



AT&T Inc.

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EQUITY RESEARCH REPORT

October 12, 2026

T — AT&T INC.

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Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	BUY (Reduced Position)
Current Price	\$22.18 / €19.83
Fair Value (Base Case)	\$27.30 / €24.40
Margin of Safety	23.1%
Target Entry (if HOLD)	N/A

Return Profile	Value
Dividend Yield	5.00% (on \$22.18)
Expected Dividend Growth	2.0% annual (base case)
Expected Price Appreciation	5.15% CAGR (base case)
Total Expected Return (Base)	8.20% CAGR
Bear Case Total Return	2.85% CAGR
Bull Case Total Return	11.31% CAGR
Probability-Weighted Return	7.64% CAGR

Risk Assessment	Value
Wealth Preservation Score	65 / 100
Downside Protection Score	60 / 100
Quality Score	69 / 100
Risk Level	MODERATE
Probability of >50% Loss	<10%
Recession Profile	RESILIENT (core connectivity)

One-Line Thesis: AT&T at \$22.18 delivers a 5.0% dividend yield, a low-single-digit earnings growth profile, and a 23% margin of safety against a conservative fair value, with bear-case total return still positive because subscription connectivity revenue and free cash flow support a sustainable dividend even through a downturn.

INVESTMENT THESIS

AT&T has completed the corrective work that defines its current investment case. The company exited DirecTV and WarnerMedia, refocused the balance sheet around wireless and fiber connectivity, and now reports Advanced Connectivity as more than 90% of service revenue and nearly all adjusted EBITDA. The second quarter of 2026 showed Advanced Connectivity service revenue up 5.1% year over year and segment EBITDA up 8%, with growth accelerating 150 basis points versus the first quarter. Adjusted EBITDA margin expanded 110 basis points to 39.1%, the highest level since the refocus. This is the central earnings engine of the thesis: a subscription utility with high recurring revenue, moderate switching costs from number portability, device financing, and bundled broadband, and a regulated spectrum position that protects the business from new entrants replicating its scale.

The return hurdle is met without heroic assumptions. At a current price of \$22.18, the \$1.11 annual dividend produces a 5.0% yield. The base case assumes earnings per share grow roughly 3% annually for ten years and that the trailing P/E normalizes from roughly 7.3x to 9.0x. That produces a ten-year price target near \$36.63 and a total return of approximately 8.2% annualized with dividends accumulated without reinvestment. Reinvested dividends would push the internal rate of return higher. This clears the required inflation-plus-4% hurdle, which currently sits around 7%. The income component alone covers much of the required return before any capital appreciation.

Downside protection comes from free cash flow and dividend coverage. AT&T generated \$19.4 billion of free cash flow in fiscal 2025. Common dividends consumed about \$8.2 billion, equal to roughly 42% of free cash flow. The dividend payout ratio on trailing EPS of \$3.03 is approximately 37%. A recession scenario that halts revenue growth and trims normalized earnings still leaves the dividend covered. The bear case modeled here produces a ten-year price decline of about 18%, but the accumulated dividend stream keeps total return positive near 2.9% annualized. That asymmetry matters for wealth preservation because the equity does not rely on multiple expansion to avoid a permanent loss.

The risks are real and measurable. Debt remains the dominant concern. Total debt on the most recent balance sheet is \$165.76 billion against \$17.57 billion of cash, implying net debt near \$148 billion and net debt-to-EBITDA around 3.3x. Management targets the 2.5x range roughly three years after the EchoStar transaction closes. Competitive pressure from Verizon, T-Mobile, and cable overbuilders constrains pricing. Legacy copper wireline revenue continues a secular decline. Management quality shows a mixed record: the Stankey regime corrected the prior acquisition mistakes but carries the 2021 SEC selective-disclosure case, a 2022 bribery-related settlement, and 2024 data-breach and outage events. These factors justify a reduced rather than full position, but they do not invalidate the core return profile.

Against a 4% high-yield savings account, AT&T offers a more durable stream of current income and a reasonable path to total returns above hurdle. The balance sheet is not fortress-grade, and the moat is moderate rather than wide. The stock trades at a sufficient discount to fair value that the investor receives compensation for those weaknesses.

1. BUSINESS QUALITY ASSESSMENT

AT&T passes the sector screen for a wealth preservation mandate. Telecommunications is understandable, subscription-heavy, and not in aggregate secular decline. The legacy copper portion of the business is shrinking, but the company explicitly manages that runoff as it shifts capital toward fiber and 5G connectivity. The regulatory environment is complex, but AT&T is a licensed incumbent with federally granted spectrum and fixed

infrastructure. That creates a barrier to new competition that a capital preservation investor can underwrite.

The moat assessment is moderate. MoatScan AI scores the moat 50 out of 100 and describes it as rooted in the economics of nationwide wireless and fiber infrastructure. Efficient scale matters: AT&T ended 2025 with roughly 10.4 million fiber connections, up 11.5% year over year, and management called the fourth quarter consumer broadband growth the best in a decade. The company also enjoys moderate switching costs from number portability, device installment plans, and bundled connectivity. But the moat is narrower than legacy telecom history would suggest. MoatScan explicitly says AT&T lacks strong network effects and that brand and technology advantages do not support premium pricing on their own. Another source, [ecomat.ai](#), reaches a more generous conclusion about network effects; the discrepancy means the investor should treat that specific pillar as unproven.

The business now separates into Advanced Connectivity, Legacy, and Latin America. The Advanced Connectivity segment is the engine. In the second quarter of 2026 it produced more than 90% of service revenue and nearly all adjusted EBITDA, with EBITDA margin at 39.1%. The Legacy segment consists of declining copper voice and data services. The company stated in its 2025 10-K that it is evaluating opportunities to turn down existing copper infrastructure. Latin America reflects the Mexican wireless business and remains a small part of the enterprise.

The competitive environment is the main quality constraint. Verizon and T-Mobile remain formidable nationwide rivals. Cable operators and fiber overbuilders apply continuous pressure to broadband pricing and market share. AT&T competes on network investment and convergence of 5G and fiber rather than on brand premium. That limits pricing power and caps long-term margin expansion.

Sector defensiveness is reasonably high. Wireless service and broadband access are monthly recurring consumer and business services. They do not disappear in a recession the way advertising or discretionary spending does. The enterprise connectivity business is more economically sensitive, but the overall revenue mix leans toward contractual subscription income. The stock has clear rate sensitivity because of the dividend and the debt load, which makes it less defensive than a pure utility. Still, the core revenue stream supports the recession-resilient classification used in this analysis.

The qualitative conclusion is that AT&T is a moderately moated connectivity utility with improving strategic focus but persistent competitive pressure. The business is understandable and durable enough to remain a candidate, provided the balance sheet and valuation offer sufficient margin.

2. FINANCIAL FORTRESS ANALYSIS

The solvency picture is adequate but not fortress-grade. The dominant risk is leverage. Total debt sits at \$165.76 billion, cash at \$17.57 billion, and trailing EBITDA at \$44.94 billion. That produces net debt near \$148.19 billion and net debt-to-EBITDA close to 3.3x. AT&T's own target is the 2.5x range approximately three years after closing the EchoStar transaction. Reaching that target requires sustained EBITDA growth plus debt reduction, not merely one or the other. This is the central financial variable in the thesis.

Interest coverage is not directly provided in the research packet. The trailing operating income implied by the 24.79% Yahoo operating margin on \$127.24 billion of revenue is about \$31.55 billion. Against the likely annual interest burden on \$165.76 billion of debt, coverage appears comfortably above 5x, but the investor should verify the exact interest expense line in the 10-K before relying on that estimate. No current ratio figure is provided. The company holds \$17.57 billion of cash and generated \$40.3 billion of operating cash flow in fiscal 2025, which

provides meaningful liquidity even if the current ratio cannot be calculated from the packet.

Free cash flow is the strongest solvency support. Fiscal 2025 free cash flow was \$19.4 billion, up 5.05% year over year. Capital expenditures were \$20.8 billion, which leaves free cash flow per share near \$2.71. At a \$22.18 share price, that implies a free cash flow yield of approximately 12.2%. Management guidance calls for \$18 billion or more of free cash flow in 2026, rising to \$19 billion or more in 2027 and \$21 billion or more in 2028. That ramp is the fulcrum for both the dividend and the planned leverage reduction.

The stress test asks whether the company survives a 30% revenue decline for two years. AT&T's subscription revenue would compress but not vanish. The math suggests operating income would fall sharply, yet the dividend, at \$8.2 billion annually, would likely remain payable from even a reduced free cash flow base. The larger risk in a severe downturn is that leverage prevents debt paydown and restricts strategic flexibility. The company would remain solvent, but the path to the 2.5x leverage target would extend.

Earnings quality appears acceptable. Operating cash flow of \$40.3 billion exceeds the trailing net income available to common of \$21.48 billion by a wide margin, which supports the cash generation story. The packet notes that the second-quarter EPS beat was helped by lower depreciation. That means the headline EPS growth of more than 20% overstates operating improvement. The buyer should weight EBITDA and free cash flow more heavily than EPS when tracking execution.

There is no auditor warning. Ernst & Young has served as auditor since 1999 and affirmed effective internal control over financial reporting as of December 31, 2025 under the COSO 2013 framework. No going concern language appears in the excerpts.

The solvency assessment is ADEQUATE. The company can survive a recession and maintain its capital-return plan in a normal environment. It is not a fortress because leverage remains above the comfort threshold and the interest coverage figure has not been independently verified from the provided materials.

Solvency Metric	Value	Assessment
Total Debt	\$165.76B	Elevated
Cash	\$17.57B	Adequate liquidity
Net Debt	~\$148.19B	High
Net Debt/EBITDA	~3.3x	Above 2.5x target
FY2025 Operating Cash Flow	\$40.3B	Strong
FY2025 FCF	\$19.4B	Strong
FY2025 Capex	\$20.8B	High but manageable
Dividend	\$8.2B	42% of FCF
FCF Yield at \$22.18	~12.2%	Favorable

3. DIVIDEND ANALYSIS

The dividend is the primary current-return engine. The board declared a quarterly dividend of \$0.2775 per share. At the current price of \$22.18, the annualized \$1.11 dividend yields 5.00%. The record date is October 12, 2026

and the payment date is November 2, 2026. That yield exceeds the 4% high-yield savings account baseline and contributes a large portion of the total return required by the mandate.

Coverage is comfortable on both earnings and cash flow. The trailing EPS of \$3.03 implies a payout ratio of roughly 37%. The fiscal 2025 free cash flow per share of \$2.71 implies a free cash flow payout ratio near 41%. Free cash flow covers the dividend about 2.4 times. The company paid \$8.2 billion of common dividends in fiscal 2025 against \$19.4 billion of free cash flow. That leaves ample room for debt reduction and modest share repurchases.

The historical dividend record carries one important blemish. The five-year dividend growth rate is negative 10.65% because AT&T reset the payout when it separated WarnerMedia in 2022. That was a structural corporate action tied to the spinoff, not a distress cut, but it is still a cut in the shareholder's distribution. The current payout is far more secure than the pre-spinoff level. The ten-year dividend growth rate is negative 4.30%, and the twenty-year rate is negative 2.44%. Based on this history, the investor should not underwrite rapid dividend growth. The base case assumes 2% annual growth.

Management plans to return more than \$45 billion to shareholders during 2026 through 2028 through dividends and share repurchases. That program gives the dividend an explicit forward commitment beyond the quarterly declaration. If free cash flow meets the \$18 billion to \$21 billion guidance ladder, the \$8.2 billion dividend consumes a shrinking share of cash flow.

Stress testing supports sustainability. If earnings fell 40%, EPS would drop to about \$1.82 and the payout ratio would rise to roughly 61%. That level is sustainable for a mature telecom with strong cash conversion. A dividend cut would signal management losing confidence in free cash flow rather than simple earnings pressure.

The dividend sustainability rating is SUSTAINABLE, not ROCK SOLID. The current payout is well covered, but the company's high leverage and the 2022 reset prevent the highest classification. A dividend-dependent investor should monitor free cash flow as the first warning signal.

4. VALUATION ANALYSIS

AT&T trades at a low multiple on trailing earnings. The current price of \$22.18 divided by trailing diluted EPS of \$3.03 produces a P/E of approximately 7.3x. The research packet shows the trailing P/E has ranged from 6.97 to 17.75 over recent quarters, so the current reading sits near the bottom of that observed range. The P/E contracted substantially from the mid-teens levels of the last two years.

The current price also implies attractive cash flow multiples. Using the roughly \$152 billion current market capitalization derived from the \$22.18 authoritative price and the \$127.24 billion trailing revenue figure gives a price-to-sales ratio near 1.19. The unadjusted Yahoo figure of 1.40 was based on a higher reference price. With debt of \$165.76 billion, cash of \$17.57 billion, and a current market capitalization near \$152 billion, enterprise value is approximately \$300 billion. That produces an EV/EBITDA multiple near 6.7x against trailing EBITDA of \$44.94 billion. The packet's unadjusted Yahoo EV/EBITDA of 5.93 reflects a different price and EBITDA basis. Either way, the multiple is low for a subscription connectivity business.

The free cash flow yield is the clearest valuation signal. With \$19.4 billion of fiscal 2025 free cash flow and approximately 6.85 billion shares outstanding, free cash flow per share is near \$2.71. At \$22.18, the free cash flow yield is approximately 12.2%. Paying roughly eight times trailing free cash flow for a business that is growing revenue in the low single digits and deleveraging is reasonable, provided the revenue and free cash flow outlook

holds.

A conservative fair value starts with normalized earnings. The trailing EPS of \$3.03 is elevated relative to the underlying business because the second quarter benefited from lower depreciation. I use the full \$3.03 as the current normalized base rather than marking it up further. Applying a 9.0x fair P/E, below the double-digit historical norm but above the current depressed 7.3x, yields a fair value near \$27.27. The investor can round that to \$27.30. The margin of safety at \$22.18 is about 23%.

A dividend discount model produces a less flattering result. Using a required return of 8% and a 2% perpetual dividend growth rate, the Gordon growth value is \$1.11 times 1.02 divided by 0.06, or \$18.87. That is below the current price and demonstrates that the valuation case depends on multiple normalization and earnings growth rather than dividend growth alone. The stock is cheap on earnings and cash flow but not on a no-growth dividend model.

Analyst targets provide additional context but require a discount for optimism. The 24/7 Wall St. piece carries a \$30.34 target and a \$30.39 consensus figure. Against the current \$22.18 price, that implies roughly 37% upside, but the source anchored the upside to a higher reference price of \$26.51. Tradingkey lists an average target near \$28.5 with a low near \$20.00. The bearish low would represent about a 10% decline from the current price. I use \$27.30 as the fair value to avoid relying on the Street's upper bound.

Valuation Metric	Current (At \$22.18)	Source Reference
Trailing P/E	~7.3x	Packet TTM EPS \$3.03
P/S	~1.19x	Revenue \$127.24B
EV/EBITDA	~6.7x	EV ~\$300B / EBITDA \$44.94B
FCF Yield	~12.2%	FY2025 FCF
Dividend Yield	5.00%	\$1.11 / \$22.18
Fair Value	\$27.30	9.0x TTM EPS
Margin of Safety	23.1%	
Analyst Consensus Target	\$30.39	Higher reference base

5. SCENARIO ANALYSIS

The ten-year scenario model uses a current price of \$22.18 and an annual dividend starting at \$1.11. Dividends are accumulated without reinvestment for simplicity; reinvestment would modestly improve each total return. The inputs are deliberately conservative to test the preservation mandate.

Bear Case (25% weight). Revenue is flat for a decade. Competitive pressure and legacy decline offset fiber growth. Earnings per share decline about 1.5% annually to roughly \$2.61. The terminal P/E contracts to 7.0x, producing a terminal price near \$18.27 and a price decline of about 18%. Dividends remain flat at \$1.11, accumulating \$11.10 over ten years. Total value reaches about \$29.37 versus \$22.18, for a total return of roughly 32% over ten years or 2.85% CAGR. The bear case is positive because the dividend yield cushions the equity loss. This satisfies the absolute requirement that the bear case total return be nonnegative.

Base Case (50% weight). Revenue grows in line with the recent 2% to 3% range. Normalized EPS grows about 3% annually to near \$4.07. The terminal multiple normalizes to 9.0x, yielding a terminal price near \$36.63 and a price appreciation CAGR of about 5.15%. Dividends grow 2% annually, accumulating roughly \$12.15. Total value reaches approximately \$48.78, producing an 8.20% CAGR. This clears the inflation-plus-4% hurdle.

Bull Case (25% weight). Fiber net adds remain strong, Advanced Connectivity EBITDA margin stays near 39% and expands modestly, and the company executes the EchoStar transaction and leverage reduction on schedule. EPS grows 5% annually to roughly \$4.94. The market assigns a 10.5x P/E, producing a terminal price near \$51.82 and a price appreciation CAGR near 8.85%. Dividends grow 3.5% annually, accumulating about \$13.02. Total value reaches roughly \$64.84, for an 11.31% CAGR.

Scenario	Assumptions	Terminal Price	Cumulative Dividends	Total Value	Total CAGR	Weight
Bear	Flat revenue, EPS \$1.52/yr, P/E 7.0x	\$11.10	\$11.10	\$29.37	2.85%	25%
Base	EPS +3%/yr, P/E 9.0x	\$36.63	\$12.15	\$48.78	8.20%	50%
Bull	EPS +5%/yr, P/E 10.5x	\$51.82	\$13.02	\$64.84	11.31%	25%
Weighted					7.64%	

The probability-weighted expected return is 7.64% CAGR. The bear case contributes positive return rather than negative, which supports the wealth preservation mandate. The downside price risk is real at roughly 18% in the bear case, but the income stream converts that equity loss into a positive total return. The probability of a permanent loss above 50% is estimated below 10%, driven by the low valuation and the dividend floor.

Capital at risk in the bear case is the 25% probability weight multiplied by the 17.6% price decline, or about 4.4% of position value before dividends. That is acceptable within the preservation framework.

6. RISK ASSESSMENT

The dominant risk is leverage. Net debt near \$148 billion and net debt-to-EBITDA near 3.3x leave limited room for operational error. A prolonged revenue decline would push the leverage target further into the future and force management to choose between the dividend, buybacks, and debt reduction. The company says it will restore net debt to adjusted EBITDA to the 2.5x range roughly three years after closing the EchoStar transaction. If that closing is delayed by regulatory review, the leverage overhang persists longer. The EchoStar regulatory timeline is not provided.

Competitive risk is persistent. The packet identifies a June 17, 2026 share decline of 3.1% tied to a regulatory setback, competitive risks, and rate sensitivity. Verizon and T-Mobile remain formidable rivals. Cable operators and fiber overbuilders pressure broadband economics. AT&T lacks premium pricing power, so it must win on network quality and cost discipline. Any acceleration in industry promotional activity would compress service revenue growth and EBITDA margins.

Legacy decline is structural. The 10-K acknowledges that copper-based voice and data services have declined due to secular pressures. Management is evaluating opportunities to turn down copper infrastructure. The transition carries costs, and the Legacy segment will remain a drag until the copper shutdowns are complete.

Regulatory and litigation risk is material. The 2025 Annual Report warns that changes to federal, state, and foreign regulations, private litigation, and governmental investigations could increase operating costs or alter

customer perception. The research packet does not name a specific pending regulatory setback, but the June 2026 market reaction indicates investors treated one as relevant. A September 9, 2026 8-K labeled Material Event lacks detail in the packet, leaving open the possibility of an undisclosed legal or regulatory development.

Management quality is a separate risk. The 2021 selective-disclosure SEC case, a 2022 bribery-related settlement, and 2024 data-breach and outage events undermine the governance record. MoatScan labels management quality concerning. The current strategy is more disciplined than the DirecTV and Time Warner era, but wealth preservation investors should not ignore the governance history.

Rate sensitivity deserves explicit attention. Higher long-term rates increase the discount rate applied to AT&T's dividend and make the 5% yield less attractive relative to risk-free alternatives. The same rate environment raises refinancing costs on the large debt stack. This is not a company that is insensitive to the macro environment.

Despite these risks, the probability of a greater-than-50% permanent loss is below 10%. The current valuation already embeds a recession-level earnings multiple, the dividend is covered by free cash flow, and the core connectivity franchise generates recurring revenue. The more realistic failure mode is a multiyear period of sub-hurdle returns rather than permanent capital impairment.

Risk Factor	Assessment
Leverage	HIGH
Competition	ELEVATED
Legacy Decline	MODERATE
Regulatory/Litigation	ELEVATED
Rate Sensitivity	MODERATE
Management History	CONCERNING
Permanent >50% Loss Probability	<10%
Auditor/ICFR	CLEAN

7. MANAGEMENT & GOVERNANCE

John Stankey took over from Randall Stephenson in 2020 and reversed the media conglomerate strategy. The DirecTV and WarnerMedia divestitures were corrections of earlier acquisition mistakes. Those acquisitions left AT&T with roughly \$200 billion of debt and demonstrated weak acquisition discipline under prior leadership. The current management team appears committed to connectivity, deleveraging, and capital return.

The forward capital plan supports that view. Management announced plans to return more than \$45 billion to shareholders during 2026 through 2028 and to move net debt-to-adjusted EBITDA back toward 2.5x after the EchoStar transaction. The October 6, 2026 fiber joint venture with Global Infrastructure Partners and CPP Investments provides an external capital source for fiber expansion while reinforcing the core connectivity strategy.

The governance record is the weak point. The 2021 SEC selective-disclosure case, the 2022 bribery-related settlement, and the 2024 data-breach and outage events sit on the record. MoatScan rates management quality as concerning. No insider ownership data appears in the provided packet, and no executive compensation figures as a share of net income are available. The board has not provided the peer-relative compensation transparency that would allow a full assessment.

Management quality under this framework is ADEQUATE rather than GOOD. The current strategic execution is improving, and the capital allocation direction is shareholder-friendly. But the historical acquisition errors and governance incidents prevent a higher rating. This is the weakest pillar in the thesis and the primary reason the position size is reduced rather than full.

The qualitative conclusion is that current management is moving in the right direction. The investor is paying for a business whose strategy is now coherent. The burden of proof for a governance-sensitive holder remains on execution, particularly around the EchoStar closing, the leverage target, and the dividend.

8. PEER COMPARISON

The research packet identifies the relevant competitive cohort as Verizon, T-Mobile, and the cable overbuilders. It does not supply current peer financial statements. I will not fabricate peer multiples. The comparison below therefore uses AT&T's provided figures and marks peer fields as not provided, with qualitative direction from the sources.

Dimension	AT&T (T)	Verizon (VZ)	T-Mobile (TMUS)	Comcast (CMCSA)
Debt/Equity	113.2%	Not provided	Not provided	Not provided
Dividend Yield at \$22.18	5.00%	Not provided	Not provided	Not provided
FCF Yield	~12.2%	Not provided	Not provided	Not provided
EBITDA Margin	~35% to 39%	Not provided	Not provided	Not provided
Competitive Position	Moderate moat	Formidable rival	Formidable rival	Margin pressure source

The commentary focuses on what the sources do establish. MoatScan states that Verizon and T-Mobile remain formidable rivals and that cable operators and fiber overbuilders keep pressure on margins. AT&T's moat rests on efficient scale, regulated spectrum access, and moderate switching costs. It lacks the strong network effects that some of its global peers enjoy. Among the cohort, AT&T presents as the highest-yield, lowest-multiple income candidate, but that yield premium exists because the market perceives the highest leverage and the weakest growth differentiation.

The peer comparison does not change the recommendation. The absence of clean peer data means the investment case must stand on AT&T's own cash flow and valuation rather than on a relative ranking. AT&T at a 5% dividend yield and a 12% free cash flow yield offers a preservation-oriented income profile. The rival set will continue to prevent AT&T from achieving premium returns on capital, which is already reflected in the 9.0x fair multiple assumption.

The practical implication is that AT&T should be sized as an income-and-deleveraging position, not as a growth compounder. It competes against a 4% HYSA, not against T-Mobile's growth narrative. On that basis the stock is attractive, provided the dividend remains secure.

9. KEY METRICS SUMMARY

Metric	Value	Source Period
Current Price	\$22.18 / €19.83	2026-10-12
Market Capitalization	~\$152B (approx)	Current price
Total Debt	\$165.76B	Latest balance sheet
Cash	\$17.57B	Latest balance sheet
Net Debt	~\$148.19B	Derived
TTM Revenue	\$127.24B	Yahoo
FY2025 Revenue	\$125.6B	StockTitan
TTM EBITDA	\$44.94B	Yahoo
TTM Net Income to Common	\$21.48B	Yahoo
TTM Diluted EPS	\$3.03	Yahoo
FY2025 FCF	\$19.4B	Koalagains
FY2025 Operating Cash Flow	\$40.3B	Koalagains
FY2025 Capex	\$20.8B	Koalagains
FCF/Share	~\$2.71	Derived
Dividend/Share	\$1.11	Source
Dividend Yield	5.00%	At \$22.18
Payout Ratio (EPS)	~37%	\$1.11/\$3.03
Payout Ratio (FCF)	~41%	\$1.11/\$2.71
Trailing P/E	~7.3x	At \$22.18
Net Debt/EBITDA	~3.3x	Derived

10. MONITORING CHECKLIST

Item	Trigger	Frequency
Q3 2026 earnings	October 21, 2026	Quarterly
Advanced Connectivity service revenue growth	Bullish >4%; bearish <2%	Quarterly
Adjusted EBITDA margin	Watch 39% area hold	Quarterly

Item	Trigger	Frequency
Fiber net adds	Bullish >250k/q; bearish <200k/q	Quarterly
FY2026 FCF guidance	Must track to \$18B+	Quarterly
Dividend declaration	Cut = exit signal	Quarterly
Net debt/adjusted EBITDA	Target 2.5x in ~3 years	Annually
EchoStar transaction	Regulatory close timeline	Event-driven
8-K Material Events	September 9, 2026 item unresolved	As filed
Competitive pricing / promotional activity	Margin compression warning	Ongoing
Interest rate path	Rising yields increase discount rate	Ongoing

11. MARKET EXPECTATIONS & CONSENSUS

The sell-side consensus is constructive but the underlying reference prices in the sources vary. 24/7 Wall St. carries a \$30.34 target and cites a \$30.39 consensus, with a buy rating and high confidence. Against the authoritative current price of \$22.18, that target would imply roughly 37% upside. The source itself anchored the upside at 14.43% against a \$26.51 base. MarketBeat describes the stock as a moderate buy with approximately 16.4% upside. Of 25 analysts, 16 are bullish with 4 strong buys and 12 buys. The consensus target of \$30.39 sits above the 52-week high of \$29.14, meaning the Street's base case requires a new high.

The current price appears to discount more pessimism than the consensus narrative. The trailing P/E near 7.3x is below the mid-teens levels seen a year ago. The stock is also below the \$26.51 reference used in the recent sell-side commentary. The market seems to be weighting the leverage burden, the rate sensitivity, and the lack of near-term catalysts rather than the fiber and free cash flow momentum.

What would validate the consensus: fiber connections continuing to grow at or near the 11.5% annual pace off the 10.4 million year-end 2025 base, net adds at or above the 283,000 quarterly run rate, and free cash flow tracking to the \$18 billion to \$21 billion guidance ladder. Continued earnings beats in the range of the fourth-quarter 2025 \$0.52 versus \$0.46 consensus would also support the target, though the impact of depreciation on EPS should be monitored.

What would disappoint: any slippage in free cash flow guidance, a stall in fiber net adds, accelerating legacy decline, or a failure to close the EchoStar transaction on schedule. An older consensus path in the packet showed EPS declining from \$2.62 to \$2.55, which conflicts with the more recent \$3.03 trailing figure. The real risk is not a mechanical EPS miss but a cash flow miss that forces management to choose between debt reduction and the dividend.

Short interest and days-to-cover are not provided in the research packet. I will not estimate them.

Forward Valuation	Value	vs Sector Avg	Assessment
Forward P/E	9.90 (source); lower at current price	Not provided	Above trailing; implies modest forward EPS
PEG	1.54 (Yahoo); 2.29 older source	Not provided	Growth multiple is not attractive

Forward Valuation	Value	vs Sector Avg	Assessment
EV/EBITDA	5.93 (source); ~6.7 at current price	Not provided	Low
Beta	Not provided	Not provided	Rate-sensitive by holding

12. KEY BUSINESS DRIVERS

Driver 1: Advanced Connectivity service revenue and EBITDA growth

Why it matters: This segment now exceeds 90% of service revenue and nearly all adjusted EBITDA, so it is the whole earnings engine.

Current level: Q2 2026 service revenue +5.1% YoY; segment EBITDA +8% YoY; growth accelerated 150 bps versus Q1.

Bull threshold: Service revenue growth above 4% and EBITDA growth above 7% sustained.

Bear threshold: Service revenue growth below 2% or EBITDA margin retreating below 38%.

Next data point: Q3 2026 earnings on October 21, 2026.

Driver 2: Fiber net adds and total fiber connections

Why it matters: Fiber is the structural growth offset to legacy copper decline and the broadband share story.

Current level: 10.4 million fiber connections at year-end 2025; up 11.5% YoY; Q4 net adds of 283,000.

Bull threshold: Quarterly net adds above 250,000 and connection growth above 10%.

Bear threshold: Net adds below 200,000 for two consecutive quarters or connection growth below 8%.

Next data point: Quarterly fiber subscriber metrics, next update expected with Q3 earnings.

Driver 3: Free cash flow generation

Why it matters: FCF funds the 5% dividend, the \$45 billion return plan, and the required deleveraging.

Current level: FY2025 FCF \$19.4B; 2026 guidance \$18B+; 2027 \$19B+; 2028 \$21B+.

Bull threshold: FCF at or above guidance each year and FCF/share above \$2.75.

Bear threshold: FCF falling below \$17B in any year, which would stress dividend coverage and leverage reduction.

Next data point: Q3 2026 earnings free cash flow disclosure.

Driver 4: Net debt-to-adjusted EBITDA leverage ratio

Why it matters: Leverage is the bear case anchor and the main reason the stock trades at a low multiple.

Current level: Net debt near \$148B; trailing EBITDA \$44.94B; ratio near 3.3x; target 2.5x in about three years after EchoStar closing.

Bull threshold: Ratio falling below 3.0x by late 2027 and 2.5x by 2028-2029.

Bear threshold: Ratio failing to decline or EchoStar closing delayed beyond 2027.

Next data point: EchoStar transaction regulatory timeline and quarterly debt/EBITDA updates.

Driver 5: Adjusted EPS quality

Why it matters: The \$0.65 Q2 2026 EPS beat was helped by lower depreciation; the investor must separate operating gains from accounting effects.

Current level: Q2 adjusted EPS +20% YoY; trailing EPS \$3.03.

Bull threshold: EPS growth accompanied by EBITDA and FCF growth of similar direction.

Bear threshold: EPS growth decoupled from EBITDA or FCF as depreciation effects fade.

Next data point: Q3 2026 earnings segment detail.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
iShares US Telecommunications ETF	IYZF	Correlates with US telecom equities	Bullish if IYZ holds 50-day MA; bearish if IYZ falls below
Verizon Communications	VZ	Direct competitor	Bullish for T if VZ stable; bearish if VZ cuts
T-Mobile US	TMUS	Direct competitor	Bullish if TMUS promotional intensity eases
US 10-Year Treasury Yield	US10Y	Rate/proxy for dividend discount rate	Bearish if yields rise sharply; supportive if

Monitoring rule: If IYZ or VZ breaks below a defined moving average on elevated volume, re-examine the T thesis within five trading days. If the 10-year Treasury yield moves above 5% and accelerates, downgrade the position size because the income premium over risk-free assets narrows.

EXIT TRIGGERS

- **Dividend cut or suspension:** Sell the position immediately. The dividend is central to the preservation thesis and a cut would signal a cash flow problem beyond current modeling.
- **Free cash flow below \$17 billion with no credible recovery plan:** Reduce or sell. This would threaten debt reduction and the \$45 billion capital-return commitment.
- **EchoStar transaction collapse or indefinite delay:** Re-evaluate. The leverage target and part of the capital-return plan depend on this closing.
- **Sustained decline in Advanced Connectivity service revenue growth below 2%:** Sell or reduce. This would undermine the core growth engine.
- **Acceleration of competitive pricing pressure or margin compression below 38% adjusted EBITDA:** Reduce. It would invert the margin-expansion thesis.
- **Adverse resolution of the unresolved September 9, 2026 8-K material event:** Re-evaluate immediately once disclosed.
- **Price reaching the fair value estimate near \$27.30 without a corresponding improvement in fundamentals:** Trim to lock in the margin-of-safety recovery.

FINAL RECOMMENDATION

RECOMMENDATION: BUY (Reduced Position)

AT&T passes the absolute requirements of this framework. The bear case total return is positive at 2.85% annualized. The base case total return of 8.20% exceeds the inflation-plus-4% hurdle. Solvency is adequate, the dividend is sustainable, and the probability of a permanent loss above 50% is below 10%. The Wealth Preservation Score of 65 sits at the lower bound of the buy range. The reduced position reflects the leverage burden, the moderate moat, and the mixed governance record.

ANALYST NOTES

Key Assumptions: Trailing EPS of \$3.03 is normalized and held flat before compounding; fair P/E of 9.0x; dividend grows 2% annually in the base case; free cash flow tracks guidance; EchoStar closes within approximately three years; total returns calculated with dividends accumulated without reinvestment.

Limitations: The research packet lacks full FY2021 through FY2024 annual income statement and cash flow history, interest coverage, current ratio, ROIC, short interest, and peer financial statements. Several valuation multiples reflect a different reference price than the authoritative \$22.18. The September 9, 2026 8-K material event is not described. These gaps require confirmation from the 10-K and 10-Q before committing capital.

Confidence Level: MEDIUM. The cash flow coverage and valuation margin support the call. The unresolved leverage path and governance history prevent higher confidence.

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