

# AMER. EXPRESS NYSE-AXP

RECENT PRICE **79.54** P/E RATIO **15.7** (Trailing: 14.4 Median: 14.0) RELATIVE P/E RATIO **0.78** DIV'D YLD **1.7%** VALUE LINE

TIMELINESS <b>3</b> Raised 12/23/16	High: 62.5 65.9 52.6 42.3 49.2 53.8 61.4 90.8 96.2 93.9 75.7 82.0	Target Price Range 2020 2021 2022
SAFETY <b>1</b> Raised 8/14/15	Low: 49.7 50.4 16.5 9.7 36.6 41.3 47.4 58.3 78.4 67.6 50.3 74.7	
TECHNICAL <b>1</b> Raised 4/28/17	LEGENDS — 13.0 x Earnings p/sh ... Relative Price Strength Options: Yes Shaded area indicates recession	
BETA 1.10 (1.00 = Market)		
2020-22 PROJECTIONS		
Price	Ann'l Total Return	
High <b>105</b>	<b>(+30%)</b>	
Low <b>90</b>	<b>(+15%)</b>	
Insider Decisions		
J A S O N D J F M		
to Buy 0 0 0 0 0 0 0 0 1 0		
Options to Buy 0 2 0 1 2 3 13 2 0		
to Sell 0 0 0 1 2 4 1 1 0		
Institutional Decisions		
2Q2016 3Q2016 4Q2016	Percent shares traded	
to Buy 470 459 527	30	
to Sell 594 555 596	20	
Hld's(000) 764150 744189 751298	10	

On November 14, 2008, American Express became a bank holding company under the BHC Act subject to the supervision and examination by the Federal Reserve of the United States. Thus, in order to better represent American Express' operations, we have altered our financial presentation. <sup>D</sup>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
Earnings per sh <sup>A</sup>	3.39	2.48	1.54	3.35	4.09	4.40	4.88	5.56	5.39	5.65	<b>5.70</b>	<b>5.95</b>		<b>7.50</b>
Div'ds Decl'd per sh <sup>B</sup>	.63	.72	.72	.72	.72	.78	.86	.98	1.10	1.22	<b>1.32</b>	<b>1.42</b>		<b>1.80</b>
Book Value per sh	9.52	10.21	12.09	13.56	16.15	17.09	18.32	20.21	21.33	22.68	<b>23.00</b>	<b>23.90</b>		<b>28.40</b>
Common Shs Outst'g <sup>C</sup>	1158.0	1160.0	1192.0	1197.0	1164.0	1105.0	1064.0	1023.0	969.00	904.00	<b>870.00</b>	<b>845.00</b>		<b>775.00</b>
Avg Ann'l P/E Ratio	17.4	15.3	17.5	12.4	11.6	12.7	15.0	16.2	14.5	11.3	<b>Bold figures are Value Line estimates</b>			<b>13.0</b>
Relative P/E Ratio	.92	.92	1.17	.79	.73	.81	.84	.85	.73	.59				<b>.80</b>
Avg Ann'l Div'd Yield	1.1%	1.9%	2.7%	1.7%	1.5%	1.4%	1.2%	1.1%	1.4%	1.9%				<b>1.9%</b>
Total Assets (\$mill)	149830	126074	124088	147042	153337	153140	153375	159103	161184	158893	<b>160000</b>	<b>163000</b>		<b>178000</b>
Loans (\$mill)	53436	40659	30010	57616	61166	64309	66585	70104	58799	65461	<b>65000</b>	<b>66000</b>		<b>74750</b>
Net Interest Inc (\$mill)	3590.0	3646.0	3124.0	4869.0	4641.0	4628.0	5047.0	5472.0	5922.0	5771.0	<b>5550</b>	<b>5700</b>		<b>6100</b>
Net Interest Prov'n (\$mill)	4341.0	5798.0	5313.0	2207.0	1112.0	1990.0	2110.0	2044.0	1988.0	2026.0	<b>2075</b>	<b>2225</b>		<b>2300</b>
Noninterest Inc (\$mill)	24141	24719	21399	22950	25321	26954	27927	28820	26896	26348	<b>26400</b>	<b>26500</b>		<b>27700</b>
Noninterest Exp (\$mill)	17824	18986	16369	19648	21894	22246	22976	23257	22473	21997	<b>22200</b>	<b>22100</b>		<b>22400</b>
Net Profit (\$mill)	4048.0	2871.0	2137.0	4057.0	4899.0	5076.0	5359.0	5885.0	5498.0	5408.0	<b>5075</b>	<b>5200</b>		<b>6000</b>
Income Tax Rate	27.3%	19.8%	24.8%	32.0%	29.6%	30.9%	32.1%	34.5%	34.2%	33.2%	<b>34.0%</b>	<b>33.2%</b>		<b>34.0%</b>
Return on Total Assets	2.70%	2.28%	1.72%	2.76%	3.20%	3.31%	3.49%	3.70%	3.41%	3.40%	<b>3.20%</b>	<b>3.20%</b>		<b>3.40%</b>
Long-Term Debt (\$mill)	55285	60041	52338	66416	59570	58973	55330	57955	48061	46990	<b>52000</b>	<b>52000</b>		<b>50000</b>
Shr. Equity (\$mill)	11029	11841	14406	16230	18794	18886	19496	20673	20673	20501	<b>20000</b>	<b>20200</b>		<b>22000</b>
Shr. Eq. to Total Assets	7.4%	9.4%	11.6%	11.0%	12.3%	12.3%	12.7%	13.0%	12.8%	12.9%	<b>12.5%</b>	<b>12.5%</b>		<b>12.5%</b>
Loans to Tot Assets	35.7%	32.3%	24.2%	39.2%	39.9%	42.0%	43.4%	44.1%	36.5%	41.2%	<b>40.5%</b>	<b>40.5%</b>		<b>42.0%</b>
Return on Shr. Equity	36.7%	24.2%	14.8%	25.0%	26.1%	26.9%	27.5%	28.5%	26.6%	26.4%	<b>25.5%</b>	<b>26.0%</b>		<b>27.5%</b>
Retained to Com Eq	30.2%	17.2%	8.4%	19.7%	21.5%	22.1%	22.7%	23.4%	20.9%	20.5%	<b>19.0%</b>	<b>19.0%</b>		<b>20.0%</b>
All Div'ds to Net Prof	18%	29%	43%	21%	18%	18%	18%	18%	21%	22%	<b>23%</b>	<b>24%</b>		<b>24%</b>

**CAPITAL STRUCTURE as of 3/31/17**  
 ST Debt \$3600 mill. Due in 5 Yrs \$45000 mill.  
 LT Debt \$51647 mill. LT Interest \$1175 mill.  
 (Total interest coverage <sup>16</sup>: 8.3x) (71% of Cap'l)

**No Defined Benefit Pension Plan**

**Leases, Uncapitalized** Annuals rentals \$127 mill.

**Pfd Stock Series B & C:** \$1.7 bill. Div'd \$21 mill.

**Common Stock** 893,779,186 shs. as of 4/21/17

**MARKET CAP: \$71.1 billion (Large Cap)**

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

	2015	2016	3/31/17
Cash Assets	22762	25208	29366
Invest. Sec's	3759	3157	3561
Receivables	46695	50073	49966
Other	87968	80455	78492
Total Assets	161184	158893	161385
Deposits	54997	53042	53790
Accounts Payable	11822	11190	11700
Other	73692	74160	74960
Total Liab.	140511	138392	140450

**BUSINESS:** American Express Company is a leading global payments, network, and travel firm established in 1850 and incorporated in 1965. 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 56,400 employees at 12/31/16. Officers and directors own approximately 1.0% of the company's common stock; Berkshire Hathaway, 16.8%; The Vanguard Group, 5.3% (3/17 Proxy). Chairman & CEO: Kenneth I. Chenault, Inc.: New York. Address: 200 Vesey Street, New York, New York 10285. Phone: 212-640-2000. Web: www.americanexpress.com.

**Shares of American Express continue to recover lost ground.** After a lengthy, multiyear stretch of underperformance, the stock price has increased about 20% over the past six months. For comparison, the Dow Jones Industrial Average and S&P 500 Index are up 15% and 12%, respectively, over the same time frame. Although recent quarterly results, overall, 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 ratio for all stocks under Value Line review. Simply put, we think that bargain hunters can take a good deal of the credit for the issue's recent success. **Looking ahead, the road for American Express will probably remain bumpy.** It will continue to navigate life after losing transaction exclusivity with Costco. Offsetting this business will not be easy, although management has already implemented a number of new strategies, including increasing the marketing budget and improving its technology. All told, we agree with management's approach, but this will lead to elevated operating costs this year. On that note, for 2017, we expect a significant drop in profits, but due to aggressive stock buybacks, share net may well eke out a modest year-over-year advance. On a brighter note, the situation should start to noticeably improve in 2018, as Amex's initiatives gain traction. In fact, we estimate that the bottom line will begin to recover next year, and that share net will reach \$5.95. Looking to the 2020-2022 time frame, we project that American Express will achieve share earnings of \$7.50, though that figure assumes that the bulk of management's strategies bear fruit. **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  
May 12, 2017

(A) Fully diluted earnings. May not sum to total due to rounding. Excludes non-recurring charge: '15 \$0.34. Next eps report due mid-July.	(B) Div'ds historically paid in mid-Feb, May, Aug., and Nov. Div'd reinv. plan available.	(D) Began reporting as a bank holding company on 11/14/08.	Company's Financial Strength <b>A++</b>
(C) In millions.	(E) Revenues are net of interest expense.		Stock's Price Stability <b>80</b>
			Price Growth Persistence <b>65</b>
			Earnings Predictability <b>75</b>