

AT&T INC. NYSE-T				RECENT PRICE	34.66	P/E RATIO	13.1	(Trailing: 13.8 Median: 14.0)	RELATIVE P/E RATIO	0.72	DIV'D YLD	5.4%	VALUE LINE								
TIMELINESS	3	Lowered 9/12/14	High: 31.7	27.7	26.0	36.2	43.0	41.9	29.5	29.6	31.9	38.6	39.0	37.5							
SAFETY	1	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							
TECHNICAL	3	Raised 9/5/14	LEGENDS — 6.5 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA	.75	(1.00 = Market)																			
2017-19 PROJECTIONS																					
Price		Gain	Ann'l Total Return																		
High	55	(+60%)	16%																		
Low	45	(+30%)	11%																		
Insider Decisions																					
O N D J F M A M J																					
to Buy	1	0	0	0	0	0	0	0	0	0	0	0	0	0							
Options	1	2	0	0	1	0	0	0	0	0	0	0	0	0							
to Sell	0	1	0	0	0	0	0	0	0	0	0	0	0	0							
Institutional Decisions																					
4Q2013		1Q2014	2Q2014																		
to Buy	767	785	786																		
to Sell	724	744	706																		
Hlds(000)	278138627341212718707																				
Percent shares traded																					
12 8 4																					
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015															© VALUE LINE PUB. LLC 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	26.00	26.65	Revenues per sh ^E	28.20		
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	6.30	6.60	"Cash Flow" per sh	7.50		
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	2.60	2.80	Earnings per sh ^A	3.55		
.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	1.84	1.88	Div'ds Decl'd per sh ^B	2.20		
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	4.15	4.30	Cap'l Spending per sh	4.50		
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	17.95	18.65	Book Value per sh ^C	23.70		
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	5175.0	5125.0	Common Shs Outst'g ^D	5000.0		
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			Avg Ann'l P/E Ratio	14.0		
1.05	1.39	1.32	.94	.78	.89	.91	.74	.68	.75	.93	.81	.74	.84	.92	.80			Relative P/E Ratio	.90		
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%			Avg Ann'l Div'd Yield	4.4%		
CAPITAL STRUCTURE as of 6/30/14																					
Total Debt \$84052 mill. Due in 5 Yrs \$28000 mill.																					
LT Debt \$73570 mill. LT Interest \$3350 mill.																					
Pension Assets-12/13 \$47238 mill. Oblig. \$56560 mill.																					
Pfd Stock None																					
Common Stock 5,186 mill. shares as of 7/31/14																					
MARKET CAP: \$180 billion (Large Cap)																					
CURRENT POSITION																					
(SMILL.)																					
Cash Assets	4868	3339	11305																		
Other	17838	19857	21807																		
Current Assets	22706	23196	33112																		
Accts Payable	20911	21107	22966																		
Debt Due	3486	5498	10482																		
Other	7390	8390	10340																		
Current Liab.	31787	34995	43788																		
Fix. Chg. Cov.	673%	774%	637%																		
ANNUAL RATES																					
Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 of change (per sh)																					
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%																		
Cal-endar	QUARTERLY REVENUES (\$ mill.) ^E				Full Year																
	Mar.31	Jun.30	Sep.30	Dec.31																	
2011	31247	31495	31478	32503	126723																
2012	31822	31575	31459	32578	127434																
2013	31356	32075	32158	33163	128752																
2014	32476	32575	33549	35900	134500																
2015	33000	33200	34100	36200	136500																
Cal-endar	EARNINGS PER SHARE ^A				Full Year																
	Mar.31	Jun.30	Sep.30	Dec.31																	
2011	.57	.60	.61	.42	2.20																
2012	.60	.66	.63	.44	2.33																
2013	.64	.67	.66	.53	2.50																
2014	.71	.62	.66	.61	2.60																
2015	.76	.67	.71	.66	2.80																
Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year																
	Mar.31	Jun.30	Sep.30	Dec.31																	
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																		

Recent results at AT&T have been on the light side. In fact, second-quarter share net of \$0.62 came in \$0.08 shy of our estimate, as a transition to new, more-competitive mobile pricing plans weighed on the carrier's margins. The new discount plans, including the popular "Next" program (it allows consumers to pay a small monthly fee for the privilege of upgrading their phones every year without a down payment), have reduced churn to record levels and been a blessing for wireless subscriber growth. But they have squeezed profits by pushing ARPU (average revenue per user) metrics lower. And we believe that the margin pressures will persist though next year, particularly given the higher spending of late on network upgrades. Thus, we have pared our earnings call for 2014 by \$0.15, to \$2.60 a share.

The longer-term outlook for the company remains decent. The new wireless strategy, while costly, should continue to hold down customer churn and help AT&T in its market-share battle with Verizon, Sprint, and T-Mobile. Indeed, the benefits of the pricing shift, in terms of subscriber trends, will likely be evident as Apple

launches its next-generation *iPhone* and the important holiday shopping season approaches. And we expect the margin headwinds to ease next year, supported by a decline in infrastructure investments and a probable reduction in *iPhone* subsidies. In the meantime, the *U-verse* video product, which ought to get a major shot in the arm if, as expected, the \$48.5 billion DirecTV acquisition closes in the first quarter, continues to gain traction. This is bolstering wireline consumer revenues, and offsetting some weakness from the enterprise business. All in all, we see share net rising 8% in 2015, to \$2.80, and surpassing the \$3.50 mark by late decade.

This neutrally ranked (3) Dow component is well suited for conservative accounts. The stock continues to yield over 5%, backed by AT&T's robust cash flow. What's more, there may well be upside to our projections if the mobile pricing shift proves successful and the DirecTV deal enables the company to make hay in the video realm. (Note that DirecTV will not be factored into our earnings presentation until the acquisition is finalized.)

Justin Hellman September 19, 2014