

Deposits 44171 11300 54997 11822 53500 Accounts Payable 11372 67488 Other 82959 73692 Total Liah 138430 140511 132360

ANNUAL RATES Past Est'd '13-'15 10 Yrs. 5.0% 4.0% 5 Yrs. 2.5% .5% to '19-'21 3.0% 4.5% of change (per sh) Loans Earnings Dividends 13.0% **Book Value** 4 0% -2.0% 5.0%

Cal-	QUARTERLY REVENUES (\$ mill.) E				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	7881	8245	8301	8547	32974
2014	8199	8657	8329	9107	34292
2015	7950	8284	8193	8391	32818
2016	8088	8235	7774	7953	32050
2017	7675	8020	8000	8405	32100
Cal-	EARNINGS PER SHARE A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
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	1.23	5.39
2016	1.45	2.10	1.20	1.00	5.75
2017	1.30	1.40	1.45	1.50	5.65
Cal-	QUARTERLY DIVIDENDS PAID B				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2012	.18	.20	.20	.20	.78
2013	.20	.20	.23	.23	.86
2014	.23	.23	.26	.26	.98
2015	.26	.26	.29	.29	1.10
2016	.29	.29	.32	.32	

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 54,800

American Express shareholders finally received some good news. After a lengthy, multiyear stretch of underperformance, the stock increased 10% following the release of September-period results. For the quarter, share net was \$1.20. Although the bottom line was \$0.04 lower than the year-earlier tally, it was higher than our estimate, as well as Wall Street's consensus expectation. Reduced loan losses and operating expenses, along with a lower share count, were the main catalysts behind the better-than-expected results. Due to the bottom-line surprise, we have added a quarter to our full-year earnings call, which now stands at \$5.75. That said, we think that many challenges remain for the company. It recently lost transaction exclusivity with Costco, and the membership warehouse chain accounted for a material percentage of Amex's total transactions. Although management has already taken steps to offset the Costco business (discussed below), near-term transaction activities, revenues, and profits will likely be lackluster. On that note, for 2017, we think that share net will decline by a dime, compared

York. Address: 200 Vesey Street, New York, New York 10285. Telephone: 212-640-2000. Internet: www.americanexpress.com.

to this year's probable tally. The drop would be far more severe, but we think that management will continue to aggressively repurchase common stock. For instance, during the first nine months of 2016, \$3.4 billion was allocated toward buybacks. Repurchases aside, we estimate that Amex's profits will fall 5% next year. American Express' operations ought to recover over the longer term. Management is working to cut costs and invest in marketing and technology upgrades to attract new card members. The ultimate goal is to remove \$1 billion of operating expenses by the end of 2017. All told, we with management's approach, though it will certainly take time for these endeavors to bear fruit. On the bright side, looking to 2019-2021, we have increased our share-net projection from \$6.25 to \$6.80. Our call assumes materially lower operating costs, higher cardmember spending, and a reduced share count.

The stock is ranked 4 (Below Average) for Timeliness. However, patient, buyand-hold investors may find recovery potential worthwhile. Ian Gendler November 11. 2016

(A) Fully diluted earnings. May not sum to total due to rounding. Excludes \$0.34 non-recurring charge in 2015. Next eps report due mid-Jan. (B) Div'd's historically paid in mid-Feb, May, Aug., and Nov.■ Div'd reinv. plan available. (C) In millions.

(D) Began reporting as a bank holding company on 11/14/08.
(E) Revenues are net of interest expense.

Company's Financial Strength Stock's Price Stability Price Growth Persistence a٨ 65 **Earnings Predictability**