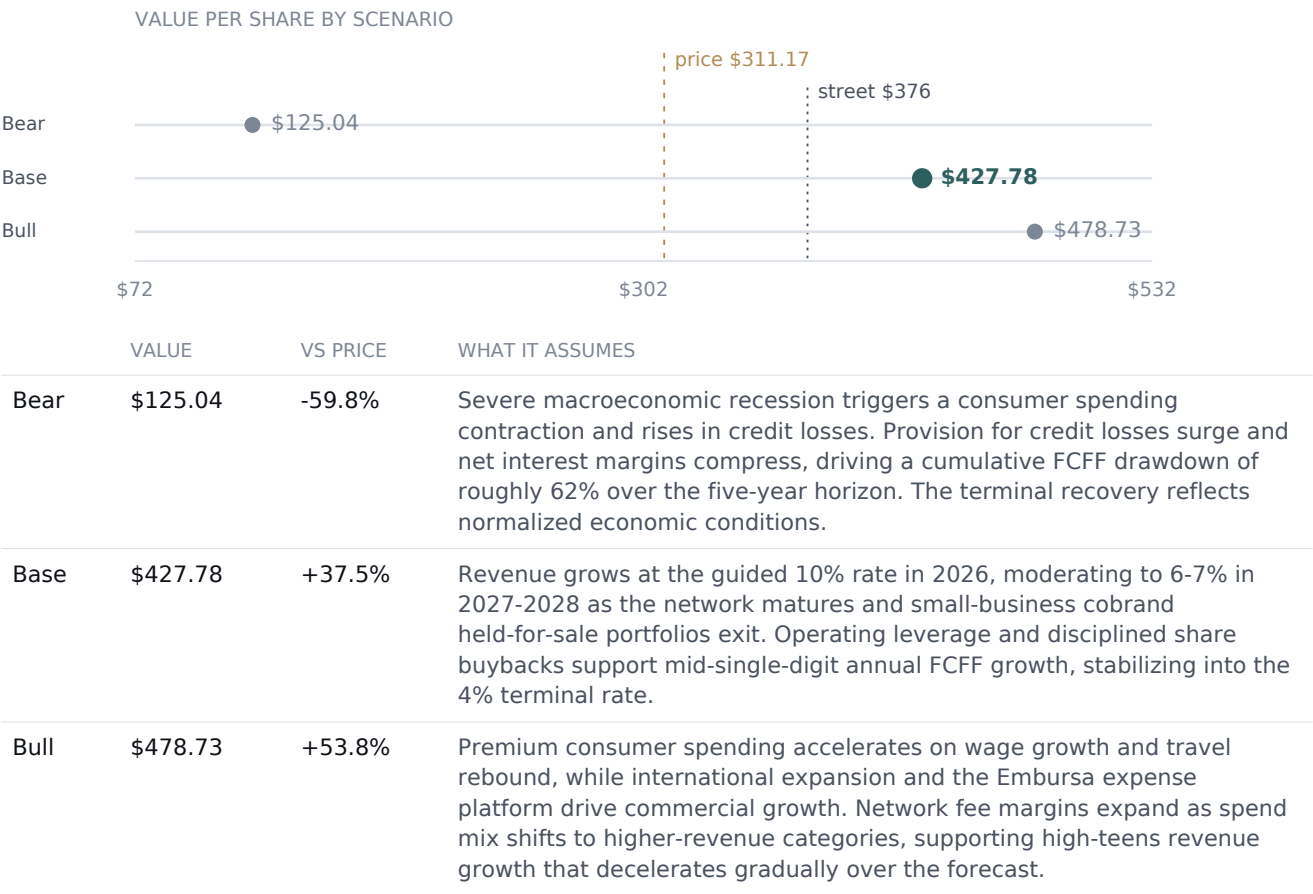


EQUITY RESEARCH / AXP

American Express Company

LONG CANDIDATE · historical study through 2026-09-17 · horizon 365 days · DCF + P/E

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$311.17	\$427.78	+37.5%	\$362.29	\$210.14B	18.9x



STREET CHECK

Street target **\$376** (+20.8% vs price) · 11 buy / 18 hold / 1 sell · forward P/E 15.6x · EPS estimates \$17.67 this year, \$20.11 next

Our base case is **1.14x** the Street target: within the Street's range.

Consensus is shown for calibration only. The model never receives it.

Thesis

American Express is a high-quality, integrated payments network with a premium customer base and strong capital return profile. The base-case DCF values the stock at \$427.78 (37.5% upside) against a market price of \$311.17, driven by a step-up in guided 2026 revenue growth to 10% and sustainable mid-single-digit FCFF growth. The company's differentiated Membership Model, expanding commercial footprint, and consistent share buybacks support a valuation premium over traditional banks.

What the market may be missing

The market prices AXP at an 18.9x trailing P/E, implying modest near-term growth and stable margins. This valuation underestimates the structural growth from the refreshed Platinum cards, international expansion, and the Embursa expense management platform, which management guides to drive 10% revenue growth in 2026. The 3.1x gap in shares outstanding versus diluted weighted average also suggests the market is underweighting the EPS accretion from ongoing buybacks.

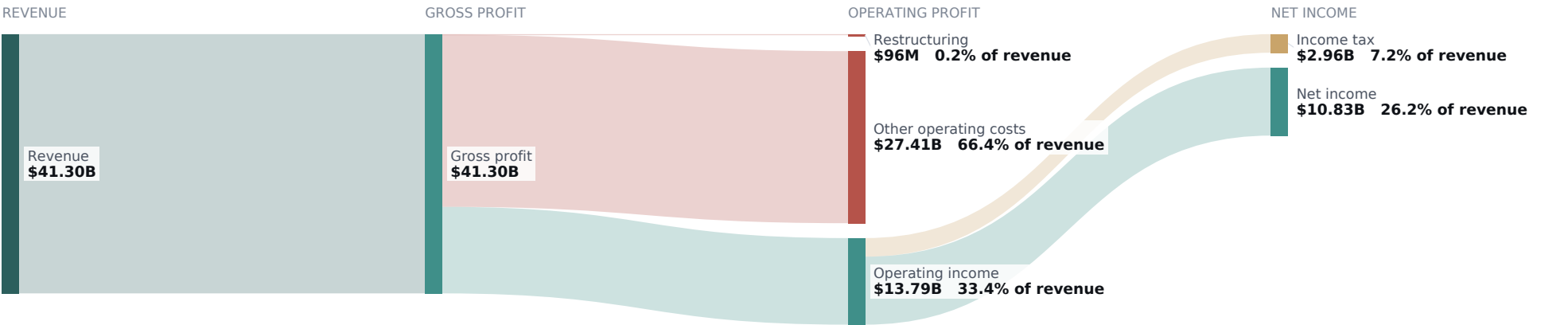
Why the opportunity exists

A narrative overshoot. The market prices AXP at a 18.9x trailing P/E, discounting the company's growth prospects due to macro headwinds and regulatory fears that are already baked into the premium bank comps. This narrative overshoot ignores the structural differentiation of AXP's integrated network and premium membership model, which historically command a multiple expansion when growth resurges. Evidence: Fact sheet trailing P/E of 18.88x vs 5-year median of 16.71x; management raised FY 2026 revenue growth guidance to 10%; regulatory environments shifting toward interchange fee caps.

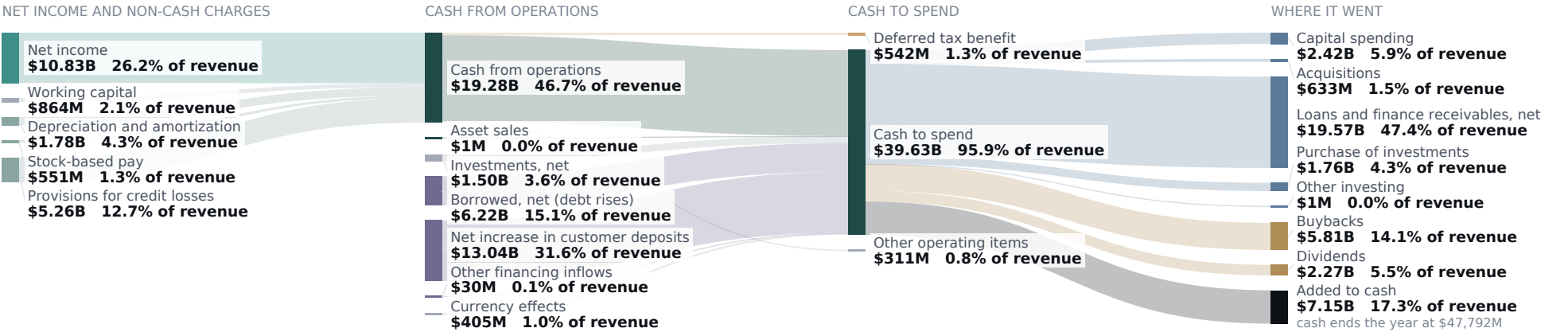
Follow the money: fiscal 2025

Of every \$100 of revenue, \$0.0 went to cost of revenue, \$67 to operating costs and \$7.2 to interest and tax, and \$26 became net income. Operations turned that into \$45 of cash; \$5.9 went to capital spending and \$20 back to shareholders. Operations turned that into \$45 of cash; \$5.9 went to capital spending and \$20 back to shareholders.

1 WHERE EVERY DOLLAR OF REVENUE WENT



2 HOW PROFIT BECAME CASH, AND WHERE THE CASH WENT



From the 10-K for the fiscal year ended 2025-12-31, XBRL accession 0000004962-26-000080. Every band ties to a reported figure; where the tagged lines do not add up, the difference appears as an explicit other or working-capital band. Lines outside the standard set are placed by the filing's own calculation links, under the company's labels; borrowing and investment flows are netted by instrument.

The business

American Express is a global payments and premium lifestyle brand that operates an integrated card-issuing, merchant-acquiring, and card network platform serving consumers, small businesses, and large corporations worldwide.

What it sells

Credit and charge cards, complementary travel, dining, lifestyle, and expense management products. Banking and financing products including deposits, high-yield savings, business/consumer checking, consumer installment loans, and lines of credit. Merchant acquisition, processing, servicing, settlement, fraud prevention, and point-of-sale marketing solutions. Global card network processing and settlement services. Operates as a fully integrated payments platform connecting card issuers, merchants, and network participants. Credit and charge cards, complementary lifestyle and travel products, banking and financing services (deposits, non-card lending), merchant acquisition and processing, fraud prevention, point-of-sale marketing, network services, and loyalty coalition partnerships. Credit and charge cards, complementary travel/dining/lifestyle/expense management products, banking/payment/financing products (deposits, non-card lending), merchant acquisition/processing/servicing/fraud prevention, network services, and a global payments network.

Customers and channels

Serves consumers, small businesses, mid-sized companies, and large corporations worldwide. Products are distributed through mobile and online applications, affiliate marketing, customer referral programs, third-party service providers and business partners, in-house sales teams, direct mail, telephone, and direct response advertising. The company also leverages extensive partner relationships, including cobrand issuers (e.g., Delta, Marriott), third-party merchant acquirers (OptBlue program), expense management integrations (Embursa, SAP Concur), and technology providers. Premium U.S. consumer and small business Card Members, International Card Members, and global corporate clients. Distribution occurs through proprietary card products, a direct FDIC-insured deposit program (3.9 million accounts), third-party distribution channels, and network partner relationships. Consumers, small businesses, mid-sized companies, large corporations worldwide. Channels include mobile/online applications, affiliate marketing, customer referral programs, third-party service providers, in-house sales teams, direct mail, telephone, and direct response advertising.

Unit economics and costs

Revenue is generated primarily by driving spending on cards and secondarily through finance charges and fees. The company charges annual fees on many products. Costs include Card Member rewards, Card Member services expenses, merchant discount rates, fraud prevention, underwriting risk, marketing, and technology investments. The business model relies on acquiring and retaining high-spending, creditworthy customers whose premium spend justifies the investment in rewards and benefits, while merchant discount rates and third-party partner costs form a significant portion of the cost structure. Card Member rewards, business development, and card member services expenses are volume-driven and collectively grew faster than revenues due to value proposition enhancements and a mix shift toward premium products. Marketing expense increased 4% to acquire high-spending, high-quality customers. Salaries and employee benefits rose on higher compensation and incentive costs. Allocated service and overhead costs are distributed based on relative revenue and loan balances. Variable customer engagement expenses (rewards, services, business development) driven by Card Member spending and the U.S. Platinum refresh.; Marketing expense increased 6% YoY to support customer acquisition and retention.; Salaries and employee benefits expense increased 9% YoY due to higher compensation and incentive costs.; Other expenses increased in Q2 due to legal reserves and technology costs, partially offset by gains on Amex Ventures investments and cobrand portfolio sales.; Net write-off rate - principal only for consumer and small business remained stable at 2.0%; 30+ days past due rate declined to 1.2%.

Segments

- **U.S. Consumer Services (USCS)** - U.S. consumer card-issuing and lifestyle services. issues proprietary consumer cards, travel/lifestyle services, banking/non-card financing, and a reservation/dining platform.
- **Commercial Services (CS)** - Small business, mid-sized, and corporate card-issuing and expense management. issues proprietary corporate/small business cards, provides payment/expense management, banking, and services to select global corporate clients.
- **International Card Services (ICS)** - International consumer and commercial card-issuing. issues consumer/corporate cards outside the U.S., provides travel/lifestyle services, and manages international joint ventures and loyalty coalition business.
- **Global Merchant and Network Services (GMNS)** - Merchant acquiring, processing, settlement, fraud prevention, and network services. operates a global payments network that processes/settles transactions, acquires merchants, provides marketing/data analytics, and manages partnership relationships.
- **Corporate & Other** - Corporate functions and other non-segment businesses. corporate functions and certain other businesses.

Revenue drivers

- Card Member spending volume (worldwide billed business)
- Finance charges and interest income from cardholder borrowing
- Annual card fees and service fees
- Merchant discount rates and network processing fees
- Card member rewards and loyalty program participation

- Cobrand and strategic partner relationships
- New card product launches and periodic refreshes
- Digital engagement and application usage

Competitive position

Fourth largest general-purpose card network globally based on purchase volume, behind Visa, China UnionPay, and Mastercard. Differentiated by an end-to-end integrated payments platform (issuing, acquiring, network) that accesses data at both ends of the transaction. Focuses on premium, high-spending, and high-credit-quality customers. Faces intense competition in the premium space and from emerging fintech and digital wallet platforms that may disintermediate the company or alter cost structures. Differentiated business model backed by a premium, high credit-quality customer base. Demonstrates best-in-class credit performance, strong scale and operating leverage, continuous premium product refreshes (e.g., Platinum cards), and a globally integrated merchant network with sustained engagement. Competes in the global payments industry with networks, issuers, acquirers, and alternative payment methods. Differentiated by a premium Membership Model, strong engagement from younger cohorts (Millennial and Gen-Z), acceleration in the U.S. Platinum portfolio, best-in-class credit performance, and a #1 JD Power ranking for mobile app satisfaction.

Industry direction

The payments industry is rapidly evolving with the growth of alternative payment mechanisms, digital wallets, buy-now-pay-later, stablecoins, and agentic commerce driven by generative AI. Regulatory environments are shifting toward interchange fee caps, open banking rules, and enhanced consumer protection standards. Surcharging and differential acceptance practices are gaining traction in some jurisdictions. Competitors and traditional financial institutions are increasingly building integrated platforms and leveraging AI, potentially challenging the company's model and forcing adaptation to new technology adoption curves. Goods & Services spend constitutes over 70% of billed business, driven by robust retail spending, while Travel & Entertainment benefits from sustained restaurant strength. Lending features are expanding on charge card portfolios. Average merchant discount rates face pressure from shifts in geographic and merchant spend mix. Lower market interest rates are impacting deposit and loan pricing. The payments industry continues to undergo changes in response to evolving technologies, business dynamics, and competition for premium customers. Shifts in spend mix by geography and merchant categories are impacting average merchant discount rates.

Recent developments

- Q2 2026 billed business grew 9% YoY to \$455.8 billion; net income \$3.1 billion; diluted EPS \$4.53.
- Announced proposed acquisition of TheFork, a European restaurant booking platform.
- Announced sale of approximately 30% equity interest in Global Business Travel Group, Inc.
- Piloting a new expense management platform for middle-market customers.
- Enabled Membership Rewards points redemption for U.S. Card Members using Apple Pay.

- Introduced new travel benefits for Delta SkyMiles Card Members and partnered with Fanatics and ALL Accor.
- Updated presentation of Card Member loans and receivables to a combined 'Card balances' basis effective Q1 2026.
- Maintained CET1 capital ratio at 10.4% within the 10-11% target range and returned \$2.9 billion to shareholders in Q2.

Management outlook

Raised FY 2026 revenue growth guidance to 10%.; Maintains FY 2026 EPS guidance of \$17.30 to \$17.90.; Plans to reinvest outperformance in growth initiatives given significant opportunities ahead.; Expects a moderation in spend growth as the company exits small business cobrand held-for-sale portfolios.; Remains focused on driving marketing and operating expense efficiencies over time.; Plans to continue returning excess capital to shareholders while managing CET1 capital ratio within the target range. Confident in navigating evolving competition and economic environments through long-term focus, disciplined expense management, and strategic investments. Plans to increase the regular quarterly dividend by approximately 16% beginning Q1 2026. Will continue returning excess capital to shareholders while maintaining the CET1 ratio within the 10% to 11% target range. Management outlines five strategic imperatives: expand leadership in the premium consumer space, build on commercial payments strength, strengthen the global integrated network, leverage the unique global position, and reimagine customer/colleague experiences through technology innovation. The company plans to continue significant investments in strategic partnerships, notably the Delta cobrand agreement extending through 2029. Goals include increasing merchant acceptance, deepening Card Member engagement, and enhancing productivity via AI and digital tools.

Accounting flags

- Effective Q1 2026, updated presentation combines Card Member loans and receivables into 'Card balances'; prior periods reclassified with no impact on recognition or measurement.
- Effective tax rate increased to 23.6% primarily due to discrete tax benefits in the prior year.
- Other expenses include reserve releases for international non-income tax, allocation of revenue to a joint venture partner from an arbitration award, a gain from the remeasurement of the Swisscard JV purchase, and a gain on the sale of a small business cobrand portfolio.
- Provisions for credit losses decreased primarily due to reserve releases in current periods versus reserve builds in prior periods, driven by lower delinquencies and macroeconomic outlook changes.
- Q1 2025 presentation change: consolidated Processed revenue into Service fees and other revenue, renaming it network partnership revenue.
- Q3 2025 measure change: ceased reporting non-GAAP Net interest yield on average Card Member loans; began reporting GAAP Net interest yield on average Total loans and Card Member receivables.

Key figures

KEY FIGURES	TTM TO 2026-06-30	FY2025	
Revenue	\$43.09B	\$41.30B	+6.4% y/y
Net income	\$11.45B	\$10.83B	
Diluted EPS	\$16.48	\$15.38	18.9x trailing P/E
Operating cash flow	\$18.48B	\$18.43B	+31.2% y/y
Capital spending	\$3.42B	\$2.42B	7.9% of revenue
Unlevered FCFF	\$21.37B		10.2% yield
Cash and short-term investments	\$45.56B		
Net debt	\$13.48B		
Share repurchases	\$7.46B	\$5.81B	3.5% yield
Market capitalisation	\$210.14B		

Figures from the filings' XBRL; definitions in the method section. Flows are trailing twelve months to 2026-06-30 (fiscal year 2025 plus year to date less the same period a year earlier, from the 10-Q filed 2026-07-24). No matching year-to-date fact, so these stay on fiscal-year figures: interest_expense. Balance-sheet items are as of 2026-06-30 from the quarterly report. Interest tax shield uses the 21.0% statutory rate from the filing's rate reconciliation. Current debt of \$2,032.0M (Short-term borrowings) falls due within twelve months of 2026-06-30; the price date is 79 days later, so check in the filing whether any of it matured or was refinanced before

The counter-case

While the 10% growth guidance is aggressive, AXP's premium card ecosystem and high-spending customer base have consistently delivered resilient billed business growth even in tighter macro environments. The company's CET1 capital ratio of 10.4% provides ample buffer for credit losses, and management's history of returning excess capital limits downside volatility for shareholders. The guidance for 10% revenue growth represents a significant acceleration from the 6.5% 3-year CAGR. If a macroeconomic downturn hits consumer spending or causes credit loss provisions to surge (currently \$5.0B TTM), margins would compress sharply. Furthermore, regulatory risks, such as interchange fee caps and open banking rules, could structurally cap network fee revenue growth and force a re-rating below the historical 16.71x median P/E.

Valuation

AXP is a mature, cash-generative payments network and issuer with predictable unlevered free cash flow and sustainable earnings. Both DCF and P/E multiples are informative: the DCF captures the long-term compounding of network spending and capital returns, while the earnings multiple anchors valuation to reported EPS and management's near-term guidance.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear	FCFF growth -30%, -25%, -20%, -10%, +0%; WACC 10.6%; terminal growth 2.0%	\$125.04	-59.8%
Base	FCFF growth +8%, +7%, +6%, +5%, +4%; WACC 10.6%; terminal growth 2.0%	\$427.78	+37.5%
Bull	FCFF growth +12%, +10%, +8%, +7%, +6%; WACC 10.6%; terminal growth 2.0%	\$478.73	+53.8%
Bear (P/E)	14.0x forward EPS \$17.80 (reported diluted, growth +8.0%)	\$249.18	-19.9%
Base (P/E)	18.0x forward EPS \$17.80 (reported diluted, growth +8.0%)	\$320.37	+3.0%
Bull (P/E)	22.0x forward EPS \$17.80 (reported diluted, growth +8.0%)	\$391.56	+25.8%

- Discount rate: the model used 10.6% against an anchor of 10.6% (risk-free 5.01%, beta 1.10, equity risk premium 5.0%, cost of equity 10.5%, after-tax cost of debt 10.7%, debt 22% of capital).
- The price implies constant five-year FCFF growth of -1.1% at the base-case WACC and terminal growth.
- Anchors from the company's own history: base-case growth band -2.1% to +31.2% a year; worst revenue decline -22% (2019-2020); own trailing P/E 15.0-24.05x (median 16.71x) over the last five fiscal year ends.
- Sensitivity to discount rate: 8.6% gives \$567, 9.6% gives \$488, 10.6% gives \$428, 11.6% gives \$380, 12.6% gives \$342.
- Sensitivity to terminal growth: 1.0% gives \$393, 1.5% gives \$410, 2.0% gives \$428, 2.5% gives \$448, 3.0% gives \$472.
- Per-share values use 675,309,833 shares as of 2026-07-14; the fiscal-year diluted average differs by +3.1%.
- Probability-weighted value \$362.29 (+16.4% vs price) at 25%/55%/20% weights.

Bear case assumes a severe macro recession triggering a consumer spending contraction and surging credit losses, driving a cumulative ~62% FCFF drawdown over five years as provisions offset fee revenue. Base case assumes guided 10% 2026 revenue growth moderating to 6-7% as portfolios exit, with operating leverage and disciplined buybacks supporting mid-single-digit FCFF growth into a 4% terminal rate. Bull case sees premium spending acceleration on wage growth and travel rebound, with international expansion and the Embursa platform driving high-teens revenue growth that decelerates gradually, expanding network margins.

What breaks the case

SHOCK TO THE BASE CASE	VALUE	VS PRICE
Base case as planned	\$427.78	+37.5%
WACC 100bp higher	\$380.14	+22.2%
Pre-tax cost of debt 200bp higher	\$410.08	+31.8%
Every year's FCFF growth 5 points lower	\$343.98	+10.5%
Every year's FCFF growth 5 points higher	\$527.56	+69.5%
Starting FCFF 10% lower	\$383.01	+23.1%
Starting FCFF 10% higher	\$472.56	+51.9%

The base case equals the price at a 13.5% WACC or if every annual FCFF growth rate were -7.2% points different. These are thresholds, not forecasts.

Comparable companies

COMPANY	CORRELATION	REVENUE GROWTH	OPERATING MARGIN	FCF MARGIN	TRAILING P/E
AXP (this company)		6.4%	n/a	38.7%	21.3x
COF Capital One Financial Corporation	0.71	36.3%	n/a	324.2%	51.3x
SYF Synchrony Financial	0.71	n/a	n/a	n/a	n/a
BFH Bread Financial Holdings, Inc.	0.62	-31.3%	52.1%	316.9%	24.5x

Comparables' trailing P/E 24.5-51.3x, median 37.9x from 2 with positive earnings.

Judged not comparable: C, BAC, KKR, EVR, PNC, HBAN, GS, CG, JEF, PIPR.

AXP's 3-year revenue CAGR of 6.5% and trailing P/E of 18.9x compare favorably to the credit comparables (COF at 51.3x P/E and 324% FCF margin, SYF financials unavailable, BFH at 24.5x P/E). Traditional banks like C, BAC, and PNC trade at lower or volatile multiples due to higher leverage and deposit/loan interest sensitivity, while capital markets peers like GS, EVR, KKR, CG, JEF, and PIPR are rejected for their deal-dependent, non-credit models. AXP commands a premium multiple justified by its integrated network, premium customer base, and stable fee generation.

Profiles are computed identically for every company from its own annual reports and latest close; they are not adjusted for one-off items or fiscal-year timing.

What would change the view

Key debates

- Sustainability of 10% revenue growth guidance for 2026: Guidance represents a significant step-up from the 6.5% 3-year CAGR; meeting it drives FCFF expansion above base case, while missing compresses margins via fixed cost absorption. (Fact sheet revenue growth 3y CAGR of 0.0647 and management guidance of 10% for FY 2026.)
- Credit quality and provision for credit losses trajectory: A macroeconomic downturn could trigger reserve builds that directly hit net income and reduce capital returned, impacting EPS and buyback capacity. (Fact sheet finance credit loss provision TTM of \$5,037M; business read notes net write-off rate stable at 2.0% but highlights macroeconomic downturn risks.)
- Interchange fee and regulatory pressure: Regulatory caps or surcharging rules could compress merchant discount rates, directly reducing network revenue margins. (Business read: 'Regulatory environments are shifting toward interchange fee caps, open banking rules,

and enhanced consumer protection standards.')

Catalysts

- FY 2026 earnings release confirming top-line growth vs 10% guidance.
- Quarterly results tracking on the acquisition of TheFork and integration of Swisscard.
- Updates on U.S. Platinum card renewal rates and spend velocity.
- Share repurchase pace and dividend increase execution.
- Regulatory developments regarding interchange fees or open banking.

Invalidation

- Sustained miss on 2026 revenue guidance below 8%.
- Net write-off rates breaking above 2.5% for two consecutive quarters.
- Imposition of broad federal interchange fee caps reducing net revenue per transaction.
- Decline in Card Member spend volume (AUPV) due to loss of market share to digital wallets or BNPL.

Risks

- Macroeconomic recession causing consumer spending contraction and credit deterioration.
- Regulatory changes including interchange fee caps and surcharging rules.
- Intense competition from fintechs, digital wallets, and BNPL providers.
- Reliance on the Delta cobrand relationship for significant revenue and loan volume.
- Cybersecurity breaches or operational disruptions.

Short side

Not attractive for a short position given the strong capital return profile, low borrow risk, and limited short-term catalysts for a downside move. The unbounded loss risk is heightened by potential forced covering if macro conditions remain benign.

Open questions

Can AXP sustainably fund 10% revenue growth while maintaining its CET1 target of 10-11% and continuing \$6B+ in annual share buybacks? (forecast uncertainty)

Monitoring capital deployment and FCF generation per quarter. Watch: CET1 ratio dropping below 10% or FCF declining.

What is the trajectory of credit loss provisions given the normalization of macroeconomic conditions? (forecast uncertainty)

Tracking net charge-off rates and reserve release/builds. Watch: NCOs rising above 2.2%.

Limitations

The DCF model relies on a terminal growth rate of 2% and a 5-year FCFF growth path that may be sensitive to changes in credit loss cycles and net interest margins. The earnings multiple model uses a base P/E of 18.0x, which is near the upper end of the current market environment's comfort level. Point-in-time share count (675M) was used for equity value bridge, creating a 3.1% dilution gap versus the FY diluted weighted average (696M), though ongoing buybacks mitigate this over the horizon. Per-share values use point-in-time shares outstanding; the fiscal-year diluted weighted average differs by +3.1%. This historical count difference also reflects timing and share repurchases; it is not an estimate of future dilution. Outstanding options, RSUs or convertibles require a separate analysis. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: core line items missing:operating income; exposure quote unverified:consumer demand; exposure quote unverified:rates; exposure quote unverified:regulation.

Sources

10-K for the fiscal year ended 2025-12-31, filed 2026-02-06 (accession 0000004962-26-000080).

10-Q for the quarter ended 2026-06-30, filed 2026-07-24 (accession 0000004962-26-000322).

8-K for the earnings release dated 2026-07-24, filed 2026-07-24 (accession 0000004962-26-000318).

- Price: historical close of \$311.17 on 2026-09-17.
- 8 cited claims and 16 recorded calculations; every figure in the key-figures table is bound to a tagged XBRL fact, and every calculation reproduces independently.
- Street consensus from the market-data vendor on the same date, shown for calibration only.

Model: Qwen3.6-35B-A3B-NVFP4 · run discovery-20260911 · job 207 · memo SHA-256 01001323b901c1d2... · full memo and audit attached as JSON.

This note was written by a model from a single annual filing and a closing price. It is a starting point for human research, not a recommendation; nothing here has been investment-qualified.