

ModernGraham Valuation

Discover Financial
Services



Company Name:

Company Ticker DFS

Date of Analysis

11/5/2015

Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass all 6 of the following tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$24,199,856,820	Pass
2. Earnings Stability	Positive EPS for 10 years prior		Pass
3. Dividend Record	Dividend Payments for 10 years prior		Fail
4. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	198.61%	Pass
5. Moderate PEmg Ratio	PEmg < 20	11.57	Pass
6. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.17	Pass

Enterprising Investor; must pass all 3 of the following tests, or be suitable for the Defensive Investor.

1. Earnings Stability	Positive EPS for 5 years prior		Pass
2. Dividend Record	Currently Pays Dividend		Pass
3. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	4.89
MG Growth Estimate	14.45%
MG Value	\$183.04
MG Value based on 3% Growth	\$70.96
MG Value based on 0% Growth	\$41.60
Market Implied Growth Rate	1.53%

MG Opinion

Current Price	\$56.61
% of Intrinsic Value	30.93%
Opinion	Undervalued

Stage 3: Information for Further Research

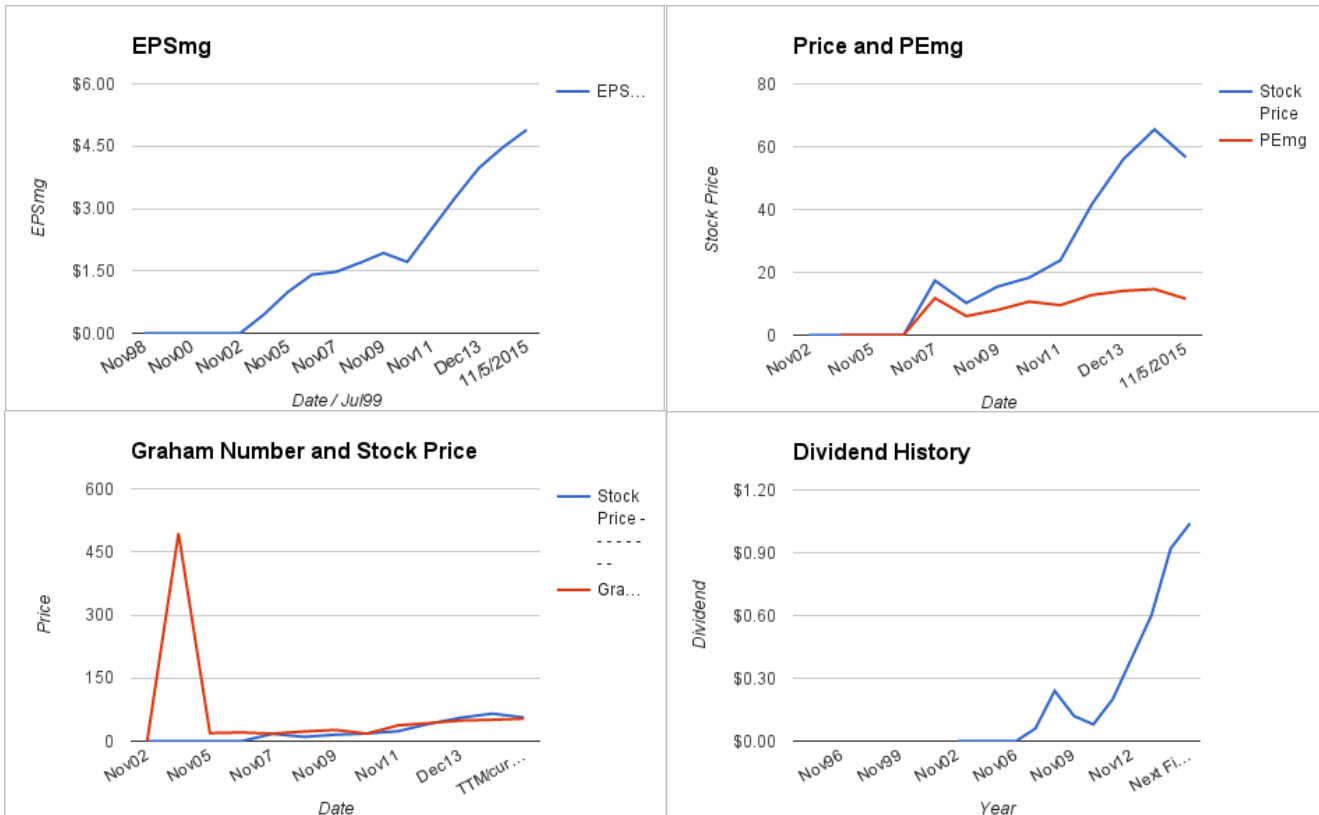
Graham Number	\$53.68
PEmg	11.57
PB Ratio	2.17
Dividend Yield	1.84%
Number of Consecutive Years of Dividend Growth	5

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.19	Next Fiscal Year Estimate	\$4.89
Dec14	\$4.90	Dec14	\$4.47
Dec13	\$4.96	Dec13	\$3.98
Nov12	\$4.46	Nov12	\$3.26
Nov11	\$4.06	Nov11	\$2.49
Nov10	\$1.22	Nov10	\$1.72
Nov09	\$2.38	Nov09	\$1.93
Nov08	\$1.92	Nov08	\$1.69
Nov07	\$1.23	Nov07	\$1.47
Nov06	\$1.89	Nov06	\$1.41
Nov05	\$1.89	Nov05	\$0.99
Nov03	\$1.36	Nov03	\$0.45
Nov02	\$0.00	Nov02	\$0.00
Nov01	\$0.00	Nov01	\$0.00
Nov00	\$0.00	Nov00	\$0.00
Nov99	\$0.00	Nov99	\$0.00
Nov98	\$0.00	Nov98	\$0.00
Nov97	\$0.00	Balance Sheet Information	Sep15
Nov96	\$0.00	Long-Term Debt	\$23,800,000,000
Nov95	\$0.00	Total Assets	\$85,611,000,000
Nov94	\$0.00	Intangible Assets	\$424,000,000
		Total Liabilities	\$74,308,000,000
		Shares Outstanding (Diluted Average)	434,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company

- [10 Companies Benjamin Graham Would Invest In Today – September 2015](#)
- [10 Most Undervalued Companies for the Enterprising Investor – August 2015](#)
- [The 8 Best Stocks For Value Investors This Week – 8/8/15](#)
- [Discover Financial Services Analysis – August 2015 Update \\$DFS](#)
- [5 Most Undervalued Companies for the Enterprising Investor – July 2015](#)

Other ModernGraham posts about related companies

- [MasterCard Inc. Analysis – October 2015 Update \\$MA](#)
- [Discover Financial Services Analysis – August 2015 Update \\$DFS](#)
- [Mastercard Inc. Analysis – June 2015 Update \\$MA](#)
- [Discover Financial Services Quarterly Valuation – May 2015 \\$DFS](#)
- [Mastercard Inc. Quarterly Valuation – March 2015 \\$MA](#)
- [Discover Financial Services Quarterly Valuation – February 2015 \\$DFS](#)
- [Mastercard Inc. Quarterly Valuation – December 2014 \\$MA](#)
- [Discover Financial Services Quarterly Valuation – November 2014](#)
- [Mastercard Inc. Quarterly Stock Valuation – September 2014 \\$MA](#)
- [Discover Financial Services Quarterly Valuation – August 2014 \\$DFS](#)