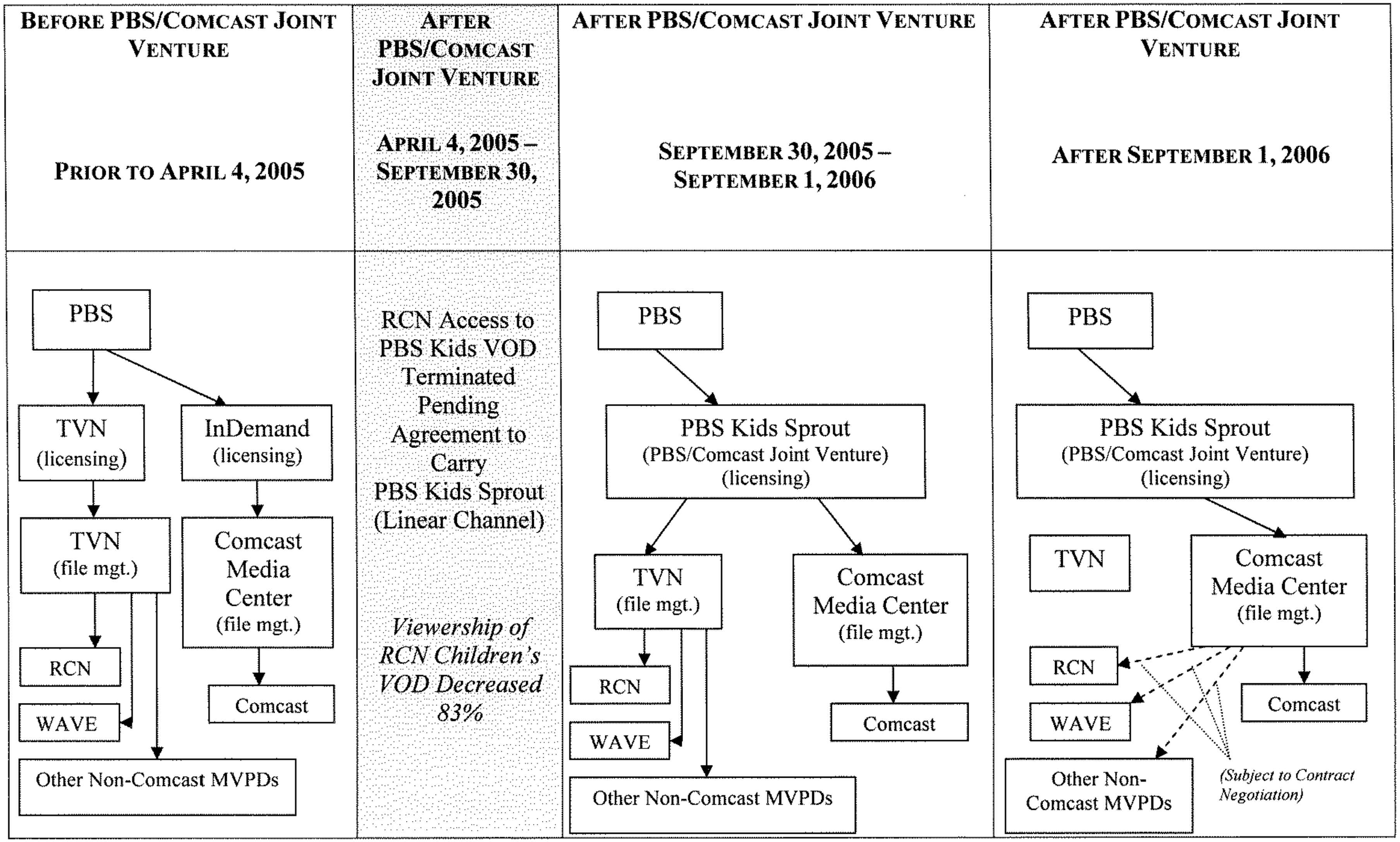
LICENSING AND DISTRIBUTION OF PBS KIDS VOD PROGRAMMING



Deutsche Bank

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Cable/Satellite Spotlight

Adelphia Reports May Results

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Adelphia filed May operating results today showing strong operating performance though subscriber results were unimpressive. Highlights include:

- Revenue for May was $401.2m, up 14.5%, though a small portion of this growth is attributable to the inclusion of the managed cable entities in the Debtor's systems as of Mar 31st (220k basic subs, 92k digital subs and 91k data subs). Total ARPU growth of 11.8% to $82.62/mo suggests core revenue trends are strong and improved from April's 10.7% growth and 1Q06's 8.8%.

- EBITDA also saw improvement to $138m, representing 22.5% growth and reaching a 34.4% margin, up 220bp y/y (below April's 410bp improvement but nice ahead of 1Q06's 100bp gain). On a comparable basis, EBITDA/avg basic subscriber was $28.43 in May (+19.5% y/y), down from April's $29.00 (+25.2% y/y) but up significantly from 1Q's $24.96 (+12.3% y/y).

- Basic sub losses in May were 14.3k, a slight improvement from 15.3k lost in May '05. Period end basic subscribers were 4.848m, down 2.2% y/y net of the managed subs added.

- Digital subscribers declined 2.3k, a disappointment relative to 6.3k added in May '05 and the first down month since August '05. This brings Adelphia to a total 2.044m digital subs, up 3.0% net of the managed systems added. Digital penetration of 42.1% compares well to Mediacom at 35.0% and Insight at 42.9%, but remains below Charter at 48.5%.

- Data subs grew 11k, below the 20k added in May '05. In total HSD ended at 1.844m, up 21.1% y/y net of the managed systems.

- FCF in May improved to $53.391m, up $93m y/y due to operating growth, improved working capital and capex being down 43% to $37.145m from May '05's $65.105m.

Results Review

Top Picks

Cablevision Systems (CVC.N), USD21.10	**Buy**

Companies Featured

	2005A	2006E	2007E
Comcast (CMCSA.OQ), USD31.58			**Buy**
EPS (USD)	0.52	0.81	1.25
P/E (x)	58.9	38.9	25.2
EV/EBITDA (x)	9.1	8.5	7.3
Cablevision Systems (CVC.N), USD21.10			**Buy**
EPS (USD)	-0.42	-0.39	0.36
P/E (x)	NA	NA	87.5
EV/EBITDA (x)	8.0	9.0	7.6
EchoStar Communications (DISH.OQ), USD30.25			
EPS (USD)	3.20	1.38	1.42
P/E (x)	9.1	22.9	22.3
EV/EBITDA (x)	9.3	7.3	6.6
DIRECTV (DTV.N), USD16.24			**Buy**
EPS (USD)	0.24	0.86	1.28
P/E (x)	62.0	36.5	24.6
EV/EBITDA (x)	13.4	14.0	9.7
Time Warner (TWX.N), USD17.17			**Buy**
EPS (USD)	0.56	0.88	1.02
P/E (x)	31.6	35.9	31.0
EV/EBITDA (x)	9.7	14.0	12.6

Adelphia's proposed sale to Time Warner and Comcast appears on track to close during July with the FCC likely to impose only minimal requirements including enforcing reasonable rates for competitors to acquire sports programming networks controlled by Comcast and Time Warner Cable. Additionally, with the bankruptcy court approving the latest reorganization plan, the transaction can now close even if the Adelphia creditors have not by then reached an agreement as to how to share the cash and Time Warner Cable stock proceeds from the deal.

Figure 1: Adelphia Monthly Operating Summary

(In 000s, except monthly ARPU numbers)

	1Q05A	Apr-05	May-05	Jun-05	2Q05A	3Q05A	4Q05E	1Q06A	Apr-06	May-06	Jun-06	2Q06A	2003	2004	2005E
Revenue	1,013,876	347,499	350,285	349,899	1,047,683	1,033,292	1,047,085	1,090,341	394,365	401,166	398,885	1,194,416	3,587,334	3,919,894	4,141,936
Y/Y % Change	*5.7%*	*7.7%*	*6.5%*	*7.0%*	*7.1%*	*5.2%*	*4.7%*	*7.5%*	*13.5%*	*14.5%*	*14.0%*	*14.0%*	------	*9.3%*	*5.7%*
Monthly ARPU	$ 70.96	$ 73.16	$ 73.91	$ 74.09	$ 73.74	$ 73.38	$ 74.65	$ 77.21	$ 81.02	$ 82.62	$ 82.44	$ 82.04	$ 58.65	$ 66.57	$ 73.38
Y/Y % Change	*11.2%*	*13.0%*	*11.8%*	*12.5%*	*12.5%*	*10.3%*	*8.3%*	*8.8%*	*10.7%*	*11.8%*	*11.3%*	*11.3%*	------	*13.5%*	*10.2%*
Operating Expense	(696,440)	(237,425)	(237,579)	(243,040)	(718,044)	(734,053)	(735,462)	(737,894)	(253,193)	(263,132)	(267,344)	(783,669)	(2,602,976)	(2,822,430)	(2,883,999)
Y/Y % Change	*-0.1%*	*2.1%*	*-2.7%*	*5.3%*	*1.5%*	*3.7%*	*3.6%*	*6.0%*	*6.6%*	*10.8%*	*10.0%*	*9.1%*		*8.4%*	*2.2%*
EBITDA (Adjusted for one-time chrgs)	317,436	110,074	112,706	106,859	329,639	299,239	311,623	352,447	141,172	138,034	131,541	410,747	984,358	1,097,464	1,257,937
Y/Y % Change	*21.3%*	*22.1%*	*33.1%*	*11.3%*	*21.7%*	*9.1%*	*7.2%*	*11.0%*	*28.3%*	*22.5%*	*23.1%*	*24.6%*	------	*11.5%*	*14.6%*
% Margin	*31.3%*	*31.7%*	*32.2%*	*30.5%*	*31.5%*	*29.0%*	*29.8%*	*32.3%*	*35.8%*	*34.4%*	*33.0%*	*34.4%*	*27.4%*	*28.0%*	*30.4%*
Depreciation & Amortization	(247,787)	(81,885)	(79,436)	(80,786)	(242,107)	(215,140)	(215,142)	(207,847)	(73,200)	(73,336)	(73,472)	(220,008)	(907,625)	(1,084,288)	(920,176)
Operating Income	69,649	28,189	33,270	26,073	87,532	84,099	96,481	144,600	67,972	64,698	58,069	190,739	76,733	13,176	337,761
Operating Cash Flow (OCF)	127,302	56,966	25,767	31,790	114,523	151,255	168,734	149,627	55,368	90,536	81,259	227,163	604,403	515,736	561,814
Y/Y % Change	*-17.1%*	*-932.1%*	*-154.0%*	*-55.7%*	*568.2%*	*10.0%*	*-18.7%*	*17.5%*	*-2.8%*	*251.4%*	*155.6%*	*98.4%*		*-14.7%*	*8.9%*
Capital Expenditure	(130,256)	(57,989)	(65,105)	(51,703)	(174,797)	(210,517)	(157,337)	(143,867)	(44,889)	(37,145)	(37,145)	(119,179)	(720,524)	(781,403)	(672,907)
Y/Y % Change	-34.5%	-14.7%	-16.0%	-48.5%	-28.9%	12.2%	5.7%	10.4%	-22.6%	-42.9%	-28.2%	-31.8%	------	*8.4%*	*-13.9%*
Capex % EBITDA	41.0%	52.7%	57.8%	48.4%	53.0%	70.4%	50.5%	40.8%	31.8%	26.9%	28.2%	29.0%	73.2%	71.2%	53.5%
Capex/Basic Sub	27.4	12.2	13.8	11.0	37.1	44.9	33.8	29.5	9.2	7.7	7.7	24.7	143.0	163.2	144.4
OpFCF	(2,954)	(1,023)	(39,338)	(19,913)	(60,274)	(59,262)	11,397	5,760	10,479	53,391	44,114	107,984	(116,121)	(265,667)	(111,093)
Y/Y % Change	-93.5%	-98.6%	-68.6%	-30.8%	-73.7%	18.0%	-80.6%	-295.0%	-1124.3%	-235.7%	-321.5%	-279.2%	------	*128.8%*	-58.2%
Margin % of Revenue	*-0.3%*	*-0.3%*	*-11.2%*	*-5.7%*	*-5.8%*	*-5.7%*	*1.1%*	*0.5%*	*2.7%*	*13.3%*	*11.1%*	*9.0%*	*-3.2%*	*-6.8%*	*-2.7%*
% of EBITDA	*-0.9%*	*-0.9%*	*-34.9%*	*-18.6%*	*-18.3%*	*-19.8%*	*3.7%*	*1.6%*	*7.4%*	*38.7%*	*33.5%*	*26.3%*	*-11.8%*	*-24.2%*	*-8.8%*
Filing Subs (1)															
Basic Subs	4,753.0	4,747.1	4,731.9	4,712.7	4,712.7	4,687.3	4,661.1	4,872.4	4,862.7	4,848.4	4,828.8	4,828.8	5,038.4	4,789.2	4,661.1
Y/Y % Change	-4.7%	-4.7%	-4.9%	-4.9%	-4.9%	-4.2%	-2.7%	2.5%	2.4%	2.5%	2.5%	2.5%	-----	*-4.9%*	*-2.7%*
Internal Net Adds	(36.2)	(5.9)	(15.3)	(19.1)	(40.3)	(25.4)	(26.3)	211.4	(9.8)	(14.3)	(19.6)	(43.6)	-----	(249.2)	(128.2)
Average Subs	*4,762.5*	*4,750.1*	*4,739.5*	*4,722.3*	*4,736.2*	*4,693.7*	*4,675.4*	*4,707.0*	*4,867.5*	*4,855.5*	*4,838.6*	*4,853.1*	*5,097.0*	*4,906.7*	*4,703.5*
Digital Subs	1,870.5	1,888.5	1,894.8	1,893.6	1,893.6	1,897.6	1,917.8	2,038.9	2,045.9	2,043.6	2,042.2	2,042.2	1,801.9	1,856.5	1,917.8
Y/Y % Change	3.5%	4.0%	2.9%	1.6%	1.6%	0.7%	3.3%	9.0%	8.3%	7.9%	7.9%	7.9%	------	*3.0%*	*3.3%*
Internal Net Adds	14.0	17.9	6.3	(1.2)	23.0	4.1	20.1	121.2	6.9	(2.3)	(1.3)	3.3	------	54.7	61.2
% of Basic Subs	*39.4%*	*39.8%*	*40.0%*	*40.2%*	*40.2%*	*40.5%*	*41.1%*	*41.8%*	*42.1%*	*42.1%*	*42.3%*	*42.3%*	*35.8%*	*38.8%*	*41.1%*
HSD Subs	1,396.7	1,426.5	1,446.8	1,463.2	1,463.2	1,555.0	1,619.4	1,808.0	1,832.6	1,843.7	1,864.5	1,864.5	951.4	1,316.2	1,619.4
Y/Y % Change	30.3%	28.3%	26.8%	25.7%	25.7%	24.5%	23.0%	29.5%	28.5%	27.4%	27.4%	27.4%	------	*38.3%*	*23.0%*
Internal Net Adds	80.5	29.9	20.3	16.4	66.5	91.9	64.4	188.6	24.6	11.1	20.9	56.5	-----	364.8	303.2
Total RGUs	8,020.2	8,062.2	8,073.5	8,069.5	8,069.5	8,140.0	8,198.2	8,719.4	8,741.1	8,735.7	8,735.6	8,735.6	7,791.7	7,868.2	8,198.2
Non Filing Subs (1)															
Basic Subs	423.59	423.17	422.88	418.12	418.12	418.47	279.67	59.92	60.00	60.42	60.42	60.42	431.36	422.37	279.67
Digital Subs	154.48	155.53	157.27	156.17	156.17	156.43	90.96	0.24	0.28	0.28	0.28	0.28	150.33	152.42	90.96
HSD Subs	94.24	96.90	98.98	99.12	99.12	108.06	94.93	7.77	7.77	8.30	8.30	8.30	64.86	87.53	94.93
Total Subs															
Estimated Homes Passed	10,377.2	-----	-----	-----	10,377.2	11,604.1	10,905.0	10,905.0	-----	-----	-----	10,377.2	10,317.2	10,377.2	10,905.0
Basic Subs	5,176.6	5,170.3	5,154.8	5,130.9	5,130.9	5,105.8	4,940.7	4,932.3	4,922.7	4,908.8	4,889.2	4,889.2	5,469.8	5,211.58	4,940.72
Estimated Penetration	49.9%	-----	-----	-----	49.4%	44.0%	45.3%	45.2%	-----	-----	-----	47.1%	53.0%	50.2%	45.3%
Internal Net Adds	*(35)*	*(6)*	*(16)*	*(24)*	*(46)*	*(25)*	*(165)*	*(8)*	*(10)*	*(14)*	*(20)*	*(43)*	-----	*(258)*	*(271)*
Digital Subs	2,025.0	2,044.0	2,052.1	2,049.7	2,049.7	2,054.1	2,008.7	2,039.2	2,046.1	2,043.9	2,042.5	2,042.5	1,952.2	2,008.9	2,008.72
Internal Net Adds	*16.1*	*19.0*	*8.1*	*(2.3)*	*24.7*	*4.3*	*(45.4)*	*30.5*	*7.0*	*(2.3)*	*(1.3)*	*3.3*	-----	*57*	*(0)*
% of Basic Subs	39.1%	39.5%	39.8%	39.9%	39.9%	40.2%	40.7%	41.3%	41.6%	41.6%	41.8%	41.8%	35.7%	38.5%	40.7%
HSD Subs	1,490.9	1,523.5	1,545.8	1,562.3	1,562.3	1,663.1	1,714.3	1,815.8	1,840.4	1,852.0	1,872.8	1,872.8	1,016.3	1,403.7	1,714.34
Internal Net Adds	*87*	*33*	*22*	*17*	*71*	*101*	*51*	*101.4*	*25*	*12*	*21*	*57*	-----	*387*	*311*

(1) As of March 31st, the Managed Cable Entities are included as part of the Debtor's systems, moving about 220k basic subs, 92k digital subs and 91k data subs from non-filing to filing.

Source: Deutsche Bank

Figure 2: Adelphia Quarterly Operating Summary

(In 000s, except monthly ARPU numbers)

	1Q04A	2Q04A	3Q04A	4Q04A	1Q05A	2Q05A	3Q05A	4Q05E	1Q06A	2Q06A	2003	2004	2005E
Revenue	959,212	978,342	982,076	1,000,264	1,013,876	1,047,683	1,033,292	1,047,085	1,090,341	1,194,416	3,587,334	3,919,894	4,141,936
Y/Y % Change	*13.5%*	*7.7%*	*9.1%*	*7.1%*	*5.7%*	*7.1%*	*5.2%*	*4.7%*	*7.5%*	*14.0%*	-----	*9.3%*	*5.7%*
Monthly ARPU	$ 63.82	$ 65.55	$ 66.55	$ 68.90	$ 70.96	$ 73.74	$ 73.38	$ 74.65	$ 77.21	$ 82.04	$ 58.65	$ 66.57	$ 73.38
Y/Y % Change	---	*11.3%*	*12.9%*	*12.1%*	*11.2%*	*12.5%*	*10.3%*	*8.3%*	*8.8%*	*11.3%*	-----	*13.5%*	*10.2%*
Operating Expense	(697,468)	(707,491)	(707,891)	(709,580)	(696,440)	(718,044)	(734,053)	(735,462)	(737,894)	(783,669)	(2,602,976)	(2,822,430)	(2,883,999)
Y/Y % Change	*13.8%*	*10.3%*	*10.4%*	*0.3%*	*-0.1%*	*1.5%*	*3.7%*	*3.6%*	*6.0%*	*9.1%*		*8.4%*	*2.2%*
EBITDA (Adjusted for one-time chrgs)	261,744	270,851	274,185	290,684	317,436	329,639	299,239	311,623	352,447	410,747	984,358	1,097,464	1,257,937
Y/Y % Change	*12.7%*	*1.4%*	*5.9%*	*28.5%*	*21.3%*	*21.7%*	*9.1%*	*7.2%*	*11.0%*	*24.6%*	-----	*11.5%*	*14.6%*
% Margin	*27.3%*	*27.7%*	*27.9%*	*29.1%*	*31.3%*	*31.5%*	*29.0%*	*29.8%*	*32.3%*	*34.4%*	*27.4%*	*28.0%*	*30.4%*
Depreciation & Amortization	(268,900)	(278,101)	(261,552)	(275,735)	(247,787)	(242,107)	(215,140)	(215,142)	(207,847)	(220,008)	(907,625)	(1,084,288)	(920,176)
Operating Income	(7,156)	(7,250)	12,633	14,949	69,649	87,532	84,099	96,481	144,600	190,739	76,733	13,176	337,761
Operating Cash Flow (OCF)	153,506	17,138	137,468	207,624	127,302	114,523	151,255	168,734	149,627	227,163	604,403	515,736	561,814
Y/Y % Change	*-25.6%*	*-84.3%*	*-21.7%*	*82.9%*	*-17.1%*	*568.2%*	*10.0%*	*-18.7%*	*17.5%*	*98.4%*		*-14.7%*	*8.9%*
Capital Expenditure	(198,777)	(246,008)	(187,710)	(148,908)	(130,256)	(174,797)	(210,517)	(157,337)	(143,867)	(119,179)	(720,524)	(781,403)	(672,907)
Y/Y % Change	23.5%	94.1%	-14.6%	-30.1%	-34.5%	-28.9%	12.2%	5.7%	10.4%	-31.8%	-----	*8.4%*	*-13.9%*
Capex % EBITDA	75.9%	90.8%	68.5%	51.2%	41.0%	53.0%	70.4%	50.5%	40.8%	29.0%	73.2%	71.2%	53.5%
Capex/Basic Sub	39.8	49.6	38.4	31.1	27.4	37.1	44.9	33.8	29.5	24.7	143.0	163.2	144.4
OpFCF	(45,271)	(228,870)	(50,242)	58,716	(2,954)	(60,274)	(59,262)	11,397	5,760	107,984	(116,121)	(265,667)	(111,093)
Y/Y % Change	-199.6%	1185.6%	13.6%	-159.0%	-93.5%	-73.7%	18.0%	-80.6%	-295.0%	-279.2%	-----	*128.8%*	*-58.2%*
Margin % of Revenue	*-4.7%*	*-23.4%*	*-5.1%*	*5.9%*	*-0.3%*	*-5.8%*	*-5.7%*	*1.1%*	*0.5%*	*9.0%*	*-3.2%*	*-6.8%*	*-2.7%*
% of EBITDA	*-17.3%*	*-84.5%*	*-18.3%*	*20.2%*	*-0.9%*	*-18.3%*	*-19.8%*	*3.7%*	*1.6%*	*26.3%*	*-11.8%*	*-24.2%*	*-8.8%*
Filing Subs (1)													
Basic Subs	4,989.7	4,957.2	4,890.7	4,789.2	4,753.0	4,712.7	4,687.3	4,661.1	4,872.4	4,828.8	5,038.4	4,789.2	4,661.1
Y/Y % Change	-3.2%	-3.1%	-3.7%	-4.9%	-4.7%	-4.9%	-4.2%	-2.7%	2.5%	2.5%	-----	*-4.9%*	*-2.7%*
Internal Net Adds	(48.7)	(32.5)	(66.6)	(101.4)	(36.2)	(40.3)	(25.4)	(26.3)	211.4	(43.6)	-----	(249.2)	(128.2)
Average Subs	*5,010.2*	*4,974.7*	*4,919.2*	*4,839.0*	*4,762.5*	*4,736.2*	*4,693.7*	*4,675.4*	*4,707.0*	*4,853.1*	*5,097.0*	*4,906.7*	*4,703.5*
Digital Subs	1,806.5	1,864.6	1,883.6	1,856.5	1,870.5	1,893.6	1,897.6	1,917.8	2,038.9	2,042.2	1,801.9	1,856.5	1,917.8
Y/Y % Change	2.7%	5.0%	3.3%	3.0%	3.5%	1.6%	0.7%	3.3%	9.0%	7.9%	-----	*3.0%*	*3.3%*
Internal Net Adds	4.7	58.0	19.1	(27.1)	14.0	23.0	4.1	20.1	121.2	3.3	-----	54.7	61.2
% of Basic Subs	*36.2%*	*37.6%*	*38.5%*	*38.8%*	*39.4%*	*40.2%*	*40.5%*	*41.1%*	*41.8%*	*42.3%*	*35.8%*	*38.8%*	*41.1%*
HSD Subs	1,071.9	1,164.3	1,248.7	1,316.2	1,396.7	1,463.2	1,555.0	1,619.4	1,808.0	1,864.5	951.4	1,316.2	1,619.4
Y/Y % Change	50.6%	49.1%	42.4%	38.3%	30.3%	25.7%	24.5%	23.0%	29.5%	27.4%	-----	*38.3%*	*23.0%*
Internal Net Adds	120.5	92.4	84.3	67.5	80.5	66.5	91.9	64.4	188.6	56.5	-----	364.8	303.2
Total RGUs	7,868.2	7,986.1	8,022.9	7,961.9	8,020.2	8,069.5	8,140.0	8,198.2	8,719.4	8,735.6	7,791.7	7,868.2	8,198.2
Non Filing Subs (1)													
Basic Subs	425.39	423.51	422.25	422.37	423.59	418.12	418.47	279.67	59.92	60.42	431.36	422.37	279.67
Digital Subs	148.41	150.79	152.32	152.42	154.48	156.17	156.43	90.96	0.24	0.28	150.33	152.42	90.96
HSD Subs	70.95	76.86	82.60	87.53	94.24	99.12	108.06	94.93	7.77	8.30	64.86	87.53	94.93
Total Subs													
Estimated Homes Passed	10,337.2	10,357.2	10,377.2	10,377.2	10,377.2	10,377.2	11,604.1	10,905.0	10,905.0	10,377.2	10,317.2	10,377.2	10,905.0
Basic Subs	5,415.1	5,380.7	5,312.9	5,211.6	5,176.6	5,130.9	5,105.8	4,940.7	4,932.3	4,889.2	5,469.8	5,211.58	4,940.72
Estimated Penetration	52.4%	52.0%	51.2%	50.2%	49.9%	49.4%	44.0%	45.3%	45.2%	47.1%	53.0%	50.2%	45.3%
Internal Net Adds	*(55)*	*(34)*	*(68)*	*(101)*	*(35)*	*(46)*	*(25)*	*(165)*	*(8)*	*(43)*	-----	*(258)*	*(271)*
Digital Subs	1,955.0	2,015.3	2,035.9	2,008.9	2,025.0	2,049.7	2,054.1	2,008.7	2,039.2	2,042.5	1,952.2	2,008.9	2,008.72
Internal Net Adds	*2.8*	*60.4*	*20.6*	*(27.0)*	*16.1*	*24.7*	*4.3*	*(45.4)*	*30.5*	*3.3*	-----	*57*	*(0)*
% of Basic Subs	36.1%	37.5%	38.3%	38.5%	39.1%	39.9%	40.2%	40.7%	41.3%	41.8%	35.7%	38.5%	40.7%
HSD Subs	1,142.9	1,241.2	1,331.3	1,403.7	1,490.9	1,562.3	1,663.1	1,714.3	1,815.8	1,872.8	1,016.3	1,403.7	1,714.34
Internal Net Adds	*127*	*98*	*90*	*72*	*87*	*71*	*101*	*51*	*101.4*	*57*	-----	*387*	*311*

(1) As of March 31st, the Managed Cable Entities are included as part of the Debtor's systems, moving about 220k basic subs, 92k digital subs and 91k data subs from non-filing to filing.

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
Comcast	CMCSA.OQ	31.56 (USD) 23 Jun 06	2,6,7,8,14
Cablevision Systems	CVC.N	20.89 (USD) 23 Jun 06	2,6,7,8
EchoStar Communications	DISH.OQ	30.16 (USD) 23 Jun 06	2,6,7,8
DIRECTV	DTV.N	16.23 (USD) 23 Jun 06	2
Time Warner	TWX.N	16.97 (USD) 23 Jun 06	2,6,7,8,14,15,17

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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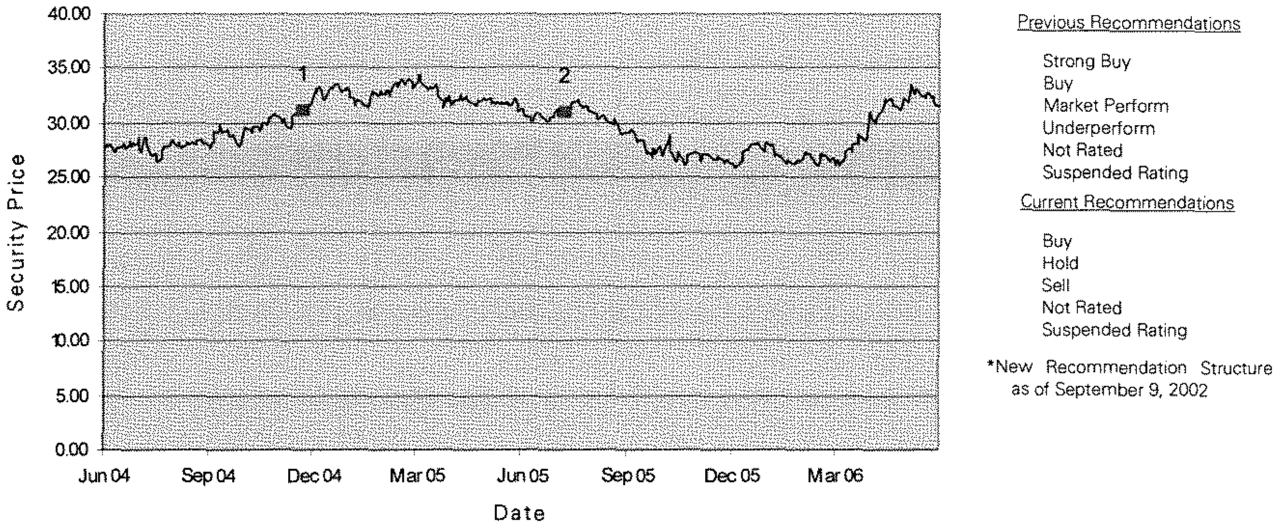
Historical recommendations and target price: Comcast (CMCSA.OQ)

(as of 6/26/2006)



1.	12/16/2004:	Buy, Target Price Change USD36.00	2.	8/3/2005:	Buy, Target Price Change USD38.00

Historical recommendations and target price: Cablevision Systems (CVC.N)

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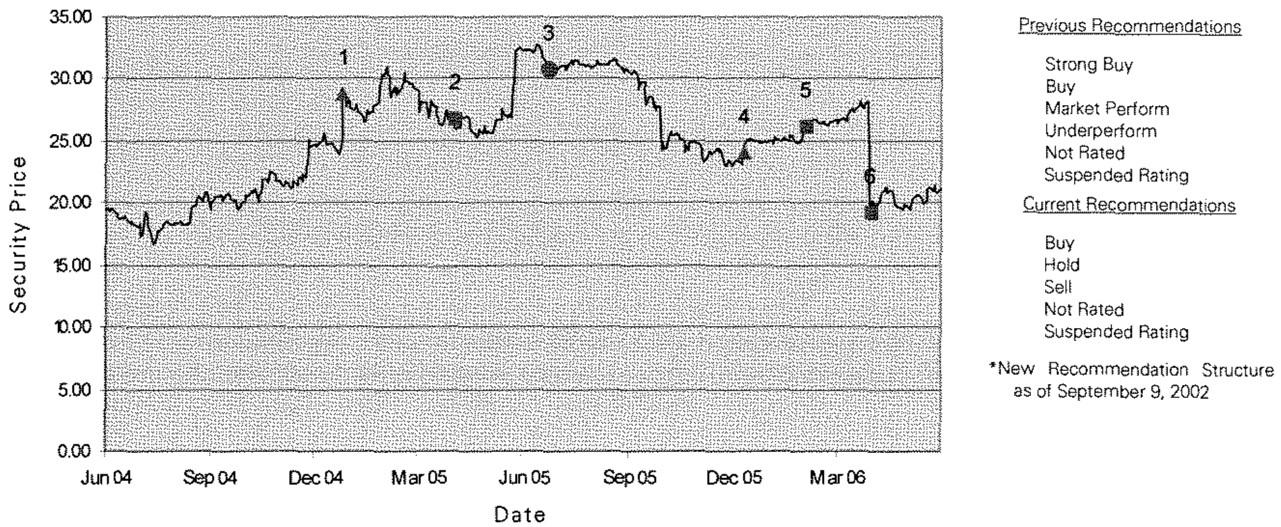
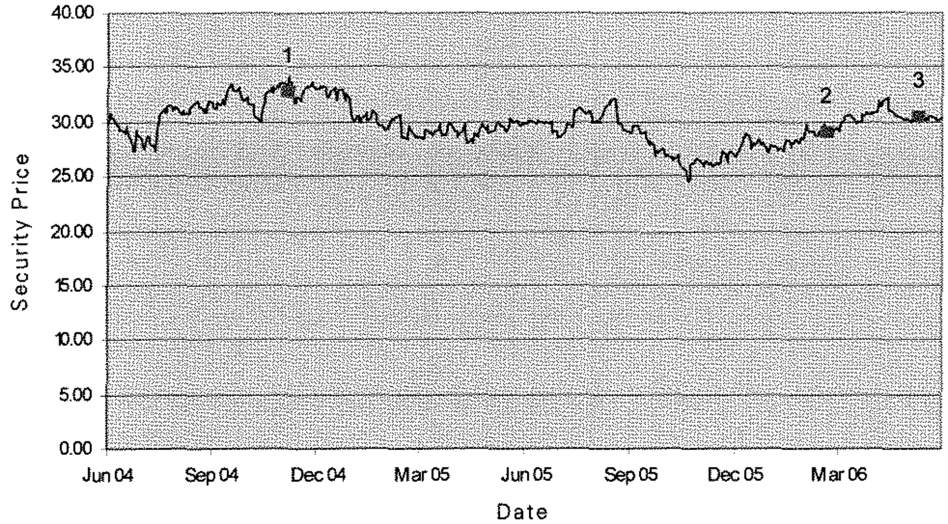


1.	1/21/2005:	Upgrade to Buy, Target Price Change USD32.00	4.	1/5/2006:	Upgrade to Buy, Target Price Change USD33.00
2.	4/27/2005:	Buy, Target Price Change USD37.00	5.	2/28/2006:	Buy, Target Price Change USD34.00
3.	7/19/2005:	Downgrade to Hold, Target Price Change USD31.00	6.	4/25/2006:	Buy, Target Price Change USD28.00

Historical recommendations and target price: EchoStar Communications (DISH.OQ)

(as of 6/26/2006)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

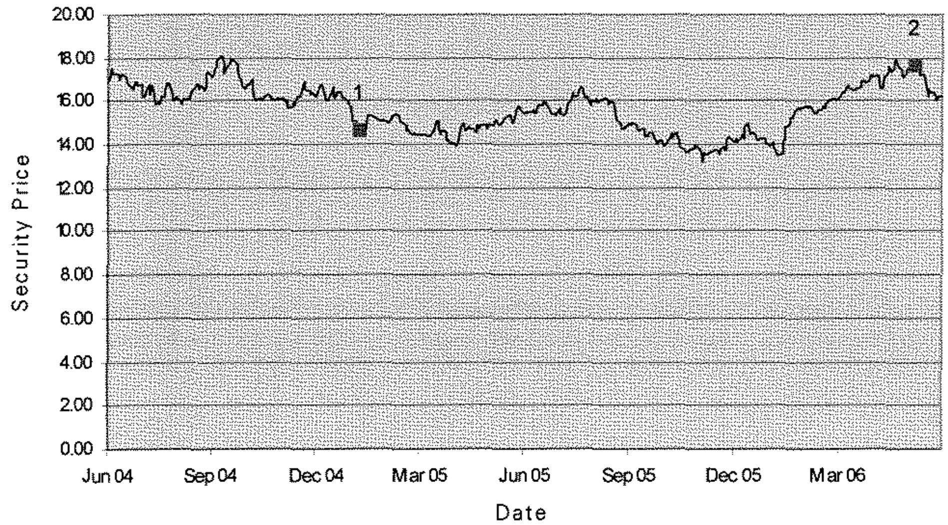
Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

1. 11/30/2004: Buy, Target Price Change USD40.00
2. 3/16/2006: Buy, Target Price Change USD34.00
3. 6/5/2006: Buy, Target Price Change USD35.00

Historical recommendations and target price: DIRECTV (DTV.N)

(as of 6/26/2006)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

1. 2/2/2005: Buy, Target Price Change USD19.00
2. 6/1/2006: Buy, Target Price Change USD19.40

Historical recommendations and target price: Time Warner (TWX.N)

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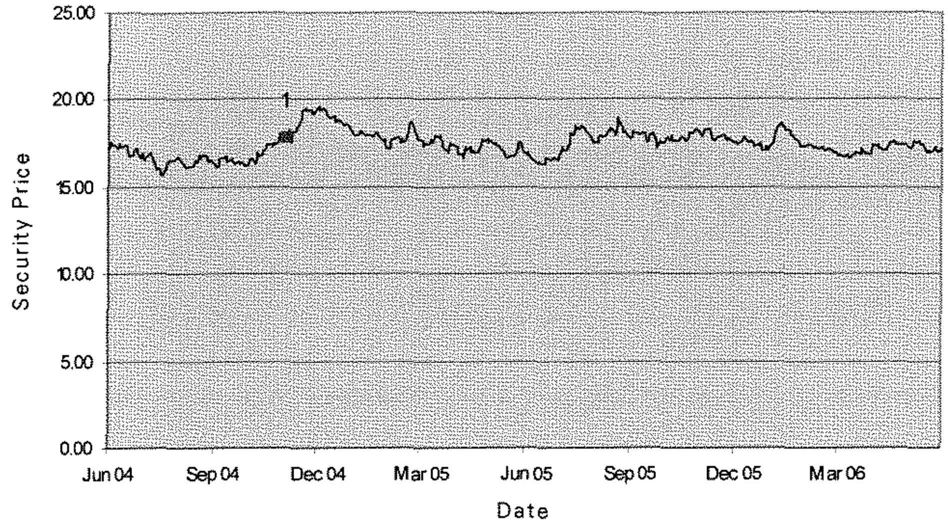

Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

1. 11/29/2004: Buy, Target Price Change USD24.00

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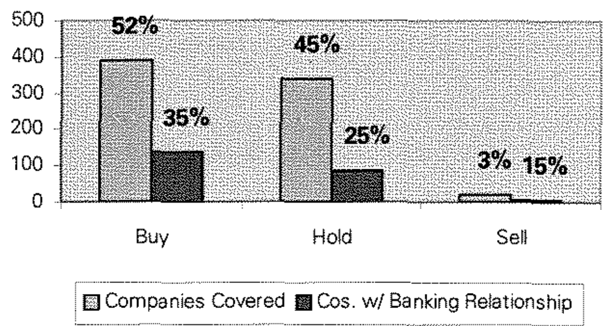

North American Universe

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Telco Video Entry: Good for Some

Why Content Companies Stand to Benefit from Telco Video Entry

- **Telco video entry will create more than $3.8 billion in incremental value for companies with cable network exposure.**
- **The incremental value is a result of two things: 1) the telco firms lack scale, and 2) the telco firms tend to offer richer video packages, resulting in higher affiliate fees.**
- **We believe four companies will see the most equity appreciation from this trend: Disney, Viacom, Cablevision, and Time Warner.**
- **Telco video entry should add about 1.7% to Disney's equity value. Viacom should see about 1.2% in equity appreciation. Owing to its highly leveraged balance sheet, Cablevision should also see about 1.2% in appreciation. Time Warner should see 1.1% appreciation.**
- **Although News Corp., Comcast, and Scripps also benefit, the magnitude of the upside is more muted. Each of these cable network owners should see less than 1% in equity appreciation from telco video entry.**

United States

[redacted]

Investment Summary

Telco video entry should create significant incremental value — about \$3.8 billion — for the owners of cable networks. We believe Disney, Viacom, Time Warner, and (surprisingly) Cablevision stand to reap the most sizable gains.

Telco video entry is a positive for owners of cable networks.
We believe telco video entry is a positive for owners of cable network for two reasons. First, the telco firms will not enjoy the scale benefits of the incumbent pay-TV providers for many years. That suggests they will pay a premium for cable content. Second, telco entrants tend to offer consumers video packages with far more channels. This should result in higher annual affiliate payments versus the cable and DBS (direct broadcast satellite) firms.

We believe telco video entry creates \$3.8 billion in value.
We expect telco firms' lack of scale to add about \$2.5 billion in incremental value for cable networks. Also, we expect richer video packages to add almost \$1.4 billion in value. In total, telco video entry should create more than \$3.8 billion in incremental value for owners of cable networks.

Not all cable network firms will reap the same gains.
Since each media conglomerate has a different share of affiliate payments and each company has a different capital structure (debt versus equity), the \$3.8 billion in spoils will affect each equity differently. We expect Disney, Viacom, Time Warner, and (surprisingly) Cablevision to reap the most significant gains. We believe Disney could see 1.7% equity appreciation from telco video entry. Viacom and Cablevision should see 1.2% equity appreciation.

Other cable network gains will be smaller.
Although telco video entry will be a positive for all owners of cable networks, we believe News Corp., Comcast, and Scripps will see a smaller benefit. We expect News Corp.'s equity to see a 0.5% lift. Scripps should experience only a 0.4% gain in equity value, and Comcast should see just a 0.2% increase.

Telco FTTN strategies may offer wider reach and a contingency.
We believe video over a well-architected fiber-to-the-node (FTTN) strategy can more quickly reach a wider audience at a more-efficient cost versus a fiber-to-the-home (FTTH) approach. Ultimately, we believe telcos and DBS providers could consider deeper partnerships or mergers, as DBS providers are in need of a data channel for on-demand services and for capacity, whereas telcos could try to use a DBS operator's customer base to get greater scale on content. Until then, the serious consideration by DBS operators to deploy a wireless solution remains a potential catalyst for tower stocks; American Tower remains our top pick with a Buy/High Risk (1H) rating with a \$38 target price. Importantly, we believe AT&T can still use a hybrid DBS/(internet protocol) IP TV solution to offer competitive video services to a larger proportion of its households than its current goal or to the extent stand-alone IP TV fails to meet expectations.

Summary

Both cable and DBS investors fret about the long-term implications of telco video entry. But that does not mean that telco video entry is bad for *all* the stocks in the pay-TV industry. Indeed, we think companies with business mixes skewed toward cable network content could actually stand to reap sizable gains. We think most of those gains are not (yet) in the Streets estimates.

The cable network gains — for companies like Viacom, Time Warner, Disney, News Corp., and Scripps — are a result of two things. First, since the telco firms have little to no scale in the video business, the content companies should be able to charge these video upstarts a sizable premium for their content. Second, a more subtle source of economic gain stems from telco video packages that tend to be far more generous in selling video packages with lots of channels. That should lead to higher affiliate payments to the content companies even if (or when) telco video entrants gain scale.

We do not mean to suggest that these benefits will accrue to the content companies in 2006. They may not even benefit the content companies materially in 2007. However, we do think telco video entry should provide a multiyear benefit to cable network firms. We see more than $3.8 billion in incremental value flowing from the pay-TV distributors to the content owners. We believe Disney, Viacom, Time Warner, and Cablevision stand to benefit the most. Smaller benefits will also accrue to News Corp., Comcast, and Scripps, in our view.

We divide this report into three main sections. In the first section, we show that scale in the video business matters and is actually becoming more important. We use historical data to quantify the benefit to owners of cable networks as they sell programming to new entrants with no scale. In the second section, we show that the telco firms tend to offer richer video packages. We use this data to show that cable networks should see a second benefit from this phenomenon as well. Finally, in the third section, we add these two benefits together and allocate the new-found spoils among those companies with cable network exposure, including Disney, Viacom, Time Warner, Cablevision, News Corp., Comcast, Scripps, and GE.

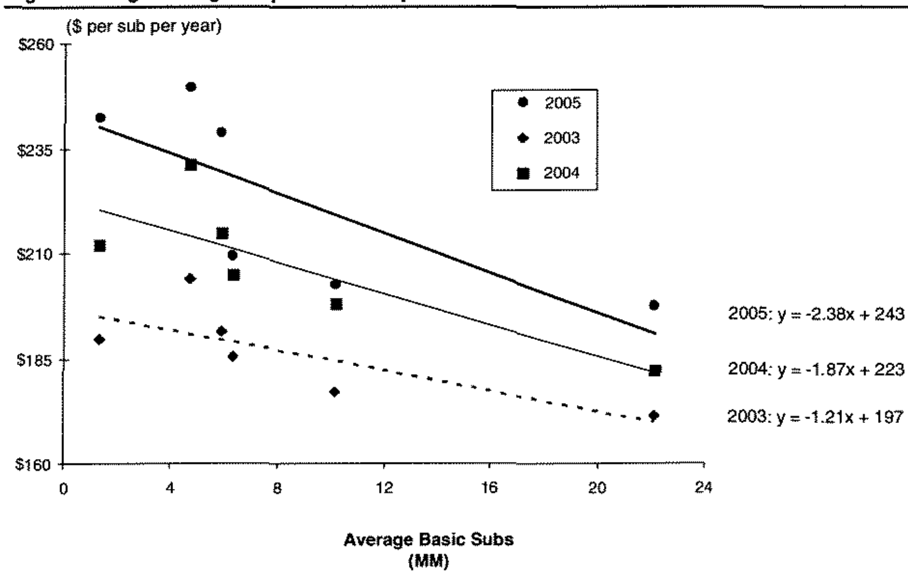
Benefit No. 1: Lack of Scale

Scale Matters and is Getting More Important

In Figure 1 we summarize three years of programming costs (relative to scale) for most pay-TV companies. (Cablevision, Mediacom, DirecTV, and EchoStar do not disclose programming costs in their SEC filings.) However, based on the public disclosures that are available (Comcast, Charter, Adelphia, Time Warner, and Comcast) the data suggest two things:

- First, scale matters. The lines in the figure are downward sloping because larger cable companies, like Comcast, generally pay less for programming than smaller cable companies like Cox.
- Second, the importance of scale is increasing over time. In 2003, an extra one million video subscribers helped defray programming costs by $1.21 per sub per year. By 2004, an extra million subs lowered programming costs by $1.87 per sub per year. And by 2005, the benefit of an extra million subs increased the savings further, to $2.39 per sub per year.

Figure 1. Programming Cost per Video Sub per Year



Source: Company reports and Citigroup Investment Research

We can use the regression output from Figure 1 to show the data slightly differently. At the top of Figure 2 we summarize the two key regression variables: the y-intercept and the slope. The y-intercept tells us what a pay-TV firm — like a cable, DBS, or telco firm — would pay if it had *no* video customers. The slope of the line tells us the average discount a pay-TV firm received from having an additional one million video customers.

In the middle section of Figure 2 we show what a cable or DBS company should pay for programming as it gains scale. For example, in 2003, if a carrier had no video customers, it paid $197 per year for content. If the buyer has 25 million subs (e.g., if it is just larger than Comcast), it paid about $167 per year. This suggests the larger firm saved about 15% on programming costs (see bottom portion of Figure 2).

The critical conclusion we draw from the data is not just that scale matters, but that it is actually becoming more important. For example, in 2003 a buyer saved 15% by serving the most customers. By 2005, the same difference in video subs — zero versus 25 million — caused savings to increase to 25%.

Figure 2. Predicted Programming Costs vs. Video Scale — 2003–05

Regression Output

Year	Y-Intercept	Slope
2003	$ 197	$ (1.21)
2004	$ 223	$ (1.87)
2005	$ 243	$ (2.39)

Predicted Programming Costs per Sub per Year

	Millions of video subs				
Year	0	5	10	20	25
2003	$ 197	$ 191	$ 185	$ 173	$ 167
2004	$ 223	$ 214	$ 204	$ 186	$ 176
2005	$ 243	$ 231	$ 219	$ 195	$ 183

Index of Programming Costs per Year

	Millions of video subs				
Year	0	5	10	20	25
2003	100%	97%	94%	88%	85%
2004	100%	96%	92%	83%	79%
2005	100%	95%	90%	80%	75%

Source: Company reports and Citigroup Investment Research

Incumbent Costs to Increase from $211 in 2005 to $349 by 2015

In Figure 3 we show the average programming cost per sub for a typical incumbent using the regression data in Figure 2. Between 2003 and 2005, the historical data suggest that the average pay-TV provider's costs increase from $181 to $211 per sub per year. Going forward, we assume that these costs moderate, to 7% affiliate fee growth in 2006 and 2007, and then slow further to 5%–6% growth through 2010. By 2015, we believe affiliate growth for the incumbents will slow to just 3%.

Behind the headline growth figure, we assume that scale will continue to become more important through 2009. That is, the slope of the line in our regression continues to get steeper. After 2009, however, we assume the importance of scale remains constant. Our outlook reflects two beliefs.

- First, that scale will continue to matter more over the near term as large carriers with new-found scale — such as Comcast and Time Warner following the purchase of Adelphia — continue to push average costs lower.
- Second, we assume that large carriers, like DirecTV and EchoStar, will also be able to push affiliate fees lower when they renegotiate their contracts at prices more consistent with their rapid organic growth. After 2009, however, we

expect most of these transitional forces to moderate. As such, scale will still matter. But it will not become *sequentially* more important.

Figure 3. Incumbent Pay TV Programming Cost per Sub per Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Avg incum. video subs	13.1	13.3	13.5	13.7	13.8	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
x Slope	$ (1.21)	$ (1.87)	$ (2.39)	$ (2.59)	$ (2.74)	$ (2.84)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)
= Scale benefit	$ (16)	$ (25)	$ (32)	$ (35)	$ (37.69)	$ (39.35)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)
+ Y-int	$ 197	$ 223	$ 243	$ 262	$ 281	$ 298	$ 314	$ 329	$ 343	$ 356	$ 368	$ 379	$ 389
= Avg cost / sub / yr	**$ 181**	**$ 198**	**$ 211**	**$ 227**	**$ 243**	**$ 259**	**$ 274**	**$ 289**	**$ 303**	**$ 316**	**$ 328**	**$ 339**	**$ 349**
memo: growth		9.4%	6.4%	7.5%	7.4%	6.3%	5.9%	5.5%	4.8%	4.3%	3.8%	3.4%	3.0%

Source: Company reports and Citigroup Investment Research

Telcos Likely to Pay $39 More per Sub per Year in 2006

So we now know what the *average* incumbent pays. But what premium will the telcos pay since they have less scale than the incumbent pay-TV providers? In Figure 4 we estimate that in 2005, the telcos will pay $39 more per sub per year versus the average pay-TV incumbent.

To arrive at this figure, we take two steps:

- First, we assume that the odds of a customer defecting from a specific pay-TV incumbent is only a function of the incumbent's market share. That is, we assume fiber deployments occur evenly across all pay-TV footprints. For example, since Comcast has 25% of the pay-TV customer base, we assume 25% of the telco video net adds will come from Comcast.

- Second, using the regression formulas in Figure 2, we estimate the average programming costs for all carriers, even those that do not disclose programming costs (like EchoStar, DirecTV, Mediacom, and Cablevision).

We should note that DirecTV did disclose programming costs at its recent analyst day (February 22, 2006). In the presentation, management suggested that it spends 38.6% of revenues on programming. This translates into $4.7 billion of programming costs per year, since the firm generated 2005 revenues of $12.2 billion. Since DirecTV served an average of 14.5 million subs, that would imply annual programming costs per sub of $324, far in excess of the $205 we estimate in Figure 4.

However, we believe these costs are inflated for three reasons: 1) it includes the costs associated with the "NFL Sunday Ticket," 2) it includes retransmission fees for the local broadcasters, and 3) it reflects the fact that DirecTV pays more in programming than its scale suggests because the firm likely has older contracts within its cost structure that reflect the firm's smaller scale.

The first two phenomena are outside the scope of this report. The last factor is captured in our analysis (in Figure 3) that suggests scale will become more important over time as carriers renegotiate with content owners.

We believe the average telco will pay 18% more — or $39 per year — in cable programming costs due to lack of scale.

Figure 4. 2006 Telco Premium per Sub per Year

	'06E Subs	Odds of defection to Telco video	x	Telco cost per sub per year	-	'05 cost/ sub	=	Wtd Telco premium per sub per year
Adelphia	4,661	5.6%		$250		$250		$0.0
Cablevision	3,102	3.7%		$250		$236		$0.5
Charter	5,824	7.0%		$250		$239		$0.8
Comcast	21,499	25.7%		$250		$197		$13.5
Cox	6,300	7.5%		$250		$209		$3.1
DirecTV	15,904	19.0%		$250		$205		$8.5
EchoStar	12,474	14.9%		$250		$213		$5.5
Insight	1,282	1.5%		$250		$242		$0.1
Mediacom	1,433	1.7%		$250		$240		$0.2
Time Warner Cable	11,047	13.2%		$250		$203		$6.3
= Total	**83,526**	**100.0%**						**$39**

Note: Telco cost of $250 per year reflects the y-intercept value of $243 from Figure 2 plus $7 in incremental costs to adjust for probabilities.
Source: Company reports and Citigroup Investment Research

We now turn our attention to the programming costs that the telcos will likely incur. In Figure 5 we use the same regression assumptions that we show in Figure 4 and layer in Mike Rollins' assumptions for telco video net adds. Although we do not publish specific video expectations for all of the RBOCs (regional bell operating companies) in our published models, we have performed a back-of-the–envelope analysis for video-capable homes passed and penetration of those homes through 2015 for this analysis. We estimate 54% of households passed by the RBOCs will be upgraded for a facilities-based video solution (either through FTTN or FTTH) by 2010 and 64% by 2015. Among these homes passed, we forecast 18% will take a video solution from their telco provider by 2010, and 33% by 2015. We expect AT&T and BellSouth to both use a fiber-to-the-node architecture across most of their footprints, but we expect Verizon to deploy a FTTH architecture.

Telco Firms Pay About $250 a Year Due to Lack of Scale

The regression data suggest that while the incumbent providers spent $211 per sub per year in 2005 (Figure 3), the telcos spent $243 per sub per year. (Since the telcos do not have any scale, the cost is equivalent to the y-intercept in Figure 2.) This implies a difference in cost of $32 per sub per year.

However, we show in Figure 4 that the difference in cost should be closer to $39. So why the difference between the regression analysis ($32) and the analysis in Figure 4 ($39)?

The $7 differential is the incremental impact of the telco firms being far more likely to steal a sub from large pay-TV providers, like Comcast, versus a small player, like Mediacom. That is, the regression analysis does not capture this phenomenon, while the analysis in Figure 4 does.

As such, we added $7–$9 per year to our estimate of telco programming costs in Figure 5. We assume that the implied telco cost for programming in 2005 is $250. We should also note that we increased the impact of the probability adjustment from $7 to $9 to reflect our belief that there will be more M&A activity in the cable sector going forward. This includes the sale of Adelphia to Time Warner and Comcast, as well as the potential future consolidation of small firms like Insight and Cablevision.

Figure 5. Telco Programming Cost per Sub per Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Avg telco video subs	0.0	0.0	0.1	0.4	1.0	1.8	2.9	3.7	4.6	5.4	6.2	7.0	7.9
x Slope	$ (1.21)	$ (1.87)	$ (2.39)	$ (2.59)	$ (2.74)	$ (2.84)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)
= Scale benefit	$ -	$ -	$ (0.12)	$ (0.91)	$ (2.74)	$ (4.97)	$ (8.38)	$ (10.77)	$ (13.15)	$ (15.53)	$ (17.92)	$ (20.30)	$ (22.69)
+ Y-int	$ 197	$ 223	$ 243	$ 262	$ 281	$ 298	$ 314	$ 329	$ 343	$ 356	$ 368	$ 379	$ 389
= Avg cost / sub / yr	$ 197	$ 223	$ 243	$ 261	$ 278	$ 293	$ 306	$ 318	$ 330	$ 340	$ 350	$ 359	$ 366
+ Adj for probabilities*	$ 7	$ 7	$ 7	$ 7	$ 8	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9
= Avg cost / sub / yr	**$ 204**	**$ 230**	**$ 250**	**$ 268**	**$ 286**	**$ 302**	**$ 315**	**$ 327**	**$ 339**	**$ 349**	**$ 359**	**$ 368**	**$ 375**
memo: growth		13.2%	8.9%	7.5%	6.6%	5.3%	4.3%	4.1%	3.7%	3.2%	2.8%	2.5%	2.1%
memo: incum vs telco	$ 23	$ 32	$ 39	$ 41	$ 43	$ 43	$ 41	$ 38	$ 36	$ 34	$ 31	$ 29	$ 26
memo: net adds		0.0	0.1	0.6	1.3	1.5	2.3	1.7	1.7	1.7	1.7	1.7	1.7

Source: Company reports and Citigroup Investment Research

Affiliate Fee Growth to Remain Above 9% Through 2009

So now that we know that in 2005, the incumbent pay-TV providers paid $211 per sub and the telco entrants will likely pay $250 per sub, we can begin to estimate the total programming costs for the industry.

We expect total affiliate fees for cable programming to continue to grow at 10%–11% per year through 2007. After that, we expect the growth in affiliate fees to slow to just 5% by 2014. Part of the slowdown reflects the maturity of the business. The other part reflects our belief that as the telcos gain scale, their programming costs per sub relative to the incumbents begin to narrow.

U.S. affiliate fee growth should remain above 10% through 2008 due to telco entry.

Figure 6. Total Programming Costs for Incumbents and Telcos

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Incumbent cost per sub	$ 181	$ 198	$ 211	$ 227	$ 243	$ 259	$ 274	$ 289	$ 303	$ 316	$ 328	$ 339	$ 349
x Incumbent subs	76.0	78.5	81.0	83.5	84.6	85.4	85.3	85.8	86.1	86.4	86.5	86.6	86.5
= Incumbent prog cost	13.8	15.6	17.1	18.9	20.6	22.1	23.4	24.8	26.1	27.3	28.4	29.3	30.2
Telco cost per sub	$ 204	$ 230	$ 250	$ 268	$ 286	$ 302	$ 315	$ 327	$ 339	$ 349	$ 359	$ 368	$ 375
x Telco video subs	0.0	0.0	0.1	0.7	2.0	3.5	5.8	7.5	9.1	10.8	12.4	14.1	15.7
= Telco prog cost	-	-	0.0	0.2	0.6	1.1	1.8	2.4	3.1	3.8	4.5	5.2	5.9
Incumbent prog costs	13.8	15.6	17.1	18.9	20.6	22.1	23.4	24.8	26.1	27.3	28.4	29.3	30.2
+ Telco prog costs	0.0	-	0.0	0.2	0.6	1.1	1.8	2.4	3.1	3.8	4.5	5.2	5.9
= Total prog costs	**13.8**	**15.6**	**17.1**	**19.1**	**21.2**	**23.2**	**25.2**	**27.2**	**29.2**	**31.0**	**32.8**	**34.5**	**36.1**
memo: growth		13%	10%	12%	11%	9%	9%	8%	7%	6%	6%	5%	5%
memo: total video subs	76.0	78.5	81.1	84.2	86.6	88.9	91.1	93.2	95.2	97.1	98.9	100.6	102.2
memo: video net add growth		3.3%	3.3%	3.8%	2.8%	2.7%	2.5%	2.3%	2.1%	2.0%	1.9%	1.7%	1.6%

Source: Company reports and Citigroup Investment Research

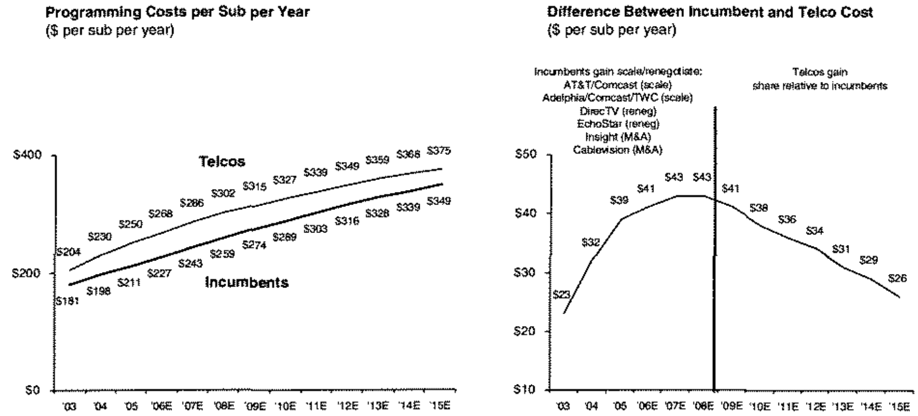
Gap Between Telco and Incumbent Costs to Widen, then Narrow

On the left side of Figure 7, we show the cost per sub per year for both the telco and incumbent pay-TV providers. On the right hand side of Figure 7 we show the difference in costs between the two video providers. The data on the right hand side show that we expect the spread between the incumbents and the telcos to continue to widen to several years. Then, we expect it to narrow.

The widening of the cost differential reflects the continued consolidation within the sector and the ability of DirecTV and EchoStar to negotiate lower affiliate fees once their existing contracts come up for renewal. On the consolidation front, we expect Comcast to continue to renegotiate affiliate agreements on the heels of the AT&T broadband acquisition. Thereafter, we expect Comcast and Time Warner to renegotiate Adelphia's contracts. In addition, we also expect further consolidation within the sector — including the potential sales of Insight and Cablevision — will allow the incumbents to push costs down further. However, by 2009, we expect the telcos will take enough share that they should begin to narrow the cost gap with the incumbents.

Figure 7. Difference in Programming Cost per Sub Between Incumbents and Telcos

The gap between telco affiliate fees and incumbent fees will widen, then narrow.



Source: Company reports and Citigroup Investment Research

Telco Lack of Scale Worth $2.5 Billion

So clearly, for a number of years, we expect the providers of programming to benefit from telco entry into the video business. But how much value can be created from this phenomenon? In Figure 8 we estimate that these incremental cash flows, on an after tax basis, are worth about $2.5 billion to the owners of the content. Before we figure out where this value goes — and try to estimate what it is worth per share for each cable network owner — we turn our attention to the other trend that should benefit content owners: thicker telco video packages.

Telco lack of scale will add $2.5 billion in value to content owners.

Figure 8. Incremental Cash Flows to Content Owners from Telco Video Entry

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Avg telco video subs	0.0	0.0	0.1	0.4	1.0	1.8	2.9	3.7	4.6	5.4	6.2	7.0	7.9
x Providers	2	2	2	2	2	2	2	2	2	2	2	2	2
= Total telco subs	-	-	0	1	2	4	6	7	9	11	12	14	16
x Prog cost prem per yr	$ 23	$ 32	$ 39	$ 41	$ 43	$ 43	$ 41	$ 38	$ 36	$ 34	$ 31	$ 29	$ 26
= Total inc. revenue to content	0	-	4	29	86	152	236	285	327	360	386	404	414
x Margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
= Incremental cash flow	-	-	4	29	86	152	236	285	327	360	386	404	414
- Taxes (40%)	-	-	2	12	34	61	94	114	131	144	154	162	166
= After-tax cash flow	-	-	2	17	52	91	142	171	196	216	232	242	248
/ Discount (8% WACC)					1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00
= NPV of cash flows					**48**	**78**	**112**	**126**	**133**	**136**	**135**	**131**	**124**
memo: growth in cash flows				643%	196%	77%	55%	21%	15%	10%	7%	5%	2%

Sum of NPVs	1,024
+ NPV of Terminal (0% g)	1,438
= NPV of cash flows	**2,461**

Source: Company reports and Citigroup Investment Research

Benefit No. 2: "Thicker" Programming

Second Economic Benefit of Telco Video Entry: Thicker Video Packages

So far, we have quantified the benefit to owners of cable networks from telco video entry due to the telco's lack of scale. However, there is a second (and more subtle) benefit of telco video entry: thicker video programming packages.

By "thicker" we simply mean that early indications suggest that the telcos will offer far richer programming packages than their incumbent counterparts. Using the video offer from Verizon in its first market — Keller, Texas — as an example, we can estimate how much more the telcos will spend on video content than incumbents.

First, a bit of background on typical incumbent video packages. Cable and DBS firms generally offer three video packages: basic, analog, and digital.

- The **basic** offer includes the broadcast networks, shopping channels and public, educational, and government (PEG) channels. This package includes a total of about 20 channels. Although the DBS firms pay about $0.25 per month for each local channel, this content is generally offered to the cable operators for free. That is, cable does not (yet) pay for local content, and shopping channels and PEG channels are offered for free.
- The **analog** offer includes about 60 cable channels plus the content from the basic package. In total, the analog offer costs around $45 and includes a total of about 80 channels (20 from the basic package and 60 additional channels).
- The **digital** offer includes about 130 channels and every analog channel and basic channel. For cable companies, this package also comes with a set-top box.

What is interesting about Verizon's Keller, Texas offer is that it essentially makes the analog video package obsolete. That is, in Keller, Verizon offers the basic tier, just like cable. But it does not offer an analog tier. The only other offer is for 160 channels. (Verizon's moniker for this package is "Expanded Basic.") And more interestingly, Verizon has priced the Expanded Basic tier at an analog price point.

Thus, current analog cable customers can switch to Verizon's digital offer and get a lot more channels at no extra cost. Current digital cable customers can switch to Verizon and get all the same channels at far lower cost. Thus, all of cable's video customers have an incentive to switch to Verizon.

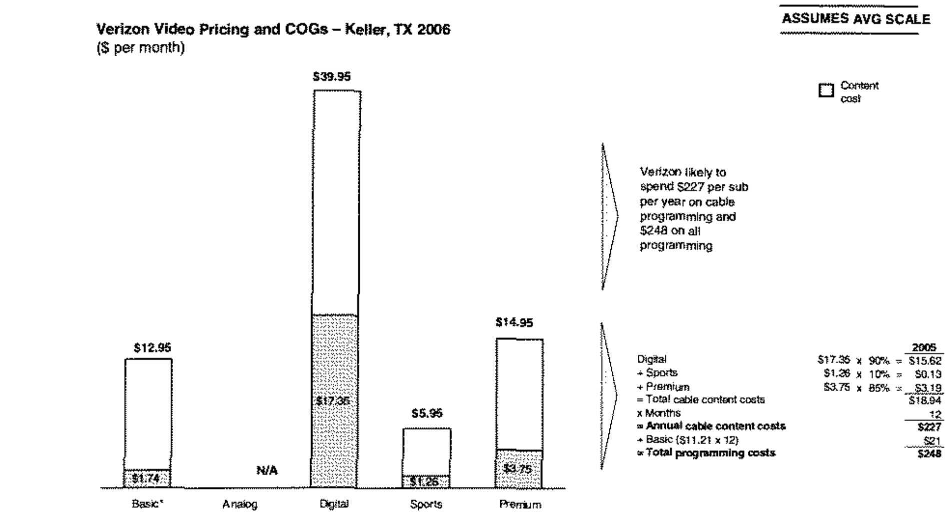
Verizon's channel line-up suggests that content owners will fetch more revenues from a typical Verizon FiOS customer than they do from cable or DBS. Why? Because those digital cable channels that do not benefit from full distribution on the cable system only generate affiliate fees for cable customers that subscribe to digital services. That limits digital affiliate payments to about 50% of cable's customer base. But as Verizon gains share, digital cable networks will gain far more significant affiliate payments since *every* FiOS video customer will get *all* cable networks.

The key question is "How much is this worth?" We developed a bottom-up cost forecast for Verizon's video package by adding up the affilate payments for each of the 160 Expanded Basic channels. The upshot? We think this service costs Verizon about $18.94 per subscriber per month in programming costs, or $227 per year. We also included the cost of premium services — like HBO (for Time Warner), Cinemax (Time Warner), The Movie Channel (CBS), and Starz (Liberty Media) — in our analysis.

We should note that our $227 figure excludes the programming costs associated with retransmission consent payments of about $1.72 per month. We exclude these fees since our aim is to quantify the lift in affiliate fees cable networks will generate from telco video entry. (Retransmission fees for the broadcast networks are outside the scope of this report.)

Thicker video packages will cause telcos to spend 7% more on programming versus incumbent video packages.

Figure 9. Verizon's Keller, Texas Video Packages Suggest Higher Programming Costs



	Basic*	Analog	Digital	Sports	Premium
Purchasing (%)	100%		90%	10%	85%
Gross Margin (%)	87%		43%	79%	75%
Gross Profit	$11.21		$22.60	$4.69	$11.20

* Assumes $0.40 monthly fee for ABC, NBC, CBS, and FOX.

Source: Company reports and Citigroup Investment Research

Thicker Video Packages Worth $1.4 Billion to Cable Networks

If we are right that the telcos will spend $227 per sub per year versus cable's cost of around $211 per year, it suggests telco video deployment will cost about $16 more per sub per year than incumbent video packages.

In Figure 10 we estimate how much an extra $16 per sub per year might be worth to the cable network owners. In total, we believe this could add almost $1.4 billion to the enterprise value of all cable network companies.

Figure 10. Net Present Value of Cash Flows from Fatter Telco Video Packages

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Avg telco video subs	0.0	0.0	0.1	0.4	1.0	1.8	2.9	3.7	4.6	5.4	6.2	7.0	7.9
x Providers	2	2	2	2	2	2	2	2	2	2	2	2	2
= Total telco subs	-	-	0	1	2	4	6	7	9	11	12	14	16
x Prog cost prem per yr	$ -	$ -	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16
= Total inc. revenue to content	0	-	2	11	32	57	94	120	147	174	200	227	254
x Margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
= Incremental cash flow	-	-	2	11	32	57	94	120	147	174	200	227	254
- Taxes (40%)	-	-	1	5	13	23	37	48	59	69	80	91	101
= After-tax cash flow	-	-	1	7	19	34	56	72	88	104	120	136	152
/ Discount (8% WACC)					1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00
= NPV of cash flows					**18**	**29**	**45**	**53**	**60**	**66**	**70**	**74**	**76**
memo: growth in cash flows				600%	186%	75%	66%	28%	22%	18%	15%	13%	12%

Sum of NPVs	490
+ NPV of Terminal (0% g)	881
= NPV of cash flows	**1,372**

Source: Company reports and Citigroup Investment Research

Quantifying the Benefits

Total Value Creation Should Reach $3.8 Billion

We have shown that the telcos' lack of scale should create about $2.5 billion for the owners of cable network. We also showed that the propensity of the telcos to offer richer video packages should help the cable networks generate close to $1.4 billion in incremental value. In total, then, telco entry into video should add more than $3.8 billion in incremental value to the owners of cable networks. But how will this value get divided among the various owners of cable networks?

In Figure 11 we allocate the $3.8 billion in incremental value across all the public companies that have exposure to cable networks — as well as those non-consolidated networks like Discovery — and private networks, like The Tennis Channel.

Not All Stocks Will Benefit Equally

In total, our analysis suggests that telco video entry should result in 1%–2% equity appreciation for Disney, about 1% for Viacom, Cablevision, and Time Warner. The benefits to News Corp., Comcast, Scripps, and GE is less than 1% owing to less-leveraged balance sheets and more-modest exposure to the cable network business.

We believe Disney and Viacom stand to reap the most sizable gains from telco video entry.

Figure 11. NPV of Incremental Cash Flows from Telco Video Entry

$ in millions, except for per share amounts; shares outstanding in millions

	2005
NPV of cash flows from lack of scale	2,461
+ NPV of cash flows from fatter video pkgs	1,372
= Total NPV to cable nets from telco entry	**3,833**

	Disney	Viacom	Cablevsior	Time Warner	News	Scripps	Comcast	GE	Non-Consol	Private
Total NPV to cable nets from telco entry	3,833	3,833	3,833	3,833	3,833	3,833	3,833	3,833	3,833	3,833
x Share of cable networks spend	25%	9%	2%	21%	8%	1%	3%	6%	11%	3%
= Company share of NPV	960	358	91	809	312	33	125	225	418	105
/ Shares out	2,003	742	286	4,493	3,781	166	2,164			
= Value per share	0.48	0.48	0.32	0.18	0.08	0.20	0.06			
/ Share price	27.90	38.75	26.70	16.75	16.60	45.40	26.25			
= Upside per share	**1.7%**	**1.2%**	**1.2%**	**1.1%**	**0.5%**	**0.4%**	**0.2%**			

Source: Company reports and Citigroup Investment Research

ANALYST CERTIFICATION

Appendix A-1

We, Jason Bazinet, Michael Rollins, and William Bird, research analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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See pages 14 to 15 for Analyst Certification and Important Disclosures

Telco Video Entry: Good for Some

Why Content Companies Stand to Benefit from Telco Video Entry

April 24, 2006

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Published April 24, 2006

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Telco Video Entry

Question

Does Telco video entry create incremental economic value for the cable networks?

Key Findings

- We believe Telco video entry creates $3.8 billion in incremental value for cable networks
- Around 63% of the value stems from Telco lack of scale. Around 37% of the value stems from "richer" video packages
- Most cable network owners should see around 0.5% to 1.7% lift to equity values due to Telco video entry

Investment Conclusion

- Disney to likely see 1.7% equity appreciation
- Viacom and Cablevision to likely see 1.2% equity appreciation
- Time Warner to likely see 1.1% equity appreciation
- News Corp, Scripps and Comcast likely to see less than 0.5% equity appreciation.

WE USED 10-K's FROM PAY TV PROVIDERS TO ESTIMATE SCALE BENEFITS

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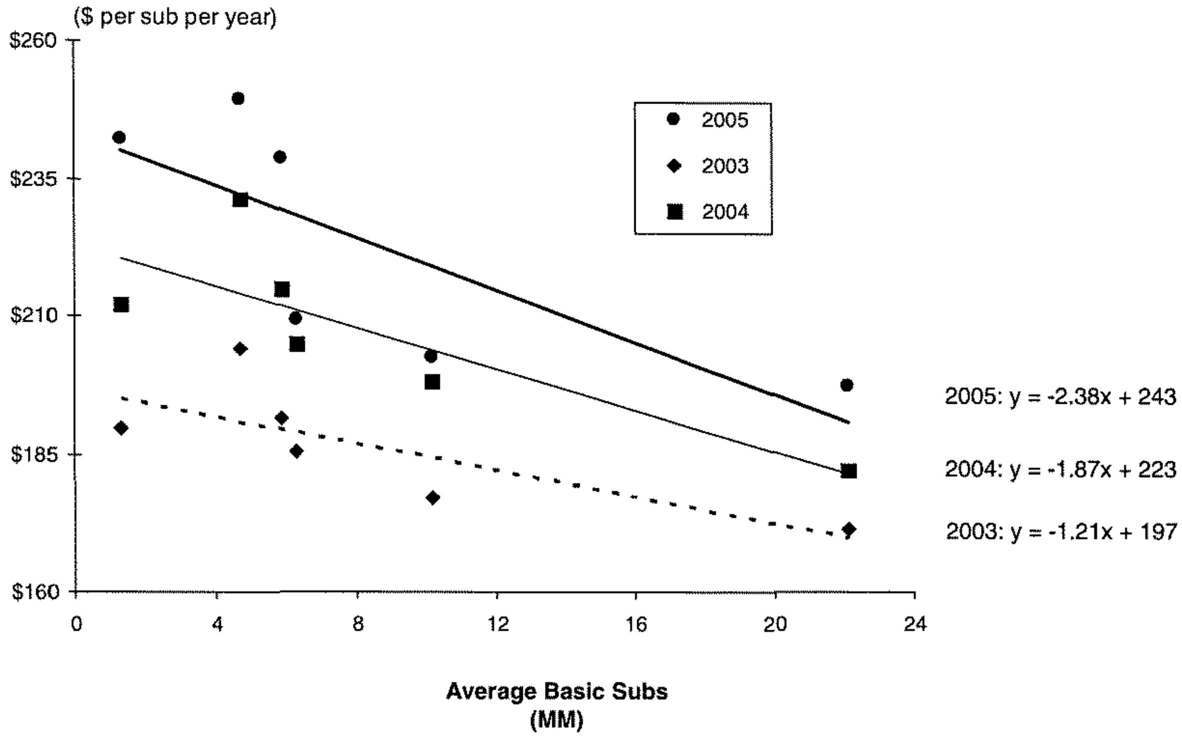
Benefit #1

Programming Cost per Video Sub per Year



Scale is important and getting more important over time

Source: Company reports and Citigroup Investment Research

Benefit #1

Predicted Programming Costs vs. Video Scale — 2003–05

Regression Output

Year	Y-Intercept	Slope
2003	$ 197	$ (1.21)
2004	$ 223	$ (1.87)
2005	$ 243	$ (2.39)

Predicted Programming Costs per Sub per Year

Year	Millions of video subs				
	0	5	10	20	25
2003	$ 197	$ 191	$ 185	$ 173	$ 167
2004	$ 223	$ 214	$ 204	$ 186	$ 176
2005	$ 243	$ 231	$ 219	$ 195	$ 183

Index of Programming Costs per Year

Year	Millions of video subs				
	0	5	10	20	25
2003	100%	97%	94%	88%	85%
2004	100%	96%	92%	83%	79%
2005	100%	95%	90%	80%	75%

In 2005, a pay-TV provider could save 25% by serving 25 million subs versus just 15% in 2003

Source: Company reports and Citigroup Investment Research

INCUMBENT COSTS TO INCREASE FROM $211 IN 2005 to $349 BY 2015

Benefit #1

Incumbent Pay TV Programming Cost per Sub per Year

Assumes scale continues to matter more each year

	2003	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Avg incum. video subs	13.1	13.3	13.5	13.7	13.8	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
x Slope	$ (1.21)	$ (1.87)	$ (2.39)	$ (2.59)	$ (2.74)	$ (2.84)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)
= Scale benefit	$ (16)	$ (25)	$ (32)	$ (35)	$ (37.69)	$ (39.35)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)	$ (40.04)
+ Y-int	$ 197	$ 223	$ 243	$ 262	$ 281	$ 298	$ 314	$ 329	$ 343	$ 356	$ 368	$ 379	$ 389
= Avg cost / sub / yr	**$ 181**	**$ 198**	**$ 211**	**$ 227**	**$ 243**	**$ 259**	**$ 274**	**$ 289**	**$ 303**	**$ 316**	**$ 328**	**$ 339**	**$ 349**
memo: growth		9.4%	6.4%	7.5%	7.4%	6.3%	5.9%	5.5%	4.8%	4.3%	3.8%	3.4%	3.0%

'03 – '05 from regression

Incumbent cable network programming costs to grow 6 – 7% per year per sub thru 2008

Source: Company reports and Citigroup Investment Research

Telco Video Entry

TELCOS LIKELY TO PAY $39 MORE PER SUB PER YEAR IN 2005

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Benefit #1

2005 Telco Premium per Sub per Year

	'06E Subs	Chances of defection to Telco video	x	Telco cost per sub per year	-	'05 cost/ sub	=	Wtd Telco premium per sub per year
Adelphia	4,661	5.6%		$250		$250		$0.0
Cablevision	3,102	3.7%		$250		$236		$0.5
Charter	5,824	7.0%		$250		$239		$0.8
Comcast	21,499	25.7%		$250		$197		$13.5
Cox	6,300	7.5%		$250		$209		$3.1
DirecTV	15,904	19.0%		$250		$205		$8.5
EchoStar	12,474	14.9%		$250		$213		$5.5
Insight	1,282	1.5%		$250		$242		$0.1
Mediacom	1,433	1.7%		$250		$240		$0.2
Time Warner Cable	11,047	13.2%		$250		$203		$6.3
= Total	**83,526**	**100.0%**						**$39**

On average, Telcos likely to pay $39 more per sub per year

Telcos more apt to steal video subs from carriers with lower cost

Note: Telco cost of $250 per year reflects the y-intercept value of $243 from slide 3 plus $7 in incremental costs to adjust for probabilities.
Source: Company reports and Citigroup Investment Research

Telco Video Entry

TELCO FIRMS PAY ABOUT $250 - $375 A YEAR DUE TO LACK OF SCALE

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Benefit #1

Telco Programming Cost per Sub per Year

Based on regression

	2003	2004	2005	2006 E	2007E	2008E	2009E	2010 E	2011E	2012E	2013E	2014E	2015E
Avg telco video subs	0.0	0.0	0.1	0.4	1.0	1.8	2.9	3.7	4.6	5.4	6.2	7.0	7.9
x Slope	$ (1.21)	$ (1.87)	$ (2.39)	$ (2.59)	$ (2.74)	$ (2.84)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)	$ (2.89)
= Scale benefit	$ -	$ -	$ (0.12)	$ (0.91)	$ (2.74)	$ (4.97)	$ (8.38)	$ (10.77)	$ (13.15)	$ (15.53)	$ (17.92)	$ (20.30)	$ (22.69)
+ Y-int	$ 197	$ 223	$ 243	$ 262	$ 281	$ 298	$ 314	$ 329	$ 343	$ 356	$ 368	$ 379	$ 389
= Avg cost / sub / yr	$ 197	$ 223	$ 243	$ 261	$ 278	$ 293	$ 306	$ 318	$ 330	$ 340	$ 350	$ 359	$ 366
+ Adj for probabilities*	$ 7	$ 7	$ 7	$ 7	$ 8	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9
= Avg cost / sub / yr	**$ 204**	**$ 230**	**$ 250**	**$ 268**	**$ 286**	**$ 302**	**$ 315**	**$ 327**	**$ 339**	**$ 349**	**$ 359**	**$ 368**	**$ 375**
memo: growth		13.2%	8.9%	7.5%	6.6%	5.3%	4.3%	4.1%	3.7%	3.2%	2.8%	2.5%	2.1%
memo: incum vs telco	$ 23	$ 32	$ 39	$ 41	$ 43	$ 43	$ 41	$ 38	$ 36	$ 34	$ 31	$ 29	$ 26
memo: net adds		0.0	0.1	0.6	1.3	1.5	2.3	1.7	1.7	1.7	1.7	1.7	1.7

Telcos will pay $39 more in cost versus pay-TV incumbents

* Y – intercept is $243. However, telco will pay $39 less than incumbent pay-TV providers, so actual is $250

Source: Company reports and Citigroup Investment Research

AFFILIATE FEE GROWTH TO REMAIN ABOVE 9% THROUGH 2009

Benefit #1

Total Programming Costs for Incumbents and Telcos

	2003	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Incumbent cost per sub	$ 181	$ 198	$ 211	$ 227	$ 243	$ 259	$ 274	$ 289	$ 303	$ 316	$ 328	$ 339	$ 349
x Incumbent subs	76.0	78.5	81.0	83.5	84.6	85.4	85.3	85.8	86.1	86.4	86.5	86.6	86.5
= Incumbent prog cost	13.8	15.6	17.1	18.9	20.6	22.1	23.4	24.8	26.1	27.3	28.4	29.3	30.2
Telco cost per sub	$ 204	$ 230	$ 250	$ 268	$ 286	$ 302	$ 315	$ 327	$ 339	$ 349	$ 359	$ 368	$ 375
x Telco video subs	0.0	0.0	0.1	0.7	2.0	3.5	5.8	7.5	9.1	10.8	12.4	14.1	15.7
= Telco prog cost	-	-	0.0	0.2	0.6	1.1	1.8	2.4	3.1	3.8	4.5	5.2	5.9
Incumbent prog costs	13.8	15.6	17.1	18.9	20.6	22.1	23.4	24.8	26.1	27.3	28.4	29.3	30.2
+ Telco prog costs	0.0	-	0.0	0.2	0.6	1.1	1.8	2.4	3.1	3.8	4.5	5.2	5.9
= Total prog costs	**13.8**	**15.6**	**17.1**	**19.1**	**21.2**	**23.2**	**25.2**	**27.2**	**29.2**	**31.0**	**32.8**	**34.5**	**36.1**
memo: growth		13%	10%	12%	11%	9%	9%	8%	7%	6%	6%	5%	5%
memo: total video subs	76.0	78.5	81.1	84.2	86.6	88.9	91.1	93.2	95.2	97.1	98.9	100.6	102.2
memo: video net add growth		3.3%	3.3%	3.8%	2.8%	2.7%	2.5%	2.3%	2.1%	2.0%	1.9%	1.7%	1.6%

Source: Company reports and Citigroup Investment Research

GAP BETWEEN TELCO AND INCUMBENT COSTS TO WIDEN,THEN NARROW

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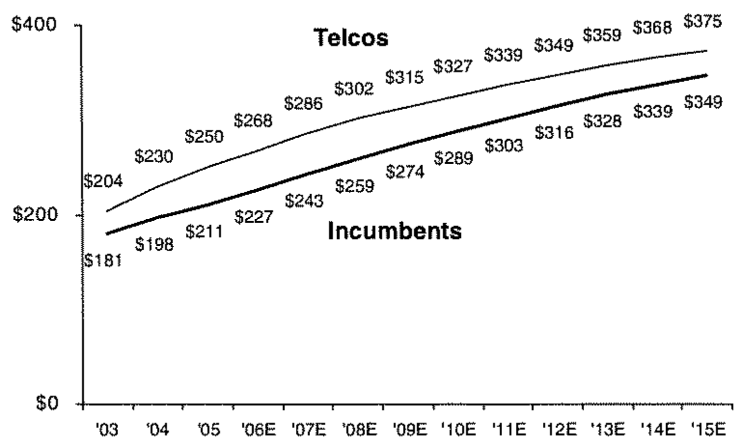
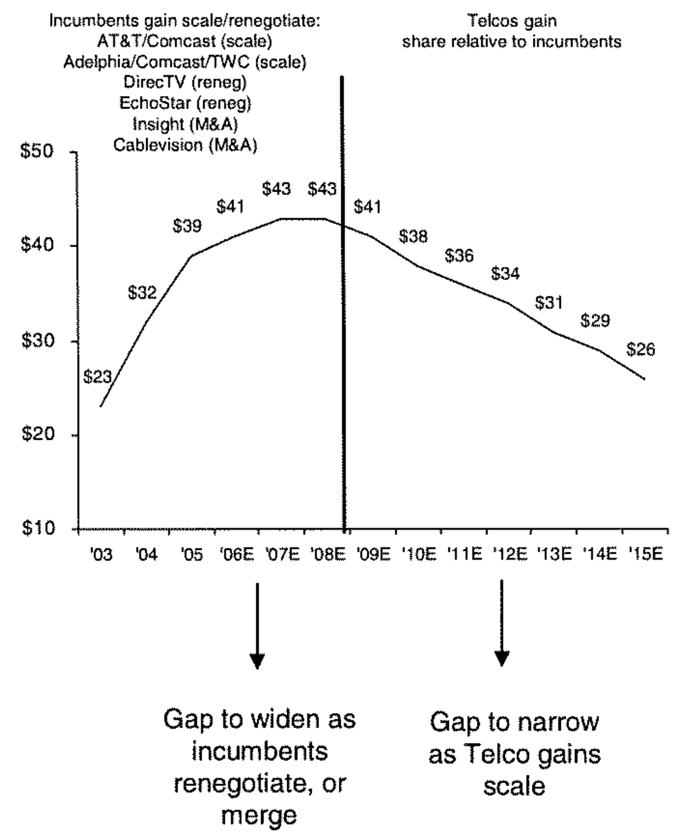
Benefit #1

Difference in Programming Cost per Sub Between Incumbents and Telcos

Programming Costs per Sub per Year
($ per sub per year)



Difference Between Incumbent and Telco Cost
($ per sub per year)



Source: Company reports and Citigroup Investment Research

TELCO LACK OF SCALE WORTH $2.5 BILLION

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Benefit #1

Incremental Cash Flows to Content Owners from Telco Video Entry

	2003	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Avg telco video subs	0.0	0.0	0.1	0.4	1.0	1.8	2.9	3.7	4.6	5.4	6.2	7.0	7.9
x Providers	2	2	2	2	2	2	2	2	2	2	2	2	2
= Total telco subs	-	-	0	1	2	4	6	7	9	11	12	14	16
x Prog cost prem per yr	$ 23	$ 32	$ 39	$ 41	$ 43	$ 43	$ 41	$ 38	$ 36	$ 34	$ 31	$ 29	$ 26
= Total inc. revenue to content	0	-	4	29	86	152	236	285	327	360	386	404	414
x Margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
= Incremental cash flow	-	-	4	29	86	152	236	285	327	360	386	404	414
- Taxes (40%)	-	-	2	12	34	61	94	114	131	144	154	162	166
= After-tax cash flow	-	-	2	17	52	91	142	171	196	216	232	242	248
/ Discount (8% WACC)					1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00
= NPV of cash flows					**48**	**78**	**112**	**126**	**133**	**136**	**135**	**131**	**124**
memo: growth in cash flows				643%	196%	77%	55%	21%	15%	10%	7%	5%	2%

Sum of NPVs	1,024
+ NPV of Terminal (0% g)	1,438
= NPV of cash flows	**2,461**

Source: Company reports and Citigroup Investment Research

BENEFIT #2: "THICKER" PROGRAMMING

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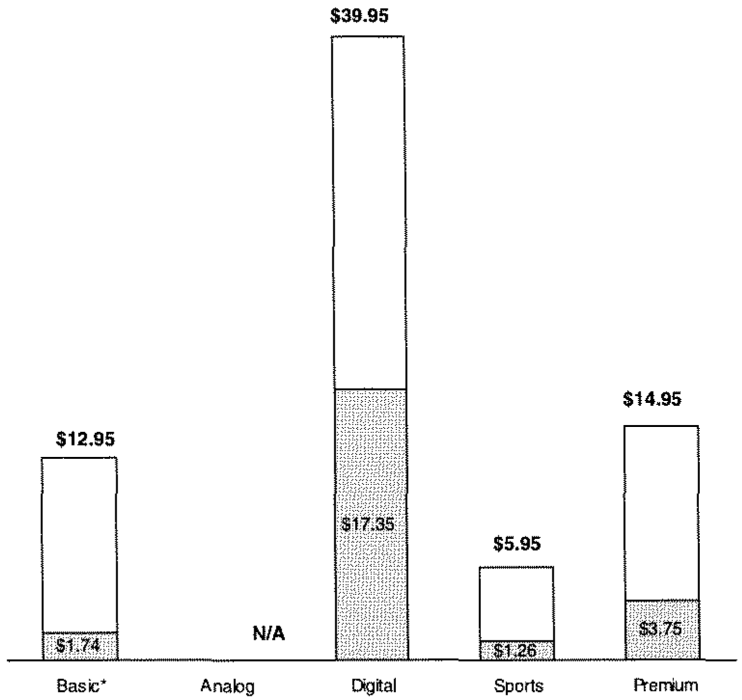
Benefit #2

Verizon's Keller, Texas Video Packages Suggest Higher Programming Costs

Verizon Video Pricing and COGS – Keller, TX 2006
($ per month)



	Basic*	Analog	Digital	Sports	Premium
Purchasing (%)	100%		90%	10%	85%
Gross Margin (%)	87%		43%	79%	75%
Gross Profit	$11.21		$22.60	$4.69	$11.20

* Assumes $0.40 fee for ABC, CBS, NBC, FOX

ASSUMES AVG SCALE

☐ Content cost

		2005
Digital	$17.35 x 90% =	$15.62
+ Sports	$1.26 x 10% =	$0.13
+ Premium	$3.75 x 85% =	$3.19
= Total cable content costs		$18.94
x Months		12
= Annual cable content costs		**$227**
+ Basic ($11.21 x 12)		$21
= Total programming costs		**$248**

Incumbents pay
$211 vs. $227
for Telco firms

Source: Company reports and Citigroup Investment Research

THICKER VIDEO PACKAGES WORTH $1.4 BILLION TO CABLE NETWORKS

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Benefit #2

Net Present Value of Cash Flows from Fatter Telco Video Packages

	2003	2004	2005	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Avg telco video subs	0.0	0.0	0.1	0.4	1.0	1.8	2.9	3.7	4.6	5.4	6.2	7.0	7.9
x Providers	2	2	2	2	2	2	2	2	2	2	2	2	2
= Total telco subs	-	-	0	1	2	4	6	7	9	11	12	14	16
x Prog cost prem per yr	$ -	$ -	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16	$ 16
= Total inc. revenue to content	0	-	2	11	32	57	94	120	147	174	200	227	254
x Margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
= Incremental cash flow	-	-	2	11	32	57	94	120	147	174	200	227	254
- Taxes (40%)	-	-	1	5	13	23	37	48	59	69	80	91	101
= After-tax cash flow	-	-	1	7	19	34	56	72	88	104	120	136	152
/ Discount (8% WACC)					1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00
= NPV of cash flows					**18**	**29**	**45**	**53**	**60**	**66**	**70**	**74**	**76**
memo: growth in cash flows				600%	186%	75%	66%	28%	22%	18%	15%	13%	12%

Sum of NPVs	490
+ NPV of Terminal (0% g)	881
= NPV of cash flows	**1,372**

$16 difference due to thicker video packages

Source: Company reports and Citigroup Investment Research

Telco Video Entry

Benefit #2

NPV of Incremental Cash Flows from Telco Video Entry
($ in millions, except for per share amounts; shares outstanding in millions)

	2005
NPV of cash flows from lack of scale	2,461
+ NPV of cash flows from fatter video pkgs	1,372
= Total NPV to cable nets from telco entry	**3,833**

	Disney	Viacom	Cablevision	Time Warner	News	Scripps	Comcast	GE	Non-Consol	Private
Total NPV to cable nets from telco entry	3,833	3,833	3,833	3,833	3,833	3,833	3,833	3,833	3,833	3,833
x Share of cable networks spend	25%	9%	2%	21%	8%	1%	3%	6%	11%	3%
= Company share of NPV	960	358	91	809	312	33	125	225	418	105
/ Shares out	2,003	742	286	4,493	3,781	166	2,164			
= Value per share	0.48	0.48	0.32	0.18	0.08	0.20	0.06			
/ Share price	27.90	38.75	26.70	16.75	16.60	45.40	26.25			
= Upside per share	**1.7%**	**1.2%**	**1.2%**	**1.1%**	**0.5%**	**0.4%**	**0.2%**			

We believe Disney and Viacom stand to reap the most sizable gains from telco video entry

Source: Company reports and Citigroup Investment Research

Question

Does Telco video entry create incremental economic value for the cable networks?

Key Findings

- We believe Telco video entry creates $3.8 billion in incremental value for cable networks
- Around 63% of the value stems from Telco lack of scale. Around 37% of the value stems from "richer" video packages
- Most cable network owners will see around 0.5% to 1.7% lift to equity values due to Telco video entry

Investment Conclusion

- Disney to likely see 1.7% equity appreciation
- Viacom and Cablevision to likely see 1.2% equity appreciation
- Time Warner to likely see 1.1% equity appreciation
- News Corp, Scripps and Comcast likely to see less than 0.5% equity appreciation.

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