

**CORECOMM**<sup>sm</sup>  
*u*

# CoreComm Strategy

## First Truly Converged Phone Company

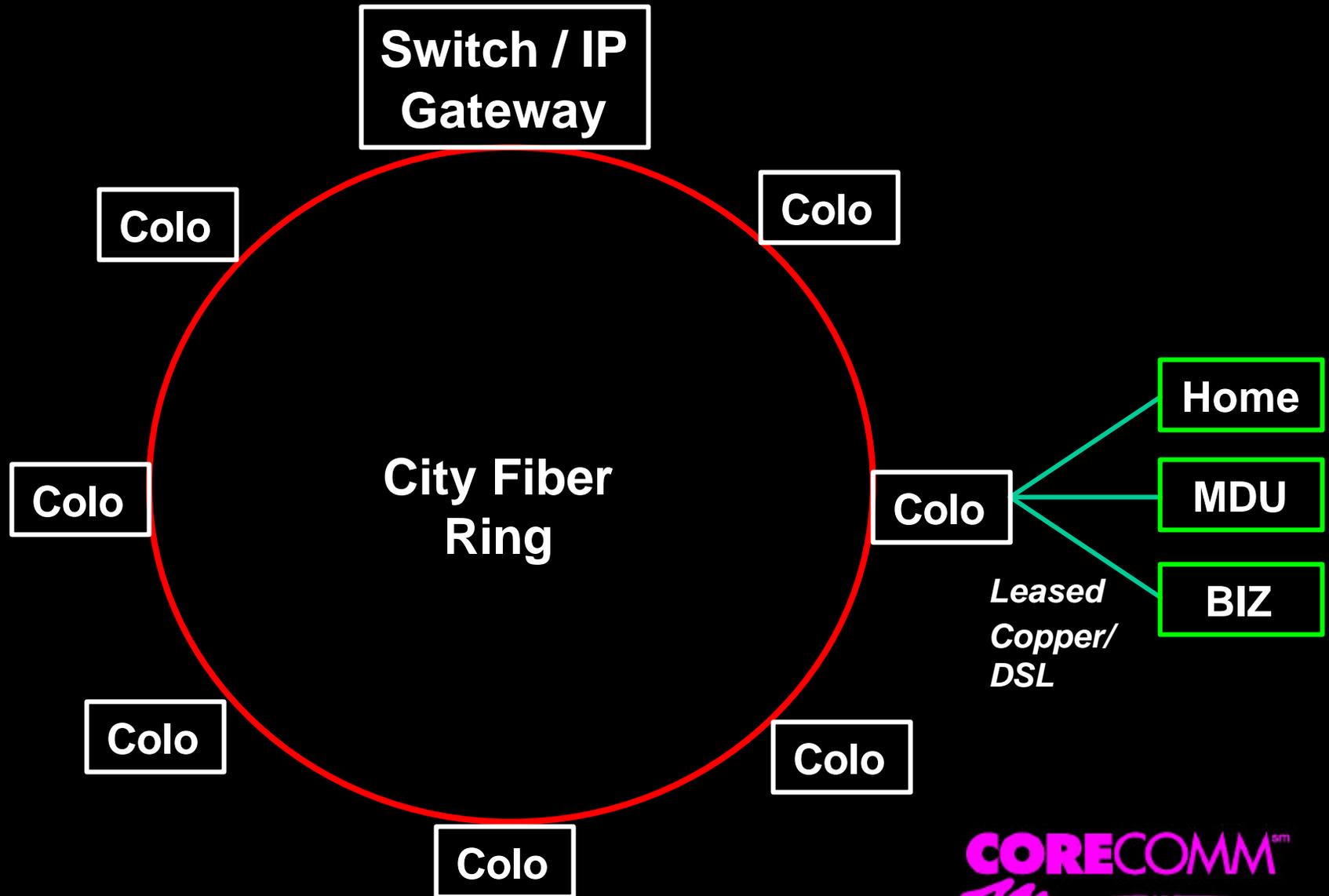
- Bundled phone / Internet / data services,
- Sold to residential and business customers,
- With “internet-centric” distribution
- Over both smart build and fiber direct networks
- To achieve low cost, high rate of return on investment



# Market Forces

- ~\$200 Billion U.S. market
  - 50% willing to convert
- Unbundled local loop allows creative approach
  - Rapid rollout & broad reach
  - Efficient capital deployment
  - High rates of return
- Internet useful as both product and process
- Residential market untouched

# Smart Build Network



# Smart LEC Advantages

- Capital Efficient
  - Lower overall cost
  - Success-led
- Attractive margins; control the customer
- Rapid rollout (6-12 mos.)
- Residential and business reach

# Competitive Advantage

- Faster / larger telephone reach than cable
- ILEC can't bundle as well
- Other new entrants focused on business only
- Low-cost Internet-centric operations
- Local loop network via fiber provides killer app at the appropriate time

# CoreComm Smart LEC

- CoreComm has perfected new technique:
  - low colo's to start, build to suit later
  - packages force all activations “in footprint”
  - 85% “on net” achievable, no trapped investment
  - migrating res customers not an issue

# Market Deployment

## Current

- Chicago
- Cleveland
- Columbus
- Detroit

## 2000

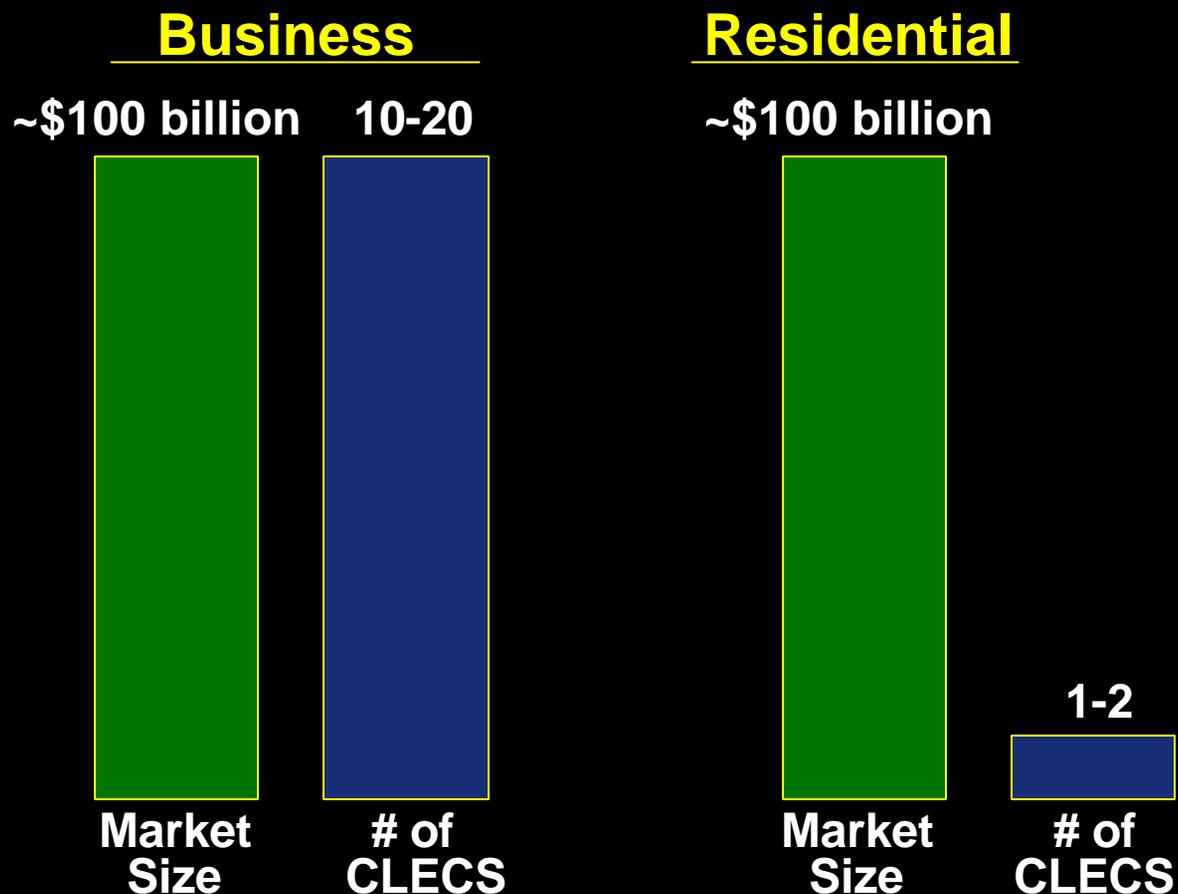
- New York
- Boston
- Philadelphia

## Potential

### 2001 - 2003

- Baltimore
- Washington
- Milwaukee
- +27 markets
- SBC;
- Bell South;
- US West

# The Residential Opportunity



Source: Based on FCC data and Company estimates



# Residential Bundle - eChat

- Simple, attractive offer: Telephone + Internet for price of telephone alone
- \$25 to \$39 per month minimum plus additional features and usage
- Targets Internet customers:
  - spend more, \$10-\$15 higher average
  - convert to high speed, \$30-\$40 for DSL

# NTL -- February 1996

For £8.87  
BT lets you talk.

£8.87 is the monthly cost of BT's standard telephone line rental.

For £8.87  
we give you something  
to talk about.

AND FOR £1 MORE



£8.87 is the monthly cost of CableTel's telephone line rental. The provision of TV channels for £1 is a promotional offer only.



**CableTel**

The telephone company worth watching

01582 610 700 (011) 457 146

© 1996 NTL Communications

**CORECOMM**<sup>sm</sup>  
*www.corecomm.com*

# “Internet-Centric”

- Every customer will be an Internet customer
- On-line:
  - sales, sign-up & provisioning
  - feature selection
  - billing
  - customer care / MAC
- Lowers costs, speeds rollout

# Business Bundle - CorePack

- Bundled Package for 5-15 lines
  - telephone, internet, local calls, LD, v-mail
  - \$55.95 per month per line
  - DSL for high speed, \$125-\$350 per month
- Integrated T-1 for 15-50 lines
  - telephone, data, internet bundle
  - \$1500 - \$2500 min per account
  - web services too

**CORECOMM**<sup>sm</sup>  
*u*

# Attractive Economics

<u>Capex / Line</u>	<u>Tel &amp; Int</u>	<u>w/ DSL</u>
Switching & Facilities	\$300	– \$300
Provisioning / set-up	75	– 75
Internet and Other	<u>25</u>	<u>– 350</u>
	\$400	– \$725

<u>Monthly Revenue / Line</u>	<u>Low</u>	<u>High</u>	
Telephony	\$50	– \$65	
Internet / DSL	<u>0</u>	<u>– 35</u>	
Total	\$50	– \$100	
Gross Profit margin)	\$25	– \$60	(50-60%
EBITDA margin)	\$12	– \$40	(25-40%
Annualized EBITDA	\$144	– \$480	

Unlevered Return 36% – 66%



# Sample Market Economics

*(\$ in Millions)*

## Cleveland, Ohio

- Total Telephone Lines 1,700,000
  - Sample Penetration 6%
  - Access Lines (Res & Bus) 100,000
  - Total Revenue \$ 80 mm
  - EBITDA \$ 28 mm
  
- Total Investment \$ 55 mm
  - Initial Capex: \$6.5 million

# Current Telephony Customer Base

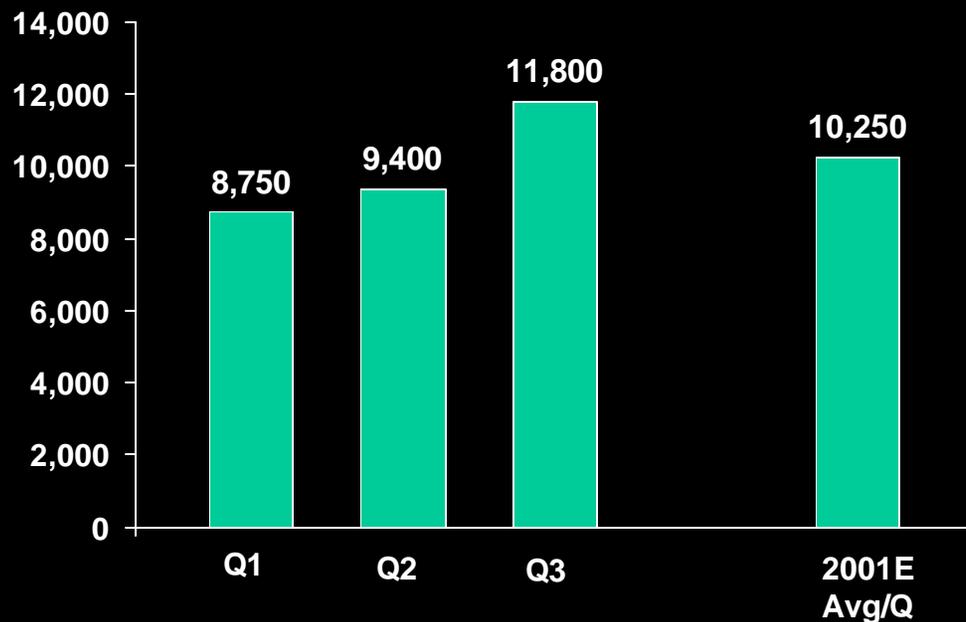
<b>Switch Market</b>	<b>Current Access Lines<sup>(1)</sup></b>			<b>Current Penetration</b>		<b>2005E Penetration</b>	
	<b>Res</b>	<b>Bus</b>	<b>Total</b>	<b>Res</b>	<b>Bus</b>	<b>Res</b>	<b>Bus</b>
Cleveland	18,900	14,500	33,400	1.6%	2.7%	6%	7%
Columbus	16,400	5,500	21,900	2.2%	1.8%	6%	7%
Philadelphia	500	137,300	137,800	NM	4.1%	6%	7%
Chicago	4,520	10,400	14,920	0.1%	0.6%	6%	7%

(1) Q3 Actual. Local Lines only. Excludes 18,800 dedicated lines and long distance lines.

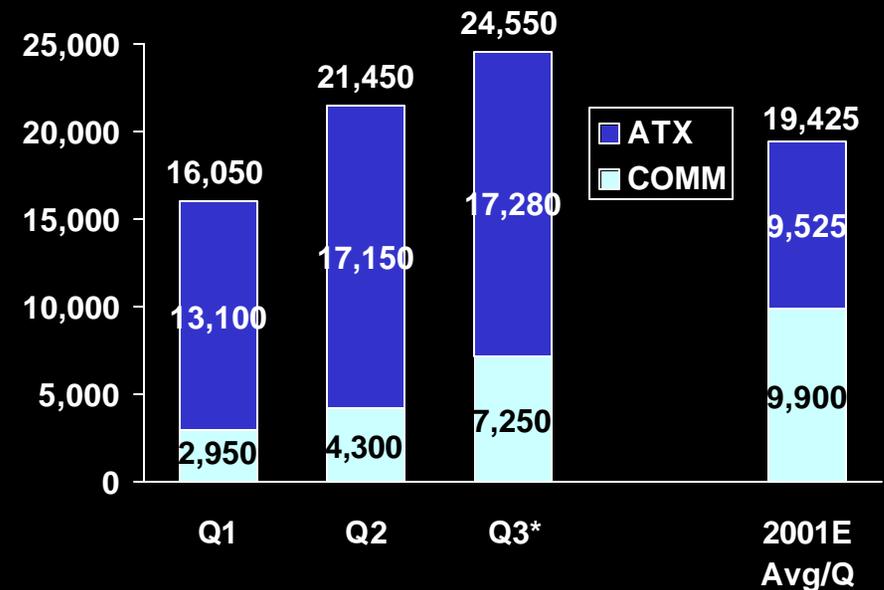


# Gross Additions

## Residential



## Business



\* ATX Q3 additions normalized for Verizon strike. Actual additions for Q3 were 8,126. September additions were 5,760.



# Residential Marketing

## Q3 2000 Gross Adds by Channel

Referral	42%
Core.com	20%
Direct Mail	14%
Telesales	14%
Other	<u>10%</u>
Total	100%

	<u>Current</u>	<u>Q4 Target</u>	<u>Projected</u>
Acquisition Costs: Total Sales & Marketing/ Gross Add	\$240 (includes branding)	\$170	\$120



# www.core.com Implementation

	<u>March</u>	<u>June</u>	<u>Sept</u>
% of gross adds	9%	15%	23%
Hits / Day	51,871	75,438	181,804
1st time visitors	50,800	57,463	59,118
E-mails answered	1,058	2,143	4,406
Avg. response time (min)	9.4	7.8	6.0

# On-Net and Migration

*(Cleveland & Columbus)*

	<u>Res</u>	<u>Bus</u>
• Initial target on-net percentage	65%	75%
• Q3 '00 additions - % on-net	38%	70%
• Total customers - in footprint	67%	69%
• Total off-net customers remaining	28,095	15,746
• # of additional collocations to reach approximately 85% in footprint		9

# Recent Acquisitions

# CoreComm Pro Forma for Acquisitions

*(\$ in Millions)*

	<u>CoreComm</u>	<u>Voyager.net</u>	<u>ATX</u>	<u>Pro Forma Combined</u>
Revenue (Q3 annualized)	\$73	\$74	\$153	\$300
Residential Local Access Lines	44,230			44,230
Business Local Access Lines	61,960		137,300	199,260
Internet Subscribers	99,000	358,000	4,600	461,600



# ATX Overview

- Same strategy, business focus
- Mid-Atlantic region, strong sales experience
- “Integrated T” approach
  - web hosting and ASP services too
- 137,000 local access lines
- \$161 million revenues, breakeven EBITDA

# Voyager.net Overview

- Largest ISP in Great Lakes region
- 360,000 subscribers
- Significant network (200 POPs)
- Superior Internet management
- \$75 million revenues; \$12 million EBITDA

# Economics of Internet Subscribers

## Voyager.net:

<u>Subs</u>	<u>Revenue</u>	<u>EBITDA</u>
360,000	\$75 mm	\$12 mm

## CoreComm / Voyager:

	<u>% Pen.</u>	<u>RGU's</u>	<u>Rev. / Sub/Mo</u>	<u>Annual Revenue</u>	<u>EBITDA</u>
Telephony	25%	90,000	\$60	\$ 65 million	
DSL	25%	90,000	\$40	\$ 43 million	
				<u>\$108 million</u>	\$40 million

Acquisition Multiple (excluding subscriber growth):

	<u>at Acquisition</u>	<u>Pro Forma</u>
Revenue	2.7x	1.1x
EBITDA	17.1x	3.9x



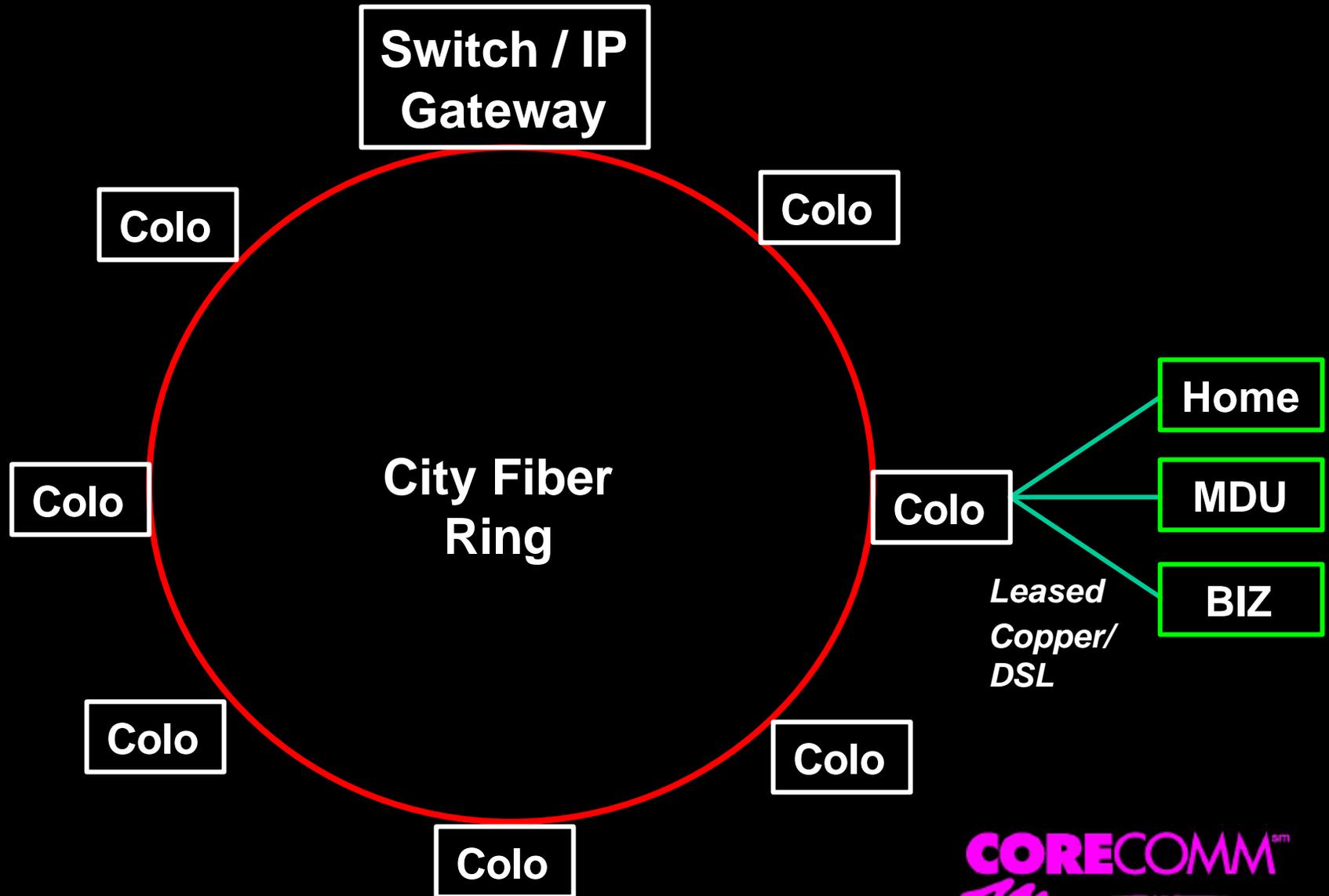
# CoreComm Direct Fiber Strategy



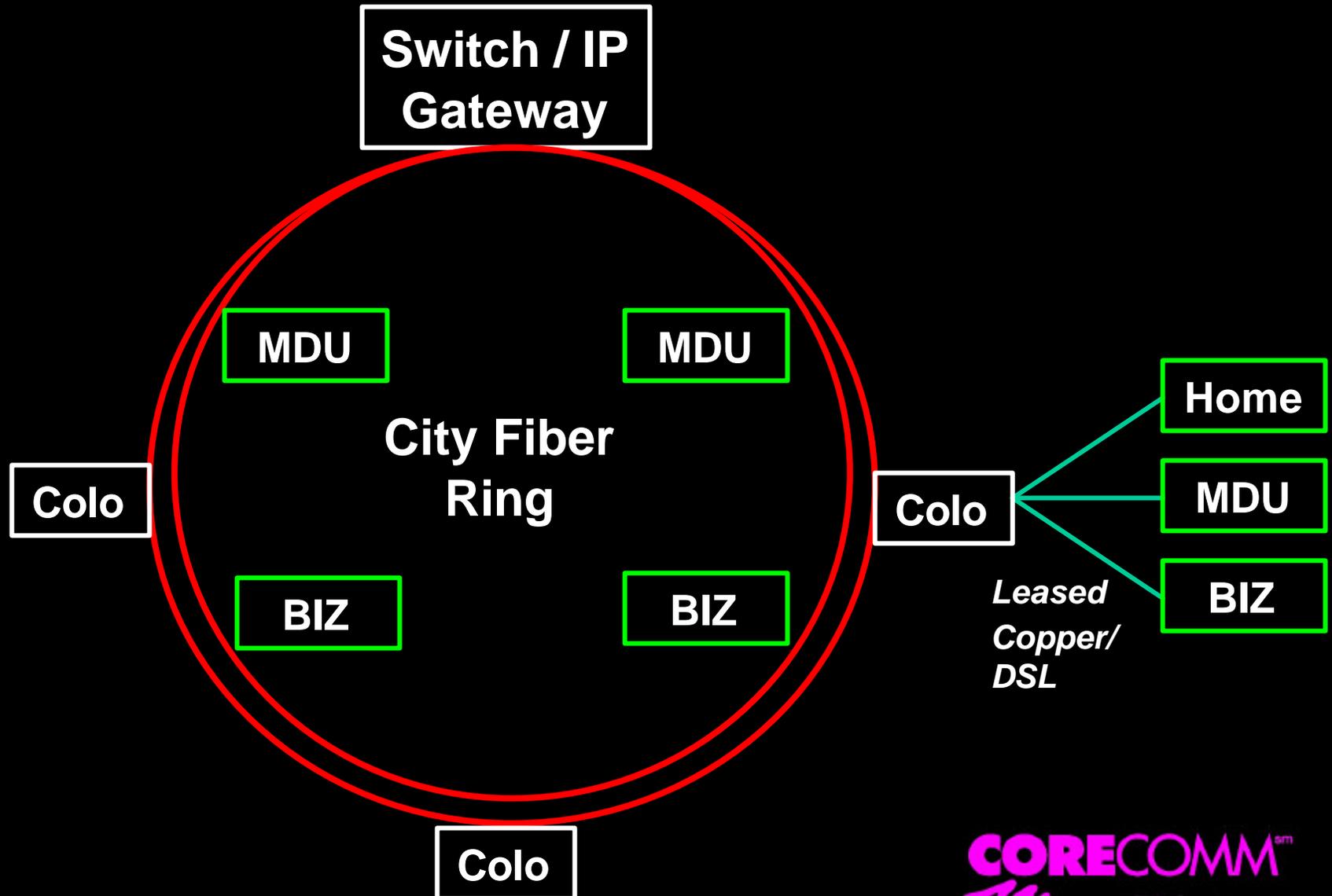
# “Killer App” Local Loop Network

- Rapid Deployment
  - Within CoreComm existing cities
  - Telephone & Internet gateway available
  - MDU targets -- available metro fiber
- Compelling economics, service control
- Strategic Partners - Cisco, IBM, Corning

# Smart Build Network



# Fiber Direct Network



# Summary of System Costs

- **Deployments costs**
  - Per premise: \$503
  - Per subscriber: \$658 (10 Mbps data)
- **Total cost per customer**
  - \$1,900 to \$2,400 (today)
  - 30% to 40% penetration
- **Significant declines expected**

# Summary

- Attractive Economics
- Achievable Plan
- Components in Place
- Early-Mover Advantage

**CORECOMM**<sup>sm</sup>  
*u*