

Analysts

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Stock Price: \$252.42

Target Range: \$310- \$326

American Express Co. (AXP)
Financial Services- Credit Services

Stock Rating: **BUY**

April 22, 2025

Investment Thesis

We recommend a **BUY** rating for American Express with a target price range of \$310 - \$326 and an upside of 29.14 %.

Drivers of Investment Thesis:

- **Diversified Sources of Income:** While most credit services rely on leveraging interest margins to generate income, AXP generates over 70% of revenues from various non-interest activities such as annual card fees, and merchant swipe fees from proprietary and 3rd party cardholders. During current economic turmoil, with an unfavorable yield curve, these high levels of non-interest revenues have kept income afloat.
- **Growth of Premium Portfolio:** Expanding their portfolio is AXP's top strategic imperative (page 5 10-k). Demand for travel, dining and a luxury lifestyle among the wealthy will remain strong in the long run. We believe AXP's established stance as the leader for premium products will drive growth for the foreseeable future.
- **Financially Affluent Customers:** AXP has a consistent net write off rate around 2.1%, despite concerns of economic slowdown. These concerns have caused a significant 15.3% decline YTD, but reliable funding from customers positions AXP ahead of competitors during a potential recession.

Risks to Investment Thesis:

- **Interest Rate Hikes:** Despite having a strong source of non-interest revenue, interest on deposits remaining near the current level of 4.41% decreases our target price by roughly 9.1%.
- **Discover/ COF Merger:** With the Discover/COF merger's recent approval, AXP is no longer the sole issuer of credit cards and a merchant network.

Company Overview

American Express Co. is a global provider of credit services known for its payment cards, travel-related services, and business solutions. The company offers a range of products, including credit and charge cards, merchant services, and commercial payment solutions. Operating a unique closed-loop network connecting cardholders and merchants, American Express is headquartered in New York City, NY, and was founded in 1850 by Henry Wells, William Fargo, and John Butterfield [1].

Financial Overview

Valuation Summary

DCF/EP	\$326
DDM	\$380

Price Data

Current Price	\$251.31
52-Week Range	\$216.52 - \$326.27

Key Statistics

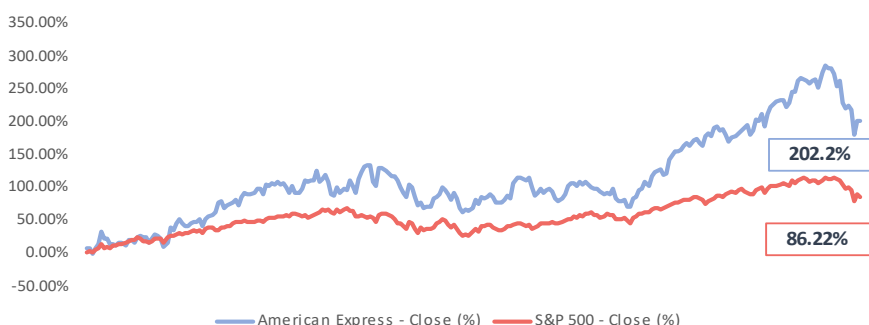
2024 Revenue	\$74,201 B
Market Capitalization	\$176.16 B
Shares Outstanding	701 M
Institutional Ownership	85.92%
Beta	1.16
Est. 5yr Growth	43.2%
Price/Earnings (LTM)	21.5
Price/Book	5.86

Profitability

Profit Margin (LTM)	125%
Net Interest Yield (LTM)	12.6%
Return on Equity (LTM)	36.1%
Return on Assets (LTM)	3.73%

Stock Performance

5 Year Comparison: \$AXP vs \$SPX



EPS Estimates

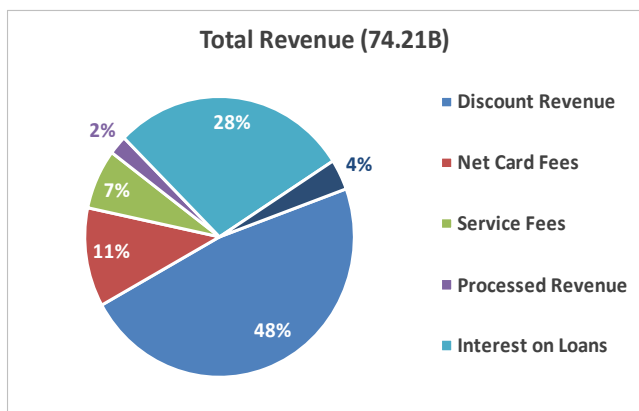
2023H	2024H	2025E	2026E	2027E
\$11.23	\$14.04	\$11.67	\$16.66	\$19.77
13.9%	25.0%	-16.9%	42.7%	18.6%

COMPANY DESCRIPTION

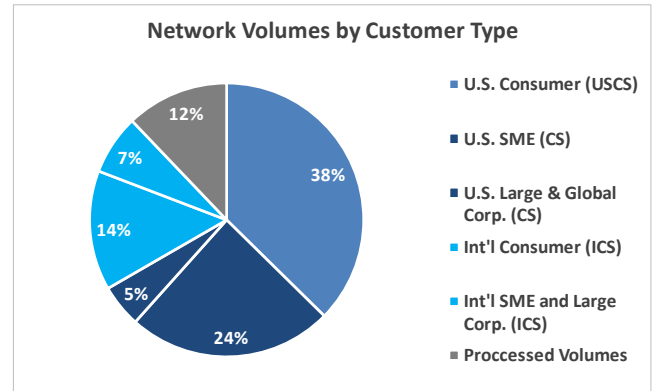
The American Express Company (Amex, \$AXP), founded in 1850, is a globally integrated payments company renowned for its credit and charge card offerings. Beyond card services, Amex provides merchant acquisition and processing, payment settlement, point-of-sale marketing, and network services. Amex constantly has merchants accepting its payment processing in over 190 countries, with rates varying in each country. The company also offers travel benefits including personal and corporate travel advisory, hotel and resort bookings, and travel management.

Amex's corporate strategy centers on a "spend-centric" business model, primarily generating revenue by encouraging spending on its cards, which typically see higher per-card usage compared to competitors. This approach delivers superior value to merchants through loyal customers and larger transactions. Additionally, Amex emphasizes premium services and exclusive experiences, such as access to luxurious lounges and special events, to attract high-spending customers and foster loyalty.

Unlike its peers, the majority of Amex revenue is non-interest, generated from their unique worldwide closed-loop network. Amex network volumes are broken down into U.S. Consumer Services (USCS), Commercial Services (CS), International Card Services (ICS), and processed (3rd party) volumes. The non-interest segments consist of discount revenue, net card fees, processed revenue, and service fees and other. Interest revenues consist of interest on loans, interest & dividends on investment securities, and deposits with banks & other. A breakdown of Amex revenue accounts and network volumes by geographical location is detailed below:



Source: Data from 10-k



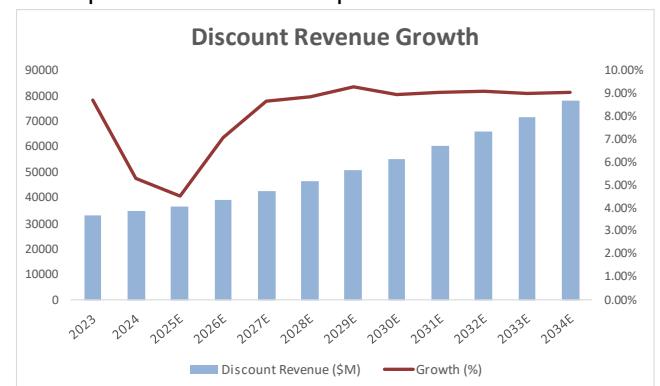
Source: Data from 10-k

Non-Interest Revenue

Discount Revenue

Discount Revenue has consistently been Amex's largest revenue segment, generating 48% of 2024 total revenue at \$25.2 billion. Every time an Amex cardholder swipes their card; Amex charges the merchant a percentage of that transaction as a fee. Amex charges higher merchant fees than competitors like Visa and Mastercard, a premium that is justified by their loyal and affluent cardholders.

The strength of this segment is in operating as a closed-loop network. By doing so, Amex issues its own cards and directly acquires merchants to accept those cards, meaning payments flow directly and completely through Amex. This direct connection provides Amex with detailed data about consumer spending and merchant patterns that they leverage to deliver targeted marketing and better customer service. On top of that, capturing the full merchant discount fee makes this segment significantly more profitable than competitors.



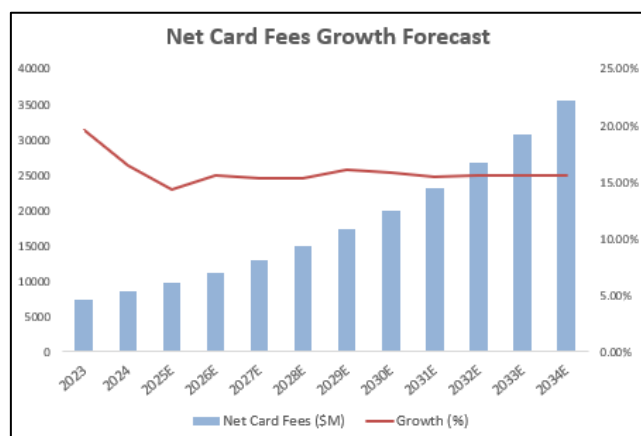
Source: Data from 10-k

Amex continues to grow this segment by increasing membership rewards and services provided to cardmembers to acquire new cardholders and encourage spending. We forecast this segment to grow by 4.52% in 2025, slightly under FactSet estimates.

This is primarily due to low short-term growth in spending per proprietary card of 2% in 2025 and 2026, as result of low consumer confidence from tariffs and economic uncertainty. By 2027, we expect the consumer confidence to rebound from recovering economic conditions and growth in proprietary card spending to rebound to the historical average of 5.07%.

Net Card Fees

Amex second largest revenue segment, net card fees, is comprised of the annual fees charged on their card products, net of refunds for membership cancelation and deferred acquisition costs. This segment is primarily driven by increases in premium card holders, who are charged a higher annual fee. The segments performance is also dependent on cards issued through partnerships with business partners such as Delta. If Amex cannot uphold these partnerships, it sacrifices the ability for growth of their cardholder portfolio.



Source: Data from 10-k

The average fee per card has consistently floated around a 10-15% increase YoY, primarily driven by increases in the premium card portfolio and the overall cards in force. We believe Amex will continue to develop their premium card portfolio as they expand internationally while increasing the overall annual fee per card, justifying the 15% YoY growth.

Service Fees and Other Revenues

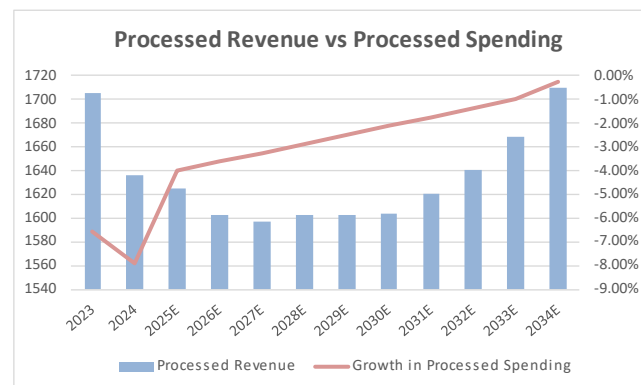
The service fees and other revenues segment is relatively small and historically comprises 10% of total non-interest revenue. It buckets service revenue earned from merchants and other customers,

earned from merchants and other customers, delinquency fees, foreign currency related revenue such as cross-currency fees, travel commissions from Amex Travel business, and income from investments. Due to its diverse nature, the segment is driven by many different economic and company driven factors and overall does not accurately reflect company performance.

From revenue analysis, we found that following the most recent revenue recognition practice, the service fees and other revenue have a .995 correlation with discount revenue. As a result, we chose to forecast this segment as an average (14.33%) of discount revenue.

Processed Revenue

Processed revenue is the smallest non-interest segment for Amex. The company defines processed volumes as spending volume on Amex cards issued by 3rd party institutions. For instance, a foreign bank may issue an Amex card under a license. Amex processes the transaction, but they do not handle billing, risk, or customer service. As a result, these volumes generate a lower fee and are less profitable.



Source: Data from 10-k

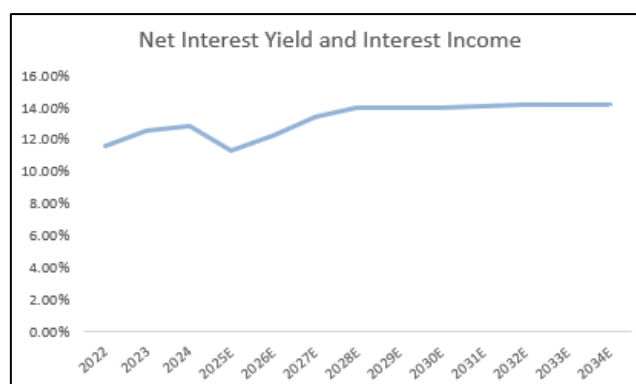
While spending total 3rd party cards in force has steadily increased over the last few years, spending on these cards have decreased. Since these transactions are processed outside the U.S., spending is largely subject to changes of foreign exchange rates. We believe tariffs will continue to impact exchange rates, forecasting spending on 3rd party cards to decrease by 4% in 2025, gradually reaching the historical average of -0.24% in 2034. We predict spending declines to offset growth in cards, resulting in 4.5% growth by the end of the forecast horizon.

TABLE 2.1: CARD MEMBER AND OTHER LOANS		
(Millions)		2024
Consumer ^(a)	\$	107,646
Small Business		31,991
Corporate		37
Card Member loans		139,674
Less: Reserves for credit losses		5,679
Card Member loans, net	\$	133,995
Other loans, net ^(b)	\$	9,038

Source: Data from 10-k

Most loans are classified as card member loans, or the outstanding balance on credit cards issued by Amex or cobranded partners. The remainder is classified as other loans, which primarily represents consumer installment loans and lines of credit offered to small businesses [1]. Cobranding is essential to growth of the loan portfolio, with 36% percent of outstanding credit card balances coming from cobranded partnerships. Loans from Amex's largest strategic partner, Delta, comprises 21% of these balances.

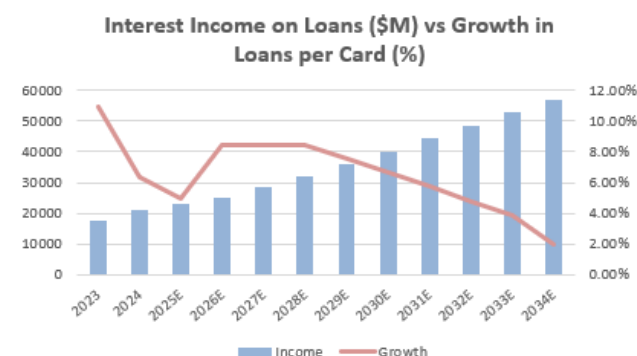
Interest income is driven by the net interest yield and total revolving loan balances. Currently, Amex has a net interest yield of 12.6%, calculated by dividing 2024 net interest income by 2023 card member loans outstanding. Amex has continuously been able to increase their net interest yield by increasing revolving loan balances relative to net interest income.



Source- Valuation Model

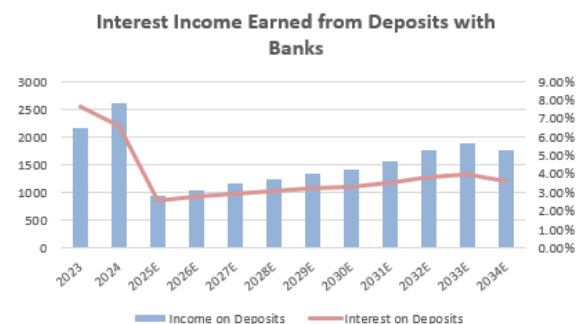
While we predict the yield will drop in 2025, primarily due to high interest of short-term borrowing, we expect the cost of borrowing to fall, driving a sustainable net interest yield hovering around 14.1%.

We predict total cards in force to increase at a consistent average rate of 3.3% per year. Loans per card is sensitive to consumer spending pressures. According to the recent 10-Q, Amex consumer spending was not significantly impacted by tariff threats [11], leading us to keep a short-term growth rate at 5% before reaching the historical average of 7.74% YoY growth. After maintaining that growth rate for 3 years, we predict a steady decline to the long-term rate of 3%. Below, we see the combined impact loans per card have on total cardmember interest:



Interest on Deposits with Banks and Other

Amex also generates interest from cash deposits with banks and other, classifying it as “the placement of cash, in excess of near-term funding requirements, in interest-bearing time deposits, overnight sweep accounts, and other interest-bearing demand and call accounts” [1]. We forecast this segment using the average historical interest on these deposits. Interest on bank deposits from increased from 2.90% in 2022 to 7.68% in 2023. We believe interest earned from deposits will return to average levels before continuing its trend of gradual growth through the forecast horizon.



Interest and Dividends on Investment Securities

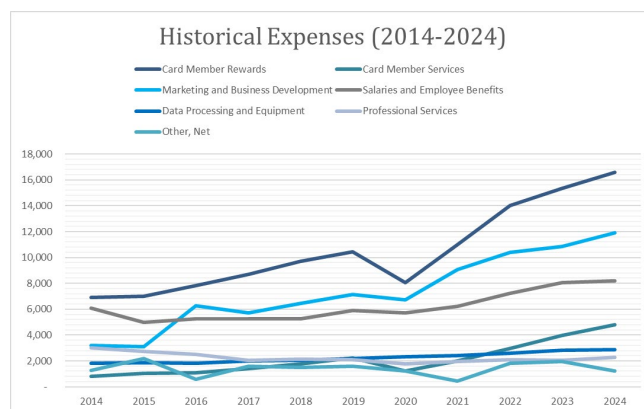
Income generated by this segment is miniscule in proportion to interest on loans and is non-operating in nature. Interest on investment securities relate to performing fixed-income securities like bonds.

Income is recognized using the effective interest method, so a constant rate of return is recognized until default. We forecast this based on the historical average interest earned from cash, short term, and long-term investment securities.

Expense Analysis

Amex's largest expense comes from their Card Member Rewards segment, which is responsible for providing their luxury benefits and rewards for their customers. This expense segment totaled to an amount of \$16.6B (35%) in 2024, which is an increase of 8% from the previous year of 2023 consisting of \$15.4B. The increase in this expense segment was due to increases of membership rewards and cash back rewards expenses, totaling to amounts of \$705 million and \$527 million, for which all were primarily driven by higher billed business. However, for the second half of the year, the increase in Card Member Rewards was also driven by an increase in the Ultimate Redemption Rate (URR) with slightly elevated redemption costs, reflecting a shift in mix of Card Member redemptions [1].

The largest percentage growth in expenses is attributable to Card Member Services (10%), which has increased at a rate of 21% in comparison to 2023. This reflects the large concentration of luxury services within the business. Regardless, this is one of Amex's smaller expense segments, consisting of \$4.7B. Salaries & Employee Benefits, Professional Services, Marketing, Business Development, Data Processing and Equipment and Other, net all consists of smaller amounts and growth at insignificant rates to the business, which are generally driven by usages and volumes [1].



Margin Analysis

Amex recently released their quarterly annual earnings report on April 18th, 2025. The report has been shown to exceed expectations, as they have

announced a net income of \$2.6 billion, or \$3.46 per share, compared with last year's net income of \$2.4 billion, or \$3.33 per share. In addition, reporting results from the year 2024 also exceeded expectations with net income of \$10.1 billion, or \$14.01 per share in comparison to a net income of \$8.4 billion, or \$11.21 per share the year prior. Their strong performance was a result of their premium customer base as it is accredited by customer retention, Card Member spending, demand for premium products and credit performance. Their strong performance was a result of their premium customer base as it is accredited by customer retention, Card Member spending, demand for premium products and credit performance [5].

The primary area of revenue growth of Amex is their billed business activities, which has grown at a rate of 6% year over year. Areas of billed business that have increased are their U.S. Consumer (7% YoY), Commercial Services (2% YoY), and international billed business lines (11% YoY). These segments have substantially increase due to increased spending by Gen-Z and millennial card members, increased growth from U.S. small and mid-sized enterprise card members, and a continuation of strong growth in spending across all regions and customer types outside of the United States [5].

Although American Express have had strong earnings from their Q1 report, the company also recognizes the recent trends of the current economic uncertainty that has been unraveling so far within this year. Amex believes with their differentiated business model consisting of their premium customer base, spend-and fee centric revenue mix and operating expense leverage, will be able to withstand and navigate ranges of economic environments. American Express will continue to establish disciplined expense management, strategically invest back into the business, as well as backing their colleagues and customers with the goal of managing the company for the long-term horizon [1].

As American Express on average has continuously been able to increase their net income along with their earnings per share, we have structured this into our forecasts, as we believe more substantial increase in performance will continue to be delivered through their revenue segments and services whilst appealing to the newer demographics.

Capital Structure

Amex has a total of \$49.715 million in long-term debt that will be due within various periods over the next

TABLE 8.3: ANNUAL MATURITIES ON LONG-TERM DEBT

(Millions)	2025	2026	2027	2028	2029	Thereafter	Total
American Express Company (Parent Company only)	\$ 5,250	\$ 6,700	\$ 8,012	\$ 3,700	\$ 2,500	\$ 9,623	\$35,785
American Express Credit Corporation	—	—	339	—	—	—	339
Lending Trust	7,250	2,100	2,200	1,350	1,000	—	13,900
Other	57	63	127	—	—	—	247
	<u>\$12,557</u>	<u>\$ 8,863</u>	<u>\$10,678</u>	<u>\$ 5,050</u>	<u>\$ 3,500</u>	<u>\$ 9,623</u>	<u>\$50,271</u>
Unamortized Underwriting Fees							(96)
Unamortized Discount and Premium							(487)
Impacts due to Fair Value Hedge Accounting							27
Total Long-Term Debt							<u>\$49,715</u>

Amex also discloses the companies target capital structure in their most recent 10-K, stating “We seek to maintain capital levels and ratios more than our minimum regulatory requirements, specifically within a 10 to 11 percent target range for American Express Company’s Common Equity Tier 1 (CET1) risk-based capital [1].

Consolidated Statements of Cash Flows - USD (\$) \$ in Millions	12 Months Ended		
	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022
Net cash provided by operating activities	14,050	18,559	21,000

We see from Amex’s Statement of Cash Flows that they have enough cash flows from operations to cover debt expenses in 2025. It is important to note the decline in cashflows by 33% and increase in total long-term debt by 17% since 2022. However, Amex has implemented a few different methods to quickly liquidate long-term receivables and stabilize long-term debt payments [1].

The first method being a Lending Trust- which allows Amex to bundle consumer loans and credit payments which can then be sold as securities. This is shown on Amex debt maturity schedule as long-term debt owed to the Lending trust, which explains increasing the levels. But by utilizing this lending trust, Amex secures their debt and reduces funding costs for operations. To further ensure they don’t fall behind on debt payments, Amex maintained three three-year borrowing facilities that can be drawn from at any time to fund working capital needs, totaling \$10 billion. Amex has only drawn 16 million since maintaining these facilities, which was drawn on behalf of a subsidiary. Fees to maintain the facilities sum to \$26.1 million and \$32.2 million in 2024 and 2023 respectively. Despite total debt being a significant investor concern, we believe AMEX shouldn’t have an issue generating cash and funding to cover upcoming debt maturities without refinancing [1]. This is further solidified by Amex debt ratings, as shown at the top of the next column:

TABLE 19: UNSECURED DEBT RATINGS

American Express Entity		Moody's	S&P	Fitch
American Express Company	Long Term	A2	A-	A
	Short Term	N/R	A-2	F1
	Outlook	Stable	Stable	Stable
American Express Travel Related Services Company, Inc.	Long Term	A2	A	A
	Short Term	P-1	A-1	F1
	Outlook	Stable	Stable	Stable
American Express National Bank	Long Term	A3	A	A
	Short Term	P-1	A-1	F1
	Outlook	Stable	Stable	Stable
American Express Credit Corporation	Long Term	A2	A	A
	Short Term	N/R	N/R	N/R
	Outlook	Stable	Stable	Stable

AMEX 2024 Debt Ratings from 10-K

American Express Entity		Moody's	S&P	Fitch
American Express Company	Long Term	A2	BBB+	A
	Short Term	N/R	A-2	F1
	Outlook	Stable	Stable	Stable
American Express Travel Related Services Company, Inc.	Long Term	A2	A-	A
	Short Term	P-1	A-2	F1
	Outlook	Stable	Stable	Stable
American Express National Bank	Long Term	A3	A-	A
	Short Term	P-1	A-2	F1
	Outlook	Stable	Stable	Stable
American Express Credit Corporation	Long Term	A2	A-	A
	Short Term	N/R	N/R	N/R
	Outlook	Stable	Stable	Stable

AMEX 2023 Debt Ratings from 10-K

Amex has maintained stable debt ratings, according to all Big Three credit rating agencies, even showing improvements from 2023 to 2024. Compared to peers such as Visa, Mastercard, Discover, and Capital One Financial Corporation, they are well positioned. Debt ratings by all Big Three rating agencies of Amex are positioned above Discover and Capital One Financial Corporation, who have ratings of Triple B and A- [9] [10] [12]. In comparison to Mastercard who has ratings of A+ by S&P; Aa3 by Moody’s as well as Visa holding a rating of AA- by S&P; and Aa3 by Moody’s, Amex falls slightly below Fitch rating is unavailable for these two companies at the current time [12]. Although Amex falls slightly below Mastercard and Visa, we believe Amex will continue to rise in their ratings throughout the future, as they have the operating cash flow and have implemented the resources/methods to be able to ensure they are equipped to pay off long-term debt.

Merger & Acquisition Activity

American Express’s most recent acquisition announcement was on March 6, 2025, where the company established to acquire Center ID Corp, a software company modernizing expense management. American Express’s focus with acquiring Center ID Corp is to create a “seamless” expense management platform that delivers additional value across the commercial card payments process. “By integrating Center’s outstanding talent and technology, we can save our customers time and money and strengthen our leadership position in commercial card payments”, stated by Raymond Joabar, Group President.

Global Commercial Services at American Express according to their release. This transaction is currently pending alongside with Swisscard AECS, which had been announced for acquisition on October 21st, 2024. Within this transaction, Amex agreed to purchased UBS's 50% in Swiss credit card provider Swisscard AECS. After completion, Amex will acquire full ownership of Swisscard, replacing Credit Suisse's 50% ownership. This will be an exponential move for Amex as Swisscard AECS is a massive player in the Swedish credit card market. Additional M&A transactions that have taken place from recent years are from companies Tock LLC, Rooam, Accertify, and Nipendo. All transaction amounts and payment types have not been officially disclosed by Amex apart from the company Tock LLC. The transaction value for Tock was disclosed to be \$400 million paid by cash [12] [13].

Capital Expenditures

Amex's latest spending of Capex (purchases of premise and equipment net of sales) lists a 20% increase in from 2023 and 3% jump from 2022. It is also important to consider the nature of Amex's business model relative to CapEx. Amex does not have many physical products that incur expenses, outside of its many credit cards. Most Amex products (and credit service companies as a whole) are offered virtually, meaning there are no physical AMEX locations to incur costs outside of corporate facilities [1]. As CapEx has steadily risen over time over the past several years, we predict that this will continue to slowly gradually rise with very little exponential change.

Payout Policy

American Express's payout policy consists of returning capital through dividends and share repurchases. It is important to state that the share repurchases reduce common shares and generally more than offset the issuance of new shares as part of employee compensation plans. Within the first 3 months of 2025, the company returned a total of \$1.3 billion to shareholders. This consisted of \$0.7 in share repurchases and \$0.6 in common stock dividends. Amex also repurchased \$2.3 million common shares at the average price of \$297.37 in the first quarter of 2025. In addition, Amex paid \$14 million in dividends on non-cumulative perpetual preferred shares outstanding. Ending the year of 2024, \$5.09 billion was returned through share repurchases, \$2.0 billion in common stock dividends and \$58 million in dividends on non-cumulative perpetual preferred shares outstanding to shareholders.

On March 3rd, 2025, Amex announced to authorize and followed through their discussion to raise their annual quarterly annual dividend by 17%. This amounted the amount to go from 70 cents to 82 cents, which will be payable on May 9th, 2025. As dividends have been increasing at a rate of 18% on average for the last 10 years, on top of this recent increase, we believe this shows that Amex will be reliable to pay dividends to shareholders [1] [5]. Therefore, we have decided to implement this into our forecast of American Express's increase in dividend amounts.

Economic Analysis

Consumer Confidence Index:

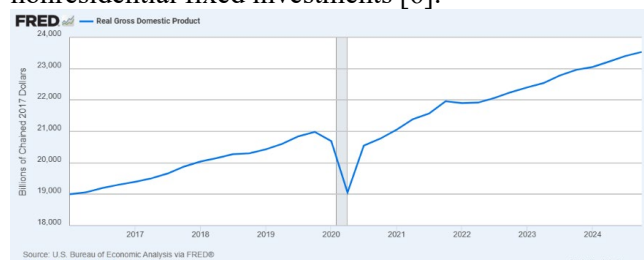
Consumer confidence measures consumers' current assessment of economic conditions coupled with their outlook over the next 6 months. As consumer confidence rises, so does the overall level of consumption. The CCI is benchmarked at a value of 100. A value above 100 suggests that consumer confidence towards economic outlooks is rising whilst a score below 100 may indicate pessimism.



As consumer confidence has a strong correlation with consumer consumption behavior, this has a direct impact on how credit card and loaning companies as American Express will perform, as their main revenue drivers derives from consumer consumption. Lower consumer confidence may indicate decreased consumer activity/spending, which in turn lowers credit card usage, loan lending and services. Consumer confidence has been continuing to decrease within the past 4 months, as the latest report released on March 25th shows an additional loss of 7.2 basis points, which is mainly caused by economic uncertainties relating towards the implementation of tariffs, geopolitical tensions, immigration policies, and inflation. However, we believe this economic tension and the uncertainty is short-term and will eventually subside. We expect consumer confidence within the next 2-3 years to rise.

Real GDP Growth:

Real GDP is a tool that measures the monetary value of goods and services that are produced in a country within a given period. Real GDP is important because it provides information on the general health of the economy and where it stands for the time being. A rise in Real GDP is primarily influenced by consumer spending, federal government spending, exports, and nonresidential fixed investments [6].



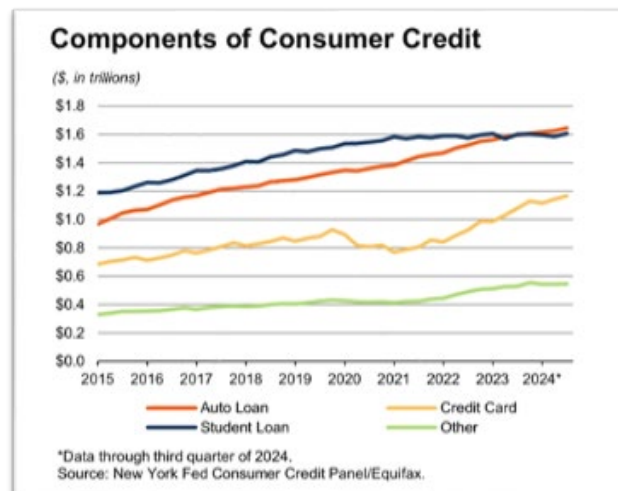
Source: [FRED](#)

With the latest reports of Real GDP from Quarters 3 & 4 of 2024, there have been increases of 3.1% and 2.4%. Similar to the Consumer Confidence Index, Real GDP Growth affects companies such as American Express by influencing consumer activity/spending, demands for loans and services [4]. This can ultimately affect the productivity and profitability as these factors are directly tied to Amex's main business model of generating services to their consumers. We do believe Real GDP may decrease within the short term due to trade/tariff policies, which may negatively affect supply chains, imports/exports on trades; along with current monetary policy by the Federal Reserve being conservative about holding the Fed Funds Rate, and with inflation having uncertainty with how certain economic factors will affect it. We believe this will be a short-term downturn that will eventually subside as well. We believe Real GDP Growth will

Total Consumer Installment Credit and Components of Consumer Credit:

Total consumer installment credit represents the total amount of debt that is borrowed by consumers for expenditures. This credit paid back in fixed amounts over a set period by the lender. An increase in consumer installment credit activity by consumers can increase revenues for credit card/loaning companies but if not is not regulated and handled properly, it can pose high levels of risk towards the lender. Consumer credit increases on average 1.1% per year in comparison. Growth through the consumer credit sector is driven by an increase in technology through using online platforms to shop, and changes in consumer behaviors, such as younger people not caring about incurring debt.

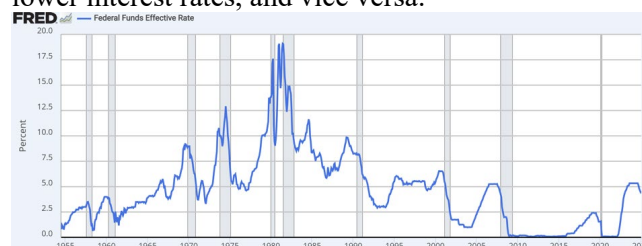
We can assume that consumer credit will continue to grow around 1% this upcoming year and will grow between 2-4% within the next 3 years, due to trends in the sector and an increase in technology use in the consumer industry.



Source: *CRFA Consumer Finance Report 1*

Federal Funds Interest Rate:

The Federal Funds rate is an overnight borrowing and lending rate that institutions (primarily banks) use to lend towards one another. Historically, changes in this rate have influenced other interest rates, such as the prime rate and long-term interest rates such as mortgages and loans. The changes in these rates have a high effect on consumer confidence because of their effects on their individual wealth and credit ratings from the bank, which can lead to reduced borrowing and consumer demand. The cost of borrowing for companies increases, decreasing profit margins. Then, investors backing down from their positions, leading overall stock prices downwards. The bond market tends to react in a more complex manner, as when interest rates are higher, newly issued bonds will be more lucrative compared to bonds issued at times of lower interest rates, and vice versa.

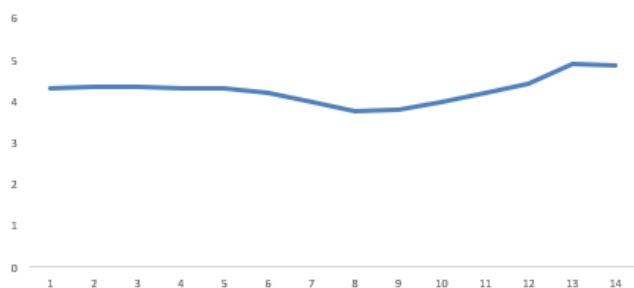


For majority of 2025, we anticipate the Federal Funds rate to remain the current amount it is at 4.33%, then to decrease by 25 basis points towards the end of the year, as we believe it is too early to currently see the longer-term impacts of the newer, introduced economic policies. However, when it comes towards the long-term horizon, if the new economic policies do come to stay such as tariffs, which may have an impact on raising inflation, we believe that the Federal Funds Rate could rise by up to 50 basis points.

In addition, changes in interest rates can have a significant impact on the profitability and lending activities of banks. When interest rates rise, banks may experience increased borrowing costs, which can lead to a decline in their net interest margins.

Conversely, falling interest rates can benefit banks by reducing their funding costs and allowing them to offer more competitive lending rates, potentially boosting their lending volumes and profitability. Conversely, falling interest rates can benefit banks by reducing their funding costs and allowing them to offer more competitive lending rates, potentially boosting their lending volumes and profitability

Recent U.S. Treasury Yield Curve
(4/22/2025)



Source: US Department of Treasury

Another factor that is important to note is the impact of the U.S. Treasury Yield Curve on its impact to banks and credit card/lending companies. When the Federal Funds Rate decreases, this can lead to a flattening or potentially an inverted yield curve, whilst rising Funds Rates increase the curve. Recently the yield curve has been at slightly flat concave down shape, resembling a smile almost. When the yield curve is low, banks will borrow money at a lower cost and typically lend to consumers when the yield curve is upwards, resulting in a profit. With this shape, this makes it unfavorable for banks as they would be borrowing and lending money within the same range,

resulting in a loss for profit.

SWOT Analysis

Strengths

Amex continues to solidify its leadership in the payments industry through a combination of financial strength, brand loyalty, and a premium customer base. In FY2024, the company posted record net income of \$10.1 billion (up 21% YoY), with total revenues net of interest expense rising to \$65.9 billion, a 9% increase from 2023. The company added 13 million new proprietary cards, bringing total cards-in-force to 146.5 million, and reported \$8.4 billion in net card fees, reflecting strong growth in its premium card portfolio. These metrics underscore Amex's ability to attract and retain high-value customers who are more resilient to macroeconomic fluctuations and spend more per card on average than users of competitor cards.

The company's strategic investments in marketing, technology, and customer experience continue to yield strong engagement, particularly among younger demographics. Gen Z and Millennials now account for a growing proportion of new consumer accounts globally, aligning with Amex's strategy to broaden its appeal beyond its traditional high-income base. The brand's Membership Rewards program, robust travel and lifestyle partnerships, and customer service excellence further strengthen retention—contributing to one of the highest customer loyalty rates in the industry. Additionally, Amex's credit risk remains well managed, with provisions for credit losses at \$5.2 billion and net write-off rates still below pre-pandemic levels, even amid a normalization in consumer credit behavior.

Weaknesses

Despite its strong performance, American Express faces several structural weaknesses that could hinder its long-term scalability. A major concern remains its higher merchant discount rate, which averaged 2.27% in 2024, higher than competitors like Visa and Mastercard. This fee structure disincentivizes small and cost-sensitive businesses from accepting Amex, particularly in international and lower-margin markets. While Amex has made strides to expand its acceptance footprint, its network is still not as ubiquitous as Visa's or Mastercard's, which limits the card's utility for some users.

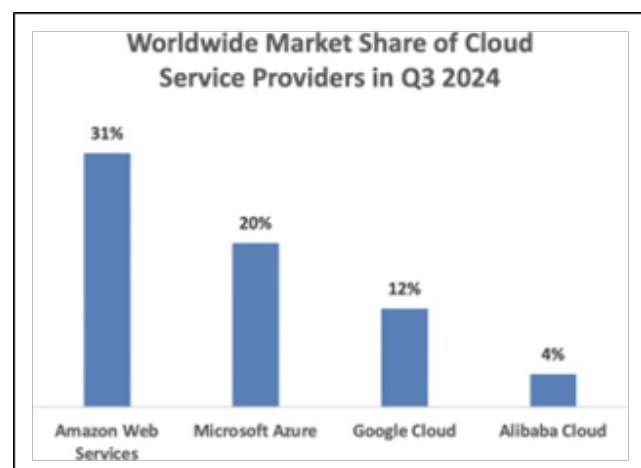
Additionally, Amex's brand positioning as a premium financial service provider, while a strength in affluent segments, narrows its accessibility to broader customer demographics. The company's products often carry higher annual fees and are marketed toward high-FICO individuals, making them less appealing to low- to middle-income consumers and cost-conscious customers. This exclusivity may limit cardmember growth in emerging markets or during periods of economic stress. Moreover, while Amex is investing in digital transformation, its pace of innovation in areas like real-time payments (RTP), cryptocurrency integration, and fintech partnerships still lags behind some of the nimbler fintech startups and digital-first competitors.

Opportunities

Amex is well-positioned to capitalize on several emerging trends that could bolster future growth. With the global payments ecosystem rapidly digitizing, the company has opportunities to expand into areas such as blockchain-based payments, cryptocurrency wallets, and real-time cross-border settlements.

The filing of multiple patents in the blockchain space reflects a forward-looking stance that, if executed well, could enhance Amex's relevance in a decentralized finance future. Similarly, strategic partnerships with FinTech's and non-traditional financial platforms offer ways to broaden the company's reach and technological capabilities.

Another compelling opportunity lies in service diversification. While Amex is known for its credit cards and payment solutions, it has potential to grow in adjacent verticals such as insurance, lending, and wealth management. With a strong balance sheet and significant capital reserves, Amex can afford to invest in or acquire digital-first providers that align with these goals. Furthermore, by expanding features such as BNPL (Buy Now, Pay Later), installment loans, and embedded finance tools into its offerings, Amex could deepen relationships with existing cardmembers and attract younger, digital-native users. Continued enhancements to its Membership Rewards program and increased personalization using AI and behavioral analytics will be essential for driving customer engagement and retention in the years ahead.



Threats

Amex operates in a highly competitive and dynamic environment, facing pressure from both traditional players and emerging fintech disruptors. Major competitors like Visa, Mastercard, Capital One, and JPMorgan Chase continue to expand their offerings and acceptance footprints, often with more merchant-friendly fee structures. Meanwhile, fintech firms such as PayPal, Square, Stripe, and Apple Pay are rapidly capturing wallet share, especially among younger, digitally native consumers. The growth of FinTech's from 5% of consumer payment volume in 2015 to over 17% in 2023 reflects the mounting threat posed by alternative payment platforms.

Amex’s business is also highly exposed to macroeconomic volatility, with consumer discretionary spending playing a pivotal role in revenue generation. A slowdown in the economy, rising unemployment, or tightening credit markets could directly impact transaction volumes and increase delinquencies. In 2024, Amex's credit loss provisions rose by 5%, a reminder of the cyclical nature of its business. Cybersecurity remains another serious concern; as a global financial institution handling massive volumes of personal and payment data, any breach could lead to regulatory penalties and reputational harm. Additionally, regulatory scrutiny is intensifying across jurisdictions, with ongoing debates over interchange fee caps, antitrust issues, and data privacy regulations posing potential operational and financial risks.

Competitor Analysis

Financial Metrics

Amex competes most directly with other major credit card issuers and payment networks, including Discover, Capital One, and global processors like Visa and Mastercard. Among these peers, Amex stands out for its consistent profitability and hybrid business model, combining elements of both a traditional lender and a payment network. With a 2024 EBIT of \$18.1 billion, Amex’s operating income is nearly on par with Mastercard despite a significantly lower market cap, signaling strong operating leverage. Amex’s P/E ratio of 15.95 is above that of more bank-like peers such as Citigroup (8.65x) or Bank of America (10.13x), but remains below Visa (28.37x) and Mastercard (32.05x), reflecting its blended exposure to lending and transactional revenue. EPS reached \$14.02, supported by resilient consumer spending trends and stable credit performance, making Amex a balanced play between value and growth within the consumer finance space.

Company	Mkt Cap (in Millions)	EBIT 2024 (in Millions)	P/E 2024	EPS 2024
American Express Company	\$ 176,195.80	\$ 18,080.00	15.95	14.0
Bank of America Corp	\$ 282,822.80	\$ 35,675.00	10.13	3.2
Citigroup Inc.	\$ 118,132.00	\$ 27,155.00	8.65	5.9
Capital One Financial Corp	\$ 62,334.26	\$ 17,643.50	10.57	11.5
Discover Financial	\$ 40,163.75	\$ 10,976.50	12.04	17.7
JPMorgan Chase & Co.	\$ 645,543.90	\$ 85,759.00	12.38	19.7
Mastercard Inc.	\$ 470,411.40	\$ 16,452.00	32.05	13.8
Visa Inc.	\$ 643,918.40	\$ 24,317.00	28.37	9.5

Operating Metrics

Key operating metrics in the consumer finance sector include total cardholder spending volume, customer engagement, and market share within the payments ecosystem. Amex maintains a differentiated position through its closed-loop network, giving it full visibility into both sides of a transaction—unlike open-loop models used by Visa and Mastercard. This model supports higher spend per user and enables more effective reward and loyalty programs. While Visa and Mastercard lead in global transaction volume, Amex captures a premium customer base, with a strong presence in travel and entertainment—a segment showing continued recovery and growth post-pandemic. Furthermore, Amex-branded cards have a lower delinquency rate than many of its peers, reflecting prudent underwriting and a focus on high-credit-quality consumers. As digital payments expand and cross-border travel rebounds, Amex is well-positioned to grow its share of wallet and drive greater fee-based income across its integrated network.

Porter’s Five Forces Analysis Threat of New Entrants: Low

The threat of new entrants in the credit card and payments space remains low due to high structural barriers that favor established players like Amex. The company's closed-loop model benefits from powerful network effects, where a larger base of cardholders attracts more merchants, and vice versa. This dual-sided scale makes it difficult for new entrants to replicate the value proposition. Amex also enjoys significant incumbency advantages—brand trust, established fraud protection systems, and global merchant acceptance—that are not easily duplicated. Moreover, capital requirements are steep for any firm aiming to extend credit at scale, further deterring meaningful new competition.

Intensity of Rivalry: High

The consumer finance space is highly competitive, with card issuers such as Capital One, Discover, and JPMorgan Chase aggressively targeting share through pricing, rewards, and promotional offers. Despite this, Amex has successfully differentiated itself by targeting high-income consumers and delivering premium benefits tied to travel and lifestyle. Its closed-loop network provides greater control over customer experience and data, which helps maintain a competitive moat. Still, the commoditized nature of financial services ensures that rivalry remains fierce and reactive.

Threat of Substitutes: Low

Substitute risk for Amex is currently low, though evolving. Traditional payment alternatives like cash or checks are far less convenient and carry more operational risk. Debit cards and Buy Now, Pay Later (BNPL) options are gaining popularity, especially with younger demographics, but lack the global reach, robust fraud protection, and rich rewards structure of Amex. E-wallets like Apple Pay and Google Pay currently act as transaction facilitators rather than competitors, as they typically ride on top of credit networks, often reinforcing Amex's utility in digital commerce.

Bargaining Power of Suppliers: Low

Suppliers to Amex primarily consist of capital providers and financial infrastructure partners. Although capital markets are accessible to many, Amex's strong credit profile and access to low-cost funding give it a competitive edge. The homogeneity of capital as a product and the fragmentation of its suppliers reduces supplier power. While theoretically possible, forward integration by banks into credit card issuance remains unlikely due to the complexity and cost of building a network to rival Amex's closed-loop model.

Bargaining Power of Customers: Medium

Buyers in Amex's ecosystem include both cardholders and merchants. While cardholders face minimal switching costs, Amex offsets this by offering differentiated rewards, elite services, and exclusive benefits that foster loyalty. Merchants, on the other hand, have gradually gained more leverage—especially large retailers who can negotiate interchange fees or shift providers. However, many still view Amex acceptance as essential due to its high-spending customer base, limiting their overall bargaining power.

Non-interest revenues include Discount Revenue, Net Card Fees, Service Fees & Other, and Processed Revenue, while interest revenues primarily come from Interest on Loans and smaller components such as Interest on Investment Securities and Deposits with Banks. Over the forecast horizon, we estimate non-interest revenue will remain the dominant contributor to total revenue, making up ~70% of revenue in 2024.

Discount Revenue is Amex's largest and most established revenue stream, accounting for approximately 48% of 2024 total revenue. This segment is driven by Amex's merchant discount fees, which are higher than competitors due to its closed-loop network and affluent cardholder base. We estimate a 4.5% YoY growth in 2025, slightly below consensus estimates, reflecting our more conservative view of near-term consumer spending due to economic uncertainty and tariffs. We expect growth to normalize back to historical averages (~7–9%) by 2027 as macroeconomic conditions stabilize and proprietary card spending recovers.

Net Card Fees represent the second-largest revenue stream, derived from annual fees on proprietary and co-branded cards, net of cancellations and acquisition costs. This segment has grown consistently as Amex expands its premium card offerings and international footprint. Given the trend toward annual pricing models across industries and the resilient nature of this stream, we project mid-teen growth (15%) through 2027, tapering to a long-term sustainable growth rate of 5% by 2032.

Service Fees & Other Revenues are smaller in size and more volatile, comprising roughly 10% of non-interest revenue. The segment includes a variety of sources such as delinquency fees, foreign exchange fees, and travel commissions. Given its close historical correlation (0.995) with Discount Revenue, we modeled this segment as a fixed 14.33% of Discount Revenue throughout the forecast period.

Processed revenue is the smallest non-interest segment for Amex. The company defines processed volumes as spending volume on Amex cards issued by 3rd party institutions. For instance, a foreign bank may issue an Amex card under a license. Amex processes the transaction, but they do not handle billing, risk, or customer service. As a result, these volumes generate a lower fee and are less profitable. We forecast spending per card to decline 4% in 2025 due to increased foreign exchange rates before gradually rebounding to its long-term trend of -0.24% by 2034. Overall, we project muted growth in this segment with flat revenues over the forecast horizon.

Valuation Analysis

Revenue Assumptions

Amex generates revenue through two primary streams: non-interest revenues and interest revenues.

On the interest side, Interest on Loans is the key driver, comprising the bulk of interest income. This includes interest from revolving credit balances, late charge card payments, and installment loans. We project net interest yield to decline modestly in 2025 due to elevated short-term borrowing costs but expect it to recover and stabilize at 14.1% as rates normalize. Growth in interest income will also be driven by rising cardmember loans, supported by a 3.3% CAGR in total cards in force and a gradual increase in loans per card. We estimate loan growth of 5% in the near term, accelerating to 7.7% and then tapering to a long-term rate of 3%.

The remaining interest revenue streams—Interest on Investment Securities and Deposits with Banks—are comparatively small but exhibit volatility due to interest rate movements and liquidity management. We forecast modest growth here based on historical fluctuations and a normalized rate environment post-2026.

We apply a 4% terminal growth rate to the company's free cash flows in our valuation model, reflecting Amex's strong brand positioning, high-margin revenue streams, and continued international expansion. We believe this long-term growth rate is reasonable given the company's ability to monetize both proprietary and co-branded networks effectively while maintaining competitive yields and fee structures.

Expense Assumption

Amex's largest expense category is its Card Member Rewards, which makes up a significant portion of their total operating expenses. For 2024, this expense is projected to be around 35% of total revenues, reflecting a slight increase from 2023's 33% due to rising membership rewards and cash-back reward costs driven by higher billed business. This segment is forecasted to grow in line with the increase in card usage, which typically occurs during periods of economic expansion, resulting in higher reward payouts. In addition to the growth in rewards, the increase in the Ultimate Redemption Rate (URR) and slightly higher redemption costs will continue to drive costs upward, as Amex adjusts to shifts in the redemption mix. Other key expenses include Card Member Services and Marketing & Business

Development, which are expected to rise at rates of approximately 10-20% year-over-year. These expenses are more sensitive to changes in customer acquisition efforts and the luxury services that Amex provides. Specifically, Card Member Services, responsible for providing exclusive benefits to higher-tier cardholders, will see continued growth due to an increase in demand for premium services. Marketing & Business Development is also forecasted to grow as Amex invests further in expanding its global brand reach, focusing on high-value customer acquisition and retention strategies.

Salaries and employee benefits, professional services, and data processing costs are expected to grow at a moderate pace, reflecting wage inflation and higher operational needs as the company expands. These expenses are projected to remain consistent as a percentage of non-interest revenue, in line with historical trends. Other operational expenses, including depreciation and amortization, are also forecasted to rise modestly, driven by increased investments in technology infrastructure and equipment. Overall, while Amex is expected to continue its investment in its reward programs and marketing efforts, operational efficiencies from scaling operations, as well as higher revenue from premium services, should help mitigate the impact of rising expenses.

Capital Expenditures Assumption

Amex has maintained a consistent level of capital expenditures over the years, focusing on strategic technology investments, risk management systems, and compliance infrastructure. For 2024, we estimate CapEx to be approximately \$1.93 billion. We forecast CapEx to grow modestly year-over-year, averaging about 1% annually through 2034. This conservative growth rate reflects a balance between maintaining operational efficiency and supporting long-term innovation and customer experience enhancements.

WACC

We estimate Amex's Weighted Average Cost of Capital (WACC) to be 9.62%. This is based on a risk-free rate of 4.37%, using the 10-year U.S. Treasury yield as of the valuation date. A historical equity risk premium of 5.48% was applied, consistent with long-term market expectations. Using a beta of 1.24, derived from the average weekly and monthly raw betas spanning 2-5 years, the resulting cost of equity is 11.17%. [2, 3]

On the debt side, we assume a pre-tax cost of debt of 5.50%, aligned with the yield to maturity on Amex's long-term corporate bonds. After accounting for a 22% marginal tax rate, the after-tax cost of debt comes to 4.29%. With equity representing 77.6% and debt making up 22.4% of the capital structure, these inputs produce a WACC of 9.62%.

Discounted Cash Flow and Economic Profit Model

Estimated share prices from both our Discounted Cash Flow (DCF) and Economic Profit (EP) models converge at \$326.20. Free Cash Flow to Equity (FCFE) grows steadily from \$7.43 billion in 2025 to \$23.02 billion in 2034. Our model applies a 4% continuing growth rate and a 44.3% long-run return on equity. These metrics, combined with a cost of equity of 11.17%, produce a valuation that supports a strong intrinsic value.

Both models consistently reflect Amex's long-term profitability and brand strength. While sensitive to assumptions like ROE and discount rate, these models underscore the company's ability to generate shareholder value beyond current market expectations.

Dividend Discount Model

The Dividend Discount Model (DDM) estimates an intrinsic value of \$380.20 for Amex. With a consistent dividend history and disciplined capital return strategy, Amex is well-suited for a DDM valuation. We project earnings to grow from \$11.71 in 2025 to \$69.53 by 2034, with dividends increasing accordingly.

Assuming a cost of equity of 11.17% and a terminal P/E multiple of 12.7x, our model reflects the long-term value of Amex's shareholder distributions. Though sensitive to long-term dividend growth assumptions, the DDM complements our DCF and EP models by emphasizing Amex's appeal to income-focused investors.

Relative Valuation to Peers

Using a peer group of diversified financial institutions, we estimate Amex's relative value range to be between \$189 and \$207. Based on 2025 and 2026 projected EPS of \$11.71 and \$14.92 respectively

and applying peer average forward P/E multiples of 11.01x and 9.48x, we arrive at a price range consistent with the broader sector.

Additionally, while Amex trades at a higher price-to-book multiple than peers (5.86x vs. an average of 3.14x), this premium reflects Amex's superior ROE and differentiated brand. While relative valuation provides a useful benchmark, it likely undervalues Amex's intangible assets and long-term growth profile.

Sensitivity Analysis

Beta vs. Risk Free Rate

The following sensitivity analysis was performed on Amex's valuation using varying assumptions for beta and the risk-free rate, two core components of the Capital Asset Pricing Model (CAPM). Beta reflects a stock's sensitivity to broader market movements, while the risk-free rate is typically based on long-term U.S. Treasury yields. As illustrated in the table, Amex's equity value declines as either variable increases. This is expected, as a higher risk-free rate raises the required rate of return across all equities, and a higher beta increases perceived risk, both leading to a lower present value of future cash flows. While Amex's beta remains stable compared to peers, the firm's valuation remains particularly sensitive to movements in macroeconomic benchmarks like Treasury yields, emphasizing the impact of monetary policy and market volatility on equity pricing.

		Beta						
		1.13	1.18	1.19	1.24	1.29	1.34	1.39
Risk Free Rate	3.26.19							
	3.32%	393.17	373.53	363.81	352.16	335.94	320.99	307.17
	4.07%	382.20	363.50	353.96	343.11	327.60	313.29	300.04
	4.22%	371.76	353.94	350.56	334.46	319.63	305.91	293.20
	4.37%	361.81	344.81	341.58	326.19	311.99	298.83	286.63
	4.52%	352.32	336.09	333.00	318.28	304.66	292.04	280.30
	4.67%	343.27	327.75	324.79	310.69	297.63	285.51	274.22
4.82%	334.61	319.77	316.94	303.42	290.88	279.23	268.37	

CV ROE vs. Cost of Equity

The sensitivity table below analyzes the relationship between Amex's valuation, its cost of equity, and its long-term return on equity (ROE). While changes in ROE typically impact valuation, this analysis shows that under the modeled assumptions,

Amex's equity value remains fixed across varying ROE levels at each cost of equity point. This is due to the model being driven by cost of equity rather than fluctuations in ROE at high efficiency levels, where ROE is already substantially above the cost of capital. As expected, increases in the cost of equity result in a lower valuation, reflecting a higher required return by investors. Given Amex's historically strong and consistent ROE, well above its cost of equity, the firm remains well-positioned to deliver excess returns, reinforcing its value proposition in the consumer finance space.

Cost of Equity	CV ROE							
	326.19	3.92%	4.07%	4.22%	4.37%	4.52%	4.67%	4.82%
	10.87%	342.82	342.82	342.82	342.82	342.82	342.82	342.82
	10.97%	337.02	337.02	337.02	337.02	337.02	337.02	337.02
	11.07%	331.40	331.40	331.40	331.40	331.40	331.40	331.40
	11.17%	325.93	325.93	325.93	325.93	325.93	325.93	325.93
	11.27%	320.63	320.63	320.63	320.63	320.63	320.63	320.63
	11.37%	315.47	315.47	315.47	315.47	315.47	315.47	315.47
	11.47%	310.46	310.46	310.46	310.46	310.46	310.46	310.46

CV Card Member Rewards vs. CV Card Member Services

This sensitivity table evaluates the impact of changes in Amex's card member rewards and service costs—two critical components of its overall expense structure—on its valuation. As the percentage of revenue allocated to either card member rewards or service costs increases, the firm's valuation declines. This reflects the narrowing of operating margins as customer-centric benefits become more expensive to maintain. The model shows that even incremental increases in either metric can significantly affect valuation, underscoring the importance of Amex's ability to balance competitive customer rewards with operational efficiency. Managing these two levers effectively is crucial, as they directly impact customer acquisition and retention while also influencing the company's bottom line.

CV Card Member Service	CV Card Member Rewards %							
	326.19	42.90%	43.90%	44.90%	45.90%	46.90%	47.90%	48.90%
	7.80%	357.19	353.26	349.34	345.41	341.48	337.55	333.63
	8.80%	350.76	346.83	342.91	338.98	335.05	331.12	327.19
	9.80%	344.33	340.40	336.47	332.55	328.62	324.69	320.76
	10.80%	337.90	333.97	330.04	326.12	322.19	318.26	314.33
	11.80%	331.47	327.54	323.61	319.68	315.76	311.83	307.90
	12.80%	325.04	321.11	317.18	313.25	309.33	305.40	301.47
	13.80%	318.61	314.68	310.75	306.82	302.89	298.97	295.04

Total Cards in Force vs. CV Interest on Loans

This table assesses how changes in Amex's interest income from loans and growth in total cards in force affect the company's valuation. The analysis reveals a positive correlation between both variables and firm value—higher growth in cardholders and increased interest income lead to a greater equity valuation. This reflects Amex's dual-revenue model, which benefits from both transactional volume and interest-bearing balances. As the base of active cards expands, even modest increases in interest income significantly

enhance returns due to greater credit utilization. These metrics are particularly important in evaluating Amex's growth strategy, where scaling its cardholder base while maintaining healthy credit performance directly contributes to long-term value creation.

CV Interest on Loans	Total Cards in Force							
	326.19	2.30%	2.80%	3.30%	3.80%	4.30%	4.80%	5.30%
	15.79%	276.55	285.27	294.35	303.80	313.63	323.86	334.50
	16.29%	283.28	292.36	301.81	311.65	321.89	332.54	343.62
	16.79%	289.98	299.42	309.25	319.48	330.12	341.19	352.71
	17.29%	296.66	306.46	316.67	327.28	338.33	349.83	361.79
	17.79%	303.33	313.49	324.07	335.08	346.53	358.45	370.85
	18.29%	309.98	320.50	331.45	342.85	354.71	367.05	379.88
	18.79%	316.60	327.48	338.81	350.59	362.86	375.62	388.90

Growth of Customer Deposits vs. Implied Interest on Deposits

This table explores the impact of rising interest expenses on deposits alongside our growth rate expectation of Amex's customer deposit base. As implied interest paid on deposits increases, Amex's valuation declines across all deposit growth scenarios. This reflects the cost pressure on the firm's funding structure, where a growing deposit base—though generally a positive sign—can become more burdensome if accompanied by higher rates. Conversely, when deposit growth is matched with low implied interest rates, the valuation improves significantly, suggesting the importance of cost-effective funding. Amex's strategy of leveraging deposits to fund its lending activities is sensitive to these interest dynamics, making interest rate management crucial for preserving margins and shareholder value.

Implied Interest on Deposit	Growth of Deposits (2028-2030)							
	326.19	7.69%	8.69%	9.69%	10.69%	11.69%	12.69%	13.69%
	0.53%	347.73	348.43	349.15	349.89	350.67	351.47	352.30
	1.03%	340.88	341.24	341.61	341.99	342.39	342.81	343.23
	1.53%	334.03	334.05	334.07	334.10	334.12	334.14	334.16
	2.03%	327.18	326.87	326.54	326.20	325.84	325.48	325.09
	2.53%	320.33	319.68	319.00	318.30	317.57	316.81	316.02
	3.03%	313.48	312.49	311.47	310.40	309.29	308.14	306.95
	3.53%	306.63	305.31	303.93	302.50	301.02	299.48	297.88

Total Cards in Force vs. Implied Interest on Deposits

This table analyzes how Amex's valuation responds to changes in implied interest paid on deposits alongside growth in total cards in force. As card volume rises, valuation improves, reflecting increased transaction activity and broader revenue capture across a larger customer

base. However, higher implied deposit interest rates consistently reduce valuation at all card growth levels, highlighting the margin compression risk when funding costs rise. The interplay between customer acquisition and interest rate exposure is key—Amex benefits most when it can expand card issuance while maintaining low deposit costs. This reinforces the importance of scaling the cardholder base efficiently without significantly elevating the cost of funds.

Implied Interest on Deposit	Total Cards in Force							
	326.19	2.30%	2.80%	3.30%	3.80%	4.30%	4.80%	5.30%
	0.53%	319.43	329.18	339.33	349.89	360.89	372.32	384.22
	1.03%	311.53	321.28	331.43	341.99	352.99	364.42	376.32
	1.53%	303.63	313.38	323.53	334.10	345.09	356.53	368.42
	2.03%	295.73	305.48	315.63	326.20	337.19	348.63	360.52
	2.53%	287.84	297.59	307.74	318.30	329.29	340.73	352.63
	3.03%	279.94	289.69	299.84	310.40	321.39	332.83	344.73
	3.53%	272.04	281.79	291.94	302.50	313.50	324.93	336.83

Conclusion

Being a titan of its industry, with a strong ability to generate cash flows that translate to high dividends and capital gains, we recommend a BUY rating for American Express Co. Its strong position as a credit card issuer, long-term loan issuer, and payment processor creates an environment for high growth possibilities. Our analysis suggests a 29.14% upside end of year relative to its current price.

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Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<u>Non-interest Revenues</u>																					
Discount Revenue	19389	19297	22377	22890	24721	26167	19435	24563	30739	33416	35192	36781	39398	42821	46628	50965	55531	60556	66069	72040	78569
YoY Change		-0.47%	15.96%	2.29%	8.00%	5.85%	-25.73%	26.39%	25.14%	8.71%	5.31%	4.52%	7.11%	8.69%	8.89%	9.30%	8.96%	9.05%	9.10%	9.04%	9.06%
Net Card Fees	2712	2700	2886	3090	3441	4042	4664	5195	6070	7255	8449	9656	11155	12869	14843	17229	19965	23055	26641	30800	35583
YoY Change		-0.44%	6.89%	7.07%	11.36%	17.47%	15.39%	11.39%	16.84%	19.52%	16.46%	14.28%	15.53%	15.37%	15.34%	16.07%	15.88%	15.47%	15.56%	15.61%	15.53%
Service Fees	3626	2866	2718	2990	3153	3297	2702	3316	4521	5005	5129	5272	5647	6137	6683	7305	7959	8679	9469	10325	11261
YoY Change		-20.96%	-5.16%	10.01%	5.45%	4.57%	-18.05%	22.72%	36.34%	10.71%	2.48%	2.78%	7.11%	8.69%	8.89%	9.30%	8.96%	9.05%	9.10%	9.04%	9.06%
Processed Revenue	2989	2033	1678	1457	1360	1430	1301	1556	1637	1705	1636	1625	1603	1597	1602	1603	1604	1620	1640	1669	1710
YoY Change		-31.98%	-17.46%	-13.17%	-6.66%	5.15%	-9.02%	19.60%	5.21%	4.15%	-4.05%	-0.68%	-1.35%	-0.37%	0.33%	0.04%	0.06%	1.00%	1.23%	1.75%	2.46%
Total Non-Interest Revenues	28716	26896	29659	30427	32675	34936	28102	34630	42967	47381	50406	53334	57802	63424	69756	77102	85059	93910	103820	114834	127123
YoY Change		-6.34%	10.27%	2.59%	7.39%	6.92%	-19.56%	23.23%	24.07%	10.27%	6.38%	5.81%	8.38%	9.73%	9.98%	10.53%	10.32%	10.41%	10.55%	10.61%	10.70%
<u>Interest Revenues</u>																					
Interest on Loans	6929	7309	7214	8148	9941	11308	9779	8850	11967	17697	21095	23074	25148	28321	31895	35919	40106	44393	48712	52982	57116
YoY Change		5.48%	-1.30%	12.95%	22.01%	13.75%	-13.52%	-9.50%	35.22%	47.88%	19.20%	9.38%	8.99%	12.62%	12.62%	12.62%	11.65%	10.69%	9.73%	8.77%	7.80%
Interest & Dividends on Investment Securities	179	157	131	89	118	188	127	83	96	128	86	72	82	47	24	75	161	285	410	525	619
YoY Change		-12.29%	-16.56%	-32.06%	32.58%	59.32%	-32.45%	-34.65%	15.66%	33.33%	-32.81%	-16.39%	13.50%	-42.77%	-47.57%	206.31%	114.78%	77.01%	43.94%	27.86%	17.92%
Deposits with Banks & Other	71	79	139	326	547	588	177	100	595	2158	2614	945	1050	1160	1250	1337	1413	1568	1770	1885	1777
YoY Change		11.27%	75.95%	134.53%	67.79%	7.50%	-69.90%	-43.50%	495.00%	262.69%	21.13%	-63.85%	11.15%	10.41%	7.84%	6.89%	5.72%	10.95%	12.93%	6.49%	-5.75%
Total Interest Revenues	7179	7545	7484	8563	10606	12084	10083	9033	12658	19983	23795	24091	26280	29528	33170	37331	41680	46246	50893	55392	59512
YoY Change		5.10%	-0.81%	14.42%	23.86%	13.94%	-16.56%	-10.41%	40.13%	57.87%	19.08%	1.24%	9.09%	12.36%	12.33%	12.54%	11.65%	10.96%	10.05%	8.84%	7.44%
<u>Total Revenues</u>																					
Total Revenues, Interest & Non-Interest	35895	34441	37143	38990	43281	47020	38185	43663	55625	67364	74201	77424	84082	92952	102926	114433	126739	140157	154713	170227	186635
YoY Change		-4.05%	7.85%	4.97%	11.01%	8.64%	-18.79%	14.35%	27.40%	21.10%	10.15%	4.34%	8.60%	10.55%	10.73%	11.18%	10.75%	10.59%	10.39%	10.03%	9.64%

American Express
Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenues													
Non-interest Revenues													
Discount Revenue*	30,739	33,416	35,192	36,781	39,398	42,821	46,628	50,965	55,531	60,556	66,069	72,040	78,569
Net Card Fees	6,070	7,255	8,449	9,656	11,155	12,869	14,843	17,229	19,965	23,055	26,641	30,800	35,583
Service Fees and other Revenues	4,521	5,005	5,129	5,272	5,647	6,137	6,683	7,305	7,959	8,679	9,469	10,325	11,261
Processed Revenue	1,637	1,705	1,636	1,625	1,603	1,597	1,602	1,603	1,604	1,620	1,640	1,669	1,710
Total non-interest revenues	42,967	47,381	50,406	53,334	57,802	63,424	69,756	77,102	85,059	93,910	103,820	114,834	127,123
Interest income													
Interest on loans	11,967	17,697	21,095	23,074	25,148	28,321	31,895	35,919	40,106	44,393	48,712	52,982	57,116
Interest and dividends on investment securities	96	128	86	72	82	47	24	75	161	285	410	525	619
Deposits with banks and other	595	2,158	2,614	945	1,050	1,160	1,250	1,337	1,413	1,568	1,770	1,885	1,777
Total interest income	12,658	19,983	23,795	24,091	26,280	29,528	33,170	37,331	41,680	46,246	50,893	55,392	59,512
Interest expense													
Deposits	1,527	4,865	5,695	6,148	5,270	4,065	3,566	3,947	4,369	4,835	5,288	5,711	6,092
Long-term debt and other	1,236	1,984	2,557	2,734	3,072	3,368	3,698	4,065	4,451	4,852	5,265	5,685	6,109
Total interest expense	2,763	6,849	8,252	8,882	8,342	7,434	7,264	8,012	8,820	9,688	10,553	11,397	12,201
Net interest income	9,895	13,134	15,543	15,209	17,939	22,094	25,906	29,319	32,860	36,559	40,341	43,996	47,311
Total revenues net of interest expense	52,862	60,515	65,949	68,542	75,741	85,518	95,663	106,420	117,919	130,469	144,160	158,830	174,433
Provisions for credit losses													
Card Member receivables	627	880	774	832	903	938	973	1,010	1,049	1,089	1,130	1,173	1,218
Card Member loans	1,514	3,839	4,109	3250	3542	3989	4493	5059	5649	6253	6861	7463	8045
Other*	41	204	302	380	446	522	612	718	841	986	1156	1355	1588
Total Provisions for credit losses	2,182	4,923	5,185	4,463	4,891	5,449	6,078	6,788	7,539	8,328	9,147	9,991	10,851
Total revenues net of interest expense after provisions for credit losses	50,680	55,592	60,764	64,080	70,849	80,069	89,584	99,633	110,380	122,141	135,013	148,839	163,583
Expenses													
Non- Operating Expenses													
Card Member rewards	14,002	15,367	16,599	16,875	18,075	19,646	21,392	23,382	25,477	27,783	30,312	33,051	36,047
Card Member services	2,959	3,968	4,782	5,760	6,243	6,850	7,534	8,328	9,187	10,143	11,213	12,403	13,730
Marketing and Business Development*	10,401	10,870	11,926	10,850	11,760	12,903	14,192	15,686	17,305	19,106	21,122	23,362	25,862
Operating Expenses													
Salaries and employee benefits	7,252	8,067	8,198	9,516	10,313	11,316	12,446	13,756	15,176	16,755	18,523	20,488	22,681
Data Processing and Equipment	2,606	2,805	2,888	3,466	3,756	4,121	4,533	5,010	5,527	6,102	6,746	7,462	8,261
Professional Services	2,074	2,029	2,274	3,587	3,888	4,266	4,692	5,186	5,721	6,317	6,983	7,724	8,551
Depreciation and amortization	1,626	1,651	1,676	1,381	1,523	1,632	1,719	1,788	1,845	1,892	1,932	1,968	1,999
Other, net	1,801	1,973	1,202	2,193	2,376	2,607	2,868	3,170	3,497	3,861	4,268	4,721	5,226
Total expenses	42,721	46,730	49,545	53,629	57,934	63,343	69,375	76,306	83,735	91,959	101,100	111,180	122,357
Pretax income	9,585	10,513	12,895	10,451	12,916	16,726	20,209	23,327	26,645	30,183	33,913	37,659	41,225
Income tax provision	2,071	2,139	2,766	2,351	2,906	3,763	4,547	5,249	5,995	6,791	7,630	8,473	9,276
Net income	7,514	8,374	10,129	8,099	10,010	12,963	15,662	18,078	20,649	23,391	26,282	29,186	31,950
Earnings per Common Share - (Note 21)(a)													
Basic	\$ 9.86	\$ 11.23	\$ 14.04	\$ 11.71	\$ 14.92	\$ 20.01	\$ 25.13	\$ 30.26	\$ 36.18	\$ 43.02	\$ 50.91	\$ 59.81	\$ 69.55
Average common shares outstanding for earnings per common share:													
Basic (total)	751	735	712	692	671	648	623	597	571	544	516	488	459
Total Shares outstanding	743	723	702	682	660	636	611	584	557	530	502	474	445
Dividends per Share	\$ 2.08	\$ 2.40	\$ 2.80	\$ 3.27	\$ 3.83	\$ 4.48	\$ 5.26	\$ 6.17	\$ 7.24	\$ 8.51	\$ 10.00	\$ 11.76	\$ 13.84

American Express
Balance Sheet

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Assets													
Cash and cash equivalents													
Cash and due from banks	5,510	7,118	3,413	4,050	1,662	133	3,536	9,350	17,737	26,207	33,937	40,289	43,381
Interest-bearing deposits in other banks	28,097	39,312	37,006	37,951	39,001	40,161	41,411	42,747	44,160	45,728	47,499	49,384	51,161
Short-term investment securities	307	166	221	224	228	231	234	238	241	245	248	252	256
Total cash and cash equivalents	33,914	46,596	40,640	42,225	40,890	40,525	45,181	52,335	62,139	72,180	81,684	89,925	94,797
Accounts Receivable													
Card Member Receivables, less reserves*	57,384	60,237	59,240	64,303	66,747	69,283	71,916	74,649	77,485	80,430	83,486	86,658	89,951
Loans													
Card Member Loans, less reserves	104,217	120,877	133,995	146,041	164,468	185,220	208,591	232,901	257,802	282,882	307,677	331,683	351,172
Card Receivables from loans held for sale		-											
Other loans and held for sale, less reserves	5,357	6,960	9,796	11,483	13,460	15,778	18,495	21,680	25,413	29,789	34,919	40,932	47,981
Investment securities	4,578	2,186	1,240	1,258	1,277	1,296	1,315	1,334	1,354	1,374	1,394	1,415	1,436
Premises and equipment, less D&A	5,215	5,138	5,371	5,920	6,346	6,683	6,953	7,173	7,357	7,513	7,650	7,772	7,884
Other assets, less reserves for credit losses	17,689	19,114	21,179	22,083	23,026	24,010	25,035	26,104	27,218	28,381	29,592	30,856	32,174
Total assets	228,354	261,108	271,461	293,313	316,215	342,795	377,485	416,175	458,768	502,549	546,403	589,241	625,395
Liabilities and Shareholders' Equity													
Liabilities													
Customer deposits	110,239	129,144	139,413	150,566	162,611	175,620	194,390	215,167	238,163	260,432	281,300	300,077	312,080
Membership Rewards liability	12,789	13,742	14,752	13,169	14,106	15,331	16,694	18,247	19,882	21,681	23,654	25,792	28,130
Accounts payable	12,133	13,109	13,884	16,900	18,260	19,686	21,341	23,500	25,909	28,561	31,286	34,016	36,683
Short-term borrowings	1,348	1,293	1,374	2,033	2,229	2,447	2,690	2,946	3,211	3,484	3,762	4,042	4,296
Long-term debt	42,573	47,866	49,715	55,850	61,241	67,234	73,915	80,930	88,223	95,728	103,368	111,064	118,022
Other liabilities*	24,561	27,897	22,059	23,858	25,650	27,662	29,747	31,949	34,191	36,574	39,288	42,124	45,131
Total liabilities	203,643	233,051	241,197	262,376	284,098	307,980	338,777	372,738	409,579	446,459	482,659	517,116	544,342
Contingencies and Commitments (Note 12)													
Shareholders' Equity													
Preferred shares	-	-	-										
Common Stock	11,642	11,517	11,511	11,614	11,716	11,819	11,890	11,890	11,890	11,890	11,890	11,890	11,890
Retained earnings	16,279	19,612	22,148	22,719	23,796	26,391	30,212	34,942	40,694	47,594	55,248	63,629	72,557
Accumulated other comprehensive income (loss)	(3,210)	(3,072)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)	(3,395)
Total shareholders' equity	24,711	28,057	30,264	30,937	32,117	34,814	38,707	43,437	49,189	56,090	63,744	72,125	81,053
Total liabilities and shareholders' equity	228,354	261,108	271,461	293,313	316,215	342,795	377,485	416,175	458,768	502,549	546,403	589,241	625,395

American Express
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash Flows from Operating Activities											
Net income	5,885	5,163	5,408	2,736	6,921	6,759	3,135	8,060	7,514	8,374	10,129
Adjustments to reconcile net income to net cash provided by operating activities:											
Provisions for credit losses	2,044	1,988	2,026	2,759	3,352	3,573	4,730	(1,419)	2,182	4,923	5,185
Depreciation and amortization	1,012	1,043	1,095	1,321	1,293	1,188	1,543	1,695	1,626	1,651	1,676
Stock-based compensation	290	234	254	282	283	283	249	330	375	450	504
Deferred taxes	294	(83)	(105)	625	300	(151)	(939)	294	(1,189)	(1,329)	(990)
Other items (a)	(1,235)	590	(1,027)	158	155	577	683	(772)	365	664	(564)
Originations of loans held-for-sale	-	-	-	-	-	-	-	-	(277)	(54)	-
Proceeds from sales of loans held-for-sale	-	-	-	-	-	-	-	-	277	59	-
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:											
Other assets	594	1,344	(89)	411	991	(368)	(1,785)	1,068	1,391	(1,244)	1,007
Accounts payable & other liabilities	2,106	427	729	5,248	(4,365)	1,771	(2,035)	5,389	8,815	5,065	(2,897)
Net cash provided by operating activities	10,990	10,706	8,291	13,540	8,930	13,632	5,591	14,645	21,079	18,559	14,050
Cash Flows from Investing Activities											
Sale of investments	242	12	88	2	4	22	69	62	26	2	42
Maturities and redemptions of investments	1,116	2,091	2,429	2,494	3,499	7,329	7,159	20,032	1,892	3,888	2,179
Purchase of investments	(886)	(1,713)	(2,162)	(2,612)	(5,434)	(11,166)	(20,562)	1,517	(4,175)	(1,572)	(1,593)
Net increase in loans and Card Member receivables,including Card Member loans held for sale	(8,077)	(6,967)	3,220	(16,853)	(15,854)	(11,047)	26,906	(27,557)	(29,562)	(25,124)	(23,259)
Purchase of premises and equipment, net of sales:	(1,195)	(1,341)	(1,375)	(1,062)	(1,310)	(1,645)	(1,478)	(1,550)	(1,572)	(1,563)	(1,911)
Acquisitions, net of cash acquired	-	-	-	-	-	-	-	-	(15)	(64)	(454)
Dispositions, net of cash disposed	-	-	-	-	-	-	-	-	-	-	594
Other investing activities	-	-	-	-	-	152	135	-	-	-	-
Net (increase) decrease in restricted cash	72	(120)	145	(31)	-	-	-	-	-	-	-
Net cash used in investing activities	(7,967)	(8,193)	1,868	(18,273)	(19,615)	(16,707)	11,632	(10,529)	(33,689)	(24,433)	(24,402)
Cash Flows from Financing Activities											
Net increase in customer deposits	2,459	10,878	(1,935)	11,385	5,542	3,330	13,542	(2,468)	25,902	18,915	10,305
Net increase (decrease) in short-term borrowings (c)	(1,374)	(2,300)	888	(2,300)	(148)	3,316	(4,627)	461	(706)	(105)	207
Proceeds from long-term debt	16,020	9,923	8,824	32,764	21,524	12,706	69	7,788	23,230	15,674	12,602
Payments of long-term debt	(12,768)	(19,246)	(9,848)	(24,082)	(18,895)	(13,850)	(15,593)	(11,662)	(18,906)	(10,703)	(10,759)
Issuance of American Express preferred shares	742	841	-	-	-	-	-	1,584	-	-	-
Redemption of American Express preferred shares	-	-	-	-	-	-	-	(1,600)	-	-	-
Issuance of American Express common shares	362	193	177	129	87	86	44	64	56	28	100
Repurchase of American Express common shares and other	(4,389)	(4,500)	(4,400)	(4,300)	(1,685)	(4,685)	(1,029)	(7,652)	(3,502)	(3,650)	(6,020)
Dividends paid	(1,041)	(1,172)	(1,207)	(1,251)	(1,324)	(1,422)	(1,474)	(1,148)	(1,565)	(1,780)	(1,999)
Net cash provided by financing activities	11	(1,763)	(7,599)	12,245	5,101	(519)	(9,068)	(14,933)	24,509	18,379	4,436
Effect of foreign currency exchange rates on cash and cash equivalents	(232)	(276)	(114)	207	129	232	364	(120)	(13)	177	(40)
Net (decrease) increase in cash and cash equivalents	2,802	474	2,446	7,719	(5,455)	(3,362)	8,519	(10,937)	11,886	12,682	(5,956)
Cash and cash equivalents at beginning of year	19,486	22,288	22,762	25,208	33,263	27,808	24,446	32,965	22,028	33,914	46,596
Cash and cash equivalents at end of year	22,288	22,762	25,208	32,927	27,808	24,446	32,965	22,028	33,914	46,596	40,640

American Express
Forecasted Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash Flows From Operating Activities										
Net Income	8,099	10,010	12,963	15,662	18,078	20,649	23,391	26,282	29,186	31,950
+ Depreciation & Amortization	1,381	1,523	1,632	1,719	1,788	1,845	1,892	1,932	1,968	1,999
- Change in Accounts Payable	3,016	1,360	1,426	1,655	2,160	2,409	2,652	2,726	2,730	2,667
- Change in Other Assets	(904)	(943)	(983)	(1,025)	(1,069)	(1,115)	(1,162)	(1,212)	(1,264)	(1,318)
+ Change in Other Liabilities	1,799	1,792	2,011	2,086	2,202	2,241	2,383	2,714	2,837	3,007
Net Cash Provided by Operating Activities	13,391	13,742	17,049	20,096	23,159	26,030	29,156	32,443	35,457	38,305
Cash Flows From Investing Activities										
- Capital Expenditures	(1,930)	(1,949)	(1,969)	(1,989)	(2,008)	(2,029)	(2,049)	(2,069)	(2,090)	(2,111)
- Other Loans	(1,687)	(1,977)	(2,318)	(2,717)	(3,185)	(3,733)	(4,376)	(5,130)	(6,013)	(7,049)
- Investment Securities	(18)	(19)	(19)	(19)	(19)	(20)	(20)	(20)	(21)	(21)
- Increase in Card Member Loans	(12,046)	(18,427)	(20,752)	(23,370)	(24,310)	(24,901)	(25,080)	(24,795)	(24,006)	(19,490)
- Increase in Card Member Receivables	(5,063)	(2,444)	(2,536)	(2,633)	(2,733)	(2,837)	(2,944)	(3,056)	(3,172)	(3,293)
Net Cash Used in Investing Activities	(20,745)	(24,816)	(27,594)	(30,728)	(32,256)	(33,519)	(34,469)	(35,071)	(35,302)	(31,963)
Cash Flow From Financing Activities										
+ Net Change in Short Term Borrowings	659	196	218	243	255	265	273	278	280	253
+ Net Change in Long-Term Debt	6,135	5,391	5,993	6,681	7,015	7,293	7,505	7,641	7,696	6,958
- Dividends Paid	(2,264)	(2,567)	(2,904)	(3,275)	(3,684)	(4,133)	(4,626)	(5,163)	(5,740)	(6,357)
+ Net Increase in Deposits	11,153	12,045	13,009	18,770	20,776	22,997	22,269	20,868	18,777	12,003
+ Membership Rewards liability	(1,583)	937	1,226	1,363	1,553	1,635	1,799	1,974	2,138	2,338
+ Accumulated other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-
+ Change in Common Stock	103	103	103	72	-	-	-	-	-	-
- Share Repurchases	(5,265)	(6,365)	(7,465)	(8,565)	(9,665)	(10,765)	(11,865)	(13,465)	(15,065)	(16,665)
Net Cash Provided by Financing Activities	8,938	9,740	10,180	15,288	16,250	17,293	15,355	12,132	8,086	(1,470)
Net (Decrease) Increase in Cash	1,585	(1,334)	(365)	4,656	7,154	9,804	10,041	9,504	8,241	4,873
Cash and Cash Equivalents at Beginning of Year	40,640	42,225	40,890	40,525	45,181	52,335	62,139	72,180	81,684	89,925
Cash and Cash Equivalents at End of Year	42,225	40,890	40,525	45,181	52,335	62,139	72,180	81,684	89,925	94,797

American Express
Common Size Income Statement

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenues													
Non-interest Revenues													
Discount Revenue*	71.54%	70.53%	69.82%	68.96%	68.16%	67.52%	66.84%	66.10%	65.29%	64.48%	63.64%	62.73%	61.81%
Net Card Fees	14.13%	15.31%	16.76%	18.10%	19.30%	20.29%	21.28%	22.35%	23.47%	24.55%	25.66%	26.82%	27.99%
Service Fees and other revenue*	10.52%	10.56%	10.18%	9.88%	9.77%	9.68%	9.58%	9.47%	9.36%	9.24%	9.12%	8.99%	8.86%
Processed Revenue*	3.81%	3.60%	3.25%	3.05%	2.77%	2.52%	2.30%	2.08%	1.89%	1.73%	1.58%	1.45%	1.35%
Total non-interest revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Interest income													
Interest on loans	27.85%	37.35%	41.85%	43.26%	43.51%	44.65%	45.72%	46.59%	47.15%	47.27%	46.92%	46.14%	44.93%
Interest and dividends on investment securities	0.22%	0.27%	0.17%	0.13%	0.14%	0.07%	0.04%	0.10%	0.19%	0.30%	0.40%	0.46%	0.49%
Deposits with banks and other	1.38%	4.55%	5.19%	1.77%	1.82%	1.83%	1.79%	1.73%	1.66%	1.67%	1.71%	1.64%	1.40%
Total interest income	29.46%	42.18%	47.21%	45.17%	45.47%	46.56%	47.55%	48.42%	49.00%	49.25%	49.02%	48.24%	46.81%
Interest expense													
Deposits	3.55%	10.27%	11.30%	11.53%	9.12%	6.41%	5.11%	5.12%	5.14%	5.15%	5.09%	4.97%	4.79%
Long-term debt and other	2.88%	4.19%	5.07%	5.13%	5.31%	5.31%	5.30%	5.27%	5.23%	5.17%	5.07%	4.95%	4.81%
Total interest expense	6.43%	14.46%	16.37%	16.65%	14.43%	11.72%	10.41%	10.39%	10.37%	10.32%	10.16%	9.92%	9.60%
Net interest income	23.03%	27.72%	30.84%	28.52%	31.03%	34.84%	37.14%	38.03%	38.63%	38.93%	38.86%	38.31%	37.22%
Total revenues net of interest expense	123.03%	127.72%	130.84%	128.52%	131.03%	134.84%	137.14%	138.03%	138.63%	138.93%	138.86%	138.31%	137.22%
Provisions for credit losses													
Card Member receivables	1.46%	1.86%	1.54%	1.56%	1.56%	1.48%	1.40%	1.31%	1.23%	1.16%	1.09%	1.02%	0.96%
Card Member loans	3.52%	8.10%	8.15%	6.09%	6.13%	6.29%	6.44%	6.56%	6.64%	6.66%	6.61%	6.50%	6.33%
Other*	0.10%	0.43%	0.60%	0.71%	0.77%	0.82%	0.88%	0.93%	0.99%	1.05%	1.11%	1.18%	1.25%
Total Provisions for credit losses	5.08%	10.39%	10.29%	8.37%	8.46%	8.59%	8.71%	8.80%	8.86%	8.87%	8.81%	8.70%	8.54%
Total revenues net of interest expense after provisions for credit losses	117.95%	117.33%	120.55%	120.15%	122.57%	126.24%	128.42%	129.22%	129.77%	130.06%	130.05%	129.61%	128.68%
Expenses													
Non-Operating Expenses													
Card Member rewards	32.59%	32.43%	32.93%	31.64%	31.27%	30.98%	30.67%	30.33%	29.95%	29.58%	29.20%	28.78%	28.36%
Card Member services	6.89%	8.37%	9.49%	10.80%	10.80%	10.80%	10.80%	10.80%	10.80%	10.80%	10.80%	10.80%	10.80%
Marketing and Business Development*	24.21%	22.94%	23.66%	20.34%	20.34%	20.34%	20.34%	20.34%	20.34%	20.34%	20.34%	20.34%	20.34%
Operating Expenses													
Salaries and employee benefits	16.88%	17.03%	16.26%	17.84%	17.84%	17.84%	17.84%	17.84%	17.84%	17.84%	17.84%	17.84%	17.84%
Data Processing and Equipment	6.07%	5.92%	5.73%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Professional Services	4.83%	4.28%	4.51%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%
Depreciation and ammortization	3.78%	3.48%	3.33%	2.59%	2.63%	2.57%	2.46%	2.32%	2.17%	2.01%	1.86%	1.71%	1.57%
Other, net	4.19%	4.16%	2.38%	4.11%	4.11%	4.11%	4.11%	4.11%	4.11%	4.11%	4.11%	4.11%	4.11%
Total expenses	99.43%	98.63%	98.29%	100.55%	100.23%	99.87%	99.45%	98.97%	98.44%	97.92%	97.38%	96.82%	96.25%
Pretax income	22.31%	22.19%	25.58%	19.60%	22.34%	26.37%	28.97%	30.25%	31.32%	32.14%	32.66%	32.79%	32.43%
Income tax provision	4.82%	4.51%	5.49%	4.41%	5.03%	5.93%	6.52%	6.81%	7.05%	7.23%	7.35%	7.38%	7.30%
Net income	17.49%	17.67%	20.09%	15.19%	17.32%	20.44%	22.45%	23.45%	24.28%	24.91%	25.32%	25.42%	25.13%

Balance Sheet

[illegible]

American Express
Value Driver Estimation

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net Income:																					
	5,885	5,163	5,375	2,748	6,921	6,759	3,135	8,060	7,514	8,374	10,129	8,099	10,010	12,963	15,662	18,078	20,649	23,391	26,282	29,186	31,950
Total Stockholder's Equity (TSE):																					
	20,673	20,673	20,601	18,261	22,290	23,071	22,984	22,177	24,711	28,057	30,264	30,937	32,117	34,814	38,707	43,437	49,189	56,090	63,744	72,125	81,053
Free Cash Flow (FCFE):																					
NI	5,885	5,163	5,375	2,748	6,921	6,759	3,135	8,060	7,514	8,374	10,129	8,099	10,010	12,963	15,662	18,078	20,649	23,391	26,282	29,186	31,950
LESS Change in TA	5,728	2,081	(2,291)	22,303	7,406	9,719	(6,954)	(2,819)	39,806	32,754	10,353	21,852	22,902	26,580	34,690	38,690	42,592	43,781	43,854	42,838	36,154
PLUS Change in TL	4,551	2,081	(2,119)	24,543	3,377	8,938	(6,867)	(2,012)	37,272	29,408	8,146	21,179	21,722	23,883	30,797	33,961	36,840	36,880	36,200	34,457	27,226
FCFE	4,708	5,163	5,547	4,988	2,892	5,978	3,222	8,867	4,980	5,028	7,922	7,426	8,830	10,266	11,768	13,349	14,897	16,491	18,628	20,805	23,022
Return on Equity (ROE):																					
NI	5,885	5,163	5,375	2,748	6,921	6,759	3,135	8,060	7,514	8,374	10,129	8,099	10,010	12,963	15,662	18,078	20,649	23,391	26,282	29,186	31,950
Beginning TSE	19,496	20,673	20,673	20,501	18,261	22,290	23,071	22,984	22,177	24,711	28,057	30,264	30,937	32,117	34,814	38,707	43,437	49,189	56,090	63,744	72,125
ROE	30.19%	24.97%	26.00%	13.40%	37.90%	30.32%	13.59%	35.07%	33.88%	33.89%	36.10%	26.76%	32.35%	40.36%	44.99%	46.70%	47.54%	47.55%	46.86%	45.79%	44.30%
Equity Economic Profit (EP):																					
Beginning TSE	19,496	20,673	20,673	20,501	18,261	22,290	23,071	22,984	22,177	24,711	28,057	30,264	30,937	32,117	34,814	38,707	43,437	49,189	56,090	63,744	72,125
x (ROE - RE)	19.02%	13.81%	14.83%	2.24%	26.74%	19.16%	2.42%	23.90%	22.72%	22.72%	24.94%	15.60%	21.19%	29.20%	33.82%	35.54%	36.37%	36.39%	35.69%	34.62%	33.13%
EEP	3,708	2,855	3,067	459	4,882	4,270	559	5,494	5,038	5,615	6,996	4,720	6,555	9,377	11,775	13,756	15,800	17,899	20,020	22,069	23,897

Equity Risk Premium							
326.19	5.18%	5.28%	5.38%	5.48%	5.58%	5.68%	5.78%
3.92%	376.51	368.07	359.96	352.16	344.65	337.42	330.45
4.07%	366.34	358.30	350.56	343.11	335.93	329.02	322.35
4.22%	356.65	348.97	341.58	334.46	327.60	320.99	314.60
4.37%	347.40	340.06	333.00	326.19	319.63	313.29	307.17
4.52%	338.56	331.55	324.79	318.28	311.99	305.91	300.04
4.67%	330.11	323.41	316.94	310.69	304.66	298.83	293.19
4.82%	322.03	315.61	309.41	303.42	297.63	292.03	286.62

Risk Free Rate

CV ROE							
326.19	3.92%	4.07%	4.22%	4.37%	4.52%	4.67%	4.82%
10.87%	342.82	342.82	342.82	342.82	342.82	342.82	342.82
10.97%	337.02	337.02	337.02	337.02	337.02	337.02	337.02
11.07%	331.40	331.40	331.40	331.40	331.40	331.40	331.40
11.17%	325.93	325.93	325.93	325.93	325.93	325.93	325.93
11.27%	320.63	320.63	320.63	320.63	320.63	320.63	320.63
11.37%	315.47	315.47	315.47	315.47	315.47	315.47	315.47
11.47%	310.46	310.46	310.46	310.46	310.46	310.46	310.46

Cost of Equity

CV Card Member Rewards %							
326.19	42.90%	43.90%	44.90%	45.90%	46.90%	47.90%	48.90%
7.80%	357.19	353.26	349.34	345.41	341.48	337.55	333.63
8.80%	350.76	346.83	342.91	338.98	335.05	331.12	327.19
9.80%	344.33	340.40	336.47	332.55	328.62	324.69	320.76
10.80%	337.90	333.97	330.04	326.12	322.19	318.26	314.33
11.80%	331.47	327.54	323.61	319.68	315.76	311.83	307.90
12.80%	325.04	321.11	317.18	313.25	309.33	305.40	301.47
13.80%	318.61	314.68	310.75	306.82	302.89	298.97	295.04

CV Card Member Service %

Beta							
326.19	1.13	1.18	1.19	1.24	1.29	1.34	1.39
3.92%	393.17	373.53	369.81	352.16	335.94	320.99	307.17
4.07%	382.20	363.50	359.96	343.11	327.60	313.29	300.04
4.22%	371.76	353.94	350.56	334.46	319.63	305.91	293.20
4.37%	361.81	344.81	341.58	326.19	311.99	298.83	286.63
4.52%	352.32	336.09	333.00	318.28	304.66	292.04	280.30
4.67%	343.27	327.75	324.79	310.69	297.63	285.51	274.22
4.82%	334.61	319.77	316.94	303.42	290.88	279.23	268.37

Risk Free Rate

Total Cards in Force							
326.19	2.30%	2.80%	3.30%	3.80%	4.30%	4.80%	5.30%
15.79%	276.55	285.27	294.35	303.80	313.63	323.86	334.50
16.29%	283.28	292.36	301.81	311.65	321.89	332.54	343.62
16.79%	289.98	299.42	309.25	319.48	330.12	341.19	352.71
17.29%	296.66	306.46	316.67	327.28	338.33	349.83	361.79
17.79%	303.33	313.49	324.07	335.08	346.53	358.45	370.85
18.29%	309.98	320.50	331.45	342.85	354.71	367.05	379.88
18.79%	316.60	327.48	338.81	350.59	362.86	375.62	388.90

CV Interest on Loans

Total cards p 3.80%

Growth of Deposits (2028-2030)							
326.19	7.69%	8.69%	9.69%	10.69%	11.69%	12.69%	13.69%
0.53%	347.73	348.43	349.15	349.89	350.67	351.47	352.30
1.03%	340.88	341.24	341.61	341.99	342.39	342.81	343.23
1.53%	334.03	334.05	334.07	334.10	334.12	334.14	334.16
2.03%	327.18	326.87	326.54	326.20	325.84	325.48	325.09
2.53%	320.33	319.68	319.00	318.30	317.57	316.81	316.02
3.03%	313.48	312.49	311.47	310.40	309.29	308.14	306.95
3.53%	306.63	305.31	303.93	302.50	301.02	299.48	297.88

Implied Interest on Deposits

American Express
Key Management Ratios

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Liquidity Ratios:																					
Cash Ratio	0.34	0.29	0.33	0.37	0.29	0.24	0.31	0.20	0.25	0.30	0.24	0.23	0.21	0.19	0.19	0.20	0.22	0.23	0.24	0.25	0.25
Operating Cash Flow Ratio	0.17	0.14	0.11	0.15	0.10	0.13	0.05	0.13	0.15	0.12	0.08	0.07	0.07	0.08	0.09	0.09	0.09	0.09	0.10	0.10	0.10
Loan-to-Deposit Ratio	3.65	3.77	3.15	2.68	3.47	4.35	2.37	4.29	3.90	3.25	3.89	4.15	4.56	5.00	5.48	5.96	6.41	6.84	7.21	7.55	7.80
Asset-Management Ratios:																					
Net Interest Margin	0.23	0.25	0.23	0.21	0.27	0.29	0.15	0.33	0.30	0.32	0.40	0.39	0.44	0.53	0.60	0.66	0.72	0.77	0.82	0.86	0.90
Asset Turnover Ratio	0.22	0.22	0.22	0.22	0.21	0.22	0.24	0.20	0.21	0.23	0.25	0.26	0.25	0.26	0.26	0.26	0.26	0.26	0.27	0.27	0.28
Non-Performing Assets Ratio	0.85	0.95	1.02	1.00	1.01	0.99	1.11	1.28	1.25	1.19	1.22	1.18	1.10	1.03	1.01	1.01	1.03	1.05	1.06	1.05	1.04
Financial Leverage Ratios:																					
Debt-to-Equity Ratio	4.24	3.81	3.82	4.97	3.95	4.03	3.12	3.18	3.26	3.21	2.88	3.19	3.34	3.36	3.30	3.21	3.08	2.93	2.79	2.65	2.52
Assets-to-Equity Ratio	7.70	7.80	7.75	9.92	8.46	8.60	8.33	8.50	9.24	9.31	8.97	9.48	9.85	9.85	9.75	9.58	9.33	8.96	8.57	8.17	7.72
Debt-to-Capital Ratio (Total Debt/Total Debt +Total Equity)	0.81	0.79	0.79	0.83	0.80	0.80	0.76	0.76	0.77	0.76	0.74	0.76	0.77	0.77	0.77	0.76	0.75	0.75	0.74	0.73	0.72
Profitability Ratios:																					
Return on Equity (NI/Beg TSE)	0.30	0.25	0.26	0.13	0.38	0.30	0.14	0.35	0.34	0.34	0.36	0.27	0.32	0.40	0.45	0.47	0.48	0.48	0.47	0.46	0.44
Gross Profit Margin	0.52	0.49	0.45	0.33	0.46	0.43	0.26	0.54	0.40	0.40	0.46	0.35	0.40	0.47	0.51	0.54	0.56	0.57	0.58	0.58	0.58
Return on Assets	0.04	0.03	0.03	0.02	0.04	0.03	0.02	0.04	0.03	0.03	0.04	0.03	0.03	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.05
Net Profit Margin	0.20	0.19	0.18	0.09	0.21	0.19	0.11	0.23	0.17	0.18	0.20	0.15	0.17	0.20	0.22	0.23	0.24	0.25	0.25	0.25	0.25
Payout Policy Ratios:																					
Dividend Payout Ratio (Dividend/EPS)	0.18	0.22	0.22	0.45	0.19	0.21	0.46	0.17	0.21	0.21	0.20	0.28	0.26	0.22	0.21	0.20	0.20	0.20	0.20	0.20	0.20
Total Payout Ratio ((Divs. + Repurchases)/NI)	0.92	1.10	1.04	2.02	0.43	0.90	0.80	1.09	0.67	0.65	0.79	(0.27)	(0.25)	(0.22)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
Retention Ratio ((NI-Div)/NI)	0.82	0.77	0.78	0.54	0.81	0.79	0.53	0.86	0.79	0.79	0.80	1.28	1.26	1.22	1.21	1.20	1.20	1.20	1.20	1.20	1.20

American Express*Valuation of Options Granted under ESOP*

Current Stock Price	\$252.50
Risk Free Rate	4.37%
Current Dividend Yield	1.50%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	(millions) Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	2.718	139.54	3.70	\$ 132.40	\$ 360
Range 2					
Range 3					
Range 4					
Range 5					
Range 6				\$	-
Range 7				\$	-
Range 8				\$	-
Range 9				\$	-
Total	2.72	\$ 139.54	3.70	\$ 144.69	\$ 360

American Express

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	2.718
Average Time to Maturity (years):	3.70
Expected Annual Number of Options Exercised:	1

Current Average Strike Price:	\$ 139.54
Cost of Equity:	11.17%
Current Stock Price:	\$252.50

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	
Increase in Shares Outstanding:	1	1	1	1							2.718
Average Strike Price:	\$ 139.54	\$ 139.54	\$ 139.54	\$ 139.54							
Increase in Common Stock Account:	103	103	103	72							
	*average repurchases of common stock										
Share Repurchases (\$)	5,265	6,365	7,465	8,565	9,665	10,765	11,865	13,465	15,065	16,665	
Expected Price of Repurchased Shares:	\$252.50	\$ 276.90	\$ 303.67	\$ 333.02	\$ 365.21	\$ 400.50	\$ 439.21	\$ 481.66	\$ 528.22	\$ 579.27	\$ 635.26
Number of Shares Repurchased:	21	23	25	26	26	27	27	28	29	29	-
Shares Outstanding (beginning of the year)	702	682	660	636	611	584	557	530	502	474	445
Plus: Shares Issued Through ESOP	1	1	1	1	0	0	0	0	0	0	3
Less: Shares Repurchased in Treasury	21	23	25	26	26	27	27	28	29	29	-
Shares Outstanding (end of the year)	682	660	636	611	584	557	530	502	474	445	448

American Express

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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EPS	\$	11.71	\$	14.92	\$	20.01	\$	25.13	\$	30.26	\$	36.18	\$	43.02	\$	50.91	\$	59.81	\$	69.55
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	44.30%
Cost of Equity	11.17%

Future Cash Flows

P/E Multiple (CV Year)															12.70				
EPS (CV Year)															\$ 69.55				
Future Stock Price															\$ 883.03				
Dividends Per Share	\$	3.27	\$	3.83	\$	4.48	\$	5.26	\$	6.17	\$	7.24	\$	8.51	\$	10.00	\$	11.76	
Discounted Cash Flows	\$	2.94	\$	3.10	\$	3.26	\$	3.44	\$	3.63	\$	3.84	\$	4.06	\$	4.29	\$	4.54	\$ 340.61

Intrinsic Value as of Last FYE	\$ 373.71
Implied Price as of Today	\$ 380.28

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

CV Growth of NI	44.30%
CV Year ROE	44.30%
Cost of Equity	11.17%

DCF Model:

Value of Operating Assets:	225099.5
Non-Operating Adjustments	
ESOP	-359.9
Value of Equity	224739.6
Shares Outstanding	701.1
Intrinsic Value of Last FYE	\$ 320.55
Implied Price as of Today	\$ 326.19

Equity Economic Profit (EEP)	4720.4	6555.3	9376.8	11774.8	13756.4	15799.7	17899.4	20019.8	22068.7	23896.7
Continuing Value (CV)										333510.5
PV of EEP	4246.3	5304.6	6825.7	7710.4	8103.3	8372.1	8532.1	8584.4	8512.5	128644.1

Total PV of EEP	194835.5
Total Stockholder Equity (last FYE)	30264.0
Value of Operating Assets:	225099.5
Non-Operating Adjustments	
ESOP	-359.9
Value of Equity	224739.6
Shares Outstanding	701.1
Intrinsic Value of Last FYE	\$ 320.55
Implied Price as of Today	\$ 326.19