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AT&T Inc. (T-US, \$17.53)

Diversified Telecommunication

- We reiterate our Buy rating on AT&T and increase our 12-month target price to \$29 as its wireless and wireline growth continues to advance its competitive position and drive reacceleration of cash flow growth, and ongoing operating efficiencies will drive improving margins and, together with its significant dividend yield creates a compelling investment opportunity.
- 5G and fiber growth drive strong Q4 and full-year 2023 results that will accelerate in 2024 and beyond.
- AT&T’s ongoing 5G and fiber network rollout and adoption will drive ongoing subscriber growth and a reacceleration in Business Performance trends.
- AT&T will increasingly leverage its 5G high-speed fiber network to drive ongoing subscriber growth and further enhance value-added services, including its Edge Computing capabilities.
- AT&T partners with Rivian to reduce CO2 emissions and enable smart and connected vehicles.
- AT&T’s strategic capital allocation, including ongoing investment in strategic growth initiatives and debt reduction combined with targeted cash flow-driven dividend payout, will drive increasing shareholder value creation.

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Company Note
AT&T Inc. (T-US)
 Diversified Telecommunication

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Research Action:

Reiterate rating

Current Rating: Buy

Prior Rating: Buy

Current Target Price: \$29.00

Prior Target Price: \$28.00

Price 01/30/2024: \$17.53

52 Week High / \$20.50

Low: \$13.43

Key Data: (TTM as of Dec-23)
Excess Cash per Share: \$0.08

Annual Dividend: \$1.11

Dividend Yield: 6.33%

Avg. Volume (30 Day): 43.3M

Shares Outstanding: 7,150.0M

Float: 7,143.6M

Short Interest: 90.9M

SI % / Float 1.27%

Equity MV: \$125,339.9M

Sales TTM: \$122,428.0M

Beta: 0.38

EBITDAR: \$36,532.0M

NOPAT: \$13,975.5M

Total Invested Capital: \$317,081.0M

Return on Capital: 4.38%

Cost of Capital: 5.57%

Economic Profit: (\$3,797.7)M

Market Value Added: (\$38,844.2)M

Current Operations Value: \$250,846.2M

Future Growth Value:

\$27,390.7M

- We reiterate our Buy rating on AT&T and increase our 12-month target price to \$29 as its wireless and wireline growth continues to advance its competitive position and drive reacceleration of cash flow growth, and ongoing operating efficiencies will drive improving margins and, together with its significant dividend yield creates a compelling investment opportunity.** 2022 was a rebuilding year, and 2023 was marked by accelerating growth driven by strong gains in wireless and wireline connectivity, which will continue to drive increasing momentum in 2024 and beyond as AT&T continues to add value-added services and greater connectivity, driving increasing operating efficiencies, margin improvements and cash flow growth enabling it to continue ongoing strategic growth investments and further balance sheet optimization emphasizing ongoing debt reduction. AT&T remains well-positioned to experience profitable, sustainable postpaid wireless growth and increasing wireline growth targeted by increasing value-added services. AT&T continues to develop software-defined and AI-driven solutions on top of its connectivity, collaborating with leading Cloud and Edge computing value-added partners. AT&T is well-positioned to gain from solid subscriber growth across its key business lines, including wireless, increasing subscribers to its FirstNet first responder network, ongoing broadband buildout, and an expanded 5G-enabled Edge computing solutions offering. AT&T also continues to improve its capital allocation and management through its ongoing debt reduction process. Accelerating cash flow growth drives gains in Return on Capital, driving greater Economic Profit growth and greater shareholder value creation. The targeted dividend payout of 40% of free cash provides an extremely attractive yield. We believe significant upside exists from current levels, and our \$29 target price combined with dividends represents a potential 12-month return of over 70% from current levels.
- 5G and fiber growth drive strong Q4 and full-year 2023 results that will accelerate in 2024 and beyond.** AT&T recently reported that Q4 revenue increased 2% Y/Y to \$32 billion, driven by strong mobility growth. Communications Operational revenues increased 1.4% Y/Y to \$30.8 billion, driven by increases in Mobility and Consumer Wireline, more than offsetting a decline in Business Wireline. Mobility revenues increased 4.1% Y/Y to \$22.4 billion, reflecting strong Service and Equipment revenue growth. Service revenues increased 3.9% to \$16.0 billion, reflecting higher subscriber and postpaid ARPU growth. Equipment revenues increased by 4.7% to \$6.4 billion. Business Wireline revenues declined 10.3% to \$5.1 billion, reflecting lower demand for legacy voice and data services and product simplification. Consumer Wireline revenue increased 3.8% to \$3.4 billion, reflecting

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broadband gains. Broadband revenues grew 8.3%, reflecting fiber growth of 21.9%. Full-year Mobility service revenues increased 4.4%. Full-year consumer broadband revenues increased 8.1%, driven by full-year AT&T Fiber revenue growth of 26.6%. AT&T reported 526K postpaid phone net adds in the fourth quarter, more than 1.7 million for the full year 2023, with historically low churn levels and continued strong ARPU growth. AT&T reported 273K Fiber net adds in the fourth quarter and 1.1 million net adds for full-year 2023, marking 16 straight quarters with more than 200K net adds and the sixth straight year with 1 million or more AT&T Fiber net adds. AT&T achieved a \$6 billion+ run-rate cost savings target in mid-year 2023; Strong early progress on achieving an incremental \$2 billion+ run-rate cost savings target by mid-2026. AT&T continued to enhance the largest wireless network in North America and expand the most reliable 5G network; the mid-band 5G spectrum now covers 210 million+ people, achieving the end-of-year target. AT&T grew the nation's largest fiber network, which now passes 26 million+ consumer and business locations; it is on track to pass 30 million+ locations with fiber by the end of 2025.

- **AT&T's ongoing 5G and fiber network rollout and adoption will drive ongoing subscriber growth and a reacceleration in Business Performance trends.** AT&T will see a reacceleration in business performance trends and positive Y/Y growth driven by its combination of high-quality fixed-line and wireless services that will increasingly deliver long-term scale advantages and support a reacceleration of growth in revenue, Economic Cash Flow, and Net Operating Profit after Tax driving a return to Economic Profitability. For the 12 months ending December 2023, Net Sales Revenue declined 5.19% Y/Y from \$129.13 billion to \$122.43 billion. We forecast an increase of 2.29% to \$125.23 billion over the NTM. Economic Operating Cash Flow (EBITDAR) declined 6.83% Y/Y from \$39.21 billion to \$36.53 billion over the LTM. We forecast an increase of 25.46% to \$45.83 billion over the NTM. Net Operating Profit After Tax (NOPAT) declined 4.77%, from \$14.68 billion to \$13.98 billion over the LTM. We forecast an increase of 50.07% to \$20.97 billion over the NTM. Return on Capital (ROC) increased from 3.79% to 4.38% over the LTM. We forecast a further increase to 6.56% over the NTM. Economic Profit (EP) increased 60% Y/Y from a loss of \$9.50 billion to a loss of \$3.8 billion over the LTM. We forecast a significant increase of 170.23% to \$2.67 billion over the NTM as AT&T earns a return above its cost of capital and drives a significant acceleration in shareholder value creation. Our 12-month target price of \$29 per share is based on an equity value multiple of just over four times our forward 12-month EBITDAR expectations of \$45.83 billion, which we project will increase 25.46% over the NTM and a multiple of just over eleven times our forward 12-month NOPAT expectations of \$20.97 billion which we project to increase 50.07% over the NTM. Our multiples and growth rates are well supported by AT&T's ability to drive increasing growth and yield from ongoing investments in its

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high-speed wireless and wireline infrastructure that will continue to drive further increases in EBITDAR and NOPAT and, along with ongoing balance sheet optimization, will drive an increasing Return on Capital (ROC).

- **AT&T will increasingly leverage its 5G high-speed fiber network to drive ongoing subscriber growth and further enhance value-added services, including its Edge Computing capabilities.** AT&T has grown into the nation's largest consumer fiber network and is on track to exceed 30 million fiber locations by the end of 2025. Computing power and connectivity will continue to drive enhanced Edge computing capabilities to provide greater application functionality and connectivity. Edge computing will drive the ongoing evolution of autonomous vehicle technology, drone use, robotics applications for robotaxis and transportation, delivery and field connectivity, and all types of manufacturing, retail, and entertainment, along with customer and workforce management. AT&T has also invested in and partnered with satellite-based 5G cellular broadband service provider AST SpaceMobile (ASTS-US, Non-Rated) as it begins to build out a satellite-based alternative to land-based cellular networks, increasing coverage to areas underserved by ground-based networks. In December 2023, AT&T closed a five-year contract worth about \$14 billion with Ericsson (ERIC-US, Non-Rated) to modernize its network infrastructure. AT&T will leverage Ericsson technology to deploy a commercial-scale open radio access network (Open RAN) across the country to help build a more robust ecosystem of network infrastructure providers and suppliers. In 2022, AT&T formed a joint venture with BlackRock (BLK-US, Non-Rated), GigaPower, providing a best-in-class fiber network to ISPs (Internet Service Providers) and other enterprises in the U.S., serving customers outside of AT&T's traditional 21 state wireline service footprint with offering advanced fiber access technologies. AT&T will leverage its nationwide wireless sales capabilities to sell fiber services to customers in new Gigapower territories. AT&T continues to leverage its high-speed 5G network through the recently announced partnership with NVIDIA (NVDA-US, Buy Rated), enabling high-speed gaming and further enhancing the speed of its GeForce NOW subscription gaming platform that leverages NVIDIA's hosted high-speed GPU platform and AT&T's high-speed 5G network, enabling gaming on lower power devices, including smartphones and tablets. AT&T's high-speed network and expanded Edge computing capabilities will support all types of local and wide area networks and further enhance cloud and hybrid cloud computing capabilities and access. AT&T's Multi-access Edge Compute (MEC) solution provides more efficient and high-speed data traffic management. AT&T's MEC leverages SDN (Software-Defined Network) technology, enabling low latency, high-speed, high-bandwidth applications for faster access to data. In addition, AT&T will incorporate increasing ML and AI applications to manage and

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optimize an increasing number of connected devices and the real-time distribution of data and computing power.

- **AT&T partners with Rivian to reduce CO2 emissions and enable smart and connected vehicles.** AT&T recently announced that it will purchase Rivian EVs for its fleet through a pilot program focused on cutting transport emissions. AT&T expects to begin adding the Rivian Commercial Van and R1 vehicles to its fleet beginning this year to evaluate how these vehicles help improve safety, reduce costs, and cut its carbon footprint. Adding EVs from Rivian will enable AT&T to accelerate its electrification initiative as part of its commitment to carbon neutrality by 2035. In addition, AT&T is the exclusive provider of connectivity for all Rivian vehicles in the U.S. and Canada, creating a smarter, safer, and more connected driving experience. Rivian uses over-the-air software updates driven by AT&T connectivity to constantly improve its vehicles with new features and functionality, enhancing the consumers' driving experience. The new partnership creates a learning opportunity for both companies as AT&T is one of the largest operators of vehicle service fleets in the U.S. Rivian's most recent OTA (Over the Air) updates included improved ride quality, enhancements to the towing experience and a new way to interact with the R1's different drive modes. The agreement with AT&T is the first announcement following Rivian's expansion of its commercial partnership beyond Amazon (AMZN-US, BUY Rated) and could lead to further combined opportunities for marketing AT&T-connected services to other future Rivian commercial EV operators.
- **AT&T's strategic capital allocation, including ongoing investment in strategic growth initiatives and debt reduction combined with targeted cash flow-driven dividend payout, will drive increasing shareholder value creation.** As of December 2023, AT&T had \$600.06 million, \$0.08 per share, in excess cash combined with our projected \$45.83. billion Economic Operating Cash Flow (EBITDAR) generation over the NTM will continue to drive its ability to fund new growth initiatives along with ongoing investments in its 5G network, its broadband infrastructure, and most importantly, additional C-Band spectrum and ongoing network deployment. AT&T continues to expand its 5G network and now covers 210 million people in the mid-band 5G spectrum by reaching its end-of-year target. It is on track to exceed 30 million fiber locations by the end of 2025. AT&T's capital investment in the most recent quarter was \$5.6 billion and should continue at a run rate of about \$20 billion per year. AT&T expects 2024 capital investment to be in a range of \$21-\$22 billion as it continues to invest in its 5G and fiber networks and decline in subsequent years and should experience significant increasing returns on its capital investments. In addition, AT&T is also well positioned to receive significant Broadband Equity, Access, and Deployment (BEAD) funding in a public/private partnership. In addition, its GigaPower joint venture with BlackRock provides a state-of-the-art fiber network to an

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initial eight new areas and collaborated with AST SpaceMobile to achieve the world's first direct voice call from space between unmodified 4G LTE smartphones connected via low-earth orbit satellites to further help fund the ongoing buildout of its network while it continues to strengthen its balance sheet and reduce debt. AT&T also continues to benefit from improved affordability for Internet access through the Affordable Connectivity Program (ACP). AT&T ended 2023 with a net debt-to-adjusted EBITDA ratio now below 3x and the improved flexibility in 2024 to dedicate more cash to debt reduction, and it is on track to achieving the 2.5x range in the first half of 2025. AT&T also continues to improve its capital allocation and management through its ongoing debt reduction process, reducing its debt by \$3 billion in the recent quarter, with 95% of its debt at a fixed rate of 4.2% and a weighted average maturity of 16 years. AT&T's targeted dividend payout of 40% of free cash provides an extremely attractive and secure yield.

Investment Thesis

AT&T is experiencing a turn in cash flow generation driven by its focus on core communication services, and its ability to leverage its broad product portfolio of wireless and wireline services will drive increasing recurring revenue and greater overall growth in revenue, EBITDAR, and NOPAT. The completion of the spin-off of WarnerMedia refocuses AT&T on its core communications business lines as it restructures its balance sheet and focuses on creating shareholder value by leveraging its communications network infrastructure. The ongoing domestic and international rollout of its high-speed 5G network will drive increasing connectivity on AT&T's Internet of Things (IoT) platform, including the connected car and the connected home, along with home monitoring and security. A refocus on organic communication subscriber growth will drive gains in Return on Capital (ROC), driving greater Economic Profit growth and greater shareholder value creation. The post-WarnerMedia transaction dividend strategy targets a 40%+ payout ratio, which will continue to provide an attractive dividend yield and total return.

Target Price Calculation

Our 12-month target price of \$29 per share is based on an equity value multiple of just over four times our forward 12-month EBITDAR expectations of \$45.83 billion, which we project will increase 25.46% over the NTM and a multiple of just over eleven times our forward 12-month NOPAT expectations of \$20.97 billion which we project to increase 50.07% over the NTM. Our multiples and growth rates are well supported by AT&T's ability to drive increasing growth and yield from ongoing

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investments in its high-speed wireless and wireline infrastructure that will continue to drive further increases in EBITDAR and NOPAT and, along with ongoing balance sheet optimization, will drive an increasing Return on Capital (ROC).

Company Overview

AT&T, Inc. (T-US) is one of the world's leading communications service providers, offering a wide range of business and communications services that include wireless, local exchange and long-distance telecommunications services, data and broadband managed networks, internet access, wholesale telecommunications service access, directory advertising and publishing, and cloud-hosted services. AT&T markets and sells its communications services and products under the AT&T, Cricket, AT&T PREPAID, AT&T TV, and AT&T Fiber brand names. AT&T owns wireless spectrum licenses across the entire U.S. and all of its territories. AT&T also provides wireless and mobile broadband services in over 200 countries. AT&T markets directly to businesses and consumers and operates its own retail stores, selling mobile communication equipment and services.

In July 2021, AT&T completed its transaction with TPG to form a new company named DIRECTV, which is jointly governed by a board with representation from both AT&T and TPG. AT&T received approximately \$7.17 billion from DIRECTV. In November 2021, AT&T completed the sale of its Latin America video operations, Vrio, to Grupo Werthein. In April 2022, AT&T completed the spin-off of WarnerMedia, which it acquired in 2018, with AT&T shareholders receiving 0.242 shares of Warner Brothers Discovery (WBD-US, Non-Rated), leaving AT&T as a pure-play wireless and wireline company with compelling subscription revenue opportunities across its network. Following the last reported quarter with AT&T's ownership of WarnerMedia, AT&T will reorganize its operating segments to reflect its current business lines. In November 2005, SBC acquired AT&T and adopted the AT&T name, and then the combined company acquired BellSouth Corp. in December 2006 and spun out its Directories business in May 2012. The company acquired Mexican wireless telecoms Iusacell and Nextel Mexico in January 2015. AT&T was founded as the American Telephone and Telegraph Company in 1885 as a subsidiary of Bell Telephone. AT&T is headquartered in Dallas, TX.

AT&T operates and reports revenue in two Business Segments:

Communications: (97% of revenue) consists of three key business lines, including Business Wireline, which provides communication services to business customers, including multinational corporations, governments,

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and wholesale providers of communications services; The Entertainment Group, which provides video, high-speed Internet, and communication services to U.S.-based residential customers; and Mobility, which provides wireless services to consumer and wholesale subscribers throughout the U.S. and its territories.

Latin America: (3% of revenue) provides wireless services in Mexico and Vrio Pay-TV Entertainment Services in Latin America. AT&T also owns 41% of subscription television service provider Sky Mexico.

AT&T reports its revenue in six Geographic Regions: United States (96% of revenue), Mexico (3% of revenue), Asia/Pacific Rim (<1% of revenue), Europe (<1% of revenue), Latin America (<1% of revenue), and Other (<1% of revenue).



Company Report – Research Update

AT&T Inc. (T-US)

Diversified Telecommunication

Financial Data

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2024	Average	Average	Trend
Net Sales Revenue	\$170,805.0	\$181,265.0	\$171,760.0	\$168,864.0	\$129,134.0	\$122,428.0	\$125,230.0	\$154,690.2	\$140,142.0	\$123,829.0	
Sales Growth	6.39%	6.12%	-5.24%	-1.69%	-23.53%	-5.19%	2.29%	-5.91%	-10.14%	-1.45%	
Sales Growth Trend	3.04%	6.23%	-0.70%	-3.11%	-14.79%	-12.53%	-0.70%	-4.98%	-10.14%	-6.62%	
Economic Operating Cash Flow (EBITDAR)	\$60,939.2	\$58,987.3	\$61,562.3	\$55,549.5	\$39,210.5	\$36,532.0	\$45,834.2	\$50,368.3	\$43,764.0	\$41,183.1	
EBITDAR Margin	35.68%	32.54%	35.84%	32.90%	30.36%	29.84%	36.60%	32.30%	31.03%	33.22%	
EBITDAR Growth	13.25%	-3.20%	4.37%	-9.77%	-29.41%	-6.83%	25.46%	-8.97%	-15.34%	9.32%	
Net Operating Profit Before Tax (NOPBT)	\$27,213.2	\$25,086.3	\$27,150.3	\$27,324.5	\$14,675.5	\$17,755.0	\$26,548.8	\$22,398.3	\$19,918.4	\$22,151.9	
NOPBT Margin	15.93%	13.84%	15.81%	16.18%	11.36%	14.50%	21.20%	14.34%	14.02%	17.85%	
NOPBT Growth	11.21%	-7.82%	8.23%	0.64%	-46.29%	20.98%	49.53%	-4.85%	-8.22%	35.26%	
Cash Operating Income Tax	\$5,382.9	\$4,744.8	\$0.0	\$5,544.6	\$0.0	\$3,779.5	\$5,575.2	\$2,813.8	\$3,108.0	\$4,677.4	
Economic Tax Effective Rate	19.78%	18.91%	0.00%	20.29%	0.00%	21.29%	21.00%	12.10%	13.86%	21.14%	
Net Operating Profit After Tax (NOPAT)	\$21,830.3	\$20,341.5	\$27,150.3	\$21,779.9	\$14,675.5	\$13,975.5	\$20,973.5	\$19,584.6	\$16,810.3	\$17,474.5	
NOPAT Margin	12.78%	11.22%	15.81%	12.90%	11.36%	11.42%	16.75%	12.54%	11.89%	14.08%	
NOPAT Growth	-44.28%	-6.82%	33.47%	-19.78%	-32.62%	-4.77%	50.07%	-6.10%	-19.06%	22.65%	
Cash & Equivalents	\$6,829.0	\$14,011.0	\$13,076.0	\$22,700.0	\$4,925.0	\$6,722.0	\$6,923.7	\$12,286.8	\$11,449.0	\$6,822.8	
Total Assets	\$531,864.0	\$551,669.0	\$525,761.0	\$551,622.0	\$402,853.0	\$407,060.0	\$419,271.8	\$487,793.0	\$453,845.0	\$413,165.9	
Non - Interest Bearing Liabilities (NIBLs)	\$152,778.0	\$152,898.0	\$155,393.0	\$155,725.0	\$133,378.0	\$130,726.0	\$134,647.8	\$145,624.0	\$139,943.0	\$132,686.9	
Net Assets	\$369,291.0	\$381,058.0	\$352,801.0	\$378,374.0	\$260,518.0	\$260,216.0	\$268,022.5	\$326,593.4	\$299,702.7	\$264,119.2	
Economic Asset Adjustments	\$69,858.5	\$75,651.6	\$77,275.9	\$81,561.5	\$67,236.5	\$56,865.0	\$58,571.0	\$71,718.1	\$68,554.3	\$57,718.0	
Net Operating Assets	\$439,149.5	\$456,709.6	\$430,076.9	\$459,935.5	\$327,754.5	\$317,081.0	\$326,593.4	\$398,311.5	\$368,257.0	\$321,837.2	
Debt & Debt Equivalents	\$200,458.5	\$215,970.6	\$210,810.9	\$230,423.5	\$179,680.5	\$154,899.0	\$159,546.0	\$198,356.9	\$188,334.3	\$157,222.5	
Equity & Equivalents	\$184,089.0	\$184,221.0	\$161,673.0	\$166,332.0	\$97,500.0	\$103,297.0	\$106,395.9	\$142,604.6	\$122,376.3	\$104,846.5	
Total Capital - Financing Sources	\$384,547.5	\$400,191.6	\$372,483.9	\$396,755.5	\$277,180.5	\$258,196.0	\$265,941.9	\$340,961.5	\$310,710.7	\$262,068.9	
Capital Adjustments	\$45,905.0	\$48,083.0	\$49,449.0	\$54,704.0	\$45,782.0	\$56,865.0	\$58,571.0	\$50,976.6	\$52,450.3	\$57,718.0	
Net Capital Financing Sources	\$430,452.5	\$448,274.6	\$421,932.9	\$451,459.5	\$322,962.5	\$315,061.0	\$324,512.8	\$391,938.1	\$363,161.0	\$319,786.9	
Net Working Capital	\$10,133.3	\$7,619.3	\$3,752.0	(\$5,330.8)	(\$9,198.3)	(\$3,273.6)	(\$3,371.8)	(\$1,286.3)	(\$5,934.2)	(\$3,322.7)	
Cost of Net Working Capital	\$182.5	\$380.4	\$195.1	(\$27.5)	(\$453.5)	(\$347.4)	(\$357.8)	(\$50.6)	(\$276.1)	(\$352.6)	
% of Revenue	0.11%	0.21%	0.11%	-0.02%	-0.35%	-0.28%	-0.29%	-0.07%	-0.22%	-0.28%	
Operational Capital	\$160,033.8	\$185,178.8	\$179,508.9	\$165,765.7	\$154,333.2	\$146,120.4	\$150,504.0	\$166,181.4	\$155,406.4	\$148,312.2	
Cost of Operational Capital	\$7,289.2	\$7,397.4	\$6,257.8	\$6,004.7	\$9,991.1	\$8,369.7	\$8,620.8	\$7,604.1	\$8,121.8	\$8,495.2	
% of Revenue	4.27%	4.08%	3.64%	3.66%	7.74%	6.84%	6.88%	5.17%	6.04%	6.86%	
Productive Capital	\$445,335.8	\$467,724.8	\$442,590.9	\$442,578.7	\$351,674.2	\$346,476.4	\$356,870.7	\$410,209.0	\$380,243.1	\$351,673.5	
Cost of Productive Capital	\$19,537.4	\$19,565.6	\$15,620.4	\$15,394.0	\$24,790.6	\$19,448.2	\$20,031.7	\$18,963.8	\$19,877.6	\$19,740.0	
% of Revenue	11.44%	10.79%	9.09%	9.12%	19.20%	15.89%	16.00%	12.82%	14.73%	15.94%	
Total Operating Capital	\$440,860.8	\$451,761.8	\$425,588.9	\$445,678.7	\$329,286.2	\$316,480.4	\$325,974.8	\$393,759.2	\$363,815.1	\$321,227.6	
Cost of Total Operating Capital	\$18,372.4	\$19,127.7	\$15,054.8	\$15,152.3	\$24,188.6	\$17,989.0	\$18,528.6	\$18,302.5	\$19,110.0	\$18,258.8	
% of Revenue	10.76%	10.55%	8.77%	8.97%	18.73%	14.69%	14.80%	12.34%	14.13%	14.74%	
Non - Operating Capital	(\$1,711.3)	\$4,947.8	\$4,488.0	\$14,256.8	(\$1,531.7)	\$600.6	\$618.6	\$4,552.3	\$4,441.9	\$609.6	
Cost of Non - Operating Capital	\$1,048.8	\$69.4	\$161.9	\$326.0	\$397.2	(\$25.9)	(\$26.7)	\$185.7	\$232.4	(\$26.3)	
% of Revenue	0.61%	0.04%	0.09%	0.19%	0.31%	-0.02%	-0.02%	0.12%	0.16%	-0.02%	
Total Capital	\$439,149.5	\$456,709.6	\$430,076.9	\$459,935.5	\$327,754.5	\$317,081.0	\$326,593.4	\$398,311.5	\$368,257.0	\$321,837.2	
Cost of Total Capital	\$19,421.2	\$19,197.0	\$15,216.7	\$15,478.3	\$24,585.8	\$17,963.0	\$18,501.9	\$18,488.2	\$19,342.4	\$18,232.5	
% of Revenue	11.37%	10.59%	8.86%	9.17%	19.04%	14.67%	14.77%	12.47%	14.29%	14.72%	
Cost of Capital (WACC)	4.85%	4.29%	3.43%	3.48%	6.24%	5.57%	5.57%	4.60%	5.10%	5.57%	
Capital Structure											
Debt & Debt Equivalents	\$200,458.5	\$215,970.6	\$210,810.9	\$230,423.5	\$179,680.5	\$154,899.0	\$159,546.0	\$198,356.9	\$188,334.3	\$157,222.5	
Debt & Debt Equivalents % of Market Value	49.10%	43.24%	50.71%	56.74%	57.80%	56.35%	43.49%	52.01%	56.96%	49.00%	
Preferred Equity	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Preferred Equity % of Market Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Market Value of Common Equity	\$207,828.3	\$283,508.0	\$204,943.8	\$175,668.6	\$131,208.1	\$119,977.3	\$207,350.6	\$183,061.2	\$142,284.7	\$163,664.0	
Common Equity % of Market Value	50.90%	56.76%	49.29%	43.26%	42.20%	43.65%	56.51%	47.99%	43.04%	51.00%	
Total Economic Market Value (MV)	\$408,286.8	\$499,478.6	\$415,754.6	\$406,092.1	\$310,888.6	\$274,876.3	\$366,896.6	\$381,418.1	\$330,619.0	\$320,886.4	
Total %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Excess Cash	(\$1,711.3)	\$4,947.8	\$4,488.0	\$14,256.8	(\$1,531.7)	\$600.6	\$618.6	\$4,552.3	\$4,441.9	\$609.6	
Economic Enterprise Value	\$409,998.0	\$494,530.8	\$411,266.6	\$391,835.3	\$312,420.3	\$274,275.7	\$366,277.9	\$376,865.8	\$326,177.1	\$320,276.8	
Average Capital	\$394,512.7	\$439,363.5	\$435,103.7	\$436,696.2	\$387,211.0	\$319,011.8	\$319,786.9	\$403,477.2	\$380,973.0	\$319,399.3	
Capital Δ	\$71,879.7	\$17,822.1	(\$26,341.7)	\$29,526.6	(\$128,497.0)	(\$7,901.5)	\$9,451.8	(\$23,078.3)	(\$35,624.0)	\$775.1	

Source: Company Data, Financial statements and Tigress Research

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Company Report – Research Update

AT&T Inc. (T-US)

Diversified Telecommunication

Financial Analysis

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	Average	Average	Trend
Return on Market Value (NOPAT / MV)	5.35%	4.07%	6.53%	5.36%	4.72%	5.08%	5.24%	5.15%	5.06%	5.16%
Return on Enterprise Value (NOPAT / EV)	5.32%	4.11%	6.60%	5.56%	4.70%	5.10%	5.25%	5.21%	5.12%	5.17%
Return on Capital (NOPAT / Average Capital)	5.53%	4.63%	6.24%	4.99%	3.79%	4.38%	6.56%	4.81%	4.39%	5.47%
Cost of Capital (WACC)	4.85%	4.29%	3.43%	3.48%	6.24%	5.57%	5.57%	4.60%	5.10%	5.57%
Economic Return Spread	0.68%	0.34%	2.81%	1.51%	-2.45%	-1.19%	-1.23%	0.20%	-0.71%	-1.21%
Capital Charge	\$19,135.8	\$18,829.9	\$14,932.2	\$15,189.2	\$24,171.7	\$17,773.3	\$18,306.5	\$18,179.3	\$19,044.7	\$18,039.9
Economic Profit (EP)	\$2,694.4	\$1,511.6	\$12,218.1	\$6,590.7	(\$9,496.1)	(\$3,797.7)	\$2,667.0	\$1,405.3	(\$2,234.4)	(\$565.4)
Economic Profit Improvement (EPI)	(\$19,199.3)	(\$1,182.8)	\$10,706.5	(\$5,627.4)	(\$16,086.8)	\$5,698.4	\$6,464.8	(\$1,298.4)	(\$5,338.6)	\$6,081.6
EP Growth	-87.69%	-43.90%	708.28%	-46.06%	-244.08%	60.01%	170.23%	86.85%	-76.71%	115.12%
Economic Profit Margin on Sales	1.58%	0.83%	7.11%	3.90%	-7.35%	-3.10%	2.13%	0.28%	-2.18%	-0.49%
Economic Profit Per Share	\$0.37	\$0.21	\$1.71	\$0.92	(\$0.53)	(\$0.53)	\$0.20	\$0.20	(\$0.31)	(\$0.54)
GAAP Earnings Per Share	\$2.88	\$1.90	(\$0.75)	\$2.77	(\$1.22)	\$1.98	\$2.22	\$0.94	\$1.17	\$2.10
Excess Cash Per Share	(\$0.23)	\$0.68	\$0.63	\$1.98	(\$0.21)	\$0.08	\$0.09	\$0.63	\$0.62	\$0.08
Performance Drivers										
Sales Growth	6.39%	6.12%	-5.24%	-1.69%	-23.53%	-5.19%	2.29%	-5.91%	-10.14%	-1.45%
Sales Growth Trend (ROC Sales Growth)	3.04%	6.23%	-0.70%	-3.11%	-14.79%	-12.53%	-0.70%	-4.98%	-10.14%	-6.62%
EBITDAR Margin	35.68%	32.54%	35.84%	32.90%	30.36%	29.84%	36.60%	32.30%	31.03%	33.22%
EBITDAR Growth	13.25%	-3.20%	4.37%	-9.77%	-29.41%	-6.83%	25.46%	-8.97%	-15.34%	9.32%
NOPBT Margin	15.93%	13.84%	15.81%	16.18%	11.36%	14.50%	21.20%	14.34%	14.02%	17.85%
NOPBT Growth	11.21%	-7.82%	8.23%	0.64%	-46.29%	20.98%	49.53%	-4.85%	-8.22%	35.26%
NOPAT Margin	12.78%	11.22%	15.81%	12.90%	11.36%	11.42%	16.75%	12.54%	11.89%	14.08%
NOPAT Growth	-44.28%	-6.82%	33.47%	-19.78%	-32.62%	-4.77%	50.07%	-6.10%	-19.06%	22.65%
Economic Profit Margin on Sales (EP / Sales)	1.58%	0.83%	7.11%	3.90%	-7.35%	-3.10%	2.13%	0.28%	-2.18%	-0.49%
Economic Profit Growth	-87.69%	-43.90%	708.28%	-46.06%	-244.08%	60.01%	170.23%	86.85%	-76.71%	115.12%
Economic Return Spread (ROC-WACC)	0.68%	0.34%	2.81%	1.51%	-2.45%	-1.19%	0.99%	0.20%	-0.71%	-0.10%
Economic Return Ratio (ROC / WACC)	114.08%	108.03%	181.82%	143.39%	60.71%	78.63%	117.72%	114.52%	94.25%	98.18%
Economic Profit Momentum (ΔEP/Capital)	-4.46%	-0.26%	2.54%	-1.25%	-4.98%	1.81%	1.99%	-0.43%	-1.47%	1.90%
Economic Profit Momentum Margin (ΔEP/Sales)	-11.24%	-0.65%	6.23%	-3.33%	-12.46%	4.65%	5.16%	-1.11%	-3.71%	4.91%
Capital Growth	20.05%	4.14%	-5.88%	7.00%	-28.46%	-2.45%	3.00%	-5.13%	-7.97%	0.28%
Capital Turns	0.40X	0.40X	0.41X	0.37X	0.40X	0.39X	0.39X	0.39X	0.39X	0.39X
EVC Acceleration Margin	-11.96%	-0.69%	5.91%	-3.28%	-9.53%	4.41%	5.28%	-1.04%	-3.45%	4.34%
EVC Acceleration Spread	-5.64%	-0.30%	2.44%	-1.29%	-3.68%	1.47%	2.03%	-0.41%	-1.32%	1.60%
Risk Factors										
Free Cash Flow (NOPAT - Δ Capital)	(\$50,049.4)	\$2,519.5	\$53,492.0	(\$7,746.7)	\$143,172.5	\$21,877.1	\$11,521.7	\$42,662.9	\$52,434.3	\$16,699.4
Free Cash Flow Rate (FCF / Capital)	-11.63%	0.56%	12.68%	-1.72%	44.33%	6.94%	3.55%	12.56%	16.52%	5.25%
Free Cash Flow Yield (FCF / MV)	-12.26%	0.50%	12.87%	-1.91%	46.05%	7.96%	3.14%	13.09%	17.37%	5.55%
Total Debt / Total Capital	46.57%	48.18%	49.96%	51.04%	55.64%	49.16%	49.16%	50.80%	51.95%	49.16%
Total Debt / EBITDAR	328.95%	366.13%	342.43%	414.81%	458.25%	424.01%	348.09%	401.13%	432.35%	386.05%
Excess Cash	(\$1,711.3)	\$4,947.8	\$4,488.0	\$14,256.8	(\$1,531.7)	\$600.6	\$0.0	\$4,552.3	\$4,441.9	\$300.3
Financial Leverage (Total Debt - Excess Cash) / Pension Leverage (Net Pension Liability / MV)	49.52%	42.25%	49.63%	53.23%	58.29%	56.13%	43.49%	51.91%	55.88%	49.81%
Equity Risk Index (S&P 500 = 1.00)	1.60%	1.70%	2.15%	1.69%	2.14%	0.00%	0.00%	1.54%	1.28%	0.00%
Stock Price Volatility	0.64	0.64	0.60	0.57	0.57	0.58	0.58	0.59	0.57	0.58
Sales Index (NL Sales)	2.94	2.94	3.64	3.67	3.37	3.73	3.73	3.47	3.59	3.73
Market Value Index (NL Market Value)	12.05	12.11	12.05	12.04	11.77	11.72	11.74	11.94	11.84	11.73
Size Index (NL Sales: MV)	12.92	13.12	12.94	12.91	12.65	12.52	12.81	12.83	12.70	12.67
Beta	12.48	12.61	12.50	12.48	12.21	12.12	12.28	12.38	12.27	12.20
TFP Adjusted Beta	0.47	0.47	0.41	0.36	0.36	0.38	0.38	0.39	0.36	0.38
Stock Price Volatility	0.64	0.64	0.60	0.57	0.57	0.58	0.58	0.59	0.57	0.58
Valuation Measures										
Total Economic Market Value (MV)	\$408,286.8	\$499,478.6	\$415,754.6	\$406,092.1	\$310,888.6	\$274,876.3	\$366,896.6	\$381,418.1	\$330,619.0	\$320,886.4
Economic Enterprise Value	\$409,998.0	\$494,530.8	\$411,266.6	\$391,835.3	\$312,420.3	\$274,275.7	\$366,277.9	\$376,865.8	\$326,177.1	\$320,276.8
Equity Market Value	\$207,828.3	\$283,508.0	\$204,943.8	\$175,668.6	\$131,208.1	\$119,977.3	\$207,350.6	\$183,061.2	\$142,284.7	\$163,664.0
Total Capital	\$439,149.5	\$456,709.6	\$430,076.9	\$459,935.5	\$327,754.5	\$317,081.0	\$326,593.4	\$398,311.5	\$368,257.0	\$321,837.2
Market Value Created MVC (MV - Capital)	(\$30,862.7)	\$42,769.0	(\$14,322.2)	(\$53,843.4)	(\$16,865.9)	(\$42,204.7)	\$40,303.1	(\$16,893.4)	(\$37,638.0)	(\$950.8)
MVC Margin (MVC / Sales)	-18.07%	23.59%	-8.34%	-31.89%	-13.06%	-34.47%	32.18%	-10.92%	-26.86%	-0.77%
MVC Spread (MVC / Capital)	-7.03%	9.36%	-3.33%	-11.71%	-5.15%	-13.31%	12.34%	-4.24%	-10.22%	-0.30%
Current EVC Value (EP / WACC)	\$55,549.9	\$35,270.9	\$356,019.8	\$189,485.3	(\$152,120.7)	(\$68,165.6)	\$47,870.6	\$30,537.5	(\$43,834.3)	(\$10,147.5)
Current Operations Value COV	\$450,062.6	\$474,634.4	\$791,123.5	\$626,181.5	\$235,090.4	\$250,846.2	\$367,657.5	\$434,014.7	\$337,138.7	\$309,251.9
Current Operations Value Per Share	\$61.80	\$65.43	\$111.02	\$87.69	\$32.99	\$35.08	\$51.42	\$60.62	\$47.22	\$43.25
Future Growth Value (MVC - EVA Value)	(\$41,775.8)	\$24,844.2	(\$375,368.9)	(\$220,089.4)	\$75,798.2	\$24,030.2	(\$761.0)	(\$52,596.7)	(\$6,519.6)	\$11,634.6
Future Growth Value Reliance (FGV / MV)	-10.23%	4.97%	-90.29%	-54.20%	24.38%	8.74%	-0.21%	-13.79%	-1.97%	3.63%
Share Price	\$28.54	\$39.08	\$28.76	\$24.60	\$18.41	\$16.78	\$29.00	\$25.53	\$19.93	\$22.89
Dividend Yield	7.04%	5.25%	7.23%	8.46%	6.03%	6.62%	0.00%	0.00%	0.00%	0.00%
Total Shareholder Return (TTM)	-19.55%	42.18%	-19.18%	-6.01%	-19.13%	-2.24%	72.82%	-11.98%	-21.92%	14.85%
MV to IC Ratio	0.93X	1.09X	0.97X	0.88X	0.95X	0.87X	1.12X	0.96X	0.90X	1.00X
EV / EBITDAR Multiple	6.73X	8.38X	6.68X	7.05X	7.97X	7.51X	7.99X	7.48X	7.45X	7.78X
EV / NOPBIT Multiple	15.07X	19.71X	15.15X	14.34X	21.29X	15.45X	13.80X	16.83X	16.38X	14.46X
EV / NOPAT Multiple	18.78X	24.31X	15.15X	17.99X	21.29X	19.63X	17.46X	19.24X	19.40X	18.33X
EV / EP Multiple	152.16X	327.15X	33.66X	59.45X	-32.90X	-72.22X	137.33X	268.17X	-145.98X	-566.51X
Future Growth Value (% of MV)	-10.23%	4.97%	-90.29%	-54.20%	24.38%	8.74%	-0.21%	-13.79%	-1.97%	3.63%
Current Operations Value (% of MV)	110.23%	95.03%	190.29%	154.20%	75.62%	91.26%	100.21%	113.79%	101.97%	96.37%
Market Value (COV + FGV %)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Shares Outstanding	7,282.0	7,254.6	7,126.0	7,141.0	7,127.0	7,150.0	7,150.0	7,159.7	7,139.3	7,150.0

Source: Company Data, Financial statements and Tigress Research

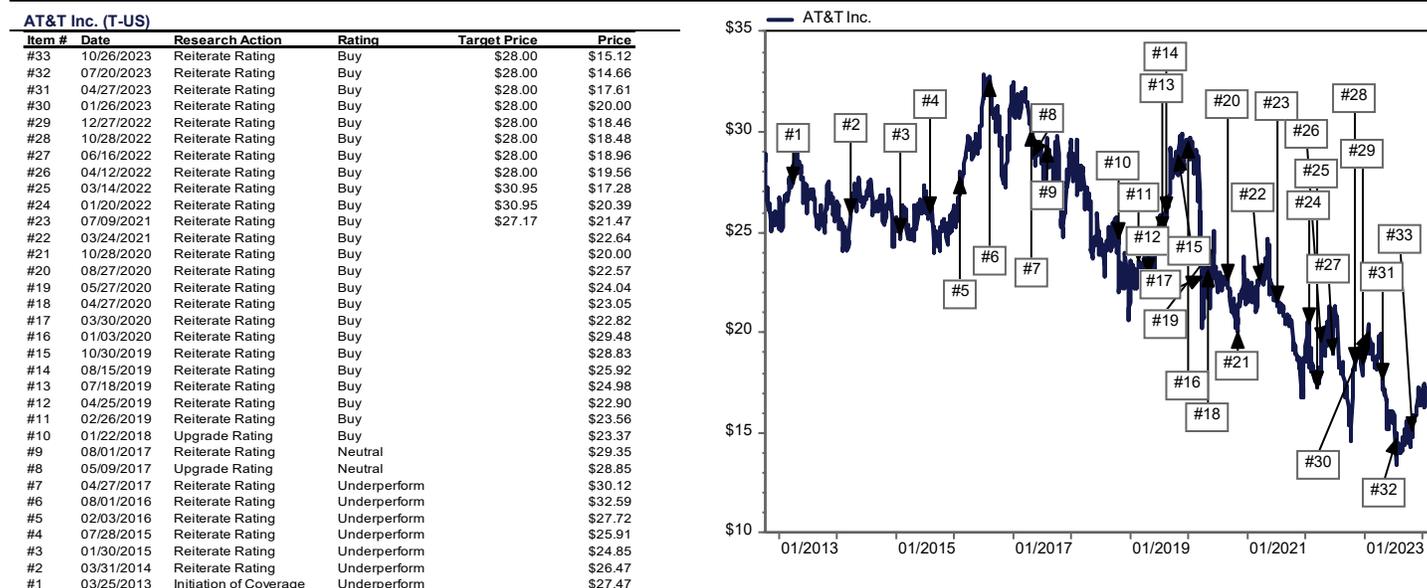
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AT&T Inc. (T-US)
Diversified Telecommunication
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Rating:	Meaning:
Strong Buy:	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.
Buy:	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.
Neutral:	Expect little or no outperformance opportunity over the next 12 months.
Underperform:	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.
Sell:	Expect price decline or significant relative market and industry underperformance over the next 12 months.

Rating Distribution (01/30/2024)

Companies Under Coverage	Relationship Companies Under Coverage*			
	#	%	#	%
Strong Buy	17	12%	2	7%
Buy	77	53%	22	89%
Neutral	45	31%	1	4%
Underperform	5	4%	0	0%
Sell	0	0%	0	0%

*Relationship Companies under research coverage are companies in which Tigress Financial Partners LLC or one of its affiliates has received compensation for investment banking or non-investment banking services from the company, affiliated entities and/or its employees within the past twelve months or expects to do so within the next three months.

Total	144	100%	25	100%
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I, Ivan Feinseth, hereby certify that the views expressed herein accurately reflect my personal views about the subject company and their securities and that I have not been and will not be directly or indirectly compensated for expressing specific recommendations or views in the report.

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Tigress Research Methodology Overview

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies, and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

Business Performance: Measuring economic profitability, growth, and operating efficiency.

Risk: Measuring business sustainability, volatility, strength, and consistency.

Valuation: Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of Economic Profit and cash flow.

We score and rank 24 key measurements of performance, risk, and value into relative market and industry investment recommendations.

Glossary of Key Terms and Measures

Excess Cash per Share: Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities, less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.

EBITDAR: Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring, and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.

NOPAT: Net Operating Profit After Tax represents a company's after-tax cash operating Profit, excluding financing costs.

Total Invested Capital: Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of the company.

Return on Capital: Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.

Cost of Capital: Is the proportionately weighted cost of each category of capital – common equity, preferred equity, and debt.

Economic Profit: Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.

Current Operations Value: Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream, assuming it remains constant forever.

Future Growth Value: Future Growth Value is the portion of market value based on un-earned Economic Profit

Risks to Investment Rating and Price Target

Multiple factors could negate or negatively impact a company's ability to meet our investment objectives and price target. Risks include but are not limited to material adverse impacts to a company's business plan, ability to execute its business objectives along with negative global and local economic impacts and industry disruptions. Other risks include increased competition from current or newly emerged competitors, changes in regulations and legislation that could negatively impact the company's business, and product malfunctions or failures to perform. Other risks include any unforeseen events that could adversely impact the company's operations, ability to sustain their business or cause product delays, and negatively impact ongoing operations.

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Specific Disclosures for the companies that are the subject of this report

Company:	Disclosure:
AT&T Inc. (T-US)	14
Key Disclosure:	

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