

ModernGraham Valuation

Company Name:

Company Ticker DFS

Date of Analysis

Discover Financial
Services

2/8/2016



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	\$19,258,814,230	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	172.68%	Pass
5. Moderate PEmg Ratio	PEmg < 20	9.01	Pass
6. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.72	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	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	5.01
MG Growth Estimate	8.05%
MG Value	\$123.20
MG Value based on 3% Growth	\$72.61
MG Value based on 0% Growth	\$42.57
Market Implied Growth Rate	0.25%

MG Opinion

Current Price	\$45.11
% of Intrinsic Value	36.61%
Opinion	Undervalued

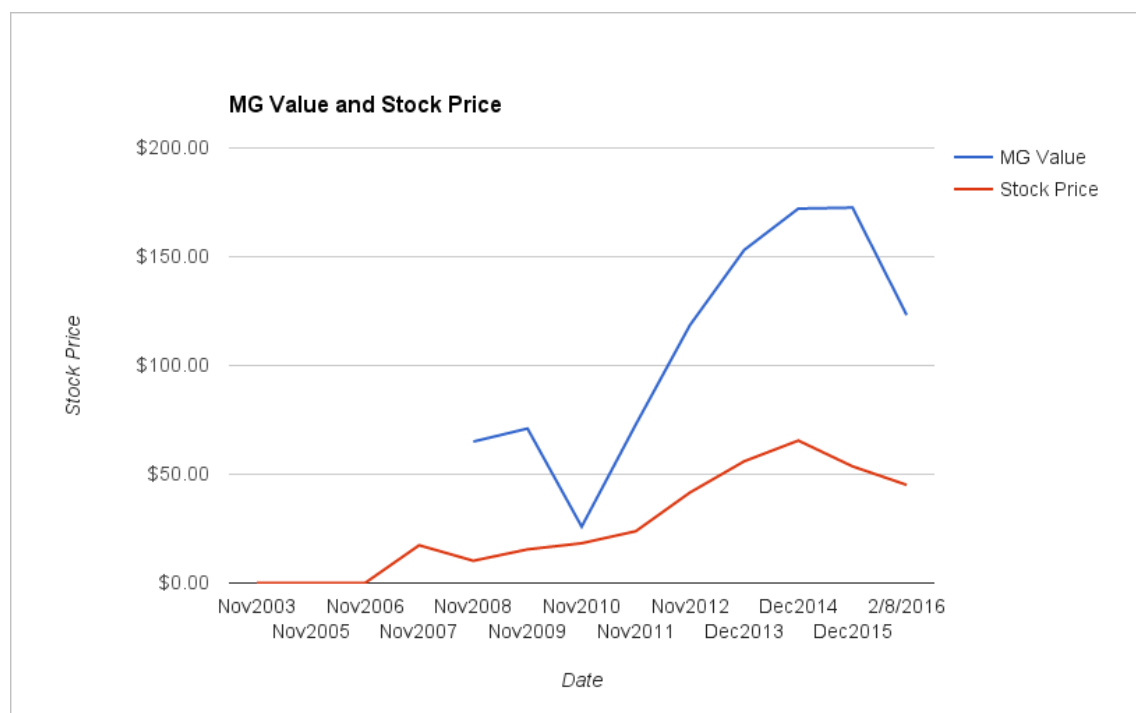
Stage 3: Information for Further Research

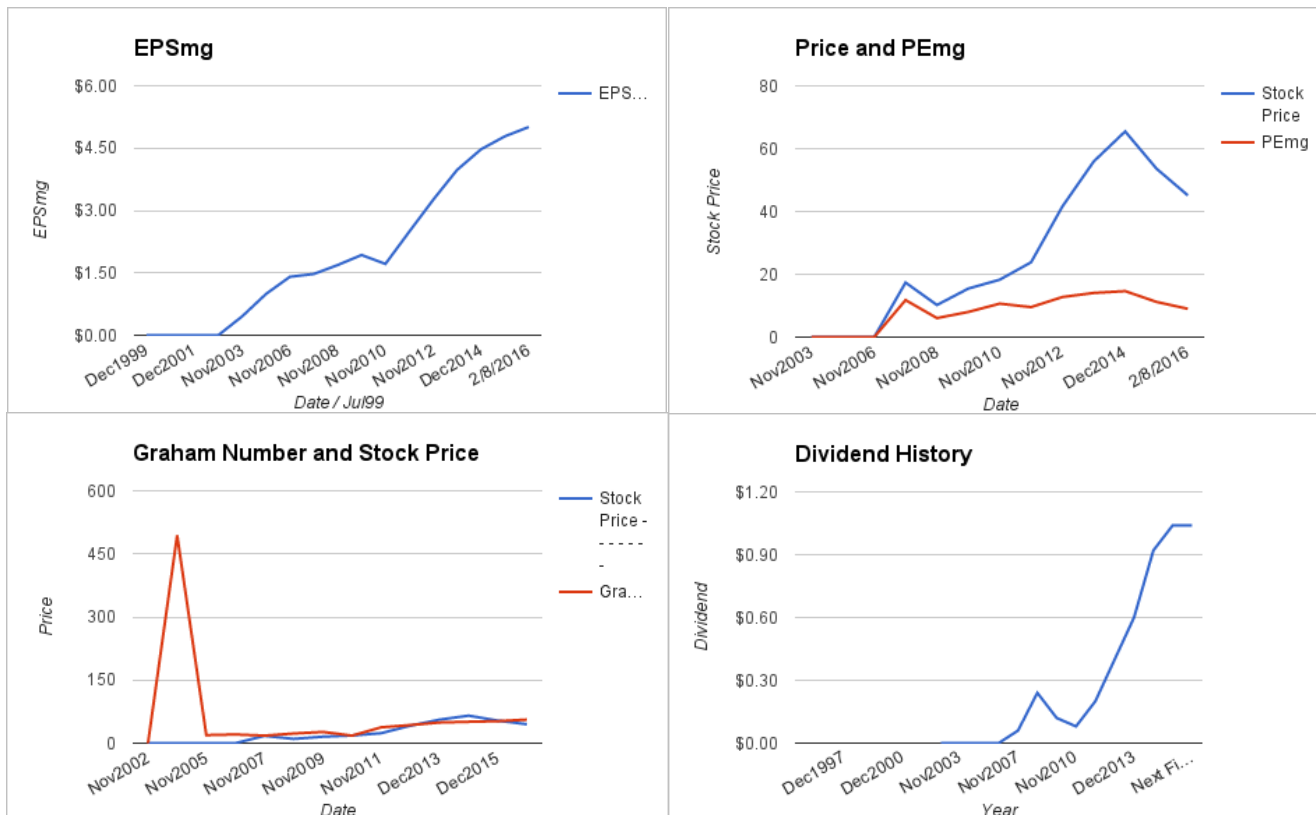
Graham Number	\$56.05
PEmg	9.01
PB Ratio	1.72
Dividend Yield	2.31%
Number of Consecutive Years of Dividend Growth	6

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	\$5.32	Next Fiscal Year Estimate	\$5.01
Dec2015	\$4.86	Dec2015	\$4.78
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	Balance Sheet Information Dec2015 Long-Term Debt \$24,724,000,000 Total Assets \$86,936,000,000 Intangible Assets \$423,000,000 Total Liabilities \$75,661,000,000 Shares Outstanding (Diluted Average) 429,520,000	
Dec1997	\$0.00		
Dec1996	\$0.00		
Dec1995	\$0.00		





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 Stocks for the Enterprising Investor – February 2016](#)
- [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](#)

Other
ModernGraham
posts about related
companies

- [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](#)
- [Discover Financial Services Quarterly Valuation – February 2015 \\$DFS](#)
- [Mastercard Inc. Quarterly Valuation – December 2014 \\$MA](#)