

**VALUE  
LINE**

		Target Price Range	
	2020	2021	2022
			120
			100
			80
			64

Day	Number of People
1	24
2	32
3	40
4	48
5	56
6	64
7	72
8	80
9	88
10	96

**% TOT. RETURN 11/17**

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-1.0	16.8
3 yr.	20.1	30.2
5 yr.	36.3	96.6

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	25.53	23.89	26.68	<b>26.05</b>	<b>26.85</b>	Revenues per sh <sup>E</sup>	<b>28.85</b>
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	6.04	6.05	7.07	<b>7.15</b>	<b>7.25</b>	"Cash Flow" per sh	<b>8.25</b>
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	2.50	2.69	2.84	<b>2.93</b>	<b>3.00</b>	Earnings per sh <sup>A</sup>	<b>3.70</b>
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	1.92	<b>1.96</b>	<b>2.00</b>	Div'd Dec'd per sh <sup>B ■</sup>	<b>2.40</b>
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	4.09	3.26	3.50	<b>3.60</b>	<b>3.70</b>	Cap'l Spending per sh	<b>4.00</b>
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	16.76	19.96	20.06	<b>20.60</b>	<b>21.40</b>	Book Value per sh <sup>C</sup>	<b>27.50</b>
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	5186.9	6144.9	6139.0	<b>6140.0</b>	<b>6140.0</b>	Common Shs Outst'g <sup>D</sup>	<b>6150.0</b>
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	13.8	12.6	13.8	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	<b>14.0</b>
.94	.78	.89	.91	.74	.68	.75	.93	.81	.74	.84	.92	.80	.73	.63	.72			Relative P/E Ratio	<b>.90</b>
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%	5.3%	5.6%	4.9%			Avg Ann'l Div'd Yield	<b>4.6%</b>

**CAPITAL STRUCTURE as of 9/30/17**  
**Total Debt \$163279 mill. Due in 5 Yrs \$65000 mill.**  
**LT Debt \$154728 mill. LT Interest \$7700 mill.**

**Pension Assets-12/16 \$42610 mill. Oblig. \$56183 mill.**

**Pfd Stock** None

**Common Stock** 6,139 mill. shares  
as of 10/31/17

**MARKET CAP: \$224 billion (Large Cap)**

CURRENT POSITION	2015	2016	9/30/17
( \$ M I L L )			

Cash Assets	5121	5788	48499
Other	30871	32581	27858
Current Assets	35992	38369	76357
Accts Payable	30372	31138	28928
Debt Due	7636	9832	8551
Other	9808	9606	10214
Current Liab.	47816	50576	47693
Fin. Chg. Cr.	3000%	3000%	3000%

Fix. Chg. Cov.	602%	496%	380%
<b>ANNUAL RATES</b>	<b>Past</b>	<b>Past</b>	<b>Est'd '14-'16</b>
of change (per sh)	<b>10 Yrs.</b>	<b>5 Yrs.</b>	<b>to '20-'22</b>
Revenues	6.5%	4.0%	2.0%
"Cash Flow"	5.0%	3.0%	4.5%
Earnings	4.0%	4.0%	5.5%
Dividends	4.0%	2.5%	4.0%
Book Value	- -	1.0%	6.5%

Calendar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	32476	32575	32957	34439	132447
2015	32576	33015	39091	42119	146801
2016	40535	40520	40890	41841	163786
2017	39365	39837	39668	41130	160000
2018	40500	40700	41100	42700	165000

Calendar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.71	.62	.62	.55	2.50
2015	.63	.69	.74	.63	2.69
2016	.72	.72	.74	.66	2.84
2017	.74	.79	.74	.66	2.93
2018	.76	.79	.75	.70	3.00

Calendar	QUARTERLY DIVIDENDS PAID - \$				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.45	.45	.45	.45	1.80
2014	.46	.46	.46	.46	1.84
2015	.47	.47	.47	.47	1.88
2016	.48	.48	.48	.48	1.92
2017	.49	.49	.49	.49	

119839	124028	123018	124399	126723	127434	128752	132447
17040	12867	12535	13612	13103	13698	13463	13056
34.2%	35.4%	32.4%	39.3%	33.6%	32.6%	33.2%	34.6%
14.2%	10.4%	10.2%	10.9%	10.3%	10.7%	10.5%	9.9%
33.2%	38.7%	38.7%	34.5%	36.7%	41.7%	43.1%	46.7%
66.8%	61.3%	61.3%	65.5%	63.3%	58.3%	56.9%	53.3%
172622	157219	167045	170921	167097	159053	160772	162935
95890	99088	100093	103196	107087	109767	110968	112898
10.9%	9.3%	8.5%	8.8%	8.9%	9.7%	9.6%	9.1%
14.8%	13.4%	12.3%	12.2%	12.4%	14.8%	14.7%	15.0%
14.8%	13.4%	12.3%	12.2%	12.4%	14.8%	14.7%	15.0%
7.2%	3.5%	2.8%	3.3%	2.8%	3.7%	4.1%	4.0%
51%	74%	77%	73%	78%	75%	72%	73%

**BUSINESS:** AT&T Inc., formerly SBC Communications, 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 Wire-

**AT&T's proposed \$85 billion acquisition of Time Warner has hit a stumbling block.** Indeed, the Justice Department has sued to block the media tie-up on antitrust grounds, leading investors to question whether the deal, first announced in October of 2016, will ever be consummated. The DOJ has green-lighted similar transactions in the recent past, most notably when it allowed Comcast to buy NBCUniversal. But the regulatory body, concerned that an AT&T-Time Warner merger would harm consumers and give it an unfair leg up on smaller rivals like Netflix and T-Mobile, now seems to be taking a harsher position. In response, AT&T plans to aggressively defend the union in court, mainly by arguing that the two parties are not direct competitors, and that the public would ultimately benefit via more attractive bundles of wireless plans and digital content. It will also remain in settlement talks with the DOJ, we think, in the hopes of clearing up any antitrust concerns. Still, the transaction is far from a certainty at this point. And the merger deadline has been pushed out to late April.

less). Acquired PacTel, 4/97; SNET, 10/98; Ameritech, 10/99; AT&T Corp., 11/05; BellSouth, 12/06; DirecTV, 7/15. '16 sales mix: Service, 91%; Equip., 9%. Has about 260,500 emp. BlackRock, 5.8% of common; Off./Dir., less than 1% (3/17 Proxy). Chrmn. & CEO: Randall Stephenson, Inc.; DE. Addr: 208 S. Akard St., Dallas, Texas, 75202. Tel.: 210-821-4105. Internet: [www.att.com](http://www.att.com).

**The carrier's operating climate, meanwhile, remains chilly.** The video business is being hampered by cord-cutting, while wireless pricing continues to be hurt by heavy promotional activity in the space. Given these factors, we are reducing our 2017 share-net estimate to \$2.93 (from \$2.95) and our 2018 call to \$3.00 (from \$3.05). Still, cash flow remains ample, which is supporting network upgrades and the generous dividend payout. And . . .

**The fundamental picture here generally appears solid.** Even without Time Warner, AT&T should benefit from stepped-up bundling initiatives, with more packages featuring DirecTV Now, its popular streaming television service. The company also seems likely to emerge as a leader in the 5G broadband market. And wireless pricing should eventually stabilize, which would be a plus for margins.

**We continue to like this high-quality stock for cautious, income-oriented investors.** The Time Warner acquisition would probably be immediately accretive to earnings and free cash flow, though it's not yet factored into our projections.

*Justin Hellman* *December 15, 2017*

<p>(A) Diluted earnings. Excl. nonrecurring gains/(losses): '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: '16: \$105207 mill., \$17.14/sh. (D) In mill. (E) Starting in '03, proportionate rev. from Circular</p>	<p>no longer incl. in top line.</p>	<p><b>Company's Financial Strength</b> A++  <b>Stock's Price Stability</b> 100  <b>Price Growth Persistence</b> 25  <b>Earnings Predictability</b> 100</p>
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