

ModernGraham Valuation

Discover Financial
Services



Company Name:

Company Ticker DFS

Date of Analysis

1/28/2017

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	\$27,292,269,532	Pass
2. Earnings Stability	Positive EPS for 10 years prior		Pass
3. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	203.44%	Pass
4. Earnings Growth	PEmg < 20	12.56	Pass
5. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.40	Pass
6. Moderate Price to Assets			

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	5.50
MG Growth Estimate	5.74%
MG Value	\$109.91
MG Value based on 3% Growth	\$79.73
MG Value based on 0% Growth	\$46.74
Market Implied Growth Rate	2.03%

MG Opinion

Current Price	\$69.06
% of Intrinsic Value	62.83%
Opinion	Undervalued
MG Grade	C+

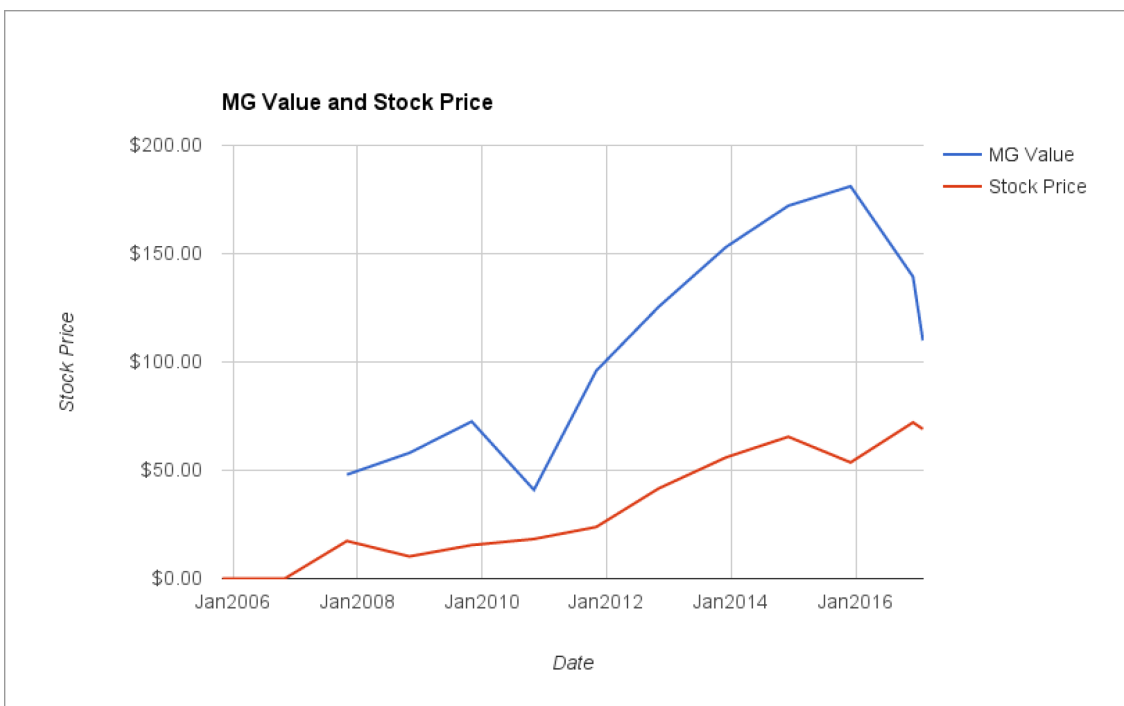
Stage 3: Information for Further Research

Graham Number	\$62.08
PEmg	12.56
PB Ratio	2.40
Dividend Yield	1.68%
Number of Consecutive Years of Dividend Growth	7

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	\$5.85	Next Fiscal Year Estimate	\$5.50
Dec2016	\$5.77	Dec2016	\$5.23
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	\$1.88
Nov2008	\$1.92	Nov2008	\$1.51
Nov2007	\$1.23	Nov2007	\$1.25
Nov2006	\$1.89	Nov2006	\$1.13
Nov2005	\$1.21	Nov2005	\$0.68
Nov2004	\$0.00	Nov2004	\$0.36
Nov2003	\$1.36	Nov2003	\$0.45
Nov2002	\$0.00	Nov2002	\$0.00
Dec2001	\$0.00	Dec2001	\$0.00
Dec2000	\$0.00		
Dec1999	\$0.00		
Dec1998	\$0.00		
Dec1997	\$0.00		
		Balance Sheet Information 12/1/2016	
		Long-Term Debt & Capital Lease Obligation	\$25,443,000,000
		Total Assets	\$92,308,000,000
		Intangible Assets	\$421,000,000
		Total Liabilities	\$80,985,000,000
		Shares Outstanding (Diluted Average)	393,000,000





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

[Discover Financial Services Valuation – August 2016 \\$DFS](#)
[Mastercard Inc Valuation – July 2016 \\$MA](#)
[Discover Financial Services Valuation – February 2016 \\$DFS](#)
[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](#)