

## Ameriprise Financial (AMP)

**\$178.40** (As of 02/13/20)

Price Target (6-12 Months): **\$189.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 07/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**2-Buy**

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: A

### Summary

Shares of Ameriprise have outperformed the industry over the past year. The company's earnings surpassed the Zacks Consensus Estimate in three of the trailing four quarters. In fourth-quarter 2019, it recorded higher revenues and lower expenses. The company remains well-poised for growth, given its solid assets under management (AUM) balance and diversified investment portfolio. Its business restructuring initiatives (sale of the Home & Auto division and launch of federal savings bank) will likely aid revenues. Its enhanced capital deployments reflect a strong balance sheet position and will continue to enhance shareholder value. However, significant outflows in the Asset Management segment remain a major concern. Continuously increasing expenses (mainly due to advertising campaign and technology upgrades) are likely to hurt profitability.

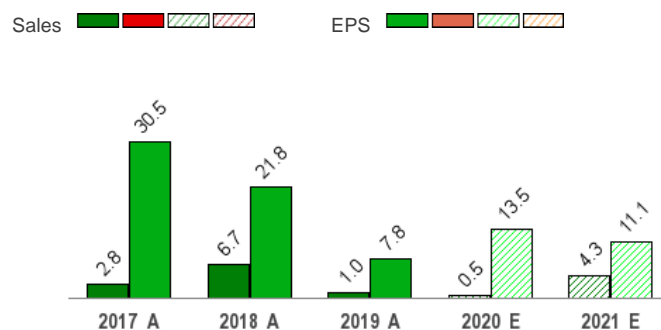
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$179.57 - \$121.57
20 Day Average Volume (sh)	603,915
Market Cap	\$23.3 B
YTD Price Change	7.1%
Beta	1.86
Dividend / Div Yld	\$3.88 / 2.2%
Industry	<a href="#">Financial - Investment Management</a>
Zacks Industry Rank	Top 5% (14 out of 255)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-0.9%
Last Sales Surprise	10.0%
EPS F1 Est- 4 week change	1.1%
Expected Report Date	04/22/2020
Earnings ESP	0.0%
P/E TTM	11.0
P/E F1	9.8
PEG F1	NA
P/S TTM	1.8

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,238 E	3,284 E	3,338 E	3,403 E	13,582 E
2020	3,059 E	3,098 E	3,126 E	3,170 E	13,026 E
2019	3,118 A	3,245 A	3,317 A	3,287 A	12,967 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$4.84 E	\$5.05 E	\$5.18 E	\$5.30 E	\$20.30 E
2020	\$4.35 E	\$4.53 E	\$4.63 E	\$4.77 E	\$18.27 E
2019	\$3.75 A	\$4.06 A	\$4.24 A	\$4.20 A	\$16.10 A

\*Quarterly figures may not add up to annual.

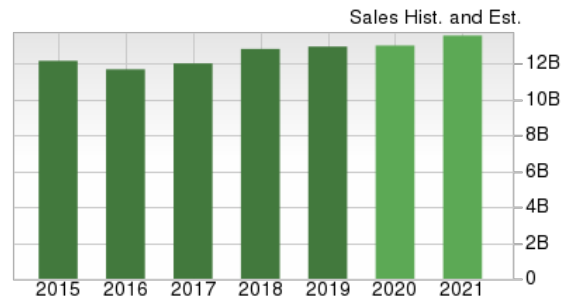
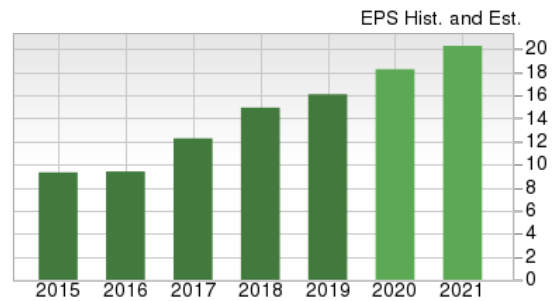
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/13/2020. The reports text is as of 02/14/2020.

## Overview

Headquartered in Minneapolis, MN, Ameriprise Financial, Inc. was founded in 1894 under the name Investors Syndicate. Notably, since 2005-end, Ameriprise has been operating independently of American Express Company. As of Dec 30, 2019, the company owned, managed and administered assets worth \$973.4 billion.

Ameriprise operates primarily through five segments:

- The **Advice & Wealth Management** (AWM) segment (constituting 11.5% of total allocated capital in 2019) provides financial planning and advice, as well as full service brokerage and banking services, primarily to retail clients through the company's affiliated financial advisors.
- The **Asset Management** (AM) segment (21.6%) provides investment advice and investment products to retail, high net worth and institutional clients on a global scale through Columbia Management and Threadneedle Asset Management Holdings Sàrl.
- The **Annuities** segment (21.9%) provides RiverSource Life variable and fixed annuity products to retail clients, primarily distributed through the company's affiliated financial advisors, and to the retail clients of unaffiliated advisors and firms through third-party distributors.
- The **Protection** segment (9%) provides a variety of protection products to address the protection and risk-management needs of the retail clients, including life and disability income insurance, primarily distributed through the affiliated financial advisors.
- Ameriprise realizes net investment income on corporate level assets from its **Corporate & Other** segment (36%). This includes excess capital held in RiverSource Life and other unallocated equity and revenues from various investments, as well as unallocated corporate expenses.



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## Reasons To Buy:

- ▲ Ameriprise has grown inorganically and restructured its business from time to time through divestitures and spin-offs, with an aim to remain profitable by focusing on its core operations. In October 2019, it completed the sale of the Ameriprise Auto & Home (AAH) business. Also, the company plans to offer a range of banking and credit products through its federal savings bank – Ameriprise Bank – to its wealth management clients. These initiatives are expected to further support the company's financials.
- ▲ Ameriprise operates a well-diversified portfolio compared with its industry peers. The company constantly modifies its product and service-offering capacity to keep pace with dynamic market needs. The strategy along with assets growth helped the company witness rise in total net revenues (GAAP basis), seeing a CAGR of 3.2%, over the last four years (2016-2019). Further, the company's efforts to launch new products and rebound in the global equity markets are likely to support top-line growth in the quarters ahead.
- ▲ We remain encouraged by Ameriprise's impressive capital deployment activities. The company regularly hikes dividend. In April 2019, the company announced a dividend hike for the 12th time since 2010. Further, in February 2019, it announced additional repurchase plan worth \$2.5 billion (expiring in March 2021). Given a strong balance sheet position, a dividend payout ratio lower than the industry and decent earnings growth, the company will be able to sustain its capital deployment plans.
- ▲ Ameriprise's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' funds. The company's ROE of 37.39% compares favorably with 13.96% for the industry.
- ▲ Ameriprise's shares have outperformed the industry over the past year. Moreover, the company's current-year earnings estimates have been revised 1.1% upward over the past 30 days. Further, the stock seems undervalued when compared with the broader industry. Its current price-earnings (F1) and price-sales ratios are lower than the respective industry averages. Moreover, it has a Value Score of A. Given the strength in fundamentals and positive estimate revisions, the stock has upside potential.

Ameriprise's focus on core operations and efforts to improve revenues through restructuring initiatives will aid profitability. Enhanced capital deployment plans reflect a strong balance sheet.

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## Reasons To Sell:

- ▼ Asset Management segment remains one of the major sources of Ameriprise's revenues, accounting for 22.9% of total adjusted operating net revenues in 2019. However, the segment continues to witness significant outflows — \$7.1 billion in 2019, \$21.2 billion in 2018, \$16.7 billion in 2017, \$18.6 billion in 2016 and \$15.8 billion in 2015. Outflows are expected to continue in the coming quarters amid tough operating backdrop, which will keep adversely affecting the segment's performance.
- ▼ Ameriprise has been witnessing a persistent rise in expenses over the past few years. While expenses (GAAP basis) declined in 2017, the same has increased at a CAGR of 2%, over the last six years (2014-2019). While the company's initiatives to focus on cost management have resulted in controlled general and administrative expenses; overall costs are expected to remain elevated in the near term due to advertising campaign, hiring and technology upgrades.
- ▼ Ameriprise's operations are majorly dependent on the performance of the equity markets and client activities. Over the last few quarters, equity markets have been extremely volatile, with low client activity. Therefore, these factors are expected to hurt the company's financials going forward.

Increasing expenses, mainly due to advertising campaign and technology upgrades, along with significant outflows in the Asset Management segment are expected to hamper Ameriprise's financials.

## Last Earnings Report

### Ameriprise Q4 Earnings Miss Estimates, Costs Decline

Ameriprise's fourth-quarter 2019 adjusted operating earnings per share of \$4.20 lagged the Zacks Consensus Estimate of \$4.24. However, the figure was 10.5% higher than the year-ago quarter.

The company recorded higher revenues in the quarter. Moreover, growth in AUM and assets under administration (AUA) supported results to some extent. Further, a decline in expenses was a tailwind.

After taking into consideration several significant items, net income was \$463 million or \$3.53 per share, down from \$539 million or \$3.76 per share reported in the prior-year quarter.

For 2019, adjusted operating earnings per share of \$16.10 lagged the Zacks Consensus Estimate of \$16.17. However, the figure was 10% higher than that reported in 2018. Net income (GAAP basis) for the year was \$1.89 billion or \$13.92 per share, down from \$2.10 billion or \$14.20 per share reported in 2018.

### Revenues Improve, Expenses Decline

Quarterly net revenues (on a GAAP basis) were \$3.29 billion, up 3.4% year over year. The figure beat the Zacks Consensus Estimate of \$2.99 billion. On an operating basis, total adjusted net revenues were \$3.05 billion, down 3.9% year over year.

For 2019, net revenues (on a GAAP basis) were \$12.97 billion, up 1% year over year. Moreover, the figure beat the Zacks Consensus Estimate of \$12.03 billion.

Adjusted quarterly operating expenses were \$2.40 billion, down 4.4% from the prior-year quarter.

### AUM & AUA Improve

As of Dec 31, 2019, total AUM and AUA was \$973.45 billion, up 18.3% year over year.

### Capital Deployment

In the reported quarter, Ameriprise returned \$0.7 billion to shareholders in forms of share repurchases and dividends.

### Outlook

Management expects losses in the Corporate segment to be in the \$70 million range, going forward.

Pre-tax margin for the Asset Management segment is expected to be 35-39% in the quarters ahead.

### Long-Term Outlook

Management targets 6-8% growth in adjusted operating net revenues. Further, adjusted operating earnings are projected to grow 12-15%. Adjusted operating return on equity excluding AOCI is anticipated to be 19-23%.

Quarter Ending 12/2019

Report Date	Jan 29, 2020
Sales Surprise	9.95%
EPS Surprise	-0.94%
Quarterly EPS	4.20
Annual EPS (TTM)	16.25

## Recent News

### Ameriprise Closes Divestiture of Auto & Home Unit for \$1.04B - Oct 1, 2019

Ameriprise completed the sale of its De Pere, WI-based Ameriprise Auto & Home unit to American Family Insurance, a subsidiary of American Family Insurance Mutual Holding Company. The deal was announced on Apr 2, 2019.

This transaction is in line with the company's effort to focus on core growth operations like the Advice & Wealth Management and Asset Management. Ameriprise's decision to sell its AAH unit followed the strategic review.

The company received net cash proceeds of roughly \$1.4 billion after the deduction of the payment to an affinity partner. The figure is still subject to certain post-closing financial adjustments.

Further, Ameriprise will have no contingent liability associated with this transaction, barring some customary post-closing financial adjustments and indemnification obligations.

Jim Cracchiolo, Ameriprise's chairman and CEO at the time of the deal's announcement had stated that the divestiture is in line with the company's strategy to grow less capital-intensive businesses. He had also mentioned that the transaction would reduce the risk quotient and enhance the company's capital flexibility.

### Dividend Update

On Jan 29, Ameriprise announced a regular quarterly cash dividend of 97 cents per share. The dividend will be paid out on Feb 28 to shareholders of record as of Feb 14.

## Valuation

Ameriprise's shares are up 36.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 8.4% and 9.4%, respectively over the past year.

The S&P 500 index is up 21% in the past year.

The stock is currently trading at 9.64X forward 12 months earnings, which compares to 12.93X for the Zacks sub-industry, 15.04X for the Zacks sector and 19.41X for the S&P 500 index.

Over the past five years, the stock has traded as high as 13.99X and as low as 5.89X, with a 5-year median of 9.81X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$189 price target reflects 10.21X forward earnings.

The table below shows summary valuation data for AMP

Valuation Multiples - AMP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.64	12.93	15.04	19.41
	5-Year High	13.99	14.39	16.21	19.41
	5-Year Low	5.89	9.85	12.01	15.18
	5-Year Median	9.81	12.44	14.15	17.47
P/TB TTM	Current	4.09	3.67	3.33	12.63
	5-Year High	4.67	3.83	3.98	12.63
	5-Year Low	1.63	1.65	2.44	6.03
	5-Year Median	3.24	3.06	3.46	9.11
P/S F12M	Current	1.79	3.58	6.55	3.58
	5-Year High	2.1	3.66	6.65	3.58
	5-Year Low	0.98	2.32	5.39	2.54
	5-Year Median	1.54	3.01	6.04	3

As of 02/13/2020

## Industry Analysis Zacks Industry Rank: Top 5% (14 out of 255)



## Top Peers

Artisan Partners Asset Management Inc. (APAM)	Outperform
Invesco Ltd. (IVZ)	Outperform
T. Rowe Price Group, Inc. (TROW)	Outperform
Grupo Aval Acciones y Valores S.A. (AVAL)	Neutral
Franklin Resources, Inc. (BEN)	Neutral
BlackRock, Inc. (BLK)	Neutral
Blackstone Group Inc/The (BX)	Neutral
Principal Financial Group, Inc. (PFG)	Neutral

Industry Comparison Industry: Financial - Investment Management				Industry Peers		
	AMP Neutral	X Industry	S&P 500	BLK Neutral	IVZ Outperform	PFG Neutral
<b>VGM Score</b>	<b>A</b>	-	-	<b>F</b>	<b>B</b>	<b>A</b>
Market Cap	23.35 B	911.44 M	24.53 B	87.77 B	8.17 B	15.55 B
# of Analysts	3	3	13	6	7	4
Dividend Yield	2.17%	2.23%	1.75%	2.32%	6.89%	3.93%
<b>Value Score</b>	<b>A</b>	-	-	<b>D</b>	<b>A</b>	<b>A</b>
Cash/Price	0.17	0.17	0.04	0.05	0.19	0.33
EV/EBITDA	6.73	9.46	13.98	18.67	13.24	6.27
PEG Ratio	NA	1.35	2.09	1.64	0.83	1.11
Price/Book (P/B)	4.08	1.67	3.29	2.70	0.82	1.06
Price/Cash Flow (P/CF)	9.86	10.94	13.69	19.16	6.09	7.49
P/E (F1)	9.76	10.84	19.19	17.93	6.54	9.24
Price/Sales (P/S)	1.80	2.66	2.68	6.04	1.34	0.96
Earnings Yield	10.24%	8.97%	5.21%	5.58%	15.32%	10.82%
Debt/Equity	0.82	0.25	0.71	0.76	0.78	0.25
Cash Flow (\$/share)	18.10	1.94	6.92	29.67	2.96	7.47
<b>Growth Score</b>	<b>B</b>	-	-	<b>D</b>	<b>D</b>	<b>C</b>
Hist. EPS Growth (3-5 yrs)	16.07%	7.69%	10.85%	9.78%	0.64%	7.12%
Proj. EPS Growth (F1/F0)	13.46%	12.16%	7.30%	11.34%	8.07%	8.56%
Curr. Cash Flow Growth	-1.50%	-0.11%	8.56%	0.00%	-6.37%	8.96%
Hist. Cash Flow Growth (3-5 yrs)	4.34%	4.79%	8.36%	4.68%	1.83%	8.22%
Current Ratio	0.67	2.14	1.23	2.33	1.57	0.09
Debt/Capital	45.20%	22.94%	42.91%	44.43%	36.94%	21.40%
Net Margin	14.60%	11.59%	11.81%	30.79%	10.20%	8.59%
Return on Equity	37.39%	13.96%	16.92%	14.05%	12.17%	11.12%
Sales/Assets	0.09	0.37	0.54	0.09	0.17	0.06
Proj. Sales Growth (F1/F0)	0.46%	5.35%	3.96%	11.54%	13.09%	4.45%
<b>Momentum Score</b>	<b>A</b>	-	-	<b>D</b>	<b>A</b>	<b>C</b>
Daily Price Chg	-0.13%	0.00%	0.64%	-0.69%	-3.07%	-0.93%
1 Week Price Chg	5.99%	1.76%	2.47%	5.38%	5.32%	4.99%
4 Week Price Chg	3.75%	0.45%	1.87%	6.27%	-1.37%	-0.20%
12 Week Price Chg	12.88%	6.36%	6.69%	17.23%	5.51%	3.04%
52 Week Price Chg	40.30%	1.38%	16.42%	34.29%	-1.42%	14.62%
20 Day Average Volume	603,915	72,347	2,019,212	623,413	4,235,039	1,147,186
(F1) EPS Est 1 week change	0.09%	0.00%	0.00%	0.00%	0.00%	0.86%
(F1) EPS Est 4 week change	1.11%	0.17%	-0.06%	1.15%	0.73%	1.03%
(F1) EPS Est 12 week change	1.91%	1.91%	-0.19%	3.35%	3.77%	0.29%
(Q1) EPS Est Mthly Chg	0.77%	0.00%	-0.16%	-0.61%	1.67%	-1.59%

## Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>A</b>
Growth Score	<b>B</b>
Momentum Score	<b>B</b>
VGM Score	<b>A</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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