**AMERICAN EXPRESS - BUSINESS SUMMARY**

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**HISTORY OF AMERICAN EXPRESS & CURRENT OPERATIONS**

American Express was founded in 1850 as a freight forwarding and mail service company. It expanded into the financial services industry by offering a money order component just a few years later. American Express launched its first charge cards in the 1950s and has since gone on to become one of the best-known credit card companies around the world.

After the U.S. federal government nationalized the express industry in 1918, thereby consolidating all domestic express operations in the American Railway Express Company, American Express turned almost wholly to its banking operations and its relatively new travel services, which had been launched in 1915. Today, American Express is the largest global payments network and continues to pride itself on being forward-looking and customer-focused.

As for its current operations, American Express offers a wide range of products and services including credit cards, charge cards, travel services, merchant services, and more. The company has also been expanding its digital capabilities in recent years with new mobile apps and online tools.

**AMERICAN EXPRESS CURRENT INITIATIVES**

American Express has been focusing on several initiatives recently. One of its most recent initiatives is its Advancing Climate Solutions program, which aims to pilot low-carbon product innovations for its customers. As part of this program, American Express has announced plans to introduce new digital solutions to enable corporate clients to better understand and manage their carbon footprint, including digital carbon tracking and offset solutions, and the expansion of its recycled plastic cards.

In addition to its climate initiatives, American Express has also been working on advancing diversity, equity, and inclusion (DE&I) within the company. After spending more than $1 billion toward its Action Plan to advance DE&I, American Express announced a new goal to spend an additional $3 billion with suppliers from underrepresented groups and toward other DE&I initiatives.

**MACROECONOMIC ENVIRONMENT AND BUSINESS CYCLE**

As a financial services company, American Express is heavily influenced by the macroeconomic environment, business cycle, and industry trends in the payments sector.

The macroeconomic environment has a significant impact on American Express. The company is affected by interest rates, inflation, and overall economic growth. During periods of economic expansion, American Express has historically experienced higher consumer spending and demand for credit products. On the other hand, during economic downturns or changes in interest rates, American Express may experience reduced consumer spending, which could negatively impact its revenue and profitability.

Currently, the US economy is in a state of recovery from the COVID-19 pandemic. The economy has shown significant improvement since the pandemic’s onset, and the labor market has shown consistent gains. The unemployment rate fell to 4.2% in November 20213, down from its peak of 14.8% in April 20202. The Federal Reserve has also kept interest rates near zero since the pandemic’s onset to support economic growth. These factors have contributed to increased consumer spending and demand for credit products, which bodes well for American Express.

**INDUSTRY COMPETITORS**

As a major player in the payments industry, American Express faces competition other credit card companies such as Visa (NYSE: V) and Mastercard (NYSE: MA), as well as from banks and other financial institutions such as HDFC Bank, Royal Bank of Canada, HSBC, Prologis, The Goldman Sachs Group, Toronto-Dominion Bank, Wells Fargo & Company, Charles Schwab, BlackRock, and Morgan Stanley.

* American Express has a market share of approximately 19.6%
* Visa is the main competitor to American Express with a market share of approximately 53%.
* Mastercard has a market share of approximately 22%.
* Discover Financial Services has a market share of approximately 3.6%.
* JPMorgan Chase & Co. has a market share of approximately 2.6%.
* Capital One Financial Corp. has a market share of approximately 2.4%.
* PayPal Holdings, Inc. has a market share of approximately 1.4%.

American Express differentiates itself from its competitors by targeting high-end customers and offering unique benefits and rewards programs. Because American Express is in the closed-loop network, being the issuer and acquirer, they attract more of an affluent customer base who are more likely to spend more on their transactions. Despite this disparity, American Express has annual gross revenues of $33 billion while Visa earns just $14 billion per year.

**OUR RECOMMENDATION (BUY, SELL or HOLD)**

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| **CRITERIA** | **DECISION (BUY, SELL or HOLD)** | **REASON** |
| Based on Company Valuation | SELL | * Based on the Capital Asset Pricing Model, the expected rate of return for AXP is 9.9515%, which is higher than the risk-free rate and the expected market return. * As per Dividend Growth Model the estimated stock value for AMEX is $41.08, however the actual stock value is significantly higher than this estimate, it may indicate that the stock is overvalued. Hence, we should consider selling. |
| Based on Financial Ratios | HOLD | * Based on the high liquidity ratios, AMEX has enough liquid assets to cover its short-term obligations. * However, Solvency Ratio is relatively low indicates that AMEX has a high level of debt or is not generating enough income to cover its long-term obligations. * Debt-to-Equity ratio is also relatively high, which indicates that the company is highly leveraged and may be more vulnerable to economic downturns. Hence, we should hold until further research & analysis is done. |
| Based on Technical Analysis & Monte Carlo Simulation | BUY | * The simulations show that 100% of the outcomes had a positive return, and 99.82% of the outcomes had a return of 5% or more. Additionally, 82.98% of the outcomes had a return of 10% or more. * Overall, these results suggest that the stock may be a good investment opportunity, as it has a high probability of generating positive returns and a relatively high average return. |
| Based on Stock Signals | SELL (for short term)  HOLD (for long term) | * Based on the provided stock signals, it appears that the stock has been experiencing some volatility and changes in trend. The SMA and EMA signals suggest that the stock may be experiencing some short-term upward momentum, * Hence, selling short-term could be beneficial. However, for the long-term it may be wise to hold as the overall trend is negative for the year. |
| Based on Stock Forecasting | HOLD | Forecast shows neither an increasing nor a decreasing trend. Hence holding the stock is advised and keep an eye on any future developments that may impact the company's performance. |
| **OVERALL RECOMMENDATION** | **HOLD** | Based on all the criteria discussed before |

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