Ameriprise Financial (AMP)

$157.83 (As of 08/17/20)

Price Target (6-12 Months): **$165.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/10/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: F | Momentum: C	

Summary

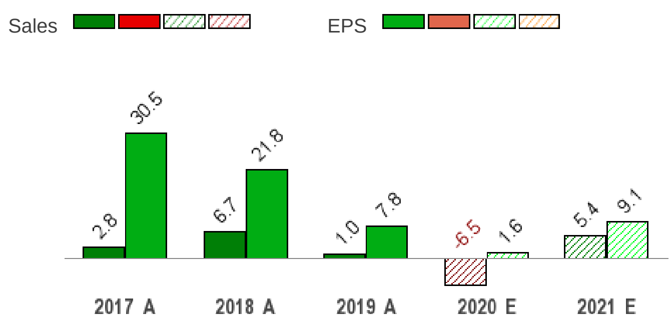
Shares of Ameriprise have underperformed the industry so far this year. Its earnings have surpassed the Zacks Consensus Estimate in two and lagged in two of the trailing four quarters. Its second-quarter 2020 results were hurt by lower revenues, partly offset by a decline in costs. The company remains well-positioned for growth, given the solid assets under management (AUM) balance and diversified investment portfolio. Moreover, business-restructuring efforts (sale of the Home & Auto division and launch of the federal savings bank) will likely support revenues. Further, the company's enhanced capital deployments 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)	**635,641**
Market Cap	**$19.0 B**
YTD Price Change	**-5.3%**
Beta	**1.83**
Dividend / Div Yld	**$4.16 / 2.6%**
Industry	**Financial - Investment Management**
Zacks Industry Rank	**Top 23% (59 out of 252)**
Last EPS Surprise	**-10.2%**
Last Sales Surprise	**-1.5%**
EPS F1 Est- 4 week change	**0.3%**
Expected Report Date	**10/28/2020**
Earnings ESP	**-0.3%**
P/E TTM	**9.6**
P/E F1	**9.7**
PEG F1	**NA**
P/S TTM	**1.5**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	3,052 E	3,112 E	3,183 E	3,262 E	12,774 E
2020	3,001 A	2,765 A	2,966 E	3,010 E	12,121 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	$4.19 E	$4.41 E	$4.66 E	$4.77 E	$17.83 E
2020	$5.41 A	$2.64 A	$4.13 E	$4.20 E	$16.35 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 08/17/2020. The reports text is as of 08/18/2020.

Overview

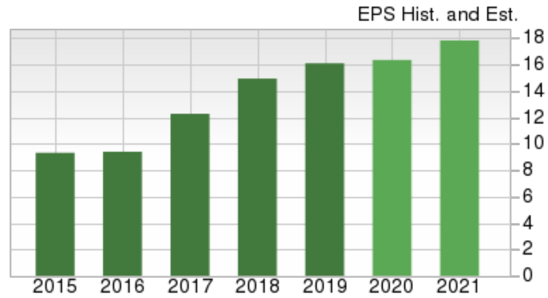
Headquartered in Minneapolis, MN, Ameriprise Financial, Inc. was founded in 1894 under the name Investors Syndicate. Notably, since 2005-end, Ameriprise has been operating independently of American Express Company. As of Jun 30, 2020, the company owned, managed and administered assets worth $946.8 billion.

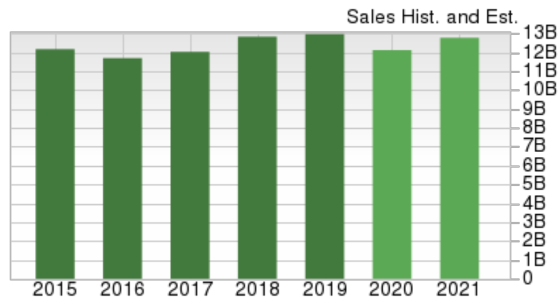
Ameriprise operates primarily through five segments:

- 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'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.

- ▲ 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-half 2020 GAAP revenues declined, the company's efforts to launch products are likely to keep supporting top-line growth in the quarters ahead.

- ▲ As of Jun 30, 2020, Ameriprise had total debt worth $4.52 billion, lower than the cash & cash equivalents balance of $7.70 billion. However, the company's second-quarter 2020 times-interest-earned ratio of 4.7 declined on a sequential basis. While its total debt to total capital of 39.9% increased sequentially in second-quarter 2020, the same has been witnessing a declining trend since the past few quarters. Hence, given the company's sufficient cash balance, it is expected to be able to meet debt obligations in the near term even if the 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 2020, the company announced a dividend hike for the 13th time since 2010. In February 2019, it had announced an additional repurchase plan worth $2.5 billion (expiring in March 2021). Though the company suspended buybacks amid the coronavirus-led concerns in mid-March, it resumed the same in May. As of Jun 30, 2020, $473 million worth of shares were left to be repurchased. 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.

- ▲ Ameriprise's trailing 12-month return on equity ("ROE") reflects its superiority in terms of utilizing shareholders' funds. The company's ROE of 34.48% compares favorably with 11.91% for the industry.

- ▲ Further, Ameriprise seems undervalued than the broader industry. Its current price-earnings (F1) and price-sales ratios are lower than the respective industry averages.

Reasons To Sell:

> 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.

- The Asset Management segment, which remains one of the major sources of Ameriprise's revenues, accounted for 23.7% of total adjusted operating net revenues in the first six months of 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. While the segment witnessed net inflows of $238 million in the first half of 2020, this may not continue in the quarters ahead amid a tough operating backdrop. Thus, this is likely to adversely affect the segment's performance.

- Ameriprise has been witnessing a persistent rise in expenses over the past few years. While GAAP expenses declined in 2017 and the first half of 2020, the same 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. Any significant change in client activity might hurt the company's financials going forward.

- Ameriprise's shares have underperformed the industry so far this year. Also, the company's earnings estimates for 2020 have moved 4.4% lower over the past 30 days. Given the concerns and lack of positive estimate revisions, the price performance is not expected to improve in the near term.

Last Earnings Report

Ameriprise Q2 Earnings Lag Estimates, Revenues Decline Y/Y

Quarter Ending	06/2020
Report Date	**Jul 29, 2020**
Sales Surprise	**-1.46%**
EPS Surprise	**-10.20%**
Quarterly EPS	**2.64**
Annual EPS (TTM)	**16.49**

Ameriprise Financial's second-quarter 2020 adjusted operating earnings per share of $2.64 lagged the Zacks Consensus Estimate of $2.94. Also, the figure was 35% lower than the year-ago quarter.

Results were primarily hurt by a decline in revenues, partly offset by lower expenses. However, an improvement in assets under management and assets under administration balance were tailwinds.

After taking into consideration significant items, net loss was $539 million or $4.31 per share against net income of $492 million or $3.57 per share in the prior-year quarter.

Revenues & Expenses Decline

On an operating basis, total adjusted net revenues were $2.77 billion, down 14.8% year over year. The figure lagged the Zacks Consensus Estimate of $2.81 billion. On a GAAP basis, net revenues were $2.71 billion, down 16.4% year over year.

Adjusted operating expenses (excluding Auto & Home) were $2.19 billion, decreasing 4.6% from the prior-year quarter.

AUM & AUA Improve

As of Jun 30, 2020, total AUM and AUA was $946.78 billion, up 3.4% year over year.

Share Repurchase Update

In the reported quarter, Ameriprise repurchased 1.7 million shares.

Outlook

G&A expenses in the Advice & Wealth segment are expected to be down $125 million year over year in 2020.

Recent News

Dividend Update

On Jul 29, Ameriprise announced a regular quarterly cash dividend of $1.04 per share. The dividend will be paid out on Aug 21 to shareholders of record on Aug 10.

Valuation

Ameriprise's shares are down 5.2% in the year-to-date period but up 23.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 2% and 15.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 10.7% and the sector is down 6.7%.

The S&P 500 index is up 4.5% in the year-to-date period and 15.4% in the past year.

The stock is currently trading at 9.13X forward 12 months earnings, which compares to 12.78X for the Zacks sub-industry, 16.81X for the Zacks sector and 22.85X 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 9.45X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $165 price target reflects 9.54X 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	9.13	12.78	16.81	22.85
	5-Year High	13.99	14.38	16.81	22.85
	5-Year Low	4.69	9.73	11.6	15.25
	5-Year Median	9.45	12.46	14.26	17.58
P/B	Current	2.92	1.92	2.49	4.52
	5-Year High	4.49	2.23	2.91	4.56
	5-Year Low	1.59	0.97	1.72	2.83
	5-Year Median	3.13	1.78	2.53	3.74
P/S F12M	Current	1.52	3.97	6.22	3.67
	5-Year High	2.1	3.97	6.66	3.67
	5-Year Low	0.81	2.35	4.96	2.53
	5-Year Median	1.51	3.03	6.06	3.05

As of 08/17/2020

Industry Analysis **Zacks Industry Rank:** Top 23% (59 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
Artisan Partners Asset Management Inc. **(APAM)**	Outperform	1
Principal Financial Group, Inc. **(PFG)**	Outperform	2
T. Rowe Price Group, Inc. **(TROW)**	Outperform	2
Grupo Aval Acciones y Valores S.A. **(AVAL)**	Neutral	3
Franklin Resources, Inc. **(BEN)**	Neutral	3
BlackRock, Inc. **(BLK)**	Neutral	3
Blackstone Group IncThe **(BX)**	Neutral	3
Invesco Ltd. **(IVZ)**	Neutral	3

Industry Comparison Industry: Financial - Investment Management

Industry Peers

	AMP	X Industry	S&P 500	BLK	IVZ	PFG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	D	-	-	D	B	C
Market Cap	18.98 B	857.80 M	23.75 B	90.27 B	4.85 B	12.19 B
# of Analysts	2	3	14	6	7	4
Dividend Yield	2.64%	1.62%	1.62%	2.45%	5.87%	5.05%
Value Score	C	-	-	C	A	A
Cash/Price	0.40	0.16	0.07	0.06	0.26	0.30
EV/EBITDA	4.73	6.33	13.49	16.63	12.63	5.51
PEG Ratio	NA	1.48	3.03	2.03	1.14	1.24
Price/Book (P/B)	2.92	1.78	3.18	2.75	0.49	0.80
Price/Cash Flow (P/CF)	8.70	9.11	12.85	18.69	3.36	5.69
P/E (F1)	9.61	11.02	22.17	20.25	6.78	8.14
Price/Sales (P/S)	1.54	2.00	2.49	6.01	0.75	0.75
Earnings Yield	10.36%	9.03%	4.32%	4.94%	14.76%	12.27%
Debt/Equity	0.67	0.20	0.77	0.66	0.87	0.27
Cash Flow ($/share)	18.13	1.75	6.94	31.67	3.14	7.81
Growth Score	F	-	-	C	D	F
Hist. EPS Growth (3-5 yrs)	17.07%	8.05%	10.44%	11.24%	-0.30%	6.68%
Proj. EPS Growth (F1/F0)	1.55%	-4.79%	-5.97%	2.65%	-38.88%	-2.28%
Curr. Cash Flow Growth	-1.33%	-4.05%	5.22%	6.72%	24.49%	4.20%
Hist. Cash Flow Growth (3-5 yrs)	4.37%	4.10%	8.52%	6.05%	3.83%	3.17%
Current Ratio	0.84	2.07	1.33	4.02	1.76	0.07
Debt/Capital	39.95%	25.38%	44.59%	41.02%	38.81%	22.47%
Net Margin	20.32%	9.10%	10.13%	29.55%	8.15%	7.82%
Return on Equity	34.48%	11.91%	14.51%	14.17%	9.93%	10.12%
Sales/Assets	0.08	0.34	0.51	0.09	0.17	0.06
Proj. Sales Growth (F1/F0)	-6.52%	0.00%	-1.67%	4.31%	-3.41%	-3.93%
Momentum Score	C	-	-	C	C	C
Daily Price Chg	-1.15%	0.00%	-0.02%	0.61%	-1.03%	-1.81%
1 Week Price Chg	-0.11%	0.02%	1.09%	0.05%	-0.93%	2.03%
4 Week Price Chg	2.23%	2.67%	4.83%	2.14%	2.72%	1.23%
12 Week Price Chg	19.15%	13.26%	13.09%	15.34%	45.39%	20.23%
52 Week Price Chg	23.28%	-6.01%	2.77%	39.12%	-32.72%	-17.60%
20 Day Average Volume	635,641	101,065	1,932,479	477,551	5,260,738	1,593,734
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.31%	0.54%	1.80%	2.17%	-2.24%	4.11%
(F1) EPS Est 12 week change	-1.95%	7.50%	2.88%	12.75%	7.07%	9.00%
(Q1) EPS Est Mthly Chg	1.31%	0.71%	0.80%	1.10%	4.17%	1.85%

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	C
Growth Score	F
Momentum Score	C
VGM Score	D

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.

Disclosures

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