



2019-21 PROJECTIONS	Price	Gain	Ann'l Total Return
High	100	(+30%)	9%
Low	85	(+10%)	5%

  

Insider Decisions	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	3	0	0	2	0	1	2
to Sell	0	1	3	0	0	0	0	1	2

  

Institutional Decisions	1Q2016	2Q2016	3Q2016	Percent shares traded
to Buy	534	470	459	30
to Sell	630	594	555	20
Hld's(000)	802954	764150	744189	10

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21
Earnings per sh <sup>A</sup>	2.92	3.39	2.48	1.54	3.35	4.09	4.40	4.88	5.56	5.39	5.63	5.65	6.80
Div'ds Decl'd per sh <sup>B</sup>	.57	.63	.72	.72	.72	.72	.78	.86	.98	1.10	1.22	1.34	1.70
Book Value per sh	8.77	9.52	10.21	12.09	13.56	16.15	17.09	18.32	20.21	21.33	23.25	23.80	26.90
Common Shs Outst'g <sup>C</sup>	1199.0	1158.0	1160.0	1192.0	1197.0	1164.0	1105.0	1064.0	1023.0	969.00	904.00	870.00	800.00
Avg Ann'l P/E Ratio	18.7	17.4	15.3	17.5	12.4	11.6	12.7	15.0	16.2	14.5	11.3		13.5
Relative P/E Ratio	1.01	.92	.92	1.17	.79	.73	.81	.84	.85	.73	.59		.85
Avg Ann'l Div'd Yield	1.0%	1.1%	1.9%	2.7%	1.7%	1.5%	1.4%	1.2%	1.1%	1.4%	1.9%		1.9%
Total Assets (\$mill)	128329	149830	126074	124088	147042	153337	153140	153375	159103	161184	159000	160000	170000
Loans (\$mill)	43116	53436	40659	30010	57616	61166	64309	66585	70104	58799	63200	66000	75000
Net Interest Inc (\$mill)	2993.0	3590.0	3646.0	3124.0	4869.0	4641.0	4628.0	5047.0	5472.0	5922.0	5771	5510	5800
Loan Loss Prov'n (\$mill)	3026.0	4341.0	5798.0	5313.0	2207.0	1112.0	1990.0	2110.0	2044.0	1988.0	2026	2100	2150
Noninterest Inc (\$mill)	22161	24141	24719	21399	22950	25321	26954	27927	28820	26896	26348	26400	27200
Noninterest Exp (\$mill)	16989	17824	18986	16369	19648	21894	22246	22976	23257	22473	21997	22100	22450
Net Profit (\$mill)	3611.0	4048.0	2871.0	2137.0	4057.0	4899.0	5076.0	5359.0	5885.0	5498.0	5408	5050	5500
Income Tax Rate	29.7%	27.3%	19.8%	24.8%	32.0%	29.6%	30.9%	32.1%	34.5%	34.2%	33.2%	34.5%	34.5%
Return on Total Assets	2.81%	2.70%	2.28%	1.72%	2.76%	3.20%	3.31%	3.49%	3.70%	3.41%	3.40%	3.20%	3.20%
Long-Term Debt (\$mill)	42747	55285	60041	52338	66416	59570	58973	55330	57955	48061	47000	45000	45000
Shr. Equity (\$mill)	10511	11029	11841	14406	16230	18794	18886	19496	20673	20673	21000	20700	21500
Shr. Eq. to Total Assets	8.2%	7.4%	9.4%	11.6%	11.0%	12.3%	12.3%	12.7%	13.0%	12.8%	13.0%	13.0%	12.5%
Loans to Tot Assets	33.6%	35.7%	32.3%	24.2%	39.2%	39.9%	42.0%	43.4%	44.1%	36.5%	40.0%	41.5%	44.0%
Return on Shr. Equity	34.4%	36.7%	24.2%	14.8%	25.0%	26.1%	26.9%	27.5%	28.5%	26.6%	26.0%	24.5%	25.5%
Retained to Com Eq	28.1%	30.2%	17.2%	8.4%	19.7%	21.5%	22.1%	22.7%	23.4%	20.9%	20.5%	19.0%	19.5%
All Div'ds to Net Prof	18%	18%	29%	43%	21%	18%	18%	18%	18%	18%	22%	24%	25%

**CAPITAL STRUCTURE as of 9/30/16**  
 ST Debt \$2861 mill. Due in 5 Yrs \$4500 mill.  
 LT Debt \$44894 mill. LT Interest \$1125 mill.  
 (Total interest coverage '15: 6.9x) (68% of Cap'l)

**No Defined Benefit Pension Plan**

**Leases, Uncapitalized** Annuals rentals \$187 mill.

**Pfd Stock** Series B \$750 mill. Div'd 5.2%  
 Series C \$850 mill. Div'd 4.9%

**Common Stock** 904,000,000 shs. as of 12/31/16

**MARKET CAP: \$69.0 billion (Large Cap)**

**FINANCIAL POSITION (\$MILL.)**

	2014	2015	9/30/16
Cash Assets	22288	22762	26520
Invest. Sec's	4431	3759	3728
Receivables	47000	46695	47331
Other	85384	87968	75798
Total Assets	159103	161184	153377
Deposits	44171	54997	53500
Accounts Payable	11300	11822	11372
Other	82959	73692	67488
Total Liab.	138430	140511	132360

**BUSINESS:** American Express Company is a leading global payments, network, and travel firm established in 1850. Its business segments are: Global Consumer Group and Global Business-to-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 employees at 12/31/15. 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% (3/16 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.

**Shares of American Express have continued to recover.** After a lengthy, multi-year stretch of underperformance, the stock price has increased almost 20% over the past six months. For comparison, the S&P 500 Index is up about 6% during the same time frame. Although recent quarterly financial results have been unexciting, and the company's near-term prospects appear underwhelming (discussed below), we think that investors flocked to this Dow component because it looked quite cheap, especially as the broader market continued to reach new highs. For example, just a few months ago, AXP was trading at less than 12 times share net, which was well below the stock's historical average, as well as the median P/E for all stocks under Value Line review. Simply put, we think that bargain hunters have had a lot to do with AXP's recent success.

**Looking ahead, 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, near-term transaction activities, revenues, and profits will likely be lackluster. On that note, for 2017, we expect earnings to decline almost 7%. That said, thanks to aggressive share repurchases, American Express should be able to eak out a small share-net increase.

**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. In addition, its goal is to remove \$1 billion of operating expenses by the end of 2017. All told, we agree with management's approach, though it will certainly take time for these endeavors to bear fruit. Looking to 2019-2021, we project share net of \$6.80, which assumes materially lower costs, higher cardmember spending, and a greatly reduced share count.

**At this time, we suggest that most investors wait on the sidelines.** Previously, we recommended that patient, buy-and-hold accounts take a look here. However, due to the recent price recovery, a lot of the good news already appears to be reflected in the stock price.

Ian Gendler February 10, 2017

(A) Fully diluted earnings. May not sum to total due to rounding. Excludes non-recurring charges: '15 \$0.34; '16, \$0.02. Next eps report due late April.  
 (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	A++
Stock's Price Stability	80
Price Growth Persistence	65
Earnings Predictability	70