

AT&T: New Pricing Supportive Of Subscriber-Led Improvement At Wireless

October 31, 2019 by Jonathan Chaplin

What's New: AT&T has announced new wireless Unlimited pricing that lowers the price of entry-level Unlimited; this should help subscriber trends in the coming quarters across both churn and gross adds. Overall, we think the move is supportive of our bullish view on AT&T's wireless business, which should see sustainable churn declines driven by the company's deployment of 60MHz of greenfield capacity (for a detailed look at our churn thesis see [HERE](#)).

Details: The new pricing comes in three Unlimited tiers ("Starter"; "Extra"; "Elite"), compared to two tiers under the old pricing ("&More"; "&More Premium"). The new pricing has a bit more stratification – the low-end tier is cheaper by ~\$5 / mo / line, the high-end tier is more expensive by ~\$2-5 / mo / line. The new plans include segmentation across unthrottled data buckets (no unthrottled data on "Starter"; 100GB unthrottled data on "Elite") and on HD (only available on the "Elite" plan). In addition, the company has simplified the content bundling strategy, offering only HBO / HBOMax with the "Elite" plan (previously all Unlimited plans received WatchTV, a low-value live TV skinny bundle, and Premium plans received an option for either HBO, Cinemax, or various third-party paid services).

The Verizon comp: Verizon made a similar move as AT&T in 3Q19, lowering the price of entry-level Unlimited by \$5 / mo / line; in 3Q, they saw ARPU growth decelerate by 50bps, gross add growth accelerate by ~500bps, and no noticeable impact on churn. For AT&T, we would expect a similar impact on ARPU, but a slightly more muted impact on gross adds, as they are the last carrier to offer a \$35 / line / mo price point. In addition, AT&T should also see at least 1bp of churn trend improvement as a result of the move, as fewer value-conscious customers are likely to switch to Verizon for lower-priced Unlimited.

Thesis impact: We had been a little disappointed that the company's strong position in US wireless has

been somewhat lost amid the flurry of AT&T news this week. The company is in the midst of deploying 60MHz of greenfield spectrum across the FirstNet, AWS-3, and WCS bands, which is providing a 60% boost to network capacity. It will take time for AT&T's base of subs to migrate to handsets that fully capture the benefit of this deployment, but the improved network experience should be driving an enduring, multi-year benefit to churn and subscriber growth ([LINK](#)). Overall, we think the value of this business within AT&T is misunderstood by the market; we wish we could own it in isolation apart from the rest of the portfolio, whose value relies on cost-cutting (DirecTV, Business Wireline) and/or strategic re-positioning (WarnerMedia).

Full 12-month historical recommendation changes are available on request

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