

# ModernGraham Valuation

Discover Financial  
Services



Company Name:

Company Ticker DFS

Date of Analysis

8/16/2016

## 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	\$23,430,504,588	Pass
2. Earnings Stability	Positive EPS for 10 years prior		Pass
3. Dividend Record	Dividend Payments for 10 years prior		Pass
4. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	182.10%	Pass
5. Moderate PEmg Ratio	PEmg < 20	11.23	Pass
6. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.09	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

<b>Defensive</b>	<b>Yes</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	5.16
MG Growth Estimate	8.77%
<b>MG Value</b>	<b>\$134.43</b>
MG Value based on 3% Growth	\$74.87
MG Value based on 0% Growth	\$43.89
Market Implied Growth Rate	1.37%

### MG Opinion

Current Price	\$58.01
% of Intrinsic Value	43.15%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>C+</b>

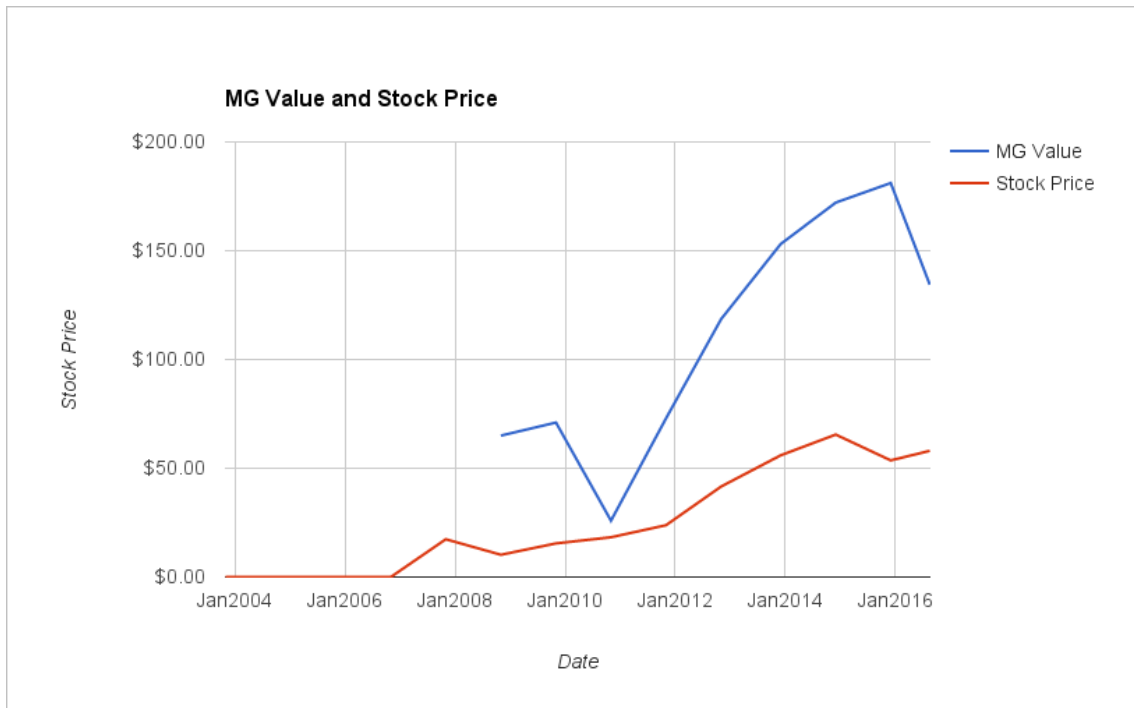
## Stage 3: Information for Further Research

Graham Number	\$57.80
PEmg	11.23
PB Ratio	2.09
Dividend Yield	1.93%
Number of Consecutive Years of Dividend Growth	6

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

<b>EPS History</b>		<b>EPSmg History</b>	
Next Fiscal Year Estimate	\$5.57	Next Fiscal Year Estimate	\$5.16
Dec2015	\$5.13	Dec2015	\$4.87
Dec2014	\$4.90	Dec2014	\$4.47
Dec2013	\$4.96	Dec2013	\$3.98
Nov2012	\$4.46	Nov2012	\$3.26
Nov2011	\$4.06	Nov2011	\$2.49
Nov2010	\$1.22	Nov2010	\$1.72
Nov2009	\$2.38	Nov2009	\$1.93
Nov2008	\$1.92	Nov2008	\$1.69
Nov2007	\$1.23	Nov2007	\$1.47
Nov2006	\$1.89	Nov2006	\$1.41
Nov2005	\$1.89	Nov2005	\$0.99
Nov2003	\$1.36	Nov2003	\$0.45
Nov2002	\$0.00	Nov2002	\$0.00
Dec2001	\$0.00	Dec2001	\$0.00
Dec2000	\$0.00	Dec2000	\$0.00
Dec1999	\$0.00	Dec1999	\$0.00
Dec1998	\$0.00		
		<b>Balance Sheet Information</b>	<b>6/1/2016</b>
Dec1997	\$0.00	Long-Term Debt & Capital Lease Obligation	\$24,681,000,000
Dec1996	\$0.00	Total Assets	\$87,511,000,000
Dec1995	\$0.00	Intangible Assets	\$422,000,000
		Total Liabilities	\$76,114,000,000
		Shares Outstanding (Diluted Average)	411,000,000





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 Low PE Stock Picks for the Defensive Investor – August 2016](#)
- [10 Low PE Stocks for the Defensive Investor – July 2016](#)
- [10 Low PE Stocks for the Defensive Investor – June 2016](#)
- [10 Low PE Stocks for the Defensive Investor – May 2016](#)
- [15 Best Stocks For Value Investors This Week – 2/13/16](#)

Other ModernGraham posts about related companies

- [Mastercard Inc Valuation – July 2016 \\$MA](#)
- [Discover Financial Services Valuation – February 2016 \\$DFS](#)
- [Mastercard Inc Valuation – January 2016 Update \\$MA](#)
- [Mastercard Inc Valuation – January 2016 Update \\$MA](#)
- [Discover Financial Services Inc. Valuation – November 2015 Update \\$DFS](#)
- [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](#)