AT&T

2023 Annual Report

Connecting *Changes* Everything™





To our shareowners

2023 was another year of strong, consistent performance that bolsters confidence in our strategy to be the best connectivity provider through 5G and fiber. Our simple and consistent go-to-market approach continues to resonate with customers, enabling sustainable growth and strong cash conversion.

In 2023, we delivered on our long-term growth strategy in 3 important ways:

01

We **grew durable 5G and fiber relationships**, attracting high-value customers and delivering expert service. More customers are choosing AT&T and staying with AT&T.

02

With a continued focus on **effective and efficient operations,** we achieved our 3-year, $6 billion-plus run-rate cost transformation target ahead of schedule and are making progress on an incremental $2 billion-plus in targeted savings by mid-2026.

03

Our **deliberate capital allocation strategy** supported another year of historic 5G and fiber investment levels while putting us on track to achieve our 2.5x net debt-to-adjusted EBITDA target in the first half of 2025.[1]

Operating with consistency and simplicity

Over the past 3 years, AT&T has consistently communicated and executed an investment-led strategy built on one fundamental principle:

Customers increasingly value converged services.

They want a single provider who can support their connectivity needs both at home and on the go, delivering a seamless experience that allows them to connect to what they love from anywhere.

We are making the right moves to deliver high-performance, converged networking at a scale and breadth second to none in the United States. With North America's largest wireless network[2] and the nation's largest[3] and fastest-growing fiber network,[4] no company is better suited to answer the call for widespread connectivity than AT&T.



John Stankey
Chief Executive Officer

Wireless

In 2023, we added more than 1.7 million high-value postpaid phone customers and grew Mobility service revenues by 4.4% year over year, representing the fastest growth among national wireless providers. And we did this with a continued focus on profitability, increasing Mobility EBITDA by 7.4%.[5]

The size and quality of our network have never been better. We achieved our coverage target, reaching more than 210 million people with our nationwide mid-band 5G network to offer faster speeds and an enhanced experience on the nation's most reliable 5G network.[6]

Our leadership in the Internet of Things is another way we consistently bring the power of connection to our customers. Last year, we grew the total number of connected devices on our network to more than 127 million. And we have more wholesale connected cars than any other carrier in the U.S.

We made additional moves in 2023 to further augment our wireless offerings and capabilities, helping increase our effectiveness in connecting customers no matter where they are. To connect more people in more ways, we:

- Supported AST SpaceMobile in the world's first direct 5G voice call between 2 unmodified smartphones via a low-earth orbit satellite in space.
- Selectively launched AT&T Internet Air, our fixed wireless broadband product. We view this simple, customer-focused service as yet another tool in our converged connectivity toolbox. We are pleased with the customer reception in the 30-plus locations we launched last year.

Our wireless network is the heart of FirstNet, public safety's dedicated nationwide communications platform designed to help provide ubiquitous connectivity when it matters most. By delivering a best-in-class network and tailored solutions for first responders, we have become the unquestioned industry leader serving the public safety community. In just 5 years, we have achieved more than 5.5 million FirstNet connections across approximately 27,500 agencies. FirstNet once again proved critical last year as first responders addressed large-scale disasters such as the Maui wildfires and Hurricane Idalia.

Fiber

2023 marked another year of AT&T's consistent leadership in fiber deployment. For the sixth straight year, we added 1 million or more AT&T Fiber customers, and we closed the year with more than 26 million consumer and business locations passed with fiber.

AT&T is bringing more fiber to more Americans than any of our competitors. And we know where we build fiber, we become the favorite to win in the marketplace because fiber is a superior technology, and customers love the value and service we offer.

Our consistent and expedient delivery of fiber puts us on track to reach our previously announced goal of 30 million-plus total consumer and business locations passed with fiber by the end of 2025. Our better-than-expected returns on fiber investments potentially expand the opportunity to go beyond our initial target – assuming similar build parameters and a regulatory environment that remains attractive to building infrastructure.

Delivering value

Our results only strengthen our confidence that our combination of scaled fiber and 5G offers superior value in the converged marketplace. Why? Because where we have fiber, we also see growth in wireless customers.

AT&T customers with fiber and wireless service stay with us longer and drive superior returns. As the only provider scaling both wireless and fiber networks, we are poised to be the provider of choice for the ubiquitous connectivity customers want. This underscores the value of delivering converged connectivity at scale and reinforces the soundness of our strategy and actions over the past 3 years.

In 2023, we grew adjusted operating income[7] by 5% and free cash flow by more than 18% year over year.[8] This success results directly from our investment-led strategy and consistent execution to drive profitable and sustainable growth. Looking to the future, AT&T is well-positioned to lead and grow high-performance networking that seamlessly combines fiber, mobile and fixed wireless and satellite technology in the most secure, effective package desired by our customers.

Acting responsibly

We are one of America's critical infrastructure providers, and with that brings a responsibility to be a leader in helping to connect every American to the internet and to build world-class wireless and broadband infrastructure.

As a nation, we have dedicated substantial private and public resources to building an excellent foundation for the future of fast, reliable and affordable connectivity. In recent years, we have seen record levels of investment in broadband infrastructure and wireless networks, which is bringing new high-speed connectivity to cities and towns across the country. The result: Robust broadband networks that carried the U.S. through the Covid-19 pandemic and 5G service that is more widely available here than in any other country.

Smart public policy and regulatory approaches are key to getting the best infrastructure in place. Unfortunately, some policymakers have been pursuing counterproductive proposals that misalign incentives and create uncertainty, which ultimately mutes private investment and undermines efforts to deploy infrastructure and connect Americans. If we are trying to close the broadband gap, Washington could do so much more effectively by focusing on policies that incentivize private investment and advance the shared goal of connecting all Americans. Among other priorities, this includes:

- Implementing the Infrastructure and Jobs Act in accordance with Congressional intent;
- Finding a sustainable and permanent solution to subsidizing connectivity for low-income families;
- Building a robust spectrum pipeline that enables wireless carriers to meet the seemingly insatiable demand for mobile connectivity.

It is crucial that policymakers join us in focusing on what customers want and what the country needs. For growth and competitiveness at a global level, the U.S. needs to continue to build ubiquitous connectivity that will underpin the many technological advancements on the horizon. The foundation of the United States' global technology leadership has been built on the effective capital allocation and innovation of the private sector, and taking the final steps to connect every American to the internet should follow the same winning formula.

Thank you

Today, AT&T is a more simple and focused company, meeting the needs of current and future customers and delivering consistent financial performance. Our strength and resilience come from our hardworking leadership team and dedicated employees, who share a passion for connecting people to greater possibility.

To our employees: Thank you for your commitment to serving our customers and moving the business forward. Your enthusiasm behind our purpose brings energy to our workplaces and fosters a culture of contribution, capability and engagement. We are committed to building a workplace where a wide variety of backgrounds and perspectives help achieve our purpose and fulfill the potential of every individual who chooses to work here. We are proud to be the only major U.S. telecommunications company with a fully unionized frontline workforce, and we deeply value our constructive partnerships.

To our customers: Thank you for choosing and staying with AT&T. You inspire us to be the best connectivity provider and motivate us to fulfill our role as a critical infrastructure provider in this country. We will continue to put your needs first in return for the trust you place in us to connect you in every way, every day.

To our shareowners: Thank you for your confidence in AT&T. We entered 2024 with business fundamentals that have never been stronger or more resilient. We will continue our focus on improving our returns to you.

Sincerely,



John Stankey
Chief Executive Officer, AT&T Inc.
February 23, 2024

References

[1] Net debt-to-adjusted EBITDA is calculated by dividing net debt by the sum of the most recent four quarters of adjusted EBITDA. Net debt is calculated by subtracting cash and cash equivalents and time deposits, from total debt. EBITDA is operating income before depreciation and amortization. Adjusted EBITDA is calculated by excluding from EBITDA certain significant items that are non-operational or non-recurring in nature, including dispositions and merger integration and transaction costs, significant abandonments and impairments, benefit-related gains and losses, employee separation and other material gains and losses. Net debt and adjusted EBITDA estimates depend on future levels of revenues, expenses and other metrics which are not reasonably estimable at this time. Accordingly, we cannot provide a reconciliation between projected net debt-to-adjusted EBITDA and the most comparable GAAP metrics and related ratios without unreasonable effort.

[2] Based on comparison of carrier owned & operated networks. No AT&T on-net coverage in select countries, including Canada.

[3] Based on the number of fiber to the home households using publicly available data.

[4] Based on the number of new fiber to the home build using publicly available data.

[5] Mobility EBITDA is Mobility operating income before depreciation and amortization.

[6] Based on nationwide GWS drive test data. GWS conducts paid drive tests for AT&T and uses the data in its analysis. AT&T 5G requires compatible plan and device. Coverage not available everywhere. Learn more at att.com/5Gforyou.

[7] Adjusted operating income is operating income adjusted for revenues and costs we consider non-operational in nature, including items arising from asset acquisitions or dispositions. For 2023, adjusted operating income of $24.7 billion is calculated as operating income of $23.5 billion plus $1.2 billion of adjustments. For 2022, adjusted operating income of $23.5 billion is calculated as operating income of ($4.6) billion plus $28.1 billion of adjustments.

[8] Free cash flow for 2023 of $16.8 billion is cash from operating activities of $38.3 billion, plus cash distributions from DIRECTV classified as investing activities of $2.0 billion, minus capital expenditures of $17.9 billion and cash paid for vendor financing of $5.7 billion. For 2022, free cash flow of $14.1 billion is cash from operating activities of $35.8 billion, plus cash distributions from DIRECTV classified as investing activities of $2.6 billion, minus capital expenditures of $19.6 billion and cash paid for vendor financing of $4.7 billion.

Stockholder Information

Toll-Free Stockholder Hotline

Call us at **1-800-351-7221** between 8 a.m. and 7 p.m. Central time, Monday through Friday **(TDD 1-888-403-9700)** for help with:

- Common stock account inquiries.
- Requests for assistance with your common stock account, including stock transfers.
- Information on The DirectSERVICE™ Investment Program for Stockholders of AT&T Inc. (sponsored and administered by Computershare Trust Company, N.A.).

Written Stockholder Requests

Please mail all account inquiries and other requests for assistance regarding your stock ownership to:

AT&T Inc.
c/o Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078

You may also reach the transfer agent for AT&T Inc. at att@computershare.com or visit the website at **computershare.com/att**

DirectSERVICE Investment Program

The DirectSERVICE Investment Program for Stockholders of AT&T Inc. is sponsored and administered by Computershare Trust Company, N.A. The program allows current stockholders to reinvest dividends or purchase additional AT&T Inc. stock. For more information, call **1-800-351-7221.**

Stock Trading Information

AT&T Inc. is listed on the New York Stock Exchange. Ticker symbol: T

Information on the Internet

Information about AT&T Inc. is available on the internet at **about.att.com**

Annual Meeting

The 2024 Annual Meeting of Stockholders of AT&T Inc. will be conducted virtually on the internet at 3:30 p.m. Central time, Thursday, May 16, 2024. There will be no in-person meeting. The meeting will be accessible at **meetnow.global/ATT2024**

SEC Filings

AT&T Inc.'s U.S. Securities and Exchange Commission filings, including the latest 10-K and proxy statement, are available on our website at **investors.att.com**

Investor Relations

Securities analysts and other members of the professional financial community may contact the Investor Relations staff as listed on our website at **investors.att.com**

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