



## What are Telecoms Industries?

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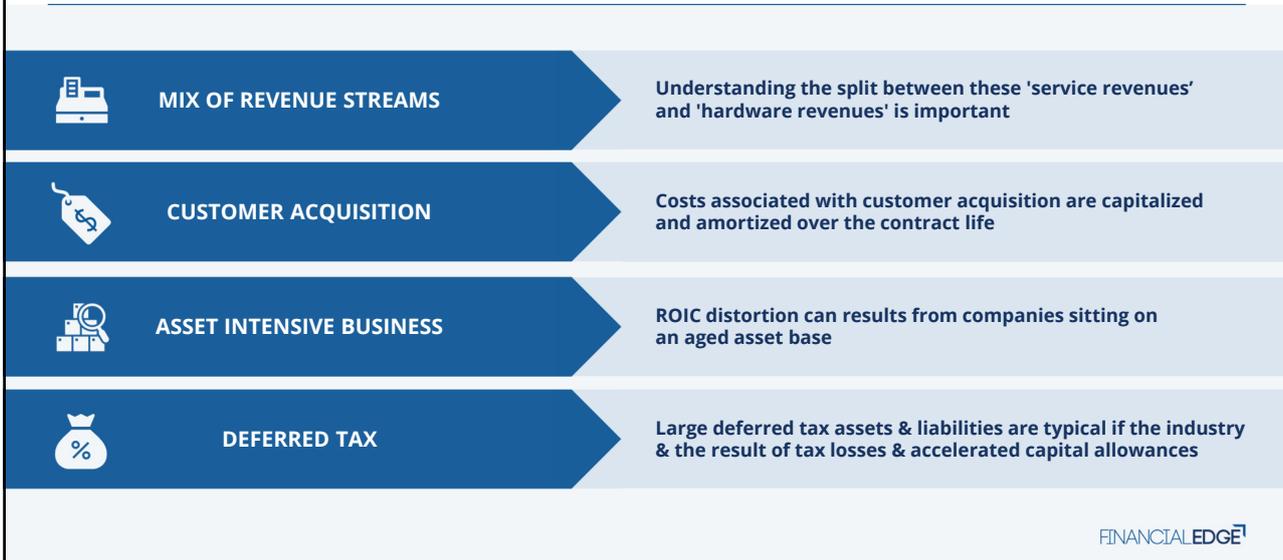
### GEOGRAPHIC REGION

Emerging Market vs Developed Market

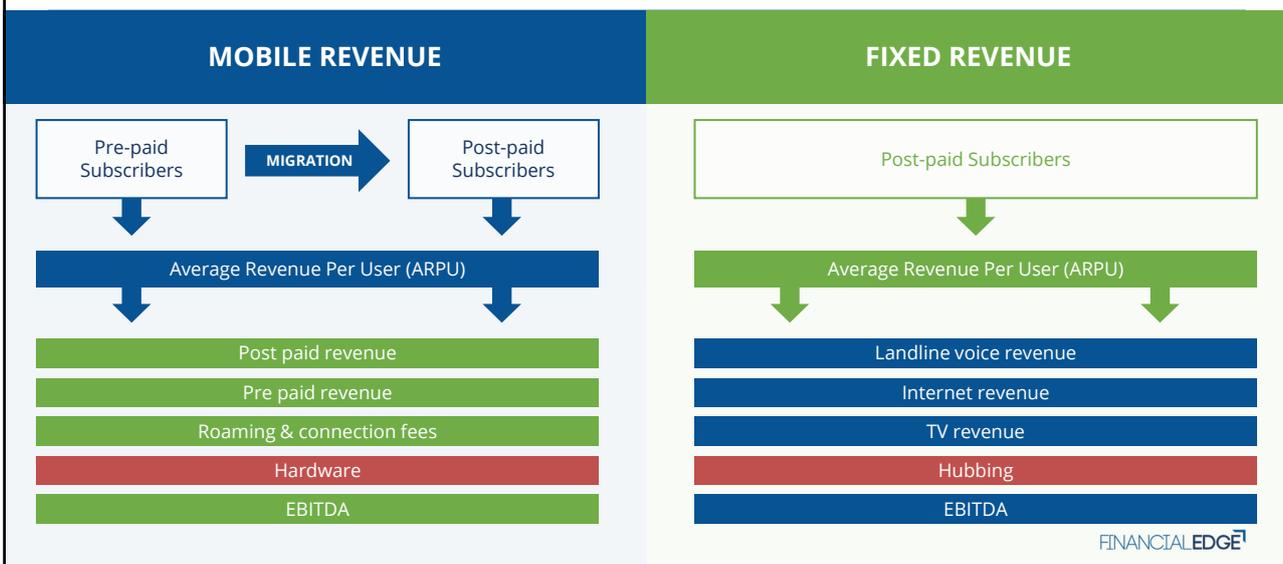
Mobile Sector	Fixed Sector
  	 

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## What Makes them Special?



## Mix of Revenue Streams



## Customer Acquisition Cost Capitalization



## Asset Intensive Business

AT&T			BT		
Revenue 181,193.0	Operating Profit 27,955.0	Op Profit Margin 15.4%	Revenue 23,746.0	Operating Profit 3,991.0	Op Profit Margin 16.8%
Asset Turnover 51.3%	Invested Capital 352,951.0	ROIC 7.9%	Asset Turnover 73.0%	Invested Capital 32,548.0	ROIC 12.3%
Accumulated D&A 203,410.0	Gross Long-Lived Assets 333,538.0		Accumulated D&A 39,040.0	Gross Long-Lived Assets 57,416.0	
Accumulated D&A / Gross Long-Lived Assets	61.0%		Accumulated D&A / Gross Long-Lived Assets	68.0%	

**COMPANIES SITTING ON AN AGED ASSET BASE REPORT ENHANCED RETURNS**

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## Tax

ACCRUED TAXES – DTL	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Accounting expense	150.0	150.0	150.0	150.0	150.0	750.0
Tax allowable deduction	300.0	250.0	200.0	0.0	0.0	750.0
Relative expense	Tax > Acc	Tax > Acc	Tax > Acc	Tax < Acc	Tax < Acc	Tax = Acc
Impact on cash taxes	Good	Good	Good	Bad	Bad	Neutral
Cash taxes vs tax expense	Pay less	Pay less	Pay less	Pay more	Pay more	The same
DTA or DTL?	DTL	DTL	DTL	DTL	DTL	

### TIME VALUE OF MONEY IMPACT

PREPAID TAXES – DTA	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Accounting expense	220.0	220.0	0.0	0.0	0.0	440.0
Tax allowable deduction	0.0	0.0	0.0	300.0	140.0	440.0
Relative expense	Tax < Acc	Tax < Acc	Tax = Acc	Tax > Acc	Tax > Acc	Tax = Acc
Impact on cash taxes	Bad	Bad	Neutral	Good	Good	Neutral
Cash taxes vs tax expense	Pay more	Pay more	Equal	Pay less	Pay less	The same
DTA or DTL?	DTA	DTA	DTA	DTA	DTA	

The DTA or DTL decision is made in the first year, and does not change

## Understanding the Financial Statements

### Extracts from Sunrise Income Statement

AMOUNTS IN CHF (MILLIONS)	2019	2018
Mobile services revenue	1,271.0	1,271.0
Landline services revenue	616.0	605.0
<b>Total revenue</b>	<b>1,887.0</b>	<b>1,876.0</b>
Mobile hardware and fixed hubbing revenue (very low margin)	336.0	375.0
<b>Gross profit</b>	<b>1,252.0</b>	<b>1,219.0</b>
Wages, salaries and pension costs	(206.1)	(213.9)
Other operating expenses	(457.9)	(403.1)
<b>EBITDA</b>	<b>588.0</b>	<b>602.0</b>
Non recurring income / (expenses)	(80.0)	1.0
<b>EBITDA (underlying)</b>	<b>668.0</b>	<b>601.0</b>
Depreciation	(204.7)	(169.5)
Amortization	(270.1)	(256.2)
<b>EBIT</b>	<b>193.2</b>	<b>175.3</b>

## Understanding the Financial Statements

### Extracts from Sunrise Income Statement

AMOUNTS IN CHF (MILLIONS)	2019	2018
Cash and equivalents	200.6	420.9
Current trade receivables	421.6	425.6
Current prepaid expenses	9.7	8.9
Inventories	54.7	46.3
<b>Total current assets</b>	<b>686.6</b>	<b>901.8</b>
Intangible assets	2,120.0	2,088.2
PP&E	846.6	823.8
Right-of-use assets	282.7	0.0
Non-current trade receivables	71.2	60.9
Other non-current assets	54.8	46.6
<b>Total assets</b>	<b>4,062.0</b>	<b>3,921.2</b>

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## Analyzing Telecoms Companies

### FINANCIAL KPIs



Churn



Average Revenue  
Per User



Subscriber  
Acquisition Cost



Network  
Operating Cost

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