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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Simon William Flannery *Morgan Stanley, Research Division - MD*

PRESENTATION

Simon William Flannery - *Morgan Stanley, Research Division - MD*

All right. Good morning, everybody. Welcome to San Francisco. I'm Simon Flannery, I cover telecom services and communications infrastructure. It's my great pleasure to welcome back Jeff McElfresh, COO at AT&T. Welcome, Jeff. Great to have you here. I think you have some safe harbor references.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes, we do. All my commentary today will be governed by our safe harbor statement, which is available, I think, they're going to present it. And if not, it's available on www.atnt.com/investors.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. And for Morgan Stanley, please see morganstanley.com/researchdisclosures. If you have any questions, reach out to your MS representative.

QUESTIONS AND ANSWERS

Simon William Flannery - *Morgan Stanley, Research Division - MD*

So before we get into it, Jeff, a couple of weeks ago, we had the network outage. Could you just tell us a little bit what happened? And what was the impact? Where do we stand today?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes, it was a week ago Thursday. Not a good day. I would tell you that our AT&T-iers all around share one common gene and that is our networks don't fail. And we definitely -- we're not happy letting our customers down. Now luckily, the team recovered pretty quickly. I was very proud of how our network team recovered. And the majority of our customers, their service was unaffected by the time they woke up for the day. But we did have some customer impacts. And I'm pleased with the response that we're getting from the apology that we offered to customers and our proactive credits. I would say that we've publicly stated this was an internal process error.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Does that mean a software update? What does that mean?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

It's part of grooming the network and expanding it. I mean we do these kinds of things hundreds of times a night in the maintenance window. And it was the incorrect application of a process that created this. And at least based on our initial investigation, and we've already taken steps to address that, to prevent that in the future. And by and large now, this last weekend was a little bit more enjoyable than the prior weekend, as you and I were talking off stage, and the business is performing well. It's one of the reasons why we've reiterated our guidance. And I'm happy with the progress that we're making in that regard.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

And can you share anything on discussions with regulators?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

No. There are, and we'll have to let that process take out or take its due course. I would say that it's obviously the services that we provide in the infrastructure AT&T provides is really important, and it's critical, not only for our nation, but for our customers. And so there will be follow-on discussions with our regulator, the SEC and portions of the government, but that's not to be unexpected, and we're prepared to participate in all that.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Okay. Great. Well, thank you for that. So in end of January, you put out your guidance for the full year. Perhaps just pull back and give us your key priorities as COO for '24.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Deliver the plan. I'm the guy back at the ranch with an amazing team who executes day and night to deliver our subscriber growth that results in a really strong revenue growth for the company. We also mine our cost structure pretty well. Some of the efficiencies that we benefited from over the last several years and the operating leverage we have demonstrated with our discipline and our consistency in how we go to market across our lines of business. Our teams -- top priority for our teams to continue that.

As Simon, I tell you, I look back, taking context to this industry that is in the wireless side, certainly healthy, more rational. And for us at AT&T, what I really like is the performance we've been able to deliver is very balanced. And by balanced, I mean, our growth in our financial results aren't from just subscriber growth or just pricing actions and a growing ARPU, it's from both, growing subscribers and growing ARPU. And doing it with industry-leading churn, which means we get the service side continues to improve and getting stronger and better, and that translates to really great EBITDA performance. And ultimately, we translate that into free cash flow so that we can continue investing in our networks, our 5G and fiber networks and doing it as efficient as we can and penetrating those networks as effectively as we can to turn those investment dollars into revenue. So all of that, I would say is my core priority is to deliver the operating plan that delivers the guidance in terms of customer subscriber growth and operating leverage.

Secondly to that, it's not -- that's the what we do, how we do it is also a priority of mine and my team, and that is the continued transformation of AT&T now that we are 100% focused on the telecom sector and how we are driving towards where customers are telling us they want us to go in this world of convergence. And I would tell you, Simon, we were here a year ago, a year later, at this very conference, I couldn't be more excited, I couldn't be more convinced that the changes that we're making at AT&T are driving the right momentum in the direction of where customers want us to go. And my team has to execute that transformation to get there.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Yes, I'll come on to the convergence later. It seems like from what you've guided to that the macro, you're assuming that, that remains fairly stable. There was certainly uncertainty coming out of COVID and then with the interest rate has been higher, but so far, so good seems to be the assumption for '24. Is that right?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. I think with what John and Pascal provided in the fourth quarter in terms of guidance and their commentary of how we see the market and how we see not only the market, but the competitive nature of the market, backdropped against the interest rates in the economy, nothing's changed from that. We see -- that's why I'm pleased with the way the business is performing right now. We see it be very healthy, very rational. And still, our products and services remain in high demand. And that's a good place to be.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Well, let's start with the biggest one, mobility, and then dig into that a little bit more. You did a little bit over 500,000 adds in the fourth quarter. It sounds like, and you had a press release out this morning, you expect sort of more of the same. There was that comment about normalizing, but to what extent have we -- are we in a new normal now do you think?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

It's hard to predict exactly. What I can comment on is, for us at AT&T, we have for the last 3 years, Simon, and I shared, I think, a year ago here with you on stage, our growth objective isn't measured exclusively by raw net add numbers. We have been very disciplined in how we go to market. Very disciplined in the subscribers that we seek to attract to the AT&T family. And I think we've demonstrated this now 3 years running. We've got the fastest-growing wireless service revenue. And I'll remind the audience that in that is pure wireless. We do not account for any volume or any revenue from fixed wireless in that number. This is a pure core mobility-based wireless service revenue. We're growing it faster than others. We've got the best churn of others. We're expanding our operating leverage. We're getting our cost equation right, and there's still room to go there. We're not done with that transformation.

And I'm pleased that our sales organizations are bringing in high-quality growth. That translates to a subscriber number of x, okay, it's x., but the bottom of the funnel, the revenue growth, the EBITDA that we're converting and the quality of those customers and their LTVs being as high as they are for us is kind of what our mission has been. And we're sticking with that mission. And that's performing well even under more stressful economic environments, even with competitors being, in some cases, like cable being a bit more aggressive in acquisition, I mean we weathered this very well. So it gives me confidence that our go-to-market strategy in wireless is working. And in fact, I think there's a few other players out there in the market that are starting to copy some of the plays that we've made and that suggests they too see our strategy working.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

I think one of the things you've been very consistent on is your offers for the customers that we have, best deals for everyone and so forth. Are you surprised how long this has remained because we haven't really seen this in the industry where you could keep with one kind of offer for 3-plus years now.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. I think -- am I surprised? Yes, I'm surprised. But then I reflect on what you see is that offer. And you think that that's the offer that drives performance. At the end of the day, it's a team. It's a group of individuals, employees on the front line who represent your company in the good times and in the bad times, like a week ago, Thursday. And when that part of the organization feels like they have been empowered by the strategy of the company, that the turnover rates of your frontline are low for a reason because they feel like they are part of a winning team and you back them up, your execution with whatever offer you're putting out in the market is going to be optimized. It's going -- you're going to get the most return you can when you get an environment like that with your workforce. That's where we have been.

And a year ago, I described some of the changes that we had made in our distribution strategy and how we've shifted how we go to market in certain segments. And we still have room to go. We are not -- I mean, make no mistake, we're number 3. We're not the leader in mobility in terms of subscribers. We are in third place. Opportunities in front of AT&T, some of which are internal, some of which were external. Let me lay them out for you. Not every fiber customer of AT&T is a wireless customer of ours. Not every wireless customer of AT&T that has access to our fiber is a fiber customer of ours. I call that upside against a customer base that we already know. And in fact, they've been with us for a long time. And so the risk of expanding your book of business with that account is much safer than it is for a new prospect where you have no relationship with.

Our enterprise business, our mid-markets, we are not the share leader in wireless in small and medium-sized business. Upside, and we've talked about that. You've heard John talk about that. We are still making progress to gain in that regard. And then lastly, we're seeing a growing segment in the wireless space of what you might describe as -- some described as the value segment, the single line or the two lines. And this is where you see a lot of prepaid to postpaid conversion. You see cable playing in this part of the value chain a lot. We have not put that as a priority in the past.

And now we've got such good cost control in the company and our execution is strong, we see an opportunity there as well to participate in that part of the growing market. And so while overall, the macro -- maybe we won't have subscriber growth the way we did the peak of the pandemic, but at AT&T, we're not the share leader. We still have room to grow within our known customer base in these very specific segments that we know we don't represent the share leadership position in. And that's kind of how we think about prioritizing our capital where we put our distribution elements to go grow, the mobility business in a durable manner. So these customers that we bring on to the AT&T family stay with us for many, many, many cycles, and that's how you build a business.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Picking up on that word durable, I think the pricing dynamic has been something that has been received well by investors. But I think there is this question about durability. And it's sort of a surgical where we're going to attack this base this year and this base next year. And just how sustainable, how repeatable is this? What have you learned from some of the moves you and others have made over the last couple of years and the customer receptivity on at least more like, say, broadband has done for many years?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. I believe -- when I look back over the last 2 years, I believe it was our CEO, my CEO, who went out first. Fact check me, but I think I'm right...

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Wall Street Journal, I remember the interview.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. And the way in which we went out balancing the value equation between how much something costs and how much value the customer gets. When you hear words coming out of any executive at AT&T and we say we are customer-led, that is the truth. The research that we do, the panels of discussions that we have with our current base and prospect customers guide us to how we go about optimizing the value equation with a very colorful palette of customer cohorts. You use the phrase, maybe there is one specific segment that gets addressed in any one particular pricing action for us. We've been doing this since John announced it multiple cycles, yet our churn has led the industry, should give you confidence as an investor, hopefully, a potential investor that's wanting to buy in that when we listen to what customers expect, they are willing to pay for services that are rendered to them the way they want it. And as we tune our pricing strategy broadly with our existing mobility base, we're letting that guide us, how frequently, what do you have to add to it, and most importantly, how can I, as the end consumer get more value out of AT&T? I got a good idea for you. We've got both fiber and wireless, and we can make a very durable relationship with that household, really hardened against any competitive threat when we lean in and invest like that. And the customer gets what they want and we're able to walk the industry up an ARPU stack, which all investors should be pleased with. That's why I say this wireless industry is healthy, rational. It will move. It will adjust. But by and large, all the plays that you see right now, I think, support that statement.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. So one of the big success stories for you in the last few years has been FirstNet. So that's driven a lot of growth on the business side and some pull-through. You recently inked a multi-tenure extension up to $8 billion of CapEx. So just talk us through the impact -- the importance of that? And how are we done yet? I think you're probably over 5 million subs, what's the opportunity from here?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. Definitely -- first of all, context setting when the original FirstNet RFP went out and we were the winning bidder for that, the contract contemplated a transition to 5G. This was in the foresight of the team that put the strategy together. What we announced was the consummation of that next step. This is not something that's incremental. It was planned for. It just happened to be planned for later in the calendar, the annual calendar cycle. And our first responders, they obviously do really important work. And our mission critical, by definition, they themselves and the FirstNet authority wanted to accelerate the adoption to 5G. And that's why the deal was inked a little bit early.

From an investor's perspective, this is all within our CapEx envelope. This is not incremental capital coming off the table towards that, that we have to sacrifice for something else. It is a continuation of the same kind of funding program that we had established at the very beginning of building out the core network. So in summary, as we execute this, we will build a 5G core for the FirstNet Authority just as we did build the 4G core for the FirstNet authority that operates FirstNet. One of the reasons why the recovery of that FirstNet service was very fast, we could go Thursday. It proved -- the design proved accurate. And your -- part of your question was, well, is there more opportunity? Yes, there is more opportunity.

We're excited to work with the first responders and the FirstNet authority because once you have access to 5G, there are incremental things that are available beyond just smartphone type applications. And I think a year ago, Simon, I might have commented that as we at AT&T think about partnering with the FirstNet authority, end-user devices are important, obviously, mission-critical, but think about all of the fleet vehicles that our first responders use and them being rolling WiFi hotspots that are fed by 5G. This is an expansion of a market, not a share take from another player in the market. This is bringing these technologies and services to that part of the customer base, they figure out new ways to use that kind of connectivity, whether it be a patrol cruiser or an ambulance. It's consistent with what we see in the consumer market. The appetite for bandwidth is not slowing down.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

So you think we're getting closer to that time where we can see some of these additional services that 5G, the promise of 5G, the network slicing, things like that?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

I think you'll see some of that. Certainly, it's been developing a little bit quicker on the enterprise side. I believe there will be applications for the first responders that may make a little bit more carryover sense to the consumer market, and we're excited to do that. Low latency in the network edge for really urgent real-time, video conferencing or assistance from remote center to help first responder deal with the situation. Things like that are kind of commonplace. They're not really all that sexy, and probably won't make headlines, but the fact that it's now able to do that with very minimal latency with a high-quality, high-performing network, I think you'll see those use cases expand. Virtual reality, augmented reality, the things that are starting to bubble up. But I'm not declaring any new product. I'm speaking just generally. I'm not telling you we've got something planned on that specific.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. DISH's 10-K had a number of references to AT&T being the primary wholesale partner over time here. And I don't think you've talked about it very much. Just philosophically, how are you thinking about -- particularly now you've turned on a lot of C-band capacity. How are you thinking about wholesale within your wireless service revenue mix?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

It's an attractive category and segment. We have historically underperformed our full potential was. Part of the DISH agreement helped fill some coffers there. But first and foremost, Simon, our investors, we spend a lot of money on the spectrum. And when we look at our capital allocation priorities and the investments that we're making to lift that spectrum, as you know, because we've talked about it, we placed the priority for the use of that spectrum for our premium postpaid mobility applications. Where we might have excess capacity, where we don't see any kind of spectrum exhaust and where we might be able to bring a little bit more traffic on the network, be it with a fixed wireless type of application or maybe a wholesale arrangement with partner in the local area, we explore that kind of decision tree as opposed to we're looking to go out and really expand the wholesale business writ large across this entire network. I mean spectrum costs money and getting the right returns for our investors requires discipline on that capital allocation.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

I mean you've made it very clear in a number of occasions, so I'll come on to fiber more broadly in a second, but the import -- the dominance of fiber over other competitors, including fixed wireless. But as opposed to a year ago, you now have over 100,000 Internet air customers in just a few months here. So I mean it seems like it's got a lot of traction in the channels here. So what have the learnings been? Have you been surprised by the customer reception to that?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

No. We haven't. I mean, remember, we were very disciplined in how we take the fixed wireless product set and apply it geographically in the market and customer by customer. And where we've got other products and services, having both networks under our care, we put our priority on fiber or our higher-speed fixed networks and serve our customers in that fashion. The customer uptake is it's not been overwhelmingly successful like it's set new records. It's kind of been right down the Goldilocks swim lane for us right down the fairway. What we're learning is what we suspected that there is an insatiable demand for high-performing bandwidth and these fixed wireless customers use a lot of data because once you get access to higher speeds, you're going to consume it. And the more you have good performing WiFi with a good Internet connection, you're going to have more users in the household consume it concurrently.

And that's one of the reasons, Simon, why we've been very deliberate in how we apply our fixed wireless tools, which markets we go to, what trials we launch, get the feedback from the customer because we're customer-centric and how we can tune that to make it not only perform better for a customer but also generate the right returns we need to see being good fiduciaries of our investors' money. I would say that when I think about fixed wireless, Simon, we haven't talked about this a lot, you and I, but fixed wireless for the mass market consumer was one track to think through. There's a complete parallel world in our business segment, even though this isn't something that pops inside of our business wireline P&L, the use of fixed wireless for remote medium-sized businesses and small businesses is really a successful product. The consumption dynamics of that customer set are much lower than the average consumer. And so it kind of fits within the..

Simon William Flannery - *Morgan Stanley, Research Division - MD*

The higher ARPUs probably as well.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Higher ARPUs, there's incremental features that you offer in those applications. And so...

Simon William Flannery - *Morgan Stanley, Research Division - MD*

So where are you on commercializing that? Because you've obviously got a tremendous scale on the SMB and the enterprise side of things.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

We've been selling that product for well over 1.5 years. We are updating that product portfolio as we routinely do to bring a bit more commonality between our hardware, just for synergies, it's not for product integration. And we'll continue to feed that part of the organization with that solution when they're out selling a multi-site account where I don't have a fiber passing in that territory and as opposed to having to borrow somebody else's network and be subject to contract negotiation, we can use fixed wireless in those cases to connect it up, right? So that's -- tactically, that's how we think about it. We've engineered every grid in the nation with the best network architecture, we can possibly bring to it. In some cases, it's wireless only. In some cases, it's wireless and fiber. And we're trying to stay very pure to that design.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Great. So if we can turn to consumer wireline. We're coming up 25 is only next year, and you'll -- that's your fiber build timeline, but you've also opened up this 10 million to 15 million incremental fiber homes passing. So help us just understand where you are on that kind of go, no-go type decision? Because you've also got BEAD out there as another potential an investment driver.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. So please take this away clearly. We passed 26 at the end of last year. So we're on course and speed to deliver our commitment of $30 million in 2025.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Locations, yes.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes, commitment. We are committed to doing exactly what we have shared with investors. This is important. We've got capital prioritization. Our priorities include achieving our leverage ratio that we've communicated. As we look further, though, we know that there are 10 million to 15 million incremental locations that are attractive. They meet the return characteristics that we've been currently building against. And so our goal, we aspire to be in a position where we can keep the build going. It's not like we plan to stop at 30 million and say jobs done. If the returns are as attractive on those incremental 10 million to 15 million as they are today that we're delivering real time in our current build. And there are decisions to be made by John and the Board longer term about how much further we go or how fast we go. But right now, it's delivered to 30 million, penetrated and achieve our leverage target, continue to invest in our wireless network. It's a really good balance right now. We feel like we've got the right investments in our supply chains, in our delivery teams, in our construction and engineering organizations. I mean the volume at which we're bringing on new fiber locations in our footprint are fantastic.

Regarding BEAD, the 2 states that achieved or received the highest amount of support being Texas and California, of course, both within our footprint. So our wireline footprint, our fiber footprint lines up nicely with the BEAD footprint. We're excited to see how that transpires here in '24. That will help us maybe expand edge out a bit and serve what is really needed in underserved communities, investment in infrastructure to bring possibility to that part of our -- those parts of our cities and suburbs. Does that answer all your questions? Do you have one more in there?

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Well, just on the BEAD, how are you thinking about, as you learn more about the individual states, I guess, the timing and the attractiveness of, like the requirements and maybe ACP is a bit of a wild card there as well.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes. For ACP, I think John and Pascal touched on this in the fourth quarter. We -- whether or not ACP -- well, I guess, with ACP funding, the [operating] are in question, does that change our outlook or how we operate our business? And we publicly stated it does not. We're completely comfortable with the guidance that we've offered. And we have other programs that are not connected to BEAD that help customers in these circumstances remain connected to the network appropriately. So that's not really a change agent for us in our strategy.

And BEAD, it's a local game. So the engineering that's done, the interaction with the local community and the municipalities to go about achieving an award and then the accountability to go build that network on time and schedule so that you do it in compliance and correctly requires a lot of infrastructure out in the states, which we have because we own and operate a massive wireline network, which is one of our advantages. So we like our chances there to be successful, and many of the attractive BEAD awards we've already had. Several awards prior to the BEAD program that are in flight right now. And we've done this. This is AT&T. We know how to do it.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Right. And just one last one on business wireline on ARPU and margins. How do you think about the opportunity to continue to drive those? Because I think you have upside to industry levers on...

Jeffery Scott McElfresh - *AT&T Inc. - COO*

On fiber, yes. Look, I -- another thing I really want to share with the audience is I've been in the company 28 years. When -- if I could introduce you to a prototypical customer who is on our fiber network, they're going to talk to you. They're going to give you feedback on AT&T that's going to include things in words like love. I mean the customer adoption of our fiber product is the fastest I have ever seen in my history with this company. We build it, and within 12 months, 1/3 of the people self-select. It's not hard to sell it because of the engineering and the quality of the design. And we don't have contract. To your point, it's everyday simple pricing. There is no entry-level pricing that resets a year later, and our churn, solid. Our investment thesis, every time we think about passing and investing in a home, unlike fixed wireless, yes, I'm going to invest fiber to connect your home up, Simon, but I'm connecting up your home with fiber. .

One day, you might not own your home. Somebody will own your home and they too will be an AT&T fiber customer, which is kind of different when you think about serving broadband connectivity with fixed wireless. It's a bit more of a company to customer dynamic. For us, as we think about investing in fiber, we think about it long term. To do that, I need a sales organization to penetrate it. And we're approaching -- we're a little over 39% pinned on our consumer network, which is just fantastic. It's proof that all the incremental inventory we're bringing on is at the same time getting penetrated very quickly.

And every time that happens, that is an investment dollar turned into revenue quicker than our business case assumed. And as I mentioned earlier, with the convergence mindset, selling not only that and installing only the fiber service by bringing with it mobility, it's just a real winning value equation. And those customers that are converged that have our wireless and our fiber have the lowest churn, the highest LTV, gives us the highest

NPS and they use words like love it. So the success for us is we just need more of them. So investors should say, Jeff, bring me more of them because more of them results in more operating leverage and more free cash flow production, which gives us choice of what we do with our capital.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

And I guess GigaPower gives you another option, and it expands your TAM on that side. Any updates there on what we should look for? I guess you're going to give us numbers later this year?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes, we will. It's been less than a year...

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Or today?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

No, not today. I don't get to set news. That's very clear. You won't let me make news today. It was just May of last year that we inked the deal, so less than 12 months ago. And what I would share -- what we were testing is, will our brand hunt in a market where our brand is not known for fiber wireline broadband services. Now of course, we get a mobility platform everywhere that's one of the benefits of owning and operating both a nationwide wireless network and this wireline fiber network. And I would just say that pedal to the metal, heads are down. GigaPower is building. We are selling and penetrating and learning from customers exactly can we repeat our in-footprint strategy out of footprint. And I'll be excited for John and Pascal to share more details on that because it's a really nice leverage model to expand. Also connects with your wholesale question as you think about it in the future about how AT&T is wireless and a partner's fiber might go together. And that's it. I'm not going to say anything else on that.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Understood. On business wireline, I know it doesn't capture your entire business relationship because there's a lot of growth, as you said, on the wireless side. But whilst we've seen consumer wireline pivot to growth, that hasn't happened yet, and it's an industry-wide issue, but I think you have talked about maybe EBITDA flattening. But where are we on that journey? And what gives you confidence that we're nearly there?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes, we're still in the middle of it, different than the consumer wireline business when we took that when I joined and looked at that, yes, it wasn't growing. First was getting to growing revenue, then growing EBITDA. Finally, the last leg of the term was growing subs, and we're kind of in that moment right now. It's the same playbook, generally speaking, with business wireline, but the legacy services like office telephones, [pods]. I don't know about anybody in the audience, I don't have a desk phone. And most of my employees they just use their mobile phone. So we've already converted a lot of that legacy service over with a catch product known as mobile, which we don't count in the business wireline P&L. But we saw at the end of last year a little bit of pressure on the wholesale side that we disclosed. And we're seeing trends of companies grooming some of the older products and services. Maybe it's -- I'm saying maybe, maybe it's coming out of COVID. As companies are reestablishing points of presence in offices, they're grooming their services a little more aggressively as kind of as we are grooming our own services, and we've got to work through that. Working through that requires running an optimization play there in the legacy part of the business, while at the same time, continuing to drive solid growth and performance in the fiber side. It's not scaled large enough yet, like you see in the consumer wireline. It's not scaled large enough yet to overcome the legacy revenue decline. It will get there. We just have to keep plowing ahead, how we buy ourselves some time on the EBITDA line is we still have actions in place that we are executing to improve the cost side of that business so that we marry up the revenue pressure that -- on the legacy with an appropriate cost improvement to minimize some of the EBITDA pressure that we may see. And all in, when I look at the enterprise business, wireline and mobility combined, I mean, we're growing EBITDA. It's just looking specifically at the business wireline segment. It's going to take us a cycle before we get that part of the portfolio to a stable and ultimately growing contributor to the business. But we're committed to doing that. It's important.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

And a big part of that is the cost side of things. You talked about transformation right at the top of the discussion. Given the conference theme, I'm sure generative AI is going to be pretty much a part of every conversation. How is AT&T thinking about the opportunities that presents?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

So far, we've deployed versions of AI, not quite the GenAI, the latest release for the last several years to help us optimize our workflows in the company and the dispatches for our technicians, and that has contributed significant improvement in customer service and the cost side. It's one of the major contributors to our $6 billion transformation cost takeout program. Bots, automated assistance that we have in our care centers. Now we're taking this generative AI and our leader, Jeremy Legg, has done this inside of the IT space. We're using the tool to rewrite some legacy software applications that (inaudible) are still in Cobalt, and they're in mainframes. And getting the AI tool to convert that from Cobalt to a language that some of us remember, C++ helps us accelerate getting some of these applications to the cloud, which are currently kind of like locked up in the mainframe. And that's the next implementation internally, and we've got other small examples scattered around the operations. We're definitely going to use the automation and the tooling inside of our enterprise organization to help us become more effective out on the front line serving mid-market customers as well as improving the cost in the enterprise side -- on the core business wireline side.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Well, we're just out of time. But just one last one on CapEx more broadly. We've talked about a lot of the components of it. Your guide is down about $2 billion this year. How are you thinking about it? Is that the right level going forward? Are there still other things that could free up more capital?

Jeffery Scott McElfresh - *AT&T Inc. - COO*

It's the right level. Remember, our capital expenditures aren't going down, but the CapEx is due to financing the projects spend...

Simon William Flannery - *Morgan Stanley, Research Division - MD*

I mean we got a new deal with Ericsson.

Jeffery Scott McElfresh - *AT&T Inc. - COO*

Yes, then -- that's all within the envelope. So it's all within our capital guide. The network modernization announcement we made late last year to multisource the network. Yes, so in time, when we publicly stated, like we aspire once we're out of this heightened capital investment cycle to get our capital intensity into the teens. We haven't put a date on that or timing on that, but we'll work to move that down. My goal is to grow revenue so that I can continue to invest in more high-performing network and achieve that intensity target.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

Great. Jeff, thank you for joining us. Appreciate it.
