually non-distinguishable between companies, so price is a very important factor and price wars are common. MetLife attempts to differentiate themselves and create sustainable returns by focusing on corporate clients in the U.S, who choose life insurance based on convenience and cost efficiency, and MetLife is able to create insurance bundling and tailor their products to

specific company needs. MetLife also is pursuing international growth and expanding internationally especially concerning Asia. For companies such as MetLife that make most of their profit from premiums and fees, acquiring new clients is key to growth. With the purchase of Travelers in 2005 and Alico in 2010, they are showing a commitment to penetrating the Asian market, and in the future see international revenues as an integral and growing part of the company.

Revenue and Earnings History

This information is available in **Reuters.com**, “**Financials**” tab. Copy/paste the quarterly revenue and earnings per share numbers for the most recent three years. Add the numbers over four fiscal quarters to get annual revenue and earnings. For the current fiscal year, go ahead add up as many quarters as are available. **NOTE:** revenue numbers are “*in millions*”.

Revenue

Periods	2010	2011	2012
March	13100.0	15908.0	15916.0
June	14138.0	17146.0	18398.0
September	12338.0	20458.0	16503.0
December	12690.0	16746.0	
Annual	52266.0	70258.0	50817.0

Note: Amount in millions (from Reuters)

Earnings Per Share

Periods	2010	2011	2012
March	0.96546	0.69283	-0.17665
June	1.82426	0.96921	2.11312
September	0.32046	3.3277	-.91877
December	0.03153	1.0316	
Annual	3.1417	6.0213	1.01773

Note: Amount is U.S dollars (from Reuters)

Discuss any pattern in revenue and earnings (e.g., increasing year over year; seasonal; etc.)

The quarterly revenue in March and June has increased for the past three years excluding the revenue from the most recent third quarter. The annual revenue increased from 2010 to 2011. However the revenues decreased from the past quarter in the third and fourth quarters of 2010 and the fourth quarter in 2011. There are no easily recognizable patterns in revenue growth

The Earnings Per Share has been sporadic in the past three years. In 2010 it increased in the first two quarters and decreased in the last two quarters. In 2011 the EPS decreased in the fourth quarter. And in 2012 the first quarter had a negative EPS, but increased in the second quarter only to have another negative EPS in the third quarter. The EPS from the first quarter decreased from 2010 to 2011 and then 2012 as well.

Section (C) Fundamental Valuation (EBO)

Include the following here:

Copy/paste completed Fundamental Valuation (EBO) Spreadsheet

ET	PARAMETERS	FY1	FY2	Ltg									
	EPS Forecasts	5.27	5.52	13.10%	Model 1: 12-year forecasting horizon (T=12). and a 7-year growth period.								
	Book value/share (last fye)	56.52											
	Discount Rate	15.15%			Please download and save this template to your own storage device You only need to input values to cells highlighted in "yellow" The rest of the spreadsheet is calculated automatically Please read "Guidelines_for_FundamentalValuation_ProfLee_Spreadsheet" file carefully								
	Dividend Payout Ratio (POR)	57.21%											
	Next Fsc Year end	2012											
	Current Fsc Mth (1 to 12)	11											
	Target ROE (industry avg.)	4.73%											
Year		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Long-term EPS Growth Rate (Ltg)			0.1310	0.1310	0.1310	0.1310	0.1310					
	Forecasted EPS	5.27	5.52	6.24	7.06	7.99	9.03	10.22					
	Beg. of year BV/Shr	56.520	58.775	61.137	63.808	66.830	70.247	74.112					
	Implied ROE		0.094	0.102	0.111	0.119	0.129	0.138					
DE	(Beg. ROE, from EPS forecasts)	0.093	0.094	0.102	0.111	0.119	0.129	0.138	0.120	0.102	0.084	0.065	0.047
normal ROE	(ROE-k)	-0.058	-0.058	-0.049	-0.041	-0.032	-0.023	-0.014	-0.032	-0.050	-0.068	-0.086	-0.104
growth rate for B	(1-POR)*(ROEt-1)	0.000	0.040	0.040	0.044	0.047	0.051	0.055	0.059	0.051	0.043	0.036	0.028
compounded growth		1.000	1.040	1.082	1.129	1.182	1.243	1.311	1.389	1.460	1.523	1.578	1.622
growth*AROE		-0.058	-0.060	-0.053	-0.046	-0.038	-0.028	-0.018	-0.044	-0.073	-0.104	-0.136	-0.169
required rate (k)	0.151	0.151	0.151	0.151	0.151	0.151	0.151	0.151	0.151	0.151	0.151	0.151	0.151
compound discount rate		1.151	1.326	1.527	1.758	2.024	2.331	2.684	3.090	3.558	4.097	4.718	5.433
z. payout rate (k)	0.572												
ld to P/B	PV(growth*AROE)	-0.05	-0.05	-0.03	-0.03	-0.02	-0.01	-0.01	-0.01	-0.02	-0.03	-0.03	-0.03
im P/B		0.95	0.90	0.87	0.84	0.82	0.81	0.81	0.79	0.77	0.75	0.72	0.69
Add: Perpetuity													
beyond current yr	(Assume this yr's AROE forever)	-0.33	-0.30	-0.23	-0.17	-0.12	-0.08	-0.04	-0.09	-0.13	-0.17	-0.19	-0.21
total P/B	(P/B if we stop est. this period)	0.62	0.61	0.64	0.67	0.70	0.73	0.76	0.70	0.64	0.58	0.53	0.48
plied price		39.62	39.03	41.10	43.13	45.13	47.10	49.02	44.88	40.93	37.26	33.91	30.93
check:													
g. BV/Shr		56.52	58.78	61.14	63.81	66.83	70.25	74.11	78.48	82.50	86.09	89.17	91.66
plied EPS		5.27	5.52	6.24	7.06	7.99	9.03	10.22	9.40	8.38	7.19	5.83	4.34
plied EPS growth			0.047	0.131	0.131	0.131	0.131	0.131	-0.080	-0.108	-0.142	-0.189	-0.257

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): 5.27 & 5.52

Long-term growth rate: 13.1%

Book value /share (along with book value and number of shares outstanding):

Book value:	\$59,978 million
# of shares outstanding:	1057.96
Book value / share:	56.2
Dividend payout ratio:	57.21%
Next fiscal year end:	2012
Current fiscal month:	11
Target ROE:	4.73%

Output

Above normal growth period chosen: 1 year

EBO valuation (Implied price from the spreadsheet): \$39.62

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

\$41.1	if changing above normal growth period to 3 years
\$39.62	if changing growth rate from mean (consensus) to the highest estimate 19.0
\$39.62	if changing growth rate from mean (consensus) to the lowest estimate 10.0
\$48.75	if changing discount rate to 12%
\$39.62	if changing target ROE to 6%

I choose a 1-yr above average normal growth rate because the beta of MetLife is 1.95, and with their restructuring combined with extreme sensitivity to economic fluctuations, I didn't feel comfortable extending the growth rate any farther than one year for such a volatile stock.

Section (D) Relative Valuation

Copy/paste your completed relative valuation spreadsheet here

Ticker	Name	Mkt Cap	Current Price	Mean FY2		Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
				Earnings Estimate (next fiscal year)									
AFL	Aflac Inc	\$ 23,333.08	\$ 50.94	\$ 6.94		7.34	10.80%	0.68	1.46	18.87%	0.08	0.93	1
AIG	American International Gr	\$ 51,566.69	\$ 35.20	\$ 3.50		10.06	14.73%	0.68	0.58	-36.58%	-0.02	0.78	1.
PRU	Prudential Financial Inc.	\$ 26,585.30	\$ 57.69	\$ 7.88		7.32	12.29%	0.60	0.70	9.68%	0.07	0.51	7.
ING	ING Groep	\$ 33,824.60	\$ 9.06	\$ 1.66		5.46	17.00%	0.32	0.49	73.00%	0.01	0.54	9.
MET	Metlife	\$ 37,527.13	\$ 35.48	\$ 5.52		6.43	13.10%	0.49	0.60	7.45%	0.08	0.56	2
Implied Price based on:						P/E		PEG	P/B		Value	P/S	P/CF
AFL	Aflac Inc					\$40.52		\$49.15	\$86.33		\$34.09	\$58.92	\$26.61
AIG	American International Group					\$55.52		\$49.37	\$34.30		-\$6.99	\$49.42	\$24.69
PRU	Prudential Financial Inc.					\$40.41		\$43.08	\$41.39		\$31.86	\$32.31	\$105.70
ING	ING Groep					\$30.13		\$23.22	\$28.98		\$2.96	\$34.21	\$142.50
	High					\$55.52		\$49.37	\$86.33		\$34.09	\$58.92	\$142.50
	Low					\$30.13		\$23.22	\$28.98		-\$6.99	\$32.31	\$24.69
	Median					\$40.46		\$46.11	\$37.85		\$17.41	\$41.82	\$66.16

From the top panel

Discuss whether your stock and its competitors have very different multiples. Point out if any of the five stocks have multiple that is far off from the others. Make an attempt to explain why (you would want to read analyst research report in *Morningstar Direct*; you should also look for comments from other financial sites). **The discussions should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM).**

Generally MetLife has very similar multiples to its competitors. MetLife's closet competitor is Prudential. Prudential is also a life insurance company based in the United States, with a similar, yet somewhat smaller market cap. The range for the forward P/E is from 5.46 to 10.06, with MetLife lying in the middle with 6.43. Because there are no outliers this yields implied prices for MetLife of \$30.13 to \$55.52, and MetLife's current price and 52-week high lies within that range. The PEG ratio also has a fairly close range between the five competitors of .32 to

.68 and MetLife lies within this range at .49, which gives a similar implied price range as that of forward P/E with the main difference being the implied price of \$23.23 that comes from ING having a lower PEG than the other competitors. For the P/B ratios, four of the five competitors lie within a close range of .49 to .7, with the outlier being Aflac, who had a P/B ratio of 1.46 which is high for the insurance industry (the industry average is 1.1). ROE shows the largest outlier, with AIG having a negative ROE over the last five years. The reason for this is that during the financial crisis AIG was bailed out by the government and this happened within the last five years, and the ROE is a five year average. The P/S range is from .51 to .93, and once again MetLife lies in the middle of this range and Aflac has the highest value. Price to Cash flow had a larger range than the other multiples 1.67 to 9.64 and MetLife has a P/CF ratio of 2.4. Because this is a larger range of multiples, the range of implied prices is much greater for this multiple than the others.

From the bottom panel

Discuss the various implied prices of your stock derived from competitors' ("comparables") multiples. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain why (**HINT:** is that because that particular valuation metrics is not very relevant for the industry? Do you best to provide convincing arguments).

Ignoring the value that resulted as a result of AIG's negative ROE almost all the valuation metrics yield similar implied prices of \$23.22 to \$86.33. The ranges of the lows were all similar, as was the highs for each metric. An outlier is the price to cash flow valuation, which yields much higher numbers. One reason for this is that in the case of the other multiples, all the competitors had very similar multiples that were within a small range, but not with regards to the P/CF multiple. The industry average for P/CF is 31.33, so all the competitors were significantly under this value yet they were all relatively close to the industry average for the other multiples. This could be an indication of why the multiples were higher for this metric than others. Also this could be an indication that MetLife is currently undervalued.

For each valuation metrics, Compare the current price and 52-week high /low of your stock to the High-low range derived from multiples of its competitors.

For the forward P/E ratio, the 52 week low of \$27.60 is slightly lower than the low implied price of \$30.13, and the 52-week high of \$39.50 is lower than the high implied price of \$55.52, and the current price is right in the middle of the high-low range. The numbers are fairly close to each other, and aren't significantly different enough to indicate an over valued or undervalued stock from this metric. For the PEG ratio, the same holds true except that the 52-week low is

slightly higher than the low implied price. The implied prices from the P/B ratio are slightly different. The high in this case is \$86.33. This could imply an undervalued stock, but I don't necessarily see it that way. The price to book ratio for insurance companies is traditionally a smaller number, the industry average is 1.1 and four out of the four competitors have P/B ratios under one, the fact that Aflac has a higher price-to-book ratio drives up the implied price and is not a true bullish indicator. The low implied price from the value ratio is skewed due to AIG having to accept a government bailout to avoid bankruptcy. The other numbers are fairly low compared to some of the other metrics, with a high of 34.09, which is very close to the current price of \$34.70 (November 4th). The price to sales implied prices are similar to those from price to equity, the low is \$32.30, which is higher than the 52-week low, and the high is \$58.92 which is higher than the 52 week high and the current price resides in the middle. To me these similar implied prices that fall close to the 52 week low and high indicate that the stock might not be either fundamentally over valued or undervalued. The price to cash flow is the value metric that breaks the pattern. It has a high of \$142.51, which is more than three times the 52-week high, but the P/CF low is lower than the 52-week low.

Among the valuation metrics analyzed, **which ones do you think are most relevant as a valuation tool for your stock?**

Among the valuation metrics I analyzed, three provided similar implied prices. This indicates to me that these numbers might be a good representation of the actual value of MetLife. The three valuation metrics are forward P/E, PEG, and P/S.

Section (E) Revenue and Earnings Estimates

Copy/Paste the “Historical Surprises” Table from *Reuters.com*, “*Analysts*” tab (include both revenue and earnings; make note that revenues might be in “millions”)

HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Sep-12	17,104.30	16,611.00	493.27	-2.88
Quarter Ending Jun-12	16,983.90	16,789.00	194.95	-1.15
Quarter Ending Mar-12	16,689.40	16,690.00	0.58	0.00
Quarter Ending Dec-11	16,805.90	16,405.00	400.91	-2.39
Quarter Ending Sep-11	16,525.40	17,017.00	491.61	2.97
Earnings (per share)				
Quarter Ending Sep-12	1.28	1.32	0.04	2.96
Quarter Ending Jun-12	1.24	1.33	0.09	6.85
Quarter Ending Mar-12	1.29	1.37	0.08	5.88
Quarter Ending Dec-11	1.25	1.31	0.06	5.01
Quarter Ending Sep-11	1.06	1.11	0.05	4.91

Earnings and Dividend Figures in US Dollar (USD)

Review recent trends in company’s reported revenue and earnings, and discuss whether (1) the company has a pattern of “surprising” the market with numbers different from analysts’ estimates; (2) Were they positive(actual greater than estimate) or negative (actual less than estimate) surprises? (3) Were surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the “surprises. **NOTE:** Reuters does not put the sign on the surprise. **You need to put a “negative” sign when it is a negative surprise.**

MetLife has had a history of surprising the market in both revenue and EPS. However the surprises for revenue have been negative for three of the last five quarters, and surprises for EPS have been positive for the last five quarters. The amount of the surprises has been slightly larger for EPS than revenue, with the largest surprise being the 6.85% surprise for the quarter

ending June 2012. The stock price of MetLife fell after each of these earnings reports were announced from the past five quarters, other than when the earnings of June 2012 were reported. After the earnings of June 2012 were released the stock price actually rose a little.

Copy/paste the “Consensus Estimates Analysis” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings)

CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Dec-12	10	17,185.40	18,785.50	16,719.00	17,636.20
Quarter Ending Mar-13	9	17,539.90	19,037.10	17,135.50	17,492.60
Year Ending Dec-12	12	67,864.80	72,111.40	66,664.20	68,701.60
Year Ending Dec-13	12	70,485.00	74,944.90	68,793.00	71,612.30
Earnings (per share)					
Quarter Ending Dec-12	18	1.29	1.35	1.21	1.41
Quarter Ending Mar-13	16	1.35	1.40	1.28	1.43
Year Ending Dec-12	20	5.27	5.35	5.18	5.44
Year Ending Dec-13	19	5.52	5.70	5.35	5.99

	% difference high & mean	% difference low & mean
Sales estimate		
Q Dec - 12	8.52%	-2.79%
Q March- 13	7.86%	-2.36%
Year Dec 12	5.89%	-1.8%
Year Dec 13	5.95%	-2.46%
EPS Estimate		
Q Dec - 12	4.44%	-6.61%
Q March -13	3.57%	-5.47%
Year Dec -12	1.5%	-1.74%
Year Dec -13	3.16%	-3.18%
LT Growth Rate	31.05%	-31%

Review the range and the consensus of analysts' estimates. (1) Calculate the % difference of the "high" estimate from the consensus (mean); (2) Calculate the % (negative) difference of the "low" estimate from the consensus; (3) Are the divergent more notable for the current or out-quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. Is that roughly the same as the number of analysts providing revenue and earnings estimates?

Surprisingly, the divergent are slightly more notable for the current quarter than the out-quarter for both sales and EPS. On the other hand the FY2 estimates are more divergent than the FY1 estimates. The sales estimates are more divergent than the EPS estimates, with the largest sales estimate difference being 8.52%, while the largest EPS estimate divergence was -6.61%. All in all the range for the percentage difference is from -6.61% to 8.52%. There are considerably more analysts providing estimates for sales and EPS than for the LT growth rate. Also there are more analysts giving EPS estimates than sales estimates. There are 16-20 analysts providing estimates for EPS, and 9-12 analysts estimating sales, while only 4 provided estimates for the LT growth rates.

**Copy/paste the “Consensus Estimates Trend” Table from *Reuters.com*, “Analysts” tab
(include CONSENSUS ESTIMATES TREND**

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Dec-12	17,185.40	17,251.10	17,256.10	17,254.30	17,636.20
Quarter Ending Mar-13	17,539.90	17,582.80	17,539.20	17,591.60	17,492.60
Year Ending Dec-12	67,864.80	67,977.00	68,047.90	68,045.70	68,701.60
Year Ending Dec-13	70,485.00	70,583.10	70,389.60	70,383.30	71,612.30
Earnings (per share)					
Quarter Ending Dec-12	1.29	1.30	1.29	1.30	1.41
Quarter Ending Mar-13	1.35	1.35	1.35	1.36	1.43
Quarter Ending Dec-12	5.27	5.28	5.27	5.27	5.44
Quarter Ending Dec-13	5.52	5.52	5.56	5.58	5.99

both revenue and earnings)

Review recent trend of analysts' consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?

The estimates for sales of Q Dec 12 have trended down while Q March 13 have trended up. The estimates for the year ending Dec 12 and Dec 13 have trended both up and down in the last year. However the changes for revenue have not been substantial for any time period. The estimates for EPS have generally stayed the same, except for the estimates from 1 year ago, to 2 months ago. That trend is consistent among both quarters and FY1 and FY2 for EPS.

Copy/paste the "Estimates Revisions Summary" Table from *Reuters.com*, "Analysts" tab (include both revenue and earnings)

ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Dec-12	0	1	3	2
Quarter Ending Mar-13	0	1	4	1
Year Ending Dec-12	0	1	3	4
Year Ending Dec-13	0	1	6	2
Earnings				
Quarter Ending Dec-12	0	1	4	4

Quarter Ending Mar-13	0	1	5	5
Year Ending Dec-12	0	1	9	4
Year Ending Dec-13	0	0	5	8

Review the number of analysts revising up or down their estimates (both revenue and earnings) **in the last and last four weeks.** (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?

There are more up revisions than down revisions. In the last week there have been no up revisions and 1 down revision for both revenue and earnings. In the last four weeks there have been more up revisions than down revisions for revenue and earnings. The largest change was 6 up revisions for the year ending December for revenues, and 9 up revisions for earnings for the year ending December 12. The fact that there were no up revisions in the last week, when QE3 was announced shows that the results did not provide confidence in the stock for analysts.

You will need to incorporate what you see here with Morningstar's analyst research report (you can access ***Morningstar Direct at the Financial Markets Lab.***) and other readings/analysis you found from various on-line financial sites. Discuss whether you think the company has a good chance of making or beating analyst consensus estimate, and why. Based on how the stock has been trading lately, do you think market has already anticipated strong or lackluster financial outlook from the company?

Based on the way the stock for MetLife has been trading, I think the market is anticipating average returns. Over the last few weeks MetLife has seen declines in its stock price from \$37 to \$34.70 amidst news that they will sell a \$70 million dollar mortgage-servicing portfolio to JP Morgan and a loss in the third quarter due to a goodwill impairment and business restructuring. However, the decrease in stock price could have been more severe given the earnings and the predicted effects of Hurricane Sandy upon the insurance industry. Morningstar gives the stock a fair value of \$46.00, which about 24% greater than what it is currently trading at. MetLife is currently making an effort to leave the banking industry which should strengthen its position by returning the focus of the company to its core competencies of offering life insurance and also to not be directly governed by the Fed. MetLife operates in an industry with little room for growth due to such intense price competition and its largest change to beat analyst's consensus

would be good returns in Asia. This is a significant possibility due to it's acquisition of ALICO. Revenues in Asia were up 17% in the third quarter (finance.yahoo.com) and if this trend continues, MetLife could capitalize on the emerging market to strengthen their position. However Morningstar gives MetLife a c rating for both profitability and growth potential. Based upon its business model and the industry it operates in I see little room for growth other than internationally.

Section (F) Analysts' Recommendations

Copy/paste the “Analyst Recommendations and Revisions” Table from *Reuters.com*, “Analysts” tab. NOTE: Make sure you copy the entire table including the “Mean Rating” at the bottom of the table.

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	5	6	6	6
(2) OUTPERFORM	13	13	12	12
(3) HOLD	2	2	2	3
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.85	1.81	1.80	1.86

Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish? How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago? Is there a notable trend of opinion convergence or divergence? Is what you see here

consistent to comments in Morningstar analyst's research report as well as various online financial sites you had researched on?

NOTE: On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. **Some other online sites have opposite scale**, with their "1" being the most bearish and "5" being the most bullish recommendations.

There are no significant changes in analyst's recommendations. Three months ago there was one less hold recommendation. Two months ago an additional analyst gave a outperform rating. And currently there is one less buy recommendation than there was a month ago. MetLife currently has 5 buy ratings, 13 outperform ratings, and 2 hold ratings, with 0 sell or underperform ratings, to have a mean rating of 1.85. This is a slightly more bearish number than 1.81 of one month ago or 1.80 of two months ago. However it means that analysts are still bullish on MetLife's stock. This number coincides with both Yahoo!Finance and Morningstar's moderate buy ratings. It also coincides with the analyst's report on Morningstar, which sees a small potential for growth in this competitive and mature industry due to MetLife's position in the Asian and Latin American markets. The stock is trading below it's fair value estimate on Morningstar and slightly below the one year growth estimate from Yahoo!Finance.

Section (G) Institutional Ownership

Copy/paste the completed *"CIF Institutional Ownership" spreadsheet* here.

Shares Outstanding			1,057,388,243	100.00%
# of Holders/Tot Shares Held	972	101.14%	797,587,952	75.43%
# New Positions	33	3.43%		
# Closed Positions	22	2.29%		
# Increased Positions	128	13.32%		
# Decreased Positions	132	13.74%		
Beg. Total Inst. Positions	961	100.00%	797,418,667	75.41%
# Net Buyers/3 Mo. Net Chg	-4	49.23%	169,285	0.02%

Ownership Information	% Outstanding
Top 10 Institutions % Ownership	23.80%
Mutual Fund % Ownership	1.03%
Float %	62.28%

> 5% Ownership		
Holder Name	% Outstanding	Report Date
Metlife Policyholder Trust	19.6	8/7/12

Combine information provided in all three sections to discuss whether (1) institutions, on net basis, have been increasing or decreasing ownership and how significant, (2) the stock has sizable institution interests and support, (3) the extent of the (> 5%) owners, and (4) this could be a bullish or bearish indication of future stock price movement.

On a net basis institutions have been increasing ownership, but on a very insignificant scale, of .02% gain. The number is so small that it does not concretely indicate that institutions are taking a bullish view on MetLife. However MetLife does have 75.43% institutional ownership. Which is higher than its major competitor, Prudential, which has 65.43% institutional ownership (reuters.com). It does indicate that institutions in general trust that MetLife is a sound company, but I do not think the recent change is a large enough number to be a bullish indicator of future stock price movements. There is only one 5% or greater institutional holder and that is MetLife Policyholder Trust. Because this is a subsidiary of MetLife with the single purpose of holding common stock of MetLife and voting rights for certain eligible policyholders of Metropolitan Life, it is not a significant bullish indication
(<http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=3588717>)

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Section (H) Short Interest (two pages)

From <http://www.nasdaq.com/> (NASDAQ's website)

Copy/paste or enter the data in the following table. You also need to copy/paste the chart to the right.

Copy/paste or type the information from “short interest” table. You will start from the most recent release date, and go back for a year (some stocks may not have data go back for a year)

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
10/15/2012	29,630,455	8,727,057	3.395240
9/28/2012	28,431,256	10,651,433	2.669242
9/14/2012	33,194,747	9,990,879	3.322505
8/31/2012	34,769,439	7,144,013	4.866934
8/15/2012	37,176,328	9,180,112	4.049660
7/31/2012	36,781,889	7,607,218	4.835130
7/13/2012	37,846,593	5,839,083	6.481599
6/29/2012	38,016,736	8,848,599	4.296357
6/15/2012	37,964,751	10,938,609	3.470711
5/31/2012	26,604,556	13,117,766	2.028132
5/15/2012	20,612,420	8,553,899	2.409710
4/30/2012	21,283,195	7,882,115	2.700188
4/13/2012	19,464,160	6,826,366	2.851321
3/30/2012	20,312,492	9,155,868	2.218522
3/15/2012	20,565,252	9,580,706	2.146528
2/29/2012	22,513,978	7,544,182	2.984284
2/15/2012	18,541,566	7,841,143	2.364651
1/31/2012	23,740,671	11,803,242	2.011369
1/13/2012	21,774,127	10,215,779	2.131421
12/30/2011	19,210,571	7,311,082	2.627596
12/15/2011	21,625,944	9,066,401	2.385284
11/30/2011	21,534,224	11,874,671	1.813459
11/15/2011	22,014,570	9,955,852	2.211219
10/31/2011	30,288,321	17,411,550	1.739553
10/14/2011	27,801,952	12,862,551	2.161465

Copy/paste the chart to the right of the “short interest” table, immediately follow the table below



NOTE: You are encouraged to look at the short interest information for two of the companies' closest competitors. This will help gauge whether the sentiment indicated in the short interest statistics is company specific or industry-wide.

From <http://finance.yahoo.com/>

Complete the following table with information from the “*share statistics*” table.

Metlife Inc.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
9,760,260	16,709,700	1.06 billion	852.59 million
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
29.63 million	3.1	3.5%	28.43 million

Prudential

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,098,550	4,201,930	466.0 million	465.14
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
6.16 million	2.1	1.3%	4.09million

Based on the short interest statistics and its recent trend, how is the market sentiment on the stock? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?

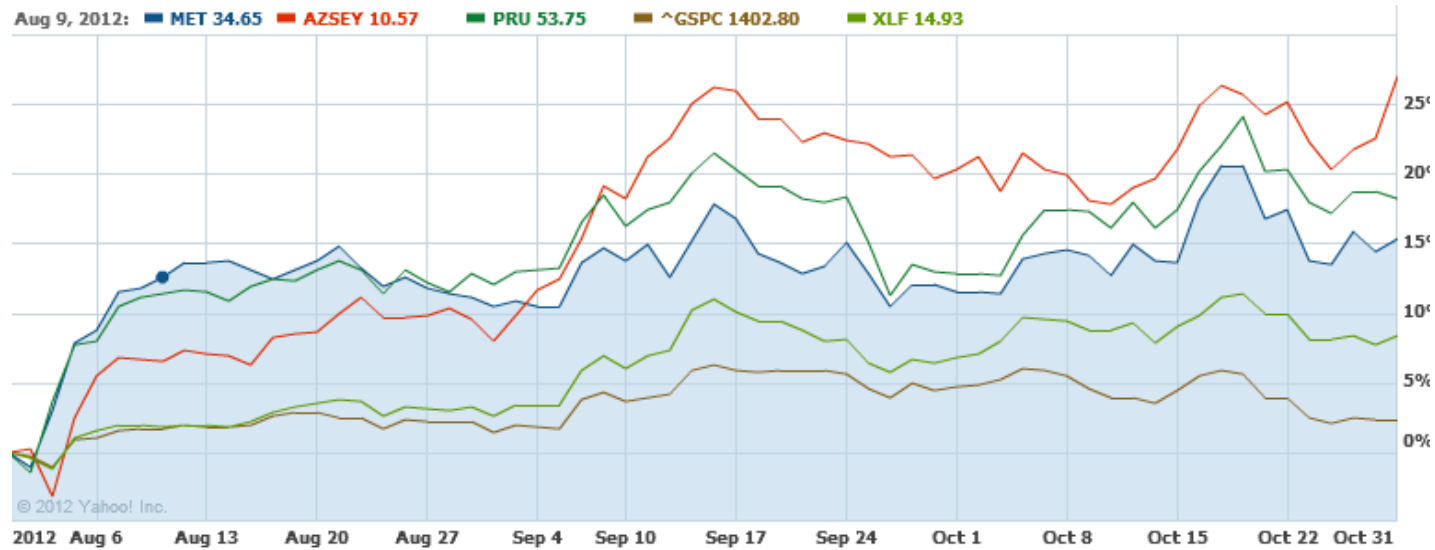
In the last two weeks there has been an increase in the short sales of MetLife stock. However it has decreased in the last two months, and is at about the same level as one year ago. This gives a mix of bearish and bullish signals, with no trend from the market on whether or not they fear the price of the stock will increase or decrease over the last year. However when comparing this to their closet competitor, Prudential, their seems to be a similarity in the volatility of the

short interest. Both companies have seen increases in the short interest in the last two-week period, but remain at approximately the same level as they were a year ago. However while Prudential has kept days-to-cover fewer than 2.7 in the last year, the highest days-to-cover MetLife has seen was 6.48 on 7/13/2012 (Nasdaq.com). It has decreased since then to around 3.4 days-to-cover, but that is still higher than the highest number for Prudential in the last year, which is a bearish indication for MetLife. Prudential also has a smaller short % of float and short ratio than MetLife. Because Prudential is a close competitor of MetLife, the fact that they have a smaller short ratio, short % of float, and days-to-cover seems to be a bearish indicator for MetLife.

Section (I) Stock Charts

A three months price chart

Copy/paste the "3 Mos." stock chart here



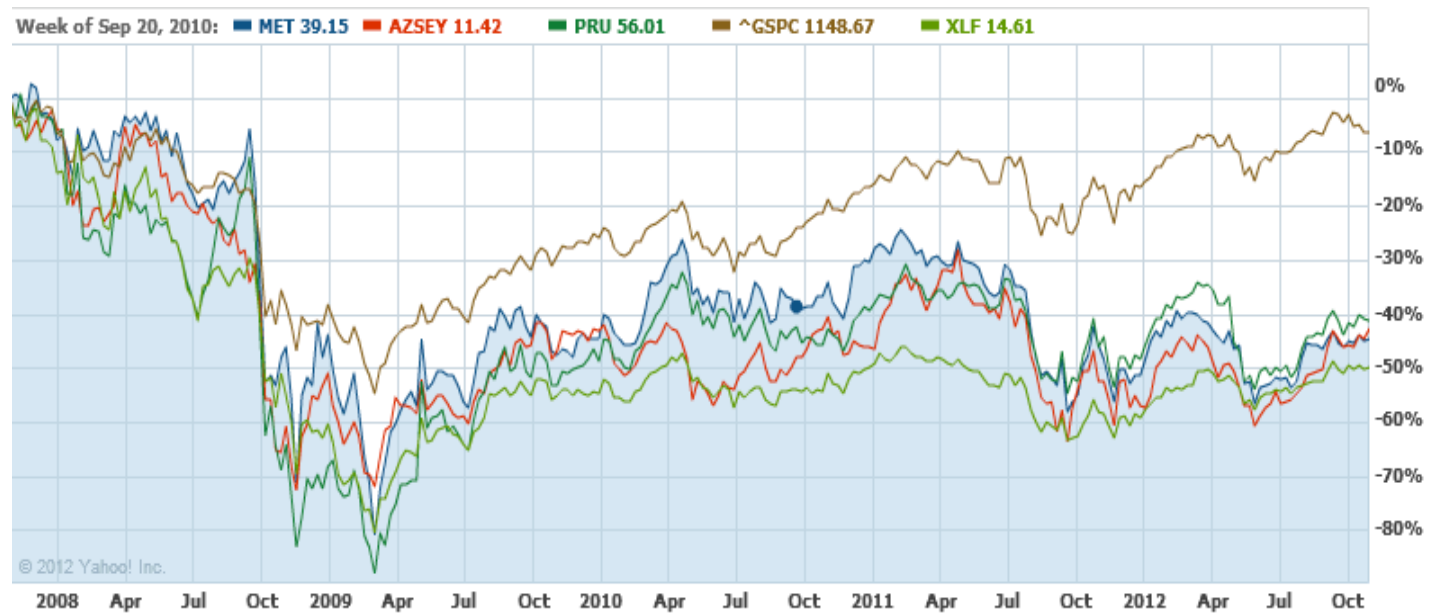
A one year price chart

Copy/paste the "1 Yr" stock chart here



A five year price chart

Copy/paste the “5 Yrs.” stock chart here



Discuss what you observe from the stock charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

In the three-month stock chart, MetLife is outperforming the S&P 500 and the financial sector, but is being underperformed by its competitors. However when you look at the one-year price chart, the financial sector and the S&P 500 are outperforming MetLife. It follows Prudential and Allianz so closely that you could not really say it outperformed or underperformed its competitors until the last three months. Looking at the five-year chart, MetLife generally outperformed the financial sector and its competitors, while being outperformed by the S&P 500. During the financial crisis of 2008 and 2009, MetLife responded similarly to other financial firms and experienced a huge decline in their stock price. At one point it actually decreased to -80%. This could be expected from such a high beta stock, but is a reminder that investing in high beta stocks can lead to large drops in price.

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