**AXP**

Ticker: __AXP__
Current Price: $81.56
Recommendation: Buy & Hold
Price Target: $87
TruValue: 71.1

**Investment Thesis**

- Recent 12% dividend increase
- 1 year $6.6 Billion Share Buyback Program
- AmEx entered joint venture with Certares for its Global Business Travel Division (GBT). AmEx plans on using this joint venture to provide better business solutions for customers who use GBT and other AmEx business’s such as Global Corporate Payments.
- Large affluent cardholder base along with customer data and spending patterns provide for a wide economic moat
- Expansion of electronic services and electronic banking

**Business Overview**

- Located in NYC
- Recently passed the federal Comprehensive Capital Analysis and Review
- Revenue Breakdown
  - 51% US Card Services
  - 16% International Card Services
  - 17% Global Network & Merchant Services
  - 15% Global Commercial Services

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**Leadership / Governance**
76.1

- Innovation
69.9
- Environment
95.9
- Social Impact
82.2
- Work Place
75.9
- Economic Sustainability
73.5
- Overall
71.1

**Trading Statistics**

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>52 Week Price Range</td>
<td>$77.12 - $96.24</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>$82 Billion</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.3%</td>
</tr>
<tr>
<td>Avg. Daily Volume (3M)</td>
<td>7.2 million</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>14.67</td>
</tr>
<tr>
<td>Beta</td>
<td>1.12</td>
</tr>
<tr>
<td>Shares Outstanding</td>
<td>1.02 Billion</td>
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Management and Employee Relations
- CEO: Kenneth Chenault
- Executive VP & CFO: Jeffrey C. Campbell
- Former Executive VP & CFO: Daniel T. Henry
- President: Edward P. Gilligan
- Group President, Global Corporate Services: Stephen J. Squeri
- Group President, Enterprise Growth: Daniel H. Schulman

Management Guidance
Kenneth Chenault has served as CEO of AmEx for over 30 years. In recent years, Chenault was able to successfully guide AmEx through the economic downturn in 2007 and 2008 making him a very capable and valuable asset to this company.

Recent News
- CCAR Approval
- Dividend boost of 12%
- $6.6 Billion Share Buyback Program
- Costco changing from AmEx to Visa

Macro Factors
Federal Reserve policies regarding interest rates is the largest macroeconomic factor that can affect any company in the financial services industry. While an increase in interest rates might cause AmEx stock to drop, this would at the same time be an opportunity to buy the stock at a discount.

Competition
- Visa
- Capital One
- Discover Financial

Portfolio Allocation
- Large Cap
- Value stock
- Domestic Equity
- Financial Services Sector

Sales Growth Rate:
- est. 2015: 2%
- est. 2016: 3%
- est. 2017: 4%
- est. 2018: 4%

Free Cash Flow:
- 2015: 5%
- 2016: 5%
- 2017: 5%
- 2018: 5%

Risk Free Rate:
- 1%

Beta:
- 1.12

Market Risk Premium:
- 9%

Cost of Equity:
- 2.15%

After-Tax Cost of Debt:
- 2.73%

Target Debt to Assets Ratio:
- 6.5%

Weighted Average Cost of Capital:
- 10.54%

Valuation:
<table>
<thead>
<tr>
<th>Enterprise Value</th>
<th>$256.6 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add Cash</td>
<td>$22 Billion</td>
</tr>
<tr>
<td>Firm Value</td>
<td>$278 Billion</td>
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<tr>
<td>Subtract Debt</td>
<td>$188.3 Billion</td>
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<tr>
<td>Equity Value</td>
<td>$90.5 Billion</td>
</tr>
<tr>
<td>Number of Shares</td>
<td>1 Billion</td>
</tr>
<tr>
<td>Per-Share Equity Value</td>
<td>$86.57</td>
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</table>

Recommendation:
Recently the Federal Reserve administered a Comprehensive Capital Analysis and Review to 31 participating banks and 28 passed, American Express being among the top performing firms of this stress test. The American Express press release following the CCAR results detailed a $6.6 billion buy back program through the second quarter of 2016 and an 11.5% increase of their quarterly dividend. Along with the companies wide economic moat provided by its large base of affluent AmEx cardholders and its increasing cash flow, ROA, ROA, ROTC, and ROIC, I recommend this company as a long term buy and hold stock.