

# Strategy and Execution: SBC Investor Update

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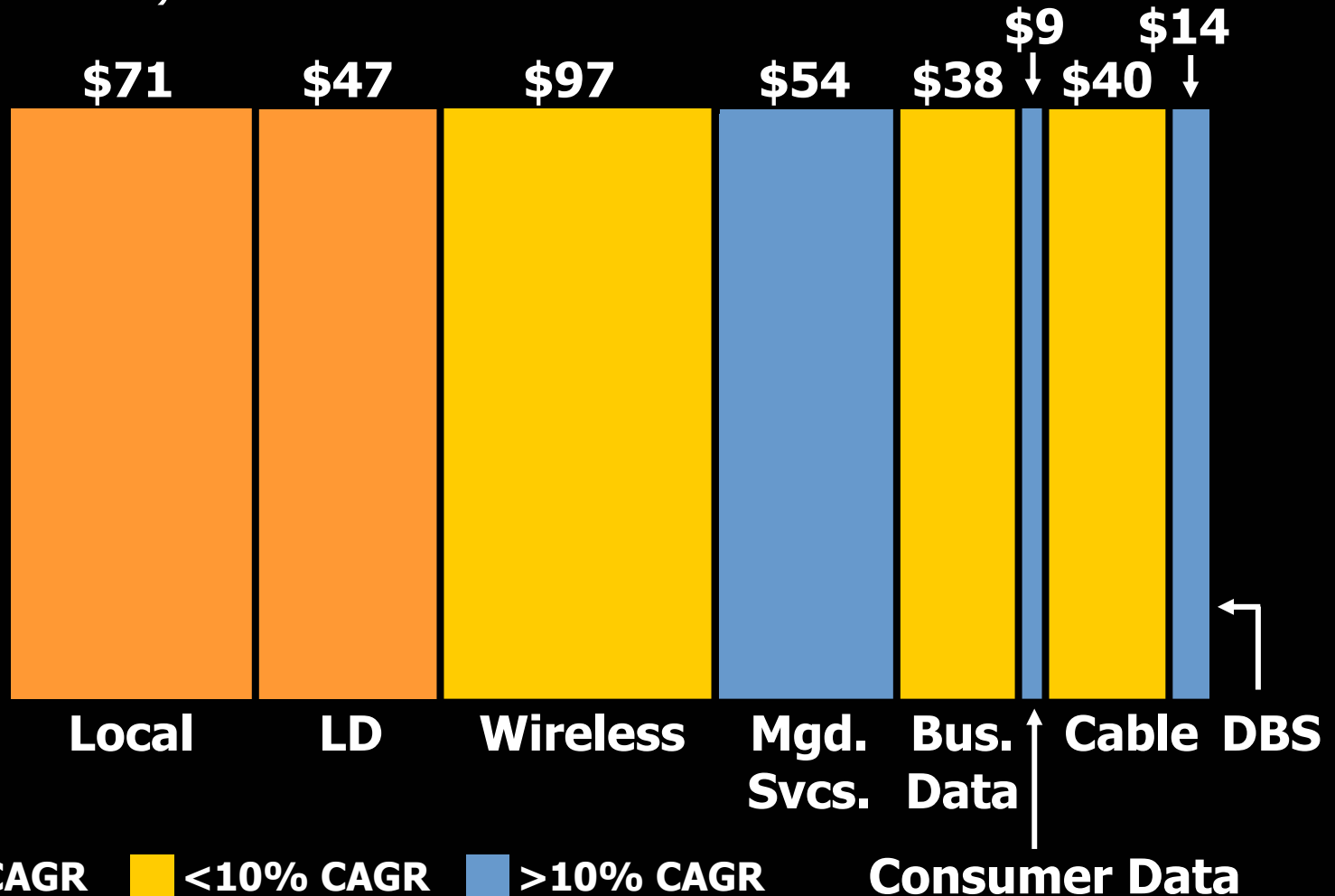
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# U.S. Telecom Market – Product View

2003 (in billions)

Total =  
~\$370



Note: Business Data includes ATM, Frame Relay, ISDN, T1 – including voice over PL, etc., Local includes access and toll  
Source: Bain Analysis, Analyst Reports, Analyst Interviews



# Key Strategic and Operational Focus Areas

## 1 Bundles

- Drive **retention**
- Strengthen **ARPU**
- Include **video**

## 2 Wireless

- One of industry's best **growth** segments

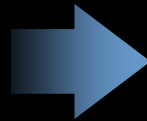
## 3 Large Business Market

- Natural area for **expansion** with LD entry



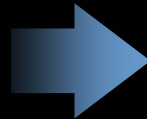
# Major Advances in All Three Areas

## Bundles



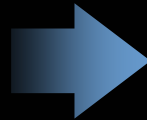
- **50%** consumer key product bundle penetration
- Successful **video** launch

## Wireless



- Agreement to **acquire AWE**
- Rapid, highly successful **GSM deployment**

## Large Business Market



- Nationwide **IP network** in place
- **Expanded** global sales organization
- **Winning** contracts

**With substantial 1Q04 improvement  
in margins from 4Q03 levels.**



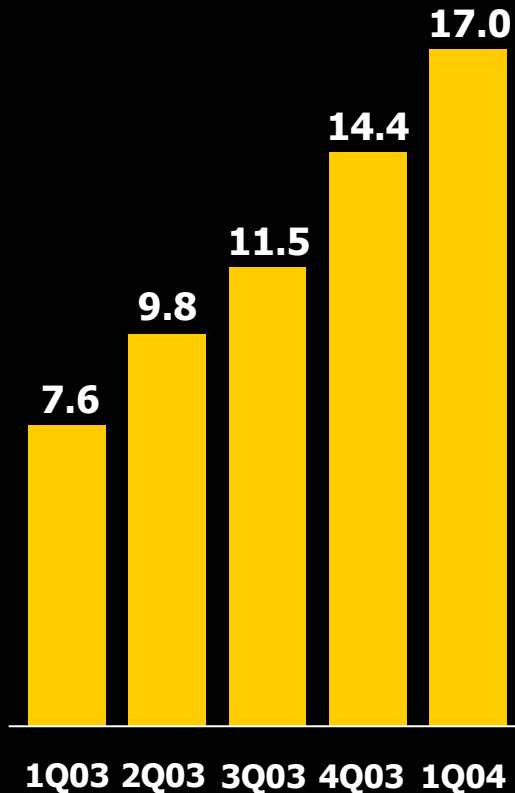
# Bundling strategy and execution



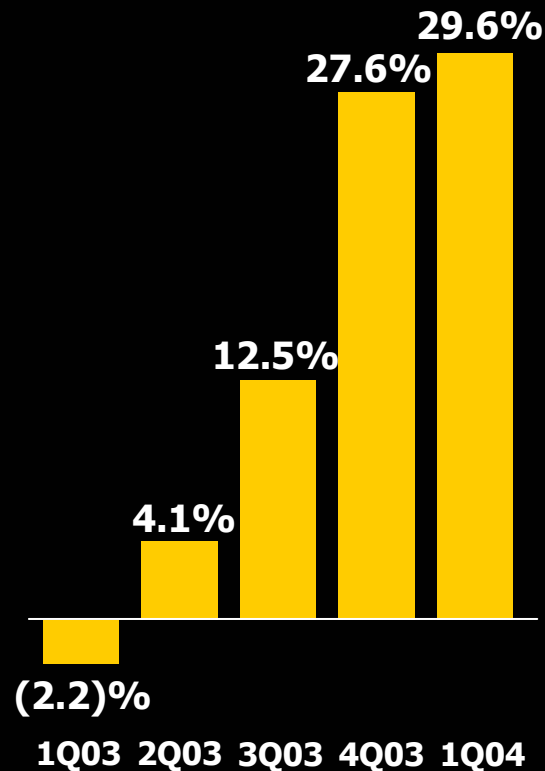
*Bundling*

# Strong Long Distance Growth

**In-Service  
InterLATA PICs**  
(in millions)



**YOY Growth  
Total LD Revenue**



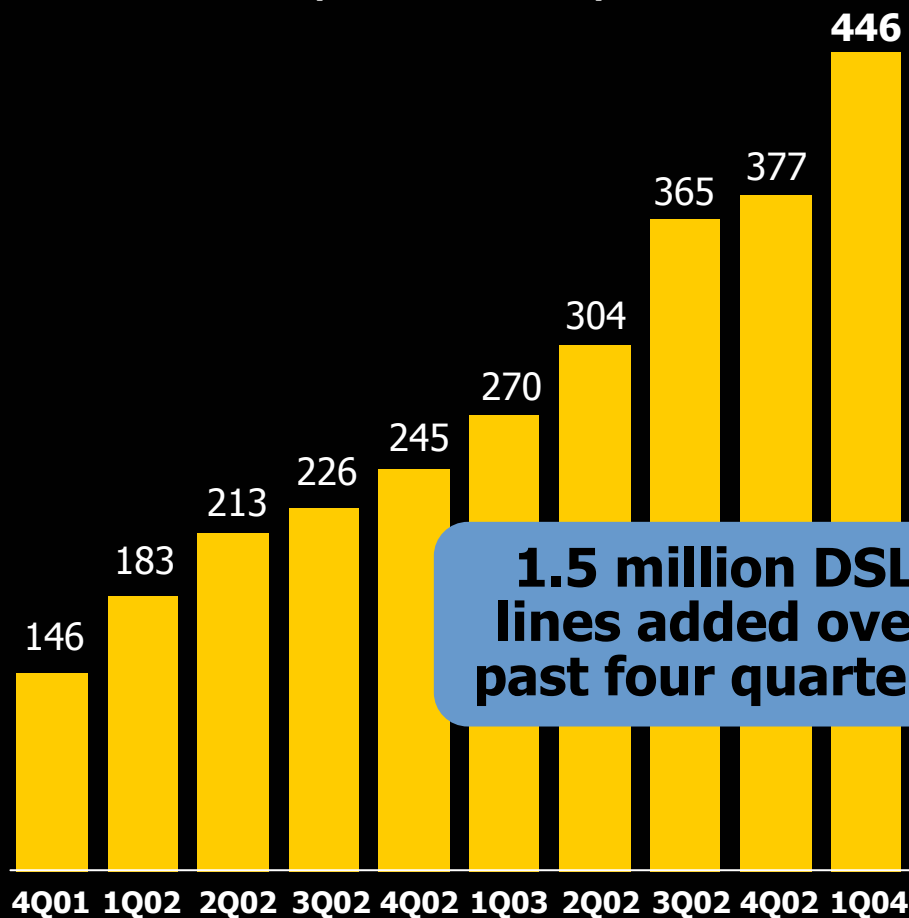
- **2.6 million** LD lines added in 4Q03
- **9.4 million** LD lines added over past four quarters



# *Bundling* Robust DSL Growth

## DSL Net Adds

(in thousands)



- **9<sup>th</sup> consecutive quarter** of accelerated net adds
- Driven by **continuous innovation**
  - Launched 1.5 – 3.0 Mbps speed tier service
  - Strengthened retail and online distribution; 20% of consumer sales from alternate channels

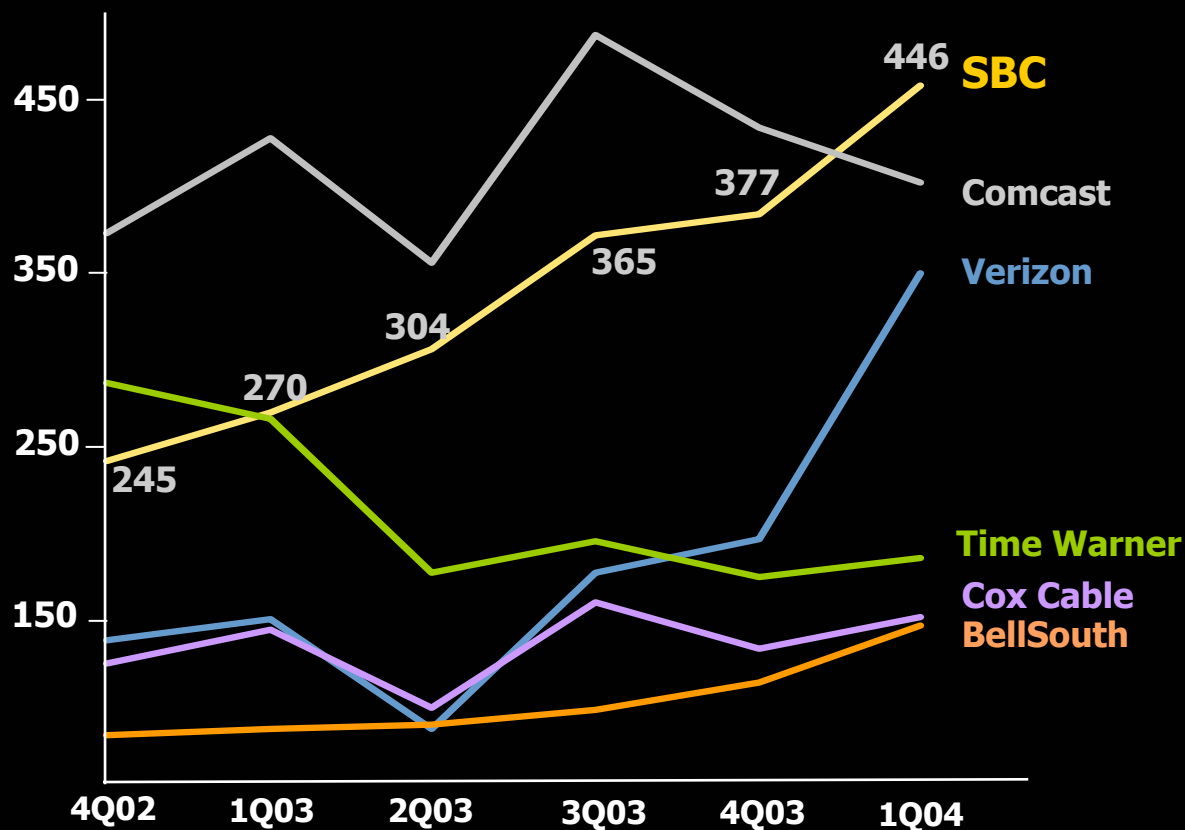




# Bundling Strong DSL Trends

## Broadband Net Adds

(in thousands)



## DSL/Cable Modem Lines in Service End of 1Q04, in Millions

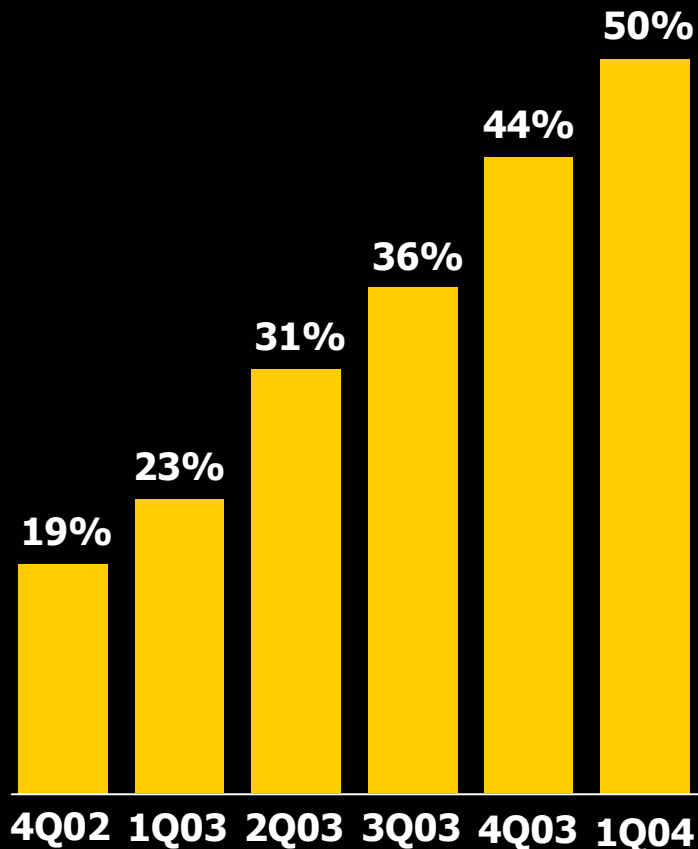
<b>SBC</b>	<b>4.0</b>
Verizon	2.7
BellSouth	1.6
Comcast	5.7
Time Warner	3.4
Cox	2.1



# Dramatic Growth In Consumer Bundles

## Key Product Bundles

customers with bundles including one or more key services – LD, DSL, wireless or satellite video



- ARPU for customers in a bundle is **more than double** that of those without a bundle



*Bundling*

# Successful SBC | DISH Network Launch

## Installed Base



- Launched service in March
- ARPU above \$60
- **Nearly 80%** of the customers are bundling satellite with at least one other key service ... LD, DSL or wireless



# Wireless

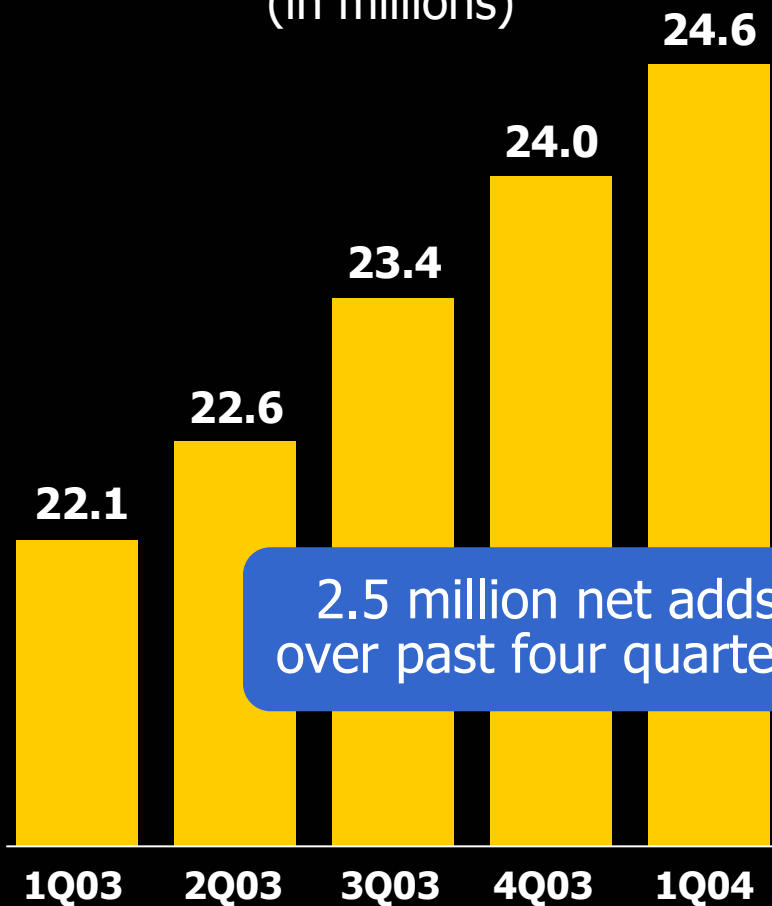
strategy  
and execution



Cingular Wireless

# Solid Organic Subscriber Growth

## Cellular/PCS Subscribers in Service (in millions)



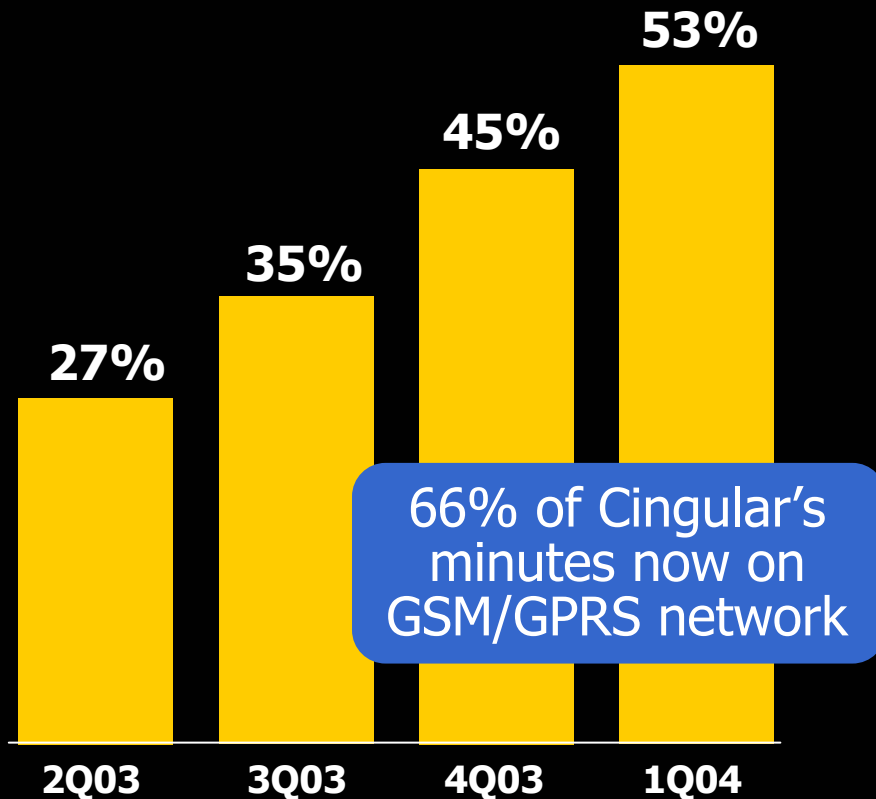
- 554,000 net adds – **nearly triple** last year's first quarter
- 2.5 million gross adds – **third straight quarter** with gross adds at or above this level
- **Churn improved** with no meaningful impact from number portability



*Cingular Wireless*

# Approaching 100% GSM/GPRS Coverage

## Cingular Subscribers With GSM-Capable Handsets

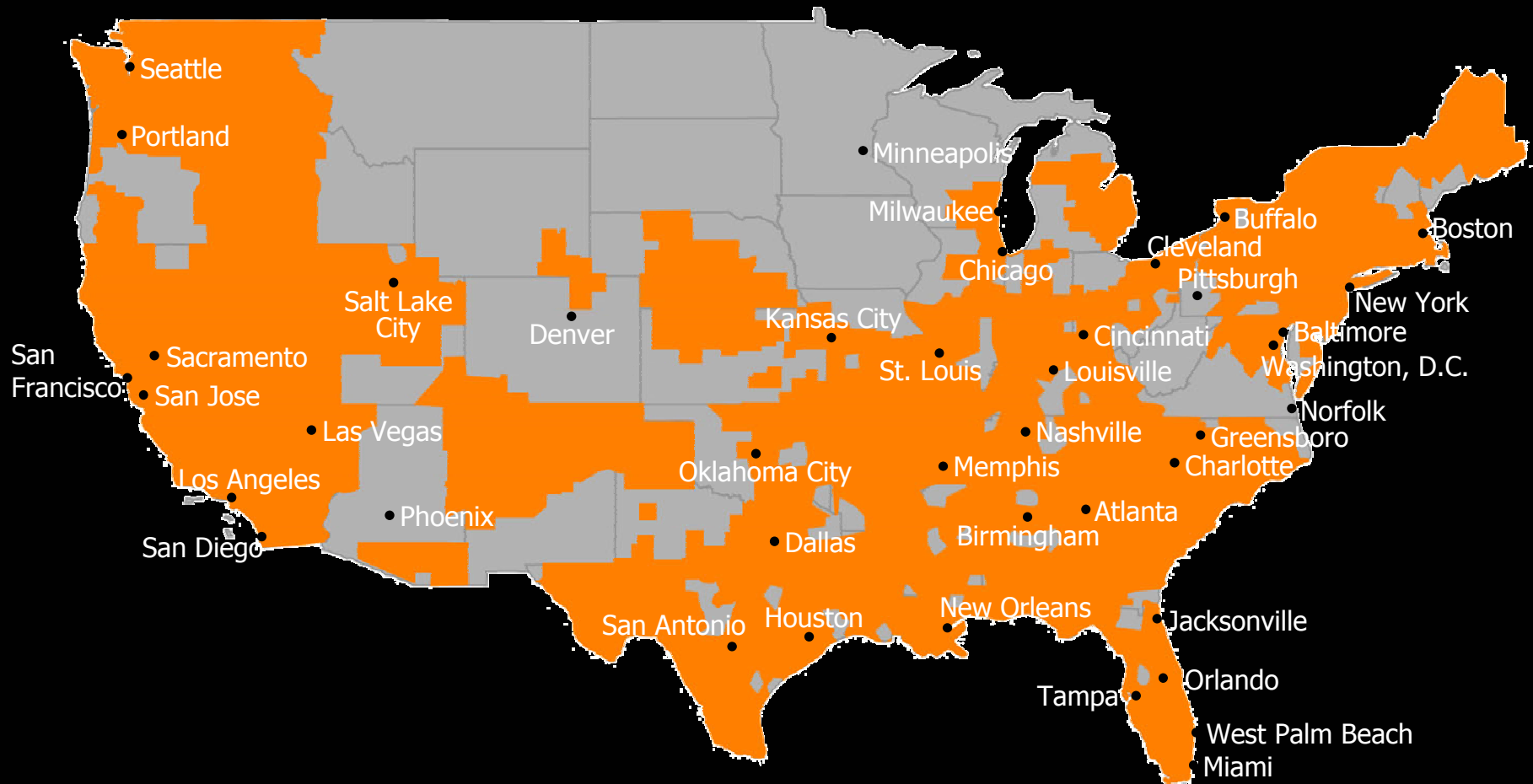


- **100% GSM/GPRS** network coverage targeted for July
- Customer response continues to be very positive
  - Wide range of **handsets**
  - **Truest voice quality** of any provider



# Cingular Wireless

## Licensed Spectrum





# Cingular + AT&T Wireless







# Outstanding Strategic Fit

- **Network Technology**

- Both networks GSM/GPRS
- Used by > 70% of world's digital wireless market
- Robust platform for emerging wireless data services

- **Customer Base**

- Cingular has broad consumer base
- AT&T Wireless has extensive business customer base, providing service to 90% of Fortune 100, 70% of Fortune 500

- **Coverage**

- Strong national footprint
- Spectrum to drive growth and support next-generation services



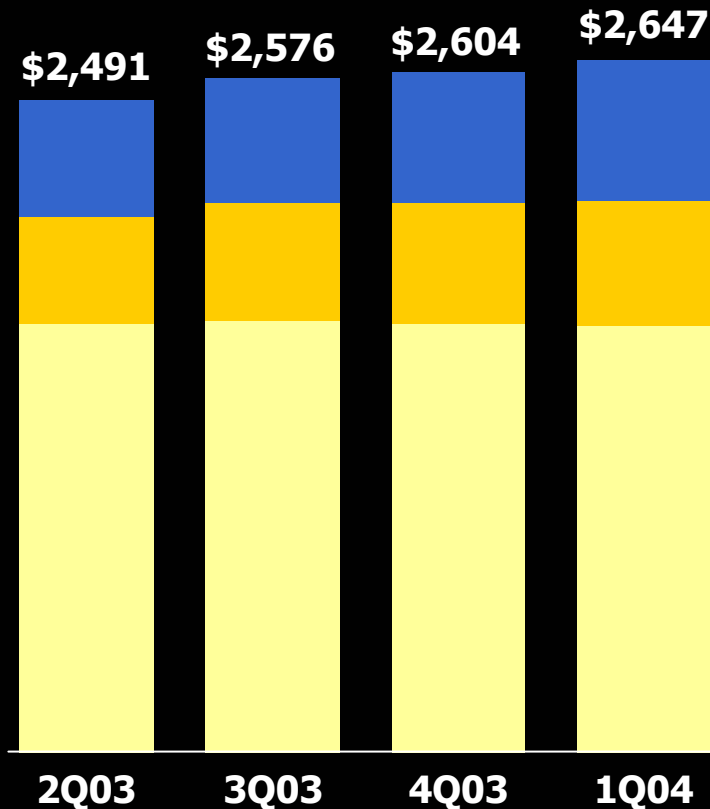
# Large Business Market

strategy and execution



# Data Revenues

## Quarterly Data Revenues (dollars in millions)



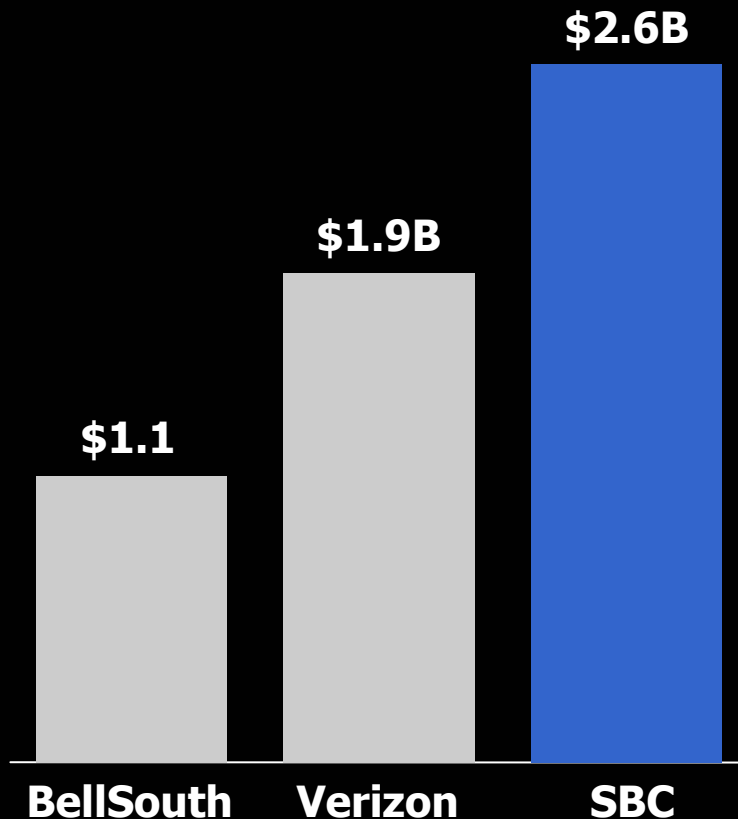
- Data revenue **up 6.8%**
- Solid Hi-cap data revenues
- Strong growth in DSL/Internet

■ DSL/Internet  
■ Data Integration  
■ Hi-cap Transport



# Leader In Data Revenues

## 1Q04 Total Data Revenues (dollars in billions)

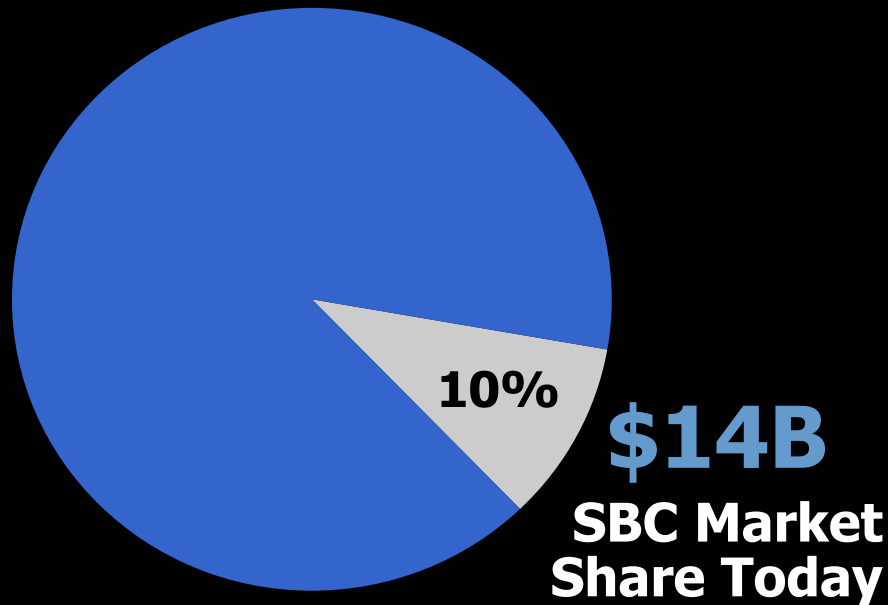


- Largest data revenue stream among RBOCs
- **40% higher** than closest peer



# Large-Business Opportunity

**\$140B**  
**Business Telecom Market**  
(voice and data)



SBC's immediate large business target – companies with more than 50% of their locations in footprint – represents **\$34 billion annual revenue opportunity**

\$140 billion includes voice, data, managed services, CPE, and wireless in small, medium and GEM business within the SBC footprint plus nationwide enterprise businesses. Source: Bain & Co.



# Expanded Capabilities

## Network

National ATM  
and Frame  
backbone,  
IP network

## Products

Broad range  
of flexible  
bandwidth  
solutions  
  
Managed  
Services

## Sales

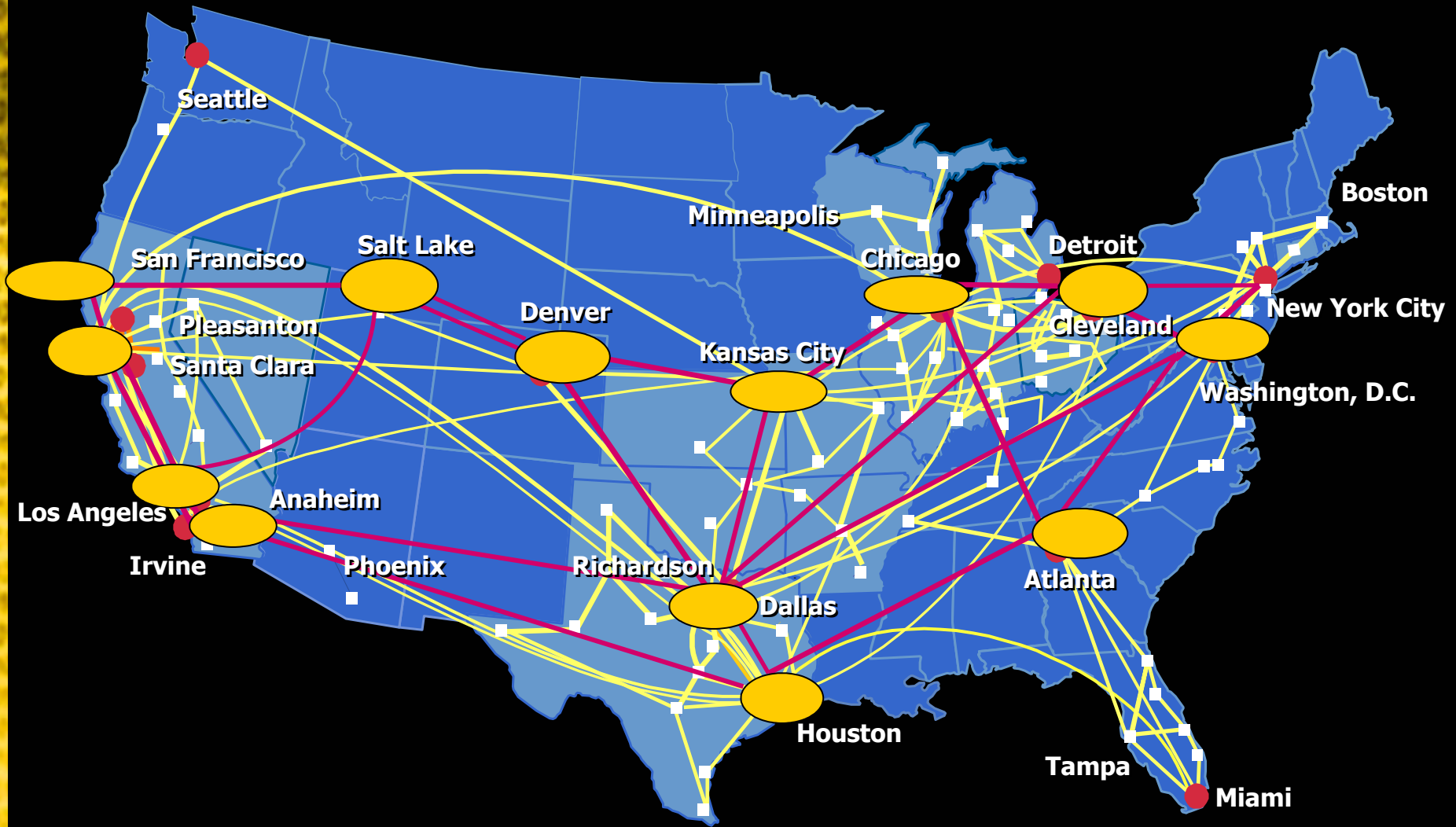
Single  
Global  
Accounts  
sales team

## Service Capabilities

4,300  
advanced data  
certifications  
  
Single  
contracts,  
service level  
agreements



# National IP Backbone







# Innovations in IP Platform Services

## Business

- Hosted IP Communications Service (HIPCS)
  - Advanced features
  - Cost efficiencies
- Premises-based IP solutions
  - New functionality
  - Customer control

## Consumer

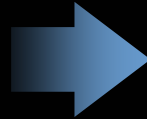
- Developing services with new features and functionality, including Unified Communications
- Integrates wireline, wireless and Internet





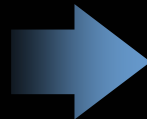
# SBC Strategic Focus Areas

## Bundles



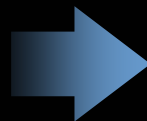
- **Strong execution** driven by LD and DSL
- SBC | DISH Network adds key **video component**

## Wireless



- Leadership in GSM
- **AWE** acquisition adds scale, coverage

## Large Business Market



- Large **opportunity**
- Expanded capabilities
- Gaining **traction**