AT&T INC. NYSE-T

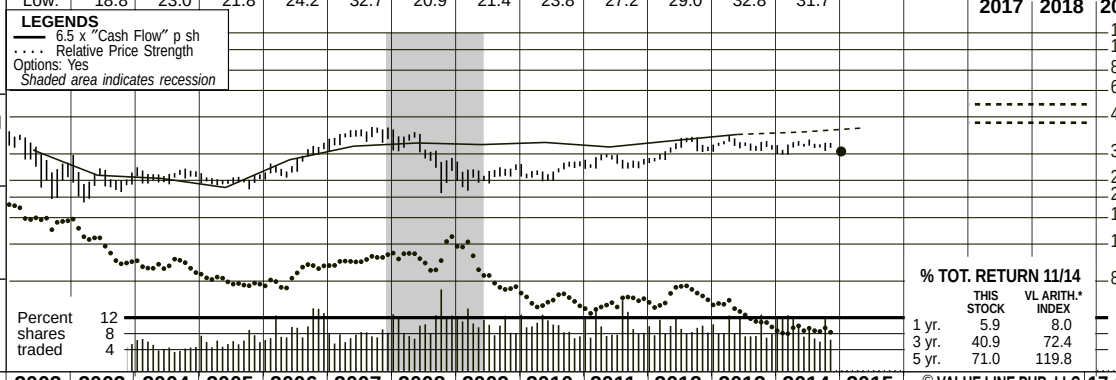
RECENT PRICE **32.89** | P/E RATIO **12.4** (Trailing: 13.2 / Median: 14.0) | RELATIVE P/E RATIO **0.67** | DIV'D YLD **5.7%** | VALUE LINE

TIMELINESS 3 Lowered 9/12/14
SAFETY 1 Raised 3/28/08
TECHNICAL 3 Raised 12/19/14
BETA .75 (1.00 = Market)

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
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

Target Price Range 2017 | 2018 | 2019

LEGENDS
— 6.5 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+65%)	*18%*
Low	45	(+35%)	*13%*

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	3	1	0
Options	0	1	0	0	0	0	5	0	0
to Sell	0	0	0	0	0	0	5	0	0

Institutional Decisions

	1Q2014	2Q2014	3Q2014
to Buy	785	786	810
to Sell	744	706	675
Hld's(000)	2734121	2718707	2728022

% TOT. RETURN 11/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	5.9	8.0
3 yr.	40.9	72.4
5 yr.	71.0	119.8

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	***25.70***	***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	***6.25***	***6.55***	"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	***2.55***	***2.75***	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***	***18.95***	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	*Bold figures are*		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	*Value Line*		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%	*estimates*		Avg Ann'l Div'd Yield	***4.4%***

CAPITAL STRUCTURE as of 9/30/14
Total Debt $75625 mill. **Due in 5 Yrs** $25000 mill.
LT Debt $70516 mill. **LT Interest** $3600 mill.

Pension Assets-12/13 $47238 mill. **Oblig.** $56560 mill.

Pfd Stock None

Common Stock 5,187 mill. shares
as of 10/31/14

MARKET CAP: $171 billion (Large Cap)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
40787	43862	63055	119839	124028	123018	124399	126723	127434	128752	***133100***	***136500***	Revenues ($mill) E	***141000***
4884.0	5803.0	9014.0	17040	12867	12535	13612	13103	13698	13463	***13200***	***14100***	Net Profit ($mill)	***17800***
31.1%	32.1%	32.6%	34.2%	35.4%	32.4%	39.3%	33.6%	32.6%	33.2%	***35.0%***	***34.0%***	Income Tax Rate	***33.0%***
12.0%	13.2%	14.3%	14.2%	10.4%	10.2%	10.9%	10.3%	10.7%	10.5%	***9.9%***	***10.3%***	Net Profit Margin	***12.6%***
34.4%	32.3%	30.2%	33.2%	38.7%	38.7%	34.5%	36.7%	41.7%	43.1%	***43.0%***	***42.5%***	Long-Term Debt Ratio	***40.5%***
65.6%	67.7%	69.8%	66.8%	61.3%	61.3%	65.5%	63.3%	58.3%	56.9%	***57.0%***	***57.5%***	Common Equity Ratio	***59.5%***
61801	80805	165603	172622	157219	167045	170921	167097	159053	160772	***163500***	***168700***	Total Capital ($mill)	***198500***
50046	58727	94596	95890	99088	100093	103196	107087	109767	110968	***112000***	***115000***	Net Plant ($mill)	***125000***
8.7%	7.8%	5.9%	10.9%	9.3%	8.5%	8.8%	8.9%	9.7%	9.6%	***9.0%***	***9.5%***	Return on Total Cap'l	***10.0%***
12.0%	10.6%	7.8%	14.8%	13.4%	12.3%	12.2%	12.4%	14.8%	14.7%	***14.0%***	***14.5%***	Return on Shr. Equity	***15.0%***
12.0%	10.6%	7.8%	14.8%	13.4%	12.3%	12.2%	12.4%	14.8%	14.7%	***14.0%***	***14.5%***	Return on Com Equity	***15.0%***
1.8%	2.8%	3.3%	7.2%	3.5%	2.8%	3.3%	2.8%	3.7%	4.1%	***4.0%***	***4.5%***	Retained to Com Eq	***5.5%***
85%	73%	57%	51%	74%	77%	73%	78%	75%	72%	***72%***	***68%***	All Div'ds to Net Prof	***62%***

CURRENT POSITION ($MILL.)	2012	2013	9/30/14
Cash Assets	4868	3339	2458
Other	17838	19857	23377
Current Assets	22706	23196	25835
Accts Payable	20911	21107	24119
Debt Due	3486	5498	5109
Other	7390	8390	10751
Current Liab.	31787	34995	39979
Fix. Chg. Cov.	673%	774%	532%

ANNUAL RATES of change (per sh)	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%*

Cal-endar	QUARTERLY REVENUES ($ mill.) E 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	32575	32957	***35092***	***133100***
2015	***33300***	***33400***	***33800***	***36000***	***136500***

Cal-endar	EARNINGS PER SHARE A 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	.62	.63	***.59***	***2.55***
2015	***.76***	***.67***	***.68***	***.64***	***2.75***

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ 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	

BUSINESS: AT&T Inc., formerly SBC Communications Inc., is one of the world's largest telecom holding companies and is the largest in the U.S. Its traditional (SBC only) wireline subsidiaries provide services in 13 states, including California, Texas, Illinois, Michigan, Ohio, Missouri, Connecticut, Indiana, Wisconsin, Oklahoma, Kansas, Arkansas, and Nevada. Also owns Cingular (now AT&T Wireless). Acq. PacTel, 4/97; SNET, 10/98; Ameritech, 10/99; AT&T Corp., 11/05; BellSouth, 12/06. Total Consumer Revenue Connections: 35.8 mill. '13 sales mix: Wireless segment, 54%; Wireline, 46%; Other, less than 1%. Has 247,700 employees. Chrmn. & CEO: Randall Stephenson. Inc.: DE. Addr.: 208 S. Akard St., Dallas, Texas, 75202. Tel.: 210-821-4105. Internet: www.att.com.

AT&T's bottom line has been under some pressure of late. In fact, we have trimmed our share-net call for 2014 by a nickel, to $2.55, mainly because of a modest profit squeeze across the wireline business. Wireline margins are being hurt by a transition away from the legacy operations, an uptick in content costs, and heavy infrastructure spending, including investments related to a large network buildout. These negatives are overshadowing a welcome strengthening of the enterprise segment and significant inroads by *U-verse*, the company's new video offering.

The wireless division, now the carrier's primary growth engine, has been performing pretty well. True, AT&T still appears to be lagging Verizon in terms of wireless subscriber metrics, and the uptake for its "Next" program has been a tad softer than was hoped for. (The "Next" plan lets consumers pay a small monthly fee for the privilege of upgrading their smartphones every year without a down payment.) But postpaid net additions have been solid (785,000 during the September interim), and churn has been very low, indicating that the company is doing a fine job of retaining its customers in the face of stiff competition. What's more, wireless margins have been reasonably healthy, which ought to ease investor concerns that pricing trends will deteriorate as AT&T migrates toward discounted data packages. All in all, results remain pretty decent at the former Baby Bell. And free cash flow continues to be ample, which is supporting an attractive (5%-plus) dividend yield.

The proposed DirecTV deal is being closely scrutinized by federal regulators. Still, we expect the $49 billion transaction, not yet factored into our estimates, to get the go-ahead from the FCC and U.S. Justice Department by mid-2015. And we continue to have high hopes for the merger, as it should expand AT&T's presence in emerging markets (especially in Latin America), and enable the company to get a lot more aggressive in the video/streaming space.

We like this high-quality Dow stock for defensive, income investors. Appreciation potential to 2017-2019 should also be decent—even without DirecTV.

Justin Hellman *December 19, 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 Jan. **(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

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