GRANT'S

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# Sin no more

The *Grant's* equity doghouse now loses one tenant with the release, on its own recognizance, of AT&T, Inc. (T on the Big Board), whose share price is lower by 39.7%—or 30.7% after giving effect to the lush dividend—since our bearish analysis of Dec. 13, 2019. Over the same period, the S&P 500 scratched out a 52.7% gain, including dividends.

We are no less bearish on Ma Bell's fundamentals than we were two years ago. The spinoffs of problem children DirecTV and WarnerMedia help only so much as Telephone retains majority stakes in both units. The American mobile-phone market is saturated, and AT&T has resorted to running the most aggressive promotions in the industry.

To be sure, post-paid net customer additions reached 1.2 million in the third quarter versus expectations of 705,000, but the rising customer count has hardly translated into bounding revenue growth (mobile services expanded a mere 0.3% year over year, according to MoffettNathanson, LLC) and comes at the cost of a 37.6% year-over-year decline in free cash flow. Peer Verizon Communications, Inc. generated year-over-year growth in free cash flow of 21.2% during the September quarter.

With the shares priced at 7.3 times consensus 2022 earnings and a dividend yield of 9%, we judge there are better risk/reward opportunities in the market than a continued bearish bet on AT&T.

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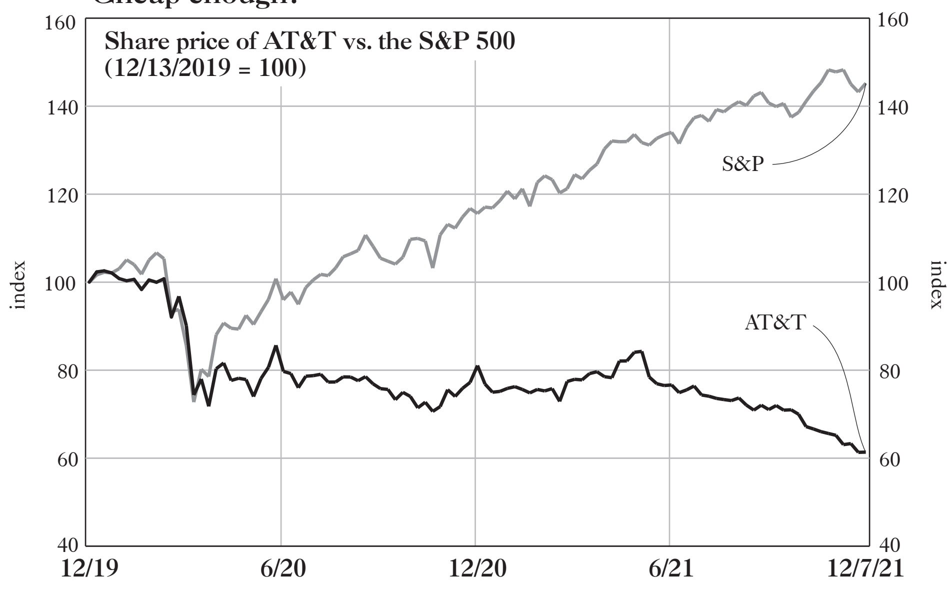
**Cheap enough?**




source: The Bloomberg