

Financial analysis

Finance



Telecommunications across the world have grown in usage due to the need of humans to communicate with each other. The cellular sector has become the fastest growing segment of the telecommunications industry. In 1973 Martin Cooper invented the first cellular phone. A decade later the first commercial cellular phone entered the marketplace. Since then cellular usage across the world has grown tremendously. In 2014 there were approximately 7.56 billion cellular phone connections worldwide, a figure that implies that there are more phones than humans in the world. Despite the fact that there are more phones than humans worldwide the global penetration of cellular technology is 79% of the population. The market for cellular phones is attractive, particularly the sales of smartphones such as the iPhone 6. In 2012 the worldwide sales of smartphones reached 967.8 million units (Plunkettresearch, 2014). In the United States the market penetration is 104.3% with 68.8% of users using smartphones.

Smartphones are revenue makers for companies such as AT&T that sell cellular talk, text and internet data services for cellular devices.

Cellular devices are the biggest seller of any kind of consumer electronic with approximately 1.8 billion units sold each year. 53.76% of all cellular phones sold each year are smartphones. New phones today offers a vast array of advanced features that make smartphones the new computing device of the 21st century. U. S. wireless service company revenues in 2013 reached \$189.2 billion. The average user of a cellular phone spends \$48.79 on their monthly bill. The ability to sell internet data services has greatly increased the capacity of cellular phone providers to increase their revenues.

A major merger that occurred in the industry in 2013 was Japan Softbank merged with Sprint Nextel. The cash flow of Sprint increased by \$5 billion

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after completion of this deal.

Cellular phones have become a mature product in the United States as market penetration exceeds 100%. Focusing on selling smartphones with better features and specifications has become the mostly utilized strategy in the industry to achieve growth. Cellular phone providers benefit from the innovation of companies such as Motorola, Apple, and Samsung. New smartphones are going to become more powerful due to the consumer desire to have a computer at the reach of their hands. A growing trend among cellular phone users is to utilize phones to pay for goods or services. 3G and 4G networks are the current standard of the industry, but beware that more speed is coming as 5G networks are on the horizon. The 5G network will have download speeds ten times faster than 4G. In South Korea a \$1.57 billion project is under way to make the technology commercially available by the year 2020. China is also keeping up with the trends and plans to invest \$600 million in 5G by 2018. These new speed standards are going to make the experience of owning a smartphone more pleasurable. AT&T is a global leader in the telecommunication industry. The company offers advanced mobile services, next generation TV, and high speed internet services to customers around the world. The cellular sector is the main line of business of the corporation. The organization has over 120 million wireless customers. “ AT&T offers voice coverage in more than 225 countries, data roaming in more than 210 countries with 3G in more than 170 countries” (Att, 2015). The firm operates the nation’s largest wireless hotspot network with 34,000 hotspots located in different stores including restaurants, bookstores, and hotels among other locations. The core values of the company include:

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deliver the future first
build strong customer relationships
unleash our human capabilities
Operate with integrity and trust

(Att, 2015).

AT&T was founded in 1983. The firm was acquired by SBC Communication in 2005 creating the new AT&T. Today the company is a publicly traded company whose stocks are sold in the New York Stock Exchange (NYSE) under the symbol T. As of April 29, 2015 the stocks of AT&T were trading at a price of \$34.76 (Yahoo, 2015). The market capitalization of AT&T is \$180.41 billion. In the United States its 4G network is considered the most reliable in the nation. The company belongs to the prestigious Fortune 500 list and its stocks are one of the 30 included in the Dow Industrial Index. The chief executive officer (CEO) and Chairman of the company is Randall Stevenson. AT&T has a human capital consisting of 243,620 employees. Three of the company's main competitors are Sprint, T-Mobile, and Verizon Communications.

In fiscal year 2014 AT&T generated revenues of \$132.44 billion. The revenues of the firm increase by 2.87% in comparison with the previous year. The net income of the organization in 2014 was \$6.22 billion. AT&T accomplished earnings per share (EPS) in 2014 of \$1.19. The total assets of the company at the end of fiscal year 2014 accounted to \$292.83 billion. AT&T had cash reserves at the end of 2014 of \$8.6 billion. The statement of cash flow of the company reflected that in 2014 the firm obtained \$31.34 billion from operating activities, -\$18.34 billion from investing activities, and -\$7.74 billion from financing activities. The organization in 2014 had total

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equity of \$86.92 billion and total liabilities of \$205.91 billion.

AT&T faces several business risks that impact its operations. An inherent risk the firm faces is severe competition in the national marketplace. In order to take market share from competitors AT&T has to invest heavily in advertising. The U. S. marketplace has become saturated, thus AT&T has to seek further expansion into emerging markets such as Brazil, India, and China. AT&T international operations face foreign exchange risk due to daily fluctuations in the value of different currencies around the world. As a firm operating in a technological industry AT&T faces the risk of inventory obsolescence. Each year new smartphones are coming out into the market, thus the firm has to perform constant research on the best models each year and stock up on the devices that are higher in demand.

References

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