

Ameriprise Financial (AMP)

\$154.10 (As of 07/15/20)

Price Target (6-12 Months): **\$163.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

Summary

Shares of Ameriprise have outperformed the industry over the past year. The company's earnings have surpassed the Zacks Consensus Estimate in three of the trailing four quarters. Earnings estimates have been moving up ahead the company's second quarter 2020 results. The company remains well positioned for growth, given a solid assets under management (AUM) balance and diversified investment portfolio. Moreover, its business restructuring efforts (sale of the Home & Auto division and launch of the federal savings bank) will likely support revenues. The company's enhanced capital deployment activities reflect a strong balance sheet position. However, significant outflows in the Asset Management segment remain a major concern. Additionally, steadily rising expenses are expected to hurt the bottom line to some extent in the near term.

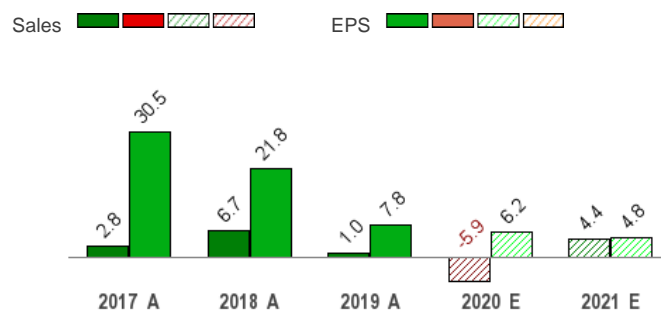
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$180.85 - \$80.01
20 Day Average Volume (sh)	1,014,499
Market Cap	\$18.9 B
YTD Price Change	-7.5%
Beta	1.85
Dividend / Div Yld	\$4.16 / 2.7%
Industry	Financial - Investment Management
Zacks Industry Rank	Top 8% (21 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	39.4%
Last Sales Surprise	4.7%
EPS F1 Est- 4 week change	2.5%
Expected Report Date	07/22/2020
Earnings ESP	0.5%
P/E TTM	8.6
P/E F1	9.0
PEG F1	NA
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,039 E	3,076 E	3,140 E	3,212 E	12,739 E
2020	3,001 A	2,849 E	2,979 E	3,021 E	12,198 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	\$4.21 E	\$4.39 E	\$4.69 E	\$4.89 E	\$17.92 E
2020	\$5.41 A	\$3.75 E	\$4.13 E	\$4.19 E	\$17.10 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.

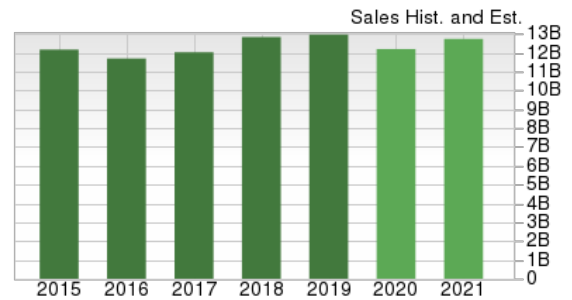
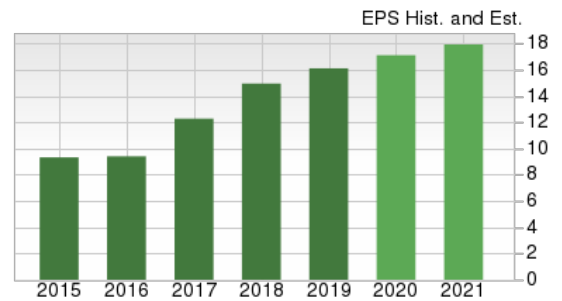
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/15/2020. The reports text is as of 07/16/2020.

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 Mar 31, 2020, the company owned, managed and administered assets worth \$839.1 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.



Reasons To Buy:

- ▲ 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 asset 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). Though first-quarter 2020 GAAP revenues declined, the company's efforts to launch products are likely to support top-line growth in the quarters ahead.
- ▲ As of Mar 31, 2020, Ameriprise had total debt worth \$5.33 billion, higher than the cash & cash equivalents balance of \$3.35 billion. However, the company's first-quarter 2020 times-interest-earned ratio of 6.4 compares favorably with the industry average of 3.1. Also, it improved on a sequential basis. Moreover, the current total debt to total capital of 35.7% is below the industry average of 40.5%. This implies that the company carries relatively less credit risk when compared with peers. Moreover, its earnings are likely to be sufficient to meet interest and/or debt obligations even if economic situation worsens.
- ▲ 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 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.
- ▲ We remain encouraged by Ameriprise's impressive capital deployment activities. The company regularly hikes dividend. In May, the company announced a dividend hike for the 13th time since 2010. Further, in February 2019, it announced an additional repurchase plan worth \$2.5 billion (expiring in March 2021). As of Mar 31, 2020, \$714 million worth of shares were left to be repurchased. Nonetheless, the company has suspended buybacks amid coronavirus concerns. 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 capital deployment plans amid the coronavirus-induced crisis.
- ▲ Ameriprise's shares have outperformed the industry over the past year. Also, the company's earnings estimates for 2020 have moved 2.5% upward over the past 30 days. The stock seems undervalued than the broader industry. Its current price-earnings (F1) and price-sales ratios are lower than the respective industry averages. It has a Value Score of A. Given the strong 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. Its enhanced capital deployment plans reflect a strong balance sheet.

Reasons To Sell:

- ▼ The Asset Management segment, which remains one of the major sources of Ameriprise's revenues, accounted for 23.2% of total adjusted operating net revenues in first-quarter 2020. 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. The trend continued in the first quarter, with outflows of \$2.5 billion from the segment, and is expected to continue in the coming quarters amid a tough operating backdrop, which will adversely affect 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). The uptrend persisted in the first quarter of 2020 as well. 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. Any significant change in client activity might 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 Beats Q1 Earnings & Revenue Estimates

Ameriprise Financial's first-quarter 2020 adjusted operating earnings per share of \$5.41 comfortably beat the Zacks Consensus Estimate of \$3.88. Also, the figure was 46% higher than the year-ago quarter.

The results reflect an improvement in adjusted revenues. However, decline in AUM and assets under administration (AUA) balance, as well as an increase in expenses were headwinds.

After taking into consideration several significant items, net income was \$2.03 billion or \$15.88 per share, up significantly from \$395 million or \$2.82 per share in the prior-year quarter.

Revenues Down, Expenses Up

Net revenues (on a GAAP basis) were \$3 billion, down 4% year over year. The figure, however, beat the Zacks Consensus Estimate of \$2.87 billion. On an operating basis, total adjusted net revenues (excluding Auto & Home) were \$2.95 billion, up 4% year over year.

Adjusted quarterly operating expenses (excluding Auto & Home) were \$2.30 billion, increasing 4% from the prior-year quarter.

AUM & AUA Improve

As of Mar 31, 2020, total AUM and AUA was \$839.1 billion, down 6% year over year.

Share Repurchase Update

In the reported quarter, Ameriprise repurchased shares worth \$386 million.

Outlook

Second-quarter 2020 effective tax rate is expected to be 16-18%.

Moreover, the company expects that in the second quarter its adjusted operating earnings will include a reversal of the \$144 million tax benefit that was recorded in the first quarter.

Quarter Ending **03/2020**

Report Date	May 06, 2020
Sales Surprise	4.71%
EPS Surprise	39.43%
Quarterly EPS	5.41
Annual EPS (TTM)	17.91

Recent News

Dividend Update

On May 6, Ameriprise announced a regular quarterly cash dividend of \$1.04 cents per share, representing a 7% hike from the prior payout. The dividend was paid out on May 29 to shareholders of record on May 18.

Valuation

Ameriprise's shares are down 7.4% in the year-to-date period but up 3.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 4% and 19.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 0.5% and the sector is down 15.1%.

The S&P 500 index is down 0.5% in the year-to-date period but up 7.1% in the past year.

The stock is currently trading at 8.79X forward 12 months earnings, which compares to 12.94X for the Zacks sub-industry, 16.21X for the Zacks sector and 22.72X for the S&P 500 index.

Over the past five years, the stock has traded as high as 13.99X and as low as 4.69X, with a 5-year median of 9.50X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$163 price target reflects 9.30X 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	8.79	12.94	16.21	22.72
	5-Year High	13.99	14.35	16.21	22.72
	5-Year Low	4.69	9.75	11.59	15.25
	5-Year Median	9.5	12.35	14.16	17.52
P/B	Current	2.82	2.01	2.35	4.38
	5-Year High	4.49	2.2	2.91	4.56
	5-Year Low	1.59	0.96	1.71	2.83
	5-Year Median	3.13	1.75	2.53	3.7
P/S F12M	Current	1.53	3.79	6.04	3.55
	5-Year High	2.1	3.79	6.66	3.55
	5-Year Low	0.81	2.3	4.96	2.53
	5-Year Median	1.51	2.98	6.06	3.02

As of 07/15/2020

Industry Analysis Zacks Industry Rank: Top 8% (21 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Artisan Partners Asset Management Inc. (APAM)	Outperform	1
Franklin Resources, Inc. (BEN)	Outperform	1
BlackRock, Inc. (BLK)	Outperform	1
Principal Financial Group, Inc. (PFG)	Outperform	1
T. Rowe Price Group, Inc. (TROW)	Outperform	1
Grupo Aval Acciones y Valores S.A. (AVAL)	Neutral	3
Blackstone Group IncThe (BX)	Neutral	3
Invesco Ltd. (IVZ)	Neutral	1

Industry Comparison Industry: Financial - Investment Management				Industry Peers		
	AMP	X Industry	S&P 500	BLK	IVZ	PFG
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	1	1	1
VGM Score	A	-	-	F	D	B
Market Cap	18.85 B	883.63 M	22.66 B	87.71 B	5.02 B	12.20 B
# of Analysts	2	3	14	6	7	4
Dividend Yield	2.70%	2.20%	1.83%	2.55%	5.67%	5.03%
Value Score	A	-	-	F	C	A
Cash/Price	0.49	0.17	0.07	0.05	0.25	0.36
EV/EBITDA	4.17	6.57	12.99	16.27	12.87	5.15
PEG Ratio	NA	1.65	2.97	2.05	1.15	1.82
Price/Book (P/B)	2.83	1.75	3.12	2.65	0.51	0.94
Price/Cash Flow (P/CF)	8.50	8.62	12.14	17.95	3.48	5.71
P/E (F1)	9.03	10.53	22.04	20.49	6.84	8.51
Price/Sales (P/S)	1.47	1.78	2.38	5.89	0.77	0.72
Earnings Yield	11.10%	9.18%	4.32%	4.88%	14.64%	11.76%
Debt/Equity	0.56	0.20	0.76	0.63	0.88	0.28
Cash Flow (\$/share)	18.13	1.75	6.94	31.67	3.14	7.81
Growth Score	A	-	-	F	F	D
Hist. EPS Growth (3-5 yrs)	16.99%	7.43%	10.85%	10.46%	0.57%	6.99%
Proj. EPS Growth (F1/F0)	6.21%	-6.52%	-9.64%	-2.56%	-37.31%	-6.14%
Curr. Cash Flow Growth	-1.33%	-4.05%	5.51%	6.72%	24.49%	4.20%
Hist. Cash Flow Growth (3-5 yrs)	4.37%	3.83%	8.55%	6.05%	3.83%	3.17%
Current Ratio	0.86	2.31	1.30	4.08	1.71	0.08
Debt/Capital	35.72%	24.73%	44.46%	40.11%	39.06%	23.16%
Net Margin	27.50%	9.12%	10.59%	28.38%	8.12%	7.36%
Return on Equity	38.86%	12.36%	15.75%	13.62%	11.04%	10.51%
Sales/Assets	0.09	0.36	0.54	0.09	0.17	0.06
Proj. Sales Growth (F1/F0)	-5.93%	0.00%	-2.52%	3.32%	-5.17%	5.87%
Momentum Score	A	-	-	A	A	B
Daily Price Chg	2.87%	1.88%	1.91%	1.29%	4.19%	4.77%
1 Week Price Chg	2.15%	0.00%	-0.41%	0.42%	-0.19%	2.70%
4 Week Price Chg	2.95%	0.00%	1.88%	2.41%	-2.58%	3.99%
12 Week Price Chg	46.89%	19.07%	16.37%	18.21%	19.06%	53.39%
52 Week Price Chg	3.79%	-14.79%	-4.22%	20.72%	-43.81%	-23.70%
20 Day Average Volume	1,014,499	114,825	2,266,132	707,215	7,033,691	1,681,777
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	1.80%	3.23%	0.00%
(F1) EPS Est 4 week change	2.55%	0.00%	0.00%	3.85%	6.57%	3.41%
(F1) EPS Est 12 week change	8.92%	0.54%	-5.76%	8.99%	-18.20%	0.34%
(Q1) EPS Est Mthly Chg	6.26%	0.48%	0.00%	3.93%	6.06%	8.83%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	A
Growth Score	A
Momentum Score	A
VGM Score	A

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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