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PRESENTATION

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Okay. Good morning, everyone. Welcome back to the conference. I'm John Hodulik from the media, telecom and infrastructure team. And this morning, I'm happy to welcome John Stankey, the CEO of AT&T. John, thanks for being here.

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Thanks for having me in. It's good to see. If you all take a quick look at the screen, you'll notice our safe harbor statement is up there, and it indicates that John and I are going to be talking about some things that are forward-looking. There may be some uncertainty and risk involved in it. And if you'd like to see more information on any of these things, you can go to our Investor Relations website and see the reams of disclosures that we have.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Perfect. With that out of the way, we've got about 35 minutes for Q&A. I've got a bunch of questions here...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

32 now after that, right?

QUESTIONS AND ANSWERS

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Exactly, exactly. And if anybody in the audience has a question, just hit them in the iPad, put them on the app, and I'll see him here and I'll weave them into the discussion. But John, why don't we start with the announcement you guys made last night. Moving ahead with Open RAN and a new agreement with Ericsson, do you want to talk to us about the sort of the timing and the implications for AT&T?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Sure. So first of all, I wouldn't blow this out of context. I mean part of the reason the disclosure and the announcement was made last night, it's material for the vendors that we work with. Within the context of AT&T, it's -- could be up to a $14 billion agreement over 5 years. I think most of you know, I mean, we'll invest $24 billion in our network this year. This is a component of our investment. It's not all of our investment. It's not all of our RAN investment, either it's a portion of it.

It's the right time for us to think about doing this. I don't ever recall that you, as an analyst, probably ever wrote a note that said AT&T made a technology choice and the foundation of their network, and it's going to give them this wonderful competitive advantage, and I don't expect that you're going to write that note today. After this, it's important in terms of the infrastructure that we do here, but we need to kind of keep it in context. And the context is we had an opportunity. We've been working hard on ORAN for a number of years. There's been progress, but it's been slow progress.

With the slowdown in the vendor markets, we were able to step back and say, what can we do to get an opportunistic agreement where we can drive vendors into a position to move more aggressively on ORAN to position us long term. Long term in particular, is whenever the next big investment cycle comes, that could be when more spectrum comes about if the government ultimately gets their policy together and figures out what they want to do. Could be at a 6G level, but we want to make sure we're ready to go when those moments occur. And we can take advantage of a little bit of a lull right now in the supply base of what's going on in terms of existing equipment.

And so we stepped back, looked at it and said, this was an opportunity for us to do that. And we had 2 very good suppliers. They both did good work for us. They both had really good equipment. We stepped back and said, how can we get to the most modernized network that gets the most amount of traffic across open -- potentially open interfaces. And it was this path that we chose with Ericsson. And by 2026, we'll have about 70% of our traffic across infrastructure that effectively will have interfaces on it that could be opened up for other supply. And that allows us then to think long term as we get the decisions on expanding the network and pushing it out further, how we choose to use a vendor base on that.

It's entirely possible. Nokia could be one of those suppliers of that more diverse vendor base that we ultimately start working toward. We'd obviously like to see multiple players there. We think that's how we manage, one, cost in the network, but also a degree of innovation on the packaging and that's going to become more important as networks become more distributed and you start dealing with smaller packages that have to get out because the macro game has largely been played out at this point. So that's kind of the logic behind it, and then it allows us to operate our business more effectively, right? It's simpler for us. It's one network infrastructure at the core. It's one set of systems that support it. It's all those things that you want to do that allow us to be a more efficient business and focus on what we really need to do with just serving customers and bringing new product to market.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Is ORAN -- just to finish up on the top, is ORAN as you look out a number of years, obviously, I'm not looking for guidance, but is it the efficiency gains that you see on the horizon enough to sort of move the needle from a capital intensity standpoint?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

I don't think it's going to move the needle from a capital intensity perspective. I mean we've been telling you, for example, '24, our capital intensity was going to tail off from kind of the peak levels we've been at the last couple of years. I expect that's going to be the case. I think we'll be right in between $21 billion and $22 billion next year in terms of where we're going to fall in.

We have a fair amount of investment that we want to make in other parts of our business that are still really important. I think what we're going to probably see is a little bit more efficiency on a unit level. But as I said earlier, the dynamic is that the units that you're deploying right now don't give you quite as much yield and coverage. And so you tend to have to do more units. So we're fighting this never-ending battle of getting more efficient to kind of keep up with traffic. I think that battle will continue. And I don't think I'm going to walk out and tell you, ORAN is the secret sauce to take this down to a single digit teens as a percent of revenue, capital intensity business. I don't believe that will be the case. It will be a tool that we'll use to continue to manage this and keep ourselves in that mid-teens level of capital intensity.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Makes sense. So one area where you continue to invest heavily is on the fiber side and the results that we've seen recently in terms of net adds have been strong, but ahead of where we were. How should we think of the longer opportunity for fiber deployment? You have a target out there for 30 million at this point. Where does that go over time? And if you could just talk about the economics you're seeing in that part of the business?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Well, it all ties up into capital allocation decisions for the business, and we've been very deliberate in how we've communicated that. First and foremost, we want to make sure that we do the right things to protect the balance sheet and we're doing that. I think you're seeing the results this year that are demonstrating that march that we want to get to 2.5x net debt-to-EBITDA. We think that's an important place to run the business to give us the flexibility to do what we want to do and how we want to respond to things that pop up in the market and opportunities. We're committed to doing that. We're, of course, committed to ensuring that we provide a competitive dividend on the stock. And I think we're -- we see those as very much within reach within the plan and the guidance that we've given you that those are things that we've secured.

Now the question is what else do you want to do? And right now what we want to do is finish the build on 30 million homes and execute really well, and we're doing that. Now do I think, as I've said, probably from the first day we announced that we're going to do 30 million. I said, of course, there's always going to be more homes get built. There's more opportunity that pops up. I have no reason to believe there isn't that in the future. If I were to look at our current performance right now, rate of penetration, the average revenue per user we bring in kind of where we get on share, ultimately, steady state, all those things, there's probably 10 million to 15 million more homes in our existing footprint that clearly, economically, are as attractive as the ones we're building right now.

How that plays out over time, whether 10 million to 15 million becomes 12 million to 17 million, I don't know. It's really not today's question. Will we continue to look for opportunity if we think the business is going well? Most importantly, if the regulatory environment stays attractive to building infrastructure, which is I think it will, if cool mines prevail and if good policy is put in place. We have a world-class infrastructure in this country right now because of good policies that have been in place. And I hope policymakers understand that and want to continue with those winning policies. Assuming that occurs, can we move beyond 30 million? Sure, there could be an opportunity for us to allocate capital to move beyond 30 million. I think as we just discussed, things like ORAN, what we're doing to get more efficient in other parts of our capital spend, open up opportunities to continue to do that within the envelope of how we've been operating this business.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Makes sense. We had a panel yesterday where we really sort of dug in on some of the regulatory -- some of the money that the government is allocating to broadband deployment.

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Boy, I wish I would have seen that. It's simulated.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Actually, one of the more interesting sort of regulatory...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

It is incredibly interesting.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

And there's a lot going on. There's a lot of different pools of money out there. I mean is that good or bad for AT&T? I mean, I think on the one hand, it could be good something you could tap into and maybe expand the footprint economically. But on the other hand, may create some other operator doing uneconomical things. So how do you see it?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

If the policy and the intent of the policy, which is to serve the underserved is a very, very good policy for the United States and by definition, if it's a good policy for the United States, I think it's a good policy for AT&T. I believe strongly that eliminating the digital divide and bringing everybody on the Internet is a rising tide that lifts all boats. And we're a boat that sits in this water of this country. And -- however, it gets done. If it gets done in a prudent and effective way, I think it will be really good for this country and really good for the economy, really good for the citizenry, really good for opportunities for new innovation. And I think that ultimately works to a company like ours advantage over time, even if we're not -- weren't directly participating in building that.

Now I also believe we can directly participate in that. You're correct. It's an interesting topic, and it's interesting because there's 50 permutations of the topic. And I do get a little worried. We're all taxpayers. We all want the money to be spent effectively. And I know that the government is trying hard to do that in a way that is executed well. But the jury is still out on that. And as I move around the country and go state-by-state, there are very different approaches being adopted in some places. I see some states that are very focused on getting money out there quickly and they're using KPIs, indexes as to whether or not they're effective as to how many people they get on the Internet, how quickly. I can resonate with that. I understand that. That's probably a goal of this.

There are others that are using it as an opportunity to maybe think about reshaping structure of the industry, and they want to drive smaller providers and more entrepreneurialism into the sector. I'm skeptical that you can necessarily be successful in what is -- I think we've demonstrated a scale business and that there are scale economies in this, and it's really important to sustain it that, that's necessarily an optimal strategy and to experiment with taxpayer money that way. But there are some states moving in that direction. So I think what's important is, from an electoral perspective, we hold those policies and policymakers accountable. We look around to see where the results are best. We try to influence through data and public opinion, driving people to the most effective outcome. And if we do that, I think as a country, we will be in a better place.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Let's stick with the sort of regulatory backdrop. Two things, more recently, one that we've been talking about for 15 years, net neutrality. And the other would be the digital discrimination. I mean those are sort of 2 new initiatives, I think, put forward by the FCC. It does seem like the tone is a bit different on net neutrality this go around, but just also your thoughts on the digital discrimination rules and what that means for AT&T as it relates to sort of deployment of broadband?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Yes. I'm not exactly sure what you mean by the tone is different on net neutrality. I would infer that the tone is different and that right now, most of the people in the populous when you say net neutrality, they go, what? And maybe previously, it was like darn right. Somebody needs to protect my Internet. And I think maybe there's kind of an apathetic tone on the issue right now because there isn't an issue.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Seems fine. Internet seems fine.

John T. Stankey - *AT&T Inc. - CEO, President & Director*

I mean nobody is walking around saying, there wasn't a website I couldn't get to recently. And in fact, more often than not, they're worried about whether or not the platform provider, the edge provider, the application provider is doing something to restrict their free speech or something like that. They're not wondering whether or not the pipe did it. It's whether or not the person who owns the platform did it.

And so if that's what you mean by the tone is different this time, it's kind of like why are we spending scarce time and energy, resources, policymaking capability on a topic that really isn't today's burning bush. It's not a really critical issue. And I stepped back and I asked that question, and I worry because we've got enough challenging issues in this industry that really need important cycles. We need spectrum. That's, for me, if you want to talk about let's secure the future of the Internet. Let's make sure there's enough capacity. You want to manage pricing on something, make sure there's capacity.

If there's more capacity, then pricing manages to stay down. When capacity is restricted, when people can't invest in more infrastructure, pricing is going to go up because it becomes a scarce resource. That's the best way. You get a market to operate efficiently. And that's where time and energy should be spent. I think we should work on closing the digital divide. And if aspects of making sure that, that money is being spent appropriately in a nondiscriminatory fashion in underserved areas as the legislation intended, it is important to do that because there will be oftentimes a single provider with government support on that, then that's where that time and energy should be spent.

The market in the rest of the areas that have already been served by competitive investment doesn't need that administration. And the legislation didn't intend for that to happen. The legislation intended to be a targeted look at what happened with government investment in underserved areas. And now we have some policymakers who have said, no, we're going to stretch this bigger. We're going to make it broader.

When there's 3, 4 or 5 providers in a market today and why we're concerned about discrimination when there's 5 markets -- providers in the market that are competing against each other, you don't need to spend time and energy on that. So if, in fact, that's where it goes. If, in fact, we see the proclivity of the regulator to move that direction, that was not the legislative intent, and I suspect there'll be challenges as a result of that because as you know, there's some celebrated cases right now of what's been going on with some folks who think that charter is the regulatory agency, can do what it chooses to do. And courts are saying, no, they can only do what the law allows them to do. And we'll watch that very carefully. I hope it doesn't go to that, John. I really don't. It shouldn't because the markets are functioning pretty effectively right now.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Makes sense. Maybe switching over to wireless. The wireless industry, and we had conversations about this last -- yesterday. Seems to be in a good place. But just can we get your thoughts on sort of the Black Friday and the holidays are a big sort of promotional period for wireless? Just what you're seeing maybe compared to what we've seen in past years? And then how is AT&T performing against that backdrop?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

The fact that you waited to like your fifth question to get to. I must indicate that it's in a pretty good place, right? And I think I would resonate, I'm glad that everybody has kind of come to my point of view where I have said that I see the industry as being very competitive and it has been, but also being very rational in its competition. And the way I would characterize it is, there was an unprecedented amount of investment into the wireless space. We're coming off of 2 record years in the industry of investment. And that's good. The policy must be right if that's happening.

And as a result of that now, I think those that made the investments are stepping back and saying, how do I earn a return on that investment? And they're making decisions that are appropriate and rational for the amount of money that they put into their business to do that. And I do see, while I see a very competitive bent on attracting new customers into your business. I also see carriers and service providers being very diligent around trying to walk customers up to higher returns with better ARPUs and trying to keep them longer as customers and they're doing it in a very appropriate and rational fashion. And certainly, I think what you've seen from what we've reported at AT&T that we've been effective in doing that with our customer base, and I feel really good about where the business is as we are moving through the fourth quarter.

The plan that we laid out for the year and what we've seen in the early days of the fourth quarter, which includes, of course, Black Friday, to your reference, is very consistent with what we expected. I would expect you're going to see sequential growth in our net adds from third quarter -- fourth quarter to third quarter. I think you're going to see very similar dynamics of how the business has performed at the level of promotions we've used from previous years. We see the market responding to our offers in a way that's very consistent with what we've seen in the past.

We're not doing it the same way as others. As you would expect, everybody finds their competitive swim line that they want to work in and we found ours, and it's been very effective the previous years and it's been very effective this year and the play we want to run. I feel really comfortable about some new areas that we've been able to get a little bit more effective in. I like what we're starting to see and how we're playing on the converged offers in the market where we either have fiber with no wireless or wireless with no fiber, and we're putting a lot of time and energy in that. We're seeing, I think, the early green shoots of us even figuring out how to do that better than what we've done in the past. So I sit here right now and I go, it's a holiday season. It's a fourth quarter that we laid out plans and we're running the plans. We're not having to alter the plans or change the plans much and that's a good thing.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

You touched on sort of ARPU trends and the ability to walk the subscriber base up to sort of higher tiers. There's also been some pricing actions in the industry over the last -- I mean, are those still -- we're a little bit further along in the process here. Is that still a source of upside to ARPU as we look out into '24 from both of those metrics and sort of how would you characterize it?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Yes. I think -- and I've said this many times. If you run a large subscription base, and we've run large subscription bases for a long period of time, every year is a pricing year. And maybe there's just been a little bit more in tune on it of late, I don't know. But every year is a pricing year. You always look at the base and ask yourself, are there places where you can deliver more value into a consumer and ultimately drive improved returns on what you're doing to invest substantially in that business? And I think there is more room to answer your question.

And there are a variety of different ways to go after it. And I think what's important and what we've demonstrated at AT&T is we can find ways to drive our relationship to sustain a relationship with the customer, get them in a position where they see more value, get them comfortable with the fact they may be paying for that value that they're receiving and do it in a way that doesn't disrupt our base. And we're driving record churn back in the business. I feel really good about how the team has executed around that. And I have no reason to believe moving forward, we won't continue to do that.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

And all these trends are sort of proving out in terms of the record wireless EBITDA you guys generated last quarter. I mean can you talk about -- are there any other sort of, aside from the strong ARPU and the subscriber trends, anything else we should think about in terms of the ARPU trends going forward? I know low upgrades have been a -- have definitely been a tailwind for you. But how should we think of the EBITDA trends going forward?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Yes. I think you should expect that we are going to -- we'll obviously give you guidance as when we traditionally do it in January after we report the quarter. But you should expect those trends have been established and they're not going to change. I would expect we're going to grow cash next year. I think we're going to grow cash on the dynamic of better EBITDA. We're going to get better EBITDA because we're able to grow the business, and we're getting better on the expense line. And a combination of ARPUs improving and us getting more efficient in how we're operating the business.

We've had really strong margins, and that's a good combination. We still have a ways to run on that. As we've indicated, we've told you we'd do another $2 billion of costs over the next 3 years. I feel really good about that. There is there is a momentum in the business that is an execution momentum. And I made this comment the other day in a meeting with the team. It's nice to turn over rocks and you're not looking for pebbles. And we're still turning over some rocks, and we're not looking for pebbles. There's still some meaningful opportunities for us to run our business more effectively. And I believe as we're getting better in the market, our fiber product is incredibly well received, our service levels are improving in our wireless space.

As we get better on combined offers, that's going to make us even better in the market, more effective in the market. And I feel really good about our prospects of continuing to grow our shares of revenue in the industry. And that's where we have been focused. We're less consumed on units per se. We're more consumed on whether or not we're growing shares of revenue in the industry. And that's, from our point of view, the sustainable approach to the market. I think we're doing that, and I think we have the right combination and mix of strategies to make that happen.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Got it. So finishing up on wireless. Obviously, a big topic of conversation has been competition from cable. You talked about converged offerings in the sense that we're going to see more of that in '24 from AT&T. I mean how would you characterize competition from cable in the wireless space? And I guess besides converged offerings, are there other things you can do to combat it? Or do you feel the need to combat it?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Absolutely. I mean cable is a very capable competitor. And they're certainly a very, very capable broadband competitor and they're smart individuals and would be very wrong to discount what they can do in the market. Now I also have been around this industry for a long time, and I don't know -- I'm trying to think of a resale model or a wholesale model in our industry that started when I was young in the business and still exist today and didn't run some cycle where it started and built a customer base and ultimately had to be aggregated into something else or sold or shut down.

So resale in an industry that has high fixed costs and input components are really important to pricing, it's tough. And that's why I think AT&T is in a unique position. We're in a unique position. We have a scaled owned and operated wireless network, and we have the largest fiber network in the U.S., and it's getting bigger by the day. And I think that's where we can run over the long haul and momentum is in our direction over the next decade as this industry restructures and changes. Where can we get better as a company? I'm very cognizant of where cable has been effective, and they've been effective in places where we are underpenetrated. They've been affected in the smaller 1- and 2-line type accounts, single-line accounts. What I would refer to, not in a disparaging fashion, but more of the value segment, people who are far more price conscious.

AT&T has done very, very well in other segments. And our growth has been because we've been ultra focused on some of those higher value customers, multiline accounts, family accounts and we manage those incredibly well. I'd like 2024 for my company to be one where I said we are better at the end of 2024 and working in that underpenetrated segment than we were when we entered the year. And some of the things when I talk about us focused in getting better as a company, getting our service capabilities lined up properly, tuning our distribution a little bit differently, are focused at us being able to maybe attack those segments of the market and improve our performance a bit. I've been around the industry a long time. You're not going to move tons of share quickly. It doesn't happen. But can we get incrementally better in that space that will take our strength that already exists in a number of segments that are delivering the strong results that I think you've been seeing over the last couple of years and make them even stronger? I do.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

And is that more on the postpaid side or prepaid side? Obviously, you have a prepaid brand that would -- is sort of more focused on that end of the market?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Yes. I would typically say it should tilt to postpaid. More often, we know who these customers are. We know a relationship with them that allows you to put them into a postpaid product. It doesn't mean that there aren't some that may be a prepaid construct is more appropriate for. And I think we need to be cognizant of the fact that we could get into an economic environment that's different than the one we're in now, if that were to happen.

Historically, in the industry, we see shifts in postpaid and prepaid occurred. During times of economic stress, it's possible we may see some margin shifts of some of those inbound customers, if we got into an economic environment that was a little bit more challenged. And look, if that were to happen, we've got the best prepaid brand out there. It's the best performing ARPU, lowest churn. We've got the right tool to carry on with that. And I feel really comfortable about where we're positioned in that space.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

So turning to Consumer Wireline and we started earlier in the conversation with fiber deployment. You had almost 300,000 fiber net adds last quarter, solid ARPU growth. You really -- and this seems very different than where you were a decade ago. You're really playing offense on the front foot when it comes to that consumer business. I mean do you feel that you've got enough infrastructure in the market that you can sort of sustain this level of growth on both sides of the fence, the sort of 300,000-ish sub growth and strong ARPU growth?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Are you going to write down your note that...

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Probably already have. But where is...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

It's good line. You should do that, John. We are. And the answer is yes. I think we have a cadence right now where at the rate we're building, we're building at a very, very comfortable pace. There is no stress in the system. I'd say I'll run back home, and, of course, I'll run into somebody in a [garage] or some place. You don't think I'm stressed. They work really hard to deliver the results we get. But we are at a very comfortable rate and pace from a supply chain perspective.

I think where we are from a talent and resource perspective, our ability to mark into inventory as it comes up, we're doing it in an incredibly -- the team has been really, really good in driving acquisition costs in the right way, getting yields. I've told the story about how we've effectively doubled penetration rate in the first year. That's a big driver of the dancing cash flows. So I think that's absolutely sustainable. And I think when you look at where we are, we could be at this clip and continue. We could probably even improve the clip a little bit more once we have some capital allocation decisions to make, could I possibly pick up a rate and pace if our unit costs structures were improving and we got some other capital efficiencies in the program that allowed us and gave us some space to maybe do a little bit more. I'd be very comfortable if we picked it up a bit more.

I think the other thing that we have that we should factor into '24 as we think about it, as you know, we've been fine-tuning where we are in fixed wireless. You're starting to see that play into the overall equation. I think you've heard my comments. I'm very measured about how we use the technology, but a very appropriate way for us to use it is when we know we're going to be building an area of fiber over the course of the next 24 months.

We have an existing long-standing, high-value copper broadband subscriber that maybe could get a better, faster service on fixed wireless, and we can hold them for that period of time. I think it's appropriate for us to use that technology to hold that customer. And if that slows down, some of the deterioration of that base while we're getting the new infrastructure in place to catch that customer, that's a good thing for us. And I think that will allow us, as we move through '24, to make some of our net numbers even better. So while we're growing the consumer space, we're growing EBITDA, we've turned this into a fantastic growth business. I'd like to see us get into a unit growth business for customers as well. And I think we now have the formula where we can start to see that happen in '24.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

If I remember correctly, I think you guys did this year or this quarter with fixed wireless. So that was the thing that really flipped it into the black. So you think that trend continue...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

I think it's going to be a little choppy, get into what I would call consistent growth. But what you're seeing is you're on the cusp right now of, look, the team is executing incredibly well. We've got some things that I don't know what housing starts are going to do in the next couple of quarters. I don't know exactly what the move rates are going to be given interest rates. That puts a little bit of uncertainty into the market as to what we're going to do. But relative to everybody in the space, I think we are performing incredibly well in bringing in some really high-value customers. I'm very satisfied with where the team is on that.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

And then maybe let's pivot to the business market a little bit. First of all, fixed wireless would seem to be a good way to -- you're gaining scale in terms of your fiber footprint. So that's going to help. And then a new tool in the toolbox with fixed wireless, probably more on the smaller end of the business. You can correct me if I'm wrong there. But talk about those 2 issues. And then how should we think of sort of the trajectory in general of the Business Wireline?

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Fixed wireless is great in the business space. And I think you've have no trepidation whatsoever selling that product on a national basis into the right business segments that are -- that typically aren't the folks that are sitting around streaming Netflix all day long and driving massive consumption levels. And with service differentiation, customers are often willing to pay a different amount. We have an opportunity to consolidate it in with other wireless services, given the size of certain accounts that make sense.

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And the other area I would tell you about is, look, we are -- don't underestimate this. We are the leading provider on advanced networking in the businesses. And fixed wireless is a backup to advanced fixed network infrastructure. It's a great complement. And when you start thinking about what that does for many of our customer base, where does AT&T typically play well in advanced networking? It's entities that have a lot of distributed endpoints. It's banks, it's retail stores, it's insurance brokerages. And all of these customers of ours don't want downtime. And when you think about being able to sell that fixed infrastructure for the core of their business, but ensure that they have backup with a fixed wireless configuration supporting that high-performance network, that's really important, too. So it's a great product in the business segment, and it will be really important to cross-sell back and forth between both networks.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

And then on the -- just the business market in general. I mean, obviously, a lot of secular headwinds that you guys are dealing with, a lot of it through shifting the product portfolio, but also cost-cutting. So how should we think of the...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Yes. I think, John, it relates to what you said earlier in consumer. We're playing offense in consumer, right? We're building and we're winning. We can get the business segment to that same place. We're just not there yet. Our share penetration in the low end of the business market, in the mid part of the business market is below where it should be. We have traditionally meet our bread and butter up market. That's where the secular impacts are occurring on technology and how customers are buying. We'll still continue to be an important provider of market. But what we need to do is we need to be more effective in the mid-market and the low end of the market. And we can be a significant share taker there because we've been absent from that space. We haven't had our distribution channels tuned. We haven't had our infrastructure deployed in the right places.

We've been doing that hard work over the last 2 years. And we're now seeing the green shoots start to occur of how that is bringing benefits back into the business, and '24 will be a really important year for us to get some momentum there. I'm confident that we can do that. Our brand plays well. We have the right products. It's not hard for us to get in and talk to those customers and convince them that we should be able to support what they need. We just haven't been present with them, and we haven't been focused there. And that shift is underway right now in the business. I have every degree of confidence that we can have the same conversation as we start moving into next year at this time when you say, wow, I'm starting to see there's some offense being playing. And you should be able to look at that in the numbers starting to manifest itself and see us coming back to a place where that segment performs as it should. I have no desire to throw in the talent and say this should be a declining segment in perpetuity. It isn't. We should be more pervasive in the business market, and that's how we get our growth.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Great. All right. So one last question to wrap up. You talked earlier about sort of free cash flow trends. Can you talk a little bit about as you look out, again, not getting -- asking for specific guidance, but talk about some of the drivers of free cash flow growth over the next couple of years. And then maybe touch on the sort of cadence of -- if we go back to the first quarter this year, I think people were surprised at the sort of lack of free cash flow in the first quarter. What should we think about in terms of cadence of free cash flow as we start to look at the...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

You don't want guidance...

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

I want everything, just short of guidance.

John T. Stankey - *AT&T Inc. - CEO, President & Director*

You want texture. It's a fair question. And I think let's start with the first one. I think you should see a little bit more ratable performance in cash flows as you move through '24 than you saw what's going to be a great year in '23. I think you're going to see great execution by the team. And we're going to have done exactly what we said we were going to do. We're going to have delivered it, frankly, the way we communicated it would be delivered. But we're going to do it without a little bit of the first quarter drama.

We've done a lot of hard work in the business this year to try to smooth that out for everybody so that we're not spending our time explaining why it's loaded the way it is. And I think you will see that occur. It won't be perfectly ratable, but I think you're going to see a little bit of a different dynamic as we move through the first quarter because the business is architected better, because we've done a lot of things to manage our cash flows. And when you're building true organic cash growth, that's a good thing.

What you're going to see overall for '24 without giving you the guide? Cash taxes are going to be up. We're going to see a little bit of a down contribution from what we get from DIRECTV. But our operating momentum is really good. Profits are up. EBITDA is going to be up because we're operating better. That's going to come on both growth and more efficient costs in the business. And we're going to see, as I said earlier, a tapering of some of our capital investment will be in the $21 billion to $22 billion range and -- as opposed to $24 billion. And as a result of that, that's going to help on the cash equation as well. And when you get that, you're going to see cash growth as we go into next year.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

That's fantastic.

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Is that the texture you were looking for?

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

I mean short of actual guidance, I think that was anything I can add...

John T. Stankey - *AT&T Inc. - CEO, President & Director*

I'll just see how well you do your work when you write your note.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Sounds good. Awesome. Well, John, let's leave it right there. Thanks for coming again.

John T. Stankey - *AT&T Inc. - CEO, President & Director*

Thank you, John. Appreciate you being here.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Thank you.
