

Ameriprise Financial, Inc. (NYSE: AMP)

Sector: Financial Services



Target Price	Current Price	52w High	52w Low	P/E	Market Cap	Dividend Yield	Beta
\$219.97	\$140.53	\$180.85	\$121.57	9.09	\$15.69B	2.76%	1.85

Business Description:

Ameriprise is a well-diversified financial services firm. The company is broken into 3 business segments: Advice and Wealth Management which provides 48.6% of revenues, Global Asset Management which provides 23.3% of revenues, and Insurance, Protection, Corporate and Other which provides 28.1% of revenues. Since its spin-off from American Express in 2005, Ameriprise has grown its advisor network to over 10,000 individuals throughout the United States and its assets under management to more than \$920 billion. Columbia Threadneedle Investments provides the majority of the firm's asset management capabilities and RiverSource Insurance provides the annuity and protection services. The firm has recently launched Ameriprise Bank, FSB.

Industry Trends:

The industry has an overall positive outlook as the Baby Boomer generation is entering peak retirement ages. Most qualify for "catch-up" contributions to IRAs, so over the next couple years there should be a significant increase in retirement investments. Millennials are also beginning to focus on saving for retirement. The industry will benefit from lower tax rates as a result of the approved tax reform legislation, and from proposed legislative incentives designed to encourage saving for retirement. However, lowered interest rates have negatively impacted insurance companies. The industry has begun to see a shift in investor preferences to ETFs and away from actively managed assets. This shift away from actively managed equities and to fixed income and passive investments has exerted downward pressure on fee revenues for most firms.

Investment Thesis:

Ameriprise has strong growth prospects in its Advice & Wealth Management group, as demographic trends suggest an increase in investable assets among retirees. The baby boomer generation is entering peak retirement levels in the next 3-5 years. AMP has set in place an accelerated share buyback program and has approved the repurchase of \$2.5B worth of shares, adding on to the \$2.5B of previous repurchases from 2016-2019. In Q3 2019, AMP launched Ameriprise Bank, which will continue to grow and expand loan offerings, providing another source of income and further expanding the brand. Finally, AMP is further developing its digital footprint with new client platforms.

Valuation Assumptions:

WACC: 9%
Perpetuity Growth Rate: 2.5%
Margin of Safety: 56.53%

5-Year Share Price Performance:



Competitive Advantage and Analysis:

Ameriprise is a trusted brand, with a strong-track record of providing comprehensive service to its customers and generating value to its shareholders. The broad advisory network has helped Ameriprise grow its client base and expand into different regions. The firm offers more than 105 4 and 5 star rated Morningstar funds. In addition, the firm has earned the trust of thousands of individuals by establishing meaningful client-advisor relationships. Since leaving American Express in 2005, Ameriprise has been the 4th best performing stock in the S&P 500 Financials.

Risks:

The greatest risks facing AMP which may negatively impact its share price include, but are not limited to:

- Active vs. Passive investing preferences may lead to margins getting squeezed
- Increased long term care (LTC) liabilities
- Counterparty risk with reinsurance company Genworth
- Millennial preferences of "robo"/digital investing rather than working with an advisor

Corporate Social Responsibility Highlights:

Ameriprise partners with Feeding America to help fight the ongoing hunger crisis in the U.S. Since 2009, AMP and its volunteers have provided more than 84 million meals and approximately 310,000 volunteer hours to various hunger-relief organizations.

Report Prepared By:

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