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PRESENTATION

Mike Rollins - Citi Investment Research (US) - Analyst

This session is for Citi clients only and disclosures are available at the back of the room next to the AV desk. Well, welcome back to Citi's 2024 Global TMT Conference.

For those of you I haven't met, I'm Mike Rollins with Citi Research, and it's a pleasure to welcome Jenifer Robertson, EVP and GM of Mass Markets with AT&T Mobility. Jen, thank you so much for joining us today.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Thank you for the invite.

Mike Rollins - Citi Investment Research (US) - Analyst

Well, before we begin, just quick housekeeping item. (Conference Instructions)

QUESTIONS AND ANSWERS

Mike Rollins - Citi Investment Research (US) - Analyst

With that out of the way, Jen, great to have you here. And it's an opportunity for us to really dive deep into what you're doing in fiber and mobility. So thank you so much.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Yes, I'm happy to do it. And if I -- before we get started, if I could just call everyone's attention to our Safe Harbor statement. It's available on our AT&T shareowner website, the investor website. And that just simply calls out that some of the statements we make today are forward-looking and, therefore, are subject to risks and uncertainties, and actual results could be materially different.

Mike Rollins - Citi Investment Research (US) - Analyst

Great. Well, let's start maybe with mobility. The AT&T team, over the last number of months, they've been using the terms healthy and normalizing. And at the same time, behind all this, there's been some positive pricing actions and possibly pricing power exercise within the category. So curious how you frame the competitive environment, and if you can unpack what those terms mean to AT&T.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Sure. It's certainly -- it's something that we assess with respect to the wireless component of our business across the industry. We have said normalizing growth. It is a healthy industry. That is something that we participate in, and it is a growing industry. When we look at where AT&T has opportunity, we say we have been on a very steady state of focusing on the customer and focusing on how we reward the customer for their loyalty and demonstrate how much we appreciate them.

It's a path we set on in late 2020, and we've stayed very consistent with that path. Customers have rewarded us with very low churn. They voted with their wallets, and we have maintained churn levels that have come under industry levels for the last several years. And it's been the most efficient way to grow in this space.

So we, first and foremost, look at growth within the industry on maintaining low industry churn or low AT&T mobility churn. And so we look at it first with churn.

Second, we look at how can we go out and penetrate under-indexed markets for us. We have an opportunity to acquire new subscribers in areas where we are under-indexed. And so we've run some very disciplined plays with respect to those segments. And we look at that in audiences we've been very open about. We have said we have opportunity to grow and converged, growing wireless subscribers in households that have AT&T Fiber. We've been very open. We shared in second-quarter earnings, 4 out of 10 AT&T fiber households have wireless. We believe there's opportunity to grow wireless in those.

We've shared previously our Hispanic audience across the United States is one where we under-index, we can grow there. And we know small and medium businesses, we have opportunity to penetrate with wireless further. I'd add price-sensitive customers are another segment that we could go out and penetrate and grow.

So when we think about growth in the wireless segment, we say, hey, it's a healthy industry. It's growing across the board. It's normalizing in total. But AT&T, where we're positioned today, we can protect the base we have efficiently. We can add new subscribers in the segments where we are under-indexing. And then lastly, to your point on pricing, we've been, again, very customer oriented on where are we bringing value to customers and where do we have opportunity to match that value with higher prices that match the value customers see.

That's been a two-year journey for us that started summer, a couple of years ago. And when we do that, we again take an approach, a framework we apply that says, okay, how are customers using the network? What value do they ascribe to the network when they do so?

The second thing we've said is we're going to be as transparent and straightforward in communicating that price increase as we can be. And we want to make it very simple. We want to communicate that in a way that people understand. And we then, third, want to present choice.

And what we have found is that when we match the price to the value that they ascribe to using our services, when we're simple and transparent, and then when we provide choices across the full range of our products and services, customers are responding with either staying on the plan they have at a higher price point or moving to one of the other options we have. And we're actually seeing lower churn as prices are increasing than we even forecast when we do our business cases. So that's why we say it's a healthy industry. It's growing, and we like where we're positioned.

Mike Rollins - Citi Investment Research (US) - Analyst

Very helpful. I'm going to introduce our first survey question for our audience, and it will give us a little preview of where we're going to end up with the conversation. So just have to find it here on the tablet.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Am I going to get to see real answers?

Mike Rollins - Citi Investment Research (US) - Analyst

You're going to see -- yes. So we'll introduce this question here on what the expectations are for AT&T postpaid subscriber growth in 2025. You mentioned the opportunity to grow subscribers. So we're giving our audience a choice. And for those streaming, I'll just read them: below or worse than negative 1%; negative 1% to zero; zero to 1%; over 1%; or over 2% in terms of the way they're going -- they perceive growth for you for 2025.

But before we get to volume, if we can maybe speak for another moment on the price side. So as we always try to think about the P times Q math, are we getting at an industry level at a new normal? As you're describing the idea that equating price with the value and just thinking about how much more we use our phones and the consumption, the ARPU has lagged that substantially over the last number of years. So do you feel that this is a sustainable source of revenue in terms of the pricing element of the P times Q math?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

I think we will continue to see pricing matched to the services that we provide, and that we will see that evolve over time. I wouldn't say we're at a level that is plateauing. We've continued to guide towards -- we see moderate growth in ARPU. And I would expect us to stay on that path.

As we target new segments, different segments have a different ARPU profile. But we will continue to approach other segments that have desires for higher connectivity, additional product bolt-ons. We think of insurance programs. We think the ability to upgrade devices at a higher rate. We think of additional products like we have launched AT&T Turbo, where you might want faster speeds at certain moments in time. Those types of features and products customers might want to pay for, provide additional revenue upside, hence, modest ARPU growth.

Mike Rollins - Citi Investment Research (US) - Analyst

You mentioned upgrades. And this is a big question that we've been getting as you look at the customer base and we look at the customer base, we're finding that customers are holding onto their devices. And I think our last industry model showed an average of about 45 months, but they're holding onto their device and just like the longest duration since we began measuring this. So you'll have you learned some insights into why these device replacement rates have been extending so much.

And does that inform you on, you know, what may happen over time in terms of customer behavior?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

I think again, it is very customer driven and it varies based on what type of customer segment you fall into. Certainly early adopters and customers who are wanting the latest and greatest device are going to go out and get the latest and greatest device every time a new one comes out and we've launched our next step anytime that allows a customer to do just that upgrade anytime they want to.

And again, that's a price value exchange rate that we've put out in the marketplace for them to choose other customers are saying we'd like to hang on to our device. I look at members of my own family and I have both sitting within the family and they're going to hang on to that device until it's taped together and it's embarrassing for them to carry.

We each have one of those. I think that we talk to at home. And so and having the full range of options available for our customers at the right exchange and value is what we make sure we are focused on customers extending devices or when they choose to upgrade and large volumes has historically been driven off of either on a large network evolution.

The last of which we saw was obviously the change to 5G and or a significant form factor change and so we don't have a significant network transformation or evolution occurring. We've had that cycle go through TBD on is hyper significant form factor change. What I would say then comes into play is the cost of devices and just a position against the durability of devices and the availability of insurance programs with those and

show customers way how much do I want to spend for a new device versus I have this insurance product and I have the ability to replace it and get it repaired.

I'm spending that on a monthly premium and I have a choice here of what I'd like to do. And certainly, we see trends that have customers purchasing those services. And so that I believe is playing in for some cohorts of customers to extend device lifecycles.

And then lastly, I do think it has to do with are there enough new features, capabilities coming to market. Is there innovation there that's driving customer interest and bringing that type of demand in. So as we approach different types of launches across all of the various device providers, it's a question of what are consumers demanding do we have the right set of options across price plans and add-on products, and we stand ready to meet all of those customer needs.

Mike Rollins - *Citi Investment Research (US) - Analyst*

Have you learned anything from your customer engagement around AI as a feature of that is a catalyst to push upgrades or what some are calling a super cycle for upgrades.

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

I think there are AI capable phones in the market today and certainly some customers interested in that. And I wouldn't say it's a large cohort. There's a subset of customers that are interested in that type of technology there are also AI enabled apps that are available that you can put on multiple types of devices.

And so yes, we certainly have insight on what customers are using and what they want there. And with each evolution of a product or device, others bring new capabilities to the table. And so as that comes forward, we learn new things each time and so I won't speculate on what others are innovating on what we'll learn.

Mike Rollins - *Citi Investment Research (US) - Analyst*

There's another factor that goes into upgrades, which is carrier incentives, whether you want to get more people on 5G from a network traffic perspective or to drive retention in terms of giving the same deals to everyone, as you look at this coming cycle, are there any incentives that AT&T has to drive device upgrades more quickly? And is that or is this an opportunity just for you to take market share by pushing this promotional strategy?

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

I think and I wouldn't say that we are incentivized to drive market share. That's one piece that I would I'd push on. I'd say that our focus is and has been growing incremental share of organic wireless service revenue. And that's a real key point for us. And success is about making sure we are getting that wireless service revenue because when we start to measure it against share of gross adds or market share.

We really get into measuring apples and oranges based on how everyone is capturing and calculating the various units. And so the best way we can find to equalize profitable growth, which we've been very vocal about making sure we are growing profitably and we're doing in a disciplined manner has been on service revenue.

It felt like the most pure way to do it. And so that is what we're looking at as we go through today through the end of the year, the peak season for wireless sales. You will see us stay on our game plan and stay disciplined and meet customers where they are.

Mike Rollins - Citi Investment Research (US) - Analyst

Great. Let's see the results of the survey. So we have a pretty wide dispersion of 11% for subs next year. The postpaid phones have declined by more than four larger number than negative 1%, a modest decline and negative [one to zero] is 11%, modest positive growth, zero to plus one at 22% and 56% of respondents moderately positive of plus one to plus two. So as we impact what goes into customer growth, think about gross adds and churn.

So maybe first, on the churn side, you talked about how churn is very low and just kind of curious, I'm going back to these best deals for everyone. How much of that is a significant factor in churn versus other things that are creating your attention?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Right. And certainly best sales for everyone was a catalyst and caught a lot of attention in late 2021 when we launched it. And we have to keep in mind what was happening at the time and 5G and network carrier incentive to shift traffic onto the 5G network. We did have kind of that super cycle moment occurring in the industry, and it was a re-orientation for AT&T on a strategy that was customer focused.

And we knew it would be a multi-year journey. We're in the process of the multi-year journey. It's not a checkmark against that as complete. And that is an ongoing process with a lot of moves and it's not a one check, one move and done. It's been a steady drumbeat across products, pricing moves offers like best steel for everyone distribution plays where we have added to our distribution in ways to meet customers where they are a significant investment in our customer operations to improve our customer experiences and pull costs out of the business.

And so there have been a series of moves that have been oriented around identifying the biggest customer pain points and then removing that pain point and moving on to the next, some of those have been more visible than others. But feel for everyone was the most visible. We put a lot of marketing dollars against that because the biggest pain point we identified was our existing customer base did not feel valued or appreciated.

Because new customers coming to AT&T. We're able to get a better deal on devices. And the existing ones for our existing customer base could leave AT&T and get a better deal and it didn't feel right to them. So to orient ourselves around customers. First, we literally said we are shifting dollars over to the base. We are going to protect our highly valuable base and we are going to make sure people know about it. And so that helps that the attention to that move help spark an improvement in churn.

Absolutely. I believe we had the highest churn in the industry at that point in time. And we have shifted to consistently lowest churn in the industry, but it is not that one move that keeps us there. It's this steady drumbeat of then finding price moves that make sense offers for specific cohorts that makes sense and bringing out improvements are international [day] pass products improvements to products like turbo that just recently launched improvements to distribution improvements to care.

So it has been across multiple levels of the customer journey and beyond channels that we serve customers in. And we've been able to then build a stronger reputation with our customer base and keep them with us.

Mike Rollins - Citi Investment Research (US) - Analyst

Some of the questions that we get are around is for all the carriers is there's been a bigger focus on cohorts. So whether, for example, you have maybe more customers right now on device promotions. So maybe that's helping churn maybe more than it. What does it look like over the longer term or you have customers coming up from a lease like cohorts, we had bunch of them upgrade like three years ago and does that create a risk for churn? And how do you look at these cohorts on both sides of this equation for churn?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

We I think first is looking at customers from the standpoint of the accounts and how big the account segment and being able to identify in some of some of the basics so that we can the basics on the accounts so that we can message them appropriately and manage through traditional customer lifecycle management with those accounts from a churn perspective.

And when you think about contract roll-offs, we don't typically have an entire account roll off at the same time. And so it's in every single day, we have some line roll off within an account. It has it upgraded 36 months prior.

And so we're in a constant state of having lines roll off of contract, hence the focus on how do we build this sustainable durable relationship where they know they're valued to have a strong and relationship built where we are messaging with our customers on a consistent basis throughout the 36 months to demonstrate value and to grow that relationship over time. Not just waiting until.

Okay, you're basically out of contract, we care about to you again. So I think it's really important to build that in an authentic way and versus coming in at the very end, I tried to say before you leave and then doing so and continuing to make that more sophisticated over time. I know you never had a perfect state. There's room to always grow and improve. And then that's the challenges put in front of ourselves.

Mike Rollins - Citi Investment Research (US) - Analyst

Ready for next year.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Yes. Yes I am.

Mike Rollins - Citi Investment Research (US) - Analyst

We'll see a little preview where we're going again. So I'll come back to this topic in a moment. Does AT&T need to offer a converged mobile and fiber broadband solution in more markets?

Yes, AT&T should accelerate the pace of deployments organically and or with M&A? Yes, maintain the organic pace of deployments with no material M&A, FWA provides a sufficient alternative. And I know converged product bundles are not necessary.

So we'll see what our audience thinks on this question, and I'll give us a lot to talk about, especially with today's news. But before we get there, just a couple of quick things so first, from a branding perspective, AT&T has had a few incidents this year, a network outage in February to data breaches. How have these incidents impacted the brand? And do you see a need or opportunity to do something to proactively shore up the brands.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

And well, first and foremost, the outages and the incidents don't live up to our expectations for ourselves and so what I would say is and it is something we take seriously and it is something that we take a hard look in the mirror and spread ourselves harshly on and then we say how do we go corrected and get better? And that's what happened.

And so and that was a tough day, and we have circled back around and said very quickly, how do we respond to customers. Because after -- as our network partners and our technology partners are working to restore service and work through the data incident, we are in parallel, putting customers back in service and making sure customers know, we're aware and we're taking care of them.

And the journey we've been on over the last several years gave us different perspective in this type of event. And we approach it in a very different way than is traditional, especially in the wireless industry. And I would say with our response in February in particular and proactively reaching out to customers simple, active apologizing directly and then proactively crediting for the outage period of time and feels very intuitive to say.

And it feels like the right thing to do. And it was met very well by most of our customers. And when we look at things like Net Promoter Score, when we look at the brand scores. When we look at and churn coming out of second quarter, it certainly resonated with customers and that they stayed with us. So it felt like we had this very significant moment for us that we didn't deem acceptable and are working very hard to correct.

But with our customers quickly responding being transparent and owning the issue and making it clear that they were top priority was the right approach. And so what I would say is that's the brand response and then continuing to work through how do we continue to backup that, that approach to customers and assure them that we are there for them when they need SMS.

Mike Rollins - Citi Investment Research (US) - Analyst

Switching gears to ACP for a moment and then we'll get into the topic of convergence. ACP just didn't seem to have a material impact on your results for those prepaid subs or financials during the second quarter from it. Is there a specific reason maybe why it was less disruptive? And should investors expect any incremental pressures from this in the third quarter or over the course of the second half?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

I think and certainly based on various reports, it would appear maybe across the industry, some leaned into it more heavily than we did. And what I would say is as we went into ACP. First and foremost, we've participated in kind of long-standing programs for quite some time. And so we have as a strong customer base, we service customers across all types of and needs.

And so when it came to the postpaid wireless business, we didn't feel like that was a necessary space to lean into our broadband business certainly has and low-cost access options and in prepaid with the vast majority of our ACP customers, we had existing tenant relationships with and we'll manage through unless some very strong retention offers. And so we feel pretty good about where we're positioned with ACP and I wouldn't and just any type of expectations there from what we've already shared.

Mike Rollins - Citi Investment Research (US) - Analyst

Very helpful. And we'll see what the results of the survey are, and we'll jump into convergence to that. So does AT&T need to offer converged mobile and fiber broadband switching markets.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Okay, it's different color on it than it is on. I'm looking at it.

Mike Rollins - Citi Investment Research (US) - Analyst

It looks a little more blue red.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

That's it's like a political chart down here.

Mike Rollins - *Citi Investment Research (US) - Analyst*

So for those joining us over the streaming service, we got a 50%. Yes, AT&T should accelerate the pace of fiber deployments organically. And with M&A and 50%, yes, maintain the organic pace of fiber deployments no material M&A.

So the split is whether to do M&A to get there or not, but 100% saying essentially, yes, except for that split. So as we get into this and we talk about convergence and we'll get to this question as well for you in a few minutes. But maybe just as a backdrop, AT&T put some new disclosure during the second quarter and shared the benefit of capturing additional mobile market share of 500 basis points where you offer fiber in those markets.

And just curious, how does AT&T get there how much of that was an intentional converged or bundle promotion and how much of it was just having the brand in the markets together and in just that general cross-sell?

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

I think and I wouldn't necessarily split it between the two right there, certainly. And there is certainly a benefit to having fiber and wireless together, and we will offer updates on other fiber investments that we have out of our footprint as we've committed to here in the coming weeks and share progress with our joint venture that has the thesis of can we do similar type of penetrations in non traditional fiber or wireline footprint areas.

But the thesis is that we would be able to -- can we penetrate the fiber. We would be able to penetrate the fiber where we don't necessarily have the and the wireline name recognition. What I would say is the ability to have the distribution assets and the efficiency of the marketing where we can come in with the fiber footprint that scales and the distribution of retail stores.

And our other types of distribution that we have, the bigger the fiber footprint and the more we can put the marketing assets out there, the more of the distribution we can take advantage of the bigger penetration, the higher penetration we get in fiber and the more lift we're going to get in wireless.

And I would give that the advantage certainly having a bundled discount gives an advantage of penetrating and anchoring those homes early. But what we have looked at our team and said is if it's simply a discount and we stop there, that isn't a promise of convergence. And so there's some there's a much bigger ability on conversions to grow the profitability. And it starts with ensuring that as the scaled provider of an owned wireless and fiber network.

And as our CEO, John Stankey and I shared we're doing that and transforming both networks at the same time to get to the lowest marginal cost on both a wireless network and a wireline network we get that to pull the cost out. We have a converged offering that we do with customers that are stickier and staying with us longer, even if you say the discount is as far as you go, the margins are higher.

I would tell you the discount isn't as far as we go, there is line of sight to additional revenue via new products and services over time. We like the proposition that convergence has to meet customer demand increasing and to pull costs out and grow revenue in the long run.

Mike Rollins - *Citi Investment Research (US) - Analyst*

So you've got a bigger fiber footprint over time and more convergence offers in those markets. What's the strategy going forward for your mobile business where you don't sell fiber broadband?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Right. In those areas certainly we have the ability to compete and we compete differently. There are some niche use cases. As we've pointed out, we don't have the same fixed wireless strategy as others do but where certain use cases apply, we can bring fixed wireless in with wireless, and that's fairly small. And then we have standalone wireless and we go out and compete in targeted ways with audiences and cohorts.

Again, if we prefer that term and we will go out and compete on price and on value and we'll focus on is it the Hispanic segment is that small and medium business? And is it our price-sensitive customer base and we split our price sensitive between?

Is it price sensitive by need or is it price sensitive by choice, but you'll see us go in there and match the need of the customer two, the types of price plans and the different services and products we can put with them.

Mike Rollins - Citi Investment Research (US) - Analyst

And maybe just taking a step back, just to think about the broadband market. Overall, penetration rates seem somewhat mature, move rates have been down. And as you consider the direct as you consider the addressable market for AT&T? Are you seeing the overall broadband market slow? And is this in any way exacerbating your performance one way or another?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

I'm going to come back to the survey results say does a little bit like family feed survey says we shouldn't we should lean in here. I would say the broader market and certainly housing starts have been down. It's going to follow the economy. But when we look at a broadband market where cable share is where it is, and we have a product that is a superior product and indexes higher with customers.

And it is externally recognized from third party objective sources that it is a better performing product and we have a price point that is competitive with room to grow and draft underneath cable. And we have the ability to go build fiber and penetrate it as fast as we do. And I would tell you that we have room in the broadband market as it is today to go in economically and take share and have a lot of profit from that build.

Mike Rollins - Citi Investment Research (US) - Analyst

And is there seasonality still that we should just be mindful of quarter to quarter, especially 2Q and 3Q.

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

Seasonality will be absolutely planned.

Mike Rollins - Citi Investment Research (US) - Analyst

And if I go back to maybe some comments from the management there was a comment from AT&T, CEO. that indicated that AT&T can jointly market wireless and fiber together as the company gains more scale with the fiber footprint, how much fiber scale do you need in a market or across your wireline footprint to achieve a return on this convergence go-to-market strategy?

Jenifer Robertson - AT&T Inc - Executive Vice President & General Manager, Mass Markets

I think it's about having enough scale within a marketing area and such that when you are reaching an audience, the majority of the audience that seeing the marketing message can receive can actually be eligible for fiber consistently. The angry as customers that we talk to for AT&T Fiber are the ones who can't get it.

And that has been consistent since we launched the product and so the worst thing we can do from a customer satisfaction standpoint, but also from the efficiency of the spend is to put a large marketing message out there and have the majority of customers prospective customers who see it not be able to get the product when they check eligibility.

And so the answer to your question would obviously be greater than 50%. And I'd say higher than that, you know, call it above 70%, 75% to get really scaled view and get to a mass marketing message. And to date we go very, very local.

Mike Rollins - *Citi Investment Research (US) - Analyst*

You mentioned earlier that AT&T is a little bit of a different approach for FWA versus some of your competitors. Does that quarterly opportunity to grow the fixed wireless space expand as there are more mid-band upgrades in the network and a greater amount of spectrum is lit up across the country.

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

We've been very consistent and transparent with our fixed wireless strategy. And I don't believe that you will see us go off that path. And fiber is the network and the product that meets customer demand today and in the future. And so we will lean into fixed wireless in spaces where it needs customer need and where it makes sense.

And there's certainly business use cases where that makes sense on the consumer side where the profile of the customer has much more video usage associated with it. It's not the most efficient way to serve a broad swath of customers and so I wouldn't associate that with more spectrum availability. I would just say that's a very expensive resource and we'll put it towards the customers that need that for a mobile experience.

Mike Rollins - *Citi Investment Research (US) - Analyst*

Shifting gears to a question on the macro. You have customers across the country on wireless in fiber. Are you seeing anything on the macro side in terms of payment behavior or spending patterns that gives AT&T any incremental insight into the state of the economy.

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

I would tell you, our consumer, our insights into consumers is that they were they are -- they remain AT&T consumers remain strong and there's nothing that gives us significant concern. And we certainly monitor it very closely. And we see the broader trends and certainly see the strain on the customer's wallet that as it is reflected externally, but from a spend and health and the metrics we track standing in very good shape.

Mike Rollins - *Citi Investment Research (US) - Analyst*

And just one other question going back earlier in the conversation, I think you made a reference to value segmentation, and we've learned that you brought in new leadership for the prepaid business. So curious how you think about growth potential in prepaid regardless of the economic backdrop.

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

It's an interesting dynamic happening in prepaid. Our leadership change is the cycle of leadership as people choose to retire and yes, let people go on the new cycles in life and bring in exciting new leadership with strong experience across the industry. And as we've looked at prepaid, it's an interesting dynamic happening with shifts of customers from prepaid to postpaid as these lines blur a bit at that lower price point.

And so I think what I'm watching is more of a migration across and it'll be interesting to watch and across the economy, do we continue to see a blur and a migration in the postpaid? And do we see it? It looks to me more like a bring customers in prepaid test credit worthiness, see where people are and then pull up through into postpaid.

And there's a pretty good muscle that some have built we have a very strong prepaid brand with cricket. And so we've been able to pull into cricket and key customers there and don't necessarily use it as a pull through the way some do. And so we've been able to have cricket be a growth engine in prepaid for quite some time.

Mike Rollins - *Citi Investment Research (US) - Analyst*

Well, Jen, thank you so much for joining us today.

Jenifer Robertson - *AT&T Inc - Executive Vice President & General Manager, Mass Markets*

Thank you. It's good to be here.

Mike Rollins - *Citi Investment Research (US) - Analyst*

Thank you.

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