National Association of Regulatory Utility Commissioners
Winter Meeting

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Moody's Investors Service

Last 12 Month Capital Expenditures

- US Wireline Telcos - $30 billion
  - AT&T and Verizon - $25 billion
- US Wireless - $15 billion

Typical ILEC DSL Coverage

- **Population Coverage - Speed**
  - 80% - 90% - > 1-3 Mbps
  - 50% - 60% - > 3-6 Mbps
  - 10% - 15% - > 12 - 25 Mbps

Global Telecom Industry Ratings Drivers

1. Size, Scale, Business Model, Competitive Environment (25%)	▪ Size, Scale ▪ Business Model &Competitive Environment
2. Operating Environment (20%)	▪ Regulatory and Political Environment ▪ Technology Risk ▪ Market Share
3. Strategy & Financial Policies (5%)	▪ Management's Financial Strategy
4. Operating Performance (10%)	▪ EBITDA Margin ▪ EBITDA Trends
5. Financial Strength (50%)	▪ Leverage – Retained Cash Flow / Gross Debt, Free Cash Flow / Gross Debt, Gross Debt / EBITDA ▪ Coverage – (Funds from Operations + Interest Expense) / Gross Interest Expense ▪ Execution Risk - (EBITDA-Capex) / Gross Interest Expense

50% weight assigned to quantitative factors, 50% to qualitative
All factors assessed on historical and projected basis

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Broadband Penetration Fundamentals

▪ USA Computer Penetration	80%
▪ Broadband Availability	90%
▪ Internet Users per Capita	73%
▪ Broadband Penetration/HHs	68%

North American Industry Sector Outlooks

- Large Diversified Telcos (RBOCs) – Stable
- ILECs – Stable, with negative bias
- Wireless - Stable, with positive bias
- CLECs – Negative
- Cable - Positive

End of Presentation

Q & A

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