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Charter Communications

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Disclaimer: Please see the disclaimer at the back of this report for important information.

Recommendation: Buy

Price: $15.09 Target: $22

Investment Conclusion

We are initiating coverage on Charter Communications (Nasdaq: CHTR) with a BUY rating for the following reasons:

- CHTR is undervalued relative to its peers. The stock price currently trades at only 10 times 2002E EBITDA, compared to its competitors, which trade at an average multiple of 14 times 2002E EBITDA. Using a different metric, it trades at approximately $637 per subscriber, while the industry average is approximately $3,348 per subscriber.

- We believe that the market has over-reacted to the departure of CEO Jerry Kent and to concerns about Charter's high leverage. Charter's corporate paper does not appear to be trading significantly below par and the yields do not indicate high default costs.

- Charter has been growing its subscriber base aggressively, improving both its top and bottom lines. Our 2002 growth estimates for digital subscribers and high-speed data subscribers are 26% and 70%, respectively.

- Charter's aggressive capital spending should begin to pay off as total revenue and EBITDA in 2002, we estimate revenue growth at 10% and EBITDA growth at 15%.

- Charter's yields on its corporate paper do not indicate a significant level of default when compared to the yields of similar rated companies.

- While its cable peers are typically defensive plays, Charter can offer both growth opportunities and predictability to its investors. This is an advantage in an uncertain economy.

Investment Thesis

Charter Communications leads the Cable TV industry in all of its key metrics – EBITDA margins, EBITDA growth, revenue growth, and basic and digital penetration. With gross profit margins of about 77% and a rapidly growing subscriber base, particularly for digital and high-speed data, our growth estimates for total revenue and EBITDA are 10% and 15%, respectively.

In the last few weeks, we believe that investors have been looking for signs of recovery in the economy. At any sign of economic improvement, defensive stocks have fallen out of favor as investors rotate into growth stocks. While cable companies are usually defensive plays based on the predictable nature of basic cable subscribers, Charter offers growth opportunities as well as predictability.[1] The company has invested $3.5 billion to upgrade its cable systems, and new products such as the rollout of Video On Demand are expected to contribute significantly to its revenue growth. Advertisement revenue has declined due to current weak economic conditions, but has only accounted for 10% of total revenue. The increase in high-speed data demand has more than made up for the shortfall in advertising revenue.

Recently, Charter's share price experienced some sell-off due to CEO Jerry Kent's departure. Because all other senior management remains with the company, we believe that the market has over-reacted to Mr. Kent's departure.

We believe that the market's concern over Charter's high leverage has also put pressure on the stock price. After examining written research about the company's bond covenants, we do not believe that they are in significant danger of being triggered. We also believe that the company can rely on the financial backing of its principal owner, Microsoft founder Paul Allen.

Based on the company's strong fundamentals and the aforementioned opportunities, we find Charter Communications to be undervalued.

Company Profile

Charter Communications is the fourth largest MSO (multiple system operator) in the Cable TV industry. Based in St. Louis, it operates in 40 states with about half of its total subscriber base clustered in 13 states. Its cable lines pass by more than 11 million homes, offering basic and premium cable services to almost 7 million subscribers. In addition, Charter offers digital cable services to 2 million customers and high-speed Internet access to 540,000 customers.

[1] *An Island of Stability in an Otherwise Unstable Environment*, Salomon Smith Barney Equity Research, May 3, 2001

Company History[2]

In 1992, three executives, Barry Babcock, Howard Wood, and Jerry Kent, formed Charter Communications as a cable acquisition and management company in St. Louis. The company grew very quickly, buying 15 cable acquisitions and acquiring 1 million customers within four years. In 1997, Paul Allen acquired Charter for $4.5 billion and merged it with his other $2.8 billion buyout of Marcus Cable, making the new Charter the seventh largest U.S. cable TV operator with 2.5 million customers. Jerry Kent became the CEO.

Mr. Allen did not stop there. In 1999, Charter acquired Falcon Communications (1 million customers) and Fanch Communications (500, 000 customers). It bought cable systems from Helicon, InterMedia Partners, Avalon Cable, InterLink Communications, Renaissance Media, and Rifkin. It raised $3.5 billion from high-yield bonds to upgrade its system. In November 1999, Charter's IPO raised $3.2 billion, making it the third largest U.S. IPO and the largest media IPO. In the following year, Charter continued to acquire cable companies, such as Bresnan Communications (700,000 customers), and systems from Cablevision. In 2001, it swapped its Florida systems and some stock for AT&T Broadband's 512,000 subscribers.

In 2001, CEO Jerry Kent left the company. His was replaced by former Liberty Media executive, Carl Vogel. Paul Allen still retains 94% of the company's voting power.

Charter's leverage is currently an over-exaggerated concern for the equity markets

Typical equity valuations focus on equity upside, not debt. However, in Charter's case, an examination of debt is warranted because the company is so highly leveraged that the market has come to devalue the stock. Morningstar ratings, for example, gives the company a grade of "A+" for growth, but an "F" for financial health![3] We believe that any devaluation of stock price is unwarranted, because Charter will safely satisfy all of its debt covenants.

History of Charter's leverage

Charter currently holds $15BB in debt, which is over 80% of the firm's enterprise value at the current stock price. The company's debt structure is the result of a re-capitalization in May 2001 to buy new subscribers from AT&T. In March 2001 Charter purchased 512,000 new cable subscribers from AT&T Broadband, most of which were located in St. Louis, MO and Birmingham, AL. In the transaction, $500 MM of the $1.8 BB deal was Charter stock given to AT&T, while the other two-thirds was debt-financed. This debt raised Charter's leverage to its current levels.

In May 2001 Charter issued $1.25 BB of common stock to pay for the AT&T purchase and for capital spending. At the same time, the company issued $500 MM in convertible 5-year notes and $1.5 BB of senior notes. [4]

The two most significant covenants on Charter's bank debt are debt leverage (Debt / EBITDA) and interest coverage (cash flows available to debt / interest payments). Of the two, debt leverage is considered more significant because most of Charter's debt was recently acquired at relatively low interest rates, so interest payments are easily covered by cash flows.

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[2] Hoovers.com
[3] Morningstar.com, Charter Communications, October 11, 2001
[4] Standard and Poor's Ratings Direct. Charter Communications. May 23, 2001

Description of Debt Covenants

Standard and Poor's requires that the Charter maintain a Debt-to-EBITDA ratio of 7.9 times or less. The company's debt level is just below this range. Morgan Stanley analysts calculate Charter's forward debt leverage to be 7.8 times, including the convertible debt.

S&P also would like Charter's EBITDA-to-interest to be 2 times or higher. The bank loan covenants require a ratio of 1.7 times bank debt. Interestingly, S&P admits that it is giving Charter some leeway because of the company's presumed support from Microsoft founder Paul Allen. This may be necessary, as EBITDA interest coverage will be lower than 2 times for the next several years, according to most analysts' estimates. [5]

Future Debt Leverage

Over time, analysts expect Charter's debt leverage to decrease automatically, as EBITDA from the company's investments is expected to grow faster than the total debt that was used for investments. Additional debt will not be necessary when the company becomes cashflow positive. In addition, we expect the company's stock price to increase. This will cause convertible debt to be converted to stock, which will further reduce the debt level. [6]

We believe that although Charter is near its maximum debt levels, the company will see EBITDA growth rates that are sufficient to reduce its debt levels over time. Given that Charter takes on little additional debt, we expect the company to make all required debt payments without problem.

Bond Valuations and Yields

Since Charter is so highly levered, an individual may believe that there is a high default risk in the company, therefore making an investment in the company's equity extremely risky. After all the equity holders are the lowest on the pecking order chain when a company declares bankruptcy, and therefore often are left holding stock, which is worth nothing. The current yields on Charter's corporate paper do not indicate significant levels of default risk, when compared with similarly rated companies. The valuations of the bond indicate levels in the vicinity of the par values, and yields have remained steady with fluctuations in current interest rates.

The following table lists all of Charter Communications' outstanding corporate paper, along with coupons, yields, maturities and current prices. The table also lists the Moody's and S&P ratings for each of the bonds. LY indicates lowest yield, MAT indicates maturity, and NC indicates noncallable bonds.

Moody	S&P	Qty	Min	Issue	Coupon	Maturity	Yield	LY	Price
B3	B+	100		Charter Co	5.750	10-15-2005C	5.161	MAT	102.000
B3	B+	100		Charter Co	4.750	06-01-2006C	7.015	MAT	91.500
B2	B+	100		Charter Co	8.250	4/1/07	8.544	NC	98.750
B2	B+	100		Charter Co	8.250	4/1/07	8.910	NC	97.250

[5] Standard and Poor's Ratings Direct. Charter Communications. May 23, 2001
[6] Morgan Stanley Equity Research, Charter Communications, November 16, 2001

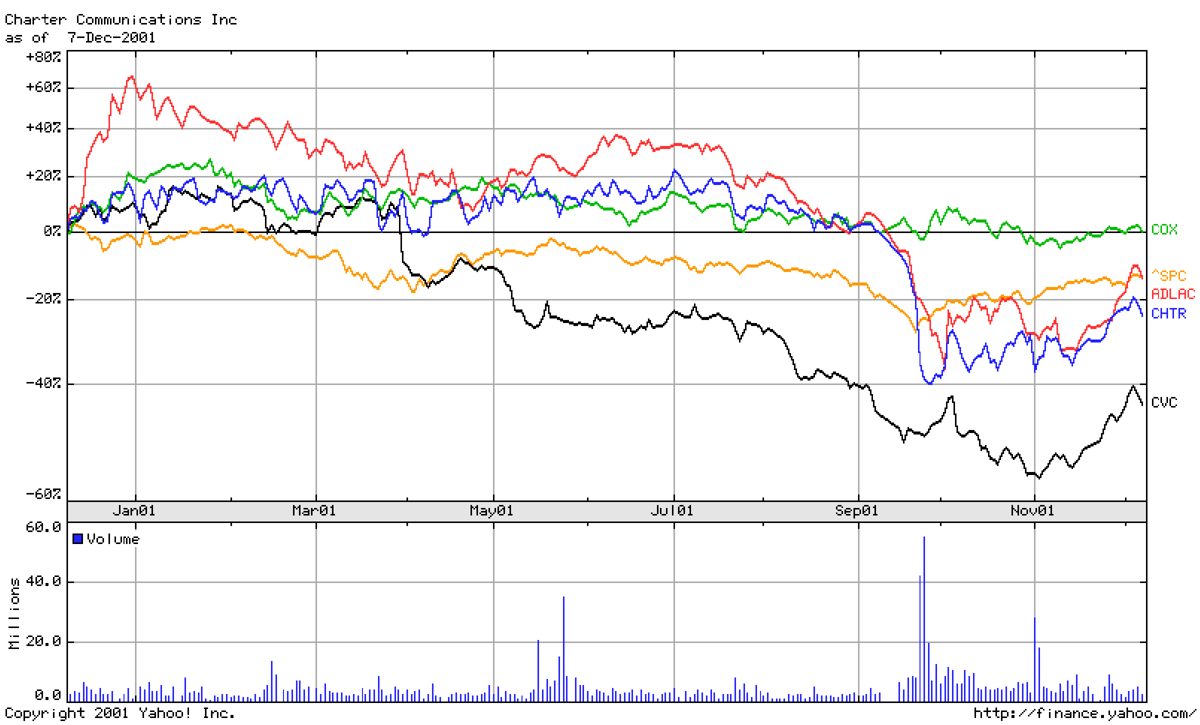
B2	B+	100	Charter Co	8.625	04-01-2009C	8.953	MAT	98.250
B2	B+	100	Charter Co	8.625	04-01-2009C	9.195	MAT	97.000
B2	B+	140	Charter Co	8.625	04-01-2009C	8.857	MAT	98.750
B2	B+	100	Charter Co	10.000	4/1/09	9.273	NC	103.750
B2	B+	100	Charter Co	10.750	10/1/09	9.232	NC	108.250
B2	B+	100	Charter Co	9.625	11/15/09	8.688	NC	105.250
B2	B+	100	Charter Co	9.625	11/15/09	9.124	NC	102.750
B2	B+	100	Charter Co	0.000	01-15-2010C	3.754	MAT	74.125
B2	B+	100	Charter Co	11.125	01-15-2011C	9.651	9.397	108.750
B2	B+	100	Charter Co	0.000	01-15-2011C	4.224	MAT	68.500
B2	B+	100	Charter Co	0.000	04-01-2011C	3.075	MAT	75.375
B2	B+	100	Charter Co	10.000	05-15-2011C	9.426	9.329	103.500
B2	B+	100	Charter Co	0.000	05-15-2011C	4.823	MAT	63.938

Source: http://www.bondsonline.com/asp/quotes/query.html

Stock Performance[7]

Price: $15.09 (as of 12/7/01)
52-week range: $ 10.49 - $ 24.45
Dividends: none
Market Capitalization: $4.45 Billion
Stock performance year-to-date: -26.4% (vs. S&P 500's –11.3%)

Relative stock price performance



[7] Yahoo! Finance

Valuation

DCF Analysis

A discounted cashflow (DCF) analysis was performed to determine a fair market valuation of Charter Communications. The revenues for Charter were determined by projecting the growth of each subscriber segment in the Cable TV industry. The growth in revenues per subscriber was then projected to determine the company's revenues on an annual basis. The breakdown of the projected revenue to 2006 for the company is given in Table 1. Revenues are projected to increase 10% in 2002 and 2003. The gross profit for each segment of Charter's business is then broken down in Table 2. The company's profit margins are expected to come under slight pressure as competition continues and pricing wars evolve between cable and DBS providers.

The cash flows are modeled in Table 3 and an adjusted present value analysis is performed. At present, Charter's cash flows are negative, which is typical in the Cable TV industry at present. Since the Cable TV industry in general has invested nearly all profits in building networks, most Cable TV companies have not been cash flow positive for several years. We predict Charter to become cash-flow-positive in 2003. Capital expenditures are expected to decrease after 2001. Charter's capital expenditures are the highest of all of the MSO's in the industry. With expected capital spending of $2,875 million, the company is nearly $1,000 million above the next highest MSO. In modeling the cashflows, we assume that the working capital requirements remain constant year over year. Depreciation is estimated using the company's current assets and their annual capital expenditures.

An adjusted present value analysis was performed to determine the valuation of Charter's equity. The company is a B+ rated company, so the cost of debt, 7.5%, was determined to have a spread of approximately 250 basis points over the risk-free rate. The company is also the most levered cable company in the industry with approximately $15,654 million in long-term debt. Since the company's market cap is only about $4 billion, the company's debt is triple its current market equity value. The cost of equity, 7.8%, was calculated using an unlevered beta determined using the current capital structure of Charter, which is approximately 3.5/1 debt to equity. Since Charter is highly levered, we expect the capital structure to change over time, therefore, an APV analysis was more appropriate than using WACC analysis. A WACC analysis is more appropriate with a constant or target debt to equity ratio. For the APV analysis, the present value of the cashflow was calculated to be $22.75 billion while the present value of the tax shield was determined to be $3.5 billion. The perpetual growth model with a growth rate of 3% is used to determine the terminal value of Charter Communications. Since the leverage of the company is so high, the terminal value makes up over 100% of the total equity value of the firm.

Table 1. Revenue Breakdown							
	2000	**2001E**	**2002E**	**2003E**	**2004E**	**2005E**	**2006E**
Subscribers							
Homes Passed	10,225,000	11,298,625	11,513,299	11,720,538	11,931,508	12,134,344	12,340,627
Basic Subscribers	1,053,400	1,063,934	1,073,509	1,078,877	1,083,192	1,087,525	1,091,875
Premium Subscribers	5,297,500	5,827,250	5,897,177	5,956,149	6,003,798	6,039,821	6,076,060
Digital Subscribers	1,069,500	2,032,050	2,560,383	2,995,648	3,444,995	3,892,845	4,282,129
HSCDS Subscribers	224,900	539,760	917,592	1,330,508	1,769,576	2,265,058	2,786,021
Monthly Revenue Per Sub.							
Basic Subscribers	$ 36.78	$ 33.10	$ 34.10	$ 35.12	$ 36.17	$ 37.26	$ 38.37
Premium Subscribers	$ 48.43	$ 45.04	$ 46.39	$ 48.71	$ 51.15	$ 53.45	$ 55.85

Digital Subscribers	$ 12.00	$ 12.24	$ 12.73	$ 13.37	$ 14.03	$ 14.74	$ 15.47
HSCDS Subscribers	$ 40.00	$ 34.00	$ 32.30	$ 31.33	$ 31.02	$ 30.71	$ 30.40
Revenues (millions)							
Basic Subscribers	$ 464.93	$ 422.62	$ 439.22	$ 454.65	$ 470.17	$ 486.21	$ 502.80
Premium Subscribers	$ 3,078.70	$ 3,149.51	$ 3,282.92	$ 3,481.53	$ 3,684.86	$ 3,873.78	$ 4,072.39
Digital Subscribers	$ 154.01	$ 298.47	$ 391.11	$ 480.48	$ 580.18	$ 688.38	$ 795.08
HSCDS Subscribers	$ 107.95	$ 220.22	$ 355.66	$ 500.23	$ 658.66	$ 834.65	$ 1,016.36
Total Revenues	$ 3,805.58	$ 4,090.81	$ 4,468.91	$ 4,916.90	$ 5,393.86	$ 5,883.02	$ 6,386.63
Percent Changes							
Homes Passed	15.6%	10.5%	1.9%	1.8%	1.8%	1.7%	1.7%
Basic Subscribers	15.7%	1.0%	0.9%	0.5%	0.4%	0.4%	0.4%
Premium Subscribers	87.9%	10.0%	1.2%	1.0%	0.8%	0.6%	0.6%
Digital Subscribers	588.0%	90.0%	26.0%	17.0%	15.0%	13.0%	10.0%
HSCDS Subscribers	243.0%	140.0%	70.0%	45.0%	33.0%	28.0%	23.0%
Monthly Revenue Per Sub.							
Basic Subscribers	22.0%	-10.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Premium Subscribers	20.0%	-7.0%	3.0%	5.0%	5.0%	4.5%	4.5%
Digital Subscribers	10.0%	2.0%	4.0%	5.0%	5.0%	5.0%	5.0%
HSCDS Subscribers	10.0%	-15.0%	-5.0%	-3.0%	-1.0%	-1.0%	-1.0%

Table 2. Gross Profit Breakdown

	2000	2001E	2002E	2003E	2004E	2005E	2006E
Gross Profit Margins							
Basic Subscribers	75%	73%	72%	71%	71%	71%	71%
Premium Subscribers	80%	77%	76%	75%	75%	75%	75%
Digital Subscribers	74%	73%	72%	71%	71%	71%	71%
HSCDS Subscribers	84%	83%	82%	80%	80%	80%	80%
Total	79%	77%	76%	75%	75%	75%	75%
Gross Profits							
Basic Subscribers	$ 348.70	$ 308.51	$ 316.24	$ 322.80	$ 333.82	$ 345.21	$ 356.99
Premium Subscribers	$ 2,462.96	$ 2,425.12	$ 2,495.02	$ 2,611.15	$ 2,763.64	$ 2,905.33	$ 3,054.29
Digital Subscribers	$ 113.97	$ 217.88	$ 281.60	$ 341.14	$ 411.93	$ 488.75	$ 564.51
HSCDS Subscribers	$ 90.68	$ 182.78	$ 291.64	$ 400.19	$ 526.93	$ 667.72	$ 813.08
Total Profits	$ 3,016.30	$ 3,134.30	$ 3,384.49	$ 3,675.28	$ 4,036.32	$ 4,407.02	$ 4,788.87

Table 3. Cashflow Projections							
	2000	**2001E**	**2002E**	**2003E**	**2004E**	**2005E**	**2006E**
EBITDA (millions)							
EBITDA (millions)	$ 1,601.65	$ 1,755.21	$ 2,013.77	$ 2,278.68	$ 2,502.52	$ 2,732.35	$ 3,016.99
Cashflow (millions)							
EBIT	$ (876.35)	$ (1,167.46)	$ (976.19)	$ (955.64)	$ (951.71)	$ (919.80)	$ (813.29)
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tax loss C/F	$ (876.35)	$ (2,043.81)	$ (3,020.00)	$ (3,975.64)	$ (4,927.34)	$ (5,847.14)	$ (6,660.43)
EBIT - taxes	$ (876.35)	$ (1,167.46)	$ (976.19)	$ (955.64)	$ (951.71)	$ (919.80)	$ (813.29)
Depreciation & Amortization	$ 2,478.00	$ 2,922.67	$ 2,989.97	$ 3,234.31	$ 3,454.23	$ 3,652.15	$ 3,830.27
Capital Expenditures	$ 2,825.00	$ 2,874.67	$ 2,443.47	$ 2,199.12	$ 1,979.21	$ 1,781.29	$ 1,514.09
Working Capital Changes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cashflow	$ (1,223.35)	$ (1,119.46)	$ (429.69)	$ 79.56	$ 523.31	$ 951.06	$ 1,502.90
							$ 32,290.71
Discounted FCF		$ (1,112)	$ (396)	$ 68	$ 415	$ 700	$ 23,075
Taxshield		$ 411	$ 370	$ 329	$ 288	$ 247	$ 205
							$ 2,739
Discounted Taxshield		$ 408	$ 342	$ 283	$ 230	$ 184	$ 2,039
PV(Taxshield)	$ 3,486						
PV(FCF)	$ 22,750						
Cash	$ 15						
Long Term Debt	$ 15,654						
Long Term Growth	3.0%						
Other LT Liablities	$ 4,500						
Equity Value	**$ 6,097**						
Shares	$ 295						
Price per Share	**$ 21**						

Discount Calculations	
Debt/Equity	3.50
Levered Beta	1.22
Unlevered Beta	0.373
R_e	7.79%
R_d	7.50%

Sensitivity Analysis

A sensitivity analysis was performed to measure the variation in stock price due to changes in the projected long-term growth rate and cost of equity. With growth equal to historic average long-term economic growth, and the cost of equity around 8 percent, we believe that the stock price should be in the range of $20 to $25 per share. Since the stock currently trades around $15 per share, we believe that the stock is significantly undervalued. Therefore, we believe that the stock will trade up to the low end of our projected range, approximately $23 per share, in the next 6-12 months, which represents a 60 percent premium to the current stock price.

Table 4. DCF Valuation Sensitivity Analysis						
		Cost of Equity				
		7%	**8%**	**9%**	**10%**	**11%**
Terminal Growth Rate	**2.0%**	$ 20	$ 4	$ (7)	$ (15)	$ (21)
	3.0%	$ 39	$ 17	$ 2	$ (8)	$ (16)
	4.0%	$ 71	$ 35	$ 14	$ (0)	$ (10)
	5.0%	$ 136	$ 67	$ 32	$ 11	$ (2)

A sensitivity analysis was also performed on a possible downside or upside surprise in 2002 EBITDA projections. The cable industry has traded at EBITDA multiples in the 13 to 15 range over the past several years. Using an 11 EBITDA multiple and a downside surprise of 10 percent in 2002 EBITDA, the stock's projected value is $15 per share. Since the company has already lowered its estimates in the past quarter due to difficult economic conditions, we believe that a greater than 10% downside surprise from our estimates is already priced into the stock. If the company can meet its year-end estimates and issue positive comments, the stock could see a significant rally. On the flip side, if the stock does not meet the estimates, we believe we could still see upside movement if actual results are above what the street is pricing into the stock now. Therefore, we see little downside potential from this point forward in the company's stock price. Even if the stock announces lower than projected EBITDA, the company should trade closer to the 13 to 15 times EBITDA range, which would give the stock a value in the $20's per share.

Table 5. Valuation based on Projected EBITDA Multiples

		EV/EBITDA Multiple				
		9	**11**	**13**	**15**	**17**
2002 EBITDA Surprise	**-10.0%**	$ 3	$ 15	$ 27	$ 39	$ 52
	-5.0%	$ 6	$ 19	$ 32	$ 45	$ 58
	0.0%	$ 9	$ 22	$ 36	$ 50	$ 63
	5.0%	$ 12	$ 26	$ 40	$ 55	$ 69
	10.0%	$ 15	$ 30	$ 45	$ 60	$ 75

Comparable Company Analysis

Charter Communications was compared to the leading cable providers. The price-to-earnings metric is a difficult metric to use in doing any type of evaluation. Cable companies have spent so much capital in building and installing their networks, that capital expenditures have exceeded profits for a number of years. As a result, the metric used to value most cable companies is the **Enterprise Value/EBITDA ratio**. Over the past several years, cable companies have traded at average multiples between 13 and 15 times EBITDA. Recently, the average cable company trades around 14 times expected 2002 EBITDA, which is in the historical range. Since Charter Communications trades at 10 times 2002 EBITDA, we believe it is undervalued relative to its peers. If Charter were to migrate back to the average EBITDA range, the company's stock would trade at approximately $22 per share. Charter appears to be an attractive company in the cable industry, trading at lower multiples than its peers, which offers a good buy-and-hold opportunity.

Another metric often used to value cable companies is **value per subscriber**. This metric measures how much each customer adds to the firm's market value. This sometimes measures the company's ability to bundle products and sell more services to individual customers, thus extracting more value from a customer. A company may also be more adept at retaining customers, which increases a customer's lifetime value to a firm. Again, Charter Communications trades at approximately $637 per subscriber while the industry average is approximately $3,348 per subscriber. Charter trades at a discount compared to the rest of the industry and we do not believe that this discount is warranted. Since it trades at a discount, we believe the company's share price is exposed to less downside risk and more upside potential.

Table 6. Comparable Company Analysis

Firm	Price ($)	52-week high ($)	52-week low ($)	Mkt. Cap ($M)	Debt ($M)	2001 EPS	2002 Proj. EPS	Price/ Book
AOL Time Warner	32.98	58.51	27.40	146,101	20,725	1.21	1.39	0.93
Adelphia	26.70	52.25	18.76	4,622	14,850	-3.57	-3.42	0.79
Cablevision	43.40	91.50	35.00	7,608	6,593	-2.42	-3.17	-
Charter Communications	15.09	24.45	10.49	4,439	15,655	-4.38	-4.05	1.14
Comcast	39.99	46.31	31.99	37,811	11,495	-0.80	-0.20	2.31
Cox Communications	38.99	50.25	36.00	23,410	7,847	-0.73	-0.53	2.42
RCN Corporation	2.86	19.13	1.75	278	2,497	-11.59	-10.6	-
Rogers Communications	16.80	20.44	11.00	3,520	5,370	-1.5	-1.63	-
United GlobalCom	4.04	33.81	0.50	402	12,349	-20.05	-15.86	-

Sources: Yahoo Finance, 12-7-01, 2002 estimates are from average estimates of covering Wall Street Analysts.

Table 7. Valuation by EV/EBITDA Ratios

Firm	2001E EBITDA	2001 EV/EBITDA	2002E EBITDA	2002E EV/EBITDA
AOL Time Warner	6,930	24.1	8,316	20.1
Adelphia	1,463	13.3	1,695	11.5
Cablevision	791	18.0	901	15.8
Charter Communications	1,755	11.4	2,014	10.0
Comcast	2,784	17.7	3,330	14.8
Cox Communications	1,593	19.6	1,889	16.5
RCN Corporation	(327)	-	(167)	-
Rogers Communications	936	9.5	1,129	7.9
United GlobalCom	(579)	-	25	510.0
Industry Median		**13.3**		**14.8**

Table 8. Valuation by Subscribers

Firm	2001E Subscribers	Price/ Subscr.	2002E Subscribers	Price/ Subscr.
AOL Time Warner	11,307	$ 12,921	11,535	$ 12,666
Adelphia	5,909	$ 782	5,986	$ 772
Cablevision	3,012	$ 2,526	3,060	$ 2,486
Charter Communications	6,891	$ 644	6,971	$ 637
Comcast	8,426	$ 4,487	8,517	$ 4,439
Cox Communications	6,286	$ 3,724	6,362	$ 3,680
RCN Corporation	410	$ 679	502	$ 554
Rogers Communications	2,291	$ 1,536	2,266	$ 1,553
Industry Average		**$ 3,413**		**$ 3,348**

Important Disclaimer

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