

Company Profile

Ord Minnett Research

20 May 2024

AMP Limited (AMP.AX)

AMP Limited (AMP) provides banking, superannuation, retirement and financial advice services in Australia and New Zealand. The business is divided into five operating business units: AMP Bank, Platforms, Master Trust, Advice and New Zealand Wealth Management.

AMP Bank: It offers residential mortgages, business financing, deposits and transactional banking services. The Bank continues to focus on growth through its digital channels, improving the experience for both customers and intermediaries.

AMP's Platforms: AMP's Platforms business is a leading provider of superannuation, retirement and investment solutions, enabling advisers and their clients to build a personalised investment portfolio on AMP's flagship North platform.

Advice: AMP advisors provides professional services to a network of aligned and Independent Financial Advisers (IFAs). These advisers provide financial advice and wealth solutions to their clients, including retirement planning, investments, and financing.

New Zealand Wealth Management: NZWM provides clients with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and general insurance. It also operates a wholly owned distribution business operating under the AdviceFirst and enable.me brands.

Snapshot

Last Price	\$1.090
Market Cap.	\$2,935 million
52 Week High/Low	\$1.30 - \$0.84
Shares on issue	2,692 million
GICS Industry	Financial Services

Key Dates

Accounts Close	31 December
AGM	31 Mar 2023
Listing Date	15 Jun 1998

Investment Fundamentals

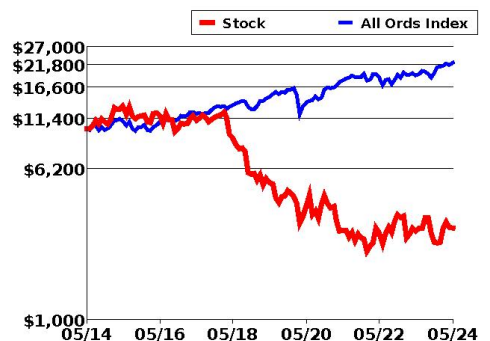
		2023A	2024E	2025E	2026E
Sales Rev.	\$m	1,437	1,233	1,246	1,269
Rep Profit	\$m	258.0	190.7	263.5	322.2
Norm Profit	\$m	196.0	241.7	313.6	326.7
Rep EPS	¢	-1.6	9.0	12.0	--
Norm EPS	¢	6.8	9.0	12.0	12.5
Rep PE	x	13.8	12.1	9.1	8.7
Norm PE	x	16.2	12.1	9.1	8.7
DPS	¢	4.5	3.0	7.0	8.0
Yield	%	4.8	2.7	6.4	7.3
Franking	%	20	50	90	90
ROE	%	6.4	4.9	6.8	8.1

Source: Ord Minnett

Share Price Chart



Total Return on \$10,000 Investment



Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
Profitability Ratios						
EBITDA Margin	%	--	5.73	11.72	-23.32	-20.26
EBIT Margin	%	--	-2.58	--	-30.17	-25.36
Net Profit Margin	%	--	9.85	14.87	-11.17	-3.43
Return on Equity	%	-2.65	5.55	8.42	-3.84	-1.21
Return on Assets	%	0.21	1.66	1.79	0.73	2.32
Debt/Safety Ratios						
Net Debt/Equity	%	373.22	530.10	585.89	664.47	709.29
Interest Cover	x	0.96	0.21	--	2.04	1.64
Top 5 Substantial Shareholders						
State Street Corporation and its subsidiaries						6.1%
Vanguard Group						6.0%

Source: Morningstar

Principals & Directors	
Principals	
Company Secretary	Ms Kate Gordon Mr David Cullen
Directors	
Ms Alexis Ann George (Chief Executive Officer, Managing Director)	
Mr Michael (Mike) John Hirst (Non-Executive Director)	
Mrs Andrea Elizabeth Slattery (Non-Executive Director)	
Mr Rahoul Chowdry (Non-Executive Director)	
Mr Michael Sammells (Non-Executive Director)	
Ms Kathleen Anne Bailey-Lord (Non-Executive Director)	
Mr Andrew Hamilton Best (Non-Executive Director)	
Ms Anna Leibel (Non-Executive Director)	

Source: Morningstar

Recent Operational History

18 April 2024 - AMP provided Q1 2024 cashflows and business update. AMP Bank total loan book of \$23.5bn, down from \$24.4bn in Q4 2023. AMP Bank total deposits grew to \$21.4bn, up from \$21.3bn in Q4 2023. Platforms net cashflows were \$201m, up 32% on Q1 2023 of \$152m. North inflows from Independent Financial Advisers (IFAs) increased 22% on Q1 2023 to \$544m. Platforms Assets Under Management (AUM) increased to \$74.3bn (Q4 2023: \$71.1bn). Superannuation & Investments (formerly Master Trust) AUM increased to \$54.1bn (Q4 2023: \$51.9bn), with net cash outflows reducing to \$371m (Q1 2023: net cash outflows of \$610m). New Zealand Wealth Management net cash outflows were \$5m (Q1 2023: net cash inflows \$15m), and AUM increased to \$11.2bn (Q4 23: \$10.9bn).

18 April 2024 - AMP Limited reported NPAT down 31.52% to \$265m for the year ended 31 December 2023. Revenue from ordinary activities were \$2,901m, up 26.74% from last year. Diluted EPS was 9.13 cents compared to 11.86 cents last year. The net operating cash outflow was \$105m compared to \$2,566m last year. The final dividend declared was 2 cents, taking the full year dividend to 4.5 cents compared with 2.5 cents last year.

14 February 2024 - AMP provided FY2023 Investor Presentation. Major transactions completed to further the simplification of portfolio. Significant legacy legal matters resolved. Delivered on cost-out program for FY2023. The Company remains committed to cost-out target of \$120m by FY2025. Focused strategy to address differing dynamics in various business segments and improve overall return on capital. Tranche 3 capital return of \$350m to commence with FY2023 final dividend of 2.0cps (\$55m) and up to \$295m on-market share buyback.

Peer Analysis			Market Cap	Price	PE (x)		EPS Growth		Dividend Yield		Franking	
Company Name	Code	Recommendation	(\$m)	(\$)	2024	2025	2024	2025	2024	2025	2024	2025
Macquarie Group	MQG	Hold	73,092	190.86	--	17.9	--	17.4	--	3.6	--	40
ASX	ASX	Accumulate	12,234	63.10	25.7	24.2	49.2	5.8	3.3	3.5	100	100
Washington H. Soul Pat	SOL	Hold	11,533	31.95	22.4	21.5	-23.8	4.5	3.0	3.3	100	100
Netwealth Group	NWL	Hold	4,981	20.41	59.4	47.5	21.4	26.5	1.4	1.7	1	1
Challenger	CGF	Hold	4,423	6.40	10.7	9.4	14.9	13.5	4.4	4.9	100	100
HUB24	HUB	Buy	3,388	41.71	65.2	42.0	21.1	32.6	0.9	1.2	1	1
AMP Limited	AMP	Buy	2,935	1.09	12.1	9.1	33.8	33.0	2.7	6.4	50	90
Pinnacle Investment Management Group	PNI	Buy	2,639	12.99	33.3	24.5	5.1	29.3	2.8	3.5	1	1
Perpetual	PPT	Accumulate	2,520	22.20	12.8	11.6	-11.7	10.2	5.9	6.3	37	39
Insignia Financial	IFL	Hold	1,556	2.32	-64.7	22.6	3.4	3.3	7.9	8.7	--	--
Magellan Financial Group	MFG	Hold	1,538	8.51	8.9	10.0	--	-11.4	6.7	5.9	85	100
Helia Group	HLI	Hold	1,187	4.07	5.3	6.5	-9.7	-17.3	7.1	7.1	100	100
Credit Corp Group	CCP	Hold	1,007	14.80	27.0	15.6	-58.6	73.0	3.7	3.5	100	100

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Guide to Ord Minnett recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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