

American Express Company

Change is coming for the Platinum card

Maintain Rating: BUY | PO: 203.00 USD | Price: 161.40 USD

Delta announces lounge access restrictions

Earlier American Express' largest co-brand partner Delta Airlines announced changes to its SkyMiles program and lounge access policies that, among other changes, will restrict the number of visits Amex Platinum cardholders can make in a year. We believe these changes increase the likelihood that Amex announces a Platinum refresh in 2024, as we discuss below. The headline changes are clearly a negative in that they devalue benefits for Amex's flagship Platinum card, and we have already fielded investor questions about the impact these changes could have on churn. That said, we think it is too early to tell and would note that Amex has a long history of tweaking programs to maintain its premium aspirational status, while still delivering high levels of retention. Maintain Buy.

Limits coming for Platinum members airport lounge visits

Starting Feb 1, 2025, Delta Airlines will limit usage of Delta airport lounge access for American Platinum card holders (to 6 visits) and Delta Reserve co-brand card holders to (10 visits). Starting in 2024, Delta will also further extend lounge access restrictions for basic economy ticket holders to include Amex cardholders. These are meaningful changes from the current benefit of unlimited lounge access.

Why does this matter?

Amex has said in the past that lounge access is one of its most popular benefits. The restriction on lounge visits is a program devaluation that is likely to (and already has) generated negative headlines which could lead to higher churn.

Long history of tweaking programs

Delta is Amex's largest co-brand partner, accounting for 10% of worldwide billings and 21% of card member loans as of year-end 2022, so Amex likely worked closely with Delta on these changes. Amex is also quoted in press stories highlighting that despite changes, vast majority of card members will have access to Sky Clubs based on how often they fly.

Maintaining the premium and aspirational brand

Overcrowding of lounges has been a key customer service issue for Amex in recent quarters. To maintain its aspirational brand, we believe Amex needed to address overcrowding and restore a sense of exclusivity to the Platinum experience. We also note that cardholders who spend \$75,000 a year will continue to have access to unrestricted lounge benefits, an indication that Amex is focusing on rewarding its largest customers.

Implementation timeline allows for Platinum refresh in '24

The lounge access limits go into effect in 2025. Amex has also said its card programs are on a three-to-four year renewal cadence and the last refresh and fee hike for the Platinum card was implemented July 2021. It would not surprise us if Amex was planning on announcing a refreshed Platinum product in 2024, which would mitigate the impact of lounge restrictions. Announcing the lounge access restrictions now, also allow Amex to gauge the impact on churn as it dials-in on updated benefits.

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Equity

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Stock Data

Price	161.40 USD
Price Objective	203.00 USD
Date Established	21-Jul-2023
Investment Opinion	B-1-7
52-Week Range	130.65 USD - 182.15 USD
Mrkt Val / Shares Out (mn)	118,864 USD / 736.5
Average Daily Value	395.96 USD
BofA Ticker / Exchange	AXP / NYS
Bloomberg / Reuters	AXP US / AXP.N
ROE (2023E)	30.1%
ESGMeter™	High

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Price objective basis & risk

American Express Company (AXP)

Our \$203 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.

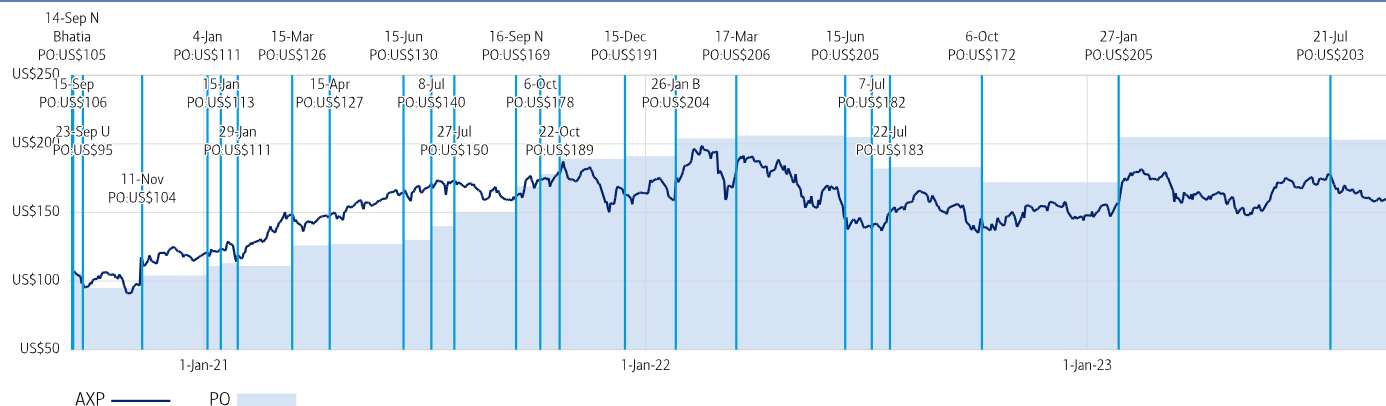
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American Express (AXP) Price Chart



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Equity Investment Rating Distribution: Financial Services Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	145	50.52%	Buy	91	62.76%
Hold	78	27.18%	Hold	47	60.26%
Sell	64	22.30%	Sell	38	59.38%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
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Sell	831	23.59%	Sell	385	46.33%

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Underperform	N/A	≥ 20%

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