

2021

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2<sup>ND</sup> QUARTER EARNINGS

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# AT&T Investor Update

July 22, 2021

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# Cautionary Language Concerning Forward-looking Statements

Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update and revise statements contained in this presentation based on new information or otherwise.

The "quiet period" for FCC Spectrum Auction 110 is in effect. During the quiet period, auction applicants are required to avoid discussions of bids, bidding strategy and post-auction market structure with other auction applicants.

This presentation may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on slide 12 of this presentation and on the company's website at <https://investors.att.com>.

# Business Priorities

## Grow Subscriber Relationships

*Focus on Wireless, Fiber, and HBO Max*

## Effective and Efficient in Everything We Do

*Drive transformation and improve customer experiences*

## Deliberate Capital Allocation

*Invest in growth, reduce debt, review portfolio of assets*

# Business Priorities – Progress since 2Q20

## Grow Subscriber Relationships

- ✓ *Grew postpaid phone net adds by nearly 3 million*
- ✓ *Grew Fiber subscribers by 1 million*
- ✓ *Grew domestic HBO Max/HBO subscribers by ~11 million<sup>†1</sup>*

## Effective and Efficient in Everything We Do

- ✓ *Significantly improved customer satisfaction and lowered churn*
- ✓ *Achieved initial ~\$2B in transformation savings, reinvested to ignite customer growth*
- ✓ *Positioned for improved returns going forward*

## Deliberate Capital Allocation

- ✓ *Invested \$60B+ in 5G/wireless, fiber and premium content*
- ✓ *Announced significant asset monetizations*
- ✓ *Positioned major businesses with the right capital structure and partners*
- ✓ *Expect AT&T to have best leverage among peers*

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# 2Q21 Financial Results

# 2Q21 Momentum Continued in Areas of Market Focus

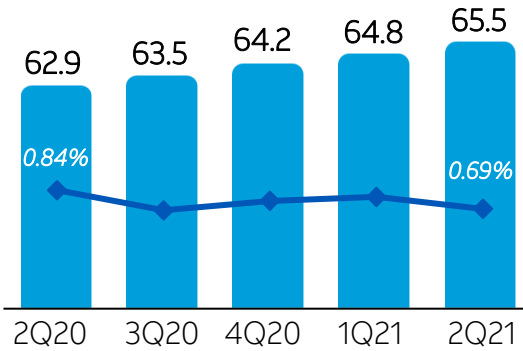
## Wireless

## Fiber

## HBO Max

### Postpaid Phone Subscribers

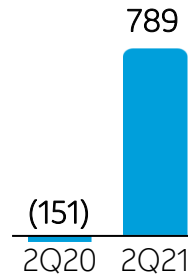
millions



■ Postpaid phone subscribers  
◆ Postpaid phone churn

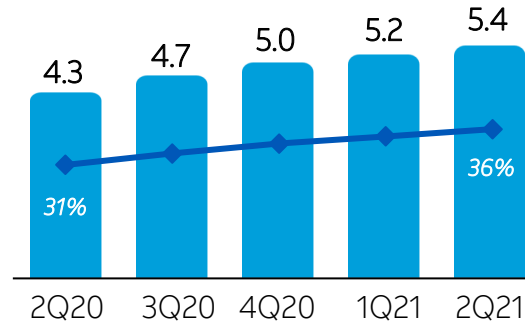
### Net Adds

thousands



### AT&T Fiber Subscribers

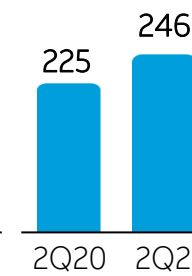
millions



■ Fiber subscribers  
◆ Penetration

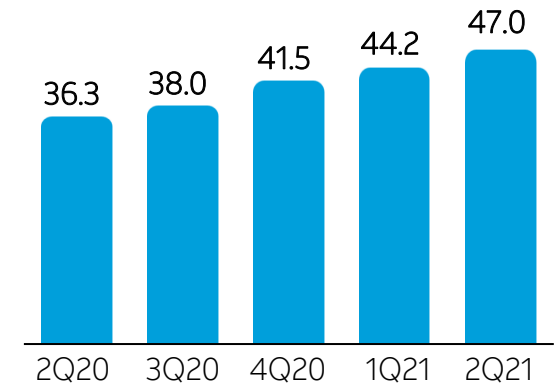
### Net Adds

thousands



### HBO Max and HBO Subscribers

millions



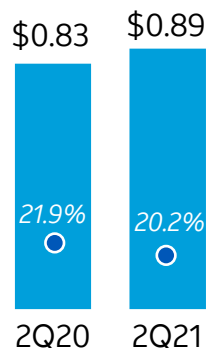
■ Domestic HBO Max and HBO subscribers<sup>†1</sup>

# 2Q21 Financial Summary

\$ in billions, except EPS

## Adjusted EPS

● Adj. OI Margin



## Revenues



## Cash from Ops

■ Free Cash Flow  
■ CAPEX



	2Q20	2Q21
<b>Reported EPS</b>	<b>\$0.17</b>	<b>\$0.21</b>
<b>Adjustments:</b>		
Impairments	\$0.32	\$0.52
Amortization of intangibles	\$0.24	\$0.12
Actuarial loss on benefit plans	-	\$0.02
Other adjustments, net	\$0.10	\$0.02
<b>Adjusted EPS</b>	<b>\$0.83</b>	<b>\$0.89</b>

## Solid revenue growth

\$44.0 billion, up 7.6%

Communications revenues up 6.1%, with growth in Mobility and Consumer Wireline

WarnerMedia revenues up 31%, driven by higher content sales, subscription and advertising revenues

## Adjusted EPS of \$0.89

Up 7.2% year over year

## Strong cash flows and liquidity position

Cash from operations of \$10.9B

Capex of \$4.0B; gross capital investment<sup>†2</sup> of \$5.3B

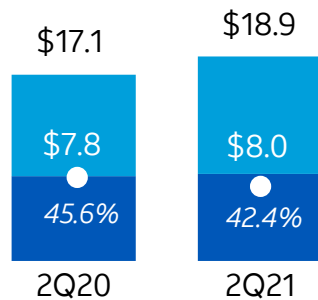
\$7.0B free cash flow<sup>†3</sup>; dividend payout ratio<sup>†3</sup> of ~55%

# 2Q21 Communications Segment

\$ in billions

■ Revenues  
■ EBITDA  
● EBITDA Margin

## Mobility



## Strong revenue, EBITDA and subscriber gains

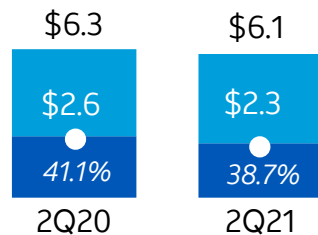
Revenues up 10.4%; service revenues up 5.0%

Record EBITDA and strong service margins

Solid gross adds and tied record for lowest postpaid phone churn

789,000 postpaid phone net adds; 174,000 prepaid phone net adds

## Business Wireline

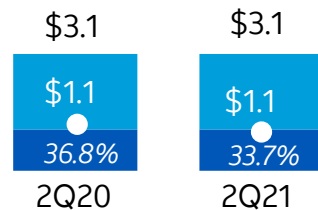


## Continued to deliver solid margins

Emphasizing core network and transport connectivity

2Q20 included one-time demand-driven benefits related to the pandemic

## Consumer Wireline



## Broadband drives revenue growth

Solid AT&T Fiber gains; growing penetration; expect 1 million Fiber net adds for full year

Expect YOY EBITDA and revenue trend improvements to continue in second half of 2021

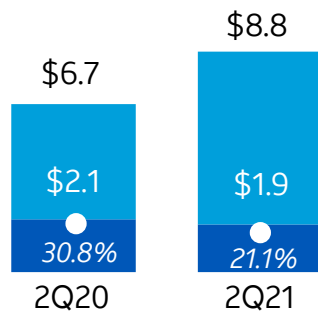


# 2Q21 WarnerMedia Segment

\$ in billions

■ Revenues  
■ EBITDA  
● EBITDA Margin

## WarnerMedia



## Strong subscription growth and improved content and advertising revenues

WarnerMedia revenues up ~31%

Advertising revenues up ~49% with return of sports

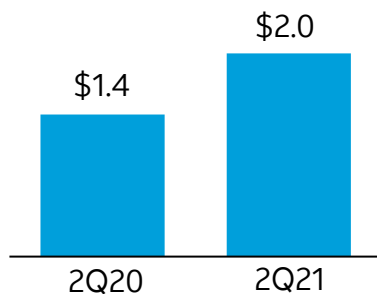
Expect continued theatrical revenue improvement in second half of 2021

## HBO Max success accelerated DTC subscription revenue growth to ~39%

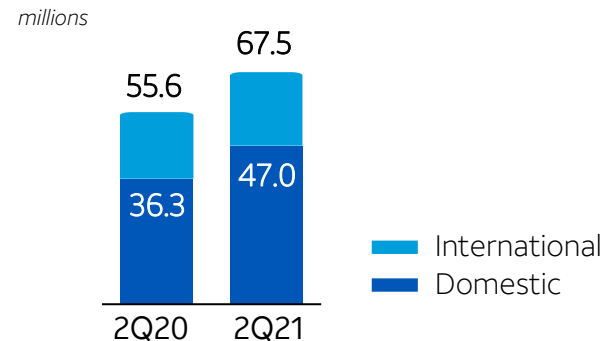
47 million domestic HBO Max/HBO subscribers; more than 67 million globally

Increasing guidance: expect 70-73 million global subscribers by end of 2021

### Direct-to-Consumer Subscription Revenues



### Global HBO Max and HBO Subscribers



# HBOmax



Premium content portfolio continues to expand

# Updating 2021 Financial Guidance

	Current 2021 Consolidated Guidance*	Updated 2021 Consolidated Guidance*
<b>REVENUE GROWTH</b> <i>Wireless Service Rev Growth</i>	1% range ~2%	2-3% range ~3%
<b>EPS – ADJUSTED</b> <sup>†4</sup>	Stable with 2020	Low to mid single-digit growth
<b>GROSS CAPITAL INVESTMENT</b> <sup>†2</sup> <i>Capital Expenditures</i>	\$22B range \$17B range	\$22B range \$17B range
<b>FREE CASH FLOW</b> <sup>†3</sup>	\$26B range	\$27B range

\*Assumes inclusion of DIRECTV results for full year

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Q&A

# Notes

1. Domestic HBO Max and HBO subscribers consist of U.S. accounts with access to HBO Max (including wholesale subscribers that may not have signed in) and HBO accounts, and exclude free trials and Cinemax subscribers. Global HBO Max and HBO subscribers consist of domestic and international HBO Max and HBO subscribers, and exclude free trials, basic and Cinemax subscribers.
2. Gross capital investment includes capital expenditures and cash payments for vendor financing and excludes FirstNet reimbursements. In 2Q21, gross capital investment included \$1.3 billion in vendor financing payments. In 2021, vendor financing payments are expected to be in the \$4 billion range and FirstNet reimbursements are expected to be about \$1 billion.
3. Free cash flow is a non-GAAP financial measure that is frequently used by investors and credit rating agencies to provide relevant and useful information. Free cash flow is cash from operating activities minus capital expenditures. Free cash flow total dividend payout ratio is total dividends paid divided by free cash flow. In 2Q21, total dividends paid were \$3.830 billion. Due to high variability and difficulty in predicting items that impact cash from operating activities and capital expenditures, the company is not able to provide a reconciliation between projected free cash flow and the most comparable GAAP metric without unreasonable effort.
4. The company expects adjustments to 2021 reported diluted EPS to include merger-related amortization in the range of \$4.3 billion and other adjustments, a non-cash mark-to-market benefit plan gain/loss, and other items. The company expects the mark-to-market adjustment, which is driven by interest rates and investment returns that are not reasonably estimable at this time, to be a significant item. AT&T's 2021 EPS depends on future levels of revenues and expenses which are not reasonably estimable at this time. Accordingly, we cannot provide a reconciliation between these projected non-GAAP metrics and the reported GAAP metrics without unreasonable effort.



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