



News Release

AT&T CFO Pascal Desroches Updates Shareholders

DALLAS, September 14, 2021 — Pascal Desroches, senior executive vice president and chief financial officer of AT&T Inc.* (NYSE:T), spoke today at the Bank of America Media, Communications & Entertainment Conference, where he provided an update to shareholders.

Desroches said that AT&T continues to successfully execute in its market focus areas of 5G, fiber and HBO Max. While acknowledging the wireless industry continues to benefit from a healthy-demand backdrop, AT&T remains steadfast in its commitment to growing its postpaid phone base profitably. Desroches said AT&T's strength in wireless has been supported by the company's outstanding network quality, which has improved measurably over the last several years. AT&T has the Nation's Best 5G Network¹ and, for the fourth straight year, America's Best Wireless Network² overall. In addition, as most recently indicated by AT&T's second-quarter 2021 results, its revamped go-to-market strategy has enabled the company to both reduce churn and improve industry flow share, yielding materially better postpaid phone subscriber net adds versus those experienced over the last several years.

With respect to its fiber initiatives, Desroches indicated that the company remains confident in its ability to achieve its adjusted end-of-year incremental customer locations passed target in the 2.5 million range. As previously noted, AT&T has experienced some disruption in its supply chain. However, at this juncture the company believes the issue has been addressed and remains comfortable in its ability to achieve its long-term guidance for 30 million locations by the end of 2025.

AT&T also continues to experience healthy demand for HBO Max in both domestic and international markets. The company recently announced its plans to expand into six European countries next month with plans to launch in at least 14 additional territories in Europe in 2022. As previously indicated, AT&T expects most of the subscriber growth in the second half of the year to come from outside the United States due to the strategic decision to cease offering HBO Max as a subscription on Amazon Channels. The company anticipates this decision will likely impact total HBO Max / HBO domestic subscribers and net additions in the third quarter. However, Desroches reiterated that AT&T's guidance for 70 million to 73 million global HBO Max and HBO subscribers by the end of 2021 factors in the impact of this decision.³

AT&T continues to anticipate that its pending WarnerMedia-Discovery transaction will close by mid-2022. After close of that transaction and on a pro-forma basis, AT&T expects annual revenues to grow at a low single digits CAGR⁴ from 2022 to 2024 with annual adjusted EBITDA⁵ and adjusted EPS⁶ growing at a CAGR in the mid-single digit range. After close and



subject to AT&T Board approval, the company anticipates annual dividends paid of \$8 billion to \$9 billion, reflecting a payout ratio of 40% to 43% on projected free cash flow of \$20 billion plus in 2023.⁷

¹ AT&T awarded Best 5G Network by GWS OneScore 2021. GWS conducts paid drive tests for AT&T and uses the data in its OneScore analysis. AT&T 5G requires compatible plan and device. 5G not available everywhere. Go to att.com/5Gforyou for details.

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³ Global HBO Max and HBO subscribers consist of domestic and international HBO Max and HBO subscribers, and exclude free trials, basic and Cinemax subscribers.

⁴ Compound annual growth rate.

⁵ EBITDA is operating income before depreciation and amortization.

⁶ AT&T expects adjustments to 2021-2024 reported diluted EPS to include merger-related amortization (\$4.3 billion for 2021 and approximately \$1 billion per quarter in 2022 until closing of the WarnerMedia transaction), adjusted equity income, non-cash mark-to-market benefit plan gains/losses, and other items. The company expects the mark-to-market adjustments, which are 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 and performance of our equity investment in DIRECTV 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.

⁷ 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, and AT&T will include cash distributions received from DIRECTV, including those reported as investing activities, as part of Free Cash Flow. 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.

***About AT&T**

AT&T Inc. ([NYSE:T](https://www.nyse.com/quote/NYSE:T)) is a diversified, global leader in telecommunications, media and entertainment, and technology. AT&T Communications provides more than 100 million U.S. consumers with entertainment and communications experiences across 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.

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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>.

Cautionary Statement 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 transaction between AT&T, Magallanes, Inc. ("Spinco"), and Discovery, Inc. ("Discovery") 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 transaction, including future financial and operating results, the combined Spinco and Discovery 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 and Discovery and are subject to significant risks and uncertainties outside of our control. Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed transaction; the risk that Discovery stockholders may not approve the transaction proposals; the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated; risks that any of the other closing conditions to the proposed transaction may not be satisfied in a timely manner; risks that the anticipated tax treatment of the proposed transaction is not obtained; risks related to potential litigation brought in connection with the proposed transaction; uncertainties as to the timing of the consummation of the proposed transaction; risks and costs related to the implementation of the separation of Spinco, including timing anticipated to complete the separation, any changes to the configuration of the businesses included in the separation if implemented; the risk that the integration of Discovery and Spinco being more difficult, time consuming or costly than expected; risks related to financial community and rating agency perceptions of each of AT&T and Discovery and its business, operations, financial condition and the industry in which it operates; risks related to disruption of management time from ongoing business operations due to the proposed merger; failure to realize the



benefits expected from the proposed merger; effects of the announcement, pendency or completion of the proposed merger on the ability of AT&T, Spinco or Discovery to retain customers and retain and hire key personnel and maintain relationships with their suppliers, and on their operating results and businesses generally; and risks related to the potential impact of general economic, political and market factors on the companies or the proposed transaction. The effects of the COVID-19 pandemic may give rise to risks that are currently unknown or amplify the risks associated with the foregoing factors.

These risks, as well as other risks associated with the proposed transaction, will be more fully discussed in the proxy statement/prospectus that will be included in the registration statements that will be filed with the SEC in connection with the proposed transaction. Discussions of additional risks and uncertainties are contained in AT&T's and Discovery's filings with the Securities and Exchange Commission. Neither AT&T nor Discovery 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.

Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of the proposed transaction between AT&T, Spinco, and Discovery. In connection with the proposed transaction, AT&T, Spinco and Discovery intend to file relevant materials with the Securities and Exchange Commission ("SEC"), including a registration statement on Form S-4 by Discovery that will contain a prospectus of Discovery and Spinco that also constitutes a proxy statement of Discovery, and a registration statement by Spinco. This communication is not a substitute for the registration statements, proxy statement/prospectus or any other document which AT&T, Spinco or Discovery may file with the SEC. **STOCKHOLDERS OF AT&T AND DISCOVERY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE REGISTRATION STATEMENT AND PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain copies of the proxy statement/prospectus (when available) as well as other filings containing information about AT&T, Spinco and Discovery, without charge, at the SEC's website, <http://www.sec.gov>. Copies of documents filed with the SEC by AT&T or Spinco will be made available free of charge on AT&T's investor relations website at <https://investors.att.com>. Copies of documents filed with the SEC by Discovery will be made available free of charge on Discovery's investor relations website at <https://ir.corporate.discovery.com/investor-relations>.

No Offer or Solicitation



This communication is for informational purposes only and is not intended to and does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, or a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in which such offer, sale or solicitation would be unlawful, prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

Participants in Solicitation

AT&T and its directors and executive officers, and Discovery and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Discovery capital stock and/or the offering of Discovery securities in respect of the proposed transaction. Information about the directors and executive officers of AT&T is set forth in the proxy statement for AT&T's 2021 Annual Meeting of Stockholders, which was filed with the SEC on March 11, 2021. Information about the directors and executive officers of Discovery is set forth in the proxy statement for Discovery's 2021 Annual Meeting of Stockholders, which was filed with the SEC on April 30, 2021. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed transaction when it becomes available.

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