

DICK DAVIS DIVIDEND DIGEST



Hand-Picked Income Ideas from the Best Minds on Wall Street

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“Debt woes have driven down Europe’s stock markets to unreasonable levels. Spain’s **Telefonica S.A.** (TEF 17.10 NYSE – yield 12.40%) has been slammed given the country’s precarious finances and weak economy, as well as an early-December cut in the company’s payout. But Spain now represents less than one-third of the company’s revenues, while the largest geographical segment is Latin America, which is a growing area (up 14% last year). The company has above-average margins and ROE, and a solid liquidity profile for the near term, while it is undertaking a program of asset sales to boost longer-term liquidity. After the dividend cut, the forward yield is over 10%. We’re buying on weakness, under \$17, for a European market rally.”

TEF Valuation Ratios				
	Company	Industry	Sector	S&P500
P/E (ttm)	4.85	11.61	13.67	19.42
Price to Sales (ttm)	0.94	0.66	1.16	2.19
Price to Book (MRQ)	1.10	0.84	1.29	3.7

Adrian Day, Adrian Day's Global Analyst,
www.adriandayglobalanalyst.com, 410-224-8885