

AT&T 3Q20 Highlights

Following are certain 3Q20 highlights. The full set of earnings materials with all reported results and non-GAAP reconciliations is posted [here](#), including trend schedules.

Consolidated Results	3Q20	
EPS Reported	\$0.39	3Q20 adj. EPS down (\$0.18) due to COVID impacts of (\$0.21):
EPS Adjusted	\$0.76	(\$0.02) of costs and (\$0.19) of estimated revenue impacts
Revenues	\$42.3 billion	Down (\$2.25B); ~(\$2.5B) estimated impact from COVID; (\$0.3B) FX impact
Adj. EBITDA	\$13.3 billion	Down (\$1.8B); (\$1.9B) estimated impact from COVID
Free Cash Flow	\$8.3 billion	Dividend payout ratio of 45%; ~57% YTD
Capex	\$3.9 billion	Expect 2020 free cash flow of \$26B or higher with a dividend payout ratio in the high 50s%
Net Debt to Adj. EBITDA	~2.66x	~\$149B net debt; ~\$10B cash on hand at end of 3Q20 Extended \$30B+ of near-term maturities since end of 1Q20

Revenues (\$M)	3Q20	3Q19	% Change	\$ Change	COVID impact (estimated)
Mobility	17,894	17,701	1.1%	193	(450)
Wireless service revenue	13,883	13,930	-0.3%	(47)	(450)
Entertainment Group	10,053	11,197	-10.2%	(1,144)	(125)
Business Wireline	6,340	6,503	-2.5%	(163)	(90)
WarnerMedia ¹	7,514	8,350	-10.0%	(836)	(1,595)
Latin America	1,396	1,730	-19.3%	(334)	(300)
Other ²	(857)	(893)	-4.0%	36	35
Total	42,340	44,588	-5.0%	(2,248)	(2,525)

Adj. EBITDA (\$M)	3Q20	3Q19	% Change	\$ Change	COVID impact (estimated)
Mobility	7,712	7,753	-0.5%	(41)	(485)
Entertainment Group	2,056	2,400	-14.3%	(344)	(85)
Business Wireline	2,507	2,481	1.0%	26	(100)
WarnerMedia ¹	1,930	3,021	-36.1%	(1,091)	(1,055)
Latin America	59	105	-43.8%	(46)	(135)
Other ³	(951)	(681)	39.6%	(270)	(45)
Total	13,313	15,079	-11.7%	(1,766)	(1,905)

Adj. Operating Income (\$M)	3Q20	3Q19	% Change	\$ Change
Total	8,204	9,901	-17.1%	(1,697)
Adj. Operating Income Margin	19.4%	22.2%		-280 bps

¹ Segment results have been recast for all periods to include the prior Xandr segment within the WarnerMedia segment.

² 3Q20 is primarily Communications segment content eliminations (\$790) and EG advertising eliminations (\$408) offset by Corp/Other revenues +\$431.

³ 3Q20 Corp. EBITDA (\$581) and advertising eliminations (\$370)

Key Statistics - Volumes		3Q20
Mobility		
Total Net Adds	5.5 million	4.2M connected devices; 1.1M postpaid; 245k prepaid
US Postpaid Net adds	1.1 million	
<i>Postpaid Phone Net Adds</i>	645k	494k excluding 151k KACP paying accounts ¹
<i>Postpaid Phone Churn</i>	0.69%	0.77% excluding KACP ¹ , down 18bps
<i>Postpaid Phone ARPU</i>	\$54.70	Down (\$1.19) mostly due to lower roaming revenues
US Prepaid Net Adds	245k	Prepaid churn remained below 3%
Entertainment Group		
AT&T Fiber Net Adds	357k	158k total Broadband net adds; 54k excluding 104k from KACP paying accounts ¹
IP Broadband ARPU	\$52.43	Up 2.4% - mix shift to AT&T Fiber
Premium Video Net Adds	(590k)	(706k) excluding 116k from KACP paying accounts ¹
Premium Video ARPU	\$130.55	Up 7.6% with focus on life-time value of subscribers
WarnerMedia		
HBO/HBO Max domestic subscribers	38M	HBO/HBO Max domestic subscribers up ~10% during the nine months ended September 30, 2020
Latin America		
Mexico Wireless Net Adds	441k	Driven by higher gross adds and churn improvement
Vrio Video Net adds	229k	396k improvement YOY

1 – 3Q20 reflects "Keep Americans Connected Pledge" paying accounts

3Q20 Keep Americans Connected Pledge Adjustment Summary

Keep Americans Connected Pledge (KACP) - Subscriber Details							
	2Q20 Accrued Disconnects	1H20 Accrued Disconnects	3Q20 Paying Accounts Reconnected	3Q20 Reported Net Adds	3Q20 Net Adds Excl. Reconnects	3Q20 Reported Churn	3Q20 Churn Excl. Reconnects
US Domestic							
Postpaid	466	521	(233)	1,081	848	0.85%	0.95%
Postpaid Phone	338	382	(151)	645	494	0.69%	0.77%
Premium Video	91	157	(116)	(590)	(706)	--	--
Broadband	159	194	(104)	158	54	--	--
Fiber (incl. in BB)	48	58	(28)	357	329	--	--

Select Financial Results 3Q20		
Mobility		
Service Revenue	\$13,883 M	Down (\$47M); (\$450M) estimated COVID impact, including (\$300M) from lower roaming revenues
EBITDA	\$7,712 M	Down \$41M, due to roaming and other COVID impacts
EBITDA Svc Margin	55.5%	
Entertainment Group		
Revenue	\$10,053 M	Down (\$1.1B) due to lower video revenues and COVID
EBITDA	\$2,056 M	Includes non-cash expense impacts;
EBITDA Margin	20.5 %	continued focus on cash generation
WarnerMedia ²		
Revenue	\$7,514 M	Down (\$0.8B); ~(\$1.6B) estimated COVID impact from lower TV production and theatrical revenues and lower licensing sales
Op. Income	\$1,759 M	Down (\$1.1B) due to estimated COVID impact; ~\$600M HBO Max investment

2 - Segment results have been recast for all periods to include the prior Xandr segment within the WarnerMedia segment.

3Q20 COVID Impact Summary

Three Months Ended September 30, 2020		
	Estimated COVID Revenues Impact	Estimated COVID EBITDA Impacts
<i>Dollars in millions</i>		
Revenues:		
WarnerMedia Content and Other	\$ (1,735)	\$ (420)
WarnerMedia Advertising and Other	190	(540)
Video Advertising ¹	(50)	(50)
Entertainment Group Commercial Video	(50)	(25)
Mobility Wireless Service	(450)	(430)
Business Wireline	(90)	(90)
Latin America	(300)	(140)
Other	(40)	(20)
Total	\$ (2,525)	\$ (1,715)
¹ Includes certain Xandr advertising revenues which are reported in the WarnerMedia and Communications segments and are eliminated in consolidation.		
Three Months Ended September 30, 2020		
	COVID EBITDA Impacts Included in Reported Results	
<i>Dollars in millions</i>		
Expenses:		
Production Disruption Costs	\$ (95)	
Personal Protective Equipment	(60)	
Other Costs	(35)	
Total	\$ (190)	