

Data is the “Sweet Spot” of RBOC and GTE 4Q99 Revenues

Data services again dominated the quarterly earnings reports. Every company boasted significant data revenue growth, between **26% - 56%** for the quarter. In fact, data has become an increasingly important part of the overall revenues of each carrier:

Company	Data Revenue Growth 4Q99	Data as % of Total 4Q99 Revenues
Bell Atlantic	26.2%	9.3%
BellSouth	30.1%	11.4%
SBC	44.0%	12.4%
US West	36.0%	60.0%
GTE	56.0%	50.0%

Source: Company financial publications and analyst reports.

Wall Street is impressed:

- ***“Strong results in data, driven primarily by high capacity data revenues, accounted for nearly 80% of the [Bell Atlantic’s] revenue growth in domestic telecom*** for the quarter and for the year.” (Warburg Dillon Read, 1/25/00)
- ***“[BellSouth’s] Data revenues continue to help drive overall revenue growth.*** 4Q99 data revenues were \$760M...Data revenues were 10.7% of total revenues for full year 1999, and we believe BLS will be able to grow data revenues to approximately 13% of total revenues in 2000.” (Warburg Dillon Read, 1/25/00)
- ***“Data and wireless remain key drivers for GTE's revenue growth.*** Including the Ameritech properties, wireless drove about 45% of the quarter's total revenue growth (17% excluding Ameritech). Total data revenue was up 56%, driving about 50% of GTE's total 4Q revenue.” (Morgan Stanley Dean Witter, 1/28/00)
- ***“[SBC’s] Data services were particularly strong,*** posting 44% revenue growth over 4Q98 to \$1.6 billion.” (Jefferies & Company, Inc., 1/26/00)
- ***“[US West’s] Data revenues now account for 13.9% of total revenues (the largest among its peers),*** up from 13.4% in 3Q99 and 10.9% in the same period a year ago. Strong data revenues were driven by DSL and USW.net products which totaled \$25.7M an increase of 225% y/y.” (Warburg Dillon Read, 1/27/00)

Market forces are driving the RBOCs to deploy DSL

The RBOCs and GTE are accelerating their deployment of broadband DSL services in light of increasing competition and growing consumer demand. As a Bell Atlantic spokesperson remarked, ``We've never had a product with so much pent-up demand" (company news release, 7/28/99).

The RBOCs and GTE continue to increase their deployment goals in response to market forces:

Company	Original Goal	Expanded Goal
Bell Atlantic	7M homes by YE 99	17M lines by YE 99 21M lines by 1Q00 500,000 subscribers by YE00
BellSouth	5M lines by YE 99	7M lines by YE 99 11.5M lines by YE 00
SBC	10M lines by YE 01	77M Americans by 02 21M lines by YE 01
US West	2M lines by YE 98	3M lines YE 99 250,000 ADSL subscribers by YE00
GTE	300 central offices YE 98	550 central offices YE 99 6.1M lines by YE 99 200,000 subscribers by YE00

Source: Company news releases and analyst reports.

- **"GTE exceeded their 50K DSL subscriber target**, adding 22K subscribers for the quarter (a 100% sequential improvement), for a total of 57K. The company has made significant strides in customer provisioning and pre-qualification enabling GTE to exit 1999 on a DSL subscriber run rate of 3K/week..." (Warburg Dillon Read, 1/28/00)
- **"SBC had sold 169,000 DSL lines by the end of 1999** and is targeting one million DSL lines for the end of 2000. The company is selling 1,400 lines/day now and should ramp that up as its footprint expands." (Dresdner Kleinwort Benson, 1/26/00)
- **"[US West's] DSL subscribers continue to lead the industry.** U S WEST now has about 110,000 DSL subscribers. It added 30,000 customers in the fourth quarter, and continues to add subscribers at the pace of 10,000 per month. The company expects 250,000 broadband subscribers by the end of 2000. We believe that USW's modem-pooling and self-install options have been contributors to its success in DSL." (Morgan Stanley Dean Witter, 1/27/00)
- **"[Bell Atlantic] is currently installing 2000 DSL customers per week**, and expects this number to ramp up to 1000 per day by the end of the first quarter and 2000 per day by the end of the year." (Morgan Stanley Dean Witter, 1/24/00)

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