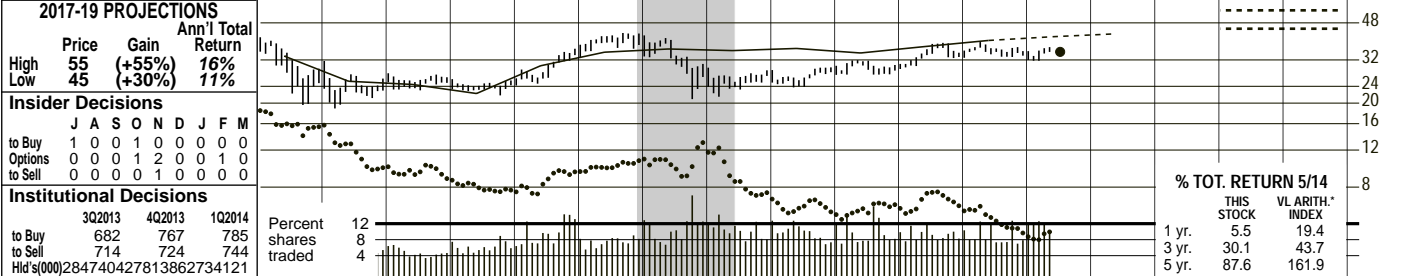


# AT&T INC. NYSE-T

RECENT PRICE **34.94** P/E RATIO **12.7** (Trailing: 13.6 Median: 14.0) RELATIVE P/E RATIO **0.68** DIV'D YLD **5.3%** **VALUE LINE**

TIMELINESS <b>3</b> Lowered 3/28/14	High: 31.7	27.7	26.0	36.2	43.0	41.9	29.5	29.6	31.9	38.6	39.0	36.9	Target Price Range
SAFETY <b>1</b> Raised 3/28/08	Low: 18.8	23.0	21.8	24.2	32.7	20.9	21.4	23.8	27.2	29.0	32.8	31.7	2017 2018 2019
TECHNICAL <b>3</b> Lowered 5/23/14	<b>LEGENDS</b> — 6.5 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession												
BETA .75 (1.00 = Market)													



2017-19 PROJECTIONS																	© VALUE LINE PUB. LLC	
Price	Gain	Ann'l Total															Revenues per sh <sup>E</sup>	28.20
High 55	(+55%)	Return 16%															"Cash Flow" per sh	7.50
Low 45	(+30%)	11%															Earnings per sh <sup>A</sup>	3.55
Insider Decisions																	Div'ds Decl'd per sh <sup>B</sup>	2.20
Institutional Decisions																	Cap'l Spending per sh	4.50
Percent shares traded																	Book Value per sh <sup>C</sup>	23.70
to Buy																	Common Shs Outst'g <sup>D</sup>	5000.0
to Sell																	Avg Ann'l P/E Ratio	14.0
Hlds																	Relative P/E Ratio	.90
																	Avg Ann'l Div'd Yield	4.4%

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	17-19	
14.69	14.42	15.75	16.19	15.60	12.36	12.36	11.31	16.24	19.83	21.05	20.84	21.05	21.38	22.83	24.64	<b>25.70</b>	<b>26.30</b>	Revenues per sh <sup>E</sup>	<b>28.20</b>
4.63	4.59	5.04	5.32	5.14	3.91	3.77	3.42	4.63	5.36	5.56	5.46	5.60	5.31	5.70	6.10	<b>6.35</b>	<b>6.55</b>	"Cash Flow" per sh	<b>7.50</b>
2.08	2.15	2.26	2.35	2.16	1.52	1.47	1.72	2.34	2.76	2.16	2.12	2.29	2.20	2.33	2.50	<b>2.75</b>	<b>2.90</b>	Earnings per sh <sup>A</sup>	<b>3.55</b>
.94	.97	1.01	1.02	1.07	1.37	1.25	1.29	1.33	1.42	1.60	1.64	1.68	1.72	1.76	1.80	<b>1.84</b>	<b>1.88</b>	Div'ds Decl'd per sh <sup>B</sup>	<b>2.20</b>
3.03	3.03	3.88	3.34	2.05	1.58	1.54	1.44	2.14	2.93	3.34	2.81	3.30	3.39	3.49	4.01	<b>4.15</b>	<b>4.30</b>	Cap'l Spending per sh	<b>4.50</b>
6.52	7.87	9.00	9.69	10.01	11.57	12.29	14.11	29.76	19.09	16.35	17.34	18.94	17.85	16.61	17.50	<b>18.35</b>	<b>19.35</b>	Book Value per sh <sup>C</sup>	<b>23.70</b>
1959.3	3395.4	3386.0	3354.2	3317.6	3305.2	3300.9	3876.9	3882.0	6043.5	5893.0	5901.9	5911.1	5926.5	5581.4	5226.3	<b>5175.0</b>	<b>5125.0</b>	Common Shs Outst'g <sup>D</sup>	<b>5000.0</b>
20.2	24.4	20.3	18.3	14.2	15.6	17.2	13.9	12.6	14.2	15.4	12.1	11.7	13.4	14.5	14.2	<b>14.5</b>	<b>14.2</b>	Avg Ann'l P/E Ratio	<b>14.0</b>
1.05	1.39	1.32	.94	.78	.89	.91	.74	.68	.75	.93	.81	.74	.84	.92	.80	<b>.92</b>	<b>.80</b>	Relative P/E Ratio	<b>.90</b>
2.2%	1.8%	2.2%	2.4%	3.5%	5.8%	5.0%	5.4%	4.5%	3.6%	4.8%	6.4%	6.3%	5.8%	5.2%	5.1%	<b>5.2%</b>	<b>5.1%</b>	Avg Ann'l Div'd Yield	<b>4.4%</b>

CAPITAL STRUCTURE as of 3/31/14																		
Total Debt \$79876 mill. Due in 5 Yrs \$28000 mill. LT Debt \$71575 mill. LT Interest \$3500 mill.																		
Pension Assets-12/13 \$47238 mill. Oblig. \$56560 mill.																		
Pfd Stock None																		
Common Stock 5,190 mill. shares as of 4/30/14																		
MARKET CAP: \$181 billion (Large Cap)																		
CURRENT POSITION 2012 2013 3/31/14 (\$MILL.)																		
Cash Assets	4868	3339	3611														Revenues (\$mill) <sup>E</sup>	141000
Other	17838	19857	20478														Net Profit (\$mill)	17800
Current Assets	22706	23196	24089														Income Tax Rate	34.0%
Accts Payable	20911	21107	22234														Net Profit Margin	12.6%
Debt Due	3486	5498	8301														Long-Term Debt Ratio	40.5%
Other	7390	8390	9295														Common Equity Ratio	59.5%
Current Liab.	31787	34995	39830														Total Capital (\$mill)	198500
Fix. Chg. Cov.	673%	774%	730%														Net Plant (\$mill)	125000

ANNUAL RATES				
Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13	to '17-'19	
Revenues	4.5%	4.0%	3.5%	
"Cash Flow"	2.0%	2.0%	4.5%	
Earnings	1.5%	-5%	7.0%	
Dividends	4.5%	4.0%	4.0%	
Book Value	5.0%	-4.5%	5.5%	

QUARTERLY REVENUES (\$ mill.) <sup>E</sup>					
Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	31247	31495	31478	32503	126723
2012	31822	31575	31459	32578	127434
2013	31356	32075	32158	33163	128752
2014	32476	<b>33174</b>	<b>33300</b>	<b>34150</b>	<b>133100</b>
2015	<b>32850</b>	<b>33600</b>	<b>33700</b>	<b>34550</b>	<b>134700</b>

EARNINGS PER SHARE <sup>A</sup>					
Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.57	.60	.61	.42	2.20
2012	.60	.66	.63	.44	2.33
2013	.64	.67	.66	.53	2.50
2014	.71	.70	.70	.64	2.75
2015	.75	.74	.75	.66	2.90

QUARTERLY DIVIDENDS PAID <sup>B</sup>					
Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.42	.42	.42	.42	1.68
2011	.43	.43	.43	.43	1.72
2012	.44	.44	.44	.44	1.76
2013	.45	.45	.45	.45	1.80
2014	.46	.46	.46	.46	1.84

**AT&T has agreed to buy satellite television operator DirecTV for \$48.5 billion in stock and cash.** Under terms of the transaction, expected to close in about 12 months (government regulators are sure to take a long look at the proposed combination), DirecTV shareholders would receive \$28.50 in cash and \$66.50 in AT&T stock, or \$95.00, for each share of DTV held. (DirecTV shareholders would own between 15% and 16% of the combined entity.) AT&T would also assume DirecTV's net debt obligations, which would bring the total value of the blockbuster deal to roughly \$67.1 billion.

**The acquisition, though viewed skeptically by some on Wall Street, appears to make strategic sense.** The pay TV market is fairly mature, as evidenced by the slowing subscriber growth in recent years. But the merger, coming on the heels of Comcast's bid for Time Warner Cable, will probably make it easier for AT&T to expand its video offerings and negotiate content agreements with the nation's largest media outfits. It should also expand the company's presence in Latin America, where DirecTV has over 18 million cus-

tomers. And the deal should produce considerable annual cost synergies (upwards of \$1.6 billion by year three) and contribute to AT&T's robust free cash flow. This latter point is key, particularly at a time when the company is spending a lot to enhance its wireless/broadband capabilities. All in all, we like this bold move by AT&T, and look forward to hearing more about the company's plans to make inroads in the growing video streaming space.

**The existing operations, meanwhile, are performing pretty well so far this year.** The wireless segment has been especially strong, with first-quarter postpaid net additions of 625,000 coming in ahead of expectations, thanks to the success of the "Next" early upgrade program. And the wireline business seems to be improving steadily, as *U-verse*, AT&T's own video product, attracts more subscribers.

**We like this high-quality Dow component for defensive, income-oriented investors.** DirecTV would likely bolster AT&T's long-term earnings power, though we will not factor the transaction into our estimates until it is completed.

*Justin Hellman*  
June 20, 2014

(A) Diluted earnings. Excl. nonrecurring gains/(losses): '98, (\$0.05); '03, \$1.04; '04, \$0.32; '05, (\$0.30); '06, (\$0.45). Next earnings report due late Jul. (B) Div'ds paid in Feb., May, Aug., and Nov. Incl. one-time div'ds: In '03, \$0.25. ■ Div'd reinvestment plan avail. (C) Incl. goodwill: '13: \$69273 mill., \$13.25/sh. (D) In mill., adjusted for splits. (E) Starting in '03, proportionate rev. from Cingular no longer incl. in top line.

Company's Financial Strength **A++**  
 Stock's Price Stability **100**  
 Price Growth Persistence **45**  
 Earnings Predictability **95**