



Ameriprise Financial (AMP)

Updated November 2nd, 2023 by Nathan Parsh

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|----------|
| Current Price: | \$318 | 5 Year CAGR Estimate: | 11.0% | Market Cap: | \$32 B |
| Fair Value Price: | \$341 | 5 Year Growth Estimate: | 8.0% | Ex-Dividend Date: | 11/03/23 |
| % Fair Value: | 93% | 5 Year Valuation Multiple Estimate: | 1.4% | Dividend Payment Date: | 11/17/23 |
| Dividend Yield: | 1.7% | 5 Year Price Target | \$501 | Years Of Dividend Growth: | 19 |
| Dividend Risk Score: | A | Retirement Suitability Score: | B | Rating: | Buy |

Overview & Current Events

Ameriprise Financial has a market capitalization of \$32 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 24th, 2023, Ameriprise Financial increased its quarterly dividend 8% to \$1.35, extending the company's dividend growth streak to 19 consecutive years.

On October 25th, 2023, Ameriprise Financial reported third quarter earnings results for the period ending September 30th, 2023. For the quarter, revenue grew 16.2% to \$4.1 billion, beating estimates by \$230 million. Adjusted earnings-per-share of \$7.68 compared very favorably to the prior year's result of \$6.43 and was \$0.08 above estimates.

Total assets under management, or AUMs, increased 12% to \$1.2 trillion due to strong client net inflows and market appreciation. Client assets for the Advice & Wealth Management grew 15% to \$816 billion. Adjusted operating revenues increased 13% while pretax adjusted operating earnings grew 23% due to growth of client accounts and a higher investment return from cash products. Ameriprise Bank assets improved 37% to \$35 billion. Asset Management's AUMs grew 7% to \$587 billion. Total segment net outflows of \$3.8 billion compared to net outflows of \$5.3 billion in the prior year. Adjusted revenue and operating earnings both were up 4% year-over-year. For the Retirement & Protection Solutions segment, adjusted revenue grew 12%, but pretax adjusted operating earnings decreased by 69%. However, excluding unlocking, pretax adjusted operating earnings were up slightly from the prior year.

We now expect that the company will earn \$29.65 in 2023, down from \$30.36 in 2022, \$30.42, and \$30.61 previously. This would be a 24% improvement from the prior year. We have updated our forecast accordingly.

Growth on a Per-Share Basis

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|---------------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|----------------|----------------|
| EPS | \$6.46 | \$8.31 | \$8.48 | \$7.81 | \$9.44 | \$14.94 | \$16.13 | \$13.92 | \$22.70 | \$23.96 | \$29.65 | \$43.57 |
| DPS | \$2.01 | \$2.26 | \$2.59 | \$2.92 | \$3.16 | \$3.53 | \$3.88 | \$4.16 | \$4.43 | \$4.88 | \$5.40 | \$7.93 |
| Shares¹ | 203 | 192 | 171 | 155 | 147 | 137 | 131 | 123 | 117 | 111 | 107 | 100 |

Between 2013 and 2022, Ameriprise Financial compounded its earnings-per-share at a rate of approximately 15.7% per year. 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 has typically been 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 2028 earnings-per-share estimate of \$43.57.

We are 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.

¹ 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 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Now | 2028 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 13.2 | 14.2 | 14.4 | 12.4 | 14.5 | 10.1 | 10.2 | 12.5 | 13.3 | 13.0 | 10.7 | 11.5 |
| Avg. Yld. | 2.4% | 1.9% | 2.1% | 3.0% | 2.4% | 2.4% | 2.7% | 2.7% | 1.5% | 1.6% | 1.7% | 1.6% |

Shares of Ameriprise Financial have declined \$28, or 8.1%, since our July 28th, 2023 update. The stock is currently trading at a forward price-to-earnings ratio of 10.7. We reaffirm our fair value price-to-earnings ratio estimate of 11.5, which is in-line with peers. If Ameriprise Financials' price-to-earnings ratio were to reach our target by 2028, then multiple expansion would be a 1.4% tailwind to annual returns over this period. The current yield is below the stock's 10-year average yield of 2.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 31% | 27% | 31% | 37% | 33% | 24% | 24% | 30% | 20% | 20% | 18% | 18% |

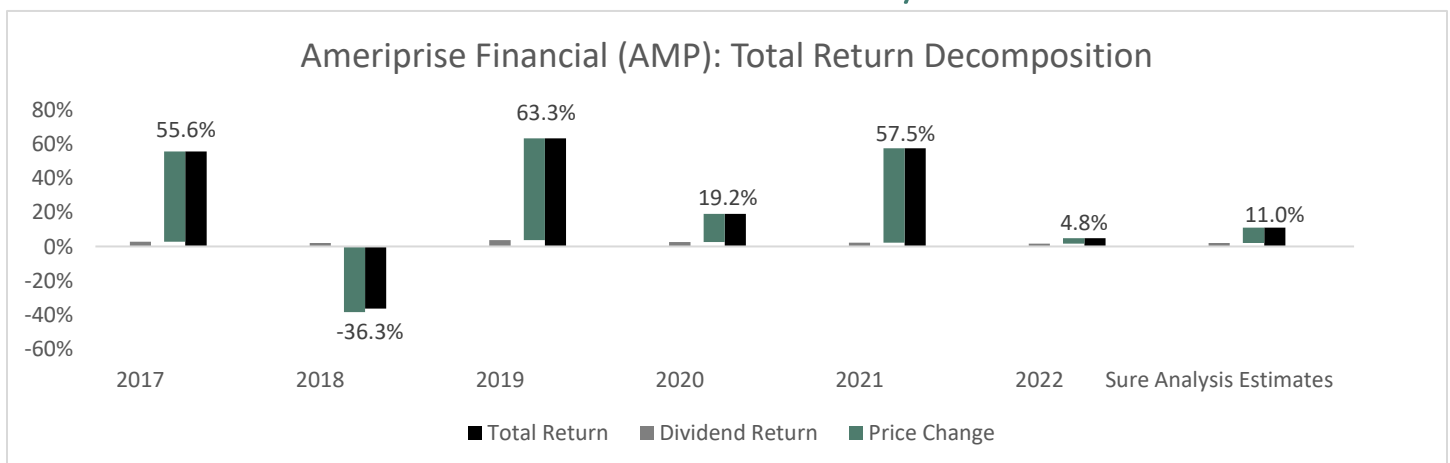
Like most financial institutions, the majority of Ameriprise Financials' balance sheet is composed of debt. This can cause problems when the value of its assets experiences meaningful volatility, as even small percent changes in asset values can cause tremendous changes to the value of shareholders' 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 Financials' 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 Financials' 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 10,000 agents.

Final Thoughts & Recommendation

Following third quarter results, we expect that Ameriprise Financial can offer a total annual return of 11.0% through 2028, up from our prior estimate of 9.6%. Our projected return stems from an 8% earnings growth rate, the starting yield of 1.7%, and a small contribution from multiple expansion. Ameriprise Financials' AUM grew double-digits from the prior year and most businesses saw top- and bottom-line improvements. We have lowered our 2028 price target \$12 to \$501 due to updated earnings estimates for the year, but we now rate shares of Ameriprise Financial as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Revenue | 11230 | 12296 | 12200 | 11839 | 12180 | 12924 | 12890 | 11958 | 13489 | 14,271 |
| SG&A Exp. | 5981 | 6331 | 6358 | 6284 | 6555 | 6808 | 7097 | 7179 | 8,450 | 8,646 |
| D&A Exp. | 239 | 254 | 248 | 248 | 234 | 198 | 183 | 207 | 98 | |
| Net Profit | 1334 | 1619 | 1562 | 1313 | 1480 | 2098 | 1893 | 1534 | 2760 | 2,559 |
| Net Margin | 11.9% | 13.2% | 12.8% | 11.1% | 12.2% | 16.2% | 14.7% | 12.8% | 20.5% | 17.9% |
| Free Cash Flow | 1259 | 2286 | 2558 | 2239 | 1361 | 2435 | 2198 | 4476 | 3205 | |
| Income Tax | 492 | 545 | 455 | 278 | 734 | 386 | 339 | 297 | 590 | 623 |

Balance Sheet Metrics

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Assets | 144576 | 148810 | 145339 | 139821 | 147480 | 137216 | 151828 | 165883 | 175979 | 158468 |
| Cash & Equivalents | 3051 | 3028 | 2859 | 2486 | 2620 | 3097 | 3827 | 6845 | 7248 | 7097 |
| Acc. Receivable | 4538 | 4887 | 5167 | 5299 | 5762 | 6173 | 7202 | 7819 | 16205 | 15779 |
| Total Liab. | 135344 | 139505 | 136960 | 133529 | 141485 | 131628 | 146099 | 160016 | 170294 | 154855 |
| Long-Term Debt | 8956 | 10129 | 10363 | 5387 | 5259 | 4786 | 4869 | 4900 | 5156 | 5,355 |
| Total Equity | 8192 | 8124 | 7191 | 6292 | 5995 | 5588 | 5729 | 5867 | 5685 | 3,613 |
| LTD/E Ratio | 1.09 | 1.25 | 1.44 | 0.86 | 0.88 | 0.86 | 0.85 | 0.84 | 0.91 | 1.48 |

Profitability & Per Share Metrics

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Return on Assets | 1.0% | 1.1% | 1.1% | 0.9% | 1.0% | 1.5% | 1.3% | 1.0% | 1.6% | 1.5% |
| Return on Equity | 15.4% | 19.8% | 20.4% | 19.5% | 24.1% | 36.2% | 33.5% | 26.5% | 47.8% | 55.0% |
| ROIC | 7.5% | 8.6% | 8.2% | 8.6% | 12.9% | 19.4% | 18.1% | 14.4% | 25.5% | 25.8% |
| Shares Out. | 203 | 192 | 171 | 155 | 147 | 137 | 131 | 123 | 117 | 111 |
| Revenue/Share | 54.23 | 63.06 | 66.23 | 70.39 | 77.73 | 87.50 | 94.78 | 95.13 | 112.34 | 125.57 |
| FCF/Share | 6.08 | 11.72 | 13.89 | 13.31 | 8.69 | 16.49 | 16.16 | 35.61 | 1.6% | 1.5% |

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

Disclaimer

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