



Gigabits vs Megabucks

International Summit on Media and Communications

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How Will UBB Be Financed?

- ◆ Rational people will invest if economic profits can be earned
 - Do the numbers work? Is the project NPV positive?
 - AT&T vs Verizon – similar carriers, different answer
- ◆ The Revenue Side of the Equation
 - Protecting and growing existing revenue (voice, video and data)
 - Market growth gives way to market share
 - Competition drives deployment
 - Will consumers pay for speed? They are now up to a point
 - Over the top HD video becomes a risk
 - HD will not immunize video revenues in UBB world
 - New revenue streams
 - Bandwidth caps
 - Commercial bandwidth services versus net neutrality
 - New applications – home networking, gaming, etc



How Will UBB Be Financed?

- ◆ The Cost Side of the Equation
 - Aerial versus buried infrastructure, density
 - Estimates of future cost savings (opex/capex)
 - Ability of existing infrastructure to satisfy demand
- ◆ The Credit Crunch Closes the Door
 - Markets shut to new entrants
 - CLWR indication of how receptive capital markets would be
 - Cost of capital has increased dramatically
 - VZ expected to pay 9-10% for ~\$20B required for Alltel
 - Is FIOS NPV positive at this new level?
 - Investors clearly worried re LVLT/Q 2010 maturities
- ◆ Is There a Role for Government?
 - Expect the financial bailout to lower appetite for new projects
 - Back to the future - a new administration may have a new approach
 - US experience vs Europe, the Chairman's proposal
 - Fiscal stimulus



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Speaker Information

John Hodulik, CFA – Managing Director, UBS Investment Research

- ◆ U.S. Telecommunications, Cable and Satellite TV analyst
 - Have covered Telecommunications industry for 10 years
 - Recently rolled out coverage of the pay TV sector
- ◆ UBS Global Coordinator for Telecommunications
 - Oversee 16 senior telco analysts around the globe
 - Synthesize view on key themes, regional weightings, global top picks
- ◆ Head of Communications, Media and Entertainment Research
 - Manage 7 senior analysts and support personnel covering 60 communications related companies
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