

Deutsche Telekom AG (DT) 10-19-09

DT operates as a wireless telecommunications and information technology provider, with services offered globally. The company operates in four segments; Mobile Communications, Broadband/Fixed Network, Business Communications, and Shared Services. DT operates under T-Mobile in the US and is partnered with Yahoo! for mobile search services and has mobile-phones set to use Google's Android OS. The company expanded from a state-owned German entity to going public and operating globally in 1995 and is headquartered in Bonn, Germany.

Current Price	\$14.11
52 Week High	\$16.16
52 Week Low	\$10.71
One Yr Target	n/a
Market Cap (in billions)	\$61.51
P/E (Trailing)	-316.00
P/E(1 Yr Forward)	16.03
P/E/G	5.03
ROA	2.32%
ROE	-1.17%
EPS	-\$0.04
Beta	1.11
Annualized Dividend	\$1.05
Dividend Yield	7.46%
Analyst Consensus	3.00
Debt to Equity	2.54



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Annual EPS

2005	\$1.25	
2006	\$0.74	-40.80%
2007	\$0.13	-82.43%
2008	\$0.34	161.54%
2009E	-\$0.04	-113.13%

Annual Revenue (in millions)

2005	\$59,604.00	
2006	\$61,347.00	2.92%
2007	\$62,516.00	1.91%
2008	\$61,666.00	-1.36%

Annual Net Income (in millions)

2005	\$5,325.00	
2006	\$3,173.00	-40.41%
2007	\$569.00	-82.07%
2008	\$1,483.00	160.63%

Free Cash Flows (in millions)

2005	\$5,789.00	
2006	\$2,416.00	-58.27%
2007	\$5,699.00	135.89%
2008	\$6,661.00	16.88%

Required Rate of Return

11.01%

Dividend Growth Model

Present Value of 2014 Price	\$19.23
Holding Period Return (5 years)	25.02%

Expected Annualized Return Model

Present Value of 2014 Price	\$0.82
Holding Period Return (5 years)	-49.23%

Residual Income Model

Intrinsic Stock Price	\$27.96
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Analysis

Positives

Current stock price undervalued by DG and RI valuation models

Negatives

Negative P/E and EPS ratios coupled with a high PEG ratio is a poor sign

Current stock price overvalued by the EAR valuation model

Financial Statements

Balance Sheet is average, company has huge Assets but negative Retained Earnings

Income Statement is shaky, with recent Revenues hurt by economic conditions

Cash Flows are poor and subject to foreign exchange risk

Industry Analysis

Company is one of the largest in a big and competitive industry

Company's financial ratios are average for the industry

Summary

DT has some suspect financial numbers, but is backed up nicely by two of three valuation models having the stock price as undervalued. Financial Statements for DT are average at best, and shows a company that was hit hard by the recession and one that is risky. The company has seen revenue growth slowed in the saturated markets of the EU and the US, but have growth opportunities for emerging markets. DT must make large Capital Expenditure expenses to make new growth in emerging markets and then cut their profit margins once competitors join in, which is not a strong economic model. Overall DT is a risky company and has only average financial numbers and thus earns a **hold** rating.