

TELETOUCH COMMUNICATIONS, INC.

Stock Symbol-	TLLE.OB
Shares-	48,737,957
Market Cap-	\$38,502,986
Recent Price-	\$0.79
Short-term Target Price	\$1.80



CORPORATE INFORMATION

PHONE: 800-232-3888

WEB: www.teletouch.com

TELETOUCH COMMUNICATIONS, INC.

NEWS FLASH: [Teletouch Communications Inc.](#) has finalized a comprehensive settlement agreement against [AT&T Inc.](#) that ends its ongoing litigation with the company “We are very pleased that a mutually satisfactory resolution and full settlement of the litigation matters were able to be achieved, eliminating further uncertainty and establishing a renewed, positive distribution and sales relationship with AT&T,” says [T.A. “Kip” Hyde Jr.](#), president, chief operating officer and director of Teletouch. “The comprehensive settlement and new distribution and dealer agreements will allow (Progressive Concepts) to once again be a strong regional distribution channel for AT&T.” AT&T officials are equally in favor of this settlement.

TELETOUCH COMMUNICATIONS (TLLE.OB)

BUSINESS OVERVIEW

Teletouch Communications is a wireless service company that has been doing business for over 47 years while maintaining its headquarters in Fort Worth, Texas. After a fairly weak environment for wireless stocks prior to this year, the market appears to have begun to differentiate among operators. This has been apparent since April of this year. Specifically, Teletouch’s stock is up over 700% during this time period. Despite the recent strength in the stock, we continue to believe there could be much more upside to come over the next twelve months. We have established a 2012 target price of \$1.80, which is based on a 10-year discounted cash flow analysis and provides potential upside of over 100% from current price levels.

We feel Teletouch possesses key characteristics that should command it a premium in the market. These attributes include:

- *A Strong, Experienced Management Team With a Proven Track Record for Building Shareholder Value in the Telecom Business.* Members of the management team have extensive experience in financing, acquiring and operating retail, wireless and other related companies. It is our opinion that Teletouch’s experience in the cellular and wireless solutions industries — industries that are extremely competitive and heavily reliant on marketing expertise — will be invaluable as the company looks to reenergize its business plan on the heels of the settlement with AT&T.
- *Successful Execution* of the right to now sell, activate and provide service to Apple iPhone and iPad customers through the new agreements with AT&T. The company’s operations in the Dallas/Fort Worth, San Antonio, Houston, Austin, Tyler and Arkansas services areas should provide a key catalyst to enhancing revenues.
- *A Strong Funding Position.* TLLE.OB has solid funding due in part to the agreement with AT&T which included, “Cash and other consideration in excess of \$18.5 million, including \$5 million in cash and a \$5 million dollar credit against PCI’s outstanding accounts payable to AT&T at their closing”. This agreement has enabled Teletouch to establish a strong funding position relative to most of its competitors, in our opinion. The company is refocusing its efforts to rebuilding its cellular business and restoring its subscriber base.

MARKET OUTLOOK

The demand for communications services continues to explode. Business users and consumers are wanting virtually instant access to increased information and more convenient ways to receive information. Technology is constantly evolving throughout this sector, and that translates into opportunities. No other industry touches as many technology-related business sectors as telecommunications, which by definition encompasses not only the traditional areas of local and long-distance telephone services, but also advanced technology-based services including wireless communications, the Internet, fiber optics and satellites. Companies like Teletouch should stand out as they have proven to have staying power in this industry with a competitive advantage as they seek to excel and exceed customer expectations in 2012 and beyond.

According to INSIGHT Research Corporation, worldwide telecommunications revenues are expected to grow at a healthy rate of 8% over the next five years. Industry revenue, including narrowband and broadband landline, wireless and cellular services, as well as Internet communications are expected to grow from \$2.1 trillion in 2008 to more than \$3 trillion by 2013.

To capitalize on this robust industry, Teletouch remains a diversified telecommunications company led by a chain of 26 retail and authorized stores under the Teletouch and Hawk Electronics brands, in conjunction with its direct sales force, call center operations and various retail eCommerce websites including: www.hawkelectronics.com and www.hawkexpress.com. Through its wholly owned subsidiary, Progressive Concepts, Inc., Teletouch operates a national distribution business, PCI Wholesale, primarily serving large cellular carrier agents and rural carriers, as well as auto dealers and smaller consumer electronics dealers, with product sales and support available through www.pciwholesale.com, among other B2B oriented websites. Teletouch is a leading direct Authorized Services Provider and billing agent for AT&T (NYSE:T).

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WHY CONSIDER TLLE.OB

The current mood of management is extremely positive following the settlement with AT&T. With this new 3 year contract in place, Teletouch will be given ample time to create their own identity while working on both sides of the equation. This arrangement has already had a strong impact over the short-term on the share price and barring any unforeseen market conditions out of everyone’s control, that will likely continue. The comments by management on the company’s recent conference call reiterated it’s again business as usual as they are very pleased with the response from AT&T they have received since the settlement. In fact, trainers for their employees have been made available from AT&T in the company’s stores which will aid a great deal in increasing their overall customer base, help create new sales in various markets, and increase customer satisfaction. In our opinion, Teletouch is a shareholder friendly company, and the Pres/COO has stated that the process has begun to be relisted on a major exchange as soon as it is possible to do so. This type of forward thinking and planning reinforces our opinion that this stock is headed back up. By selling the Apple iPad and iPhone, (possibly the two greatest products in the history of telecommunications) in their stores and along with the company’s exclusive arrangement with AT&T, TLLE helps reinforce and substantiate our potential target price of \$1.80.



ANALYST

Officers of Market Advisors, Inc. have been in business since 1983 and have provided stock market research for their clients since 1985. Company officials have often been quoted in a wide array of financial publications such as the Wall Street Journal, Investors Business Daily, Barron’s, Forbes Magazine and The Dick Davis Digest to name a few.