



# 1<sup>st</sup> Quarter Earnings

AT&T Investor Update

*April 25, 2017*

Q1



**2017 AT&T EARNINGS**

# Agenda

## Results

John Stephens

Senior Executive Vice President and Chief Financial Officer

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## Business Strategy Update

Randall Stephenson

Chairman and Chief Executive Officer

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## Q&A



# Cautionary Language Concerning Forward-Looking Statements

Information set forth in this communication, including financial estimates and statements as to the expected timing, completion and effects of the proposed merger between AT&T Inc. and Straight Path Communications, Inc., constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T Inc. and Straight Path Communications, Inc. and are subject to significant risks and uncertainties outside of our control. This presentation may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at [www.att.com/investor.relations](http://www.att.com/investor.relations). Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, (2) the risk that Straight Path Communications, Inc. stockholders may not adopt the merger agreement, (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, and (4) risks that any of the closing conditions to the proposed merger may not be satisfied in a timely manner. Discussions of additional risks and uncertainties are contained in AT&T Inc.'s and Straight Path Communications, Inc.'s filings with the Securities and Exchange Commission. Neither AT&T Inc. nor Straight Path Communications, Inc. is under any obligation, and each expressly disclaims any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise. Persons reading this announcement are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

The "quiet period" for FCC Spectrum Auction 1000 (also known as the 600 MHz incentive auction) is now 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.



## Additional Information and Where to Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication may be deemed to be solicitation material in respect of the proposed merger between AT&T Inc. and Straight Path Communications, Inc. In connection with the proposed merger, AT&T Inc. intends to file a registration statement on Form S-4, containing a proxy statement/prospectus with the Securities and Exchange Commission (“SEC”). STOCKHOLDERS OF STRAIGHT PATH COMMUNICATIONS, INC. ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. Investors and security holders will be able to obtain copies of the proxy statement/prospectus as well as other filings containing information about AT&T Inc. and Straight Path Communications, Inc., without charge, at the SEC’s website at <http://www.sec.gov>. Copies of documents filed with the SEC by AT&T Inc. will be made available free of charge on AT&T Inc.’s investor relations website at <http://www.att.com>. Copies of documents filed with the SEC by Straight Path Communications, Inc. will be made available free of charge on Straight Path Communications, Inc.’s investor relations website at <http://spathinc.com/investors/>.

## Participants in Solicitation

AT&T Inc. and its directors and executive officers, and Straight Path Communications, Inc. and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Straight Path Communications, Inc. common stock in respect of the proposed merger. Information about the directors and executive officers of AT&T Inc. is set forth in the proxy statement for AT&T Inc.’s 2017 Annual Meeting of Stockholders, which was filed with the SEC on March 10, 2017. Information about the directors and executive officers of Straight Path Communications, Inc. is set forth in the proxy statement for Straight Path Communications, Inc.’s 2017 Annual Meeting of Stockholders, which was filed with the SEC on November 22, 2016. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed merger when it becomes available.



# 1Q17 Financial Summary

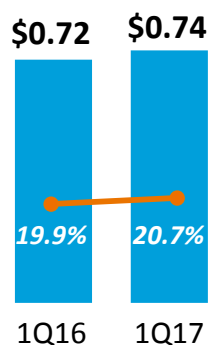
\$ in billions, except EPS

## Revenues



## Adjusted EPS

— Adj. OI Margin



## Cash from Ops

■ Capex  
■ Free Cash Flow



## \$39.4 billion in consolidated revenue

- Equipment and legacy wireline sales impact revenues
- Growth in IP and video services

## Adjusted EPS of \$0.74, up 2.8%

- Adjusted operating income margin of 20.7%, up 80 bps
- Continued progress on cost structure and disciplined cost management
- Network virtualization progressing toward 55% by year-end

## Cash from operations of \$9.2 billion

- Free cash flow of \$3.2 billion
- Capex of \$6.0 billion

## Strategic spectrum acquisitions and FirstNet award

	1Q16	1Q17
<b>Reported EPS</b>	<b>\$0.61</b>	<b>\$0.56</b>
Adjustments:		
Amortization of intangibles	\$0.14	\$0.13
Merger and integration	\$0.03	\$0.03
Other <sup>1</sup>	(\$0.06)	\$0.02
<b>Adjusted EPS</b>	<b>\$0.72</b>	<b>\$0.74</b>

<sup>1</sup>1Q17 includes equity investment adjustment and loss on asset sales of \$0.03, partially offset by \$0.01 gain on spectrum swap transaction.

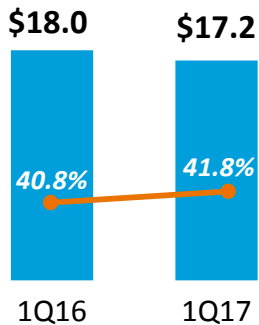


# 1Q17 Operational Results

\$ in billions

## AT&T Mobility

■ Revenues — EBITDA Margin



### Record EBITDA margin of 41.8%

- 49.3% wireless service margins
- Equipment revenue down \$0.5 billion due to record-low upgrade rate and strong BYOD

### Best-ever 1Q postpaid phone churn of 0.90%, 6 basis points year-over-year improvement

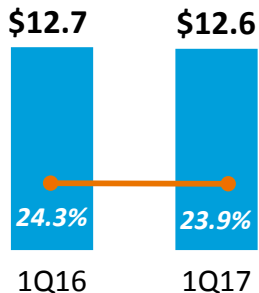
- Postpaid churn of 1.12% with tablet pressure

### 2.1 million net adds; gains in prepaid and IOT

- Continued branded smartphone growth
- New unlimited plans gain traction

## Entertainment Group

■ Revenues — EBITDA Margin



### Revenues of \$12.6 billion, stable year over year

- Growth in IP and video services help offset legacy declines
- AdWorks continues solid growth

### Solid margin performance with pressure from storms and content costs

### Broadband gains with strong IP growth

- 115,000 total broadband net adds; 242,000 IP broadband net adds
- Gains in DIRECTV NOW offset by linear TV losses

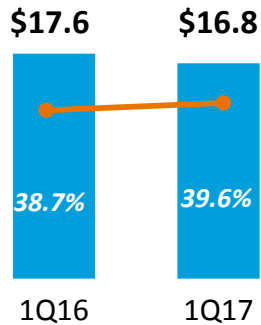


# 1Q17 Operational Results

\$ in billions

## Business Solutions

■ Revenues — EBITDA Margin



## Legacy services and wireless equipment pressure revenues

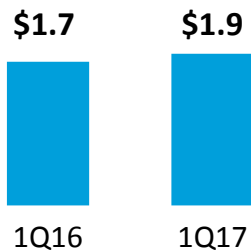
- Continued focus on wireless and strategic services

## Solid margin gains – up 90 bps – with EBITDA of \$6.7 billion

- Strong wireless margins and gains in wireline
- Continued focus on cost management initiatives
  - Process automation and service delivery efficiencies
  - Software-defined networking and virtualization

## International

■ Revenues



## Revenues up 15.7% with strong EBITDA growth

- Gains in Mexico and Latin America

## Margin improvement in Mexico with solid subscriber growth

- 633,000 wireless net adds; 12.6 million total subscribers
- 85 million LTE POPs in 165 markets

## Continued profitability and positive cash flow in Latin America operations



# 2017 Outlook Update

## FirstNet to have minimal impact on 2017

## Guidance unchanged for:

- Adjusted EPS growth in the mid-single digit range
- Adjusted Operating margin expansion
- Capital expenditures in the \$22 billion range
- Free cash flow in the \$18 billion range

*Adjustments include non-cash mark-to-market benefit plan gain/loss, merger integration and amortization costs and other adjustments. Traditionally, the mark-to-market adjustment is the largest item, which is driven by interest rates and investment returns that are not reasonably estimable at this time. We expect amortization to be lower in 2017 compared to 2016.*





# Business Strategy Update



# The Foundation for the Future



## Video-centric Network

- ▶ 400+ million LTE POPs
- ▶ Largest fiber footprint<sup>1</sup>
  - 12.5M customer locations by 2019
  - 5.9M business locations passed today
- ▶ Software defined & virtualized



## Leading Spectrum Position

- ▶ 60+ MHz of deployable spectrum
- ▶ 5G path/evolving technologies
- ▶ Ongoing refarming and optimization



## Distribution

- ▶ 147 million mobile subs; leading IoT platform
- ▶ 47 million pay TV subs<sup>2</sup>; innovative OTT platform
- ▶ 16 million broadband subs

<sup>1</sup> Based on publicly available data for the top fiber providers in the AT&T operating footprint for 12.5 million customer locations. 5.9 million includes business locations within 1000 feet of AT&T Fiber.

<sup>2</sup> Includes Sky Mexico



# Broad and Deep Spectrum Position

## > 60 MHz of deployable spectrum

- 20 MHz of AWS-3
- 20 MHz WCS
- 20 MHz FirstNet
- Continuous spectrum refarming

## FirstNet win enables network evolution

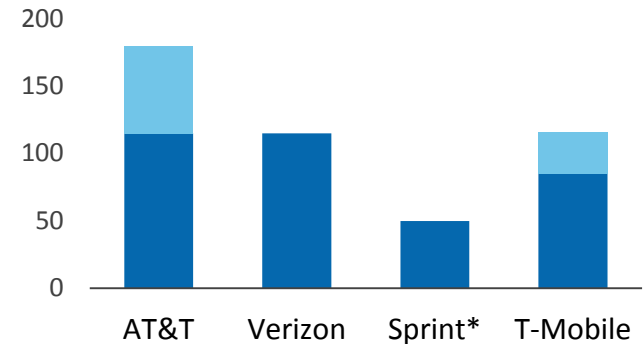
- Simultaneous deployment of equipment

## 5G leadership: millimeter wave acquisitions

- FiberTower: nationwide millimeter wave spectrum (39 GHz and 24 GHz licenses)
- Straight Path: nationwide millimeter wave spectrum (39 GHz and 28 GHz licenses)

> 60 MHz  
of deployable spectrum

Avg. MHz of Low and Mid-band Spectrum in Top 100 Markets



Source: Company estimates and UBS

■ Deployable spectrum

\*Excludes 2.5 GHz high-band spectrum



# Public Policy/Washington Update

## TWX Merger Review

EU approval

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DOJ review  
underway;  
continue to expect  
approval in 2017

## Industry Regulatory Environment

Business Data  
Services

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Set-Top Box

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Privacy Rules

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Title II /  
Net Neutrality

## General Regulatory Environment

Lighter touch  
regulation and  
pro-growth  
initiatives

## Tax Reform

Congress  
considering  
measures to  
encourage  
investment





# Q&A

Q1



## 2017 AT&T EARNINGS