

Title: Citadel Financial Statement analysis

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<https://preview.redd.it/1n74yhxzkk81.png?width=844&format=png&auto=webp&s=c86c4abe19792a8b86606ed1c5e37417bb1d1457>

Citadel Securities LLC's financial statement got released by the SEC today!

I dug into it and found some juicy details. Let's unpack them brick by brick.

# TL;DR:

**\*\*Citadel had to buy back \$1.04B on January 3rd, 2022\*\*** as their repurchase agreement came to an end. This might be a reason why they raised capital from Sequoia Capital and Paradigm, \$1.1B and why they are further paring back their investment in Melvin Capital (total \$1B(?) returned).

Citadel's investors are pulling back their money: This year the capital withdrawals increased to \$470 million, **\*\*an increase of +180%\*\***

Citadel got a revolving loan agreement of \$1 Billion, which likely has more flexible terms regarding withdrawing and repayment. This fits in the pattern of **\*\*continuously raising capital\*\*** since august last year.

# 1. Credit risk paragraph shows changes:

No picture for this one, I compared the 2021 text with the 2020 text using a text comparison tool and found some changes:

- \* No longer mentions options at the Bank of America Merrill Lynch subsidiary

- \* No longer mentions "minimize this credit risk by carrying minimal excess collateral above any specific collateral requirement determined in accordance with the contractual terms between the Company and the relevant financial institution."

- \* Added statement: "The cash and security account balances held at various global financial institutions, which typically exceed government sponsored insurance coverages, subject the Company to a concentration of credit risk. Where possible, the Trading Managers attempt to mitigate the credit risk that exists with these account balances by, among other things, maintaining these account balances pursuant to segregated custodial arrangements. "

**\*\*What I speculate that it means and some questions:\*\***

The paragraph is started by "Credit risk is the risk of losses due to the failure of a counterparty to perform according to the terms of a contract." I think there is only two cases of a possible counterparty risk, either when:

1. They don't have enough money to purchase shares on a contract
2. They don't have enough shares/collateral to fulfill the terms of a contract

**\*\*Question:\*\*** Why are options no longer a risk of losses due to the failure of a counterparty? I don't know, please add your thoughts in the comments.

**\*\*Speculation:\*\*** No longer the mention of minimization of credit risk, maybe because they can't minimize this risk anymore?

**\*\*Question:\*\*** Why would they add a statement regarding the government sponsored insurance coverages in their credit risk paragraph? Are they expecting that the government insurances potentially aren't enough when their counterparties fail?

# 2. Statement of Commitments was added as a new section under Risk Management:

[\\\"Commitments: The Company enters into forward starting repurchase agreements that settle at a future date. At December 31, 2021, the Company had commitments relating to its unsettled forward starting repurchase agreements of \$1.04 billion, which each had a settlement date of January 3, 2022.\\\" - 2021, page 9](https://preview.redd.it/mwo2u8z50ok81.jpg?width=381&format;=jpg&auto;=webp&s;=8080bf8cd24aef0165324edd8d4fb448c8ff185)

**\*\*What I think it means:\*\***

I think it means that Citadel had lend out securities/collateral worth \$1.04 billion. The financial statement measures til 12/31, but that agreement came to an end on January 3rd'22. That's quite a material change, hence they report that they still have the 'commitment' to buy back whatever they lend out worth \$1.04 billion at the determined date, January 3rd 2022. This could possibly explain why Citadel needed a capital injection??■

# 3. Capital withdrawals increased significantly!

[\\\"Subsequent to December 31, 2021, the Company had capital withdrawals of \$470 million.\\\" - 2021, page 11](https://preview.redd.it/qldpujs1znk81.jpg?width=378&format;=jpg&auto;=webp&s;=789445b59ef4402f91714b66a4e2e8fda1647325)

**\*\*What it means:\*\***

Last year the capital withdrawals amounted to \$168 million. This year the capital withdrawals increased to \$470 million, **\*\*an increase of +180%\*\***. This might be the juiciest statement in the entire report. Needless to say, this is bullish af!

# 4. Replacing Cash Advancement agreement with a Revolving Loan agreement

[\\\"Effective January 1, 2022, the Company's cash advance agreement with CSLP was terminated and replaced with a revolving loan agreement. The revolving loan agreement matures on December 31, 2022, and has a commitment of \$1 billion. The loan bears interest at SOFR plus a spread, and is terminable by CSLP on 90 days' advance notice.\\\" - 2021, page 11](https://preview.redd.it/htni1is32ok81.jpg?width=387&format;=jpg&auto;=webp&s;=d3a338265e8c5f5eb56f9d1c00f2cb93539fac50)

I am trying to figure out if this is meaningful for us. Let's look at the definitions of the two agreements.

**\*\*Definition cash advance agreement:\*\***

>'Means a loan in cash or things we consider cash equivalents.'

**\*\*Definition Revolving loan agreement:\*\***

>'A revolving loan facility is a form of credit issued by a financial institution that provides the borrower with the ability to draw down or withdraw, repay, and withdraw again. A revolving loan is considered a flexible financing tool due to its repayment and re-borrowing accommodations.'

**\*\*What I think it means:\*\***

So it SEEMS that they ALSO have a loan of \$1B to one of their companies with flexible withdrawing and repayment terms. If you add this pattern of capital injection with all the other capital injections...

To put things into perspective, these are the raised capital statements that we know of:

1. \$0.5B from Melvin Capital aug'21
2. \$1.1B from Sequoia Capital and Paradigm jan'21
3. Another \$0.5B (?) from Melvin Capital jan'22

**\*\*It seems that our shitface buddies at Citadel are not doing so well...\*\***

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**\*\*Sources:\*\***

Citadel financial statement'21 got published at the SEC today.

Link to 2021 version: [[https://www.sec.gov/Archives/edgar/data/1146184/000128417022000004/CDRG\BS\Only\\_FS\\_2021.pdf](https://www.sec.gov/Archives/edgar/data/1146184/000128417022000004/CDRG\BS\Only_FS_2021.pdf)]([https://www.sec.gov/Archives/edgar/data/1146184/000128417022000004/CDRG\\_BS\\_Only\\_FS\\_2021.pdf](https://www.sec.gov/Archives/edgar/data/1146184/000128417022000004/CDRG_BS_Only_FS_2021.pdf)) Link to 2020 version (for comparison) : [<https://sec.report/Document/0001616344-21-000004/CDRG\StmntFinCndtn2020.pdf>]([https://sec.report/Document/0001616344-21-000004/CDRG\\_StmntFinCndtn2020.pdf](https://sec.report/Document/0001616344-21-000004/CDRG_StmntFinCndtn2020.pdf))

Definition cash advance agreement: [<https://www.lawinsider.com/dictionary/cash-advance-agreement>](<https://www.lawinsider.com/dictionary/cash-advance-agreement>)

Definition revolving loan agreement: [<https://www.investopedia.com/terms/r/revolving-loan-facility.asp>](<https://www.investopedia.com/terms/r/revolving-loan-facility.asp>)

Citadel plans to redeem 500 Million from Melvin Capital: [<https://www.reuters.com/business/griffins-citadel-plans-redeem-500-mln-melvin-capital-wsj-2021-08-21/>](<https://www.reuters.com/business/griffins-citadel-plans-redeem-500-mln-melvin-capital-wsj-2021-08-21/>)

plans-redeem-500-mln-melvin-capital-wsj-2021-08-21/)

Citadel gets \$1.1B in first outside investment from Sequoia Capital and Paradigm: [<https://www.cfo.com/credit-capital/2022/01/citadel-gets-1-1b-in-first-outside-investment/>](<https://www.cfo.com/credit-capital/2022/01/citadel-gets-1-1b-in-first-outside-investment/>)

Citadel paring back \$2 billion from Melvin Capital: [<https://www.marketwatch.com/story/citadel-is-further-paring-back-2-billion-melvin-investment-11645713644>](<https://www.marketwatch.com/story/citadel-is-further-paring-back-2-billion-melvin-investment-11645713644>)

GameStop moon soon ■■■