

StreetAccount Conference Call Highlights - American Express Q4 Earnings
Thursday, January 16, 2014 11:06:01 PM (GMT)

- **Additional details on Q4:**

- Revenue
 - Discount +6.0%; on increased spending volumes.
 - Net card fees +4.0%
 - Travel commissions and fees (2.0%)
 - Net interest income +11.0%; reflecting lower funding costs y/y.
 - Other revenue (12%); depressed by the sale of the publishing business.
- Billed business +8.0% as reported and +9.0% on a FX adjusted basis, to \$254.0B
 - By region; JAPA +15%, LACC +11%, US +9% (notes strong small business volume), EMEA +6%
 - Highlights continued strength in GNS growth, +16%; driven by JAPA growth, specifically China and Japan.
- Credit performance:
 - Net write-off rate 1.6% vs 2.0% y/y
 - 30 days past due 1.1% vs 1.2% y/y
 - Provisions \$528.0M, (17%) y/y
- Cardmember loan growth of 3.0%
- Total expense saw a decline of 8% y/y, to \$6.04B; driven primarily by a 8% decrease in cardmember rewards expense, and a 5.0% decrease in card member service expense, partially offset by a 12% increase in marketing and promotion expense.
 - Higher marketing and promotion due to heightened investment in what the company describes as a stronger operating environment.
- Estimated Tier I common risk based capital of 12.5%.
- Regarding Target data breach, has seen minimal exposure thus far; is closely monitoring the situation as it evolves, and notes the company has sophisticated monitoring systems and internal safeguards in place to protect cardmember accounts and to detect fraudulent activity; will continue to work with Target and law enforcement.

- **Outlook:**

- 2014:
 - Continues to target operating expense growth of less than 3.0% for the year.
 - Expects the sale of the company's publishing business to depress total revenue by ~1.0% in each of the next three quarters.
 - Will continue to target a portion of investment for longer-term opportunities, including initiatives in the digital space.
 - Specifically mentions reloadable prepaid products and the loyalty partner program - said efforts continue to ramp up and believes they offer significant growth opportunities - notes growth will likely occur over a "longer period".
 - Reiterates plan to create a joint venture to accelerate the transformation of the global business travel division - said negotiations for the joint venture continue to advance as planned - believes the closing date will be in the second quarter of 2014.
 - Remains optimistic regarding the Wells Fargo and US Bank partnerships, describes the potential benefits as longer term in nature.

Industries: Consumer Financial Services

Primary Identifiers: AXP-US

Related Identifiers: AXP-US

Subjects: All Earnings

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- [American Express reports Q4 EPS \\$1.25 ex-items vs FactSet \\$1.25](#)
- [StreetAccount Consensus Metrics Preview - American Express Q4 Earnings](#)