ModernGraham Valuation

Company Name:

Discover Financial Services



Company Ticker

Date of Analysis 3/2/2019

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

Defensive Investor; must pass all 6 of the following tests.

Adequate Size of the Enterprise	Market Cap > \$2Bil	\$23,591,292,141 Pass
2. Earnings Stability	Positive EPS for 10 years prior	Pass
Dividend Record	Dividend Payments for 10 years prior	Pass
4. Farriage Counth	Increase of 33% in EPS in past 10 years using 3 year averages at	400 200/ D
Earnings Growth	beginning and end	122.38% Pass
Moderate PEmg Ratio	PEmg < 20	10.13 Pass
6. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.17 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	7.09
MG Growth Estimate	6.82%
MG Value	\$156.93
MG Value based on 3% Growth	\$102.80
MG Value based on 0% Growth	\$60.26
Market Implied Growth Rate	0.82%

MG Opinion

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% of Intrinsic Value	45.78%
Current Price	\$/1.84

Opinion Undervalued

MG Grade

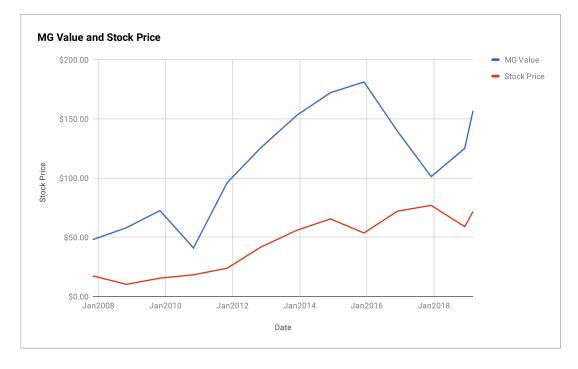
Stage 3: Information for Further Research

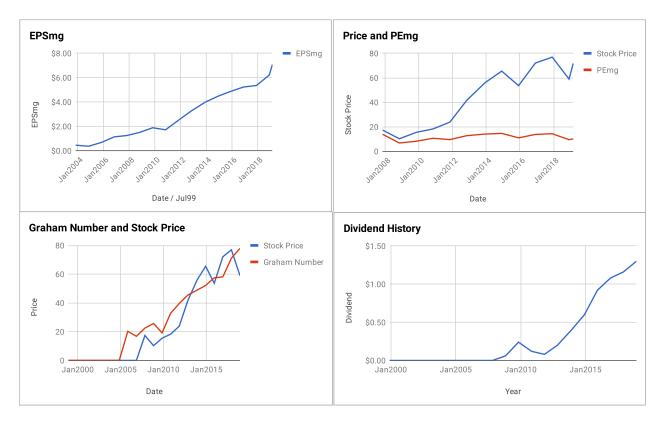
Graham Number	\$77.91
PEmg	10.13
PB Ratio	2.17
Dividend Yield	2.09%
Number of Consecutive Years of Dividend Growth	8
GIOWIII	0

Useful Links: ModernGraham tagged articles

Morningstar Google Finance MSN Money Yahoo Finance Seeking Alpha <u>GuruFocus</u> SEC Filings

EPS History		EPSmg History	
Next Fiscal Year			
Estimate	\$8.45	Next Fiscal Year Estimate	\$7.09
Dec2018	\$7.79	Dec2018	\$6.21
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	\$1.5
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	Balance Sheet Information	12/1/2018
		Long-Term Debt & Capital Lease	
Dec2001	\$0.00	Obligation	\$27,228,000,000
Dec2000	\$0.00	Total Assets	\$109,553,000,000
Dec1999	\$0.00	Intangible Assets	\$416,000,000
		Total Liabilities	\$98,423,000,000
		Shares Outstanding (Diluted Average)	336,000,000





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 – June 2018 <u>Discover Financial Services Valuation – May 2018 \$DFS</u> 10 Low PE Stock Picks for the Defensive Investor – August 2017

10 Low PE Stock Picks for the Defensive Investor – February 2017

<u>12 Best Stocks for Value Investors This Week – 2/4/17</u>

Other ModernGraham posts about related companies

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American Express Co Valuation - November 2018 \$AXP

Mastercard Inc Valuation - March 2018 \$MA

Discover Financial Services Valuation – January 2017 \$DFS <u>Discover Financial Services Valuation – August 2016 \$DFS</u>

Mastercard Inc Valuation - July 2016 \$MA

Discover Financial Services Valuation - February 2016 \$DFS Mastercard Inc Valuation - January 2016 Update \$MA

<u>Discover Financial Services Inc. Valuation – November 2015 Update \$DFS</u>