

DIGITAL



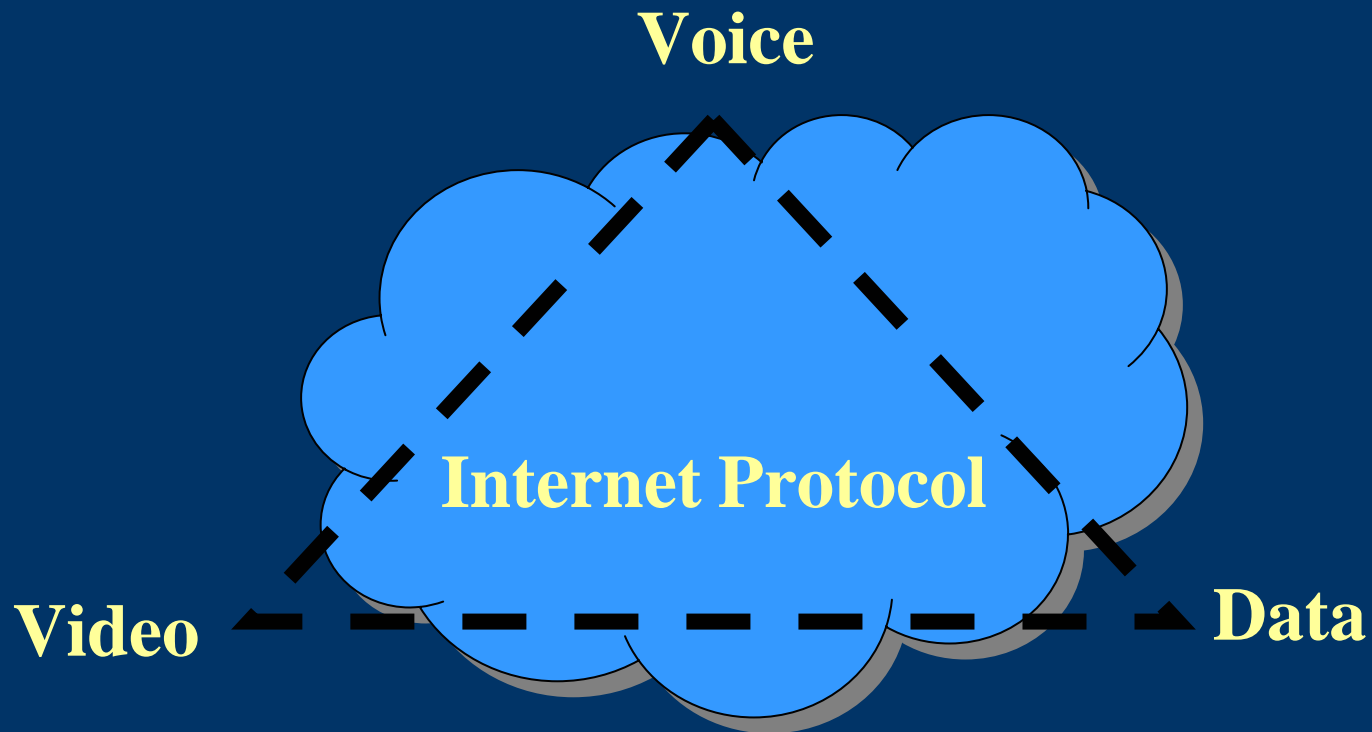
BRIDGES

Telecom Service Providers:

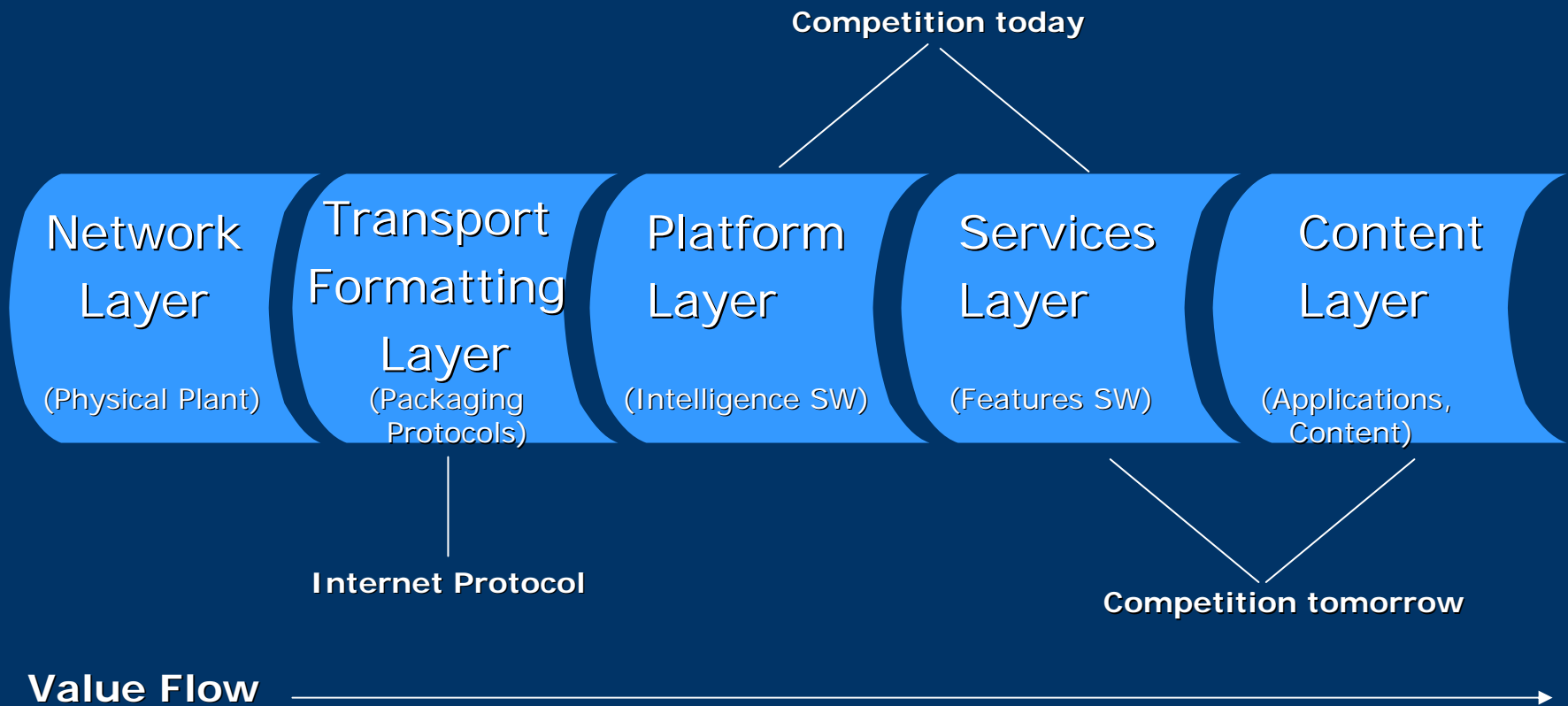
Sleeping Giants or Sentient Leviathans?

John P. Ward Jr.
General Partner
M/C Venture Partners
Boston

Commoditizing the Network



Telecom Panel – “The Chain”/“The Stack”



Telecom Panel – Competitive Landscape

Exhibit 4

Verizon and SBC Have the Highest “Overlap” with Cable

	Verizon*		SBC		BellSouth		Qwest	
	Cable Subs	Access Lines	Cable Subs	Access Lines	Cable Subs	Access Lines	Cable Subs	Access Lines
Cox	0.7	1.8	2.3	9.6	0.6	6.2	1.0	2.0
Comcast	6.5	8.4	6.5	29.2	2.2	9.1	3.2	7.0
Time Warner	3.1	9.2	4.8	24.7	1.9	4.7	0.3	1.5
Cablevision	3.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0
Totals**	13.3	19.3	13.6	22.7	4.7	13.5	4.5	9.0
Overlap (%)		69%		60%		35%		50%

*Does not include overlap in Verizon's former GTE territories

**Totals eliminate double counting for states with multiple cable operators (%)

Source: Company Reports, Morgan Stanley Research

Communications Equipment – January 11, 2005

Telecom Panel - RBOC financial snap-shot

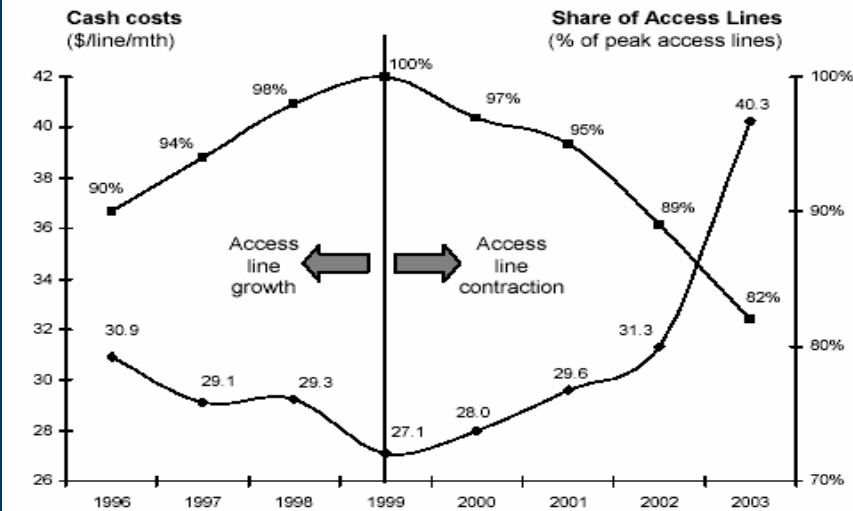
	Verizon	SBC	BellSouth
Access Lines	54 MM	52MM	22 MM
Revenue	\$69 BN	\$51 BN	\$29 BN
EBITDA	\$26 BN	\$17 BN	\$12 BN
Debt / EBITDA	1.6x	1.0x	0.6x
<u>Cashflow</u>			
Ops	\$21.8 BN	\$13.3 BN	\$7.6 BN
Capex	(11.8)	(7.3)	(4.5)
Dividends	<u>4.3</u>	<u>(4.9)</u>	<u>(1.7)</u>
FCF	\$5.6 BN	\$1.1 BN	\$1.5 BN
<u>Division EBITDA</u>			
Wireline	15.8 BN	\$11.6 BN	\$8.5 BN
Wireless	8.2	2.7	1.8
Info services	2.2	2.4	1.0

Low leverage, but high capex and dividends limit free cash flow

Telecom Panel – Economic Drivers

Figure 1: Share of Access Lines Versus Cash Cost per Access Line

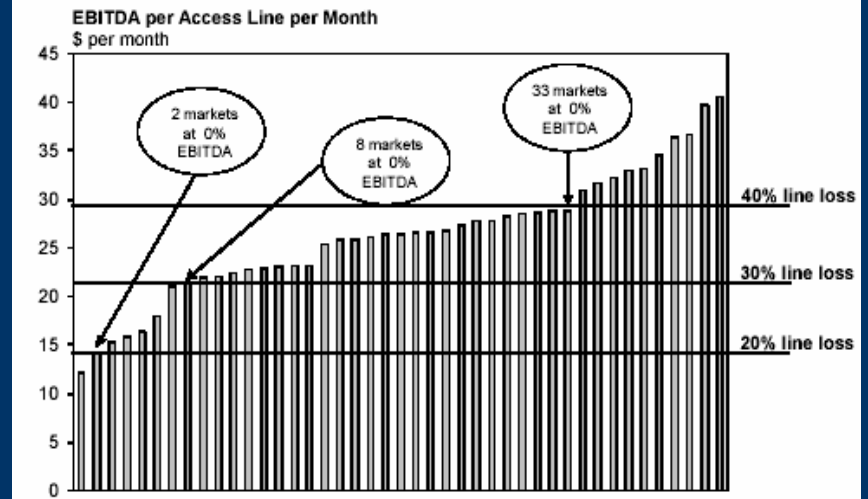
\$ per line per month; percent of peak lines



Source: ARMIS; JPMorgan analysis.

Figure 2: EBITDA per Access Lines per Month

\$ per line per month; percent



Source: Company reports and JPMorgan estimates.

Telecom Panel – Cable Telephony Forecast

	2002	2003	2004E	2005E	2006E	2007E	2008E
Residential Telephony Homes Passed							
Cablevision	157,320	2,464,501	4,466,908	4,533,912	4,601,921	4,670,950	4,741,014
Charter	0	100,000	1,000,000	1,638,768	2,930,953	4,267,458	5,645,576
Comcast	8,712,200	9,414,300	11,801,695	16,109,314	24,316,802	34,894,612	38,441,521
Cox	4,101,158	5,031,401	6,193,925	8,739,276	10,078,856	10,230,039	10,383,489
Insight	439,800	648,000	765,828	993,486	1,227,801	1,468,923	1,717,002
Time Warner	0	387,543	4,706,210	9,553,606	14,545,366	15,272,634	15,501,723
<i>Total</i>	13,410,478	18,045,745	28,934,567	41,568,362	57,701,699	70,804,614	76,430,325
Residential Telephony Subscribers							
Cablevision	12,240	39,835	222,950	424,377	585,518	714,431	817,561
Charter	0	24,900	45,700	96,400	174,400	260,200	350,290
Comcast	1,438,400	1,266,900	1,181,000	1,311,000	1,727,000	2,226,200	2,725,400
Cox	718,420	988,426	1,289,650	1,653,650	2,017,650	2,381,650	2,709,250
Insight	30,600	55,400	68,100	103,720	146,464	197,757	246,485
Time Warner	0	4,069	152,269	520,689	1,039,129	1,573,122	2,123,135
<i>Total</i>	2,199,660	2,379,530	2,959,669	4,109,836	5,690,161	7,353,360	8,972,121

Telecom Panel - Summary

- Network will be commoditized
- Cable well positioned to compete
- Telcos have significant incentives to compete
- Triple play = convergence = competition at services layer
- Quadruple play is next, then content