

Ameriprise Financial

4Q23E: Lowering organic growth forecast but raising net interest income

Reiterate Rating: BUY | PO: 452.00 USD | Price: 390.67 USD

Core earnings beat; inflections = positive LT revisions

AMP reported a core earnings beat (\$7.75 actual vs. \$7.70 consensus) after excluding a \$0.28 expense related to a regulatory accrual, \$0.14 from severance and \$0.13 from an elevated SBC. AMP reported +10.9% NNA growth driven by the onboarding of Comerica (+3.7% excluding) with an additional \$3B of AuC left to onboard in 1Q24. We expect a modest reacceleration in NNA growth in subsequent quarters. Mgmt. also emphasized continued expense discipline aiming to keep 2024 G&A flat to lower y/y.

Positive inflection in sorting; beneficial advisor qualities

AMP reported that total brokerage deposits grew +\$1.5B q/q (excluding Comerica) which marked the first increase in 3 quarters and mgmt. noted they have monitored continued stabilization through January which surprised us given seasonal factors as clients historically redeploy cash in Jan/Feb from prior buildups. Deposit cost pressures also decelerated (+9bps q/q) signaling cash levels are nearing their transactional floors. While we don't forecast an end to sorting across the industry, AMP benefits from a less rate-sensitive advisor base given its focus on smaller client account sizes (targets \$500K-\$5M investible assets) which carry much smaller nominal cash balances than peers and are less rate sensitive. Client cash (x-certificates) now sits at 3.4%, well below its historical range (4-6%) and we view minimal downside remaining.

Raising LT EPS & PO; slowdown in sorting

We are revising our 1Q24/2025/2026 EPS estimates to \$8.55/\$39.58/\$45.15 from \$8.51/\$39.14/\$44.66 driven by refinements to our client cash sorting forecasts as well as updates following new expense guidance. Our PO increased to \$452 (previously \$447) which is derived from a 10x multiple on our updated 2025 EPS estimate. 10x represents a premium to its life insurance peer group (4-8x), in-line with its traditional asset manager peer group (7-16x, x-BLK) and a discount to wealth manager peers (9-14x).

Buy Thesis: Multiple levers to grow EPS

AMP is transforming its business from its roots as an insurance company with a wealth manager inside of a larger financial services firm into a pure asset & wealth manager. This is unlocking excess capital, de-risking its business model and improving growth/ROEs which we believe will benefit its relative stock valuation. Additionally, AMP has multiple levers to grow EPS over the near-term including the bulk transfers of client cash into its bank, interest earning assets duration extension in the wealth manager, consistent buyback schedule and solid organic growth.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	22.75	25.17	28.85	35.45	39.58
EPS Change (YoY)	90.9%	10.6%	14.6%	22.9%	11.7%
DPS	4.39	4.87	5.28	5.84	6.43
Valuation (Dec)					
P/E	17.2x	15.5x	13.5x	11.0x	9.9x
Dividend Yield	1.1%	1.2%	1.4%	1.5%	1.6%

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Timestamp: 25 January 2024 04:15PM EST

25 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	447.00	452.00
2023E Rev (m)	15,968.9	15,948.0
2024E Rev (m)	17,385.4	17,561.1
2025E Rev (m)	18,291.2	18,797.2
2023E EPS	29.50	28.85
2024E EPS	35.47	35.45
2025E EPS	39.14	39.58
2023E DPS	5.26	5.28

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Stock Data

Price	390.67 USD
Price Objective	452.00 USD
Date Established	25-Jan-2024
Investment Opinion	B-1-7
52-Week Range	275.09 USD -393.60 USD
Mkt Val / Shares Out (mn)	39,534 USD / 101.2
Free Float	99.7%
Average Daily Value	205.89 USD
BofA Ticker / Exchange	AMP / NYS
Bloomberg / Reuters	AMP US / AMP.N
ROE (2023E)	0%
ESGMeter™	High

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LT: long-term

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	4,983	5,676	5,940
Total fee-related revenue	4,591	5,300	7,033	7,755	8,176
Performance fees	NA	NA	NA	NA	NA
Total revenue	13,873	14,340	15,948	17,561	18,797
Base compensation expense	(3,373)	(3,659)	(3,806)	(3,773)	(3,911)
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	28.85	35.45	39.58
Distribution per share	4.39	4.87	5.28	5.84	6.43

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	7.20E

Additional information

NIM upside from reinvestment potential through 24'

AMP reported a pickup in gross fee yields for the quarter (excluding third-party contracts due to timing of the Comerica onboarding) with multiple levers for improvement over coming quarters including (1) \$7.1B of third-party bank contracts that have the potential to be reallocated onto its bank balance sheet at higher yields; (2) reinvestment of existing bank securities at higher yields. Mgmt. expects roughly \$3B of maturities in both 2024 and 2025 which should provide further tailwinds dependent on rate conditions with new money yields currently yielding 6%; (3) investment of net new core deposits which we expect to reaccelerate in subsequent quarters and aided by additional lumpier enterprise channel wins.



Price objective basis & risk

Ameriprise Financial (AMP)

Our \$452 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). We use SOTP and take the % of pretax profit from each operating division and weight against the average forward-earnings multiple for peers in those three groups.

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.

Analyst Certification

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US - Brokers, Asset Managers, & Exchanges Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AllianceBernstein	AB	AB US	Craig Siegenthaler, CFA
	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
	TPG Inc	TPG	TPG US	Craig Siegenthaler, CFA
	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
UNDERPERFORM				
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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

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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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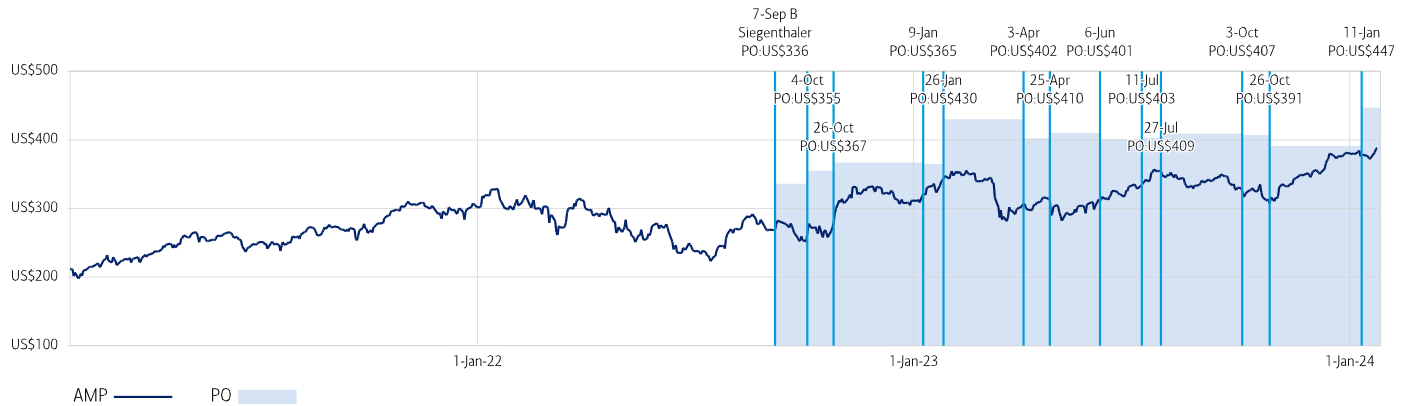
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Ameriprise Fin. (AMP) Price Chart



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}
Buy	≥ 10%	≤ 70%
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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