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AT&T CORP
Form DFAN14A
July 09, 2001

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement Confidential, For Use of
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- Definitive Proxy Statement
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AT&T Corp.

(Name of Registrant as Specified In Its Charter)

Comcast Corporation

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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The following presentation was used by Comcast at its analyst meeting:

Comcast and AT&T Broadband:
Creating the New Broadband Leader

July 9, 2001

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 businesses of Comcast and AT&T Broadband may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected combination benefits from the transaction may not be fully realized or realized within the expected time frame; (3) revenues following the transaction may be lower than expected; (4) operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, may be greater than expected following the transaction; (5) the regulatory approvals required for the transaction may not be obtained on the proposed terms or on the anticipated schedule; (6) the effects of legislative and regulatory changes; (7) the potential for increased competition; (8) technological changes; (9) the need to generate substantial growth in the subscriber base by successfully launching, marketing and providing services in identified markets; (10) pricing pressures which could affect demand for Comcast's services; (11) Comcast's ability to expand its distribution; (12) changes in labor, programming, equipment and capital costs; (13) Comcast's continued ability to create or acquire programming and products that customers will find attractive; (14) future acquisitions, strategic partnerships and divestitures; (15) general business and economic conditions; and (16) other risks described from time to time in Comcast's periodic reports filed with the Securities and Exchange Commission.

Brian L. Roberts
President, Comcast Corporation

Terms of the Proposed Transaction

- o Merger between Comcast and AT&T Broadband
- o Values AT&T Broadband at \$58 billion, including assumed debt of \$13.5 billion
 - o Prepared to acquire AT&T's interests in TWE, Cablevision and Rainbow Media by assuming more debt and issuing more equity to reflect their values
- o AT&T shareholders will own a majority of the economic and voting interests in NewCo
 - o Comcast will issue 1.0525 billion shares
- o Tax free to AT&T and all AT&T shareholders

AT&T Shareholders:

A Better Alternative... Now!

- o Delivers a premium value for AT&T's broadband assets
 - o \$12.60 of value per AT&T share; which represents 75% of AT&T's per share market price(1)
- o Provides additional upside from significant cost savings and synergy opportunities
- o Eliminates risks, costs and uncertainties inherent in creating a broadband tracking stock
- o Consistent with goals of AT&T's existing restructuring plan

(1) AT&T's per share market price based on AT&T when-issued closing price of \$16.80 as of 7/06/01

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Creating the New Broadband Leader

Benefits to Comcast and AT&T shareholders:

- o The largest broadband company
- o Powerful platform for growth
 - o Opportunity to launch new products and build new programming assets
- o Significant ongoing cost savings and synergies
- o Industry leading management team with proven integration success
- o Financially strong with solid investment grade balance sheet
- o Creates one of the world's leading media, content and distribution platforms

6

The Largest Broadband Company

Twice the revenues of the next
largest competitor

[Cluster Chart detailing 2001E Cable Revenue* by corporation:

| | |
|-------------------|-------------|
| NewCo | 14.9 (\$Bn) |
| Time Warner Cable | 7.0 (\$Bn) |
| DirectTV | 5.7 (\$Bn) |
| Charter | 4.1 (\$Bn) |
| Cox | 3.9 (\$Bn) |
| EchoStar | 3.9 (\$Bn) |
| Adelphia | 3.2 (\$Bn) |
| Cablevision | 2.1 (\$Bn)] |

* Statistics include video, residential telephony and high speed data businesses. Source: Wall Street estimates

7

The Largest Broadband Company

Nearly twice as many subscribers
as the next largest competitor

[Cluster Chart detailing 2001E Subscribers* by corporation:

| | |
|-------------------|-----------|
| NewCo | 21.9 (MM) |
| Time Warner Cable | 11.3 (MM) |

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| | |
|-------------|------------|
| DirectTV | 10.6 (MM) |
| Charter | 7.0 (MM) |
| Cox | 7.0 (MM) |
| EchoStar | 6.3 (MM) |
| Adelphia | 5.9 (MM) |
| Cablevision | 3.0 (MM)] |

*Source: Wall Street estimates

8

Powerful National Presence

- o Present in 41 states
- o 85% of subscribers in top 50 DMAs

[Chart of the continental United States indicating national presence of NewCo.]

Source: Company data and 2001 Cable TV Fact Book

9

Powerful Major Market Presence

| | Top 20 DMAs | NewCo Subs in 000's |
|--|---------------------------------------|---------------------|
| | 1. New York, NY | 670 |
| | 2. Los Angeles, CA | 530 |
| o Leader in 8 of top 10 DMAs | 3. Chicago, IL | 1,750 |
| | 4. Philadelphia, PA | 1,790 |
| | 5. San Francisco-Oakland-San Jose, CA | 1,830 |
| o 70% of NewCo subscribers in top 20 DMAs | 6. Boston, MA | 1,680 |
| | 7. Dallas-Fort Worth, TX | 560 |
| | 8. Washington, DC | 860 |
| | 9. Detroit, MI | 830 |
| o Greater than 45% market share in 14 of the top 20 DMAs | 10. Atlanta, GA | 680 |
| | 11. Houston, TX | -- |
| | 12. Seattle-Tacoma, WA | 960 |
| | 13. Tampa/St. Petersburg-Sarasota, FL | 210 |
| | 14. Minneapolis-St. Paul, MN | 340 |
| | 15. Cleveland, OH | 90 |
| | 16. Miami/Ft Lauderdale, FL | 780 |
| | 17. Phoenix, AZ | -- |
| | 18. Denver, CO | 620 |
| | 19. Sacramento-Stockton-Modesto, CA | 550 |
| | 20. Pittsburgh, PA | 620 |

Source: Wall Street estimates, Cable Fact Book, Company figures

10

Powerful Platform for Growth

Benefits of scale and scope:

- o Develop new programming content
- o Deploy new products and services, including next generation telephony
- o Establishes national advertising platform
- o New Internet opportunities
- o Growth and value creation from operating efficiencies

11

Stephen B. Burke
President
Comcast Cable Communications

Opportunity for Value Creation

Substantial EBITDA margin improvement opportunity

[Overlap Chart representing Comcast Broadband and AT&T Broadband*

EBITDA Margins by quarter:

| | 1Q00 | 2Q00 | 3Q00 | 4Q00 | 1Q01 |
|-------------------|------|------|------|------|------|
| Comcast Broadband | 42% | 44% | 45% | 43% | 41% |
| AT&T Broadband | 22% | 24% | 23% | 20% | 18%] |

Note: margins include corporate overhead allocation.

* AT&T Broadband margins exclude restructuring and other charges

Source: Company Reports

13

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Cost Savings and Synergy Opportunities

Potential margin improvement

| | |
|------------------------------------|----------|
| Comcast margin(1) | 41% |
| AT&T Broadband margin(1) | 18% |
| | ----- |
| Difference | 23% |
| AT&T 2001LQA Broadband revenues(2) | x \$10Bn |
| | ----- |
| Potential margin improvement | \$2.3Bn |

(1) Margin figures are based on 1Q01 publicly available information and include corporate overhead allocation.

(2) Annualized 1Q01 AT&T Broadband revenues

14

Cost Savings and Synergy Opportunities

Sources of margin improvement

- o Core cable operating efficiencies
- o Productivity improvements
- o Corporate overhead reduction
- o Improved telephone economics

15

Cost Savings and Synergy Opportunities

Value from economies of scale and scope

- o Programming savings
- o Hardware procurement
- o Other savings

Targeted annual expense reduction: \$300 - \$500MM
Targeted annual capex reduction: \$200 - \$500MM

16

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Cost Savings and Synergy Opportunities

- o Potential annual cost reductions and synergies: \$2.6 to \$2.8 billion
- o Targeted as near term and highly achievable: \$1.25 billion

[Graphic Omitted]

Economies of Scale and Scope*: \$300-\$500 Million

Margin Improvement: \$2.3 Billion

*Excludes revenue enhancement and capex reduction

17

Pro Forma Cash Flow

Cash flow enhanced by cost savings
and synergy opportunities

[Cluster chart detailing 2001E EBITDA* by corporation:

| | | |
|----------------|--------------|---|
| AT&T Broadband | \$2.2 (\$Bn) | |
| Comcast | \$2.8 (\$Bn) | |
| NewCo | \$6.3 (\$Bn) | (including \$1.3 Bn in cost savings & synergies)] |

*Source: Wall Street estimates

18

Financial Powerhouse

NewCo to have investment grade profile

| Leverage (\$ in Billions) | Credit Profile Debt/01 EBITDA |
|------------------------------|----------------------------------|
| Comcast | Without synergies |
| Assumed debt | \$1.25Bn of synergies |
| Pro forma debt | Target Rating Investment Grade |

2002 leverage ratios would decline significantly

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- (1) Comcast debt based on 3/31/01 reported debt adjusted to exclude ZONES and to include impact of subsequent events.
- (2) EBITDA multiples based on EBITDA forecasts from Wall Street estimates.

19

Accretive to Comcast Shareholders

Transaction is EBITDA accretive to Comcast shareholders

| (\$ millions) | Year 1 | Year 2 | Year 3 |
|--|---------------|---------------|-------------------|
| EBITDA accretion (dilution)/share(1), (2) | (4%) to (1%) | 2.5% to 5% | 6% to 9% |
| Synergy assumption | \$400 - \$600 | \$700 - \$900 | \$1,000 - \$1,250 |

Proposal represents 15x-16x 2002 estimated EBITDA
after taking into account Year 1 synergies

- (1) EBITDA forecasts based on Wall Street consensus estimates
- (2) Assumes \$58Bn transaction pro forma for full year 2002 and the assumption of \$13.5Bn of debt

20

Comcast: Proven Integration Success

- o Comcast has grown revenues 13x since 1990, through integration of 11 significant acquisitions
- o Nearly doubled cable subscribers from 4.5MM to 8.4MM through five major transactions in 24 months
- o Rapidly and significantly improved acquired systems

21

Comcast's Integration Success

Dramatic Improvement in 12-24 months

| EW Scripps | | | Jones Intercable | | | Lenfest | | |
|------------|------|--------|------------------|------|--------|---------|------|--------|
| 1997 | 1999 | Growth | 1999 | 2000 | Growth | 1999 | 2000 | Growth |
| | | | | | | | | |

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| | | | | | | | | | |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (MM) | \$ 309 | \$ 407 | +32% | \$ 537 | \$ 582 | +8% | \$ 515 | \$ 568 | +10% |
| OCF (MM) | \$ 134 | \$ 207 | +54% | \$ 198 | \$ 249 | +25% | \$ 199 | \$ 267 | +34% |
| Margin | 43% | 51% | +8 pts | 37% | 43% | +6 pts | 39% | 47% | +8 pts |
| OCF/Subscriber | \$ 168 | \$ 236 | +40% | \$ 181 | \$ 221 | +22% | \$ 152 | \$ 200 | +32% |

22

Comcast's Integration Success

Rapid improvement in operating performance
of systems recently acquired from AT&T

| | AT&T Broadband(1) | | |
|----------------|-------------------|--------|--------|
| Growth | 2000 | 2001E | |
| Revenue (MM) | \$ 426 | \$ 461 | + 8% |
| OCF (MM) | \$ 113 | \$ 149 | +32% |
| OCF Margin | 26% | 32% | +6 pts |
| OCF/Subscriber | \$ 148 | \$ 193 | +30% |

(1) Based on 765,000 subscribers acquired in swaps as of 12/31/00

23

Comcast's Superior Operating Track Record

Strong EBITDA margins maintained even
as lower margin systems are integrated

[Chart showing that Comcast has maintained EBITDA
margins in excess of 40% while its cable EBITDA
has grown from \$810 million in 1996 to \$1.9 billion
in 2000]

24

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Building Value Through Content

- o Merger allows NewCo to capitalize on Comcast's fastest growing business segment
- o New channels have fast track to profitability
 - o Platform of 22 million subscribers
 - o Track record of significant growth in distribution, revenues and operating cash flow

[QVC Logo] Tripled OCF in six years (\$209MM in 1994 to \$619MM in 2000)
[E! Logo] 40% subscriber growth in three years (46MM to 65MM)
[The Golf Channel Logo] Grew revenues from \$0 to \$100MM in five years
[Comcast SportsNet Logo] Regional sports network covers nearly 50% of Comcast subscribers

25

Building Value Through Investments

| Investment | Value at initial investment | Current trading or realized value |
|-------------|-----------------------------------|---|
| Sprint PCS | \$ 680MM | \$ 2.7Bn |
| TCG - AT&T | \$ 150MM | \$ 2.2Bn |
| Excite@Home | \$ 10MM | \$ 1.7Bn |
| Other | \$ 100MM | \$ 0.5Bn |
| Total | \$ 940MM | \$ 7.1Bn |

26

Comcast: Shareholder Value Creation

[Chart showing that 1000 shares of Comcast purchased in 1972 IPO for \$7 per share would have a value of \$3.9 million as of July 6, 2000 representing a compound annual growth rate of 24% (compared to 12% for the S&P 500).]

Comcast: Outperforming the Market

[Chart showing that since 1998 Comcast's stock price has appreciated nearly 168% compared to an approximately 23% increase for the S&P 500 and a 46% decline in AT&T's stock price]

Comcast: Outperforming the Market

Comcast has outperformed cable industry peers, Nasdaq and S&P 500 for every period over past 10 years

| | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|--------------------|--------|---------|---------|---------|----------|
| Comcast | 7% | 26% | 37% | 26% | 25% |
| Cable Composite(1) | 0% | 17% | 35% | 24% | 20% |
| Nasdaq | (49%) | 2% | 12% | 16% | 16% |
| S&P 500 | (18%) | 1% | 13% | 15% | 12% |

(1) Consists of Cox, Cablevision, Adelphia and Charter
Source: FactSet

Creating the New Broadband Leader

What we would create:

- o Leader in eight of the top 10 markets
- o Presence in 18 of the top 20 markets
- o 22 million basic subscribers
- o Expanded platform to launch new products and build new programming assets

What Comcast delivers:

- o Superior operating track record
- o Proven integration success
- o Significant synergy opportunities

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- o Industry leading returns to shareholders
 - o 24% CAGR since IPO

30

Creating the New Broadband Leader

- o One of the world's leading media companies
- o Premier national distribution network
- o Positioned to expand relationship with customers
- o Compelling content opportunities
- o Industry leading management team
- o Financial strength and flexibility
- o Expanded margins and multiples

31

Comcast and AT&T Broadband: Creating the New Broadband Leader

July 9, 2001

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

Subject to future developments, Comcast may file with the Commission (i) a preliminary proxy statement for solicitation of proxies from the shareholders of AT&T Corp. ("AT&T") in connection with AT&T's special meeting which is scheduled to take place in September 2001 and (ii) a registration statement to register the Comcast shares to be issued in the proposed transaction. Investors and security holders are urged to read the proxy statement and registration statement (when and if available) and any other relevant documents filed with the Commission, as well as any amendments or supplements to those documents, because they will contain important information. Investors and security holders may obtain a free copy of the proxy statement and the registration statement (when and if available) and other relevant documents at the Commission's Internet web site at www.sec.gov. The proxy statement and registration statement (when and if available) and such other documents may also be obtained free of charge from Comcast by directing such request to: Comcast Corporation, 1500 Market Street, Philadelphia, Pennsylvania 19102-2148, Attention: General Counsel.

Comcast, its directors and certain other Comcast employees and advisors may be deemed to be "participants" in Comcast's solicitation of

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proxies from AT&T's shareholders. A detailed list of the names, affiliations and interests of the participants in the solicitation is contained in a filing made by Comcast with the Commission pursuant to Rule 14a-12 on July 9, 2001.