

ModernGraham Valuation

Alliance Data
Systems Corporation



Company Name:

Company Ticker ADS

Date of Analysis

3/5/2019

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	\$9,070,607,376	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.15	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	232.37%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	10.89	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.97	Pass

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	2.15	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.80	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

Defensive	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$15.71
MG Growth Estimate	15.00%
MG Value	\$604.68
MG Value based on 3% Growth	\$227.74
MG Value based on 0% Growth	\$133.50
Market Implied Growth Rate	1.19%

MG Opinion

Current Price	\$171.03
% of Intrinsic Value	28.28%
Opinion	Undervalued
MG Grade	B

Stage 3: Information for Further Research

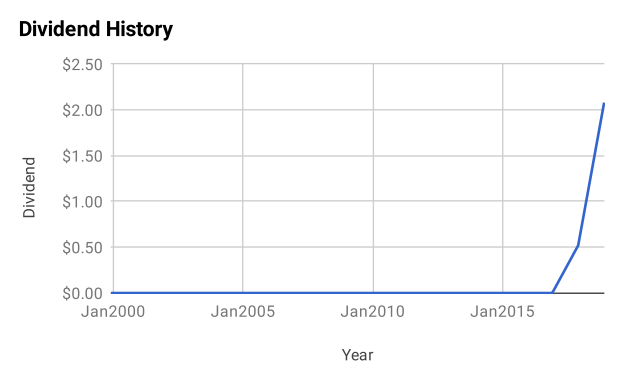
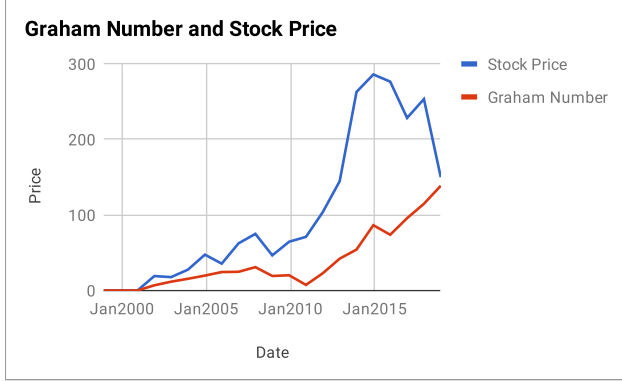
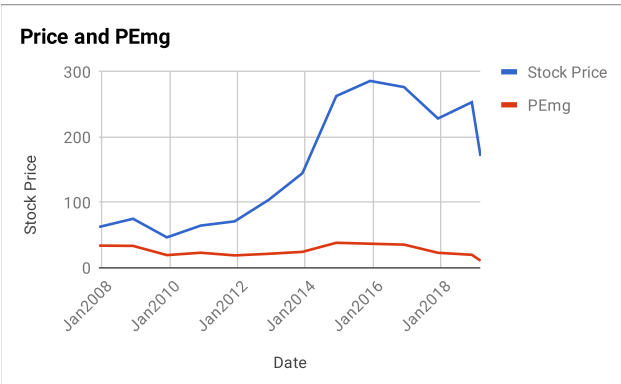
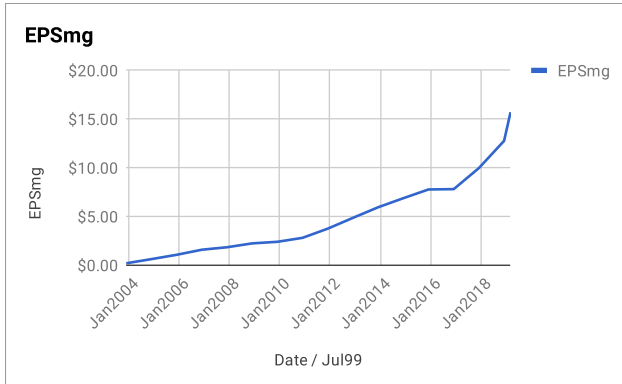
Net Current Asset Value (NCAV)	-\$61.70
Graham Number	\$138.66
PEmg	10.89
Current Ratio	2.15
PB Ratio	3.97
Current Dividend	\$2.28
Dividend Yield	1.33%
Number of Consecutive Years of Dividend Growth	3

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	\$19.96	Next Fiscal Year Estimate	\$15.71
Dec2018	\$17.49	Dec2018	\$12.76
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	Balance Sheet Information 12/1/2018	
Dec2001	-\$0.21	Total Current Assets	\$24,711,700,000
Dec2000	-\$0.60	Total Current Liabilities	\$11,484,000,000
Dec1999	-\$0.70	Long-Term Debt	\$10,527,500,000
		Total Assets	\$30,387,700,000
		Intangible Assets	\$4,380,700,000
		Total Liabilities	\$28,055,600,000
		Shares Outstanding (Diluted Average)	54,200,000





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 Undervalued Stocks for the Enterprising Investor – January 2019](#)
 - [Most Undervalued Stocks of the S&P 500 – August 2018](#)
 - [5 Undervalued Stocks for Value Investors with a High Beta – July 2018](#)
 - [Alliance Data Systems Corp Valuation – May 2018 \\$ADS](#)
 - [14 Best Stocks for Value Investors This Week – 2/11/17](#)

- Other ModernGraham posts about related companies**
- [IHS Markit Ltd Valuation – February 2019 \\$INFO](#)
 - [Automatic Data Processing Inc Valuation – February 2019 \\$ADP](#)
 - [Fiserv Inc Valuation – February 2019 \\$FISV](#)
 - [Rollins Inc Valuation – February 2019 \\$ROL](#)
 - [Iron Mountain Inc Valuation – February 2019 \\$IRM](#)
 - [Cintas Corp Valuation – February 2019 \\$CTAS](#)
 - [Fidelity National Information Services Inc Valuation – January 2019 \\$FIS](#)
 - [Avery Dennison Corp Valuation – January 2019 \\$AVY](#)
 - [Paychex Inc Valuation – January 2019 \\$PAYX](#)
 - [Fleetcor Technologies Inc Valuation – January 2019 \\$FLT](#)