

American Express provides charge and credit payment card products and travel-related services to customers worldwide. The company's product portfolio consists of charge and credit card products; expense management products and services; consumer and business travel services; stored-value products, including travelers checks and other prepaid products; network services; point-of-sale, marketing, and information products and services for merchants; fraud prevention services; and the design of customer loyalty and rewards programs.

## Analyst's Notes

Analysis by Stephen Biggar, April 17, 2025

**ARGUS RATING: BUY**

- Spending volume growth still healthy at 6%
- On April 17, American Express reported 1Q25 earnings of \$3.64 per share, up from \$3.33 a year earlier and above the \$3.47 consensus. Total network volumes rose 6%.
- We expect continued healthy spending volume from AXP's generally affluent cardmembers, who are less impacted by inflation, and see marketing efforts leading to good cardmember growth.
- Along with 1Q results, management provided initial 2025 guidance calling for revenue growth of 8%-10%, and EPS of \$15.00-\$15.50, implying 14% growth at the midpoint of that range and healthy positive operating leverage in our view.
- Our revised target price is \$305, or 20-times our 2025 estimate.

## INVESTMENT THESIS

We are maintaining our BUY rating on American Express Co. (NYSE: AXP) following 1Q earnings, which were helped by continued strength in billed business. The company also maintained guidance for 2025, calling for revenue growth of 8%-10%, and EPS in the range of \$15.00-\$15.50, representing 14% growth from 2024 at the midpoint.

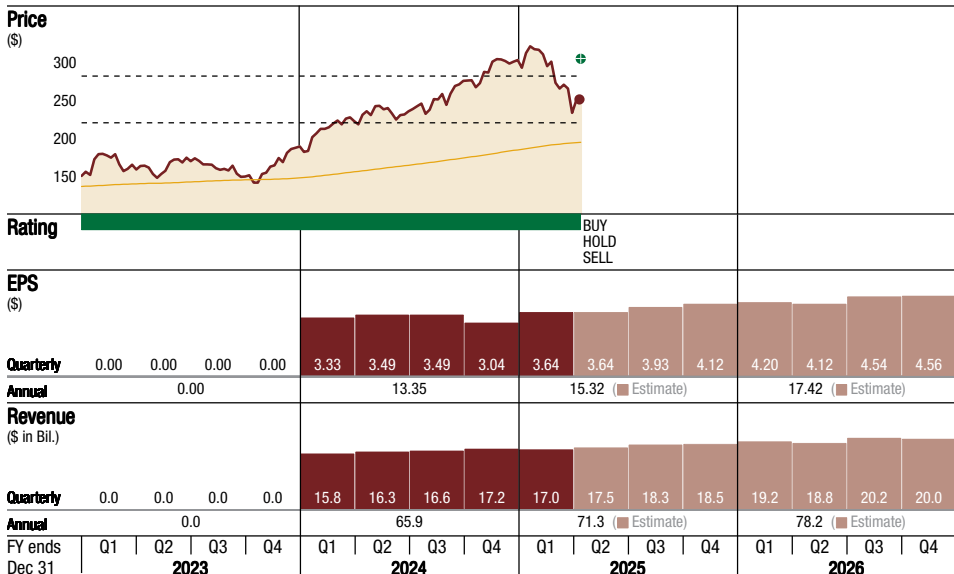
With respect to billed business, the company's customers, who tend to have higher incomes than those of other credit card companies as well as better credit scores, are generally more insulated from economic distress and have not shown signs of slower spending despite the impact of rising inflation and interest rates. Rising stock market and home equity values, along with greater interest income from bond portfolios, remain tailwinds for consumer spending for this cohort.

AXP appears keenly aware of elevated competition in the credit card industry, noting that rewards and pricing in particular have become very heated. However, the company has also emphasized the strong cardholder loyalty and other differentiating factors of its premium cards. While we believe that AXP will maintain share at the high end of the premium card market, we expect the lower tier of that market to face increased

## Market Data

Pricing reflects previous trading week's closing price.

— 200-Day Moving Average — Target Price: \$305.00 — 52 Week High: \$282.13 — 52 Week Low: \$220.43 — Closed at \$251.13 on 4/11



## Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 74% Buy, 26% Hold, 0% Sell.

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

Price	\$252.92
Target Price	\$305.00
52 Week Price Range	\$216.52 to \$326.27
Shares Outstanding	701.11 Million
Dividend	\$3.28

### Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

### Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	62.8%
Return on Equity	35.5%
Net Margin	13.7%
Payout Ratio	0.21
Current Ratio	--
Revenue	\$74.20 Billion
After-Tax Income	\$10.13 Billion

### Valuation

Current FY P/E	16.51
Prior FY P/E	18.95
Price/Sales	2.39
Price/Book	5.87
Book Value/Share	\$43.11
Market Capitalization	\$177.32 Billion

### Forecasted Growth

1 Year EPS Growth Forecast	14.76%
5 Year EPS Growth Forecast	12.00%
1 Year Dividend Growth Forecast	17.14%

### Risk

Beta	1.16
Institutional Ownership	85.12%

## Analyst's Notes ...Continued

competition from lower-priced cards with similar rewards benefits.

Merchant acceptance remains a top 'pain point' for AXP card members. The company has been making progress on this front, emphasizing the benefits of its card members' higher spending; however, AXP's greater transaction fees are often an offsetting negative for merchants. The company is aiming to reach merchant-acceptance parity with other card networks by using modified pricing in some segments, as well as by focusing on franchises and partnerships.

In our view, the company has competitive advantages with its closed-loop platform, in which it acts as merchant acquirer, merchant processor, issuer processor, and payment issuer. This is particularly true in the co-brand space, as the closed-loop system provides the company with data on consumer spending habits that allow it to target offerings and promotions more effectively. The closed-loop system also helps with fraud prevention. We note that management's own metrics show above-industry-average performance with respect to spending growth, customer retention, and the prevention of fraud. Among large competitors, only Discover Financial has a similar closed-loop system. However, we do not believe that Amex has been as innovative in the payments space as other providers, such as PayPal, which have developed in-app, in-store, and online payment mechanisms to compete with traditional operators.

We believe that the high-quality AXP shares offer value at current levels. We are lowering our target price from \$350 to \$305,

or 20-times our 2025 EPS forecast, deserved we believe by demonstrating consistent positive operating leverage and mid-teens EPS growth.

### RECENT DEVELOPMENTS

AXP shares have risen 15% over the past year, versus a 5% gain for the broad market.

On April 17, American Express reported 1Q25 earnings of \$3.64 per share, up from \$3.33 a year earlier and above the \$3.47 consensus.

Net revenues rose 7% to \$17.0 billion, reflecting a 4% increase in discount revenues on higher billed business, and an 11% increase in net interest income. Consolidated expenses were \$12.5 billion, up 10% from the prior year, mostly reflecting higher customer engagement costs.

Lending net write-offs were 2.1% of loans in 1Q25, level with a year earlier. The company had a \$1.15 billion loan loss provision, versus \$1.27 billion a year earlier. Net income was up 6%, to \$2.55 billion. EPS rose a greater 9%, reflecting a 3% decline in average shares outstanding.

### EARNINGS & GROWTH ANALYSIS

In 1Q25, total network volumes rose 6% from the prior year, down from the 8% pace of 4Q24, with increases of 7% in consumer and 2% for commercial. We expect card spending, and thus billed business, to show continued improvement. We note that the company's relatively affluent cardholders have been less

## Growth & Valuation Analysis

### GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	36,239	43,147	52,862	60,515	65,949
COGS	—	—	—	—	—
Gross Profit	—	—	—	—	—
SG&A	9,414	11,531	12,710	13,280	14,238
R&D	—	—	—	—	—
Operating Income	—	—	—	—	—
Interest Expense	-7,985	-7,750	-9,895	-13,134	-15,543
Pretax Income	4,296	10,689	9,585	10,513	12,895
Income Taxes	1,161	2,629	2,071	2,139	2,766
Tax Rate (%)	27	25	22	20	21
Net Income	3,135	8,060	7,514	8,374	10,129
Diluted Shares Outstanding	806	790	752	736	713
EPS	3.77	10.02	9.85	11.21	14.01
Dividend	1.72	1.72	2.08	2.40	2.80

### GROWTH RATES (%)

Revenue	-16.9	19.1	22.5	14.5	9.0
Operating Income	—	—	—	—	—
Net Income	-53.6	157.1	-6.8	11.4	21.0
EPS	-52.8	165.8	-1.7	13.8	25.0
Dividend	4.9	—	20.9	15.4	16.7
Sustainable Growth Rate	10.0	25.6	26.6	22.6	27.4

### VALUATION ANALYSIS

Price: High	\$138.13	\$189.03	\$199.55	\$188.30	\$307.82
Price: Low	\$67.00	\$112.10	\$130.65	\$140.91	\$177.81
Price/Sales: High-Low	3.1 - 1.5	3.5 - 2.1	2.8 - 1.9	2.3 - 1.7	3.3 - 1.9
P/E: High-Low	36.6 - 17.8	18.9 - 11.2	20.3 - 13.3	16.8 - 12.6	22.0 - 12.7
Price/Cash Flow: High-Low	21.1 - 10.2	11.5 - 6.8	8.6 - 5.6	6.9 - 5.2	14.7 - 8.5

## Financial & Risk Analysis

### FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	33,537	46,530	40,552
Working Capital (\$ in Millions)	—	—	—
Current Ratio	—	—	—
LT Debt/Equity Ratio (%)	172.3	170.6	164.3
Total Debt/Equity Ratio (%)	177.7	175.2	168.8

### RATIOS (%)

Gross Profit Margin	—	—	—
Operating Margin	—	—	—
Net Margin	14.0	13.6	15.2
Return On Assets	3.6	3.4	3.8
Return On Equity	31.6	31.3	34.3

### RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	11.4	11.9	7.4
Oper. Income/Int. Exp. (ratio)	—	—	—
Payout Ratio	22.4	14.7	26.6

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## Analyst's Notes ...Continued

impacted by inflation and have not shown signs of slower spending. Rising stock market and home equity values (though recently moderated), along with greater interest income from bond portfolios, remain tailwinds for consumer spending for this cohort in what's known as the 'wealth effect'. While AXP is often perceived as having significant exposure to travel & entertainment spending, the proportion of T&E spending on its cards is actually about 30%.

Along with 1Q results, management maintained its 2025 guidance calling for revenue growth of 8%-10%, and EPS of \$15.00-\$15.50, implying 14% growth at the midpoint of that range. Its long-term aspiration is annual revenue growth over 10% and mid-teens EPS growth.

The company continues to spend significantly on marketing, with \$6 billion spent in 2024, as it seeks to acquire new cardmembers and makes a push toward Millennial and Gen Z demographics.

We are raising our 2025 EPS estimate to \$15.32 from \$15.30 as spending volumes remain impressive, and our 2026 forecast to \$17.42 from \$17.32.

### FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on American Express is High.

AXP reported a Tier 1 common equity ratio of 10.7% on March 31, 2025 under Basel III, up from 10.6% a year earlier and well above the regulatory minimum of 7%. AXP has targeted a

ratio in the 10%-11% range. In 1Q25, the company repurchased 2 million shares of its common stock. Amex's long-term capital allocation goal is to return 50% of capital to shareholders and retain 50% for growth initiatives and acquisitions.

The company raised its quarterly dividend by 17% to \$0.82 per share, or \$3.28 annually, beginning with the 1Q25 payment. We expect dividends of \$3.28 in 2025 and \$3.52 in 2026. The yield is about 1.3%.

### MANAGEMENT & RISKS

American Express is led by Chairman and CEO Stephen Squeri, who succeeded Kenneth Chenault following his retirement in February 2018. In August 2023, Deputy CFO Christophe Le Caillec became the new CFO following the retirement of Jeffrey Campbell.

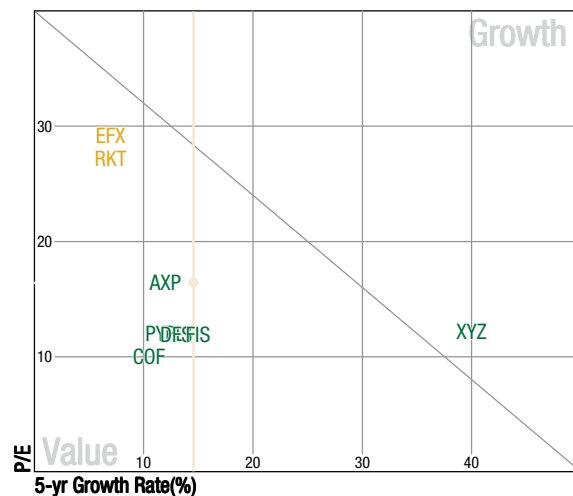
American Express is broadly exposed to global economic conditions because its revenue growth depends on increased spending by both consumers and businesses. In fact, merchant discount fees now account for about 55% of the company's revenue. However, in contrast to Visa and MasterCard, American Express has a large card loan portfolio of about \$140 billion that generates added revenues from loan growth and/or margin expansion.

In June 2018, the Supreme Court ruled that American Express did not violate antitrust laws through the use of contractual agreements with merchants that prohibit merchants from

## Peer & Industry Analysis

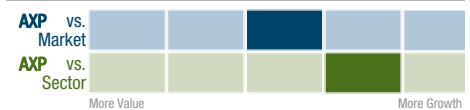
The graphics in this section are designed to allow investors to compare AXP versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how AXP stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how AXP might fit into or modify a diversified portfolio.

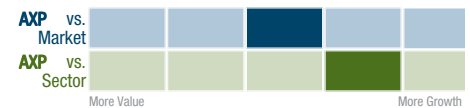


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
AXP	American Express Co.	177,325	12.0	16.5	13.7	13.7	BUY
COF	Capital One Financial Corp.	61,060	10.5	10.1	8.8	15.6	BUY
PYPL	PayPal Holdings Inc	59,592	12.0	12.0	13.0	10.0	BUY
DFS	Discover Financial Services	39,328	13.0	12.0	16.9	12.9	BUY
FIS	Fidelity Natl Information Serv	36,358	15.0	12.0	14.3	8.4	BUY
XYZ	Block Inc.	30,069	40.0	12.2	12.0	22.7	BUY
EFX	Equifax, Inc.	27,366	7.0	29.2	10.6	6.7	HOLD
RKT	Rocket Companies Inc	24,456	7.0	27.2	.5	60.0	HOLD
<b>Peer Average</b>		<b>56,944</b>	<b>14.6</b>	<b>16.4</b>	<b>11.2</b>	<b>18.8</b>	

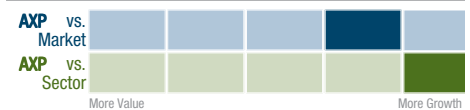
### P/E



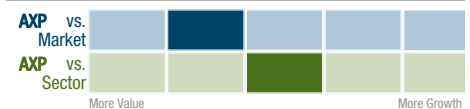
### Price/Sales



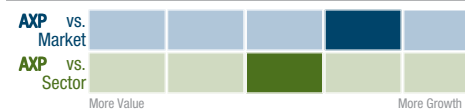
### Price/Book



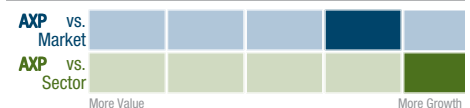
### PEG



### 5 Year Growth



### Debt/Capital



## Analyst's Notes ...Continued

encouraging individuals to use credit cards with lower swipe fees.

A long-term concern is that the discount rate - the rate the company charges merchants for transactions - declines faster than we expect. If it does, AXP will need to add even more accounts and drive more spending volume to compensate for the lost revenue. At the same time, the discount rate gap between American Express and both Visa and MasterCard has narrowed in recent years, thereby increasing the value proposition for Amex merchants. AXP has also demonstrated to merchants that card member spending is typically much greater on Amex cards than on either Visa or MasterCard.

### COMPANY DESCRIPTION

American Express provides charge and credit payment card products and travel-related services to customers worldwide. The company's product portfolio consists of charge and credit card products; expense management products and services; consumer and business travel services; stored-value products, including travelers checks and other prepaid products; network services; point-of-sale, marketing, and information products and services for merchants; fraud prevention services; and the design of customer loyalty and rewards programs.

### VALUATION

AXP shares have traded in a range of \$217-\$326 over the past year and are currently near the middle of that range. We expect spending volume from the company's generally affluent cardholders to remain strong, while marketing efforts lead to good cardmember growth. We also see long-term benefits from the greater usage of credit cards relative to cash and checks.

AXP shares trade at about 16-times our EPS estimate for 2025. Our target price is \$305 (lowered from \$350), or about 20-times our 2025 estimate.

On April 17 at midday, BUY-rated AXP traded at \$254.76, up \$1.84.

## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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