

## The Sunday Brief: AT&T's Simple Formula

Greetings from Cedar Rapids (IA), Kansas City (MO) and Springfield (MO), where we spent some quality time on the family farm. As the picture shows, we are doing our part to increase the beef supply. Hope your Thanksgiving was relaxing and that you have time for reflection as we end 2025.



The last two full [Briefs](#) have focused on specific companies. Verizon's dilemma was first, followed by cable's fight for mobile and broadband consideration. We end this series with AT&T, who is best positioned to overtake T-Mobile as the most valuable telecom company on the planet. Our reasoning is detailed below.

We will publish a [Brief](#) on December 20<sup>th</sup> (our year-end edition) and January 3<sup>rd</sup> (our annual CES preview edition). Unfortunately, we'll miss CES this year and the TSB dinner – maybe in 2027.

## The Fortnight That Was

FAB FIVE	Shares outstanding (end of yr unless noted)					Stock Price (last trading day of year)			Equity Value (\$B)			2025 YTD PERFORMANCE							
	Stock Name	Ticker Symbol	Dec-24	Jun-25	Sep-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	5-Dec	% change	Value Gained/Lost (\$B)	Current market cap	21-Nov	28-Nov	1-wk change	2-wk change
	Apple	AAPL	15,022.1	14,840.4	14,776.4	\$ 129.93	\$ 192.53	\$ 250.42	\$ 2,056	\$ 2,994	\$ 3,785	\$ 278.78	11%	\$ 334	\$ 4,119	\$ 226	\$ 335	\$ (1)	\$ 108
Alphabet (Google)	GOOG	12,190.0	12,094.0	12,067.0	\$ 88.73	\$ 140.93	\$ 190.44	\$ 1,136	\$ 1,764	\$ 2,331	\$ 322.09	69%	\$ 1,555	\$ 3,887	\$ 1,285	\$ 1,532	\$ 24	\$ 271	
Microsoft	MSFT	7,434.0	7,433.2	7,432.4	\$ 239.82	\$ 376.04	\$ 421.50	\$ 1,785	\$ 2,795	\$ 3,134	\$ 483.16	15%	\$ 457	\$ 3,591	\$ 375	\$ 523	\$ (66)	\$ 82	
Amazon	AMZN	10,597.7	10,664.9	10,690.2	\$ 84.00	\$ 151.94	\$ 219.39	\$ 861	\$ 1,570	\$ 2,307	\$ 229.53	5%	\$ 147	\$ 2,454	\$ 52	\$ 186	\$ (39)	\$ 95	
Facebook/ Meta	FB	2,533.7	2,512.6	2,520.5	\$ 120.34	\$ 353.96	\$ 585.51	\$ 312	\$ 910	\$ 1,478	\$ 673.42	15%	\$ 219	\$ 1,697	\$ 20	\$ 155	\$ 64	\$ 200	
									Totals	\$ 6,150	\$ 10,033	\$ 13,035		\$ 2,713	\$ 15,748	\$ 1,958	\$ 2,731	\$ (18)	\$ 755
									Change	\$ (3,809)	\$ 3,883	\$ 3,002							
									Cumulative Change	\$ 2,817	\$ 6,700	\$ 9,703							

TELCO TOP FIVE	Shares outstanding (end of yr unless noted)					Stock Price (last trading day of year)			Equity Value (\$B)			2025 YTD PERFORMANCE							
	Stock Name	Ticker Symbol	Dec-24	Jun-25	Sep-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	5-Dec	% change	Value Gained/Lost (\$B)	Current market cap	21-Nov	28-Nov	1-wk change	2-wk change
	AT&T	T	7,178.2	7,150.4	7,089.4	\$ 18.41	\$ 16.78	\$ 22.77	\$ 131	\$ 120	\$ 163	\$ 25.28	11%	\$ 16	\$ 179	\$ 20	\$ 21	\$ (5)	\$ (5)
Verizon	VZ	4,209.7	4,216.3	4,216.4	\$ 39.40	\$ 37.70	\$ 39.99	\$ 165	\$ 158	\$ 168	\$ 41.69	4%	\$ 7	\$ 176	\$ 6	\$ 5	\$ 2	\$ 2	
T-Mobile	TMUS	1,141.7	1,125.4	1,118.5	\$ 140.00	\$ 160.33	\$ 220.73	\$ 171	\$ 185	\$ 256	\$ 209.63	-5%	\$ (22)	\$ 234	\$ (22)	\$ (22)	\$ 1	\$ 0	
Comcast	CMCSA	3,781.0	3,692.2	3,643.9	\$ 34.97	\$ 43.85	\$ 37.53	\$ 147	\$ 176	\$ 144	\$ 27.31	-27%	\$ (44)	\$ 100	\$ (44)	\$ (46)	\$ 2	\$ (0)	
Charter	CHTR	141.9	136.6	129.4	\$ 339.10	\$ 388.68	\$ 342.77	\$ 52	\$ 57	\$ 49	\$ 205.10	-40%	\$ (22)	\$ 27	\$ (22)	\$ (23)	\$ 1	\$ 0	
									Totals	\$ 667	\$ 698	\$ 780		\$ (65)	\$ 716	\$ (62)	\$ (65)	\$ 1	\$ (2)
									Change	\$ (212)	\$ 31	\$ 82							
									Cumulative Change since 1/1/2019	\$ (16)	\$ 15	\$ 98							

Relative Market Capitalization 9.23 14.38 16.71 22.01

Thanksgiving week was very friendly to Fab Five valuations. As of the close of Friday's trading, they have gained just over \$2.7 trillion in market capitalization in 2025, and the three-year gain is now at \$9.6 trillion. Balance sheets remain strong even with accelerating (or already elevated) capital spending, and, in Alphabet's case, the transition from search to AI appears to be seamless.

The Telco Top Five stayed about as flat over the two weeks as possible, with a small value shift from AT&T to each of the other stocks. Our Apple availability analysis (next report coming this afternoon) shows that upgrades are up, switching is up, and, as a result, telecom subsidies will also be higher when earnings are released next month.

We are growing more concerned about iPhone 17 Pro Max availability in December. By this time, inventories should be locked down across all memory sizes and colors. That is certainly the case for the iPhone 17 Pro, as well as for the iPhone 17 Pro Max at the 256GB memory level (which is around 60-65% of the Pro Max inventory purchased each year), but certain memory/ color combinations are seeing large delays. We saw these cracks in the COVID era last into January -- if not February. It's unlikely that will be the case here, but, if you were looking for a specific iPhone 17 Pro Max replacement for the Holidays, it might be worth ordering early. More on why this is occurring in this afternoon's report.

While iPhone 17 Pro and Pro max backlogs are good news for Apple in the short term, senior executives are leaving the company in droves. Here is our updated list of executive departures since July:

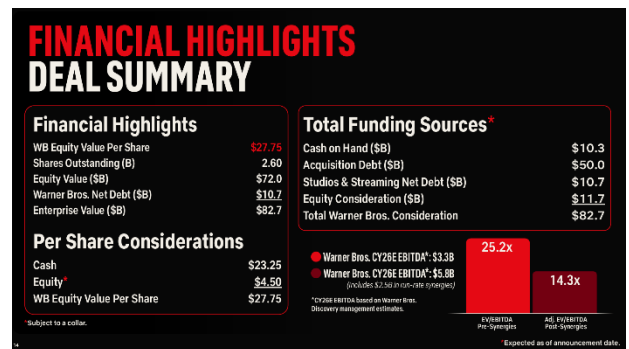
- [Lisa Jackson](#) – VP of environment, policy, and social initiatives (retiring in Jan)
- [Kate Adams](#) – General Counsel (retiring in Feb)
- [John Giannandrea](#) – Senior Vice President for Machine Learning and AI Strategy (retiring in spring)
- [Alan Dye](#) – Design Lead (left for Meta in Dec)
- [Jeff Williams](#) – COO (retires this month)
- [Luca Maestri](#) – CFO (transitioning to lead the Corporate Services team)
- [Billy Sorrentino](#) – Senior design director (left for Meta this month)
- [Rouming Pang](#) – Head of AI foundation models (left for Meta in July)
- [Ke Yang](#) – AI search (left for Meta in Oct)
- [Jian Zhang](#) – Head of Robotics (left for Meta in Sept)

Ten executives in five months – yikes! Apple has been able to build a very strong bench, however, and they favor promotion from within. Luca Maestri was replaced by former head of Financial Planning & Analysis Kevan Parekh. Alan Dye has been replaced with Stephen Lemay. There are exceptions, however – Jennifer Newstead, who was Chief Legal Officer for Meta, is replacing Kate Adams and also assuming nearly all of Lisa Jackson’s responsibilities. And John Giannandrea was replaced by former Google executive Amar Subramanya. As we mentioned last week, there are rumors that Tim Cook will move to Chairman as a part of a transition as early as next year.

Teamwork and unification amidst these personnel changes will be critical. Apple already has a strong operations-focused culture but there are growing concerns about their ability to design hardware that will embrace and enhance Artificial Intelligence. We believe that the company has moved from control to acceleration of AI as their principal objective, and that this change alone will meaningfully position the company as hundreds of millions of devices will need to be upgraded over the next decade. We also think that any company generating \$110-120 billion in operating cash flows annually can play a longer game and see how things unfold. But clarification of Tim Cook’s future role cannot come soon enough.

Finally, there’s Friday’s announcement that Netflix has won the bidding war for Warner Bros. Discovery (announcement [here](#), link to presentation [here](#) and transaction summary nearby). While we are not media company valuation experts, we would like to offer four observations:

1. If you were an AT&T shareholder and held your shares in WBD on April 11, 2022 (announcement [here](#)), you have now earned 8.3% on your investment (roughly a 2.1% annual return). Over that same period, the remainder of AT&T has returned 38.7%. This validates the simplicity argument outlined below.
2. In the days preceding the announcement, [Bloomberg reported](#) on the terms of Comcast’s bid. They were preparing to double down on content, combining NBU Universal and Warner Bros. Discovery into one company. According to the report, they even offered current Warner Bros. Discovery CEO David Zaslav the CEO position. Even though Zaslav was a former NBCU executive (he left in 2006), that probably did not go over well with the current NBCU management team.
3. From a cable news perspective, CNN remains in play as Discovery Global will be spun out into a separate company regardless of the approval timeline. We think Versant picks up these assets and we finally have the marriage of MSNOW (formerly MSNBC) and CNN (it’s hard to imagine Fox or Paramount Skydance picking up the asset).
4. Amazon (owner of MGM), Apple and Disney were not interested. We are still trying to determine what their absence from the final bids means but think it has to do with current interest in AI infrastructure.



## AT&T's Simple Formula

John Stankey became CEO of AT&T just as the COVID lockdown was heating up. The company was an array of programming, content, mobility and network assets. They were fighting with Elliott Management about strategy. The stock price was down 20% over the last five years (and T-Mobile's was up 120% over the same period). Change was needed.

Starting in the summer of 2020, Stankey began to simplify the business. His new formula (our take) was as follows:

1. Grow wireless subscribers and profitability ("**regain** wireless momentum")
2. Focus on fiber deployment ("**restore** the value of the local exchange franchise")
3. **Reduce** costs and pay down debt

Last December, AT&T hosted an Analyst Day for investors. Their objectives were the same. Since that Analyst Day, the company purchased spectrum from US Cellular (approved by the FCC last week) and is currently leasing (with intent to purchase) spectrum from Echostar. Outside of these purchases, the objectives remain the same. And, starting earlier this year, AT&T surpassed Verizon as the second largest US telecommunications company.

They did it with a combination of consistency and simplicity. Here are their fiber metrics from the last eleven quarters:



### Communications

#### Consumer Wireline Operating Volumes and Statistics

Volumes in thousands; Unaudited	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25	9/30/25
<b>Total Broadband Connections<sup>11</sup></b>	13,730	13,695	13,710	13,729	13,729	13,784	13,836	13,864	13,987	13,987	14,112	14,262	<b>14,494</b>
Fiber	7,487	7,738	8,034	8,307	8,307	8,559	8,798	9,024	9,331	9,331	9,592	9,835	<b>10,123</b>
Non Fiber	6,243	5,957	5,676	5,422	5,422	5,225	5,038	4,840	4,656	4,656	4,520	4,427	<b>4,371</b>
<b>Total Broadband Net Adds<sup>11,12</sup></b>	(23)	(35)	15	19	(24)	55	52	28	123	258	137	150	<b>232</b>
Fiber	272	251	296	273	1,092	252	239	226	307	1,024	261	243	<b>288</b>
Non Fiber	(295)	(286)	(281)	(254)	(1,116)	(197)	(187)	(198)	(184)	(766)	(124)	(93)	<b>(56)</b>

#### AT&T Internet Air (included in non fiber broadband)<sup>12</sup>

	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25	9/30/25
Connections	-	2	26	93	93	203	342	477	635	635	803	1,006	<b>1,276</b>
Net Adds	-	2	24	67	93	110	139	135	158	542	181	203	<b>270</b>

#### Converged Customers

	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25	9/30/25
AT&T Fiber subscribers with AT&T Mobility <sup>13</sup>	2,829	2,943	3,078	3,222	3,222	3,356	3,476	3,579	3,736	3,736	3,859	4,022	<b>4,205</b>
% AT&T Fiber subscribers with AT&T Mobility	37.8%	38.0%	38.3%	38.8%	38.8%	39.2%	39.5%	39.7%	40.0%	40.0%	40.2%	40.9%	<b>41.5%</b>

#### ARPU<sup>9</sup>

	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25	9/30/25
Broadband ARPU	\$ 61.31	\$ 62.26	\$ 64.91	\$ 65.62	\$ 63.52	\$ 65.98	\$ 66.17	\$ 68.25	\$ 69.69	\$ 67.53	\$ 70.87	\$ 71.16	<b>\$ 71.23</b>
Fiber ARPU	65.92	66.70	68.21	68.50	67.37	68.61	69.00	70.36	71.71	69.96	72.85	73.26	<b>73.48</b>
Non Fiber ARPU	56.00	56.71	60.43	61.38	58.52	61.81	61.38	64.43	65.78	63.28	66.78	66.59	<b>66.13</b>

### Communications

#### Fiber Location Metrics<sup>11</sup>

Volumes in millions; Unaudited	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25	9/30/25
Total Consumer and Business Locations Passed	24.7	25.4	26.0	26.5	26.5	27.1	27.8	28.3	28.9	28.9	29.5	30.3	<b>31.2</b>
Fiber Served Locations - Consumer	19.7	20.2	20.7	21.1	21.1	21.5	22.1	22.7	23.3	23.3	23.8	24.4	<b>25.1</b>
Fiber Penetration - Consumer	38%	38%	39%	39%	39%	40%	40%	40%	40%	40%	40%	40%	<b>40%</b>

There is a lot to digest here. The most important statistic, in our opinion, is at the bottom: 5.4 million additional residential and 1.1 million commercial locations reached with fiber since March 2023. And growth of 2.3 million consumer fiber connections during that same period (an incremental penetration rate of 43%).

AT&T did not achieve this by using temporary discounts (with exploding prices after a year) but instead used a simple speed-based formula with price points that were attractive to families. And, while they did have two price increases -- one in November 2024 and again in December 2025 -- each time it has been \$5/ mo. The result is 11% growth in fiber ARPU since Q1 2023, higher than the rate of inflation.


The fiber service has garnered several awards for the company. AT&T received winning accolades from [ACSI](#), [Ookla](#), and [two of three regions from JD Power](#) this year. With the exception of GFiber, who won the remaining region in the South from AT&T, no other provider can claim to be both broad-based (25 million passings) and excellent.

As the company continued to expand their fiber footprint within metropolitan areas, they began to cross-discount their wireless service. As the table shows, they started 2023 with 37-38% of their fiber customers also taking wireless service from the company – a figure that is higher than their overall wireless market share (which we estimate at around 28-30%). Their current 20% discount (per line) option adds up when multi-line family plans are converting to AT&T. As a result, the company has 41-42% wireless penetration with current AT&T Fiber customers.

In 2023, AT&T launched Internet Air, a fixed wireless product, in sixteen markets for residential customers (it has expanded since then to hundreds of cities in 47 states). In 2024, they launched a similar product for business customers nationwide, reducing the need for third-party connections where AT&T is not the local provider (and providing a backup connection where they are). The growth of this product has surprised market analysts and AT&T executives alike. At \$60-65/ month it is reasonably priced, and its performance has been consistent. As the table shows, it is just beginning to hit its growth stride. And, with the leased Echostar spectrum added quickly after being announced, performance meaningfully improved within days of deployment (AT&T blog post [here](#)).

AT&T is using Internet Air to a) provide existing AT&T DSL or copper customers in their local exchanges an alternative, and b) attract out of region (and perhaps existing wireless) customers who are unhappy with their current service by offering a different experience. Internet Air is not a placement for homes with consistent fiber service but is a consistent alternative for poor DOCSIS (cable) and DSL plant. Each quarter the company surprises on Internet Air additions, and we expect 280-300K net additions in the fourth quarter.

While a lot of attention has been focused on fiber homes passed, AT&T has quietly been growing their mobile base. Here are the latest statistics:

		<b>3Q2025 EARNINGS</b>											
<b>Communications</b>													
<b>Mobility Operating Volumes and Statistics</b>													
Volumes in thousands; Unaudited													
	3/31/23	6/30/23	9/30/23	12/31/23	2023	3/31/24	6/30/24	9/30/24	12/31/24	2024	3/31/25	6/30/25	9/30/25
<b>AT&amp;T Mobility Subscribers</b>													
Total Subscribers	110,813	111,854	112,857	113,808	113,808	114,513	115,474	116,066	117,851	117,851	117,960	118,245	<b>118,982</b>
Postpaid	85,421	85,846	86,365	87,104	87,104	87,450	87,999	88,384	89,200	89,200	89,463	89,928	<b>90,255</b>
Prepaid	19,200	19,352	19,391	19,236	19,236	19,211	19,271	19,200	19,023	19,023	18,955	18,768	<b>18,544</b>
Reseller	6,192	6,656	7,101	7,468	7,468	7,852	8,204	8,482	9,628	9,628	9,542	9,549	<b>10,183</b>
<b>Net Add Detail</b>													
Net Subscriber Additions	690	1,063	1,007	962	3,722	741	997	617	1,813	4,168	120	289	<b>748</b>
Postpaid Net Adds	542	464	550	759	2,315	389	593	429	839	2,250	290	479	<b>328</b>
Prepaid Net Adds	40	167	56	(135)	128	1	82	(49)	(136)	(102)	(34)	(152)	<b>(167)</b>
Reseller Net Adds	108	432	401	338	1,279	351	322	237	1,110	2,020	(136)	(38)	<b>587</b>
<b>Phone Detail</b>													
Total Phone Subscribers	87,546	87,935	88,369	88,713	88,713	88,991	89,377	89,664	89,966	89,966	90,193	90,501	<b>90,755</b>
Postpaid Phones	70,049	70,331	70,757	71,255	71,255	71,558	71,930	72,285	72,749	72,749	73,031	73,408	<b>73,801</b>
Prepaid Phones	17,496	17,604	17,612	17,458	17,458	17,433	17,447	17,379	17,217	17,217	17,162	17,093	<b>16,954</b>
<b>Phone Detail - Net Adds</b>													
Total Phone Net Adds	464	449	494	394	1,801	350	454	358	363	1,525	304	367	<b>322</b>
Postpaid Phone Net Adds	424	326	468	526	1,744	349	419	403	482	1,653	324	401	<b>405</b>
Prepaid Phone Net Adds	40	123	26	(132)	57	1	35	(45)	(119)	(128)	(20)	(34)	<b>(83)</b>

AT&T has grown their subscriber base by 8.2 million since Q1 2023 (7.4%) with half of that coming from resellers (namely Boost Mobile). Unlike what we saw in the Verizon Dilemma [Brief \(here\)](#), however, AT&T also grew their postpaid phone base by 3.8 million customers during this period. The company managed to grow wholesale/reseller and retail at the same time – whether this reseller base will last remains on your opinion of the future of Boost Mobile, but if a customer needed to convert, AT&T (prepaid or postpaid) would be network ready to take them.

Monthly churn is not shown in the table above but has increased in 2025 by ~ 15 basis points. AT&T is reluctant to join the heavy promotions party, opting instead for bundled discounts. This helps in some geographies and certainly hurts in others. Having a strong bundled base (including business customers) is good, but AT&T has some work ahead for itself outside of their upgraded footprint.

What is remarkable is that AT&T has accomplished both fiber and wireless gains without having to bundle content. We long thought that they were foolish for not having HBO Max as a part of every wireless offering but confessed at the beginning of this year that their promotional/ marketing dollars were better directed to bundling. The company has completely abandoned bundling DirecTV with fiber. Outside of a home security bundle using Google Home hardware and monitoring services from Abode, [no other offers](#) exist for residential customers. It's all about wireless and fiber services. We think they will play that hand until it ceases to generate incremental results.

**Bottom Line:** After decades of management mistakes, AT&T finally seems to be on the right path. Our major complaint with the current strategy is that they should be growing faster given their Texas and Southeastern US focus. We also do not think that the company has articulated how they will equip businesses for a high-compute/ high-processing/ low-latency environment coming with AI, particularly when wireless is a part of the equation. There's a lot of runway left for accretive broadband infrastructure investment, and AT&T is a giant deployment machine. We strongly encourage the company to keep this in mind when considering dividend growth and share buybacks.

We will end 2025 with our Year in Review. If you have nominations or thoughts, we invite you to send them to us at [sundaybrief@gmail.com](mailto:sundaybrief@gmail.com). In the meantime, if you have friends who are interested in being notified each time we publish a Brief, please have them sign up at [www.sundaybrief.com](http://www.sundaybrief.com).

Go [Chiefs](#) and [Davidson College Basketball](#)!

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