



American Express (AXP)

Updated May 18th, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$299	5 Year CAGR Estimate:	6.3%	Market Cap:	\$210B
Fair Value Price:	\$275	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	07/03/25 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.7%	Dividend Payment Date:	08/08/25 ²
Dividend Yield:	1.1%	5 Year Price Target	\$385	Years Of Dividend Growth:	4
Dividend Risk Score:	B	Sector:	Financials	Rating:	Hold

Overview & Current Events

American Express is a credit card company that operates the following business units: US Card Services, International Consumer and Network Services, Global Commercial Services, and Global Merchant Services. American Express was founded in 1850, and is headquartered in New York, NY.

When American Express reported its first quarter earnings results, the company beat the consensus top-line estimate slightly, by \$40 million, as it generated revenues of \$17.0 billion during the quarter, which was 7% more than during the previous year's quarter. The revenue increase was driven by higher net interest income, increased member spending, and card fees growing nicely versus one year earlier.

American Express was able to generate earnings-per-share to \$3.64 during the first quarter, which was up by a solid 9% year over year. American Express' earnings-per-share beat the analyst consensus, as analysts had forecasted slightly lower earnings-per-share for the quarter. American Express forecasts that revenues will grow at an attractive pace in the current year, currently forecasting full-year revenue growth of around 9%. 2024 was a record year for American Express when it comes to earnings-per-share, and according to management's guidance, 2025 will be another record year, with earnings-per-share estimated in a range of \$15.00 to \$15.50.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.39	\$5.65	\$5.89	\$7.32	\$8.20	\$3.77	\$10.02	\$9.85	\$11.21	\$14.01	\$15.25	\$21.39
DPS	\$1.10	\$1.22	\$1.31	\$1.48	\$1.60	\$1.72	\$1.72	\$2.08	\$2.40	\$2.80	\$3.28	\$4.82
Shares³	1003	935	886	859	830	806	790	752	735	713	700	650

American Express' profits declined during the Great Recession, but over the last decade, its earnings-per-share grew by a very nice 11% annually. Growth was muted in some years, as the company experienced some restructuring and was impacted by the loss of its partnership with Costco that took place in the 2010s, while earnings-per-share growth was more pronounced in the more recent years as restructuring and cost-savings paid off.

Billed business increases are a key factor for revenue growth for American Express, thus increased spending by cardholders is a good sign for American Express. In the last couple of years, billed business grew relatively reliably, with American Express benefitting from inflation-caused consumer spending growth to some degree. American Express was able to grow its expenses at a slower pace than its revenues in the past, but we are unsure whether the company will be able to maintain that trend forever. American Express' already high margins might not grow forever, which would mean that net earnings could grow more in line with revenues in the long run. Due to the impact of a strong pace of share repurchases, American Express will likely still be able to generate attractive earnings-per-share growth. American Express remained profitable in past crises, but the company is not immune to recessions, as earnings pulled back in both the Great Recession and the 2020 pandemic. A future recession could cause another earnings decline.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.5	11.3	14.4	13.0	15.1	31.6	16.4	15.0	16.8	21.2	19.6	18.0
Avg. Yld.	1.4%	1.9%	1.5%	1.6%	1.3%	1.4%	1.0%	1.4%	1.3%	0.9%	1.1%	1.3%

American Express' shares have been valued at very different earnings multiples in the past, with big swing on a year-to-year basis, but with somewhat of an upwards trend over time. We believe that shares would be fairly valued at a price to earnings multiple of 18, considering the company's strong brand and growth outlook. Right now, shares trade above our fair value earnings multiple, thus multiple compression could be a bit of a headwind going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	20%	22%	22%	20%	20%	46%	17%	21%	21%	20%	22%	23%

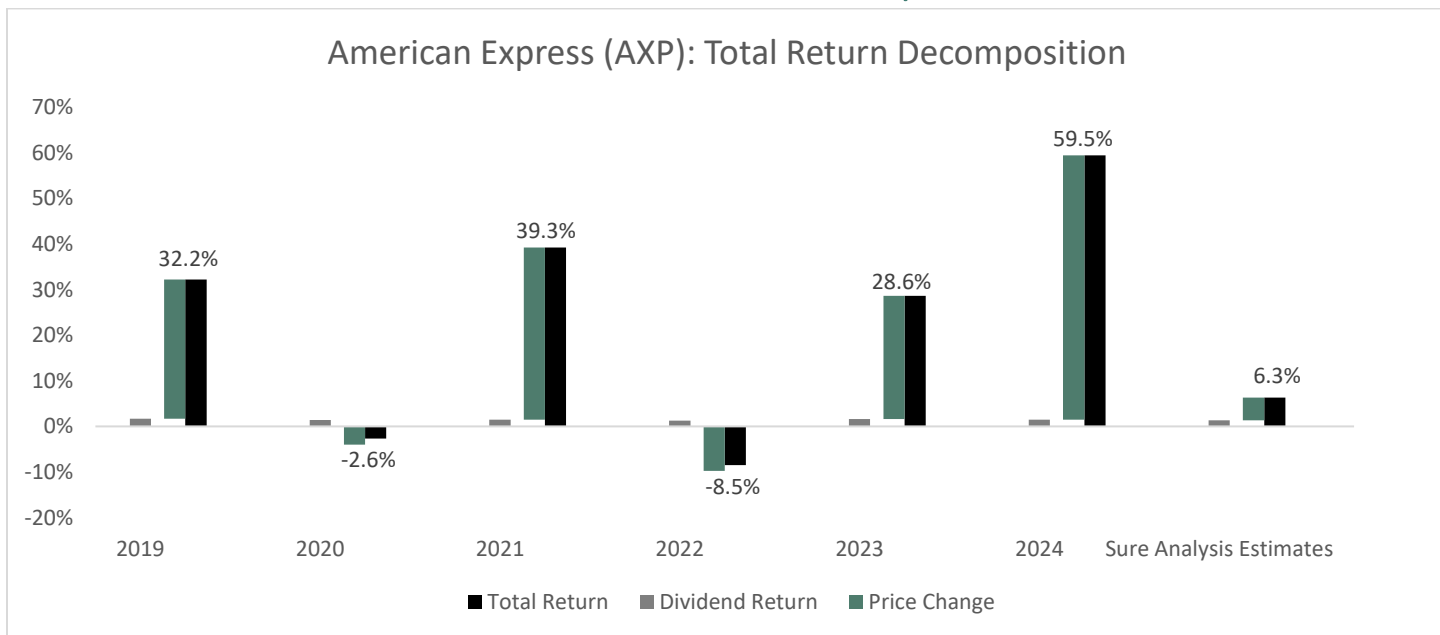
American Express' dividend payout ratio has been around 20% throughout more than a decade, although the payout ratio rose above that level during 2020. Based on the low dividend payout ratio, American Express' dividend looks quite safe. We expect that the dividend will grow meaningfully in the long run.

American Express' competition includes banks and peers such as Synchrony Financial. American Express' long history, strong brand, and the fact that it performed well during the Great Recession compared to its peers, are all reasons for customers to stick with the company. American Express' earnings-per-share declined by roughly half between 2008 and 2009. While that is not a great result, many other financial companies were hit even harder.

Final Thoughts & Recommendation

Credit card company American Express is a quality name that combines consistent earnings and dividend growth with a recession performance that was much better than that of many of its peers. Its strong brand and global reach serve as competitive advantages. We believe that American Express will be able to produce appealing earnings-per-share growth in the long run between some business growth and the impact of share repurchases. Total returns will likely be negatively impacted by multiple compression, which is why we rate American Express a hold today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	32,757	36,656	36,878	40,315	43,633	36,239	43,147	52,560	60,363	65,949
SG&A Exp.	8,085	11,508	10,980	11,727	13,036	9,414	11,531	12,710	13,280	14,238
D&A Exp.	1,043	1,095	1,321	1,293	1,188	1,543	1,695	1,626	1,651	
Net Profit	5,163	5,375	2,748	6,921	6,759	3,135	8,060	7,514	8,374	10,129
Net Margin	15.8%	14.7%	7.5%	17.2%	15.5%	8.7%	18.7%	14.3%	13.9%	15.4%
Free Cash Flow	9,365	6,916	12,478	7,620	11,987	4,113	13,095	19,224	16,996	
Income Tax	2,775	2,667	4,677	1,201	1,670	1,161	2,629	2,071	2,139	2,766

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	161.18	158.89	181.20	188.60	198.32	191.37	188.55	228.35	261.11	271.46
Cash & Equivalents	22288	22721	25093	32879	27381	24274	32826	21522	33537	47000
Goodwill & Int.	3878	3545	3795	3908	3347	3582	4117	4005	3932	3949
Total Liab. (\$B)	140.51	138.39	162.94	166.31	175.25	168.38	166.37	203.64	233.05	241.20
Accounts Payable	11300	11822	11190	14657	12255	12738	9444	10574	12133	13110
Long-Term Debt	61404	52844	52547	59059	61504	64252	44813	40904	43918	49000
Total Equity	20673	20673	20501	18261	22290	23071	22984	22177	24711	28000
LTD/E Ratio	2.97	2.56	2.56	3.23	2.76	2.79	1.95	1.84	1.78	1.75

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.2%	3.4%	1.6%	3.7%	3.5%	1.6%	4.2%	3.6%	3.4%	3.8%
Return on Equity	25.0%	26.1%	14.2%	34.1%	29.8%	13.6%	35.7%	32.1%	31.7%	34.7%
ROIC	6.6%	7.3%	3.7%	8.6%	7.9%	4.0%	12.3%	11.4%	11.5%	12.8%
Shares Out.	1003	935	886	859	830	806	790	752	735	713
Revenue/Share	32.66	39.20	41.62	46.93	52.57	44.96	54.62	69.89	82.01	92.50
FCF/Share	9.34	7.40	14.08	8.87	14.44	5.10	16.58	25.56	23.09	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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