



AllianceBernstein Hldg. L.P. (AB)

Updated March 5th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$38.0	5 Year CAGR Estimate:	11.7%	Market Cap:	\$4.2 B
Fair Value Price:	\$36.0	5 Year Growth Estimate:	4.6%	Ex-Dividend Date:	5/18/25 ¹
% Fair Value:	106%	5 Year Valuation Multiple Estimate:	-1.1%	Dividend Payment Date:	5/23/25 ²
Dividend Yield:	11.1%	5 Year Price Target	\$45	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

AllianceBernstein Hldg. L.P. (AB) is an asset manager with an emphasis on fixed income investments, but offers diversified investment solutions for institutional investors, private wealth clients, and retail investors. The company traces its roots back to Sanford C. Bernstein & Company, founded in 1967, and to Alliance Capital, founded in 1971. In October 2000, Alliance Capital acquired Sanford C. Bernstein. At the current time, a subsidiary of AXA Equitable Holdings Inc. (EQH) owns two thirds of the limited partnership units and the general partner of AllianceBernstein. The partnership has a market capitalization of approximately \$4.2 billion with 4,100 employees.

AllianceBernstein (AB) delivered a strong performance in Q4, surpassing \$800 billion in assets under management (AUM). Fixed income inflows reached \$6 billion, driven by robust retail demand, particularly in taxable and tax-exempt strategies. American Income led taxable fixed income demand, while tax-exempt strategies saw over \$3 billion in net inflows, supported by retail municipal separately managed accounts and Bernstein Private Wealth clients. Private markets AUM grew 11% year-over-year to \$68 billion, bolstered by net fundings into alternatives, including CLOs, real estate, and renewable energy. The firm expanded its private markets platform by launching the AB CarVal Credit Opportunities Fund, targeting the retail audience with strategies in specialty finance, aircraft leasing, and energy transition. Institutional flows remained challenging, with \$4.4 billion in outflows, primarily in active equities. However, increased RFP activity in fixed income and emerging markets equities signals potential future growth.

AB's adjusted operating margin improved by 330 basis points year-over-year to 31.3%, driven by expense discipline and higher base management fees, which grew in line with AUM. The firm expects its recently completed New York City office relocation to further boost margins by 100 to 150 basis points. AB forecasts a baseline margin of 33% for 2025, with additional upside from favorable markets. AllianceBernstein continues to leverage its diversified investment capabilities across traditional and alternative asset classes while expanding its geographic reach in Asia, the U.S., and Europe. The firm's strategic focus on private markets, tax-efficient partnerships, and disciplined growth investments positions it for sustained success. AB also reiterated its long-term target of \$100 billion in private markets AUM, supported by its partnership with Equitable and ongoing growth in private wealth and retail channels.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPU	\$1.86	\$2.23	\$2.19	\$2.50	\$2.30	\$2.91	\$3.89	\$2.94	\$2.69	\$3.25	\$3.60	\$4.50
DPU	\$1.86	\$1.92	\$2.30	\$2.88	\$2.25	\$2.91	\$3.90	\$2.56	\$2.69	\$3.26	\$4.20	\$4.20
Units³	100.0	96.7	96.5	96.7	98.2	98.3	99.4	113.8	114.4	110.5	110.5	115

AllianceBernstein has grown its earnings per unit (EPU) at a relatively slow pace over time given its high dividend payout that limits the amount of capital that it retains for reinvesting in its business. Assets under management have decreased

¹ Estimated

² Estimated

³ Unit count is in millions.

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during the past decade but have stagnated in recent years. Earnings-per-unit are expected to grow at a 4.6% CAGR over the next half decade with the distribution growing at a slightly slower pace.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.7	14.8	9.9	10.8	10.9	12.6	11.6	15.9	13.0	11.0	10.6	10.0
Avg. Yld.	7.3%	5.8%	10.6%	10.7%	9.0%	7.9%	8.6%	5.5%	7.7%	9.1%	11.1%	9.3%

The company currently trades for a price to earnings ratio of 10.6x relative to our fair value estimate of 10x. At the current price, the units trade above our fair value estimate, meaning that we expect valuation multiple contraction in the coming half decade, which in turn should weigh on total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

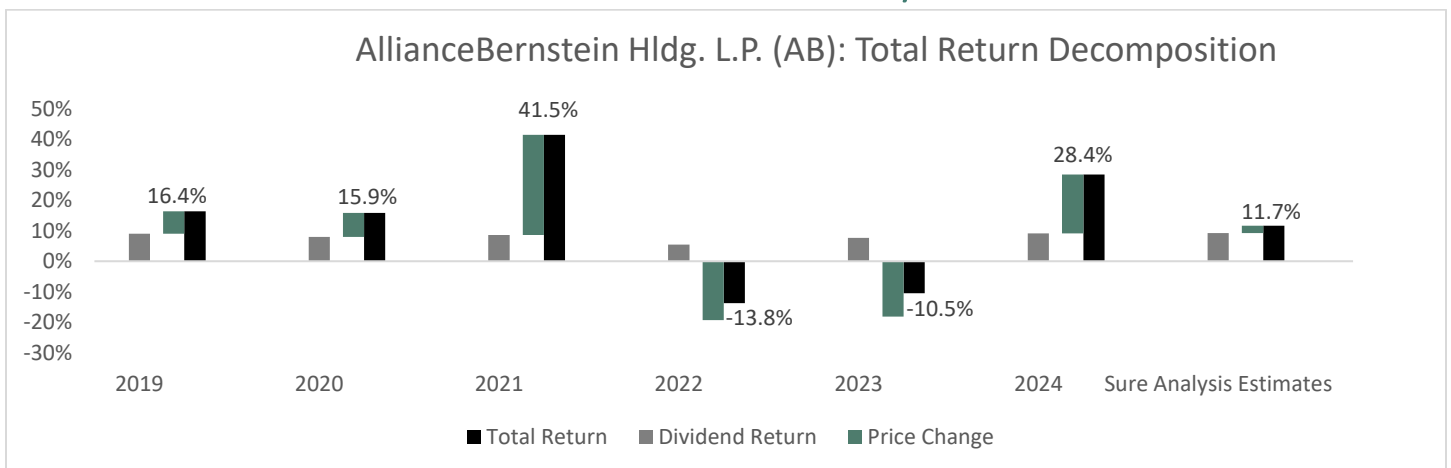
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	100%	86%	105%	115%	98%	100%	100%	87%	100%	100%	117%	93%

AllianceBernstein pays a high distribution yield but does not offer a consistent income stream. Its distribution per unit frequently exceeds its earnings per unit (EPU) and is often reduced when earnings cannot support the payout. The partnership performed very poorly during the previous two U.S. recessions, with major reductions in the distribution and the unit price, as well as reductions in assets under management. We think that will happen again this year after the coronavirus-caused disruption. Asset managers can build a meaningful economic moat thanks to high switching costs. However, the rise of low-cost passive investing has taken market share and has put pricing pressure on active manager fees and assets under management. AllianceBernstein has a strong track record in fixed income outperformance but has a mixed history of equity performance, and they are not one of the largest asset managers that can compete with pure scale. The partnership has not shown the ability to meaningfully grow assets under management in the current competitive environment for active asset managers.

Final Thoughts & Recommendation

AllianceBernstein offers one of the highest yields in the asset management space, but it comes at the cost of reliability and growth. Given the lucrative dividend yield, AllianceBernstein could be considered a buy for income investors who also have a very bullish view of the economy over the next 5 years. With expected total annualized returns of 11.7%, we rate AllianceBernstein as a Buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	210	239	232	271	266	308	416	306	300	462
Net Profit	186	217	207	242	239	279	386	274	264	423
Net Margin	88.4%	90.5%	89.3%	89.6%	89.6%	90.6%	92.7%	89.7%	88.1%	91.6%
Free Cash Flow	193	170	202	279	223	270	355	363	294	340
Income Tax	24	23	25	28	28	29	30	31	36	39

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,576	1,541	1,545	1,491	1,554	1,606	1,624	2,075	2,078	2,035
Total Liabilities	0	1	1	1	2	2	2	2	1	3
Shareholder's Equity	1,576	1,540	1,544	1,490	1,553	1,604	1,622	2,073	2,076	2,032
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	11.6%	13.9%	13.4%	16.0%	15.7%	17.7%	23.9%	14.8%	12.7%	20.6%
Return on Equity	11.6%	13.9%	13.5%	16.0%	15.7%	17.7%	23.9%	14.8%	12.7%	20.6%
ROIC	11.6%	13.9%	13.5%	16.0%	15.7%	17.7%	23.9%	14.8%	12.7%	20.6%
Units Out.	100.0	96.7	96.5	96.7	98.2	98.3	99.4	113.8	114.4	110.5
Revenue/Share	2.09	2.46	2.44	2.78	2.78	3.18	4.18	3.00	2.65	4.05
FCF/Share	1.92	1.74	2.13	2.87	2.32	2.79	3.57	3.56	2.60	2.98

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

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