

Edgar Filing: AT&T CORP - Form 425

AT&T CORP  
Form 425  
January 07, 2002

Filed by AT&T Corp.  
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. 001-01105

On January 7, 2002, AT&T distributed the following information:

[AT&T Logo]

MIKE ARMSTRONG  
Chairman and CEO  
AT&T

SAFE HARBOR PROVISION

The following are "forward-looking statements" which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management. The audiences are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside AT&T's control, that could cause actual results to differ materially from such statements. For a more detailed description of the factors that could cause such a difference, please see AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of AT&T.

In connection with these transactions, AT&T will be filing proxy statements, tender offer statements and other materials with the Securities and Exchange Commission. Security holders are urged to read these materials when they become available because they will contain important information. Investors and security holders may obtain a free copy of these materials when they become available as well as other materials filed with the Securities and Exchange Commission concerning AT&T at the Securities and Exchange Commission's website at <http://www.sec.gov>. In addition, these materials and other documents may be obtained for free from AT&T by directing a request to AT&T at 295 North Maple Drive, Basking Ridge, NJ 07920; Attn: Investor Relations.

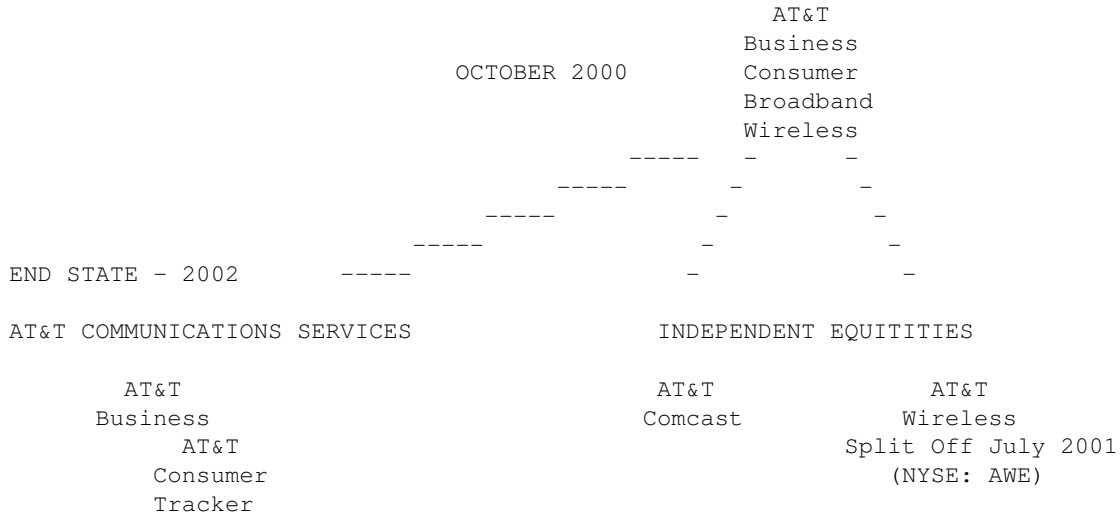
AT&T and its officers and directors may be deemed to be participants in the solicitation of proxies from AT&T's shareholders with respect to these transactions. Information regarding such officers and directors is included in AT&T's proxy statement for its 2001 annual meeting of stockholders filed with the Securities and Exchange Commission on March 30, 2001. This document is available free of charge at the SEC's internet site or from AT&T as described above.

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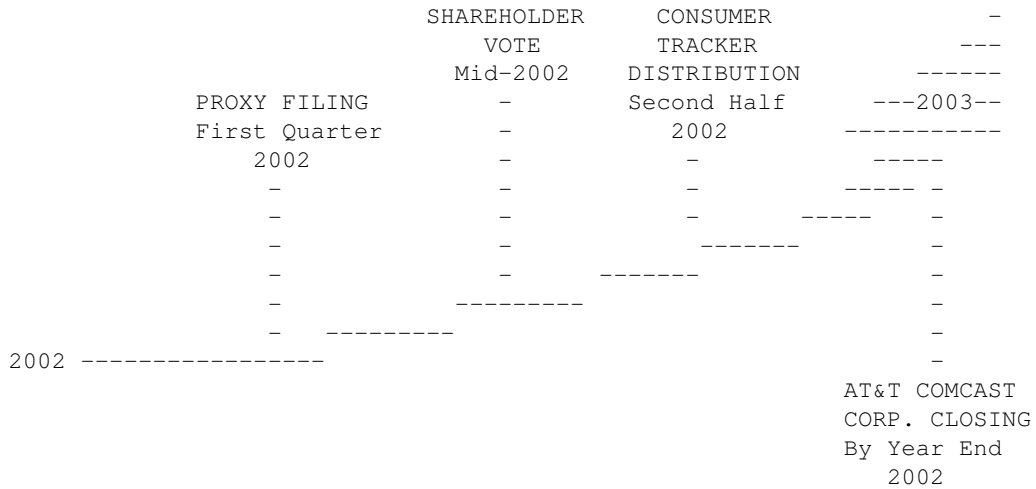
[AT&T Logo]

AT&T RESTRUCTURING PLAN



AT&T'S RESTRUCTURING

Following our stated strategy . . .



. . . In line with our original timeframe

[AT&T Logo]

STRENGTH OF AT&T COMMUNICATIONS SERVICES

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-----  
AT&T Business  
-----

-----  
AT&T Consumer  
-----

- |  |  |
|--|--|
| - 4M+ customers                                    | - ~60M customer                              |
| - \$14B growth businesses base<br>(Data/IP, Local) | - Leader in long distance voice              |
| - Leader in enterprise customer<br>relationships   | - Developing integrated<br>service offerings |
- 

-----  
[AT&T Logo] AT&T Communications Services

Revenues: \$44.0B  
EBITDA: \$15.3B  
Net Debt: ~\$18B

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-----  
AT&T Communications Services is an industry leader  
-----

Note: LTM data as of September 30, 2001. EBITDA excludes other income,  
pretax equity earnings (losses), and asset impairment charges.  
Net Debt as of 11/03/01

[AT&T Logo]

[AT&T Comcast Corporation Logo]

-----  
Revenues: \$18.0B  
EBITDA: \$4.6B  
-----

- Deal values AT&T Broadband at \$72 billion, implying \$4,500 per sub
  - AT&T shareholders will own 56% of the economics and 66% of the vote of the new company
  - 38M homes passed, with 22M subscribers
  - Potential for scaling new and innovative products and services to consumers
  - Projected EBITDA growth approaching 20 %
- 

Merger created the leading entertainment, communications  
and information company

-----

Note: Financial data for AT&T Broadband based on 9 months annualized as of  
September 30, 2001. Financial data for Comcast represents LTM as of  
September 30, 2001. EBITDA excludes other income, pretax equity earnings  
(losses), and asset impairment charges.

[AT&T Logo]

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## BEST, MOST HIGHLY CLUSTERED INDUSTRY FOOTPRINT

[United States Map]

### Clustered Subscribers:

#### AT&T BROADBAND

Atlanta, Georgia	0.6
Bay Area, California	1.8
Boston, Massachusetts/ Hartford, Connecticut	2.2
Chicago, Illinois	1.7
Dallas, Texas	0.6
Denver, Colorado	0.6
Jacksonville, Florida	0.3
Los Angeles, California	0.5
Miami, Florida	0.8
Pittsburgh, Pennsylvania	0.6
Portland, Oregon	0.4
Sacramento, California	0.6
Salt Lake City, Utah	0.3
Seattle, Washington	1.0
Twin Cities, Minnesota	0.3

#### COMCAST

Baltimore, Maryland/ Washington D.C.	1.5
Detroit, Michigan	1.0
Harrisburg, Pennsylvania	0.5
Nashville, Tennessee	0.3
New York/New Jersey/Connecticut	0.8
Philadelphia, Pennsylvania	1.8

- 38M homes passed
- 79% of subs in systems greater than 250,000
- Presence in 41 states

[AT&T Logo]

## LEADING PROVIDER OF ADVANCED SERVICES

[Bar Graphs]

#### DIGITAL

Company	Subscribers (000's)
AT&T Comcast	4,797
AOL/TW	2,861

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CHTR	1,951
ADLAC	1,682
Cox	1,228

### DATA

Company	Subscribers (000's)
AT&T Comcast	2,180
AOL/TW	1,661
Cox	779
CHTR	508
CVC	423
ADLAC	315

### TELEPHONY

Company	Subscribers (000's)
AT&T Comcast	924
Cox	399
CVC	12

Source: Data as of Company reports on 9/30/01.

[AT&T Logo]

[AT&T Logo]

### POWERFUL PLATFORM FOR GROWTH

-----  
Scale drives accelerated broadband deployment  
-----

#### \* Deploy new products and services

- VOD
- SVOD
- Home networking
- Interactive TV

#### \* Leverage AT&T's telephony expertise and infrastructure in Comcast footprint

- Telephony footprint with national reach
- Initial rollout to 1 million Comcast homes
- Enhances growth profile of combined company

#### \* Develop new, and leverage existing, programming content

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[QVC Logo] [E! Network Logo] [The Golf Channel Logo] [Comcast SportsNet Logo]

[AT&T Comcast Corporation Logo]

### POWERFUL PLATFORM FOR GROWTH

		Value Today -----
[QVC Logo]	* More than Tripled OCF in 7 years * \$209M in 1994 to \$700M in 2001	\$13 - \$15B
[E! Network Logo]	* 60% subscriber growth in 4 years * 46M in 1997 to 75M at YE01	\$1.5 - \$2.5B
[Style Network Logo]	* 15M subscribers today growing to 40M by YE04	\$300 - \$500M
[The Golf Channel Logo]	* 200% subscriber growth in 4 years * 14M in 1997 to 46M at YE01	\$1.0 - \$1.5B
[Outdoor Life Network Logo]	* 120% subscriber growth since 1998 * 17M in 1998 to 37M at YE01	\$500 - \$700M
[Comcast SportsNet Logo]	* Regional sports network covers 8.2M subscribers and entire Mid-Atlantic customer base	\$300 - \$500M ----- \$16.6 - \$20.7B

-----  
Significant Value in Content Creation Opportunity  
-----

Source: Wall Street equity research estimates.  
Value represents 100% of the equity for each entity.

[AT&T Comcast Corporation Logo]

### VALUE CREATION THROUGH SYNERGIES

	Annual EBITDA Impact (\$B) -----
Operating Efficiencies	\$1.25 - \$1.95
Margin Improvement	\$1.20 - \$1.60

-----  
EBITDA Growth Approaching 20%

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[AT&T Comcast Corporation Logo]

[AT&T Comcast Corporation Logo]

UNLIMITED OPPORTUNITY

[AT&T Broadband Logo]

BILL SCHLEYER  
President and CEO  
January 9, 2002

SAFE HARBOR  
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1-----[AT&T Broadband Logo]

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### CURRENT ASSESSMENT - WHAT'S GOING RIGHT

---

- Right strategy
- Best and most highly-clustered industry footprint
- Consolidation and integration of operating activities and facilities largely complete [Graphic of Woman on the Telephone]
- Fixed investments in telephony and data are behind us now - just beginning to realize scale benefits [Graphic of a Child Watching Television]
- Workforce commitment

-----  
Strong foundation in place to accelerate future growth  
-----

2-----[AT&T Broadband Logo]

### PRIORITIES FOR 2002

---

- Enhance customer service
- Accelerate plant upgrade and rebuild [Graphic of Two Customers Getting Assistance]
- Refine Digital video strategy
- Deepen RGU penetration [Graphic of College Students Watching Television]
- Drive costs to industry levels to improve financial performance
- Benchmark vendor agreements to market-based pricing
- Prepare detailed integration plan in support of Comcast merger

-----  
Priorities are clearly defined, facilitating a smooth transition  
-----

3-----[AT&T Broadband Logo]

### THREE-PRODUCT STRATEGY REMAINS BEST PATH TO DRIVE VALUE

---

Foundation has been built -> Positioned for dramatic growth

- Video business being operationally strengthened
- Telephony and data poised to realize scale benefits [Graphic of a Couple Using a Computer]



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- Telephony strategy is Broadband's key differentiator and distinctive value driver
- Three-product strategy drives industry leading EBITDA per subscriber

[Graphic of Two Children  
Using a Computer]

-----  
Rapidly scaling, three-product strategy will deliver long-term value  
-----

4-----[AT&T Broadband Logo]

### HSD NETWORK MIGRATION

-----

- Advantages to AT&T Broadband:
  - Greater cost efficiency: \$2 per sub savings and improving  
-> represents expenses for all services previously performed by @Home
  - Improves control and network reliability
  - Designed to support multiple ISPs and tiered packages
  - Improved customer satisfaction, operational and long-term financial results
- 4Q Financial Impact (preliminary estimate)
  - EBITDA: \$60M to \$65M due to customer credits and slowed sales, increased care volume and marketing communications, and AT&T Business Services costs

- Capital: \$60M due to network equipment costs\*

\* Reflects total AT&T capital: Costs expected to be split 50/50 with AT&T Business Services

5-----[AT&T Broadband Logo]

### KEY GOALS

-----

- Leverage state-of-the-art network to scale information, entertainment and communications services
- Build service-oriented culture
- Position company to achieve industry level margins in 2003
- Reinforce foundation to be unlevered free cash flow positive by YE03

[Graphic of Two Girls  
Using a Computer]

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Building a foundation for a successful merger with Comcast

6-----[AT&T Broadband Logo]

[AT&T Broadband Logo]

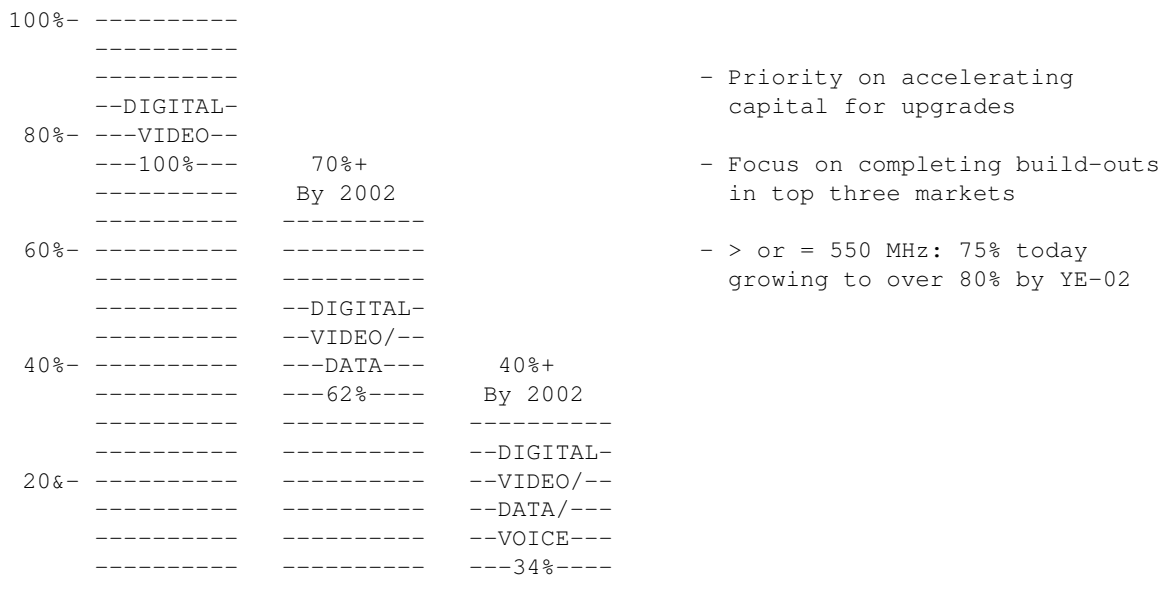
RON COOPER
Chief Operating Officer
January 9, 2002

CUSTOMER CARE

- Review outsourcing relationships
- Evaluate staffing levels, increase training, and enhance career path opportunities for customer care associates
- Further expand and enhance e-care functionality [Graphic of a Person Talking on the Telephone]
- Integrate care across product lines [Graphic of a Family Talking on the Telephone]

8-----[AT&T Broadband Logo]

NETWORK UPGRADES: FULL-SERVICE CAPABLE HOMES



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Note: numbers above bars in graph indicate YE 2002 estimate.

9-----[AT&T Broadband Logo]

### DIGITAL DRIVES VIDEO GROWTH

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- 3.2 million digital subscribers, or 23% of basic subscribers
- Repricing and repositioning of Digital product
- Improves product quality and lowers churn
- Roll-out of VOD enhances digital product offering and enables greater ARPU

[Bar Graph Depicting  
Digital Penetration in  
Mature Markets]

Dallas	33%
Denver	35%
Salt Lake City	39%

[Bar Graph Depicting  
Digital Penetration in  
Recently Launched Markets]

Boston	20%
LA	21%
Atlanta	27%

10-----[AT&T Broadband Logo]

### DATA REACHES CRITICAL MASS

---

- EBITDA positive since summer 2001 - will dip in 4Q due to network transition costs
- Two out of three super-clusters have nearly 15% penetration across the market
- Average installation time of 1:36 hours, down 17% since March 2001

[Line Graph Depicting  
2001 Monthly Revenue  
Per Subscriber]

Q100	\$40
Q200	\$41
Q300	\$39
Q400	\$35
Q101	\$37
Q201	\$39
Q301	\$44

[Line Graph Depicting  
2001 Monthly Expense  
Per Subscriber]

Q100	\$63
Q200	\$60
Q300	\$59
Q400	\$52
Q101	\$44
Q201	\$40
Q301	\$39

\* Calculated from 4Q00 to 3Q01

11-----[AT&T Broadband Logo]

### TELEPHONY APPROACHES PROFITABILITY

---

- Scaling of business results in rapidly declining fixed costs per subscriber

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- EBITDA positive by end of Q1 2002
- Over 40 communities with greater than 20% penetration
- Average installation time of 1:50 hours, down 30% since beginning of year

[Line Graph Depicting 2001 Monthly Revenue Per Subscriber]		[Line Graph Depicting 2001 Monthly Expense Per Subscriber]	
Q100	\$59	Q100	\$320
Q200	\$60	Q200	\$250
Q300	\$48	Q300	\$190
Q400	\$41	Q400	\$160
Q101	\$43	Q101	\$120
Q201	\$49	Q201	\$80
Q301	\$52	Q301	\$70

Note: Q100 revenue adjusted for one-time access revenue allocation

\* Calculated from 4Q00 to 3Q01

12-----[AT&T Broadband Logo]

### ROADMAP FOR MARKET PERFORMANCE

-----

Early Stage Markets -----	Transition Markets -----	Industry Standard Markets -----
<ul style="list-style-type: none"> <li>- Rapid upgrade</li> <li>- Reorganize management structure</li> <li>- Improve customer service</li> <li>- Introduce full suite of advanced services</li> </ul>	<ul style="list-style-type: none"> <li>- Improve customer service</li> <li>- Rapidly roll out advanced services</li> <li>- Continue to focus on profitability</li> </ul>	<ul style="list-style-type: none"> <li>- Realize scale benefits</li> <li>- Focus on increased penetration</li> <li>- Roll out additional new services</li> <li>- Achieve industry leading margins</li> </ul>
BAY AREA, LA AND FLORIDA	SEATTLE, CHICAGO AND DALLAS	BOSTON, DENVER AND PITTSBURGH

13-----[AT&T Broadband Logo]

### SUMMARY

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- Strategy, markets, assets, and people are outstanding
- Business is scaling with dramatic impact on EBITDA growth
- Telephony strategy is Broadband's key differentiator and distinctive value driver
- Improving customer care and finishing network upgrades
- Delivering improved operational and financial performance in 2002

-----  
Strong foundation in place to deliver future growth and value  
-----

14-----[AT&T Broadband Logo]

[AT&T Consumer Logo]

January 7, 2002

### SAFE HARBOR

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[AT&T Logo]

1

AT&T CONSUMER

---

- Investment Thesis
- Business Strategy and Assets
- Key Drivers for High Performance

[AT&T Logo]

2

AT&T CONSUMER - INVESTMENT THESIS

---

AT&T Consumer will offer shareholders a substantial dividend yield backed by strong cash flows

The Proof Points for our Thesis

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- Underlying financial assumptions about core LD are reasonable and based on experience
- Manageable debt/dividend obligation
- Sustainable dividend yield from a respected company
- Cash flow also allows for prudent investment in growth businesses to stimulate future revenue and earnings streams
- Relationship with parent company advantages our execution

[AT&T Logo]

3

AT&T CONSUMER STRATEGY

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Maximize our cash flow

- Focus on free cash flow generation
- Attract and retain high-value customers

Increase operating efficiencies through variabilizing costs

- 6B of cost reductions since 1998
- Key focus on care and billing

Broaden our service lines

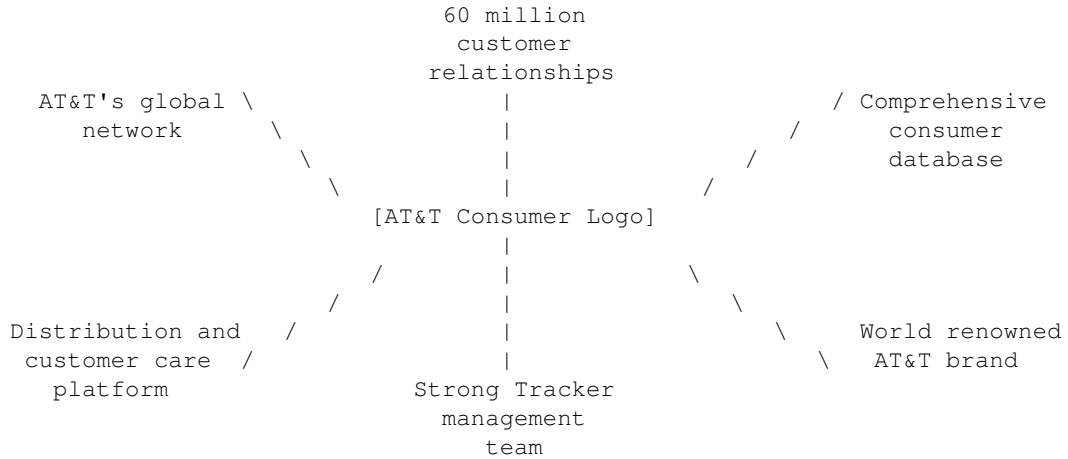
- Natural evolution with our customers
- Bundle long distance and local services

- New value-added voice and data services

[AT&T Logo]

4

UNPARALLELED CONSUMER ASSETS



[AT&T Logo]

5

DEALING WITH RBOC ENTRY

Impact of RBOC Entry

- Plans based on experience in six markets in 2001
- RBOCs consistently appeal to lower-end customers
- Disruptive but temporal impact for 24 Months

[Line Graph Depicting Gross Loss Rate Per Month Pre-RBOC Entry and Post RBOC Transition and Return to Pr-Entry Levels]

Mitigating the Impact

- Deploy pre-emptive retention strategies on a market-by-market basis
- Deliver local and long distance offers with UNE-P as in NY and TX

[AT&T Logo]

6

TECHNOLOGY SUBSTITUTION

Substitution Drivers

- Wireless

## Edgar Filing: AT&T CORP - Form 425

- E-mail/Instant messaging [Computer Graphic] [Cellular Phone Graphic]

### Growth through Substitute Products

- PrePaid calling card [Calling Card Graphic]

-----  
Even under these pressures, out traditional lines of business  
will continue to produce industry leading margins in 2002  
-----

[AT&T Logo]

7

### INCREASING OPERATION EFFICIENCIES THROUGH VARIABILIZING COSTS

- Key cost drivers are independent of revenue
  - Number of customers
  - Customer call-in rate to centers
  - Billing frequency
- Increased self-service through improved designs of web-based tools
- Over 35% of customer care transactions will be self-served in 2002
- Annual Long Distance care costs per customer are declining 11% on average

[AT&T Logo]

8

### E-RELATIONSHIPS SIGNIFICANTLY VARIABILIZE OUR BILLING COSTS

#### 2002 Electronic vs. Traditional Unit Cost Comparison

Cost/Bill	Fulfillment	Net Bad Debt
[Arrow Graphic Pointing Down]	[Arrow Graphic Pointing Down]	[Arrow Graphic Pointing Down]
[Down] 20+%	[Down] 80+%	[Down] 15-20%

[AT&T Logo]

9

### BROADEN OUR SERVICE LINES

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[Graphic of Two Children  
Using a Computer and  
-----> Talking on the Phone]