

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.

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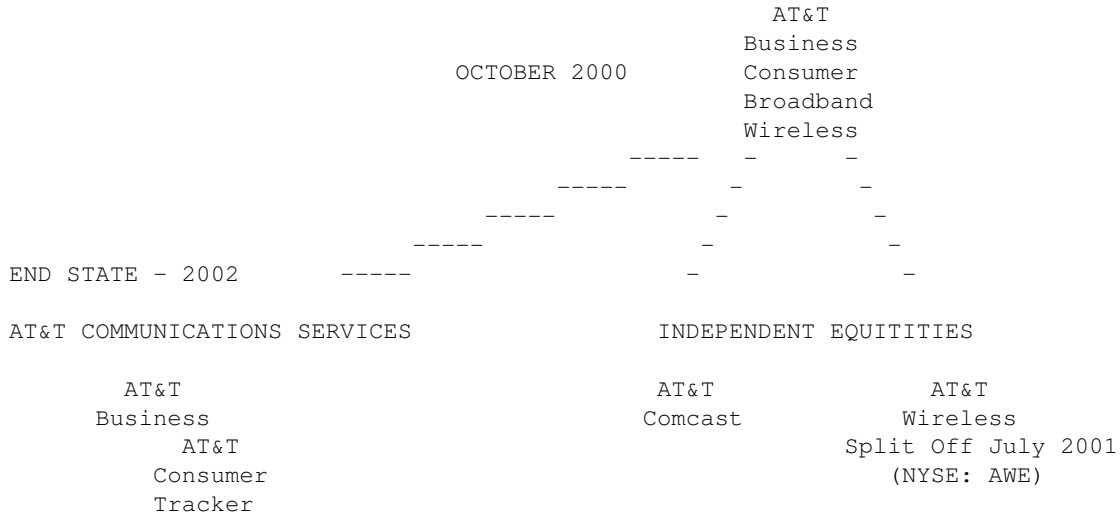
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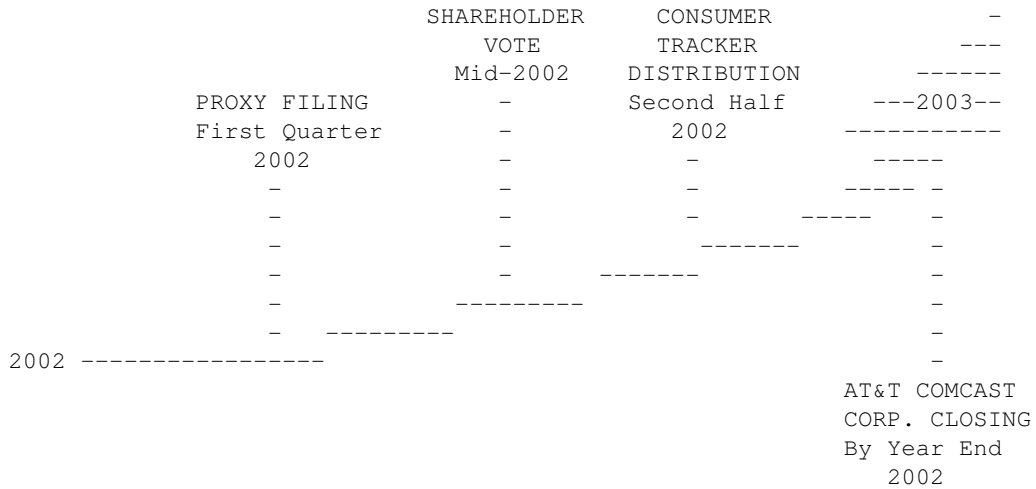
[AT&T Logo]

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  
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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/<br>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/<br>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<br>-----                        |
|-----------------------------|---|---|
| [QVC Logo]                  | * More than Tripled OCF in 7 years<br>* \$209M in 1994 to \$700M in 2001                      | \$13 - \$15B                                |
| [E! Network Logo]           | * 60% subscriber growth in 4 years<br>* 46M in 1997 to 75M at YE01                            | \$1.5 - \$2.5B                              |
| [Style Network Logo]        | * 15M subscribers today growing<br>to 40M by YE04   | \$300 - \$500M                              |
| [The Golf Channel Logo]     | * 200% subscriber growth in 4 years<br>* 14M in 1997 to 46M at YE01                           | \$1.0 - \$1.5B                              |
| [Outdoor Life Network Logo] | * 120% subscriber growth since 1998<br>* 17M in 1998 to 37M at YE01                           | \$500 - \$700M                              |
| [Comcast SportsNet Logo]    | * Regional sports network covers 8.2M<br>subscribers and entire Mid-Atlantic<br>customer base | \$300 - \$500M<br>-----<br>\$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<br>EBITDA Impact (\$B)<br>----- |
|------------------------|--|
| Operating Efficiencies | \$1.25 - \$1.95                        |
| Margin Improvement     | \$1.20 - \$1.60                        |

-----  
EBITDA Growth Approaching 20%

-----  
[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]

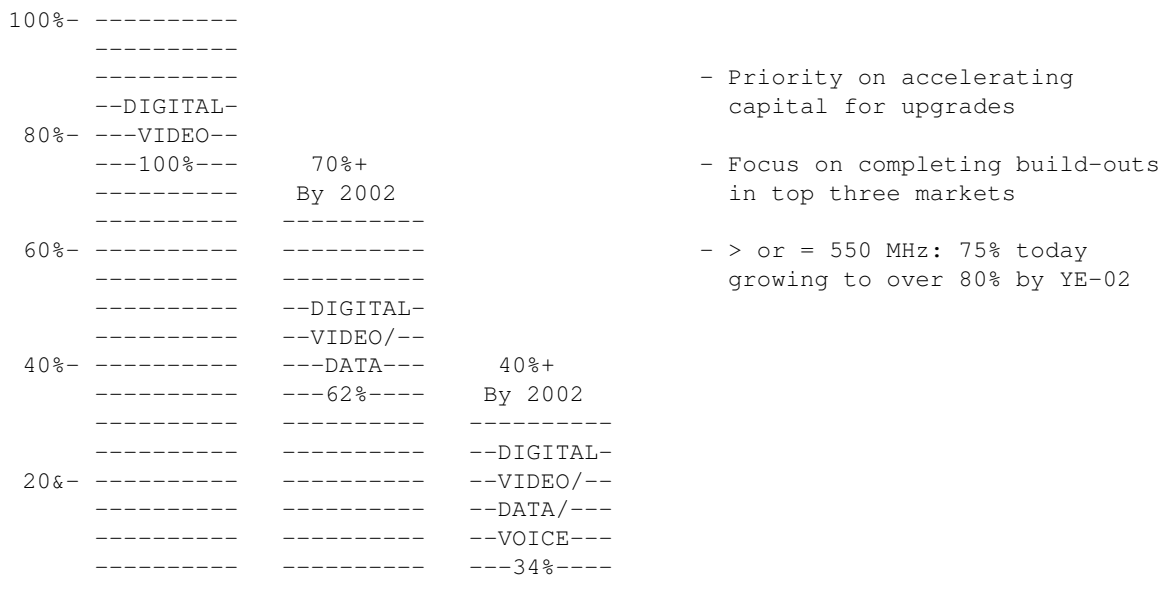
RON COOPER
Chief Operating Officer
January 9, 2002

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



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

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

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

### DIGITAL DRIVES VIDEO GROWTH

---

- 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

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

- 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<br>2001 Monthly Revenue<br>Per Subscriber] |      | [Line Graph Depicting<br>2001 Monthly Expense<br>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<br>-----  | Transition Markets<br>-----  | Industry<br>Standard Markets<br>-----  |
|---|--|--|
| <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<br>AND FLORIDA   | SEATTLE, CHICAGO<br>AND DALLAS   | BOSTON, DENVER<br>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

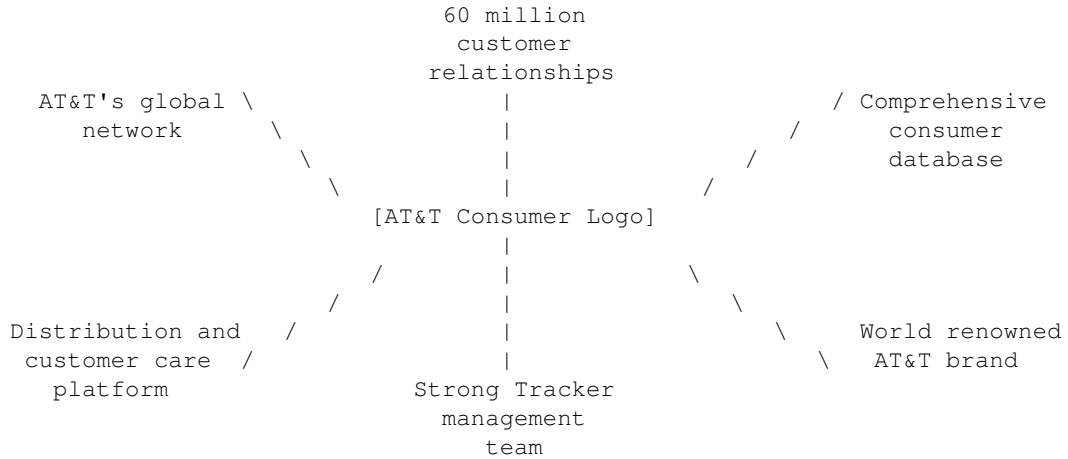
- Natural evolution with our customers
- Bundle long distance and local services

- 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, our 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

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