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PRESENTATION

David William Barden - *BofA Securities, Research Division - MD*

Appreciate everyone for coming. My name is David Barden, I head up U.S. Telecom Services and Communications infrastructure research for Bank of America. I'm really pleased to have here, again, this year at our 2023 Global TMT conference, AT&T. We're represented by Chief Financial Officer, Pascal Desroches. Pascal, thank you for coming.

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

It's a pleasure to be here. Greetings, everybody. It's always nice getting back to London.

David William Barden - *BofA Securities, Research Division - MD*

But before we begin, I think we have to make a quick safe harbor statement.

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

Yes. Look, I think the information is on our website. Some of the statements I'm going to say are forward-looking and, therefore, are subject to risk and uncertainty, but refer to our website for more of a cautionary language.

David William Barden - *BofA Securities, Research Division - MD*

You did a great job. Perfect. I feel forewarned.

QUESTIONS AND ANSWERS

David William Barden - *BofA Securities, Research Division - MD*

So, thank you Pascal. So let's just jump in. There's a lot to talk about. I think especially sitting here in Europe, and we'll get to this a little more, but there's just a lot of questions about the big picture (inaudible) stuff that's going on in the U.S. wireless market. So let's kind of start off with the biggest picture kind of in the macro level. I think when -- it feels to me? Like a lot of investors maybe are kind of throwing in the towel on the idea that we're at imminent threat of recession. But about a year ago, you guys came out and kind of talked a little bit about how they're most kind of a post-pandemic macroeconomic kind of impact on customer payments and that sort of thing. A year later, given what we know about the economy and customer behavior and such, kind of how would you characterize your comfort level with the American consumer and your business in general?

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

Yes. Let me just start, just to make sure that I provide the right context regarding what you were referring to. Last year, in the middle of the year, we said, look, we saw a normalization back to pre-pandemic norms in terms of payment patterns. Consumers have been paying very early during the pandemic, and we've seen that normalize. And that has not changed from where we were then. And bigger picture level, I think what is important is, I think we are operating at a time where the industry construct is really healthy. Subscribers are growing.

In Q1, as a reminder, we delivered record first quarter wireless service revenues and profits. We have -- our ARPU is growing, and we had among the lowest churn in the industry. So I take a step back and I look at our performance and I look at the broader industry performance, everybody -- the industry participants have raised prices in the last year, I think is a signal of the confidence that there is. So overall, revenues are at all-time high. Profits are an all-time high for the industry. So I would describe the construct is really healthy.

And what we have said publicly is that we expected a normalization of overall industry growth. '21, '22, we saw really elevated levels of growth. Coming into the year, we said we expected that to normalize. And it, in fact, has continued to normalize. But it's still growing. In Q1, we grew over 400 postpaid phone net adds. This quarter, a couple of factors that are going to impact this quarter's performance include, and John Stankey mentioned this when he spoke at JPMorgan.

David William Barden - *BofA Securities, Research Division - MD*

At where?

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

And another -- at one of your peers, yes. And he said, we expect an impact from a government contract we decided to walk away from that wasn't profitable for us. Call that around 75,000. And if you look at that, you also look at slightly elevated churn during the time where we had our competitors introduce new pricing constructs. Now that elevated churn has since normalized back to what we had been seeing in the last couple of years. You put all that together, we're expecting this quarter around the low 300s in terms of postpaid phone net adds. When you normalize for a slight uptick in churn and the 75,000 with the government contract, you're probably at around the same run rate that you saw in Q1.

And a reminder, the second half of the year is typically seasonally higher because of holiday sales. So also, we feel really good about the pace of business as, importantly, the quality of the overall subscriber mix. When you have ARPU growing and we're already at really attractive ARPU, and you have profits growing off of record levels, we feel really good about the overall space. And I think the industry construct is incredibly healthy.

David William Barden - *BofA Securities, Research Division - MD*

So that's actually helpful color. So that's kind of new information. So I think Street consensus, subscriber expectations, probably before having been adjusted for what John said the other day. It was about 420. So that probably gets you in the lower 3s, maybe a month of 5 basis points of higher churn. That's about another 35,000 or so. So that's about 110 impact. So it probably seems to me to land you in the kind of lower quarter of the 300s. But if I add those 2 things back, saying churns normalized, we're not going to lose another contract in the third quarter, third quarter, you probably have a 4 handle on it, is safe to say?

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

Well, I'm not giving a fourth quarter...

David William Barden - *BofA Securities, Research Division - MD*

I know I'm being greedy. You just gave us 2Q.

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

I just gave you 2Q, I'm not getting -- stay tuned. We report earnings being the end of July. So stay tuned. Maybe we'll give you a little bit more then.

David William Barden - *BofA Securities, Research Division - MD*

What I would point out is that Street consensus for third quarter sub is 390. So it does seem like that's probably a little on the conservative side. Okay. So thank you for that. I'm just doing the math, sorry. Helps in this job. And so -- but at a kind of a bigger picture level, like thank you for that data. But when we headed into 2023, there was this kind of big question mark about having done 9 million postpaid phone net adds as an industry in 2021 and in 2022. And the cable industry taking kind of 3 million of that or so on an annual basis, maybe that or even better. I mean we don't know what's a real sub and cable these days.

But there was a question mark as to how the telco industry would end up dividing what was left. In 2022, AT&T took 3 million and T-Mobile to 3 million, and you split the wireless business, 50-50, and Verizon basically took none. In 2023, kind of feels like everyone's basically feeling about the same amount of pain. Would you say that we're at the normalized run rate now for 2023? Or does it slow further into 2024, you think?

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

Look, it's hard for me to speculate in terms of what exactly happens. But here's what I would tell you, here's what I look at, because not everyone counts subscribers the same way. What's important to me is when I look at our overall wireless service revenues, that is expected to grow 4% plus. In fact, for the first half of the year, I would anticipate us delivering around 5% for the first half of the year. And so overall, like this is a really healthy share of the dollars coming into the industry. And I think what's important to us is that we are disciplined and make sure that the offers we're putting in there, we believe we can get an attractive return on them and that they are sustainable.

And that's really the place we've been running. Our business is -- I couldn't be more proud of the team and the execution around our wireless business. I mean we went from a place where we weren't growing, we were losing share to one where now we have added share. We're growing wireless service revenues. We're growing ARPU. We're growing profits. It's really a healthy dynamic, and I couldn't be more proud of the team and the execution. And our goal is to let's not chase subscribers for the sake of chasing subscribers. Let's be disciplined. Let's make sure that we are getting an attractive return on those. And then over time, that's really the key to succeeding in this business.

And what you've seen even from our peers, look, our peers have raised prices last year twice. And so I look at that as another sign of the confidence in the industry. And so, look, I feel really good about how we're approaching things. And in a business where you require a network to really be a competitive player, I feel really good about how we're performing and how the industry overall -- the industry construct overall.

David William Barden - *BofA Securities, Research Division - MD*

The -- so thanks for that. So that 5% growth in the first half, obviously, gets helped a little bit by the anniversarying of those price hikes that you implemented at the first part of last year. And as you mentioned, just recently, your competitors have instituted some new pricing plans that, our math suggests, there are actually price increases depending on who takes them. What is -- is AT&T inclined to kind of continue moving up the price curve at the margin?

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

Needless to say, I'm not going to discuss our pricing strategy here on stage. But here's the way I think about it. We're always looking at opportunities to move consumers up the value stack, whether it's through higher price plans, whether it's through additional products and services. So let's take handset insurance, it's something that we've -- the team has done a really nice job of deeper penetration of handset insurance, and that is part of the equation in our improving ARPU.

Similarly, we have a next up to offer. If somebody wants to pay it a little extra, such that we guarantee them a device at the end of their current contract, those are all ways to really push on price without necessarily raising prices. And we've done a really good job at it. And I would anticipate that we continue to look at opportunities. But I have nothing specific to report.

David William Barden - *BofA Securities, Research Division - MD*

Okay. So I mean it feels like the dynamic between T-Mobile, Verizon and AT&T inside the wireless business is pretty rational and prices seem to be moving in the right direction. People are growing on the subscriber base. The next conversation is how the wireless industry interacts with the cable industry. We talk about -- a lot about, especially in Europe, the topic of convergence and how important is it that you have a broadband offer for wired and for wireless that you can bundle together.

How big of an existential threat is the cable industry to the wireless industry, given the tools they have, because they look like they've been having -- taking a pretty big dent out of the market in the last couple of years?

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

Here's the way I would -- here are some context for you to keep in mind. 2/3 of our subscriber base comes with more than 2 lines. Cable, as you know, most of their customers are 1 to 2 lines. I would imagine many of our peers, they're also probably more than 2 lines. And that's generally how most of the American public buys. You buy a family plan and allows -- affords you certain discounts. So that's one fact. And for cable, it's really hard for them to do that when you are on a variable price plan for your network.

Two, there has been -- one of our -- one of the cable companies acknowledge that 50% of their additions the last couple of quarters are nonports. So again, I look at that and say, okay, it gives me a sense for the quality and the economics of those subscribers. And I think there is an element of prepaid to postpaid migration. When you're getting it for free, it's easy to do that. So all those things are probably part of the subscriber mix and share that is being taken. But I look at it and say, okay, when I really want to compare apples-to-apples, what's happening in share of revenue of wireless service revenue? And I like how we are competing, and I like our ability to continue to compete in that way. So we feel really good about the dynamics there. And look, cable will do what they do, but I think they largely are playing a different pool than we are and targeting for the customer base.

David William Barden - *BofA Securities, Research Division - MD*

And just with respect to kind of how the cable company has been pricing, it's been getting a little bit more aggressive, it seems each year for the last couple of years, and including some of the offers where you get a combined broadband offer. Have you seen any impact in porting ratios or kind of change in flow share between yourselves and the cable industry as a function of that?

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

By and large, our porting ratios relative to cable as an industry hasn't changed in the last 12 to 18 months. So that gives you a sense for their share gains are not coming at our expense. I think what you will find is when you look at cable's footprint and who's likely to be impacted, you can -- and you look at one of the big competitors, what has happened to their shares during that period, I think it's fair to say that they are probably the ones that have been impacted most significantly.

David William Barden - *BofA Securities, Research Division - MD*

And so before we leave this topic, we have to talk about DISH and Amazon and what the hell?

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

What exactly is it? It's sort of like -- those of you who watch Seinfeld, it's a show about nothing. This was a rumor about nothing.

David William Barden - *BofA Securities, Research Division - MD*

So just for the record, so AT&T was not in conversations with Amazon about partnership, wholesale relationship, anything like that?

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

No.

David William Barden - *BofA Securities, Research Division - MD*

And you put out a statement to that effect publicly?

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

Absolutely. Look, even more fundamentally, when they look at -- we, T-Mobile and Verizon, the only 3 companies with networks in the U.S., nationwide networks. What have we said? No. Amazon, why would Amazon do this? Amazon is -- has high penetration, let's say, north of 80% of U.S. households. Would they really enter into a variable pricing construct for an incremental 5% to 10%, also with a player that is unproven and doesn't have a built-out network at this stage? I'm just not sure that their -- any of the players have the incentives to really lean into this at this stage. So overall, look, DISH is a partner and we really appreciate the partnership, but there is nothing to the rumors that have been discussed.

David William Barden - *BofA Securities, Research Division - MD*

So DISH is a -- we've talked about this in an interesting way for a long time, DISH and DIRECTV coming together. Charlie has said many times it's an inevitability. And everyone believed that because he was kind of a full-time satellite operator that AT&T might be interested in selling DTV to DISH, and you could split the synergies, however you negotiate it. But now that DISH is kind of in this distressed position, as a kind of a 70% owner and 50% controller of the DTV asset. Does AT&T see any reason why they might want to be a potential buyer and white knight for the DISH business?

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

Look, here is what I would tell you. We got out of this. We separated from our satellite platform, and we have it in a construct where it's being optimized. The team led by Del Moro and our partners at CPG, they're doing a really good job in optimizing that asset. Before we would -- before they would decide to do something with another party, whether it be DISH or somebody else, I think there is a fairly well-defined bar that we had. Right now, last year, the asset has produced $4.5 billion for us. This year, we've guided to around $3.5 billion.

We have really good line of sight over the next several years as what we believe the cash flows will come out of that business. And whatever we would do would have to be incrementally much better than that. And so right now, we are in a really good position with the asset. And look, would we look at other opportunities? We always do. That's our job. But the bar would be pretty high in order to do something to try to accelerate more value creation.

David William Barden - *BofA Securities, Research Division - MD*

Got it. And then I guess, very last, just it took you -- beyond what you've already kind of explained a little bit for the European investor who's kind of watched the European telecommunication industry struggle for a lot of reasons. Anything else you'd like to say about why the U.S. is not going to become a European telco market?

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

First, one of the things that I think we don't talk nearly enough about is in order to really have a healthy market construct, you have to create the incentives for investment. The amount of investment in the wireless business year after year after year by the major participants is substantial, and it's showing up in the quality of service that we have. And that quality is only going to get better with the mid-band spectrum deployment that's happening. And I contrast that to the markets here where lots of players, lots of fragmentation. You haven't had the same level of investment.

And I think the U.S. government is acutely aware that like there needs to be the right balance such that you get -- you allow industry participants to get an attractive return. I mean I can all -- I turned on the TV yesterday and the CEO of Vodafone U.K. is talking about merger with Three. It shows you, look -- and he's talking about right now, we can't cover our cost of capital. And so it's a real problem if you don't provide the real necessary incentives. And I don't think the U.S. is going to do that. And look, I feel the construct is really healthy right now and I don't see it changing. I think over time, much more likely to be like the Canadian model, I guess.

David William Barden - *BofA Securities, Research Division - MD*

That's not a bad model. So free cash flow, let's talk.

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

I'm surprised it took you that long, Dave.

David William Barden - *BofA Securities, Research Division - MD*

I had to like keep everyone in suspense a little bit. It's storytelling 101. So here's the story, right? A year ago, we had an Analyst Day, March 2022, you guided $16 billion of free cash flow. We got to the second quarter result, and we lowered it to $14 billion for some of the reasons we just talked about, higher handset volumes, post-pandemic normalization of accounts receivable. So then we kind of roll forward into 2023, we're guiding to $16 billion or more free cash flow again, and we show up in the first quarter with $1 billion. And it seems like a pretty steep hill decline for the rest of the year.

So I think we got this question earlier today, it seems like maybe John wanted to kind of give us a little bit more color around cadence and that sort of thing for free cash flow for the rest of the year. So I'll just throw it out and say kind of what should we be expecting in the second quarter? Where is the bar to know that we're okay and we're not going to have to maybe think about lower free cash flow later in the year?

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

Here is the way I would characterize the cadence of the year. First and foremost, the $1 billion we produced in Q1 was in line with our expectation. And it reflects peak levels of capital investment, peak payments for devices from last year's holiday season and the annual incentive compensation, the annual bonus cycle. All 3 factors we understood coming into the year were going to be at peak levels, and it's impacted us. We said it was going to be -- Q1 was going to be the lowest and it would gradually improve from there.

As we think about Q2, we are expecting lower device payments, both sequentially and year-over-year. Two, we're not going to have the annual incentive compensation. Three, capital investments should moderate some. You put all those together, offset by -- partially offset by less than -- by less DIRECTV distributions in Q2 than Q1, what you should see is free cash flow for Q2 in the $3.5 billion to $4 billion range. And so it's -- and that is right squarely in line with what we expect coming into the year. And as we move from here, we expect continued acceleration as we make our way through the balance of the year.

The factors to keep in mind are capital will continue to moderate as we make our way through the balance of 2023. Device payments are always seasonally the lowest in Q3 and Q4 versus the first half. And so overall -- and let's not forget that we are growing earnings in this business and cash. So all those things combined gives us really good confidence that we will be at $16 billion or better.

David William Barden - *BofA Securities, Research Division - MD*

Okay. Good to hear. So I have to ask because the first question that's going to be running through everyone's mind is that $3.5 billion to $4 billion is probably in line to better than what the Street maybe was expecting for the quarter. Are you doing it in some unnatural way with a weirdly low CapEx number? That $24 billion of capital investment is still the number, I assume?

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

Yes, it is. And look, capital always is going to fluctuate some. But by and large coming into the year, here was our major objectives. Let's get to 200 million POPs for mid-band spectrum deployment, and we are on pace to do that. Let's add 2 million to 2.5 million fiber subscribers, and a variety of other things. All those things are -- continue to be our plan as we sit here today. CapEx, capital investment in Q2 will be fairly healthy. And it will moderate naturally because in the first half of the year, you will see that we are running ahead of the $24 billion guidance.

David William Barden - *BofA Securities, Research Division - MD*

1Q was annualizing, I think, around $26 billion. So you're going to have to -- naturally, that number had to come down. But I was making sure it's not coming down at a weirdly low level.

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

No, no. But the other thing to keep in mind, we have said capital investments will moderate beyond 2024, beyond 2023 into '24. In order to get there in a way that is natural and doesn't pull capacity out of our builds unnaturally, we have to gradually step down in the back part of the year in order to get to our new run rate going into 2024.

David William Barden - *BofA Securities, Research Division - MD*

And again, so if it's not CapEx, any other -- again, I'm going to have to just double check. Weirdly low cash taxes that might pop up and become an issue in the second half, or weirdly below working capital that we have to deal with in the second half, other things. I'm going to look at the 2Q free cash flow number, $3.5 billion to $4 billion, I'm going to go, all of that makes sense?

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

Yes, you should.

David William Barden - *BofA Securities, Research Division - MD*

Okay. Great. And the $16 billion or better is still on track for the rest of the year because...

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

Absolutely.

David William Barden - *BofA Securities, Research Division - MD*

So Street consensus is around $15.8 billion, so we have some people to convince still, right?

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

Look, I think what we can do is be very clear about what we expect in the cadence. And Q1, we probably could have been clearer when we said it was going to be a little watermark, we could have been clearer. And as we move through -- that's why, look, I was -- I gave you a sense for what we expect in Q2.

David William Barden - *BofA Securities, Research Division - MD*

So there's a lot to talk about. I think maybe just while we're on the topic of free cash flow, you've got a deleveraging target of about 2.5x for 2025. There's a lot of stuff that goes on between free cash flow and actual changes in net cash. So give us a sense as to kind of comfort level and cadence of how we get to the deleveraging target.

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

Yes. Here is the thing to keep in mind, like we took a major step function improvement last year with the WarnerMedia separation. At the time, we understood that we still had spectrum clearing payments to make. We still have payments to make on our NFL Sunday ticket. And we also had a redemption of our mobility preferred. All those things were going to be part of the mix as we get to the first half of 2025 as our target. And from here, other than another $2 billion of spectrum clearing payments that we are scheduled to make, largely we should be delevering between now and first quarter.

If you look at annual dividend obligations of $8 billion, another $2 billion or so are preferred, versus $16 billion or better this year, and what we would expect is growing earnings and growing cash. All told, it initially would give you a sense for the delevering path [back] to estimate problem this year, we end with net debt around $128 billion.

David William Barden - *BofA Securities, Research Division - MD*

Off the top of my head, what does that mean? Give you in terms of leverage ratio.

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

It should put you in the 3.0 range.

David William Barden - *BofA Securities, Research Division - MD*

Okay. Perfect. So 3.0 for the end of this year and then over '24, '25, we can take out another half. And then the CapEx trajectory continues to kind of drop over that period?

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

Yes. It should moderate. And John Stankey, he said this publicly that our goal is to get a mid-teens capital intensity. So that should give you a sense for what we -- where we expect to run this business long term.

David William Barden - *BofA Securities, Research Division - MD*

And you've thrown out about a $20 billion capital investment number down from the current run rate $24 million?

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

We said towards that, yes.

David William Barden - *BofA Securities, Research Division - MD*

Got it. Okay. So maybe shifting gears just a little bit, so we make sure we talk about this one. AT&T's kind of taken a different tack than Verizon, T-Mobile, who have kind of been going after a fixed wireless access broadband strategy on an national basis. You guys have kind of really pursued a fiber strategy in region, and then you've started to explore with other strategies, the GigaPower business out of region. I guess Samir just joined the Board of that. Saw that, congrats. Can you talk a little bit about your fiber strategy and why fixed wireless access is wrong and fiber is right?

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

Yes. I wouldn't say fixed wireless access is wrong. Here's what we have said in our belief. Fixed wireless makes sense in cases where you have a, let's say, a rural community where it's really hard to make the economics work on a fixed connection. So that's a situation where it's fine. You may have certain class of business customers that don't have the significant bandwidth consumption that would come from consuming in the home because no video streaming, no game playing, that may be fine. And in fact, we've had a business fixed wireless product that is doing fine.

Where it becomes really hard is if you are putting it out in an area where you have a significant wireless footprint and you -- and it could potentially require you to continue to make investments in your network for economics that are not nearly as attractive as your core wireless product or a fixed connection. Instead, what we have chosen to do is, to the extent we have excess capital, let's invest in fiber. This is, without a doubt, the technology that's going to be around 20, 30, 40 years from now. It's really attractive from a maintenance profile, lower power consumption. And right now, we -- the pricing is -- that we're seeing in the market is much better than we even thought and we're still at a meaningful discount from cable.

So over time, we believe there is room to move up the ARPU stack, and the durability of that makes the returns really attractive. The other thing that investing in fiber will allow us to do over time is continue to have more of our wireless traffic offloaded onto our fiber network. So all things that make this an incredibly attractive investment for us and one that we think we do exceptionally well. We are the largest fiber provider in the U.S., and we are adding more than anybody else. So that's all before GigaPower which we said to start, would add 1.5 million locations passed. But in success, there's no reason why we would stop there.

And also, we had -- there will be over $40 billion of government subsidy to assist building, with a preference for fiber as the build solution, coming to market middle of next year. All, again, allowing us to expand our fiber reach. And so for the foreseeable future, our priorities will be to invest incremental dollars into fiber. But at the same time, it's really important that we get to our leverage target.

David William Barden - *BofA Securities, Research Division - MD*

So you guys have talked, I think, about being probably towards the end of life of the last kind of $6 billion 3-year cost takeout proposition. You talked about fiber build being kind of a leading into the market share opportunity. Probably ARPU's a top line kind of contributor, but it's also going to be a bottom line contributor as you are able to kind of take out the copper network infrastructure underneath and so there's kind of like a 2-sided benefit. Could you talk a little bit more about maybe what the opportunity is there?

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

Yes, I really -- I think it's important, and we probably haven't done the job we need to, to shine a light on just the tremendous value we are building in the fiber -- through fiber deployment. Go back a couple of years, 3 years ago, we had a copper consumer wireline business that was in decline. Revenues, profits were all declining. We've stepped up our investment in fiber. First, we got to a point where revenues were growing; now fiber revenues are larger than our copper revenues. Then we hit the inflection point on profits where we were starting to grow profits. So all that is before taking out a massive fixed cost base associated with our copper network.

And as we decommission portions of our copper footprint, there'll be chunks of fixed costs coming out, which will drive margin expansion in consumer wireline significantly. When you look at a scaled broadband provider, there is no reason why our margins shouldn't at least match those when you look at the maintenance profile, the electricity consumption, all those things are superior with fiber. And we believe over time, we can push pricing significantly.

And so all told, like this is going to be a really attractive business for you -- for us. As you can tell, I'm really excited about this. This is an opportunity once in a lifetime to really build out fiber and be the biggest fiber provider in the U.S., and we're going to be the only company with an at-scale mobility business and at-scale fiber business. And I think that's going to accrue very well to our shareholders.

David William Barden - *BofA Securities, Research Division - MD*

And just with the last couple of minutes we have, that's a good story. And it looks like -- it sounds like it's turned the corner on EBITDA, EBITDA growth. It took a while to get there. But now we're here, and it looks like the path is bright. The enterprise side has been a little bit of a drag, has been the little drag on revenue and EBITDA growth. With this fiber build or any other kind of green shoots that you see, can you foresee a time when you'll be able to tell a story in enterprise that looks something like this that we stabilized EBITDA and get it to grow in the future?

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

If we're doing our job as a management team, I would expect nothing more. Let me give you a sense for where I see what's growing in that business and where the growth vectors will be. One, we are adding to our enterprise fiber footprint along with our consumer fiber footprint. And we think we have really good opportunity in the mid -- small and mid business category. We've been underpenetrated. We've seeded ground to cable and we are -- we have a lot of opportunity to get better in that regard.

Two, there's going to be a whole new suite of services that are going to be unleashed by 5G. I think we haven't talked about it nearly as much as our peers. That's because it's too early, it's probably at least a couple of years away. And -- but nevertheless, whenever you introduce a new connectivity solution, up a new connectivity generation -- new generation of services, it will create new products. We have a long history of that happening. And we're experimenting with a number of enterprise customers, and that will invariably pay dividends in the years to come. But too early to size that for you.

Three, we have massive opportunities to take cost out of that business. And it's something we have done a lot last year, but there's a lot more to go, and that's also going to be the opportunity. But all that's going to be offset by continued decline in legacy products. And as we are decommissioning a wireline footprint, there is going to be big chunks across that also come out related to the enterprise business.

David William Barden - *BofA Securities, Research Division - MD*

Got it. We kind of ran out of time. But Pascal, thank you for sharing the AT&T story with us.

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

Thank you, Dave.

David William Barden - *BofA Securities, Research Division - MD*

Thanks for coming, and I appreciate it.

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

Thank you, everybody.
