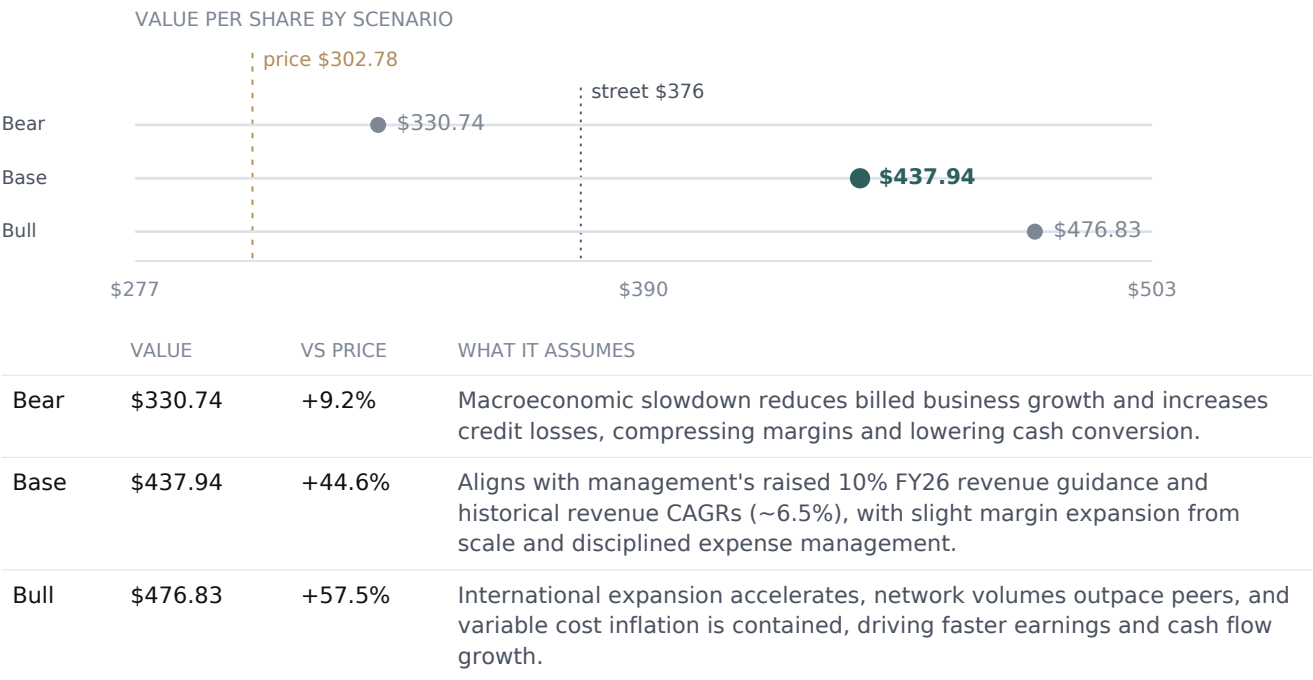


EQUITY RESEARCH / AXP

American Express Company

LONG CANDIDATE · historical study through 2026-10-02 · horizon 365 days · DCF + P/E

PRICE	BASE CASE	UPSIDE	PROB-WEIGHTED	MARKET CAP	TRAILING P/E
\$302.78	\$437.94	+44.6%	\$428.17	\$204.47B	18.4x



STREET CHECK	
Street target \$376 (+24.1% vs price) · 15 buy / 14 hold / 0 sell · forward P/E 15.1x · EPS estimates \$17.68 this year, \$20.15 next	
Our base case is 1.17x the Street target: within the Street's range.	
Consensus is shown for calibration only. The model never receives it.	

Thesis

American Express operates a high-quality, integrated premium payments network with a resilient, creditworthy customer base and a proven capital return profile. Management raised 2026 revenue growth guidance to 10% and maintains EPS guidance of \$17.30-\$17.90, supported by disciplined expense management and strong billed business growth (USCS up 11% YoY). The DCF base case values the stock at \$437.94 (44.6% upside), driven by sustainable mid-single-digit FCFF growth from a 49.6% FCFF margin and consistent buybacks (\$7.5B TTM). The company's differentiated Membership Model, expanding commercial footprint, and premium product cycles support a structural valuation premium.

What the market may be missing

The market prices AXP at a 18.37x trailing P/E and a 10.45% FCFF yield, implying modest growth and stable margins. This valuation underestimates the structural growth from the refreshed Platinum cards, international expansion, and the Embursa expense management platform, as well as the resilience of its premium customer base during economic cycles. The 3.1x gap between shares outstanding and diluted weighted-average shares also suggests the market is underweighting EPS accretion from ongoing buybacks.

Why the opportunity exists

A narrative overshoot. The market prices the stock at a 18.37x P/E, implicitly assuming that fears over macroeconomic softness, regulatory interchange caps, and competition will structurally cap AXP's growth and margin profile. This narrative overlooks the strength of AXP's premium, creditworthy customer base, the recently refreshed Platinum product cycle driving 11% YoY USCS billed business growth, and management's disciplined capital allocation. Evidence: Fact sheet: revenue_growth 6.39%, ocf_growth 31.16%, fcff_margin 0.496, pe_trailing 18.37; Business read highlights 10% FY26 revenue guidance, stable 2.0% net write-off rate, and \$21.4B TTM FCFF.

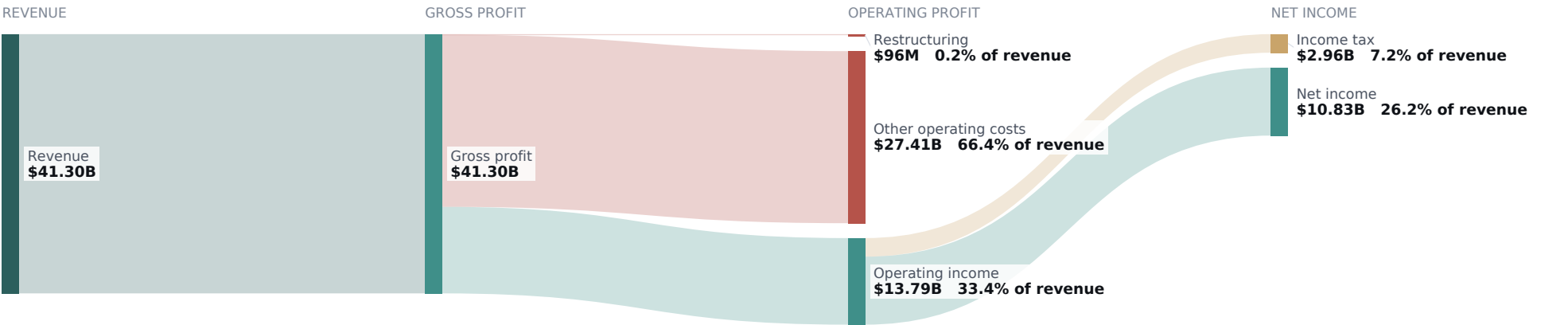
Since our last note

Thesis intact against our note of 2026-09-18 (investigate long). The shares have moved -2.7% since. No comparable delivery period has passed since the prior memo; guidance remains on track with H1 2026 outperformance, reinforcing management's ability to execute and raise revenue growth to 10%.

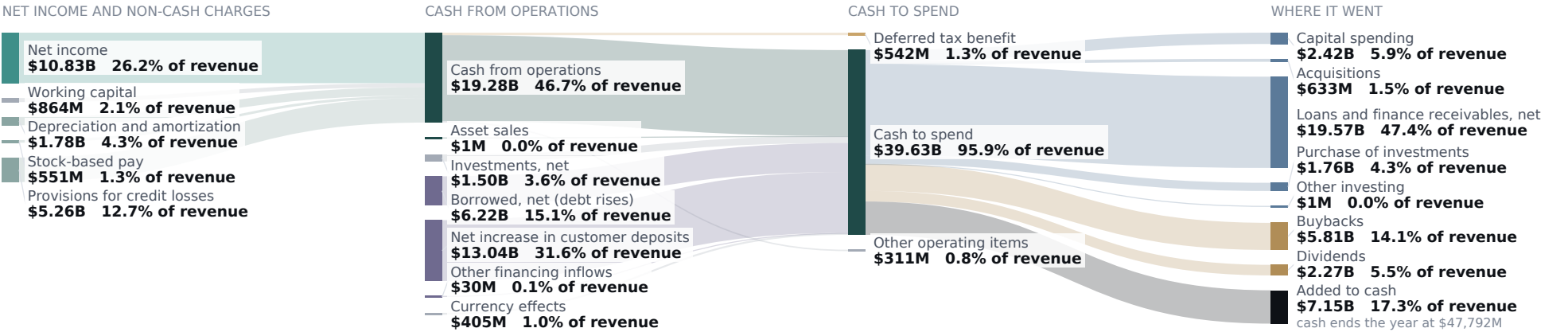
Follow the money: fiscal 2025

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.

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 operates an integrated global payments and premium lifestyle platform encompassing card issuing, merchant acquiring, and network services for consumers, small businesses, and corporations, competing as the fourth-largest global card network.

What it sells

Credit and charge cards, banking and financing products (deposits, consumer installment loans, lines of credit), merchant acquisition and processing, network services, and premium membership benefits (travel, dining, lounge access, entertainment). Revenue is driven primarily by driving spending on cards, secondarily through finance charges and fees, annual card fees, and merchant discount rates. The business model leverages an integrated payments platform to connect card members and merchants, offering differentiated value through rewards, data analytics, and fraud prevention. Credit and charge cards, travel/dining/lifestyle/expense management products, banking and non-card financing products (deposits, loans), merchant acquisition/processing/settlement services, fraud prevention, network services, and loyalty coalition benefits. Generates revenue through merchant discount fees, interest on revolving loans and receivables, annual card membership fees, and network/partner service fees. American Express is a global payments and premium lifestyle brand offering credit and charge cards, banking and non-card financing products, merchant acquisition and processing, network services, and travel, dining, and expense management products and services.

Customers and channels

Consumers, small businesses, mid-sized companies, and large corporations globally. Channels include mobile and online applications, affiliate marketing, customer referral programs, third-party service providers and business partners (e.g., cobrand partners like Delta, Marriott), in-house sales teams, direct mail, telephone, and direct response advertising. Small business and corporate clients comprised approximately 41 percent of worldwide billed business in 2025. Premium U.S. and international consumers, small and mid-sized enterprises, large corporations, and merchants. Distributes directly to card members and businesses, manages a global merchant network, and partners with third-party card issuers and travel/loyalty alliances. Products and services target consumers, small businesses, mid-sized companies, and large corporations globally, distributed via mobile/online applications, affiliate marketing, customer referral programs, third-party providers, business partners, in-house sales teams, direct mail, telephone, and direct response advertising.

Unit economics and costs

The company acquires and retains high-spending, creditworthy members by designing innovative products and leveraging a Membership Model of premium benefits, rewards, and lifestyle services. 'Because of the spend, lend and fee revenues we generate, we are able to invest in our Membership Model, which provides attractive rewards and other benefits for Card Members, as well as in marketing and payment solutions for merchants.' Merchant revenue comes from discount rates and network fees. 'Costs such as Card Member rewards and Card Member services expenses could continue to increase as we evolve our value propositions, including in response to increased competition.' Card Member rewards expense (\$18.4B), business development (\$6.5B), card member services (\$6.1B), marketing (\$6.3B), and salaries (\$9.0B) are the primary cost drivers. Membership Rewards URR held stable at 96%. Average fee per card rose 14% to \$117. Net write-off rate remained at 2.3%. Operating expenses grew slower than revenue despite strategic investments in tech and risk management. Q2 network volumes totaled \$516.8 billion and billed business reached \$455.8 billion. Cards-in-force stood at 155.1 million with an average fee per card of \$131. Consolidated net write-off rate (principal only) remained stable at 2.0%, while provisions for credit losses decreased 23% to \$1.1 billion due to a reserve release. Total expenses rose 12% to \$14.5 billion, driven by variable customer engagement costs, marketing, and salaries. CET1 ratio held at 10.4%.

Segments

- **U.S. Consumer Services (USCS)** - Consumer card-issuing, travel, and lifestyle services
Proprietary consumer cards, travel/lifestyle services, dining platform, banking and non-card financing. Q2 revenue \$9,524M (11% YoY), pretax income \$2,065M (23% YoY), billed business \$196.4B (11% YoY), proprietary cards-in-force 49.2M, avg basic card member spending \$5,654.
- **Commercial Services (CS)** - Commercial card-issuing, accounts payable, and expense management solutions
Proprietary corporate and small business cards, payment/expense management, banking, and non-card financing. Q2 revenue \$4,503M (7% YoY), pretax income \$970M (7% YoY), billed business \$141.8B (5% YoY), proprietary cards-in-force 14.6M, avg card member spending \$9,607.
- **International Card Services (ICS)** - International card-issuing and premium lifestyle services
Consumer, small business, and corporate cards outside the U.S., travel/lifestyle services, loyalty coalitions. Q2 revenue \$3,619M (12% YoY), pretax income \$477M (3% YoY), billed business \$117.2B (13% YoY), proprietary cards-in-force 23.9M, avg basic card member spending \$6,535.
- **Global Merchant and Network Services (GMNS)** - Merchant acquiring, processing, settlement, fraud prevention, and network services
Global payments network processing, merchant acquisition, network partnerships, and multi-channel marketing. Q2 revenue \$2,096M (8% YoY), pretax income \$1,128M (7% YoY), network volumes \$516.8B (9% YoY).
- **Corporate & Other** - Corporate functions and certain other businesses
Corporate functions and certain other businesses not allocated to operating segments.

Revenue drivers

- Card member spending (billed business)
- Finance charges and fees

- Annual card fees
- Merchant discount rates
- Network processing fees
- Cobrand partner revenues (e.g., Delta)
- Non-card lending and installment loan interest
- Billed business growth (8% YoY in 2025)

Competitive position

American Express operates a unique integrated payments platform that directly connects card members and merchants, distinguishing it from traditional bankcard networks. It is the fourth largest general-purpose card network globally based on purchase volume, behind Visa, China UnionPay and Mastercard. The brand is ranked among the most valuable worldwide, with attributes of trust, security, and service. However, competitors like Visa and Mastercard have greater scale and resources, and fintechs/payment facilitators pose evolving threats. Differentiated premium business model backed by a high credit-quality customer base, integrated merchant network, and brand strength. Maintains best-in-class credit performance through disciplined underwriting and risk management. Navigates evolving competition and regulatory uncertainty with a long-term focus on customer backing and expense efficiency. Competes from a position of strength with a premium customer base, differentiated Membership Model, accelerated Platinum portfolio growth, and best-in-class credit performance. Ranked #1 in JD Power 2026 U.S. Credit Card Mobile App & Online Satisfaction Studies. Faces competition from networks, issuers, acquirers, and evolving alternative payment mechanisms.

Industry direction

The payments industry is highly competitive and undergoing rapid changes due to evolving technologies and customer preferences. Trends include the growth of alternative payment mechanisms (digital currencies, stablecoins, buy now, pay later), real-time settlement, open banking initiatives, and agentic commerce powered by generative AI. Regulators worldwide are focusing on consumer financial products, network operations, and interchange fee pricing, which could reshape the competitive landscape and impact discount revenues. Payments industry experiencing broad growth across G&S and T&E categories, with rising cross-border spending and digital adoption. Regulatory and geopolitical landscapes remain uncertain. Focus on premium lending, network expansion, and loyalty ecosystem integration. The global payments industry is undergoing structural shifts driven by evolving technologies, business dynamics, and competition for premium customers, alongside growth in alternative electronic transfers and technology-leveraged solutions. Regulatory environments continue to evolve, introducing pressures around pricing regulation, network rules, merchant surcharging/steering, and potential interest rate or fee caps.

Recent developments

- Raised full-year 2026 revenue growth guidance to 10% following better-than-expected H1 performance.
- Announced proposed acquisition of TheFork, a European restaurant reservation and management platform.

- Announced sale of approximately 30% equity interest in Global Business Travel Group, Inc., expecting a sizable pre-tax gain upon closing.
- Piloted a new expense management platform for an initial group of middle-market customers.
- Enabled Membership Rewards points redemption for U.S. Card Members checking out with Apple Pay.
- Introduced global partnership with ALL Accor and became Official Payments Partner of Fanatics worldwide.
- Acquired partner's interest in Switzerland joint venture on January 12, 2026, making Swisscard a wholly owned subsidiary.
- Launched refreshed U.S. Consumer and Business Platinum Cards end of Q3 2025, driving strong engagement.

Management outlook

Based on our better-than-expected performance in the first half of the year, we are raising our full-year revenue growth guidance to 10 percent and plan to reinvest this outperformance in growth initiatives given the significant opportunities we see ahead. We continue to expect full-year EPS of \$17.30 to \$17.90. The company maintains a CET1 capital target of 10 to 11 percent and plans to continue returning excess capital to shareholders through buybacks and dividends while supporting balance sheet growth. Confident in navigating evolving competition and economic environments. Plans to increase quarterly dividend by ~16% to 95 cents/share starting Q1 2026 and return excess capital while maintaining CET1 within 10-11% target. Plans \$4.0B-\$8.0B unsecured and \$2.0B-\$6.0B secured term debt issuance for 2026. Focus on long-term growth, disciplined expense management, and strategic investment in technology and risk capabilities. Management is focused on five strategic imperatives: expanding leadership in the premium consumer space through membership benefits and partner expansion; building on its strong position in commercial payments with innovative financing and expense management solutions; strengthening the global integrated network by increasing merchant acceptance and fraud protection; leveraging its unique global position; and reimagining customer and colleague experiences through technology and innovation to drive productivity.

Accounting flags

- Beginning in Q1 2026, Card Member loans and receivables are presented on a combined basis as "Card balances" to reflect charge card lending expansion and align with industry convention. Prior periods were reclassified. No impact on recognition/measurement or credit loss reserve calculations.
- Q1 2025 presentation change consolidating Processed revenue into Service fees and other revenue.
- Q3 2025 non-GAAP metric change from Net interest yield on avg Card Member loans to GAAP yield on total loans/receivables.
- Swisscard consolidation effective Jan 1, 2026 changing segment reporting.
- Prior year comparability impacted by URR model enhancements and Accertify/GBTG one-time gains.
- Reserve builds tied to macroeconomic outlook deterioration in 2025.

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	18.4x 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		10.4% yield
Cash and short-term investments	\$45.56B		
Net debt	\$13.48B		
Share repurchases	\$7.46B	\$5.81B	3.6% yield
Market capitalisation	\$204.47B		

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 94 days later, so check in the filing whether any of it matured or was refinanced before

The counter-case

The primary risk is that the current valuation already fully incorporates expectations for sustained economic weakness, regulatory pressure, and variable cost inflation. The bear DCF scenario still yields a value of \$330.74 (+9.2% upside), and the earnings multiple bear case yields \$244.56 (-19.2%). If the macroeconomic environment deteriorates faster than assumed or if regulatory caps are imposed, the 10% revenue growth guidance could prove optimistic, justifying the current 18.37x multiple. Exposure to macroeconomic deterioration that could rapidly impair consumer and business discretionary spending, leading to a spike in net write-off rates above the current 2.0% level and compressing net interest income. Regulatory overhang, including potential federal interchange fee caps or open banking mandates, could structurally limit discount revenue and network growth. Additionally, high variable cost inflation in rewards and marketing could erode the projected 49.6% FCFF margin if revenue growth decelerates below the guided 10%.

Valuation

FCFF is positive and stable at \$21,372M TTM with a 49.6% margin, making DCF appropriate. Earnings are predictable with management guidance for FY26 EPS of \$17.30-\$17.90, supporting a complementary earnings multiple approach. Both methods rely on strong cash generation and a premium, resilient customer base.

SCENARIO	ASSUMPTIONS	VALUE	VS PRICE
Bear	FCFF growth -5%, -2%, +1%, +3%, +4%; WACC 10.7%; terminal growth 2.5%	\$330.74	+9.2%
Base	FCFF growth +8%, +7%, +6%, +5%, +4%; WACC 10.7%; terminal growth 2.5%	\$437.94	+44.6%
Bull	FCFF growth +10%, +9%, +8%, +7%, +6%; WACC 10.7%; terminal growth 2.5%	\$476.83	+57.5%
Bear (P/E)	14.0x forward EPS \$17.47 (reported diluted, growth +6.0%)	\$244.56	-19.2%
Base (P/E)	19.0x forward EPS \$17.47 (reported diluted, growth +6.0%)	\$331.91	+9.6%
Bull (P/E)	22.0x forward EPS \$17.47 (reported diluted, growth +6.0%)	\$384.31	+26.9%

- Discount rate: the model used 10.7% against an anchor of 10.7% (risk-free 5.24%, beta 1.10, equity risk premium 5.0%, cost of equity 10.8%, after-tax cost of debt 10.7%, debt 22% of capital).
- The price implies constant five-year FCFF growth of -2.2% at the base-case WACC and terminal growth.
- Anchors from the company's own history: base-case growth band -2.2% 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: 8.7% gives \$587, 9.7% gives \$502, 10.7% gives \$438, 11.7% gives \$388, 12.7% gives \$347.
- Sensitivity to terminal growth: 1.5% gives \$401, 2.0% gives \$418, 2.5% gives \$438, 3.0% gives \$460, 3.5% gives \$485.
- 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 \$428.17 (+41.4% vs price) at 20%/50%/30% weights.

Bear case assumes a macroeconomic slowdown that reduces billed business growth and increases credit losses, compressing margins and lowering cash conversion, with FCFF growth starting negative before stabilizing. Base case aligns with management's raised 10% FY26 revenue guidance and historical growth trends, with slight margin expansion from scale and disciplined expense management. Bull case assumes accelerated international expansion, network volumes outpacing peers, and contained variable cost inflation, driving faster earnings and cash flow growth.

What breaks the case

SHOCK TO THE BASE CASE	VALUE	VS PRICE
Base case as planned	\$437.94	+44.6%
WACC 100bp higher	\$387.69	+28.0%
Pre-tax cost of debt 200bp higher	\$418.82	+38.3%
Every year's FCFF growth 5 points lower	\$351.92	+16.2%
Every year's FCFF growth 5 points higher	\$540.41	+78.5%
Starting FCFF 10% lower	\$392.15	+29.5%
Starting FCFF 10% higher	\$483.73	+59.8%

The base case equals the price at a 14.1% WACC or if every annual FCFF growth rate were -8.3% points different. These are thresholds, not forecasts.

No listed peer was judged comparable. The software's anchor packet reports no peer tree available for this quarter ('status': 'unavailable'), so no peer comparison is constructed. Valuation is instead grounded solely in American Express's own historical P/E range (15.0x-24.05x), trailing FCFF yield of 10.45%, and management's guided 10% revenue growth, which supports the base multiple of 19x.

What would change the view

Key debates

- Variable cost inflation vs revenue growth: Determines net margin trajectory and whether EPS guidance of \$17.30-\$17.90 is sustainable. (Business read: membership rewards and marketing are variable costs; FY25 operating expenses grew slower than revenue.)
- Credit cycle resilience: Directly impacts provision for credit losses and net charge-off rates, key determinants of operating cash flow. (Fact sheet `finance_credit_loss_provision` TTM \$5,037M; business read net write-off rate stable at 2.0%.)
- International growth execution: ICS segment is a key driver for billed business expansion beyond mature US markets. (Business read: international card services and global network expansion as strategic imperatives.)

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 due to loss of market share to digital wallets or BNPL.

Risks

- Macroeconomic conditions affecting consumer and business discretionary spending.

- Intense global competition from networks, issuers, fintechs, and alternative payment mechanisms.
- Regulatory and compliance risks, including interchange fee caps and open banking initiatives.
- Surcharging, steering, and differential acceptance practices by merchants.
- Cybersecurity incidents, data privacy breaches, and operational disruptions.

Short side

Not an attractive short. The stock trades at a P/E consistent with a high-quality, capital-returning compounder generating \$21.4B in TTM FCFF and returning \$7.5B via buybacks. Squeeze risk is moderate given institutional ownership, but the unbounded loss risk and strong cash generation make a short highly unattractive. Borrow availability and financing costs for the carry are secondary to the fundamental lack of catalysts for a sustained downside.

Open questions

Sustainability of variable cost inflation (rewards, marketing) relative to revenue growth. (forecast uncertainty)

Modeled into base case margin assumptions; monitored quarterly. Watch: Q3 2026 results showing operating expense growth exceeding revenue growth.

Execution on TheFork acquisition and integration of Swisscard within the commercial segment. (missing fact)

Included in strategic growth assumptions. Watch: First full-year impact reported in FY 2026 annual report.

Limitations

The bear DCF scenario assumes a cumulative FCFF change of only +1%, which is milder than AXP's worst historical revenue decline of -22% in 2019-2020, meaning the stress test may not fully capture severe macroeconomic or regulatory shocks. The model also assumes a constant WACC of 10.74%, terminal growth capped at 2.5%, and treats other equity adjustments as zero. A 100bp increase in WACC reduces the base value to \$387.69, highlighting sensitivity to discount rate assumptions. 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. Software checks raised during valuation: the bear case's cumulative FCFF change over the forecast (+1%) is milder than the company's worst historical revenue decline (-22%, 2019-2020); a bear case should at least revisit history or say why this time differs; the bear case still values the stock +9% above the price; a genuinely adverse scenario normally produces a loss at the entry price. Either explain why every scenario clears the price, or acknowledge in valuation_limitations that the bear case may be too mild. This memo is an initial research product from a frozen historical filing and price; it is not investment qualification.

Software flags: bear case not adverse at price; bear shallower than history; core line items missing:operating income; exposure quote unverified:consumer demand; exposure quote unverified:credit; 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 \$302.78 on 2026-10-02.
- 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 482 · memo SHA-256 1beb71caac42c083... · 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.