



# Ameriprise Financial (AMP)

Updated April 26<sup>th</sup>, 2022 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$267	<b>5 Year CAGR Estimate:</b>	11.5%	<b>Market Cap:</b>	\$29.5 B
<b>Fair Value Price:</b>	\$292	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	05/06/22
<b>% Fair Value:</b>	91%	<b>5 Year Valuation Multiple Estimate:</b>	1.8%	<b>Dividend Payment Date:</b>	05/20/22
<b>Dividend Yield:</b>	1.9%	<b>5 Year Price Target</b>	\$429	<b>Years Of Dividend Growth:</b>	18
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## Overview & Current Events

Ameriprise Financial has a market capitalization approaching \$30 billion, with more than 12,000 employees and more than \$1 trillion in assets under management. The company's operating segments include Advice & Wealth Management, Asset Management, Annuities, and Protection (insurance products).

On April 25<sup>th</sup>, 2022, Ameriprise Financial increased its quarterly dividend 10.6% to \$1.25, extending the company's dividend growth streak to 18 consecutive years.

On April 25<sup>th</sup>, 2022, Ameriprise Financial announced first quarter earnings results for the period ending March 31<sup>st</sup>, 2022. Revenue improved 9.3% to \$3.66 billion, but was \$60 million lower than expected. Adjusted earnings-per-share of \$5.98 compared favorably to the prior year's result of \$5.43 and was \$0.08 above estimates.

Total assets under management, or AUMs, increased 17% to \$1.3 trillion as the company continues to benefit from excellent client inflows and market appreciation. Client assets for the Advice & Wealth Management grew 8% to \$823 billion. Adjusted operating revenues increased 9% due to strong client net flows and market appreciation. Adjusted operating earnings were also up 9%. Asset Management AUMs increased 24% to \$699 billion. Revenue grew 23% while pretax adjusted operating earnings were higher by 25%. Total segment net outflows of \$1.9 billion compared to net inflows of \$4.6 billion in the prior year. For the Retirement & Protection segment, revenue declined 2% while pretax adjusted operating earnings improved 4%.

On the strength of first quarter earnings, we now expect that the company will earn \$25.41 in 2022, up from \$24.88 previously.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$4.63	\$6.46	\$8.31	\$8.48	\$7.81	\$9.44	\$14.94	\$16.13	\$13.92	\$22.70	<b>\$25.41</b>	<b>\$37.34</b>
<b>DPS</b>	\$1.43	\$2.01	\$2.26	\$2.59	\$2.92	\$3.16	\$3.53	\$3.88	\$4.16	\$4.43	<b>\$5.00</b>	<b>\$7.35</b>
<b>Shares<sup>1</sup></b>	219	203	192	171	155	147	137	131	123	117	<b>115</b>	<b>108</b>

Between 2012 and 2021, Ameriprise Financial compounded its earnings-per-share at a rate of approximately 19.3% per year. That growth has accelerated recently to more than 21% over the past five years. Looking ahead, we are forecasting a more conservative 8% earnings-per-share growth from this financial conglomerate. Our growth expectation might prove to be conservative, but we are comfortable with that projection for now. Earnings growth will be driven primarily from revenue growth and share repurchases. The company's large Advice & Wealth Management segment is growing revenues at a steady rate, and we expect this to continue moving forward. Applying an 8% earnings-per-share growth rate to our estimates for the year gives a 2027 earnings-per-share estimate of \$37.34.

We're expecting dividend growth to roughly keep pace with earnings growth as Ameriprise Financial is likely to continue favoring share repurchases given the company's persistently low valuation multiples.

<sup>1</sup> In millions of shares

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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## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	11.9	13.2	14.2	14.4	12.4	14.5	10.1	10.2	12.5	13.3	<b>10.5</b>	<b>11.5</b>
Avg. Yld.	2.6%	2.4%	1.9%	2.1%	3.0%	2.4%	2.4%	2.7%	2.7%	1.5%	<b>1.9%</b>	<b>1.7%</b>

Shares of Ameriprise Financial have declined \$42, or 13.6%, since our January 27<sup>th</sup>, 2022 update. The stock is currently trading at a forward price-to-earnings ratio of 10.5. We reaffirm our fair value price-to-earnings ratio estimate of 11.5, which is in-line with peers. If Ameriprise Financial's price-to-earnings ratio were to reach our target by 2027, then multiple expansion would add 1.8% to annual returns over this period of time. The current yield is below the 10-year average yield of 2.4%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	31%	31%	27%	31%	37%	33%	24%	24%	30%	20%	<b>20%</b>	<b>20%</b>

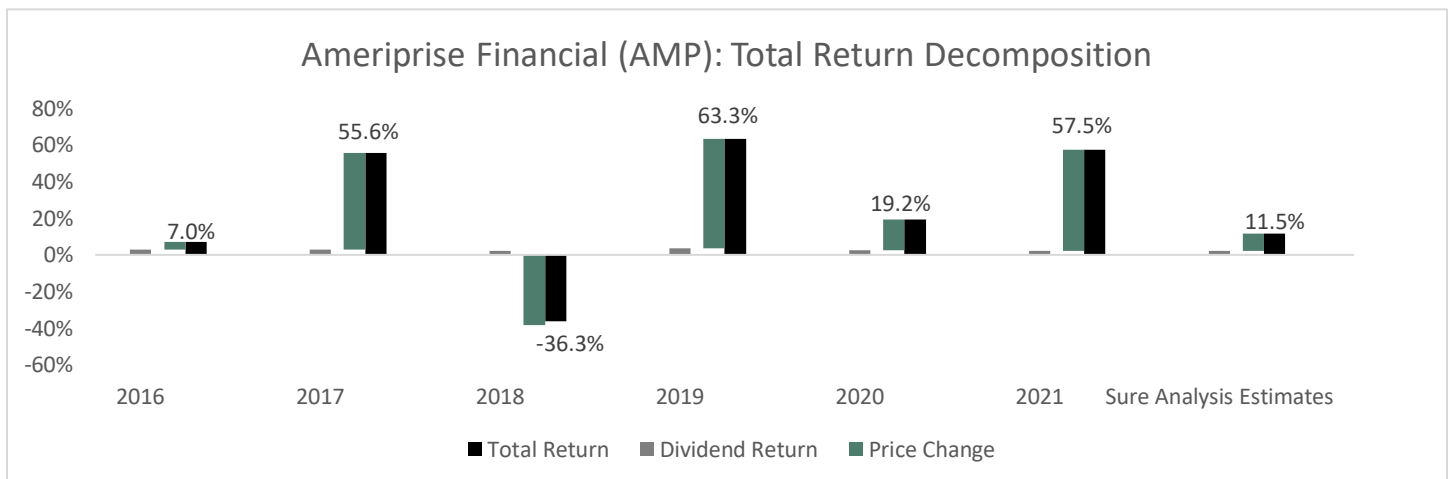
Like most financial institutions, the majority of Ameriprise Financial's balance sheet is composed of debt. This can cause problems when the value of its assets experiences meaningful volatility, as even small percent changes in asset values can cause tremendous changes to the value of shareholders' equity (since the book value of debt is fixed). This was seen in the 2007-2009 financial crisis, when Ameriprise Financial reported negative earnings and failed to cover its interest payments with its operating income. The company's stock price volatility also spiked during this time period. With that said, Ameriprise Financial's appears to be a well-run institution and we believe that the likelihood of experiencing a 2007-2009 level financial panic is very low.

Ameriprise Financial's key competitive advantage is that it is a well-known and respected financial firm with a massive amount of AUM. The company has more than 9,000 agents.

## Final Thoughts & Recommendation

After first quarter results, we expect that Ameriprise Financial can offer a total annual return of 11.5% through 2027, up from our prior estimate of 7.8%. Our projected return stems from an 8% earnings growth rate, a starting yield of 1.9%, and a small contribution from multiple expansion. Ameriprise Financial started the year off with strong numbers nearly across the board. We have raised our 2027 price target \$9 to \$429 to reflect higher earnings estimates for this year and now rate shares as a buy due to projected returns.

## Total Return Breakdown by Year



Your feedback is important to us.

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## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue</b>	10259	11230	12296	12200	11839	12180	12924	12890	11958	13489
<b>SG&amp;A Exp.</b>	5687	5981	6331	6358	6284	6555	6808	7097	7179	8,450
<b>D&amp;A Exp.</b>	225	239	254	248	248	234	198	183	207	
<b>Net Profit</b>	1029	1334	1619	1562	1313	1480	2098	1893	1534	2760
<b>Net Margin</b>	10.0%	11.9%	13.2%	12.8%	11.1%	12.2%	16.2%	14.7%	12.8%	20.5%
<b>Free Cash Flow</b>	1368	1259	2286	2558	2239	1361	2435	2198	4476	
<b>Income Tax</b>	335	492	545	455	278	734	386	339	297	590

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	134729	144576	148810	145339	139821	147480	137216	151828	165883	175979
<b>Cash &amp; Equivalents</b>	2950	3051	3028	2859	2486	2620	3097	3827	6845	7248
<b>Acc. Receivable</b>	4220	4538	4887	5167	5299	5762	6173	7202	7819	16205
<b>Total Liab.</b>	125017	135344	139505	136960	133529	141485	131628	146099	160016	170294
<b>Long-Term Debt</b>	7885	8956	10129	10363	5387	5259	4786	4869	4900	5156
<b>Total Equity</b>	9092	8192	8124	7191	6292	5995	5588	5729	5867	5685
<b>LTD/E Ratio</b>	0.87	1.09	1.25	1.44	0.86	0.88	0.86	0.85	0.84	0.91

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>	0.8%	1.0%	1.1%	1.1%	0.9%	1.0%	1.5%	1.3%	1.0%	1.6%
<b>Return on Equity</b>	11.4%	15.4%	19.8%	20.4%	19.5%	24.1%	36.2%	33.5%	26.5%	47.8%
<b>ROIC</b>	5.8%	7.5%	8.6%	8.2%	8.6%	12.9%	19.4%	18.1%	14.4%	25.5%
<b>Shares Out.</b>	219	203	192	171	155	147	137	131	123	
<b>Revenue/Share</b>	46.05	54.23	63.06	66.23	70.39	77.73	87.50	94.78	95.13	112.34
<b>FCF/Share</b>	6.14	6.08	11.72	13.89	13.31	8.69	16.49	16.16	35.61	1.6%

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

### Disclaimer

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