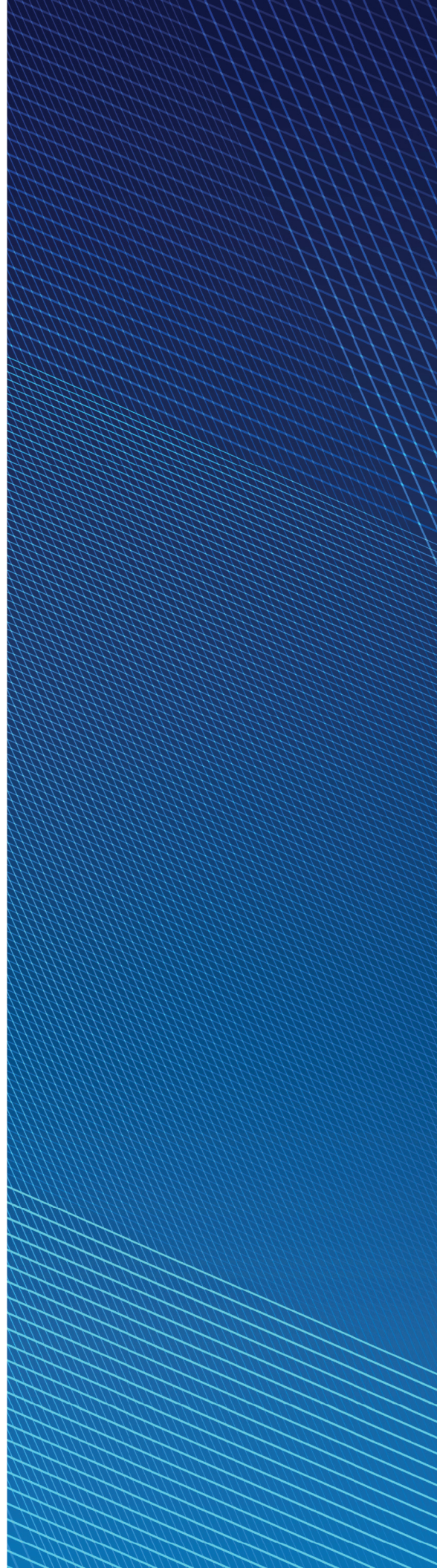


# AT&T RECEIVES THE 2023 COMPANY OF THE YEAR AWARD

---

*Identified as best in class in the United States mobile communications industry*



## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. AT&T excels in many of the criteria in the US mobile communications space.

AWARD CRITERIA	
<i>Visionary Innovation &amp; Performance</i>	<i>Customer Impact</i>
Addressing Unmet Needs	Price/Performance Value
Visionary Scenarios Through Mega Trends	Customer Purchase Experience
Implementation of Best Practices	Customer Ownership Experience
Leadership Focus	Customer Service Experience
Financial Performance	Brand Equity

### Industry Background

The demand for fast and reliable wireless connectivity has never been higher. No longer a luxury,

*“As CSPs look to monetize their 5G investments through premium service plans, they must demonstrate superior customer value by delivering increased speeds; reliable, gap-free coverage; personalized customer experiences; and a bouquet of value-added services.”*

**– Vikrant Gandhi**  
**Vice President, Research**

smartphones have become the primary tools for supporting the 21<sup>st</sup>-century mega trends of remote/hybrid work, digital commerce, and connected life. The average smartphone user in the United States uses their device for over 4 hours daily and consumes about 10 GB of cellular data monthly. Increased consumption of rich media content, mixed/virtual reality services, connected mobile gaming, and metaverse-based applications will drive the average monthly cellular data consumption for smartphones to

nearly 60 GB/month in 2030. An estimated 60% of Internet traffic in the United States comes from mobile devices. In 2030, more than 70% of internet traffic will come from mobile devices.

Mobile users appreciate the role of smartphones and connected services in their lives. Frost & Sullivan’s research indicates that consumers are willing to pay up to 15% premium for next-generation 5G services, especially when connectivity comes with compelling digital content and applications. As communications service providers (CSPs) look to monetize their 5G investments through premium service plans, they must demonstrate superior customer value by delivering increased speeds; reliable, gap-free coverage;

personalized customer experiences; and a bouquet of value-added services. Unprecedented competition in the US wireless communications market means that at no point can providers take customer loyalty for granted. In an industry where a reduction of a few basis points in churn can generate thousands of extra dollars over subscribers' service lifetime, it is impossible to overstate customer retention's importance. Understanding the unique needs of mobile users and offering them the best value through right-sized pricing plans, bundled content services, new devices, or other customer appreciation initiatives is a good strategy for CSPs to enhance customer lifetime value and prevent churn.

### ***AT&T Achieved Industry-leading Performance in 2022***

With strong growth in smartphone subscribers, average revenue per user (ARPU), service revenues, and business margins, AT&T delivered impressive results in 2022. Highlights of AT&T's strong performance in 2022 are as follows.

**2.9 million postpaid and 404,000 prepaid phone net additions:** Over the past 2.5 years, AT&T has increased its postpaid phone base by nearly 7 million to 69.6 million, representing the company's best 10-quarter stretch of wireless growth in over a decade. A disciplined approach to target underrepresented areas of the consumer and business customer segments and improve the perception and execution of its wireless value proposition has driven AT&T's growth. Introducing simpler wireless plans for consumers and maintaining consistent offers have helped AT&T attract quality customers that generate high lifetime value. Robust performance in the business and public safety segments also contributes to AT&T's mobility business growth. AT&T's top competitors have struggled to add mobile subscribers. They have particularly been unsuccessful in adding high-value smartphone users, some of the most profitable customers when measured on a revenue-per-bit basis.

**Wireless service revenue growth of 5.1%; earnings before interest, taxes, depreciation, and amortization (EBITDA) growth of 3.9%:** 2022 has been the most profitable year ever for AT&T's mobility business, with the company organically achieving revenue and EBITDA growth of 5.1% and 3.9%, respectively. As AT&T expands mid-band 5G, upgrades more customers to higher-value mobile plans, and focuses on cost optimization and transformational savings initiatives, it will continue to generate good revenue growth and profitability. The absence of 3G network shutdown costs in 2023 will also contribute to increased margins for the company. AT&T's competition has introduced richer promotional campaigns during the holiday season to attract mobile subscribers. However, this has put their margins under pressure and is not a sustainable strategy in the longer term.

**2.5% growth in postpaid phone ARPU:** Targeted customer marketing and customer upgrades to higher-priced unlimited plans have helped AT&T generate higher ARPU for postpaid phone customers. Upgrades are helpful for customers to purchase the latest 5G devices and get the best experience on AT&T's network. Engaging with customers for upgrades also allows AT&T to offer premium value-added services, such as mobile insurance and AT&T's Next Up plans. Frost & Sullivan estimates that 12% to 15% of customer upgrades have moved to higher value plans with AT&T, with more than 40% of upgrades attaching a value-added service to their plans in 2022. This trend will likely continue in 2023, giving AT&T a powerful tool to increase ARPUs for mobile phone users.



**Maintained low postpaid and postpaid phone churn in 2022:** It can take up to five times more to acquire new customers than to retain existing ones. AT&T understands this and has created one of the best customer retention programs in the industry. The company has achieved low postpaid phone churn rates of 0.79 %, 0.75 %, 0.84%, and 0.84%, respectively, in Q1, Q2, Q3, and Q4 of 2022. Notably, it has lowered churn without resorting to a constant stream of richer promotions or free line giveaways. By upping investments in retaining loyal customers and offering the best deals to new and existing customers, AT&T has created a differentiated strategy to achieve best-in-class churn performance.

### **Maximizes Value for Mobile Users**

Simplicity, reliability, predictability, efficiency, and a focus on growing meaningful customer relationships are at the core of AT&T's refreshed customer strategy. The various ways AT&T delivers enhanced customer value to mobile smartphone users are as follows.

**Delivers nationwide 5G:** In 2022, AT&T reached 150 million point-of-presence covered with 5G mid-band spectrum, more than double its initial 2022 target. Download speeds for AT&T's 5G customers have increased considerably because of expanded 5G mid-band deployments, leading to enhanced customer experience. By deploying two radios per tower climb to cover different mid-band 5G radio spectrum

*“Simplicity, reliability, predictability, efficiency, and a focus on growing meaningful customer relationships are at the core of AT&T's refreshed customer strategy. Introducing simpler wireless plans for consumers and maintaining consistent offers have helped AT&T attract quality customers that generate high lifetime value.”*

**– Vikrant Gandhi**  
**Vice President, Research**

bands, AT&T can efficiently achieve the full performance of its entire 120 MHz of mid-band spectrum, as it becomes available, without sacrificing coverage.

**Focuses on customer acquisition and retention:** AT&T has recalibrated its promotional strategy to give equal importance to new customer acquisition and retention. Existing customers get access to the best deals and feel valued to commit to using AT&T's service for longer periods.

Reduced postpaid mobile churn and a double-digit percentage increase in the lifetime value of the customer base validate the effectiveness of AT&T's growth strategy.

**Prioritizes a mobile-centric operational strategy:** AT&T has a disciplined go-to-market approach in mobile and fixed broadband, and edge, including fixed wireless access (FWA) solutions. The company considers mobile phone bits as having a higher value. As such, AT&T has ensured that its sales, network, device, and customer service functions can deliver the best value to smartphone customers. With that said, FWA remains an important tool for AT&T to complement its fiber strategy and address emerging opportunities in business and consumer market segments. AT&T's FWA solution functions as broadband and as a mobile hotspot.

**Provides value through integrated telecommunication services:** There is a tremendous opportunity for AT&T to cross-sell wireless services in its fiber footprint and deliver a range of connectivity solutions in an integrated and cost-effective manner. With 5G and fiber serving as the foundation of connected societies for at least the next decade, AT&T is in a promising position to support the digital future by leveraging its

durable network infrastructure and nationwide 5G coverage.

Provides a flexible private cellular strategy for enterprises: AT&T provides increased privacy and control for on-premises and/or mobile deployments for both cellular and IoT offering a range of both on and off premises private cellular solutions. Their leading offer, MEC, has interoperability with IoT devices and their macro network extending the reach of the customers private network giving more flexibility.

## Conclusion

---

AT&T grew its mobile subscriber base at a record pace in 2022 while reducing churn. The company continues to actively deploy 5G in the mid-band spectrum to deliver next-generation communication experiences to consumers and businesses and bring the promise of 5G to life.

For its strong overall performance, AT&T earns Frost & Sullivan's 2023 United States Company of the Year Award in the mobile communications industry for its growth strategy and operational excellence.

## What You Need to Know about the Company of the Year Recognition

---

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

### Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

#### *Visionary Innovation & Performance*

**Addressing Unmet Needs:** Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

**Visionary Scenarios Through Mega Trends:**

Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first-to-market solutions and new growth opportunities

**Leadership Focus:** Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

**Best Practices Implementation:** Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

**Financial Performance:** Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

#### *Customer Impact*

**Price/Performance Value:** Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience:** Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience:** Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

**Customer Service Experience:** Customer service is accessible, fast, stress-free, and high quality

**Brand Equity:** Customers perceive the brand positively and exhibit high brand loyalty

