



Citigroup, Inc. (C)

Updated July 19th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$93	5 Year CAGR Estimate:	13.7%	Market Cap:	\$171 B
Fair Value Price:	\$96	5 Year Growth Estimate:	11.0%	Ex-Dividend Date:	08/04/2025
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.6%	Dividend Payment Date:	08/22/2025
Dividend Yield:	2.6%	5 Year Price Target	\$161	Years Of Dividend Growth:	3
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

Citigroup was founded in 1812, when it was known as the City Bank of New York. In the past 200+ years, the bank has grown into a global juggernaut in credit cards, commercial banking, trading, and a variety of other financial activities. It has thousands of branches, produces almost \$85 billion in annual revenue, and has a \$171 billion market capitalization.

Citi posted second quarter earnings on July 15th, 2025, and results were better than expected on both the top and bottom lines. The bank raised guidance as well, and the stock reacted very positively.

Earnings-per-share came to \$1.96, which was 35 cents ahead of estimates. Revenue was up 8% year-on-year to \$21.7 billion, beating expectations by \$740 million. The top line was driven by gains in all of the company's business units. Excluding divestitures, revenue would have risen 9%.

Cost of credit was \$2.9 billion, up 16% year-over-year, driven by higher net build in credit loss allowances. The latter was attributed to a deterioration in the macroeconomic outlook.

Net interest income is now expected at the top end of prior guidance, or up about 4%. Similarly, revenue is now expected at ~\$84 billion, the top end of prior guidance. Expenses are expected at ~\$53.4 billion, roughly equivalent to prior guidance.

End-of-period loans were \$725 billion in Q2, up from \$702 billion in the prior quarter. Deposits were \$1.36 trillion, up from \$1.32 trillion in Q1. We now see \$7.65 in adjusted earnings-per-share for this year after a terrific first half of the year. The bank also boosted its dividend by 7%, to a new payout of \$2.40 per share annually.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.44	\$4.72	\$5.33	\$6.65	\$8.04	\$4.87	\$10.07	\$7.11	\$5.60	\$6.21	\$7.65	\$12.89
DPS	\$0.16	\$0.42	\$0.96	\$1.54	\$1.92	\$2.04	\$2.04	\$2.04	\$2.08	\$2.18	\$2.40	\$3.53
Shares¹	2,954	2,772	2,570	2,369	2,114	2,082	1,984	1,937	1,914	1,877	1,810	1,500

Citi's earnings-per-share history is clouded by the immense struggles it endured following the Great Recession. However, years of hard work have paid off, and earnings have continued to move higher over time. We see Citi producing \$7.65 per share in earnings for 2025, from which we expect 11% annual growth for the foreseeable future.

We believe Citi will continue to see higher revenue as its institutional and consumer businesses gather cheap deposits and lend them prudently, leading to reasonable loss rates and favorable margins. Citi is pulling back on lending at the moment due to less than favorable spreads on loans, which is resulting in extremely low loan-to-deposit ratios. That is a headwind, as it results in higher deposit costs without commensurate lending revenue, crimping top line and margin growth. However, the company's buybacks could be good for a mid-single-digit reduction in the share count annually, as we saw in 2021 and 2022. We note that even in the recent tumultuous interest rate environment, Citi is performing reasonably well. Citi is not as tied to traditional lending as most other banks, so the yield curve is not as critical, but the cost of deposits is important for its massive credit card business. Continued deposit growth that is outpacing lending

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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growth is weighing on margins. This was masked in 2021 by reserve releases, but it appears the bank is back to taking provisions on new loans without the benefit of massive releases, as evidenced in recent results showing higher credit costs, which is a headwind for earnings. We note higher credit provisions are simply a cost of growing any bank's loan portfolio, but also that the bank has reduced guidance for credit quality for the balance of 2025.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	9.8	9.7	12.3	10.4	8.4	11.0	6.9	6.4	9.2	11.3	12.2	12.5
Avg. Yld.	0.3%	0.9%	1.5%	2.2%	2.8%	3.8%	2.9%	4.5%	4.0%	3.1%	2.6%	2.2%

At 12.2 times earnings, Citigroup's price-to-earnings ratio is now about in line with fair value. We expect the dividend yield of 2.6% to decline as the share price appreciates more than the dividend, and as the company spends heavily on buybacks. Even so, this is a decent income stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	7%	9%	18%	25%	24%	42%	20%	29%	37%	35%	31%	27%

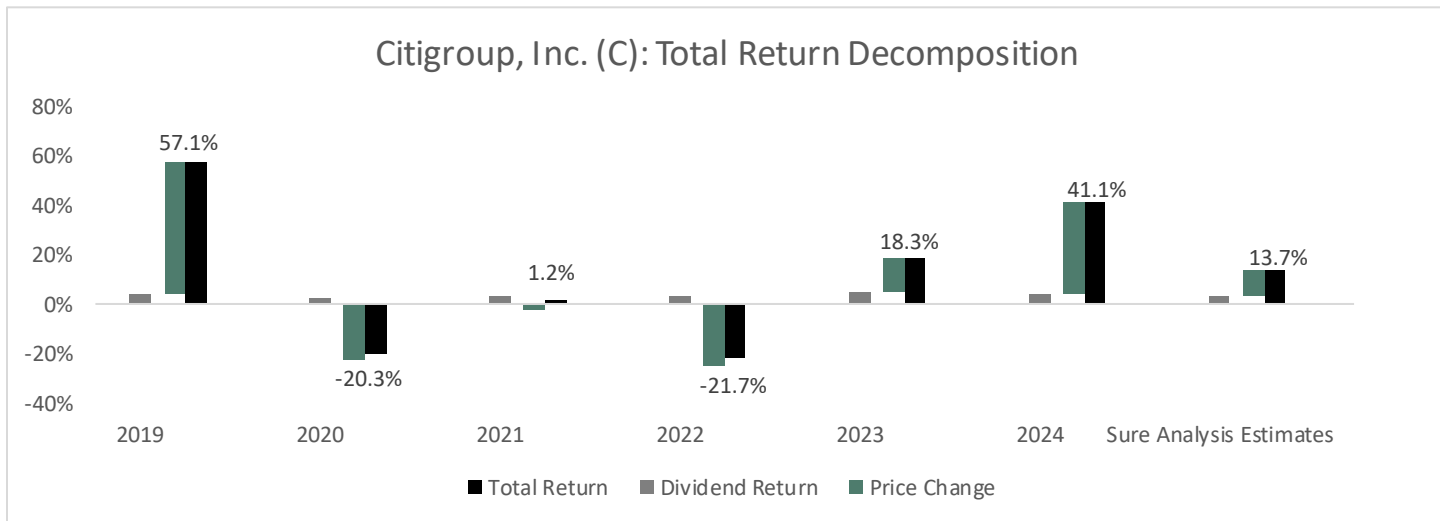
Citi's payout ratio is only 31% of estimated earnings this year. The bank has fully built its dividend back after playing catch up for several years. We now expect modest dividend raises for the foreseeable future, as Citi focuses instead on buying back shares.

Citi's competitive advantage is in its global reach and its large position in the lucrative credit card business. Citi has differentiated itself from the other money center banks in these ways and it continues to serve the bank well. It is very susceptible to recessions as it nearly went out of business in 2008/2009. The 2020 downturn wasn't kind to Citi, although we note that the bank is in much better shape than it was heading into the financial crisis from a balance sheet and business mix perspective for future recessions.

Final Thoughts & Recommendation

We are forecasting 13.7% total annual returns over the next five years. Earnings should be higher again this year, and we expect 11% annual growth. The yield is decent at 2.6%. We think Citi has a potentially strong earnings tailwind in cost savings ahead as interest rates move favorably for banks. With growth still very strong and the valuation in line with fair value, we think Citi still warrants a buy rating after Q2 results.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	76,354	70,797	72,444	72,854	74,286	75,494	71,887	75,305	78,486	81,089
SG&A Exp.	29,897	29,303	29,698	29,892	30,026	32,130	26,740	28,305	30,712	29,745
D&A Exp.	3,506	3,720	3,659	3,754	3,905	3,937	3,964	4,262	4,560	4,311
Net Profit	17,242	14,912	-6,798	18,045	19,401	11,047	21,952	14,845	9,228	12,682
Net Margin	22.6%	21.1%	-9.4%	24.8%	26.1%	14.6%	30.5%	19.7%	11.8%	15.6%
Free Cash Flow	36,539	50,977	-12,135	33,178	-18,170	-24,067	42,971	19,437	-79,999	-26,169
Income Tax	7,440	6,444	29,388	5,357	4,430	2,525	5,451	3,642	3,528	4,211

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	1,731	1,792	1,842	1,917	1,951	2,260	2,291	2,417	2,412	2,357
Cash & Eq. (\$B)	133	160	180	188	193	310	262	342	261	277
Goodwill & Int.	27.851	28.337	27.402	27.266	26.948	26,909	25,794	24,119	24,519	23,794
Total Liab (\$B)	1,508	1,565	1,640	1,720	1,757	2,060	2,089	2,214	2,206	2,148
Accounts Payable	53.722	57.152	61.342	64.571	48.601	11,165	61,430	69,218	63,539	66,601
LT Debt (\$B)	222	236	281	264	293	301	282	319	324	336
Total Equity (\$B)	205	205	181	177	175	180	183	182	188	191
LTD/E Ratio	1.00	1.05	1.40	1.35	1.52	1.51	1.40	1.58	1.58	1.61

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	0.8%	-0.4%	1.0%	1.0%	0.5%	0.96%	0.6%	0.4%	0.5%
Return on Equity	8.5%	7.3%	-3.5%	10.0%	11.0%	6.2%	12.1%	8.1%	5.0%	6.1%
ROIC	3.7%	3.3%	-1.4%	3.8%	4.1%	2.2%	4.5%	3.0%	1.8%	2.4%
Shares Out.	2,954	2,772	2,570	2,369	2,114	2,082	2,049	1,964	1,956	1,940
Revenue/Share	25.39	24.51	26.85	29.20	32.79	35.97	35.08	38.34	40.13	41.80
FCF/Share	12.15	17.65	-4.50	13.30	-8.02	-11.47	20.97	9.90	-40.90	-13.76

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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