

Presentation for AAll

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Ian Gendler

- Ian Gendler supervises Value Line's Research Department. As part of this role, he oversees the creation of Value Line's print and digital products. He has held this position since May 2012. Overall, he has been with Value Line since December 2004. Ian graduated with a degree in Finance and a minor in History from the University of Massachusetts at Amherst.

Value Line (NASDAQ: VALU)

- We are a New York-headquartered corporation that has been providing investment research for more than 85 years. Our flagship product is *The Value Line Investment Survey*. This service is a unique source of financial information and is designed to help investors make informed investment decisions that fit their individual goals and levels of risk.

Stock Picking Tips and Common Pitfalls to Avoid

Presentation Overview

- A day in the life of a securities analyst
- Step-by-step analysis of a well-known stock
 - Positive attributes to focus on
 - Negatives to understand and potentially avoid

American Express (AXP)

- Company started in 1850
- Originally delivered packages via coach and horseback
- First charge card was introduced in the mid-1950s
- Today:
 - Employs more than 56,000 individuals
 - \$160 billion in total assets
 - Market capitalization of \$71 billion

Tip #1

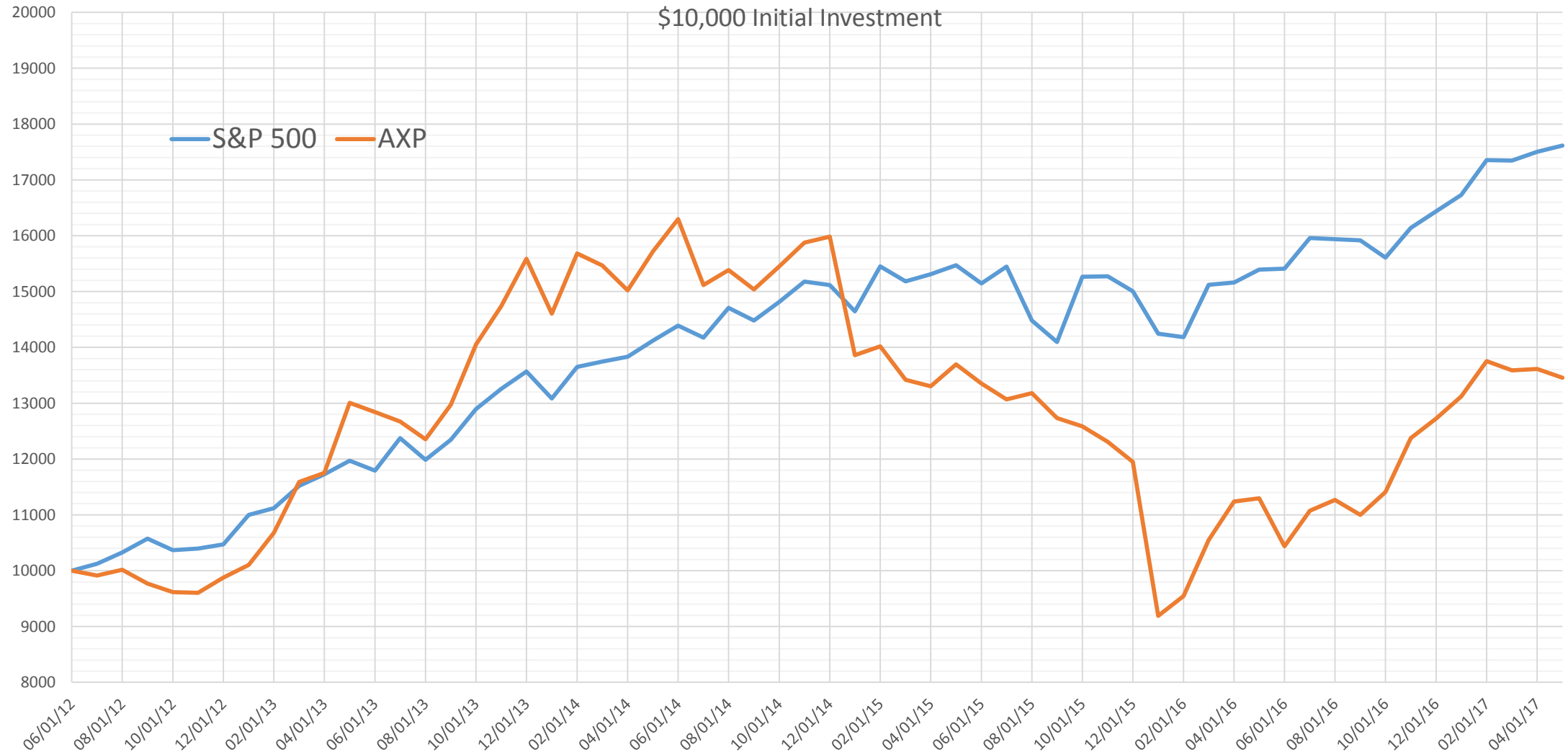
- Only invest in stocks that you understand
 - What is the business model?
 - How does American Express make money?

Tip #2

- A good company is not always a good stock
 - Amex's products cater to more affluent customers
 - Amex is famous for its great customer service
 - Very strong brand, known the world over

American Express' Recent Performance

5-Year Chart: American Express vs. S&P 500 Index
\$10,000 Initial Investment



Recent Performance

- Stock has significantly underperformed the broader market
 - Mostly due to losing Costco partnership
- Annual Net Income
 - 2014: \$5.9 billion
 - 2015: \$5.5 billion
 - 2016: \$5.4 billion
 - **2017: \$5.1 billion (VL Estimate)**

Tip #3

- Be careful of putting too much weight on share earnings

- American Express' annual performance

• Annual Net Income	Annual EPS
• 2014: \$5.9 billion	\$5.56
• 2015: \$5.5 billion	\$5.39
• 2016: \$5.4 billion	\$5.65
• 2017: \$5.1 billion (VL Estimate)	\$5.70

Tip #4

- Share buybacks are not always a good thing
 - It does make share net look better
 - CEO compensation is sometimes based on share-net increases, not profits
 - Does the company have enough capital to fund and expand operations?
 - Pay and increase the dividend?

Tip #5

- Earnings Per Share can be manipulated
 - Thus, also consider:
 - Revenues
 - Cash Flow
 - Book Value
 - Debt
 - Etc.
 - Company press releases...read more than just the headline

Tip #6

- Spend some time reading about the management team
 - Time at the company
 - Prior experience
 - Insider ownership
- Since 2001, Amex's CEO is Kenneth Chenault
- Insiders own less than 2% of common stock

Tip #7

- Choose companies that are shareholder friendly
 - Regular dividend increases
 - Buybacks*
 - Material contributions to operations, R&D, and acquisitions (if applicable)

American Express' Dividend Policy

- Annual Payout Per Share
 - 2011: \$0.72
 - 2012: \$0.78
 - 2013: \$0.86
 - 2014: \$0.98
 - 2015: \$1.10
 - 2016: \$1.22
 - **2017: \$1.32 (estimate)**

Annual % Increase: 8.2%

American Express' Repurchase Plan

- Annual Buyback Expenditures
 - 2014: 49 million shares for \$4.4 billion
 - 2015: 59 million shares for \$4.5 billion
 - 2016: 70 million shares for \$4.4 billion
- At 12/31/16, the company had 135 million shares remaining under the Board's repurchase authorization.

American Express' Future Prospects

- Recovering from loss of Costco
- Aggressively funding marketing initiatives and technology upgrades
- Will the company be successful?

American Express' Investment Merits

Positives

1. Trading at a very reasonable P/E of less than 16 (Market P/E=20.0)
2. Meaningful annual dividend increases expected
3. Profits may recover over time

Negatives

1. Stock price has already rebounded from its lows
2. No guarantee that management strategies will be successful

Don't Get Emotional

- Is AXP a good buy?
- Do the pros outweigh the cons?
- Does it fit your strategy?

Stocks to Avoid

1. Ones that commonly miss earnings targets
2. Have recently experienced unexpected top-level turnover
3. Companies that have questionable accounting, legal matters, etc.

Common Investing Pitfalls

1. Keeping your losers for too long
2. Buying stocks that don't fit your strategy or risk profile
3. Worrying about a few pennies on the stock price
4. Listening to advice that does not serve your best interests

End Of Presentation

- Thank you very much!