

Edgar Filing: AT&T CORP - Form 425

AT&T CORP
Form 425
March 04, 2002

Filed by Comcast Corporation
Pursuant to Rule 425 under the
Securities Act of 1933 and deemed
filed pursuant to Rule 14a-12 under
the Securities Exchange Act of 1934

Subject Company: AT&T Corp.
Commission File No. 1-1105

Date: March 4, 2002

The following presentation was used by Comcast at Bear Stearns 15th Annual
Media, Entertainment & Information Conference:

Bear Stearns 15th Annual
Media, Entertainment & Information Conference

March 4, 2002

COMCAST Logo

Safe Harbor

Caution Concerning Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of those words and other comparable words. Comcast Corporation ("Comcast") wishes to take advantage of the "safe harbor" provided for by the Private Securities Litigation Reform Act of 1995 and you are cautioned that actual events or results may differ materially from the expectations expressed in such forward-looking statements as a result of various factors, including risks and uncertainties, many of which are beyond the control of Comcast. Factors that could cause actual results to differ materially include, but are not limited to (1) the effects of legislative and regulatory changes; (2) the potential for increased competition; (3) technological changes; (4) the need to generate substantial growth in the subscriber base by successfully launching, marketing and providing services in identified markets; (5) pricing pressures which could affect demand for Comcast's services; (6) Comcast's ability to expand its distribution; (7) changes in labor, programming, equipment and capital costs; (8) Comcast's continued ability to create or acquire programming and products that customers will find attractive; (9) future acquisitions, strategic partnerships and divestitures; (10) general business and economic conditions; (11) other risks described from time to time in Comcast's periodic reports filed with the Securities and Exchange Commission; and (12) with respect to statements relating to the proposed combination of Comcast and AT&T Broadband, factors that could cause actual results of the combined businesses of Comcast and AT&T Broadband to

Edgar Filing: AT&T CORP - Form 425

differ materially from expected results for such businesses, including failure to integrate the businesses successfully or to achieve the expected combination benefits.

Bear Stearns
March 4, 2002

COMCAST Logo

COMCAST Logo

Stephen B. Burke
President
Comcast Cable Communications

2001 Achievements

Completed Rebuild of Our Cable Systems

Exceeded New Service Goals

- o 2.3 Million Digital Subscriptions
- o 950,000 High-Speed Internet Subscribers

Delivered Accelerating OCF Growth

Integrated Nearly 2 Million Subscribers
While Improving OCF Margins

Bear Stearns
March 4, 2002

COMCAST Logo

Upgraded Network

Homes Passed
(in Millions)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|------------------|------|------|------|------|------|------|
| Less Than 550MHz | 3.4 | 2.5 | 1.3 | 1.9 | 1.3 | 0.7 |
| 550MHz to 750MHz | 1.9 | 1.6 | 1.7 | 2.1 | 1.7 | 2.1 |
| 750MHz or More | 1.6 | 3 | 4.4 | 5.5 | 9.7 | 11 |
| | --- | | | | | --- |
| | 50% | | | | | 95% |

Bear Stearns
March 4, 2002

COMCAST Logo

Edgar Filing: AT&T CORP - Form 425

Leveraging an Upgraded Network
-> New Services

COMCAST digital cable

Subscriptions
(000s)

| | YE98 | YE99 | YE00 | YE01 | YE02E |
|---------------|------|-------|-------|-------|--------|
| Subscriptions | 78 | 515 | 1,350 | 2,300 | 3,000* |
| Penetration | 5% | 10.2% | 18.7% | 27% | 34.8% |

* 2002 Guidance: 600-700,000 net additions.

Bear Stearns
March 4, 2002

COMCAST Logo

Digital Growth Strategy

[Graph representing Digital Penetration increasing to 100%+ through the combination of Digital Classic (\$9.95), Digital Plus (\$14.95), Video-On-Demand, Interactive TV and T Commerce has been omitted.]

Bear Stearns
March 4, 2002

COMCAST Logo

Building on the Digital Platform

Video-On-Demand

- o Differentiate vs. Satellite
- o Drive Digital Penetration
- o Today: 3 Million VOD-Ready Homes in 16 Markets

Edgar Filing: AT&T CORP - Form 425

- o YE02: 5-6 Million VOD-Ready Homes

Bear Stearns
March 4, 2002

COMCAST Logo

Building on the Digital Platform

High-Definition Television

- o Today: Availability to 1.3MM Customers in Mid-Atlantic Super Cluster
- o Broadcasts Include: ABC, NBC, HBO and Showtime

Bear Stearns
March 4, 2002

COMCAST Logo

COMCAST High-Speed Internet

Subscribers
(000s)

| | YE98 | YE99 | YE00 | YE01 | YE02E |
|-------------|------|------|------|------|--------|
| Subscribers | 51 | 142 | 400 | 948 | 1,400* |
| Penetration | 3% | 5% | 7% | 9.5% | 12.2% |

* 2002 Guidance: 400-500,000 net additions.

Bear Stearns
March 4, 2002

COMCAST Logo

COMCAST High-Speed Internet

- o Completed Transition to Comcast Network
- o Improved Control and Network Reliability
- o Significant Cash Flow Opportunity After Transition
- o Designed to Support Multiple ISPs and Tiered Services
 - o First ISP Deal: Juno and NetZero

Edgar Filing: AT&T CORP - Form 425

Bear Stearns
March 4, 2002

COMCAST Logo

New Services: Revenue Growth

\$ In Millions

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002E |
|---------------------|------|------|------|-------|------|-------|
| High-Speed Internet | 2.7 | 14.3 | 43.2 | 115 | 294 | 565 |
| Digital Cable | --- | 2.2 | 31.6 | 114.7 | 241 | 340 |

Bear Stearns
March 4, 2002

COMCAST Logo

Accelerating Contribution to Cash Flow

\$ In Millions

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002E |
|---------------------|------|------|------|------|------|-------|
| High-Speed Internet | -10 | -9 | -9 | 3 | 35 | 125 |
| Digital Cable | -- | 1 | 25 | 92 | 192 | 272 |

Bear Stearns
March 4, 2002

COMCAST Logo

Integration Success

Integrated 3.6 Million Subscribers in Past Two Years

Cable EBITDA
(in Billions)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|----------------|--------|----------|----------|---------|---------|---------|
| Cable EBITDA | \$0.81 | \$0.9877 | \$1.0966 | \$1.353 | \$1.899 | \$2.193 |
| EBITDA Margins | 49.3% | 47.6% | 48.1% | 46.2% | 45% | 42.7% |

Note: Excludes Impact of High-Speed Internet Transition in 2001

Edgar Filing: AT&T CORP - Form 425

Bear Stearns
March 4, 2002

COMCAST Logo

Integration Success: Our Roadmap

- o Clear Priorities
 - o Focus on Cash Flow Growth
 - o New Products
- o Strong Local Management
- o Local Budgeting
- o Line by Line Reviews by Senior Management
- o Monthly Follow-Up

Bear Stearns
March 4, 2002

COMCAST Logo

Integration Success: Acquired Systems

AT&T Broadband: 1.4MM Subscribers Acquired January 2001

| | 2000 ---- | 2001 ---- | 2002E ----- |
|-----------------------------|--------------|--------------|----------------|
| Revenue (Millions) | \$831.3 | \$878.2 | \$964.6 |
| Cash Flow (Millions) | \$262.5 | \$330.9 | \$391.3 |
| OCF Margin | 31.6% | 37.7% | 40.6% |
| Annual OCF/ Avg. Subscriber | \$179.7 | \$224.3 | \$262.3 |

Bear Stearns
March 4, 2002

COMCAST Logo

Integration Success: Acquired Systems

AT&T Broadband: 1.4MM Subscribers Acquired January 2001

| Royal Oak, MI (78K Subs) ----- | 2000 ---- | 2001 ---- | 2002E ----- |
|-----------------------------------|--------------|--------------|----------------|
|-----------------------------------|--------------|--------------|----------------|

Edgar Filing: AT&T CORP - Form 425

| | | | |
|----------------------------|---------|---------|---------|
| Revenue (Millions) | \$48.1 | \$51.6 | \$58.9 |
| Cash Flow (Millions) | \$11.8 | \$17.9 | \$23.6 |
| OCF Margin | 24.5% | 34.7% | 40.1% |
| Annual OCF/Avg. Subscriber | \$151.9 | \$227.6 | \$301.0 |

Bear Stearns
March 4, 2002

COMCAST Logo

Integration Success: Acquired Systems

AT&T Broadband: 1.4MM Subscribers Acquired January 2001

| | | | |
|----------------------------|---------|---------|---------|
| Ann Arbor, MI (134K Subs) | 2000 | 2001 | 2002E |
| ----- | ---- | ---- | ----- |
| Revenue (Millions) | \$68.3 | \$81.0 | \$96.5 |
| Cash Flow (Millions) | \$16.0 | \$26.8 | \$36.8 |
| OCF Margin | 23.5% | 33.1% | 38.2% |
| Annual OCF/Avg. Subscriber | \$122.7 | \$200.3 | \$267.7 |

Bear Stearns
March 4, 2002

COMCAST Logo

Integration Success: Acquired Systems

Telephone

| | | | |
|-----------------------|----------|--------|--------|
| | 2000 | 2001 | 2002E |
| | ---- | ---- | ----- |
| Revenue (Millions) | \$ 4.6 | \$10.7 | \$15.5 |
| Cash Flow (Millions) | \$ (3.7) | \$ 2.0 | \$ 4.0 |
| Telephone Subscribers | 12,776 | 20,768 | 28,020 |
| Homes Passed (000) | 176 | 188 | 230 |

Edgar Filing: AT&T CORP - Form 425

Bear Stearns
March 4, 2002

COMCAST Logo

COMCAST Logo

John R. Alchin
Executive Vice President and Treasurer
Comcast Corporation

Strong Operating Performance

Accelerating Cash Flow Growth

\$ in Millions

| | FY00 | FY01 | FY02E |
|-------|----------|-----------|---------|
| Cable | \$2009.1 | \$2,251.3 | \$2,543 |
| | | 12% | 12-14% |

| | FY00 | FY01 | FY02E |
|-----|---------|---------|-----------|
| QVC | \$619.2 | \$722.3 | \$838 |
| | | 16% | mid-teens |

| | FY00 | FY01 | FY02E |
|---------|---------|---------|-----------|
| Content | \$130.3 | \$189.2 | \$208 |
| | | 45% | mid-teens |

Consolidated 10.2% Revenue Growth and
12.3% Cash Flow Growth

Note: Pro Forma Results; Excludes Impact
of High-Speed Internet Transition in 2001

Bear Stearns
March 4, 2002

COMCAST Logo

Strong Operating Performance

Free Cash Flow Generation

Edgar Filing: AT&T CORP - Form 425

Decrease in cable capital expenditures

| | (Billions) | | | | |
|--------------|------------|---------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002E |
| | ---- | ---- | ---- | ---- | ---- |
| Cable | 0.711 | 0.739 | 1.248 | 1.855 | 1.3 |
| Consolidated | \$0.898 | \$0.893 | \$1.636 | \$2.181 | \$1.496 |

.. . . leads to significant FCF generation

| | 1998 | 1999 | 2000 | 2001 | 2002E |
|-----|--------|---------|---------|---------|-------|
| | ---- | ---- | ---- | ---- | ---- |
| FCF | \$66.3 | \$402.6 | \$266.6 | \$110.1 | \$800 |

Free Cash Flow = EBITDA - Cap Ex - Interest Expense - Cash Taxes. Excludes One-Time Tax Payments, OCF losses from Business Telephony Initiatives and High-Speed Internet Transition Costs

Bear Stearns
March 4, 2002

COMCAST Logo

Financial Flexibility

| | At 12/31/01: |
|---|--------------|
| | ----- |
| o Solidly Investment Grade | |
| Consolidated Leverage (Debt/EBITDA) (1) | 3.6x |
| Consolidated Interest Coverage | 4.0x |
| o Significant Liquidity | |
| Cash | \$350 MM |
| Investments | \$4.302 Bn |
| Unused Bank Lines | \$3.250 Bn |

Modest Near-Term Maturities: (Dollars In Millions)

| 2002 | 2003 | 2004 |
|------|------|------|
| ---- | ---- | ---- |
| 450 | 75 | 325 |

(1) Net of Zones; Excludes Excite @Home Transition Costs

Bear Stearns
March 4, 2002

COMCAST Logo

AT&T COMCAST LOGO

Edgar Filing: AT&T CORP - Form 425

OCF Growth Exceeding 20%

| | 2003 ---- | 2004 ---- | 2005 ---- |
|--|--------------|--------------|--------------|
| AT&T Broadband OCF Margin Improvement | 26% | -----> | 36% |
| Operating Synergies (Millions) | \$300 | \$400 | \$500 |
| Comcast Cable OCF Growth(1) | 11% | -----> | 11% |

(1) For Illustrative Purposes Only. Not Indicative of Guidance.

Bear Stearns
March 4, 2002

COMCAST Logo

AT&T COMCAST LOGO

| | | 12/31/02 ----- | | | | | | | | | |
|----------------|-------------------------|--------------------|--|--|------|------|------|--|------|------|------|
| | Debt ----- | Cash Flow ----- | | | | | | | | | |
| Comcast | \$10BN | \$3.4BN | <ul style="list-style-type: none"> o QUIPS Convert to Equity o Rapid Reduction in Leverage o OCF Growth o Asset Monetization o Solid Investment Grade Profile: Leverage Ratio After Asset Monetization:(1) | | | | | | | | |
| AT&T Broadband | \$20BN(1) ----- | \$2.5BN ----- | | | | | | | | | |
| | \$30BN | \$5.9BN | | | | | | | | | |
| | QUIPS \$5BN ----- | | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;">2002</th> <th style="width: 33%; text-align: center;">2003</th> <th style="width: 33%; text-align: center;">2004</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">3.6x</td> <td style="text-align: center;">3.0x</td> <td style="text-align: center;">2.5x</td> </tr> </tbody> </table> | | 2002 | 2003 | 2004 | | 3.6x | 3.0x | 2.5x |
| | 2002 | 2003 | 2004 | | | | | | | | |
| | 3.6x | 3.0x | 2.5x | | | | | | | | |

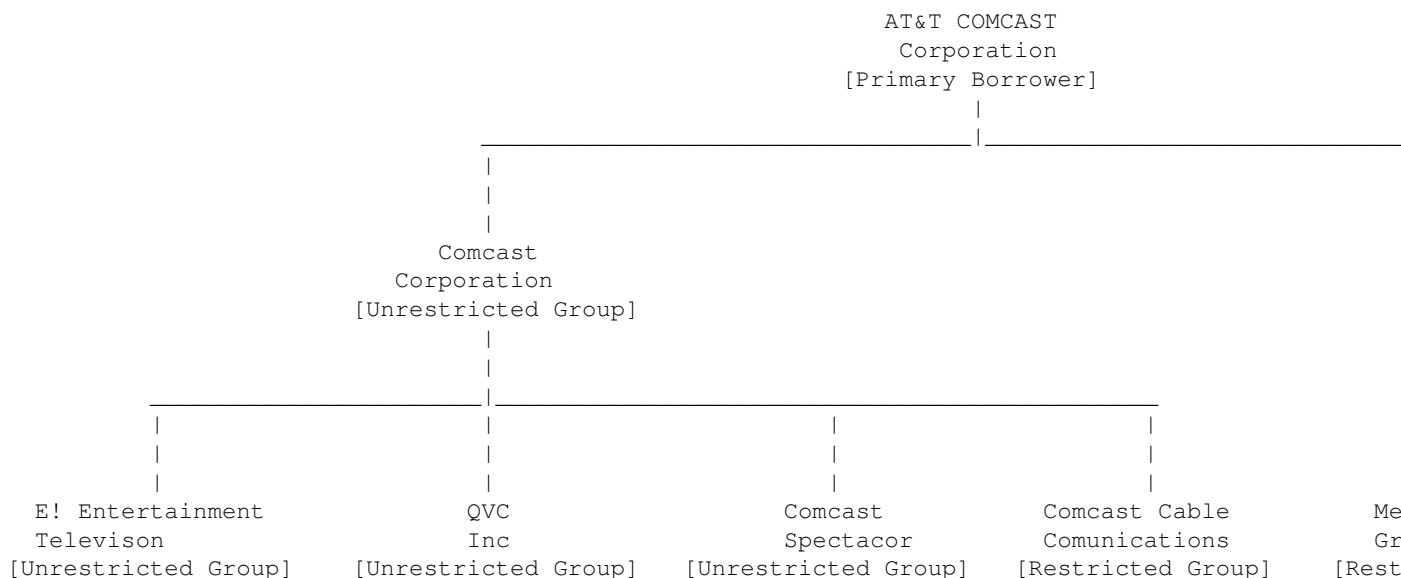
(1) Net of \$5 billion of Exchangeable Securities
For Illustrative Purposes Only. Not Indicative of Guidance

Bear Stearns
March 4, 2002

COMCAST Logo

AT&T COMCAST LOGO

Pro Forma Organizational Structure
Guarantees Equalize Credit Across Issuers



[Guarantees are between (i) AT&T Comcast Corporation and each of Comcast Cable Communications, MediaOne Group, Inc. and AT&T Broadband LLC, (ii) Comcast Cable Communications and MediaOne Group, Inc. and (iii) MediaOne Group, Inc. and AT&T Broadband LLC.]

Bear Stearns
March 4, 2002

COMCAST Logo

AT&T COMCAST LOGO

Merger Funding Plan: Well On Its Way

- o \$10 Billion Already Committed By Five Major Financial Institutions
- o Funding Requirement at Closing: \$11-\$14 Billion
- o Includes Repayment of AT&T Intercompany Debt and Near-Term Liquidity Needs for AT&T Comcast
- o Additional Liquidity Cushion in \$4.5 Billion of Current Bank Facilities That Remain In Place

Edgar Filing: AT&T CORP - Form 425

Bear Stearns
March 4, 2002

COMCAST Logo

COMCAST LOGO

Note: The following notice is included to meet certain legal requirements:

FORWARD-LOOKING STATEMENTS

The enclosed information contains forward-looking statements within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements with respect to revenues, earnings, performance, strategies, prospects and other aspects of the business of Comcast Corporation ("Comcast") are based on current expectations that are subject to risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, risks and uncertainties set forth in Comcast's filings with the Securities and Exchange Commission ("SEC"), including risks and uncertainties relating to: failure to obtain and retain expected synergies from the proposed transaction with AT&T Corp. ("AT&T") relating to AT&T's broadband business, delays in obtaining, or adverse conditions contained in, any regulatory approvals required for the proposed transaction, changes in laws or regulations, availability and cost of capital and other similar factors. Readers are referred to Comcast's most recent reports filed with the SEC. Comcast is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

In connection with the proposed transactions, AT&T and Comcast will file a joint proxy statement/prospectus with the SEC. INVESTORS AND SECURITY HOLDERS ARE URGED TO CAREFULLY READ THE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED TRANSACTION WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus (when it is available) and other documents containing information about AT&T and Comcast, without charge, at the SEC's web site at <http://www.sec.gov>. Free copies of AT&T's filings may be obtained by directing a request to AT&T Corp., 295 North Maple Avenue, Basking Ridge, N.J. 07920, Attention: Investor Relations. Free copies of Comcast's filings may be obtained by directing a request to Comcast Corporation, 1500 Market Street, Philadelphia, Pennsylvania 19102-2148, Attention: General Counsel.

Comcast and its directors, executive officers and other members of its management and employees may be soliciting proxies from its stockholders in connection with the proposed transaction. Information concerning Comcast's participants in the solicitation is contained in a filing made by Comcast with

Edgar Filing: AT&T CORP - Form 425

the Commission pursuant to Rule 14a-12 on July 9, 2001.