

Company: American Express Company	Ticker: AXP	Price: 164.42	Industry: Financial Services Sub Industry: Credit Services
Target Price: \$187.64 Stop Loss: \$147.97 52 Week High/Low: \$140.91 - \$182.15	TTM P/E: 15.41 Forward P/E: 13.26 EPS: 10.67	Beta: 1.21 Credit Rating: A2 Rating Outlook: A2	Market Cap: 119.82 B Avg. Vol. (12 M): 3M Div. Yield: 1.46%

#### Company Background:

American Express is a multinational integrated payments company that is a global leader in providing credit and debit card services (internally, and for third party firms (think store cards) for a wide range of price points, from the average consumer to the large corporation. The company engages in three main sectors of reportable businesses: Card-Issuing Businesses, Network Businesses (licensing out to third parties, signing merchants to the “network”), and Corporate Functions which includes the company’s venture capital division. The combination of these segments gives American Express the “closed loop” which is a key differentiator in which the company has access to data/revenues from both cardholder/merchant sides of the transaction. The company derives most of its revenues from discount and “swipe” fees (approximately 70%) and the rest from interest related charges as the issuer of credit cards.

#### Industry Outlook:

The industry is projected to grow at a 7% CAGR until 2027 with the Asia-Pacific region being the most important geographic source of revenue accounting for 47% of all transaction volume for the payments industry. Drivers of this growth are anticipated to be C2B and B2B payments with growth anticipated at high single digits – low double digits. Electronic payments (e-wallets, superapps, etc.) are expected to grow at a scale exceeding revenue growth and to be an increasingly more relevant option at Point-of-Sale.

#### Investment Thesis:

We believe American Express is undervalued due to the brand’s strong differentiator of the “closed loop” which allows access to advanced transaction data not available to competitors which can be applied to sign merchants despite higher swipe fees (a pain point for the company in the past) as well as better tailor rewards and perks to the needs of the consumers. This allows them to aggressively compete for share abroad after achieving virtual acceptance parity in the United States. Additionally, American Express has pursued more wealthy and fiscally healthy clientele which allow it’s “swipe fees” to be less vulnerable in inflationary and recessionary periods. Finally, American Express is easily integrated into instant payment options such as Apple Pay, Samsung Pay, and Google Pay.

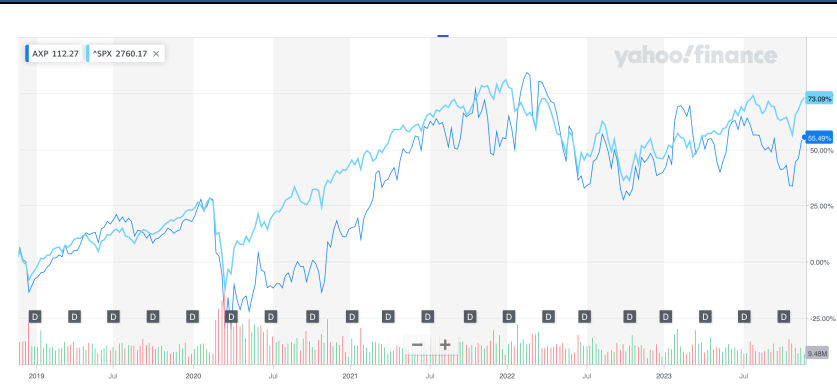
#### Investment Risks:

- Risks: - Potential higher credit losses due to the high rate and moderate inflationary environment
- High Capital Expenditures required to help drive growth and acquire customers that may not be as successful as planned
  - Entrenched competitors in foreign growth markets (e.g. UnionPay in China) may limit successful customer acquisition

#### 3-5 takeaway’s from last quarter investor call transcript:

- 30% growth in Q3 Net Income YoY
- 34% YoY in Q3 EPS
- Increased Pre-Tax Income across all segments YoY

#### 5-Year Financial Performance:



#### Discounted Cash Flow Valuation:

Terminal Value	127,443
PV of Terminal Value	77,760
PV First 5 yr FCF	58,973
Enterprise Value	178,098
Debt	46,447
Cash	5,082
Equity Value	136,733
# Shares	729
Intrinsic Value	188
Current Price	\$154.75
Margin of Safety	21%

#### ESG

#### Total Return %

	Company	Industry	S&P 500
YTD	11.76%	17.97%	19.56%

**A-** CDP (CLIMATE)      **AA** MSCI (ESG) RATING

**✓** FTSE4GOOD INDEX SERIES      **Low Risk** SUSTAINALYTICS ESG RISK RATING

2022	8.98%	15.85%	15.00%
3 Years	36.35%	19.81%	25.20%
5 Years	49.91%	74.91%	70.21%

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