

Initiating coverage:

Ameriprise Financial

A Wealth of Potential for Long-Term Investors

Key Takeaways: Ameriprise is investing heavily in the future of its company and has grown earnings by an impressive 9.6% since Q2 2023. While Ameriprise has decreased its profit margin (22% to 19%) and net income (down 6.9%) since Q2 2023, the company is preparing for a large influx of business as seen from its increase in revenue. Ameriprise is not a short-term flip but instead, a long-term bet poised for success due to the incoming Great Wealth Transfer from Baby Boomers to Generation Z, its comparatively positive positioning, and its comparatively low trading price.

The Great Wealth Transfer: In the next 20 years it is predicted that up to USD 90 trillion will be transferred directly from Baby Boomers to their heirs. The younger generation has been seen to be less risk-averse than the previous generation, pointing to a likely shift in money managers and a possible market opportunity. Additionally, according to a research paper by Cerulli Associates, the younger generation is more willing to invest in alternative investments than the Baby Boomers. While Vanguard and Blackrock (\$BLK) are more well-known for their ETFs and safe investment strategies, Ameriprise (\$AMP) offers alternative investment vehicles as a main feature available to accredited investors and qualified purchasers. \$BLK and Vanguard currently have a combined AUM of over USD 16 trillion.

Favorable Positioning: Ameriprise currently has a total AUM of just over USD 1 trillion, up 9% in the past year. Because Ameriprise offers a suite of investment features and is able to cater investments on a client-to-client basis, we believe that they are capable of gaining a significantly larger market share, in the long term comparable to \$BLK and Vanguard, who are more dedicated to their ETF and fixed annuity investments, as significant wealth is transferred to the younger, less risk-averse generation.

Pending LPL Lawsuit: On July 30, 2024, \$AMP filed a lawsuit against LPL Financial, alleging that it harvests and misuses confidential client information in violation of legal, regulatory, and industry obligations. In the lawsuit, Ameriprise claimed, "LPL systematically directs the advisers it recruits from Ameriprise and its competitors to take confidential information on their way out the door". After this news was received by the public, the stock dipped 10%, which it has failed to fully recover from since. This allows for a short-term mispricing of \$AMP.

Valuation: We initiate coverage with a \$510 PT.



Consortium Equity Research
Financial | Wealth
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Stock Rating: Overweight

Price Target: USD \$510.00

Price: \$449.00

Potential Upside/Downside: 13.5%

Ticker(s): \$AMP

Market Cap: \$44.13b

Shares Outstanding: 98m

Free Float (%): 99.82%

Dividend Yield: N/A

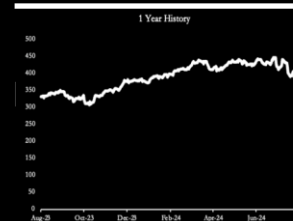












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Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E	Revenue LF	EBITDA LF	
 VISA INC. (XNYS:V)	\$ 528,318	\$ 525,670	29.0x	\$ 32,700	\$	16,608
 BLACKROCK, INC. (XNYS:BLK)	\$ 129,241	\$ 128,740	22.0x	\$ 17,860	\$	6,920
 Brookfield Corporation (XNYS:BN)	\$ 76,567	\$ 421,525	18.7x	\$ 95,584	\$	24,189
 STATE STREET CORPORATION (XNYS:STT)	\$ 24,242	\$ 22,108	16.0x	\$ 11,950	\$	-
 AMERIPRISE FINANCIAL, INC. (XNYS:AMP)	\$ 47,198	\$ 40,470	15.1x	\$ 16,253	\$	4,860

Ticker	LTM EV/EBITDA	Profit Margin	EBIT Margin	Earnings Growth	1 Yr Rev Growth	Rate LF
 VISA INC. (XNYS:V)	21.2	54.7%	66.9%	17.2%		9.6%
 BLACKROCK, INC. (XNYS:BLK)	18.6	32.4%	37.8%	9.4%		7.7%
 Brookfield Corporation (XNYS:BN)	17.4	1.1%	19.7%	(46.9%)		(0.8%)
 STATE STREET CORPORATION (XNYS:STT)	-	15.0%	30.6%	(6.8%)		1.7%
 AMERIPRISE FINANCIAL, INC. (XNYS:AMP)	8.3	18.1%	36.3%	(6.9%)		9.6%

Industry Overview

Economies of scale: The financial services industry benefits largely from reduced operating costs due to economies of scale. Because large sums of AUM can be managed by a similar number of money managers as comparatively smaller sums, profit margins increase significantly as AUM rises. \$AMP already has a significant AUM of over USD 1 trillion but is poised to increase this sum significantly leading to higher potential profit margins in the future.

Wealth Transfer: The entire wealth management industry is being shaken up by the Great Wealth Transfer, in which up to USD 90 trillion is being passed from the older generation to their heirs. As this transfer takes place, there is a market opportunity for new money managers to gain larger market shares as they offer products that are more interesting to the younger generation.

Market Sensitivity: This industry is very reactive to the financial markets as many investors pull their funds from bearish markets and have been seen to inject more funds into bullish markets. This is both a negative and a positive, but in the long term will hold little weight in the overall success of \$AMP as it will both benefit and be hurt by this phenomenon.

Company Overview

Company Description: Ameriprise Financial, Inc., together with its subsidiaries, provides various financial products and services to individual and institutional clients in the United States and internationally. It operates through three main segments: Advice & Wealth Management, Asset Management, and Retirement & Protection Solutions.

The Advice & Wealth Management: Provides financial planning and advice; brokerage products and services for retail and institutional clients; discretionary and non-discretionary investment advisory accounts; mutual funds; insurance and annuities products; cash management and banking products; and face-amount certificates.

The Asset Management segment: Offers investment management, advice, and products to retail, high net worth, and institutional clients through third-party financial institutions, advisor networks, direct retail, and its institutional sales force under the Columbia Threadneedle Investments brand name. This segment products include U.S. mutual funds and their non-U.S. equivalents, exchange-traded funds, variable product funds underlying insurance, and annuity separate accounts; and institutional asset management products, such as traditional asset classes, separately managed accounts, individually managed accounts, collateralized loan obligations, hedge funds, collective funds, and property and infrastructure funds.

The Retirement & Protection Solutions: Provides variable annuity products, as well as life and disability income insurance products to retail clients.

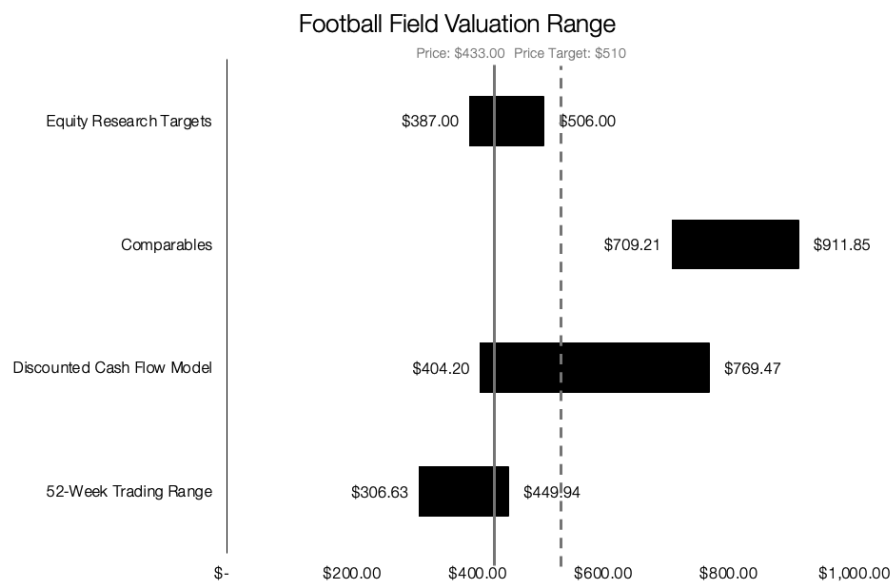
Investment Theses

The Great Wealth Transfer: Since Q2 2023, \$AMP has grown its AUM by over 9% signaling it is already taking advantage of the Great Wealth Transfer. \$AMP is also favorably positioned due to its alternative investment option, and higher-risk investment options compared to its less risk-averse ETF-focused peers.

Lawsuit and Profit Margins: \$AMP is trading far below its comparable companies, in our eyes, partially due to its current lawsuit against LPL Financial and its decreased profit margin in the 4 quarters (22% to 19%). After \$AMP alleged that LPL Financial was misusing its internal data on its users, the stock dropped 10% which it has not fully recovered from since. Additionally, the public did not react favorably to \$AMP's drop in net income because of higher operating costs. This drop in net income from Q2 2023 to Q2 2024 largely overshadowed \$AMP's increasing revenues. Together these 2 events lead to a possible short-term mispricing that will not affect \$AMP over the long term.

Price Target & Valuation

Our analysis gives \$AMP a price target of \$510 and an Overweight rating.



Potential Downsides to Our Rating

Suits & Fines: \$AMP’s suit against LPL will incur large legal fees so a lost suit could lead to potential suppression of net income losses in Q3 or Q4 of 2024 and beyond. Additionally, \$AMP was fined USD 50 million by the Securities and Exchange Committee (SEC) due to misuse of messaging applications. This is not hugely significant but points to minor managerial issues firm wide.

Miss of Wealth Transfer: The future of \$AMP is largely contingent on the incoming wealth transfer. Although we believe that the firm is well-positioned to succeed and gain a larger market share through the transfer, there is the possibility that this is not the case. As \$AMP has already lost substantial profitability in its dipping margins and net income, it is possible that this trend may continue and \$AMP may lose out to the larger money managers.

While \$AMP offers many features to investors that align with the younger generation’s investing ideals, there is the possibility that the younger generation will opt for a more hands-off approach and use the same money managers as their parents.

Our Price Target: \$510.00

Our PT is based in large part on the large discount \$AMP is trading at compared to its peers. In addition, our DCF suggests a potential for large growth in \$AMP stock in the next couple of years.

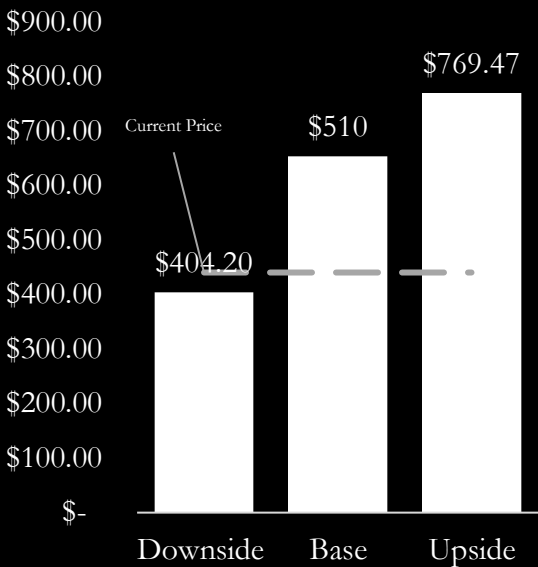
Our Upside Case: \$769.47

If \$AMP can capitalize on the Great Wealth Transfer and produce about 2.3% more revenue YoY, a large boom in share price is possible. This also runs under the assumption that \$AMP can maintain profit margins which may be unrealistic as seen from its Q2 2023 to Q2 2024 performance.

Our Downside Case: \$404.2

Our downside case is based on \$AMP being beaten out by its peers in the Great Wealth Transfer. As other prominent firms such as \$BLK and Vanguard already have substantial market shares, the younger generation could go to the proven larger managers, leading to a slip in \$AMP’s revenue and profitability long term.

DCF Case Values



Projections

Income Statement (\$mm)	2023A	2024E	2025E	2026E	2027E	CAGR%
Revenue	9,014	9,576	9,959	10,358	10,772	17.7%
EBITDA	4,092	4,698	3,984	4,143	4,309	16.7%
EBIT	4,092	4,698	3,984	4,143	4,309	16.7%
EBIAT	1,894	1,696	3,495	3,658	3,414	4.9%
Margin & Growth Data	2023A	2024E	2025E	2026E	2027E	AVG%
EBITDA Margin	45.4%	49.1%	40.0%	40.0%	40.0%	42.9%
EBIT Margin	45.4%	49.1%	40.0%	40.0%	40.0%	42.9%
Revenue Growth	6.1%	6.2%	4.0%	4.0%	4.0%	4.9%
EBIT Growth	6.3%	14.8%	-15.2%	4.0%	4.0%	2.8%
Valuation Metrics	2023A	2024E	2025E	2026E	2027E	AVG%
P/FCF	18.3x	11.3x	10.2x	9.2x	8.4x	11.5x
EV/Sales	4.6x	4.3x	4.2x	4.0x	3.9x	4.2x
EV/EBITDA	9.2x	8.5x	10.4x	10.4x	10.4x	10.4x
FCF Yield	5.5%	8.9%	9.8%	10.9%	11.9%	9.4%

About \$AMP

\$AMP, or Ameriprise Financial, is a diversified financial services company providing financial planning, wealth management, and insurance services. It is well-known for its personalized approach to financial advisory, helping clients achieve their financial goals through comprehensive planning. The company is a leader in the industry, with a strong reputation for stability and client-focused solutions.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry (TMT, Healthcare, Industrial, Consumer, FIG) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry. **Underweight** means the team expects underperformance relative to the industry.