



# AT&T Investor Update

AT&T and TPG to Form New Premium Video Entity

*February 25, 2021*

# Cautionary Language Concerning Forward-Looking Statements

Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update and revise statements contained in this presentation based on new information or otherwise.

This presentation may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at <https://investors.att.com>.

The "quiet period" for FCC Spectrum Auction 107 is in effect. During the quiet period, auction applicants are required to avoid discussions of bids, bidding strategy and post-auction market structure with other auction applicants

Important additional Information:

AT&T filed a Form 8-K on February 25, 2021. The 8-K must be read in conjunction with this presentation and contains additional important details on this transaction.



# Focused on Strategic Growth Priorities

## Aligns with our strategic focus

- Improves ability to focus on strategic growth priorities
  - 5G wireless, Fiber, HBO Max
- Provides future optionality
- Commercial relationships remain in place
  - Wireless/broadband bundles; HBO Max
- Supports deliberate capital allocation plan

### ***Deal Highlights***

- *~\$16.3 billion enterprise value*
- *Jointly governed*
- *70/30 common equity split<sup>1</sup>*

<sup>1</sup>70/30 common equity split after preferred interests and common catch-up equity

## New entity positioned to maximize value creation

- Includes U.S. DIRECTV, AT&T TV, and U-verse video services
- Strong relationship with TPG helps improve operational focus and flexibility
  - Independent and focused management team
- Expect improved cash generation



# New DTV U.S. Video Business - Capital Structure and Deal Terms

## New entity with ~\$16.3B enterprise value

- TPG contributes \$1.8B for senior preferred equity
  - 30% common equity
- AT&T contributes Video business and receives:
  - \$4.25B in junior preferred equity
  - \$4.2B in common catch-up equity
  - 70% common equity
- ~\$6B in net debt financing by New DTV
- AT&T continues to fund NFL Sunday Ticket for 2021 and 2022 (up to a \$2.5B cumulative cap)

## \$7.6B in cash to AT&T at deal close

- New DTV assumes \$0.2B of existing DIRECTV debt

### Summary Capitalization

Instrument	\$B	Economic Interest
TPG Senior Preferred Equity (10% cash coupon)	\$1.8	
AT&T Junior Preferred Equity (6.5% PIK coupon)	4.3	
AT&T Common Catch-up Equity	4.2	
AT&T Common Equity		70%
TPG Common Equity		30%
Closing Debt	6.4	
Closing Cash	(0.3)	
<b>Total Enterprise Value</b>	<b>\$16.3B</b>	



# New DTV U.S. Video Business – Financial Update

## AT&T financial expectations

- Expect to apply ~\$8B in cash proceeds in 2021 towards debt reduction
- Do not expect material impact to 2021 financial guidance
- After closing, AT&T expects to deconsolidate New DTV from consolidated financial results
- Realigned business lays the foundation for improved future revenue and EBITDA trajectory
- Expect to close in second half of 2021





# Q&A