

11 February 2021

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## AMP Limited

### Other Diversified Financials

#### UNDERPERFORM

**AMP A\$1.54**      **TARGET PRICE A\$1.36**

AMP provides retail customers with financial advice and superannuation, retirement income, banking, investment products and life insurance. AMP also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

#### Company Data

Number of shares	3,436.6 M
Market Capitalisation	\$5,292.4M
Free float (%)	99.3
12-month high/low	\$2.08/\$1.11
Average Daily Turnover (\$m)	16.99
% S&P/ASX200	0.28%
DDM Ranking	319
% All Ordinaries	0.24%
GICS Industry Group	Other Diversified financials

Source: FactSet, Barclay Pearce Capital

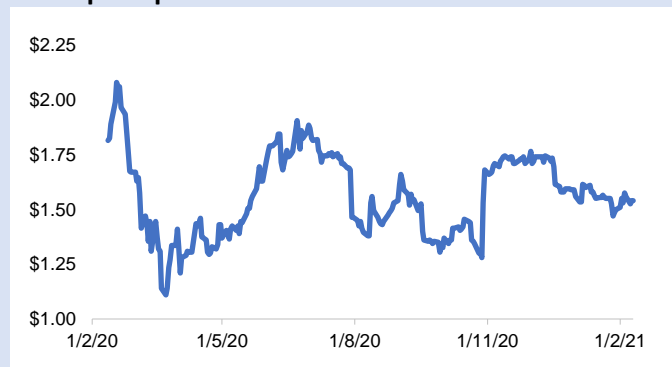
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	407.0	445.9	470.9	600.0
EBITDA (\$M)	302.0	268.4	302.5	427.7
Reported NPAT (\$M)	110.0	109.4	226.0	298.8
Adjusted NPAT (\$M)	295.0	379.4	370.9	450.0
Reported EPS (c)	8.6	5.9	8.3	12.1
Adjusted EPS (c - FD)	5.2	11.1	12.9	12.7
Adjusted EPS growth (%)	0.0	24.8	16.7	-1.3
Adjusted P/E (x)	17.4	13.9	11.9	12.1
Dividend (c/sh)	10.0	4.8	5.8	4.3
Gross yield (%)	8.6	4.3	5.1	3.8
Net yield (%)	6.6	3.3	3.9	2.9
ROIC (%)	1.2	1.5	1.3	1.5

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## FY20 Results and portfolio review update

On 11<sup>th</sup> February, AMP Limited (AMP) announced their results for the full year FY20 with the following highlights:

#### FY20 Results

- Increasing momentum on delivery of AMP's three-year transformation strategy, amid challenging market conditions in each business unit in FY 20;
- FY 20 NPAT (underlying) of AS295 million (FY 19: AS439 million) reflecting the impacts of COVID-19 on our clients, our business and the broader economy and financial markets. FY 20 statutory NPAT of AS177 million, reversing AS2.5 billion loss in FY 19;
- Assets under management (AUM) in Australian wealth management (down 8 per cent) and AMP Capital (down 7 per cent), reflecting volatile investment markets and net cash outflows, which included the Australian Government's early release of super program (AS1.8 billion);
- Resilient performance in AMP Bank which maintained its position with AS20.2 billion residential mortgage book in a competitive lending market; maintained credit quality while supporting 11 per cent of our mortgage clients with home loan repayment pauses;
- Strong capital position maintained with surplus capital of AS521 million at 31 December 2020;
- As guided, the AMP Board has resolved not to declare a final dividend for FY 20, following AS344 million paid to shareholders in the form of a 10c per share special dividend at 1H 20;
- The board is committed to restarting the group's capital management initiatives including the payment of dividends, share buyback and other capital initiatives in 2021; and
- Client remediation program is now 80 per cent complete and on schedule to fully complete in mid-2021.

#### Portfolio Review

- AMP Limited today provides the following update on its portfolio review and engagement with Ares Management Corporation ("Ares");
- Following detailed discussions, AMP has been advised last night by Ares that it does not intend to proceed with its non-binding indicative proposal for 100 per cent of AMP of \$1.85 per share. AMP continues to engage constructively with Ares in relation to AMP Capital as part of the portfolio review; and
- The review has confirmed AMP's transformation strategy for the AMP Australia (Australian wealth management and AMP Bank) and New Zealand wealth management businesses is likely to be the optimal outcome for shareholders. The AMP Board has therefore concluded the review of these assets.

AMP CEO De Fewan said:

"2020 was a tough year across the world. COVID-19 unsettled our clients, our workplaces and the broader community."

"Volatility in markets and the economic downturn impacted the investments and financial security of many Australians and New Zealanders. True to our long-term purpose, AMP stepped up to support our clients navigate the uncertainty, providing early access to their super, pauses on their mortgage repayments, relief on their rent, and advice and guidance when needed."

## Earnings changes

For FY20, AMP reported underlying NPAT of \$295M. This was 7% below market expectations of \$323M, hence we expect negative earnings revision of 7% for the current period and 5% for future periods.

## Valuation

We are initiating on AMP with a price target of \$1.36 and an UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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### Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

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### Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)