Soham Ghose, Quiz Section: Nancy Pasternack, 8:30 am

ACCTG 215: Financial Analysis Paper

T-Mobile is a leading telecommunications and electronics service provider in the United States. It is a subsidiary of Deutsche Telekom AG which has its headquarters in Germany. The company has a truly global presence and has had fairly consistent financial performance over the last few quarters. I would invest 10,000$ in T-Mobile. T-Mobile also innovates and always tries to push telecom to new frontiers. Innovation induces greater revenue and also increases market share. As a result, I see a high potential for future dividends and very low likelihood of default.

Financial Performance: Positive Findings

Comparing T-Mobile's financials to Verizon, which is an industry competitor, it is evident that T-Mobile is in good financial shape. T-Mobile's accounts receivables turnover in days is 15.64, which implies that on average it needs 15.64 days to reclaim their receivables from customers. This is significantly lower than Verizon's A/R turnover in days of 67.8. This is a positive finding for investment because a lower A/R ration in days directly impacts T-Mobile's ability to finance short term liabilities. Moreover, T-Mobile's debt to asset ratio dropped from 0.68 in 2017 to 0.79 in 2018, Verizon's debt to asset ratio was 0.79 in 2018. This means that for 0.66$ of liabilities, T-Mobile has 1$ of assets. A lower debt to asset ratio is preferable because it implies that the company can finance its liabilities by liquidating its assets if need be, making it a less risky investment. T-Mobile's gross profit margin is very similar to that of Verizon at around 58%. This is a positive finding because there is no deviation from what seems to be the industry standard. This ratio means that for every 1$ of sales, T-Mobile makes 0.58$ of profit, implying that T-Mobile is highly monetized and has a consistent pricing strategy given the low fluctuation in gross profit margin. Moreover, with the advent of new technologies and products in the industry, T-Mobile can maintain this profit margin ratio even in the presence of a price war because "T-Mobile has the most loyal client-base. Its churn rate, or share of subscribers canceling service, is rock bottom at 1.04%- beating both AT&T and Verizon"(Kim, Theodore).

Financial Performance: Negative Findings

On the other hand, T-Mobile's inventory turnover in days is about 26 which is much higher than Verizon's 7.8. This means that T-Mobile needs, on average, about 26 days from the time of purchase, to sell inventory. This is a little alarming because it could mean that T-Mobile keeps funds (which could rather be earning interest) tied up in the form of inventory of too long. However, since T-Mobile is a telecom provider, physical inventory stock accounts for a very small percentage of sales (1084/43310 = 2.5%) and therefore, this ratio does not have very detrimental implications. Additionally, T-Mobile's return on assets is 4% compared to Verizon's 5.9%. This ratio indicates the amount of income generated from every 1$ of assets owned. It seems that Verizon is more successful in managing their assets to generate more income from it. Moreover, this ratio fell by about 42% for T-Mobile from 2107 to 2018 but fell for Verizon by more than 50% during the same period. This led me to believe that there was an industry shock during this period that T-Mobile was better prepared for. Finally, T-Mobile had a current ratio of 0.81 in 2018 which means that for every 0.81$ of assets, it has 1$ of liabilities. Verizon's current ratio for 2018 was 0.91 which is slightly better.

In conclusion, it is evident from the calculated ratios that T-Mobile is a relatively less risky investment than Verizon. The primary reason to invest in T-Mobile, personally, is because of its innovative outlook and its ever-present competitive edge that arises from its innovation. The fact that "T-Mobile is scheduled to be the first carrier to offer 5G mobile service nationwide" is evidence of this (Kim, Theodore).

Kim, Theodore. "Punching Well Above Its Weight: T-Mobile Puts up a Fight." *The Motley Fool*, The Motley Fool, 22 Nov. 2019, www.fool.com/investing/2019/11/22/punching-well-above-its-weight-t-mobile-puts-up-a.aspx.

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Appendix:

Include your ratio calculations here.

	Current Year		**Prior Year**	
Ratio	**Calculation**	**Ratio**	**Calculation**	**Ratio**
Gross Margin	$24956/$43310	58%	$22,896 / $40604	56%
Return on Assets	2888/((72468+70563)/2)	4%	4481/((65891+70563)/2)	7%
Current Ratio	$8281/$10267	0.81	$8915/$11515	0.77
Debt to Assets	$47750/$72468	0.66	$48004/$70563	0.68
Inventory Turnover in Days	365/(18354/((1084+1566)/2))	26.35	365/(17708/((1111+1566)/2))	27.59
A/R Turnover in Days	365/(43310/((1796+1915)/2))	15.64	365/(40604/((1896+1915)/2))	17.13

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