

AT&T Inc. (American Telephone and Telegraph Company)



Ticker: **T**

Market: **NYSE**

Previous Close: **32.85**

52-Week Range: **30.13 - 39.33**

Avg. Volume: **34,363,781**

Market Cap: **230.569B**

Beta: **0.34**

P/E Ratio: **6.20**

EPS: **5.12**

Dividend Yield: **5.88**

5y Return: **20.86%\***

3y Return: **11.95%\***

1y Return: **-11.95%\***

1y Target Estimate: **35.48**

\* Adjusted close price adjusted for both dividends and splits.

AT&T Inc. provides **communications** and **digital entertainment services**. It is the **world's largest telecommunications company, the second largest provider of mobile telephone services, and the largest provider of fixed telephone services in the United States through AT&T Communications**. The company operates through **four segments: Business Solutions, Entertainment Group, Consumer Mobility, and International**. The Business Solutions segment offers wireless services, strategic services, legacy voice, data services, wireless equipment, and other services to multinational companies, governmental and wholesale customers, and individual subscribers. The Entertainment Group segment provides video entertainment and audio programming channels to approximately **25 million subscribers**; broadband and Internet services to **13.5 million residential subscribers**; local and long-distance voice services to residential customers, as well as DSL Internet access; and voice services provided over IP-based technology. The Consumer Mobility segment offers postpaid and prepaid wireless voice and data communications services to consumers, and wireless wholesale and resale subscribers; consulting, advertising, and application and co-location services; and sells a variety of handsets, wirelessly enabled computers, and personal computer wireless data cards through company-owned stores, agents, or third-party retail stores, as well as accessories, such as carrying cases, hands-free devices, and other items. The International segment offers digital television services, including local and international digital video entertainment and audio programming under the DIRECTV and SKY brands throughout Latin America. This segment offers postpaid and prepaid wireless services in **Mexico to approximately 15 million subscribers** under the AT&T and Unefon brands; and sells a range of handsets. Since June 14, 2018, it is also the parent company of mass media conglomerate WarnerMedia, making it the world's largest media and entertainment company in terms of revenue. The company was formerly known as SBC Communications Inc. and changed its name to AT&T Inc. in November 2005. AT&T Inc. was founded in 1983 and is based in Dallas, Texas.

AT&T is attractive mostly because of its dividend yield which is one of the highest yields on the market, standing at 6.30%. For comparison, S&P500 dividend yield is 1.92%, while the yield for Dow Jones Industrial is 2.31%. This "unusual" high dividend yield is actually extremely constant throughout the company's history: from 2002, the dividend yield was above 5%, with few exceptions in time when it fell, but never beneath 3.5%. Furthermore, to show how truly this dividend yield is constant, one only need to look at the **period from 2009 to 2011 when, in the midst of the financial crises, AT&T's yield was more than 6%**, which shows the strength of the company even in the worst of times. This strength and security in difficult and turbulent times can also be seen in **company's beta which is 0.34**. This low beta means that AT&T is an excellent company to hold in difficult times because **it does not react to crises as bad as other companies on the market**. This is, of course, because of its main products and services - even in bad times, people won't cancel their subscriptions for mobile telephone and internet service because these things are considered essential in today's world. Resistance to crisis and fluctuation in the markets is especially important today due to the fact that the current bull run is over 10 years long and a **great number of analysts predict this run coming to an end by 2021**. And what better stocks to hold in the upcoming turbulent times but the ones that are most resilient to crisis and that offer great dividends at the same time?



Ticker	Company Name	Market Cap	PE Ratio	PB Ratio	EV/EBITDA	Div Yield	DGR 5Y	Payout Ratio
T	AT&T Inc.	\$230.57B	6.19	1.26	8.08	6.30%	2.18%	56.14%
VZ	Verizon Communications	\$220.36B	7.05	4.24	7.05	4.52%	2.88%	50.81%
MO	Altria Group, Inc.	\$115.22B	10.99	7.30	12.02	5.24%	8.32%	73.54%
SO	Southern Company	\$44.16B	18.77	1.87	10.53	5.51%	3.44%	79.73%
CTL	CenturyLink, Inc.	21.75B	11.13	0.95	7.41	10.72%	-5.72%	186.40%
D	Dominion Energy	\$46.93B	15.13	2.60	13.86	4.65%	7.54%	78.65%

Table 1. AT&T in comparison with its peers

Source: Yahoo Finance

When compared to its peers, AT&T still looks great. Even though it has the **highest dividend yield among** them, it still trades **below median enterprise to EBITDA ratio (10.53)**. CenturyLink has a higher dividend yield, but this is the result of a one-time non-recurring case (the company paid dividends for this and last year in the same occasion).

The thing that is expected to increase company's value is its **involvement with Time Warner** as well as recent **developments regarding 5G network**. Firstly, AT&T announced that it will start its own streaming service in late 2019. The company believes that it can enter the streaming market, currently owned by Netflix and Amazon Prime Video, through Time Warner and its subsidiary HBO. AT&T is not the only company trying to enter this particular market because recently Disney announced that it will also start its own streaming service. Nobody guarantees that AT&T will succeed in its attempt to conquer the market, but due to its involvement with Time Warner and HBO, which have a great experience and long tradition in cinema market, AT&T is bound to at least take over part of the market. Also, AT&T is deep in exploration of 5G network. It is already testing this network in seven cities in US with announcement that it plans to introduce mobile 5G network in additional five cities by the end of 2018. In the first half of 2019, AT&T plans to expand to seven more cities **with big names suppliers like Samsung, Ericsson and Nokia**. The extent to which AT&T invest in 5G network is best shown with the fact that over the last 5 years it invested **nearly \$145 billion in wireless and wireline networks**, including capital investments and acquisition of wireless spectrum and operations. During this same period, AT&T **invested more in the U.S. than any other public company**. This resulted in more than 99% of Americans being covered by AT&T's wireless network. When 5G network is fully integrated, there will be a huge increase in demand for 5G-enabled consumer electronics, and AT&T has the power to fuel this market with its supply.

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Financijski klub (the Financial Club) is a specialized student association which aims to provide its members with additional financial education. That being our core business, we organize different projects, lectures, workshops and numerous other social events. The Club has been active since 2005, and is situated at the Faculty of Economics and Business of the University of Zagreb.

With our ongoing activities we have established a significant role within the finance oriented academic population. Through the years, our work has been recognized with numerous Dean's and Rector's Awards, and our members with internships and jobs at leading companies. Our most recent highlight has been the award for outstanding contribution to financial markets education, awarded by the Zagreb Stock Exchange in 2013.

## FK Portfolio Management

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### All performance and holdings data as of 31 October-18.

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