

# Valuation of AirThread Connections

## Introduction to the telecommunications sector

- extremely competitive with technology constantly changing, changes in regulation, and shifts in competitive dynamics, such as, moving towards bundling more services together for their clients.
- Companies in the industry are taking advantage of efficiency, productivity, cost reduction and increased customer base to boost revenues.
- Many analysts have urged that because of the intense competition within the industry there will only be a few very large providers that will stand the test of time.



Company Financial Statement

Revenue	100.00
Operating Expenses	(70.00)
Operating Profit	30.00
Interest Expense	(5.00)
Income Before Tax	25.00
Tax Expense	(5.00)
Net Income	20.00

Free Cash Flow

Operating Profit	30.00
Change in Working Capital	(2.00)
Capital Expenditure	(5.00)
Free Cash Flow	23.00



Possible Synergies

Category	Value
Marketing Synergies	10.00
Operational Synergies	15.00
Financial Synergies	5.00
Total Synergies	30.00

Market Multiple Approach

Company	Market Cap	Revenue	EV/Revenue
AT&T	100.00	100.00	1.00
Verizon	120.00	120.00	1.00
Sprint	80.00	80.00	1.00
T-Mobile	90.00	90.00	1.00
AT&T (Avg)	92.50	92.50	1.00

Sensitivity Analysis

Variable	Value
Revenue	100.00
Operating Expenses	(70.00)
Operating Profit	30.00
Interest Expense	(5.00)
Income Before Tax	25.00
Tax Expense	(5.00)
Net Income	20.00

Recommendations

Market Value	100.00
Operating Income	20.00
Operating Expenses	(10.00)
Operating Profit	10.00
Market Value of Target Firm	100.00

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## SWOT analysis of both American Cable Company and AirThread Connections.

### American Cable Communications (ACC) SWOT analysis.

- Strengths: Offers Internet, land lines, and video. Large company that is operating in the telecommunication service provider that has large barriers to entry.
- Weaknesses: No wireless services.
- Opportunities: Room for growth if the company can bundle more services together to capture a larger market.
- Threats: Falling too far behind other telecommunication providers that are offering bundled services and eventually losing market share. There is much competition in the service providing industries of internet, video, and landline.

### Airthread Connections (ATC) SWOT analysis.

- Strengths: offers wireless services. Strong customer service. Strong network assets. Valuable wireless spectrum license.
- Weaknesses: No landline, internet, or video services. Not able to bundle any services together. Higher customer acquisitions and retention costs, because there is no other services to offer. Slowing growth for the company.
- Opportunities: Room for growth if the company can offer more services to capture a larger market and to reduce.
- Threats: Falling behind other providers that are offering bundled services and losing market share. There is much competition in the service providing industries.

#### PESTEL Analysis

- Political: The risk of change in regulations within the industry. These are not political risks that are directly related to the company's operations, but they can have a significant impact on the company's performance.
- Economic: The global market is currently in a recession, which may lead to a decrease in demand for the company's services.
- Social: Customers expect high quality services, and the company must invest in research and development to stay ahead of the competition.
- Technological: There is a lot of competition in the industry, and the company must invest in research and development to stay ahead of the competition.
- Environmental: The company's operations are not directly related to the environment, but there is a risk of regulatory changes that could impact the company's operations.
- Legal: There is a risk of regulatory changes that could impact the company's operations.

# PESTEL Analysis

- **Political:** The main risk is changes in regulations within the industry. There are no real political risks that are involved with political stability, foreign trade policy, tax policy, labour laws, environmental laws, or trade restrictions.
- **Economical:** The global market is relatively stable, so no real problems are in the foreseeable future.
- **Social:** Customers expect high quality service and that many services can be bundled together. There is a trend for people to be connected to their devices, and the use of the internet is becoming an everyday occurrence for virtually every customer that uses the industry.
- **Technological:** All the equipment used by both companies is very expensive, and technology is constantly evolving in the industry.
- **Environmental:** Every market including telecommunications will be under pressure to become a greener company.
- **Legal:** There is little legal risk in the telecommunications industry.