

# ModernGraham Valuation

Discover Financial  
Services



Company Name:

Company Ticker DFS

Date of Analysis

5/9/2018

## 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	\$25,500,576,543	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	142.69%	Pass
5. Moderate PEmg Ratio	PEmg < 20	12.20	Pass
6. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.42	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	6.08
MG Growth Estimate	5.39%
<b>MG Value</b>	<b>\$117.14</b>
MG Value based on 3% Growth	\$88.11
MG Value based on 0% Growth	\$51.65
Market Implied Growth Rate	1.85%

### MG Opinion

Current Price	\$74.12
% of Intrinsic Value	63.28%
<b>Opinion</b>	<b>Undervalued</b>
<b>MG Grade</b>	<b>B</b>

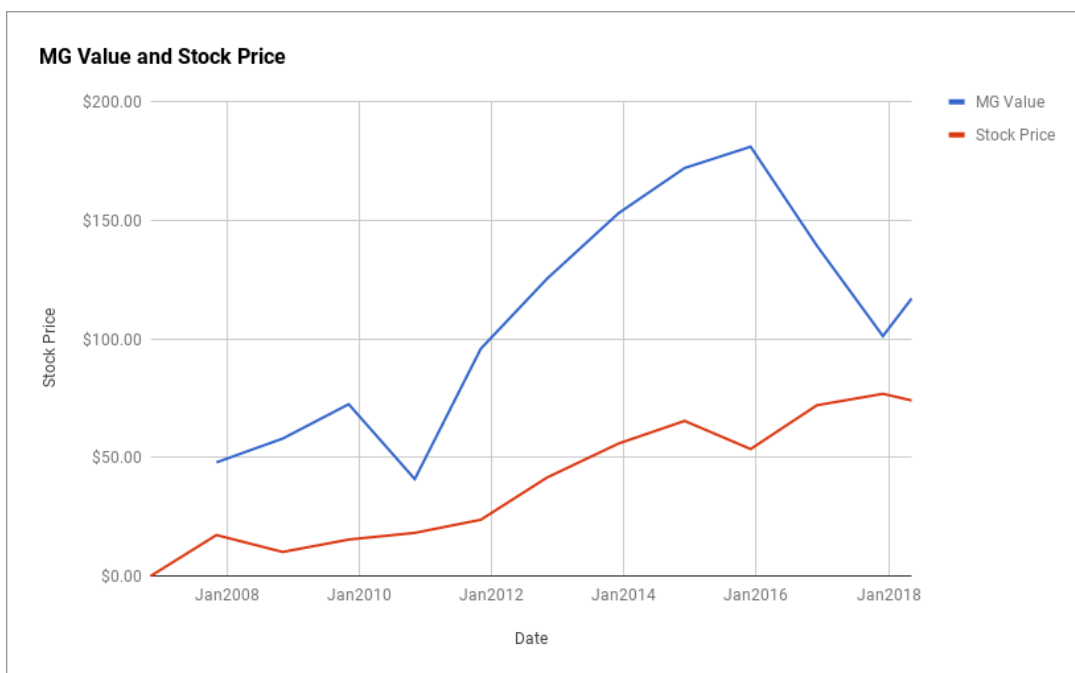
## Stage 3: Information for Further Research

Graham Number	\$69.32
PEmg	12.20
PB Ratio	2.42
Dividend Yield	1.75%
Number of Consecutive Years of Dividend Growth	7

### 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	\$7.40	Next Fiscal Year Estimate	\$6.08
Dec2017	\$5.42	Dec2017	\$5.36
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
Dec2002	\$0.00	Dec2002	\$0.00
Dec2001	\$0.00		
Dec2000	\$0.00		
Dec1999	\$0.00		
Dec1998	\$0.00		
		<b>Balance Sheet Information</b>	<b>3/1/2018</b>
		Long-Term Debt & Capital Lease Obligation	\$26,244,000,000
		Total Assets	\$101,967,000,000
		Intangible Assets	\$417,000,000
		Total Liabilities	\$91,096,000,000
		Shares Outstanding (Diluted Average)	355,000,000





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 2017](#)
  - [10 Low PE Stock Picks for the Defensive Investor – February 2017](#)
  - [12 Best Stocks for Value Investors This Week – 2/4/17](#)
  - [10 Low PE Stock Picks for the Defensive Investor – January 2017](#)
  - [Discover Financial Services Valuation – January 2017 \\$DFS](#)

- Other ModernGraham posts about related companies**
- [Mastercard Inc Valuation – March 2018 \\$MA](#)
  - [Discover Financial Services Valuation – January 2017 \\$DFS](#)
  - [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](#)