AT&T Weighs Sale of Digital Ad Business

The company looks at different options to help bolster its debt-laden balance sheet

By Drew FitzGerald And Patience Haggin

AT&T Inc. is exploring the potential sale of its digital advertising operations, a sign the telecommunications company is curbing its ambitions to become a force on Madison Avenue, according to people familiar with the matter.

AT&T acquired the biggest component of those operations, AppNexus, for about $1.6 billion in 2018 under a plan to challenge heavyweights such as Google owner **Alphabet** Inc. for a piece of the multibillion-dollar digital ad marketplace. Executives planned to expand the business into a leading exchange for TV ads as the medium moved to online streaming services. Discussions are at an early stage and may not ultimately result in a sale, which is unlikely to fetch more than the amount AT&T paid for AppNexus in 2018, the people said. An AT&T spokesman declined to comment.

After bulking up with large acquisitions, the media-and-telecom conglomerate is exploring alternatives for several of its assets to bolster its debt-laden balance sheet, some of the people said. The Wall Street Journal reported Friday that AT&T is discussing selling most of its shrinking DirecTV satellite business with private-equity firms.

AppNexus operates one of the largest online ad exchanges, automated marketplaces that allow advertisers to buy space across thousands of websites, targeting their desired audiences. AT&T executives hoped to appeal to marketers by combining the unit with TV ad space on channels such as TNT and CNN as well as its data about wireless subscribers.

The Dallas company put a high priority on the ad operations, which the company carved out into a separate division called Xandr in honor of the original AT&T's progenitor, Alexander Graham Bell. But the unit failed to yield the explosive revenue growth its owners hoped to generate and often struggled with technical problems familiar to tech companies that invest billions of dollars a year in their ad exchange technology.

Xandr generated about $2 billion of revenue in 2019, up 16% from the previous year.

The unit's business focused mostly on nonvideo display ads, and was slow to acquire video-ad inventory. Premium streaming-TV publishers were reluctant to sell their ad inventory in Xandr because they regarded AT&T's streaming assets as competition, one of the people said. AT&T launched its own HBO Max streaming service in May.

Xandr chief Brian Lesser quit the unit earlier this year as AT&T folded its assets into WarnerMedia. The longtime advertising executive joined AT&T in 2017 to launch and run the unit. Interim adtech chief Kirk McDonald left the unit in August for ad giant **WPP** PLC. WarnerMedia still retains some ad-selling operations tied to its pay-TV channels.

Mike Welch, an AT&T veteran, became head of Xandr in August.

Frontier Appoints Executive Chairman

Frontier Communications Corp. named John Stratton as its executive chairman, tapping a longtime telecom operator to lead the internet provider as it looks to win back customers' trust after bankruptcy.

The former **Verizon Communications** Inc. executive's appointment signals Frontier's ambitions to keep growing if federal and state regulators approve its reorganization plan. A federal judge last month approved a plan that could move the business out of bankruptcy by early 2021.

Frontier filed for bankruptcy protection in April to implement a prearranged $10 billion debt-cutting proposal backed by bondholders. Those bondholders named Mr. Stratton a board observer in May and picked him for the executive chairman seat.

The appointment is expected to become effective once the Norwalk, Conn., company completes its trip through bankruptcy.

Frontier's reputation among customers has suffered in recent years as its network of digital subscriber lines failed to deliver the data rates broadband customers have come to expect.

The company serves about three million internet customers in 25 states, a legacy of its creation from the remnants of several smaller local phone companies.

—Drew FitzGerald

German Lawmakers To Probe Wirecard

By Ruth Bender

BERLIN—German lawmakers said Tuesday they would launch a parliamentary probe into the government's failure to uncover the **Wirecard** AG scandal, a setback for Chancellor Angela Merkel's administration ahead of next year's general election.

More details have emerged showing that government agencies, led by securities regulator BaFin, had ignored red flags about Wirecard for years before the fintech company's collapse.

The probe represents an escalation of the scrutiny of any role the coalition government played in the scandal. It will allow lawmakers to obtain government documents that were previously inaccessible and question witnesses under oath.

The investigation is bad news for Olaf Scholz, Ms. Merkel's finance minister, whose office oversees BaFin. The probe is now sure to dog Mr. Scholz, his party's nominee for the chancellery, in the run-up to the September 2021 ballot. Ms. Merkel, who lobbied for the German payments group in China in 2019, isn't running again for office.

Opposition lawmakers have bombarded the government with questions since Wirecard filed for bankruptcy in late June after admitting that €1.9 billion ($2.3 billion) in cash on its balance sheet had gone missing and probably didn't exist.

Prosecutors suspect top former executives, including former Chief Executive Markus Braun, of commercial fraud and market manipulation. Mr. Braun and some of the others have denied wrongdoing.

But lawmakers have focused on why the government, despite warnings from media reports and investors that the company was likely inflating its profit and engaging in money laundering, had failed to scrutinize it. "Instead of finally providing clarification, the government is stonewalling...delivering information in slices or not at all," said Lisa Paus, a member of Germany's lower house of parliament, the Bundestag, for the Greens.

The decision came after a two-day closed-door hearing led by parliament's finance committee. Members questioned government officials on topics ranging from financial oversight and the role of former German intelligence officials in lobbying for Wirecard to potential connections between intelligence agencies and Wirecard's former No. 2, Jan Marsalek, who has gone missing since June.

"A picture has emerged that those fraudsters had it pretty easy," said opposition lawmaker Florian Toncar. Fabio de Masi, another opposition lawmaker, said the probe was necessary to pressure the government to improve financial oversight.

Ms. Merkel last week called for light to be shed on the Wirecard scandal but said she hadn't known about the allegations that have since come to light when she interceded on Wirecard's behalf during a visit to China in late 2019. By that time, several media investigations about the company's alleged fraudulent practices had already appeared.

Robot-Truck Startups Seek Freight Inroads

By Jennifer Smith

As autonomous trucking edges closer to market, technology providers and their potential customers are testing competing strategies for how driverless big rigs could help them make money in the real world.

Several startups are building out prototype fleets and hauling freight for big shippers that hope autonomous trucks could help cut transportation costs and speed up deliveries. Other companies with self-driving trucking technology are trying to plug into existing operations, striking agreements with truck makers and large trucking fleets that they believe could eventually buy thousands of autonomous tractors.

Transport operators **Ryder System** Inc., **NFI Industries** Inc. and the U.S. supply-chain arm of German logistics giant **Deutsche Post** AG are working with **Ike Robotics** Inc., a San Francisco-based startup that plans to offer its automated trucking technology through a software subscription model.

IKE ROBOTICS

An Ike Robotics technician works on the sensor of a Ryder truck to make the vehicle self-driving.

Those fleets, along with others the startup didn't name, are collectively reserving the first 1,000 heavy-duty trucks powered by Ike's technology, the companies said Tuesday.

New Jersey-based NFI, whose services include port trucking and intermodal truck-rail transport, is evaluating how autonomous trucks would integrate with its dedicated trucking operations moving freight from customers' warehouses to retail stores. Self-driving big rigs could handle longer highway portions of those regional runs, such as the 250-mile trip between the Dallas area and Houston, said NFI President Ike Brown.

Because autonomous trucks wouldn't be bound by rules that limit most commercial drivers to 11 hours behind the wheel, "We could use that asset, the truck, almost on a 24-hour basis," Mr. Brown said.

That would lower the costs, making over-the-road service more competitive with intermodal rail-truck service, which is typically cheaper, he said. "I think automated trucking is going to bite into the intermodal market."

Tapping into big carriers' logistics networks and operational expertise means Ike can focus on the technology piece—systems engineering, safety and technical challenges such as computer vision—said Chief Executive Alden Woodrow.

"They are going to help us make sure we build the right product, and we are going to help them prepare to adopt it and be successful," said Mr. Woodrow, who worked on self-driving trucks at Uber Technologies Inc. before co-founding Ike in 2018.

The question of whether autonomous truck businesses will seek to drive around existing operators or work with trucking's array of equipment suppliers and logistics providers is growing as self-driving technology gets closer to widespread adoption.


STEVEN SENNE/ASSOCIATED PRESS

Urban Outfitters gave auditors access to some Anthropologie stores.

Remote Working Poses Challenge to Auditors

By Mark Maurer

Verifying companies' financial statements remotely is putting further strain on external auditors already under pressure for failing to conduct basic checks and spot accounting issues.

Typically auditors meet with personnel of public and private companies in their offices, visit factories and warehouses, and rely on personal interactions and observations to make assessments. During the coronavirus pandemic, they are left with phone and video calls.

"It's been a pretty hard five months," said Bill Eisig, assurance managing partner at **BDO USA** LLP. He expected his hours on the job would go down because he wasn't traveling as much. Instead, he spent hours poring over the evidence. Mr. Eisig and other auditors realized they needed a better understanding of risk assessment and cash flows due to the high level of uncertainty. "It's a complex, hard job that is now requiring more effort," he said.

Certain elements of an audit have become more difficult during the pandemic. Auditors say counting inventory or company goods is tough when they can't visit clients' sites to assess inventory firsthand. Auditors and companies have to figure out how to perform physical inventory checks before the last day of their fiscal year, which is often Dec. 31.

Such reviews of inventory and accounting estimates are necessary for auditors to give financial statements a clean bill of health, which public companies need to file their annual reports.

One of the jobs of an auditor is to locate information and evidence of a company's financial well-being. However, auditing standards don't spell out how the job gets done. In a remote-work setting, auditors have come up with various alternatives.

Some have looked at goods and materials through a live video feed on a cellphone to inspect items, said Julie Bell Lindsay, executive director of the Center for Audit Quality, which represents public-company auditors. Auditors verify the inventory's whereabouts using location-sharing mobile applications. The practice is more common for companies with large inventories such as manufacturers and retailers, she said.

Others are using earlier inventory or supply counts to determine the year-end balance. They also refer to transaction data, for example recent purchases and sales. Such accounting workarounds are temporary. Some auditors have deferred taking stock until later. There is no prescribed time limit for this, but every day of deferral makes the process more difficult.

Urban Outfitters Inc. recently permitted an on-site inventory check. **Deloitte & Touche** LLP, the company's auditors, visited some of its Anthropologie stores and distribution centers in July, when most of the stores had reopened following earlier lockdown orders, Chief Financial Officer Frank Conforti said.