



**Engage Undergraduate University of Michigan Investment Conference 2019**

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- ***Thesis***
- ***Macroeconomic Landscape***
- ***Business Overview and Equity Price Catalysts***
- ***Valuation***
- ***Base and Bull Case***
- ***Risks***
- ***Q&A***
- ***Appendix***

# Our Thesis



**AT&T: ~\$37.58**

**Rating: BUY**

**Consider Sell: >\$56**

**Near-Term Catalysts**

**Short Term Technical Momentum**

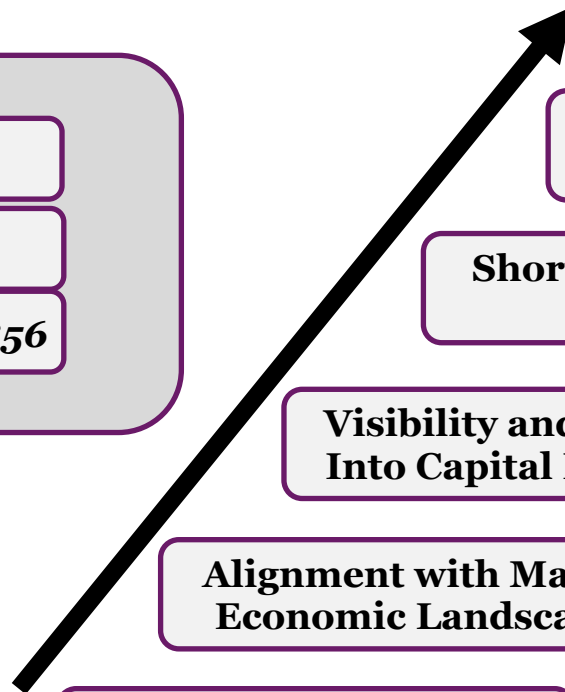
**Visibility and Progress Into Capital Discipline**

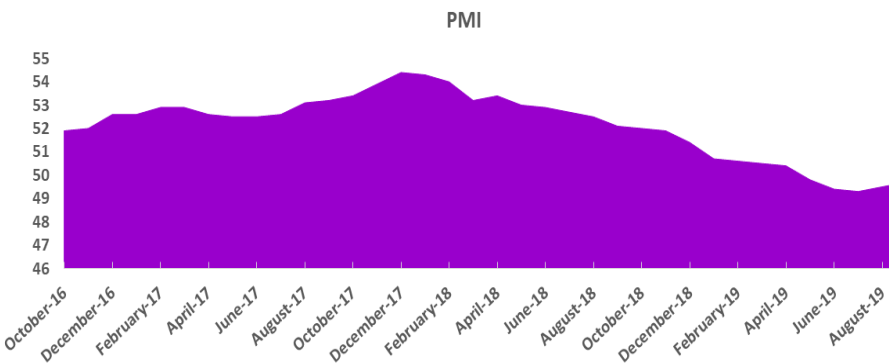
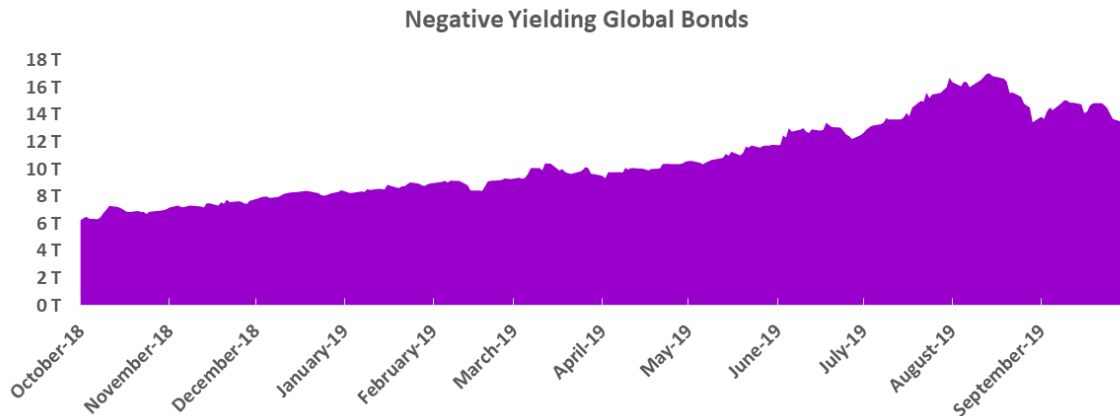
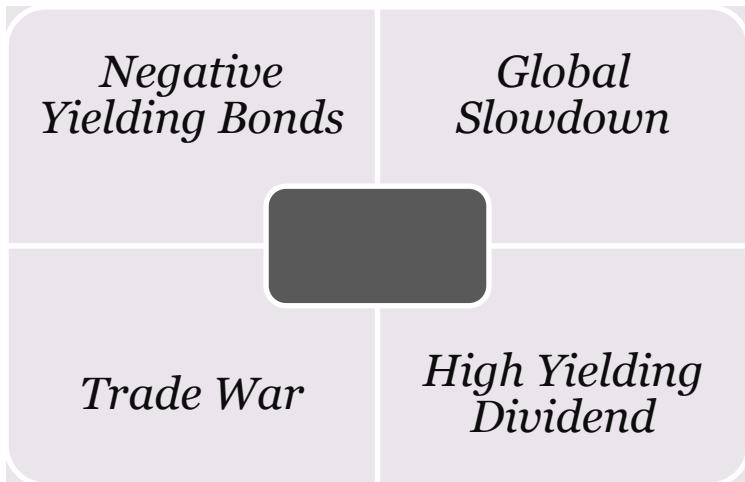
**Alignment with Macro Economic Landscape**

**Internal Business Evolution**

**Strategic Divestments**

**Synergy Recognition**



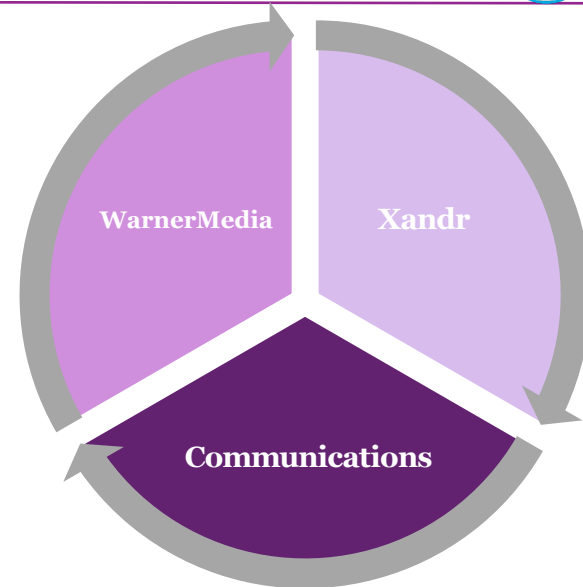
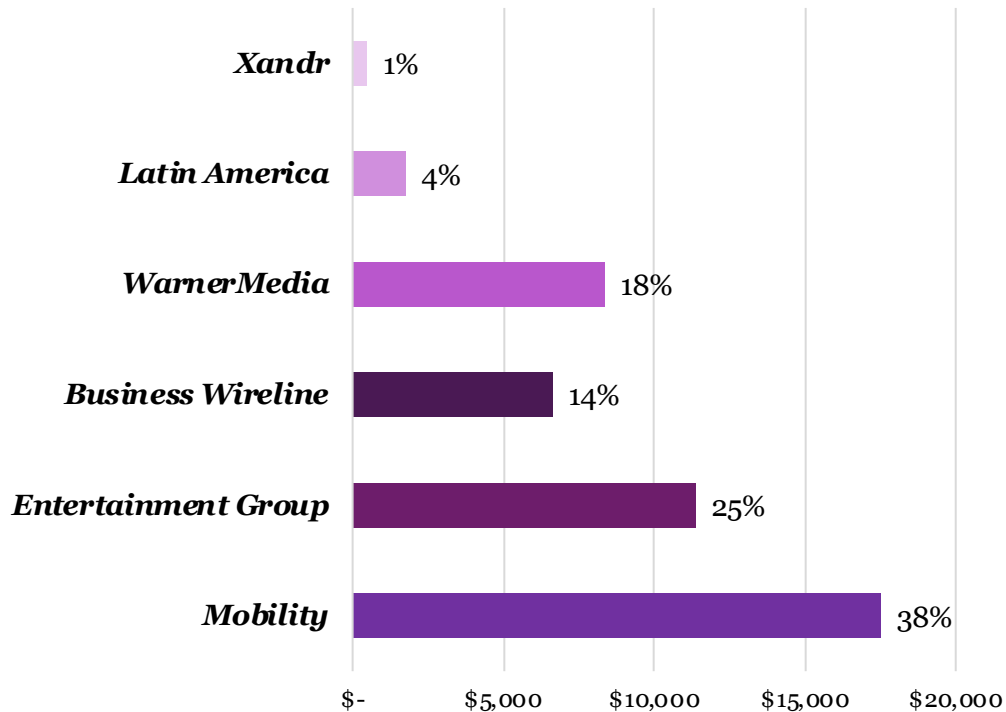


	2018		2017		2016	
	Revenues	Net Property, Plant & Equipment	Revenues	Net Property, Plant & Equipment	Revenues	Net Property, Plant & Equipment
United States	\$154,795	\$123,457	\$149,841	\$118,200	\$154,039	\$118,664
Europe	4,073	1,634	1,064	392	1,122	374
Mexico	3,100	3,467	2,913	3,619	2,472	2,520
Brazil	2,724	1,213	2,948	1,447	2,797	1,265
Asia/Pacific Rim	2,214	408	829	194	817	189
All other Latin America	3,055	1,217	2,743	1,294	2,348	1,828
Other	795	77	208	76	191	59
<b>Total</b>	<b>\$170,756</b>	<b>\$131,473</b>	<b>\$160,546</b>	<b>\$125,222</b>	<b>\$163,786</b>	<b>\$124,899</b>

## Business Overview



## Revenue Breakdown (Millions)



## EBITDA Margin

- Mobility: 45%
- Entertainment Group: 25%
- Business Wireline: 40%
- WarnerMedia: 25%
- Xandr: 70%



*13 Months into Acquisition*



*AT&T Media Business*

*Direct to Consumer Distribution*

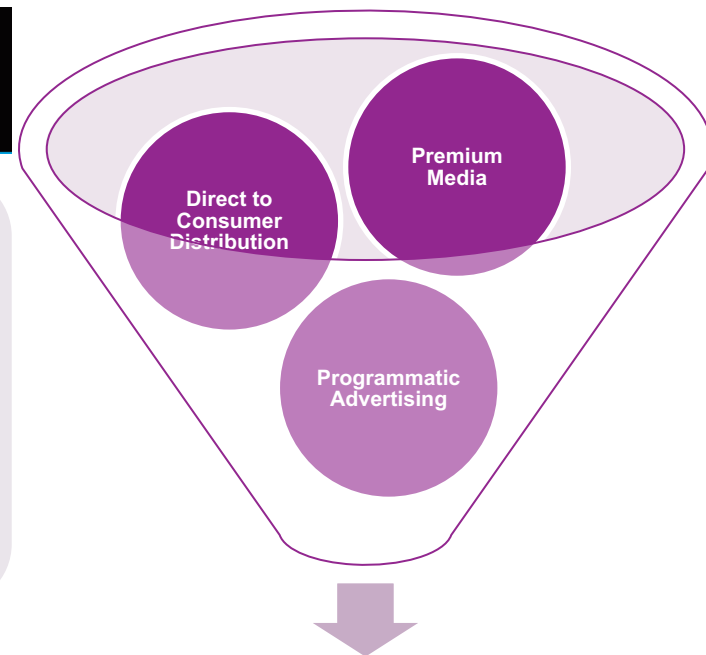
*Digital Advertising*

**Synergies**

*Diverse Content Portfolio*

*Targeted Digital Content*

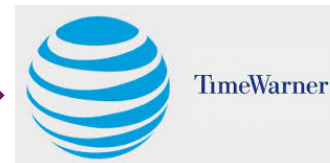
*Detailed Data Analytics and Organic Growth*

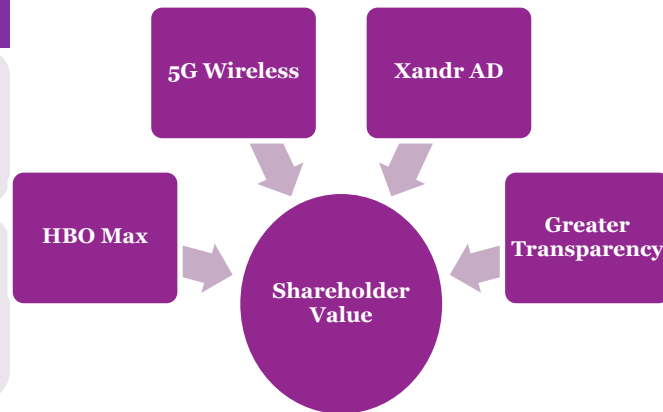
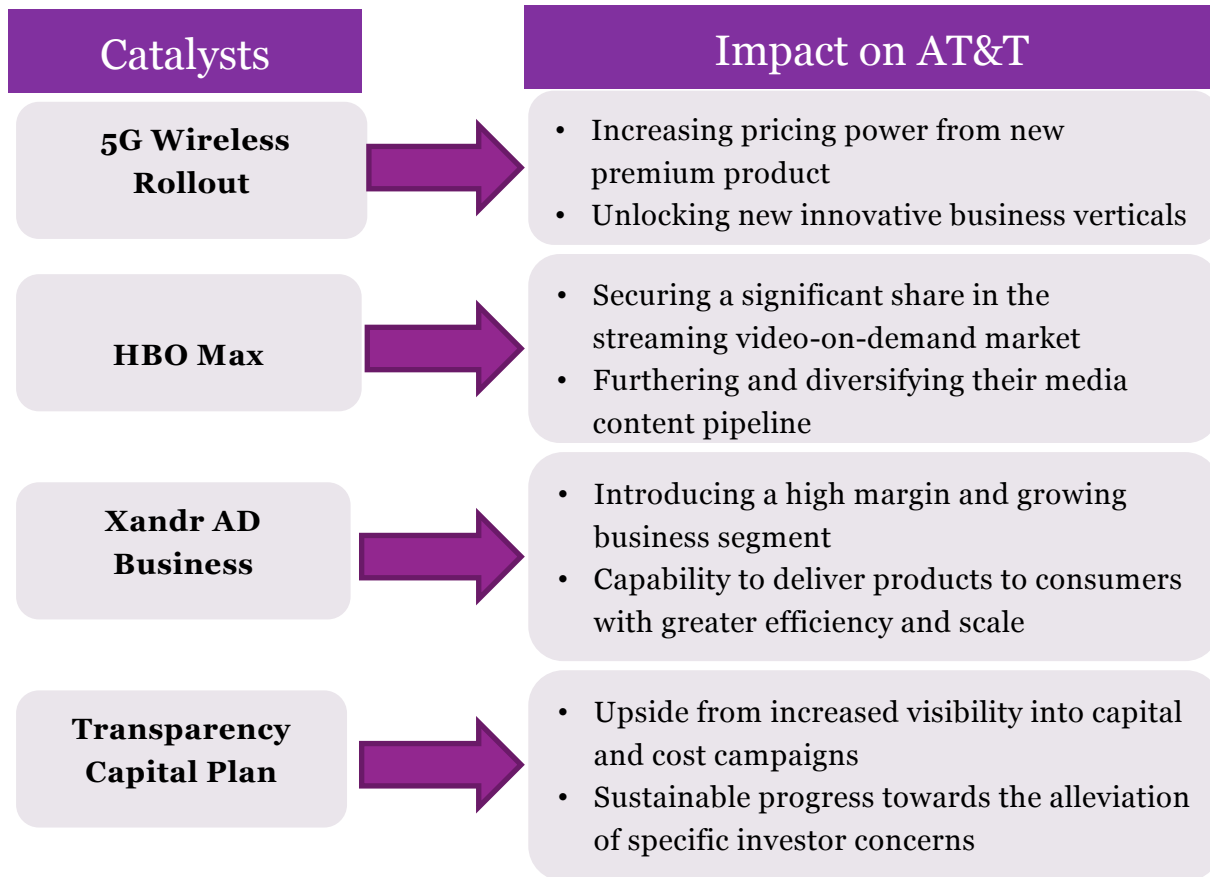


## **Synergies:**

- Increased Leverage in Media Space (Contracts)
- Stronger focus on D2C in Digital Properties
- Traditional and Nontraditional Advertising Laterals

**Consolidation**



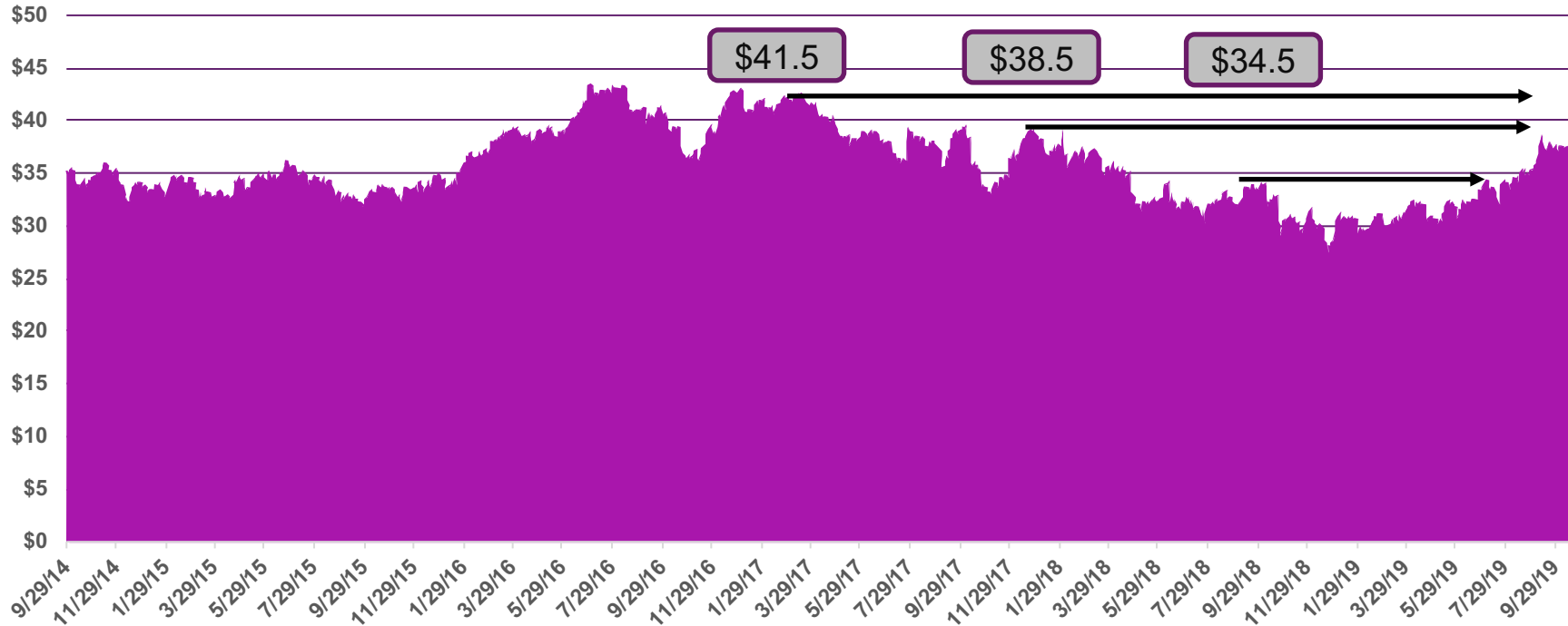




# Technical Analysis and Valuation



## Equity Price



# Comparable Valuation Analysis



Company Name	NTM TEV/Forward Total Revenue	NTM TEV/Forward EBITDA	NTM Forward P/E	LTM Gross Margin %	LTM EBITDA Margin %	LTM Net Debt/EBIT DA Yr. Growth %	LTM Total Revenues, 1 Yr. Growth %	LTM EBITDA, 1 Yr. Growth %
AT&T Inc. (NYSE:T)	2.61x	7.90x	10.42x	53.5%	30.7%	3.4x	15.88%	15.40%
Verizon Communications Inc. (NYSE:VZ)	2.90x	7.88x	12.46x	58.6%	37.2%	2.7x	1.11%	4.25%
T-Mobile US, Inc. (NasdaqGS:TMUS)	2.37x	8.20x	18.25x	58.1%	28.0%	3.4x	5.90%	9.96%
Sprint Corporation (NYSE:S)	2.05x	5.76x	NM	59.6%	37.3%	3.2x	3.84%	9.33%
Comcast Corporation (NasdaqGS:CMCS.A)	2.86x	9.09x	14.44x	68.4%	31.3%	3.3x	18.27%	14.74%
CenturyLink, Inc. (NYSE:CTL)	2.26x	5.49x	9.09x	58.7%	40.4%	3.9x	7.63%	22.11%
The Walt Disney Company (NYSE:DIS)	3.72x	15.71x	24.24x	40.9%	25.5%	3.1x	11.86%	(5.06%)
Charter Communications, Inc. (NasdaqGS:CHTR)	3.83x	10.31x	45.10x	55.9%	36.3%	4.6x	4.94%	4.51%
Mean	2.82x	8.79x	19.14x	56.7%	33.3%	3.5x	8.68%	9.41%

## Valuation- Corresponding Share Price

P/E	3.45	3.55	3.65	3.75	3.85
9.5	33	34	35	36	37
10.5	36	37	38	39	40
11.5	40	41	42	43	44
12.5	43	44	46	47	48
13.5	47	48	49	51	52

verizon<sup>✓</sup>

T-Mobile<sup>®</sup>

Sprint

comcast

Charter  
COMMUNICATIONS

DISNEY<sup>®</sup>

Perpetuity Growth Method	
Current Price (USD)	37.79
Consensus Price Target	36.65
DCF Estimated Value per Share (USD)	56.08
DCF Estimated Upside	48%

		Perpetuity Growth				
		0.5%	1.0%	1.5%	2.0%	2.5%
Discount Rate (WACC)	6.0%	58.82	65.50	73.66	83.86	96.97
	6.5%	51.97	57.43	63.99	71.99	82.00
	7.0%	46.19	50.72	56.08	62.51	70.37
	7.5%	41.23	45.04	49.49	54.75	61.06
	8.0%	36.93	40.18	43.92	48.29	53.45
			0.5%	1.0%	1.5%	2.0%
	6.0%	56%	73%	95%	122%	157%
	6.5%	38%	52%	69%	91%	117%
	7.0%	22%	34%	48%	65%	86%
	7.5%	9%	19%	31%	45%	62%
	8.0%	-2%	6%	16%	28%	41%

EBITDA Multiple Method	
Current Price (USD)	37.79
Consensus Price Target	36.65
DCF Estimated Value per Share (USD)	44.91
DCF Estimated Upside	19%

		Terminal EBITDA Multiple				
		5.0x	6.5x	8.0x	9.5x	11.0x
Discount Rate (WACC)	6.0%	28.16	37.95	47.74	57.53	67.32
	6.5%	27.18	36.74	46.31	55.87	65.43
	7.0%	26.22	35.57	44.91	54.25	63.59
	7.5%	25.29	34.42	43.54	52.67	61.80
	8.0%	24.38	33.30	42.22	51.13	60.05
			5.0x	6.5x	8.0x	9.5x
	6.0%	-25%	0%	26%	52%	78%
	6.5%	-28%	-3%	23%	48%	73%
	7.0%	-31%	-6%	19%	44%	68%
	7.5%	-33%	-9%	15%	39%	64%
	8.0%	-35%	-12%	12%	35%	59%

## Inputs

- Effective Tax Rate 18.7%; WACC 7%, 1.5% perp.
- Top and bottom line growth from synergies and 2020 product campaign.
- Capex margins improvement
- De-Leveraging scenario Built in
- Dividend Payments → Increasing – Offset by Share Repurchases

## Outputs

- 48% and 19% upside
- Leverage ratio decrease towards 2.4x figure (increased equity value)
- Value creation top and bottom line growth.
- Margin improvement and cost efficiency with leverage and innovation

# Valuation



In Millions of USD	Dec 13 A	Dec 14 A	Dec 15 A	Dec 16 A	Dec 17 A	Dec 18 A	Dec 19 E	Dec 20 E	Dec 21 E	Dec 22 E	Dec 23 E	Dec 24 E	Trend
Revenue (Estimate Comparable)	128,752	132,447	146,801	163,786	160,546	170,756	182,424	184,249	189,776	193,572	193,572	193,572	
% YoY Growth		0%	11%	12%	-2%	6%	7%	1%	3%	2%	0%	0%	
EBITDA	42,489	41,287	47,046	51,461	48,848	57,622	59,930	60,874	62,571	63,822	63,822	63,822	
% Margin	33%	31%	32%	31%	30%	34%	33%	33%	33%	33%	34%	35%	
Free Cash Flow		12,899	39,734	24,408	50,144	39,598	31,998	33,297	31,706	33,457	35,715	33,394	
% Margin		10%	27%	15%	31%	23%	18%	18%	17%	17%	18%	17%	

In Millions of USD	Dec 13 A	Dec 14 A	Dec 15 A	Dec 16 A	Dec 17 A	Dec 18 A	Dec 19 E	Dec 20 E	Dec 21 E	Dec 22 E	Dec 23 E	Dec 24 E
Revenue (Estimate Comparable)	128,752	132,447	146,801	163,786	160,546	170,756	182,424	184,249	189,776	193,572	193,572	193,572
Revenue (Adjusted)	128,752	132,447	146,801	163,786	160,546	170,756						
% YoY Growth	Edit Row		11%	12%	-2%	6%	7%	1%	3%	2%	0%	0%
(-) Cost of Revenue	51,464	60,145	67,046	76,884	77,810	79,419	83,464	83,748	86,675	88,409	88,409	88,409
(-) Cost of Revenue (GAAP)	51,464	60,145	67,046	76,884	77,810	79,419						
% of Revenue		40%	45%	46%	47%	48%	47%	46%	45%	46%	46%	46%
(=) Gross Profit	77,288	72,302	79,755	86,902	82,736	91,337	98,960	100,501	103,101	105,163	105,163	105,163
% Margin	Edit Row	60%	55%	54%	53%	52%	54%	55%	54%	54%	54%	54%
(-) Operating Expenses/Income	53,194	49,288	54,725	61,288	58,275	62,145	61,827	62,275	62,227	63,471	63,471	63,471
% of Revenue	Edit Row	41%	37%	37%	37%	36%	34%	34%	33%	33%	33%	33%
% YoY Growth			-7%	11%	12%	-5%	7%	-1%	1%	0%	2%	0%
(=) Operating Income	24,094	23,014	25,030	25,614	24,461	29,192	37,134	38,226	40,874	41,691	41,691	41,691
% Margin		19%	17%	17%	16%	15%	17%	20%	21%	22%	22%	22%
(-) Tax on Operating Income	7,098	6,865	7,035	7,128	(32,183)	4,920	11,131	11,019	11,309	10,874	10,874	11,560
% Tax Rate	Edit Row	33%	35%	33%	34%	18%	30%	29%	28%	26%	26%	28%
(=) NOPAT	16,996	16,149	17,995	18,486	56,644	24,272	26,003	27,207	29,565	30,817	30,817	30,132
% Margin		13%	12%	12%	11%	35%	14%	14%	16%	16%	16%	16%
(+) Depreciation & Amortization	18,395	18,273	22,016	25,847	24,387	28,430	22,797	22,649	21,697	22,131	22,131	22,131
% of Revenue	Edit Row	14%	14%	15%	16%	15%	12%	12%	11%	11%	11%	11%
% YoY Growth			-1%	20%	17%	-6%	17%	-20%	-1%	-4%	2%	0%
(-) Capital Expenditure	20,944	21,433	20,015	22,408	21,550	21,251	22,246	22,786	22,150	22,080	22,592	23,452
% of Revenue	Edit Row	16%	16%	14%	14%	13%	12%	12%	12%	11%	12%	12%
% YoY Growth			2%	-7%	12%	-4%	-1%	5%	2%	-3%	0%	2%

## Output Analysis

### Perpetuity Growth Method - Value per Share

Free Cash Flow at Year 5	33,871
WACC	7.0%
Perpetuity Growth Rate	1.5%
Perpetuity Value at End of Year 5	625,065
Present Value of Perpetuity (@ 7.0% WACC)	445,663
(+) Present Value of Free Cash Flows (@ 7.0% WACC)	141,613
(=) Current Enterprise Value	587,276
Short Term Debt	16,116
(+) Long Term Debt	160,000
(-) Cash and Marketable Securities	8,423
(-) Current Net Debt	167,693
(-) Current Preferred and Minority Interest	9,824
(=) Equity Value	409,759
Shares outstanding	7,307
Estimated Value per Share (USD)	56.08
Current Price (USD)	37.79
Estimated Upside	48%

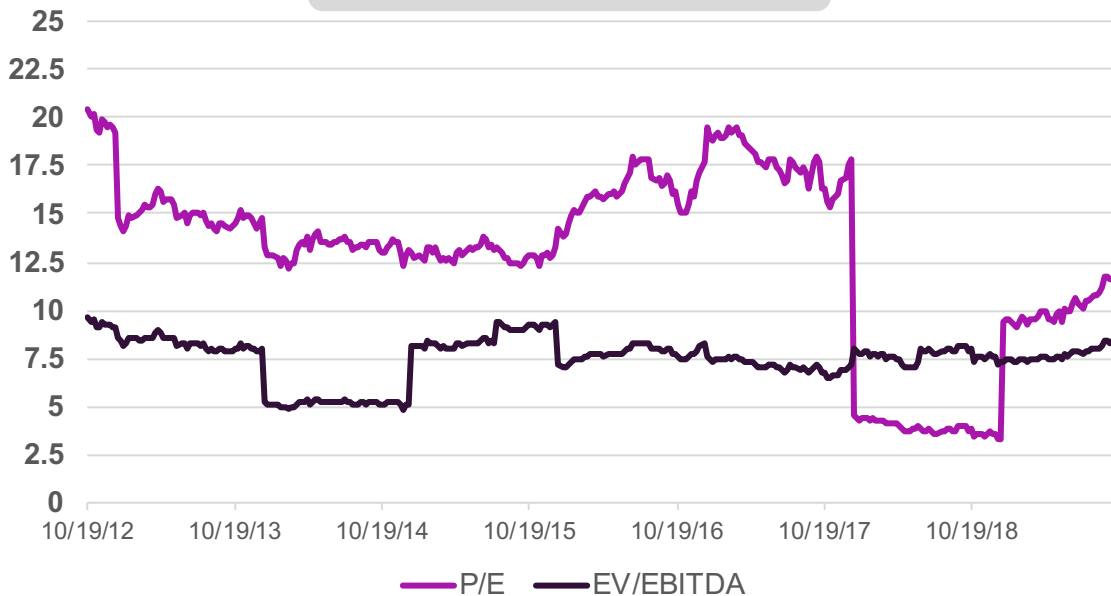
### EBITDA Multiple Method - Value per Share

Terminal EBITDA at Year 5	63,822
WACC	7.0%
Exit Enterprise Value / EBITDA	8.0x
Terminal Value at End of Year 5	510,577
Present Value of Terminal Value (@ 7.0% WACC)	364,034
(+) Present Value of Free Cash Flows (@ 7.0% WACC)	141,613
(=) Current Enterprise Value	505,647.7
Short Term Debt	16,116
(+) Long Term Debt	160,000
(-) Cash and Marketable Securities	8,423
(-) Current Net Debt	167,693
(-) Current Preferred and Minority Interest	9,824
(=) Equity Value	328,131
Shares outstanding	7,307
Estimated Value per Share (USD)	44.91
Current Price (USD)	37.79
Estimated Upside	19%

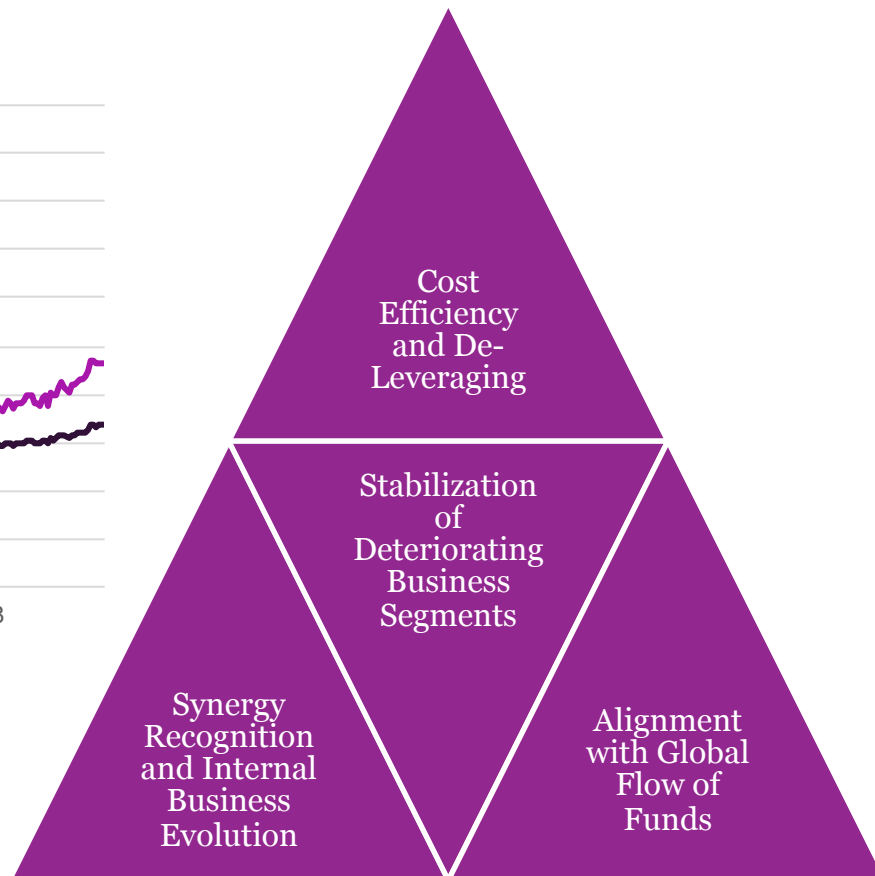
## Base Case



## Historical Ratio Analysis



**Undervalued Intrinsic Valuation**





## Bull Case



## Synergies From a Depreciating Asset



- Synergies through combined infrastructure and economies of scale
- Historical regulatory fears no longer relevant
- Increased Pressure From Elliot Management
- AT&T maintains a 49%, minority stake in DIRECTV to retain media leverage

*“There has always been industrial logic for Dish and Direct to get together,”*

*-Charlie Ergen, CEO and Co-Founder of Dish*

## DIRECTV's User Base is an Important Asset



DirecTV customer base helps sell AT&T products such as HBO Max

Allows the company to continue to leverage a large media presence and offer organic and inorganic content



## Establish Strategic Priorities

Past wireless launch failures

5G gives the company the opportunity to change that narrative.

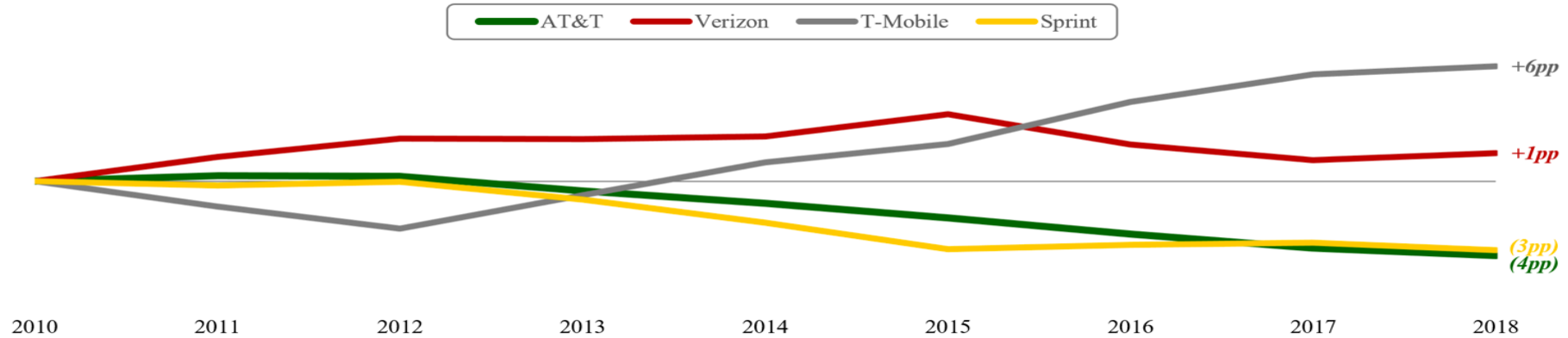
## Closing The Verizon Gap

Focusing on 5G rollout, and away from non-core assets, will help AT&T close the valuation gap with Verizon

## Focus on Streaming

AT&T would benefit from placing increased attention on the launch of their streaming products

**Cumulative Change in Relative Wireless Market Share by Revenue for Top Four Competitors**



## Numerous Synergies from a Potential Deal

The similarities between Dish and DirecTV will result in significant cost synergies

### Synergies

Programming Costs:



SG & A:



Churn:



Cost of Satellite:  
infrastructure  
operation



## Financial Benefits

Merger would address a key shareholder concern, and focus the business on Wireless and Warner Media.

Video Operating Margins:



Cash:



Long Term Debt:



# DIRECTV

## DirecTV Financials

From AT&T Filings and historical DIRECTV numbers, We can value AT&T's video assets

Total Video Entertainment Revenue: \$33,357

Total DirecTV Subscribers: 20,813

DIRECTV % of Total Subscribers: 85%

Assumed DIRECTV EBITDA margin: 20%

2018 Estimated DirecTV Revenue: \$28,344

2018 Estimated EBITDA: \$5,669

## DirecTV Valuation

Any Deal involving DirecTV would give the company a depressed valuation

### Valuation- DIRECTV Enterprise Value

EV/Ebitda	4,750	5,150	5,550	5,950	6,350
5.5	26,125	28,325	30,525	32,725	34,925
6	28,500	30,900	33,300	35,700	38,100
6.5	30,875	33,475	36,075	38,675	41,275
7	33,250	36,050	38,850	41,650	44,450
7.5	35,625	38,625	41,625	44,625	47,625

## Risks

**Direct To Consumer Market Competition**

**High Spectrum Costs**

**US Economic Downturn**

**Wireless Industry Competition**

## Counter Points

Pre-existing library as well as competitive edge via live news and sports.

Already implemented most of spectrum needed for 5G.

Defensive nature and consistent increasing dividend and performance over 35 years.

Post T-Mobile Sprint merger expectations of long term rather than short term pricing pressure.

# Appendix



# Appendix: Valuation



(=) Operating Income		24,094	23,014	25,030	25,614	24,461	29,192	37,134	38,226	40,874	41,691	41,691	41,691	
% Margin		19%	17%	17%	16%	15%	17%	20%	21%	22%	22%	22%	22%	
(-) Tax on Operating Income		7,098	6,865	7,035	7,128	(32,183)	4,920	11,131	11,019	11,309	10,874	10,874	11,560	
% Tax Rate	Edit Row	33%	35%	33%	34%		18%	30%	29%	28%	26%	26%	28%	
(=) NOPAT		16,996	16,149	17,995	18,486	56,644	24,272	26,003	27,207	29,565	30,817	30,817	30,132	
% Margin		13%	12%	12%	11%	35%	14%	14%	15%	16%	16%	16%	16%	
(+) Depreciation & Amortization		18,395	18,273	22,016	25,847	24,387	28,430	22,797	22,649	21,697	22,131	22,131	22,131	
% of Revenue	Edit Row	14%	14%	15%	16%	15%	17%	12%	12%	11%	11%	11%	11%	
% YoY Growth			-1%	20%	17%	-6%	17%	-20%	-1%	-4%	2%	0%	0%	
(-) Capital Expenditure		20,944	21,433	20,015	22,408	21,550	21,251	22,246	22,786	22,150	22,080	22,592	23,452	
% of Revenue	Edit Row	16%	16%	14%	14%	13%	12%	12%	12%	12%	11%	12%	12%	
% YoY Growth			2%	-7%	12%	-4%	-1%	5%	2%	-3%	0%	2%	4%	
(-) Changes in Net Working Capital		823	3,417	(3,086)	1,146	(6,204)	6,425	-	(554)	113	(133)	1,337	147	
% of Revenue	Edit Row	1%	3%	-2%	1%	-4%	4%	0%	0%	0%	0%	1%	0%	
(+) Changes in Net Long Term Deferred Tax Liability			3,327	16,652	3,629	(15,541)	14,572	5,445	5,674	2,708	2,456	6,695	4,731	
% of Revenue	Edit Row		3%	11%	2%	-10%	9%	3%	3%	1%	1%	3%	2%	
(+) Other User Estimated Non-Cash Adjustments														
% of Revenue	Edit Row							0%	0%	0%	0%	0%	0%	
(=) Free Cash Flow			12,899	39,734	24,408	50,144	39,598	31,998	33,297	31,706	33,457	35,715	33,394	33,871
% Margin	Edit Row		10%	27%	15%	31%	23%	18%	18%	17%	17%	18%	17%	
% YoY Growth				208%	-39%	105%	-21%	-19%	4%	-5%	6%	7%	-6%	
% of the Free Cash Flow to be discounted								21%	100%	100%	100%	100%	79%	
Period for Discount Factor (Mid-Year Convention)								0.10	0.71	1.71	2.71	3.71	4.60	
Discount Factor @ 7.0% WACC								0.99	0.95	0.89	0.83	0.78	0.73	
<b>Present Value of Free Cash Flow (5 Years)</b>								<b>6,529</b>	<b>31,745</b>	<b>28,251</b>	<b>27,860</b>	<b>27,795</b>	<b>19,432</b>	
EBITDA		42,489	41,287	47,046	51,461	48,848	57,622	59,930	60,874	62,571	63,822	63,822	63,822	63,822
% Margin	Edit Row	33%	31%	32%	31%	30%	34%	33%	33%	33%	33%	34%	35%	
% YoY Growth			-3%	14%	9%	-5%	18%	4%	2%	3%	2%	0%	0%	



## What is it?

- The 5G network is composed of a large number of small cell stations to transmit data through a millimeter-wave spectrum, 30 GHz to 300 GHz, for the generation of higher speeds, lower latency, and wider coverage for wireless technology

## AT&T's Integration

- AT&T currently has a “standards-base”, mobile 5G+ network live to select customers with 19 Cities
- By the end of 2019, they hope to introduce this plan within 30 cities along with a nationwide plan in mid-2020

## AT&T's Approach

- Internet of Things (IoT)-More Connections to IoT devices than any other provider (LTE-M 2017)
- Magic Leap, integrating AT&T's 5G network in the manufacturing, retail and healthcare fields for spatial computing, augmented and mixed reality applications

## Coverage

- These smaller cell station installments are located on rooftops and light poles due to an inability to travel over longer distances and subject to weather and physical interference

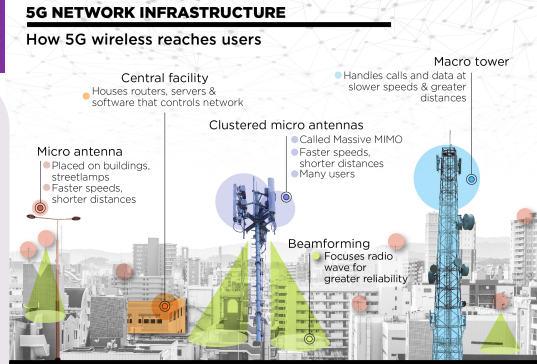


Image Source: Share.America.Gov

## 5G Launch Dates within the 19 Cities

### December 2018-

- TX: Huston, Dallas, Waco
- FL: Jacksonville
- NC: Raleigh, Charlotte
- KY: Louisville
- LA: New Orleans
- GA: Atlanta
- IN: Indianapolis
- OK: Oklahoma City

### April 2019-

- TX: Austin
- FL: Orlando
- TN: Nashville
- CA: Los Angeles, San Diego, San Francisco, San Jose

### June 2019-

- NV: Las Vegas



## Where it is coming from

- Over 70% of US Firefighters are volunteers which accounts for more than over 800,000 men and women that are first to respond to emergency situations and with FirstNet retrieving information and communication and is not only easier but can save lives

## What is it?

- First Responder Network Authority (FirstNet Authority) is the first nationwide public safety communication platform for first responders
- This allows EMS, Fire and Law enforcement agencies to provide Subscriber based plans to their personnel to allow them to them to have the best tools possible in critical situations
- FirstNet also operates 25% faster than any current commercial network on the market which guarantees uninterrupted communication when disaster strikes

## Specific Equipment

- The FirstNet service has introduced technology that can specifically be used during disaster relief and ensure open lines of communication between responders
- This service is an airborne connectivity service know as a Flying Cell on Wings (COW) which is two drones and a trailer that is equipped with a satellite dish and fiber connections
- It is able to withstand light rain and winds and reaching heights of 400 feet specially geared towards wildfire and emergency rescue situations



**Randall L. Stephenson**  
Chairman and Chief  
Executive Officer



**David S. Huntley**  
Senior Executive Vice  
President and Chief  
Compliance Officer



**Jim Cicconi**  
Senior Executive Vice  
President External and  
Legislative Affairs



**John Stankey**  
President and Chief  
Operating officer, and  
CEO Warner Media LLC



**Lori Lee**  
CEO- AT&T Latin America  
and Global Marketing  
Officer



**John J. Stephens**  
Senior Executive Vice  
President and Chief  
Financial Officer



**William A. Blase, Jr.**  
Senior Executive Vice  
President- Human  
Resources



**David R. McAtee II**  
Senior Executive Vice  
President and General  
Counsel



**Angela Santone**  
Chief Administrative  
Officer

## Acquisitions

Look at companies AT&T acquired:

- 1997- The subsidiaries of AT&T merged with Pacific Telesis Group.
- 1998 - The subsidiaries of AT&T merged with Southern New England Telecommunications Corporation
- 1999 - The subsidiaries of AT&T merged with Ameritech Corporation. These mergers expanded the wireline operations of AT&T as the incumbent local exchange carrier (ILEC) into a total of 13 states.
- 2005 - In November 2005 AT&T merged one of its subsidiaries with ATTC which created one of the world's leading telecommunications providers. After the merger, the name of the company was changed from "SBC Communications Inc." to "AT&T Inc."
- 2006 - In December 2006, AT&T merged one of its subsidiaries with BellSouth Corporation (BellSouth). This merger made it the ILEC in an additional nine states. With the BellSouth acquisition, AT&T also acquired BellSouth's 40 percent economic interest in AT&T Mobility LLC (AT&T Mobility), formerly Cingular Wireless LLC, which led to its 100 percent ownership of AT&T Mobility.
- 2014 - AT&T completed the acquisition of wireless provider Leap Wireless International, Inc. in 2014.
- 2015 - AT&T acquired wireless properties in Mexico.
- In July 2015, it acquired DIRECTV. DIRECTV was a leading provider of digital television entertainment services in both the United States and Latin America.
- 2018 - AT&T acquired Time Warner Inc. (Time Warner)

Holder Name	Position	% Out	Latest Change
Vanguard Group INC	563,398,685	7.71	14,952,262
BlackRock Inc	459,849,300	6.29	6,851,802
State Street Corp	296,796,251	4.06	62,969
Newport Trust Co	196,855,813	2.69	3,007,506
Geode Capital Management	102,534,987	1.4	3,356,119
Northern Trust	86,817,291	1.19	1,729,145

Holder Name	T US Equity	VZ US Equity
Vanguard Group INC	\$1,111,845,108	\$639,432,584
State Street Corp	\$296,759,400	\$162,345,235
Newport Trust Co	\$196,855,813	-----
BlackRock Institutional Trust	\$178,858,018	\$106,641,028
BlackRock Fund Advisors	\$147,423,854	\$95,218,032
Geode Capital Management	\$102,534,987	\$59,128,950

**verizon**

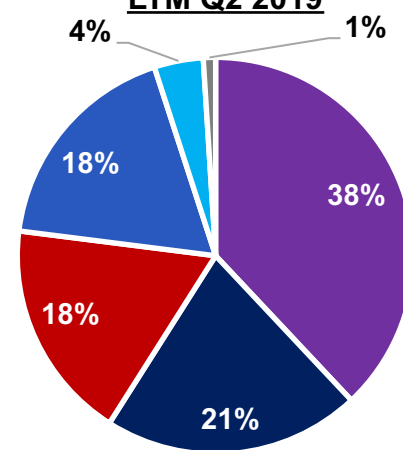
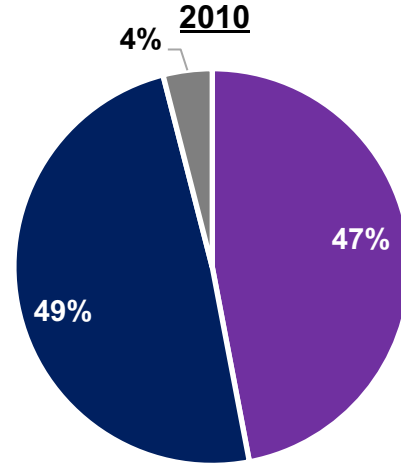
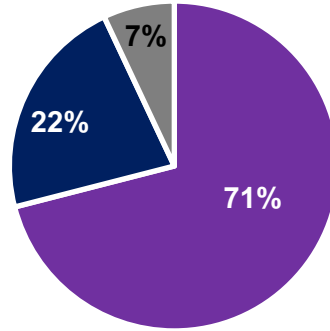
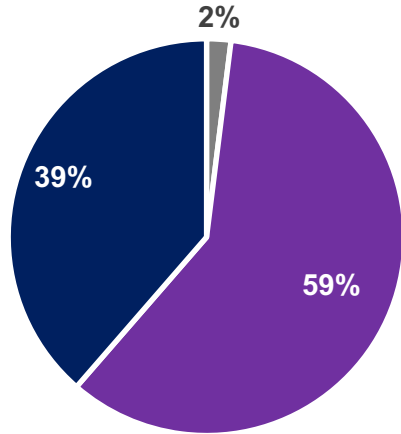
**AT&T**

2010

LTM Q2 2019

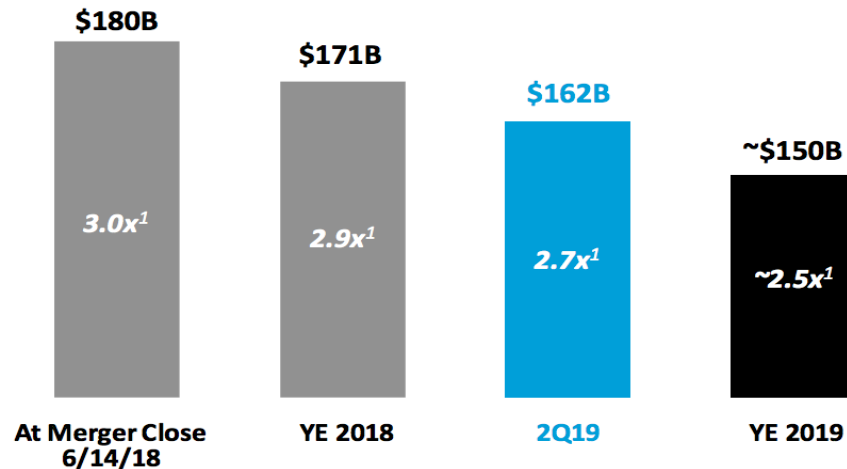
2010

LTM Q2 2019



Wireless
  Wireline
  Video
  Warner Media
  Latin America
  Other

## Net Debt Reduction



\$18 billion reduction in 12 months

~\$30 billion by year-end 2019

Right on track for 2.5x range target

<sup>1</sup> Net debt to Adj. EBITDA ratio; illustrative of approximately \$60B Adj. EBITDA.

Beyond 2.5x range, will consider opportunistic share repurchases while continuing to pay down debt

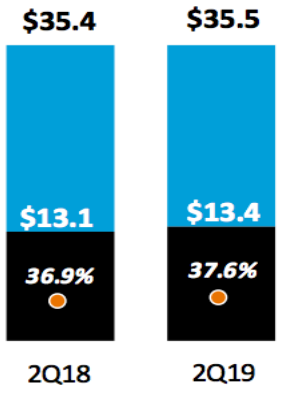




# Appendix: Communications Segment EBITDA Breakdown



\$ in billions    ■ REVENUES    ● EBITDA MARGIN  
 ■ EBITDA



## Wireless revenue growth drives stability with higher EBITDA margins

Wireless service revenues up 2.4%

Entertainment Group EBITDA and margins show continued improvement

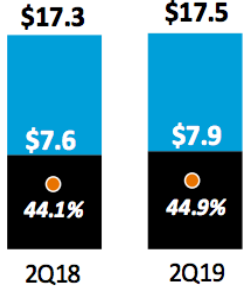
Business Wireline revenue trends improve; EBITDA margins solid with continued cost management

- Including wireless, Business Solutions revenue up 2.3%

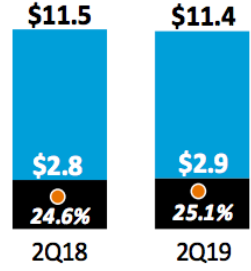
## EBITDA growth and margin expansion in Mobility and Entertainment

EBITDA margin up 70 basis points

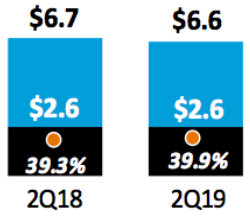
### Mobility



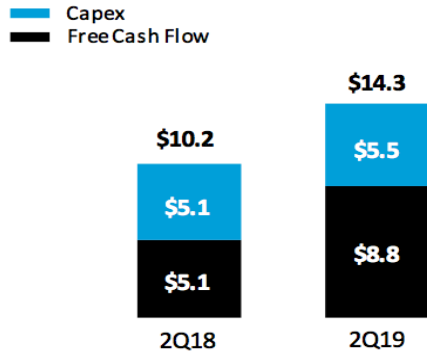
### Entertainment Group



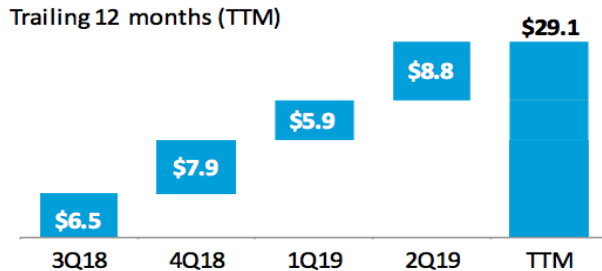
### Business Wireline



## Cash from Operations



## Annualized Free Cash Flow



Source: AT&T Q2 2019 Earnings Presentation

## Cash from operations of \$14.3 billion, up 40%

Reflects addition of WarnerMedia and \$2.6B sale of WM receivables

## Free cash flow of \$8.8 billion; \$29 billion trailing 12 months

Capex totaled \$5.5 billion

Capital Investment totaled \$6.5 billion, including cash payments for vendor financing of \$1.0 billion

## Net Debt reduced by \$6.8 billion in the quarter

\$8.8 billion	Free cash flow (includes \$2.6B A/R sale)
+ \$3.6 billion	Dispositions (Hulu, Hudson Yards)
- \$3.7 billion	Net dividend payments
- <u>\$1.9 billion</u>	Payments for vendor financing and other items
\$6.8 billion	2Q de-levering

## Company raises FCF guidance to \$28 billion range

Reaffirms all other 2019 guidance