



Opportunities at AT&T...?

September 18, 2019 by Jonathan Chaplin

I had a very unusual week last week. I was marketing in Europe and spent a good part of every meeting talking about AT&T (thanks Elliott). I haven't seen this much interest in AT&T since the 2007 – 2010 period, when they were the only US Carrier able to sell the iPhone.

We considered upgrading AT&T around 2Q19 results. Our interest was piqued by data that may have signaled an inflection point in churn. It seems that the new spectrum AT&T is deploying is driving a marked improvement in network performance. If this drives improved churn, as we think it should, then AT&T should see subscriber growth accelerate, or margins improve, or both. Investors aren't expecting a recovery at AT&T Wireless (thus the opportunity). We covered this thesis in our recent Wireless Trends report [HERE](#).

We didn't upgrade the stock because the other businesses are struggling, and expectations for these businesses appear optimistic. DTV subscriber declines have accelerated to a startling 12% and will probably get worse from here. The prospect of stable EBITDA in the entertainment segment next year seems slim. Warner Media has been fine, but the warning signs are there too, with a steady trickle of talent leaving amid stories of frustration with AT&T management.

Elliott is striking at an interesting time. We think there are some opportunities to unlock value at AT&T, though they aren't easy, and convincing AT&T to change course will take some work. We covered our thoughts on Elliott's plan and on where we see opportunities in a recent comment [HERE](#). We still aren't ready to upgrade the stock, but we can see what Elliott is playing for.

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