

American Express Company

Solid 2024 guide should be good enough

Maintain Rating: BUY | PO: 206.00 USD | Price: 188.07 USD

Shares react positively to solid 2024 outlook

This morning American Express (AXP) reported solid 4Q earnings and an upbeat 2024 outlook. Coming into the print, the key question was could Amex deliver on its 10% revenue growth aspiration, and Amex delivered. 2024 EPS guidance is also 3-7% above consensus suggesting better than expected expense management. New cards acquired remained solid at 2.9M (in-line with 3Q) and AXP struck an upbeat tone in the press release. AXP's credit quality also remains best in-class. We think shares likely react positively to the better-than-expected 2024 outlook. Maintain Buy.

2024 guidance delivers 10% revs, mid-teens EPS

For 2024, AXP expects to deliver 9-11% revenue growth and 13-17% EPS growth. At the mid-point, AXP's outlook is broadly in-line with its long-term growth plan. Importantly, AXP's EPS outlook of \$12.65-\$13.15 brackets BofAe at \$12.88 and is well ahead of visible alpha consensus at \$12.36, suggesting a positive estimate revision cycle is likely.

4Q review and key metrics (variance table inside)

4Q23 EPS of \$2.62 was a touch ahead of BofAe at \$2.60 but slightly below consensus at \$2.65. Relative to our forecast, the beat was driven by better expenses, particularly engagement spending, which offset some top-line (discount revenue) weakness.

Total network volumes (-): were \$434B, up 5% y/y, but came below BofAe/cons expectations at \$438B/\$439B. Travel and entertainment spending was up 9% y/y, while goods and services spend was up 5% y/y on an FX-adjusted basis.

Discount revenue (-): at \$8,580M fell short of BofAe/cons forecast at \$8.8B primarily driven by lower network volume and a lower effective discount rate (2.26% vs 2.29% estimate).

Net interest income (+): of \$3,604M beat BofAe/cons expectations at \$3,459M/\$3,589M driven by higher yields on card loans.

Credit / reserves (+/-): The principal card net write-off rate was 2.07%, slightly above our 2.05% estimate, but below consensus at 2.13%. However, AXP built \$415M of reserves, above BofAe/cons at \$354M/\$381M.

Call at 8:30 EST

On the call, we think investors will be looking to better understand the drivers of revenue growth underpinning the 2024 guidance. Growth driven by interest income (lending) could take some of the shine off, particularly if discount revenue growth is expected to slow further. AXP's expense management optionality is also likely to be an important topic, as is AXP's outlook on the health of the customer.

26 January 2024

Equity

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Stock Data

Price	188.07 USD
Price Objective	206.00 USD
Date Established	10-Jan-2024
Investment Opinion	B-1-7
52-Week Range	140.91 USD - 189.51 USD
Mrkt Val / Shares Out (mn)	137,055 USD / 728.7
Free Float	72.5%
Average Daily Value	570.14 USD
BofA Ticker / Exchange	AXP / NYS
Bloomberg / Reuters	AXP US / AXP.N
ROE (2023E)	30.6%
ESGMeter™	High

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Timestamp: 26 January 2024 07:56AM EST

Exhibit 1: EPS beat our estimate on better cardmember engagement spend, slightly missed consensus on lower discount revenue

Variance table

(\$ in millions)	Actual	Estimate	Variance	Var per share	Consensus
	Dec-23-A	Dec-23-E	(Actual - Est)		
Income Statement					
Discount Revenue	8,580	8,757	(177)	(\$0.19)	8,769
<i>YoY Growth</i>	5%	7%	-2.17%		7%
Card Fees	1,907	1,928	(21)	(\$0.02)	1,915
<i>YoY Growth</i>	17%	19%	-1.30%		18%
Other Fees and Commissions	1,294	1,336	(42)	(\$0.04)	1,307
Processed Revenue	414	435	(21)	(\$0.02)	433
Total non-interest Revenue	12,195	12,456	(261)	(\$0.28)	12,424
Interest income	5,552	5,355	197	\$0.21	5,478
Interest expense	1,948	1,896	52	(\$0.06)	1,883
Net Interest Income	3,604	3,459	145	\$0.15	3,589
<i>YoY Growth</i>	31%	25%	5%		30%
Total Revenue net of interest expense	15,799	15,915	(116)	(\$0.12)	16,013
<i>YoY Growth</i>	11%	12%	-1%		13%
Total Provisions	1,437	1,415	22	(\$0.02)	1,403
<i>YoY Growth</i>	40%	38%	2%		37%
Marketing and business development	2,711	3,010	(299)	\$0.32	3,031
Card Member rewards	3,851	4,159	(308)	\$0.33	4,111
Card Member services	1,063	1,094	(31)	\$0.03	1,112
Total Card Member Engagement Spending	7,625	8,263	(638)	\$0.68	8,238
Total Other OpEx	4,225	3,813	412	(\$0.44)	3,853
Total Expenses	11,850	12,076	(226)	\$0.24	12,122
<i>YoY Growth</i>	5%	7%	-2%		7%
Pretax income	2,512	2,424	88	\$0.09	2,494
Income taxes	579	509	70		549
Net income	1,933	1,915	18		1,951
<i>YoY Growth</i>	23%	22%	1%		24%
Other	(29)	(26)	(3)	\$0.00	(30)
Net Income to common shareholders	1,904	1,889	15		1,921
EPS - Adj.	\$2.62	\$2.60	\$0.02		\$2.65
<i>YoY Growth</i>	27%	25%	1%		
Average Diluted Shares outstanding	726	727	(1)		727
Key Metrics					
Pre-provision net revenue	3,949	3,839	110		3,897
Billed Business (\$B)	379.8	382.4	(2.6)		383.1
Network Volume (\$B)	434.4	437.8	(3.4)		438.5
<i>YoY Growth</i>	5.1%	5.9%	-0.8%		6.1%
Effective Discount Rate (calc'd)	2.26%	2.29%	-0.03%		2.29%
Total Receivable balance	60,400	63,475	(3,075)		60,931
<i>YoY Growth</i>	4.9%	10.2%	-5.3%		5.8%
Net write-off rate	1.50%	1.75%	-0.25%		1.84%
Loans and Credit					
US Loans	109,000	108,968	32		109,113
<i>YoY Growth</i>	15.8%	15.8%	0.0%		16.0%
International Loans	17,000	16,124	876		16,260
<i>YoY Growth</i>	22.3%	16.0%	6.3%		17.0%
Total Loans	126,000	125,092	908		125,442
<i>YoY Growth</i>	16.7%	15.8%	0.8%		16.1%
Average Loans	122,000	121,546	454		121,822
Net Interest Income / Average Card Member Loans	11.82%	11.38%	0.43%		11.78%
Reserves as a % of Loans	4.06%	4.05%	0.02%		4.05%
Net write-off rate - Principal	2.07%	2.05%	0.02%		2.13%
Net write-off rate - Interest and fees	0.44%	0.44%	0.00%		
Net write-off rate	2.50%	2.49%	0.01%		
Reserve Build / (Release)	415	354	61		381

Source: BofA Global Research estimates, Visible Alpha, company reports

BofA GLOBAL RESEARCH



Price objective basis & risk

American Express Company (AXP)

Our \$206 price objective is based on a 16x multiple to our 2024 EPS forecast. An 16x PE multiple is on the higher end of the historical range (12-18x) for AXP, which we think is appropriate given the faster growth outlook and strong operating momentum it is experiencing.

Downside risks to our PO are weaker-than-expected macroeconomic conditions, softer consumer and business spending, weaker loan growth, increasing competition, weaker US consumer credit performance, disruptions in capital markets, or an increasing regulatory burden.

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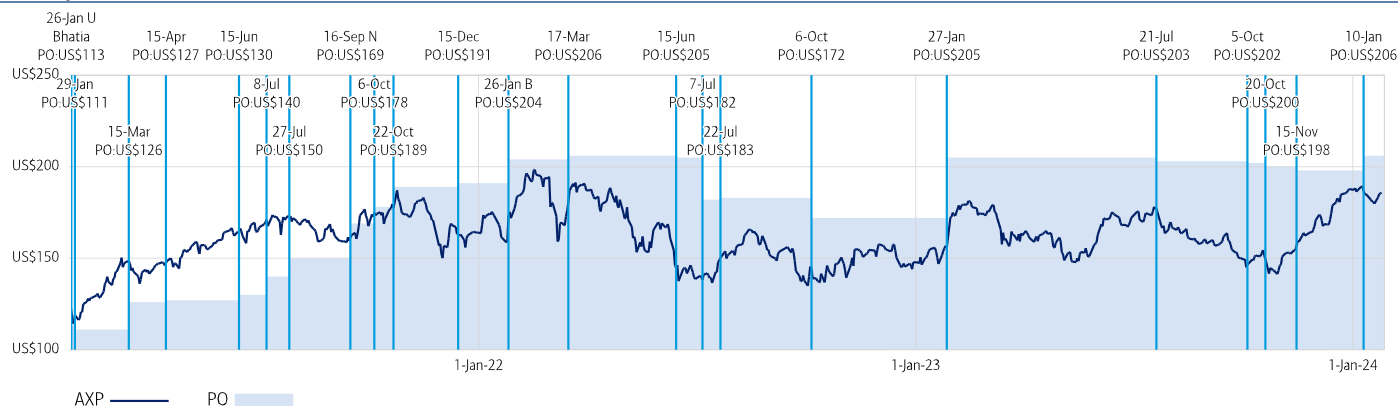
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American Express (AXP) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

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Underperform	N/A	≥ 20%

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