

AT&T Inc.

4Q23 First Look: Company maps out solid growth outlook for revs, EBITDA, & cash

Maintain Rating: BUY | PO: 20.00 USD | Price: 17.19 USD

Wireless subs and service revenue ahead

Wireless post-paid phone net additions of 526,000 were ahead of the Street and our estimate. Revenue, EBITDA, and EPS were all ahead of our estimates but mixed versus consensus. The company posted \$16.8bn free cash flow, ahead of its original \$16bn+ guide from the beginning of the year. We maintain our Buy rating and expect continued strong results to get reflected in the valuation. AT&T will host a conference call at 8:30 a.m.

Guidance ahead, 4.4% FCF growth at midpoint

AT&T is guiding to 2024E growth of 3.0% (BofA at 3.2%) for wireless service revenue, 7.0% (BofA at 6.5%) for Broadband revenue, and 3.0% (BofA at 0.9%) for adjusted EBITDA. Capex guidance is \$21-\$22bn (BofA at \$22bn), and free cash flow guidance is for \$17-\$18bn (BofA at \$17.7bn, Street at \$17.2bn). AT&T expects adj. EPS of \$2.15-\$2.25 (Street at \$2.44), with EPS growth in 2025E. The 2024 EPS outlook is being negatively impacted by non-cash items (depreciation, non-cash pension), primarily related to initiatives (Open Ran) that should save the company cash dollars in the future.

What we are looking for on the call...

AT&T will be asked to provide additional detail on the moving pieces of free cash flow, including 1) DTV contribution, 2) cash taxes, 3) interest expense, and 4) vendor financing. What does the company expect will be the key drivers for hitting the higher versus the lower end of the expected FCF range, and what quarterly cadence should we expect in 2024?

Exhibit 1: 4Q23 Actual versus BofA / Consensus estimates

Adj. EBITDA and EPS slightly below consensus

	4Q23A	4Q23E	A/E %	Consensus	A/C %
Total Consolidated Revenue	32,022	31,596	1.3%	31,434	1.9%
EBITDA	10,555	10,405	1.4%	10,598	-0.4%
EBITDA Margin	33.0%	32.9%	nm	33.7%	n.m.
Adj EPS	\$0.54	\$0.52	4.1%	\$0.56	-2.8%
Capex	5,607	4,743	18.2%	5,224	7.3%
Wireless					
Post Paid Phone Net Adds	526	511	3.0%	496	6.0%
Service Revenue	16,039	15,976	0.4%	16,051	-0.1%
EBITDA	8,376	8,404	-0.3%	8,408	-0.4%
Business Wireline					
Revenue	5,052	5,105	-1.0%	5,207	-3.0%
EBITDA	1,534	1,583	-3.1%	1,642	-6.6%
Broadband					
Revenue	3,352	3,317	1.0%	3,341	0.3%
EBITDA	1,109	1,034	7.3%	1,068	3.8%
Net add (000)	19	1	1552.2%	(17)	-211.8%
Latin America					
Revenue	1,090	953	14.4%	958	13.8%
EBITDA	137	103	33.5%	124	10.5%

Source: BofA Global Research estimates, company report, Visible Alpha

BofA GLOBAL RESEARCH

24 January 2024

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Stock Data

Price	17.19 USD
Price Objective	20.00 USD
Date Established	31-Aug-2023
Investment Opinion	B-1-7
52-Week Range	13.43 USD - 21.53 USD
Mrkt Val (mn) / Shares Out (mn)	123,355 USD / 7,176.0
Free Float	99.9%
Average Daily Value (mn)	663.88 USD
BofA Ticker / Exchange	T / NYS
Bloomberg / Reuters	T US / T.N
ROE (2023E)	16.0%
Net Dbt to Eqty (Dec-2022A)	129.9%
ESGMeter™	High

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revs: revenues

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Timestamp: 24 January 2024 08:26AM EST

Price objective basis & risk

AT&T Inc. (T)

Our \$20 price objective is based on a P/E multiple of 9.0x our FY24 EPS estimate. The multiple is a slight premium to the historical average. We think this is warranted based on AT&T's focused investing in its core wireless and wireline connectivity businesses to drive subscriber growth.

Downside risks to our price objective are lower-than-projected growth, greater wireless competition, and litigation risk.

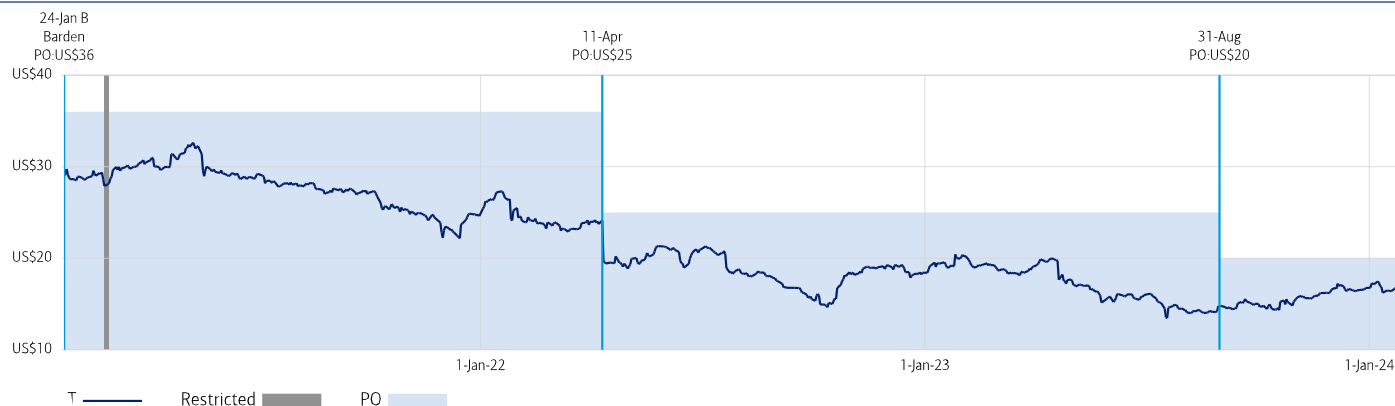
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AT&T (T) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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