

AMERICAN INTERNATIONAL GROUP

Not So Risky Business

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Background

'Bring on Tomorrow'

Full Life Insurance Company

Segments: AIG Property Casualty & AIG
Life and Retirement

International: Serves Client Worldwide

The Troubles of AIG

AIG underwent largest corporate Bailout
in American History

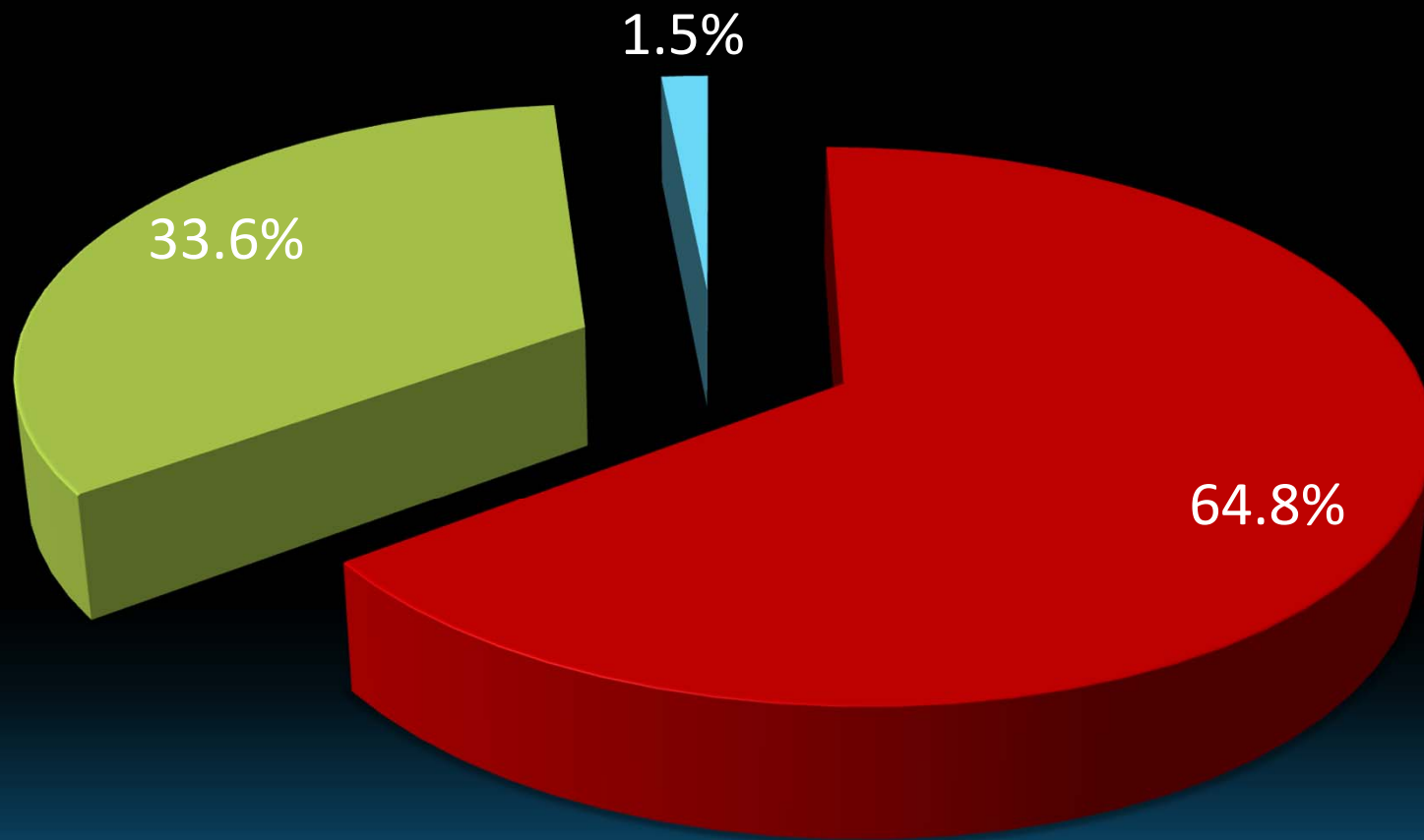
Due to Overleveraging and heavy
Derivative usage

AIG Turned it Around

Today AIG is much less complex company (with far few derivatives on their books)

AIG has new management

Revenues



■ Property Casualty ■ Life and Retirement ■ Mortgage Guaranty

AIG Property Casualty

Commercial: Casualty, Property, Specialty, Financial

Customer: Accident & Health, Personal

Business associates: National Union Fire Insurance Company of Pittsburgh, Pa.; New Hampshire Insurance Company; American Home Assurance Company; Lexington Insurance Company; AIU Insurance Company; Chartis Overseas Limited; Fuji; Chartis Singapore Insurance, Pte, Ltd. and AIG Europe Limited.

Over 70 million clients worldwide

AIG Property Casualty

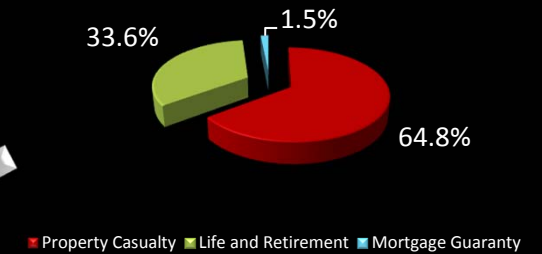
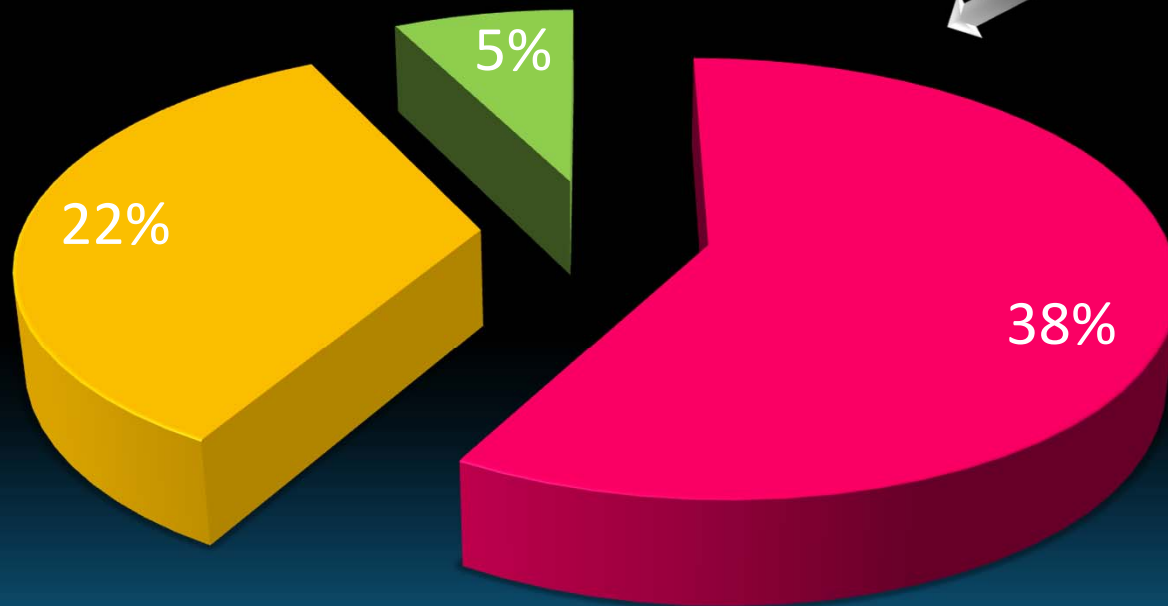
In business with:

- ▣ 98% of Fortune 500
- ▣ 96% of Fortune 1000
- ▣ 90% of Fortune Global 500

#1 Commercial Insurer in:

- ▣ U.S.
- ▣ Canada
- ▣ Japan
- ▣ China

Property Casualty



■ Commercial Insurance ■ Consumer Insurance ■ Other

Life and Retirement

Formerly SunAmerica

Life Insurance: Life Insurance and A&H,
Group Benefits, Institutional

Retirement Services: Group Retirement,
Fixed Annuities, Variable Annuities,
Brokerage Services, Retail Mutual Funds

Over 18 million customers worldwide

Life and Retirement

Life Insurance:

#4 Structured Settlements

#5 Term Life

Fixed Annuities:

#1 Provider for 16 straight years

Group Retirement:

#2 K-12 Assets

#3 403(b) Assets

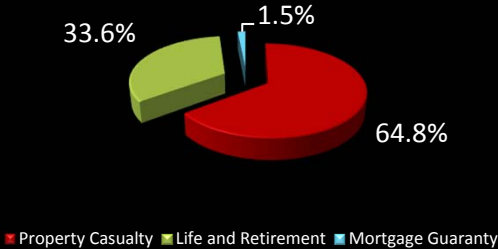
Variable Annuities:

#5 Non-captive variable annuity sales

Life and Retirement



■ Retail ■ Institutional



Demographic

Individuals

- Insurance
- Investing
- Banking
- Life and Retirement
- Claims

Businesses

- Insurance
- Financial Services
- Life and Retirement
- Aircraft Leasing
- Claims

The Global Marketplace

Has a significant international presence in three major geographic regions:

- Americas
- Asia Pacific
- EMEA (Europe, Middle East, and Africa)

EMEA

Europe
Middle East
Africa

\$6.8 bn

20%

Americas

U.S., Canada
Latin America and the Caribbean

\$17.9 bn

52%

Asia Pacific

Japan
Other Asia Pacific nations

\$9.7 bn

28%



Business Strategy

Business Mix Shift

Underwriting Excellence

Claims Best Practices

Operating Expenses Discipline

Capital Management

Priorities

Strengthen and improve the operating performance of core businesses

Enhance the yield on investments while maintaining focus on quality

Work with the Board of Governors of the Federal Reserve System

Reduce recurring operating expenses by leveraging AIG's scale

Key Strengths

World Class Insurance Franchises

A Diverse Mix of Businesses

Effective Capital Management

Execution of Strategic Objectives

Improved Profitability

Risk Factors

Depends on area of interest

In general:

- Barriers to entry are high
- Regulatory changes in recent years created increasingly complex environment; affects industry growth and profitability

Increased Regulation

Board of Governors of the Federal Reserve System (FRB)

Financial Stability Oversight Council created by Dodd-Frank

Risk-Based Capital Model Law requirements (NAIC)

Financial Stability Board (FSB)

International Association of Insurance Supervisors (IAIS)

Guru Holdings

Bruce Berkowitz



Phil Bauch



International Lease Finance Corporation

ILFC is an aircraft leasing business headquartered in Los Angeles

ILFC leases Boeing and Airbus aircraft to major airlines worldwide, including: American Airlines, United Airlines, and Delta Airlines.

International Lease Finance Corporation

Expected to close in Q2, says AerCap

AIG will be an owner of 46% of AerCap after the transaction continue to report ILFC results on its books

Largest Non-core Asset

DISCOUNTED CASH FLOW MODEL

Earnings Per Share : \$ 6.13

Growth Rate In the Next: 10 Years 0 %

Business Predictability  ?

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %

DCF

Reverse DCF ^{NEW}

Tangible Book Value: \$ 68.62 Add to Fair Value ?

Growth Value: \$ 34.64 ?

Terminal Value: \$ 13.43 ?

= Fair Value: \$ 116.69 ?

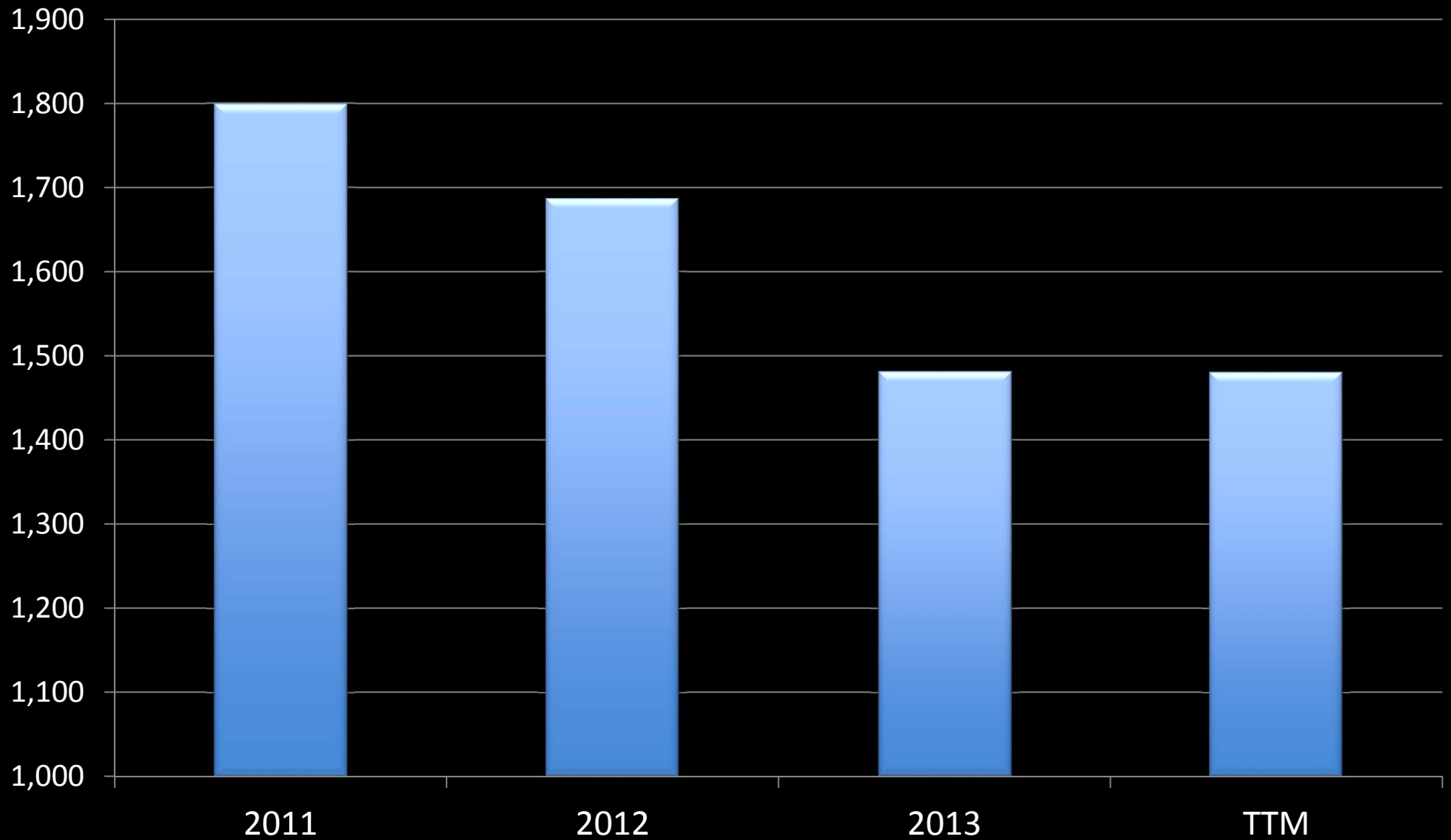
Result may not be accurate due to the low predictability of business

Margin Of Safety: 58%

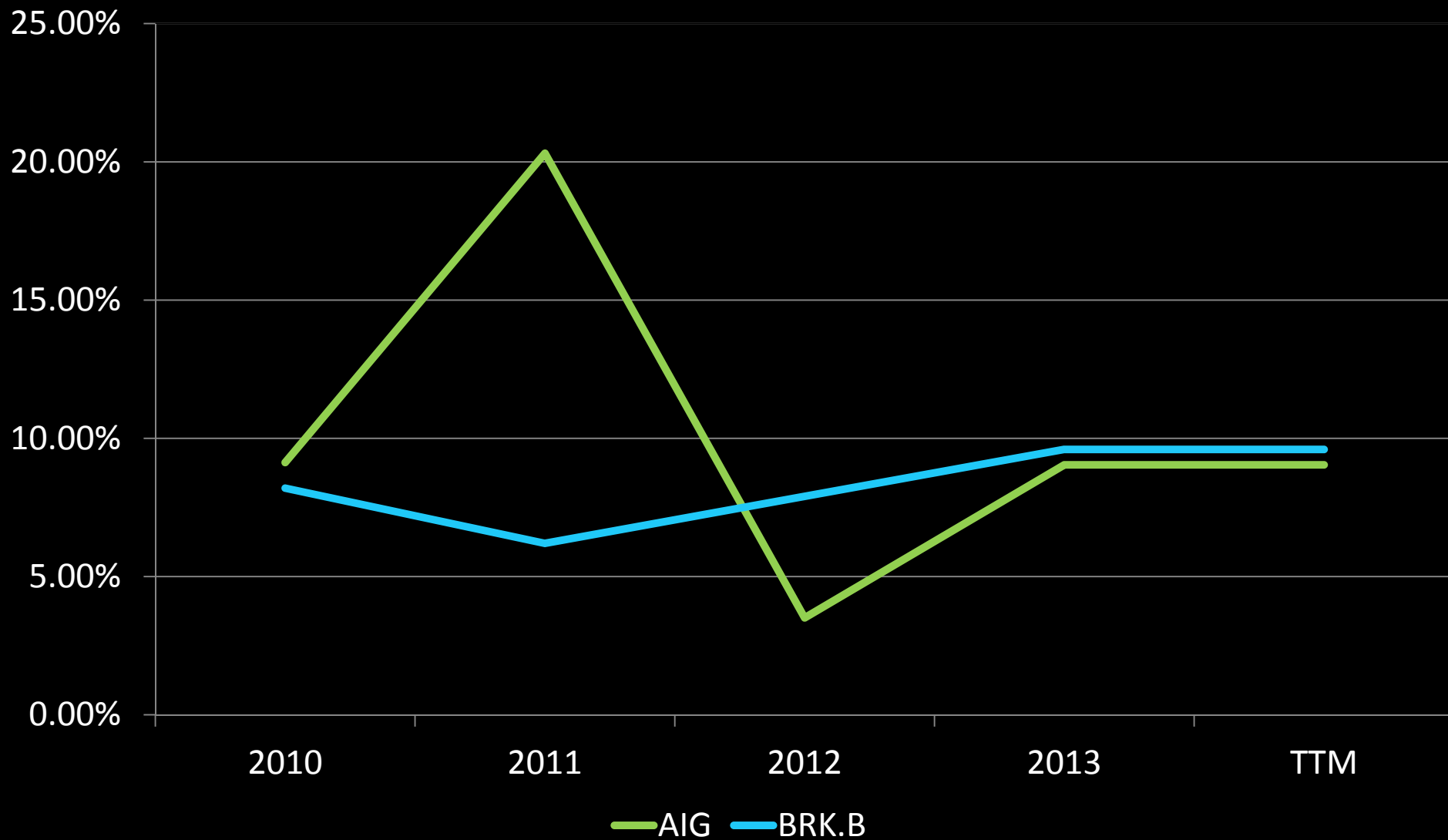
Net Profit Margin



Shares Outstanding



Return on Equity



DuPont Analysis

	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
TTM	0.10	0.04	5.39	2.07%
2013	0.13	0.13	5.39	9.25%
2012	0.05	0.13	5.60	3.49%
2011	0.35	0.11	5.45	20.67%
2010	0.10	0.11	8.01	8.81%

Statistical Array Analysis *From 2010

Increasing trends?

Sales per Share	Yes*
Cashflows per Share	Yes
Earnings per Share	Yes
Dividends Declared per Share	Newly Issued
Book Value per Share	YES!
Revenues (Sales)	Yes*
Gross Profit Margin	N/A
Operating Profit Margin	Yes
Number of Stores	N/A
Net Profit	Yes
Net Profit Margin	Vary

Statistical Array Analysis

Increasing trends?

Working Capital

N/A

Shareholder's Equity

Constant

Return on Shareholder's Equity

Vary

Common Shares Outstanding

Decreasing

Long-Term Debt

Decreasing

All Dividends to Net Profit under 60%

Yes

LT Debt Payable in 5 years

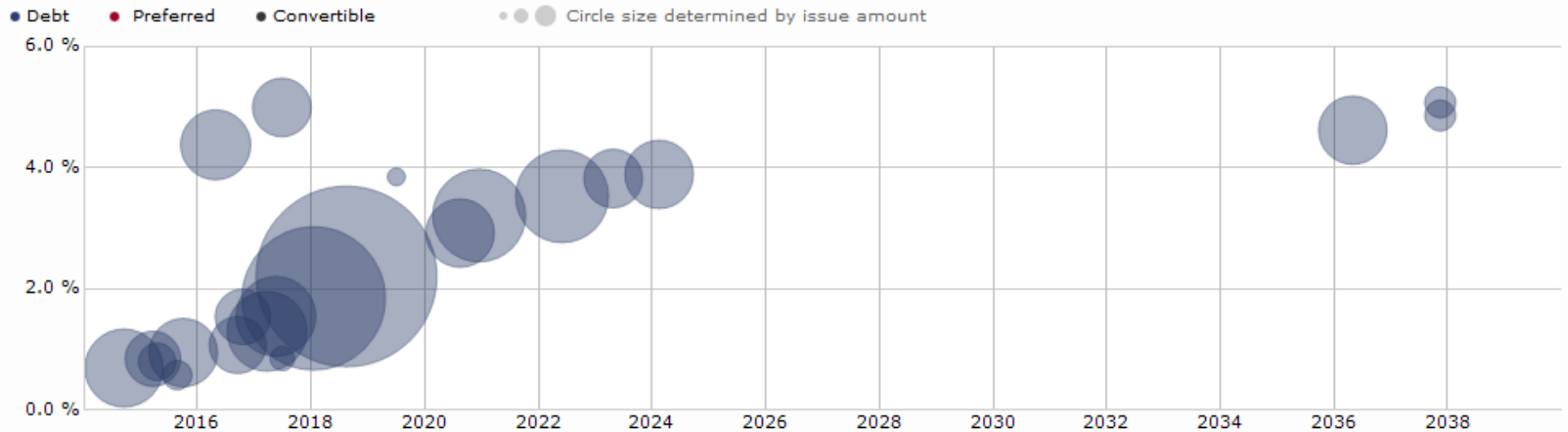
No* 5.05 year

Obligation Ratio

Long Term Debt	\$41,693
Unfunded Pensions	\$1,500
Leases carried forward	\$2,730
Preferred Stock	--
Net Income	\$9,085
Obligation Ratio	5.05

Long Term Debt

Yield to Maturity



Long Term Debt

By Size

Name	Maturity Date	Amount \$(Mil)
Amer Intl Grp 7.98%	06/15/2017	12,023.0
Aig-Fp Matched Fun 7%	05/15/2015	8,235.9
Aig-Fp Matched Fun	08/22/2022	8,000.0
Bqe Aig 3.25%	08/20/2032	4,880.4
Amer Intl Grp 8.59%	09/15/2016	4,270.3
Amer Intl Grp 8.175%	05/15/2068	3,633.6
Amer Intl Grp 144A	05/15/2068	3,633.6
Amer Intl Grp	05/15/2068	3,632.6
Amer Intl Grp 8.25%	08/15/2018	3,244.8
Amer Intl Grp Inc Mtn Be 5.85%	01/16/2018	2,500.0

By Date

Name	Maturity Date	Amount \$(Mil)
Aig-Fp Matched Fdg	09/07/2014	---
Amer Intl Grp 4.25%	09/15/2014	1,196.4
Aig-Fp Matched Fun	01/28/2015	27.5
Bqe Aig 5.1251%	02/10/2015	2,000.0
Aig-Fp Matched Fdg	03/01/2015	0.000
Bqe Aig 7.64%	03/04/2015	988.5
Banque Aig Sa	03/04/2015	33.9
Amer Intl Grp 3%	03/20/2015	750.0
Amer Intl Grp 2.875%	04/16/2015	393.4
Aig-Fp Matched Fun 7%	05/15/2015	8,235.9

CONSCIOUS INVESTOR

Safety

Price	48.98
Earnings Per Share	6.13
Price to Earnings Ratio	7.19
Historical Growth	7.05%
Payout	8%
Annualized Rate of Return	5.98%

Kill It

Cut P/E by 2.64%

Cut Historical Growth
by 29.1%

Price	48.98
Earnings Per Share	6.13
Price to Earnings Ratio	7
Historical Growth	5%
Payout	8%
Annualized Rate of Return	3.43%

Kill It Again

Cut P/E by 16.43%

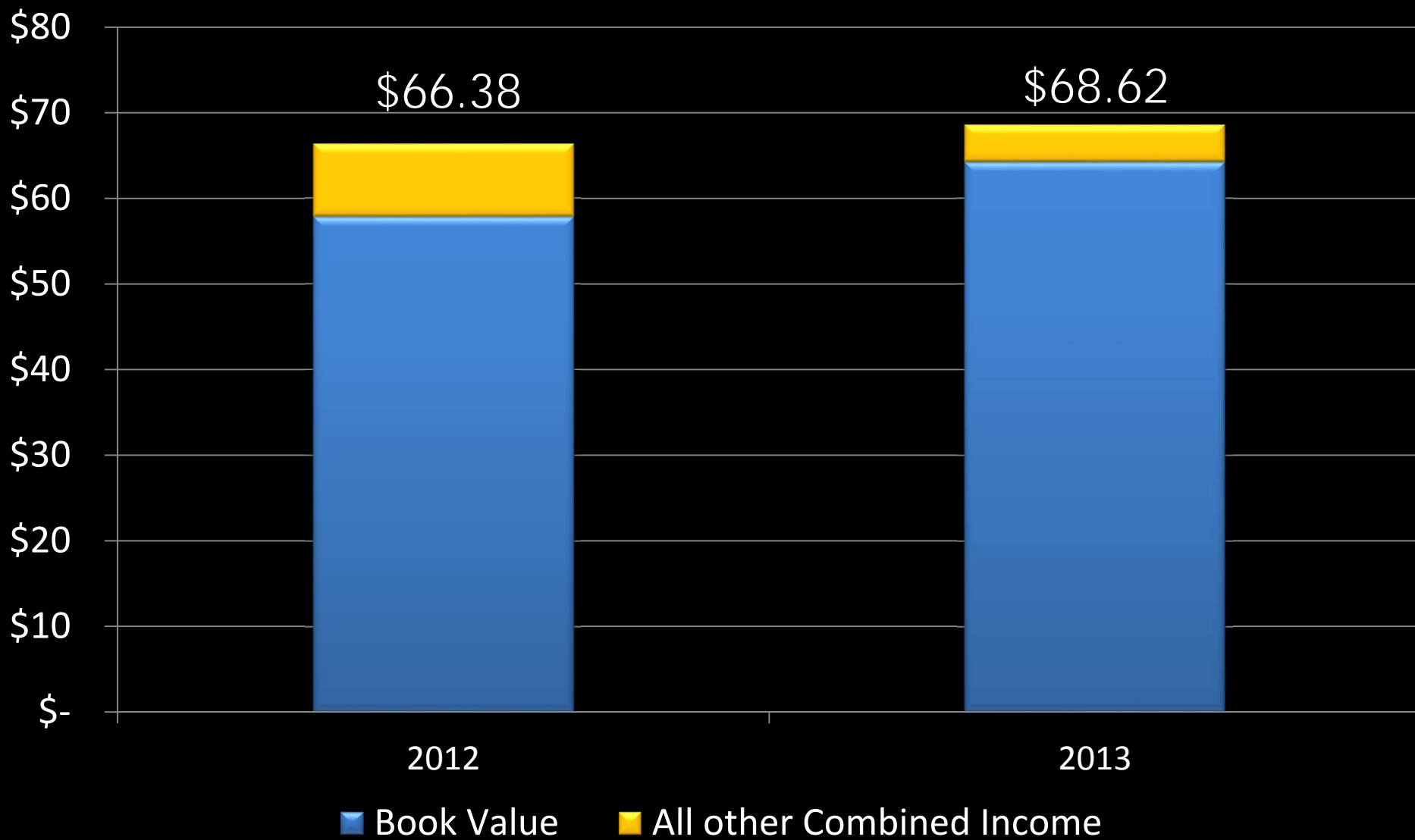
Price	48.98
Earnings Per Share	6.13
Price to Earnings Ratio	5.85
Historical Growth	5%
Payout	8%
Annualized Rate of Return	0%

HISTORICAL VALUATIONS

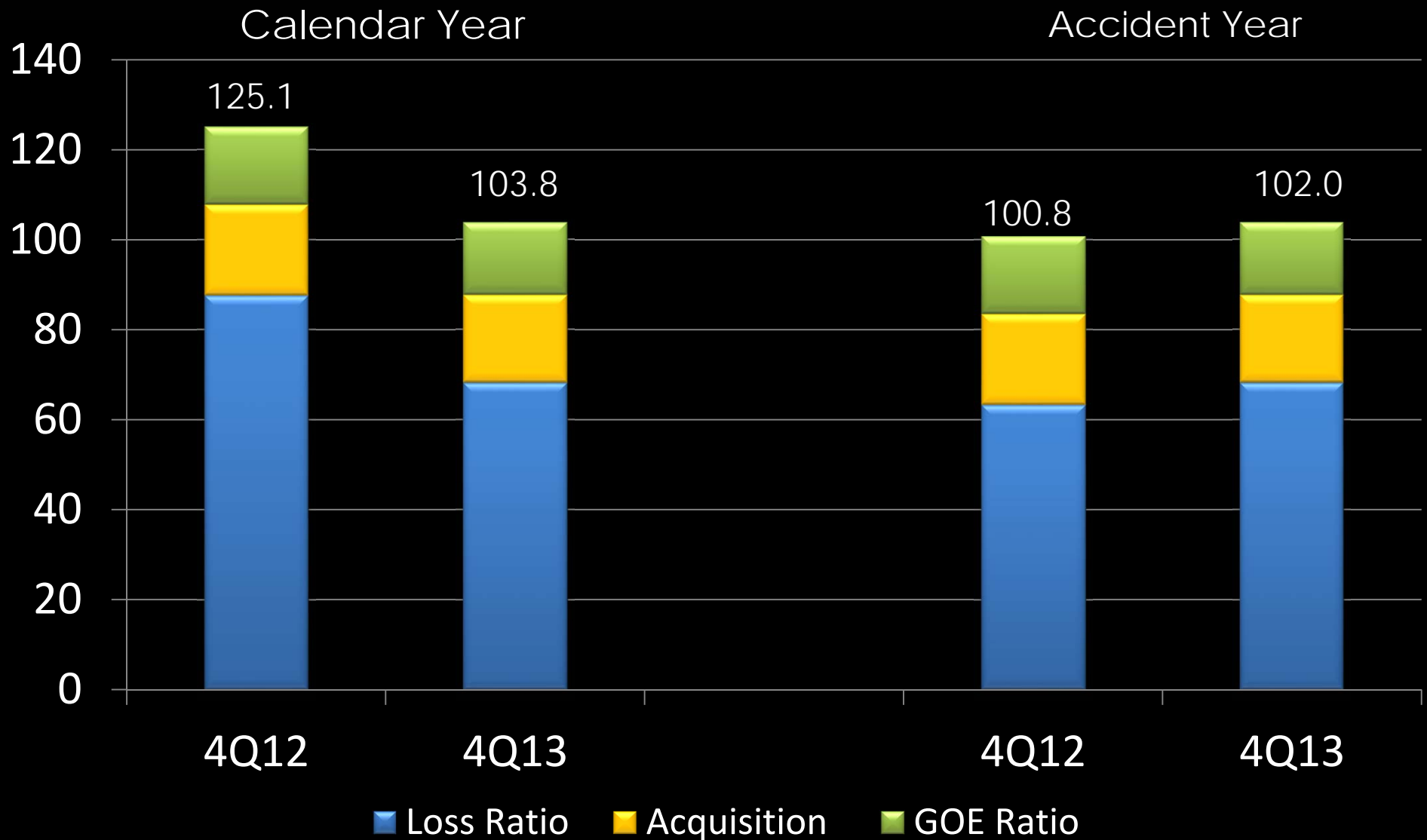
Value Metrics

Fiscal Period	2010	2011	2012	2013	TTM
PE Ratio(ttm)	3.12	2.6	23.76	8.33	7.9
Price to Tangible Book	0.08	0.42	0.53	0.69	0.71
Price-to-Free-Cash-Flow ratio	0.39	1.34	15.83	12.92	12.4
PS Ratio	0.09	0.69	0.83	1.1	1.05
EV-to-Revenue	2.73	1.98	1.41	7.2	1.64
EV-to-EBITDA	7.23	21.42	9.78	35.12	8.05
EV-to-EBIT	11.8	1022.76	34.64	52.79	11.9

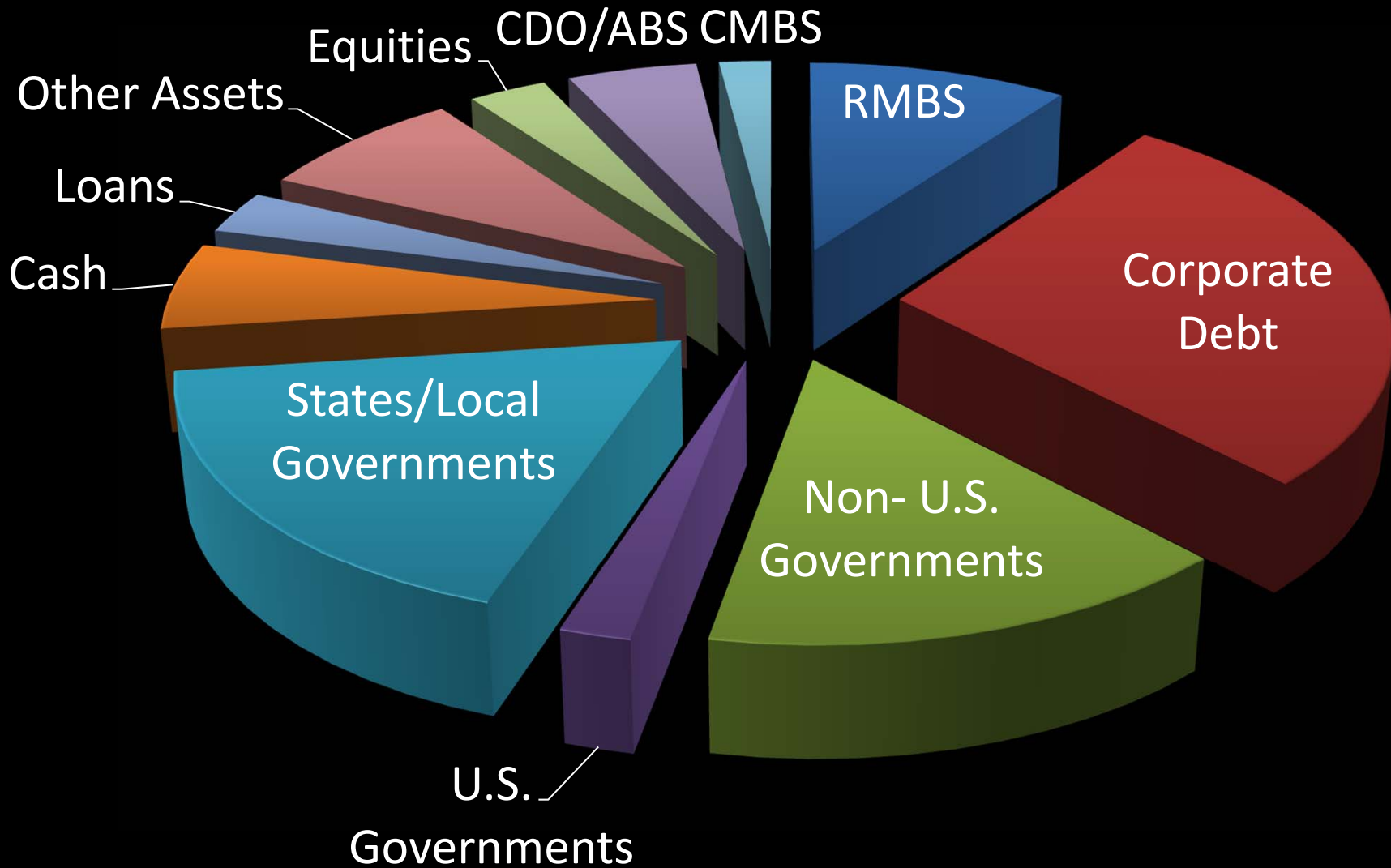
Price to Book



Combined Ratio



Investments



Qualitative Review

What type of Business is this: Commodity or Sustained Competitive Advantage?	Competitive Advantage
Can you easily explain what this business does?	Yes
Is AIG heavily unionized?	No
Does it require heavy capital infusion?	No
Lots of Research and Development?	No
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes*
If I gave you \$1 billion could you develop a competitor?	No

Qualitative Review

How can I lose money?	If the Market does not close the gap to tangible book.
What is this stock NOT worth? What is this stock going to be worth?	Re-evaluate as AIG approaches Tangible Book
What can go wrong?	End of World disasters?
What is the market implied discount rate?	12%
If this drops 50% today, will I buy more?	Absolutely

INTRA-PROFILE


Price to Sales

	Ticker	▲ Price / Sales
▷	AIG-WT	-
▷	BBY	0.2
▷	WMT	0.5
▷	CHRW	0.7
▷	WAG	0.9
▷	AIG 🇺🇸	1.1
▷	BBBY	1.3
▷	AAP	1.4
▷	BRK.B	1.5
▷	PEP	1.9
▷	WRLD	2.0
▷	NSRGY	2.4
▷	LO	2.6
▷	BDX	2.7
▷	MDT	3.5
▷	KO	3.6
▷	MSFT	3.8
▷	ORCL	4.9


Price to Earnings

	Ticker	▲ Price / Earnings
▷	BBY	-
▷	AIG-WT	-
▷	AIG 🇺🇸	8.1
▷	WRLD	11.2
▷	BBBY	13.8
▷	BRK.B	13.8
▷	MSFT	14.0
▷	WMT	14.3
▷	CHRW	14.4
▷	LO	15.4
▷	MDT	15.6
▷	ORCL	16.6
▷	PEP	18.3
▷	KO	19.7
▷	NSRGY	20.6
▷	AAP	23.4
▷	WAG	23.9
▷	BDX	24.1

Price to Tangible Book

	Ticker	▲ Price / Tangible ...
▷	AIG-WT	-
▷	PEP	-
▷	LO	-
▷	AIG 	0.7
▷	BRK.B	1.7
▷	BBY	2.9
▷	WRLD	3.3
▷	BBBY	3.9
▷	WAG	4.0
▷	WMT	4.5
▷	MSFT	4.7
▷	AAP	7.2
▷	BDX	8.0
▷	MDT	10.3
▷	NSRGY	13.5
▷	ORCL	20.0
▷	KO	36.3

Price to Earnings Growth

	Ticker	▲ PEG Forward
▷	AIG-WT	-
▷	BRK.B	-
▷	WRLD	0.7
▷	AIG 	1.0
▷	AAP	1.0
▷	BBBY	1.2
▷	ORCL	1.2
▷	LO	1.3
▷	WAG	1.4
▷	WMT	1.6
▷	MSFT	1.9
▷	CHRW	2.0
▷	BDX	2.0
▷	PEP	2.2
▷	MDT	2.4
▷	KO	2.8
▷	BBY	3.0
▷	NSRGY	5.2

Company	AIG	Berkshire Hathaway Inc.	MetLife	Prudential Financial	Travelers Companies
Number of Guru Holders	16	14	8	2	6
Price	\$49.12	\$171,320	\$50.45	\$84.34	\$83.65
Market Value (mil)	\$71,915	\$280,290	\$56,557	\$39,049	\$29,472
Revenue (mil)	\$68,678	\$162,463	\$68,150	\$84,815	\$26,191
P/E(ttm)	7.90	14.20	22.70	-	8.40
P/S	1.10	1.60	0.80	0.50	1.20
P/B	0.70	1.30	0.90	1.10	1.20
ROA (%)	1.6	3.50	0.20	0.10	0
ROE (%)	8	7.90	2.10	1.20	0
Operating Margin (%)	10.7	13.70	2.10	0.80	0
Net Margin (%)	9.6	9.10	1.90	0.60	0

AIG - Even MORE Value

Government Regulations

Forward Tax Credit

The Fed's Balance Sheet

Recent balance sheet trends

Choose one of the 5 charts.

Support for Specific Institutions

- Total
- Support to AIG***
- Maiden Lane
- Maiden Lane II LLC
- Maiden Lane III LLC

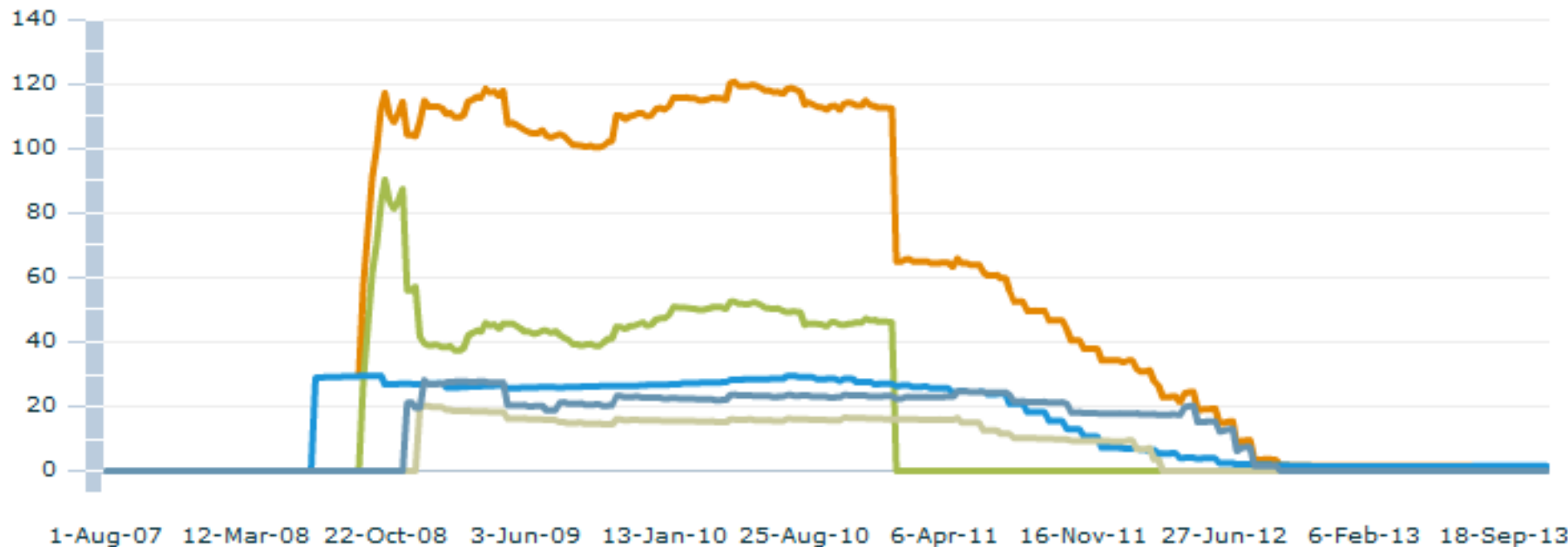


View as table

Fullscreen

The Federal Reserve provided support for certain specific institutions over the course of 2008. The amount of support outstanding has since declined considerably.

\$Billions



Government Regulations

Recognizes AIG may be 'too big to fail'

Provides a Safety Net

Tax Credits

\$34.2 billion in U.S. operating loss carryforward

\$1.1 billion in capital loss carryforwards

\$5.8 billion in foreign tax credits

\$41.1 Billion Total

In Conclusion

Even almost 6 years removed, the market continues to irrationally discount
AIG

Rule #1

We have the opportunity to purchase into one of the world's largest insurance companies at a 40% discount to liquidation value.

Shares vs. Warrants Bring on Tomorrow

Shares

- AIG Stock = \$50.00
 - 0% Return
- AIG Stock = \$65.00
 - 30% Return
- AIG Stock = \$77.08
 - 54% Return
- AIG Stock = \$94.42
 - 88.84% Return

Warrants

- AIG Stock = \$50.00
 - -74% Return
- AIG Stock = \$65.00
 - 0% Return
- AIG Stock = \$77.08
 - 64% Return
- AIG Stock = \$94.42
 - 153% Return

Recommendation

Limit Order of AIG Warrants at \$18.75

- Allow holder to purchase a share of AIG at \$45.00
- Expire Jan. 19, 2021