

Ameriprise Financial

4Q23 First Impression – Core earnings roughly in-line but organic growth softer

Maintain Rating: BUY | PO: 447.00 USD | Price: 389.46 USD

Core earnings roughly in-line but organic growth softer

Ameriprise Financial (AMP) reported roughly in-line core earnings (\$7.75 vs. \$7.70 consensus & \$7.84 BofAe) with both revenues and expenses close to our estimates after excluding items (severance, regulatory, mark-to-market share-based comp).

NNA miss but still elevated due to Comerica win

AMP reported strong annualized WM organic growth (+11%) which included \$15B from the Comerica win (estimate \$3B will flow in later). This implies a +4% organic growth rate which is slightly below AMP's 5-6% historical range. FA headcount grew +1.1% q/q but this included Comerica's 95 advisors (0% on core basis). Franchise FA headcount actually shrunk while we estimate AMP retained most of the AuC from these departures. Global institutional AM flows of -\$4B missed and this was driven by \$2B related to anticipated PM attrition plus lower LDI inflows.

Client cash balances stabilizing & sorting slowing

Total brokerage cash & certificates balances grew by +10% after declining by 4-5% the last two quarters. Most of the growth came from off-balance sheet broker-dealer cash which climbed by \$3B q/q (\$2.5B was from Comerica). Excluding the Comerica inflows, client cash balances were stable q/q as sorting decelerated and client tax-loss selling helped. AMP's off-balance sheet broker dealer yield dropped to 3.49% from 4.28% q/q, but we expect upward normalization by mid-2024 as AMP reinvests the portfolio.

Exhibit 1: AMP's 4Q23 actuals vs. BofA forecasts

AMP reported roughly in-line core EPS but op margin and organic growth misses

| | 4Q22 | 3Q23 | 4Q23E | 4Q23A | Beat/Miss | 4Q23 | |
|-------------------------|---------|---------|---------|----------|-----------|--------|-------|
| | | | | | | QoQ | YoY |
| Wealth Management Flows | 12,381 | 8,901 | 28,000 | 22,700 | -19% | 155.0% | 83.3% |
| Asset Management Flows | (6,774) | (5,798) | (5,110) | (10,570) | -307% | 82.3% | 56.0% |
| Adj. Revenue | 3,645 | 3,915 | 3,967 | 3,948 | 0% | 0.8% | 8.3% |
| Adj. Operating Income | 973 | 956 | 1,062 | 1,033 | -3% | 8.1% | 6.2% |
| Adj. Operating Margin | 26.7% | 26.9% | 26.8% | 26.4% | -1% | -0.5% | -0.3% |
| Adj. EPS | \$6.94 | \$6.96 | \$7.84 | \$7.75 | -1% | 11.4% | 11.7% |

Source: BofA Global Research, Company reports

BofA GLOBAL RESEARCH

| Estimates (Dec) (US\$) | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------|-------|-------|-------|-------|-------|
| EPS | 22.75 | 25.17 | 29.50 | 35.47 | 39.14 |
| EPS Change (YoY) | 90.9% | 10.6% | 17.2% | 20.2% | 10.3% |
| DPS | 4.39 | 4.87 | 5.26 | 5.84 | 6.42 |
| Valuation (Dec) | | | | | |
| P/E | 17.1x | 15.5x | 13.2x | 11.0x | 10.0x |
| Dividend Yield | 1.1% | 1.3% | 1.4% | 1.5% | 1.6% |

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Refer to important disclosures on page 5 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.

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Stock Data

| | |
|----------------------------|------------------------|
| Price | 389.46 USD |
| Price Objective | 447.00 USD |
| Date Established | 11-Jan-2024 |
| Investment Opinion | B-1-7 |
| 52-Week Range | 275.09 USD -393.60 USD |
| Mrkt Val / Shares Out (mn) | 39,412 USD / 101.2 |
| Free Float | 99.7% |
| Average Daily Value | 203.19 USD |
| BofA Ticker / Exchange | AMP / NYS |
| Bloomberg / Reuters | AMP US / AMP.N |
| ROE (2023E) | 0% |
| ESGMeter™ | High |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

AM: Asset management

AuC: Assets under custody

FA: Financial advisor

LDI: Liability driven investing

NII: Net investment income

NNA: Net new assets

PM: Portfolio manager

WM: Wealth management

iQprofileSM Ameriprise Financial

| Economic Income (Dec) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| (US\$ Millions) | | | | | |
| Management fees | NA | NA | NA | NA | NA |
| Other fees | 2,801 | 3,397 | 4,996 | 5,588 | 5,748 |
| Total fee-related revenue | 4,591 | 5,300 | 7,033 | 7,707 | 7,924 |
| Performance fees | NA | NA | NA | NA | NA |
| Total revenue | 13,873 | 14,340 | 15,969 | 17,385 | 18,291 |
| Base compensation expense | (3,373) | (3,659) | (3,746) | (3,764) | (3,876) |
| Non-compensation expense | NA | NA | NA | NA | NA |
| Total fee-related expenses | NA | NA | NA | NA | NA |
| Performance fee compensation | 0 | 0 | 0 | 0 | 0 |
| Total expenses | NA | NA | NA | NA | NA |
| Total fee-related earnings | NA | NA | NA | NA | NA |
| Distributable earnings | NA | NA | NA | NA | NA |
| Taxes | NA | NA | NA | NA | NA |
| After tax distributable earnings | NA | NA | NA | NA | NA |
| Distributable earnings per share | 22.75 | 25.17 | 29.50 | 35.47 | 39.14 |
| Distribution per share | 4.39 | 4.87 | 5.26 | 5.84 | 6.42 |

Assets Under Management

| | | | | | |
|-------------------------------|----|----|----|----|----|
| Assets under Management - EOP | NA | NA | NA | NA | NA |
| Fee Paying AUM | NA | NA | NA | NA | NA |

Company Sector

Securities Broker/Dealer

Company Description

Ameriprise Financial is a diversified financial services company with a 125-year history and was created from a tax-free spinoff from American Express in 2005. The company contains three main businesses including its industry leading wealth manager with more than 10,000 financial advisors, a \$700B AuM asset manager and an insurance company.

Investment Rationale

We are positive on AMP's transformation from an insurance company with a wealth manager into a pure asset and wealth manager. This should free up excess capital, de-risk its business model, and improve its growth/return on equity. We also believe that the market is underappreciating AMP's cash sweep opportunity and sensitivity to higher rates.

Quarterly Earnings Estimates

| | 2022 | 2023 |
|----|-------|-------|
| Q1 | 5.98A | 7.25A |
| Q2 | 5.81A | 7.44A |
| Q3 | 6.43A | 6.96A |
| Q4 | 6.94A | 7.84E |

Additional details

Reiterate Buy; Earnings call at 9amET Thursday (1/25)

We continue to be bullish on AMP's long-term EPS growth prospects as well as its ability to monetize its bank and return capital to shareholders. AMP's EPS growth algorithm includes solid organic growth, fee stability, beta, operating leverage and a high level of share buybacks. On the call, we are looking for an update on recruiting, overall organic growth prospects and cash sorting.

Price objective basis & risk

Ameriprise Financial (AMP)

Our \$447 PO is based on 10x EPS multiple on our 2026 EPS estimate. Given that AMP operates three different business lines that offer different qualities (growth, volatility, capital), we derive our price objective using a sum-of-the-parts framework accounting for peers in life insurance (7-10x), traditional asset management (8-16x, excluding BlackRock) and wealth managers (11-17x).

Downside risks are (1) equity markets on assets under management (AuM), assets under authorization (AuA), and variable insurance products/guarantees, (2) lower interest rates in 2024 (impact on net interest margin), (3) credit risks, including investment portfolio and reinsurance counterparties.

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| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|--------------------------------|-------------|------------------|-------------------------|
| BUY | | | | |
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| | Ameriprise Financial | AMP | AMP US | Craig Siegenthaler, CFA |
| | Ares Management Corp | ARES | ARES US | Craig Siegenthaler, CFA |
| | BlackRock, Inc. | BLK | BLK US | Craig Siegenthaler, CFA |
| | Blackstone | BX | BX US | Craig Siegenthaler, CFA |
| | Blue Owl Capital | OWL | OWL US | Craig Siegenthaler, CFA |
| | Cboe Global Markets | CBOE | CBOE US | Craig Siegenthaler, CFA |
| | Interactive Brokers | IBKR | IBKR US | Craig Siegenthaler, CFA |
| | Intercontinental Exchange | ICE | ICE US | Craig Siegenthaler, CFA |
| | KKR & Co. Inc. | KKR | KKR US | Craig Siegenthaler, CFA |
| | Raymond James Financial | RJF | RJF US | Mark McLaughlin, CFA |
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| | Tradeweb Markets Inc. | TW | TW US | Craig Siegenthaler, CFA |
| | Victory Capital Holdings, Inc. | VCTR | VCTR US | Craig Siegenthaler, CFA |
| | Virtu Financial | VIRT | VIRT US | Craig Siegenthaler, CFA |
| NEUTRAL | | | | |
| | Affiliated Managers Group | AMG | AMG US | Craig Siegenthaler, CFA |
| | Apollo Global Management | APO | APO US | Craig Siegenthaler, CFA |
| | Brookfield Asset Management | BAM | BAM US | Craig Siegenthaler, CFA |
| | CME Group Inc | CME | CME US | Craig Siegenthaler, CFA |
| | Invesco | IVZ | IVZ US | Craig Siegenthaler, CFA |
| | Janus Henderson Group | JHG | JHG US | Craig Siegenthaler, CFA |
| | LPL Financial Holdings | LPLA | LPLA US | Craig Siegenthaler, CFA |
| | Patria | PAX | PAX US | Craig Siegenthaler, CFA |



US - Brokers, Asset Managers, & Exchanges Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|----------------------|-------------|------------------|-------------------------|
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| | Franklin Resources | BEN | BEN US | Craig Siegenthaler, CFA |
| | Nasdaq | NDAQ | NDAQ US | Craig Siegenthaler, CFA |
| | Robinhood Markets | HOOD | HOOD US | Craig Siegenthaler, CFA |
| | T. Rowe Price | TROW | TROW US | Craig Siegenthaler, CFA |
| | The Carlyle Group | CG | CG US | Craig Siegenthaler, CFA |

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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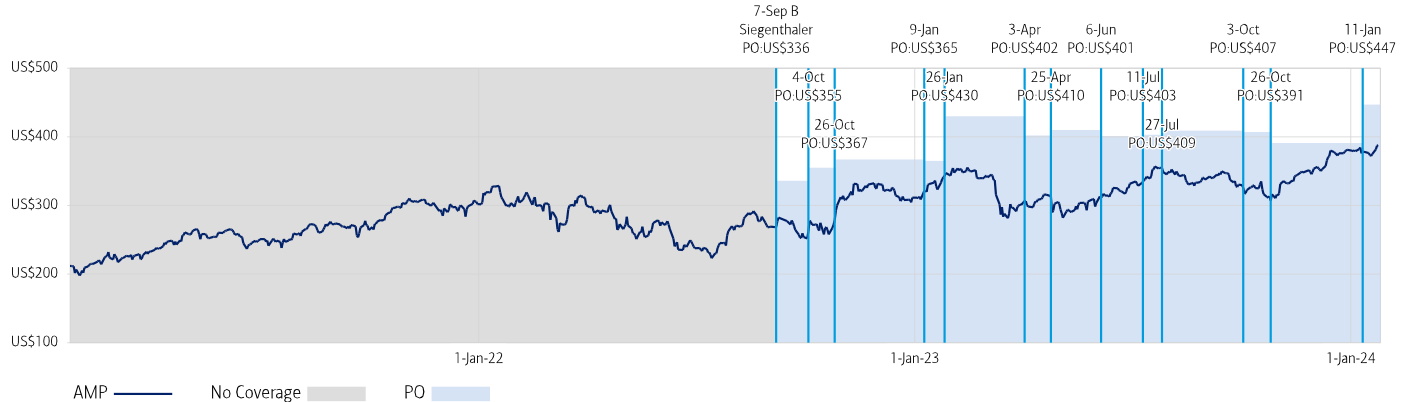
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Ameriprise Fin. (AMP) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 156 | 53.79% | Buy | 94 | 60.26% |
| Hold | 72 | 24.83% | Hold | 48 | 66.67% |
| Sell | 62 | 21.38% | Sell | 35 | 56.45% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
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| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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