

Date: March 8, 2015

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CIF Stock Recommendation Report (Spring 2015)

Company Name and Ticker: Capital One-COF

Section (A) Investment Summary

Recommendation Buy: Yes No		Target Price: \$92	Stop-Loss Price: \$68
Sector: Financials	Industry: Consumer Finance	Market Cap (in Billions): \$43.60	# of Shrs. O/S (in Millions): 553.39
Current Price: \$78.98	52 WK Hi: \$85.38	52 WK Low: \$72.07	EBO Valuation: \$94.84
Morningstar (MS) Fair Value Est.: \$93.00	MS FV Uncertainty: Medium	MS Consider Buying: \$65.10	MS Consider Selling: \$125.55
EPS (TTM): \$7.58	EPS (FY1): \$7.55	EPS (FY2): \$7.99	MS Star Rating: 4 stars
Next Fiscal Yr. End "Year": "Month": 2015 December	Last Fiscal Qtr. End: Less Than 8 WK: Y N	If Less Than 8 WK, next Earnings Ann. Date: Apr 14-Apr 20 (Est.)	Analyst Consensus Recommendation: Buy-Outperform
Forward P/E: 9.88	Mean LT Growth: 6.01 %	PEG: 1.64	Beta: 1.26
% Inst. Ownership: 92.30 %	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: 1.40	Short as % of Float: N/A
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	10.51	34.78	16.29
P/S (TTM)	10.88	26.96	21.48
P/B (MRQ)	0.98	0.92	3.07
P/CF (TTM)	6.91	26.45	13.75
Dividend Yield	1.51	1.02	1.75
Total Debt/Equity (MRQ)	69.23	109.77	59.69
Net Profit Margin (TTM)	19.84	14.13	34.69
ROA (TTM)	1.46	-9.38	3.11
ROE (TTM)	10.01	5.91	21.89

<p><u>Investment Thesis</u></p> <p>Pros</p> <ul style="list-style-type: none"> • Expected low unemployment and solid GDP growth in the U.S. will lead to more spending and consuming and therefore an increase in business for consumer lenders such as Capital One. • The expansion of its automotive and commercial lending businesses will continue solid growth into the first half of 2015. • Most Analyst estimate that Capital One will outperform the market and recommend a strong buy-buy. <p>Cons</p> <ul style="list-style-type: none"> • Net interest margins continue to be pressured by lower long-term rates. • Additional Consumer regulation from the Consumer Financial Protection Bureau which focuses in credit cards is expected to add costs to large consumer lenders like Capital One. <p>Recommendation</p> <ul style="list-style-type: none"> • We recommend a buy as a result of the current economy, analysts' recommendations, and the expected future of increased consumer spending. 	<p><u>Summary</u></p> <p>Provide brief summary of your analysis in each section that follows</p>
	<p><u>Company Profile:</u></p> <p>Capital One Financial Corp is a Fortune 500 company that focuses as a financial services holding company. It markets financial services and products both in its banking and non-banking subsidiaries.</p>
	<p><u>Fundamental Valuation:</u></p> <p>After using the EBO valuation excel sheet, we got an implied price of \$94.84/share by 2026.</p>
	<p><u>Relative Valuation:</u> Capital One's direct competitors are American Express, Visa Inc., and Master Card. Capital One is fairly cheaper (lesser P/E ratio) than its top 3 competitors and it places 2nd in PEG among them.</p>
	<p><u>Revenue and Earnings Estimates:</u> Capital One revenue and earnings estimates were similar to the consensus with some surprises.</p>
	<p><u>Analyst Recommendations:</u> The majority of analysts recommend a buy and note that Capital One will outperform estimates. There are also some who recommend a hold.</p>
	<p><u>Institutional Ownership:</u> Compared to its competitors Capital One has on average higher institutional ownership. Most are currently buying up more of the stock.</p>
	<p><u>Short Interest:</u> The short interest is showing a bullish outlook for Capital One. With average daily volume 2m to 4M and days to cover ranging from 1-3 days.</p>
<p><u>Stock Price Chart:</u> When looking at year YTD, Capital One has been underperforming the S&P 500, however over the past 1-5 years Capital One has been consistently beating the market by a good amount.</p>	

Section (B) Company Profile

(B-1) Profile

Include in this section, at the minimum: Company Description; major business units and % breakdown of revenue/earnings; % breakdown of domestic and international business; business model; management strategy; competition and competitors of each major business unit; sensitivity to business cycle & macro environment; life cycle; significant merger/acquisition or major restructure in recent years; significant pending litigations, material patents or other intellectual properties-related issues; major risk factors; other company or industry-specific development or issues deemed material (e.g., labor disputes, trade tensions, regulatory or policy changes, technology & product innovations, natural disasters, etc.

Capital One Financial is a Fortune 500 company that got its start as a credit card company in 1994. It is headquartered in McLean, Virginia. Capital One offers financial products and services “to consumers, small businesses and commercial clients through branches, the internet and other distribution channels. As of December 31, 2014, their principal subsidiaries include Capital One Bank and Capital One, National Association. Capital One Bank deals in debit and credit card offers and other other lending/deposit products while Capital One, Financial National Association offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients” (COF SEC 10-K). Over the years Capital One Financial has been diversifying its core business portfolio to function more as a full-service bank. The three major areas of its business today are credit cards, consumer banking, and commercial banking. With credit cards still acting as its main source of net income, Capital One recently has been experiencing solid growth in its commercial and automotive lending businesses. In regards to revenue, 2014’s revenue was lower than 2013’s. From 2012-2014, revenue increased 1.08% in 2013 and decreased by 0.99% in 2014. With this being said, revenue is expected to decrease slightly in the first quarter for 2015 and then show an increase throughout the rest of the quarters for 2015. Revenue is still expected to outperform last year’s 4th quarter performance. Earnings of Capital One Financial will follow a similar pattern in that they will slightly decrease for 2015 as they typically do in the 1st quarter of each fiscal year, yet they will begin as we enter the 2nd quarter and onward till 2016. This can mainly be accredited to increases in expected consumer spending.

In addition to performance, Capital One Financial follows a business cycle similar to U.S. economic factors such as the unemployment rate and GDP growth. Currently the unemployment rate is low at 5.5% and GDP is expected to show growth as we enter 2015. With this comes an increase in consumer spending and therefore an increase in business for consumer lenders such as Capital One Financial. Capital One Financial operates mainly within the United States, however they do have business operations in the U.K. and Canada. In terms of their business model, Capital One Financial offers both “non-interest bearing and interest-bearing deposits, such as demand deposits, money market deposits, time deposits, negotiable order of withdrawal accounts, and savings accounts” (Yahoo Finance). They also deal in online direct banking services. Capital One Financial management strategy is known for its large and risky acquisitions and one such recent acquisition was of ING Direct’s online operations. This acquisition established Capital One Financial as the leading online banker in the U.S. It is also believed that this will enable the company to maintain its competitive advantage over its rivalries Visa Inc., Master Card, and Synchrony. Another large acquisition occurred “on November 1, 2013, in which Beech Street Capital was acquired, a privately-held, national originator and servicer of Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Federal Housing Authority (“FHA”) multifamily commercial real estate loans. The acquisition expands and enhances Capital One’s existing multifamily capabilities and product offerings. At closing, they acquired a mortgage servicing portfolio on approximately \$10 billion of loans. Beech Street Capital was renamed Capital One Multifamily Finance in 2014 (COF SEC 10-K). Finally, Capital One Financial is subject to government lending regulations and interest rates. Therefore increasing revenues and earnings may be slow to begin with as the U.S. economy gets back up to speed prior to 2008 levels.

(B-2) Revenue and Earnings History (Refer to the guidelines document for revenue and earnings data to be included)

1) What are your observations on revenue? Was there a notable up-or down-trend, year-over-year? Was there a seasonable pattern?

The revenue trend for Capital Financial for the past 3 years has been both up and down. Since 2012, the revenues have increased in 2013 and decreased in 2014, however the current projections are that revenue will increase for 2015 and 2016. There does seem to be a seasonable pattern with peaks happening in the summer time and around the holidays in the fall and winter. The lows seem to always occur after the 4th quarter earnings reports yet shoot back up shortly after.

2) Likewise, what are your observations on earnings?

When it comes to earnings, the pattern is similar to that of Capital One Financial's revenue performance. Earnings seem to start out good at the beginning of each fiscal year, increase to a peak in June and then slowly decrease throughout the rest of the year by a small amount as can be seen for the fiscal years 2013 and 2014.

(B-3) Most Recent Quarterly Earnings Release

1) When was the company's most recent earning release?

January 22, 2015

2) In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate? Beat

3) Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate? Miss

4) What did the management attribute the beat/miss to?

The miss can be accredited to higher loan reserves or money that is used to cover bad loans. According to management the loan reserves have increased by 16% compared to the previous year.

5) Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?

Management states that "their strategic priorities for 2015 have not changed, and they remain focused on the levers to create value and sustain strong performance for their shareholders" (COF SEC 10-K). The do not provide an outlook for the current quarter but they do state that they "remain focused on delivering value through Attractive & Resilient Risk/Adjusted Returns and Capital Distribution" (COF Q4 Earnings Release).

6) How did the stock react to that earnings release?

After the 4th quarter earnings report was released the stock shot up from \$76.91 to \$77.01 then fell to \$74.76 and closed at \$76.20 on January 22, 2015. Four days following the earnings release the stock rose from \$76.20 to \$78.19.

7) Other observations worth noting?

Section (C) Fundamental Valuation (EBO)

PARAMETERS	FY1	FY2	Ltg	Long-term Growth Period (Years)										
COEN														
EPS Forecasts	7.55	7.99	6.01%	7										
Total Equity	45053.00													
Preferred Stock	0.00													
Book Value (end of last fye)	45053.00													
Common Equity Shr. O/S	553.39													
Book value/share (last fye)	81.413													
30- Year TBond Rate	2.83%													
E(r _m)	8.50%													
Beta	1.26													
Discount Rate	9.97%													
Dividend Payout Ratio (POR)	11.83%													
Next Fisc Year end	2015													
Current Fisc Mth (1 to 12)	3													
Target ROE (Industry avg.)	12.31%													
<p style="text-align: center;">Fundamental Valuation (EBO) Model 1: 9, 10, or 12-year forecasting horizon (T=9, 10 or 12). with a 4, 5 or 7-year growth period.</p> <p style="text-align: center;">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_Prof.lee_Spreadsheet" file carefully</p>														
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
Long-term EPS Growth Rate (Ltg)			0.0601	0.0601	0.0601	0.0601	0.0601							
Forecasted EPS	7.55	7.99	8.47	8.98	9.52	10.09	10.70							
Beg. of year BV/Shr	81.413	88.070	95.114	102.583	110.500	118.892	127.790							
Implied ROE		0.091	0.089	0.088	0.086	0.085	0.084							
ROE (Beg. ROE, from EPS forecasts)	0.093	0.091	0.089	0.088	0.086	0.085	0.084	0.092	0.099	0.107	0.115	0.123		
Abnormal ROE (ROE-k)	-0.007	-0.009	-0.011	-0.012	-0.014	-0.015	-0.016	-0.008	0.000	0.008	0.015	0.023		
growth rate for B (1-POR)*(ROE-1)	0.000	0.082	0.080	0.079	0.077	0.076	0.075	0.074	0.081	0.088	0.095	0.102		
Compounded growth	1.000	1.082	1.168	1.260	1.357	1.460	1.570	1.686	1.822	1.981	2.169	2.389		
growth*AROE	-0.007	-0.010	-0.012	-0.015	-0.018	-0.022	-0.025	-0.014	-0.001	0.015	0.034	0.056		
required rate (k)	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100		
Compound discount rate		1.100	1.209	1.330	1.463	1.609	1.769	1.946	2.140	2.353	2.588	2.846	3.130	
div. payout rate (k)	0.118													
Add to P/B	PV(growth*AROE)	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	0.00	0.01	0.01	0.02		
Cum P/B		0.99	0.99	0.98	0.97	0.95	0.94	0.93	0.92	0.93	0.94	0.96		
Add: Perpetuity beyond current yr	(Assume this yr's AROE forever)	-0.06	-0.08	-0.09	-0.11	-0.12	-0.12	-0.13	-0.06	0.00	0.06	0.12	0.18	
Total P/B	(P/B if we stop est. this period)	0.93	0.90	0.88	0.86	0.84	0.82	0.80	0.86	0.92	0.99	1.06	1.14	
Implied price		77.58	75.49	73.60	71.78	70.02	68.33	66.70	71.61	76.78	82.32	88.30	94.84	
Check:														
Beg. BV/Shr		81.413	88.070	95.114	102.583	110.500	118.892	127.790	137.222	148.303	161.309	176.576	194.515	
Implied EPS		7.550	7.990	8.470	8.979	9.519	10.091	10.697	12.568	14.751	17.316	20.346	23.945	
Implied EPS growth			0.058	0.060	0.060	0.060	0.060	0.060	0.175	0.174	0.174	0.175	0.177	

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): **7.55 and 7.99**

Long-term growth rate: **6.01%**

*** Indicate next to the number if you made an adjustment to the consensus LTG estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any ***

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

Book value: **45,053M**

of shares outstanding: **553.39M**

Book value / share: **81.413**

Dividend payout ratio: **11.83%**

Next fiscal year end: **2015**

Current fiscal month: **3**

Target ROE: **12.31**

*** Indicate next to the number if you made an adjustment to the target ROE estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any ***

Discount rate	10.1%
Input for discount rate:	
Risk-free rate:	2.68
Beta:	1.26
Market risk premium:	5.77

Output

Above normal growth period chosen: 7

***** Justify at the bottom of this panel your choice of abnormal growth period *****

EBO valuation (Implied price from the spreadsheet): 94.16

1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.

The fundamental valuation indicates the price of the stock will dip down, but rise back up. While most analysts are predicting the stock price will continue to rise without a big drop.

2) What might be "soft spots" of the inputs? And why?

The fundamental shows a book value/ share of 81.41, which is almost double of some of their competitors. This could be seen as an outlier when comparing similar companies.

Sensitivity Analysis

1) Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case.

We obtained all of our values for Reuters than compared them to MorningStar and Yahoo Finance. For the most part all of the values were similar between all three sites.

2) Other observations worth noting

The implied price differed when changing the long-term growth periods, but the trend of stock price was similar in all situations.

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

97.84 if changing growth rate from mean (consensus) to the highest estimate 8.01%

93.07 if changing growth rate from mean (consensus) to the lowest estimate 4.76

104.27 if changing growth rate to 8.10

Section (D) Relative Valuation

COF													
Mean FY2													
Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM	
1	AXP	American Express	\$ 83,745.63	\$ 80.31	\$ 5.78	13.89	7.72%	1.80	4.00	26.82%	0.15	2.33	16.1
2	V	Visa	\$ 167,601.09	\$ 269.34	\$ 12.01	22.43	14.07%	1.59	6.04	14.57%	0.41	12.96	27.71
3	MA	Master Card	\$ 106,427.10	\$ 90.79	\$ 4.19	21.67	15.62%	1.39	15.73	43.24%	0.36	11.23	27.03
4	DFS	Discover	\$ 27,447.37	\$ 58.90	\$ 5.74	10.26	7.70%	1.33	2.47			3.24	13.83
	COF	Capital One	\$ 43,939.73	\$ 78.98	\$ 7.99	9.88	6.01%	1.64	0.98	30.57%	0.03	1.97	5.45
Implied Price based on:					P/E (forward)	PEG	P/B	Value	P/S	P/CF			
1	AXP	American Express			\$111.02	\$86.43	\$322.37	\$367.44	\$93.41	\$233.32			
2	V	Visa			\$179.19	\$76.54	\$486.77	\$1,021.32	\$519.58	\$401.57			
3	MA	Master Card			\$173.13	\$66.61	\$1,267.71	\$896.25	\$450.23	\$391.71			
4	DFS	Discover			\$81.99	\$63.99	\$199.06	\$0.00	\$129.90	\$200.42			
		High			\$179.19	\$86.43	\$1,267.71	\$1,021.32	\$519.58	\$401.57			
		Low			\$81.99	\$63.99	\$199.06	\$0.00	\$93.41	\$200.42			
		Mean			\$136.33	\$73.39	\$568.98	\$571.25	\$298.28	\$306.75			

1) Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.

As seen in the table above the Capital One has one of the lowest P.E ratio among its competitors. This could be due to Capital One also having one of the smallest market cap compare to its competitors. For PEG, Capital One has the second largest at 1.64 only American Express had a higher PEG of 1.80. By looking at the PEG it seem that the Capital One is fairly valued. Other than the PEG ratio Capital One is usually at the bottom half when comparing ratio to its competitors.

2) Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain whether it makes sense.

The implied price for Discover from Froward P.E was within the Capital One's 52-weeks high and low. As for American Express's implied price from PEG it was very close to the 52-weeks high. The other three PEG prices all varied with Visa having the highest price, then MasterCard and Discover. This was a very common order in the other prices. However, we decided to opt out of P/B because MasterCard more than doubled the second closes price.

Section (E) Revenue and Earnings Estimates

(E-1) Historical Surprise

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-14	5,696.94	5,813.00	116.06	2.04
Quarter Ending Sep-14	5,556.47	5,639.00	82.53	1.49
Quarter Ending Jun-14	5,431.25	5,468.00	36.75	0.68
Quarter Ending Mar-14	5,448.81	5,370.00	78.81	1.45
Quarter Ending Dec-13	5,479.30	5,544.00	64.70	1.18
Earnings (per share)				
Quarter Ending Dec-14	1.74	1.73	0.01	0.67
Quarter Ending Sep-14	1.94	1.86	0.08	4.14
Quarter Ending Jun-14	1.82	2.04	0.22	12.04
Quarter Ending Mar-14	1.69	1.96	0.27	15.99
Quarter Ending Dec-13	1.55	1.45	0.10	6.34

Capital One is very sporadic in both sales and earnings performance. In both categories they had multiple wins and losses. They seem to beat analysis prediction more in the sales than earnings. In sales three out of the last five quarters Capital One was able to beat predictions. However, in earnings Capital One only had two quarters when they beat analysis predictions. Beside only two quarters Capital One usually perform right around where analysis predicted.

(E-2) "Consensus Estimates Analysis"

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-15	17	5,709.72	5,963.00	5,336.00	5,622.51
Quarter Ending Jun-15	17	5,751.71	6,181.00	5,221.00	5,672.15
Year Ending Dec-15	19	23,496.00	25,027.00	22,861.00	22,789.90
Year Ending Dec-16	18	24,691.00	26,414.00	23,688.00	24,287.60
Earnings (per share)					
Quarter Ending Mar-15	24	1.86	2.01	1.44	1.78
Quarter Ending Jun-15	24	1.94	2.07	1.76	1.85
Year Ending Dec-15	27	7.55	7.85	6.92	7.30
Year Ending Dec-16	26	7.99	8.60	7.25	8.05
LT Growth Rate (%)	4	6.01	8.00	4.00	9.00

Percent difference from "high" estimates from the mean (Sales)

Q1: 4.43 Q2: 7.46 FY1: 6.20 FY2: 6.98

Percent difference from "low" estimates from the mean (Sale)

Q1: 6.55 Q2: 9.23 FY1: 2.70 FY2: 4.06

Percent difference from "high" estimates from the mean (EPS)

Q1: 8.06 Q2: 6.70 FY1: 3.97 FY2: 7.63

Percent difference from "low" estimates from the mean (EPS)

Q1: 22.58 Q2: 9.27 FY1: 8.34 FY2: 9.26

The differences are greater in quarters 1 and 2 than the FYs. Earnings have the largest differences. There was only four analysis that provided LT growth rate which drastically less than both sales and earnings.

(E-3) Consensus Estimates Trend

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-15	5,709.72	5,709.72	5,709.72	5,677.27	5,622.51
Quarter Ending Jun-15	5,751.71	5,751.71	5,751.71	5,747.54	5,672.15
Year Ending Dec-15	23,496.00	23,496.00	23,471.20	23,159.60	22,789.90
Year Ending Dec-16	24,691.00	24,689.00	24,654.90	24,618.30	24,287.60
Earnings (per share)					
Quarter Ending Mar-15	1.86	1.86	1.86	1.93	1.78
Quarter Ending Jun-15	1.94	1.94	1.95	1.96	1.85
Year Ending Dec-15	7.55	7.55	7.56	7.69	7.30
Year Ending Dec-16	7.99	7.99	7.99	8.17	8.05

The Mean estimate trend on revenue seems to have increased from a year ago. Earnings per share estimates have also increased from a year ago besides in FY2. For earning per share FY2 was the only one have decrease from a year ago. The biggest difference can be seen it Sales.

(E-4) Estimates Revisions Summary

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-15	0	0	0	0
Quarter Ending Jun-15	0	0	0	0
Year Ending Dec-15	0	0	1	0
Year Ending Dec-16	2	0	3	0
Earnings				
Quarter Ending Mar-15	0	0	0	0
Quarter Ending Jun-15	0	0	0	0
Year Ending Dec-15	0	1	1	2
Year Ending Dec-16	0	1	1	2

There was a broad range of revision that happened in the last few weeks. In the revenue section two analysts made revisions moving them up in the last week. This happened after four

other analyst moved their revision up four weeks ago. In earnings there was more downward revision. There were two analysts in the last week that moved their estimates down. In the table above it shows that four others made revision going down, but two analysts moved them up in the last 4 weeks.

(E-5) Consensus Earnings Revisions

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
Feb 12, 15	Down	7/12	\$1.87	\$1.87	0.21	23

1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.

Capital One's last earning report was on January 22, 2015. Their next earnings report will be on April 20, 2015

2) Review revisions day by day, and comment on (1) whether they tend to be clustered, and (2) if clustered, were they near earnings reporting date?

There was only one revision made in the last 4 weeks and it was three weeks after released their Q4 earnings report.

3) Were there any greater than 10% consensus revisions? What is the maximum % consensus revision?

The only consensus revisions was a downgrade of 0.21%

4) Observe stock price chart, how did the stock trade around dates of greater than 10% consensus revisions?

Capital One never reached 10%

5) Other observations worth noting?

N/A

Section (F) Analysts' Recommendations

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	10	10	11	11
(2) OUTPERFORM	8	7	7	7
(3) HOLD	9	10	9	8
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.96	2.00	1.93	1.88

1) Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish?

The trend remained very consistent over the last three months. Most analysts are recommending to buy and hold shares of Capital One. The outlook appears to be more on the bullish side.

2) How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago?

Capital One received three out the five possible ratings; buy, outperform and hold.

3) Is there a notable trend of opinion convergence or divergence?

Capital One has mean rating of 1.96 one of the highest rating in the last three months.

4) Cross check (1) *Morningstar* analyst's research report; and (2) media or other analysts' comments from online financial sites. Is what you see here consistent to comments elsewhere?

After checking Morningstar and other site Capital One had a consistent ratings of buy, outperformed or hold. There wasn't a site that graded them any lower.

5) Other observations worth noting?

Every set of analyst reports rated Capital One buy, outperformed and hold. This shows analyst have a bullish view on the stock.

(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC

There was on analyst upgrades or downgrades for Capital One in the last month.

1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.

Capital One's last earning report date: Jan 22, 2015

Capital One's next earning report date: April 20, 2015

2) Add up the number of upgrades on weekly basis. Do the same for downgrades. Were there more up- or down-grades? Were there any consistent trend you observe in the recent month? Were there any up- or down-grades of more than "one grade"?

Capital One had no upgrades or downgrades.

3) Were there clustering of up- or down-grades? If so, were they clustered around earnings report date?

Without any upgrades or downgrades there was no cluster around earnings

4) Observe stock price chart, how did the stock trade around dates of up- or down-grades?

There was no upgrades or downgrades that would affect the stock price.

Section (G) Institutional Ownership

Combine information provided in all three sections to discuss:

1) Whether institutions, on net basis, have been increasing or decreasing ownership and whether the change can be considered as substantial

Institutions on a net basis have been increasing their ownership. This change can be considered slightly substantial in that over the past 3-months 77 institutions have been buying Capital One stock.

2) Whether the stock has sizable institution interests/support

Cougar Investment Fund Institutional Ownership Template				
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 "Stock Research Report Guidelines" document carefully				
COF				
Section 1				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			551,576,426	100.00%
# of Holders; Total Shares Held/% Shares	1,075	103.07%	494,377,951	89.63%
# New Positions	93	8.92%		
# Closed Positions	61	5.85%		
# Increased Positions	478	45.83%		
# Decreased Positions	401	38.45%		
Beg. Total Inst. Positions	1,043	100.00%	497,468,866	90.19%
# Net Buyers; 3 Mo. Net Chg	77	54.38%	-3,090,915	-0.56%
Section 2				
Ownership Information	% Outstanding			
% Institutional Ownership	92.30			
Top 10 Institutions % Ownership	41.37%			
Mutual Fund % Ownership	50.48%			
Section 3				
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
Dodge & Cox Inc	8.42%	12/31/2014		
Capital World Investors	5.70%	12/31/2014		
Vanguard Group, Inc. (The)	5.23%	12/31/2014		
FMR, LLC	5.15%	12/31/2014		
State Street Corporation	4.70%	12/31/2014		

The stock does have sizable institution interests as 54% of the institutional investors are buyers. Also with 92.30 % institutional ownership, Capital One’s stock clearly has the support of its institutions as almost all of it is owned by them.

3) The extent of the (> 5%) owners by adding up all >5% ownership, and make an effort to identify those that are mutual funds

There are 2 mutual funds that make up 13.65% ownership. They are Dodge and Cox Inc. and Vanguard Group, Inc. (The). This is a significant proportion of ownership between two mutual funds considering all of mutual fund ownership is totaled at 50.48%.

Section (H) Short Interest

(H-1)

Capital One

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/13/2015	5,349,025	3,041,550	1.758651
1/30/2015	5,083,809	4,429,953	1.147599
1/15/2015	5,693,136	2,869,105	1.984290
12/31/2014	5,556,189	2,571,935	2.160315
12/15/2014	5,652,280	3,053,182	1.851275
11/28/2014	5,366,323	2,213,743	2.424095
11/14/2014	4,999,870	2,594,317	1.927239
10/31/2014	5,128,211	3,786,508	1.354338
10/15/2014	5,462,281	3,326,512	1.642045
9/30/2014	5,612,205	3,153,651	1.779590
9/15/2014	5,633,128	2,416,092	2.331504
8/29/2014	6,113,144	1,947,545	3.138897
8/15/2014	5,702,534	2,859,810	1.994025
7/31/2014	5,664,461	3,445,644	1.643948
7/15/2014	7,081,366	2,678,378	2.643901
6/30/2014	10,126,720	3,730,532	2.714551
6/13/2014	7,606,216	2,713,618	2.802980
5/30/2014	6,091,585	2,284,305	2.666713
5/15/2014	6,399,334	3,361,469	1.903731
4/30/2014	6,483,406	4,124,740	1.571834
4/15/2014	7,420,224	3,112,980	2.383640
3/31/2014	6,648,839	2,986,516	2.226286
3/14/2014	6,512,494	2,356,751	2.763336

Visa

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/13/2015	14,062,289	3,121,680	4.504718
1/30/2015	14,586,264	3,060,461	4.766035
1/15/2015	14,414,114	2,551,231	5.649866
12/31/2014	14,534,997	1,931,459	7.525398
12/15/2014	15,319,578	2,658,771	5.761902
11/28/2014	15,830,578	2,211,549	7.158140
11/14/2014	15,884,687	3,188,675	4.981595
10/31/2014	16,201,401	3,952,908	4.098603
10/15/2014	15,540,842	3,037,093	5.117012
9/30/2014	15,054,454	2,631,640	5.720560
9/15/2014	15,811,371	2,210,916	7.151502
8/29/2014	16,358,699	2,056,763	7.953614
8/15/2014	17,059,935	2,222,593	7.675690
7/31/2014	16,524,428	2,846,226	5.805733
7/15/2014	15,333,736	2,129,951	7.199103
6/30/2014	15,833,882	2,848,285	5.559093
6/13/2014	14,382,518	1,925,905	7.467927
5/30/2014	14,621,076	2,336,873	6.256684
5/15/2014	17,031,105	2,873,049	5.927885
4/30/2014	15,813,732	3,971,748	3.981555
4/15/2014	13,850,785	5,199,769	2.663731
3/31/2014	14,778,890	3,470,151	4.258861
3/14/2014	15,769,344	2,857,967	5.517679

American Express

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/13/2015	8,621,360	10,490,111	1.000000
1/30/2015	8,128,135	7,973,557	1.019386
1/15/2015	8,338,572	4,308,943	1.935178
12/31/2014	8,782,781	3,238,989	2.711581
12/15/2014	9,314,482	4,194,047	2.220882
11/28/2014	8,885,399	2,931,550	3.030956
11/14/2014	8,626,467	3,565,212	2.419622
10/31/2014	7,337,305	5,494,927	1.335287
10/15/2014	6,062,614	4,993,799	1.214028
9/30/2014	5,602,398	4,645,210	1.206059
9/15/2014	6,041,387	3,429,937	1.761370
8/29/2014	7,248,947	3,045,666	2.380086
8/15/2014	6,908,505	4,785,943	1.443499
7/31/2014	7,867,579	3,713,015	2.118919
7/15/2014	8,113,716	2,391,915	3.392142
6/30/2014	9,101,268	2,900,239	3.138110
6/13/2014	9,119,322	2,862,743	3.185519
5/30/2014	8,029,293	2,873,704	2.794057
5/15/2014	9,094,812	3,306,717	2.750405
4/30/2014	8,115,262	4,365,924	1.858773
4/15/2014	7,584,589	3,741,428	2.027191
3/31/2014	8,176,319	3,559,082	2.297311
3/14/2014	9,244,878	3,236,405	2.856527

(H-2) Short Interest Data From <http://finance.yahoo.com/>

Copy/paste required data from the “*share statistics*” table to the following table for (1) your stock, and (2) two competitors (in separate tables).

Capital One

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
3,126,720	2,795,090	552.60M	548.55M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
5.35M (Feb 13,2015)	1.40 (Feb,13,2015)	N/A	5.08M

American Express

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
7,012,480	6,950,250	1.02B	864.18M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
8.62M (Feb 13,2015)	1.00 (Feb 13,2015)	1.00% (Feb 13,2015)	8.13M

Visa

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,564,190	2,346,240	628.26M	501.42M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
14.06M (Feb 13,2015)	4.60 (Feb 13,2015)	2.90% (Feb 13,2015)	14.59M

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.**

Capital One's last earning report date: Jan 22, 2015

Capital One's next earning report date: April 20, 2015

- 2) Discuss market sentiment on the stock based on the short interest statistics, recent trend reported in in (H-1) and (H-2)? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?**

Capital one has a fairly low short interest ratio in comparison to Visa, but is still higher than American Express. Having a fairly low short interest ratio we can indicate the stock is more bullish. Capital One also has 3-1 days to cover, with the majority being in two days. This supports the bullish trend on the stock price.

- 3) From (H-1), observe "short interest" and "# of days to cover" values for two reporting dates immediately before and one reporting date immediately after earnings report. (1) Were there notable increase or decrease in the values, right before or right after earnings report? (2) Observe stock price chart and comment on how stock traded around those dates.**

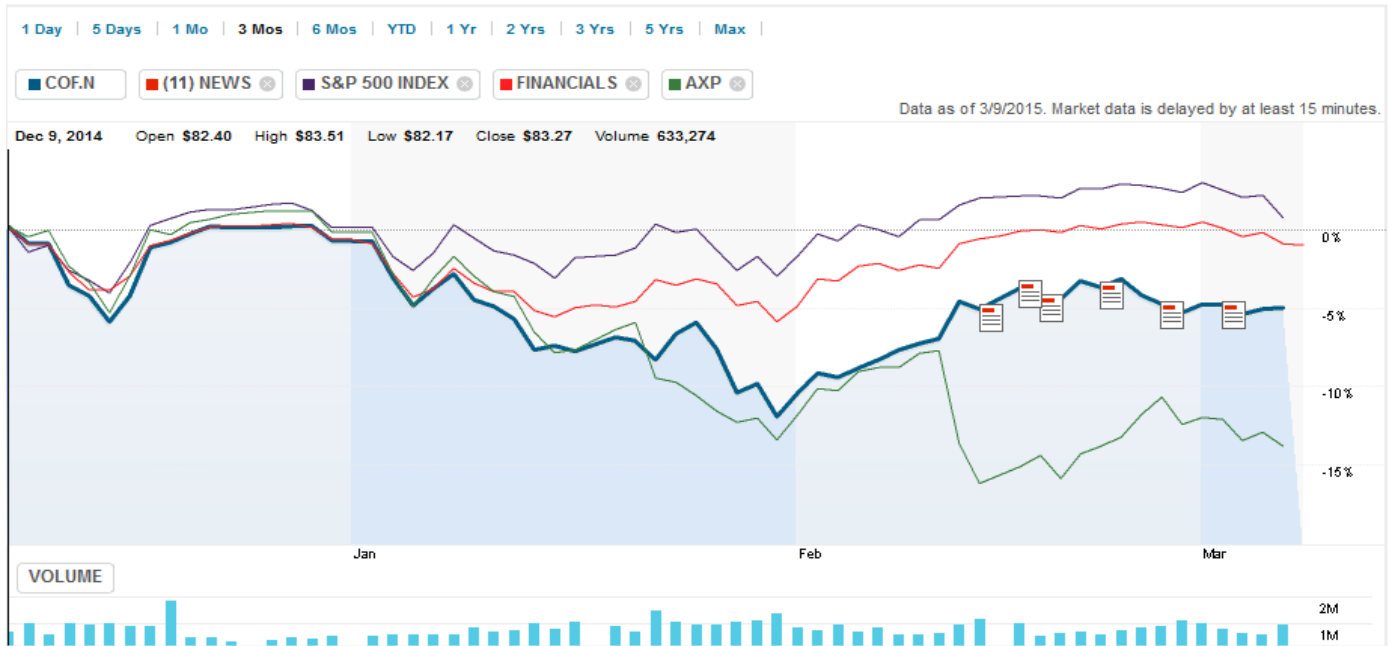
The value of both "short interest" and "# if days to cover" both dropped after the earnings report. Following the release of earnings report " short interest" decreased by 609.327 and "# of days to cover" decreased by .837 days. There might not have been a huge drop, but it does support the bullish trend on the stock.

Section (I) Stock Charts (Guidelines for I-4 Have Been Updated)

For (I-1) – (I-3), the stock price charts should include (1) your stock, (2) 1 competitor, (3) sector ETF, and (4) SP500

(I-1) A three months price chart

Copy/paste the “3 Mos.” stock chart here



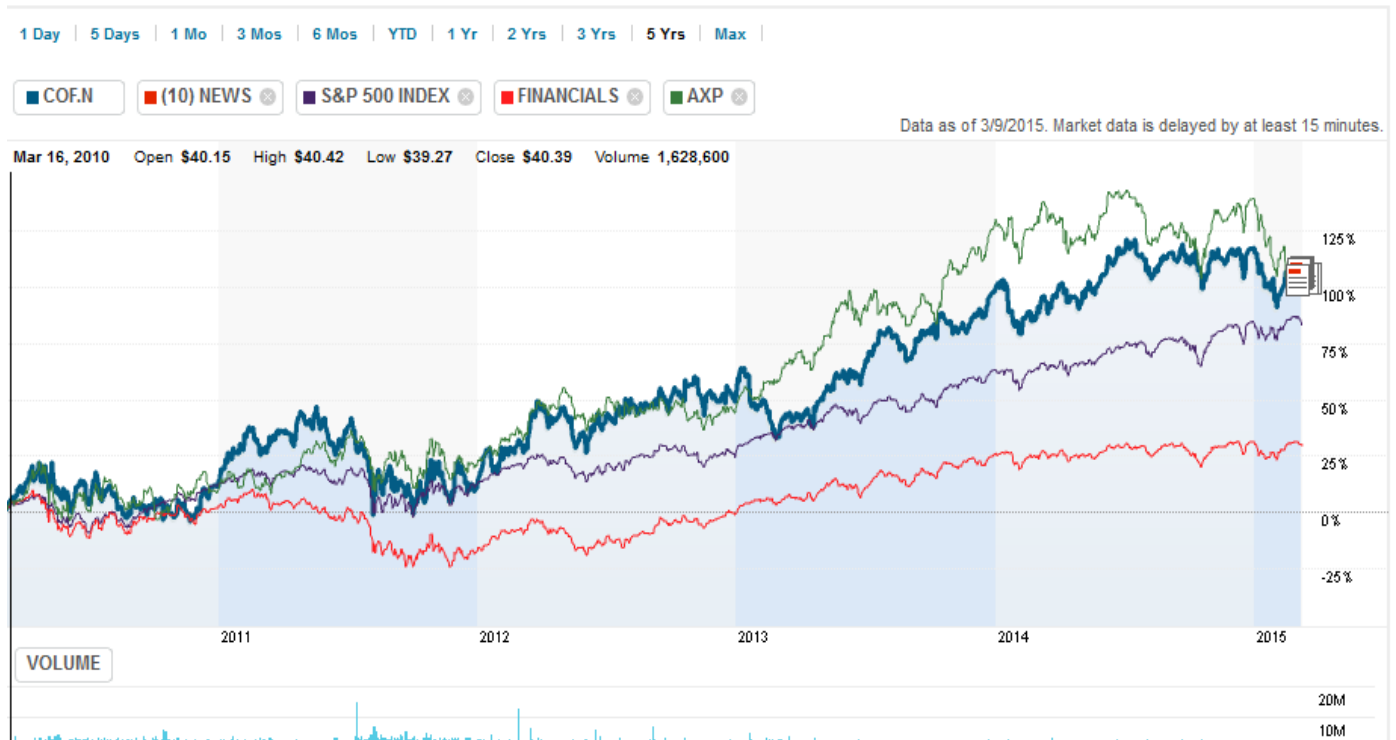
(I-2) A one year price chart

Copy/paste the “1 Yr” stock chart here



(I-3) A five year price chart

Copy/paste the "5 Yrs." stock chart here



1) (I-1) – (I-3) Discuss what you observe from the above stock price charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

In the past 3-months Capital One Financial has been underperforming the S&P 500 and the Financials sector. However, they have been beating a direct competitor (American Express) by almost 10%. Capital One's performance for the past year has shown an overall outperformance of the S&P 500, the Financials sector, and its competitor American Express. It hasn't been till January 2015 that the S&P 500 has been slightly outperforming Capital One. Finally, when looking at the 5 yrs stock price chart, it can be seen that Capital One's competitor American Express and been outperforming its stock since the beginning of 2013. This is not without note to the fact that both Capital one and American Express are showing large positive growth far above the performance of the S&P 500 and the Financials sector. This again, can be accredited to the recent trend in the growth of U.S. GDP, lower unemployment rate, and increased consumer spending.

2) Other observations worth noting?

(I-4) Technical Indicators (“Moving Average” and “Relative Strength Index” from <https://www.google.com/finance?tab=we>

Short-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



Long-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



1) Discuss your findings from these sets of technical indicators. Compare your findings here to findings from fundamental analysis. Are findings from technical analysis supportive of your other findings?

Upon analysis of these technical indicators it is clear the Capital One's stock consistently beats the SMA for 50 periods during 1yr. However, Capital One's stock performs pretty evenly to the SMA of 10 periods during 1yr with some beats and misses. The relative strength index shows a weak performance for the market over 1 year. Looking at the 10yr chart, Capital One's stock consistently beats both SMA 50 and SMA 200 periods. The relative strength index shows a strong market over the past 10yrs with the exception to the financial crisis in 2008 and the recovery period that entailed. Compared to our fundamental analysis, the findings are similar in that they both show Capital One currently at a decrease and its expected future growth that will offset this minor default in growth.

Works Cited

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

<http://www.nasdaq.com/>

<http://www.morningstar.com/>

<http://www.reuters.com/>