

Brett Feldman AT&T-Lumen Transaction Video Transcript

Hello. I'm Brett Feldman, Head of Investor Relations for AT&T.

I want to spend a few moments discussing our agreement to acquire substantially all of Lumen's Mass Markets fiber business. You can find more details in the press release and form 8-K – both of which are available on the AT&T Investor Relations website.

We believe that this is a first-of-its-kind transaction where the fiber broadband assets and customers of a scaled incumbent telecom operator are separated from its legacy business and acquired by another fiber connectivity provider that has more resources to invest in and grow the business.

This transaction is a win-win that we believe only AT&T could execute with Lumen.

A key reason why is that AT&T already operates the largest and fastest-growing fiber broadband network in the U.S. So, we know how to operate and build fiber networks at scale across multiple geographies and states. And we are well positioned to support this transition with our existing wireless and metro assets in most of the same geographies.

We are not acquiring any of Lumen's copper network assets. But we do have experience operating fiber networks that have been decoupled from legacy infrastructure as part of our ongoing copper retirement program. So, we can bring to bear that expertise to efficiently take on the purchased fiber network as Lumen decouples it from their copper assets.

In addition, we expect to provide Lumen with access to our residential wireless connectivity technologies – such as AT&T Internet Air – through a separate set of agreements. These would provide Lumen with products they can resell to their legacy copper customers that will not have an opportunity to migrate to our fiber services.

So, that's why we are uniquely situated to execute this transaction. Now, let's talk about why we believe that this is a great transaction for our shareholders.

To begin, we are acquiring an attractive fiber asset. That, if acquired today, would immediately expand our fiber reach to more than 4 million additional out-of-footprint customer locations.

Today, Lumen has about 1 million Mass Market fiber customers. We expect to significantly grow the number of AT&T Fiber customers within the acquired footprint. By leveraging our extensive in-market distribution, the strengths of AT&T Fiber, and the value of the AT&T Guarantee.

This is the same out-of-footprint strategy that is delivering solid results for us in geographies served by Gigapower fiber. By running the same plays, we expect that over time we will increase fiber penetration within the acquired footprint to levels more consistent with our current penetration of AT&T Fiber in the 40% range.

The transaction also provides AT&T with access to Lumen's scaled fiber build engine in areas outside of our traditional wireline footprint. This means we will have a unique ability to accelerate the reach of our fiber services out-of-region, with the speed and cost advantages of an incumbent telecom operator, fortified with our industry-leading fiber supply chain.

As a result, we now expect to reach approximately 60 million total fiber locations by the end of 2030, roughly doubling where AT&T Fiber is available today.

As we have previously disclosed, our share of postpaid phone subscribers is more than 5 percentage points higher than our national average in areas where we offer AT&T Fiber. The geographies we are acquiring in this transaction include some of the largest metro areas with our lowest Mobility share. So, we believe this transaction presents a meaningful opportunity to achieve gains in our Mobility business.

Our results and research show that consumers prefer to purchase mobility and broadband services from one provider. So, we also see an opportunity to ramp our base of customers that subscribe to both our 5G and fiber services. This is key because our converged customers stay with AT&T longer and drive the highest returns.

As we explain in our press release, after the transaction with Lumen closes, we intend to sell a partial financial stake in the acquired fiber network assets to an equity partner to co-invest in the ongoing business.

We expect the new venture which we are currently calling NetworkCo will operate as a wholesale commercial open access platform, providing fiber access services to AT&T as the anchor tenant.

This capital-efficient structure and business model is possible because of the significant time and investment we've already made to build our unique open access platform which we've already put into operation with Gigapower and other third party commercial open access providers.

The reason we are pursuing this two-phase approach is that we see AT&T as uniquely positioned to directly negotiate, structure and close this first-of-its kind transaction with Lumen. And we believe this approach will better enable potential equity partners to evaluate and understand the value of NetworkCo.

Based on AT&T's position as the operator of the largest and fastest-growing fiber broadband network in the U.S. and our track record of generating strong returns on our fiber investments we are highly confident that we can secure an equity partner for NetworkCo.

Looking at the financials of the deal, the impact of the transaction is expected to be immaterial to consolidated adjusted EBITDA, adjusted EPS and free cash flow in the first 12-to-24 months following close and accretive over the long-term as we move past up front investments to scale our customer bases in the acquired footprint.

So, to wrap-up, this transaction aligns with the strategies and priorities outlined at our 2024 Analyst & Investor Day, including our financial outlook, net leverage target, and capital returns plans and it advances our efforts to become the best connectivity provider in America.

I hope these additional insights were helpful, and thank you for your interest in AT&T.