

Elliott invests \$3.2B in AT&T, seeks changes

September 9 2019, by Michelle Chapman And Mae Anderson



In this July 18, 2019, file photo, a sign is displayed at an AT&T retail store in Miami. Activist hedge fund manager Elliott Management is making a new \$3.2 billion investment in AT&T, saying the company could be valued at more than \$60 a share by 2021's end. AT&T stock jumped nearly 6% to \$38.31 in Monday, Sept. 9, premarket trading. (AP Photo/Lynne Sladky, File)

Activist hedge fund manager Elliott Management is making a new \$3.2

billion investment in AT&T, roughly a 1% stake, and calling for changes at the company such as selling assets and paying down debt.

The move comes as AT&T readies a streaming service following its \$81 billion purchase of Time Warner. It plans to launch HBO Max in the spring of 2020 as more people cut the cord and move to streaming services. It joins an increasingly crowded field with Disney, Comcast, Apple and others readying their own streaming services.

But Elliott said AT&T has yet to come up with a "clear and strategic rationale" as to why it needs to own Time Warner. A federal appeals court cleared the deal in February .

AT&T said in a statement it will review Elliott Management's proposals and said many of the actions proposed are things the company is already doing.

AT&T Inc. stock jumped more than 3% to \$37.58 in Monday morning trading.

On Twitter, President Donald Trump called the disclosure of an activist investor "great news" for AT&T, which owns news channel CNN, long a target for Trump's tweets. He again criticized the network's news coverage on Twitter and also went after MSNBC, owned by Comcast.

Elliott sent a letter to AT&T's board saying it should look into divesting noncore assets like DirecTV and its Mexican wireless operations. Elliott said it has identified opportunities for more than \$10 billion in savings, but that its plan represents \$5 billion in cost cuts. It called on the company to stop making large acquisitions and instead repurchase stock and commit to growing its dividend. The investor also suggested separating the CEO and chairman positions at the Dallas company. Randall Stephenson has held the roles since 2007.

Elliott believes the stock can top \$60 by the end of 2021.

AT&T has said the idea behind the merger with Time Warner was to help AT&T—which claims about 25 million of the 90 million U.S. households that are pay TV customers—compete better with online rivals like Netflix, YouTube and Hulu.

"The merger of these innovative companies has already yielded significant consumer benefits, and it will continue to do so for years to come," AT&T General Counsel David McAtee said in a statement when the deal was cleared by a federal appeals court in February.

AT&T's HBO Max service will offer HBO content, other video from the Warner Bros. studio—like "Friends"—and new series and movies that are exclusive to the service. AT&T has not announced a price.

Founded in 1977 by Republican billionaire Paul Singer, Elliott Management has stakes in or owns a wide array of organizations including online retailer eBay, bookseller Barnes & Noble and soccer team AC Milan.

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