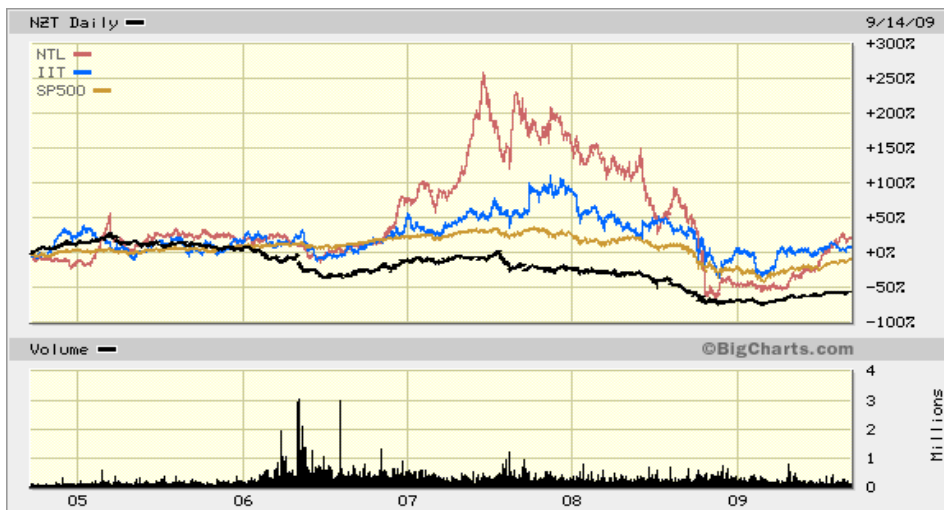


## Telecom Corp. of New Zealand Ltd. (NZT) 9/14/09

NZT operates as a telecommunications and information technology servicer and producer to residential and business customers in New Zealand and Australia. Its products and services include; telephone services, mobile services, internet services, and IT consulting. NZT was founded in 1987 and is based in Auckland, New Zealand.

Current Price	\$9.57
52 Week High	\$9.90
52 Week Low	\$5.43
One Yr Target	n/a
Market Cap (in billions)	\$3.56
P/E (Trailing)	12.48
P/E(1 Yr Forward)	14.72
P/E/G	n/a
ROA	5.54%
ROE	14.63%
EPS	\$0.77
Beta	1.30
Annualized Dividend	\$0.81
Dividend Yield	8.46%
Analyst Consensus	4.00



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**Annual EPS**

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2005	-\$0.31	
2006	\$0.42	235.48%
2007	\$0.38	-9.52%
2008	\$0.22	-42.11%
2009E	\$0.77	248.56%

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**Annual Revenue (in millions)**

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2005	\$5,555.00	
2006	\$5,582.00	0.49%
2007	\$5,673.00	1.63%
2008	\$5,599.00	-1.30%

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**Annual Net Income (in millions)**

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2005	-\$435.00	
2006	\$3,024.00	795.17%
2007	\$710.00	-76.52%
2008	\$398.00	-43.94%

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**Required Rate of Return**

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12.15%

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**Dividend Growth Model**

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Present Value of 2013 Price	\$12.64
Holding Period Return (5 years)	25.44%

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**Expected Annualized Return Model**

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Present Value of 2013 Price	\$9.96
Holding Period Return (5 years)	0.94%

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**Residual Income Model**

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Intrinsic Stock Price	\$15.72
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# Analysis

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## Positives

Good dividend yield and an expected increase in EPS  
Undervalued according to the DG and RI valuation models

## Negatives

Large dip in Net Income over the past several years  
Overvalued according to the EAR valuation model

## Financial Statements

Balance Sheet is not as strong in recent years but is still good  
Income Statement shows Revenues to be stable but Net Income decreasing  
Large changes in Cash Flows over several years, and negative for that past several years

## Industry Analysis

One of the smaller companies in the industry  
Has some of the better financial ratios in the industry  
Profit margins are average for the industry

## Summary

NZT seems to be a bit of an average company. Its financial ratios are ok but nothing great. Its financial statements are average, with the large decrease in Net Income is a concern. The RI model says the stock is undervalued, the DG says its undervalued and clears the hurdle rate, but the EAR models says it is overvalued. Being that NZT is a foreign company its revenues depend on the relationship between the New Zealand Dollar and your base currency. With this added risk and NZT's average outlook it earns a **hold** rating.