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| :---: | :---: | :---: | :---: | :---: |
| Cash Assets Invest. Sec's | $\begin{array}{r} 19486 \\ 5016 \end{array}$ | $\begin{array}{r} 22288 \\ 4431 \end{array}$ | $\begin{array}{r} 19938 \\ 3947 \end{array}$ | BUSINESS: American Express Company is a leading global pay- |
| Receivables | 47185 | 47000 | 46407 | ments, network, and travel firm established in 1850. Its business |
| Other | 81688 | 85384 | 83924 | segments are: Global Consumer Group and Global Business-to- |
| Total Assets | 153375 | 159103 | 154216 | Business Group. Divested AMEX Life, 10/95; American Express |
| Deposits | 41763 | 44171 | 49301 | Bank, 2/08. Spun off Lehman Brothers to shareholders, 5/94; Amer- |
| Accounts Payable | 10615 | 11300 | 11340 | ican Express Financial Advisors, 9/05. Had approximately 54,000 |


| Total Liab. | $\frac{81501}{133879}$ | $\frac{82959}{138430}$ | $\frac{72240}{132881}$ |
| :--- | :--- | :--- | :--- | :--- |


| ANNUAL RATES | Past | Past | Est'd '12-'14 |
| :--- | ---: | ---: | ---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to '18.20 |
| Loans | $5.0 \%$ | $2.5 \%$ | $2.0 \%$ |
| Earnings | $4.0 \%$ | $.5 \%$ | $4.5 \%$ |
| Dividends | $8.5 \%$ | $13.0 \%$ | $8.0 \%$ |
| Book Value | $4.0 \%$ | $-2.0 \%$ | $6.0 \%$ |


| Calendar | QUARTERLY REVENUES (\$ mill.) A |  |  |  | Full Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 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 |
| Calendar | EARNINGS PER SHARE A |  |  |  | Full Year |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 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 Ba |  |  |  | Ill |
| 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 |  |

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 J anuary 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, the 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 re sources toward marketing initiatives and technology, in order to attract new card
employees at 12/31/14. Officers and directors own approximately $1.0 \%$ of the company's common stock; Berkshire Hathaway, 14.9\%; Capital World Investors, 5.6\%; BlackRock, 5.5\% (3/15 Proxy). Chrmn. \& CEO: Kenneth I. Chenault. Incorporated: New York. Address: 200 Vesey Street, New York, New York 10285. Telephone: 212-640-2000. Internet: www.americanexpress.com.
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 sharenet 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 Ioan 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. Ian Gendler

November 13, 2015

[^0]Company's Financial Strength
Stock's Price Stability
Price Growth Persistence
Earnings Predictability


[^0]:    (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. January.

