

corporated in 1965. Is a world leader in providing charge and credit cards. Operates via four reportable operating segments: U.S. Consumer Services. International Consumer and Network Services. Global Commercial Services, and Global Merchant Services. Had

Hathaway, 18.7%; The Vanguard Group, 6.0%; BlackRock, 5.3% (4/20 Proxy). Chairman & CEO: Stephen J. Squeri. Inc.: New York. Address: 200 Vesey Street, New York, New York 10285. Telephone: 212-640-2000. Web: www.americanexpress.com.

ANNUAL RATES Past Past Est'd '17-'19 to '22-'24 of change (per sh) 10 Yrs. 5 Yrs. 2.5% Loans 5.0% 5.0% 7.5% 5.5% 7.0% 4.0% 8.5% .5% 13.0% -2.0% Dividends Book Value 4 0%

188602

69960

12255 84097

166312

198321

12738

89225

175250

186000

78000

13000

74000

165000

Total Assets

Accounts Payable Other

Deposits

Total Liab.

Cal- endar	QUART Mar.31		ENUES (\$ Sep.30	mill.) ^D Dec.31	Full Year
2017 2018 2019 2020	7889 9718 10364 10310	8307 10002 10838 <i>8700</i>	8436 10144 10989 <i>9100</i>	8839 10474 11365 <i>9890</i>	33471 40338 43556 38000
2021	10800	11200	11400	11600	45000
Cal- endar	E/ Mar.31	ARNINGS F Jun.30	ER SHAR Sep.30	EA Dec.31	Full Year
			_		
2017	1.34	1.47	1.50	1.58	5.89
2018	1.86	1.84	1.88	1.74	7.33
2019	2.01	2.07	2.08	2.03	8.20
2020	.41	.50	.94	1.15	3.00
2021	1.25	1.50	1.75	2.00	6.50
Cal-	QUARTERLY DIVIDENDS PAID B				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2016	.29	.29	.32	.32	1.22
2017	.32	.32	.32	.35	1.31
2018	.35	.35	.39	.39	1.48
2019	.39	.39	.39	.43	1.60
2020	.43	.43			

American Express' impressive run of success has been derailed by the coronavirus. Before the pandemic, the credit card behemoth was firing on all cylinders; revenues, card member spending, and fees were increasing at solid clips; it was benefiting from recent partnerships and successful marketing campaigns; and credit quality was historically healthy. The stock also enjoyed a strong performance, reaching a high north of \$138 in late February. Since then, however, the issue has shed roughly 40% of its value, making it one of the worst performers of the Dow Industrials over the past few months.

Operations were hit hard. During March, Amex experienced softness in spending volumes and related fees. Management also allocated a huge sum to reserves, and the provision for loan losses ballooned to \$2.6 billion, up from \$809 million a year ago. All told, for the first quarter, it earned just \$0.41 a share, or 80% below the prior-year's tally.

Going forward. Amex's business will continue to be impacted by COVID-19. Management has refrained from issuing financial guidance and admitted that "it is

unable to forecast its future financial results at this time." Leadership also announced cost-cutting initiatives, but stated that it would not make headcount reductions, since it wants to be fully staffed when the business environment turns for the better. For the current quarter, we expect significant shortfalls in revenues, card member spending, and profits. We have also meaningfully reduced our topand bottom-line estimates for the remainder of 2020 and 2021. That said, we are confident that American Express will be able to weather this challenging period and eventually recover the lost ground.

What about the stock? The equity is now trading at levels not seen since mid-2017, when Amex was struggling following the loss of its exclusivity contract with Costco Wholesale Corp. In our view, AXP is now attractively priced, but should only be considered by investors who are willing to hold it through what could be a rather lengthy rough patch. If patience is properly exercised, we would not be surprised to see the issue back above \$130 a share by the 2023-2025 time frame, if not sooner. Ian Gendler May 8, 2020

(A) Fully diluted earnings. May not sum to total due to rounding. Excludes nonrecurring charges: '15, \$0.34; '17, \$2.99; '18, \$0.58; '19, \$0.21. Next earnings report due late July.

(B) Div'd's historically paid around the 10th of February, May, August, and November. ■ Div'd (D) Revenues are net of interest expense. reinv. plan available

Company's Financial Strength Stock's Price Stability A++ 85 Price Growth Persistence **Earnings Predictability** 80