

Amex shares up on spin-off news

Shares in American Express surged more than 8% on Tuesday after it said it was to spin off its less profitable financial advisory subsidiary.

The US credit card to travel services giant said off-loading American Express Financial Advisors (AEFA) would boost its profitability. AEFA has more than 12,000 advisers selling financial advice, funds and insurance to 2.5 million customers. Over the years it has delivered poor profits and even some losses.

"This is an excellent move by American Express to focus on its core businesses, and sell off a laggard division, which has been a problem for quite some time," said Marquis Investment Research analyst Phil Kain. Analysts estimate that a stand-alone AEFA could have a market value of \$10bn (£5.3bn). The unit was acquired by American Express 20 years ago as Investors Diversified Service, of Minneapolis, at a time when firms were amassing one-stop financial empires. However, the business of selling investments was never integrated with the rest of the group.