* Synergies: Cost and infrastructure synergies resulting from cross promotion and duplicate operations can further drive operating results. For example, Time Inc.'s magazine division's 100 million customers a week can be used to promote AOL and slow the growth of the $1 billion spent by AOL to promote its brand. In addition, the time to launch of Time Warner brands on the Internet will be faster on AOL's infrastructure. Management believes AOL's ability to leverage scale economies enables the company to operate at just 20% of the portal costs experienced by a competitor.

* Advertising/E-commerce. The new AOL/Time Warner will offer advertisers the ability to reach audiences through its premium brands across cable, magazines and the Internet. Pittman sees the ability to offer customers a bundle of advertising options as cost efficient and positive for both AOL/Time Warner and its client base. AOL's infrastructure can further accelerate the development of e-commerce initiatives.

* Broadband: Direct access to Time Warner's cable subscribers can enable AOL to offer its existing clients an upgraded broadband service with almost no marketing cost, ultimately enabling a faster roll-out of broadband upgrades.

* Global Growth: Leveraging Time Warner's reach and AOL's infrastructure, the new company will be best positioned to roll out a global Internet strategy (represented in yesterday's announcement of a joint venture between Ericsson, Nokia and RTS Wireless to extend AOL Anywhere across wireless and WAP devices). While overseas Internet is an earlier stage of development, AOL's ability to use its existing technology and infrastructure can allow for a more cost-efficient rollout to the current modest, but rapidly growing user base.

* Collaboration: Joint promotion agreements such as the Warner Bros.' produced film You've Got Mail and AOL promotion of New Line's Austin Powers II--The Spy Who Shagged Me, are just the beginning of the existing opportunities. Look for further announcements in coming weeks to reinforce the stated strategy.

* Management is expecting revenues in the first combined year of operations (2001) to surpass $40 billion in revenue and $11 billion in EBITDA.

* Maintain Buy rating on TWX, with a 12-month price target of $170 for current TWX shares. A discounted cash flow analysis suggests a present value of new AOL between $77 and $90 per share, or $115-135 per TWX share. We therefore maintain a Buy rating on TWX shares. Should the new AOL/Time Warner be valued at 15x revenues, a one-year target for new AOL of $120 is suggested, representing $170 target for current TWX shares.

Additional information available upon request.

3. PaineWebber Incorporated has acted in an investment banking capacity for this company.

FOR FAX PROBLEMS ONLY: 212-756-4263

FEBRUARY 23, 2000

Exploring AOL/TimeWarner #2: New Revenues by Bundling Magazines and AOL

Tom Wolzien 212-756-4636 wolzientr@bernstein.com, Ray K. Haddad

CA00-18

Feb 22, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult. This FY	Enterprise Mult. Next FY
AOL	Jun-00	O	$49.25	-35%	$0.17	$0.32	$0.58	156	85	0.0%	79.6	45.9
TWX (Time Warner)	Dec-00	O	$73.56	2%	$0.38	$0.46	$0.84	159	88	0.3%	17.7	15.2
SPX (S&P 500)			$1,352	-8%	$51.00	$54.50	$56.67	27	25			

O – Outperform, M – Market-Perform, U – Underperform

This is the second of a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **Bundling AOL and Time Warner magazines is way for each to penetrate more deeply into the other with potential combined company EBITDA improvement estimated between $100 and $280 million**
- **Each service would promote other, with discounted pricing on service added to bundle with AOL discounted by one third and magazines discounted by half, and still producing significant improved earnings for company**
- **We assumed 3% take rate at low end of offering and 8% rate at high end, with 50% incremental margin.**
- **In addition, bundle would likely cause churn reduction in support of this estimate range, or higher.**

Investment Conclusion

The AOL-Time Warner combination appears to us to make significant strategic and operational sense, and both companies are rated out perform. However the scale of the deal coupled with the varied Street orientations toward both companies make development of consensus difficult. This is made even more so as the companies themselves spend this early post-deal period talking about ideas at the strategic or even cosmic levels—the only thing they can do right now as the work out the practical nuts and bolts of running the companies and finding new revenues and savings in the existing businesses.

We buy into AOL CEO Bob Pittman's concept of a pyramid for the benefits of the merger, with operating efficiencies at the bottom, strategic ideas in the middle like the use of AOL to download TimeWarner's (and other) music libraries to online users, and with totally new ways to use online services at the top (please see this week Research Note: *Could Satellite plus AOL and Yahoo! Do To Radio What Cable did to TV?*). The strategic and cosmic levels will develop, but it is the operating efficiencies that will get this merger through the next couple of years, and we are trying to focus on those in this series.

Details

The Challenge: Subscription services need to add subscribers both for growth and to offset those who leave. One way to do that is to bundle multiple subscription services into a package with perceived value to the consumer.

The Concept: The bundling of AOL with any one (or more) of Time Warner's vast array of magazines has the ability to increase combined subscribership while likely reducing churn of those combined subscribers. AOL's broad content (particularly when Time Warner's proprietary web property is included) provides a solid foundation to sell any number of Time Warner magazines including People, Teen People (remembering AOL's vast teen audience—parents let younger kids on because of its safety), Sports Illustrated, Fortune, Money, Southern Living, etc. Conversely, those magazines frequently hit demographic groups that may not be well or widely represented in AOL. Readers of Fortune and Money may tend toward the Yahoo! financial channels, Sports Illustrated users toward ESPN.com, and some Southern Living readers may just be getting ready to explore the web. As a result, these magazines potentially become primary vehicles to market AOL by including discs and advertising in the books.

The Estimates: Our first pass estimates at potential magazine/AOL subscriber benefits produced results that were surprisingly high, and could go higher if more magazines are included in the deal. We assumed participation of 3% of current magazine and AOL users at the low end and 8% at the high end. Remembering that subscribers to both the magazines and AOL are located across the country, with an estimated 20 million magazine unit sales each edition (mostly weekly, some monthly), and 21 million AOL members, 3% delivered in the range of 650,000 new subscribers for each, while 8% delivered in the 1.7-1.8 million range. We assumed a discount in the bundle of some 50% for the magazines and 33% for AOL, with advertising remaining at the $105 level for the magazines and $77 for AOL. At a 50% incremental margin after the discounts, the bundled approach delivered an annual improvement of EBITDA of between $100 million at the low end and $280 million at the high end.

Exhibit 1 provides the breakdown of the potential AOL/Magazine bundling earning improvements. Exhibit 2 gives the continuing running total of this series of savings and revenue enhancements due to the AOL-Time Warner merger.

Exhibit 1: Bracketed Estimates for EBITDA Improvements from Bundling AOL and TWX Magazines

High End	New Subs	Annual Sub Rev Per Inc Sub	Sub. Discount in Bundle	Attributed Sub Rev per Sub	Ad Rev per Sub	Total Rev/Sub	Inc Revenue	Incre-mental Margin	EBITDA Improve-ment
Conversion Rate High	8%								
New Mag Subs: AOL Subs Take One Magazine	1.68	$ 100	50%	$ 50	$ 104	$ 154	$ 259	50%	129
New AOL Subs: Magazine Subscribers Take AOL	1.84	$ 263	33%	$ 87	$ 77	$ 164	$ 302	50%	151
Total High End							$ 560	50%	$ 280
Low end									
Conversion Rate Low	3%								
New Mag Subs: AOL Subs Take One Magazine	0.63	$ 100	50%	$ 50	$ 104	$ 154	$ 97	50%	49
New AOL Subs: Magazine Subscribers Take AOL	0.63	$ 263	33%	$ 87	$ 77	$ 164	$ 103	50%	52
Total Low End							$ 200	50%	$ 100

Exhibit 2: To Date Summary of Merger Related Savings and Additional Revenues

Number	Area	Savings or Add'l Revenue	Low ($mil)	High ($mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
Total	Annual Improvement		150	380	

About this project: *In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to* *wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

***About this project**: In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

FOR FAX PROBLEMS ONLY: 212-756-4263

FEBRUARY 22, 2000

Exploring AOL/TimeWarner #1: Savings on Heavy AOL Users in TWX Territory

Tom Wolzien 212-756-4636 wolzientr@bernstein.com, Ray K. Haddad

CA00-17

Feb 18, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult. This FY	Enterprise Mult. Next FY
AOL	Jun-00	O	$51.00	-33%	$0.17	$0.32	$0.58	162	88	0.0%	82.5	47.6
TWX (Time Warner)	Dec-00	O	$76.06	5%	$0.38	$0.46	$0.84	164	91	0.3%	18.3	15.7
SPX (S&P 500)			$1,346	-8%	$51.00	$54.50	$56.67	26	25			

O – Outperform, M – Market-Perform, U – Underperform

This is the first of a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **One quarter to one third of AOL users in Time Warner Cable territory use AOL more than 50 hours a month, suggesting post-merger savings if they could be shifted to always-on cable modems to avoid per-hour connection fees.**
- **Savings would range in the $50-100 million per year range, depending on participation; estimated half billion in present value over ten years.**
- **Cable modem service could be limited to current 56k throughput, giving users an "always on" incentive, but without cannibalizing potential market for high speed cable data service upgrade.**

Investment Conclusion

The AOL-Time Warner combination appears to us to make significant strategic and operational sense, and both companies are rated out perform. However the scale of the deal coupled with the varied Street orientations toward both companies make development of consensus difficult. This is made even more so as the companies themselves spend this early post-deal period talking about ideas at the strategic or even cosmic levels—the only thing they can do right now as the work out the practical nuts and bolts of running the companies and finding new revenues and savings in the existing businesses.

We buy into AOL CEO Bob Pittman's concept of a pyramid for the benefits of the merger, with operating efficiencies at the bottom, strategic ideas in the middle like the use of AOL to download TimeWarner's (and other) music libraries to online users, and with totally new ways to use online services at the top(please see this week Research Note*: Could Satellite plus AOL and Yahoo! Do To Radio What Cable did to TV?*). The strategic and cosmic levels will develop, but it is the operating efficiencies that will get this merger through the next couple of years, and we are trying to focus on those in this series.

Details

In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.

Exploring AOL/TWX #1: Cutting Heavy AOL User Costs in Time Warner Territory

AOL's Heavy User Problem: One quarter to one third of AOL's users qualify as "heavy." They're online hogs, staying connected for upwards of 50 hours a month, well above the 30 hour average of all AOL users. This means they tie up local phone lines, modem banks, and backhaul circuits for significant amounts of time. While these facilities may not all be billed by AOL's vendors on a per-minute rate, they do cost AOL on usage basis—the longer people are connected, the more facilities are needed. AOL is in a bit of a quandary about what to do about these users. The longer they are connected, the more advertising they see—a good thing in the long run. But they also drive up connectivity costs in an already low margin area. Across the rest of AOL's subscribership, the company is expecting to see the connectivity costs go down at a rate that will offset most of the costs of additional connection time, but for these heavy users, radically increased usage only drives up costs.

What Time Warner Brings: Time Warner's Cable Systems pass about 20% of US households, or, if averages held, about 4 million AOL customers at year end. However, because both AOL membership and Time Warner cable franchises skew more urban, an estimated 27% of AOL subscribers are in Time Warner cable territory. In addition, at year end, as noted in the Bernstein/McKinsey Broadband study, 85% of Time Warner cable subscribers were passed by upgraded two-way plant capable of providing cable modem service, and 100% of the plant will be upgraded by the end of next year. This means that cable modem service could be providing to every heavy AOL user in Time Warner territory, shifting them off the AOL dialup circuits, at significant savings.

How it Might Work: If AOL's heavy users could be incented to purchase or were provided a cable modem for $5 per month (a five year write-off on $200 box), they could be provided "always on" service so they'd never have to wait to dialup and log into AOL. Since the cable modems technology uses packets of data, the unit can remain connected forever with the only usage coming when packets are actually being transmitted. This would save dialup lines, dialup modem banks, and allow a redesign of backhaul circuits between the cable system and AOL's servers in Virginia.

Cable people initially might be wary of this type of upgrade for AOL users because it might detract from their ability to sell high speed cable modem service. However, it appears to us that the "always on" AOL service could be very different form the "high speed" cable service. Cable modems can be limited by equipment at the cable headend to certain transmission speeds. If cable modems providing this always on AOL service were governed not to go faster than 56kbs—the maximum speed of a dialup modem—then a market would remain for media-rich high speed service. In fact, these heavy AOL users would be primary candidates for that upgrade.

Estimates: In our base case estimate, we have assumed that dialup users peak in five years and then decline as high speed alternatives become available and on-line service to the television set, in addition to the computer, becomes prevalent. We have also assumed that modem and connectivity costs drop from this year's $0.10 per hour to less than half that over ten years, but that the heaviest users of AOL would increase their connectivity time by 10% per year, at least. Assuming that the modems were paid for by the user—either through purchase or through a $5 per month higher bill—the savings would be almost $60 per heavy user per year, or about $50-100 million in TimeWarner cable territory each year. The 10 year DCF value of this savings is about $500 million.

Exhibit 1 provides the calculations used in developing this estimate. Exhibit 2 is the start of our running summary of savings and revenue improvements.

Exhibit 1: Calculating AOL Heavy Users Savings with Time Warner Cable Modems

	2001E	2002E	2003E	2004E	2009E
Telephone Slow Speed Users (Year Average)	21.6	25.1	26.7	27.0	24.3
Pct in TWX Territory	27%	27%	27%	27%	27%
Time Warner Dialup Users	5.7	6.7	7.1	7.2	6.5
Pct AOL Subs 50+ Hours Month	25%	25%	25%	25%	25%
Total Heavy Users (mil)	5.4	6.3	6.7	6.7	6.1
Heavy Users in Time Warner Territory (mil.)	1.4	1.7	1.8	1.8	1.6
Hours Connect Time/Month Heavy Users	55	61	67	73	118
Connect Time Year Heavy Users	660	726	799	878	1,415
Per Hour Charge	$0.09	$0.08	$0.07	$0.07	$0.04
Savings per Heavy User	$59	$59	$58	$58	$55
Total Annual Savings ($ million)	85.4	98.0	103.2	103.4	88.6

Exhibit 2: Summary of AOL/Time Warner Savings and Revenue Enhancements

Number	Area	Savings or Add'l Revenue	Low ($mil)	High ($mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
Total			50	100	

Exploring AOL/TimeWarner #5: Using AOL Subs To Prevent TWX Music Flops Could Save $30-65 Million; $370-800 Million Add'l EBITDA Potential Identified

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CA00-21

Feb 23, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult. This FY	Enterprise Mult. Next FY
AOL	Jun-00	O	$59.56	-21%	$0.17	$0.32	$0.58	189	103	0.0%	96.7	55.9
TWX (Time Warner)	Dec-00	O	$84.00	16%	$0.38	$0.46	$0.84	181	100	0.2%	19.9	17.2
EMI (EMI Group)	Mar-00	O	£7.10	17%	£0.25	£0.26	£0.28	27	25	2.3%	19.2	17.6
SPX (S&P 500)			$1,333	-9%	$51.00	$54.50	$56.67	26	24			

O – Outperform, M – Market-Perform, U – Underperform

This is the third in a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **Use of AOL's online subscriber base to reduce Time Warner Music's flop could save $30-65 million per year—about a third of all TWX/EMI albums traditionally lost a lot of money.**
- **Market-testing new talent on AOL's online world will help TWX/EMI predetermine the offline success potential of new yet unproven talent, helping in better management of upfront marketing and promotional costs. We are assuming that the AOL benefit is for the domestic market only.**
- **Cost savings, partially offset by reduced revenues (due to not releasing potential flops), principly comes from reduced marketing costs per album, running from $2 to $2.4 million.**
- **The total range of possible and identifiable EBITDA improvement for the combined is now between $370 million and $800 million on an ongoing operating basis.**

Investment Conclusion

The AOL-Time Warner combination appears to us to make significant strategic and operational sense, and both companies are rated out perform. However the scale of the deal coupled with the varied Street orientations toward both companies make development of consensus difficult. This is made even more so as the companies themselves spend this early post-deal period talking about ideas at the strategic or even cosmic levels—the only thing they can do right now as the work out the practical nuts and bolts of running the companies and finding new revenues and savings in the existing businesses.

We buy into AOL CEO Bob Pittman's concept of a pyramid for the benefits of the merger, with operating efficiencies at the bottom, strategic ideas in the middle like the use of AOL to download TimeWarner's (and other) music libraries to online users, and with totally new ways to use online services at the top. The strategic and cosmic levels will develop, but it is the operating efficiencies that will get this merger through the next couple of years, and we are trying to focus on those in this series.

Details

Time Warner's music cost structure Opportunity: In the music business, companies such as Time Warner and EMI spend upfront marketing and promotional money on unproven talent that turns out to be unpopular. Those "flops" are part of the business and cause companies to lose money. If Time Warner (including EMI) can use AOL's online subscriber base as a testing ground for unproven talent, it could be in a better position to assess their probability of success. We assume that TWX's ability to pre-determine the ultimate success level of a musical release will help the company avoid the manufacturing, marketing, distribution and return reserves part of the cost structure. We also assume that the company will continue to pay the artist royalty, copyright loyalty (albeit much reduced) and the recording costs. We also reduce revenues by the amount of copies not sold due to the company's decision not to release the unit. In our total units breakdown, we estimate that 97% of all unit releases do not sell more than 500,000 copies (gold rating) and that 33% of those units are considered flops (or just 250,000 copies sold). It is those flops that will not be released anymore.

What AOL Brings: AOL provides its vast online subscriber base of over 21 million as a potentially ready audience to express its opinion of newly-released music. A successful online test of the talent will create an added buzz, not to mention traffic, e-commerce opportunities and advertising. An unsuccessful online test will have minimal cost associated with it, especially when compared to the offline cost of a flop. We are assuming that whatever AOL brings to the table is for the domestic market only.

How it Might Work: Time Warner, after assessing the success level of the new talent on the AOL sites would decide between backing the talent with offline marketing and promotional spending as the unit is released or shying away from any release and therefore saving what would have been wasted marketing and promotional spending on a flop in the making.

Estimates: In 2002, we assume that Time Warner's domestic unit release will reach 194 units and EMI's will reach 116 for a total of 310 units, selling at an average wholesale price of $10.36 . Assuming that 100 of those titles will be flops, we eliminate about $30 million in losses, thereby increasing total cash flow for the music segment by about $30 million. These savings are expected to increase by 7% to 10% a year as rising costs continue to be avoided through the AOL "pre-screening" of new talent.

Exhibit 1 provides a view of the potential savings. Exhibit 2 provides our ongoing summary of cost savings and revenue improvements that may be possible from the merger.

Exhibit 1: Potential Savings Using AOL Pre Selection for TWX Music Flop Avoidance

Time Warner Albums	194					
EMI Albums	118					
Total Albums	312					
Gold or Less	97%					
Gold or Less Albums	303					
Flop Rate	33%					
TWX/EMI Flops in 2002:	100					
	Per Unit Low	Flop Released (Low)	Flop not Released (Low)	Per Unit (High)	Flop Released (High)	Flop not Released (High)
Copies sold:		250,000			250,000	
Man. Sug. Retail Price	$16	$4,112,500	$0	$16	$4,112,500	$0
Wholesale margin	37%	37%		37%	37%	
Wholesale price	$10	$2,590,875	$0	$10	$2,590,875	$0
Manufact./ Pack.	$1	($250,000)		$1	($250,000)	
Artist Advance						
Artist Royalty	12%	($310,905)	($310,905)	12%	($310,905)	($310,905)
Copyright Royalty	$.07/track/12 tracks	($210,000.00)	($17,500.00)	$.07/track/12 tracks	($210,000.00)	($17,500.00)
Recording Costs	$750,000	($750,000)	($750,000)	$825,000	($825,000)	($825,000)
Marketing	$2,000,000	($2,000,000)		$2,400,000	($2,400,000)	
Distribution Fee	9%	($370,125)		9%	($370,125)	
Return Reserves	$0.25	($62,500.00)		$0.25	($62,500.00)	
	Profit/Loss per unit	($1,362,655)	($1,078,405)		($1,837,655)	($1,153,405)
	Total Profit/Loss	($136,089,990)	($107,701,601)		($183,528,810)	($115,191,941)
Savings	**Difference**		**$28,388,389**			**$68,336,869**

Exhibit 2: To Date Summary of Ongoing Merger Related Savings and Additional Revenues

Number	Area	Savings or Add'l Revenue	Low ($mil)	High ($mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
3	Personnel & Op Efficiencies in TWX Web Svcs	Savings	101	143	24-Feb-00
4	Cross Selling of AOL/TWX Advertising	Add'l	90	207	25-Feb-00
5	Music Flop Avoidance	Savings	28	68	28-Feb-00
Total	**Total Savings, Avoidance, and Add'l Revenues**		**370**	**798**	

***About this project**: In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

Exploring AOL/Time Warner #13: Creation of AOL Magazine Distributed by TW Could Add $25-40 Million to EBITDA; Now $840 Million-$1.6 Billion Improvement Possible

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Mar 8, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult. This FY	Enterprise Mult. Next FY
AOL	Jun-00	O	$55.13	-27%	$0.17	$0.32	$0.58	192	105	0.0%	93	54
TWX (Time Warner)	Dec-00	O	$79.31	10%	$0.38	$0.46	$0.84	187	103	0.2%	20	17
SPX (S&P 500)			$1,367	-7%	$51.00	$54.50	$56.67	26	25			

O – Outperform, M – Market-Perform, U – Underperform

This is the thirteenth in a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **Creation of AOL Magazine using Time Warner Magazine distribution could incremental EBITDA improvement in the $27-42 million range through additional revenues.**
- **Magazine would be designed for interests of AOL subscribers, with advertising keyed to AOL and other TW advertisers.**
- **At the low end, with 2 million subscriptions would provide for a $27 million improvement of EBITDA at 19 margin. The improvement would be in the $42 million range at the high end with 3 million subs.**
- **The range of the thirteen improvements identified to date is now $841 million in incremental EBITDA at the low end to $1.6 billion at the high end.**

Investment Conclusion

AOL and Time Warner are rated out perform. The growing number of possible areas for improvement makes us confident that the combined companies will be able to deliver earnings well above a pure sum-of-the-parts. As a result, the combination appears to us to make significant near and mid term operational sense, with very strong long term strategic potential as well.

Details

The Potential: The offline affinity of online AOL members provides the opportunity for a family oriented print magazine dealing with key issues of AOL's major demographic groups. With focus on issues and information most used on AOL, the magazine would have built in market research for content. It could provide cross marketing opportunities for AOL advertisers who wish a print as well as online platform for the same ad approach. The magazine could be managed and published by the Time Warner publishing unit, taking advantage of editorial and publication expertise at the typical margins of other magazines of the unit. (Yahoo! Internet Life provides a magazine to leverage off the Yahoo! name, but it is not owned by Yahoo!, making cross marketing/advertising cooperation difficult.)

The Estimates: The size and distribution levels of Money provided us with a foundation for our estimates for the AOL magazine. We assumed the bulk of users would come from subscriptions, with about 7-10% of AOL subscribers taking the magazine in 2002. Subscriptions would be in the $20 range for 12 issues, with smaller news stand sales for $3 per copy. Advertising would be sold on a stand along basis as well as bundled with AOL for consistency of campaigns. We used the Time Warner magazine units estimated EBITDA margin of 19% for the new AOL magazine, assuming that the magazine unit would be the publisher. At the low end, we estimated that 2 million subscribers would deliver incremental EBITDA to the combined companies in the $27 million range. Three million subs, at the high end, would provide an additional $42 million in incremental EBITDA.

Exhibit 1 provides details of an AOL magazine distributed by Time Warner. Exhibit 2 shows the to-date results of our project to identify potential cost savings, cost avoidance, and new revenues made possible as a result of the AOL/Time Warner merger.

Exhibit 1: AOL Magazine

	Low	High
Subscribers (mil)	1.7	2.7
Subscription Fee	$ 19.95	$ 19.95
Sub Revenue	$34	$54
Single Copies Per Month	0.3	0.3
Single Copy Price	$3.00	$3.00
Single Copy Revenue	11	11
Total Circulation	2.0	3.0
Total Circulation Revenue	45	65
Net Advertising	100	159
Net Advertising per Copy	$ 4.90	$ 4.90
Advertising Pages	1,632	1,632
Advertising CPM	$36	$36
Total Revenue	145	223
EBITDA Margin	19%	19%
Incremental EBITDA	27	42

Exhibit 2: To Date Summary of Ongoing Merger Related Savings and Additional Revenues

Number	Area	Savings or Add'l Revenue	Low ($mil)	High ($mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
3	Personnel & Op Efficiencies in TWX Web Svcs	Savings	101	143	24-Feb-00
4	Cross Selling of AOL/TWX Advertising	Add'l	90	207	25-Feb-00
5	Music Flop Avoidance	Savings	28	68	28-Feb-00
6	AOL Markets TW Cable High Speed Service	Add'l	46	147	29-Feb-00
7	TW Distribution for AOL Discs	Savings	42	65	1-Mar-00
8	Customer Service Reps	Savings	34	68	2-Mar-00
9	Cross Selling Local Cable Ads & Digital Cities	Add'l	63	95	3-Mar-00
10	X Sell TW Cable and AOL Subscriptions	Add'l	123	185	6-Mar-00
11	Corporate Savings	Savings	35	52	7-Mar-00
12	AOL Ad & Marketing Savings w/TW Mags/Nets	Savings	100	151	8-Mar-00
13	AOL Magazine	Add'l	27	42	9-Mar-00
Total	**Total Savings, Avoidance, and Add'l Revenues**		**841**	**1,602**	

About this project: *In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. In those cases, we simply added in a "synergies" line after combining the other parts of the companies. Inaccuracy in the first year synergy line, later year growth, and reconciling the synergy line with future company reports all left the process wanting for accuracy. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed as broad concepts by the companies, and we will incorporate our interpretation of those where appropriate. In addition, we will initiate others ideas, when we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

FOR FAX PROBLEMS ONLY: 212-756-4263

FEBRUARY 24, 2000

Exploring AOL/TimeWarner #3: AOL Systems Offset TWX Web Costs

Tom Wolzien 212-756-4636 wolzientr@bernstein.com, Ray K. Haddad

CA00-19

Feb 23, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult. This FY	Enterprise Mult. Next FY
AOL	Jun-00	O	$57.25	-25%	$0.17	$0.32	$0.58	181	99	0.0%	92.8	53.6
TWX (Time Warner)	Dec-00	O	$76.56	6%	$0.38	$0.46	$0.84	165	91	0.3%	18.4	15.8
SPX (S&P 500)			$1,361	-7%	$51.00	$54.50	$56.67	27	25			

O – Outperform, M – Market-Perform, U – Underperform

This is the third in a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **Use of AOL's support systems and personnel for Time Warner web ops could save combined companies $100-150 million annually by 2002.**
- **AOL cut or reassigned half of CompuServe and Netscape personnel when those companies were acquired; we estimate that same could happen for between one and two thirds of Time Warner web personnel.**
- **Additional, ongoing savings are likely in communications and support hardware amounting to another $30 million in current spending and $60 million by 2002.**
- **Total ongoing savings and revenue enhancements logged in this project now range between $250 and $525 million in 2002.**

Investment Conclusion

The AOL-Time Warner combination appears to us to make significant strategic and operational sense, and both companies are rated out perform. However the scale of the deal coupled with the varied Street orientations toward both companies make development of consensus difficult. This is made even more so as the companies themselves spend this early post-deal period talking about ideas at the strategic or even cosmic levels—the only thing they can do right now as the work out the practical nuts and bolts of running the companies and finding new revenues and savings in the existing businesses.

We buy into AOL CEO Bob Pittman's concept of a pyramid for the benefits of the merger, with operating efficiencies at the bottom, strategic ideas in the middle like the use of AOL to download TimeWarner's (and other) music libraries to online users, and with totally new ways to use online services at the top (please see this week Research Note: *Could Satellite plus AOL and Yahoo! Do To Radio What Cable did to TV?*). The strategic and cosmic levels will develop, but it is the operating efficiencies that will get this merger through the next couple of years, and we are trying to focus on those in this series.

Details

Time Warner's Web Staffing Opportunity: We estimate that in the neighborhood of 500 Time Warner personnel are involved in producing and operating its web sites across the company. At an estimated cost of $125,000 per person (including overhead), the total cost of personnel to run the CNN, Entertaindom, and other sites is estimated in the $62 million range, and likely double to $125 by 2002. Further, technical operations and communications for the combined sites are estimated currently in the $30 million range, also doubling in two years.

What AOL Brings: AOL has established operating infrastructure for web sites as well as its proprietary AOL business. Layering on the operational and mechanical needs of Time Warner's sites falls into an area that AOL already has experience with. When AOL acquired CompuServe and Netscape, half of the staff positions were eliminated. In many cases, people were reassigned to new areas of growth where new employees would have been hired, so there were not mass layoffs. AOL's technical infrastructure can pick up additional traffic at the level of Time Warner's' with ease.

How it Might Work: AOL would pick up all operating aspects of the Time Warner web sites, leaving Time Warner personnel in the purely creative areas. One to two thirds of the Time Warner employees in these areas would be reassigned, when possible.

Estimates: Assuming an estimated 500 people are currently working on Time Warner's web operations, and that one to two thirds could be made redundant by existing AOL support infrastructure, then the potential personnel savings is between $20 and $40 million per year to the combined companies, at an all-in per-employee cost of $125,000 per year. Operating and telecommunications costs are estimated in the $30 million range now. In 2002, these numbers are expected to double, providing total cost savings and avoidance to the $100-150 million range.

Exhibit 1 provides a view of the potential savings. Exhibit 2 provides our ongoing summary of cost savings and revenue improvements that may be possible from the merger.

Exhibit 1: Potential Savings Using AOL for TWX Web Operations

	Now	2002
TWX Web Site Personnel	500	1000
Annual Cost (All in)	125,000	125,000
Total Annual Cost ($mil)	63	125
Pct Savings Low End	33%	33%
Savings Low End ($mil)	21	41
Pct Savings High End	66%	66%
Savings High End ($mil)	41	83
Operations & Commo Savings	30	60
Total Savings Low	51	**101**
Total Savings High	71	**143**

Exhibit 2: To Date Summary of Ongoing Merger Related Savings and Additional Revenues

Number	Area	Savings or Add'l Revenue	Low ($mil)	High ($mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
3	Personnel & Op Efficiencies in TWX Web Svcs	Savings	101	143	24-Feb-00
Total			**251**	**523**	

About this project: *In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one* *major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

Exploring AOL/TimeWarner #4: Crossing Selling TWX & AOL Advertising Could Add $90-200 million EBITDA; Merger Improvement Range Now $340-730 Million

Tom Wolzien 212-756-4636 wolzientr@bernstein.com, Ray K. Haddad *CA00-20*

Feb 24, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult This FY	Enterprise Mult Next FY
AOL	Jun-00	O	$60.00	-21%	$0.17	$0.32	$0.58	181	99	0.0%	92.8	53.6
TWX (Time Warner)	Dec-00	O	$86.31	19%	$0.38	$0.46	$0.84	165	91	0.3%	18.4	15.8
SPX (S&P 500)			$1,353	-8%	$51.00	$54.50	$56.67	27	25			

O – Outperform, M – Market-Perform, U – Underperform

This is the fourth in a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **Cross selling advertising—Time Warner Advertisers shifted to AOL and vice versa--could add incremental EBITDA of $90-205 million annually by 2002 for combined companies.**
- **High end would come by adding 3% to TWX ads (not including TWX web sales) and 10% to AOL's, assuming 25% bundling discount and 75% incremental margin, or 4% increase in ad sales for combined companies**
- **Low end estimate adds just 1% to TWX ads without web sales and 5% to our current AOL estimates for '02, netting 2% increase in sales for combined companies.**
- **Combining our four calls this week, the total range of possible EBITDA improvement for the combined companies we have now identified is between $340 million and $730 million on an ongoing operating basis.**

Investment Conclusion

The AOL-Time Warner combination appears to us to make significant strategic and operational sense, and both companies are rated out perform. While we are beginning to see clearly identifiable cost savings and revenue enhancements, the scale of the deal coupled with the varied Street orientations toward both companies make development of consensus difficult. This is made even more so as the companies themselves spend this early post-deal period talking about ideas at the strategic or even cosmic levels—the only thing they can do right now as the work out the practical nuts and bolts of running the companies and finding new revenues and savings in the existing businesses.

We buy into AOL CEO Bob Pittman's concept of a pyramid for the benefits of the merger, with operating efficiencies at the bottom, strategic ideas in the middle like the use of AOL to download TimeWarner's (and other) music libraries to online users, and with totally new ways to use online services at the top (please see this week Research Note*: Could Satellite plus AOL and Yahoo! Do To Radio What Cable did to TV?*). The strategic and cosmic levels will develop, but it is the operating efficiencies that will get this merger through the next couple of years, and we are trying to focus on those in this series.

Details

Cross Selling Opportunity: Nobody has more, better advertisers than Time Warner. Nobody. While AOL has made excellent inroads into the better companies (GM, for example), the ability to cross sell AOL through Time Warner's contacts should provide the foundation to make AOL a world class advertising vehicle. We had already anticipated significant ad growth for AOL, and the use of the Time Warner "book" should make those estimates better through the contacts, and through a level of backup support not available elsewhere on the web. For example, an ad sale on the AOL proprietary and web outlets could be guaranteed, or backed up, by make goods in the Time Warner magazines or on the Turner networks, thereby giving established companies who may be a bit web averse the protection to put more than a little toe in the web waters.

AOL also has the opportunity to bundle Time Warner's traditional media in packages with its current stable of clients and the new ones it is adding ever day. AOL advertisers, particularly those who use their AOL space for stores, could elect to run supporting commercials or print in the Time Warner vehicles to drive consumers to the AOL and web based stores. This ad package could likely guarantee even more traffic to the store sites, and could, for the first time, be used to promote special offers in online shopping sites on AOL and AOL/web to a far broader audience.

The Estimates: In developing our estimates for cross selling advertising, we intentionally left out the Time Warner web operations because we have been carrying estimates for those ad sales in our overall Time Warner numbers since last summer, and, if anything, the AOL relationship will help assure those estimates rather than expand them. It is a different story for the rest of both companies, however. We took our estimates 2002 advertising for the combined companies, over $9 billion by then, and assumed that Time Warner's magazine and Turner units would increase sales by 3% thanks to bundling, while AOL could add 10%. But bundling would cost, perhaps resulting in a 25% discount on the incremental revenues. The incremental margin is estimated in the 75% range, resulting in additional EBITDA of about $205 million at the high end.

At the low end, we gave Time Warner's magazine and Turner Networks only a 1% increase and AOL a 5% hike in sales, also with a 25% discount and 75% incremental margin to produce about $90 in additional EBITDA. If there is risk in these estimates, the bias seems to be to the upside.

Exhibit 1 provides a view of the potential revenue and EBITDA enhancement. Exhibit 2 provides our ongoing summary of cost savings and revenue improvements that may be possible from the merger in 2002.

Exhibit 1: Potential Additional Advertising Revenues Cross Selling and Bundling AOL for TWX Outlets

Time Warner Estimated Advertising 2002	6,106				
AOL Estimated Advertising 2002	3,069				
Total current Ad Estimate 2002	9,175				
High End	Pct Add'l	Less Bundle Discount	Inc Revenue	Incremental Margin	Add'l EBITDA ($ mil)
Cross Percentage Sell High End					
Additional Time Warner Advertising	3%	25%	$ 137	75%	77
Additonal AOL Revenue	10%	25%	$ 230	75%	129
Total High End	**4%**		**$ 368**	**75%**	**$ 207**
Low end					
Cross Sell Pct Low End					
Additional Time Warner Advertising	1%	25%	$ 46	75%	26
Additonal AOL Revenue	5%	25%	$ 115	75%	65
Total Low End	**2%**		$ 161	75%	$ 90

Note: Time Warner Advertising Does Not Include Web Estimates

Exploring AOL/Time Warner #16: AOL News Cost Avoidance Improves EBITDA $20-30 Million; Savings Range Climbs to $925 Million- $1.73 Billion

Tom Wolzien 212-756-4636 wolzientr@bernstein.com, Ray K. Haddad 212-756-4581 haddadrk@bernstein.com CA00-33

Mar 10, 2000	This FY Ends	Rating	Close	YTD Perf	EPS Last FY	EPS This FY	EPS Next FY	P/E This FY	P/E Next FY	Yield	Enterprise Mult This FY	Enterprise Mult Next FY
AOL	Jun-00	O	$61.25	-19%	$0.17	$0.32	$0.58	192	105	0.0%	93	54
TWX (Time Warner)	Dec-00	O	$86.50	20%	$0.38	$0.46	$0.84	187	103	0.2%	20	17
SPX (S&P 500)			$1,384	-6%	$51.00	$54.50	$56.67	26	25			

O – Outperform, M – Market-Perform, U – Underperform

This is the sixteenth in a continuing series to explore and quantify potential new revenues and cost savings that we believe are likely to result from the AOL-Time Warner Merger.

- **Use of Time Warner's News Product, principally CNN for AOL online news potentially saves in the $20-30 million range.**
- **AOL has been getting second rate news from CBS (compared with CBS's own site), and clearly had to acquire news material from other sources or begin to package significantly more content itself.**
- **Cost to do it alone would run in estimated $25-40 million range, with savings of about 75% due to extensive resources found in CNN's $900 million budget.**
- **Potential savings is in $19-30 million range.**
- **Our sixteen identified improvements to date provide a range of EBITDA improvement from $927 at the low end to $1.733 billion at the high end.**

Investment Conclusion

We note that with tech stock plunge Monday, AOL/TWX were up. This suggests to us the beginning of the appropriate and necessary disconnection between AOL and Tech, and investor recognition of the combined companies' fundamentals.

AOL and Time Warner are rated out perform. The growing number of possible areas for improvement makes us confident that the combined companies will be able to deliver earnings well above a pure sum-of-the-parts. As a result, the combination appears to us to make significant near and mid term operational sense, with very strong long term strategic potential as well.

Details

The Potential: AOL, like other online services, provides news content. Some of that content used to be known as "rip and read" wire copy...now "cut and paste" right off the commodity news services AP and Reuters. Other material comes from CBS News, which runs its own site. The AOL site is inferior, in our view, to both the CBS site and the TimeWarner owned CNN online operation. CBS provides a second rate rehash to AOL, while keeping the better stuff for itself. In this context, AOL would be forced to upgrade its own site over time, likely resulting in significant spending for content, editorial services, and production/presentation. The advent of CNN permits AOL to avoid this seemingly unavoidable upgrade.

The Estimates: In our estimates, we have assumed that AOL could be spending at a range of levels to upgrade the site—between $25 and $40 million, for a staff ranging up to several hundred. CNN is expected to spend some $900 million in 2002, of which about two thirds goes to the news product. Within the CNN operations, AOL is likely to be able to save three quarters of the news costs anticipated in our estimates, leaving enough of the proposed budget to pay for a small staff of 50 to 80 to run the news operations—about 12-20 people per shift—more typical of a global radio news operation repackaging material collected by a world wide news parent.

Exhibit 1 shows our 2002 estimates for cost avoidance as AOL will not have to produce its own news product. Exhibit 2 shows the to-date results of our project to identify potential cost savings, cost avoidance, and new revenues made possible as a result of the AOL/Time Warner merger.

Exhibit 1: News Cost Avoidance By Using CNN Content & Production

	Low	High
Cost to Run Original News Web Site	25	40
Savings Using CNN	75%	75%
Savings Using CNN	**19**	**30**
Operating Cost After Savings	6	10

Exhibit 2: To Date Summary of Ongoing Merger Related Savings and Additional Revenues

Number	Area	Savings or Add'l Revenue	Low ($mil)	High ($mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
3	Personnel & Op Efficiencies in TWX Web Svcs	Savings	101	143	24-Feb-00
4	Cross Selling of AOL/TWX Advertising	Add'l	90	207	25-Feb-00
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12	AOL Ad & Marketing Savings w/TW Mags/Nets	Savings	100	151	8-Mar-00
13	AOL Magazine	Add'l	27	42	9-Mar-00
14	Studios Use AOL for Marketing/Promotion	Savings	48	72	10-Mar-00
15	Common Software for Cable Modems & AOLTV	Savings	20	30	13-Mar-00
16	News Cost Avoidance Using CNN	Savings	19	30	14-Mar-00
Total	**Total Savings, Avoidance, and Add'l Revenues**		**927**	**1,733**	

About this project: *In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. In those cases, we simply added in a "synergies" line after combining the other parts of the companies. Inaccuracy in the first year synergy line, later year growth, and reconciling the synergy line with future company reports all left the process wanting for accuracy. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed as broad concepts by the companies, and we will incorporate our interpretation of those where appropriate. In* *addition, we will initiate others ideas, when we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

Exhibit 2: To Date Summary of Ongoing Merger Related Savings and Additional Revenues

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2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
3	Personnel & Op Efficiencies in TWX Web Svcs	Savings	101	143	24-Feb-00
4	Cross Selling of AOL/TWX Advertising	Add'l	90	207	25-Feb-00
Total	**Total Savings, Avoidance, and Add'l Revenues**		342	729	

About this project: *In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of $25 million improvement as a high end requirement.*

From: Boggs, Timothy
Sent: Tuesday, March 14, 2000 10:59 AM
To: Nolan, Catherine; Art Harding (E-mail); George Vradenburg (E-mail); Steven Teplitz (E-mail); Peter Ross (E-mail)
Subject: FW: AOL Time Warner - Sanford Bernstein report

More to come.

-----Original Message-----
From: **Barany, Cheryl**
Sent: Tuesday, March 14, 2000 10:45 AM
To: Boggs, Timothy
Subject: AOL Time Warner - Sanford Bernstein report

Tim,

As promised, here are the remaining Sanford reports. Since we can't save the Acrobat files, we unfortunately had to attach each e-mail.

Kind regards,
John

Bernstein Research - AOL/TWX
Bernstein Research - AOL/TWX
BERNSTEIN RESEARCH - AOL/TWX
BERNSTEIN RESEARCH - AOL/TWX
BERNSTEIN RESEARCH - AOL/TWX
BERNSTEIN RESEARCH - AOL/TWX
BERNSTEIN RESEARCH - AOL-TWX
BERNSTEIN RESEARCH - AOL/TWX
Untitled
BERNSTEIN RESEARCH - AOL/TWX