



# AT&T

R·I·T F·M·A  
FINANCIAL MANAGEMENT ASSOCIATION

AT&T: Your world.  
Delivered.

Connecting you to your world,  
everywhere you live and work.



- Founded in 1984
- The largest telecommunications holding company in the world by revenue
  - 72.9 million customers in more than 200 countries
  - Exclusive U.S. wireless carrier for iPhone 3G

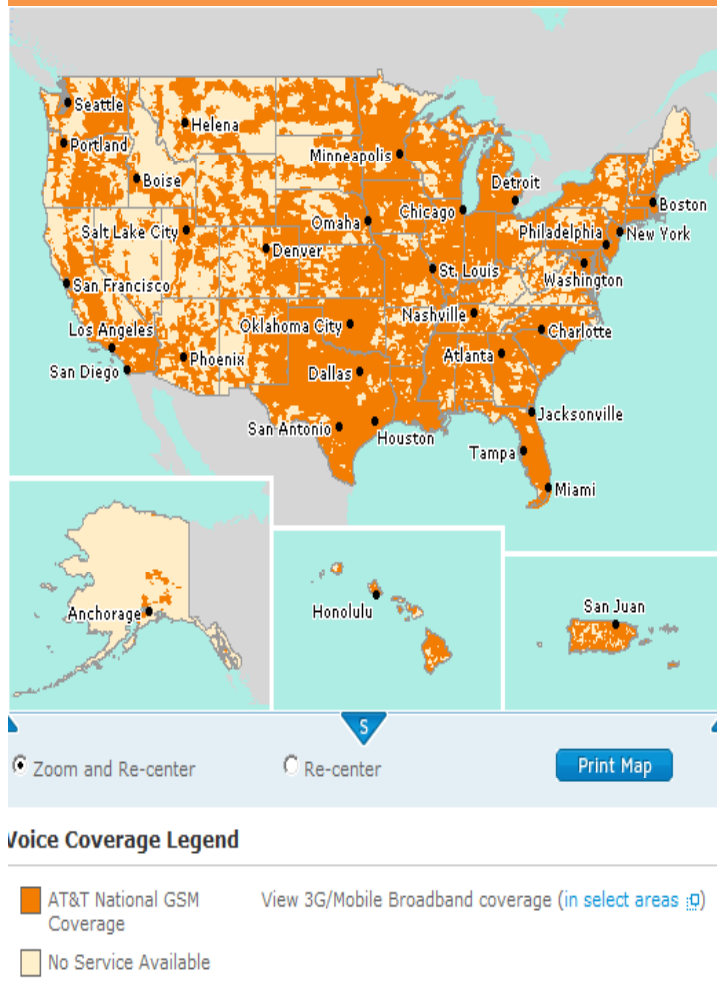
And iPhone

- Largest provider of broadband
- Largest Wi-Fi provider - access to more than 71,000 hot spots around the world
- IP-based communication services for businesses
- The world's leader in the transport and termination of wholesale traffic
- The parent of YELLOWPAGES.COM with more than 1.5 B in local searches for 2007



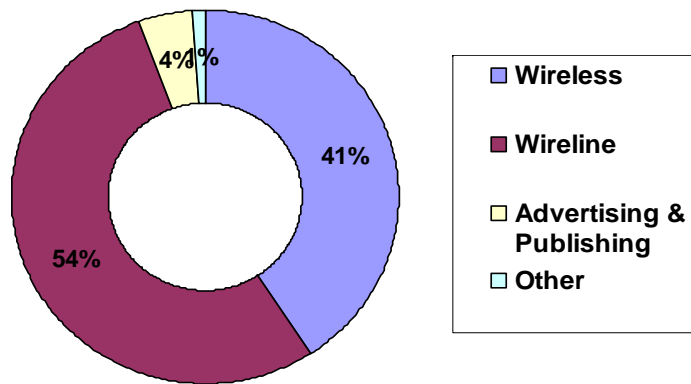
# MAJOR DEVELOPMENTS

- ◆ AT&T's new fiber-based network with 781,000 customers as of Sept., 2008
- ◆ 2.4 M more iPhones activates than expected as of 3Q
- ◆ In late 2008 plans to further integrate wireless and wireline operations

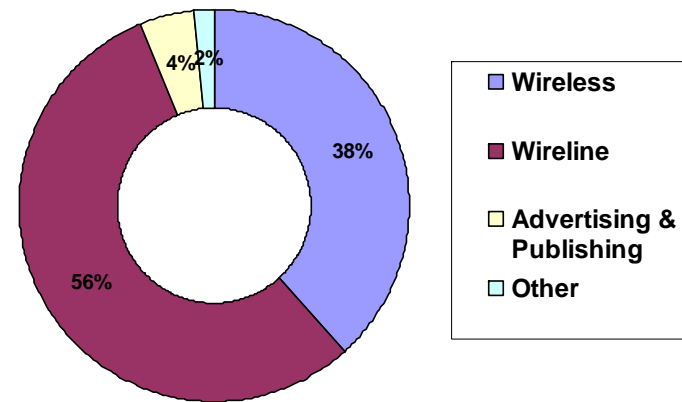




**Total Segment Percentage of Operating Revenue (QTD)**



**Total Segments Percentage of Operating Revenues (YTD)**





# SUB-INDUSTRY ANALYSIS

- ◆ Challenging economy and fewer new home sales
- ◆ Modest growth in 2008 for the sub-industry's dominant carriers
- ◆ Growth in wireless units, enterprise operations and cost-saving measures – key results drivers for the rest of 2008
- ◆ Integrated telecom stocks declined 30% vs. a decline of 25% in S&P 1500 Index as of November 3, 2008



# SUMMARY

## S&P Sector Performance

Month Ending	QTD	CYT	1 YR		
			3 YR	5 YR	
Telecom Sec -8.3%	Telecom Sec -9.7%	Cons Staples Sec -13.6%	Cons Staples Sec -11.9%	Energy Sec 4.7%	Energy Sec 17.3%
Cons Staples Sec -10.9%	Cons Staples Sec -15.5%	Health Care Sec -22.5%	Health Care Sec -24.0%	Cons Staples Sec 4.4%	Utilities Sec 9.5%
Health Care Sec -11.7%	Health Care Sec -17.0%	Utilities Sec -29.6%	Utilities Sec -29.0%	Utilities Sec 0.9%	Cons Staples Sec 5.4%
Utilities Sec -11.7%	Utilities Sec -20.1%	Cons Discr Sec -30.3%	Energy Sec -30.5%	Telecom Sec 0.0%	Telecom Sec 3.8%
Info Tech Sec -17.8%	Info Tech Sec -22.9%	Energy Sec -32.7%	Cons Discr Sec -37.3%	Materials Sec -0.5%	Materials Sec 3.5%
Energy Sec -17.9%	Energy Sec -26.7%	Telecom Sec -35.4%	Telecom Sec -38.2%	Health Care Sec -2.3%	Industrial Sec 1.3%
Industrial Sec -18.9%	Industrial Sec -27.1%	Industrial Sec -35.9%	Industrial Sec -38.6%	Industrial Sec -4.8%	Health Care Sec 0.8%
Cons Discr Sec -19.2%	Cons Discr Sec -27.1%	Info Tech Sec -37.1%	Materials Sec -41.2%	Info Tech Sec -6.4%	Info Tech Sec -3.0%
Materials Sec -22.1%	Materials Sec -28.2%	Materials Sec -38.8%	Info Tech Sec -41.2%	Cons Discr Sec -9.5%	Cons Discr Sec -4.4%
Financials Sec -22.5%	Financials Sec -37.0%	Financials Sec -45.1%	Financials Sec -52.1%	Financials Sec -17.6%	Financials Sec -8.0%





# SWOT ANALYSIS

## Strengths

- ◆ Strong brand loyalty
- ◆ Growth from wireless
- ◆ Improved Balance Sheet

## Weakness

- ◆ Higher customer acquisition cost
- ◆ Margin pressure from handset subsidies
- ◆ Overall depreciation costs up in 2009

## Opportunities

- ◆ Focus on long-term contracts and service bundles
- ◆ Expected synergies from acquisitions

## Threats

- ◆ Intense pricing competition
- ◆ Slow economy and tight credit markets





# CREDIT ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

- ◆ For the first six months of 2008 net proceeds of \$10.9 B from issuance of long-term debt at a rate ranging from 4.95% - 6.4% and maturities from 2013 to 2038; \$5.18 B from commercial papers.
- ◆ 5-year \$10 B credit agreement with syndicate investment and commercial banks – expires in 2011 (\$595 M with Lehman Brothers Bank). At Sept. 30, 2008 no outstanding borrowings
- ◆ \$17.4 B of debt maturing within one year (9/30). The majority of commercial paper borrowing are due within 90 days (\$7,2 B)
- ◆ Interest rate swaps with notional value of \$5.75 B and fair value of \$76 M (9/30). The Company terminated a swap with Lehman Brothers with a notional value of \$250 M.
- ◆ Fixed-to-fixed cross-currency swaps on foreign currency denominated debt with \$4.77 notional amount and fair value of \$(363 M) at 9/30.
- ◆ At 9/30 the debt ratio was 40.6% compared to 35.3% a year earlier.
- ◆ \$1.59 B in cash and cash equivalents at 9/30



# FINANCIAL STATEMENT ANALYSIS

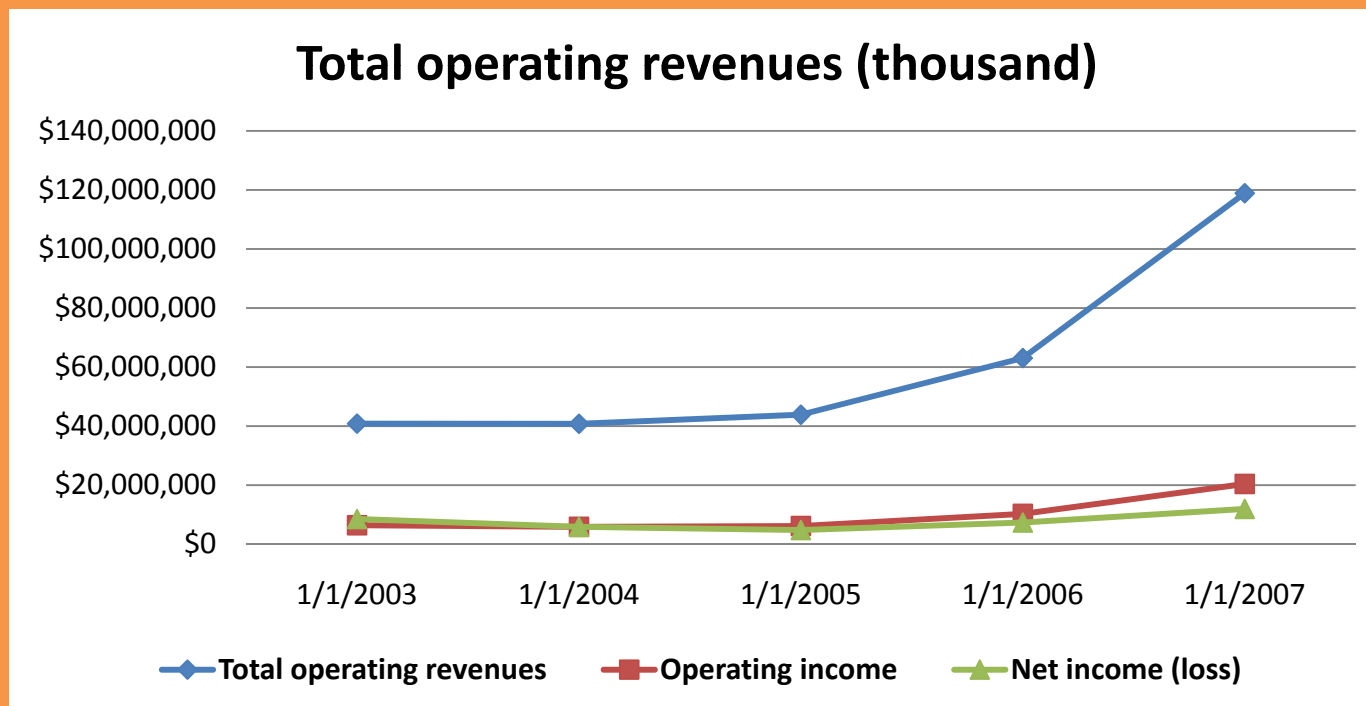
## CASH FLOW ANALYSIS

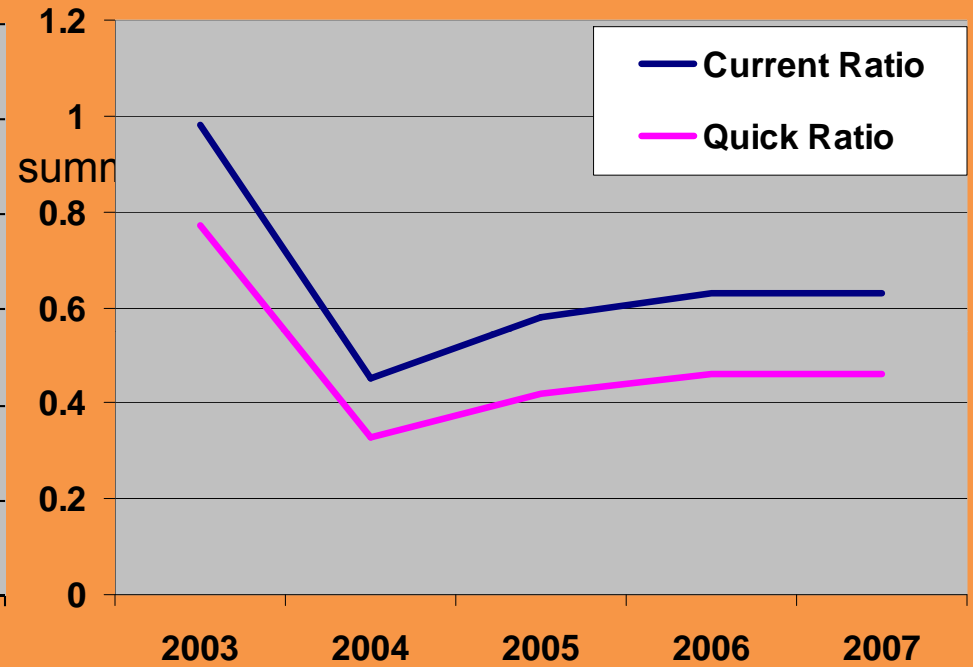
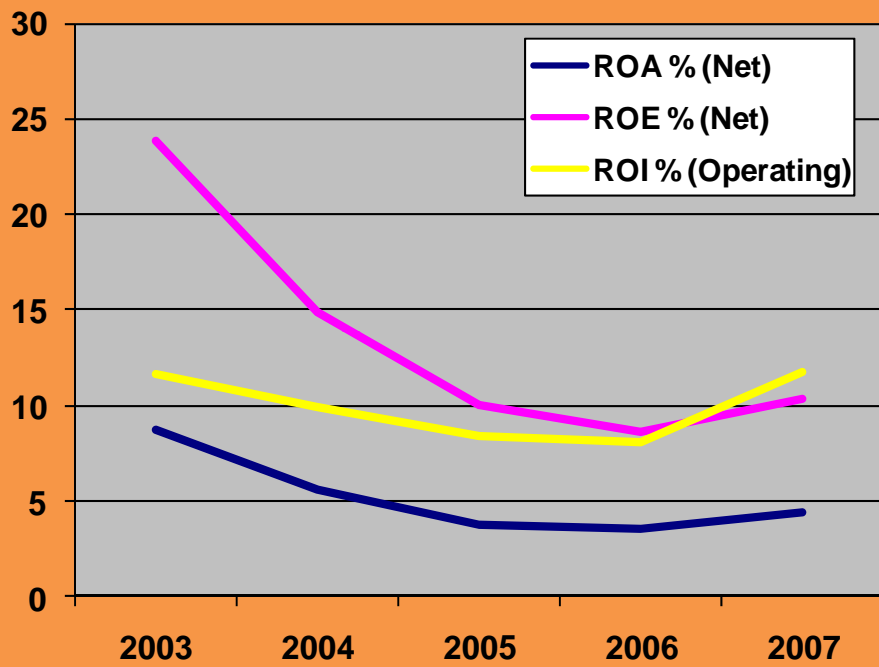
- ◆ In the first nine months of 2008 investing activities consumed:
  - \$10.1 B used for acquisitions and purchase of licenses
  - \$14.4 B for capital expenditures
  - \$455 M for interest during construction
  - \$103 M other expenses
- ◆ Capital spending in the wireless segment increased 66.2% (as of 9/30 YTD)
- ◆ Capital spending in the wireline segment (73.3% of total Cap. Exp.) increased 7.9%
- ◆ \$3,14 B of repaid debt (YTD)
- ◆ \$6.07 B worth of stock repurchases (164.2 M shares) (YTD)
- ◆ 14.3% increase of dividend per share compared to year earlier, partially offset by 4% decrease in common shares outstanding

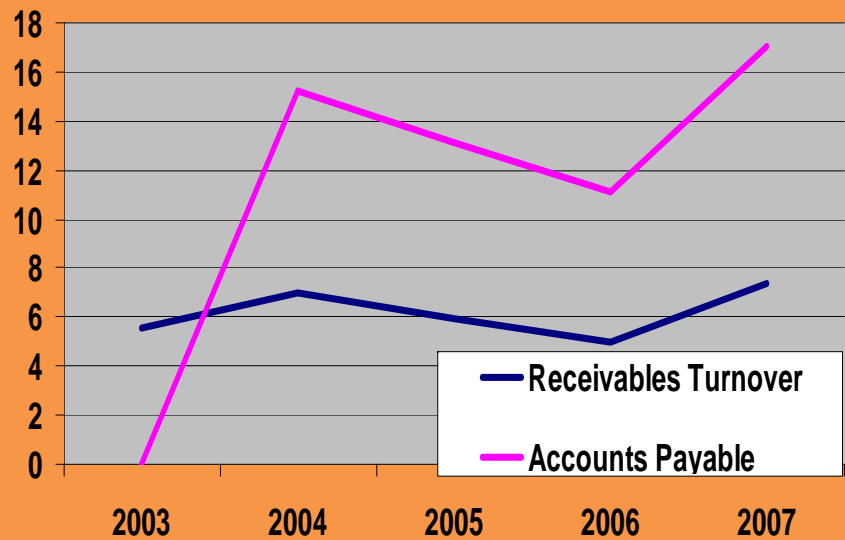
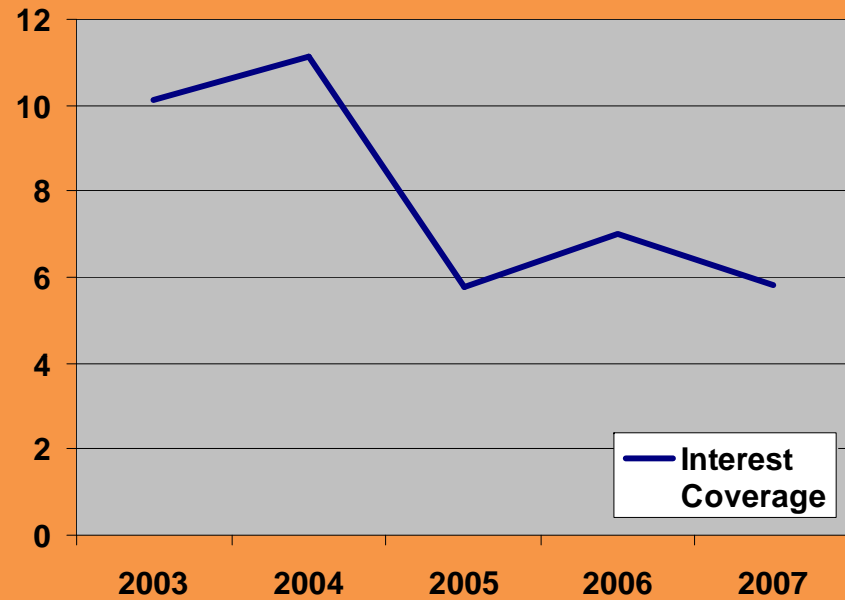
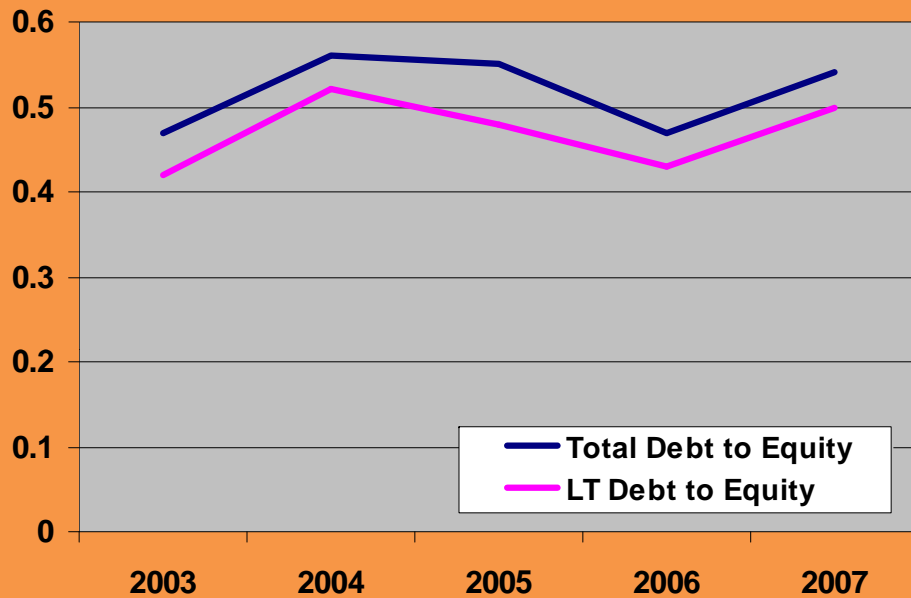


# FINANCIAL PERFORMANCE

- ◆ Q3 profits came in four cents short of Street expectation – 67 c vs. 71 c exp.
- ◆ Revenues were in line with the forecast







	<b>AT&amp;T</b>	<b>Verizon</b>
<b>Market Cap (intraday)5:</b>	<b>155.46B</b>	84.39B
<b>Enterprise Value (6-Nov-08)3:</b>	235.17B	130.70B
<b>Trailing P/E (ttm, intraday):</b>	<b>11.61</b>	13.58
<b>Price/Sales (ttm):</b>	1.3	0.91
<b>Price/Book (mrq):</b>	<b>1.42</b>	1.72
<b>Profitability</b>		
<b>Profit Margin (ttm):</b>	<b>11.03%</b>	6.49%
<b>Operating Margin (ttm):</b>	<b>19.19%</b>	18.35%
<b>Management Effectiveness</b>		
<b>Return on Assets (ttm):</b>	5.35%	5.67%
<b>Return on Equity (ttm):</b>	12.16%	12.45%
<b>Income Statement</b>		
<b>Revenue (ttm):</b>	123.30B	96.55B
<b>Gross Profit (ttm):</b>	72.87B	55.92B
<b>EBITDA (ttm):</b>	43.72B	32.20B
<b>Net Income Avl to Common (ttm)</b>	13.60B	6.27B
<b>Diluted EPS (ttm):</b>	2.27	2.19
<b>Balance Sheet</b>		
<b>Total Cash (mrq):</b>	1.59B	1.67B
<b>Total Cash Per Share (mrq):</b>	0.27	0.589
<b>Total Debt (mrq):</b>	76.77B	44.78B
<b>Total Debt/Equity (mrq):</b>	0.682	0.879
<b>Cash Flow Statement</b>		
<b>Operating Cash Flow (ttm):</b>	32.50B	27.37B
<b>Levered Free Cash Flow (ttm):</b>	<b>9.13B</b>	3.70B
<b>Stock Price History</b>		
<b>Beta:</b>	0.92	0.86
<b>52-Week Change3:</b>	-29.77%	-28.45%
<b>S&amp;P500 52-Week Change3:</b>	-35.43%	-35.43%
<b>Div &amp; Yield:</b>	1.60 (5.50%)	1.84 (5.60%)



source: Yahoo!Finance