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EDITED TRANSCRIPT

T.N - AT&T Inc at Deutsche Bank Media, Internet & Telecom Conference

EVENT DATE/TIME: MARCH 12, 2024 / 5:00PM GMT

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PRESENTATION

Bryan D. Kraft *- Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Welcome, everyone. Welcome back again. I'm excited to introduce our next guest on the stage here. Pascal Desroches, the Chief Financial Officer of AT&T. Pascal, welcome.

Pascal Desroches *- AT&T Inc. - Senior EVP & CFO*

It's a pleasure to be here. Hello, everybody. Maybe before I forget, I'm supposed to remind everyone of the safe harbor statement that's up on the slide here and available on our website.

QUESTIONS AND ANSWERS

Bryan D. Kraft *- Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

All right. There we go. Maybe to start off. It seems Pascal that sentiment among some investors, it seems like that AT&T hasn't really progressed from where the company was back in early 2020 when the balance sheet was stretched. The dividend wasn't sustainable. The wireless business wasn't growing and the company had a lot of exposure to the media and Pay TV distribution industries. Maybe you could take the opportunity to walk through really how much AT&T has evolved over the past 4 years since John Stankey and yourself stepped into your respective CEO and CFO roles?

Pascal Desroches *- AT&T Inc. - Senior EVP & CFO*

Yes. Look, I appreciate the question, Bryan. When I take a step back, we were a company that had all sorts of different parts, media, connectivity and advertising business. We have spin that down to now where we are a core connectivity provider. Our goal and our aspiration is to be the best connectivity provider in the U.S., led by having great capabilities in both 5G and fiber. Over the course of the last 3 years, not only have we simplified the company, we've reenergized growth.

Let's take first our Mobility business. During the last 3 years, we added nearly 8 million, I think the exact number is 7.8 million postpaid phone net adds. We've also grown wireless service revenues by over $7 billion annually. I mean that -- so that gives you a sense of the success we've had there. And I feel really good about how we're executing, our network gets better every day, and we're really pleased with how the Mobility businesses progressing.

Consumer Wireline. It's -- we were in a business that was principally [DSL] declining revenues, declining earnings. We've made the pivot. Fiber revenues will grow faster than declines in legacy products. We've more than doubled our fiber revenues in the last 3 years. We are growing the business nicely. And as we make our way through the transition, that's going to create opportunities for margin expansion within that business unit, we still have a considerable amount of legacy copper infrastructure that will just take us time to get through. But as we get through that, we are really pleased with what we're seeing already in terms of fiber and the maintenance profile and the durability, less (inaudible) for repairs, lower power demand, all things that really set us up well as we make our way through the transition.

In Business Wireline, we're still in the midst of a transitioning candidly. I think we need to do better there. It's where not that we had an opportunity to do better. As you think about Business Wireline, the growth vectors there will be fixed wireless, principally focused in small and medium-sized businesses. I think we have an opportunity to do much better than we have there. Also, we're increasing our fiber locations that creates a natural entry way to expanding the TAM on small to medium-sized businesses. And our Mobility business relationships continue to perform very well. For the last 2 years, on average, we've grown Mobility on the business side, 7% the service revenue.

So you take a step back, those are items that ultimately, the growth in those will ultimately outpace the declines in legacy. But we're just early in that evolution. And in the meantime, what we will do is we'll -- in addition to leading in on those products that we expect to grow, we're going to continue to drive efficiencies across our business. So look -- I take a step back 3 years into the job, we are on the cusp of -- we've already started to grow the business, and we're on the cusp of get into our leverage targets next 12 to 15 months, and that sets us up really well to start to evaluate other options for shareholders once we get there.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

We're going to hit on a number of those areas as we go through. But maybe to start with Mobility at the industry level, what's your view on the health of the wireless industry today and its ability to sustain growth over the next several years?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Overall, look, I think we said this in our release that went out this morning. We're really pleased with how the business is performing. Clearly -- Yes, we don't have same volume of gross adds that were in the marketplace in '21 and '22. But it's -- we're still growing the overall industry. And we compete for the gross adds that do come to market, coupled with making sure that we are driving churn as low as possible by giving our customers what they want and continuing to invest in network to make sure that we're never at a competitive disadvantage on the network side. So those things, overall and our execution, really happy with how we are performing so far this year.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

How do you see subscriber growth and ARPU trends for AT&T specifically planning out this year?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Look, here's what we said, we expect the modest ARPU growth and that's a function of the fact that you had pricing actions that went into effect last year, [departed] the year, where you have subscriber intake and movement up the ARPU stack. And there are certain other pricing actions that we've announced recently. So all those things together should provide us with a modest ARPU with. I would expect thus to compete very effectively through the gross adds that are in the marketplace and continued with a maniacal focus on churn.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes. I mean, bringing up churn, how is AT&T managed to bring postpaid phone churn down to the lowest level in the industry? And what's your confidence in being able to sustain it going forward?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Really, one of the things, and I'll give Jeff McElfresh, our COO; and John Stankey, our CEO, a lot of credit. They realized we were not being competitive in our retention offers or our go-to-market offers where we aren't at parity with our peers. So therefore, okay, we need a massive step-up in investment, I mean they were outspending us 2:1. We've caught up that we're at parity. And as a result of being at parity and giving our customers what they want, plus making steady improvements in our network, that's we're deploying the additional C-band spectrum in 3.45 spectrum we acquired. All those things are continuing to improve our network and so the consumers have no reason to leave us for giving them the same deals that we're getting to new customers. We're -- so we're keeping churn low and we're able to compete for gross adds which -- and what's really exciting is that as you look out.

As we add more fiber homes, the ability to provide a converged offering where we have attractive economics on both sides, we're not [great] payment network the way some of our peers are. And I think that's a distinct advantage that we have that over time will allow us to one, churn down even more. We are proud that where we have both products, the churn profile is better than each individual product. So the ability to lean into that unique opportunity will give us -- gives us every confidence that we can maintain churn at really low levels and actually attack and a set of opportunities that we currently -- we didn't have even if you just looked a couple of years ago.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

All right. You made reference to the cable operators there in your comment. How (inaudible). How have their market share gains in mobile affected AT&T? I mean has it negatively impacted your postpaid phone net adds? Or is it showing up in prepaid? Or do you feel timing and impact? Just curious on your thoughts there.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

This is what I would say. Typically, if you look at parts of the market they are succeeding. It's typical 1 to 2 lines, a lot of prepaid to postpaid migrations. And most of our accounts come with more than 2 lines. And so we are playing in a different part of the value chain. You add on to that, I think our results for the last 3 years speak for itself.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Our wireless service revenue growth over the course of the last 3 years had put up against anyone. And I think that speaks for itself. Our porting ratios [of cable] have not changed measurably over the course of the last 3 years.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

I wanted to ask you about content bundling. AT&T is the only big 3 [MNO] that doesn't really feature content bundling in its premium mobile plants today. Wasn't always that way. So I was just curious, why is that? And why is your product strategy is different in this respect?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

I think it really goes to -- like we like to experiment with what is it that the consumer really wants from us? Yes. We have a portion of our base that does get content. And they're happy. But we also recognize that some wanted more hotspot minutes. So we gave them that or some they want international roaming. There are different -- range of different customers, and it's really meeting the customer where they're at. And I think our strategy has proven to be very successful.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes. And AT&T and FirstNet just recently announced a 10-year network investment plan. Can you explain this development? And what it means for the company?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

We take the responsibility to service our first responders very seriously and it's where we are incredibly proud of how we partnered with FirstNet. You see the results. Quarterly, we announced the connections -- FirstNet connections, and we're incredibly pleased with that. And we're honored that they chose to continue that partnership with us for the next decade. And then what it means is, look, we're going to continue to -- we're going to roll them out onto 5G, we make sure that first responders continue to have first priority. And importantly, all of that, we think we can do within the overall capital envelope of the company. And so you take a step back. It's the ability -- you have an opportunity to serve the 3 most important frontline responders in the U.S., that's an honor. And we're able to make the business around it and attractive for us. So all checks many boxes.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes. Okay. Let's shift to Consumer Wireline. You've laid out a plan to reach 25 million fiber homes by the end of next year.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

30.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Sorry, 30. Yes.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Location, yes.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Obviously, I think -- by the end of 2025. But you've also talked about the intention of expanding further post-2025. So how successful is the fiber build-out been? And how are you measuring that success?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Great question. Here's -- you take a step back, we really started to lean into 5 or 3 years ago. I said on my opening comments, we've more than doubled our fiber revenues. We expect to get to 30 million locations in 2025. We've announced that we have an opportunity for an incremental [10% to 15%] in our own footprint beyond that. All that is aside from the amounts that we have invested in GigaPower, where we are the anchor tenant, our 50-50 JV we are the anchor tenant, and that is in Phase 1, that's expected to be 1.5 million subscribers or locations passed. And in success, if we're penetrating that and getting returns, there's no reason why we would stop at [1.5] million.

So all of a sudden, you start to see the opportunity set 30 million next year. It's 30 million locations next year, an incremental 10% to 15%, we're going to add thereafter and whatever is done in GigaPower. And we haven't really -- we don't understand yet what the opportunity is going to be indeed.

So all that makes us feel really good because relative to when we originally [going] with the business cases, we are penetrating fiber faster. Our ARPUs are higher. Our churn is lower. So there are lots of really good things happening. And I take a step back and I said the only limiting factor is the CFO saying, we've got to do this and at the same time, delever. And we couldn't be more pleased. The ability to then take that expanded TAM in fiber locations parent with our wireless product and draw churn lower -- really prospects are really good for us as we look out the next few years.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

How about ARPU? I mean fiber broadband ARPU has been growing over the past few years, but there's still a discount to other fiber-to-the-premises providers. So how should we think about the pace of fiber broadband ARPU growth going forward?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

What's been driving the growth importantly is customers choosing to buy into higher price plan to give them more consumption. When you look at the consumption patterns over the last several years, and we think there's no reason why they shouldn't continue. [Fiber] will be having ample broadband at the right speed symmetrical. Fiber is the only solution that could provide that. And so I think we have a natural ability through customer self selection to move up the ARPU stack, coupled with -- given the value that we are conveying, there's no reason to believe we're not going to be able to [take] price especially when we're at a discount the cable on a like-for-like plan.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes. What about -- from a competitive standpoint, do you think you can sustain broadband sub growth and ARPU growth as the cable operators continue to sell discounted wireless [bundled] mobile with broadband and also as Verizon and AT&T continue to push forward with fixed wireless?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Why -- I would tell you just look at -- we've done this at a time where cable has gained significant share. We continue to grow. So I think if we just stick to our play, give our customers what they want, compete for the new adds that are in the marketplace. And -- and as it relates to broadband, look, it's a better product at a cheaper price. So I think there are enormous opportunities there.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. And then I wanted to ask you about AT&T's fixed wireless product. So the company relaunched it in August of last year. How should we think about the trajectory of wireless sub growth? And I know that you're using the product in a different way than your largest competitors. Maybe if you contrast for the audience, how you're using it in your business [profit] to them.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Sure thing. If it's wireless, probably [wireless] I was taking on the role, #1 question I was getting was why can't you do more fixed wireless, why don't you lean into it the way your peers are. At the time, what we said is it, it's a product that we would consider using as a catch product, it's partially populated areas, and there may be some interesting use cases in small and medium-sized business.

We introduced a consumer product last year. And the way we are using it is catch product, vastly populated areas. We're going to introduce a business product, a new iteration of a business product. That is also going to be, I would expect to be small- to medium-sized businesses that don't have the significant bandwidth consumption. Why do we put a caveat like [others] is we understand the cost to serve bandwidth on a mobile network, it's much more expensive than a fixed network.

And if you are a high consumption user, you are getting -- you're selling a product at a discount to fix, and it's going to cost you more to serve that product. And we just -- we never thought the economics -- we're attracted to long term to use it as a solution for consumers on a broad scale basis. So -- and our views on that haven't changed. While it may feel good today to those that are really leading in over time, the cost to continue to add capacity to the network, we'll make many of them, we think the offering.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. And I wanted to ask you about profitability in Consumer Wireline, margins were 31% last year, which is at the low end of scaled operators in the industry. So how should we think about margins going forward and the opportunity to expand them? And how do you ultimately bring margins up to, say, more industry levels or kind of top of the industry levels?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Here's the important thing to keep in mind. We have -- in that business unit, we are carrying a massive copper infrastructure that's been in place, that's still producing cash for us, but also comes with a big fixed cost. And we'll go through a product life cycle. At some point, you're going to get to critical math that you're going to be able to decommission and take out some of this cost. And what will be left is a world-class fiber network with very attractive maintenance profile, very attractive energy consumption. And so there is a no reason why you shouldn't have margins with the same characteristics, if not better, than our broadband peers.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

And you talked a little bit about convergence already. Maybe if you could just talk a little more about your stance on convergence of wireless and wireline broadband services? And just your kind of strategy going forward to really take convergence to the next level, if you will.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

You take a step back, you have the wireless companies providing broadband -- their wireless network as I just described, long term, the economics around that are not sensible. You have the cable companies providing wireless using somebody else's network. Long term, the economics of that are not very attractive and you are hoping to the [MVNO] -- your wireless partner to give you a good deal.

We are uniquely in a position to provide both on our network. We plan to increase the TAM where we are today. We ended last year with 8.3 million fiber subscribers, penetration of about 39%. There is no reason why penetration shouldn't go up such that we have 50% of the market in any given market because we're choosing to go to market where there is 1 fiber incumbent and not 2. And we think in that regard, we're going to be able to get our fair share.

And you layer on top of that the ability to add a wireless product where we don't have the way it's -- we don't have it. The churn profile goes down radically, the cost to serve is -- and the ongoing customer acquisition cost is lower. So look, we are in an unique position that no one else has. And the opportunities are in front of us. We don't have to go out and acquire, do any acquisitions in order to build upon the advantage we already have.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. Let's shift to Business Wireline for a moment. This segment has seen EBITDA declined pretty significantly over the past few years. How should we think about the trajectory of business wireline going forward? Do you expect EBITDA to stabilize exiting this year or at some point longer term?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

It's been declined in the last few years, and we've managed to grow the overall business. And I think that's one that we are committed to continuing to do that. And I'm -- there is confidence we can. With that said, I think we have opportunities to do better.

Where it comes down to how do we take the fiber that we are laying and really leading into small- and medium-sized businesses in those communities. There's no reason why we can't do more of that. Our TAM will expand and we'll bring a better product and cable at a much more attractive price point. And with very little incremental cost to extend to the local businesses.

Two, I hope we have an opportunity to really lean in on AT&T Internet [here for] business, that has to be part of the growth vector. We're seeing growth in IoT relationships. It's been growing nicely, and I would expect that to continue and our mobility relationships in business are very attractive. Those -- that's where you will get growth. But we are still -- we're in the middle innings of legacy declines. It's [massive] revenue, legacy voice and data and [BPM]. Massive revenue base that will continue to decline, but we think we can manage that and still grow the overall company.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. Middle innings. Okay. Is it -- does stabilization in EBITDA largely come from is waiting for legacy to get small enough? Or can you get there just with the growth in the strategic services like fiber and fixed wireless?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

I think you can need both. You're going to need both -- you're going to have to grow your connectivity revenues. Those are high-margin revenues that as they grow, they fall through the bottom line and over time, we're going to have to live through a legacy decay curve. And I think there are plenty of cost to take out as those legacy revenues decline. And that look -- that is the pivot we are on, and we've been on for the last few years, and we've managed to still grow the company. We have line of sight to continue to delever even with that dynamic in place.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

You touched on costs a little bit already, but I wanted to ask you about your cost transformation goals. You've outlined an additional $2 billion plus of planned cost savings in addition to the [$6 billion] run rate that's already been achieved. Where are these cost savings coming from? Is it copper, where...

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

It's important. Look, we understood we needed to invest significantly. We understood that we had legacy businesses that were going to decline. So we leaned into our transformation program with those being -- understanding, we have a challenge ahead of us, and we have to become more efficient. So where do it come from? It came from things like shutting down retail stores, getting much more efficient with customer service, getting much more efficient in [fuel just] pass-through both with those through the use of artificial intelligence or before generative AI, which will give us incremental opportunities. We also shut down a lot of our real estate and our administrative staff, all contributed to the $6 billion plus. And I would tell you if I look ahead, the opportunities remain in real estate, remains in optimizing customer service, field dispatch.

And look, when you think about your own purchasing relationships, most of them happen digitally now, I would guess. And we still have a lot of opportunity to drive more digital sales and so, all in all, look, it's -- we still have plenty of opportunity. We said [$2 billion] plus by the middle of 2026. And all that is part of how we're going to continue to manage the overall decline in business wireline and still grow the overall company.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

How do you balance the cost cutting with making sure that you're making all the necessary investments to perhaps sustain growth?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Yes. Look, if you look at how much we've invested, we're investing more than anybody else. And I would expect, because we are pursuing a double strategy that we -- in terms of -- as about we will probably continue to do so. We understand the importance of doing that, and it will build a sustained advantage long term. That's something we don't want to give up and we won't give up. And fortunately, we're at a point where we can invest meaningfully and delever and cut costs because there's a lot of legacy costs that will come out as the business -- as the legacy revenues [fall] away.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

I mean we think -- I mean this -- I don't mean to bore you guys. But look, you have multiple billing systems to serve legacy products. You have all sorts of legacy infrastructure in our central offices that are needed and you're not able to sub it down because you're servicing a legacy footprint. Over time, those will go away. And -- and that gives us enormous confidence that we should be able to drive margin expansion long term.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Let's shift to network and CapEx for a moment. The midpoint of your CapEx guidance is about $2 billion below last year's actual CapEx. What's driving the step down? And how do you see CapEx trending beyond 2024?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

One thing to just keep in mind, we guide the capital investment. Capital investment is in year capital expenditures plus payment for capital incurred in the previous years. Last year, a big part of our capital investment was to paydown build that had happened in 2022. As we look out this year, a larger portion of our capital budget will be towards projects in an year and so we are actually doing more things in 2024 than we did in 2023 as it relates to the new revenue generating -- revenue supporting initiatives.

And this is why we've been saying it's really important for us to manage down our vendor payables in addition to our -- on-balance sheet debt because that gives us an opportunity. If you clear enough of that out, more of your spend is going to be on projects that will produce revenues even though you're spending on your absolute level less.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Yes. You mentioned that once you reach the fiber goal at the end of 2025 to 30 million locations, you plan to continue to build. I mean is there any way you can help us to think about what the pace of that build out might look like? Is it -- is there any reason to think it would change from what you're doing currently?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

It's really the important thing. You get to middle of next year, we would have hit our leverage target, right? And assuming we remain at 2.5x and given where interest rates are today, we're probably comfortable [living] within the 2.5x [umbrella]. So the capacity that gets freed up by just remaining at 2.5x gives us an opportunity to continue to invest, perhaps even more than currently or to build and also look for other ways to deliver value to shareholders, whether that be buybacks, incremental dividends in addition to investment to fiber. So all those things would be on the table and the Board will have options in terms of deciding what it wants to do in terms of overall capital allocation.

And -- we've been working really hard towards this, and it's really nice to, hey, we have line of sight. And it's really a pretty exciting time.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

One of the opportunities, I guess, for capital allocation is the BEAD program. So as those programs slowly takes shape, how do you expect AT&T to be involved and participate in the program?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

It's -- I think time will tell. Here's what we've said. One, we think it's incredibly important to help bridge the digital divide, no questions asked. It's nothing -- it's a core part of our overall mission. With that said, in order to put shareholder money to work, it also has to provide us with a sensible return. We know how much it costs us to build homes in our footprint, and we feel really good that with what's ahead of us that we have really attractive opportunities.

The deep funding will be incremental to that. And the real question comes down to, with is the subsidy, what does net of the subsidy, how does the price per location pass compare to our own (inaudible). To the extent it puts us at to give this advantage, we -- that would not be attractive to us. What's really important that, that is -- there's sensible way and realistic expectations on the level of subsidy needed in order to really help build out. And until the rules get set, it's hard to quantify what that opportunity is.

But importantly, we are -- our cost to build is lower than anybody else's, and we are really good at it. And I would submit that we are in the best shape to take advantage of it, but it has to be sensible.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

And then maybe we'll wrap up with free cash flow and capital allocation, which I know you touched on a bit already. But maybe if you could just talk about your confidence in meeting the free cash flow guidance this year, $17 billion to $18 billion? And also, how should we think about the impact of bonus depreciation if it is reinstated by Congress?

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

First, just to level set, this year, we got to $17 billion to $18 billion. That's coming off a year where we delivered $16.8 billion. We're going to grow our earnings this year, and we guided that we're going to grow EBITDA [up] 3%. Our capital midpoint is $2 billion less. So 3% growth, $2 billion less, I feel pretty good about that. If you add to that an increase in taxes expected, that's how you get to $17 billion to $18 billion largely. I take a step back and ask, okay, what could go wrong? The economy is always a big question. But so far, the economy is -- the consumers healthy economy is hanging in there. Besides that, I feel really good about the trajectory.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. Great. And then -- you probably already touched on it to the extent you're going to, but I'll throw it out there anyway. Just capital allocation priorities once you do get to the 2.5x in the first half of 2025, should we think about that as probably buybacks or how...

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

First of all, it's going to be a Board decision. But here's what I would tell you. We understand that investors have been patient with us. And in going through this transformation of the company. And with that comes to responsible to make sure we are looking to reward shareholders, whether it be through earnings growth or other mechanisms. And I'm sure all those things will be on the table, whether it's buybacks, whether it's dividend increase, all things that we will put for the Board's consideration.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Great. Thanks, Pascal. Great discussion. Thanks for joining us, everyone.

Pascal Desroches - *AT&T Inc. - Senior EVP & CFO*

Thank you, everybody.
