News Release

AT&T Provides Update on Strategy, Financial Outlook

AT&T's Analyst & Investor Day to be webcast at 10 a.m. ET today on the AT&T Investor Relations website

DALLAS, March 12, 2021 — AT&T* (NYSE:T) is providing an update on its strategy and financial outlook and will host a webcast today to discuss these plans. Company updates include:

- **120-150 million HBO Max/HBO subscribers by 2025.** AT&T expects between 120 million and 150 million worldwide HBO Max and HBO subscribers by the end of 2025, up from the 75-90 million projected in October 2019.[1]
    - **HBO Max international expansion and AVOD launch in June.** AT&T expects to launch HBO Max in 60 markets outside the United States in 2021 (39 territories in Latin America and the Caribbean in late June and 21 territories in Europe in the second half of 2021). Also in June, the company expects to launch in the U.S. market an advertising-supported (AVOD) version of HBO Max.
- **3 million new fiber locations.** In 2021, AT&T plans to increase its fiber footprint by an additional 3 million customer locations across more than 90 metro areas.
- **C-band spectrum deployment to begin in 2021.** AT&T acquired 80 MHz of C-band spectrum in the FCC's Spectrum Auction 107. The company plans to begin deploying the first 40 MHz of this spectrum by the end of 2021. AT&T expects to spend $6-8 billion in capex deploying C-band spectrum, with the vast majority of the spend occurring from 2022 to 2024. Expected C-band deployment costs are already included in the company's 2021 capex guidance and in its leverage ratio target for 2024.
    - **Funding C-band spectrum.** AT&T's investment in C-band spectrum via Auction 107 totals $27.4 billion, including expected payments of $23 billion in 2021.
    - To meet this commitment and other near-term priorities, in 2021 the company expects to have access to cash totaling at least $30 billion, including cash on hand at the end of 2020 of $9.7 billion,[2] commercial paper issued in

[1] Worldwide HBO Max and HBO subscribers consist of domestic HBO Max subscribers and domestic and international HBO subscribers, and excludes free trials, basic and Cinemax subscribers. Domestic HBO Max and HBO subscribers consist of accounts with access to HBO Max (including wholesale subscribers that may not have signed in) and HBO accounts, and excludes free trials and Cinemax subscribers.
[2] Cash and cash equivalents as of December 31, 2020.

January 2021 of $6.1 billion and financing via a term loan credit agreement of $14.7 billion.

- **End-of-year 2021 debt ratio target of 3.0x.** The company expects to end 2021 with a net debt-to-adjusted EBITDA ratio of about 3.0x,[3] reflecting an anticipated increase in net debt of about $6 billion to fund the C-band spectrum purchase.
    - **2024 debt ratio of 2.5x or lower.** During 2024, AT&T expects to reach a net debt-to-adjusted EBITDA ratio of 2.5x or lower.[3] To achieve this target, the company expects to use all cash flows after total dividends to pay down debt and will continue to look for opportunities to monetize non-strategic assets. The company also does not plan to repurchase shares during this period.
- **2021 guidance unchanged.** AT&T's 2021 financial guidance, announced in January 2021, is unchanged on a comparative basis. For the full year, the company continues to expect:
    - Consolidated revenue growth in the 1% range
    - Adjusted EPS to be stable with 2020[4,5]
    - Gross capital investment[6] in the $21 billion range, with capital expenditures in the $18 billion range
    - 2021 free cash flow[7] in the $26 billion range, with a full-year total dividend payout ratio in the high 50's% range.[8]

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[3] Net debt-to-adjusted EBITDA ratios are non-GAAP financial measures that are frequently used by investors and credit rating agencies to provide relevant and useful information. Our net debt-to-adjusted EBITDA ratio is calculated by dividing the net debt by the sum of the most recent four quarters of adjusted EBITDA.

[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. Expect 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. Our 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 our non-GAAP metrics and the reported GAAP metrics without unreasonable effort.

[5] As previously indicated, management expects a reduction of $300 million in depreciation and amortization expense each quarter until the DIRECTV transaction closes. Just under half the reduction reflects the fourth-quarter 2020 impairment taken on the business. The remainder of the reduction reflects the reclassification of the assets to "held for sale." In addition, AT&T expects to update the lives of video and broadband customers used to recognize subscriber costs. In the first quarter of 2021, we estimate an increase in operating expenses of approximately $130 million due to this change.

[6] Gross capital investment includes capital expenditures and cash payments for vendor financing and excludes FirstNet reimbursements. In 2021, vendor financing payments are expected to be in the $2 billion range and FirstNet reimbursements are expected to be about $1 billion.

[7] Free cash flow is cash from operating activities minus capital expenditures. 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.

[8] Free cash flow total dividend payout ratio is total dividends paid divided by free cash flow. For full-year 2020, dividends paid totaled $15.0 billion.

More details will be shared during the webcast, which will be available on the AT&T Investor Relations website beginning at 10 a.m. Eastern time today. Presenters will include: John Stankey, CEO; Jeff McElfresh, CEO-AT&T Communications; Jason Kilar, CEO-WarnerMedia; John Stephens, CFO and Pascal Desroches, incoming CFO. Related materials will also be posted to the website.

“We’re being deliberate and strategic with how we allocate capital to invest in our market focus areas of 5G, fiber and HBO Max, while being committed to sustaining the dividend at current levels and utilizing cash after dividends to reduce debt,” said John Stankey, AT&T CEO.

“Our number one priority in 2021 is growing our customer relationships. It’s about more than just adding to our customer base. It’s about expanding the growth opportunity in our three market focus areas and also increasing our share within each market,” Stankey said. “We’re focused on creating deeper relationships with our current customers to increase their daily engagement with our products and services, enabling us to gather more meaningful insights, drive loyalty, and stay ahead of their rapidly changing preferences. As demand for connectivity and content continues to grow, we are well positioned to deliver.”

Improved Revenue and EBITDA Trajectory

In the second half of 2021, AT&T expects to close its recently announced transaction to move its U.S. video business operations into a newly formed entity jointly owned with TPG Capital. Following close of the transaction, which is subject to customary closing conditions and regulatory reviews, AT&T expects to deconsolidate the U.S. video unit from its consolidated results. While the video business pressured the top line by about 100 basis points and EBITDA margin by about 300 basis points in 2020, AT&T does not expect the transaction to have a material impact on 2021 guidance due to the timing of close.

In the longer term, AT&T expects an increased focus on growth areas enabled by separating the U.S. video business will improve the trajectory of revenue growth and adjusted EBITDA growth for its remaining business going forward. The company anticipates these improvements will also be driven by expected trends in the business, including:

- Wireless EBITDA growth from profitable share gains, customer growth and continued adoption of unlimited plans
- Expansion of the fiber footprint and increased fiber penetration
- Improved margins in the business wireline unit as the company continues to simplify the portfolio
- Improvements at WarnerMedia as HBO Max scales, advertising gradually improves and cost savings from recent organization changes offset investment in HBO Max

- Improvement in AT&T Latin America from customer growth and continued expense management

Strong Cash Position

Given its previously discussed cash position and access to cash, AT&T anticipates that it will have the flexibility to meet its 2021 financial commitments including:

- The $23 billion in expected payments for C-Band spectrum
- Dividends to shareholders of nearly $15 billion, subject to approval by the board of directors
- Gross capital investment in the $21 billion range[6]
- Continued repayment of debt

Broadband Connectivity

AT&T remains focused on growing connectivity within its wireless and fiber products. With its hybrid fixed and mobile network approach, the company is well positioned to meet the connectivity needs of all customer segments.

Fiber. Fiber is foundational to AT&T's broadband portfolio. Customers have a need for reliable, robust symmetrical technology solutions like fiber, and the company continues to expand its fiber footprint to households and businesses in 90 metro areas across the United States. AT&T expects the 3 million additional fiber customer locations planned for 2021 will support continued momentum in its broadband business unit. In areas where AT&T has deployed its fiber network, the company has 10% higher market share than its competitors and about 70% of its gross adds are new to AT&T. In 2021, the company expects broadband revenue growth in the mid-single digits and expanding margins in its broadband business unit.

Strengthened spectrum position. Over the last four years, AT&T has more than doubled the spectrum deployed in its network, with 70% of its low and mid-band spectrum in service. As it deploys the remaining 30% of low and mid-band spectrum, the company expects further enhanced performance in the top 50 urban markets, which it believes will help support continued customer growth.

As previously discussed, AT&T expects to begin to deploy 40 MHz of its 80 MHz of C-band spectrum by the end of 2021. The company also expects millimeter wave spectrum to be a key part of its broader network densification strategy. AT&T continues to expect wireless service revenue growth in the 2% range with modest wireless EBITDA growth for full-year 2021.

Scaling HBO Max

In addition to its updated guidance for HBO Max and HBO subscribers by the end of 2025, AT&T further expects to end 2021 with between 67 and 70 million subscribers worldwide, up from about 61 million at the end of 2020.[1]

AT&T expects its Home Box Office business unit revenues to more than double over the next 5 years. As HBO Max scales at a global level, the company plans to increase investment, with expectations for peak dilution in 2022 and break even in 2025.

Subscriber and revenue growth in 2021 are expected to be partially driven by the initial international expansion of HBO Max and the launch of an advertising-supported version of HBO Max.

Tune into AT&T's Analyst & Investor Day webcast at 10 a.m. Eastern time today. The webcast will be available on the AT&T Investor Relations website.

***About AT&T**

AT&T Inc. (NYSE:T) is a diversified, global leader in telecommunications, media and entertainment, and technology. Consumers and businesses have more than 225 million monthly subscriptions to our services. AT&T Communications provides more than 100 million U.S. consumers with entertainment and communications experiences across TV, mobile and broadband. Plus, it serves high-speed, highly secure connectivity and smart solutions to nearly 3 million business customers. WarnerMedia is a leading media and entertainment company that creates and distributes premium and popular content to global audiences through its consumer brands, including: HBO, HBO Max, Warner Bros., TNT, TBS, truTV, CNN, DC Entertainment, New Line, Cartoon Network, Adult Swim and Turner Classic Movies. Xandr, now part of WarnerMedia, provides marketers with innovative and relevant advertising solutions for consumers around premium video content and digital advertising through its platform. AT&T Latin America provides pay-TV services across 10 countries and territories in Latin America and the Caribbean and wireless services to consumers and businesses in Mexico.

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this news release 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 news release based on new information or otherwise.

This news release 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 https://investors.att.com.

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