



AllianceBernstein Hldg. L.P. (AB)

Updated May 11th, 2024 by Samuel Smith

Key Metrics

Current Price:	\$32.6	5 Year CAGR Estimate:	11.7%	Market Cap:	\$3.8B
Fair Value Price:	\$30.0	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	8/3/24 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	8/23/24 ²
Dividend Yield:	9.0%	5 Year Price Target	\$39	Years Of Dividend Growth:	2
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

AllianceBernstein Hldg. L.P. (AB) is an asset manager with an emphasis on fixed income investments, but offers diversified investment solutions for institutional investors, private wealth clients, and retail investors. The company traces its roots back to Sanford C. Bernstein & Company, founded in 1967, and to Alliance Capital, founded in 1971. In October 2000, Alliance Capital acquired Sanford C. Bernstein. At the current time, a subsidiary of AXA Equitable Holdings Inc. (EQH) owns two thirds of the limited partnership units and the general partner of AllianceBernstein. The partnership has a market capitalization of approximately \$3.8 billion with 4,100 employees.

In the first quarter of 2024, net revenues increased by 1% sequentially, driven mainly by higher investment advisory base fees and distribution revenues. However, there was a decline in performance-based fees, Bernstein Research Services revenues, and customer trading activity, leading to a 4% decrease in Bernstein Research Services revenues compared to prior periods. Operating expenses rose by 7% year-over-year, primarily due to increased promotion and servicing expenses, employee compensation and benefits expenses, and interest on borrowings. Nonetheless, there was a decrease in general and administrative expenses, partly attributed to an incentive grant received in connection with the company's headquarters relocation to Nashville, Tennessee. On the adjusted basis, net revenues increased by 6% year-over-year and 2% sequentially, primarily due to higher investment advisory base fees, partially offset by lower performance-based fees and Bernstein Research Services revenues. Adjusted operating expenses rose by 4% year-over-year, mainly due to higher employee compensation and benefits expenses and promotion and servicing expenses, offset by lower general and administrative expenses. Adjusted operating income increased by 12% year-over-year and 5% sequentially, with adjusted operating margins improving by 160 basis points and 110 basis points, respectively. Adjusted diluted net income per unit for the first quarter was \$0.73, representing an increase from both the first quarter of 2023 and the fourth quarter of 2023.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPU	\$1.84	\$1.86	\$2.23	\$2.19	\$2.50	\$2.30	\$2.91	\$3.89	\$2.94	\$2.69	\$3.00	\$3.93
DPU	\$1.89	\$1.86	\$1.92	\$2.30	\$2.88	\$2.25	\$2.91	\$3.90	\$2.56	\$2.69	\$2.92	\$3.93
Units³	100.8	100.0	96.7	96.5	96.7	98.2	98.3	99.4	113.8	114.4	115.2	120

AllianceBernstein has grown its earnings per unit (EPU) at a relatively slow pace over time given its high dividend payout that limits the amount of capital that it retains for reinvesting in its business. Assets under management have decreased during the past decade but have stagnated in recent years. Earnings-per-unit are expected to grow at a 5.5% CAGR over the next half decade with the distribution growing at a slightly slower pace.

¹ Estimated

² Estimated

³ Unit count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	13.7	14.8	9.9	10.8	10.9	12.6	11.6	15.9	13.0	11.2	10.9	10.0
Avg. Yld.	7.5%	6.8%	8.7%	9.7%	10.6%	7.8%	8.6%	6.3%	7.0%	9.1%	9.0%	10.0%

The company currently trades for a price to earnings ratio of 10.9x relative to our fair value estimate of 10x. At the current price, the units trade above our fair value estimate, meaning that we expect valuation multiple contraction in the coming half decade, which in turn should weigh on total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	103%	100%	86%	105%	115%	98%	100%	100%	87%	100%	97%	100%

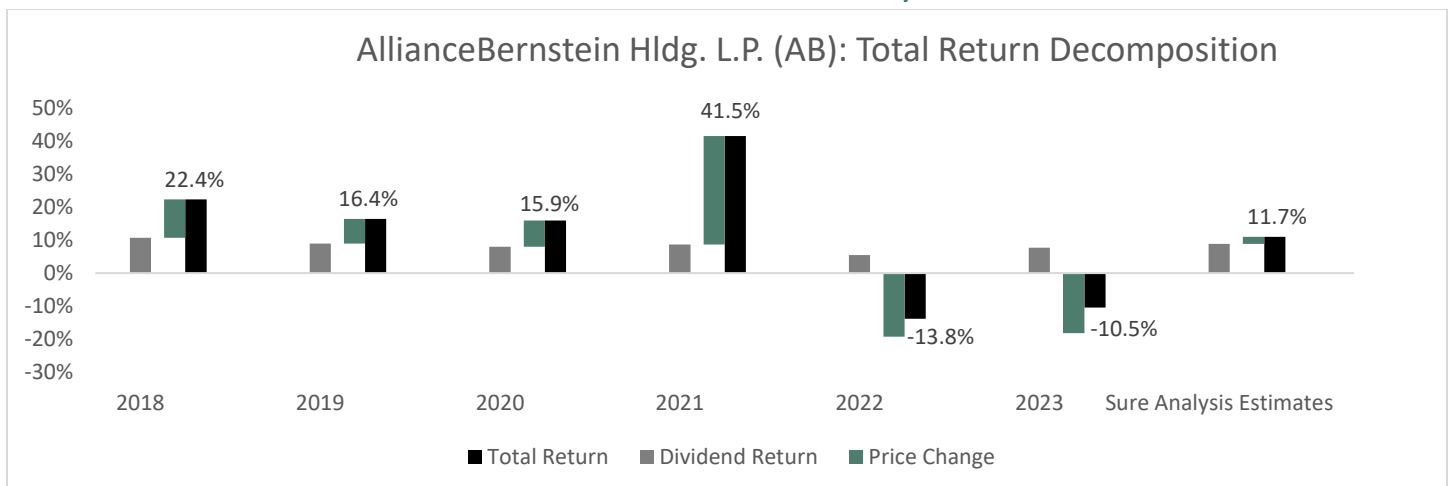
AllianceBernstein pays a high distribution yield but does not offer a consistent income stream. Its distribution per unit frequently exceeds its earnings per unit (EPU) and is often reduced when earnings cannot support the payout. The partnership performed very poorly during the previous two U.S. recessions, with major reductions in the distribution and the unit price, as well as reductions in assets under management. We think that will happen again this year after the coronavirus-caused disruption.

Asset managers can build a meaningful economic moat thanks to high switching costs. However, the rise of low-cost passive investing has taken market share and has put pricing pressure on active manager fees and assets under management. AllianceBernstein has a strong track record in fixed income outperformance but has a mixed history of equity performance, and they are not one of the largest asset managers that can compete with pure scale. The partnership has not shown the ability to meaningfully grow assets under management in the current competitive environment for active asset managers.

Final Thoughts & Recommendation

AllianceBernstein offers one of the highest yields in the asset management space, but it comes at the cost of reliability and growth. Given the lucrative dividend yield, AllianceBernstein could be considered a buy for income investors who also have a very bullish view of the economy over the next 5 years. With expected total annualized returns of 11.7%, we rate AllianceBernstein as a Buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	201	210	239	232	271	266	308	416	306	300
Net Profit	178	186	217	207	242	239	279	386	274	264
Net Margin	88.8%	88.4%	90.5%	89.3%	89.6%	89.6%	90.6%	92.7%	89.7%	88.1%
Free Cash Flow	181	193	170	202	279	223	270	355	363	294
Income Tax	22	24	23	25	28	28	29	30	31	36

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,628	1,576	1,541	1,545	1,491	1,554	1,606	1,624	2,075	2,078
Total Liabilities	0	0	1	1	1	2	2	2	2	1
Shareholder's Equity	1,628	1,576	1,540	1,544	1,490	1,553	1,604	1,622	2,073	2,076
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	11.3%	11.6%	13.9%	13.4%	16.0%	15.7%	17.7%	23.9%	14.8%	12.7%
Return on Equity	11.3%	11.6%	13.9%	13.5%	16.0%	15.7%	17.7%	23.9%	14.8%	12.7%
ROIC	11.3%	11.6%	13.9%	13.5%	16.0%	15.7%	17.7%	23.9%	14.8%	12.7%
Units Out.	100.8	100.0	96.7	96.5	96.7	98.2	98.3	99.4	113.8	114.4
Revenue/Share	2.05	2.09	2.46	2.44	2.78	2.78	3.18	4.18	3.00	2.65
FCF/Share	1.85	1.92	1.74	2.13	2.87	2.32	2.79	3.57	3.56	2.60

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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