

Technology Media Telecom Sector Review



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Technology Media Telecom Universe:

- Portugal Telecom
- Walt Disney
- LinkedIn
- Google
- Hewlett Packard

This month's detailed company review:

- Hewlett Packard



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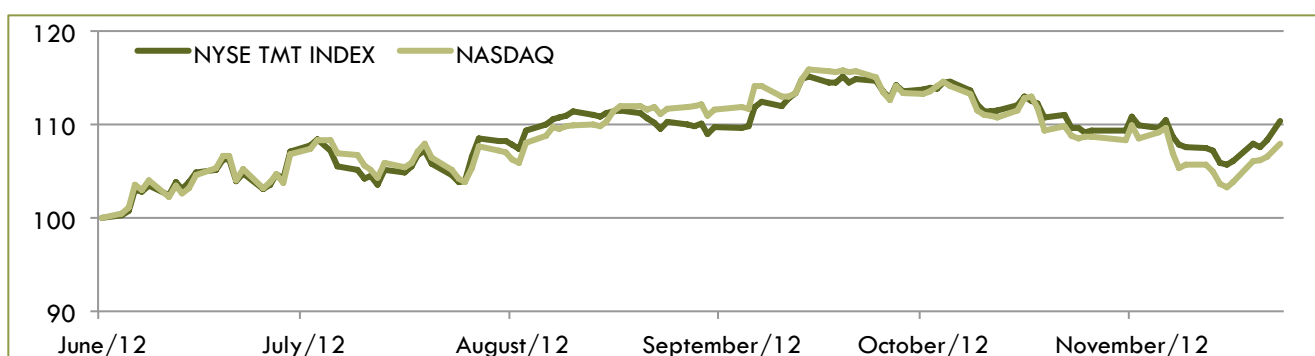


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1. Sector Overview

- The performance of the TMT sector was as usual in line with other equity indices. In the last 6 months, a profit of about 10% was realized.
- On the Apple and Samsung front, both parties are continuing the patent battle in the courtroom with a second patent infringement lawsuit filed in August. This is an additional US lawsuit from the USD 1bn verdict that was paid to Apple few months ago.
- Cisco is said to buy the US cloud computing firm Meraki for USD 1.2bn. Meraki offers services to mid-sized businesses to help managing companies' networks using the internet. One week prior to this announcement, Cisco agreed to acquire Cloupia – another cloud computing company for USD 125mn.
- France Telecom is thinking about options for EE, their British joint venture mobile operator, including listing shares or bringing in a minority investor. EE, Britain's largest mobile operator, is a joint venture between France Telecom and Deutsche Telekom.
- The music streaming service Spotify successfully closed its financing round with USD 100mn, valuing the company at USD 3bn. The company is expected to lose USD 40mn in net income this year despite a revenue increase of 150% compared to last year. Spotify currently has 15mn users from which 4mn are paying subscribers.

TMT Sector vs. Overall market



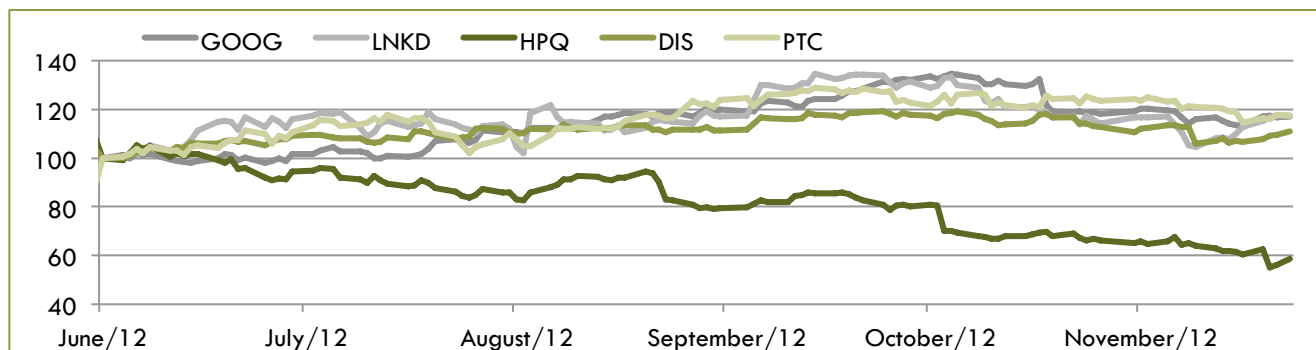
- Due to the extensive correlation between the NYSE TMT Index and any other American equity indices, the differences in performance are only very minor. However according to the chosen index, the TMT sector slightly outperformed the NASDAQ in the chosen 6 month time period.

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2. Universe News

Share price over the last 6-month



Apart from Hewlett Packard (HPQ), all TMT stocks in our universe performed well on the chosen 6 month period.

GOOGLE (Ticker: GOOG)

- Google released disappointing Q3 earnings report early with underscoring expectations on revenue (+51%) and net income (-5%). Shares dropped 10% during that day.
- Google announced a new lineup of mobile devices in cooperation with Samsung and LG Electronics to step up the challenge to Apple's tablets and smartphones (e.g. Nexus 4)

Price (USD):	↑667.97
Target price (USD):	793.86
Up/downside:	18.8%
Performance 3M:	-11.5%
P/E Ratio:	20.35x
ROC/WACC:	1.4x

LINKEDIN (Ticker: LNKD)

- Third quarter sales exceeded analysts' estimates as the company sold more subscriptions to its expanding customer base. Revenue jumped 81% to USD 252mn.
- LinkedIn has continued to improve its services and the international expansion goes well, which gives investors confidence since this is a crucial factor for the future growth.

Price (USD):	↑107.62
Target price (USD):	137.44
Up/downside:	27.7%
Performance 3M:	-10.3%
P/E Ratio:	717.47x
ROC/WACC:	0.2x

WALT DISNEY (Ticker: DIS)

- Disney agreed to buy Lucasfilm for USD 4.05bn half in cash and half in stocks. This adds hits like Star Wars and Indiana Jones to the already stunning film roster of Disney.
- Disney's sports broadcast channel ESPN reached a tentative agreement on a 12-year media rights for college football.

Price (USD):	↑49.26
Target price (USD):	55.17
Up/downside:	12.0%
Performance 3M:	-5.2%
P/E Ratio:	14.36x
ROC/WACC:	1.0x

PORTUGAL TELECOM (Ticker: PTC)

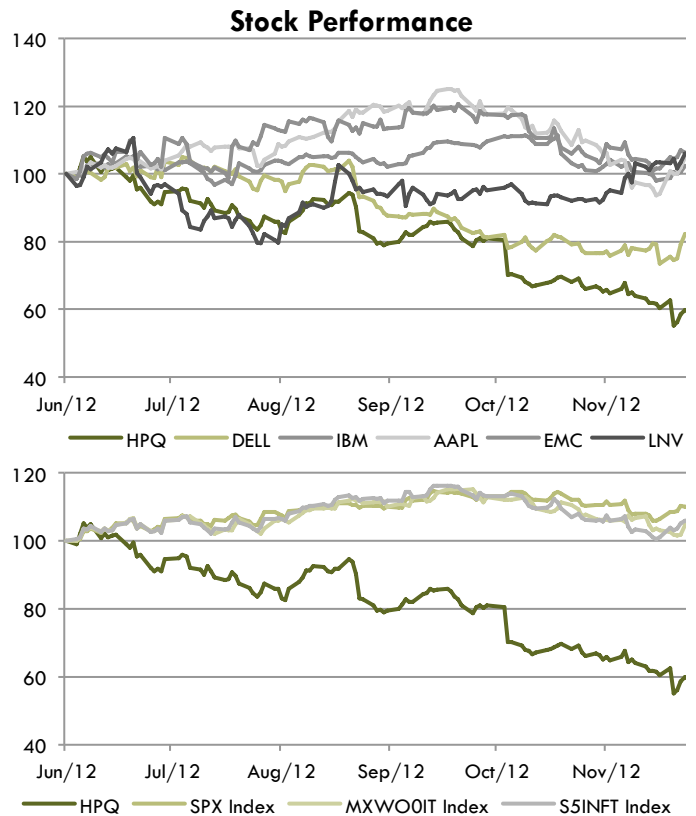
- Portugal Telecom announced Q3 earnings with a 7.1% drop in EBITDA to EUR 329mn
- On November 10th, PT issued EUR 750mn of bonds with maturity in April 2018 and a yield of 6%.

Price (EUR):	↑3.67
Target price (EUR):	4.41
Up/downside:	20.2%
Performance 3M:	-4.5%
P/E Ratio:	10.56x
ROC/WACC:	1.7x

3. Stock Analysis

Hewlett-Packard

- Currently, analysts estimate a 12-months target price of USD 30.78 for Hewlett-Packard implying a premium of 11.24% over the current stock price.
- HP has been going through a rough path in recent months, with its stock trading near all time lows. A series of overly paid acquisitions gone wrong, a balance sheet burdened by debt and a business facing low to no growth have been disturbing HP.
- In early October, CEO Meg Whitman detailed a five-year plan to turn HP around, saying there was no quick-fix available, prompting a further deep dive in the stock price.
- HP has lowered its earnings guidance for upcoming periods. The Personal Computing unit is expected to continue declining, as tablets and lower-priced competitors gain ground.
- Recently, HP took an USD 8.8bn write-down related with its acquisition of Autonomy, due to accounting improprieties. Apart from a daily plunge of 10% in stock price, HP is also being sued by investors. HP acquired Autonomy in 2011, having paid USD 10bn, valuing Autonomy at 23x EBITDA.
- November also saw HP's credit rating downgraded by Moody's to Baa1. In downgrading HP, Moody's said that amidst the company's restructuring process, it will also see its revenue decreasing by 5% next year, pressuring profit margins.



Hewlett-Packard (Ticker: HPQ)	
Current Price (30/11/2012)	USD 12.99
52-week high % change	- 56.7%
Average Target Price	\$14.45
Market Capitalisation	(million) USD 25.540
Return on Common Equity	-41.43%
Dividend Yield	4.07%
Beta	1.2
Total Debt/Equity	104.5%

Company	Currency	Equity Value	Enterprise Value	EV/Sales			EV/EBITDA			P/E			EBITDA Margin		
				2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
Hewlett-Packard	USD	25.540	43.072	0.4x	0.4x	0.4x	3.0x	3.1x	3.1x	-	3.9x	3.7x	12.0%	12.2%	12.5%
Dell Inc	USD	16.722	14.505	0.2x	0.3x	0.3x	3.4x	3.0x	3.0x	6.1x	5.7x	5.7x	7.4%	8.6%	8.5%
Ibm	USD	214.766	236.305	2.4x	2.3x	2.2x	9.6x	9.0x	8.3x	13.0x	12.6x	11.4x	23.5%	25.2%	26.7%
Apple Inc	USD	550.568	429.317	3.2x	2.2x	1.9x	7.3x	6.4x	5.3x	13.3x	11.8x	9.9x	37.4%	34.9%	36.6%
EMC Corp/Ma	USD	52.287	49.703	2.6x	2.3x	2.1x	9.1x	7.9x	7.1x	19.9x	14.7x	12.9x	25.6%	28.9%	29.6%
Infosys Ltd	INR	1.399.318	1.174.268	4.3x	3.0x	2.7x	10.9x	10.0x	9.2x	16.7x	15.1x	14.0x	31.9%	29.7%	29.2%
Lenovo Group	HKD	75.353	6.929	0.2x	0.2x	0.2x	7.3x	7.4x	6.3x	-	16.5x	13.7x	2.9%	2.8%	2.9%
Mean				1.9x	1.5x	1.4x	7.2x	6.7x	6.0x	13.8x	11.5x	10.2x	20.1%	20.3%	20.9%
Median				2.4x	2.2x	1.9x	7.3x	7.4x	6.3x	13.3x	12.6x	11.4x	23.5%	25.2%	26.7%