

Company Name: American Express Co. (NYSE: AXP)

Current Price: 53.57

Beta: 0.82

Target Price: \$72.21

Market Cap: \$52.79B

52 Week H/L: \$83.54/\$50.27

P/E: 9.98

Dividend Yield: 2.11%

Company Background: American Express Company is a global payment and travel company. The company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world.

Competitive Advantage: We feel as though Amex's main competitive advantage is their close-loop and spend-centric models, which contribute to a dynamic business model and integrated payment, so it can collect enough data and provide better services to its customers. In addition, Amex is the #1 U.S. issuer based on billed business in the U.S. and also internationally. It benefits from higher average spending from a generally more affluent client base, charging the merchant a higher amount, and collecting from the cardholder in the form of relatively high annual fees.

Investment Thesis: We feel as though Amex is a viable long term investment due to its consistent operating history in its four major segments and growing long-term projects, including acquisitions, broad network of partnership, and global expansion. Its closed loop network enables it to be a global presence in all parts of the payments chain, controls the purchasing information about customers, and makes it unique from its competitors (both card associations and acquirers and issuers). Given its attractive valuation at this time, we recommend buying \$100,000 stake in this company, with 20% stop loss.

Amex has a relatively low P/E ratio of 10.3 versus Visa and MasterCard's P/E ratios of 33.57 and 24.94

Business Segments:

Risks: The major risks that Amex faces are the increased regulatory activity and uncertainty macroeconomic environment. Another aspect of network competition is the recent emergence and rapid growth of alternative payment mechanisms and systems. Further, due to the expiration of the partnership with Costco and high restructuring expense, its recent financial results have been lackluster. However, as long-term investors want to see, all these efforts of restructuring would benefit their saving and reinvesting and help it compete more effectively against Visa in key areas like international cards and global commercial services.

1. **The U.S. Card Services:** offers a wide range of card products and services to consumers and small businesses in the United States and provides travel services to card members and other customers.
2. **The International Card Services:** offers proprietary consumer and small business cards outside the United States.
3. **The Global Network & Merchant Services:** operates a global payments network that processes and settles proprietary and non-proprietary card transactions. It also provides point-of-sale products, multi-channel marketing programs and capabilities, services and data, leveraging the global closed-loop network.
4. **The Global Commercial Services:** provides expense management services to companies and organizations worldwide through its global corporate payments and global business travel businesses. Global corporate payments offer a range of expense management solutions to companies worldwide through its corporate card programs and Business-to-Business payment solutions. Global business travel provides globally integrated solutions, both online and offline, as well as through mobile applications.

Valuation Assumptions:

WACC: 10% (versus 6.2%)

Terminal Growth Rate: 3%

Key Financials:

ROE: 26.49%

Efficiency Ratio: 69.75%

Tier I Capital Ratio: 13.50%

Net Income Margin: 15.96%

Earning Per Share: 5.05

Debt/Assets: 32.92%

ROIC 9.96

American Express 5-year stock performance vs. S&P 500

Corporate Social Responsibility:

ESG Disclosure Score: 23.68 (Avg: 24.83)

Environmental Disclosure Score: 13.39 (Avg: 13.80)

Governance Disclosure Score: 60.71 (Avg: 57.14)

Social Disclosure Score: 8.33 (Avg: 19.7)

% Women on the Board: 23.08% (Avg: 18.51%)

Community Spending: 25.9M (Avg: 19.52)

Human Rights Policy: No

Equal Opportunity Policy: Yes

