



AllianceBernstein Hldg. L.P. (AB)

Updated August 20th, 2024 by Samuel Smith

Key Metrics

Current Price:	\$34.7	5 Year CAGR Estimate:	10.3%	Market Cap:	\$4.0 B
Fair Value Price:	\$30.0	5 Year Growth Estimate:	5.5%	Ex-Dividend Date:	11/3/24 ¹
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-2.9%	Dividend Payment Date:	11/23/24 ²
Dividend Yield:	8.2%	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 \$4 billion with 4,100 employees.

AllianceBernstein L.P. ("AB") and AllianceBernstein Holding L.P. ("AB Holding") (NYSE: AB) reported their financial and operating results for the quarter ended June 30, 2024. The company achieved a GAAP net income per unit of \$0.99 and an adjusted net income per unit of \$0.71, with a cash distribution per unit of \$0.71. Key financial results for the quarter showed that net revenues reached \$1.03 billion, reflecting a 1.9% increase compared to the same quarter in 2023 but a 6.9% decrease from the previous quarter. Operating income for the quarter was \$199.3 million, representing a 5.6% increase year-over-year but a 17.6% decrease from the prior quarter. The operating margin stood at 19.0%, a slight improvement from 18.4% in the same quarter last year but down from 21.2% in the first quarter of 2024. The diluted earnings per unit (EPU) was \$0.99, up 86.8% from the same period in 2023 and 47.8% from the first quarter of 2024. Adjusted financial measures revealed that net revenues for the quarter were \$825.8 million, showing a modest 0.4% increase from the same quarter last year and a 6.6% decline from the first quarter of 2024. Adjusted operating income was \$254.2 million, a 14.5% year-over-year increase but a 5.0% decrease from the previous quarter. The adjusted operating margin improved to 30.8% from 27.0% in the same period last year and was slightly up from 30.3% in the first quarter of 2024. The adjusted diluted EPU was \$0.71, representing a 16.4% increase from the same quarter in 2023 but a 2.7% decrease from the first quarter of 2024. The cash distribution per unit also grew by 16.4% year-over-year to \$0.71, though it was down by 2.7% from the previous quarter. The company reported an ending assets under management (AUM) of \$769.5 billion, reflecting an 11.3% increase from the same quarter last year and a 1.4% increase from the previous quarter. The average AUM for the quarter was \$755.5 billion, up 11.4% year-over-year and 2.2% from the first quarter of 2024. In terms of segment results, the institutional segment had net outflows of \$1.8 billion, while the retail segment saw net inflows of \$2.8 billion. The private wealth segment reported net outflows of \$0.1 billion.

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	\$2.84	\$3.93
Units³	100.8	100.0	96.7	96.5	96.7	98.2	98.3	99.4	113.8	114.4	114.6	120

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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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.

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	11.6	10.0
Avg. Yld.	7.5%	6.8%	8.7%	9.7%	10.6%	7.8%	8.6%	6.3%	7.0%	9.1%	8.2%	10.0%

The company currently trades for a price to earnings ratio of 11.6x 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

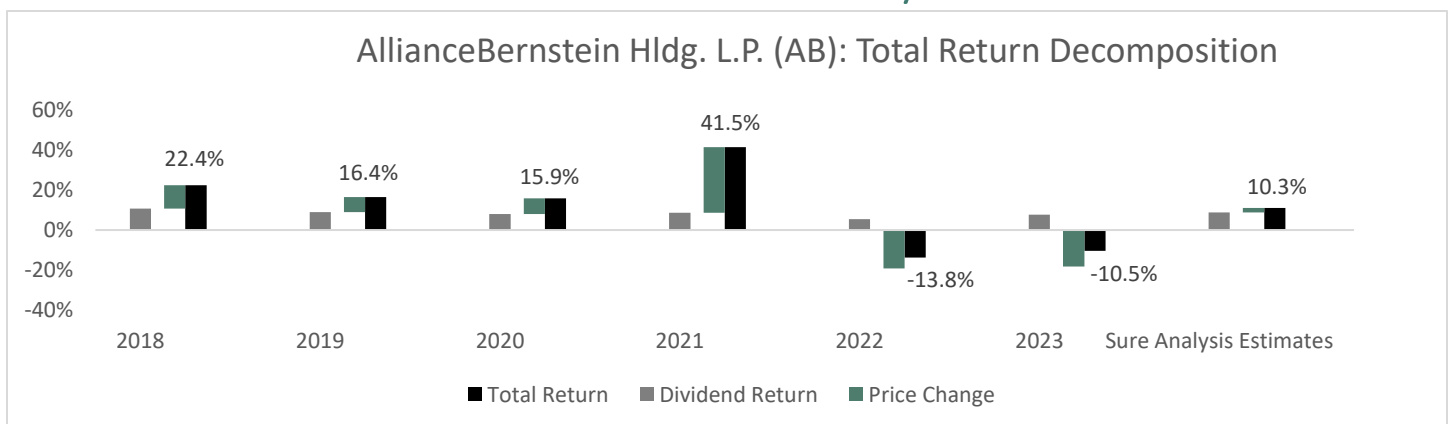
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	103%	100%	86%	105%	115%	98%	100%	100%	87%	100%	95%	100%

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 10.3%, 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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