

COMMUNICATIONS

January 1st, 2000 - Initiation of Coverage

EQUITY RESEARCH

PIONEER COMMUNICATIONS

(NYSE: PNR) – RATING: HOLD

Current Price (01/01/2000 @ close)	\$117.34
Market Cap	\$57 Bn
Dividend Payout (%)	0
Annualized Stock Return Volatility	25%

Pioneer Communications is a leading provider of telephone hardware. Among the leaders in almost every market in which it competes, the company manufactures wired and wireless phones. It is also one of the largest phone service providers in the world and has a widely used telecommunications network.

Investment Hypothesis

POSITIVES

- Pioneer's market share is protected with aggressive pricing, use of service as competitive weapons and the introduction of overlapping products.
- Growth continues in its service market.
- Financials are strong, with share buybacks benefiting future earnings and return on equity.
- Pioneer's shares have a reasonable price range based on historical parameters.

NEGATIVES

- Competition is intense in all sectors that Pioneer has a presence.
- We expect wireless phone sales growth to slow from 4% to 3% in 1980; wireless phone sales account for 65% of total revenue, which will put downward pressure on profit margins in the first half of 1980.
- Worldwide economic conditions are difficult and purchases of new, more expensive wireless phones could fall.

Pioneer Communications
Balance Sheet as of December 1999
(\$ Millions)

Assets	
Total Current Assets	38,920
Property, Plant and Equipment	27,241
Other Assets	21,407
Total Assets	87,568
Liabilities & Equities	
Current Liabilities	25,276
Long Term Debt	15,599
Deferred Taxes	3,861
Shareholders Equity	42,832
Total Liabilities and Stockholders' Equity	87,568

Pioneer Communications
Income Statement as of December 1999
(\$ Millions)

Sales	68,018
Cost of Sales	26,506
Operating Expenses	31,480
Interest Expenses	1,446
Other Income	(617)
<i>EBIT</i>	9,203
Income Taxes	4,183
Net Earnings	5,020