

Discover Stock Pitch



Example Presentation

- This template is basic and simple, but fits Discover's color scheme. While it could benefit from having a little more color/detail, this would be better than a presentation with too busy of a template.
- Note: none of the three presentations contain transitions. Transitions can be fun, but often are unprofessional. In a professional setting, stick to no transitions or, if you must include them, very basic ones. If you choose to include transitions, be uniform and choose the same one for each slide as opposed to a different transition for each slide.

The Basics

- Discover is a bank and credit card company
- Products include
 - Debit and Credit Cards
 - Student and Personal Loans
 - Bank Accounts (Checking & Savings, Money Markets, CDs)
 - Home Equity Loans and Mortgages
- Most known as the 3rd largest credit card company
 - Behind VISA and MasterCard
- \$403 billion total network volume

- The first point makes it clear what this company does-- the investor needs to know this before anything else.
 - Discover is both a bank and a credit card company offering the products listed below. Understand that you do not need to explain in great detail every single product/service the company offers, but make sure to explain the most important ones and what makes up a majority of their revenue.
- Knowing that Discover is the 3rd largest credit card company does a couple of things for the presentation: it sets up an explanation as to why VISA and MasterCard will have more revenue and cardholders when we discuss the financials, and it also sets up how important their credit cards are to their company.
- The \$403 billion total network volume statistic is a good piece of information, but remember that numbers without context lose meaning. If you choose to put a statistic like this in your presentation, compare it (either verbally or visually) to the network volume of its top competitors or to the industry on average.
- Note the dead space on the right of the screen. This presentation could be improved by adding a relevant image or graphic. Keep your slides from having too little on them and too much on them.

Are They Good At It?

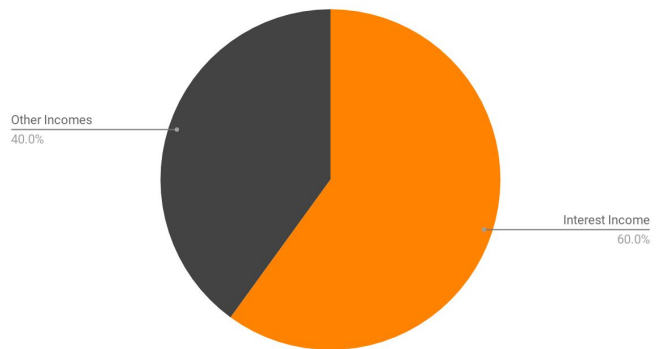
- Among most profitable banks (using ROE) despite being much smaller
- Ranked highest for credit card satisfaction last 5 years
- 57 million cardholders with \$2.91 billion net income in 2019 (\$51/cardholder)
 - VISA has 340 million cardholders with \$12.08 billion net income in 2019 (\$36/cardholder)
 - MasterCard has 231 million cardholders with \$8.12 net income in 2019 (\$35/cardholder)
- Top company for credit card rewards
- First mover in offering free FICO scores and cash back rewards

- Note that the headers in this presentation are a bit more interactive than on the other presentations. Without being too wordy or unprofessional, sometimes it is beneficial to have slide titles that are informative and eye-catching.
- This slide is incredibly important because it takes the previous slide and adds detail. It developed from what they do to whether or not they are good at what they do. For the investor, it ultimately won't matter what the company does if they are horrible at it.
- This slide does a good job of discussing multiple aspects of Discover's success, including some financials, comparisons to competitors, rewards programs, innovations, and customer service. Success as a company has to do with more than just financial numbers, so be sure to know and express what all your company is good at.
- The third bullet point is a ratio created to relate how many cardholders Discover and its competitors have to their respective net incomes. It helps compare Discover to its competitors in terms of how much money its able to generate per cardholder. Without this comparison, it looks somewhat troubling that both VISA and MasterCard have a much higher net income than Discover along with many more cardholders, but we see that Discover generates more income per cardholder than its competitors by over 40%.

How Do They Make Money?

- Revenue generated from payments processed
- Revenue from spread on banking products
- Interest income is over 60% of revenue
- Other revenues generated through product and service fees

Discover Revenues



- This slide is incredibly important because it explains how Discover makes their money. As a bank and a credit card company, this may be less obvious than a company like Apple where it's a bit more clear.
- Note that the bullets on this slide are not overly verbose, so this means that the presenter should ensure that they are describing the points in more detail as opposed to merely reading the bullet points alone.
- While the graphic on this slide does a good job of diversifying the slide (a combination of words and images instead of only words with lots of dead space), it is unnecessary. It is only a graphical depiction of the third bullet point and provides no more information than the bullet point alone. Don't make a graphic just to make a graphic-- make sure that each piece you include in your presentation has meaning.
 - This graphic could potentially be improved by outlining some of the "other revenues" within the 40% or by breaking down the interest income alone into the interest on different products.

What Opportunities Do They Have?

Continuing to create products for younger generations

Growing present business model to larger scale

Continuing to innovate in credit rewards

Offering diversification of corporate banking products in mobile platform

- This presentation, unlike the Apple presentation, does not have an entire SWOT analysis. Instead, it focuses primarily on the opportunities that Discover has to continue to be profitable in the future. Remember that you have a limited time to present, so be sure to focus on the most important parts. In this example, the presenter chose to focus more time on the array of opportunities Discover has.
- The arrows on this slide help to convey the meaning of moving forward. Each arrow contains a potential avenue Discover can pursue to progress in the future. When choosing graphics and formatting, choose graphics and formatting that help convey the message you're trying to convey.

Your Investment

- Capitalizing on Discover's downturn from pandemic
 - Experts expect the price to be higher than its current state
- Stock has moved from \$13 in 2010 to a pre-pandemic high of \$92
 - \$27 below high; expect to see gains as the economy rebounds
- At worst, expect to hold stock for long-term if economy takes time to rebound
- At best, expect sustained growth over time as they company expands
- 6.97 P/E ratio compared to 35.96 (Visa) and 41.14 (MasterCard)

- This presentation concludes with an argument
- The presenter is taking current events and arguing that they will be beneficial to the investor. The slide explains how the stock price decreased during the beginning of the COVID-19 pandemic, but it has been rebounding in the months since so they are trying to convince the investor that the stock price will continue to rise and therefore bring them a higher return.
- The at worst/at best predictions are a good way to express that you understand the risks and potential problems with your company, but that you are still confident. Note that these are just estimates because the real worst case scenario involves the company going bankrupt immediately and the investor loses all their money.
- P/E ratio means Price to Earnings ratio. A lower ratio can indicate a good value for a stock. Since Discover's P/E ratio is much lower than its top competitors, the presenter is arguing here that Discover is a higher-value stock than Visa and MasterCard. Do some basic research on the P/E ratio to gain a better understanding of it, and include it somewhere in your presentation as it can be a great indicator of value.

References

Discover. n.d. 22 October 2020.

finance.yahoo.com. n.d. 22 October 2020.

- Include references (these are cited in MLA format). Citation format does not matter as long as sources are properly cited.