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North America Cable, Satellite & Telecom Services

AT&T: Credibility questions likely to resurface; downgrade to EW

INDUSTRY UPDATE

North America Cable, Satellite & Telecom Services
NEUTRAL
Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

North America Cable, Satellite & Telecom Services
Kannan Venkateshwar
+1 212 528 7054
kannan.venkateshwar@barclays.com
BCI, US

David Joyce
+1 212 526 7156
david.joyce@barclays.com
BCI, US

Lauren Bonham
+1 212 526 3856
lauren.bonham@barclays.com
BCI, US

Siyuan Huang
+1 212 528 7952
siyuan.huang@barclays.com
BCI, US

AT&T's results, while being impacted to some extent by the macro backdrop, are likely to renew concerns about management credibility. AT&T's forward commentary may also fuel broader concerns about industry growth visibility in the coming quarters. While macro impacts will likely show up across the industry, we believe these impacts may not be uniform with TMUS trends potentially outperforming others for reasons we highlight in the note,

Postpaid Phone growth: AT&T posted strong sub growth but ironically, the higher these numbers are, the more difficult it becomes to extrapolate and higher the chances become of a steep reversal at some point due to industry saturation. Also, consumer credit issues which we had flagged as a potential risk to margins and FCF earlier in the year (please see *Will industry-wide improvements in bad debt persist?, 22 March 202*) appear to be becoming a bigger concern when the macro cycle is still in relatively early stage. This is likely to impact both cable and telecom names but we believe TMUS trends may have a bit more buffer both on the growth and consumer risk front relative to others.

Management credibility: Despite higher unit and pricing growth and consequent increase of $700-800mm service revenue growth guidance for the year, the company's full year mobility EBITDA growth guidance hasn't changed while business wireline EBITDA guidance and FCF guidance was cut. Forward commentary with rest to '23 cash flow was also squishy and, if anything, visibility may worsen if were to head into a recession. This backdrop isn't helpful when the biggest pushback against AT&T has been execution credibility and now the company has cut guidance within 4 months of giving it. Overall therefore, after a couple of years of trying to change the narrative, AT&T seems to be back in the same place that it started with respect to concerns about its dividend sustainability and management credibility

Valuation: Telecom positioning is quite crowded and stocks have held up better than the market broadly thus far because of near-term growth visibility but this has been a relatively low conviction trade. In addition, with VZ and T both talking down numbers for the year despite strong pricing and unit growth across the industry, the relative defensiveness of the industry may also be questioned. At an industry level, we believe there is also fewer degrees of freedom with respect to the go-to market strategy relative to last economic cycle given industry saturation levels, lower gap between pre-paid and post paid prices, new lower priced entrants and inflation. We believe these issues may result in more margin pressure as the macro environment worsens.

AT&T has significantly outperformed Verizon and the broader markets this year and has closed its valuation gap vs VZ. While the risk of dividend cut at AT&T is low given the comfortable cushion even in case of cash flow coming meaningfully below guide, dividend yield may remain higher for longer if numbers keep getting revised lower. Consequently we expect AT&T's relative outperformance vs SPX to moderate going forward and downgrade the stock to EW (from OW) with a price target of $20.

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	21-Jul-22	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
North America Cable, Satellite & Telecom Services	Neu	Neu										
AT&T (T)	OW	**EW**	18.92	22.00	**20.00**	-9	2.51	**2.45**	-2	2.55	**2.56**	0

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.
FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.
Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended
Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

Valuation Methodology and Risks

North America Cable, Satellite & Telecom Services

AT&T (T)

Valuation Methodology: Our price target of $20 is based on ~7x 2023E EBITDA of ~$43Bn.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Increased wireless competition or pricing pressure, and execution risk.

Source: Barclays Research.

North America Cable, Satellite & Telecom Services — **Industry View: NEUTRAL**

AT&T (T)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2021A	2022E	2023E	2024E	CAGR
Revenue	134,038	120,343	121,495	122,387	-3.0%
EBITDA	43,749	39,870	43,219	43,805	0.0%
EBIT	25,897	21,998	25,622	26,033	0.2%
Finance costs - net	6,716	5,439	4,623	4,623	-11.7%
Pre-tax income	29,171	24,443	25,400	25,186	-4.8%
Tax rate (%)	18	22	20	20	2.6%
Net income (adj)	N/A	N/A	N/A	N/A	N/A
EPS (adj) ($)	2.63	2.45	2.56	2.45	-2.3%
Diluted shares (mn)	7,503	7,597	7,611	7,611	0.5%
DPS ($)	2.08	1.37	1.13	1.14	-18.2%

Margin and return data					Average
EBITDA margin (%)	32.6	33.1	35.6	35.8	34.3
EBIT margin (%)	19.3	18.3	21.1	21.3	20.0
Pre-tax margin (%)	21.8	20.3	20.9	20.6	20.9
Net (adj) margin (%)	15.0	14.6	15.6	15.3	15.1
Operating CF margin (%)	21.1	17.7	19.4	20.6	19.7
ROIC (%)	20.7	19.2	21.4	21.7	20.7
ROA (%)	14.6	16.2	17.0	16.4	16.0
ROE (%)	43.7	49.5	49.1	45.2	46.9

Balance sheet and cash flow ($mn)					CAGR
Cash and equivalents	19,223	9,780	18,842	28,472	14.0%
Total assets	551,622	434,416	446,256	457,238	-6.1%
Short and long-term debt	175,631	135,957	135,957	135,957	-8.2%
Other long-term liabilities	110,526	111,212	111,263	111,066	0.2%
Total liabilities	367,767	292,634	292,239	291,227	-7.5%
Net debt/(funds)	156,408	126,177	117,115	107,485	-11.8%
Shareholders' equity	166,332	123,521	134,356	144,950	-4.5%
Cash flow from operations	37,193	34,859	39,103	37,254	0.1%
Capital expenditure	15,545	19,703	19,682	18,555	6.1%
Free cash flow	18,375	13,957	17,146	17,785	-1.1%
NOPAT	N/A	N/A	N/A	N/A	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	7.2	7.7	7.4	7.7	7.5
EV/sales (x)	2.2	2.2	2.1	2.0	2.2
EV/EBITDA (x)	6.8	6.7	6.0	5.7	6.3
Equity FCF yield (%)	28.8	-15.7	11.9	12.4	9.3
P/BV (x)	0.8	1.0	0.9	0.9	0.9
Dividend yield (%)	11.0	7.2	6.0	6.0	7.6
Total debt/capital (%)	N/A	N/A	N/A	N/A	N/A
Net debt/EBITDA (x)	3.6	3.2	2.7	2.5	3.0

Selected operating metrics					Average
Postpaid subscribers	81,534	84,244	86,095	87,526	84,850
Total subscribers (k)	201,791.0	211,781.0	228,428.5	242,706.3	221,176.7
Postpaid ARPU ($)	49.13	49.39	48.95	48.85	49.08
Postpaid churn (%)	0.94	0.98	1.00	1.01	0.98

Price (21-Jul-2022)	**USD 18.92**
Price Target	**USD 20.00**

Why Equal Weight? We are Equal Weight on account of growth trends not being very different vs peers, low operational visibility, valuation parity versus peers on an EBItDA and dividend yield basis.

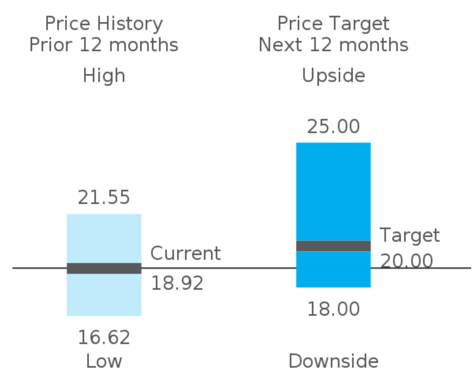
Upside case — **USD 25.00**

Key fundamental drivers to our upside case include buybacks, ability to maintain wireless and broadband growth, and ongoing margin expansion.

Downside case — **USD 18.00**

Our downside case assumes slowdown in wireless subscribers and ARPU pressure.

Upside/Downside scenarios



Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Downgrading AT&T to Equal Weight, price target to $20

AT&T's results, while being impacted to some extent by the macro backdrop, are likely to renew concerns about management credibility. Also, we believe AT&T's results may also fuel broader concerns about industry growth visibility in the coming quarters. While macro impacts will likely show up across the industry, we believe these impacts may not be uniform for the following reasons:

- **Post paid phone growth:** AT&T continues to post strong wireless phone • subscriber growth (813k vs 557k Barclays est), although the stronger these numbers are, the more difficult it becomes to extrapolate and the higher the chances become of a potentially steep reversal at some point given broader industry saturation. The strength in subs appears to be partly driven by business wireless, where service revenue growth of 7.4% is faster than overall mobility service revenue growth of 4.6%, potentially helped by FirstNet to some extent. Verizon commentary at industry events has also indicated that business growth was stronger vs consumer in the quarter. However, business heavy growth also tends to be quite lumpy, and while this could be helping growth near term, this mix shift also increases risks of step function changes at a later point. This is one of our bigger worries going into next year. This is one of the reasons why TMUS may be a bit more insulated because its growth is more consumer heavy and it is under-penetrated in many consumer segments. Therefore, even though TMUS is also likely to be exposed to a broader industry slowdown in growth, it may see a more limited relative impact vs T and VZ.

- **Consumer credit quality**: AT&T also highlighted an increase in bad debts and a $1bn+ increase in cash flow impact on account of delays in consumer payments. We had flagged this as a margin risk for cable and telecom companies earlier in the year (please see *Will industry-wide improvements in bad debt persist*?, 22 March 2022), and the fact that AT&T is seeing delays implies that this issue is likely to be a factor in other cable and telecom companies as well. However, this is again an issue where exposures are not uniform because TMUS's growth mix has been shifting towards higher quality subs (due to decline in Sprint and growth of higher end plans) but T and VZ underlying quality mix hasn't changed or could have worsened potentially because of share gains from Sprint (which may be a bigger issue for T than VZ). We also note that the decline in bad debts due to Covid subsidies last year was a lot bigger tailwind from T and VZ than it was for TMUS, which creates a bigger comp issue for T and VZ. On the cable side, we believe Charter could be a lot more exposed to this issue than Comcast and this difference is already showing up in the reduced Q2 broadband net add growth guide for Charter. The impact on margins and FCF, however, is not yet known and here again Charter (and ATUS) are more exposed because of their higher leverage and dependence on levered buybacks to support valuation.

- **Guidance credibility:** Despite higher unit and pricing growth and consequent increase of $700-800mm service revenue growth guidance for the year, the company's full year EBITDA growth guidance hasn't changed and FCF guidance has come down. Margins are benefiting from a change in amortization policy earlier this year for deferred acquisition and fulfillment costs and cost cuts while cash flow is benefiting from lower than expected cash taxes this year despite which margin and FCF guidance is coming down. The company has blamed inflation for its margin pressure and customer payment delays and capex pull forward for its FCF issues. Given management commentary on the call, however, visibility on consumer trends and costs appears to be low, as a result of which it is difficult to underwrite even the lower level of guidance for this year and the prior guidance for '23. Also, it doesn't help that guidance credibility at AT&T has been questioned for years, and now the company has cut guidance within four months of giving it. Communication around the Warner Media spin was also managed quite badly, in our opinion, which did not help the narrative (please see *Can AT&T get out of its own way*? 27 January 2022). Some of this change in fundamental outlook is understandable given the sharp turn in inflation, but in our opinion, what makes the credibility issue worse is that despite worsening trends recently, management continues to defend its guidance framework. For instance, the impact of payment delays appears to be higher than bad debts recognized by the company and we are still relatively early in the cycle, which would imply potentially increasing margin and FCF pressure in the second half. Also, the company continues to insist that it will see $4bn and $3bn in FCF from DTV this year and next year, respectively, but if AT&T is feeling the pressure from consumer credit declining, trends at DTV should be worse in theory. As a result of these factors, it may be difficult for AT&T to generate $10bn in FCF in the second half, which is its latest guidance, or the $20bn in FCF next year. Verizon also faces similar issues as it has cut margin guidance recently despite increasing retail price across its entire base, which highlights industry wide visibility issues.

In the case of TMUS, the company typically guides very conservatively early in the year and tends to fine tune guidance gradually through the year. In addition, investor expectations this year with respect to potential beat vs guidance is also lower because of ongoing integration with Sprint. Merger synergies potentially provide another buffer later in the year to manage some of the macro cost headwinds. While TMUS may not be completely immune to trends such as delays in consumer payments, the relative reset vs expectations may not be as material as in the case of AT&T and Verizon, which again speaks to TMUS potentially being in a better place relative to its peers.

- **Consumer wireline**: On the consumer wireline side, while fiber net adds accelerated sequentially, the company's non fiber losses also accelerated and overall, the company posted negative broadband net adds. Unless net growth turns sustainably positive, it is likely to be difficult for the company to turn around the narrative on its fiber growth story despite the fact that consumer fiber revenues are more or less at parity with non fiber revenues. Laterally, the overall negative growth in subs due to non fiber losses doesn't incrementally change the near term cable narrative as for the most part, the competitive impact on gross adds in cable appears to be driven more by fixed wireless at this point. Also, given margin and FCF pressure in core mobility business, AT&T will also have less flexibility to be aggressive with its go to market strategy in Fiber. In the case of AT&T, however, this is another credibility proof point for investors as the company has talked up expectations on this front but is yet to deliver a demonstrable change in overall growth trends.

- **Business wireline**: Decline in business wireline revenues accelerated and came in lower than expected. The company has guided towards repositioning this business in the first half with improvements later in the year. However, last quarter had some timing impacts on account of lower government revenues due to delay in passing the federal budget, which should have helped this quarter but despite that revenues were lower than expected. Management commentary seems to indicate that government spending delays continued to have an impact and visibility in this segment also appears to be quite low. The company also saw an increase in wholesale access costs, which appears to have pressured margins but given that these renewals tend to be predictable, it is surprising to see margins come under pressure on account of this factor. As a result of these factors, the company took down EBITDA guidance for the segment from a decline in the mid single digit range for the year to a decline in the low double digit range for the year, again not very helpful from a credibility perspective.

Overall, therefore, after a couple of years of trying to change the narrative, AT&T seems to be back in the same place that it started with respect to concerns about its dividend sustainability and credibility.

From a valuation perspective, telecom positioning is quite crowded and stocks have held up better than the market broadly thus far because of near term growth visibility, but this has been a relatively low conviction trade. In addition, with VZ and T both talking down numbers for the year despite strong pricing and unit growth across the industry, the relative defensiveness of the industry may also be questioned. At an industry level, we believe there are also fewer degrees of freedom with respect to a go to market strategy relative to the last economic cycle given industry saturation levels, lower gap between pre-paid and post paid prices, new lower priced entrants (cable) and inflation. We believe these issues may result in more margin pressure as the macro environment worsens and pressures valuation.

Even after the sharp selloff post results, AT&T has significantly outperformed Verizon and the broader markets this year. AT&T has also closed its valuation gap vs VZ on an EBITDA basis and although it trades cheap on a FCF basis at a ~14% FCF yield (vs VZ at ~11%) based on company guidance for '23, we believe this guidance is likely to come down. Even at sharply lower FCF vs expectations, however (say zero growth vs this year and so ~$14bn), dividend coverage would still provide a comfortable cushion and therefore, the selloff may result in some interest from dividend-focused investors (dividend yield of ~6% based on intra-day prices). The key factor to consider is that the company's dividend coverage cushion depends on DirecTV, which is not really part of operating cash flow and is a declining source of cash. Dividend coverage cushion on just core telecom cash flow could be a lot lower next year than Verizon if there is no or low cash flow growth next year and therefore, is less easy to extrapolate. We believe the likelihood of no cash flow growth is low because interest cost savings alone should provide a $2bn tailwind to FCF and capex could also be dialed down if there is indeed pressure from other sources. However, if cash flow is directionally headed lower, yields may also trade higher than usual for a longer period. Consequently, we expect AT&T's outperformance vs SPX and vs VZ to moderate going forward. As a result of this and the lower visibility growth environment, we downgrade AT&T to Equal Weight with a price target of $20 (vs. $22 previously), based on a 7x 2023E EBITDA of ~$43bn, previously 7.5x 2022E EBITDA of $41bn.

On a relative basis, we believe TMUS is likely to continue its outperformance relative to its peers partly driven by more operating buffers fundamentally (synergies, lower penetration, lower price points, more capacity) as well as the size of its guided buybacks relative to outstanding float starting next year.

FIGURE 1

T – Actual vs. Estimates

	Actual	Estimate	Actual			Consensus		
$mms, except EPS & subs	Q2 22A	Q2 22E	Q2 21A	Act vs. Est	y/y %	Q2 22	Act vs Cons	Est vs Cons
Revenue								
Mobility Revenue	19,926	19,690	18,936	*1.2%*	*5.2%*	19,700	*1.1%*	*(0.1%)*
Consumer Wireline Revenue	3,174	3,169	3,140	*0.2%*	*1.1%*	3,180	*(0.2%)*	*(0.4%)*
Business Wireline Revenue	5,595	5,747	6,052	*(2.7%)*	*(7.6%)*	5,750	*(2.7%)*	*(0.0%)*
Communications	28,695	28,606	28,128	*0.3%*	*2.0%*	28,630	*0.2%*	*(0.1%)*
Latin America Revenue	808	710	1,437	*13.7%*	*(43.8%)*	705	*14.7%*	*0.8%*
Corporate and Other	140	140	(2,616)	*0.0%*	*(105.4%)*			
Total Revenue	29,643	29,393	35,740	*0.9%*	*(17.1%)*	29,530	*0.4%*	*(0.5%)*
EBITDA								
Mobility EBITDA	8,229	8,171	8,030	*0.7%*	*2.5%*	8,170	*0.7%*	*0.0%*
Consumer Wireline EBITDA	1,089	1,014	1,077	*7.4%*	*1.1%*	1,040	*4.7%*	*(2.5%)*
Business Wireline EBITDA	2,023	2,184	2,362	*(7.4%)*	*(14.4%)*	2,190	*(7.6%)*	*(0.3%)*
Communications	11,341	11,369	11,469	*(0.2%)*	*(1.1%)*	11,400	*(0.5%)*	*(0.3%)*
Latin America EBITDA	87	43	110	*104.1%*	*(20.9%)*			
Corporate and Other	(1,098)	(1,183)	(1,505)	*(7.2%)*	*(27.0%)*			
Total Adj. EBITDA	10,330	10,351	11,931	*(0.2%)*	*(13.4%)*	10,430	*(1.0%)*	*(0.8%)*
Capital Expenditures	4,908	4,909	3,710	*(0.0%)*	*32.3%*	4,610	*6.5%*	*6.5%*
Free Cash Flow	1,400	4,299	5,167	*(67.4%)*	*(72.9%)*	4,620	*(69.7%)*	*(6.9%)*
Adjusted Diluted EPS	$0.65	$0.56	$0.73	*15.1%*	*(11.0%)*	$0.61	*6.6%*	*(7.4%)*
Mobility Sub Metrics (000s)								
Postpaid Phone Net Adds	813	557	789	*46.0%*	*3.0%*	562	*44.7%*	*(0.9%)*
Postpaid Net Adds	1,058	840	1,156	*26.0%*	*(8.5%)*	804	*31.6%*	*4.5%*
Prepaid Net Adds	231	190	297	*21.6%*	*(22.2%)*	131	*77.0%*	*45.6%*
Postpaid Churn (%)	0.93%	0.93%	0.87%	*0.0%*	*6.9%*	0.94%	*(1.1%)*	*(1.1%)*
Postpaid Phone Churn (%)	0.75%	0.76%	0.69%	*(1.3%)*	*8.7%*	0.78%	*(3.8%)*	*(2.6%)*

Source: Company Reports, Barclays Research, StreetAccount

FIGURE 2
T – Current vs. Old

$mms, except EPS & subs	3Q22 Cur	3Q22 Old	*Delta*	FY22 Cur	FY22 Old	*Delta*	FY23 Cur	FY23 Old	*Delta*
Mobility Net Adds (000s)									
Postpaid Phone Net Adds	513	513	*0%*	2,537	2,281	*11%*	1,443	1,584	*-9%*
Postpaid Net Adds	800	800	*0%*	3,573	3,355	*6%*	1,851	1,851	*0%*
Prepaid Net Adds	170	170	*0%*	567	526	*8%*	425	425	*0%*
Consumer Wireline Net Adds (000s)									
Voice	(176)	(176)	0%	(798)	(798)	*0%*	(750)	(750)	*0%*
DSL	(21)	(21)	0%	(80)	(80)	*0%*	(65)	(65)	*0%*
Fiber Broadband Net Adds	331	331	0%	1,306	1,307	*0%*	1,427	1,427	*0%*
Total Broadband	76	76	0%	181	258	*-30%*	571	571	*0%*
Segment Revenue									
Mobility Revenue	20,139	19,900	1%	81,764	81,219	*1%*	83,524	82,950	*1%*
Consumer Wireline Revenue	3,203	3,193	0%	12,774	12,718	*0%*	13,217	13,097	*1%*
Business Wireline Revenue	5,523	5,763	-4%	22,235	22,936	*-3%*	21,215	22,553	*-6%*
Latin America Revenue	761	741	3%	2,990	2,858	*5%*	2,975	2,813	*6%*
Total Revenue	29,773	29,744	0%	120,343	119,900	*0%*	121,495	121,983	*0%*
Segment EBITDA									
Mobility EBITDA	8,297	8,278	0%	32,223	32,121	*0%*	33,318	33,213	*0%*
Consumer Wireline EBITDA	1,009	1,015	-1%	4,187	4,128	*1%*	4,310	4,331	*0%*
Business Wireline EBITDA	2,032	2,190	-7%	8,240	8,701	*-5%*	8,019	8,445	*-5%*
Latin America EBITDA	69	44	54%	280	189	*48%*	268	169	*59%*
Total Adj. EBITDA	**10,494**	10,615	**-1%**	**40,985**	**41,111**	***0%***	**43,219**	43,770	***-1%***
Capital Expenditures	5,003	4,998	0%	19,703	19,910	*-1%*	19,682	19,802	*-1%*
Free Cash Flow	4,183	4,235	-1%	13,957	14,136	*-1%*	17,146	20,202	*-15%*
Adjusted Diluted EPS	$0.60	$0.60	1%	$2.45	$2.51	*-2%*	$2.56	$2.55	*0%*

Source: Company Reports, Barclays Research

ANALYST(S) CERTIFICATION(S):

We, Kannan Venkateshwar and David Joyce, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

AT&T (T, 21-Jul-2022, USD 18.92), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M/N

Materially Mentioned Stocks (Ticker, Date, Price)

T-Mobile US Inc. (TMUS, 21-Jul-2022, USD 133.19), Overweight/Neutral, A/CD/CE/D/J/K/L/M/N

Verizon Communications Inc. (VZ, 21-Jul-2022, USD 47.66), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M/N

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IMPORTANT DISCLOSURES:

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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IMPORTANT DISCLOSURES:

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Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

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North America Cable, Satellite & Telecom Services

Altice USA (ATUS)	America Movil (AMX)	AT&T (T)
BCE Inc. (BCE)	BCE Inc. (BCE.TO)	Charter Communications, Inc. (CHTR)
Comcast Corp. (CMCSA)	DISH Network Corp. (DISH)	Grupo Televisa, S.A.B. (TV)
Liberty SiriusXM Group (LSXMA)	Rogers Communications Inc. (RCI)	Rogers Communications Inc. (RCI-B.TO)
Shaw Communications Inc. (SJR)	Shaw Communications Inc. (SJR-B.TO)	Sirius XM Radio Inc. (SIRI)
T-Mobile US Inc. (TMUS)	Telus Corp. (T.TO)	Telus Corp. (TU)
Verizon Communications Inc. (VZ)		

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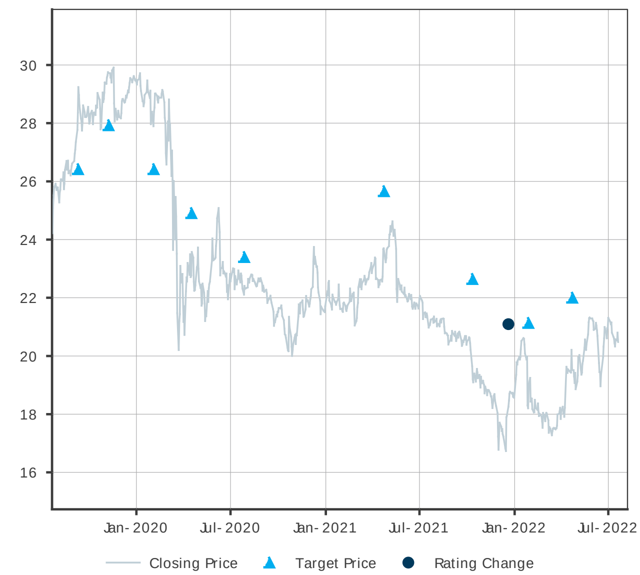
IMPORTANT DISCLOSURES

AT&T (T / T) — **USD 18.92 (21-Jul-2022)**

Stock Rating	Industry View
EQUAL WEIGHT	**NEUTRAL**

Rating and Price Target Chart - USD (as of 21-Jul-2022)



Source: IDC, Barclays Research

Currency=USD

Publication Date	Closing Price*	Rating	Adjusted Price Target
22-Apr-2022	20.21		22.00
27-Jan-2022	18.21		21.13
20-Dec-2021	18.26	Overweight	
11-Oct-2021	19.65		22.64
23-Apr-2021	23.70		25.66
27-Jul-2020	22.11		23.40
16-Apr-2020	22.76		24.91
03-Feb-2020	27.90		26.42
08-Nov-2019	29.72		27.93
10-Sep-2019	28.36		26.42

On 21-Jul-2019, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 23.40.

Source: Bloomberg, Barclays Research

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Link to Barclays Live for interactive charting

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Valuation Methodology: Our price target of $20 is based on ~7x 2023E EBITDA of ~$43Bn.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Increased wireless competition or pricing pressure, and execution risk.

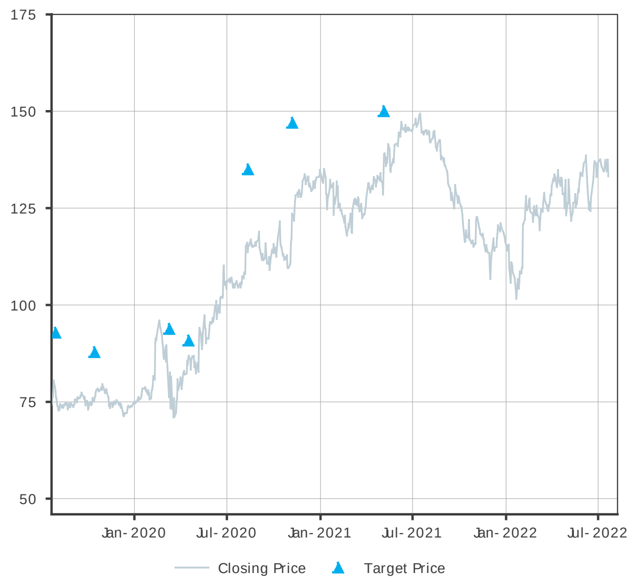
IMPORTANT DISCLOSURES

T-Mobile US Inc. (TMUS / TMUS)

USD 133.19 (21-Jul-2022)

Stock Rating	Industry View
OVERWEIGHT	**NEUTRAL**

Rating and Price Target Chart - USD (as of 21-Jul-2022)



Source: IDC, Barclays Research

Currency=USD

Publication Date	Closing Price*	Rating	Adjusted Price Target
05-May-2021	134.13		150.00
06-Nov-2020	123.56		147.00
11-Aug-2020	113.59		135.00
16-Apr-2020	90.10		90.83
09-Mar-2020	79.60		93.83
14-Oct-2019	78.48		87.84
29-Jul-2019	82.23		92.83

On 21-Jul-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 73.86.

Source: Bloomberg, Barclays Research

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Valuation Methodology: Our price target of $150 applies a 9.6x multiple on our estimate for 2026E PF TMUS+S EBITDA of ~$36Bn and 1Q22 net debt and discounted at 8% over five years.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Increased competition in the wireless market from new or existing entrants, deflationary pricing pressure, macroeconomic pressure, inability to replicate share gains in rural/under penetrated areas, and lack of clarity around regulatory approval process for Sprint merger.

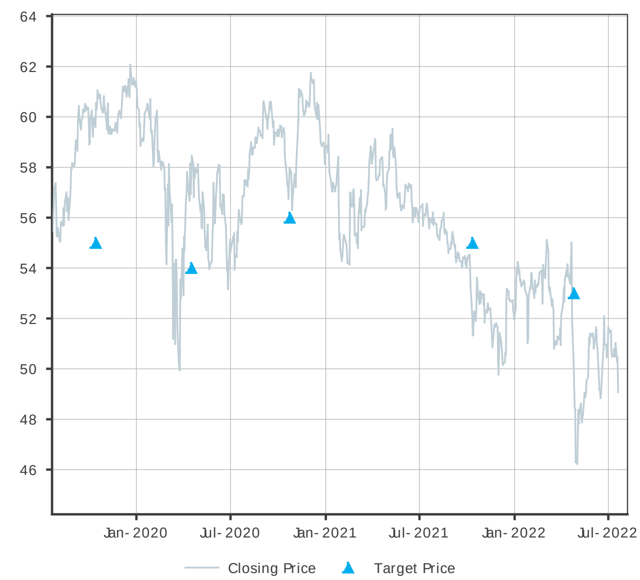
IMPORTANT DISCLOSURES

Verizon Communications Inc. (VZ / VZ)

USD 47.66 (21-Jul-2022)

Stock Rating	Industry View
EQUAL WEIGHT	**NEUTRAL**

Rating and Price Target Chart - USD (as of 21-Jul-2022)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Publication Date	Closing Price*	Rating	Adjusted Price Target
25-Apr-2022	51.91		53.00
11-Oct-2021	52.18		55.00
23-Oct-2020	57.96		56.00
16-Apr-2020	57.66		54.00
14-Oct-2019	59.60		55.00

On 21-Jul-2019, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 53.00.

Source: Bloomberg, Barclays Research

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Valuation Methodology: Our PT of $53 is based on 7.5x '22E EBITDA of ~$49Bn, reflecting new revenue opportunities.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks include heightened competition, macroeconomic pressure, and lower than expected return on 5G initiatives.

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