

## Equity Research

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FARGO

Price Target Change — January 26, 2022

## Wireless Carriers

## AT&amp;T Inc. (T)

## T: Holding Pattern on Uncertain WarnerMedia Structure While RemainCo Enters Heightened Investment Phase

## Our Call

**While we thought financial and operational Q4 results for T were largely in line with our expectations, the controversy around the "spin vs. split" debate continues to weigh on shares.** T management seemed to be more open to a spin-off vs. a split on the call, which would be a simpler transaction but wouldn't give T the ability to immediately retire its shares. But even in a spin scenario, T's RemainCo trades at ~6.7x our 2022E RemainCo EBITDA and ~6.2x EPS, with a ~6.4% dividend yield. More encouragingly, we now have greater clarity on T's path to \$20B of FCF in 2023 based on the outlook. While the stock may remain volatile in the near term as investors digest the potential puts and takes of the WM structure, we think the current valuation limits downside risk, even if T elects to pursue a spin vs. split. We are lowering our PT to \$26 (from \$27) to reflect the lower implied value of WM of \$6/share (vs. \$7/share previously).

**Spin vs. Split Debate Weighs Over Earnings.** Heading into earnings, T investors were favoring a split (vs. a spin-off), or an exchange of T stock for DISCA where investors have the option to swap T for New DISCA stock. It's clearly a more complicated transaction in which T would likely have to offer a "kicker" for investors to exchange shares, but effectively would enable them to retire +1.7B total shares (akin to a share buyback). Management on the call seemed to be leaning slightly more toward a spin-off, which is a cleaner, simpler transaction (particularly for T's retail base) for a split of this size. Either way, it doesn't materially change the outlook for RemainCo, which in a spin-scenario is currently trading at ~6.7x our 2022E RemainCo EBITDA, ~6.2x Diluted EPS and with a >6% dividend yield.

**Details Around Path to \$20B of 2023 FCF Begin to Emerge** - While we were initially quite skeptical about T's ability to hit \$20B of RemainCo FCF in 2023, the guide for 2022 provides a reasonable pathway, in our view. For instance, T is guiding to \$23B of combined FCF for FY2022, or \$20B if you strip out a \$3B contribution from WarnerMedia. Looking into 2023, cash capex will likely be \$4B higher as they accelerate wireless (and fiber) spending, but interest expense should be ~\$1.6B lower and organic EBITDA, by our estimates, should grow \$2-3B. While some of the moving pieces in other free cash flow items remain uncertain (cash taxes, working capital, etc), the \$20B outlook for next year seems like an achievable goal.

**Plans to Reach 200MM POPs on 80MHz of Mid-Band Spectrum by YE2023.** T provided clarity that it plans to reach 200MM POPs with 80MHz of mid-band spectrum (40MHz C-Band + 40MHz 3.45-3.55MHz won in Auction 110) by YE2023. The build will commence more materially in mid-2022 once the spectrum is made available in late-spring / early-summer. T plans to deploy both spectrum bands efficiently (with one tower climb), and highlighted ~\$8B in 3-year investment to achieve this spectrum deployment. This build will still put T in 3rd place to its peers TMUS and VZ in terms of mid-band 5G coverage, but does at least help close the gap.

**Remain at Equal Weight; Price Target to \$26** - Our estimates for RemainCo have largely remained in line, as we expect moderating phone sub growth (+2.3MM in 2022), although our 2022 Mobility EBITDA has been reset marginally lower to account for \$350MM of higher costs (due to 3G network shutdown, FirstNet and support funding for CAF-2) in Q1. Our new price target of \$26 implies ~\$20/share value for T's RemainCo and \$6/share

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Rating	Equal Weight
<b>Ticker</b>	<b>T</b>
<b>Price Target/Prior:</b>	<b>\$26.00/\$27.00</b>
<b>Upside/(Downside) to Target</b>	<b>7.2%</b>
<b>Price (01/26/2022)</b>	<b>\$24.25</b>
52 Week Range	\$22.02 - 33.88
Shares Outstanding	7,141,000,000
Market Cap (MM)	\$189,094
Enterprise Value (MM)	\$357,008
Average Daily Volume	52,461,920
Average Daily Value (MM)	\$1,389
Dividend (NTM)	\$2.08
Dividend Yield	8.6%
Net Debt (MM) - last reported	\$167,914
ROIC - Current year est.	5%
3 Yr EPS CAGR from current year (unless otherwise noted)	3%

\$	2021A	2022E	2022E	2023E	2023E
EPS		Curr.	Prior	Curr.	Prior
Q1 (Mar)	0.86 A	0.78 E	0.80E	0.85 E	NC
Q2 (Jun)	0.89 A	0.77 E	0.80E	0.83 E	NC
Q3 (Sep)	0.87 A	0.80 E	0.83E	0.82 E	NC
Q4 (Dec)	0.78 A	0.78 E	0.81E	0.85 E	NC
FY	3.40 A	3.13 E	3.23E	3.34 E	NC
P/E	7.1x	7.8x		7.3x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.  
NA = Not Available, Volatility = Historical trading volatility

All estimates/forecasts are as of 1/26/2022 unless otherwise stated. 1/26/2022 16:25:19EST. Please see page 7 for rating definitions, important disclosures and required analyst certifications.

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for its stake in WarnerMedia. Our new FY'22 EPS are \$3.13 (vs. \$3.23 prior) and our FY'23 are \$3.34 (vs. \$3.40 prior), although these ests *include* WarnerMedia.

**Q4 2021 Results Summary** - T reported Q4 total revenue, Adjusted EBITDA, and Adjusted EPS of \$41.0B, \$11.3B and \$0.78 vs. our estimates of \$41.1B, \$12.7B and \$0.77 (Street consensus: \$40.3B, \$12.6B and \$0.76, respectively). Q4 capex was \$3.8B and FCF was \$8.7B, resulting in a dividend payout ratio of ~51% vs. our estimates of \$4.7B, \$8.9B, and ~42%, respectively.

**Subscriber Growth Impressed Across Mobility, Broadband, and Media Segments.** T pre-released select subscriber metrics when it presented at an investor conference on 1/5. While known, the results were impressive, particularly on the mobility side, which added more subscribers in FY2021 (3.2MM) than in the prior 10 years combined. T reported 1.3MM postpaid net adds in Q4, with 880K postpaid phones, and 29K prepaid phones.

**Expect Fiber Broadband Net Adds to Accelerate as Scaled Build Improves Penetration and Cycle Times Reduce.** Current fiber cycle times are 12 months - from the time the engineering begins until the sites are turned on and actively marketed. That cycle time is expected to contract to ~9 months now that T has worked through supply chain constraints it experienced. The shorter cycle time, when coupled with the greater number of passings and improving penetration rates, should result in an accelerated number of fiber broadband net adds. We expect the natural operating leverage generated by the fiber build, plus the benefit from cost transformation initiatives, to result in EBITDA improvement in 2022.

Exhibit 1 - AT&amp;T Sum-of-the-Parts Valuation

Sum of The Parts	2022E	% of Total EBITDA	Valuation Multiple	Implied Value
Mobility EBITDA	\$31,608	72.8%		
EBITDA Less Overhead:	\$30,516			
<i>Assumed EBITDA Multiple</i>			7.5x	
<b>IMPLIED MOBILITY VALUE</b>				<b>\$228,870</b>
Business Wireline EBITDA	\$8,787	20.2%		
EBITDA Less Overhead	\$8,483			
<i>Assumed EBITDA Multiple</i>			5.0x	
<b>IMPLIED BUSINESS WIRELINE VALUE</b>				<b>\$42,076</b>
Consumer Wireline	\$4,114	9.5%		
EBITDA Less Overhead	\$3,972			
<i>Assumed EBITDA Multiple</i>			6.5x	
<b>IMPLIED CONSUMER WIRELINE VALUE</b>				<b>\$25,658</b>
International EBITDA	\$406	0.9%		
EBITDA Less Overhead	\$392			
<i>Assumed EBITDA Multiple</i>			5.0x	
<b>IMPLIED INTERNATIONAL VALUE</b>				<b>\$1,946</b>
<b>Reported EBITDA</b>				<b>\$ 43,415</b>
Corporate Overhead / Other				\$1,500
Less: Net Debt / Preferred				(\$125,557)
Less: Unfunded Pension Liabilities				(\$14,158)
Less: Noncontrolling Interest				(\$17,523)
<b>RemainCo Equity Value</b>				\$141,312
		<b>RemainCo Equity Value/Share</b>		<b>\$ 19.69</b>
<b>71% Ownership in DISCA/WM</b>				\$42,736
		<b>NewCo Equity Value/Share</b>		<b>\$ 5.94</b>
		<b>Total Equity Value/Share</b>		<b>\$ 25.63</b>

Source: Company filings and Wells Fargo Securities, LLC estimates

## SUMMARY OF ESTIMATES

(\$ in millions)	Q4'21A	Q4'21E	Q4'20A	Yr/Yr Change
<b>Communications</b>				
Mobility	\$21,146	\$21,063	\$20,119	5%
Consumer Wireline	\$3,159	\$3,174	\$3,116	1%
Business Wireline	\$5,901	\$5,945	\$6,251	-6%
<b>WarnerMedia</b>				
Basic Networks	\$3,138	\$3,363	\$3,242	-3%
Direct-to-Consumer	\$2,099	\$2,292	\$1,903	10%
Theatrical, TV Content, + Games Licensing	\$5,108	\$3,512	\$3,247	57%
<b>Latin America</b>	\$1,063	\$1,550	\$1,498	-29%
<b>Total Revenue</b>	<b>\$40,958</b>	<b>\$41,104</b>	<b>\$45,691</b>	<b>-10%</b>
<b>EPS</b>	<b>\$0.78</b>	<b>\$0.77</b>	<b>\$0.75</b>	<b>4%</b>
Mobility EBITDA Service Margin	50.5%	48.8%	50.6%	-14 bps
Consumer Wireline EBITDA Mgn	31.3%	31.0%	32.5%	-117 bps
Business Wireline EBITDA Mgn	37.5%	38.5%	36.1%	140 bps
WarnerMedia EBITDA Mgn	17.7%	25.0%	31.8%	-1412 bps
Latin America EBITDA Mgn	7.0%	10.5%	6.3%	62 bps
<b>Total EBITDA Mgn</b>	<b>27.6%</b>	<b>31.0%</b>	<b>28.2%</b>	<b>-62 bps</b>
Total Postpaid Net Adds	1,285	1,300	1,229	5%
Postpaid Phone Net Adds	884	880	800	11%
Prepaid Net Adds	29	250	14	107%
Postpaid ARPU	\$48.97	\$49.01	\$49.50	-1%
Postpaid Churn	1.02%	1.00%	0.94%	8 bps

Source: Wells Fargo Securities, LLC estimates and company reports

## SUMMARY OF ESTIMATES

(\$ in millions)	Q1'22E		FY'22E		FY'23E	
	NEW	OLD	NEW	OLD	NEW	OLD
<b>Communications</b>						
Mobility	\$19,611	\$19,413	\$81,243	\$82,015	\$83,972	\$84,099
Consumer Wireline	\$3,181	\$3,186	\$12,657	\$12,675	\$12,828	\$12,846
Business Wireline	\$5,871	\$5,930	\$23,400	\$23,502	\$23,156	\$23,278
<b>WarnerMedia</b>						
Basic Networks	\$3,535	\$3,535	\$13,392	\$13,609	\$13,770	\$13,997
Direct-to-Consumer	\$2,202	\$2,202	\$9,294	\$9,512	\$10,286	\$10,532
Theatrical, TV Content, + Games Licensing	\$3,349	\$3,349	\$15,807	\$14,122	\$16,615	\$14,837
<b>Latin America</b>	\$1,377	\$1,377	\$5,379	\$5,862	\$5,406	\$5,885
<b>Total Revenue</b>	<b>\$39,289</b>	<b>\$39,154</b>	<b>\$159,562</b>	<b>\$160,608</b>	<b>\$164,380</b>	<b>\$164,810</b>
<b>EPS</b>	<b>\$0.78</b>	<b>\$0.80</b>	<b>\$3.13</b>	<b>\$3.23</b>	<b>\$3.34</b>	<b>\$3.40</b>
Mobility EBITDA Service Margin	52.4%	53.3%	52.8%	53.5%	54.1%	54.1%
Consumer Wireline EBITDA Mgn	34.0%	34.0%	32.5%	32.5%	34.3%	34.3%
Business Wireline EBITDA Mgn	37.5%	37.7%	37.5%	38.8%	37.7%	38.8%
WarnerMedia EBITDA Mgn	28.0%	28.0%	28.5%	28.5%	28.5%	28.5%
Latin America EBITDA Mgn	8.0%	8.0%	7.6%	7.8%	7.6%	7.8%
<b>Total EBITDA Mgn</b>	<b>32.0%</b>	<b>32.0%</b>	<b>31.6%</b>	<b>31.6%</b>	<b>32.1%</b>	<b>32.1%</b>
Total Postpaid Net Adds	600	600	3,100	3,100	2,440	2,440
Postpaid Phone Net Adds	450	400	2,300	2,250	1,950	1,950
Prepaid Net Adds	120	150	540	570	500	500
Postpaid ARPU	\$48.88	\$48.88	\$48.89	\$48.90	\$48.64	\$48.65
Postpaid Churn	0.95%	1.10%	0.98%	1.10%	1.02%	1.10%

Source: Wells Fargo Securities, LLC estimates and company reports

## Financials

## AT&amp;T Inc.

Dollars in millions except per share amounts

Income Statement	2016	2017	2018	2019	2020	Q1	Q2	Q3	Q4	2021	Q1E	Q2E	Q3E	Q4E	2022E	2023E
<b>Operating Revenues</b>																
AT&T Communications																
Mobility	72,821	71,458	71,344	71,056	72,564	19,034	18,936	19,138	21,146	78,254	19,611	19,708	20,069	21,855	81,243	83,972
yly growth %	-1.9%	-0.2%	-0.4%	2.1%	9.4%	10.4%	7.0%	5.1%	7.8%	3.0%	4.1%	4.9%	3.4%	3.8%	3.8%	3.4%
Consumer Wireline	51,295	50,698	46,778	13,012	12,318	3,098	3,140	3,142	3,159	12,539	3,181	3,169	3,154	3,153	12,657	12,828
yly growth %	-1.2%	-7.7%	-72.2%	-5.3%	-0.4%	2.9%	3.4%	1.4%	1.8%	2.7%	0.9%	0.4%	-0.2%	0.9%	1.4%	1.4%
Business Wireline	31,302	29,203	26,740	25,901	25,083	6,046	6,052	5,938	5,901	23,937	5,871	5,859	5,854	5,816	23,400	23,156
yly growth %	-6.7%	-8.4%	-3.1%	-3.2%	-3.5%	-4.0%	-5.2%	-5.6%	-4.6%	2.9%	3.2%	-1.4%	-1.4%	-2.2%	-1.0%	-1.0%
<b>AT&amp;T Communications</b>	<b>155,418</b>	<b>151,359</b>	<b>144,862</b>	<b>109,969</b>	<b>109,965</b>	<b>28,178</b>	<b>28,128</b>	<b>28,218</b>	<b>30,206</b>	<b>114,730</b>	<b>28,663</b>	<b>28,736</b>	<b>29,077</b>	<b>30,824</b>	<b>117,300</b>	<b>119,956</b>
yly growth %	-2.6%	-4.3%	-24.1%	0.0%	5.2%	6.1%	3.8%	2.4%	4.3%	1.7%	2.2%	3.0%	2.0%	2.2%	2.2%	2.3%
WarnerMedia	430	18,941	35,259	30,442	8,526	8,791	8,442	9,873	35,632	9,448	9,175	8,788	10,271	37,683	39,818	39,818
yly growth %	4304.9%	86.2%	-13.7%	9.8%	30.7%	14.2%	15.4%	17.0%	10.8%	4.4%	4.1%	4.0%	5.8%	5.7%	5.7%	5.7%
Latin America																
International	7,283	8,269	7,652	6,963	5,716	1,374	1,437	1,480	1,063	5,354	1,377	1,442	1,486	1,074	5,379	5,406
yly growth %	13.5%	-7.5%	-9.0%	-17.9%	-13.6%	16.6%	6.0%	-29.0%	-6.3%	0.2%	0.3%	0.4%	1.0%	0.5%	0.5%	0.5%
Corporate, Other & Elimination	1,020	96	(2,208)	29,002	25,637	5,861	5,689	1,782	(184)	13,148	(200)	(200)	(200)	(200)	(800)	(800)
<b>Total Revenue</b>	<b>163,721</b>	<b>161,527</b>	<b>170,987</b>	<b>181,193</b>	<b>171,760</b>	<b>43,939</b>	<b>44,045</b>	<b>39,922</b>	<b>40,958</b>	<b>168,864</b>	<b>39,289</b>	<b>39,153</b>	<b>39,151</b>	<b>41,969</b>	<b>159,562</b>	<b>164,380</b>
yly growth %	-1.3%	5.9%	6.0%	-5.2%	2.7%	7.6%	-5.7%	-10.4%	-1.7%	-10.6%	-11.1%	-1.9%	2.5%	-5.5%	3.0%	3.0%
seq growth %					-3.8%	0.2%	-9.4%	2.6%		-4.1%	-0.3%	0.0%	7.2%			
<b>Operating Expenses</b>																
Cost of services and sales	76,884	77,379	79,465	84,141	79,920	21,087	21,099	17,826	19,795	79,807	18,466	18,402	18,205	20,565	75,638	77,904
Gross margin %	53.0%	52.1%	53.5%	53.6%	53.5%	52.0%	52.1%	55.3%	51.7%	52.7%	53.0%	53.0%	53.5%	51.0%	52.6%	52.6%
Selling, general and administrative	36,347	34,917	36,765	39,422	38,039	9,382	9,361	9,207	9,994	37,944	8,251	8,222	8,222	8,814	33,508	33,698
SG&A % of Revenue	22.2%	21.6%	21.5%	21.8%	22.1%	21.4%	21.3%	23.1%	24.4%	22.5%	21.0%	21.0%	21.0%	21.0%	21.0%	20.5%
Asset impairments and abandonments							4,555	161	188							
Operations & Support Check	113,231	112,296	116,276	125,021	136,839	30,469	35,015	27,194	29,977	122,655	26,717	26,624	26,427	29,378	109,146	111,602
Depreciation and amortization	25,847	24,387	28,430	28,217	28,516	5,809	5,761	5,619	5,673	22,862	5,618	5,638	5,638	5,666	22,560	23,123
D&A % of Revenue	15.8%	15.1%	16.6%	15.6%	16.6%	13.2%	13.1%	14.1%	13.9%	13.5%	14.3%	14.4%	14.4%	13.5%	14.1%	14.1%
<b>Total GAAP Operating Expenses</b>	<b>139,078</b>	<b>136,683</b>	<b>144,660</b>	<b>151,780</b>	<b>165,355</b>	<b>36,278</b>	<b>40,776</b>	<b>32,813</b>	<b>35,650</b>	<b>140,613</b>	<b>32,335</b>	<b>32,262</b>	<b>32,064</b>	<b>35,044</b>	<b>131,706</b>	<b>134,725</b>
<b>Add backs</b>	<b>2,260</b>	<b>6,179</b>	<b>2,133</b>	<b>1,657</b>	<b>19,625</b>	<b>94</b>		<b>320</b>	<b>414</b>	<b>414</b>					<b>0</b>	<b>0</b>
<b>(Adjusted) EBITDA</b>	<b>52,750</b>	<b>55,410</b>	<b>56,890</b>	<b>59,287</b>	<b>54,546</b>	<b>13,564</b>	<b>13,585</b>	<b>12,889</b>	<b>11,301</b>	<b>51,339</b>	<b>12,573</b>	<b>12,529</b>	<b>12,724</b>	<b>12,591</b>	<b>50,416</b>	<b>52,778</b>
EBITDA margin %	32.2%	34.3%	33.3%	32.7%	31.8%	30.9%	30.8%	32.3%	27.6%	30.4%	32.0%	32.0%	32.5%	30.0%	31.6%	32.1%
<b>PF Adj EBITDA</b>																
<b>GAAP Operating Income</b>	<b>24,643</b>	<b>24,844</b>	<b>26,327</b>	<b>29,413</b>	<b>6,405</b>	<b>7,661</b>	<b>3,269</b>	<b>7,109</b>	<b>5,308</b>	<b>23,347</b>	<b>6,954</b>	<b>6,891</b>	<b>7,086</b>	<b>6,925</b>	<b>27,856</b>	<b>29,655</b>
Operating margin %	15.1%	15.4%	15.4%	16.2%	3.7%	17.4%	7.4%	17.8%	13.0%	13.8%	17.7%	17.6%	18.1%	16.5%	17.5%	18.0%
Interest Expense	4,910	6,300	7,957	8,422	7,925	1,870	1,684	1,667	1,663	6,884	1,769	1,739	1,709	1,679	6,894	6,414
Equity in Net Income of Affiliates	98	(128)	(48)	6	95	52	41	91	447	631	475	475	475	475	1,900	1,800
Other Income (Expense) - Net	277	1,597	6,782	(1,071)	(1,431)	4,221	999	2,279	2,354	9,853	375	375	375	375	1,500	1,500
<b>Income Before Income Taxes</b>	<b>20,108</b>	<b>20,013</b>	<b>25,104</b>	<b>19,926</b>	<b>(2,856)</b>	<b>10,064</b>	<b>2,625</b>	<b>7,812</b>	<b>6,446</b>	<b>26,947</b>	<b>6,036</b>	<b>6,002</b>	<b>6,228</b>	<b>6,096</b>	<b>24,362</b>	<b>26,541</b>
<b>Income Taxes</b>	<b>6,479</b>	<b>(14,708)</b>	<b>4,920</b>	<b>3,493</b>	<b>965</b>	<b>2,122</b>	<b>751</b>	<b>1,539</b>	<b>1,056</b>	<b>5,468</b>	<b>1,147</b>	<b>1,140</b>	<b>1,183</b>	<b>1,158</b>	<b>4,629</b>	<b>5,043</b>
Effective Tax Rate %	32.2%	-73.5%	19.6%	17.5%	-33.8%	21.1%	28.6%	19.7%	16.4%	20.3%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
<b>GAAP Net Income</b>	<b>13,629</b>	<b>34,721</b>	<b>20,184</b>	<b>16,433</b>	<b>(3,821)</b>	<b>7,942</b>	<b>1,874</b>	<b>6,273</b>	<b>5,390</b>	<b>21,479</b>	<b>4,889</b>	<b>4,862</b>	<b>5,044</b>	<b>4,938</b>	<b>19,733</b>	<b>21,498</b>
Noncontrolling Interest	(357)	(397)	(583)	(1,072)	(1,355)	(392)	(304)	(355)	(347)	(1,398)	(350)	(350)	(350)	(350)	(1,400)	(1,400)
Preferred Stock Dividends						(50)	(56)	(50)	(51)		(51)	(51)	(51)	(51)		
<b>Net Income Attributable to AT&amp;T</b>	<b>13,272</b>	<b>34,324</b>	<b>19,601</b>	<b>15,361</b>	<b>(5,369)</b>	<b>7,500</b>	<b>1,514</b>	<b>5,868</b>	<b>4,992</b>	<b>19,874</b>	<b>4,488</b>	<b>4,461</b>	<b>4,643</b>	<b>4,537</b>	<b>18,129</b>	<b>19,894</b>
<b>Diluted EPS</b>	<b>2.15</b>	<b>5.55</b>	<b>2.90</b>	<b>1.90</b>	<b>(0.76)</b>	<b>1.04</b>	<b>0.21</b>	<b>0.81</b>	<b>0.69</b>	<b>2.76</b>	<b>0.62</b>	<b>0.62</b>	<b>0.64</b>	<b>0.63</b>	<b>2.51</b>	<b>2.76</b>
yly growth %	158.6%	-47.8%	-34.6%	-140.0%	64.4%	22.7%	111.6%	-135.5%	-463.9%	-40.3%	194.3%	-21.0%	-9.2%	-8.9%	9.6%	9.6%
<b>Adjusting Items</b>																
Intangible Amortization / One Time non-cash charge																
<b>Total Adjusting Items Net of Tax</b>	<b>4,641</b>	<b>(10,570)</b>	<b>4,612</b>	<b>12,306</b>	<b>28,276</b>	<b>(1,326)</b>	<b>4,862</b>	<b>426</b>	<b>626</b>	<b>4,588</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>4,400</b>	<b>4,200</b>
<b>Adjusted Net Income</b>	<b>17,913</b>	<b>23,754</b>	<b>24,213</b>	<b>27,667</b>	<b>22,907</b>	<b>6,174</b>	<b>6,376</b>	<b>6,294</b>	<b>5,618</b>	<b>24,462</b>	<b>5,588</b>	<b>5,561</b>	<b>5,743</b>	<b>5,637</b>	<b>22,529</b>	<b>24,094</b>
<b>Adjusted Diluted Earnings Per Share</b>	<b>2.90</b>	<b>3.84</b>	<b>3.56</b>	<b>3.57</b>	<b>3.18</b>	<b>0.86</b>	<b>0.89</b>	<b>0.87</b>	<b>0.78</b>	<b>3.40</b>	<b>0.78</b>	<b>0.77</b>	<b>0.80</b>	<b>0.78</b>	<b>3.13</b>	<b>3.34</b>
yly growth %	32.6%	-7.4%	0.4%	-10.9%	1.7%	6.5%	15.7%	4.0%	6.8%	-9.7%	-12.9%	-8.8%	0.2%	-8.0%	6.8%	6.8%
Weighted Average Common Shares (with dilution)	6,181	6,182	7,328	7,255	7,176	7,188	7,200	7,202	7,204	7,204	7,206	7,208	7,210	7,212	7,212	7,220
yly growth %		0.0%	18.5%	-1.0%	-1.1%	-0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
End of Period Common Shares																
Dividends Declared Per Share		\$ 1.97	\$ 2.01	\$ 2.05	\$ 2.08	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52	\$ 2.08	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52	\$ 2.08	\$ 2.08
Dividend Growth						0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		

Source: Wells Fargo Securities, LLC Estimates and Company Reports

## Price Target Basis and Risk

### Price Target for T: \$26.00 from \$27.00

Our \$26 price target is based on a combination of our sum of the parts and DCF valuations, and implies 7.0x 2022E EV/EBITDA for T's RemainCo and \$6/share for its stake in WarnerMedia.

### Risk for T

Upside risks include: FCF and dividend coverage improving faster than expected; AT&T taking more share in the competitive wireless market; and possible share repurchases as deleveraging continues. Downside risks include: compressing margins as it competes for share in wireless; market share losses as it trails its peers on mid-band 5G coverage; and share price volatility once it cuts its dividend by +40%.

## Investment Thesis

T

We have an Equal Weight rating on T's stock, as we believe strength and execution in its core wireless business will offset some secular challenges in other business segments (i.e. legacy wireline). With the WarnerMedia spin/split looming, pro-forma T should be a healthier company with the opportunity to organically grow at a low- to mid-single-digit rate.

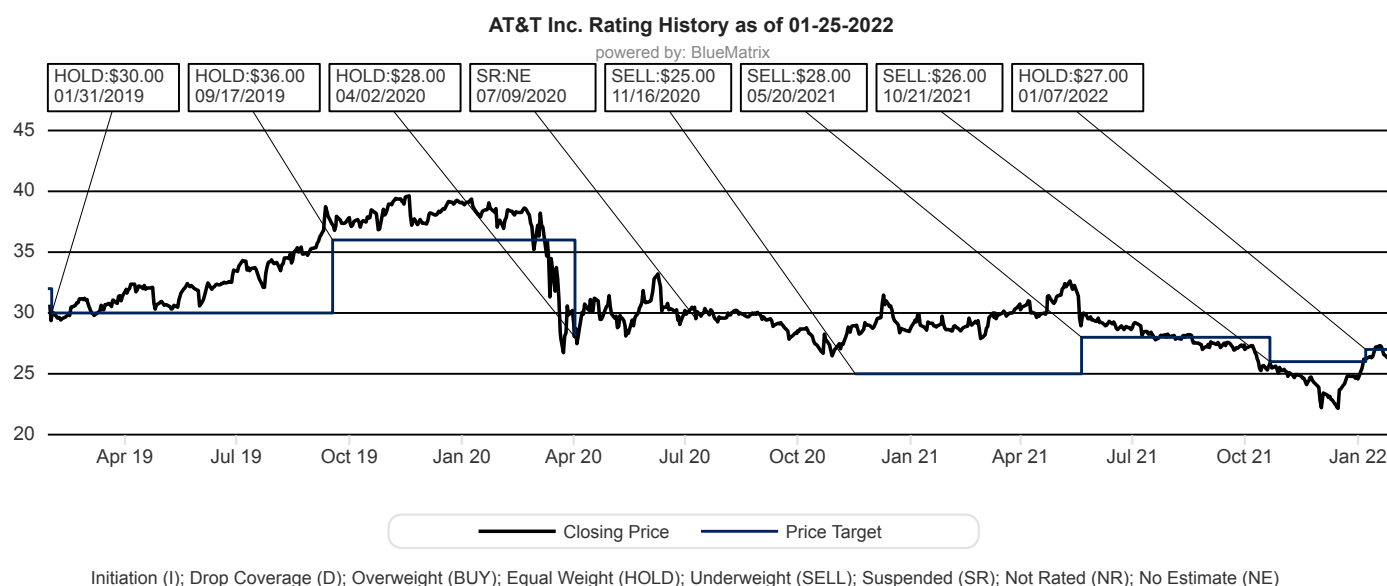
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**2=Equal Weight:** Total return on stock expected to be -10% to +10% over the next 12 months. HOLD

**3=Underweight:** Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

### As of January 25, 2022

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