

Communications Infrastructure & Telecommunications Services

Not your Ma's Bell, under-owned industry with dynamic trends and Alpha

Reinstatement of Coverage

Reinstate AT&T at Buy and TMUS and VZ at Neutral

We reinstate coverage with a Buy rating on [AT&T](#) (T) and Neutral ratings on [T-Mobile](#) (TMUS), and [Verizon](#) (VZ); see our separate company notes. The telecom industry is often viewed as homogeneous, but T, TMUS, and VZ have unique characteristics tied to strategy, M&A, metric prioritization, return of capital, and estimate upside/risk. We recommend a discerning approach that prioritizes the multiple expansion opportunity, return of capital, a well-defined fiber/wireless convergence strategy, and estimates (financial and operational) with greater upside potential than downside risk.

Alpha opportunity underestimated

Telecom stocks are under-owned by institutional investors and overlooked as being in a sleepy, mature industry. However, since 2023, TMUS has posted a total return of 53%, T logged 84%, and VZ fell short of the S&P 500 by 800bp at 27%. Thus, company-specific factors rather than industry strength or macro are growing in importance as competition increases and strategies diverge. AT&T has the greatest flexibility to both compete effectively and return capital, which we view as the best opportunity for driving stock performance. AT&T also, in our view, offers the highest projected return of capital (dividends + buybacks) in 2026 at 7.2% of market cap. We think that T-Mobile's focus on net addition targets, coupled with a premium valuation, leaves less room for positive estimate revisions and multiple expansion. Verizon is balancing responsible growth and protecting its premium subscriber base. Its proposed acquisition of Frontier adds execution uncertainty and should initially pressure FCF.

Not bearish, but cautious on competitive threats

Territorial integrity is being tested, and competitive intensity is increasing. Telcos are expanding broadband footprints through fiber builds, M&A, JVs, and FWA. Cable companies are signaling greater competition as they defend broadband markets and strive for broadband/wireless convergence. Consequently, we see less opportunity for price increases prevalent in 2024 to drive growth in the PxQ equation. Handset subsidies and buyout offers may increase as carriers and cable companies look to catalyze churn, grow subscribers, and lock in stickier converged customers.

Legislative and regulatory changes are incremental

Executive and legislation actions, such as immigration and bonus depreciation, are tangential factors for telco stock performance. We view bonus tax depreciation passage as positive for T and VZ and neutral for TMUS. We estimate a 21% and 26% increase in 2026E and 2027E FCF for T from reinstatement of bonus depreciation. Immigration reform is a drag on wireless but is manageable. We estimate immigration reform risk at a minimum of 2.1mn potential subscribers. However, we believe that the risk is contained as 20% or less of subscribers at T, TMUS, and VZ are prepaid, and deep-value MVNO brands are most likely to face material subscriber loss.

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Exhibit 1: Ratings and price objectives

Telecom reinstatement summary

	Rating	Price objective
AT&T	Buy	\$32
TMUS	Neutral	\$255
VZ	Neutral	\$45

Source: BofA Global Research estimates

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FWA: fixed wireless access

JV: joint venture

MVNO: mobile network operator

PxQ: price times quantity

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Refer to important disclosures on page 32 to 36. Analyst Certification on page 30. Price Objective Basis/Risk on page 30.

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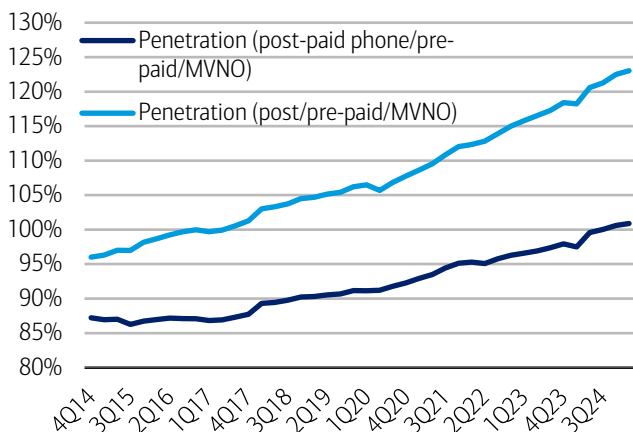
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PM Picture Book

The U.S. wireless and broadband markets are at or near full penetration, with wireless at 123%. Future volume growth depends on continued population growth, connected devices for wireless, and competitive shifts.

Exhibit 2: Wireless penetration is >100%

Penetration of phones and phones+other devices has reached 101% and 123%



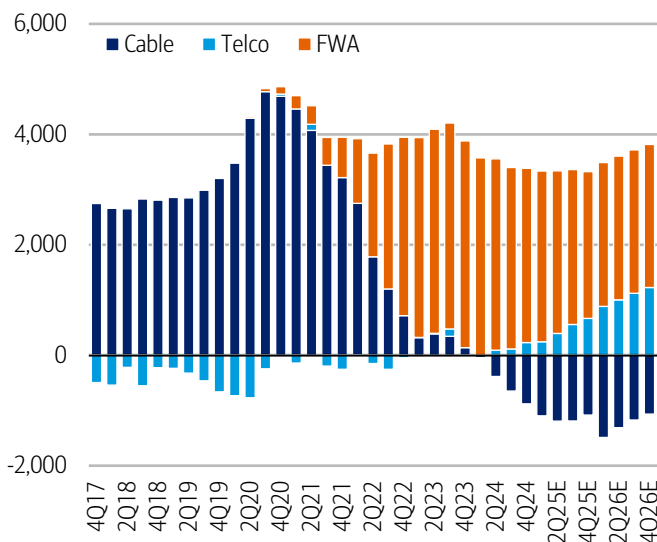
Source: BofA Global Research estimates, company report

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Competitive intensity is increasing as wireless carriers erode cable's broadband position with FWA and fiber offerings. Planned fiber builds should put further pressure on cable.

Exhibit 4: FWA and Telco wireline are taking broadband share from cable

Trailing 4Q net additions



Source: BofA Global Research estimates, company report

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Exhibit 3: Broadband penetration has reached 95%

The U.S. broadband market is close to full penetration

Technology	Residential Adoption Rate
All Technologies	95%
Satellite	2%
Terrestrial Technologies	94%
Fixed Wireless	6%
Wireline Technologies	92%
Copper	19%
Cable	66%
FTTP	49%

Source: FCC Communications Marketplace report 2024

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Exhibit 5: Telecom FWA households served and fiber builds

Telecom carriers are squeezing out cable with FWA and fiber

	FWA (% households served)	Fiber (mn, today)	Fiber (mn, target)
AT&T	15%	30 mn	60 mn (by 2030)
T-Mobile	65%	0.5 mn	12 - 15 mn (by 2030)
Verizon	25%	18 mn	30mn+ by 2028

Source: BofA Securities and FCC

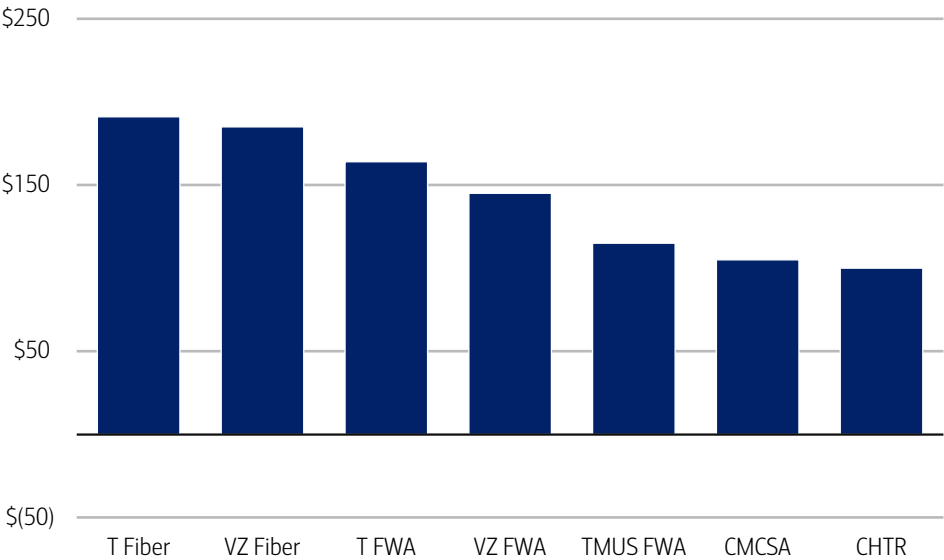
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Cable is responding with lower-priced and “free” wireless offers, with competitive intensity pointing higher based on recent management commentary.

Exhibit 6: Broadband/Wireless Bundle Pricing (2 wireless lines)

Cable is offering deep bundle discounts with free lines to address broadband subscriber loss



Source: BofA Securities and company websites.

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Carrier response to more aggressive cable wireless promotions should be dictated by metric prioritization, existing subscriber base, and network capability.

Exhibit 7: TMUS shares most influenced by wireless post-paid net adds

Stock correlation to post-paid phone net add beat/miss

Company	Primary target(s)	Stock correlation net add beat/miss
AT&T	Financial	Low
T-Mobile	Subscriber	High
Verizon	Financial	Low

Source: BofA Global Research

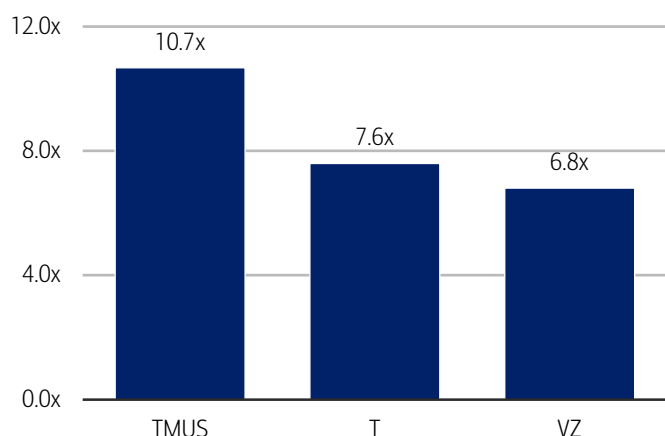
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TMUS trades at a premium valuation to its peers. We believe that AT&T can shrink the valuation gap versus TMUS and widen the gap to VZ with continued consistent execution.



Exhibit 8: Forward EV/EBITDA multiple

TMUS trades at a premium EV/EBITDA multiple to T and VZ; we think that T can close the gap

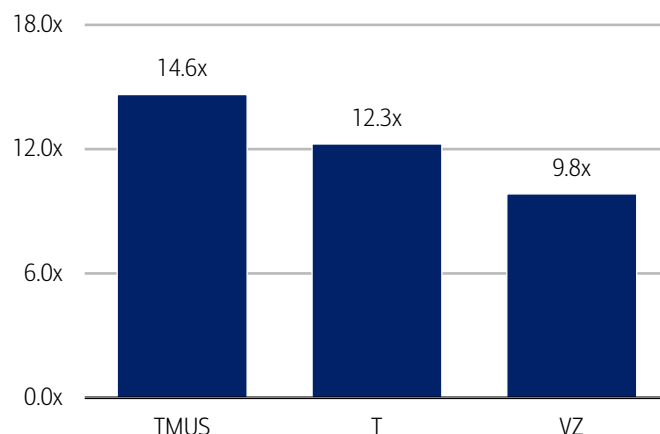


Source: BofA Global Research, Bloomberg. *Weighted average multiple

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Exhibit 9: Forward P/FCF multiple

AT&T also trades at a discount on P/FCF



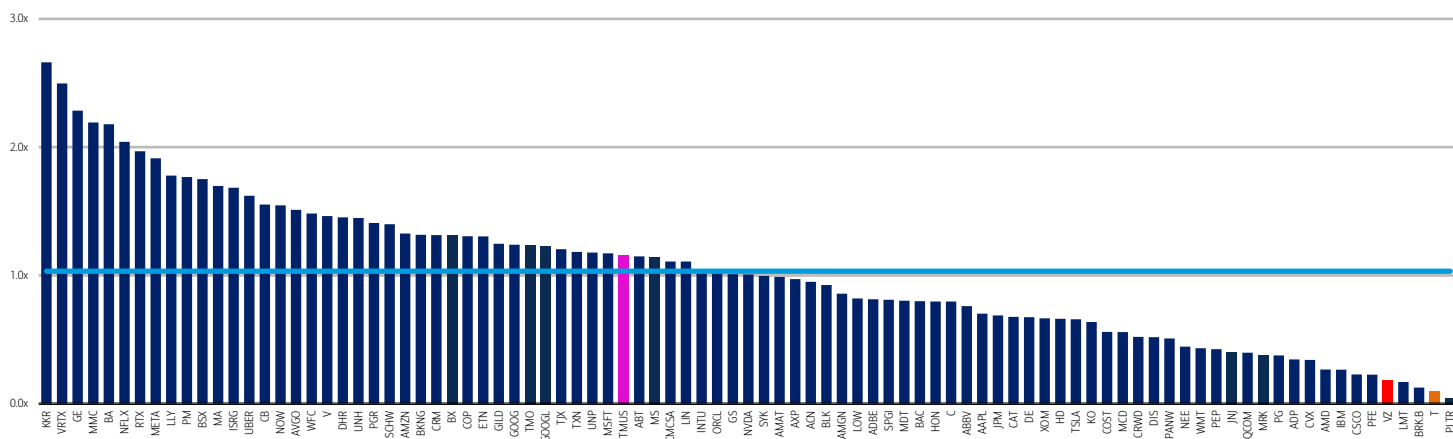
Source: BofA Global Research, Bloomberg. *Weighted average multiple

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Ownership of T remains low. Operational clarity post divestitures, balance sheet improvement, return of capital, and leading converged wireless/fiber strategy deserve greater interest, in our view.

Exhibit 10: Mega-cap (>\$100bn mkt cap) relative ownership levels – weighting relative to the S&P 500 across active long-only funds

AT&T is currently the second-lowest weighted mega-cap stock



Source: BofA Global Research

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Telco stock performance belies the idea of a sleepy/low-beta sector.

Exhibit 11: Total annual returns for stocks and S&P 500

Annual total returns for AT&T, T-Mobile, Verizon, and S&P 500

	2022	2023	2024
AT&T	5%	-3%	43%
T-Mobile	20%	15%	40%
Verizon	-20%	3%	12%
S&P 500	-18%	26%	26%

Source: BofA Securities and Bloomberg

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We think that investors should evaluate telco stocks across several factors, including (1) risk from cable, (2) convergence, (3) strategy, (4) return of capital, and (5) valuation.

Exhibit 12: Telco scorecard

We evaluate telecommunication carriers on key factors, including competitive threat, assets, strategy, legislative exposure, and valuation

	AT&T	T-Mobile	Verizon
Cable competition risk	Medium	High	Medium
Wireless/Fiber footprint	Best	Good	Better
Bonus tax depreciation benefit	High	Low	Medium
Return of capital (dividend plus share repurchase '26E)	7.2%	5.3%	6.2%
Valuation	Medium	Highest	Lowest

Source: BofA Securities and company filings.

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Company spotlights

AT&T (Buy, \$32 PO): Balance of power

AT&T is our top telecom pick. AT&T has a well-balanced strategy to drive profitable long-term growth through owned wireless and fiber assets, has greater operational focus post non-core divestitures, and offers strong return of capital with \$40bn targeted to shareholders by year-end 2027. AT&T trades at 11.4x 2026E free cash flow and 7.5x 2026E EBITDA. This is a 30% discount to TMUS and a 9% premium to VZ on EV/EBITDA. Given the operational momentum in the business, strong combination of wireless and fiber assets, and targeted return of capital over the next several years, we believe that T should trade more closely to TMUS than VZ. Our \$32 price objective is based on a P/FCF multiple of 13x fiscal 2026E FCF. We believe that the multiple is justified given T's expected 7.7% FCF growth in 2026E, 3%+ share buyback, and 4% dividend yield.

T-Mobile (Neutral, \$255 PO): Can the hit-maker keep making hits?

T-Mobile has been the undisputed leader in post-paid phone net add share, revenue growth, EBITDA growth, and FCF expansion. However, a premium valuation, relatively high institutional ownership, and record-high growth forecasts leave limited room for upside. TMUS could be most exposed to heightened wireless competitive intensity from cable companies looking to defend their broadband bases as the company has set a post-paid net addition target of 5.5-6mn for 2025 as a north star for investors. TMUS' stock reaction post 1Q25 results (-11%) on a small 5k subscriber miss is indicative of the importance of this metric. Valuation leaves no room for execution missteps at 14.2x 2026E FCF and 10.6x 2026E EBITDA, in our view. Our PO of \$255 applies a 15x price to forward free cash flow multiple. We believe that P/FCF is the metric that best encapsulates T-Mobile's differentiated shareholder return proposition, which includes a \$50bn 3-year share buyback/dividend payout commitment with \$20bn in additional capacity to enhance shareholder returns.

Verizon (Neutral, \$45 PO): Playing defense with perks

Verizon offers a balanced mix of premium wireless subscriber base, return of capital and fiber strategy. The company's cable MVNO creates a financial hedge against cable wireless competitive intensity and success. We think that there is opportunity for Verizon to improve share in the largest markets where historically it had a slightly lower presence, and Verizon's renewed focus on network quality and Perks are operationally positive and should drive net add improvement. However, the upcoming Frontier acquisition should be FCF dilutive and is projected to drive consensus FCF estimates down low single digits % (assuming 2H26 close) once closed. We also expect Verizon to remain on the sidelines to a greater degree than peers as competitive intensity ramps, which is financially prudent but presents reporting risk relative to consensus net add

expectations. Our \$45 price objective is based on a target multiple of 10x forward price to free cash flow. The target multiple is at a discount to the historical average multiple of 11.0x over the last decade. We think that the discounted multiple is justified as VZ must adjust its value proposition to account for the improved network quality and coverage of its competitors.

Exhibit 13: Operating and financial metrics have diverged

Key metric summary

	Verizon		AT&T		T-Mobile	
	2025E	24-27E	2025E	24-27E	2025E	24-27E
Growth (%y/y)						
Revenue	2.3%	1.7%	1.0%	2.1%	5.7%	4.5%
Adj. EBITDA	2.7%	1.9%	2.7%	3.8%	5.4%	6.5%
Adj. EPS	0.8%	2.0%	2.9%	10.4%	7.2%	13.2%
FCF	-8.2%	-1.5%	4.3%	6.8%	4.0%	2.6%
Operating metrics	2025E	2026E	2025E	2026E	2025E	2026E
Post-paid net adds	1,599	1,340	1,880	1,778	5,692	5,548
Post-paid phone net adds						
adds	483	607	1,389	1,264	2,825	2,657
Broadband net adds	103	110	622	846	n/a	n/a
Fiber net adds	164	172	1,049	1,154	n/a	n/a
FWA net adds	799	783	840	1,090	1,453	1,372
Financial metrics						
Adj. EBITDA margin	36.3%	36.6%	37.2%	38.0%	38.9%	40.2%
FCF margin	13.2%	13.5%	13.0%	13.6%	20.6%	20.4%
Capital intensity	13.0%	13.2%	17.2%	17.2%	11.1%	10.6%
Dividend payout of FCF	63.5%	62.2%	50.2%	44.6%	22.5%	21.8%
Valuation metrics						
EV/EBITDA	7.0x	6.8x	7.8x	7.5x	11.4x	10.6x
P/E	9.4x	9.1x	14.1x	12.4x	22.7x	19.4x
Dividend yield	6.3%	6.4%	3.9%	3.9%	1.5%	1.5%
FCF yield	9.9%	10.3%	7.8%	8.4%	6.5%	6.7%

Source: BofA Global Research estimates

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Exhibit 14: AT&T key metric summary versus consensus

Our 2026 and 2027 EPS forecasts are above consensus

	FY25E		FY26E		FY27E	
	BofA	Consensus	BofA	Consensus	BofA	Consensus
Internal net adds - Postpaid Phones	1,389	1,367	1,264	1,126	1,066	994
Churn - Postpaid Phones	0.84%	0.84%	0.86%	0.83%	0.88%	0.83%
ARPU - Postpaid wireless	\$50.83	\$50.90	\$51.05	\$51.16	\$51.54	\$51.44
Diluted EPS	\$2.01	\$2.04	\$2.29	\$2.24	\$2.62	\$2.49

Source: BofA Global Research estimates and Visible Alpha

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Exhibit 15: T-Mobile key metric summary versus consensus

We estimate above-consensus churn for T-Mobile

	FY25E		FY26E		FY27E	
	BofA	Consensus	BofA	Consensus	BofA	Consensus
Phone - postpaid internal net adds	2,825	2,884	2,657	2,625	2,617	2,396
Churn rate - phone postpaid	0.91%	0.89%	0.92%	0.89%	0.89%	0.88%
Phone - postpaid ARPU	\$50.05	\$50.06	\$50.15	\$50.52	\$48.31	\$50.80
Diluted EPS	\$10.54	\$10.62	\$12.36	\$12.68	\$14.15	\$14.78

Source: BofA Global Research estimates and Visible Alpha

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Exhibit 16: Verizon key metric summary versus consensus

We project higher postpaid phone churn at Verizon

	FY25E		FY26E		FY27E	
	BofA	Consensus	BofA	Consensus	BofA	Consensus
Net adds (postpaid phones)	483	449	607	559	510	487
Churn rate – phone postpaid	0.94%	0.92%	0.93%	0.89%	0.94%	0.89%
Diluted EPS	\$4.63	\$4.68	\$4.78	\$4.82	\$4.87	\$5.01

Source: BofA Global Research estimates and Visible Alpha

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Market structure

Potential perfect storm for re-energized competition

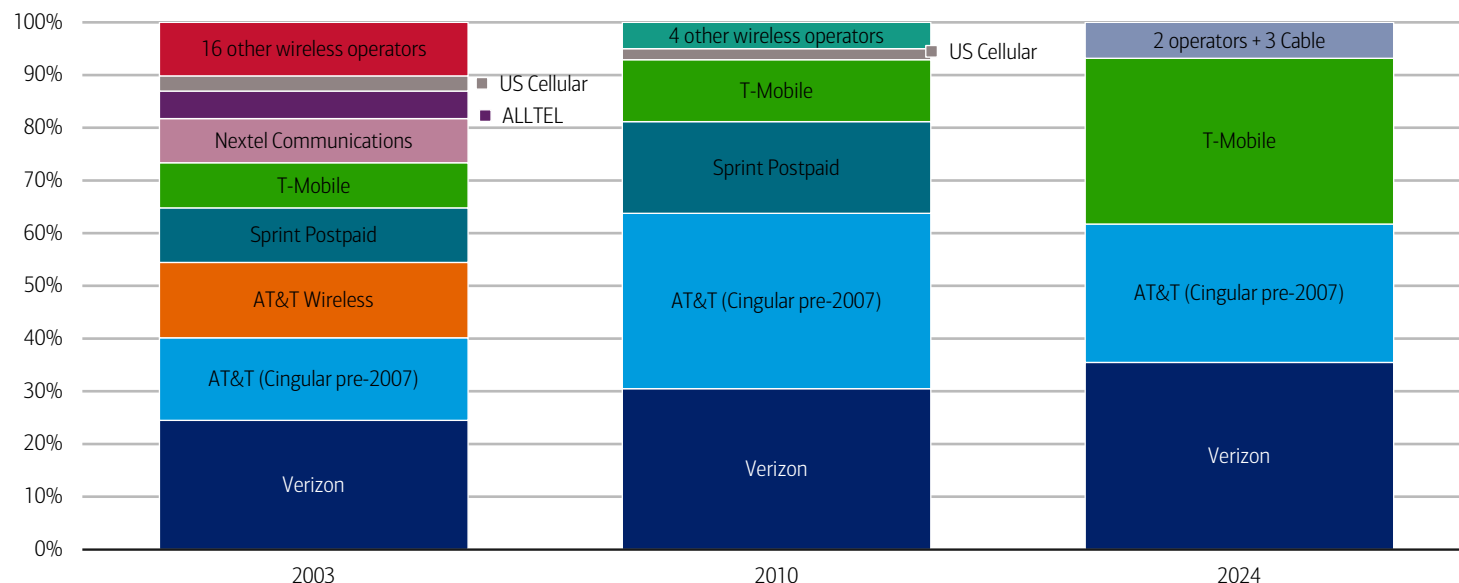
The biggest question facing the Telecommunications Services industry is the direction and magnitude of competition these companies face. Consensus, in our view, is that status quo will prevail, with carriers taking small price increases and with sporadic promotional activity. However, T-Mobile's commitment to highest-ever postpaid net add guidance is set to clash with cable companies signaling a more aggressive defense of broadband customers through wireless offers. Ultimately, we expect the telecommunications companies to prevail based on the benefits of network ownership, expanding broadband footprints, and entrenched market positions. Investors are also unlikely to support a long and costly wireless ground war, in our view. But telecom stocks can move on quarterly net add beats/misses and sentiment regarding longer-term direction of ARPU and churn. We think that the outlook is getting cloudier in the near term with less capacity to increase price, greater-than-projected quarterly gross add share shifts, and the potential for rising churn.

Fragmentation to oligopoly to re-energized competition

Understanding how the industry has evolved is instructive when thinking about future direction. The U.S. telecom industry had settled into an oligopoly by 2010 after years of consolidation. AT&T and Verizon were rational dominant players. Sprint and T-Mobile were weak 3rd and 4th players, losing market share.

Exhibit 17: Wireless industry has consolidated from 24 providers in 2003 to three large providers with 93% share and 5 others (including cable) with 7% market share

Industry market share

**Source:** BofA Global Research estimates, company report. Note: Market shares are approximate as company include different subscribers in reported totals in different time periods

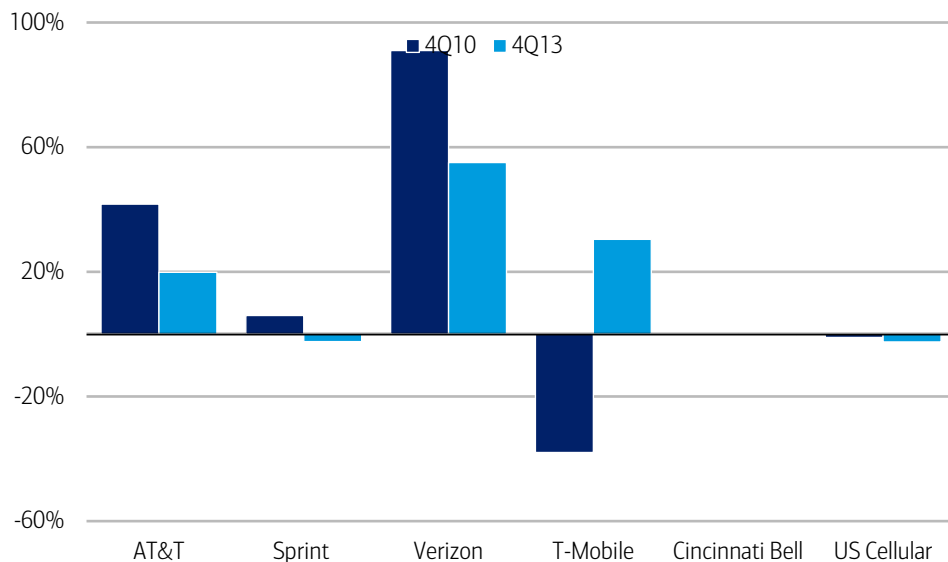
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AT&T's failed bid for T-Mobile in 2011 energized the scrappy cash-strapped and spectrum-poor competitor and set off a new round of competition. T-Mobile launched its Uncarrier marketing plan in 2013 with no contracts, no credit checks, lower prices, and elimination of subsidies. This differentiated T-Mobile from its competitors. From December 31, 2012 to December 31, 2015, AT&T and Verizon underperformed the S&P 500 by -33% and -30%, respectively, while T-Mobile outperformed the benchmark by 141%. T-Mobile moved from -38% of postpaid net additions in 4Q10 to 30% of net additions in 4Q13 as a disruptor. We see parallels to this period emerging. Today, the cable companies are fighting to defend their broadband bases, are well capitalized, and have signaled utilizing wireless as a catalyst to regain share.

Exhibit 18: Post paid net add share can shift quickly as disruptors emerge

T-Mobile moved from net share donator to share taker



Source: BofA Global Research, Company reports

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Cable cornered could be dangerous

Just as a re-energized T-Mobile disrupted the wireless industry more than ten years ago, cable companies desperate to defend broadband footprints could shake up competition today.

As broadband competitive dynamics have become more intense, cable operators are increasingly focused on converged offerings to limit broadband churn and capture mobile subscriber share. While Charter has been relatively consistent in its effort to gain mobile share since it launched Spectrum Mobile in September 2018, Comcast has recently increased its focus on driving mobile growth, which will likely amplify competitive pressure in the industry. Further, Charter's announced merger with Cox should provide Charter with a larger footprint to execute its relatively aggressive mobile strategy, including expanding its Spectrum One (internet, Wi-Fi and mobile) offerings to 5.7mn new households.

Recent cable management commentary and plan changes suggests a more aggressive wireless posture.

- **Comcast is willing to sacrifice broadband average revenue per user (ARPU) growth for wireless adds. According to Comcast's CFO, Jason Armstrong,** "When we lean into wireless...you may see a little bit of that [broadband ARPU pressure] happen this year...we're setting up for in a year from now, two years from now, when hopefully we get broadband volumes and ARPU moving in the same direction."



- **Charter/Cox's priority one is rolling out bundle discounts. According to Charter's CEO, Chris Winfrey,** "...our immediate focus post-closing [Cox acquisition] will be on deploying our industry leading products in pricing and packaging across the Cox footprint."
- **Comcast goes national with converged offering.** On June 25, 2025, Comcast launched its everyday pricing (EDP) with four national internet pricing tiers (300Mbps, 500Mbps, 1Gbps, and 2Gbps). These plans are designed to provide simple and predictable plans to consumers. One free mobile line is included in the plans for 1 year. Following the free year of wireless service, wireless is added to the bill (\$40 Unlimited), and following the 1- or 5-year price guarantee, the broadband price increases, but the paperless billing discount remains.

Charter and Comcast have priced mobile offerings at 20-30% discount below incumbent wireless pricing, and promotional offers often include a free line for one year. While cable has a more limited (and currently declining) potential customer base (broadband subscribers) to market, cable operators still have runway within that cohort as Charter's wireless penetration of its broadband sub-base is 35%, Comcast has even lower penetration at 26%, and Cox's is just 3%. We believe that cable operators will push attractive wireless offerings to help offset declining broadband share.

T-Mobile is wireless price leader, but cable bundles offer value

T-Mobile remains the value leader in standalone wireless service even as it has improved network quality and moved customers into higher-tier plans. However, cable is offering deeply discounted bundle offers with a free line of service for one year and up to \$2,500 for customers to pay off phone balances when they switch.

Exhibit 19: T-Mobile is generally the lowest-priced wireless provider

General wireless plan overview

	Cost (\$/month)	Price lock	Plan	Upgrade	Priority data	Hotspot data	Hotspot speed > cap
AT&T	\$66		Unlimited Starter SL		None	5GB	129 Kbps
AT&T	\$76		Unlimited Extra EL		75GB	30GB	128 Kbps
AT&T	\$86		Unlimited Premium PL		Unlimited	60GB	128 Kbps
T-Mobile	\$50		Essentials saver		50GB	n/a	n/a
T-Mobile	\$60		Essentials		50GB	Unlimited at 600kbps	n/a
T-Mobile	\$85	5-yr Price lock	Experience Mone	Upgrade every 2-years	Unlimited	15GB	600 Kbps
T-Mobile	\$100	5-yr Price lock	Experience Beyond	Upgrade annually	Unlimited	50GB	600 Kbps
Verizon	\$65		Unlimited Welcom	eligible for in-market offer with trade-in	Unlimited	None	n/a
Verizon	\$80		Unlimited Plus	eligible for in-market offer with trade-in	Unlimited	30GB	3Mbps UWB; 600 Kbps
Verizon	\$90	3-yr Price lock	Unlimited Ultimate	eligible for best in-market offer with trade-in	Unlimited	200GB	6 Mbps

Source: company website (06/05/2025)

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Exhibit 20: Cable offers the cheapest bundle

Wireless reporting strong broadband and wireless growth, while cable reports falling broadband and rising wireless subscribers

	AT&T - Fiber	AT&T - FWA	Verizon - Fiber	Verizon - FWA	T-Mobile - FWA	Charter	Comcast
Internet speed	1 Gbps	90-300Mbps	1 Gbps	50-85Mbps	87-318Mbps	1Gbps	
AT&T All-Fi Hub (Wi-Fi 6)							
Internet price							
- Price	\$90	\$65	\$99.99	\$50	\$55	\$70	\$119
- bundle discount	(\$18)	(\$18)	(\$15)	(\$15)	(\$20)	(\$30)	
- paperless billing discount	(\$5)		(\$10)				
- autopay discount	(\$5)						(\$10)
							(\$24)
Broadband Total	\$62	\$47	\$75	\$35	\$35	\$40	\$85
Bundle	Unlimited Starter	Unlimited Starter	Welcome Ulti	Welcome Ulti	Essentials Saver		
Mobile price - 2 lines							
- Price (2 lines per line)	\$71	\$71	\$65	\$65	\$50	\$30	\$30
- Auto-pay discount	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)		
		(\$6)					(\$20)
- Admin/Reg fees	\$3	\$3					
Wireless Total (2 lines)	\$128.96	\$116.98	\$110.00	\$110.00	\$80.00	\$60.00	\$20.00
AT&T All-Fi Hub (Wi-Fi 6)							
Bundle Total	\$190.96	\$163.98	\$185.00	\$145.00	\$115.00	\$100.00	\$105.00

Source: company website (06/05/2025)

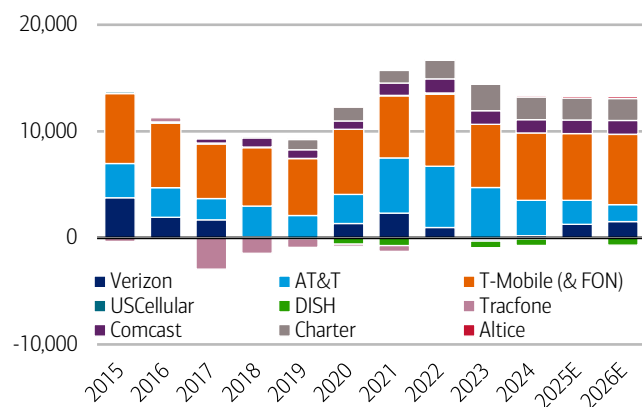
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T-Mobile has been net add leader, but cable is gaining relevance

T-Mobile established itself as the subscriber net add leader in the wireless industry over the last decade. In recent years, Verizon's Consumer segment has struggled at times to grow its subscriber base, and management launched the MyPlan structure to address some of the underlying issues that are holding back growth (price perception, transparency, and flexibility). Cable companies launched their service in 2017, and they now account for approximately a third of industry net additions. Many of these are free one-year subscriptions and likely represent devices that would not otherwise have been connected. But cable is undoubtedly establishing a beachhead and has signaled a more aggressive approach to defending broadband subscribers.

Exhibit 21: TMUS leads on wireless net adds

Total wireless subscriber net adds by provider (000)

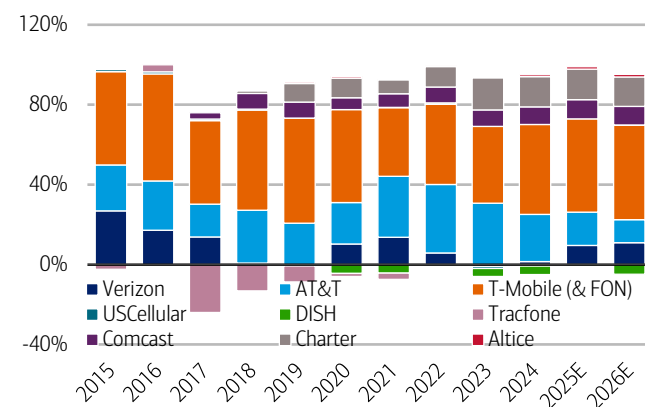


Source: BofA Global Research estimates, company report

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Exhibit 22: Cable taking a higher proportion of wireless net adds

Net add share by provider



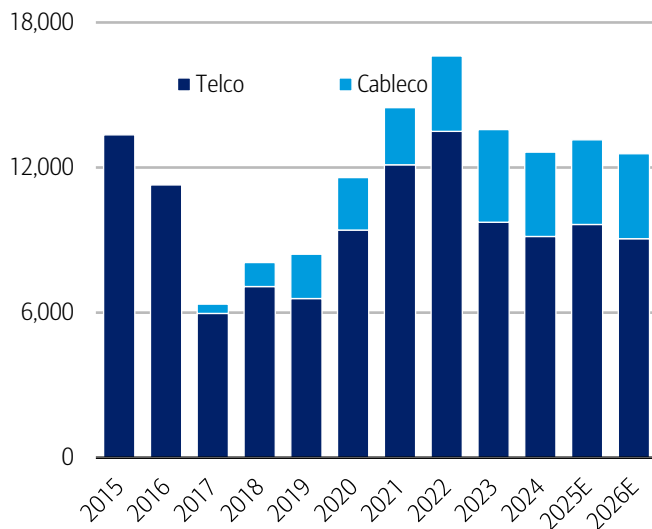
Source: BofA Global Research estimates, company report

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Exhibit 23: Cable has increased industry wireless net additions

Total wireless subscriber net adds by telco/cable (000)

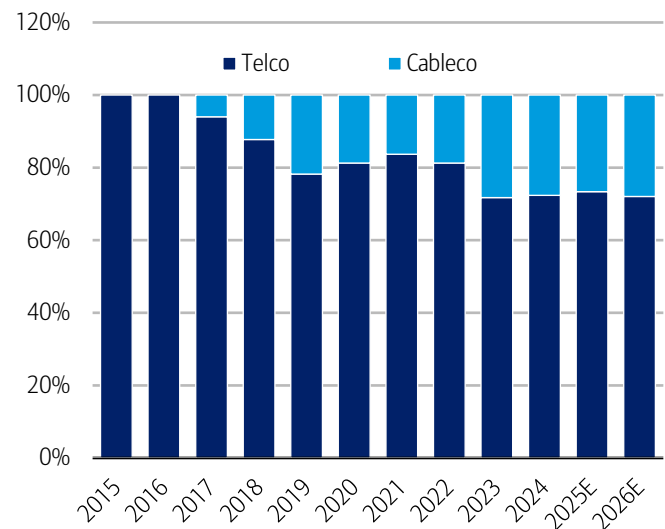


Source: BofA Global Research estimates, company report

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Exhibit 24: Cable taking a higher proportion of wireless net adds

Net add share by telco/cable



Source: BofA Global Research estimates, company report

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Post-paid phone net additions closely watched

Investors closely follow industry post-paid phone net additions, and small variances from expectations can have an impact on share price for carriers that prioritize net add guidance. For example, in 1Q25, when TMUS reported a slight net add miss versus Street expectations (-5k), the stock declined 11%. TMUS stock is most sensitive to net add beats and misses. T's and VZ's share price performance has been less correlated with post-paid phone net additions, which suggests less impact from rising competitive temperature.

Exhibit 25: T-Mobile share price following post-paid phone net add beat / miss

Correlation of 0.37

	Cons.	Actual	Cons. Vs. Actual	Share price move
1QFY-2019	612	656	7%	0%
2QFY-2019	643	710	10%	5%
3QFY-2019	734	754	3%	-1%
4QFY-2019	1,001	1,001	0%	3%
1QFY-2020	288	452	57%	10%
2QFY-2020	83	253	203%	6%
3QFY-2020	391	689	76%	5%
4QFY-2020	760	824	8%	-4%
1QFY-2021	568	773	36%	4%
2QFY-2021	396	627	58%	0%
3QFY-2021	689	673	-2%	5%
4QFY-2021	750	844	12%	-2%
1QFY-2022	553	589	6%	4%
2QFY-2022	552	723	31%	5%
3QFY-2022	745	854	15%	7%
4QFY-2022	929	927	0%	1%
1QFY-2023	551	538	-2%	-4%
2QFY-2023	709	760	7%	1%
3QFY-2023	777	850	9%	0%
4QFY-2023	877	934	7%	0%
1QFY-2024	487	532	9%	0%
2QFY-2024	646	777	20%	4%
3QFY-2024	745	865	16%	6%
4QFY-2024	857	903	5%	6%
1QFY-2025	500	495	-1%	-11%

Source: BofA Global Research, Visible Alpha, Bloomberg. Cons = consensus.

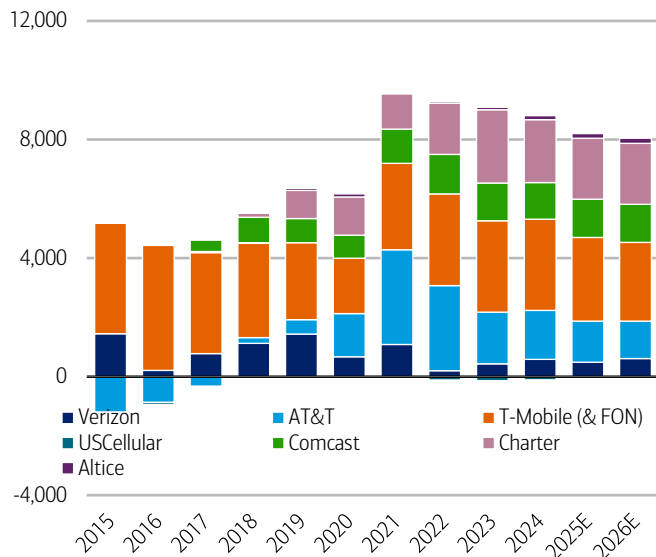
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Below, we present a view of industry post-paid phone net additions that includes cable's wireless net adds. However, it is important to note that Cable does not disclose whether its net adds are post-paid phones or other connected devices (tablets and watches). Given the wireless industry's ability to continue growing post-paid phones while cable reports large net additions, it may be reasonable to assume that a larger portion of cable's net additions are not phones. However, cable's free line and connected device strategy should not be discounted, in our view. It establishes a foundation for cable companies to build reputation and awareness as reliable wireless options and represents an opportunity to convert free to paid over time.



Exhibit 26: Since launch in 2017, cable added >19mn wireless subs

Post-paid phone net adds by provider (000)

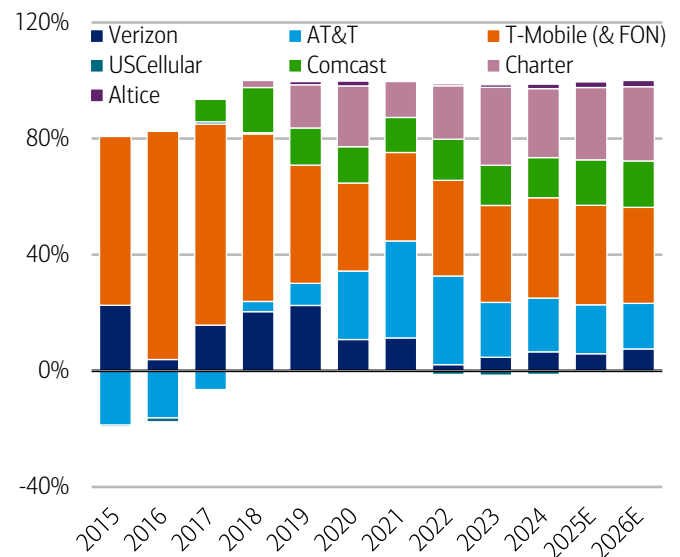


Source: BofA Global Research estimates, company report. Note: assumes cable adding phones only

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Exhibit 27: Comcast post-paid phone net add share could increase

Post-paid phone net adds share by provider

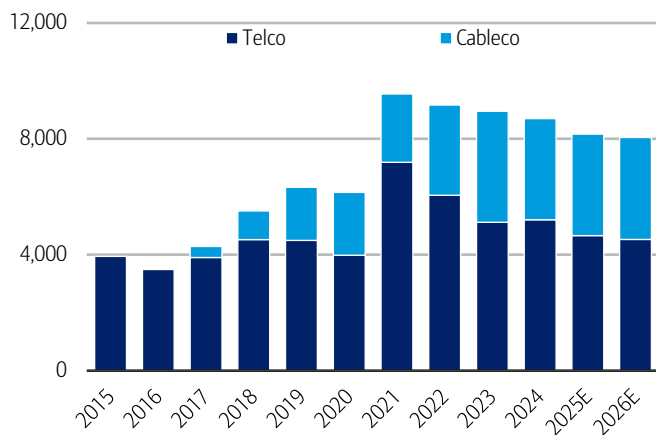


Source: BofA Global Research estimates, company report. Note: assumes cable adding phones only

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Exhibit 28: Since launch in 2017, cable quickly accounted for a material portion of post-paid phone net adds

Post-paid phone net adds by provider (000)

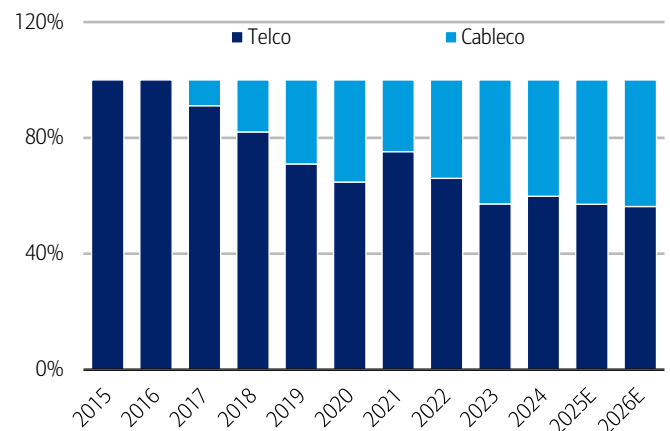


Source: BofA Global Research estimates, company report. Note: assumes cable adding phones only.

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Exhibit 29: Cable accounts for over a third of postpaid phone net adds

Post-paid phone net adds share by provider



Source: BofA Global Research estimates, company report. Note: assumes cable adding phones only

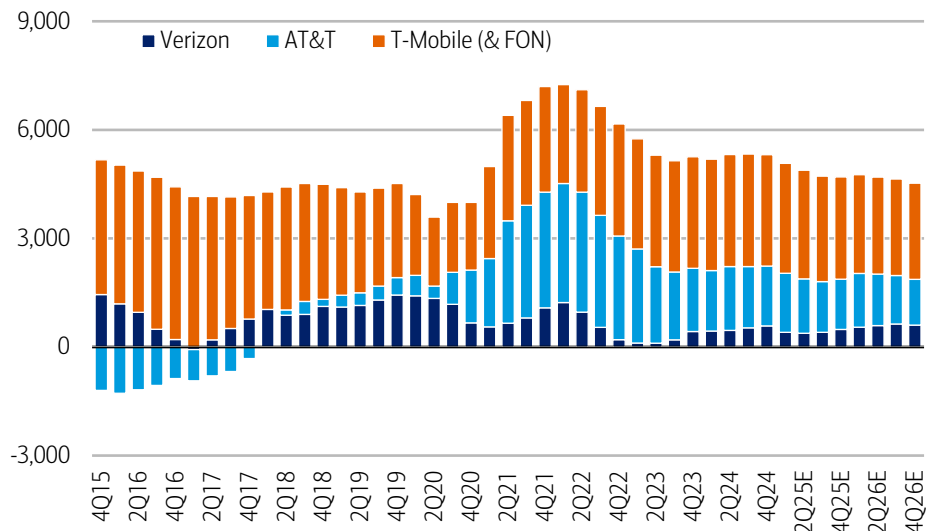
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Wireless operator post-paid phone net additions

When we exclude cable from the post-paid net add picture, the wireless operators are adding approximately the same number of post-paid phones on a trailing 12-month basis added prior to COVID. AT&T executed well on its re-vamped strategy focused on wireless and broadband connectivity and reversed subscriber losses and is now reporting consistent subscriber growth.

Exhibit 30: Post-paid phone net additions by wireless providers returned to near pre-COVID levels

Trailing 12-month post-paid phone net additions (000)



Source: BofA Global Research estimates, company report

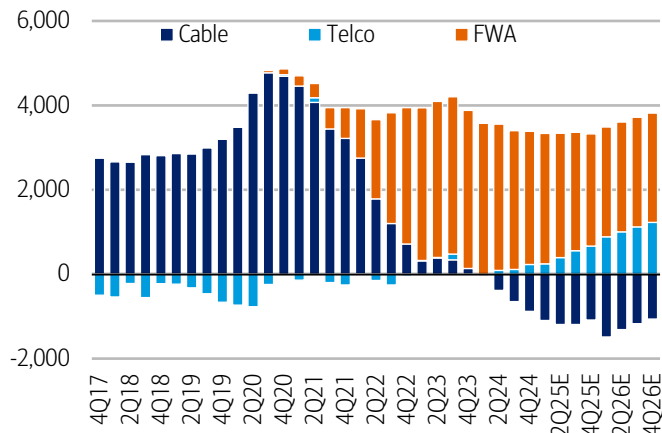
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Shifting broadband fortunes forcing cable to act

Loss of broadband subscribers explains cable's focus on wireless. Cable company broadband subscriber bases are under pressure from FWA and fiber. These companies are limited to marketing wireless to existing broadband subscribers, so their addressable market is shrinking. Linear TV subscriptions have also been in long-term secular decline. We expect cable companies to defend their existing base through bundled offerings that reduce churn, increase ARPU, and enhance subscriber LTV.

Exhibit 31: Telco FWA takes majority of broadband net adds

Cable subscribers leave for FWA

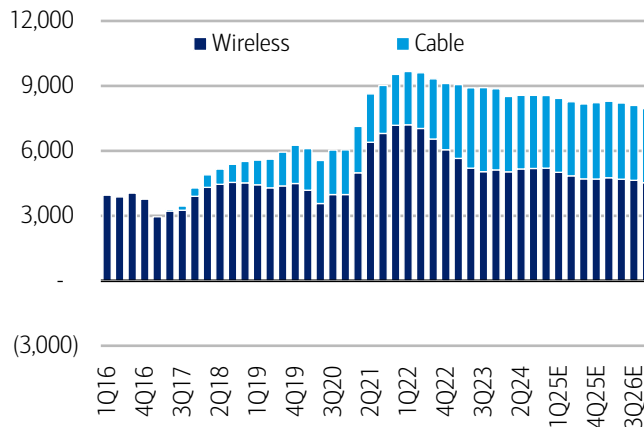


Source: BofA Global Research estimates

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Exhibit 32: Cable accounts for step-up in wireless subscriber growth

Wireless and Cable post-paid phone subscribers



Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

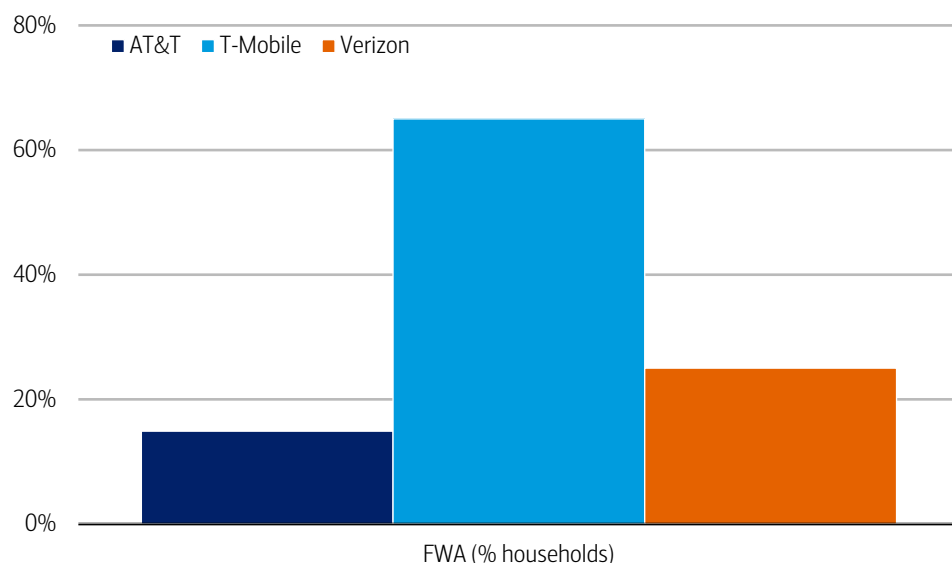


Fixed wireless access is the catalyst for change

Prior to the launch of FWA in 2020, cable providers accounted for nearly 100% of industry broadband net additions. FWA overtook cable and accounted for nearly 100% of industry broadband net additions shortly after launching. FWA clearly addresses the needs of a meaningful market segment with lower pricing, easy setup, and competitive speeds. The longer-term impact is debatable, as carriers have largely deployed FWA utilizing excess capacity, and wireless economics are inferior to wireline broadband (spectrum expense and maintenance).

Exhibit 33: Fixed wireless access availability % U.S. households

Fixed wireless access is leading to broadband share gains for telco but is also a catalyst for competitive change



Source: BofA Securities and FCC.

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Telco fiber builds are also a growing threat to cable

In addition to FWA, AT&T and Verizon are expanding their fiber footprints through incremental builds and acquisitions. T-Mobile is pursuing a proof-of-concept approach through JVs. AT&T is targeting 60mn homes passed with fiber. Verizon is targeting 30mn+ fiber passings by 2028, and TMUS, through its joint ventures, is targeting 12-15mn passings. This provides a strong runway for continued fiber broadband growth by the wireless providers.

Exhibit 34: Telcos are expanding fiber coverage

Planned fiber builds could put more pressure on cable

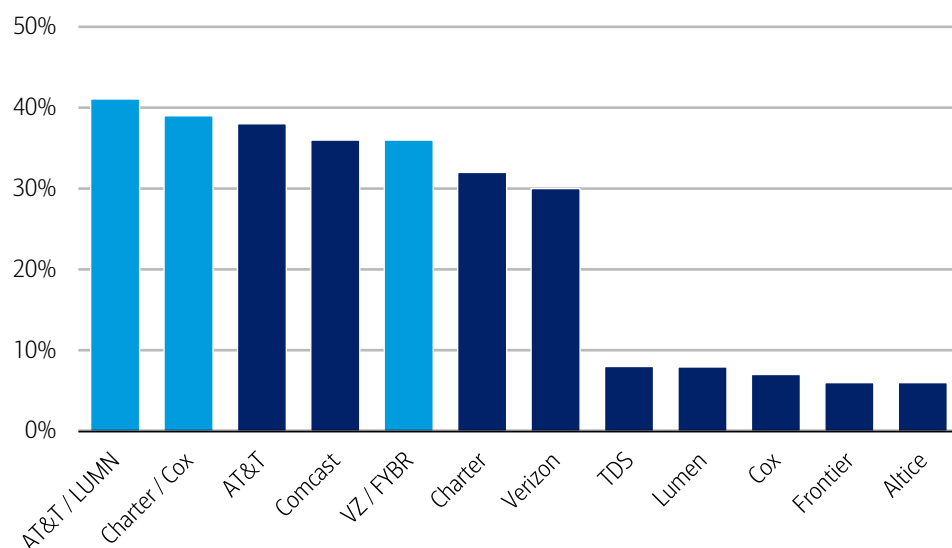
	Fiber passings (mn) current	Fiber passing (mn) target	Target date
AT&T	30 mn	60 mn	2030
Verizon	18 mn	30 mn	2028
T-Mobile	0.5 mn	12 - 15 mn	2030

Source: company reports

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Exhibit 35: Population coverage with fixed broadband by provider

Cable wireless offering is limited to only its broadband subscriber, while it is truly national for the wireless providers



Source: FCC 2024 Communication markets report, BofA Global Research estimates

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What does competition mean for the numbers?

Beyond shifts in quarterly net additions, greater competitive intensity should primarily impact churn and ARPU growth.

- AT&T's FCF is slightly more sensitive to higher churn than that of either TMUS or VZ.
- TMUS is the most sensitive to changes in post-paid ARPU, in our view.

Exhibit 36: FCF/share sensitivity to higher post-paid phone churn levels and to lower-than-forecast post-paid ARPU levels

Free cash flow sensitivity table

	AT&T			VZ			TMUS		
FCF per share	2024	2027E	Chg to base	2024	2027E	Chg to base	2024	2027E	Chg to base
base case	2.13	2.74		4.69	4.48		14.53	17.66	
+10bps of churn		2.69	-2%		4.41	-2%		17.33	-2%
+20bps of churn		2.64	-4%		4.34	-3%		17.01	-4%
+30bps of churn		2.59	-6%		4.27	-5%		16.69	-5%
	AT&T			VZ			TMUS		
FCF per share	2024	2027E	Chg to base	2024	2027E	Chg to base	2024	2027E	Chg to base
base case	2.13	2.74		4.69	4.48		14.53	17.66	
-100bps ARPU		2.73	-1%		4.44	-1%		17.46	-1%
-200bps ARPU		2.71	-1%		4.40	-2%		17.27	-2%
-300bps ARPU		2.69	-2%		4.36	-2.8%		17.07	-3.3%

Source: BofA Global Research estimates. Chg = change.

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Adj. EPS sensitivity to higher churn lower ARPU

Our base-case forecast is for rising adj. EPS over the period through 2027E from 2024, with the largest forecast gains expected by TMUS 13% on our base case and remaining at double-digit CAGR under both the higher-churn and lower-ARPU scenarios. We expect VZ to report the lowest adj. EPS growth at low-single-digit CAGRs over the same period.



Exhibit 37: Adjusted EPS sensitivity to higher-than-forecast post-paid phone churn and lower-than-forecast post-paid ARPU

Adj. EPS sensitivity table

	AT&T			VZ			TMUS		
adj. EPS	2024	2027E	Chg to base	2024	2027E	Chg to base	2024	2027E	Chg to base
base case	1.95	2.63		4.59	4.87		9.90	14.15	
+10bps of churn		2.57	-3%		4.76	-2%		13.74	-3%
+ 20bps of churn		2.50	-5%		4.66	-4%		13.33	-6%
+ 30bps of churn		2.44	-7%		4.56	-6%		12.94	-9%
	AT&T			VZ			TMUS		
adj. EPS	2024	2027E	Chg to base	2024	2027E	Chg to base	2024	2027E	Chg to base
base case	1.95	2.63		4.59	4.87		9.90	14.15	
-100bps ARPU growth		2.61	-1%		4.81	-1%		13.93	-2%
-200bps ARPU growth		2.58	-2%		4.75	-2%		13.71	-3%
-300bps ARPU growth		2.56	-3%		4.69	-4%		13.48	-5%

Source: BofA Global Research estimates. Chg = change.

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Our analysis does not reflect likely carrier reaction to pricing and promotional activity from cable companies. We believe that TMUS is most likely to follow cable companies with more competitive pricing and promotional offers based on the company's commitment to its highest-ever postpaid net addition guidance of 5.5-6mn and the importance of this metric to investors. The company could be caught, however, in a Catch 22. It either follows cable down the path of price and promotion and sacrifices ARPU growth and profit or it loses gross add share and potentially misses its north star metric of net adds. 2025 could be a no-win year for TMUS. AT&T has the most financial flexibility of the carriers and is focused on revenue growth and profitability targets rather than subscriber addition guidance for 2025. We expect AT&T to pursue a balanced approach of growth and profitability. Verizon has been most disciplined and targeted with promotional activity. We expect the company to maintain this strategy and focus promotions on high-value periods and specific customer cohorts. Similar to AT&T, Verizon has set financial rather than subscriber metric targets for the year.

Enterprise less significant and in secular decline

Enterprise wireline revenue is a less significant factor for telecom stock performance and has been in secular decline.

Enterprise business – AT&T

The business wireline segment generated \$18.1bn of service revenue (-10.9% y/y) for AT&T in 2024, or 18% of the total. In 2024, AT&T began breaking out legacy voice and other transitional services plus Fiber and other advanced connectivity services. The added transparency revealed legacy revenue declined by 18.9% y/y, while fiber revenues increased by 5.7% y/y. Legacy revenue declines will likely continue, but as the revenue base diminishes, growth from the increasingly large fiber base should increasingly act as an offset.

At AT&T's 2024 investor day, management discussed plans for long-term business services growth. These services include business-related mobility and business wireline. Among these components, legacy services are expected to continue declining, with growth from fiber and mobility increasingly offsetting the legacy decline over the next three years to 2027. By year-end 2027, AT&T is aiming for EBITDA stability. When focusing on just the Business wireline segment (excluding Business mobility), AT&T expects EBITDA to decline at a low-double-digit CAGR over 2024-2027.

The growth plan begins with growing wireless revenue. Mobility service revenue growth within Business services is greater than the overall mobility service revenue growth of the Mobility segment. AT&T is also focused on increasing its fiber penetration, which is below 30% of businesses passed and even lower among small businesses. Penetration improvements should come from improving its distribution capability to drive sales and simplifying its platform and focus on offering a converged experience to customers.

Business wireline – Verizon

Verizon is also dealing with the secular decline in legacy wireline business revenue. Within the Business segment, VZ reports three revenue lines: 1) Enterprise and public sector, 2) Business markets and other, and 3) Wholesale. Enterprise revenues are declining due to secular headwinds affecting networking and legacy voice and data. Business markets revenues increased in 2024, due to wireless and fixed wireless access reported within this subsegment. Wholesale revenue declined in 2024, due to legacy voice and connectivity declines.

Recently, during its 4th quarter earnings call, Kyle Malady, EVP and CEO of VZ Business Group, discussed Verizon's AI Connect, which is its suite of offerings that are intended to meet the growing demand for AI applications. This approach is centered on VZ's fiber assets in both its incumbent local exchange carrier (ILEC) footprint and its 71-city OneFiber build that all connects back to its long-haul network, which should allow VZ to provide dark and lit fiber across a large geography. Over time, as AI workloads move to the network's edge, VZ believes that it is well placed to use its existing telco facilities, which have power, space, and cooling, in new ways.

Exhibit 38: Enterprise revenue structurally declining as legacy services are slowly replaced

Year-over-year Enterprise revenue decline on a quarterly basis (\$mn)

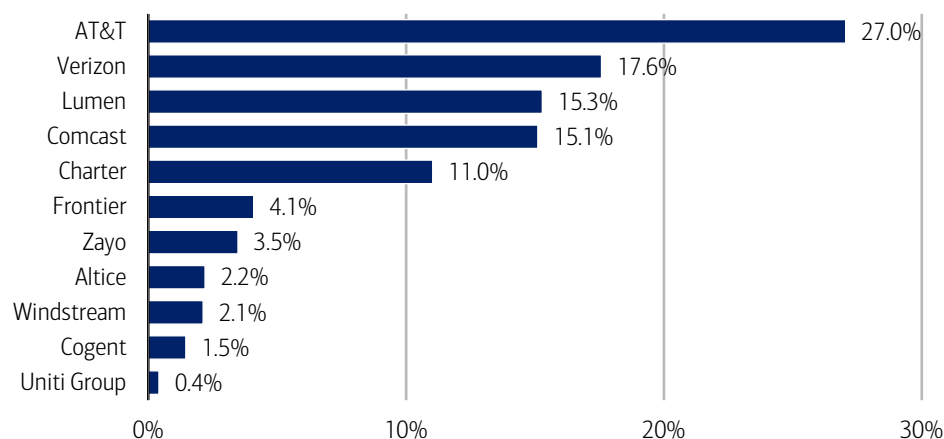
Dollar changes (Y/Y)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
AT&T	(626)	(621)	(431)	(526)	(418)	(524)	(615)	(507)	(445)
Verizon	(146)	(300)	(193)	(298)	(321)	(284)	(361)	(325)	(313)
Lumen	(447)	(524)	(327)	(218)	(378)	(335)	(374)	(143)	(66)
Windstream	(53)	(74)	(48)	(65)	1	(27)	(32)	(33)	(103)
Frontier	(9)	2	(7)	(24)	2	24	48	28	16
Comcast	(113)	(132)	(116)	(83)	124	129	105	87	89
Charter	42	23	14	16	23	38	37	34	26
Crown Castle	37	7	17	23	(33)	10	3	(354)	(350)
Zayo	17	17	18	18	18	18	19	19	19
Altice	(4)	(7)	(2)	(4)	1	5	2	7	(1)
Cogent	4	90	122	117	109	19	(21)	(24)	(23)
Uniti Group	6	(7)	2	(4)	(10)	1	(1)	(3)	(0)
Cincinnati Bell	1	1	1	1	1	1	1	1	1
Total	(1,291)	(1,525)	(951)	(1,048)	(881)	(926)	(1,191)	(1,214)	(1,151)

Source: BofA Global Research estimates, company report

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Exhibit 39: Enterprise revenue share leaders are AT&T, VZ, and LUMN

Enterprise market share 1Q25



Source: BofA Global Research estimates, company report

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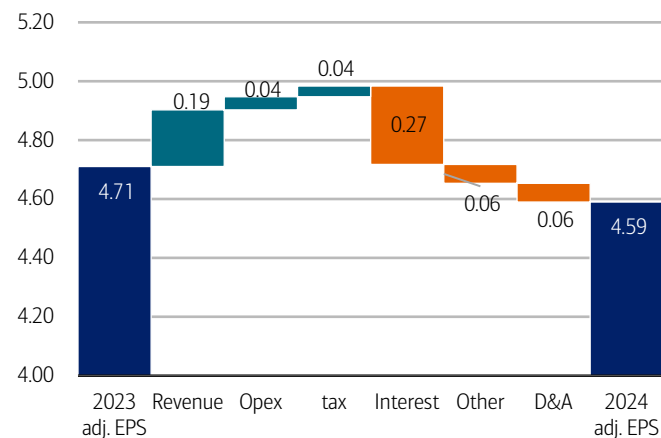
Revenue is the primary EPS driver

Isolating EPS growth drivers is also informative in evaluating potential industry competitive shifts. Increases in revenue have driven and are projected to drive the majority of EPS growth for T, TMUS, and VZ. Clearly, the line items do not move in isolation. There is expense associated with wireless gross additions and other new business activity that would not occur in a lower-growth environment. We generally view revenue-driven EPS growth as higher quality than operating expense, interest expense, or tax-driven increases. However, it is also more at risk to a higher-churn and lower-ARPU environment.

Higher interest expense offset revenue growth at Verizon in 2024 but is a slight tailwind in 2025. We estimate \$0.62 of EPS lift from revenue growth in 2025, with higher operating expense (opex), other, and tax expense cutting \$0.51 of the benefit.

Exhibit 40: Higher interest contributed to lower 2024 adj. EPS

VZ adj. EPS change 2023-24

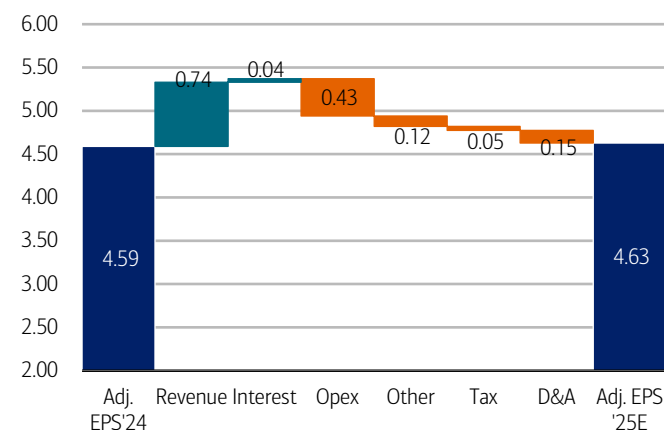


Source: BofA Global Research estimates

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Exhibit 41: We forecast adj. EPS growth in 2025E driven by higher revenue

VZ adj. EPS change 2024-25E



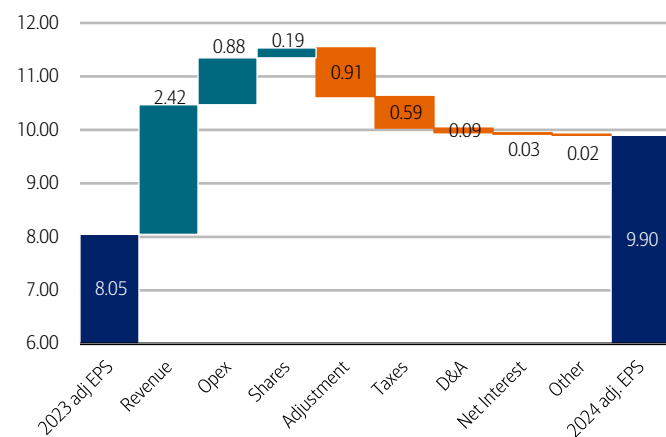
Source: BofA Global Research estimates

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TMUS' 2024 EPS growth continued to benefit from Sprint deal-related synergies as well as revenue growth. We project revenue growth as the dominant factor in EPS growth in 2025, with a slight lift from share repurchases.

Exhibit 42: Revenue growth the main driver of higher adj. EPS

TMUS adj. EPS change 2023-24.

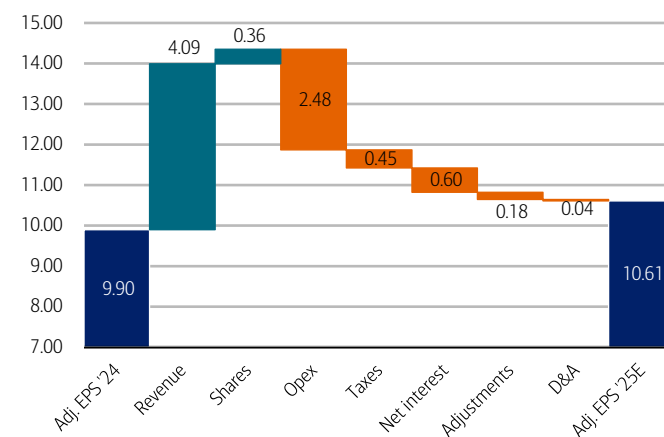


Source: BofA Global Research estimates

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Exhibit 43: Higher expenses only offset a portion of Revenue

TMUS adj. EPS change 2024-25E



Source: BofA Global Research estimates

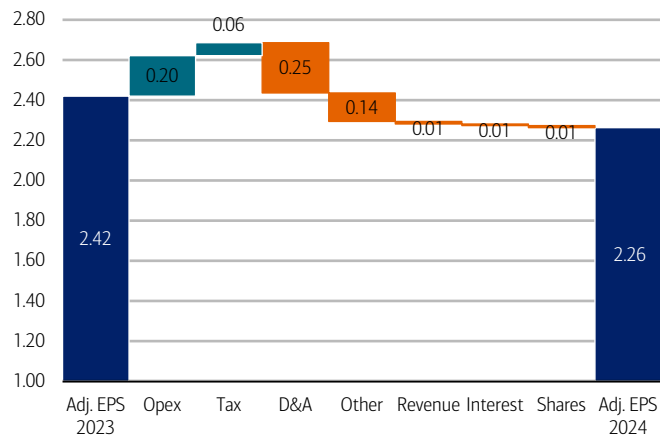
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AT&T's EPS growth story is cleaner than it has been in some time post the DirecTV (DTV) divestiture and open radio access network (O-RAN) modernization headwind. Share repurchase contribution should also increase as the company meets its leverage target and begins meaningfully executing on its planned \$20bn repurchase program.

Exhibit 44: Higher depreciation link to O-RAN modernization a headwind through 2027E

AT&T adj. EPS change 2023-24

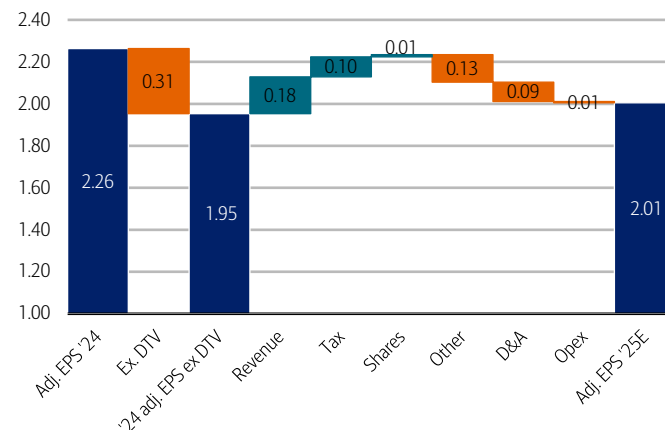


Source: BofA Global Research estimates

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Exhibit 45: Ex. DTV, AT&T is guiding to adj. EPS growth in 2025E

AT&T adj. EPS change 2024-25



Source: BofA Global Research estimates

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Growth – Revenue, adj. EBITDA, adj. EPS, and ROIC

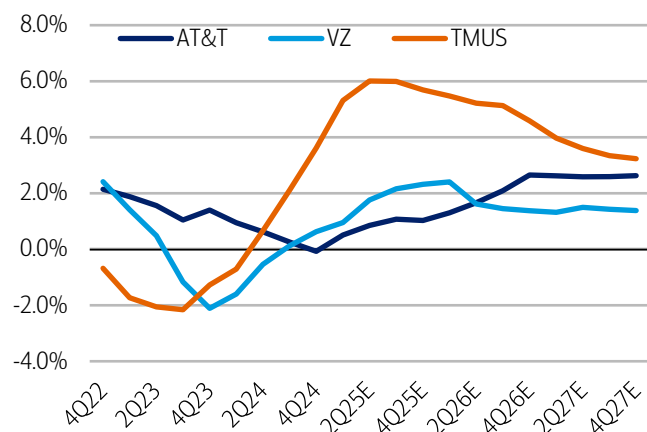
Rolling 4-quarter, year-over-year revenue and adjusted EBITDA growth

Declining revenue growth (negative some quarters) in 2023/24 was largely driven by falling equipment revenue as upgrade rates moderated and, to a lesser extent, from falling Business wireline revenue.

EBITDA growth was strongest at TMUS, as it realized synergies associated with the Sprint merger. AT&T is generating solid Wireless and Consumer wireline growth, which is partially offset by declining Business wireline EBITDA. VZ's growth is primarily driven by price, as its Consumer wireless subscriber growth has stalled. VZ's current focus is on maintaining stronger wireless gross additions while driving churn lower to generate higher net additions.

Exhibit 46: TMUS leads the groups in revenue growth (y/y%)

Rolling 4-quarter y/y growth %

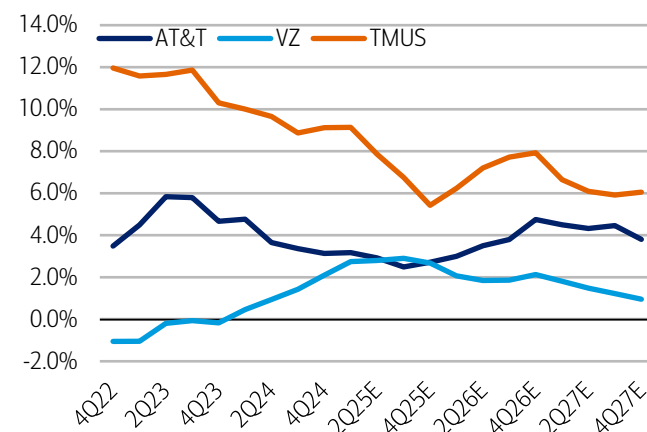


Source: BofA Global Research estimates, company report

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Exhibit 47: TMUS delivers highest adj. EBITDA growth (y/y%)

Rolling 4-quarter y/y growth %



Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



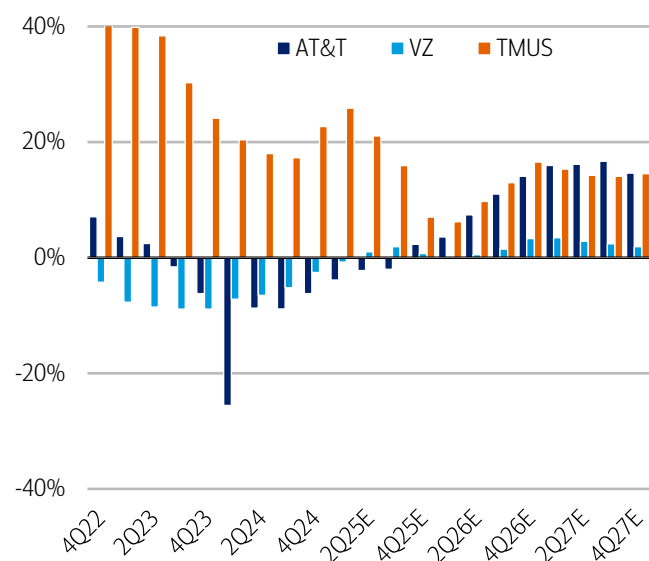
TMUS leads in EPS growth and ROIC, but T and VZ are inflecting positive

The Sprint merger allowed TMUS to generate strong EPS growth from synergies, while it enjoyed net operating loss (NOL) balances to shield taxes. For T and VZ, the C-band spectrum auction, higher debt, and the progressive deployment of spectrum (moving interest from being capitalized to expensed) pressured EPS. Once deployment is complete, and T finishes the replacement of Nokia RAN equipment with Ericsson (accelerated depreciation), we project that EPS growth will accelerate.

Returns on invested capital (ROIC) are rising the most at TMUS, due to its synergy realization from the Sprint merger and continued sector-leading growth without experiencing the revenue and EBITDA melt from secular declines in Business wireless or legacy copper businesses. However, we project increasing ROIC at T and VZ in the coming quarters after an earlier period of contraction associated the elevated investments in spectrum and fiber.

Exhibit 48: T and VZ spectrum investments suppressed EPS growth

Rolling 4-quarter y/y growth %

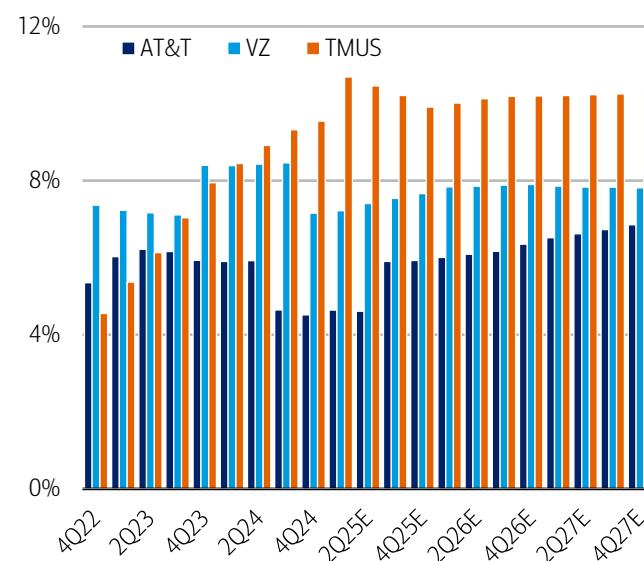


Source: BofA Global Research estimates, company report

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Exhibit 49: TMUS leads group in ROIC gains

Rolling 4-quarter y/y growth %



Source: BofA Global Research estimates, company report

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Valuation

EV / EBITDA and P/FCF valuations

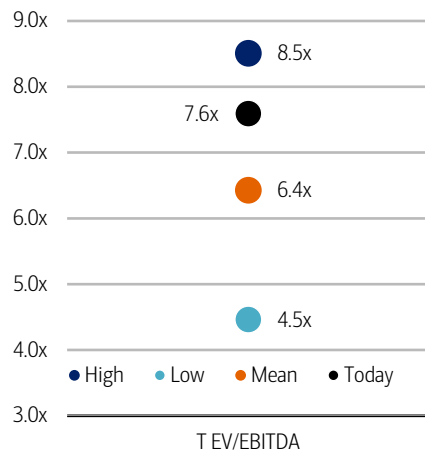
EV/EBITDA and P/FCF metrics are the best gauges of value for evaluating telecommunications services stocks. TMUS reports the fastest growth and highest ROIC, which is reflected in its industry-leading EV/EBITDA multiples. AT&T's re-focused connectivity strategy is delivering consistently strong operating results, lower leverage, and enabling the commencement of a stock buyback program. Its improving multiple off a level below its historical average reflects its new strategy and execution. Verizon is focused on protecting its valuable premium wireless subscriber base and reinvigorating growth. Progress to date has been slow, and its multiple reflects its position.

Interest cost rising is after hitting very low levels in 2020/21, coupled with elevated spectrum-related debt, led to falling EPS for the T and VZ in particular. AT&T's EPS growth was further hindered by its decision to accelerate the replacement of Nokia equipment in its RAN for Ericsson which brought forward depreciation in 2025. Looking ahead, EPS growth for AT&T should accelerate from top line growth, lower interest cost, and an end to accelerated depreciation on network equipment, and this is reflected in its rising PE.



Exhibit 50: T trading above its historical mean EV/EBITDA

Historical actual adj. EBITDA and consensus forward adj. EBITDA, 2016-2026E

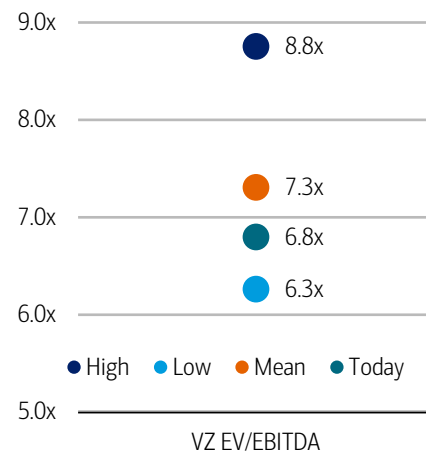


Source: BofA Global Research, Bloomberg * weighted average multiple

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Exhibit 51: VZ trading below its historical mean EV/EBITDA

Historical actual adj. EBITDA and consensus forward adj. EBITDA, 2016-2026E

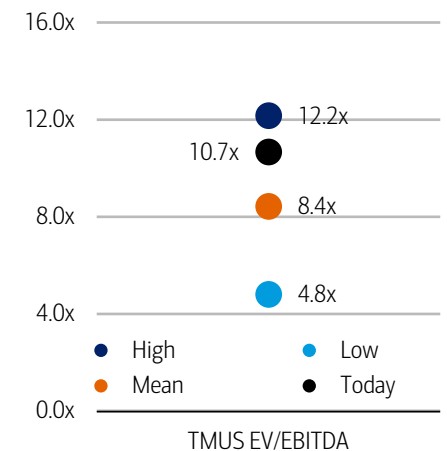


Source: BofA Global Research, Bloomberg * weighted average multiple

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Exhibit 52: TMUS trading above its historical mean EV/EBITDA

Historical actual adj. EBITDA and consensus forward adj. EBITDA, 2016-2026E

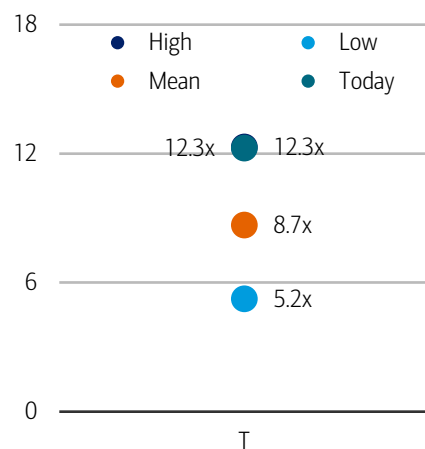


Source: BofA Global Research, Bloomberg * weighted average multiple

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Exhibit 53: T is trading near its high P/FCF

Historical P/FCF, 2018-2026E

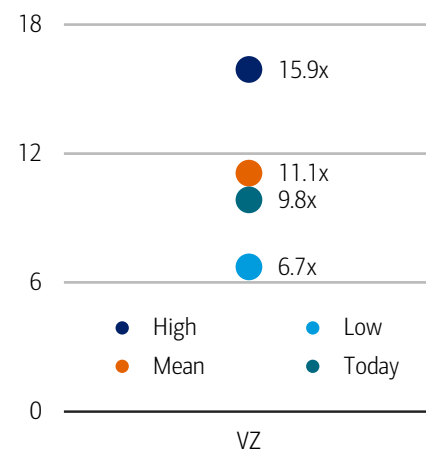


Source: BofA Global Research, Bloomberg * weighted average multiple

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Exhibit 54: VZ is trading below its historical mean P/FCF

Historical P/FCF, 2018-2026E

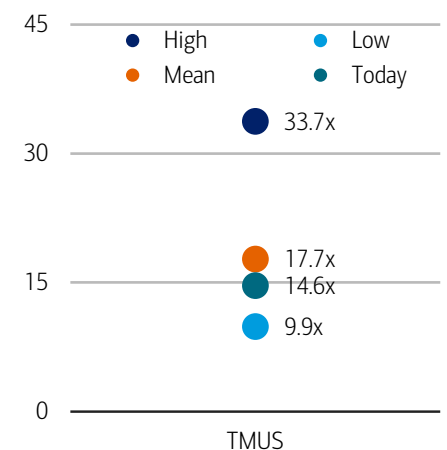


Source: BofA Global Research, Bloomberg * weighted average multiple

BofA GLOBAL RESEARCH

Exhibit 55: TMUS is trading below its mean P/FCF

Historical P/FVF, 2018-2026E



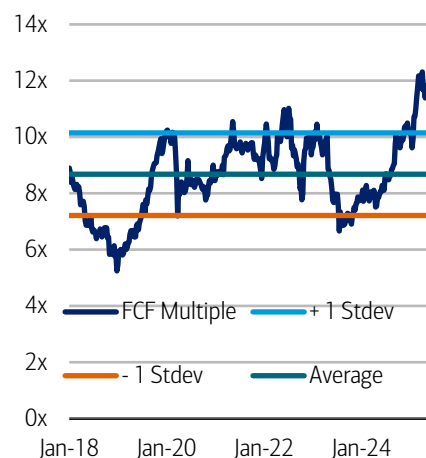
Source: BofA Global Research, Bloomberg * weighted average multiple

BofA GLOBAL RESEARCH



Exhibit 56: Above mean multiple due in part to removal of DTV FCF with planned sale

T P/FCF history

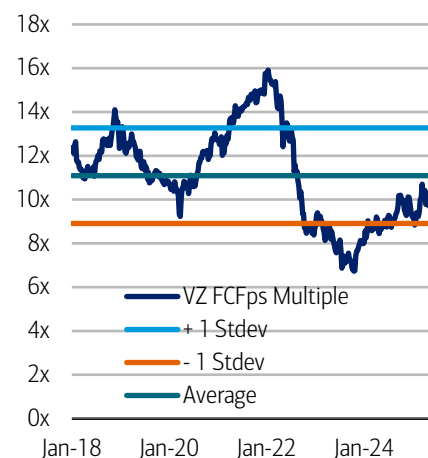


Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 57: VZ trading below its average FCF multiple

VZ P/FCF history

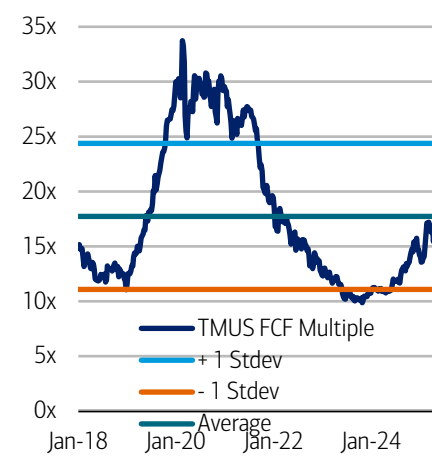


Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 58: TMUS trading below its mean FCF multiple

TMUS P/FCF history

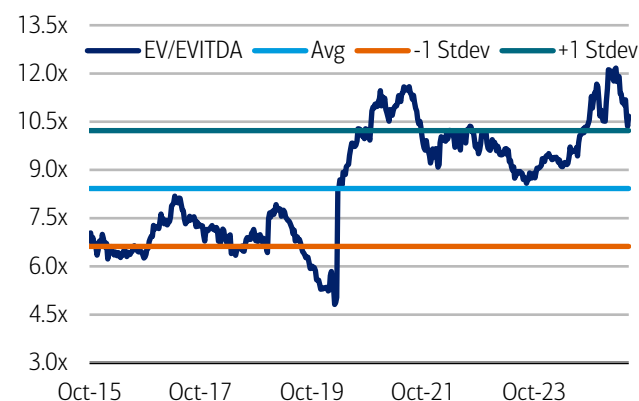


Source: BofA Global Research estimates

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Exhibit 59: TMUS trading at above 1 standard deviation over average EV/EBITDA multiple

Historical actual adj. EBITDA and consensus forward adj. EBITDA, 2016-2026E

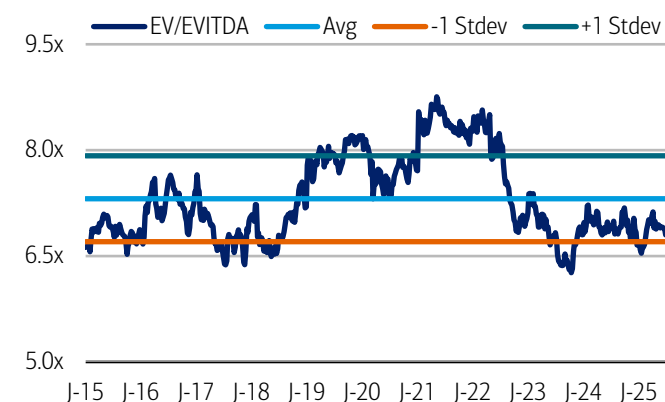


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 61: VZ trading at below-average EV/EBITDA multiple

Historical actual adj. EBITDA and consensus forward adj. EBITDA, 2016-2026E

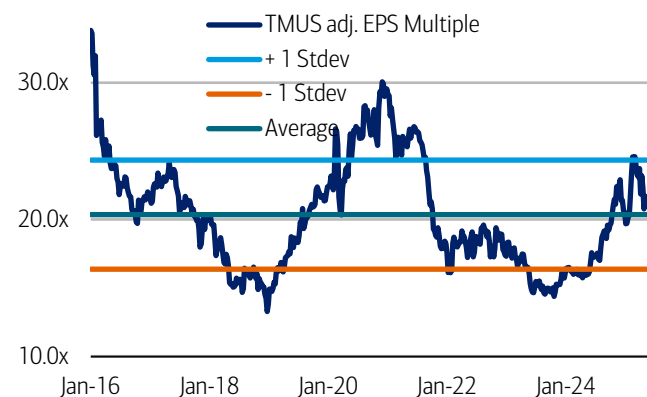


Source: BofA Global Research, Bloomberg

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Exhibit 60: TMUS trading near historical average P/E

Historical actual adj. EPS and consensus forward EPS, 2016-2026E

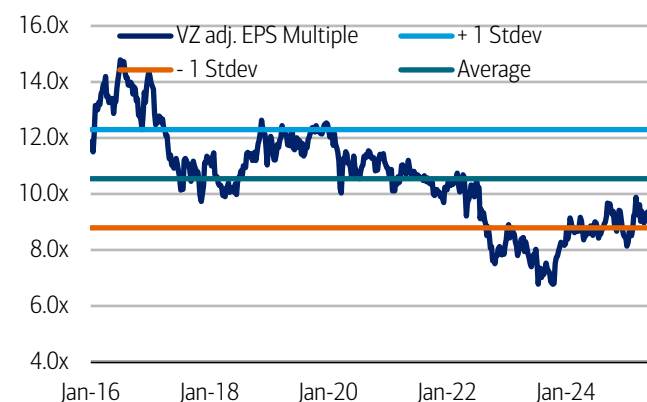


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 62: VZ trading 1 standard deviation below its average P/E multiple

Historical actual adj. EPS and consensus forward EPS, 2016-2026E

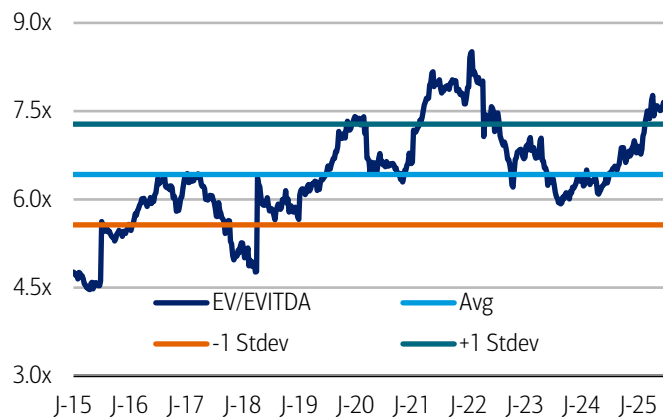


Source: BofA Global Research, Bloomberg

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Exhibit 63: T trading at above average EV/EBITDA multiple

Forward EV/EBITDA

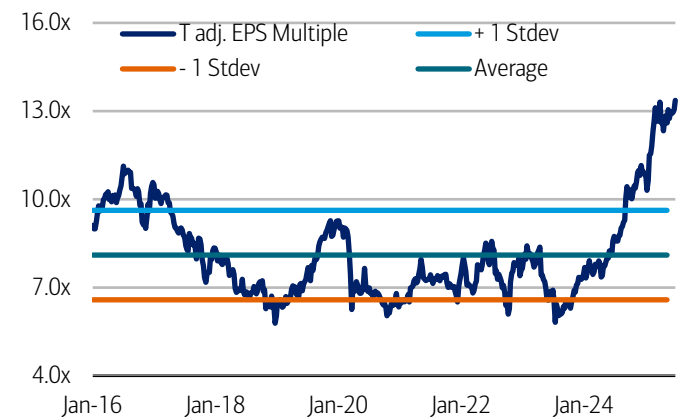


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 64: T trading above average P/E multiple

Forward P/E



Source: BofA Global Research, Bloomberg

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Total return and returns to shareholders are useful for evaluating telco stocks**Exhibit 65: TMUS has highest implied rate of return**

Total implied return (EPS, buyback, and dividends)

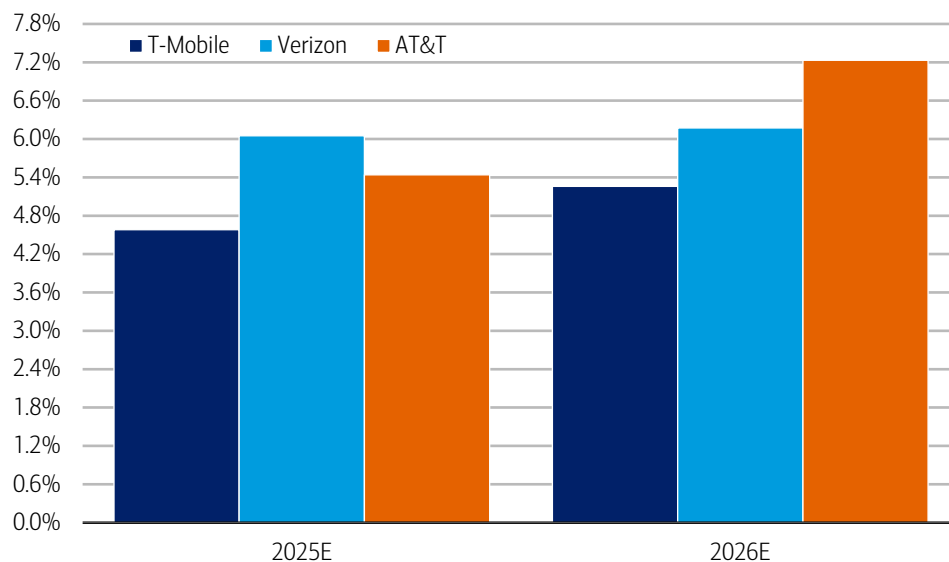
	VZ	T	TMUS
Share price	43.550	28.360	240.756
Adj. Earnings ('24)	\$19,381	\$14,054	\$11,615
Adj. Earnings ('25E)	\$19,539	\$14,403	\$12,011
EPS growth (y/y%)	0.8%	2.5%	3.4%
Dividend/share ('25E \$/share)	2.74	1.11	3.52
Dividend yield (%)	6.3%	3.9%	1.5%
Buyback in '25E (\$bn)		3.00	9.99
Implied buyback (bn share)		0.11	0.04
Share outstanding (bn share)		7	1.155
Share buybacks (%)	0%	1.5%	3.6%
Total return (%)	7.1%	7.9%	8.5%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 66: As a percent of market capitalization, T's dividend and share buybacks are greater than TMUS

Dividend plus share buybacks as a percent of most recent quarter's average market cap



Source: BofA Global Research, Bloomberg

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Capital return outlook improving

After material spectrum investments in 2021, followed by elevated deployment capex, the industry is now collectively de-levering and near stated leverage targets.

TMUS: At its capital markets day in September 2024, TMUS announced an \$80bn “investment and return envelope” through 2027. This consists of \$10bn for previously announced acquisitions, including Lumos, Metronet, UScellular, and spectrum. TMUS plans on spending \$50bn of the \$80bn on stockholder returns consisting of both dividends and share repurchases. The remaining \$20bn of capacity is reserved for investments, shareholder returns, or de-levering. TMUS did not set a specific dividend growth target but did communicate to investors that dividends at approximately 20% of free cash flow is a prudent level going forward.

VZ: As Verizon approaches its target leverage ratio 2.0x-2.25x net unsecured debt to adjusted EBITDA, it elected to acquire Frontier for \$20bn and expand its wireline fiber footprint. The deal adds approximately 0.2-0.3x turns to VZ’s leverage once it closes in 18 months (1Q 2026). For 18 consecutive years, VZ has increased its annual dividend. Over the last decade, it has averaged 2% annual growth. We believe that maintaining this consistent dividend growth is a priority for management, and we expect it to continue through the rest of this year and after the Frontier acquisition closes in 2026E.

T: In the next three years, AT&T plans on returning \$20bn to shareholders in dividends and another \$20bn through a share buyback program. The plan leaves AT&T with at least \$10bn of additional financial flexibility to increase returns to shareholders or pursue other opportunities.

Legislative and regulatory issues

Bonus tax could be a bonanza for T and VZ

The Trump administration, in its first term, originally included a bonus depreciation provision in its Tax Cut and Jobs Act (TCJA in 2017). Beginning in 2023, the bonus depreciation rate, the rate at which expenditures could be used to offset income for tax purposes, began declining by 20% per year. Under the original bill, it would reach 0% in 2027 and be completely phased out. In 2025E, the bonus depreciation rate is 40%. We estimate an additional 60% capex tax shield available to lower cash taxes from reintroducing bonus depreciation. The actual math is more complicated than this and is based on factors such as taxable income only disclosed to the IRS rather pre-tax income disclosed on the financial statement and subject to minimum corporate tax. However, we attempt to size the benefit of reinstating 100% bonus depreciation for AT&T, T-Mobile, and Verizon. In our view, AT&T would benefit the most from bonus tax depreciation returning to 100%

Exhibit 67: We estimate that AT&T would benefit the most from bonus tax depreciation returning to 100% through 2027E

Bonus depreciation improves wireless provider FCF (\$mns)

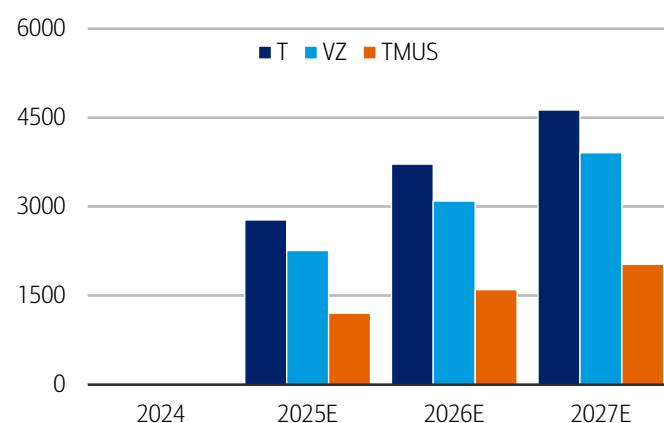
	2024	2025E	2026E	2027E
AT&T				
FCF (current tax law)	15,345	16,012	17,237	18,685
FCF (100% bonus depreciation)		18,785	20,953	23,313
AT&T % FCF increase		17%	22%	25%
Verizon				
FCF (current tax law)	19,822	18,200	18,937	18,933
FCF (100% bonus depreciation)		20,460	22,030	22,841
Verizon % FCF increase		12%	16%	21%
TMUS				
FCF (current tax law)	17,032	17,706	18,389	18,379
FCF (100% bonus depreciation)		18,908	19,986	20,404
T-Mobile % FCF increase		7%	9%	11%

Source: BofA Global Research estimates

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Exhibit 68: We estimate that AT&T would benefit the most from bonus tax depreciation returning to 100% (\$mns)

Bonus depreciation improves wireless provider FCF



Source: BofA Global Research estimates

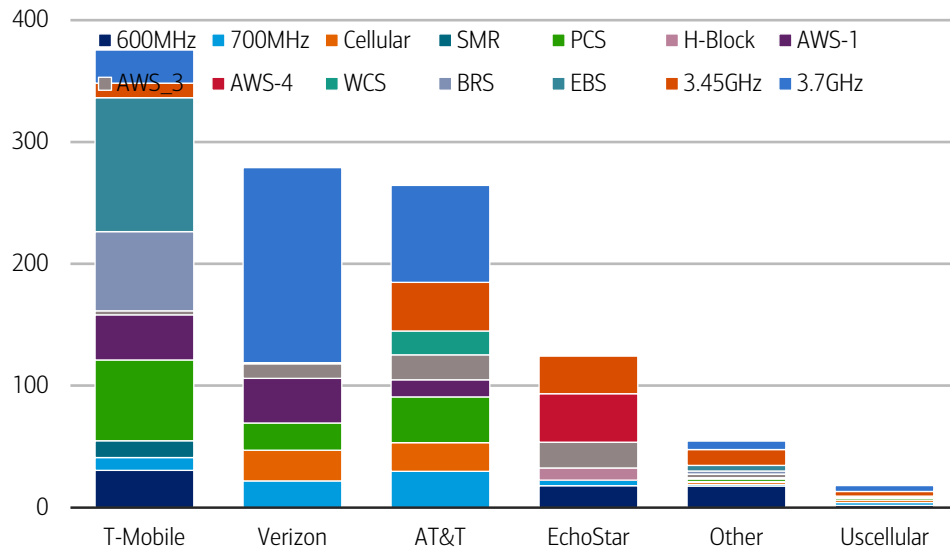
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Spectrum regulation

Current FCC Chair Brendan Carr has highlighted that the Trump administration's focus on auctioning spectrum could raise up to \$80bn in auction proceeds, according to the House Energy and Commerce Committee Char. Chairman Carr is also focused on reducing the regulatory burden and eliminating rules that require companies to continue supporting expensive legacy networks rather than directing more resources to building next generation networks. There will likely be debates regarding carrier appetite for another high-cost spectrum auction after years of balance sheet right sizing. However, carrier appetite for spectrum has been insatiable in the past, and we would view announced auctions as positive for tower stocks.

Exhibit 69: Population-weighted spectrum holding by provider (MHz)

The incumbent carriers have large holdings across many bands



Source: FCC Communications Market Report, 2024

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Immigration changes have near term, but marginal impact on industry

The increased focus on removing undocumented residents raises the question of impact to the wireless industry. We assume that a high percentage of such individuals have wireless service, but we believe that the majority are on lower-cost prepaid plans that are more likely associated with an MVNO than directly with one of the Big 3 (T, TMUS, VZ).

Below we attempt to categorize the undocumented population to better estimate the number that may be at risk of deportation. In our view, the administration is most focused on removing 1) anyone with a criminal charges/conviction and 2) anyone with a final deportation order. These groups total 2.1mn, according to estimates from Immigration and Customs Enforcement (ICE) and Homeland Security. The challenge will be finding these individuals so deportations will be spread out over time. Those with a temporary protection status (1.1mn) could be at increased risk of deportation, because the status is more easily changed by the administration. In total, we believe that the number at risk of deportation may be 3.2mn. It is more difficult to estimate the pace of removals.

Approximately 20% of subscribers at VZ, T, and TMUS are prepaid (slightly lower at VZ and slightly higher at TMUS). The Big 3 carriers focus primarily on the more valuable post-paid phone subscriber. Even within the pre-paid category, there are tiers of service, with the carriers focused more on the prepaid subscriber it can migrate into the post-paid category over time.

In our opinion, the MVNO deep-value brands are more likely to face material subscriber losses from immigration policy changes. We do not believe that the Big 3, with a focus on post-paid phone, multiple lines, and convergence, are at risk of material subscriber losses from this policy.



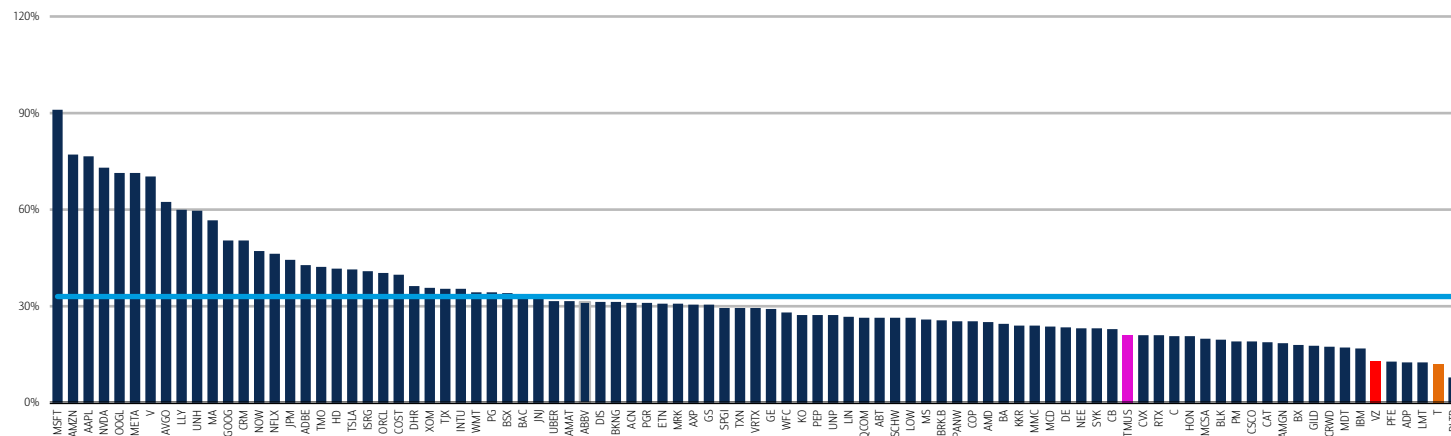
Telecom stocks remain under-owned

Our fund manager data captures flows over the prior month.

Among S&P 500 stocks with a market cap greater than \$100bn (there are 91), AT&T is the second least-owned among long-only funds with a relative weight of 0.1x. VZ and TMUS are 0.18x and 1.16x, respectively.

Exhibit 70: % ownership of S&P 500 mega-cap stocks among long-only investors

Within telcos, T-Mobile is the most-owned mega-cap name, while AT&T is the least owned

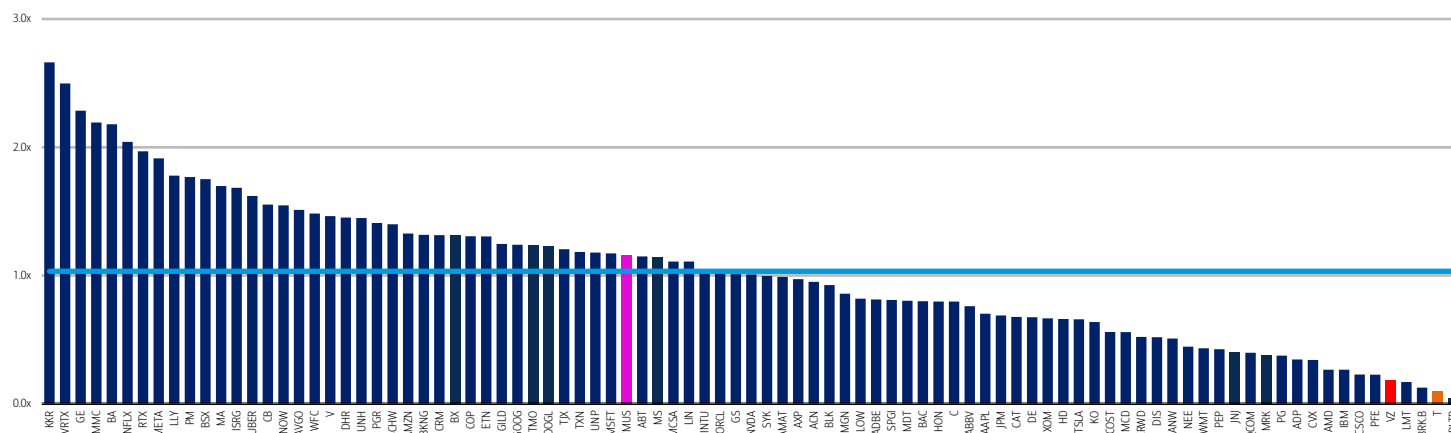


Source: BofA Global Research

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Exhibit 71: Mega-cap (>\$100bn mkt cap) relative ownership levels – weighting relative to the S&P 500 across active long-only funds

AT&T is currently the second-lowest weighted mega-cap stock



Source: BofA Global Research

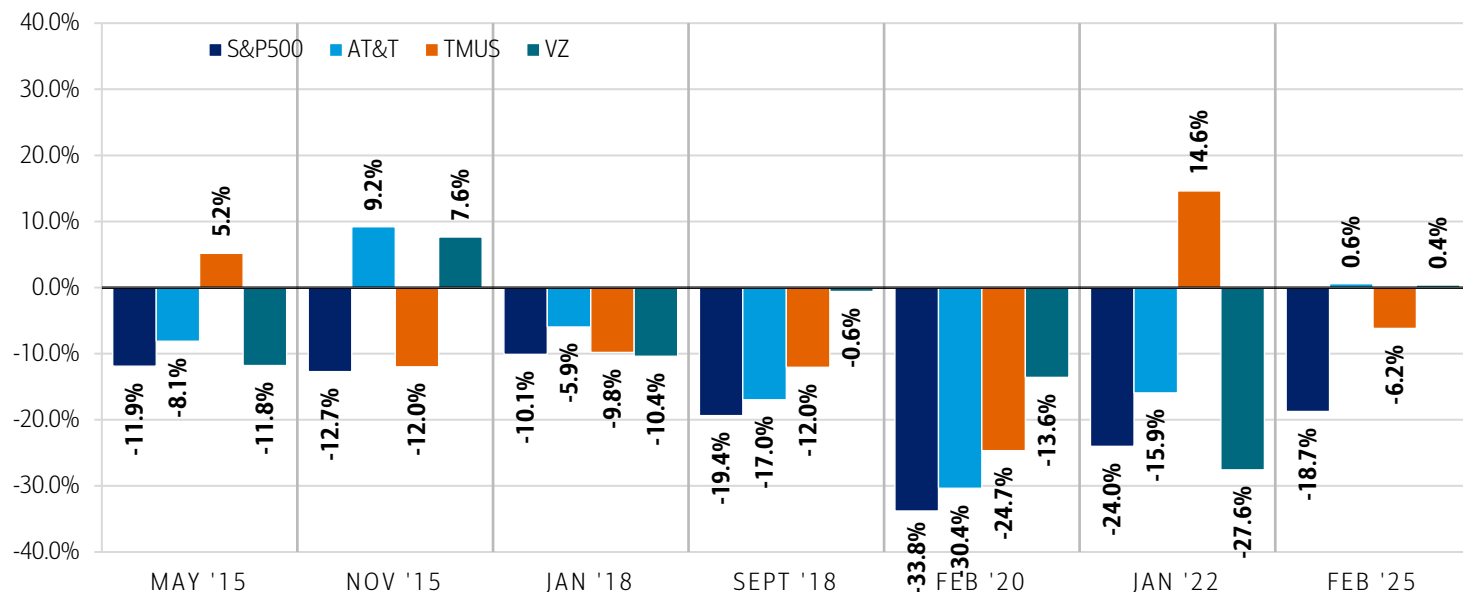
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Telecoms offer relative “safe haven” in a market downturn

Over the last 10 years, when the S&P 500 declined by at least 10%, the three wireless providers (T, VZ, TMUS) outperformed the index. Since 2015, market declines of at least 10% occurred seven times. Yet AT&T and TMUS outperformed the index in all seven instances, and VZ outperformed in five of the seven. In our view, this reflects the sector’s stability, which is derived from a large subscription-based business that offers a service consumers increasingly rely on for a growing number of necessary and discretionary activities (such as banking and entertainment).

Exhibit 72: Telecoms outperform during market correction (when S&P 500 declines by <10%)

Returns during downturns – index and telecom providers



Source: BofA Global Research estimates

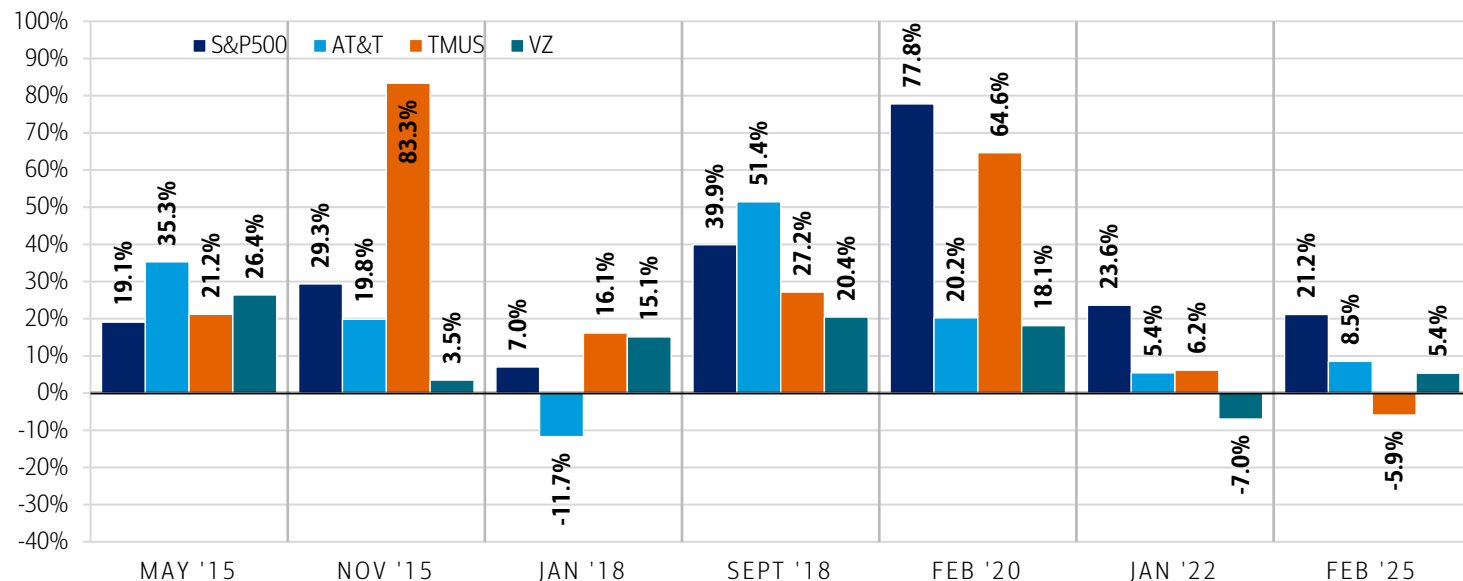
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Telecoms tend to underperform when markets rebound

During market recovery after a correction, the wireless providers tend to underperform the index. In nearly all instances, the carriers move higher during a recovery, but across many recoveries, the market outperforms the carriers. Since 2015, AT&T and VZ have outperformed the index in two out of seven recoveries, while TMUS has outperformed the index in three of seven recoveries (the year following a correction of at least 10%).

Exhibit 73: Telecoms underperform during market recovery (following S&P 500 declines by <10%)

Returns during recovery from downturn – index and telecom providers



Source: BofA Global Research estimates

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Risks

AT&T Inc. (T)

For AT&T, risks are lower-than-projected growth, greater wireless competition, and litigation risk.

T-Mobile US (TMUS)

For T-Mobile, risks are greater-than-expected competition, lower-than-forecast growth, and less capital returned to shareholders than we expect.

Verizon Communications Inc. (VZ)

For Verizon, downside risks are rising competitive pressure in wireless and corresponding margin pressure, higher inflation-related costs, litigation risk, and negative economic impacts on the Business segment. Upside risks are faster-than-expected traction with VZ's new price plan, expense reduction, emergence of 5G killer-apps, and a re-rating of risk in the market.

Exhibit 74: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
T	T US	AT&T	US\$ 28.36	B-1-7
TMUS	TMUS US	T-Mobile US	US\$ 240.75	B-2-7
VZ	VZ US	Verizon Comm	US\$ 43.55	B-2-7
Source: BofA Global Research			BofA GLOBAL RESEARCH	



Investment Rationale

AT&T Inc.

We view AT&T as fundamentally sound, with a stable subscription-based business model. Historically, the stock has outperformed during periods of M&A and wireless margin expansion-fueled EPS growth and during periods of market uncertainty, when AT&T's dividend yield and predictable business model have been highly valued.

T-Mobile US

TMUS is executing well and leading the industry in subscriber growth, but its reliance on subscriber growth to drive earnings growth leaves it more exposed to increasing competitive intensity as the industry matures and cable takes a more aggressive approach to wireless.

Price objective basis & risk

AT&T Inc. (T)

Our \$32 price objective is based on a P/FCF multiple of 13x fiscal 2026E FCF. We believe that the multiple is justified given T's expected 7.7% FCF growth in 2026E, 3%+ share buyback, and 4% dividend yield.

Downside risks to our price objective are lower-than-projected growth, greater wireless competition, and litigation risk.

T-Mobile US (TMUS)

Our PO of \$255 applies a 15x price to forward free cash flow multiple. We believe that P/FCF is the metric that best encapsulates T-Mobile's differentiated shareholder return proposition, which includes a \$50bn 3-year share buyback/dividend payout commitment with \$20bn in additional capacity to enhance shareholder returns.

Downside risks to our price objective are greater-than-expected competition, lower-than-forecast growth, and less capital returned to shareholders than we expect.

Verizon Communications Inc. (VZ)

Our \$45 price objective is based on a target multiple of 10x forward price to free cash flow. The target multiple is at a discount to the historical average multiple of 11.0x over the last decade. We think that the discounted multiple is justified as VZ must adjust its value proposition to account for the improved network quality and coverage of its competitors.

Downside risks to our price objective are rising competitive pressure in wireless and corresponding margin pressure, higher inflation-related costs, litigation risk, and negative economic impacts on the Business segment.

Upside risks are faster-than-expected traction with VZ's new price plan, expense reduction, emergence of 5G killer apps, and re-rating of risk in the market.

Analyst Certification

I, Michael J. Funk, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



Special Disclosures

BofA Securities is currently acting as Advisor to TPG Inc. in connection with its proposed acquisition of AT&T Inc. 70% stake in DirectTV, in addition to advising DirectTV on proposed acquisition of DISH Network which was announced on Sept 30, 2024.

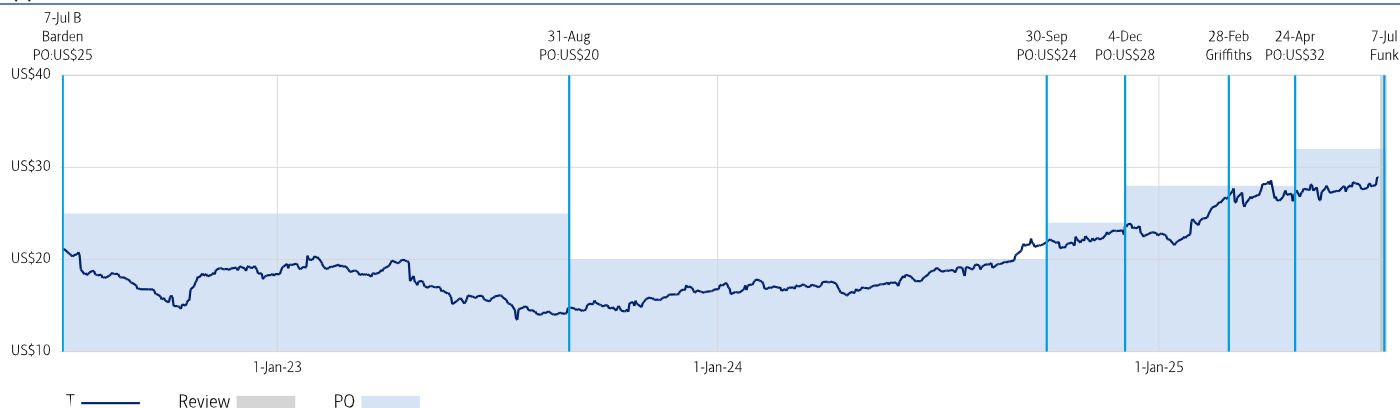
North America - Telecom Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	American Tower Corp.	AMT	AMT US	Michael J. Funk
	AT&T Inc.	T	T US	Michael J. Funk
	Cogeco Communications Inc.	YCCA	CCA CN	Matthew Griffiths, CFA
	Crown Castle Inc	CCI	CCI US	Michael J. Funk
	Digital Realty Trust Inc	DLR	DLR US	Michael J. Funk
	Dycom Industries, Inc.	DY	DY US	Alexander Waters
	Equinix, Inc.	EQIX	EQIX US	Michael J. Funk
	Quebecor Inc.	YQBRB	QBR/B CN	Matthew Griffiths, CFA
	SBA Communications Corporation	SBAC	SBAC US	Michael J. Funk
NEUTRAL				
	AST SpaceMobile Inc	ASTS	ASTS US	Michael J. Funk
	Rogers Communications	RCI	RCI US	Matthew Griffiths, CFA
	Rogers Communications	YRCIB	RCI/B CN	Matthew Griffiths, CFA
	TELUS Corporation	YT	T CN	Matthew Griffiths, CFA
	TELUS Corporation	TU	TU US	Matthew Griffiths, CFA
	T-Mobile US	TMUS	TMUS US	Michael J. Funk
	Verizon Communications Inc.	VZ	VZ US	Michael J. Funk
UNDERPERFORM				
	BCE Inc.	YBCE	BCE CN	Matthew Griffiths, CFA
	BCE Inc.	BCE	BCE US	Matthew Griffiths, CFA
	Cogent	CCOI	CCOI US	Alexander Waters
	Lumen Technologies Inc.	LUMN	LUMN US	Matthew Griffiths, CFA
	Uniti Group Inc	UNIT	UNIT US	Matthew Griffiths, CFA

Disclosures

Important Disclosures

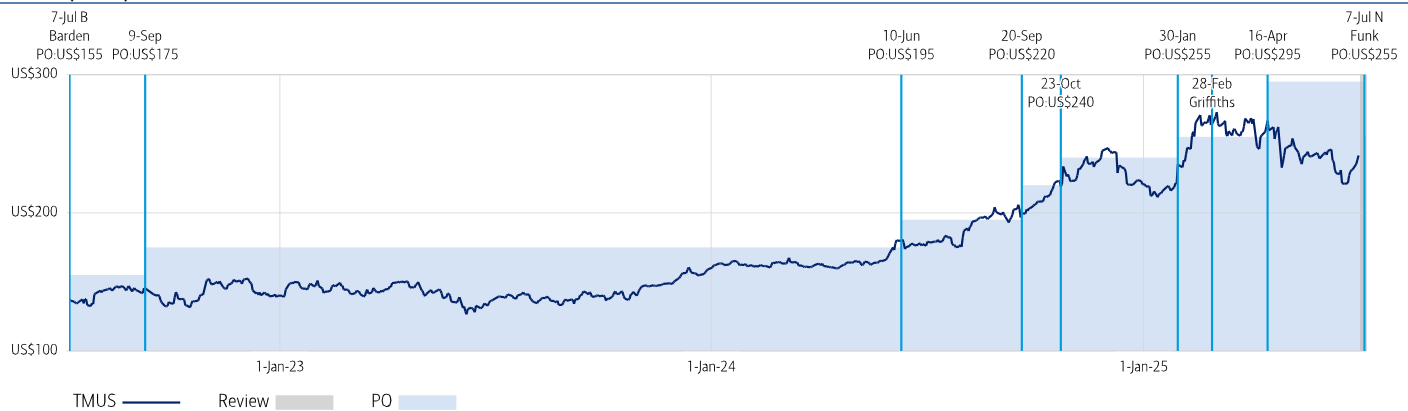
AT&T (T) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.



T-Mobile US (TMUS) Price Chart

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Verizon Comm (VZ) Price Chart

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 30 Jun 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	205	52.84%	Buy	103	50.24%
Hold	100	25.77%	Hold	53	53.00%
Sell	83	21.39%	Sell	23	27.71%

Equity Investment Rating Distribution: Telecommunications Group (as of 30 Jun 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	59	56.19%	Buy	40	67.80%
Hold	24	22.86%	Hold	14	58.33%
Sell	22	20.95%	Sell	12	54.55%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1840	53.64%	Buy	1081	58.75%
Hold	807	23.53%	Hold	472	58.49%
Sell	783	22.83%	Sell	375	47.89%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: AT&T, T-Mobile US, Verizon Comm.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: T-Mobile US, Verizon Comm.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: AT&T, T-Mobile US, Verizon Comm.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: AT&T, T-Mobile US, Verizon Comm.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: AT&T, T-Mobile US, Verizon Comm.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: T-Mobile US, Verizon Comm.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: AT&T, T-Mobile US, Verizon Comm.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: AT&T, Verizon Comm.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: AT&T, T-Mobile US, Verizon Comm.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: AT&T, Verizon Comm.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

One or more Canada-based analysts contributing to this report has visited the material operations of the issuer within the last 12 months: AT&T, Verizon Comm.

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

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