

AT&T Inc. (NYSE: T)

Sector: Technology (NAICS: 517110)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$45.40	\$33.45	\$37.48	\$31.74	0.79	11.14	\$173.5B (Large Cap)	5.50%

Industry Trends

The telecommunication industry remains very competitive with a few large players. Current themes dominating this segment include a continued shift toward wireless and growth in demand for data offerings. This is further exemplified by the increased use of mobile phones and tablets relying on data offerings, rather than computers. This shows the industry has growth potential and a large consistent demand to satisfy.

Investment Thesis

AT&T has a long history of being a leading provider in the telecommunication industry. AT&T has a large and growing customer base with low churn rates. The company provides a high dividend yield, which mitigates any slow-downs in growth for the industry. AT&T and DirecTV have agreed to a merger that should be approved, which will create the largest pay TV subscriber base. The merger will help growth for AT&T because their bigger scale and bargaining power will give it the resources to invest in new capabilities that would make it a top provider for the exploding streaming video market. Additionally the merger with DirecTV will allow AT&T to bundle its products with DirecTV's to provide better pricing and reach new customers, particularly in Latin America where DirecTV has 18 million subscribers.

Business Summary

AT&T Inc. is a communications holding company. The Company provides local and long-distance phone service, wireless and data communications, Internet access and messaging, IP-based and satellite television, security services, telecommunications equipment, and directory advertising and publishing. AT&T's two major segments are wireless and wireline. The wireless segment accounts for 54% of revenue and the wireline segment accounts for 46% of revenue.

AT&T 5-year stock performance vs. S&P 500:



(Yahoo Finance)

Corporate Social Responsibility:

ESG Disclosure Rating	44.86 (Ind. Avg.: 29.77)
Environmental Disclosure Score	36.59 (Ind. Avg.: 36.78)
Carbon Disclosure Score	96.00 (Ind. Avg.: 73.40)
Social Disclosure Score	42.19 (Ind. Avg.: 32.45)
Governance Disclosure Score	66.07 (Ind. Avg.: 56.76)
Equal Opportunity Policy	1 (Ind. Avg.: 1)
Community Spending	\$130.0M (Ind. Avg.: \$63.7M)
Total Energy Consumption (000s MWh)	66.77 (Ind. Avg.: 14.04)

Source: Bloomberg, Value Line Investment Survey, Yahoo Finance

Competition:

AT&T's competitors vary across its different business segments. The top competitors for AT&T are Verizon, Sprint, T-Mobile, Comcast, and Time Warner Cable.

Pros:

- The Company has rewarded shareholders with a high dividend yield, which has increased for the 30th consecutive year
- A consistent customer base, improving efficiencies, and speed to lower costs and increase customer acquisition
- Acquisition of DirecTV to reach new customers in Latin America
- Bundling offerings with DirecTV's to achieve optimal pricing and higher quality product offerings

Cons:

- The telecommunication industry remains highly competitive, and consumers have comparable options to choose from as consolidation continues creating only a few major players
- There is a limited availability of wireless spectrum, which restricts continuous growth in speed and coverage for the industry
- The possibility that the merger with DirecTV does not pass Anti-trust regulations

Value Estimate: \$45-\$51 (2014-2019)

Estimated Real Annual Return: 8%-12%

Key Valuation Data:

Estimated Revenues	4%
WACC	10%
Terminal Growth Rate	3%
Calculated CAGR	8%

Key Financial Data2

Expected inflation	2%
Current EPS	\$3.00
Forecasted EPS Growth	5%
Credit Quality	A3/A-/A
ROE	19.91%
ROA	6.63%
Price/Book	1.88
Debt/Equity	81.75
Debt/Assets	26.92
Current Ratio	0.66
Price/Cash Flow	15.50

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