



Ameriprise Financial (AMP)

Updated January 28th, 2024 by Nathan Parsh

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|----------|
| Current Price: | \$391 | 5 Year CAGR Estimate: | 9.0% | Market Cap: | \$39 B |
| Fair Value Price: | \$387 | 5 Year Growth Estimate: | 8.0% | Ex-Dividend Date: | 02/08/24 |
| % Fair Value: | 101% | 5 Year Valuation Multiple Estimate: | -0.2% | Dividend Payment Date: | 02/27/24 |
| Dividend Yield: | 1.4% | 5 Year Price Target | \$568 | Years Of Dividend Growth: | 19 |
| Dividend Risk Score: | A | Retirement Suitability Score: | B | Rating: | Hold |

Overview & Current Events

Ameriprise Financial has a market capitalization of \$39 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, and Retirement & Protection Solutions (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 January 24th, 2024, Ameriprise Financial announced fourth quarter and full year earnings results for the period ending December 31st, 2023. For the quarter, revenue increased 8.5% to \$3.95 billion, which topped estimates by \$40 million. Adjusted earnings-per-share of \$7.75 compared very favorably to the prior year's result of \$6.94 and was \$0.06 above expectations. For 2023, revenue grew 7.7% to \$15.4 billion while adjusted earnings-per-share of \$29.58 compared to \$24.43 in the prior year.

Total assets under management, or AUMs, increased 15% to \$1.4 trillion due to strong client net inflows and market appreciation. Client assets for the Advice & Wealth Management grew 19% to \$901 billion. Adjusted operating revenues were up 8% while pretax adjusted operating earnings improved 5% due to growth of client accounts and a higher investment return from cash products. Asset Management AUM grew 9% to \$637 billion, adjusted operating net revenues were up 8%, and pretax adjusted operating earnings were higher by 33%. For the Retirement & Protection Solutions segment, adjusted revenue grew 13% while pretax adjusted operating earnings increased 2%.

We expect that the company will earn \$33.62 in 2024, which would represent an increase of 13.7% from the prior year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|---------------------------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|----------------|----------------|
| EPS | \$8.31 | \$8.48 | \$7.81 | \$9.44 | \$14.94 | \$16.13 | \$13.92 | \$22.70 | \$24.43 | \$29.58 | \$33.62 | \$49.40 |
| DPS | \$2.26 | \$2.59 | \$2.92 | \$3.16 | \$3.53 | \$3.88 | \$4.16 | \$4.43 | \$4.88 | \$5.30 | \$5.40 | \$7.93 |
| Shares¹ | 192 | 171 | 155 | 147 | 137 | 131 | 123 | 117 | 111 | 106 | 106 | 100 |

Between 2014 and 2024, Ameriprise Financial compounded its earnings-per-share at a rate of approximately 15.2% 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 2029 earnings-per-share estimate of \$49.40.

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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Now | 2029 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 14.2 | 14.4 | 12.4 | 14.5 | 10.1 | 10.2 | 12.5 | 13.3 | 13.0 | 12.8 | 11.6 | 11.5 |
| Avg. Yld. | 1.9% | 2.1% | 3.0% | 2.4% | 2.4% | 2.7% | 2.7% | 1.5% | 1.6% | 1.4% | 1.4% | 1.4% |

Shares of Ameriprise Financial have increased \$73, or 22.9%, since our November 2nd, 2023 update. The stock is currently trading at a forward price-to-earnings ratio of 11.6. 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 2029, then multiple contraction would reduce annual returns by 0.2% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 27% | 31% | 37% | 33% | 24% | 24% | 30% | 20% | 20% | 18% | 16% | 16% |

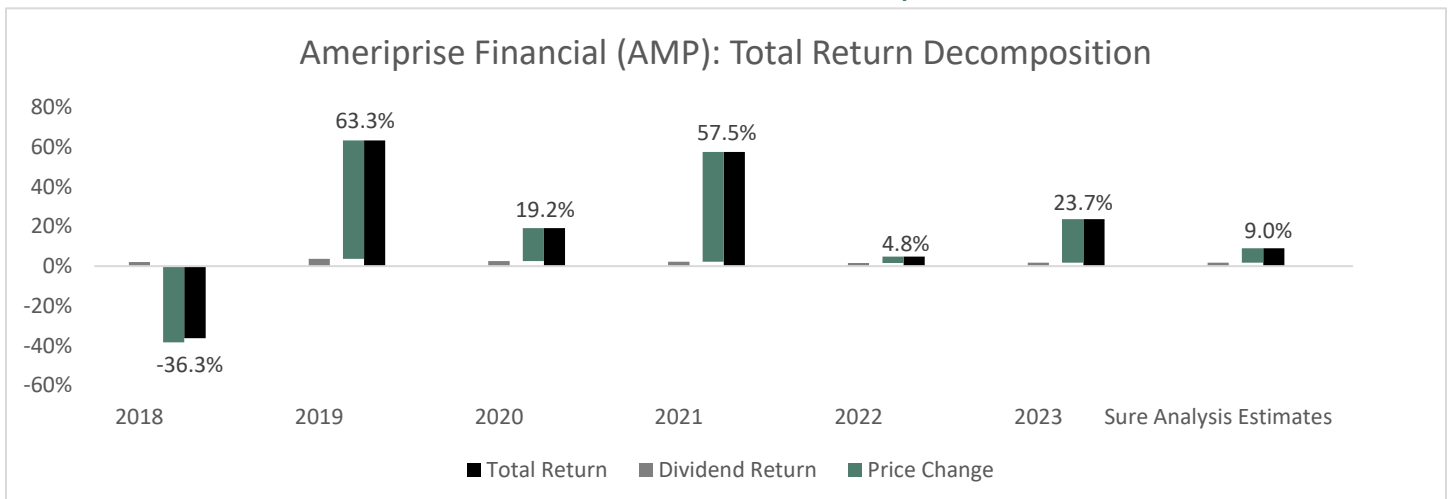
Like most financial institutions, the majority of Ameriprise Financials' balance sheet is composed of debt. This can cause problems when the value of its assets experiences meaningful volatility, as even small percent changes in asset values can cause tremendous changes to the value of shareholders'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

After fourth quarter results, we expect that Ameriprise Financial can offer a total annual return of 9.0% through 2029, down from our prior estimate of 11.0%. Our projected return stems from an 8% earnings growth rate and the starting yield of 1.4%, offset by a small headwind from multiple contraction. Ameriprise Financials' AUM once again grew double-digits, with growth seen throughout the business. We have raised our 2029 price target \$67 to \$568 due to earnings estimates for the year, but we now rate shares of Ameriprise Financial as a hold 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 | -40 |
| 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 | 4225 |
| 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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