

# ModernGraham Valuation

Alliance Data  
Systems Corporation



## Company Name:

Company Ticker ADS

Date of Analysis

5/14/2018

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

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$11,540,981,778	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.14	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	279.51%	Pass
5. Earnings Growth	PEmg < 20	14.72	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	5.83	Fail
7. Moderate Price to Assets			

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	2.14	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.91	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago Score		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$14.23
MG Growth Estimate	15.00%
<b>MG Value</b>	<b>\$547.96</b>
MG Value based on 3% Growth	\$206.37
MG Value based on 0% Growth	\$120.98
Market Implied Growth Rate	3.11%

### MG Opinion

Current Price	\$209.45
% of Intrinsic Value	38.22%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>B-</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$70.39
Graham Number	\$128.46
PEmg	14.72
Current Ratio	2.14
PB Ratio	5.83
Current Dividend	\$2.08
Dividend Yield	0.99%
Number of Consecutive Years of Dividend Growth	2

### 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>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$21.90	Next Fiscal Year Estimate	\$14.23
Dec2017	\$14.10	Dec2017	\$9.97
Dec2016	\$7.34	Dec2016	\$7.81
Dec2015	\$8.85	Dec2015	\$7.77
Dec2014	\$7.87	Dec2014	\$6.88
Dec2013	\$7.42	Dec2013	\$5.95
Dec2012	\$6.58	Dec2012	\$4.86
Dec2011	\$5.45	Dec2011	\$3.75
Dec2010	\$3.48	Dec2010	\$2.81
Dec2009	\$2.49	Dec2009	\$2.40
Dec2008	\$2.80	Dec2008	\$2.24
Dec2007	\$2.03	Dec2007	\$1.84
Dec2006	\$2.32	Dec2006	\$1.59
Dec2005	\$1.64	Dec2005	\$1.07
Dec2004	\$1.22	Dec2004	\$0.62
Dec2003	\$0.84	Dec2003	\$0.19
Dec2002	\$0.31	Dec2002	-\$0.19
Dec2001	-\$0.21	<b>Balance Sheet Information 3/1/2018</b>	
Dec2000	-\$0.60	Total Current Assets	\$23,470,500,000
Dec1999	-\$0.70	Total Current Liabilities	\$10,985,500,000
Dec1998	-\$0.43	Long-Term Debt	\$11,362,100,000
		Total Assets	\$29,392,900,000
		Intangible Assets	\$4,630,400,000
		Total Liabilities	\$27,391,500,000
		Shares Outstanding (Diluted Average)	55,700,000





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**

- [14 Best Stocks for Value Investors This Week – 2/11/17](#)
- [Alliance Data Systems Corp Valuation – February 2017 \\$ADS](#)
- [Alliance Data Systems Corporation Analysis – October 2015 Update \\$ADS](#)
- [14 Companies in the Spotlight This Week – 10/11/14](#)
- [Alliance Data Systems Annual Stock Valuation – 2014 \\$ADS](#)

**Other ModernGraham posts about related companies**

- [Whirlpool Corporation Valuation – April 2018 \\$WHR](#)
- [IHS Markit Ltd Valuation – Initial Coverage April 2018 \\$INFO](#)
- [Automatic Data Processing Inc Valuation – April 2018 \\$ADP](#)
- [Accenture PLC Valuation – April 2018 \\$ACN](#)
- [Fiserv Inc Valuation – April 2018 \\$FISV](#)
- [Iron Mountain Inc Valuation – April 2018 \\$IRM](#)
- [Cintas Corp Valuation – April 2018 \\$CTAS](#)
- [Xerox Corp Valuation – March 2018 \\$XRX](#)
- [Avery Dennison Corp Valuation – March 2018 \\$AVY](#)
- [Ecolab Inc Valuation – March 2018 \\$ECL](#)