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AT&T Inc. (T) CEO Randall Stephenson on Q3 2019 Results - Earnings Call Transcript

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Q3: 10-28-19 Earnings Summary

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EPS of \$0.94 beats by \$0.02 | Revenue of \$44.59B (-2.52% Y/Y) misses by \$-485.39M

Earning Call Audio



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AT&T Inc. (NYSE:T) Q3 2019 Results Earnings Conference Call October 28, 2019 8:30 AM ET

Company Participants

Michael Viola - SVP of IR

Randall Stephenson - Chairman & CEO

John Stephens - Senior EVP & CFO

Conference Call Participants

David Barden - Bank of America

Philip Cusick - JPMorgan

John Hodulik - UBS

Simon Flannery - Morgan Stanley

Kannan Venkateshwar - Barclays

Brett Feldman - Goldman Sachs

Michael Rollins - Citi

Operator

Welcome to the AT&T Third Quarter 2019 Earnings conference call. At this time, all participant phone lines are in a listen-only mode. Later, there will be an opportunity for your questions. [Operator Instructions] As I reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Michael Viola, Senior Vice President, Investor Relations. Please go ahead.

Michael Viola

Thank you, and good morning, everyone, and welcome to our third quarter conference call. I'm Mike Viola, Head of Investor Relations for AT&T. And joining me on the call today is Randall Stephenson, AT&T's Chairman and CEO; and John Stephens, AT&T's Chief Financial Officer. We'll begin with our 2019 progress and our third quarter results, but we want to spend most of our time today on the 3 year guidance and capital allocation plans that we announced this morning, then we'll take your questions.

Before we begin, I want to call your attention to our safe harbor statement. It says that some of the comments today may be forward-looking. As such, they're subject to risks and uncertainties, results may differ materially and additional information is available on the Investor Relations website. I also want to remind you that we're in the quiet period for the FCC's Spectrum Auction 103, so we can't answer any questions about that today. And as always, our earnings materials are available on the Investor Relations page of the AT&T website. That includes the news release, investor briefing, 8-K, et cetera.

And so with that, I'll turn the call over to Randall Stephenson.

Randall Stephenson

Okay. Thanks, Mike, and good morning, everyone. Thanks for joining us. On Slide 3, you'll see some of this listed. Last November, we laid out our 2019 commitments and we challenged the team to deliver, and they have.

The punchline for the quarter is that we remain on target to meet every single objective for the year. We said leverage would be around 2.5 times by year-end, and we're on track to hit that target. We told you that full year EPS would grow in the low single digits, and we're checking that box.

We said we'd generate \$26 billion of free cash flow, and now we're tracking to \$28 billion. We said we would remain very active on the portfolio front, evaluating and executing opportunities to monetize \$6 billion to \$8 billion in non-core assets, and we have. Our current forecast is to realize \$14 billion by year-end.

We said that our wireless business would return to top line growth, and it has. Year-to-date, wireless service revenues are up nearly 2%. We committed to stabilizing Entertainment Group EBITDA despite the DIRECTV top line pressures, and through 3 quarters, Entertainment Group EBITDA is growing. And we needed to do all of this while integrating WarnerMedia, hitting our synergy targets and introducing several new services.

So across the board, we're positioned to meet or exceed every commitment for the year. In a few minutes, I'll cover our 3 year plan, and you'll begin to understand why I feel good about meeting those commitments as well. But before we get into that, let me turn it over to John, and he'll go deeper into the quarter. So John?

John Stephens

Thanks, Randall. When looking at our third quarter, adjusted EPS was \$0.94, up more than 4% and up slightly for the year. As Randall mentioned, we're on track to reach our expected low single-digit growth for the full year.

Revenues were down in the quarter due in part to tough year-over-year comparables at Warner Bros., along with video and FX impacts. However, adjusted operating margin was up 30 basis points with gains in Mobility, entertainment and WarnerMedia.

Our cash flows are on a record pace for the year. Cash from operations came in at \$11.4 billion, and free cash flow was \$6.2 billion in the quarter and nearly \$21 billion year-to-date.

This puts us firmly on track to reach our full year target of free cash flow in the \$28 billion range, both from an ongoing operations and including about \$2 billion from a full year of applying our working capital approach to WarnerMedia's assets.

This solid free cash flow comes even with strong capital investment. CapEx was \$5.2 billion, and total capital investment was \$6 billion when you include the \$800 million of payments for prior vendor financing activity.

As Randall said, with asset sales as well as expected free cash flow in the fourth quarter, we expect to hit our 2.5 times range net debt-to-adjusted EBITDA target by the end of the year.

Let's now look at our segment operating results, starting with our Communications segment on Slide 6. Starting with Mobility. We're growing service revenues and adding phone subscribers while increasing EBITDA.

Wireless service revenues grew by about 1% in the quarter and approximately 2% year-to-date, and we expect that trend to continue into the fourth quarter. EBITDA grew by 1.6% to \$7.8 billion, and EBITDA margins expanded by 80 basis points with service margins of 55.7%. During the quarter, we had 255,000 phone net adds, including more than 100,000 postpaid and 154,000 prepaid voice.

We also continue to stack up industry awards, including being named the nation's best wireless network for the second year in a row and fastest for the third consecutive quarter. These awards say it best: Our network investment and spectrum deployment are paying off.

Let's now look at our Entertainment Group. One of our key priorities for 2019 was to stabilize Entertainment Group's EBITDA. Year-to-date, we're up 2.3% with expense reductions outpacing video and legacy revenue losses. premium video and IP broadband

ARPU's continue to grow. Our 300,000-plus AT&T Fiber net adds helped drive broadband revenue growth.

We also expect that our premium video losses have peaked. We had about 225,000 net losses due to programming blackouts. Our gross adds were down about 400,000 due to new, higher intro pricing and credit thresholds, as well as more targeted promotions, and we continue to work through customers rolling off 2 year price locks. Those video losses also impacted our broadband numbers, especially our bundled customers, but we did have more than 300,000 AT&T Fiber net adds in the quarter.

And Business Wireline revenue trends improved year-over-year, thanks to strength in strategic and managed services. That performance came even with about \$80 million less of intellectual property revenue when compared to the year ago quarter. With our strong business wireless performance, our Business Solutions revenues grew by about 1%.

Let's move to WarnerMedia and Latin America results which are on Slide 7. WarnerMedia revenues largely reflect a comparison to a very strong revenue third quarter last year, which includes strong television licensing revenue growth and a box office slate that includes several hits. But WarnerMedia operating margins expanded in the quarter. Even with lower revenues, Warners Bros. operating income was up 2% due to lower film and TV production costs.

We also will have challenging comparisons to the fourth quarter. We're off to a strong start with the box office success of Joker. But remember, the fourth quarter of last year included blockbuster movies such as Aquaman, Fantastic Beasts 2 and A Star is Born.

Turner revenues were up on subscription revenue growth, partly offset by lower advertising and content licensing and other revenues, but operating income was up almost 3%. HBO revenues and operating income saw double-digit growth, thanks to strong content sales driven by international licensing. HBO's third quarter is even more impressive when you consider the DISH carriage dispute and Game of Thrones finale both occurred in the second quarter.

WarnerMedia also delivered another incredible performance at this year's Emmy Awards, leading the industry with 39 primetime Emmys and 15 news and documentary Emmys.

Our Latin America team continues to do an excellent job of reducing costs in a challenging foreign exchange environment that helped drive an EBITDA increase of more than 20%.

A large part of the increase was due to an \$81 million improvement in Mexico EBITDA. We expect this trend to continue and Mexico EBITDA to be positive in the fourth quarter, and we also added nearly 600,000 wireless subscribers in the quarter.

Those are our third quarter highlights. I'll now hand it back to Randall to talk about our 3 year financial outlook and capital allocation plan that we announced this morning.

Randall?

Randall Stephenson

Okay. Thanks, John. So what I want to do is talk to you about what you should expect over the next 3 years.

Before we get into the numbers, I want to begin with a broader discussion on our strategy. If you go to Slide 9, we'll outline this for you. Since 2012, we've made a series of strategic investments, and those investments have been aligned around 2 overarching trends.

First, consumers will continue to spend more time viewing premium content; and second, businesses and consumers will continue to demand more connectivity, more bandwidth and more mobility.

When we began pursuing this strategy, we saw an emerging world in which consumption of video and other premium content was no longer bound to your living room. And everything we expected has arrived, and it has arrived sooner than we or anyone else anticipated. And now the foundational elements of our investment thesis are clearer than ever.

It all starts with advanced high-capacity networks. From our iPhone experience, we knew the mobile Internet revolution in a world of streaming video would require much more capacity than people were anticipating, so we began investing for future demand.

First, we spent \$20 billion on premium spectrum licenses. Next, we acquired Leap Wireless, which gave us additional spectrum; and Cricket's prepaid business. We've doubled the size of that business and transformed it from losing money to healthy margins.

And finally, we were selected to build and manage the First Responder Network for the United States government, and this brought with it another layer of premium spectrum capacity.

Over the last 18 months, we've been putting all this capacity into service, and the performance results have been dramatic. AT&T now has the fastest and most reliable wireless network in the U.S. We've invested to extend these same capabilities south into Mexico.

In 4 years, we built a high-speed nationwide network and have doubled the customer base. We've also been undertaking the most aggressive fiber deployment program in the U.S. since 2015 with over 20 million locations passed. Over the next 3 years, our strong spectrum position will allow for lower capital intensity, and that bodes well for growing operating margins.

The second essential element is direct customer relationships, and we have about 170 million of them across mobile, pay TV and broadband. And that number reaches 370 million when you include our digital properties such as cnn.com, Bleacher Report and Otter Media. As we prepare to launch HBO Max, our direct customer relationships are an asset that any streaming company would love to have.

Gaining scale in linear pay TV was the core rationale behind our DIRECTV acquisition. We realized the satellite business was mature and we anticipated subscriber losses.

However, the content savings quickly turned our U-verse pay TV business from loss to a profit. And since we bought DIRECTV, it has generated healthy cash flows of over \$4 billion per year or a total of \$22 billion in cash by the end of this year.

Third, we were convinced that the value of premium content would increase significantly over time as consumer demand continued to grow and new forms of distribution emerged.

And I think you've already seen that with some of the multiples paid for media companies after we did our deal. Vertically integrating content and distribution is the future, and we're seeing it across the board.

And last, the vast distribution network and subscriber base brings unique viewer and customer insights. Pairing these with our large advertising inventories at DIRECTV and Turner and creating an ad tech platform is a unique opportunity, and every work -- every move we've made has been focused on building these four critical capabilities.

So now as we conclude 2019, we are the clear leader in network performance and capacity. We have one of the premier entertainment companies in the world with a broad-based presence in premium content and direct customer relationships, and I wouldn't trade places with anyone.

So if you turn to Slide 10, I want to take a look at our 3 year outlook. Looking ahead, let me take you through the keys to our financial outlook, to our capital allocation plan. And all this will drive compelling returns for our shareholders.

I'm going to start with the top line. We expect total company revenues over the 3-year period to grow by 1% to 2% per year. This will be driven by strength in Mobility, increased fiber penetration and WarnerMedia.

As mentioned earlier, our wireless business is now enjoying operating leverage from investments made over the last 5 years. Our WarnerMedia cost synergies are on target and EBITDA at AT&T Mexico is ramping, and we're identifying significant opportunities for margin improvement through ongoing cost evaluation and operational review.

Given our incremental investments in HBO Max in 2020 and our expectations for strong growth in equipment revenue driven by the 5G upgrade cycle, we expect our adjusted EBITDA margin to be stable in 2020. From there, we will drive 200 basis points of EBITDA margin expansion by 2022, above the 2019 levels.

Improving margins 200 basis points will give us an EBITDA margin of 35% in 2022. And applying a 35% margin to a revenue base that's growing 1% to 2% per year produces an EBITDA lift in the neighborhood of \$6 billion in 2022, and that includes our investment in

HBO Max.

The drivers for this EBITDA margin expansion are: WarnerMedia cost synergies, continued improvements in our wireless business, continued EBITDA growth at AT&T Mexico and our plan to take out costs across the entire company.

In fact, we've hired Bill Morrow. He's a Special Adviser and Managing Director of Process Service and Cost Optimization, and he's leading our enterprise-wide cost-reduction initiative.

Bill has been CEO of large communication companies in the U.S., Europe and Australia, and he has a proven track record of creating best-in-class cost structures. He'll have full authority to examine and change our cost structure across the entire company to ensure that we achieve the targets that we're outlining today.

Bill's work will be overseen by the Board's Corporate Development and Finance Committee and myself. And it will be above and beyond what we're already doing with network virtualization, real estate consolidation and our other ongoing cost-reduction initiatives.

Our free cash flow has grown significantly over the past few years, and that's thanks in part to our DIRECTV and Time Warner deals being cash flow-accretive on day 1. We expect free cash flow to be at \$28 billion in 2020.

And as the HBO Max investment declines and we execute against our cost take-out initiatives, free cash flow will grow by more than \$1 billion in 2021 and another \$1 billion in 2022, reaching \$30 billion to \$32 billion in 2022.

Now let me talk about our 3 year capital allocation framework. We'll continue to grow the dividend as we have since I joined the company. Expect modest annual increases and a dividend payout ratio going below 50% in 2022. After paying the dividend, we expect to use 50% to 70% of our free cash flow to retire about 70% of the shares we issued for the Time Warner deal.

And we will continue to reduce debt going forward. Our target is that by 2022, our net debt-to-adjusted EBITDA ratio will be between 2 and 2.25 quarter times, and we'll have retired 100% of the debt we took on for Time Warner.

This is a very comfortable leverage ratio for us. We have routinely pruned the portfolio of assets that don't contribute to our core strategy. In fact, when you conclude what we've done in 2019, we've monetized more than \$30 billion in non-strategic assets over the last few years. You should expect continued evaluation of our businesses and more progress on divesting assets that are no longer core to our fundamental mission.

As I mentioned earlier, we expect to realize about \$14 billion in non-core asset monetizations this year, and we're targeting \$5 billion to \$10 billion next year. This is a continuous process for us. It is one of the areas in which our Corporate Development and Finance Committee dedicates a tremendous amount of time and attention.

With the support of our Board generally and the Corporate Development and Finance Committee in particular, I've instructed our executive team to begin the next review of our portfolio. So we're going to give you regular updates on our progress as we've done over the last year.

We're committed to an objective, diligent and disciplined process. We'll analyze the merits of each of our businesses individually and as a part of the whole. But let me be clear, we have no sacred cows. We're always open to making portfolio moves, and DIRECTV has been the source of a lot of public speculation in that regard. As we've said, it will be an important piece of our strategy over the next 3 years.

But no portion of our business is ever exempt from a continuous assessment for fit and performance. We'll approach it with a fresh set of eyes and clarity around the rapidly evolving consumer environment, and we'll evaluate multiple options. That includes partnerships and other structures.

Likewise, given the quality of our assets, there will be no major acquisitions during the next several years. With our financial outlook and the benefits of our capital allocation policy, we expect EPS growth in 2020 will be up low single digits. But by 2022, we expect EPS to be between \$4.50 and \$4.80.

That includes our investment in HBO Max of between \$0.15 and \$0.20 per share in 2020 and then \$0.10 per share in 2021 and 2022. And as you can see, over the next 3 years, revenue, EBITDA and EPS all grow every single year.

Free cash flow is stable in 2020 and then grows in 2021 and 2022. This plan will deliver both substantial and consistent financial improvements for the next 3 years.

And before I hand it to John for his perspective on the 3-year plan, I want to say a few words about what you'll see tomorrow at Warner Bros. Studios and our investment in the HBO Max platform. This is a terrific product, and I honestly can't wait for you to see it.

John Stankey and his WarnerMedia team will take you through all aspects of the strategy, the product and the rollout, including our revenue and subscriber expectations for the next 5 years. We'll be investing to maximize the value of the service, which will drive growth and value to WarnerMedia and to AT&T as a whole.

HBO Max is a terrific platform, and we're aligned in making it great while also being responsible with our capital and value. We'll make the significant investments required to win in the marketplace, but we'll also hit our numbers and ensure that we deliver on the promises that we're outlining for you here today.

I feel really good about this plan, and I'm highly confident in hitting each of our 3-year objectives. So now I'll ask John to provide his perspective on our 3-year plan. So John?

John Stephens

Thanks, Randall. Let's turn to Slide 12 and dive a little deeper on some of the details of the 3-year plan. We're expecting 1% to 2% revenue CAGR for the next 3 years. On the operational side, we expect wireless service revenues to grow by more than 2% per year.

FirstNet, our network quality improvement and reseller initiatives, all offer growth opportunities for us. We also expect 5G device adoption to boost equipment sales as we launch our nationwide 5G network in 2020. We also expect to continue our broadband revenue growth to help offset legacy and video pressures. And we expect to see significant incremental growth during the planning period from HBO Max and targeted advertising from Xandr.

Randall did a good job of laying out our EBITDA and EBITDA margin growth plans. Our incremental cost plan will contribute to the 200 basis points of EBITDA margin improvement. One way we plan to do that is through product simplification. Our future video product set will focus on 2 platforms: HBO Max, our subscription video on-demand service, which you'll hear more about tomorrow; and AT&T TV, our live TV offering.

Turning to capital allocation plans. We expect to return about \$75 billion in value to shareholders over the next 3 years through \$30 billion of share retirements and \$45 billion in dividends. Our share retirement will be aggressive. We expect to retire about 70% of the shares issued for the Time Warner deal. That's more than 10% of the company.

You heard our debt reduction target earlier, but let me repeat it here: We intend to target leverage between 2.0 times and 2.25 times. As CFO, I'm very comfortable operating the business in that range. Randall also mentioned that we overachieved on asset monetizations this year, and we'll monetize more non-core assets next year as we continue to analyze the merits of all of our businesses.

That's our 3-year outlook, but let's look at our 2020 guidance on Slide 13. Let me start by laying out that all these financial projections take into consideration the impact of our investment in HBO Max. We expect revenue to be up low single digits driven by growth from wireless service revenues and strong equipment revenues from the launch of 5G smartphones. This revenue growth represents our best top line performance in several years and highlights the strong performance across our businesses. We expect the base business will generate EPS of \$3.75 to \$3.90 per share. When you subtract the \$0.15 to \$0.20 per share of HBO Max investment, we expect adjusted EPS growth in the \$3.60 to \$3.70 per share range. Our share retirement program will be a big part of this growth.

We also expect consolidated EBITDA margin to be stable with 2019 levels, even with the impact from our HBO Max investment and 5G smartphones being available next year. Helping us keep EBITDA margins stable will be wireless service revenue growth, WarnerMedia synergies and our cost initiatives. Free cash flow is expected to be in the \$28 billion range. It's about the same as this year even with the HBO Max investment. And our dividend payout ratio will be in the 50% range. We'll continue to invest at leadership

levels in 2020 with an expected gross capital investment in the \$20 billion range. And we'll continue to monetize our asset portfolio. We expect \$5 billion to \$10 billion of asset monetizations in 2020.

Let's next walk through the components of our 3-year EPS growth plan on Slide 14. As you can see from the chart, our path to \$4.50 to \$4.80 a share is clear and achievable. A large part of that expected growth is a result of share retirements. That alone should get us about \$0.40 a share.

Our enterprise-wide cost-reduction plans and Mexico profitability growth should net us another \$0.25. Our remaining WarnerMedia synergies adds another \$0.20. We also include about \$0.10 of HBO Max investment in 2022. That business should turn profitable after that.

The growth plans that we've just outlined for you provide real earnings opportunities. When you combine our dividend yield along with share retirements of more than 3% a year for the next 3 years, that provides a yield of about 8.5% per year. And when you factor in EPS growth, you get a solid double-digit return.

I want to reiterate what Randall said earlier. We have a high degree of confidence in delivering on these commitments. We're hitting our marks in 2019 and feel very strongly that we will do it again with this 3-year plan. Randall?

Randall Stephenson

Okay. Thanks, John. And before we get to Q&A, I want to speak to just a couple of additional issues. And if you go to Slide 15, we've listed these.

Over the last few years, we have continuously refreshed our Board of Directors. It's been done under the leadership of Matt Rose. He's our Independent Lead Director, Chair of our Nominating Committee. Today, the average tenure of our independent directors is 8 years. And of our 12 independent directors, 10 have joined the Board since 2012.

This is the Board that has directed our transformation into a modern media company. And along the way, we've added new directors with the skills and experience to inform and guide our business strategies. That includes 3 directors since 2015 with particularly strong

backgrounds in large-scale video distribution, media and entertainment and digital media.

Looking ahead, we have 2 directors retiring in the next 18 months. As a result, we have a natural opportunity to continue our Board refreshment and add additional skill sets that align tightly with the objectives I outlined this morning. In fact, we've been in discussion with some exciting candidates for some time.

And in the coming days, following our next regularly scheduled Board meeting, we anticipate adding a new Board member with deep expertise in technology and executing strategic cost initiatives. This new director will be added to the Corporate Development and Finance Committee, which has responsibility for overseeing our cost program and the evaluation of our portfolio. And we'll then add another director in 2020.

And finally, there's been a lot of speculation recently concerning my retirement. The Board and I have not yet set any formal plans for my retirement as CEO, but having been in the role for over 11 years, you can rest assured the Board and I have begun detailed planning for when that date arrives.

We've spent many years guiding the business to the strong position we have today, and for all the reasons I've described, I believe we're on the threshold of something really remarkable in terms of the next chapter of AT&T's storied history. I have every intention of being here, and I will be here through 2020 to ensure that we hit the objectives we've laid out today: to drive significant growth in EBITDA margins and EPS and to invest in growth areas and to retire all the debt and most of the shares issued in the Time Warner merger. My goal and my strong belief is that this is going to drive significant long-term value for our shareholders.

And helping me do this will be my talented colleague, John Stankey, who was recently appointed COO. He has a big job, and his teams are working together to develop their joint plans, and John is continuing to build his leadership teams across all 3 businesses. The Board and I have very high expectations for John. I'm excited for him, and I look forward to seeing him tackle his new responsibilities.

Together, we're all about execution and delivering on our 3-year plan. You should also understand that the Board views leadership and CEO succession as one of its most important responsibilities to shareholders. The Board's HR Committee, which is led by Chair, Beth Mooney, oversees our talent management program and our succession planning process.

Under the HR Committee's leadership, the Board's evaluation of all potential candidates for the CEO position has been underway for some time, and it continues today. Further, whenever my transition as CEO does occur, the Board has already determined that it will separate the Chairman and the CEO positions.

This is an exciting time at AT&T for all of our shareholders, our customers, our partners, employees and investors. The Board and our entire management team and I place the highest priority on generating value for our shareholders. Following 5-plus years of heavy investment, it's now time to reap the rewards of these investments to deliver some strong returns.

We believe that the plan we've taken you through today is going to deliver strong performance across all measures and that it should generate significant value creation in the near and the long term. The strategic transformation we've been working on for several years has enabled this new plan, and we've assembled the best set of capabilities to excel as a modern media company.

The objectives we have outlined today had been central to our plans for many months, even before we closed our acquisition of Time Warner. But as you would expect, our thinking has also benefited from robust engagement with our owners, and that includes Elliott Management. And given the shareholder interest in our engagement with the team at Elliott, I'm happy to address that subject very directly here.

Over the past several weeks, Matt Rose and I have found our engagement with Elliott to be both constructive as well as helpful. Among other things, Elliott has met with the prospective new director that I mentioned earlier and is enthusiastic about that addition to our Board following our next meeting.

These are smart people, and they very much understand the tremendous opportunity we have to create substantial shareholder value. As we move forward in the coming months, the Board and I look forward to continuing our close collaboration with Elliott on strategy, operational initiatives in our portfolio and to see through the value-enhancing steps that I've laid out today.

I'm excited about our strategy, and I'm very excited about this plan. And I want you to know that I'm all in on running this play and seeing us execute it.

So I know you have a lot of questions, and so we're going to open it up to Q&A. So Mike, I'll turn it back to you.

Michael Viola

Okay. Greg, we are ready to take questions. And can you please give us those Q&A instructions? Thanks.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Your first question comes from the line of David Barden from Bank of America. Please go ahead.

David Barden

Congrats on the new plan. So I guess, Randall or John, as we kind of think about this more prescriptive capital allocation plan that you've kind of outlined with respect to dividends and stock buybacks, could you kind of talk about how that wraps around the potential for spectrum acquisition or kind of other opportunities?

And especially that dovetails with the kind of commitment to the no-acquisition posture. In the media world in particular, it seems like this is very much becoming a scale game. It would seem that more scale would be better if this is the right strategy.

Could you kind of wrap all this together for us in terms of how we kind of get the business developed in the right way while at the same time following through on these commitments for capital allocation? Thanks.

Randall Stephenson

Yes, Dave. This is Randall. I'm going to start, and I'll let John supplement what I say here if there's anything else he wants to add. But what we have given you today is a cash flow forecast and plan, built around operational aspects that would allow us to do the shareholder returns that you heard us talk to today, particularly around EPS accretion and such.

To the extent that we need to engage in spectrum acquisitions of some type, and I have to be cautious because we're in a quiet period here. But what I can give you confidence in, and what I'd tell you we now have confidence in, we developed a lot of muscle over the last couple of years, on cleaning up the portfolio.

And I am very confident that portfolio cleanup and asset dispositions will more than offset anything we need to do in terms of spectrum acquisition. So what we're committed to is this capital allocation, this capital return plan, because we've been investing very aggressively over the last 5, 6 years to get us to this point.

And I just think we're in a very seminal point, Dave, point where now it's time to reap the rewards of what we've been doing. And so drive margin expansion, get the 1% to 2% revenue growth, it's going to generate incredible cash flow.

CapEx comes in, in 2020 as you saw in John's numbers and so begin to reward to shareholders these investments that we've been making over the last few years.

So bottom line, we're committed to what we've laid out here in terms of capital returns. When we talk about M&A, we've said no major M&A. We like the assets we have. I mean this is really, across the board, a quality, premium set of assets. If we have to do tuck-in acquisitions here and there to supplement capabilities, like you saw the HBO LAG deal that we did Friday, the LA - or pardon me, the Latin American HBO property. That's a small

acquisition that's immediately accretive, and it just supplements what we're trying to do in Latin America with our HBO Max product. And so you'll see those kind of things. But in terms of big M&A, we have no needs given the assets that we have right now.

John Stephens

Yes. Dave, just to put a kind of a numerical perspective. \$500 billion balance sheet, finding 1% to 2% a year on a recurring basis is certainly a reasonable goal and something we have high expectations to be able to achieve. From a practical standpoint, we've announced two deals, Puerto Rico and the CME transaction was announced yesterday.

They're going to provide about \$3 billion in capital just next year, so we have a great head start to the deals that will close next year that will give us more cash, things that we've already gotten done. And you can rest assured we got more of that in process.

And then with regard to spectrum, as Randall said, can't comment on the 39 that's underway. With regard to the C-band and the other future auctions, certainly we'll be interested. As always, we're interested in fair auctions that provide as much spectrum available to the marketplace and allows all bidders to bid.

We think that's going to take some time, particularly with the C-band and the FCC. But certainly, we'd be interested. By the same token, there's a clear expectation we'll pay for it with asset monetizations on this balance sheet, that we have that opportunity to do that.

David Barden

Thanks for the color guys. Thanks.

Randall Stephenson

Thanks, David.

Operator

Your next question comes from the line of Philip Cusick from JPMorgan. Please go ahead.

Philip Cusick

So around video, have we hit the peak of losses in terms of near-term video trends? And how do you think about the impact of AT&T TV launching versus the price increase of AT&T TV Now recently?

And it looks like you plan to invest about \$1.5 billion to \$2 billion in HBO Max in 2020 and about \$1 billion a year for the following couple of years. How do you think about this level of investment to drive success in a market that's increasingly full of competitive offers? Thanks.

Randall Stephenson

Phil, this is Randall. I think John mentioned it in his comments that in terms of the video losses, particularly around the satellite product, third quarter is the peak. Third quarter is -- we had a couple of significant blackouts in terms of content, and those blackouts drove some sizable subscriber losses.

And then we had the cleanup that's been going on in the customer base in terms of prior promotions and so forth. And so we have pretty much run to the end of those. There's a little bit more of the customer cleanup that will run into Q4, but in terms of the losses, they will be significantly improved in the fourth quarter and get better as we move into next year.

As you think about the product portfolio going forward, and you're seeing this in terms of the pricing moves that we're making. But as we get into next year, you're basically going to see our traditional satellite platform, which is going to have a long life.

I mean this business continues to be really strong, generates a lot of cash flow. As I said in my comments, there's more than \$4 billion of free cash flow a year and done \$22 billion since we owned the thing.

But as we get into next year, then you'll have the satellite then you'll have the software platforms. And AT&T TV is the standardized software platform, and that will be our primary vehicle for going to market, particularly pairing it with our fiber product and our broadband product.

And then HBO Max becomes the workhorse for our video product as we move into next year. And all of the muscle, and as you can see and as you articulated, the range of investment is going behind HBO Max.

In terms of are we comfortable with that level in what you called a crowded field, I actually think the field in terms of where we intend to play is not that crowded. We intend to play at a significant level, and we're starting with a product called HBO, which has a very significant position in the marketplace.

And as you're going to see tomorrow, we're investing heavily behind that brand and bringing additional content to bear. And I actually feel very comfortable.

And I think tomorrow, Phil, that's all tomorrow is about, is to get you comfortable that this is a unique product. This is a product that's going to be very different from anything else that you've seen in the market so far. This is not Netflix, this is not Disney, this is HBO Max, and it's going to have a very unique position in the marketplace.

And I would tell you we feel very comfortable at these investment levels, that we can do something very significant in the market and drive some significant subscriber gains. This is going to be a meaningful business to us over the next 4 or 5 years. And we're talking a 50 million subscriber business and I'm really, really enthusiastic about this.

So the video product gets really streamlined and simplified as we move into next year. Satellite and then software product. And then one of the big cost initiatives, and it's not inconsequential, is John Stankey is bringing the video platforms, the software platforms, he will be standardizing all of these.

And as you can well guess, AT&T TV, we have a development and cost associated with that. HBO Max, there's a technology development cost associated with that. Putting these on a standardized platform over the next couple of years drives significant savings as well. So feel pretty good about the platform, and the numbers should improve as we move forward.

Philip Cusick

Randall, just to be clear, the 50 million you mentioned, is that current or forecast?

Randall Stephenson

Forecast. That's what we're forecasting, domestic HBO Max over 5 years.

Philip Cusick

Thanks very much.

Randall Stephenson

Greg, we'll take the next question.

Operator

Your next question comes from the line of John Hodulik from UBS. Please go ahead.

John Hodulik

Great, thanks, Maybe two questions. One for John and one for Randall. John, could you give some more detail on the - I guess both the near term and the sort of the longer term 200 basis points of margin improvement? I guess Randall just mentioned that some of it comes from product simplification within the entertainment segment. But can you talk a little bit about how you expect some of those cost initiatives to impact each of the segments? Should we expect continued improvement in wireless margins and in enterprise and WarnerMedia?

And then for Randall, I guess with today's announcements, the company has addressed, I'd say, the majority of the issues laid out in the Elliott letter. What I didn't see though is with John Stankey taking on the role of COO, what's the time frame for him to relinquish leadership of the WarnerMedia asset? Thanks.

John Stephens

Thanks, John. Let me take the first question on the 200 basis point improvement in margins. Let me give a base case that we see -- now we are expecting improvement from Mobility.

We are expecting improvement from Mexico. We are expecting improvement from the WarnerMedia cost synergies. With that being said, these additional cost synergies that we're talking about, I would categorize in just a couple or 3 buckets.

One, I think you'll see product simplification. I think we'll see a big effort with Bill and the team working with John and everyone across the enterprise on product simplification. I think that should provide significant rewards.

Secondly, I would tell you that there's still general administrative expense savings, and I think that opportunity continues to be there. You've got to remember that we've only got final court clearance on the Time Warner deal just 6 months ago, so we've got more opportunities in bringing that together.

Third, the video platforms, Randall mentioned this, and the standardization of those platforms, bringing those platform cost and development and capabilities together not only is a great business result but also an opportunity.

I think those are kind of 3 things I'd point to kind of real quickly and real briefly. We'll look at everything there are. Just like with the portfolio there's no sacred cows.

But to give you a just a more simple sense of it, about \$180 billion of revenue, about \$120 billion of COE gets us our \$60 billion of EBITDA. If we can mine out 1% to 2% of our COE every year, that's in that \$1.5 billion to \$2 billion range.

I'm not setting a target for ourselves, but you can give us a sense that, that really gives us some comfort with regard to that overall \$6 billion EBITDA improvement, especially when you've got great progress in things like Mexico, great progress in Mobility, real improvements across the enterprise.

Randall Stephenson

I would actually just append a little bit into that. We're going to now have Bill Morrow and John Stankey heading up an initiative to take these costs out, that John just gave you the big blocks of what they will go after.

These are two process improvement hawks. They are probably as good as it gets anywhere in terms of streamlining process, simplifying process and taking cost out. And as you look at this plan of the areas that I have the least concern that we will achieve, setting objectives to get cost out, to get 200 basis points of margin expansion, this is probably the area I feel the most comfortable with.

And so there's some big target areas in terms of what we go after to take these costs out. This is stuff we do, and we do it really, really well. We all have a lot of experience here. The cost piece, it'll get done. I don't spend a lot of time worrying about that one.

In terms of your question on WarnerMedia, when will John Stankey relinquish leadership of WarnerMedia, I don't anticipate he will relinquish leadership in WarnerMedia. It's under his purview of COO. And he's got a big job, and he has been spending a lot of time building his leadership team and getting the right people in the right spots and getting HBO stood up.

I would tell you on the WarnerMedia side, I think what he has done over there in terms of building the team that's there, the hires he has made, Bob Greenblatt, you're going to get a full dose of Bob Greenblatt tomorrow, and as he launches the HBO Max product. This is an impressive guy. He's got great media chops, been around, a lot of experience.

Ann Sarnoff coming in to run Warner Bros. I mean just a really, really impressive hire. As you think about WarnerMedia, I have no doubt he'll find the right person for that job as well. So feel really good about the team that John's assembling and I feel really confident about where he's going.

John Hodulik

Thanks, guys.

Operator

Your next question comes from the line of Simon Flannery from Morgan Stanley. Please go ahead.

Simon Flannery

Great. Thank you very much. Good morning. So coming back to the buyback, could you talk a little bit about the timing of the buyback? I think you're saying 9% of these outstanding over a 3-year period.

But how should we think about that flowing through in Q4 and in 2020? And is there really a number in terms of \$25 billion or x number of shares? What's the kind of what you're -- the messaging here?

And then coming back to the last question on costs, is there a time frame for Bill Morrow to complete his evaluation and to come back to you and the Board and then potentially to us with more clarity around the buckets, diving into the things that we've just been going over at a high level? Thank you.

John Stephens

This is - Simon, this is John. Let me take on the share retirement question. First off, when you take a look at Time Warner transaction, it was about 1.1 billion shares. If you take 70%, it's about the 750 million range of shares.

That's the communication we intend. I would suggest to you that we haven't laid out a specific time line for how much each day, how much each month or quarter. We're going through that process now, but I wouldn't be surprised if it is somewhat front-end loaded or at least front-end loaded in individual years.

I would tell you we are very respectful of the commitments we made to get into the 2.5 range, and we're going to do that. And I want to make sure this doesn't change that, just like we're going to do this share retirement consistent with getting into that 2 to 2.25 times.

Do feel really comfortable operating the business at that level. So it's -- and particularly in today's interest rate environment and our cash flow environment, feel very comfortable with it. But we're going to respect that and make sure we do that.

With regard to the process for buybacks, this is -- as you can imagine, we're looking at everything from accelerated share repurchases to open market purchases to other transactional aspects. But I do think it's fair to assume that we would focus on trying to

front end load or trying to do more earlier. And within a year, I do not expect it to be smooth.

Additionally, within the 3 years, as I expect, we're going to be successful with this plan, we will see our stock price change. And as it changes, our dividend, cash cost of that equity gets adjusted downward. And so you have to continually evaluate the total cost and total investment and total decision-making process. It's a fairly direct decision-making process today, and we will continue to evaluate that.

But that's how we're thinking about it and we feel very comfortable about getting it done. It's just a matter of getting the process implemented and moving forward. Nothing to announce on how many shares we may or may not buy in the fourth quarter, but clearly, the commentary we put out that says some share retirements are in the mix for the fourth quarter is a fair statement.

Okay. On the cost-initiative side, I mean once again, I will tell you this. This is been going on for a while. We have been going through this process. Bill Morrow, we've been talking to Bill Morrow for a while. And knowing that we wanted to bring on someone with those talents and those skill sets.

So we will give him some time to get his feet on the ground, but we expect him to hit the ground running. And we will have plans in place and identified opportunities already that we'll start operationalizing as soon as possible, many of those things before the end of this year.

If you're asking about when they will show up in the financial statements and the cost synergies, the savings, I would expect that they're going to be somewhat back-end loaded. They won't all show up in the first year, specifically because there will be some investments and some time to get the plans put into operation.

Within our \$20 billion capital number, we've set aside some resources for those system investments and for those activities. So feel comfortable about our ability to get those done within this plan.

But while as -- while we will show as much urgency as possible to get savings starting with day 1, I would expect that they will be certainly more back-end loaded as opposed to our buy -- our stock retirement program, which may be more front-end loaded.

Randall Stephenson

We'll have some that are going to be quick hits. G&A, those are areas where you can generally get some pretty quick hits on cost. We've identified some of those areas. Product simplification, those take a little longer because as John said, you got to make some investments.

You remember the last time, though, we took this on, it was probably 5 years ago. Andy Geisse led the effort. And that initiative over a couple of years generated almost \$1 billion of cost savings.

We're back at one of those moments here again. So I feel pretty confident there are going to be some big chunks of cost that we can get out of the 2-year time frame and some others that will -- we'll get them out in the 2020 time horizon.

I think John - what we should just anticipate doing and what you should expect, Simon. We get Q4 earnings, we'll give you an update in terms of where we are at that stage. Bill Morrow starts, I think, today. I believe this is his first day.

And so we do want to give him a chance to get his feet on the ground. But as we begin to put the plans together and develop them, we'll give you a status report on the Q4 earnings call and let you know where these are going.

Operator

Your next question comes from the line of Kannan Venkateshwar from Barclays. Please go ahead.

Kannan Venkateshwar

Thank you. A couple, if I could. Randall, from your own perspective, you've talked about the simplification of the product to basically 2 brands: AT&T TV and HBO Max. How are you thinking about the rest of the portfolio, given that you have a lot of other streaming

brands as well as brands such as HBO? And does your guidance contemplate some degree of cannibalization across your entire portfolio?

And then, John, from your perspective, you've talked about buybacks potentially being front-end loaded and EBITDA potentially being -- the growth guidance being back-end loaded. Could you talk about the components within that in terms of things like partnerships potentially at DIRECTV or [financing] coming from Turner and so on and so forth? So what are the variables that go into that guidance? If you could just highlight those.

Randall Stephenson

Yes. Thanks, Kannan. On the video product simplification, cannibalization or mix shift, I don't know how best to describe it, but obviously, as we roll the software products out and so AT&T TV and this Korean client product, we'll be rolling that out early next year. This is really a good product. And it will become -- for a live streaming product, it will become the workhorse. It's where the lion's share of gross adds move to over the next couple of years.

And so that cannibalizes satellite, it replaces satellite. But we actually like if gross adds are coming in on that product, that's a good thing for us for a number of reasons. It's a much lower cost point to put in place with a customer.

And as a result, it allows us to meet a much different price point in the market. And -- but with content costs continuing to escalate, these price points are pricing a lot of customers out of the live streaming product.

And so we've just been very ambitious to get a new cost structure on our video product that allow us to get people back into the live streaming product. Our research says there are a lot of people that want a live streaming product, but it's just too expensive with the way content costs have gone. So this allows us to get another product in the marketplace at a lower price point, lower cost point, good margins. So that's point number one.

HBO Max. HBO Max becomes our SVOD product of the future. And you're going to hear a lot more about this tomorrow. I don't want to steal Stankey and his team's thunder on this. But HBO Max becomes the SVOD platform for AT&T as we move forward into the future.

And what you should expect is as we get into the future, this won't be day 1.

But over time, that platform -- because of the platform through which we also deliver live stream TV. So you want an SVOD service, HBO Max, great. Over time, we look forward to bringing in live element into HBO Max as well. And so this thing gets more and more simplified and we ultimately get down to where we have two products: the traditional satellite, which will be there for a long time; and then our streaming product, which will be premised on the HBO Max platform. And again, you're going to hear a lot more about this tomorrow night, and I look forward to seeing you there.

John Stephens

Kannan, it's John. With regard to the buybacks and the EBITDA discussion. On the buybacks side, as I discussed before, the ability to get cash, get the stock in at very attractive prices from a cash cost of capital will be our focus, and I do expect it to be front-end loaded. On the EBITDA side, I would not use the term back-end loaded on the EBITDA side gains because that would just suggest to you this: Mobility is growing today and it will continue to grow in 2020. Mexico, if you look at -- and we expect Mexico to be EBITDA positive in the fourth quarter.

And when we achieve that, we'll have about a \$300 million -- just under a \$300 million improvement in Mexico's EBITDA this year. And we expect that those trends to continue next year. If you look at WarnerMedia cost savings, the programs are already in place.

John Stankey and his team already have those in place, and you see those growing next year. We've got a significant number of items that would -- that are propelling EBITDA improvement, which would propel our standalone EPS guidance that we suggested.

The reason for next year being flattish, so to speak, on EBITDA margins is because we're making close to a \$2 billion investment in HBO Max. That's the \$0.15 to \$0.20 that's on our schedules of EPS. So I think of it we're choosing to make an investment on a long-term product, on a long-term winning product that is going to be very important to us. So that's that aspect of it.

As I said, we'll have some quick hits. As Randall said, we'll have some quick hits on the cost initiatives led by Bill Morrow, but the full scope of his ability to get all the savings is going to take -- is going to come in over years. But our EBITDA next year on a -- with, inclusive of, our \$2 billion investment or in that range in HBO Max, is flattish. If you would take that out, that would be a full 1% growth in our EBITDA.

That right there would be about half that growth, that 200 basis point growth we're talking about for the full 3 years. So this is a long-term investment, a good decision-making process like we've done with our acquisition of spectrum, like we've done with our buildout of our wireless network, like we've done with our fiber play. We believe this is a very good long-term decision.

Operator

Your next question comes from the line of Brett Feldman from Goldman Sachs. Please go ahead.

Brett Feldman

I want to talk a bit more about wireless here. You've obviously talked a lot about the benefits of the FirstNet investment you flagged, the 50% increase in network capacity through the additional spectrum. You've also expanded your distribution both into the FirstNet or the first responder community as well as in just some new rural markets.

And those two things combined you would assume are going to start creating some churn benefits because of the network quality, some gross add benefits because of the expanded distribution. And I'm just curious, where are we in terms of starting to see that in your performance? You've obviously had pretty solid phone net adds.

Do you think that there's an opportunity for that to keep inflecting? Is that the real driver of the service revenue CAGR you've put out there? Or are there other elements we should be considering as we structure our models as well?

John Stephens

No, thanks for the question. Let me try and go at it this way and ask Randall to jump in and help me out. First of all, with regard to the service revenue increases and the overall performance of the business, the additional spectrum capacity, the ability to put in new technologies like a carrier aggregation, typically it's got, like most kinds of technological improvements as well as this one-touch build opportunity we have with FirstNet, which just gives us a big lead in getting towers 5G-enabled and getting our network ready to be a national 5G network next year. Those are all the base of what we're doing.

When you look at our postpaid business, you're right. We have phone growth, voice growth in the third quarter, 100,000. That's the best we've had in 5 years. I think it does have something to do with the quality of our network, the speed of it. I also think it has something to do with the great offers that we have and the efforts of our folks.

You saw another strong quarter of prepaid. We're on track to take virtually our -- we're going to have a share of the prepaid net adds this year that I think that equates to the total growth in the market. So we're doing really well with our Cricket brand. It continues to be seller. We're seeing great churn reduction. That's going to help with revenue.

We're in an inflection point with our reseller point. We had stepped away from the reseller business because of capacity issues. For the last 4 quarters, our reseller revenue's been essentially flat. So we're now moving towards it with this new capacity from FirstNet, we now have the opportunity to have a real growth from that reseller perspective where we're very interested in that.

And then you continue to see what's happening with connected devices, IoT, and quite frankly with 5G+, the millimeter wave-based 5G services for businesses as well as our overall 5G services for businesses, feel really good about. Those are the things that are going to make up that service revenue growth.

I would also tell you we continue to see customers buying up to unlimited. They're continuing to buy our quality insurance programs on their more expensive phones. And then on the nonservice side, you'll see the step up to 5G equipment, mainly handsets, particularly for us, we expect to be measurable in share.

So you put all of that together, it's really, really very good. Those customer handsets will also bring some cost with them. But what they do, do is give us the opportunity to lock in that customer and refresh that customer and make -- and allow the customer to see this really significant network advantage we have.

And so feel good about all those. That's how we're thinking about Mobility. At the same time, they're going through efficiencies and efforts. We'll look at product simplification, our offering simplification there, all of those kinds of things will continue to help keep margins heading in the right direction.

Brett Feldman

Can I ask a quick follow-up? That was helpful. You mentioned the reseller business and putting more emphasis on that because of your capacity improvement. One of the key reseller communities you really haven't addressed is the cable MVNOs. Considering the improvement in your network capacity, are you strategically opening to supporting that customer base?

John Stephens

Absolutely.

Randall Stephenson

Yes. We would actually be open to that. So you should assume that, that's something we'd be open to. And not just cable guys, but there are a number of people in the reseller space that are reaching out.

And it's just as John said, we got a lot of capacity now in this network, and we're at the point of evolution in this industry where we ask, how do you monetize most efficiently, capacity? And so we're going to look at all those channels.

John Stephens

One last thing, Brett, on the capacity, I want to make sure. We have put in almost 60 megahertz of spectrum nationwide on a base of about 100. So it's a significant increase there. Secondly, all the technology changes, the carrier aggregation and others, have

increased our spectral -- our throughput capacity significantly.

And then this ability to one-touch and put up 5G. The conversion from a 3G network and some of our older -- or this 4G network into this 5G network is also going to increase.

So we've not only got an increased capacity just from the spectral, that's the easiest way to think about it, but all the other steps the network team's doing is dramatically improving our capabilities. And so we have a significant advantage over our competitors and have an ability to compete because of that advantage.

Michael Viola

Greg, we'll take one last question.

Operator

And that question comes from the line of Michael Rollins from Citi.

Michael Rollins

Just curious if you could describe how the team evaluated the value of share buybacks relative to some incremental investments in the operations, for example, accelerating investments in fiber-to-the-home, especially after the subscriber gains that you've highlighted recently in the segment?

And then just separately, AT&T has been bundling video with its wireless subscribers in some form for some time. Can you describe the results that you're seeing and how that impacts both customer acquisition and retention?

Randall Stephenson

Mike, this is Randall. As we think about share buybacks and capital expenditures, actually, we're still going to invest at a \$20 billion level next year. And that's, I am quite confident, will be, by order of magnitudes, the most aggressive investment in the industry.

And we have been on a very aggressive plan for deploying fiber. And we put in a very short period of time 20 million locations passed with fiber. And we are somewhere between 20% and 25% penetrated in that footprint in the next couple years are going to

be about penetrating. It's really about penetration. That doesn't mean we're stopping fiber deployment. 5G requires us to continue deploying fiber.

We have business customers who have expectations and we deploy fiber into business locations. And what that does is creates capillaries that we then expand off of. And so you're going to continue to see the capillary of fiber in this company expand.

It's just not going to expand at the pace we've been going on. It's been on a torrid pace. I would suggest it's been the most aggressive in the United States. Now it's time to reap the rewards of what we've done and let's go penetrate the market.

As you think about the video bundles, the strong -- and this is something I find very encouraging. I don't think we've put metrics out on this. I think you will probably talk about it tomorrow. But the most powerful video bundle we have with our mobile business is HBO in terms of what it does to churn and retention.

And the reason I think that's very exciting is now think about HBO Max and taking that product to a different level. And it's going to be something different. And now bundling that with our mobile business and the impacts on churn, we believe, are going to be very, very powerful.

And so we're very excited about putting wireless with HBO Max. HBO Max is a natural bundle with our -- obviously our video business, whether it's DIRECTV or AT&T TV. It's a great bundle with our broadband business, particularly the fiber business. So we're really bullish right now on how HBO Max gets leveraged across the footprint.

When you look at HBO today, keep in mind we've really only owned the asset, post appeal by the courts, since February. So about 8 months is how long it's been under our purview. In a very short period of time, AT&T has moved by order of magnitude into the position as the largest distributor of HBO.

And if you look at the number two distributor, we're 62% higher penetrated than the #2 distributor. So we think HBO is a very powerful platform to bundle with our various distribution properties. And you turn HBO into HBO Max, it becomes even more exciting. So thanks for the question, Mike.

Michael Viola

Okay. Greg, that ends our Q&A session.

Randall Stephenson

So if I could, I would just close out by first of all thanking everybody for joining the call. Look, this is an aggressive 3-year plan. I got to tell you, this is a 3-year plan we've spent a lot of time over the last few months putting together. And as I keep saying, it's time to reap the rewards of the investments we made over the last few months -- years.

And so it's a very exciting time for us. The capital allocation plan is very exciting, and we're really excited about HBO Max, and I'm really hopeful to see everybody here in L.A. tomorrow night to preview this product and see what we have to offer at WarnerMedia. So thanks again for joining us, we'll talk to you tomorrow.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.