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PRESENTATION

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

Good morning. I'm John Waldron, President and Chief Operating Officer of Goldman Sachs. It is my pleasure to be joined today by John Stankey, the CEO of AT&T.

John assumed a CEO role in July 1, following 35 years of accomplished leadership spanning nearly every area of AT&T's business. He has served in a variety of roles, including CEO of Warner Media, CEO of AT&T Entertainment Group, Chief Strategy Officer, Chief Technology Officer, CEO of AT&T operations and CEO of AT&T Business Solutions. John, welcome to our 29th annual Communacopia conference.

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

Hey, John, thanks for coming in today. I appreciate it, and it's good to be here.

QUESTIONS AND ANSWERS

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

You have clearly worn several hats at a T&T. Many of your businesses are undergoing transitions, some feeling secular pressures, others on the verge of their next evolutionary phase. What are your key priorities as you look to navigate near-term challenges and better position the company for growth opportunities in the mid- to longer term?

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

Yes. I think probably what AT&T is dealing with is probably not a lot different than virtually any other established for embedded company is dealing with right now, and certainly, the dynamics of all the change in industry. COVID has only put an explanation point on many of these things, and I think the important thing is you look at it and embrace it.

And I would tell you, from our point of view, what we think is important is we have a great franchise and connectivity, specifically broadband connectivity. So anything that we can do to put more fiber out into the network, serve both our consumer and business segments and use that to power what over time is going to become a much more dense and distributed wireless network. And that's, first of all, one of our key focus areas and something that we see as being very important to us.

And secondly, we think we're great storytellers, and that we have a unique ability to produce content that's special and different. And we'd like to continue doing that and telling those great stories and then using the combination of that connectivity in those stories to wrap it in software and build the applications to get customers that engage with our networks and engage with our content. We think that's a really important thing over time because having those customer relationships and being able to get the insights from those customers as to what they want to do, what they like to watch, how they're engaged, it allows us over time to have flexibility to think about how we use those platforms to monetize differently. And we think over time, it's going to be really important in some of these subscription-oriented businesses to ensure that you can, not only capture the company, the customer share of wallet from a subscription perspective, but have other ways to monetize through data and advertising that ultimately extends great value to them. And so we like the way that positions us.

And that's really the fundamental focus in the market, what we're working on. In that regard, then we look back at everything else that we've done as a business and say if it doesn't contribute into those areas, how do we either strip it out, shut it down or deemphasize it where we can get the management team focused in those critical areas that I just outlined and make sure that we're doing the right things to allocate capital to make those experiences in the key priority areas great so that our customers love them, our employees are proud to bring it forward, we have an effective cost structure and transform this business in a way we can be really successful in those key focus areas.

And then finally, making sure that as we're running the business in the places where we know we've got the resiliency, and our connectivity businesses have been incredibly resilient coming through this period of time, that we're disciplined in our capital allocation. That includes making sure that we're funding the investment in those areas to make really great products that are effective in the market that we know we can grow on. It ensures that we're taking the cash that we have and sustaining the dividend, continuing to rework our balance sheet, bring it back into its traditional conservative state that we've used for many years to power this business and being really disciplined around our portfolio to ensure what we have in the business and what we're investing in are, in fact, businesses that contribute to those key priorities that I outlined earlier and that we sustain those and we make sure the ones that we don't need and they aren't strategic or monetized, and we move forward on.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

So you touched in your answer on capital allocation. I just want to go a little deeper on balance. It's fair to say there's a lot of demands on your capital across the company, servicing debt, paying the dividend and then deciding which businesses need investment in order to capitalize on the opportunities in the respective end markets that you operate in. Where do you believe your capital should be allocated in order to drive the best means of value creation across the company?

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

Well, it's a good question, John. And I think probably as soon as I get into this discussion, I should make the statement that I'm going to make some comments here that may be forward-looking in nature. And as a result of that, I want to make sure that everybody understands that we have a website out there, which you can go and get more detailed information, look at our SEC filings. Some of the statements I make may differ materially from the results ultimately come forward.

But look, as I just indicated, priority #1 is to make sure that we're investing in our core businesses, and that's fiber and making sure that we have broadband connectivity on 5G. And when you think about it, those 2 aren't dissimilar. When you have a great 5G network, you're deploying a lot of fiber, and that's something that we think are married well. And we think we're in a very unique position because the fiber that we deploy, not only powers our wireless business, but it helps our consumer business and fixed broadband. It helps our enterprise customers and how we deal with them as well, and so we strategically want to make sure we're doing that.

Secondly, as you know, we're pushing really hard to build new software-driven entertainment products. HBO Max is at the forefront of that. We're really pleased with our progress around that. We've said from the start that, that's going to be a multiyear effort, something that we know we need to sustain ourselves on, carry forward to build a robust platform that becomes one of the sustaining platforms an industry that can distribute content on both a subscription and ad-supported basis. We want that to be not only a domestic platform but an international platform.

And then third, as I said, making sure that our operations are, in fact, set up to be successful and effective in the market that we're serving customers well, that we have data position in the right place in the business to be able to do those things on advertising monetization that I talked about moving forward and have the great insights on customers.

So first and foremost, allocating the right amount of money to ensure we're successful in those lines of business. Second, sustaining the dividend, we feel really comfortable about where we are there. We've communicated what we expect this year. We're going to be in the 60s, and it's going to be the low 60s when we see where we finish up this year and feel very comfortable about the dividend load relative to our cash production levels. Third, we want to get the debt and the balance sheet back into our traditional conservative state. We used the balance sheet strategically over the years. When we had opportunities to go do some things that we thought would reposition the business to the long haul, we've, of course, used it and used it as a tool. We did that with the Time Warner transaction, and we're now committed to getting it back into the fighting trend that we know we wanted in to be opportunistic of when that next opportunity pops up, and that's really in a nutshell kind of where we're focused right now.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

Okay. Thanks, John. That's a super helpful summary. So at your analyst conference last fall, you talked about a review of your portfolio with an eye towards monetizing noncore assets, and you referenced that a little bit earlier. There's been some chatter in the press on possible targets in that exercise from DIRECTV to Xandr. As the CEO, how do you define which businesses are or are not the most strategic to your future?

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

It's a really important aspect, and I think we're taking this very seriously. And the fact that we're taking it seriously, if you're going to get points of view that maybe you're outside the realm of your own thought processes, you run a risk sometimes of -- when you start asking questions and getting those points of view, things are less contained and maybe there's a little bit more rumor leaking out on whether or not that's, in fact, something that's going to come to fruition remains to be seen.

And I'm not going to comment on anything specifically on any unique transaction, but what I would say is I think what's important to this management team is we want to make sure that the assets we have are something that are, one, supporting the key strategic areas I just outlined; two, that they're meaningful in terms of scale, that they can produce in growth, that we can be good at them, that they can be something that can be differentiated and sustained in the markets that they're in.

And I will tell you that one of the things I'd like to see the management team be a little bit more effective at and what we're working toward is ensuring that we're focused and have all of our time and attention on those key strategic areas. So if we have an asset that in particular is taking management time and attention and it doesn't necessarily contribute to those key areas that I just stressed and the fact it's taking cycles to management to manage it even if it may financially be doing reasonably well, I'd ask whether or not management is better served to have a little bit more time and attention on the things that really matter that we think are strategic carrying the business forward. And then finally, we look at the return characteristics. And in some cases, we have some businesses that maybe are operating okay and generating some cash, but we look at the returns and ask ourselves, are they hitting levels that we think are effective and competitive. And if the answer is no, then it clearly has to become a candidate for something that we think about pruning or restructuring. And we've been pretty diligent about that. I think the fact that we're getting multiple points of view, that creates a little bit of a noise in the environment. And just because the noise is happening doesn't mean that there's something that's definitive or will come to pass, but I think I'll take a little bit of that noise to get better decisions, is kind of where my head's at right now.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

All right. So let's talk a bit about COVID. I mean, obviously, and you and I have talked about this, we're all wrestling with the impact. I mean every company has some impact in the short term. But let's talk about the long-term impacts from your vantage point on COVID. How is consumer behavior changing? And how do you think it will change over time? Does it change how you operate the company over time? Essentially, I really want to ask you, if you think about the new normal for AT&T, how do you think about that in a sort of post-COVID world?

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

I think the new normal for AT&T probably isn't dramatically different than the new normal for everybody else. I would tell you if I went and looked at some of the trends that were going on in key parts of our business, COVID was kind of a shot of adrenaline, right? It just accelerated things that were happening and carry them forward. So the march to digital, if you don't have a robust digital capability, omnichannel capability and are able to bridge that across your various distribution channels, it's a tough environment to work in. And so I think our work in that area was important as a foundation, but we know we've got more to do there. I'm not happy that we're as capable as we need to be. But thank God, we did some of the work that we did, and I think it's allowed us to be reasonably successful in this period of time. But COVID is -- shine a bright light on some other opportunities we have to shift our distribution and how we think about serving our customers.

You go into the media business, the march to direct-to-consumer and the ability for customers to watch content when they want and where they want, that trend was clear. But boy, is it on steroids right now? And thank the good Lord that we made the decision that we did to begin moving down the difficult decisions half to launch HBO Max and reconfigure the organization of the business to do those things because had we not done that and been in this situation, I feel real flat footed. And now I would tell you that what I feel like is we just need to double our pace, and I think Jason holds that same point of view. And having that opportunity to have a platform like a direct-to-consumer capability with HBO Max, and especially one that can monetize on both subscription and advertising fields, so much more relevant and important moving forward in the COVID dynamic than it was 18 months ago when we started work on that project.

If you go in and look at the rest of our business on the core connectivity, we thought robust scale and connectivity networks were always going to be important. And what we've seen is what was important in the urban areas is now distributed. And while we've had good infrastructure in place in many areas, we have an opportunity to go do more. We have an opportunity to think about more varied forms of access that are more flexible. And I think that, that plays right into our strength, and we're looking at redoubling our efforts on those product development opportunities that allow for true flexibility of bandwidth as somebody moves through a city center out to suburban areas. Our play in 5G, a more dense fiber network all play really well into those things.

So I think from the product side, we are in the right place. It's just a matter now of accelerating some of those trends we had in place. On how we ran our business, look, we are a network-driven business, and we use our network aggressively in how we ran our business. We always use a lot of video in how we interconnected our various workplaces, and now it's extended to people's homes.

I think we're going to change how we operate around here. I don't believe we are an entirely virtual company. I think to do the kind of work we do, we need a little bit of serendipity. We need people to be able to come in and collaborate and work and build relationships. But there's no question that we have large parts of our business that can be far more virtual than they were before, and we're moving down that path to do that. We're building the infrastructure and the tools around it, and frankly, more importantly, some of the softer sides of how do we lead and manage people in those environments and starting to build resources to help people work through that.

And I would tell you in some of our operating aspects of our business, we gained great flexibility in our call centers and our technician ranks and how we dispatch people from home or have service reps working in their own home with more flexible schedules to manage in these environments. I think those things are going to be with us for a long time to come, and they've made our business a better business. Frankly, I think they'll make us a more attractive employer over time. But it's a balance of using all these tools to be effective moving forward.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

All right. That's super helpful. I appreciate the perspective, John. Let's talk a bit about mobility. I want to hear your current thoughts on the state of the wireless market. We've obviously seen a lot of movement around the wireless market over time. From an untrained eye, it seems that it's a more competitive market today. Do you agree with that? How do you see AT&T's integrated mobility and entertainment offerings and the big investments you're making as you talked about in 5G differentiating the company from your key competitors?

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

It is a competitive market. It's always been a competitive market. I think the basis of competition whenever there's the kind of dynamics that are in the wireless industry change from time to time, and I think we are seeing some dynamics change to a degree. But I would tell you, I think we're faring as well today as we have in the last 5 years right now. I'm really pleased with how the management team is performing. I'm really pleased with how the investments we've made in our infrastructure and our network over the last several years, a combination of what we do would help our core customer base, some of the new initiatives we had around FirstNet, our focus on the development of 5G. We're really seeing those start to bear fruit in our performance in the industry.

We continue to grow and share in the prepaid market, and our share performance is getting better every quarter in the postpaid market. And I really think our performance has been solid. If you look at our customer response with churn declining, when I look at our customer sentiment and how our messages are starting to break through, I think there's really good signs around that side of it, that the management team has done a good job in crisping up what our value proposition is in the market and having customers resonate with that and their daily use. We still have more we can do. We're not all the way home. That has been great progress. So a competitive market performing better in that competitive market than I think we have over the last 5 years, and I feel really good about that aspect of it.

Where we're starting to do some things differently and where I think we're getting to help is as we start to do things like tie entertainment in with our best and most attractive offers, our top end unlimited plans, the ones that provide the most speed and the best performance on the network, we're seeing really good uptake on that. I would tell you, we communicated back at our Analyst Day last year that we had expectations that, that was going to drive step-ups and how our customers bought into unlimited plans if we were going to get ARPU lifts as a result of that, I think you're seeing that. You saw the shoots of it in the second quarter. I suspect as we get in the third quarter, you're going to see those trends carry forward. I feel really good about how our sales associates are selling the value of entertainment with connectivity. That step-up is occurring in the way we expected it to occur. Our best distributor of HBO Max is, in fact, our own company. Our best engagement of customers with HBO Max are, in fact, AT&T customers. So we're now starting to see what that mechanic looks like, and we're getting better at it. And I think there's just the early innings of this starting on it.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

So let's talk about video for a second, which is also undergoing some secular transition as more consumers cut the cord. How important is it for AT&T to continue to own that direct customer relationship as a pay TV provider? And can you give us an update on your newest video service, AT&T TV?

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

So I think having customer relationships is incredibly important moving forward, and it's something that as I think about strategically positioning the business. And one reason why this dynamic of connectivity and entertainment is important together is, I think, it's so critically important that a company have a relationship with most customers, and how we've traditionally defined things like share is no longer sufficient. And we could be very successful having 25%, 28% share in a particular market we served and run great businesses. But moving forward, I don't know that, that's going to be the basis of success.

And so pay TV was a great business for many decades. Having a share of that market was attractive from a cash flow and a franchise perspective, but we really need products and services that maybe have different characterizations of the buy-in, hopefully, a little bit lower price point that can be in more households. And I think that's why HBO Max is so attractive. It's a far more attractive price point, it's a far more reachable price point for virtually any house. You can choose to be in HBO Max and other entertainment products and services, and that can allow us to move from maybe a product where we have 25% presence in a household to a product that allows us to have 65% or 70% presence in households in more relationships and more insights about that customer to ultimately grow and build business on over time.

And so pay TV is an important product to us. We've managed, what I would call, more mature and legacy products very effectively over the history of our business. That customer franchise still has value to us. We want to manage it carefully. We want to be thoughtful about that. Where the momentum is, is in getting into a broader distribution product that can touch more households, have more relationships, frankly give us more insights about how the customer is behaving on any given day. We think an SVOD/AVOD offers, subscription and advertising together is a far more attractive place to be over the long haul than what I would call, what's been the workhorse, the pay TV product for a period of time. But clearly, it's one that's seen its peak and is working down the back side of the growth curve. And as a result of that, I will tell you we'll be diligent managing the mature product. We'll try to drive as many of those customers to software ways of doing business with us in the pay TV market and give them a natural glide path to some of our other entertainment-based products.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

So I want to ask you a 3-part question on Warnermedia. First, remind us how owning and creating content fits into AT&T's long-term strategy. Give us an update if you can on the recent launch of HBO Max. And third, what does the film industry look like as we come out of COVID?

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

Well, that's a lot to unpack here. So I would just echo back to the comments I made earlier around, we think the value of having an opportunity to build content that engages customers allows us to broaden the number of relationships that we can have with customers beyond our traditional connectivity businesses that we think is really important moving forward. We think having that relationship with customers, whether it be a building relationship, a relationship with them as to what they do with those services that gives us insight as to who they are, allows us to build better products in the future and that those platforms allow us to monetize on both subscription and advertising. And we think that's really important for the long haul. And absent having something that allows you to engage, whether it be great entertainment content or interactive gaming or something you can deploy in those platforms, we think the future is not as bright without that. And so that's why those platforms are together.

Where we are with HBO Max, I couldn't be more pleased. I think when we sat down at the Analyst Day last October, we laid out our customer objectives. I know it sometimes gets lost within the context of there's a company called Netflix. It's done a remarkable job of building a franchise over many years, and you sometimes get laid up against what they've done over the course of a decade and what you've done over the course of x number of months. And I understand that, that standard is a high standard, and it's one that we aspire to get to, but we're not going to get there overnight nor are we trying to build the exact same product that Netflix has. And I think Disney had a very different set of plays to run than what Warnermedia and AT&T had to run. I think with other context of where we started this, we've done incredibly well.

Look, we are growing the combination of HBO and HBO Max customers. HBO had been stagnated at a customer count. The only time it went up a little bit is when a new season of Game of Thrones would come out and then it would kind of work back down the backside. We've now built an offering, building on the core of what HBO is that broadens the aperture in the base, the demographics that we can address with a direct-to-consumer product, and we're now seeing subscriptions grow again. That in and of itself in doing that while still holding the HBO distribution base and the HBO customer base was not a trivial shift for this management team, and they deserve a lot of credit for getting that done. Our hours of engagement on HBO Max are up substantially from stand-alone HBO. I mean substantially. And that's a good thing for the future because the more times a week, the more times a day that a customer wants to go and touch an application, the more relevant you're going to be over time, the more insights that you get, the more opportunity you have to monetize other products and services, and we accomplished something we thought was really important, higher level of engagement. We continue to grow the subscribers at the pace we communicated at our Analyst Day. We're over our end of year 2020 subscriber number that we had communicated already.

Would I like more? Would I like it to be faster? Sure. Are we impacted to the degree on some of our subscription growth because we're lacking a certain amount of new content coming out of COVID? Yes, we are. Will those things ultimately fix themselves and correct themselves and we'll get back on a different trajectory that's even stronger than the one we're on right now? We will. And as I said, when we started this, we weren't doing this for a year, we're doing this to build a platform that sustains for the next decade. It takes a little bit of time and sustained investment, and I think that's our mindset moving into it. So I'm really pleased with where we are in HBO Max overall, but know this is what I would call the front end of a long road.

And then on the theatrical business, John, we haven't -- we're probably in the middle innings of a 9-inning game right now of understanding COVID's impact to theatrical. We've got a few more to play out, and I don't think we'll know exactly how it plays out until we're "back to normal", where people are moving around in society without fear of risk, and that means the concentration of the number of people getting into a building. I'm proud of the team. I'm proud of the team trying a couple of different models. I think what we know is that the theatrical or the feature business will be one that probably has a variety of different forms of distribution moving in the forward. Theaters continuing to be important, that there is event quality content that should be produced and released in theaters and that is special in that environment. If you've seen Tenet., I can't imagine enjoying the experience as much as I did in my living room, in the theater as I would in my living room. It's a theater experience, and it should be there, and there's content that's going to be well suited to that.

But I think to be successful in theatrical and feature length production, you're going to want to be able to do some things direct to home. You're going to want to be able to do some things over your own distribution platform, which is why scaling Max is so important to have the kind of optionality that you see Disney flexing on Disney+ and how they're doing things and continuing to have an option to do things in theatrical distribution that is important, I believe, moving forward as well. We think it's all those things. I think we're well positioned. The team is doing a good job of experimenting with all of them, and how it plays out over the next several months needs to be seen.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

All right. So let's talk about broadband, which is an important topic, obviously, in the world. You wrote an Op-Ed for Politico titled the Game Plan To--Finally--Connect Every American to Broadband. How does America actually get that done? And what is AT&T doing to meet that goal? And can you give us an update on your broad fiber strategy? Is there actually a business case for materially expanding your fiber footprint?

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

So let me take that last question first. The answer is yes to that. There is clearly an easy path for us to think about a substantially larger fiber footprint than what we have today with returns that are as good as the great returns we've gotten from the first tranche of homes that we've built. And we're -- our confidence level is -- it was high before COVID. I would tell you right now with the used patterns and characteristics we're seeing, it's even higher.

To my point of view on policy for broadband, we've had great policy in this country in sending private investment in broadband networks. So we shouldn't walk away and feel bad about the fact that unlike other parts of the globe, when everybody went and started working from home, America's broadband networks performed incredibly well. We haven't had people talking about -- there is no discussion around whether or not people can get access to a website or who's throttling what traffic. We do have discussions around things like what kind of incendiary content is showing up on people's platforms and websites and whether or not that's causing problems to our democratic processes, but the core infrastructure of networks have performed incredibly well, and I think it's wise policy that was in place that drove that investment.

Now stepping back, what COVID showed is if there's places where the free markets maybe have not put infrastructure in place as universally and as a policy position. That shouldn't be a surprise. We had to have deliberate policy in this country for universal access to voice telecommunications services decades ago. The government understood that if we wanted everybody connected to a telephone to be able to call each other that there were places where markets would not economically build infrastructure to reach those customers, and that's why the Universal Service policy was put in place. And it's time, as a nation, that we step back and say, it's -- we accomplished that with voice, but think about the great lift. Just like voice allowed us to do so many things a decade ago that facilitate commerce, facilitated social strata and social engagement, the same thing could happen with broadband today, but we just need to be deliberate about that policy. There isn't an insignificant amount of subsidy that goes into broadband deployment today. In any given year, it's probably running some place between $8 billion and $9 billion of federal subsidy that goes into broadband deployment, but it happens in a lot of little dribs and drabs in different places. And I would say that if we got really smart around policy and started to focus that subsidy in a really coherent strategy, we could go find those places where we don't have adequate enough broadband to bring everybody on the grid and deploy it in a way that we can get universal access and do it in a way that it's not necessarily spending new dollars but allocating out existing or possibly decided we want to accelerate a little bit because of the great economic lift. And I think to do that responsibly and smartly, it should be a technology-agnostic view.

We should be worried about the amount of bandwidth we need to get to somebody's home, not necessarily as it's served by a particular technology. And I think there's places around the globe like Australia where there's great case studies that if we do that smartly, we can take the next step-up of not only fixing the homework divide that we have right now, but tremendously charging our economy and opening up new opportunities for new markets.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

That's well said, John. And I think the Op-Ed was, I know, well received and well written. So it's good of you to focus on it because it's not only an issue for AT&T., it's an issue for the country.

We've got just a little bit of time left. I want to ask you 2 quick questions. One is on business services. Your Business Services segment has been resilient despite all the COVID pressures and dynamic. What are you hearing from CIOs about their spending and investment priorities? And do you see a risk of a material pullback for this business due to the economic activity and the issues in terms of recovery?

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

Yes. Talking about business, I think you have to kind of break it apart from a segmentation perspective and think about different things. Look, I would tell you, as I indicated earlier, I think what most of our businesses have seen is connectivity is more important than ever. We've certainly been the benefactor of the fact that we do a lot of business with virtually most major companies in the United States. We've seen them needing to augment infrastructure as a result of this time. We've been great partners with them in doing that. We've seen them taking new models out that we think have been good for our business, whether it's the distribution of telehealth as an example that has occurred that I think has opened up incredibly new applications and opportunities for us to grow our network distribution. Those things are happening. That's what's the good part about it.

But we also know that there are some verticals that have been hit really, really hard. And some of those were important partners. We do a lot of business with the airlines, and they're in difficult strains right now. The hospitality industry is a great partner and group of customers to us, and we're happy to work through with them on some of their challenges. And so while there's a lot of good that's happened, there's just some segments that have been hit hard from COVID that we know are going to balance out the good with the bad as a result of that.

Where I have less visibility, John, is when we start moving down market. We've seen reasonable resiliency in the mid- to low end of the market right now, but I think some of that's been propped up by subsidy through government relief. And I don't believe to be a crystal ball teller of what's going to happen in the future. I don't know what the front end of 2021 looks like, but my guess is it's going to be a little bit rockier for some smaller businesses, that we're going to have some economic stress because of how long the disease has lingered on and the pressure it's going to put on some of the more social-oriented businesses. And so I don't know that we've seen everything play out right now in the business segment, and we're being cautious in our view as a result of that. I think in the guidance that we've given externally, it's been focused on the fact that we think that we haven't seen the worst that can come yet, that we're going to see a softening in the economy. The guidance, so far, I will tell you, everything is in check. I don't see anything that causes me to change our characterization of cash flow. I still think we're going to easily meet our objectives that we laid out for you. I think our dividend coverage is going to be exactly where it is. I think our performance from a subscriber perspective is consistent with the projections that we put forward. But I don't think we've seen it all play out.

If I'm pleasantly surprised, and suddenly, we get this bounce starts to happen in the latter part of the year and it sustains itself and we see unemployment continue to improve, people are truly gainfully employed, that will be a pleasant surprise to our estimates. But I think you have to kind of plan for a little bit of downside. I will tell you, for the last 6 months, my life has been expect the unexpected. So I'm still in that moment now.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

That certainly resonates with me. Let me close with one final question. Your predecessor, Randall Stephenson, will likely be known as the CEO who broadened AT&T's footprint across multiple levels. The company is now positioned to be a global leader driving the convergence of all types of connectivity and content. You've talked a lot about that today. If we were to have this conversation 5 to 10 years from now, how do you think AT&T will have changed from the company you are today?

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

I think that if I were to think about 5 years out and what I'd like to be able to come and tell you is, to my point earlier, that we are focused in a set of products; that we're really proud of in the market that were -- that customers love and think are really strong; that our broadband connectivity products, whether you're a business with a complicated distributed network or you're at home, using one of our fixed broadband connections or a subscriber of our wireless service, you view them as being the best-in-class that are there; that our entertainment products are unique and that you can't live without the stories that we're telling; and that our employees who bring those products and services to our customers have a lot of pride in those, and they see them as being best-in-class and unique and special in the market. And that's kind of universally held across our business. And as a result of that, employees want to come, not only continue to work here, we're able to go out the market and recruit because people say, "Those are great products. It's a great company that offers those things, and I feel compelled to want to go and participate in that." So a high degree of employee loyalty around the products and services that we bring in that manifest itself in great employee engagement and great customer receptivity of those products. And 5 years from now that we're known in that regard.

John E. Waldron - *The Goldman Sachs Group, Inc. - President & COO*

That's great. John, I really thank you for taking the time today amidst all that you have going on, and I wish you much success. Stay safe. Be well, and we'll talk soon.

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

Thanks for your interest in AT&T, John, and thanks for having us in.
