



AT&T Analyst Conference 2015

NOTE: For our most recent guidance, please see our [4Q 2016 earnings materials](#).



Introduction

Mike Viola

Senior Vice President-Investor Relations

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Agenda

AT&T – Unique, Integrated Provider

AT&T Entertainment and Internet Services
Integration Update & Business Outlook

Business Model Transformation

Network Transformation

Financial Outlook

Q&A

Randall Stephenson

Chairman and Chief Executive Officer

John Stankey

Chief Executive Officer

AT&T Entertainment and Internet Services

Ralph de la Vega

President & Chief Executive Officer

Mobile & Business Solutions

John Donovan

Senior Executive Vice President

AT&T Technology and Operations

John Stephens

Senior Executive Vice President

and Chief Financial Officer



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AT&T – Unique, Integrated Provider

Randall Stephenson
Chairman and Chief Executive Officer

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Investment Plan Produced Unique Capabilities

LEADING IN
CONNECTIVITY



Project VIP
(LTE, Fiber)



Spectrum

INTEGRATED
SOLUTIONS



TV
Everywhere



Mobile &
Business Solutions



NetBond



Network
on Demand

COST
LEADERSHIP



Software-defined, smart network

EXTEND THE U.S.
MOBILE EXPERIENCE



Mexico

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AT&T is Uniquely Positioned in the Industry



Cable

Satellite

Wireless

OTT

North American mobile footprint¹



Scale in content



Pervasive broadband¹



World class distribution



Enterprise capabilities



Respected brand²



¹Wireless and broadband assessment based on coverage, ²Forbes magazine – Top 100 most valuable brands

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Focus is on Execution

Integrated solutions

Scaling America's premier integrated carrier

Connectivity leader

Fiber in U.S.,
LTE in Mexico

Smart, software-defined network

Cost leadership

Deliver financial and operational growth

Entertainment, mobile & broadband revenues & subscribers grow

Adjusted EPS &
Free Cash Flow grow

FCF dividend payout ratio
in the 70s percent range































AT&T Entertainment and Internet Services Integration Update & Business Outlook

John Stankey
CEO, AT&T Entertainment and Internet Services

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AT&T is the first scaled integrated U.S. carrier

		Comcast	Verizon	Sprint/ T-Mobile	Netflix
North American Mobile footprint ¹					
Pervasive broadband ¹					
Scale in content					
Respected brand ²					
World class distribution					

1. Wireless and BB assessment based on coverage
 2. Forbes magazine – Top 100 most valuable brands

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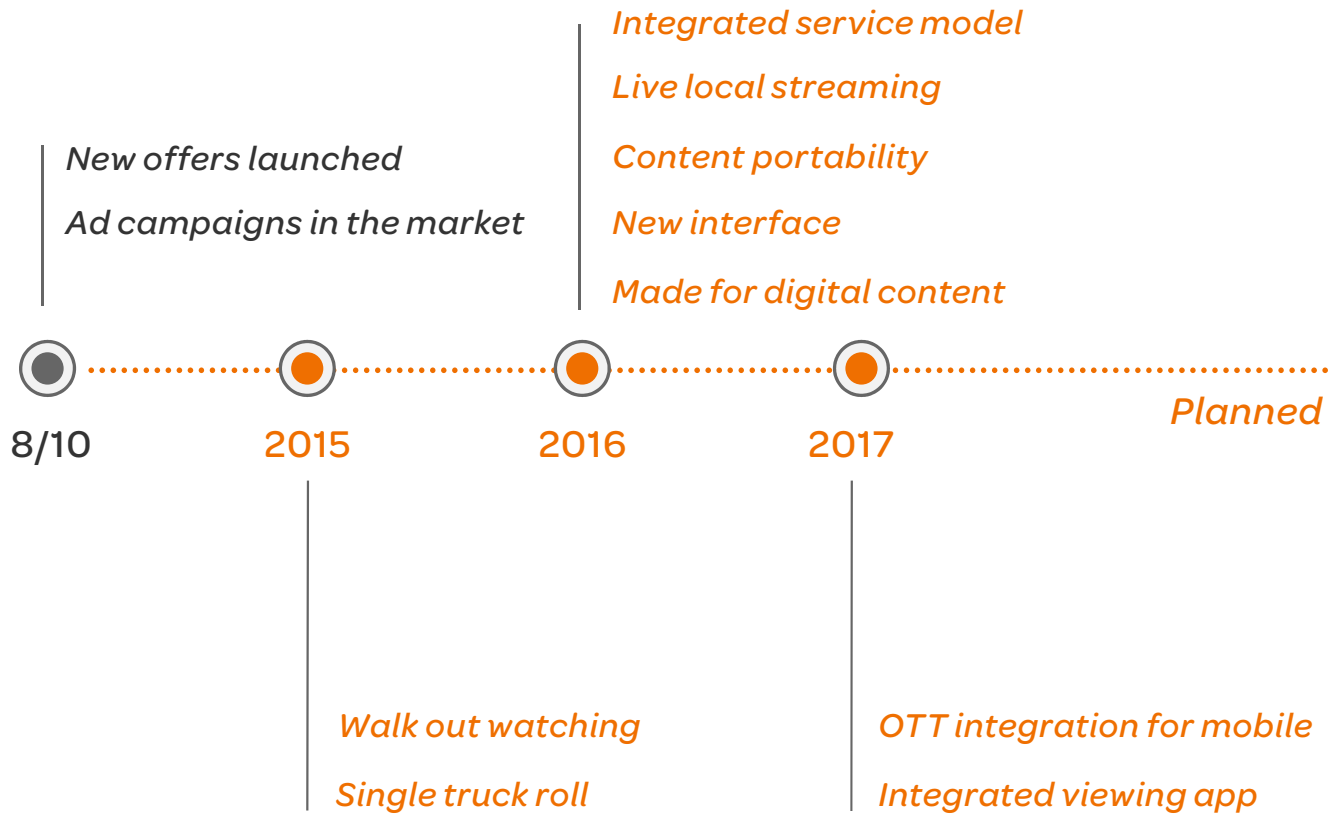


Building Momentum



TRANSACTION CLOSE

- Integrated roadmap*
- Market opportunities identified*
- Distribution enabled*
- Retail pilots launched*
- Leadership appointed*



Cost Synergy Drivers
\$2.5B + expected by 2018



2018 Annualized Run Rate Cost Synergies



Monetize scale

Move to a new single video platform

Slow content cost growth

Supply Chain

Operations & GA

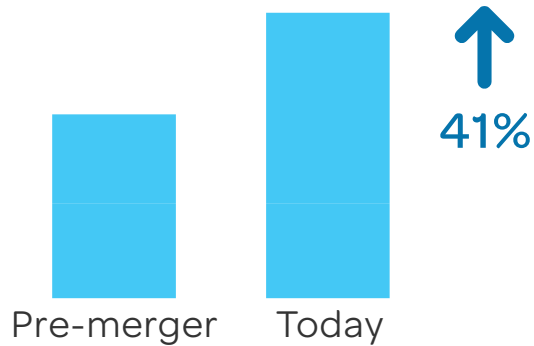
Content



Large distribution and cross-sell opportunity

INCREASE IN VIDEO DISTRIBUTION

Retail locations



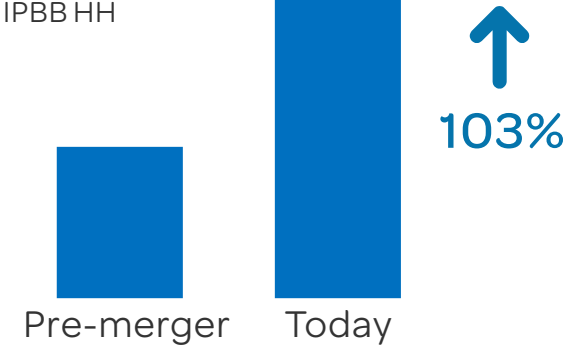
57M UNIQUE HOUSEHOLDS

Have AT&T or DTV



INCREASE IN DOUBLE PLAY OPPORTUNITIES

U-verse IPTV ELUs – Total IPBB HH



CROSS-SELL OPPORTUNITIES

Millions of HH's



39M
Total Opportunity

All graph sources: AT&T

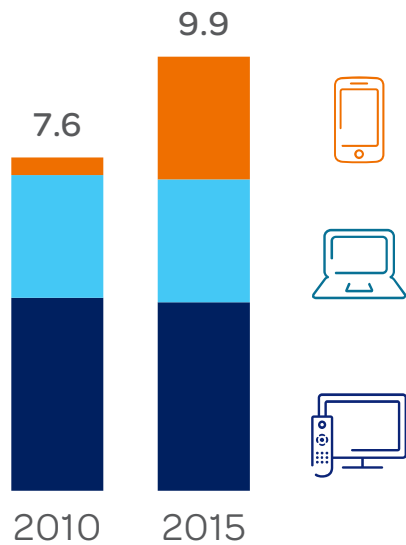
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Video industry is evolving

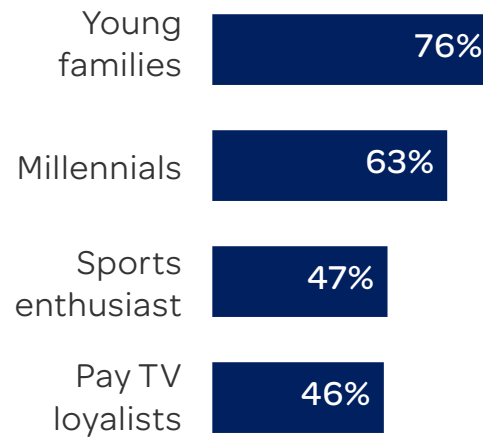
Content increasingly viewed on multiple platforms, more hours...

Time spent on screens (hours/day, USA)



Source: Mary Meeker Internet Trends 2015 Report

...supporting the percent of people by segment interested in more portability

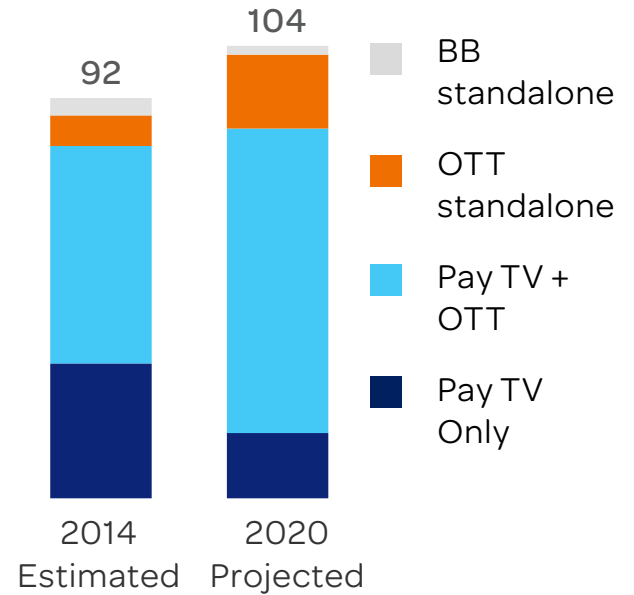


Mobile video CAGR of 66% by 2020

Source: AT&T/Bain Survey, 2014; (n=5,011), based on location not access technology; Source: Cisco VNI, 2015; represents global traffic

...driving shift in video industry models...

(Millions of HH's)

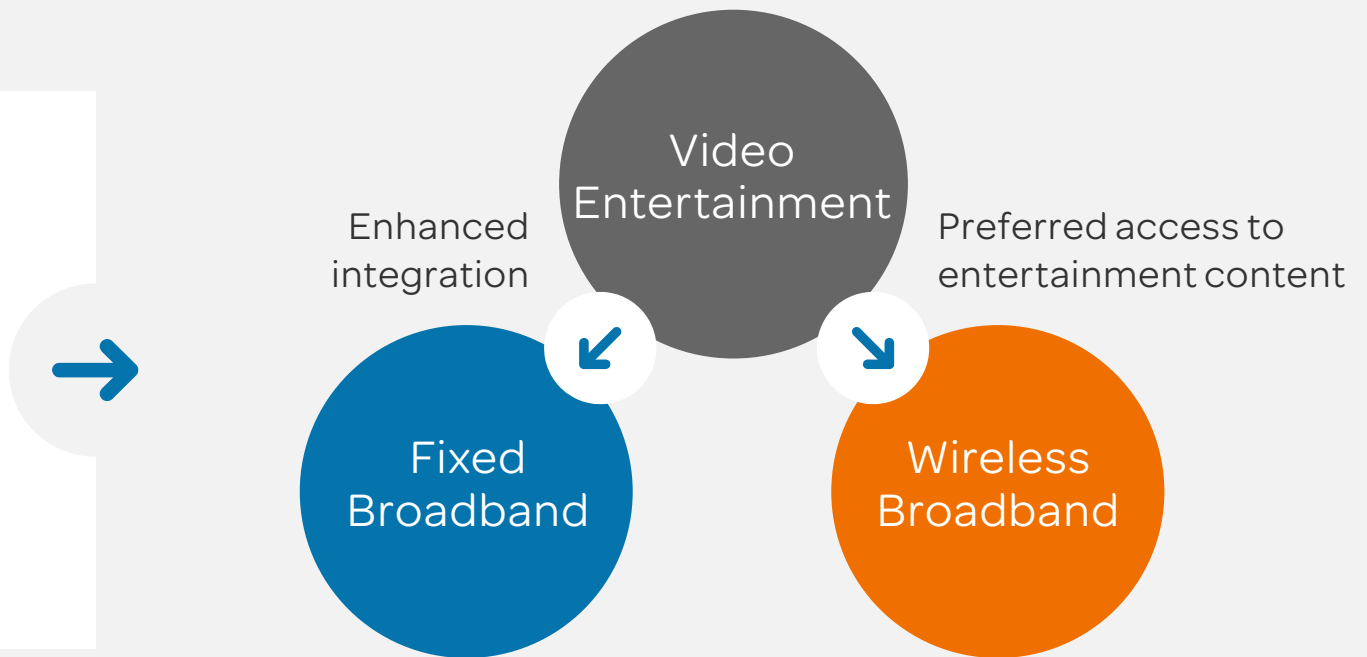


Source: 2015 SNL Kagan; AT&T Analysis
2014 Excludes 21M, 2020 Excludes 16M - Pay TV homes without HSD



Our direction is to link entertainment to all forms of connectivity

Broadband
+
Entertainment



SIMPLE – ALL INCLUSIVE – VALUE



Broadband is the foundation

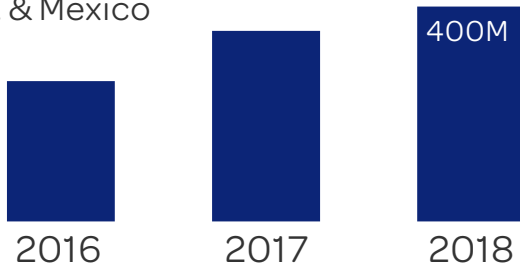
LEADER IN MOBILE BROADBAND

Strongest 4G LTE network¹

Best experience – JD Power²

Covering **400M** POPs in U.S. and Mexico by end of year 2018

LTE POP Coverage
U.S. & Mexico



EXCEPTIONAL BROADBAND

NPS is **2.5x** better than cable

~**57M** U-verse customer locations with ~**13M** in-service

~**50%** market share when higher speeds & TV available

EXPANDING GIGAPOWER

Expand fiber to **14M+** locations

DENSIFICATION ADDS VALUE

Demand driven build

Mobility and business halo benefit

Increased MDU mix drives cost benefits

¹Claim based only on avg. LTE signal strength for national carriers. ²AT&T received the highest numerical score among full service wireless providers in the proprietary J.D. Power 2015 Full Service Wireless Purchase Experience StudySM – Vol. 1. Study based on responses from 10,246 consumers measuring 4 full service wireless providers and measures opinions of consumers who purchased a wireless device or service within the past six months. Proprietary study results are based on experiences and perceptions of consumers surveyed July-December 2014. Your experiences may vary. Visit jdpower.com

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Unique capabilities to deliver what customers demand

FUTURE STATE OF HOME

Single CPE environment

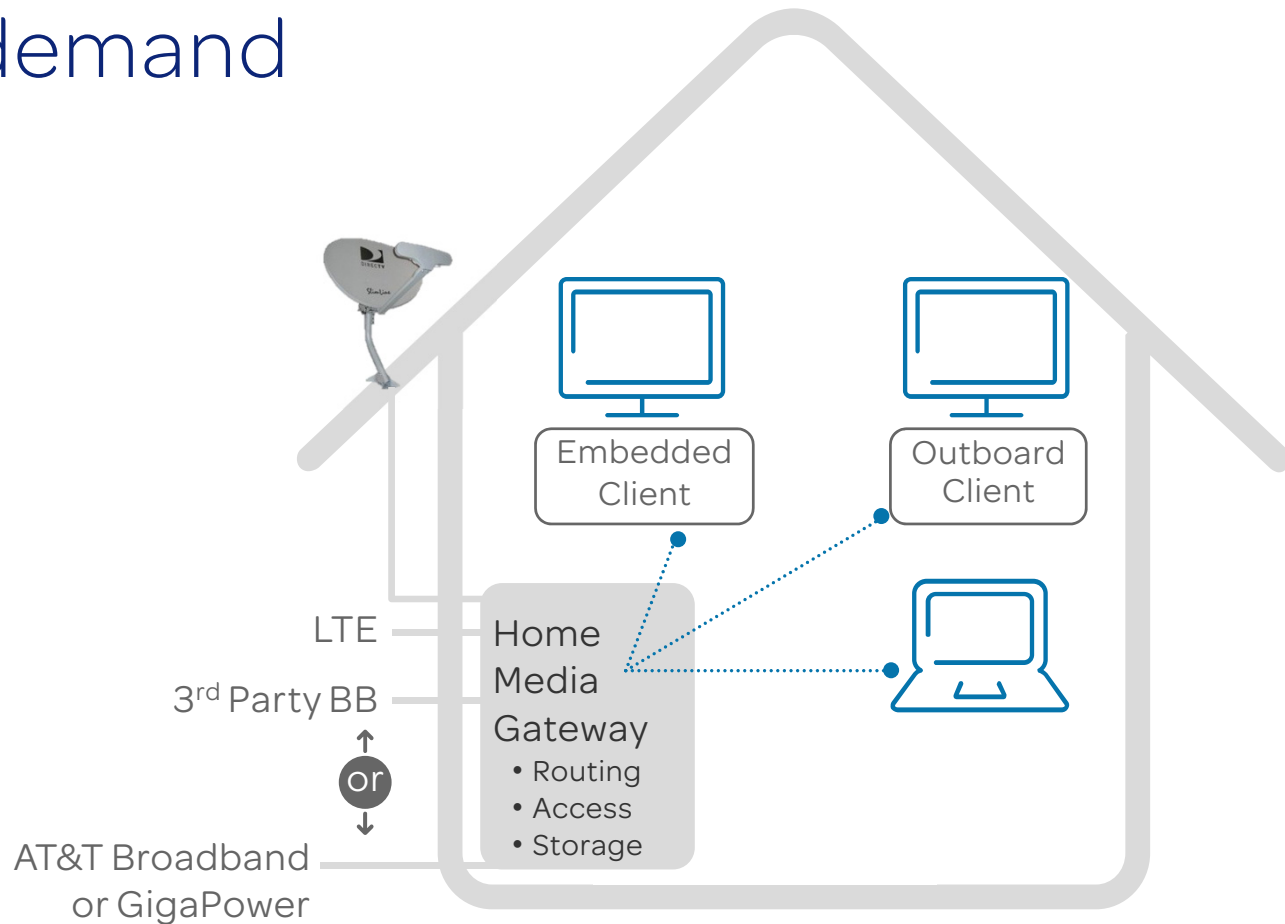
Managed and unmanaged content delivery

LTE access

Local cache and storage

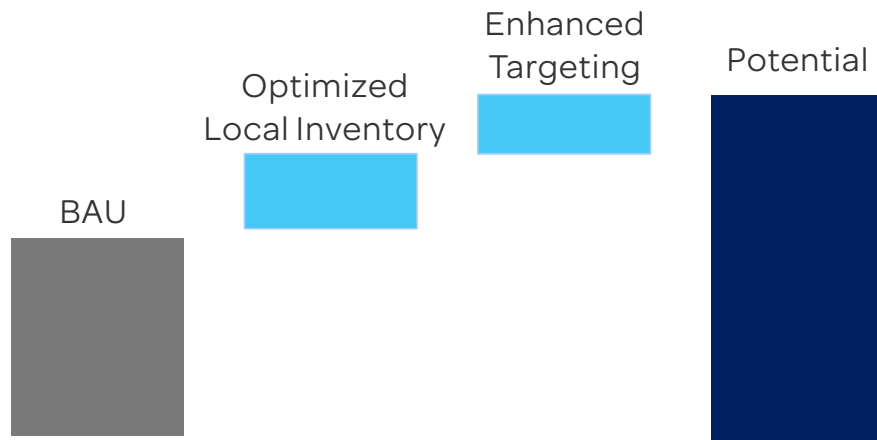
Improved customer experience with personalization and controls

Better security and protection



Video scale expands advertising opportunities

AT&T POTENTIAL ADVERTISING REVENUE



Optimized local inventory - improve yield from national to local

Enhanced targeting - opportunities to collaborate and enhance targeting & pricing

Sources: AT&T

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LATAM opportunity

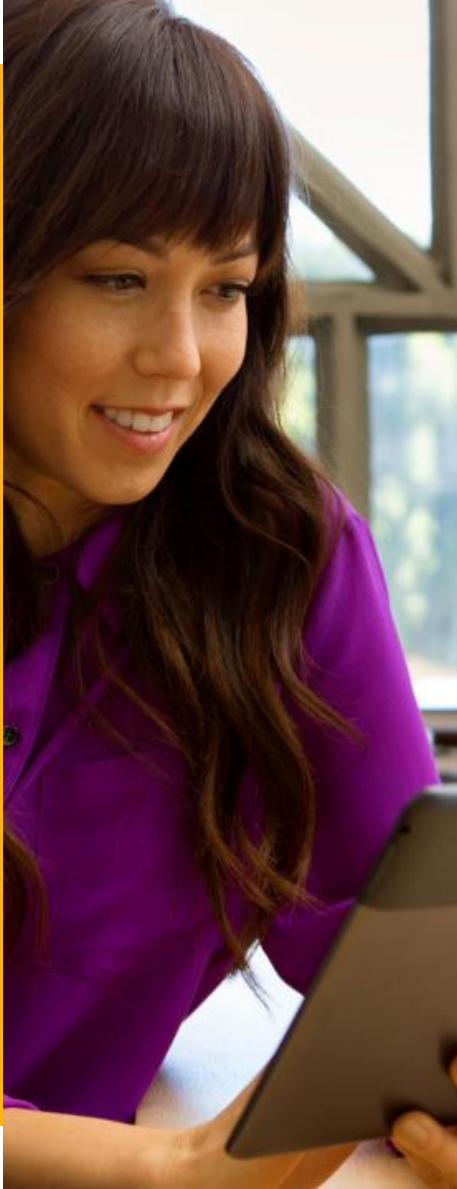
Active position in emerging growth markets with low penetration of advanced services

- Premier brand in the largest economies
- Untapped opportunities to invest and streamline
- Diversifies growth profile

Investment in Mexico brings improved operations and innovation

- Invest to build quality network
- Deliver the North American footprint
- Platform to extend growth and business models





Business Model Transformation

Ralph de la Vega

President & CEO Mobile & Business Solutions

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Mobility & Business Solutions



REVENUES

\$70b+

Business (wired/wireless)

\$30b+

Consumer Mobility



3.5m+

*Business
Customers*



In Nearly

200 *Countries*



132m

*Wireless Subscribers
(U.S. and Mexico Operations)*



>10k

Business Sales Force



>5k

*Retail Distribution
Points*



Mobile & Business Solutions Focus Areas

Grow
Wireless Revenues



Growing
Subscribers

Growing
ARPU

Retaining High
Value Subscribers

Grow
Strategic Revenues



Deployed Software
Defined Platforms

Rolled-out New
IP Solutions

Extending Ethernet
Footprint

Reduce
Cost Structure



Streamlined
Organization

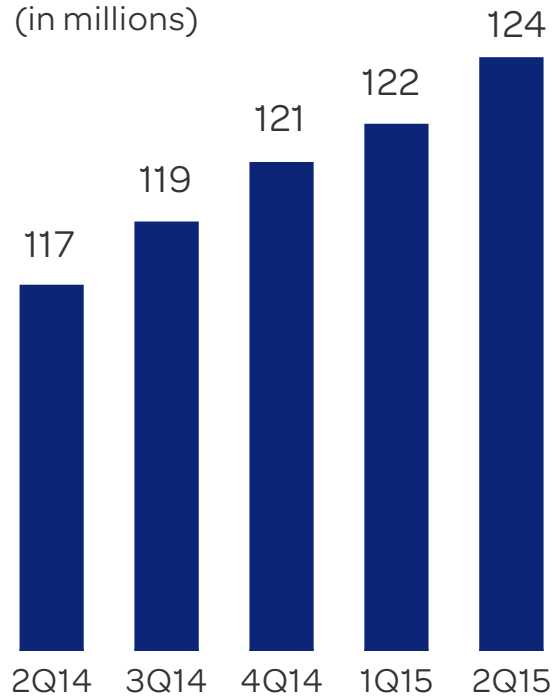
Increased Operational
Efficiencies

Reduced
Cycle Time

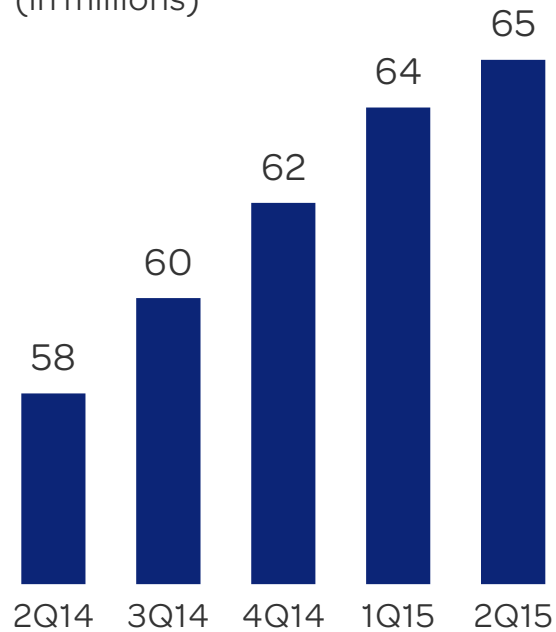


U.S. Subscriber Growth

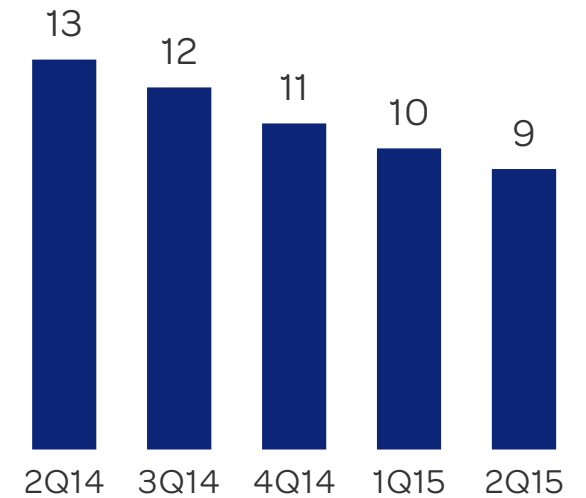
TOTAL SUBSCRIBERS
(in millions)



**TOTAL BRANDED
SMARTPHONE SUBSCRIBERS**
(in millions)

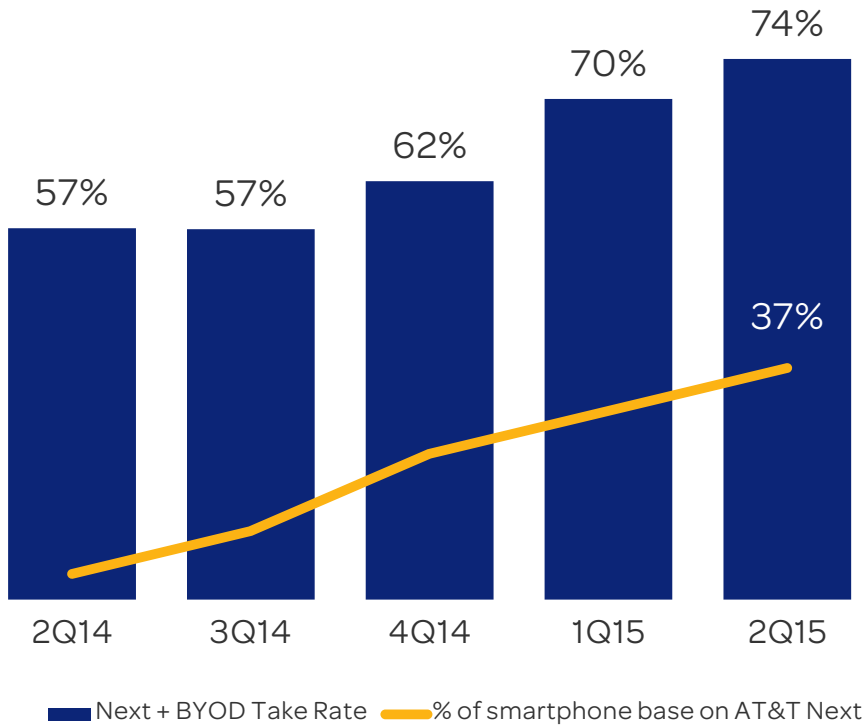


**TOTAL POSTPAID FEATURE
PHONE SUBSCRIBERS**
(in millions)

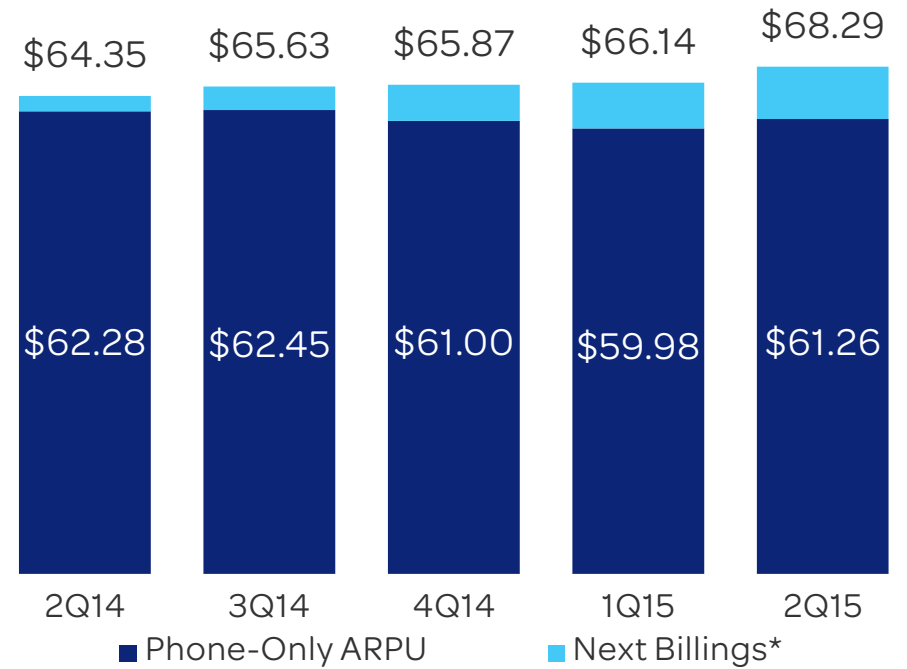


Repositioning Smartphone Base with Next

AT&T NEXT + BYOD TAKE RATE



POSTPAID PHONE-ONLY PLUS NEXT* ARPU



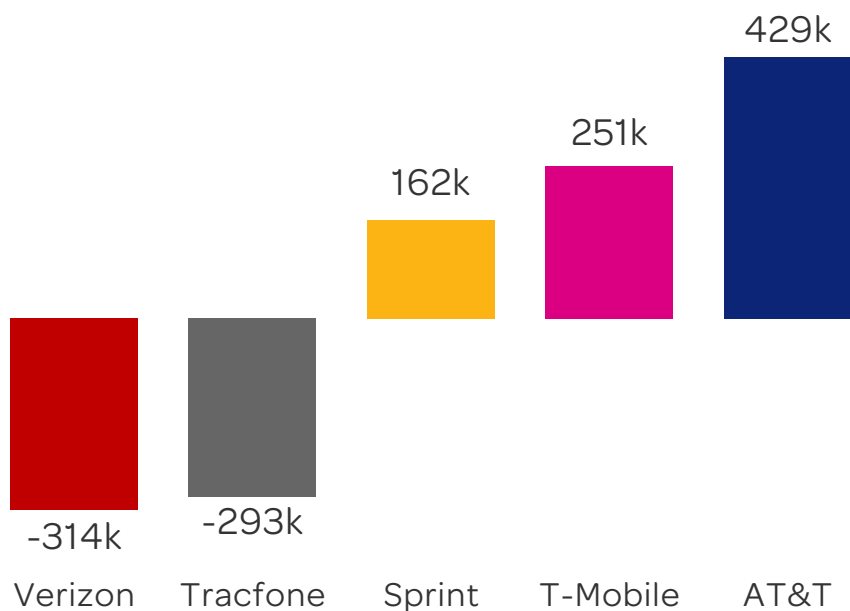
* Postpaid phone-only plus Next subscriber installment billings

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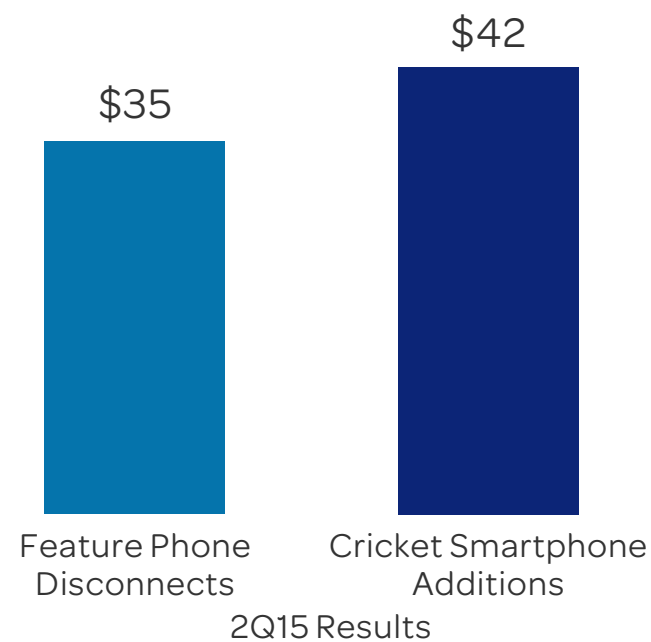


Industry Leading Prepaid Growth

PREPAID NET ADDS, FIRST HALF 2015

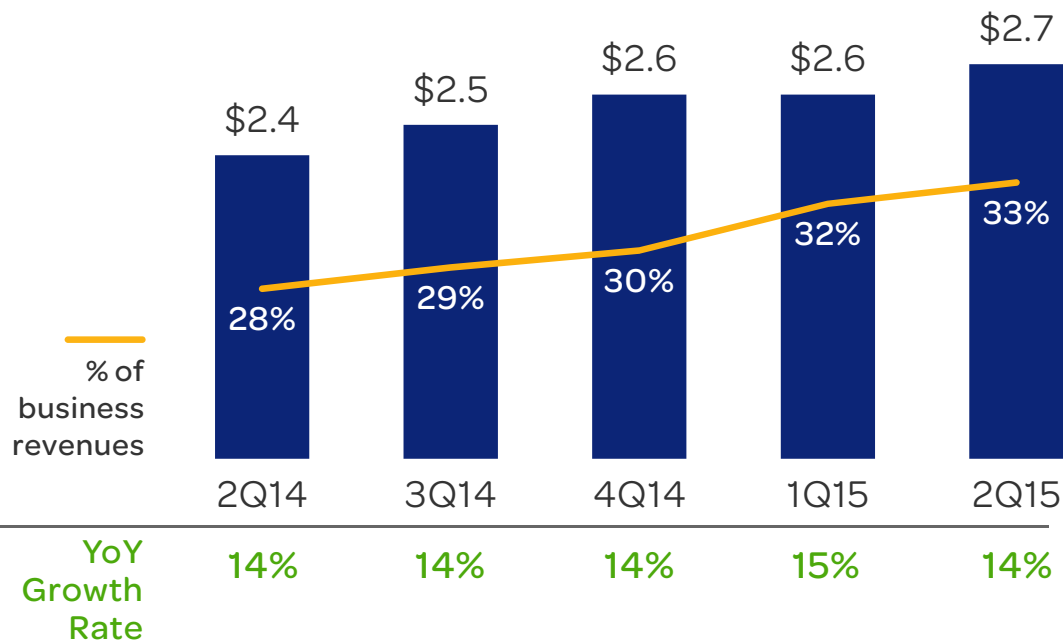


PREPAID CUSTOMERS DELIVERING STRONG ARPU



Strategic Services Revenues Positioned for Growth

ADJUSTED STRATEGIC BUSINESS SERVICES REVENUES*
(\$ in billions)



* For comparability, revenues adjusted to exclude SNET in all periods. Strategic business services include VPN, Ethernet, cloud, hosting, IP conferencing, VoIP, MIS over Ethernet, U-verse and security services.

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Offering a Unique Value Proposition for Businesses



Network is on Demand



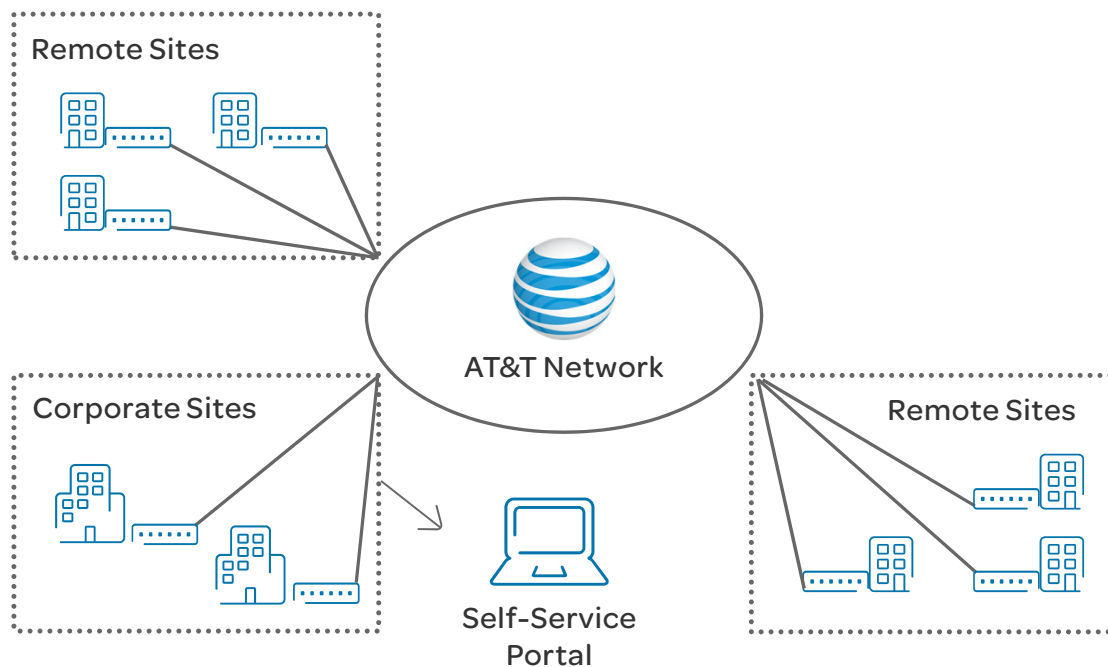
Office is Mobile



Cloud is Highly Secure



Network on Demand



Installs in less than 5 days

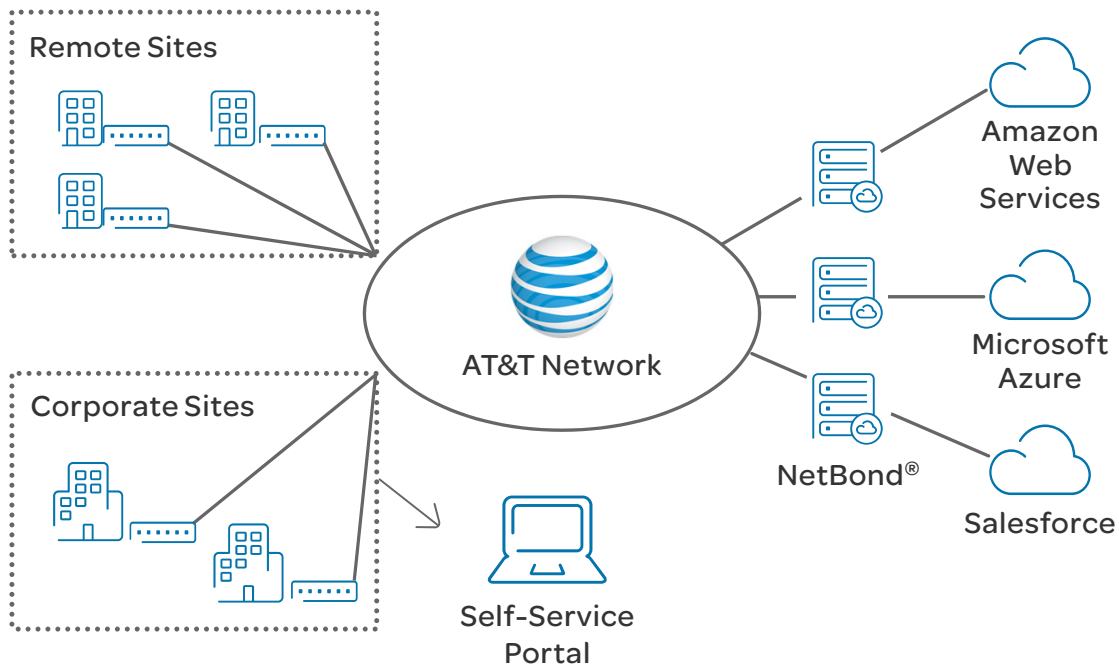
Adjust bandwidth in near real time

Customer controlled

Launched in 100+ markets



AT&T NetBond®



Creates flexible, highly secure connections to cloud providers

Customer controlled

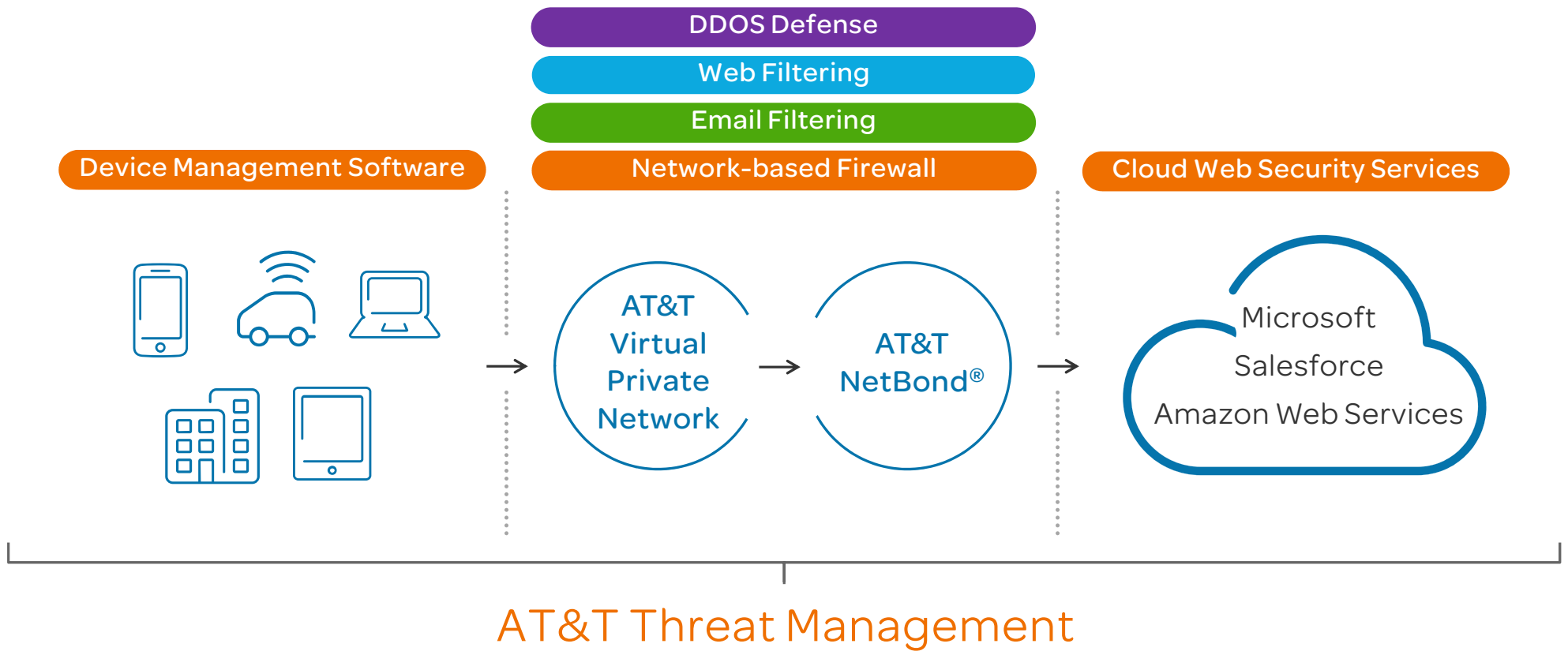
20 patents

Cloud providers

Amazon Web Services	CSC	Salesforce
Blue Jeans	HP	Softlayer
Box	IBM	Sungard AS
	Microsoft	VMware



Security Solutions





Network Transformation

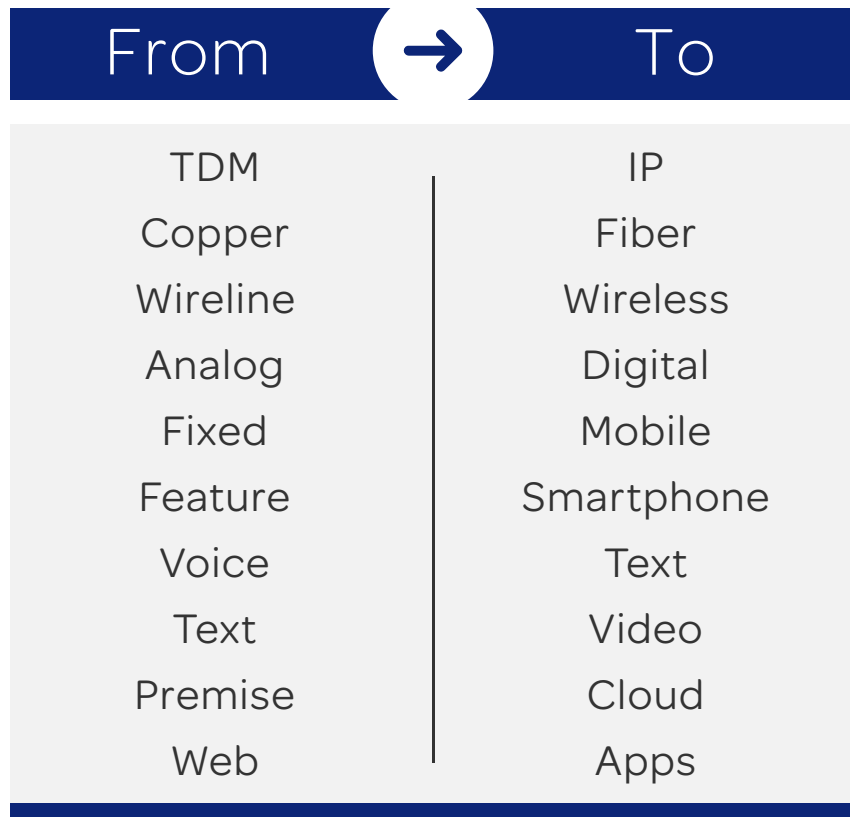
John Donovan

Senior Executive Vice President
AT&T Technology and Operations

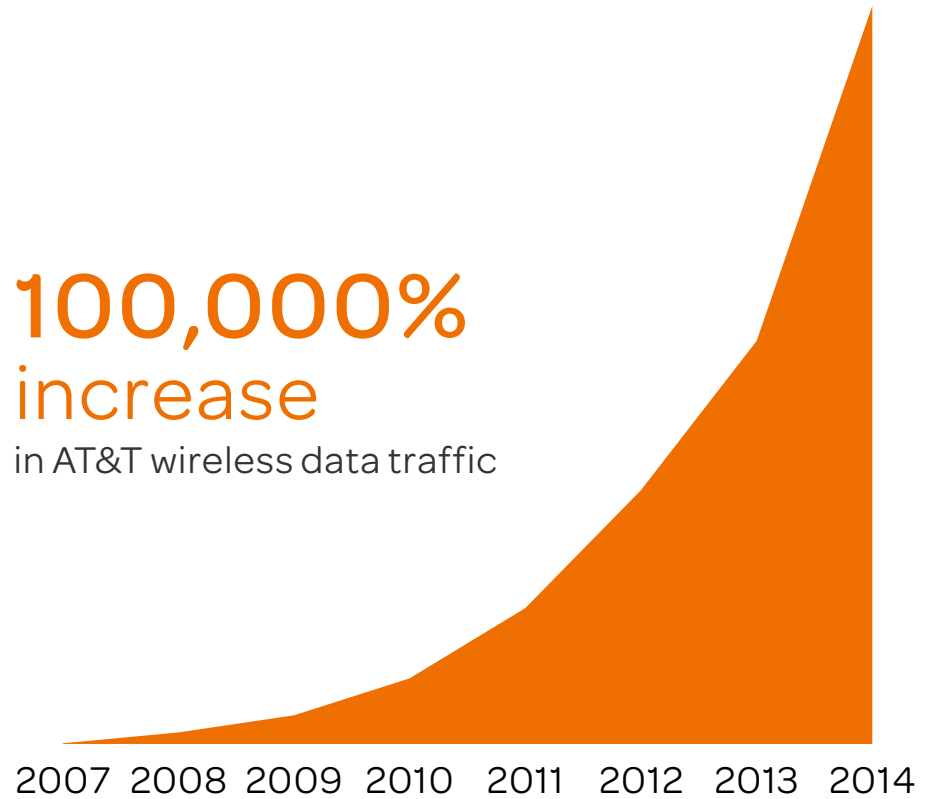
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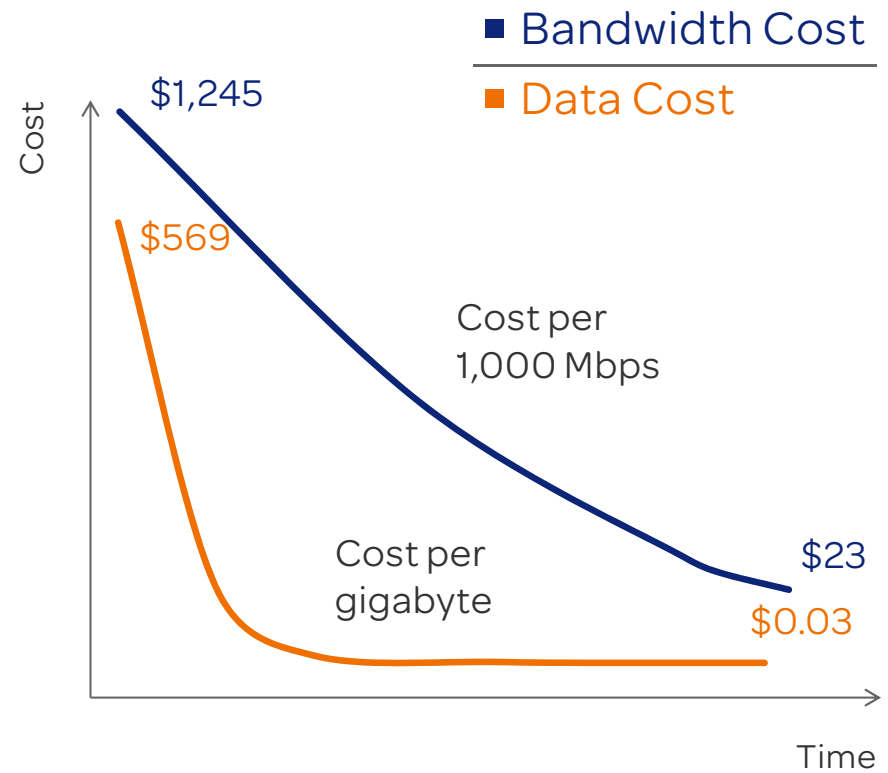
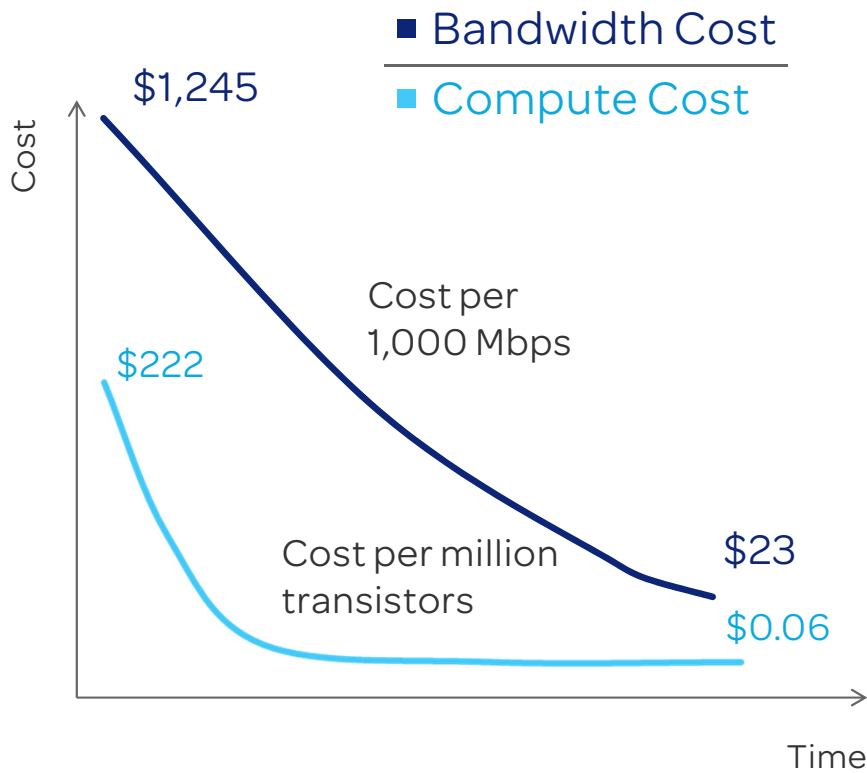
Mobile, cloud and fiber are the critical architectures



100,000%
increase
in AT&T wireless data traffic

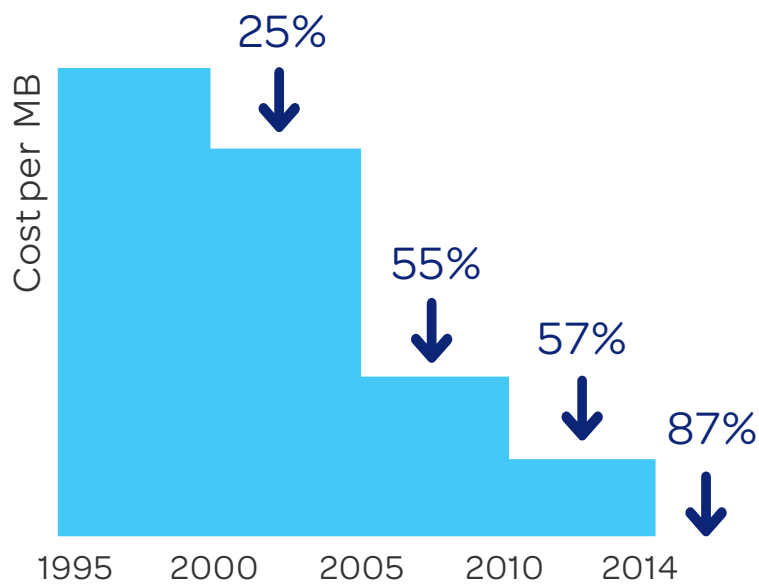


Networking has not been keeping pace with Moore's Law

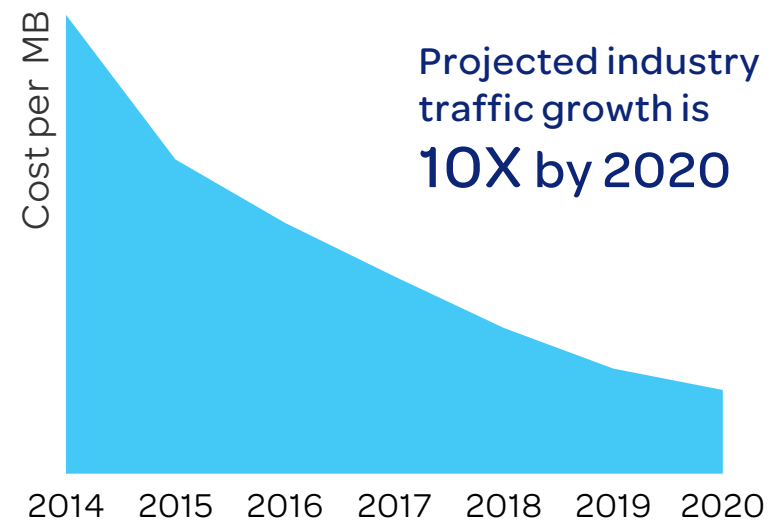


Compounding Moore's Law: the network leapfrog

TRADITIONAL BUILD catching Moore's Law



SOFTWARE-DEFINED compounding Moore's Law



How do we get to software-defined?



VISION TO EXECUTION

Enabling people, processes, metrics and outcomes



TACTICAL TO STRATEGIC

Disrupting traditional vendor models



CLOSED TO OPEN

Evolving from standards to open source



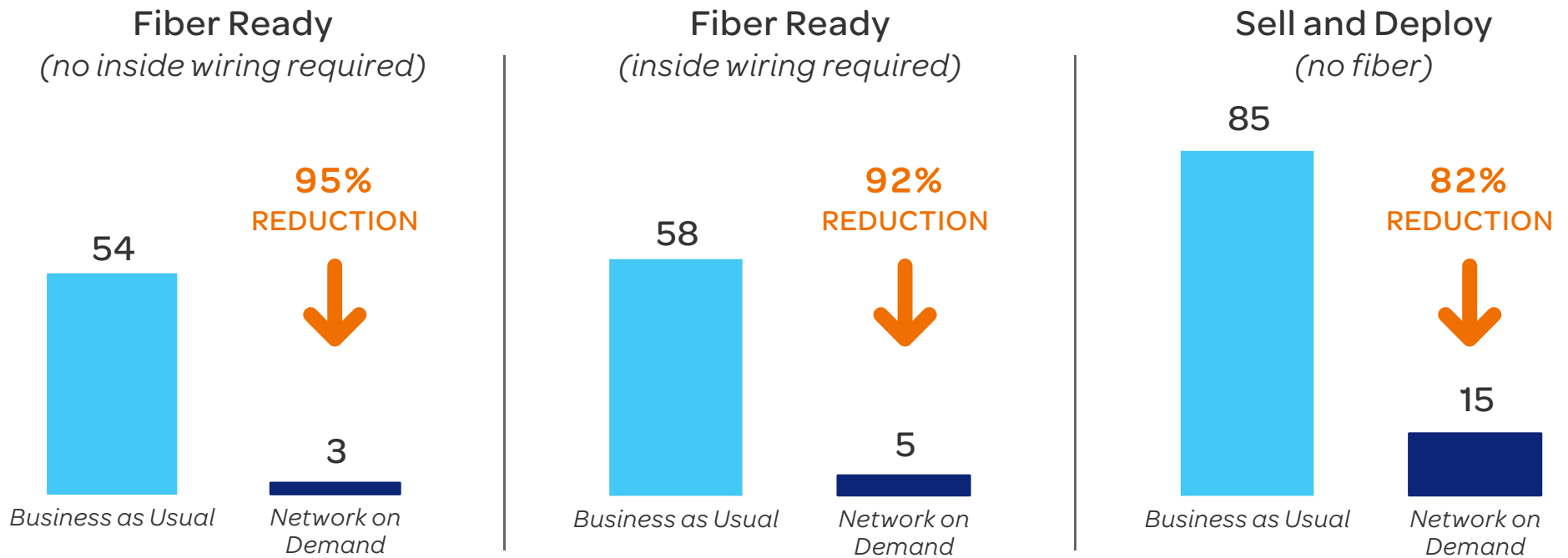
MONOLITHIC TO MODULAR

Shifting classic turn key to flexible and reusable integration



AT&T Network on Demand

Driving **up to 95% improvement** in provisioning cycle time (days)





Financial Outlook

John Stephens

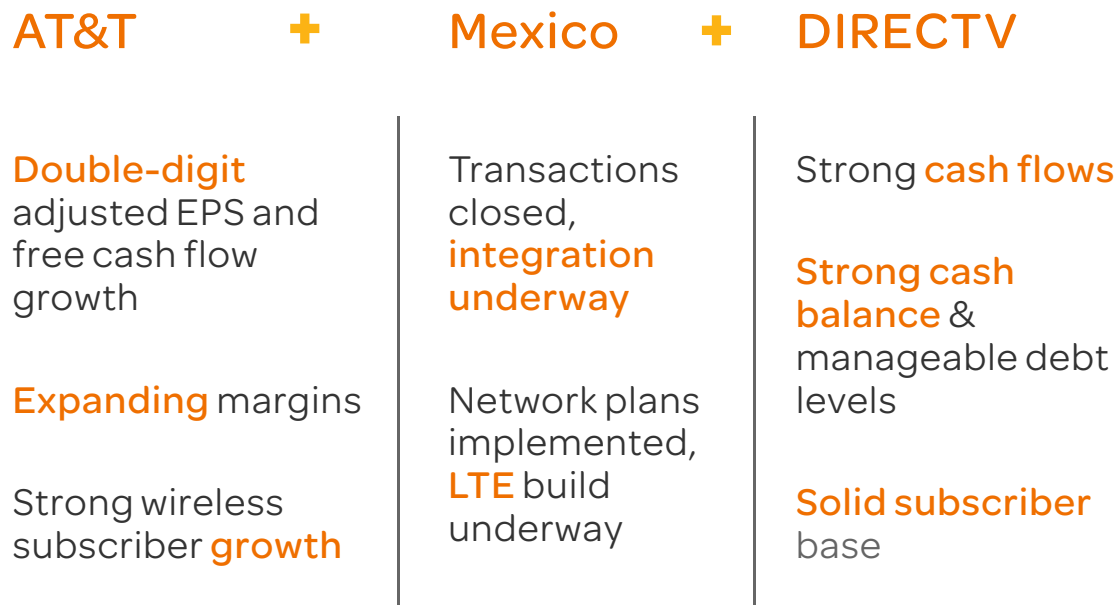
Senior Executive Vice President
and Chief Financial Officer

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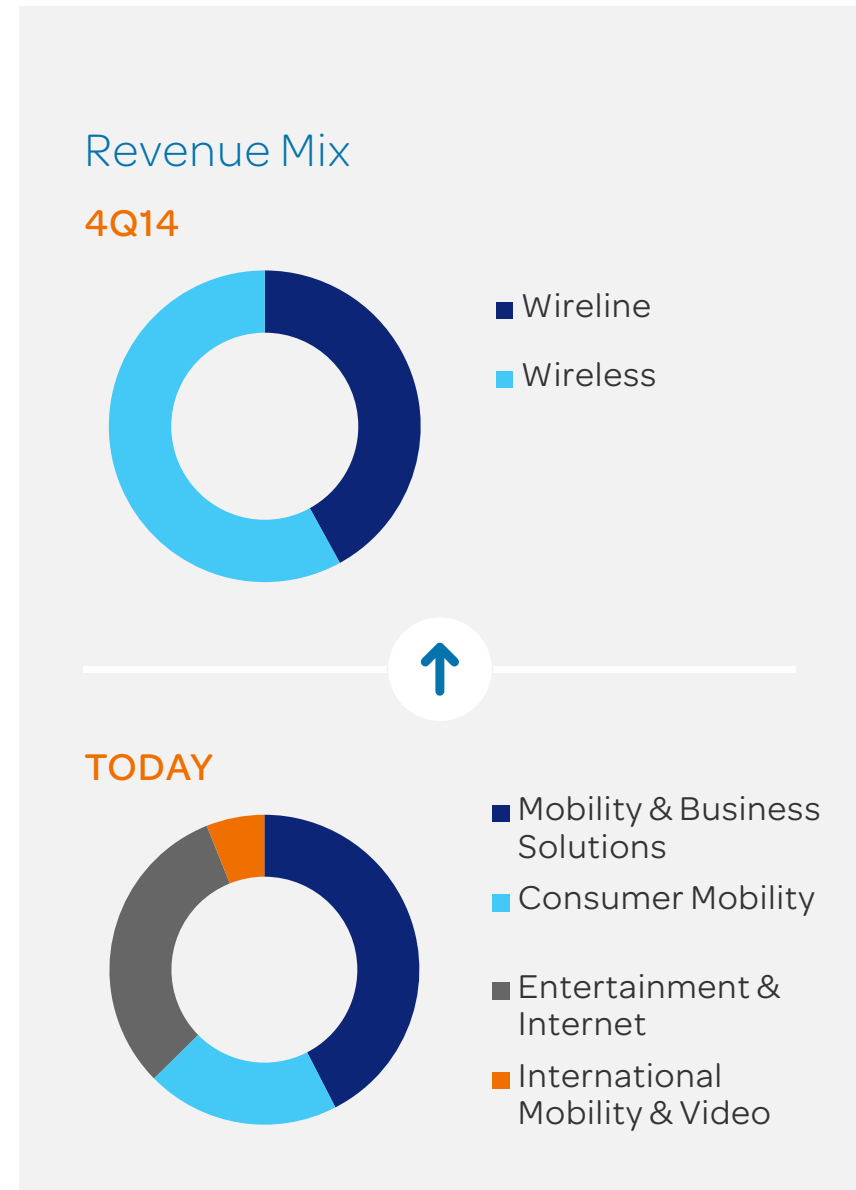


Solid 2Q15 Execution

Strong Foundation for Growth



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Mexico Transactions

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Financial Implications Mexico Wireless Acquisitions

	Iusacell <i>Closed Jan 16</i>	Nextel Mexico <i>Closed Apr 30</i>	Combined
Purchase Price (\$B)			
Cash paid	\$1.8	\$1.4	\$3.2
Net Debt	\$0.7	\$0.5	\$1.2
Total Value	\$2.5	\$1.9	\$4.4
<hr/>			
Subscribers	~5M	~3M	~8M
<hr/>			
Spectrum (avg per mkt)	54 MHz 800 MHz/PCS	31 MHz* AWS/PCS	85 MHz 800 MHz/AWS/PCS
<hr/>			
Cell Sites	3,700	4,900	8,600

*excludes 20MHz of SMR

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Financial Implications

Mexico Wireless Acquisitions

STRATEGY

Premier wireless experience

- 4G LTE to 100 million POPs
 - 40 million POPs by 12/31/15
-

Best-in-class operations

- Distribution and customer care
-

Operate efficiently

Cross-border benefits

FINANCIAL IMPACTS AND EXPECTATIONS

\$3B capex with majority in 2016/2017

EBITDA and EPS pressure

- Investment cycle
 - Customer growth
-

EBITDA positive by end of 2017

EPS positive in 2018





DIRECTV Transaction

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DIRECTV Transaction

DIRECTV Shares Out (M)	505
Exchange Ratio	1.892
AT&T Shares issued (M)	955

	\$ in Billions
Value of AT&T Shares issued	\$32.7
Cash Consideration	\$14.4
Equity Value	\$47.1
DTV Net Debt	\$15.9
Transaction Value	\$63.0

AT&T Net Debt, pre-deal	\$92.7
DTV Net Debt	\$15.9
Cash Payout	\$ 14.4
AT&T Net Debt, post deal	\$123.0
AT&T Shares Outstanding (M)	6,151

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Adjusted **EPS accretive**

Free cash flow accretive

\$2.5 billion+ of **cost synergies**

Sizeable revenue opportunities

Strong cash flow and **enhanced dividend coverage**

Manageable merger commitments



Merger Commitments

Manageable and within plan over next four years

Fiber deployment 12.5M FTTP

25.7M > 45 Mbps

Discounted broadband

Non-discriminatory programming

Interconnection agreement reporting

Compliance and reporting

IMPACT OF CONDITIONS

Manageable within capital budget

Fiber deployment leverage
business opportunities

Flexible sales offers

No other conditions required



Financial Target

\$2.5+ Billion Cost Synergies

Content efficiencies

Combination of operations

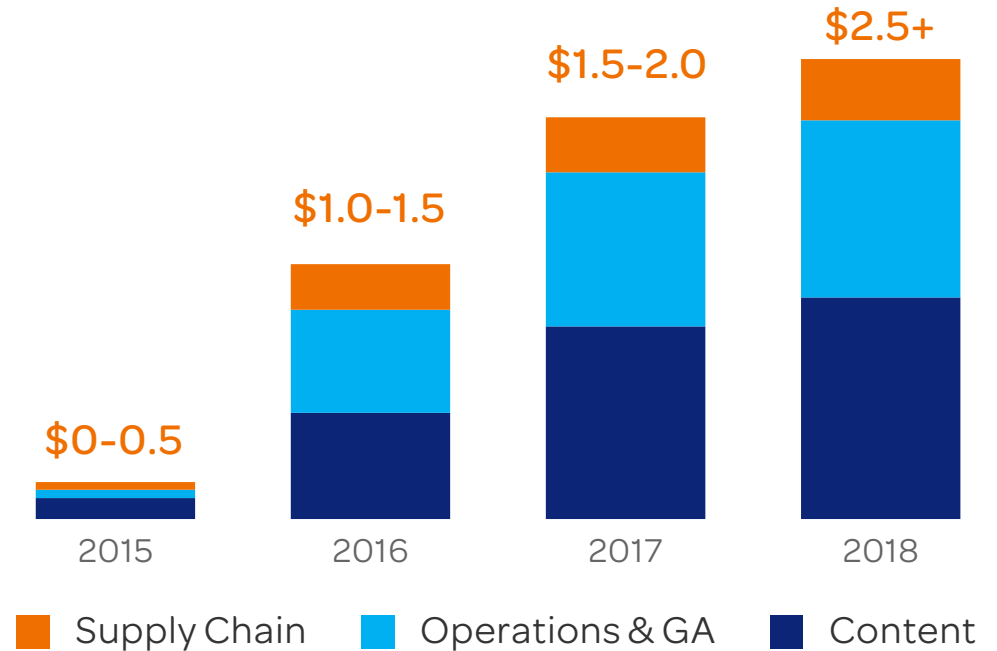
Supply-chain efficiencies

Customer care

Single billing and collections

Single truck roll

END-OF-YEAR ANNUALIZED TARGET RUN RATES (in billions)



REVENUE

Financial Implications

Additional Synergy Opportunities



Expanded retail distribution



Cross-selling/up-selling



Enhanced product offers



Mobilizing entertainment



Advertising

CAPITAL EXPENDITURES



Supply chain economies



Common set-top box



Common video platform

WORKING CAPITAL



Financial and risk management



Payable/receivables management



Cycle-time management

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Updated Guidance

	JANUARY 2015 OUTLOOK	NEW 2015 OUTLOOK	2016 - 2018 OUTLOOK
Revenue Growth	Continued consolidated growth	Double-digit growth	GDP or better
EPS - Adjusted	Low-single digits	\$2.62 – \$2.68 range ¹	Mid-single digits or better
Margins	Expanding margins – consolidated, wireless and wireline	No change	Expanding adjusted consolidated margins
Capex	\$18 billion range	\$21 billion range	15% capital intensity including merger items
Free Cash Flow*	Improving (Jan. guidance); \$12 billion range (July)	\$13 billion range or better	Improving with FCF dividend payout ratio in the 70s%

“Positions company for stronger growth beyond 2018”

*Free cash flow is cash from operations minus capital expenditures

¹Expected range excludes adjustments for non-cash mark-to-market benefit plan adjustments, merger integration costs and other adjustments that are not reasonably estimable at this time

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Positioned for Strong Growth

Adjusted EPS
growing, mid-single
digit 2016-2018

Cash flows provide
potential for continued
**investment, debt
retirement and
dividend security**

Significant
**achievable
cost synergies**
that ramp
quickly with
revenue upside

**Improving free
cash flow** and
solid return to
shareowners

Solid Growth
with an opportunity
to accelerate growth
in 2019 and forward

