



Exeter Student Investment Fund

Learn. Network. Invest.

Barclays Group [BARC]

Edward Harley

March 2021



Company:

- Barclays PLC
- BARC
- LSE & NYSE

Why Barclays:

- Strong performance through the pandemic.
- Diversified growth opportunities
- Strong accounts & future growth predictions

Potential Risks:

- High competition within the financial sector
- Change in management
- Reliant on economic recovery



Company Overview - History



Founded

- Established 1690, London.
- Expanded overseas, 1925.



Aims

- Market leading retail banking
- Diversified CIB and CC&P banking



Past Strategy

- 2nd largest UK bank
- 9.63% market share by total assets



Historical Stock Performance

- Currently £1.54
- FY High: £1.75 (Feb 2020)
- P/E: 18.56
- Market Cap: £27.71bn
- Income: £21.8bn





Chairman – Nigel Higgins

- Appointed May 2019
- Deputy chairman at Rothschild & Co
 - Managing partner
 - Chair of group executive committee



CEO – Jes Staley

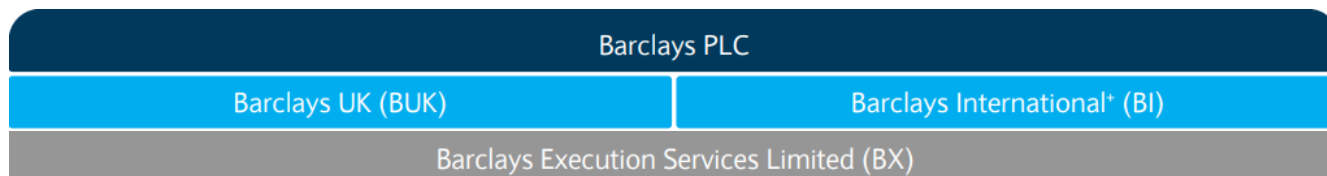
- Appointed December 2015
- CEO of JP Morgan
 - Increased asset management profitability threefold
- Expected to step down at end of 2021.

Biggest Shareholders: Credit Suisse (5.69%), Qatar Holding (5.86%), Sherborne Investors (5.44%) and Norges Bank (3%)

Company Overview – Business Overview



Structure:

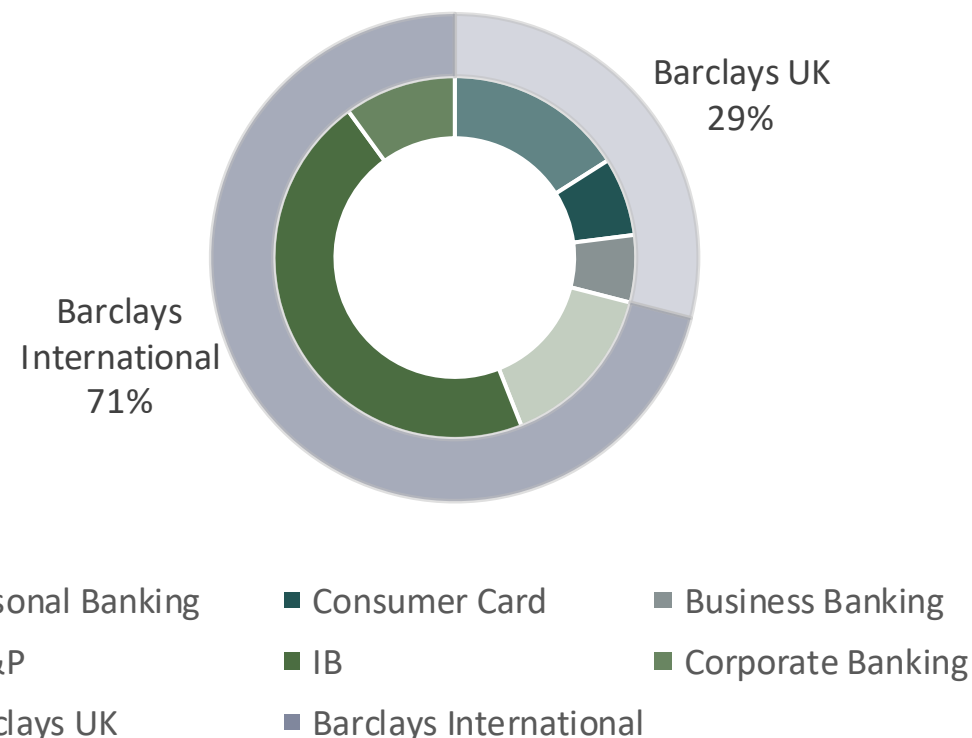


Geographies:

- Diversified worldwide.
- Independent of EU.
- 48% of income non-UK

Future Business Strategy:

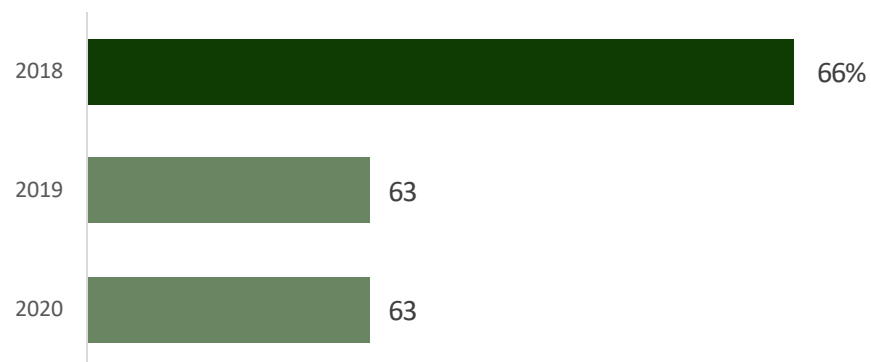
- Continue to build on growth opportunities internationally.
- Reduce costs.
- Invest into new income streams.





- **Reduce costs**

Cost: Income Ratio

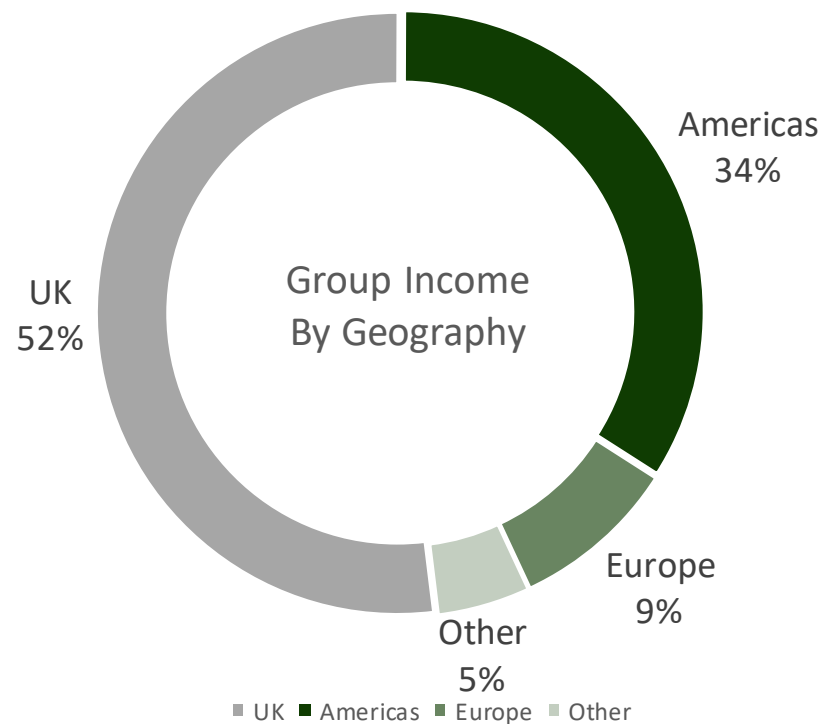


- **Diversification**

- Barclays serves a wide spectrum of customers
- Geographically diverse
- Varied income stream – not dependent on interest rate

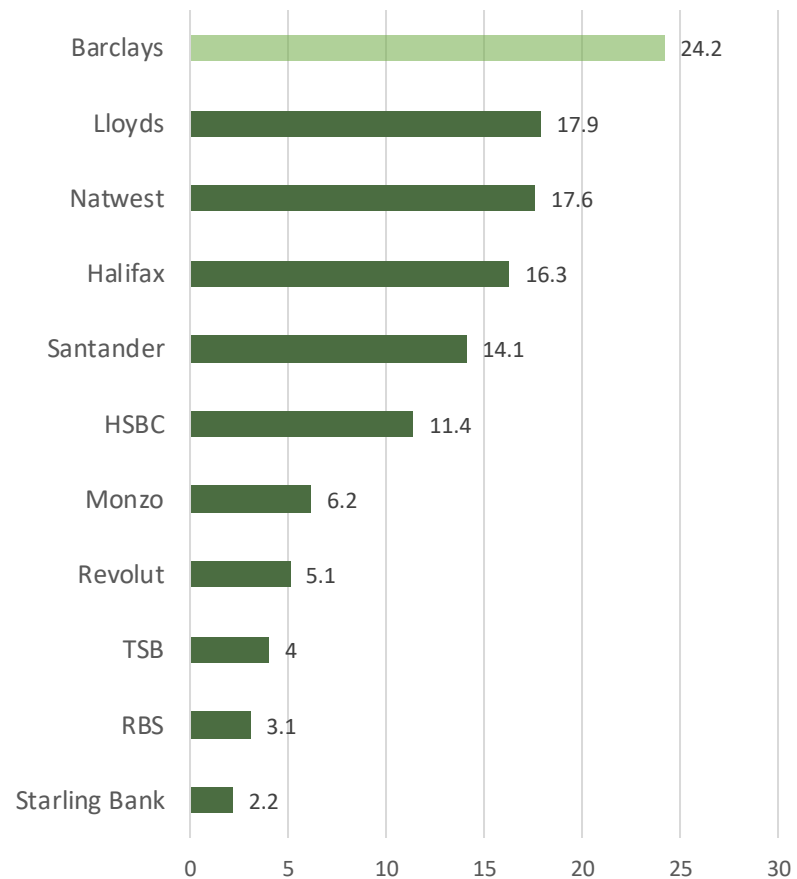
- **Growth Opportunities**

- Global capital markets
- Commercial bank operations in Europe and US
- Greater avenues for growth from SMEs
- Expansion of UK wealth management division





Market Share of Monthly Online Banking Users



Traditional Competition:

- Biggest competitors are Citi Group, HSBC and Bank of America. Barclays being the smallest by revenue.
- Continual growth of commercial & investment banking divisions
- Dominating cards and payments business

Fintech Competition:

- Modern threat to consumer banking
- Little expected impact on revenue
- Forced continual investment and upgrades to mobile banking services



- **Bank is stronger than February 2020**
 - Downturn within FIG as a result of COVID-19 (BARC -54%).
 - Banks not hit as hard as expected – increase in income of 1%.
 - Share 25% down despite stronger position.
- **Upturn in economic performance**
 - Increase in consumer spending.
 - Continued high performance from investment bank.



- **Dividends to resume in Q1 2021:**
 - 1 pence per share.
 - £700m stock buy back.
- **General economic recovery:**
 - COVID-19 affect on the economy less than expected.
 - Share 25% down as of March.
 - Bank in stronger position than February 2020.

Balance Sheet Overview



Overview:

- High book value of debt resulting from financial activities.
- Assets of £1.3tn.
- £684bn of managed assets - increase of £142bn over the last year.
- Stronger balance sheet than February 2020

High Liquidity

- £266bn liquid – 20% of assets
- CET1 ratio of 15.1%

Consolidated balance sheet - GBP (£) £ in Millions	Dec. 31, 2020	Dec. 31, 2019
Assets		
Cash and balances at central banks	£ 191,127	£ 150,258
Cash collateral and settlement balances	101,367	83,256
Loans and advances at amortised cost	342,632	339,115
Reverse repurchase agreements and other similar secured lending	9,031	3,379
Trading portfolio assets	127,950	114,195
Financial assets at fair value through the income statement	175,151	133,086
Derivative financial instruments	302,446	229,236
Financial assets at fair value through other comprehensive income	78,688	65,750
Investments in associates and joint ventures	781	721
Goodwill and intangible assets	7,948	8,119
Property, plant and equipment	4,036	4,215
Current tax assets	477	412
Deferred tax assets	3,444	3,290
Retirement benefit assets	1,814	2,108
Other assets	2,622	3,089
Total Assets	1,349,514	1,140,229
Liabilities		
Deposits at amortised cost	481,036	415,787
Cash collateral and settlement balances	85,423	67,341
Repurchase agreements and other similar secured borrowing	14,174	14,517
Debt securities in issue	75,796	76,369
Subordinated liabilities	16,341	18,156
Trading portfolio liabilities	47,405	36,916
Financial liabilities designated at fair value	249,765	204,326
Derivative financial instruments	300,775	229,204
Current tax liabilities	645	313
Deferred tax liabilities	15	23
Retirement benefit liabilities	291	348
Other liabilities	8,662	8,505
Provisions	2,304	2,764
Total liabilities	1,282,632	1,074,569

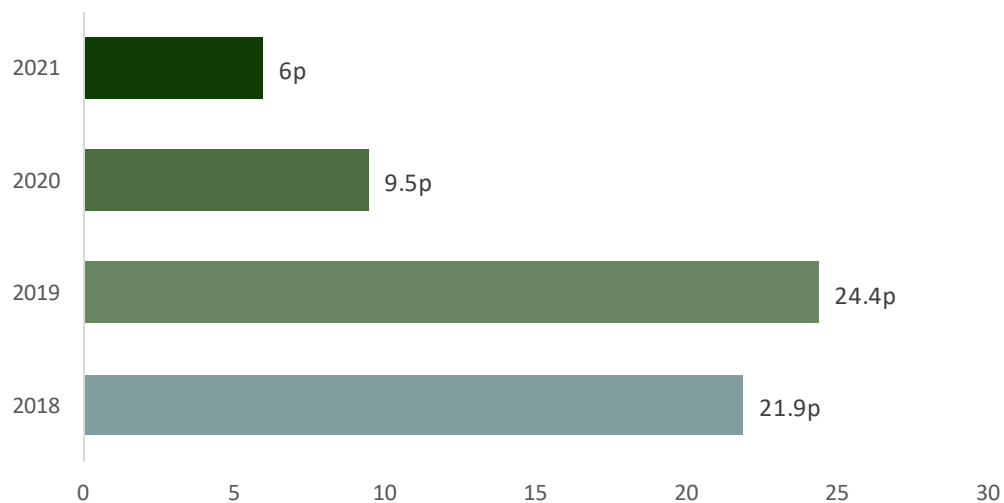
Valuation



Ratios

- P/E: 18.56
- P/B: 0.4
- P/S: 1.62
- EV/EBT: 10.8
- Net profit margin: 12.5%

Earnings Per Share (Pence)



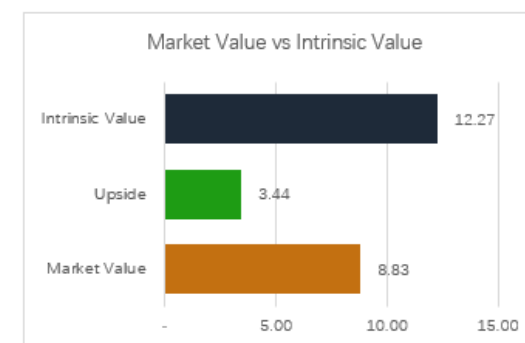
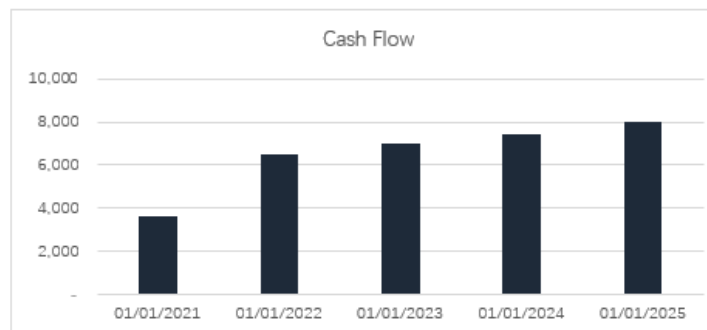
Valuation – Bull Case



DCF Model - Barclays Group PLC

Assumptions

Tax Rate	20%
Discount Rate	7%
Perpetual Growth Rate	3.00%
EV/EBITDA Multiple	10.8x
Transaction Date	27/02/2021
Fiscal Year End	31/12/2021
Current Price	8.83
Shares Outstanding	17,342
Debt	144,895
Cash	210,142
Capex	1,324



Discounted Cash Flow	Entry	Currency					Exit
		2021	2022	2023	2024	2025	
Date	27/02/2021	30/09/2021	30/09/2022	30/09/2023	30/09/2024	30/09/2025	30/09/2025
Time Periods		0	1	2	3	4	
Year Fraction		0.59	1.00	1.00	1.00	1.00	
EBIT		5,070	5,577	6,135	6,748	7,423	
Less: Cash Taxes		999	1,099	1,209	1,329	1,462	
Plus: D&A		4,063	4,063	4,063	4,063	4,063	
Less: Capex		1,324	1,324	1,324	1,324	1,324	
Less: Changes in NWC		700	700	700	700	700	
Unlevered FCF		6,110	6,517	6,965	7,458	8,000	
(Entry)/Exit	(87,885)						164,733
Transaction CF	-	3,615	6,517	6,965	7,458	8,000	164,733
Transaction CF	(87,885)	3,615	6,517	6,965	7,458	8,000	164,733

Terminal Value

Perpetual Growth	205,991
EV/EBITDA	123,474
Average	164,733

Intrinsic Value

Enterprise Value	147,627
Plus: Cash	210,142
Less: Debt	144,895
Equity Value	212,874
Equity Value/Share	12.27

Market Value

Market Cap	153,132
Plus: Debt	144,895
Less: Cash	210,142
Enterprise Value	87,885
Equity Value/Share	8.83

Rate of Return

Target Price Upside	39%
Internal Rate of Return (IRR)	21%

Market Value vs Intrinsic Value

Market Value	8.83
Upside	3.44
Intrinsic Value	12.27

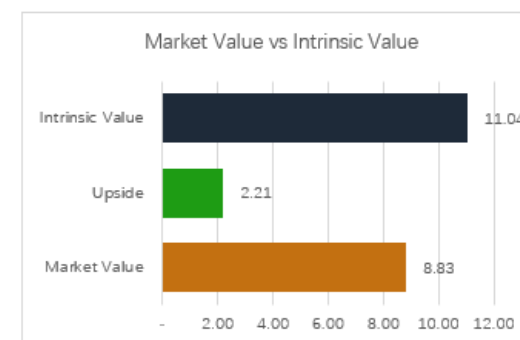
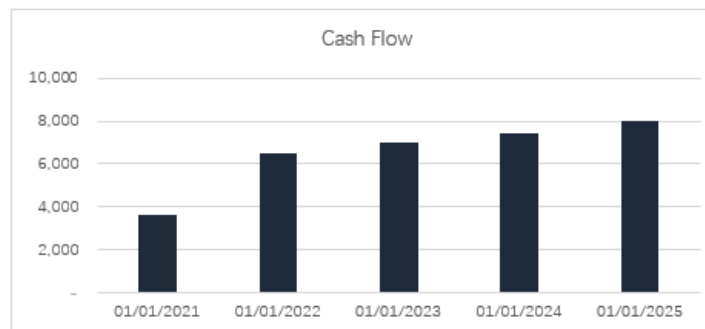
Valuation – Bear Case



DCF Model - Barclays Group PLC

Assumptions

Tax Rate	20%
Discount Rate	7%
Perpetual Growth Rate	1.50%
EV/EBITDA Multiple	10.8x
Transaction Date	27/02/2021
Fiscal Year End	31/12/2021
Current Price	8.83
Shares Outstanding	17,342
Debt	144,895
Cash	210,142
Capex	1,324



	Entry	2021	2022	2023	2024	2025	Exit
Date	27/02/2021	30/09/2021	30/09/2022	30/09/2023	30/09/2024	30/09/2025	30/09/2025
Time Periods		0	1	2	3	4	
Year Fraction		0.59	1.00	1.00	1.00	1.00	
EBIT		5,070	5,577	6,135	6,748	7,423	
Less: Cash Taxes		999	1,099	1,209	1,329	1,462	
Plus: D&A		4,063	4,063	4,063	4,063	4,063	
Less: Capex		1,324	1,324	1,324	1,324	1,324	
Less: Changes in NWC		700	700	700	700	700	
Unlevered FCF		6,110	6,517	6,965	7,458	8,000	
(Entry)/Exit	(87,885)						135,552
Transaction CF	-	3,615	6,517	6,965	7,458	8,000	135,552
Transaction CF	(87,885)	3,615	6,517	6,965	7,458	8,000	135,552

Terminal Value

Perpetual Growth	147,630
EV/EBITDA	123,474
Average	135,552

Intrinsic Value

Enterprise Value	126,239
Plus: Cash	210,142
Less: Debt	144,895
Equity Value	191,486
Equity Value/Share	11.04

Market Value

Market Cap	153,132
Plus: Debt	144,895
Less: Cash	210,142
Enterprise Value	87,885
Equity Value/Share	8.83

Rate of Return

Target Price Upside	25%
Internal Rate of Return (IRR)	17%

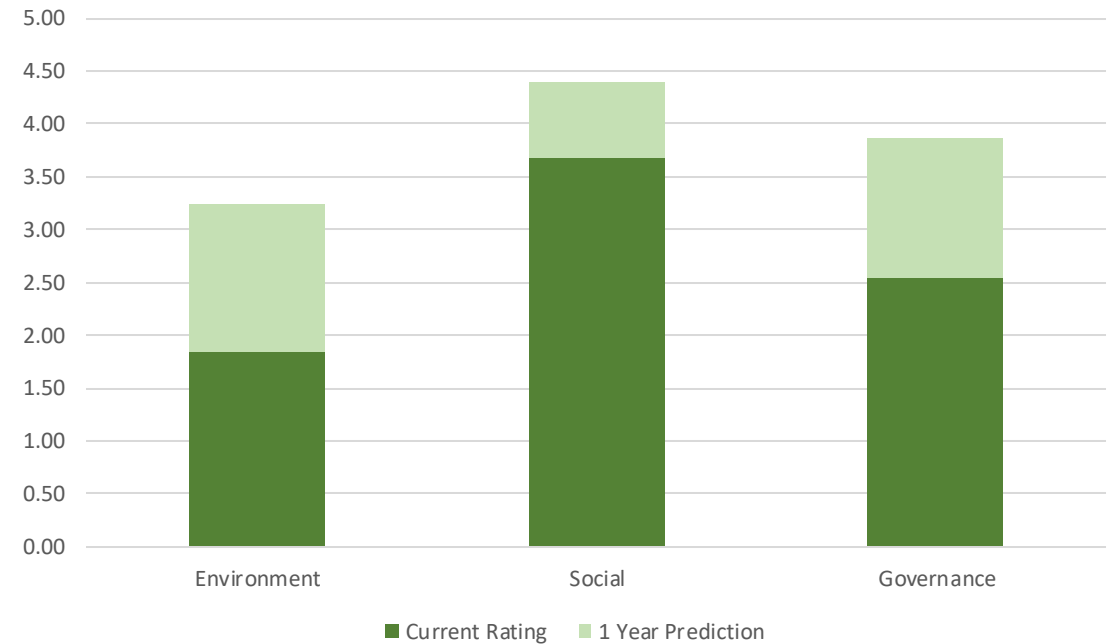
Market Value vs Intrinsic Value

Market Value	8.83
Upside	2.21
Intrinsic Value	11.04



- Aim to be a net zero bank by 2050
- Already net zero on own operations.
- Climate resolution passed AGM 2020
- Low diversity on board and poor gender performance

ESG Scores





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Closing Summary

Q&A