

AT&T, Inc. Ticker: T Sector: Telecommunications Industry: Telecom Services	Intrinsic Value: 55.31 Current Price: 39.37 Stop Loss: 33.46	TTM P/E: 16.82 Forward P/E: 12.92 Beta: 0.34	Market Cap: \$242.3M Dividend Yield: 4.92% 52 Wk Range: \$32.22-\$43.89
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Business Summary: AT&T is one of the world's largest telecom holding companies, offering communications and digital entertainment services both in the United States and around the world. AT&T operates through the four segments of Business Solutions, Entertainment Group, Consumer Mobility, and International. Business Solutions includes wireless service and data services. The Entertainment Group provides video, internet and voice services to residential customers in the US. The Consumer Mobility segment provides wireless service to consumers in the US. The International Segment provides video entertainment services to customers outside of the US. (Google Finance)

Industry Trends: The U.S. telecommunications industry is likely to witness reasonable growth through 2016. This industry has lately emerged as an intensely contested space where success thrives largely on technical superiority, the quality of services and scalability. Cut-throat pricing competition may put pressure on margins. Nevertheless, uninterrupted advancement in telecom technologies has helped telecom operators and equipment manufacturers adopt newer business models in order to boost revenues. (Nasdaq)

Competitive Analysis: While AT&T is still a powerhouse in the consumer wireless market, the acquisition of DirecTV indicates a strong move to help diversify from this line of business where they have strong competition from Verizon, Sprint and T-Mobile. The DirecTV acquisition should provide strong revenue for years to come, especially with the NFL related content that comes with DirecTV. Additionally, AT&T shows consistent year over year revenue growth, with healthy cash flows headed into the next few years. (Value Line)

Pros:

- Stable company with consistent dividends
- Acquisition of DirecTV will make AT&T a leader in streaming video
- High barrier to entry in telecom industry

Risk Factors:

- Intense competition from established competitors
- Slow growth in US wireless business
- AT&T carries large amount of debt

5 Year Stock Performance:



Key Valuation Assumption

- Optimistic Est Revenue Growth: 14%
- Realistic Est Revenue Growth: 8%
- Pessimistic Est Revenue Growth: 2%
- WACC: 7.0%
- Expected Inflation: 2.0%
- Terminal Growth Rate: 3.0%
- 10 Yr Risk Free Rate: 2.0%
- Equity Risk Premium: 6.50%
- Tax Rate: 30.0%

Key Financial Data

- Est 2016 EPS: 2.86
- Est 2017 EPS: 3.01
- 2-5 Yr Est EPS Growth: 8%
- PEG (TTM): 1.64
- Credit Quality: Baa1 (Moody's)
- ROE: 12.58%
- ROA: 3.82%

EBIT/Revenue : 16.90

Price/Book: 1.95

Debt/Equity: 102.03%

Current Ratio: 0.75

Quick Ratio: 0.45

CSR Characteristics

- ESG Disclosure: 64.61/51.44
- Environmental Disclosure Score: 65.85/44.72
- Social Disclosure Score: 56.25/56.25
- Governance Disclosure Score: 71.43/60.71

Competitor Comparison:

Name (81 Peers)	Est P/E Current Yr	EV/Est EBITDA Curr Yr	Ind. Dividend Yld (%)	P/E Price/Sales	TTM Dividend Payout Ratio
Average	36.05	7.28	3.59%	26.74	1.63
AT&T INC	13.71	6.77	4.90%	17.65	1.47
TELEPHONE AND DATA SYSTEMS	65.12	4.95	2.22%	39.32	0.56
US CELLULAR CORP	68.33	5.81	--	35.20	0.76
SHENANDOAH TELECOMMUNICAT...	81.09	10.47	0.92%	34.38	3.59
T-MOBILE US INC	36.77	6.43	--	48.56	1.10
ROGERS COMMUNICATIONS INC-B	18.66	8.90	3.55%	19.52	2.06
BCE INC	17.02	8.64	4.57%	17.01	2.38
TELUS CORP	15.96	8.07	4.34%	16.38	2.00
VERIZON COMMUNICATIONS INC	12.79	6.80	4.64%	12.69	1.56
SPRINT CORP	--	5.91	--	--	0.83

Prepared by Jeremy Hite on 10/13/16. Information from Morningstar, Yahoo, Google, Valueline, MSN, Nasdaq