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)

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

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%
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

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