

Deposits 41763 10615 44171 11300 82959 49301 11340 72240 Accounts Payable Other 81501 Total Liah 133879 138430 132881 ANNUAL RATES Past Est'd '12-'14

10 Yrs. 5.0% 4.0% 5 Yrs. 2.5% .5% of change (per sh) to '18-'20 2.0% 4.5% Loans Earnings Dividends 13.0% **Book Value** 4 0% -2.0% 6.0%

Cal-	QUARTERLY REVENUES (\$ mill.) A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2012	7614	7965	7862	8141	31582
2013	7881	8245	8301	8547	32974
2014	8199	8657	8329	9107	34292
2015	7950	8284	8193	8403	32830
2016	8100	8100	8000	8300	32500
Cal-	EARNINGS PER SHARE A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2012	1.07	1.15	1.09	1.09	4.40
2013	1.15	1.27	1.25	1.21	4.88
2014	1.33	1.43	1.40	1.39	5.56
2015	1.48	1.42	1.24	1.16	5.30
2016	1.40	1.40	1.30	1.30	5.40
Cal-	QUARTERLY DIVIDENDS PAID B				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2011	.18	.18	.18	.18	.72
2012	.18	.20	.20	.20	.78
2013	.20	.20	.23	.23	.86
2014	.23	.23	.26	.26	.98
2015	.26	.26	.29	.29	

Business Group. Divested AMEX Life, 10/95; American Express Bank, 2/08. Spun off Lehman Brothers to shareholders, 5/94; American Express Financial Advisors, 9/05. Had approximately 54,000

Shares of American Express have continued to underperform the broader **market.** Year to date, the stock price has declined more than 20%, making it one of the worst performers in the Dow. For comparison, the blue-chip index, overall, is little changed since January 1st. American Express' poor run can be attributed to recent financial results (discussed below), as well as the news that it will lose transaction exclusivity with Costco, wholesale membership warehouse chain. Transactions at Costco represent a sizable percentage of Amex's total, and this partnership is scheduled to end on March 31st. Recent financial results have been lackluster. For the September quarter, revenues of \$8.2 billion were below our estimate, and 2% lower than the year-earlier tally. The bottom line of \$1.24 a share was also under our call, and 11% lower, year over year. Results were hurt by unfavorable currency exchange rates and higher operating expenses. For the latter, in an attempt to offset Costco's contributions, management has allocated greater resources toward marketing initiatives and technology, in order to attract new card

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members. For example, it recently added Sam's Club, the eighth-largest retailer in the U.S. We agree with management's strategy, though these endeavors will likely lead to lower near-term profits. On that note, we have reduced our Decemberperiod earnings estimate by 10%, to \$1.16 a share. We have also trimmed our fullyear 2016 share-net call by \$0.35, to \$5.40. The situation, however, is not all bad. American Express continues to experience increases in cardmember spending, and the provision for loan losses should remain at very manageable levels. In fact, credit quality remains historically high. Helping matters is that Amex's customer base generally possesses good credit scores; so sturdy spending patterns ought to persist.

We think that Amex stock holds some **appeal.** It is trading at a very reasonable price-to-earnings ratio, which may interest some bargain hunters. Looking long term, AXP offers good risk-adjusted appreciation potential. That said, taking a position here will likely require a good degree of patience, since the upcoming loss of Costco could continue to hold down these shares. November 13, 2015 Ian Gendler

(A) Fully diluted earnings. May not sum to total (B) Div'd's historically paid in mid-Feb, May, due to rounding. Next earnings report due mid-

Aug., and Nov. Div'd reinv. plan available.

(C) In millions. (D) Began reporting as a bank holding company on 11/14/08.

Company's Financial Strength Stock's Price Stability Price Growth Persistence 80 70 **Earnings Predictability**