

# **Insight Communications**

**UBS Frontline Update:  
The latest in Cable, Telecom & Media**

**- Friday, April 21, 2006 -**



Insight

Simple is Better

## Safe Harbor

Any statements in this presentation that are not historical facts are forward-looking statements. The words “plan”, “believe”, “expect”, “anticipate”, “estimate” and other expressions that indicate future events and trends identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated. Factors that could have a material and adverse impact on actual results are identified in the reports and documents Insight files from time to time with the U.S. Securities and Exchange Commission. Insight undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made during this presentation to reflect events or circumstances after today or to reflect the occurrence of unanticipated events.

## Company Representatives

**Dinni Jain**

President & Chief Operating Officer

**John Abbot**

Chief Financial Officer



# Company Overview



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## Who We Are

- **Pure play cable operator with fully-upgraded broadband network**
- **1.3 million customer relationships**
- **2.5 million revenue generating units, as of Q1'06**
  - 1.3mm basic
  - 561k digital
  - 515k HSI
  - 100k telephone
- **Advanced products offered across the network**
  - 97% of customers digital-enabled
  - 99% of digital customers with access to HD/DVR
  - 97% of digital customers VOD-enabled
  - 98% of footprint with access to HSI
  - 34% of footprint with access to circuit switched telephone

# Well-Clustered Markets

- **Extremely well-clustered network**
  - Benefits to sales / marketing, operations and management
- **Desirable demographics**
  - Large university populations
  - Good housing growth
  - Low unemployment
- **Strong second and third tier markets**



★ Regional Office

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# Customers Served

Total Company  
1,282k

West Region  
588k

East Region  
417k



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Note: Data as of December 31, 2005

## High Quality Assets

- Fully upgraded two-way plant – 97% of Network is at 750 MHz or above
- Simple, standardized platform across the network (Billing, Video, HSI, Telco– all same across whole network)
- Upgrading from OC48 to OC192 Fiber Network – interconnects almost all systems
- Highly upgraded for interactivity
- Headend consolidation allows for faster, more efficient rollout of new products and services

# Services Offered

## Residential

**Video**  
Basic/Classic  
Digital\*  
HDTV\*  
VOD\*  
Other Interactive Services\*

*\*Digital available in 97% of footprint*

**High Speed Internet\***  
Standard  
(4M down/384k up)  
HSI Plus  
(6M down/512k up)

*\* HSI available in 98% of footprint*

**Telephone**  
Circuit Switched Voice  
(Louisville, Lexington, Columbus, SW)  
Voice Over IP  
(Launching in 2006)

*\*Phone available in 34% of footprint*

## Business

**Ad Sales**

**Commercial Services**

# Operational Review



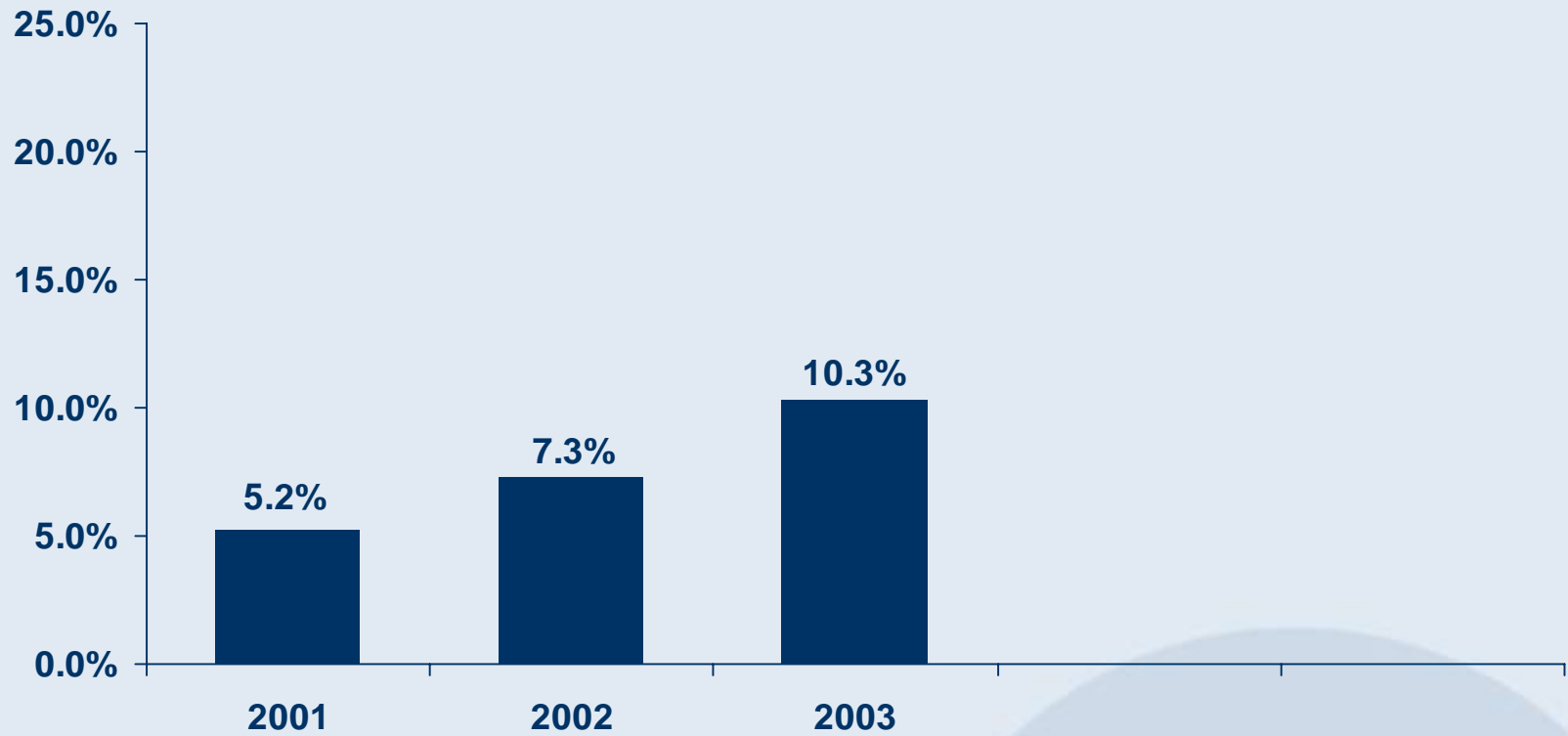
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## Key Areas of Focus in 2005 & 2006

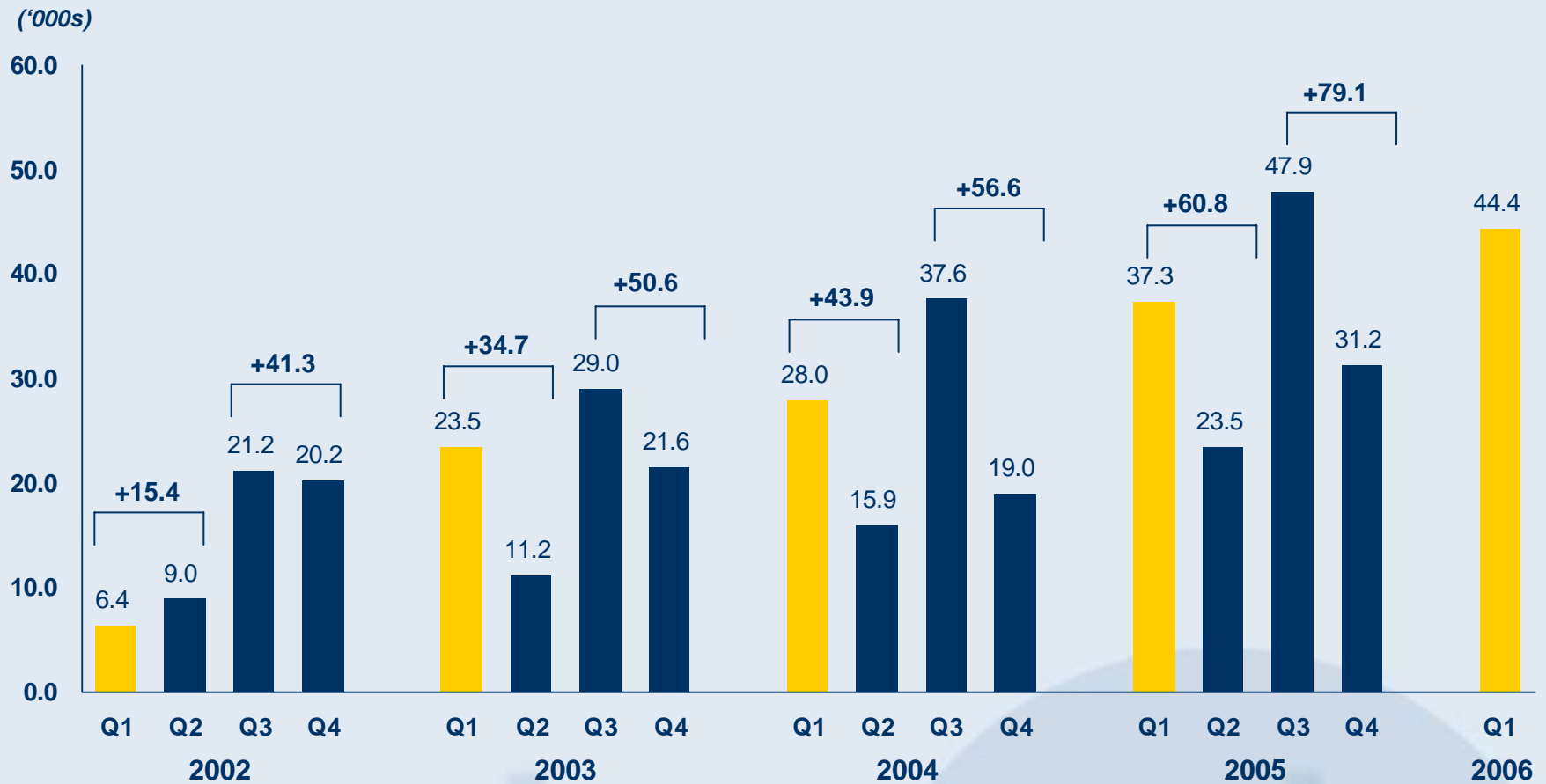
- HSI: driving incremental penetration to 600 basis points per year
- Basic: stemming losses and realizing turnaround in growth
- Digital: reducing churn by improving overall value of product
- Telephone: integrating operations from Comcast and preparing for VOIP launch

# Historical HSI Penetration



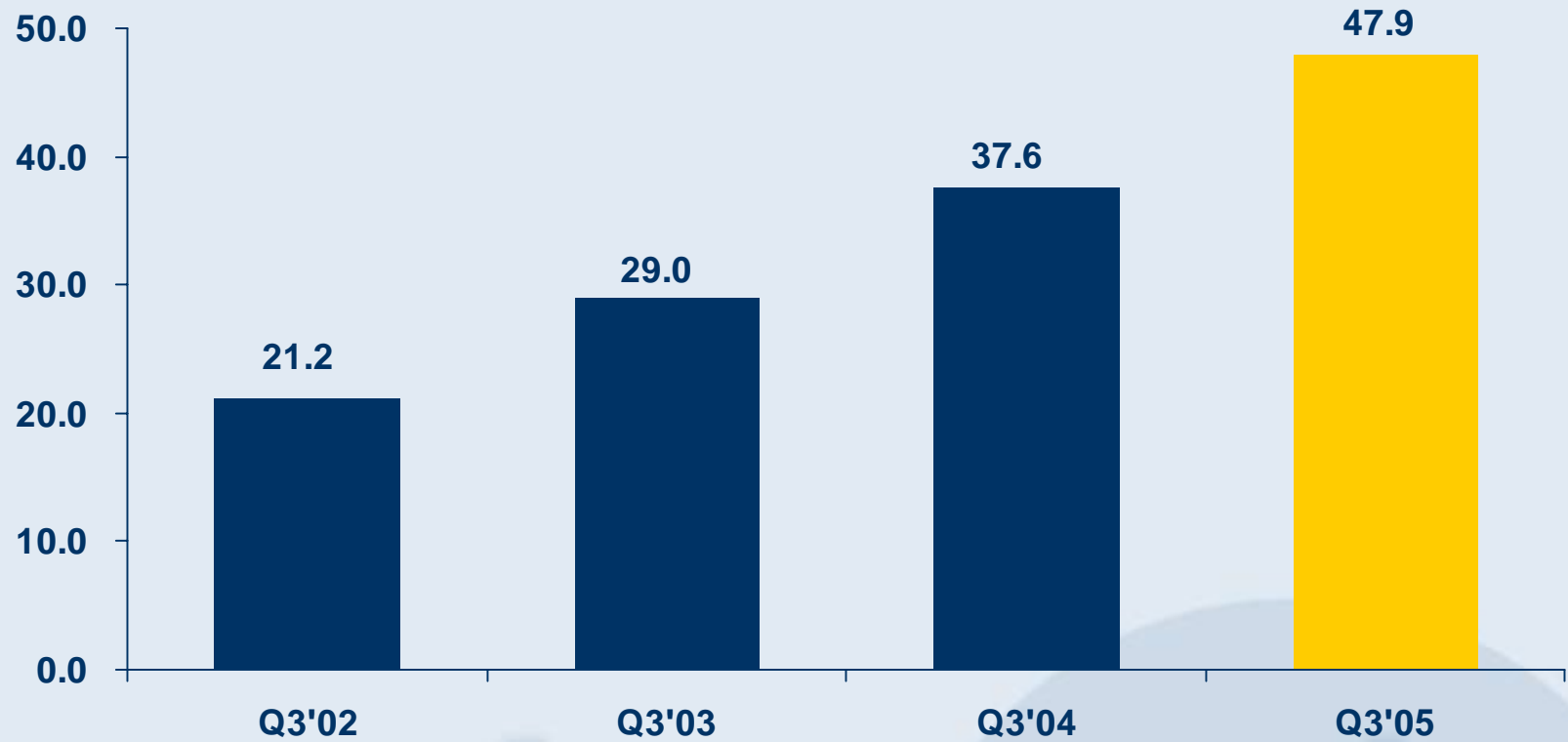
Incremental Penetration:                      +210 bps                      +300 bps

# Historical HSI Net Additions

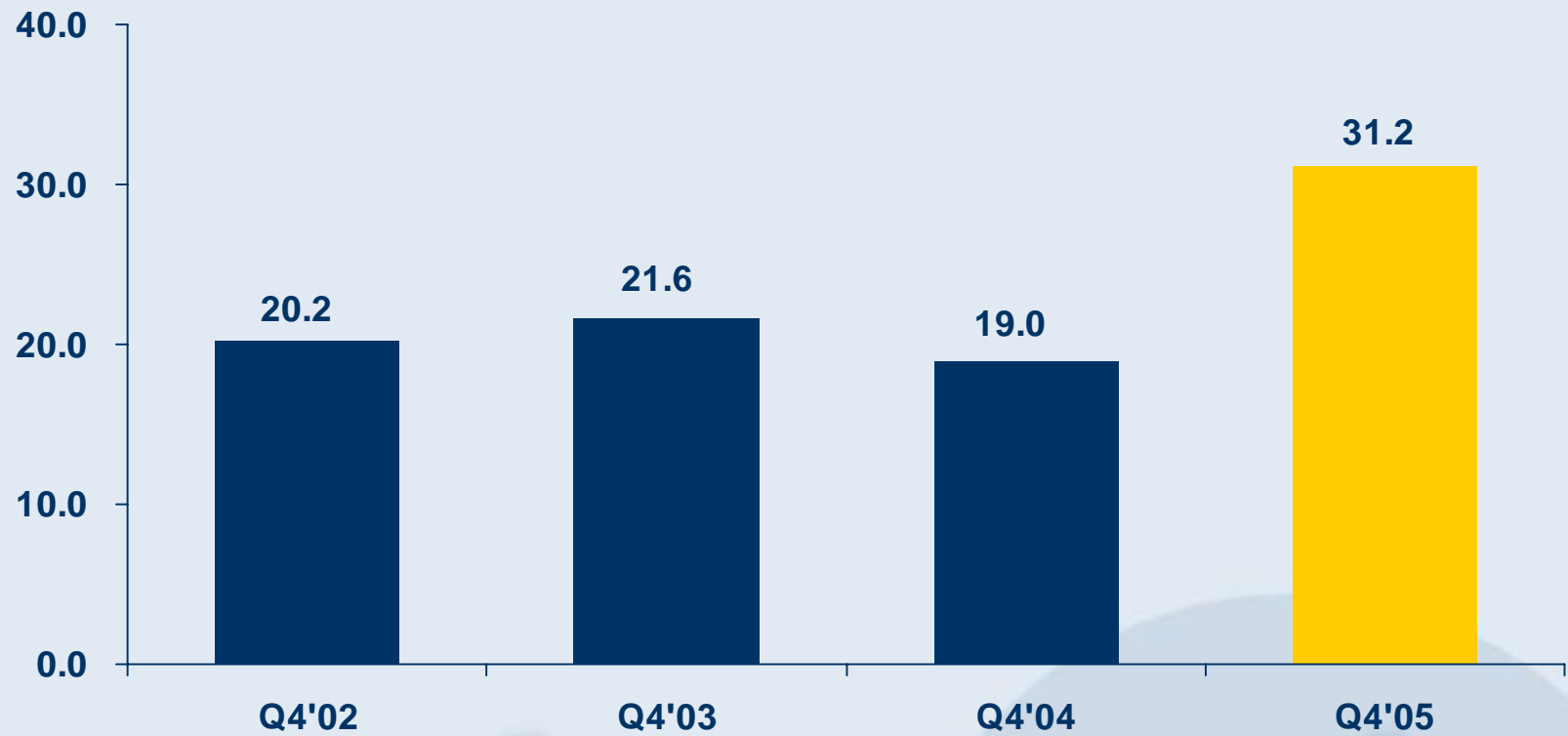


FY Growth: +56.7	64.4%	+85.2	58.9%	+100.5	43.7%	+139.9	42.3%
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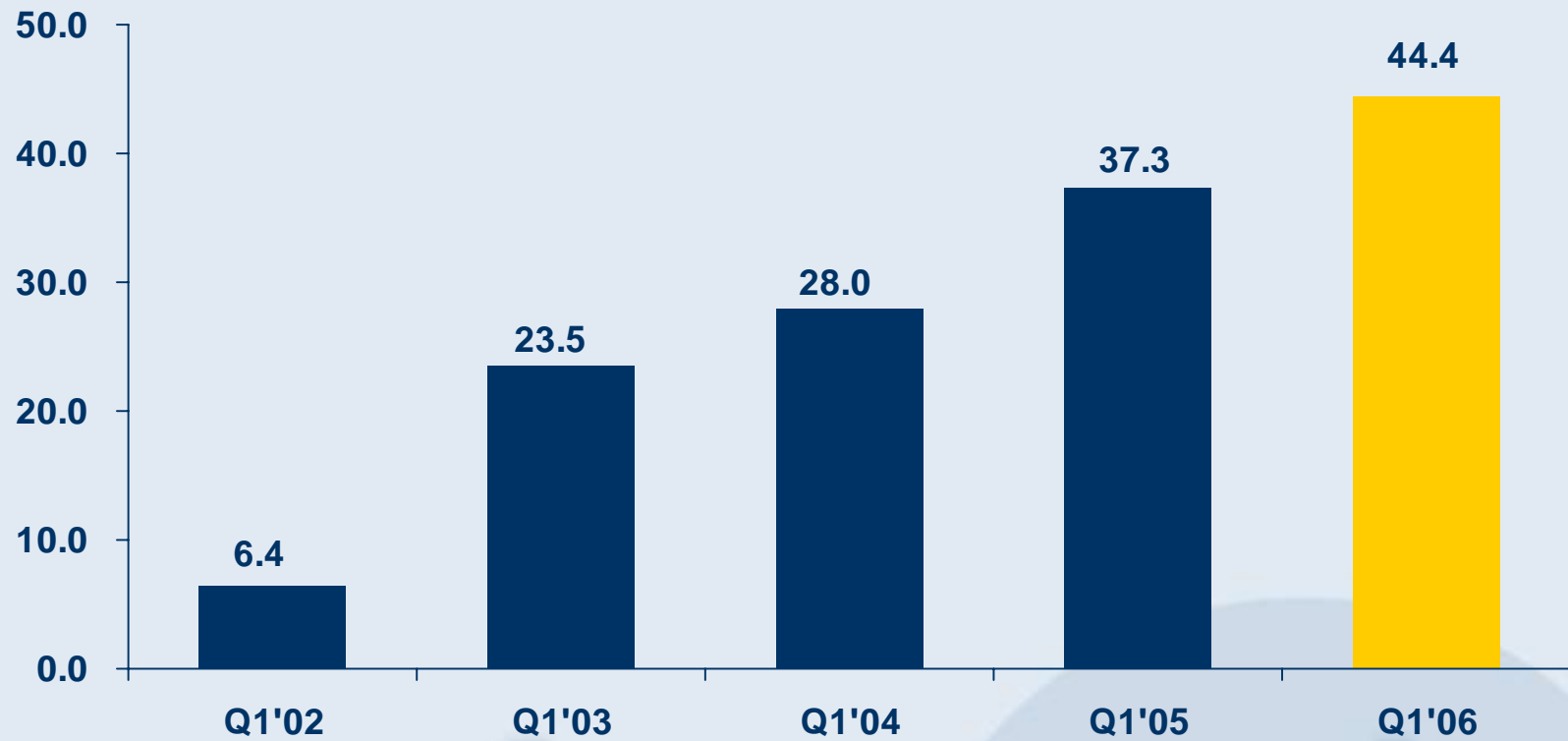
## Historical HSI Net Additions – Q3



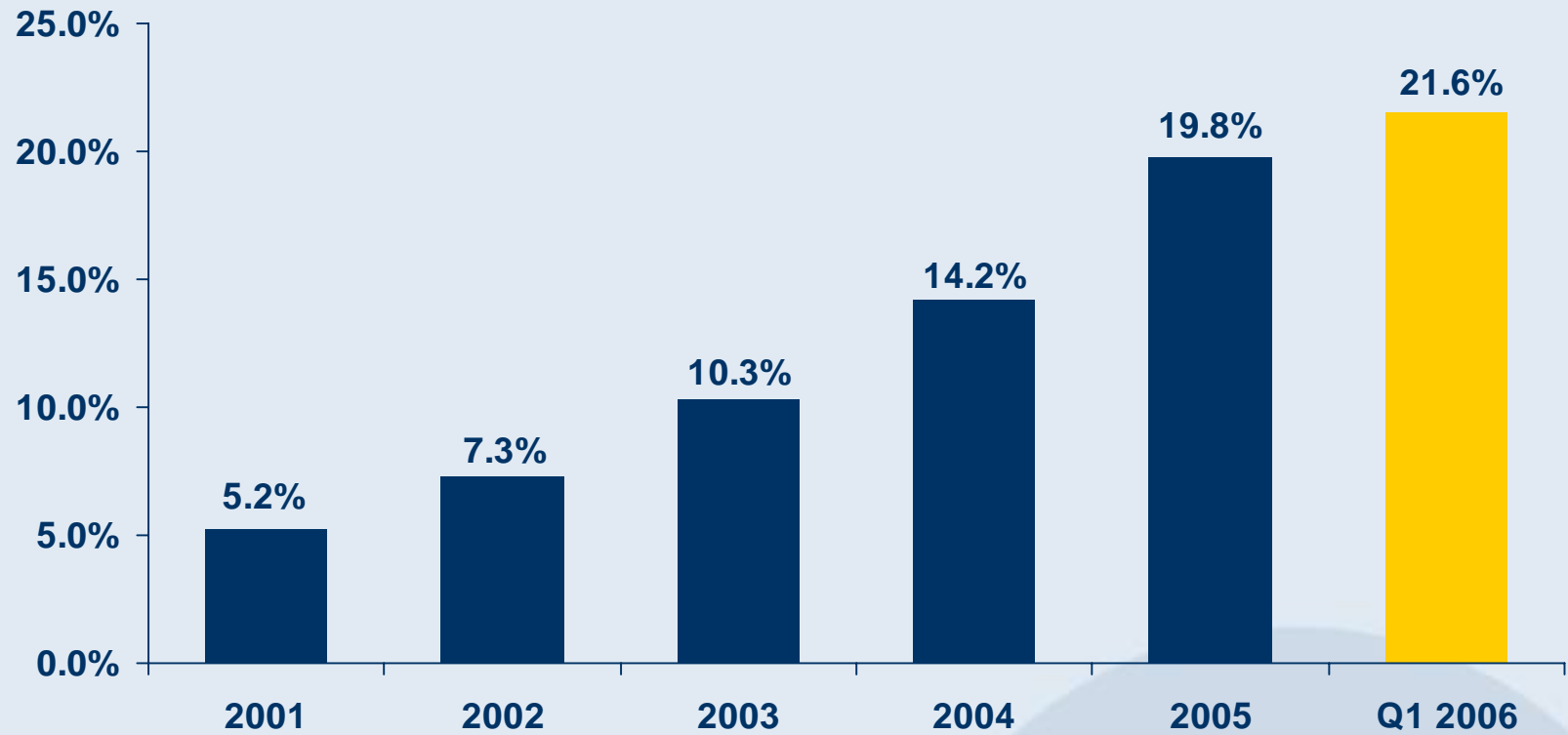
## Historical HSI Net Additions – Q4



## Historical HSI Net Additions – Q1



# Historical HSI Penetration

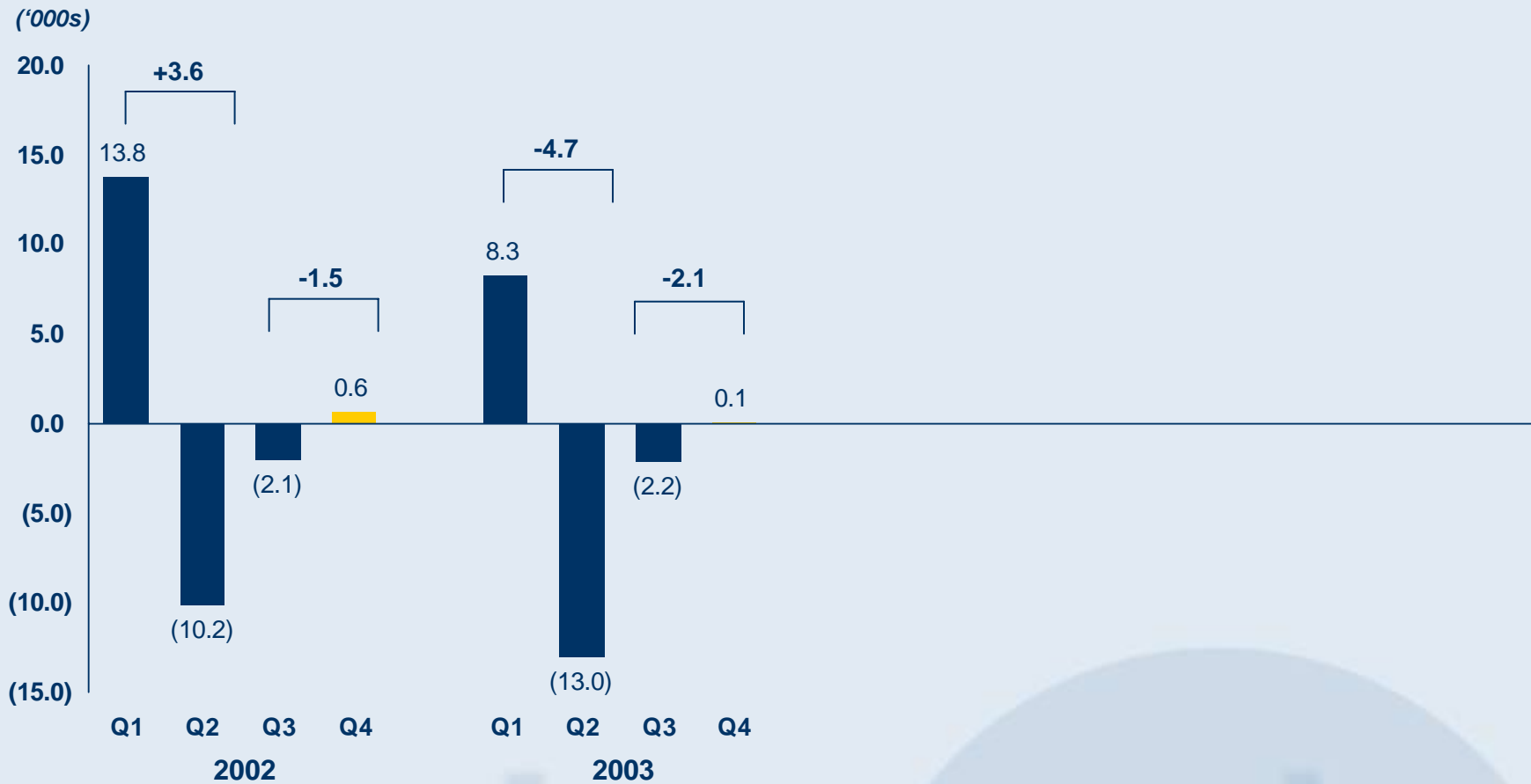


Incremental Penetration:      +210 bps      +300 bps      +390 bps      +560 bps      +180 bps

## HSI Progress

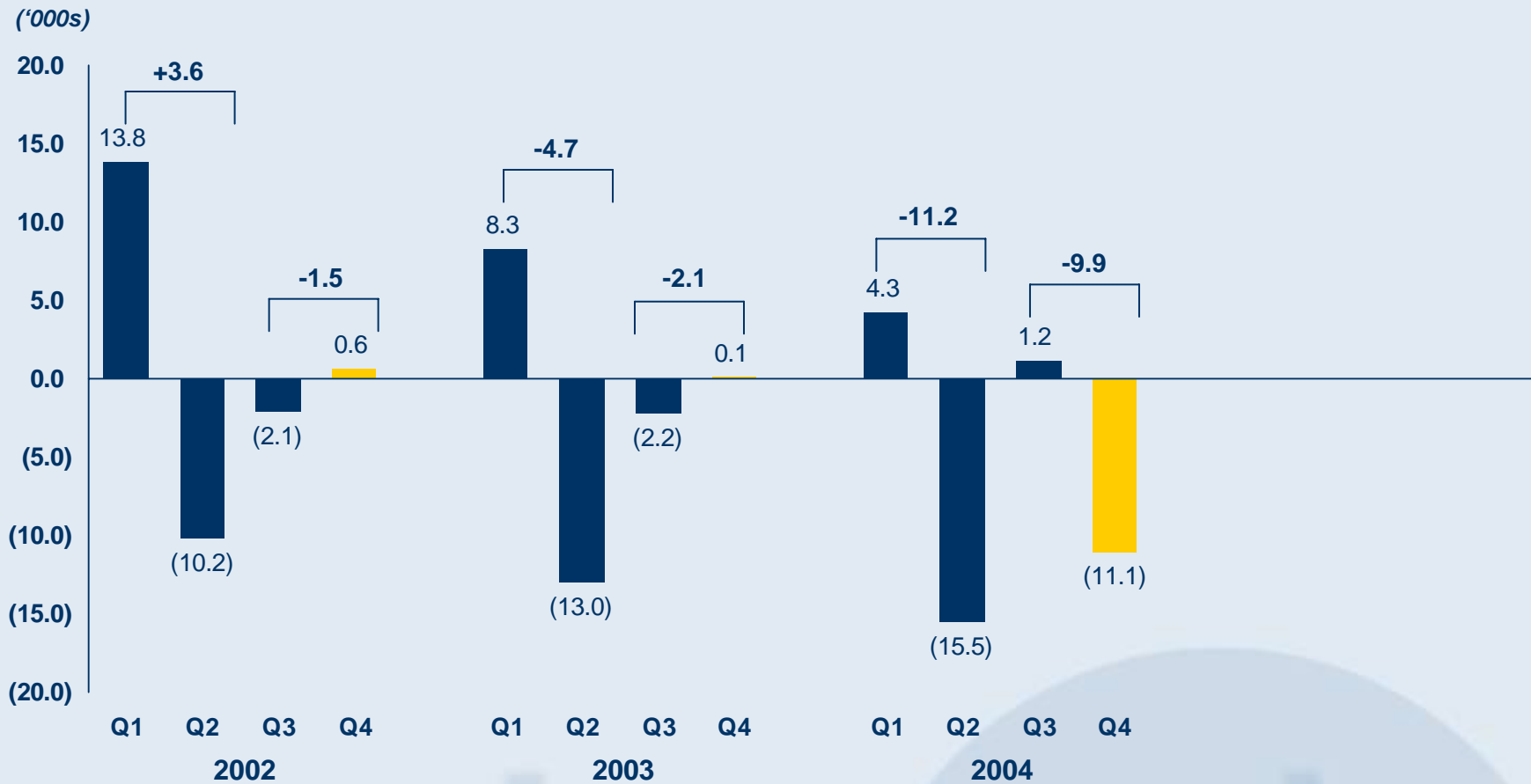
- **In 2003, Insight had the lowest HSI penetration in the industry**
- **Began prioritizing HSI in 2004**
  - Reached 390 basis points of incremental penetration in 2004, closing the gap to our target of 450 to 500 bps
  - Total penetration to modem ready homes passed of 14.2% which was still well off industry average at time when others were actually seeing 600bps of incremental growth
- **Continued to accelerate HSI gains through laser focus in product**
  - Reached 560 basis points of incremental penetration in 2005, closing the gap to new target of 600 bps
  - Total penetration to modem ready homes passed of 21.6% has reached industry average
- **Growth coming from greater focus on sales and marketing**
  - Increased sales and marketing spend
  - HSI benefiting from “40-30-20” bundle promotion

# Historical Basic Net Additions



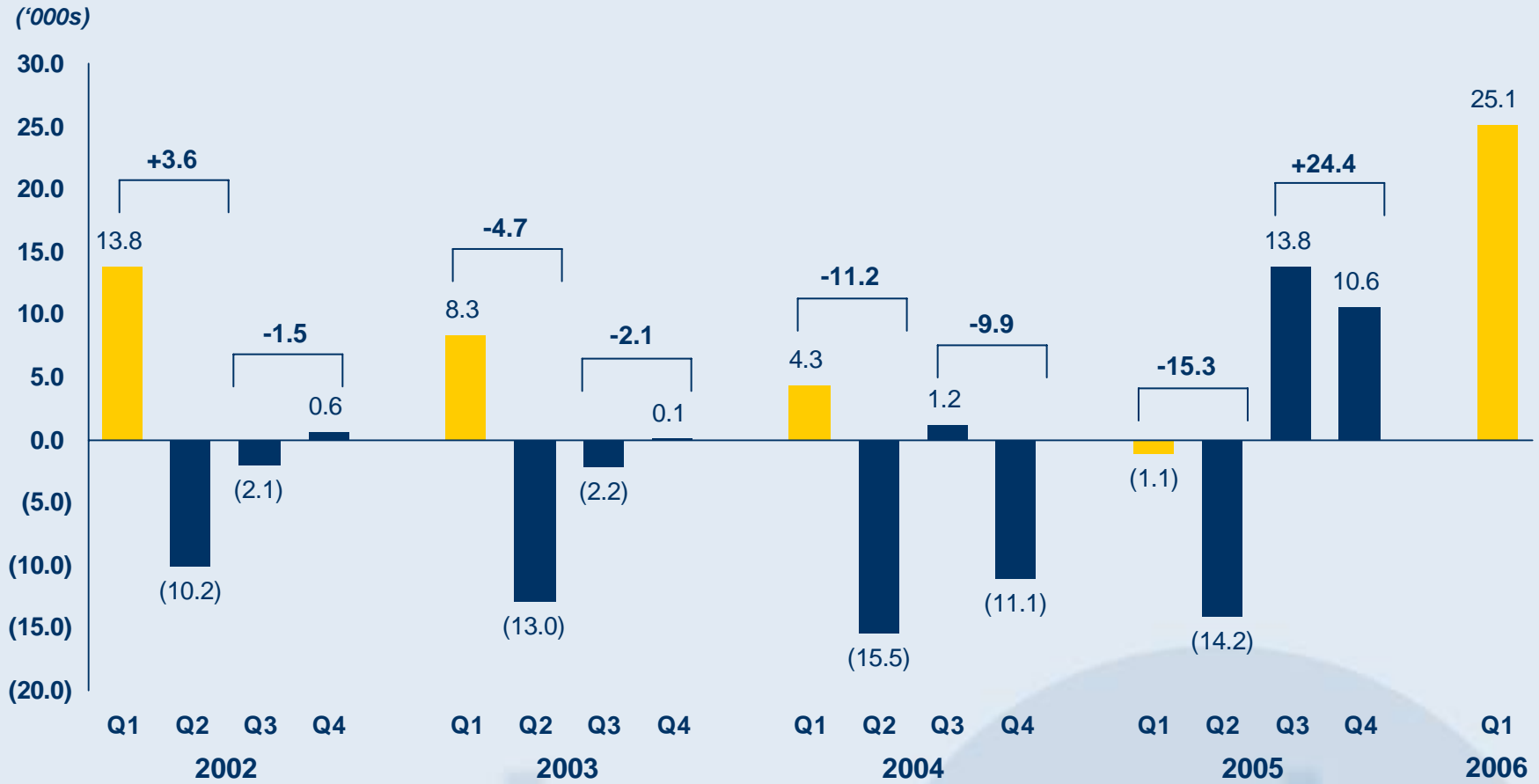
FY Growth:	+2.1	0.2%	-6.8	-0.5%
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# Historical Basic Net Additions



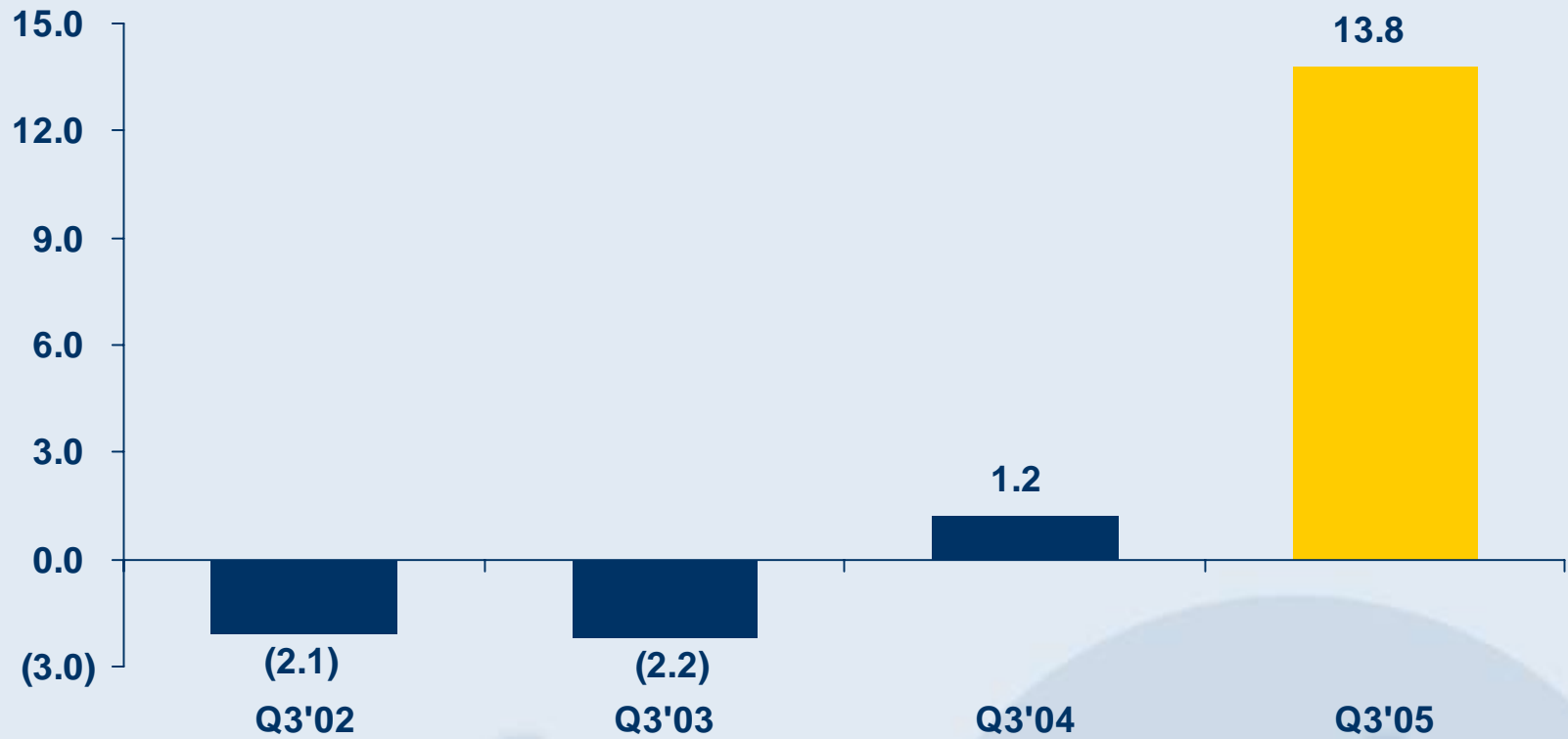
FY Growth:	+2.1	0.2%	-6.8	-0.5%	-21.1	-1.6%
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# Historical Basic Net Additions

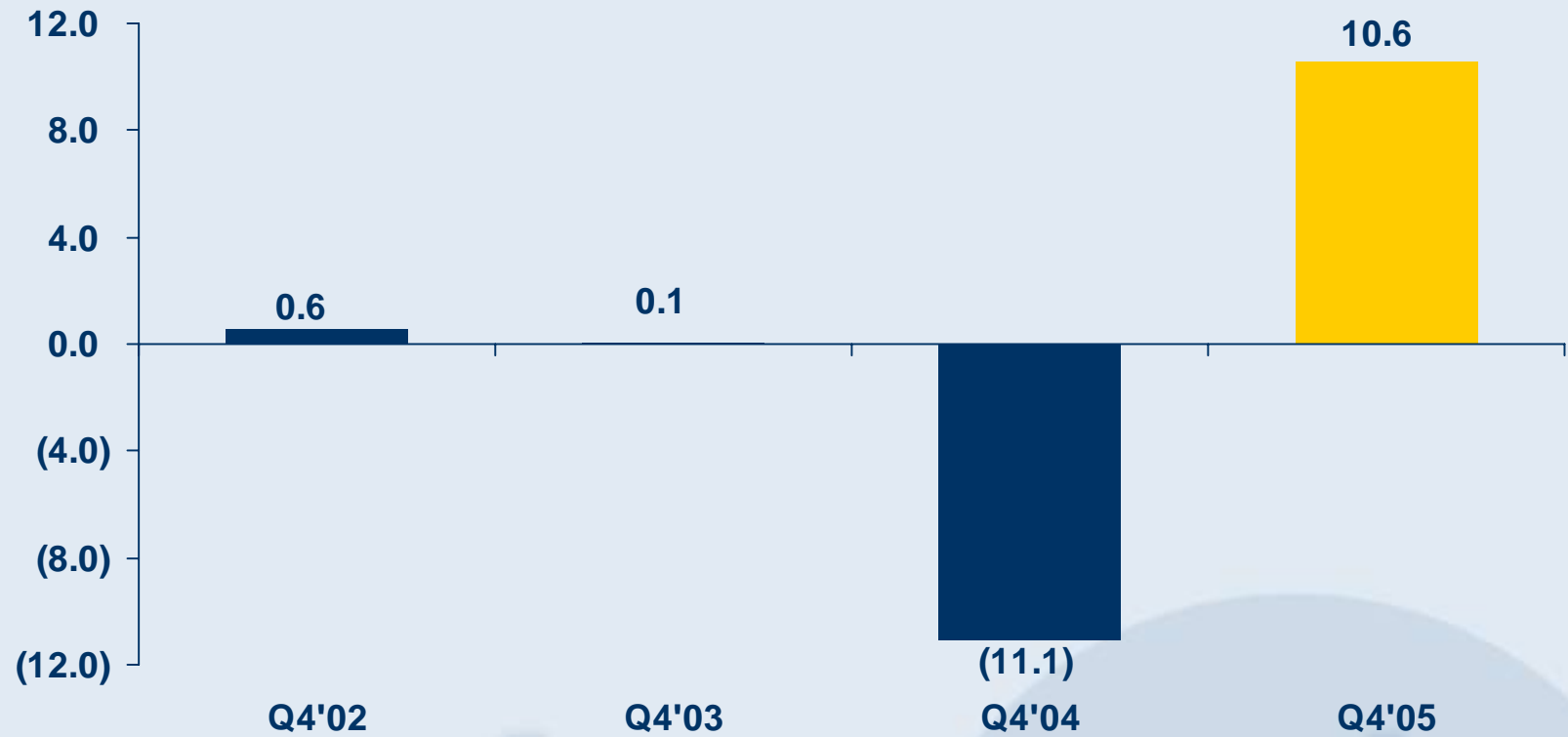


FY Growth:	+2.1	0.2%	-6.8	-0.5%	-21.1	-1.6%	+9.1	0.7%
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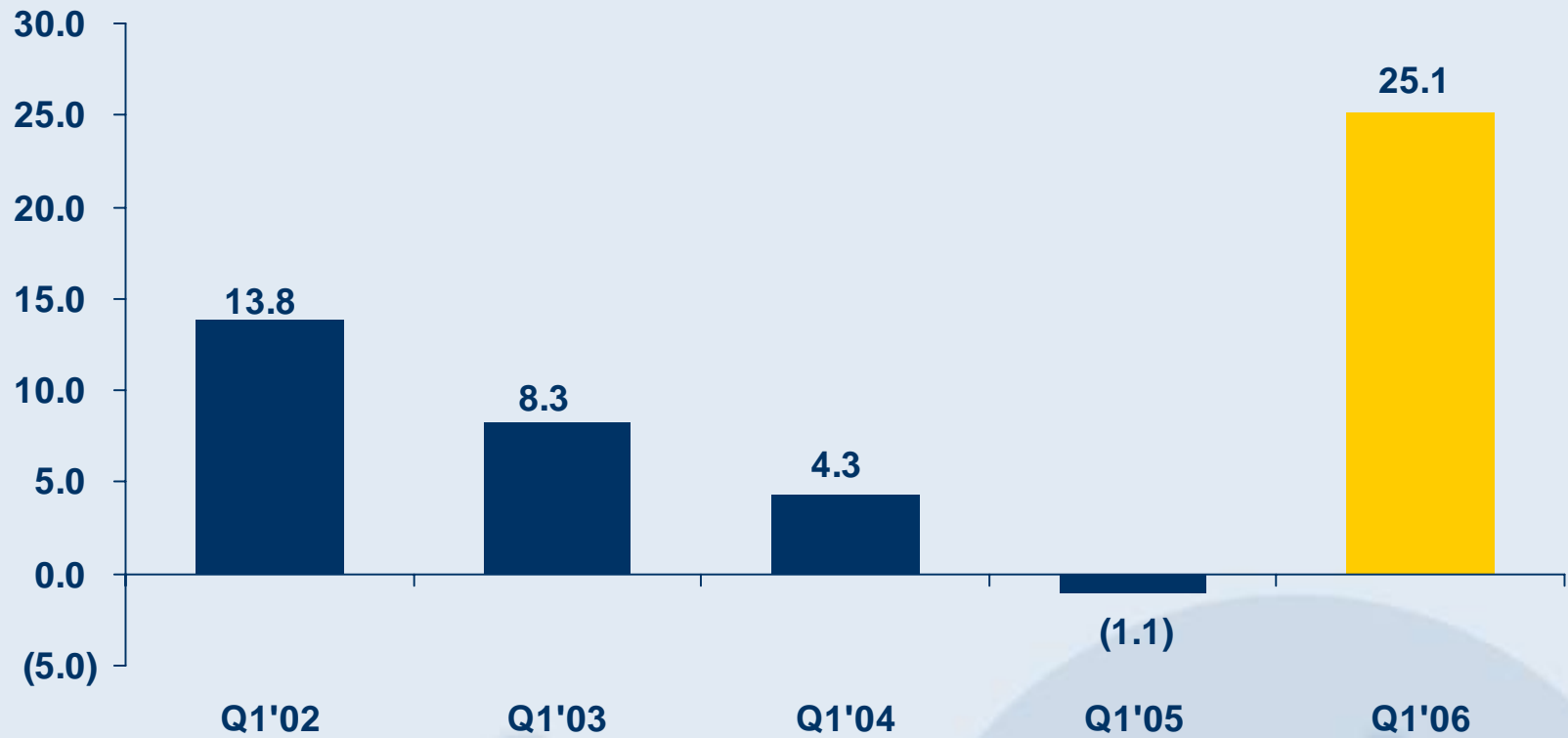
## Historical Basic Net Additions – Q3



## Historical Basic Net Additions – Q4



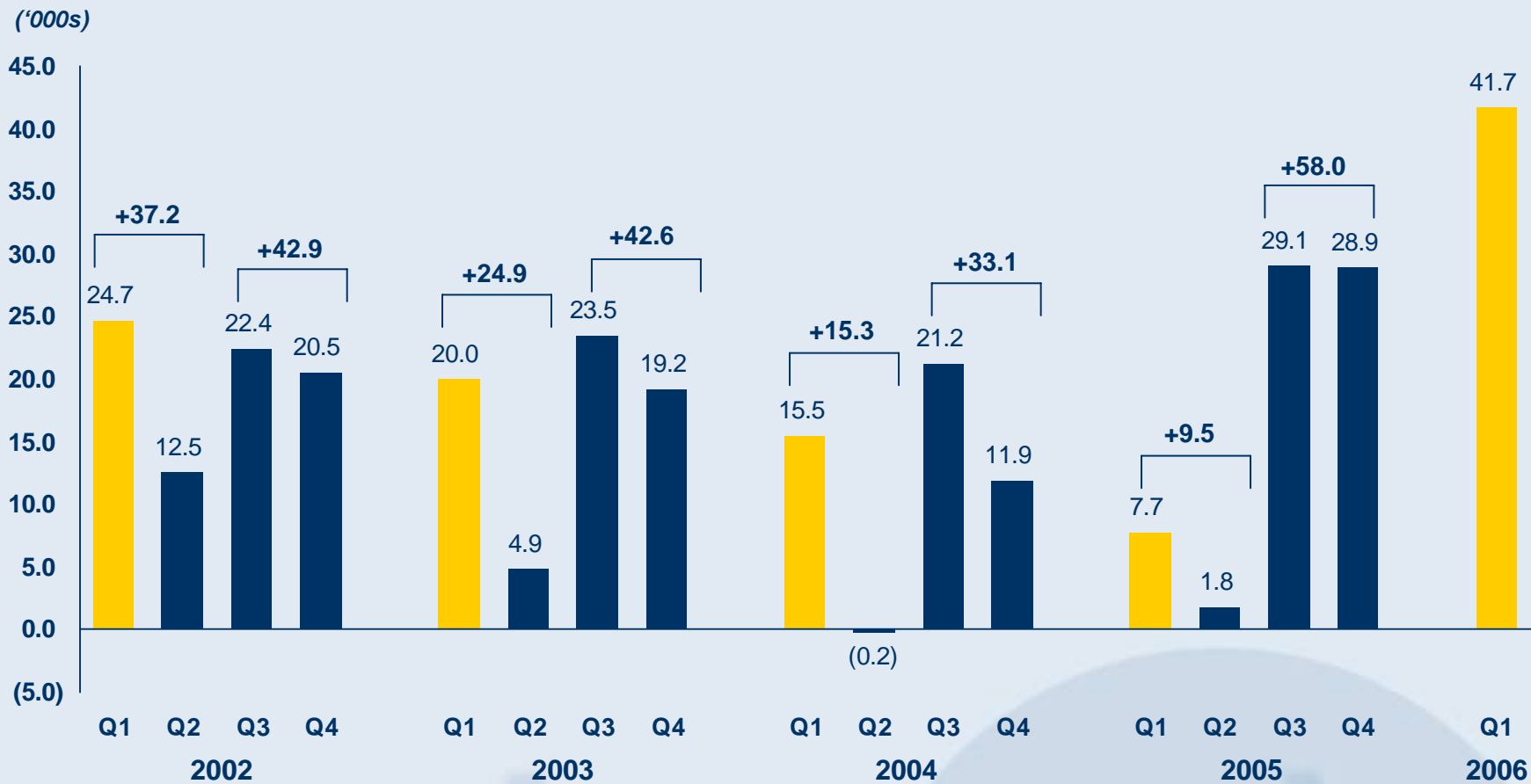
## Historical Basic Net Additions – Q1



## Basic Progress

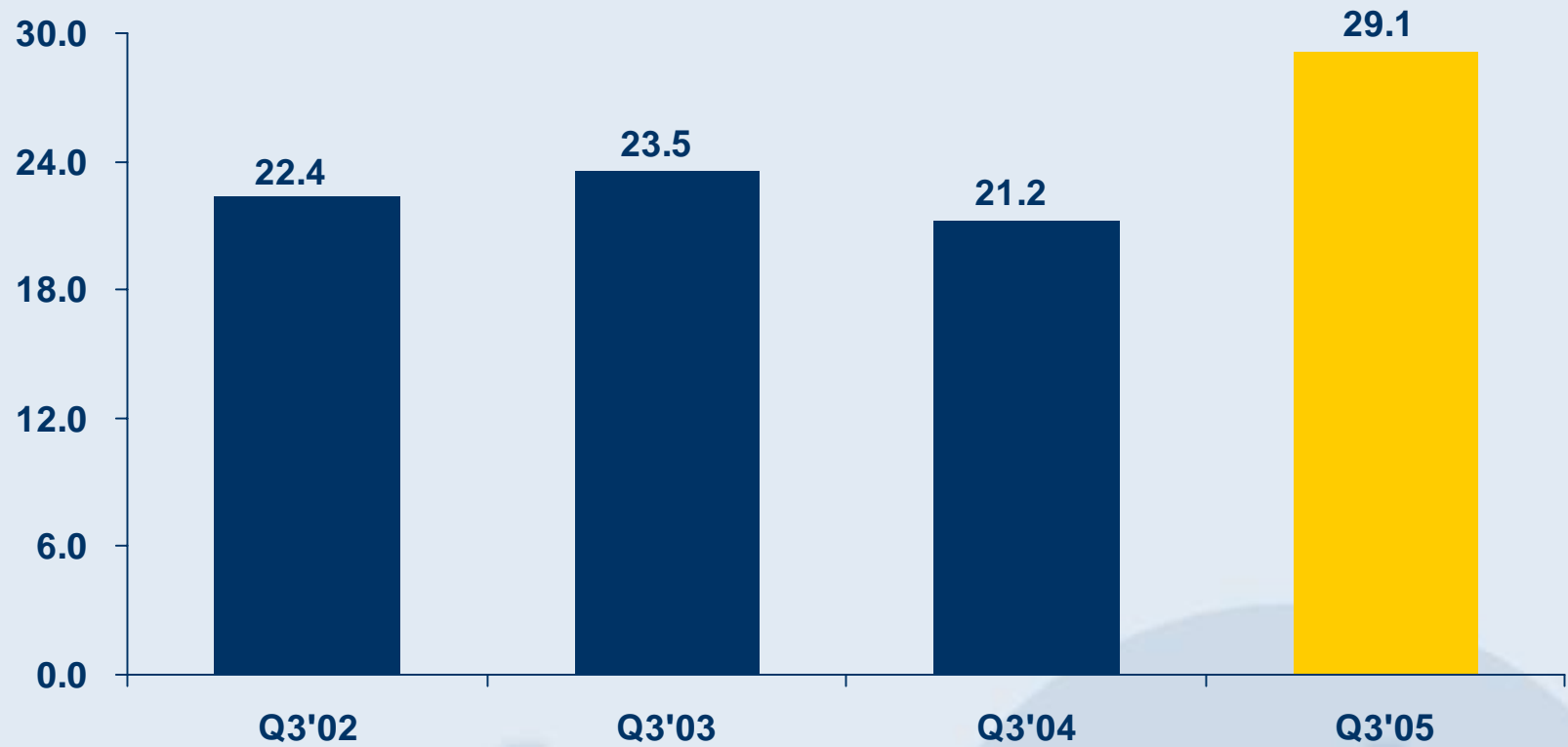
- **2003, lost more than half percent of customer base**
- **2004 marked low point in basic performance**
  - Lost 15,500 customers in Q2'04 primarily due to seasonality, but only gained back 1,200 of these customers in Q3'04
  - Lost 11,100 customers in Q4'04 which had historically been a quarter of flat growth or slight gain
- **Experienced significant improvement in 2005, especially in the second half**
  - Lost 14,200 customers in Q2'05 but gained back nearly all of these customers in Q3, adding 13,800 net customers
  - Added 10,600 customers in Q4'05, representing 21,700 more net additions than in Q4'04
- **Improvement in performance due to Sales and Marketing focus and Churn Reduction**
  - Increased S&M spend
  - “40-30-20” 12 month bundled promotion
  - Decreased Churn due to focus on Non-pays

# Historical Digital Net Additions

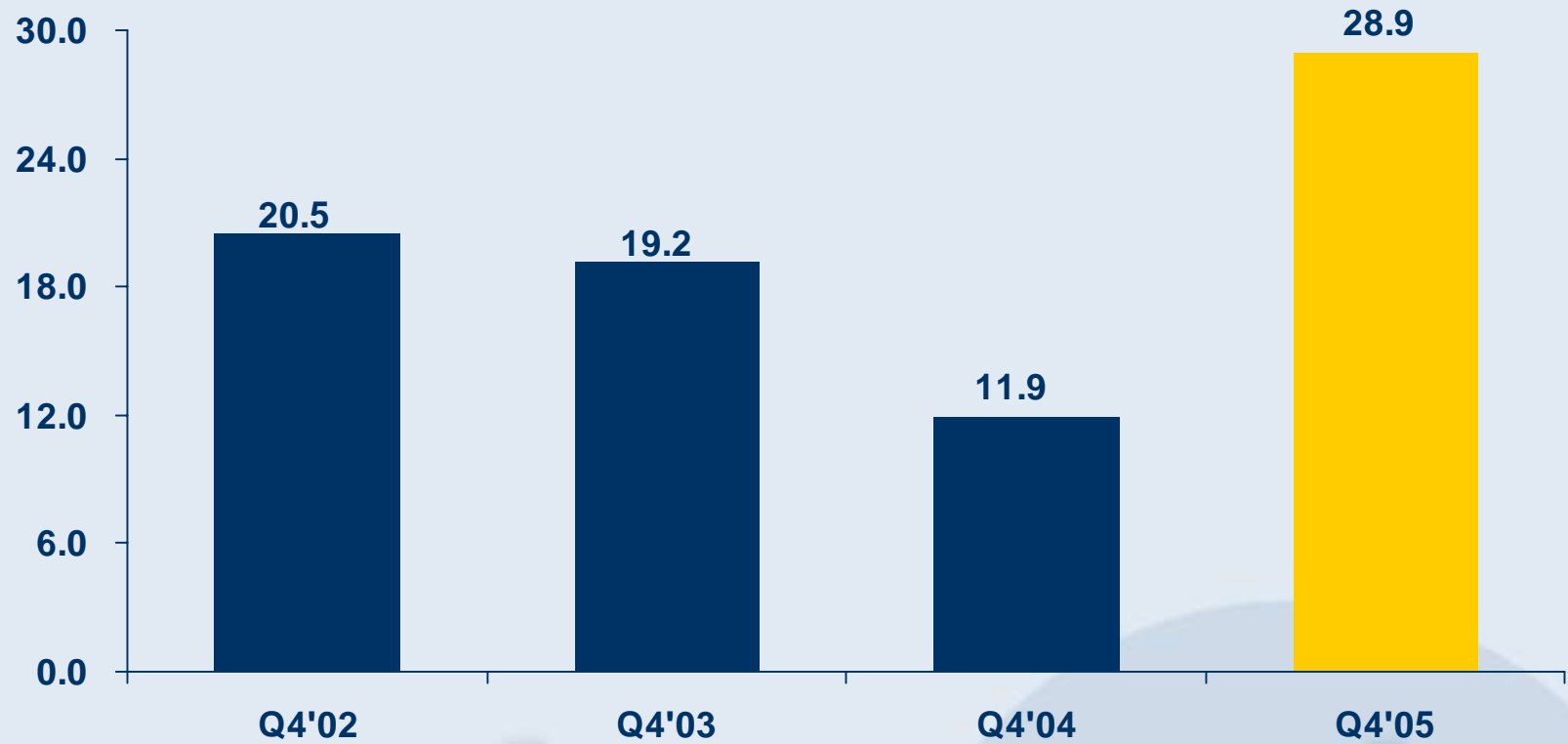


FY Growth: +80.1 31.4% +67.5 20.2% +48.4 12.0% +67.5 15.0%

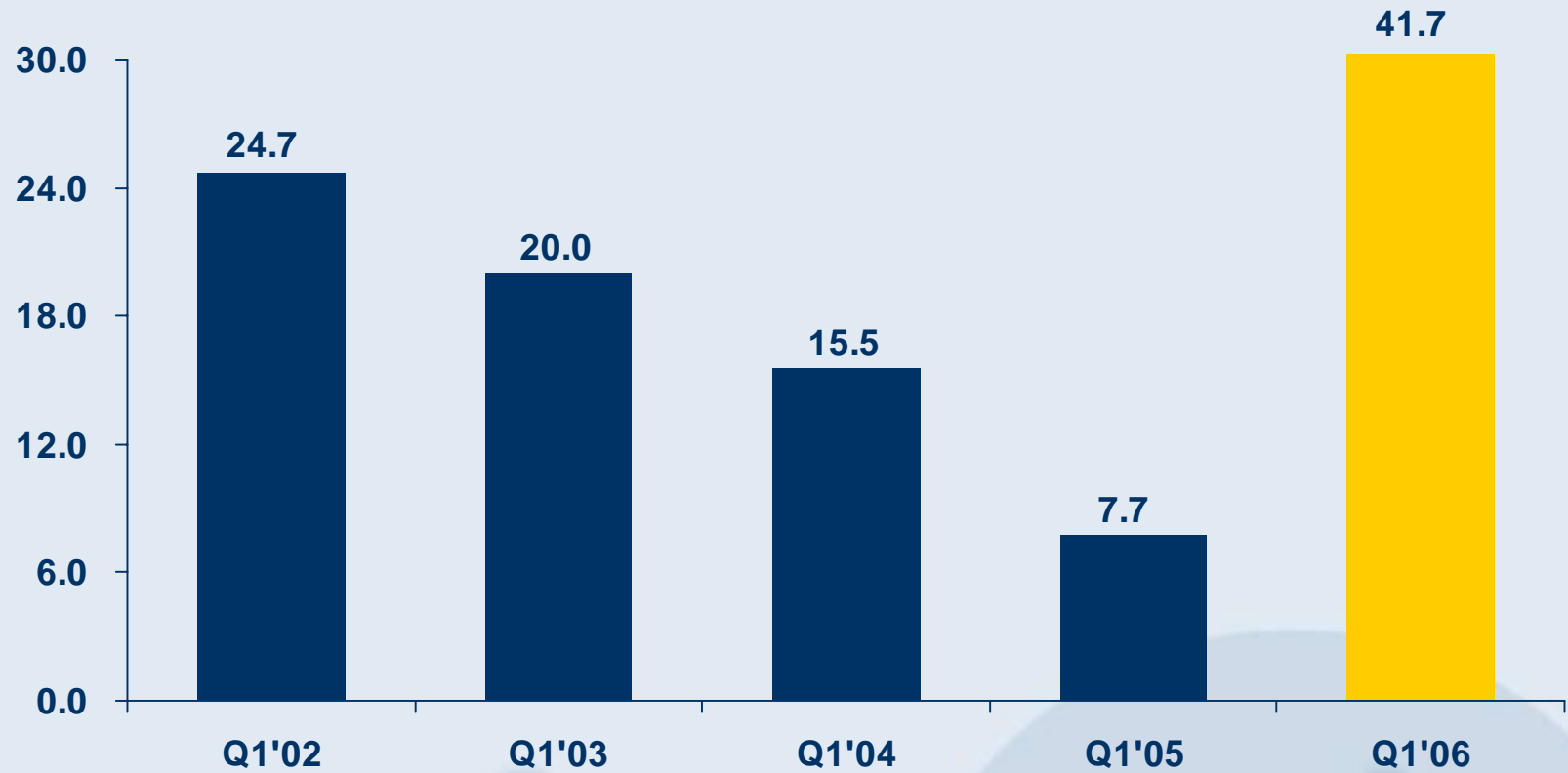
## Historical Digital Net Additions – Q3



## Historical Digital Net Additions – Q4



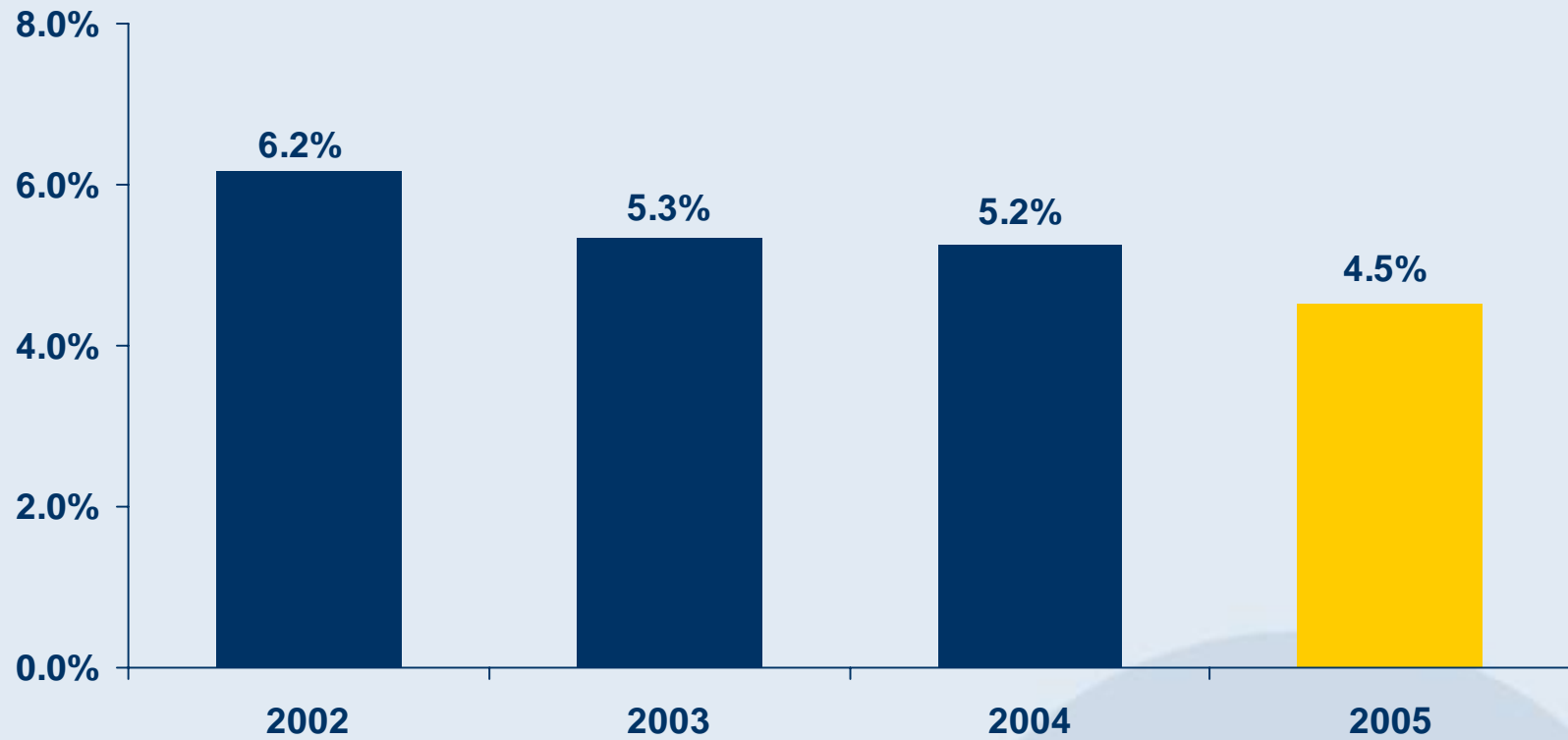
## Historical Digital Net Additions – Q1



## Digital Churn Progress

- **Experienced high levels of digital churn in 2003 and 2004**
  - Average monthly churn in 2003: 5.3%
  - Average monthly churn in 2004: 5.2%
- **In 2005, the Company undertook several initiatives to increase the value of digital to our customers and thereby reduce churn**
  - Addition of HD/DVR box
  - Addition VOD programming
- **Continuing to see the impact of advanced digital product on reducing overall digital churn**
  - Digital customers who use VOD churn at a rate that is over 50% less than customers who do not use VOD
  - Also seeing lower churn for HD/DVR boxes
- **As a result of these initiatives, in 2005, average monthly digital churn dropped 70 basis points from 2004 to 4.5%**

# Historical Digital Churn



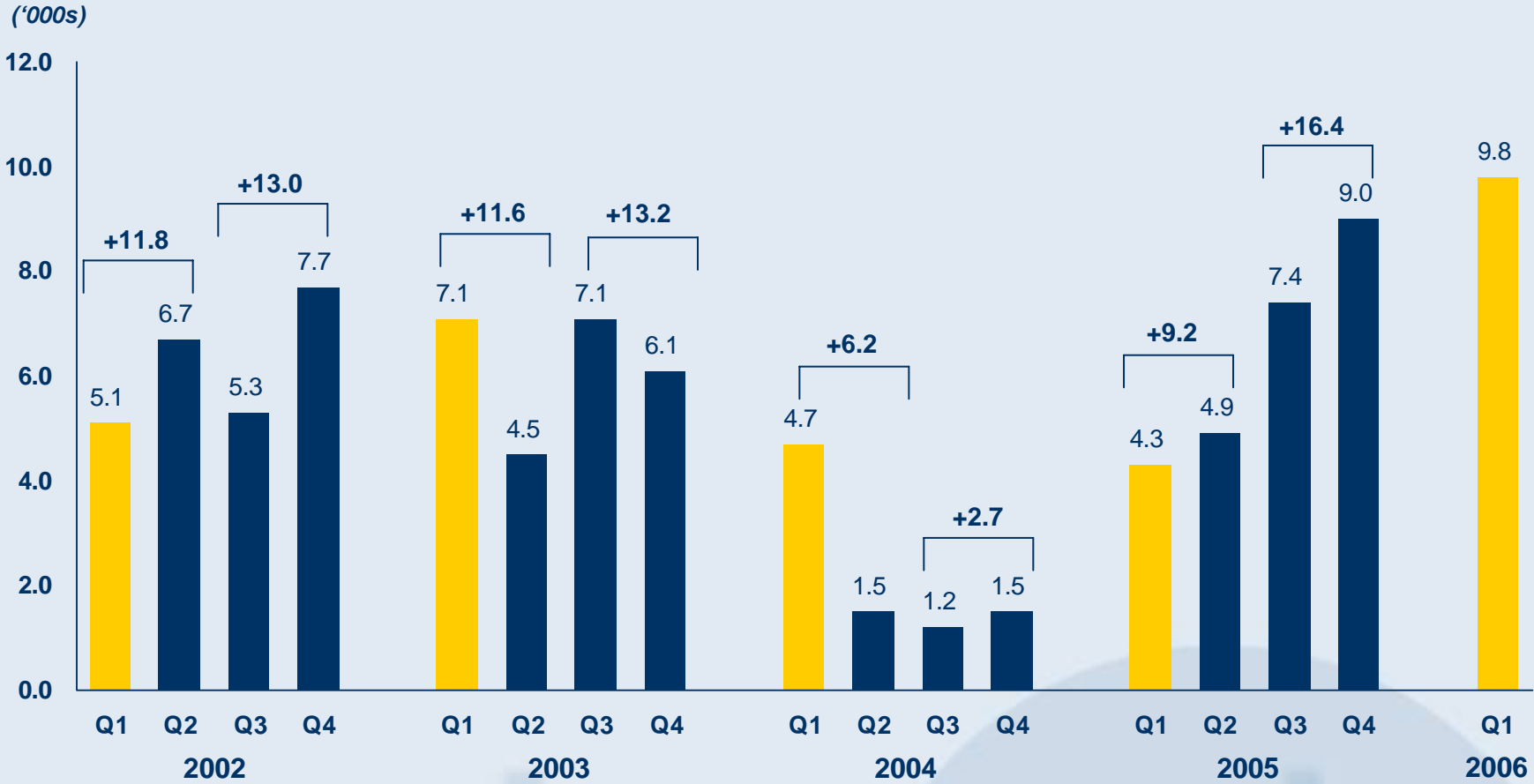
Churn Improvement:

+90 bps

+10 bps

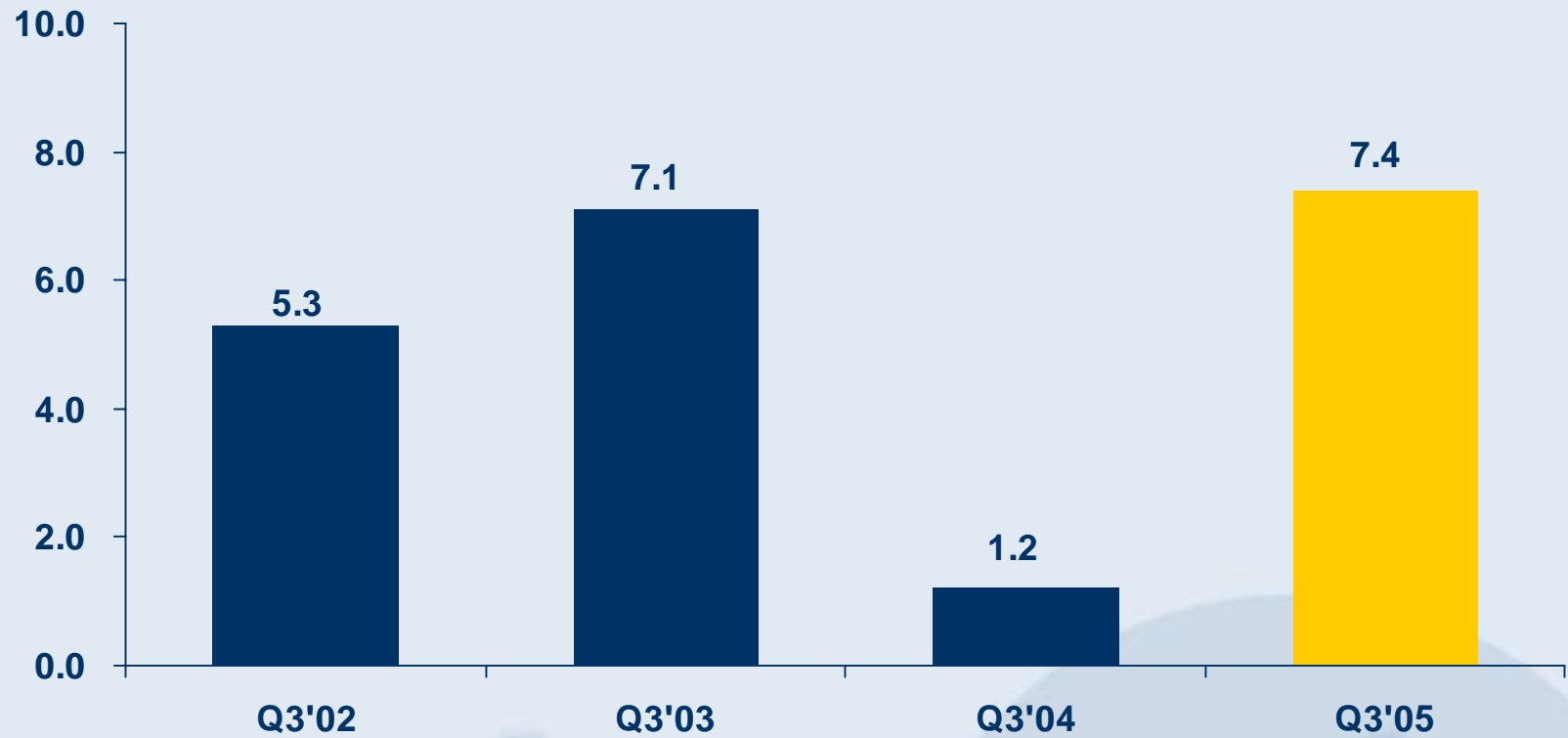
+70 bps

# Historical Telephone Net Additions

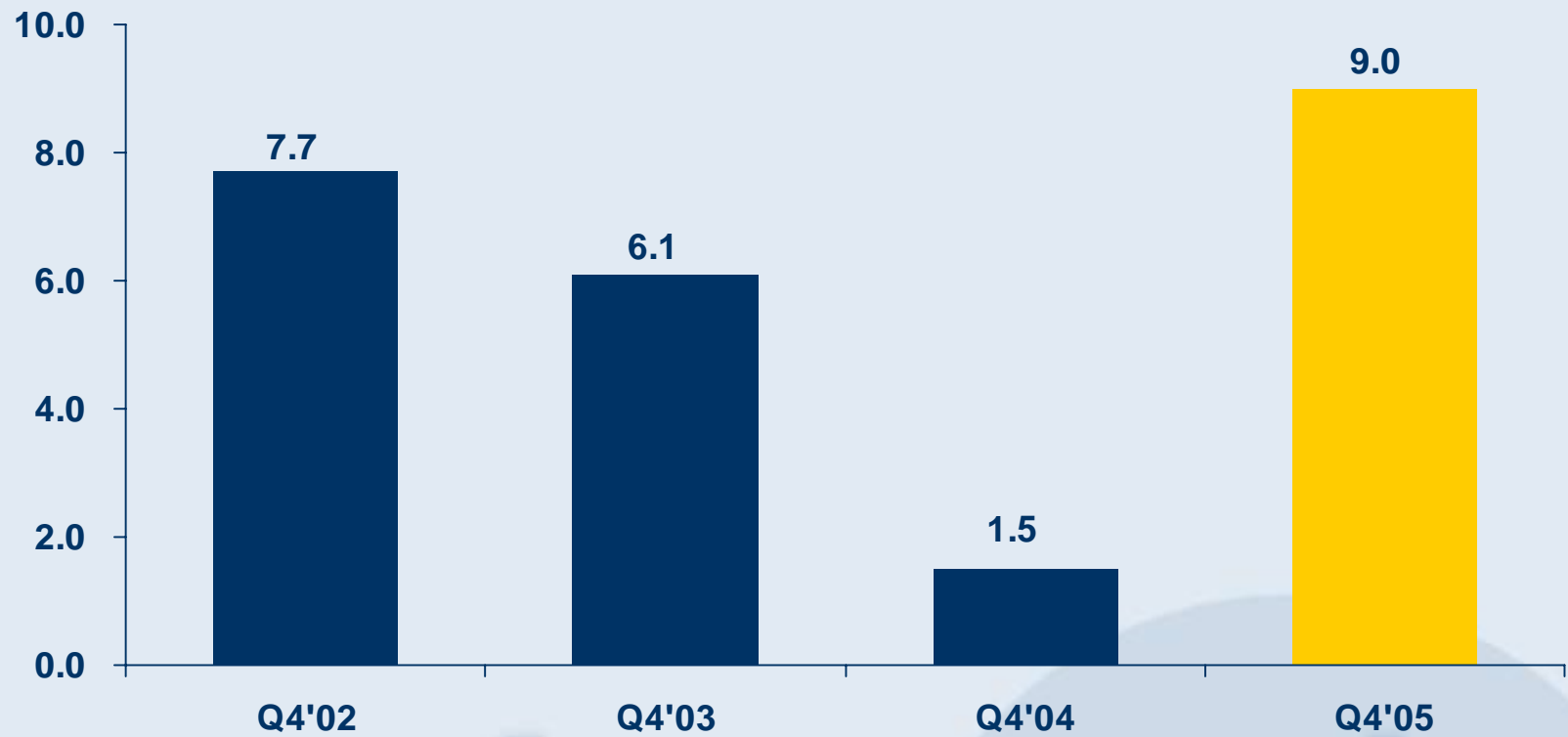


<b>FY Growth:</b>	<b>+24.8</b>	<b>424.1%</b>	<b>+24.8</b>	<b>81.0%</b>	<b>+8.9</b>	<b>16.1%</b>	<b>+25.6</b>	<b>39.8%</b>
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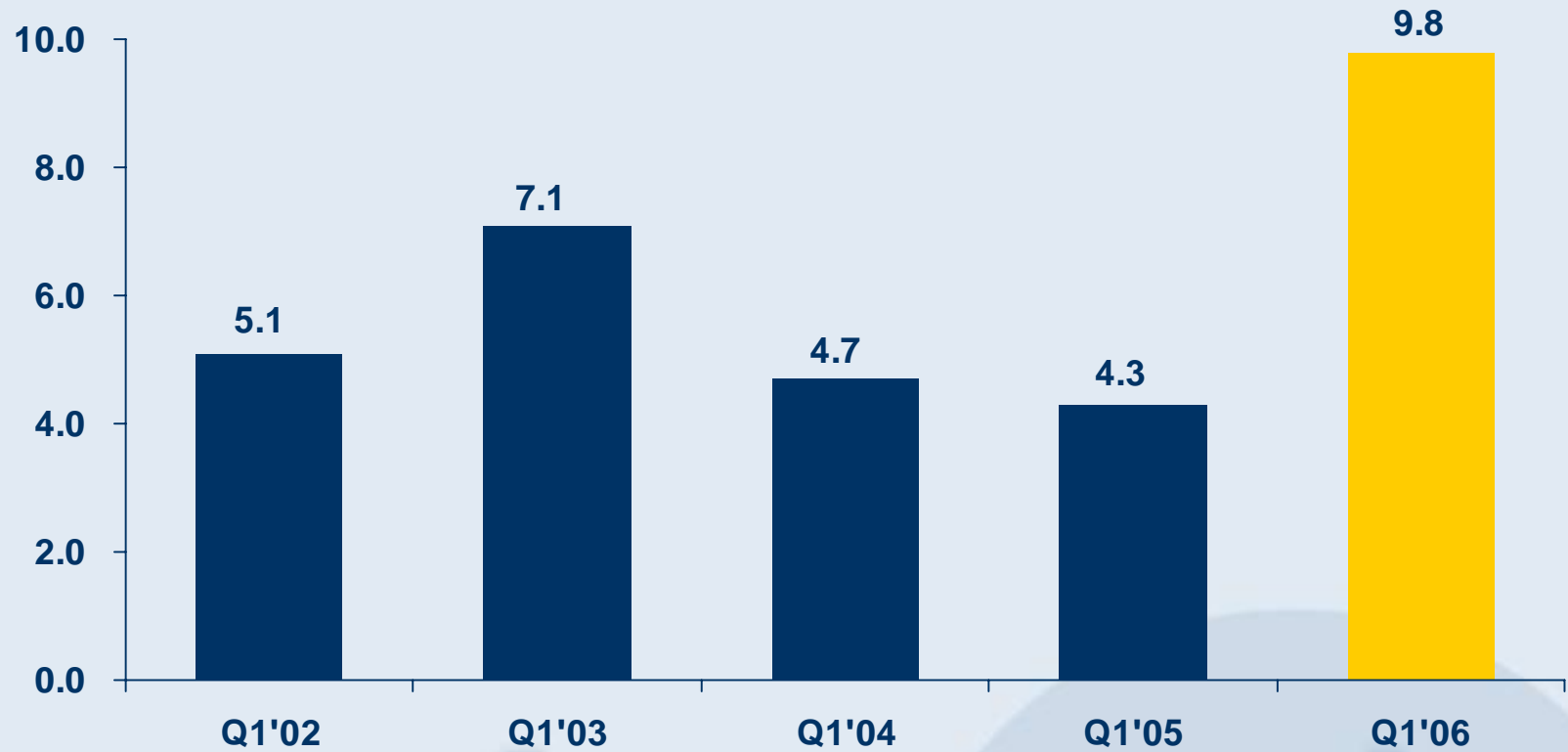
## Historical Telephone Net Additions – Q3



## Historical Telephone Net Additions – Q4



## Historical Telephone Net Additions – Q1



## Telephone Progress

- **Launched circuit switched phone in 2001/2 in partnership with ATT**
- **With Comcast takeover of ATT Broadband, began discussions about right course of action for partnership**
- **In 2004, stopped actively selling telephone while negotiating to bring circuit switched operations in house**
- **In 2005, primary focus was integration of circuit switched operations**
  - Represents about one third of footprint
  - Stepped up marketing efforts and building velocity in those markets
    - Added 25,600 net customers in 2005 versus 8,900 in 2004
    - Year end telephone penetration reached 10.8% in 2005 and 11.6% in Q1'06
- **In 2006, plan to expand telephone footprint with VOIP**
  - Began laying groundwork in 2005 for new market launches
  - Anticipate launching Insight Phone across most of the rest of the our footprint during 2006

# Financial Review



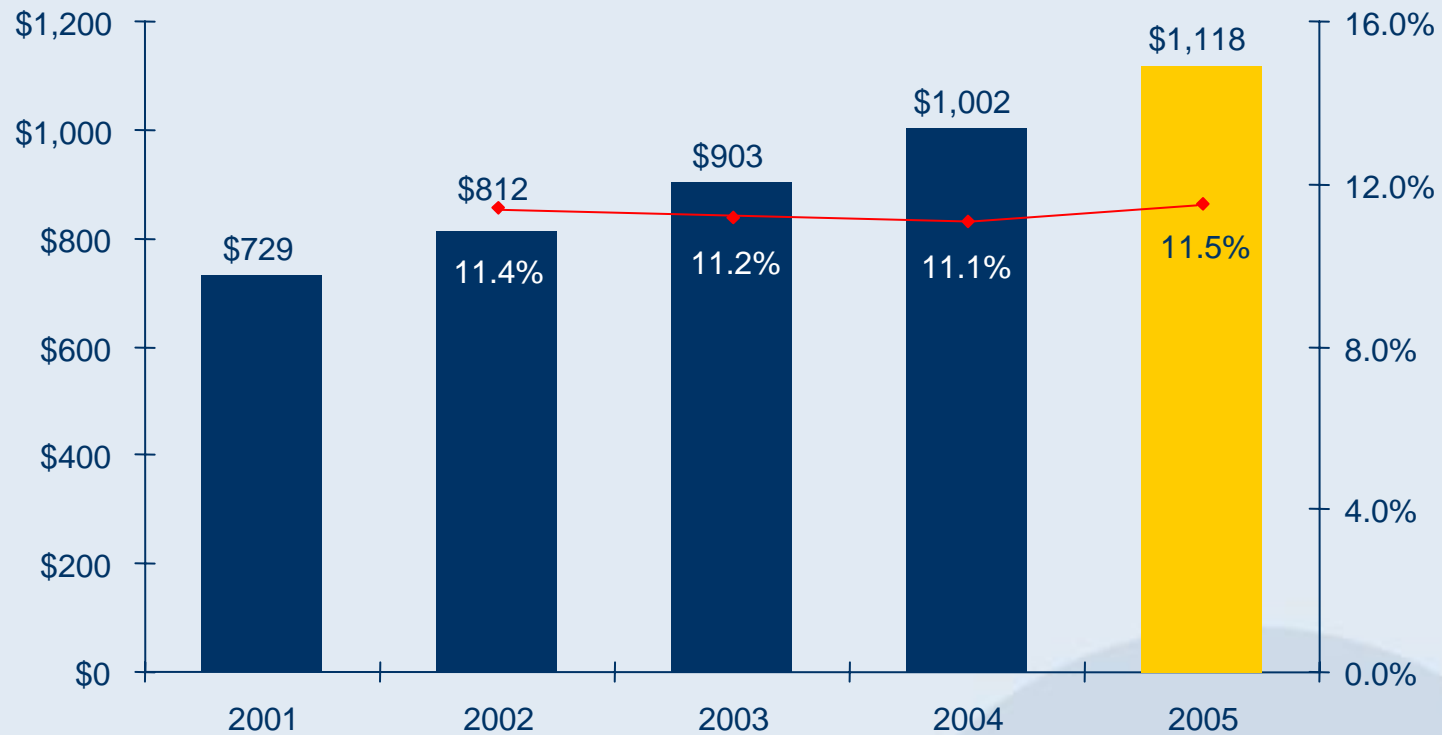
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# Financial History – Revenue

Revenue (\$ in mil)

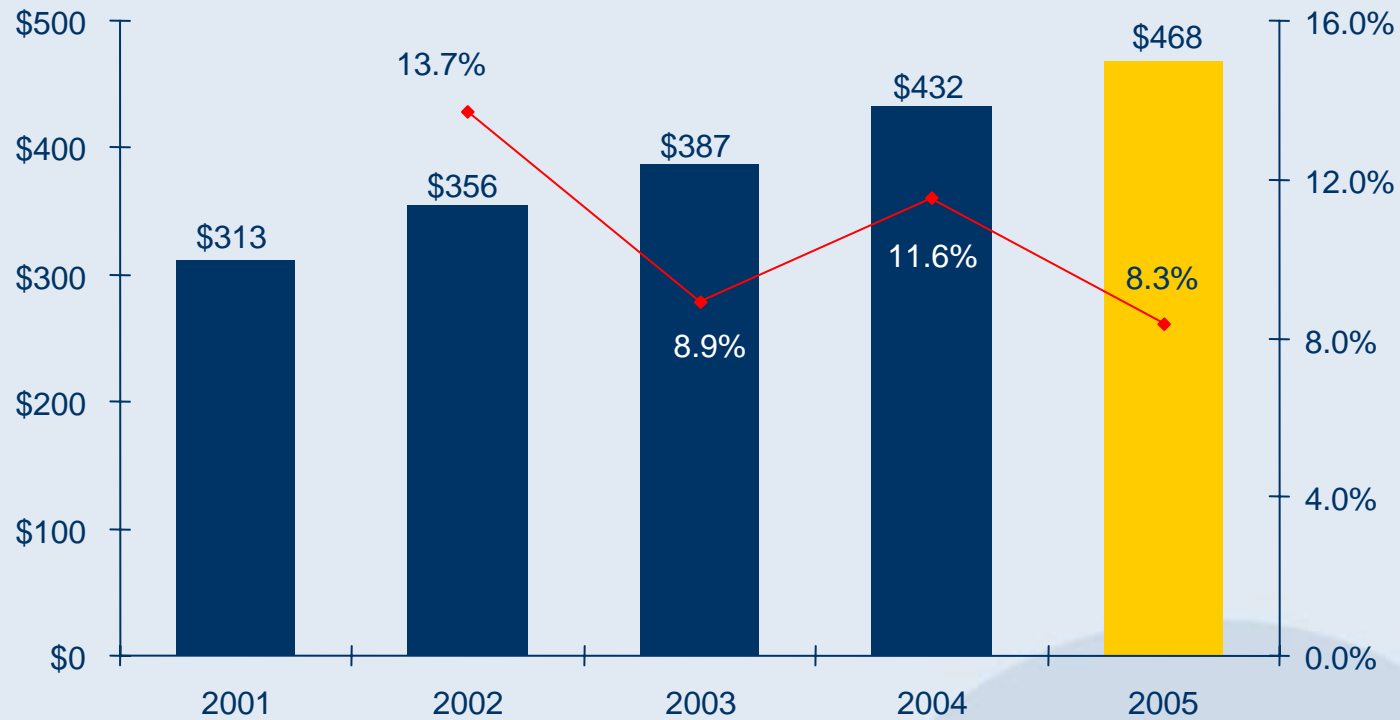
Growth



# Financial History – OIBDA

OIBDA<sup>1</sup> (\$ in mil)

Growth



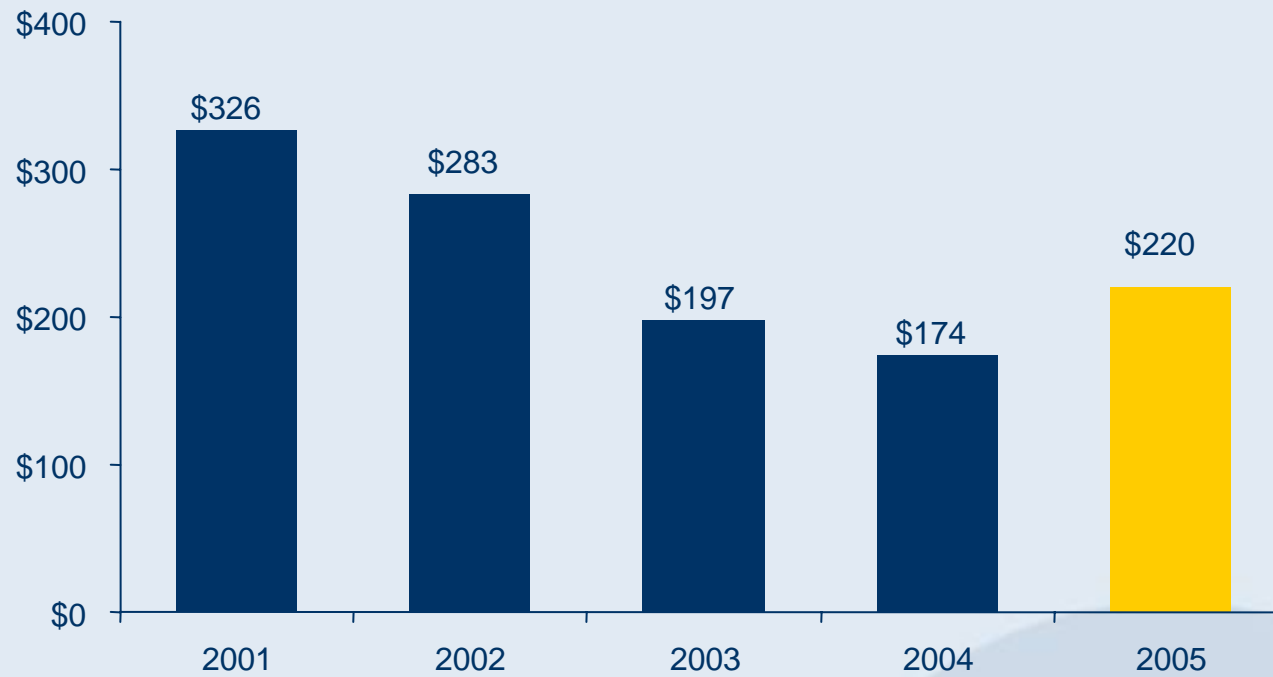
<sup>1</sup>OIBDA in 2005 adjusted for \$62.0 mil in privatization transaction fees.

## Full Year 2005 Financial Results

(\$ in mil)	<u>2004</u>	<u>2005</u>	<u>% Increase/ (Decrease)</u>
Revenue	\$1,002.5	\$1,117.7	11.5%
Expense	(570.4)	(711.7)	24.8%
<b>OIBDA</b>	<b>\$432.0</b>	<b>\$406.0</b>	<b>(6.0%)</b>
<i>Margin</i>	43.1%	36.3%	
Privatization Transaction Fees	-	62.0	
<b>Adjusted OIBDA</b>	<b>\$432.0</b>	<b>\$468.0</b>	<b>8.3%</b>
<i>Adjusted Margin</i>	43.1%	41.9%	

## Financial History – Capex

Capex (\$ in mil)

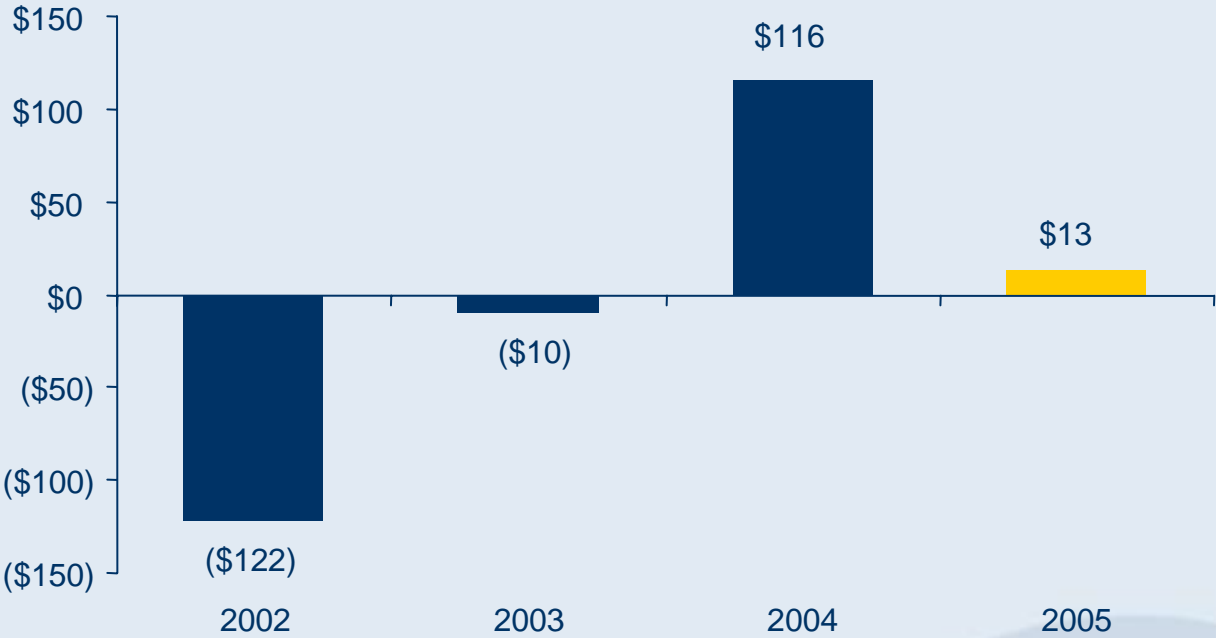


## 2005 Capital Expenditures

(\$ in mil)	<u>2004</u>	<u>2005</u>
Customer Premise Equipment	\$95.3	\$114.8
Scaleable Infrastructure	14.9	20.7
Line Extensions	25.2	26.8
Upgrade/Rebuild	13.6	24.8
Support Capital	25.1	33.0
<b>Total Capex</b>	<b>\$174.1</b>	<b>\$220.1</b>

# Financial History – Free Cash Flow

Free Cash Flow<sup>1</sup> (\$ in mil)



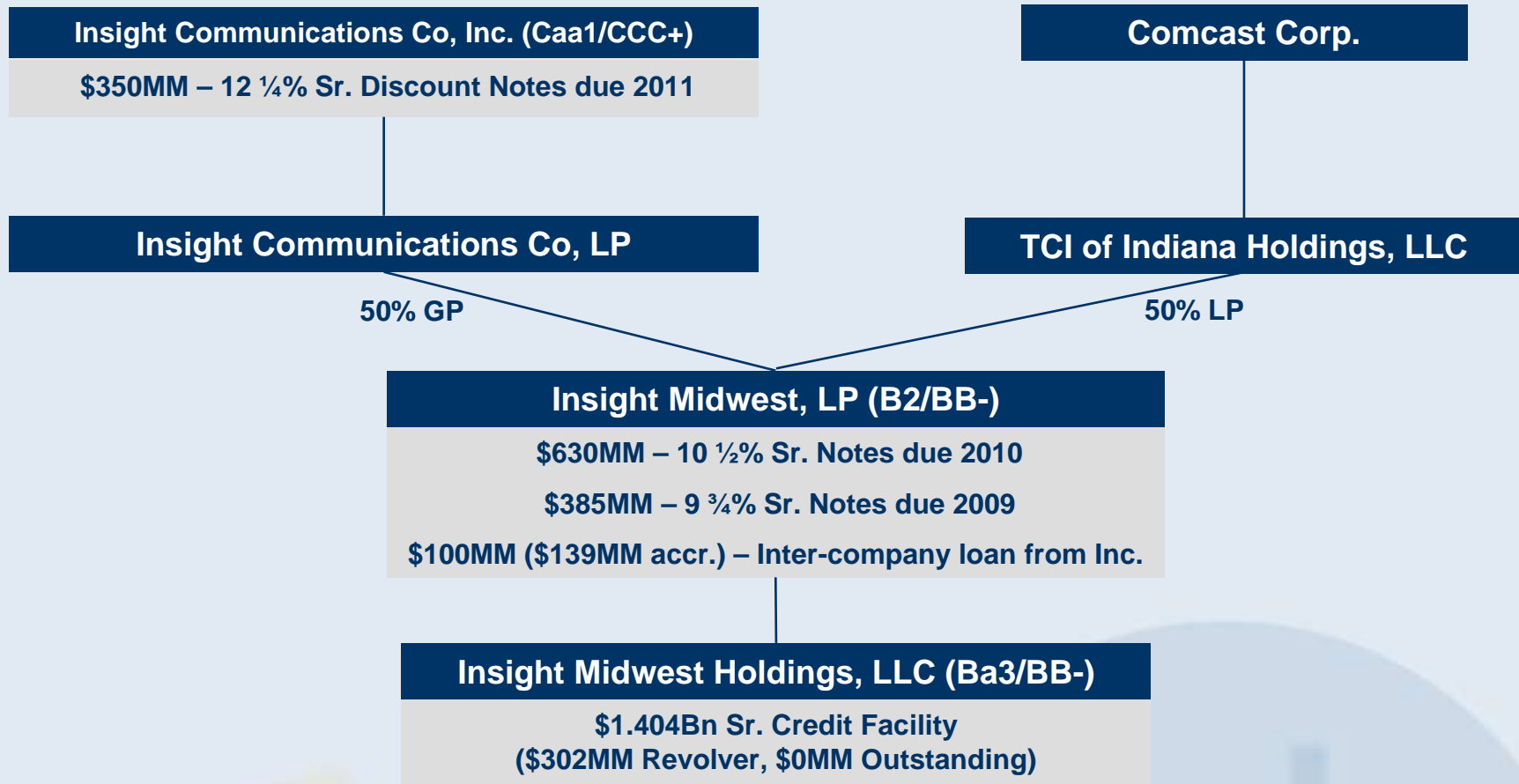
<sup>1</sup> Using Adjusted OIBDA of \$468.0 mil, 2005 FCF would be \$75.5 mil.

## 2005 Free Cash Flow

(\$ in mil)	<u>2004</u>	<u>2005</u>
OIBDA	\$432.0	\$406.0
Changes in Working Capital	25.7	16.1
Cash Interest	(167.6)	(188.2)
Cash Taxes	(0.3)	(0.3)
Capital Expenditures	(174.1)	(220.1)
<b>Free Cash Flow<sup>1</sup></b>	<b>\$115.8</b>	<b>\$13.5</b>

<sup>1</sup> Using Adjusted OIBDA of \$468.0 mil, 2005 FCF would be \$75.5 mil.

# Capital Structure @ 12/31/05



Note: Amounts represent face value, not accreted value.

## Credit Profile @ 12/31/05

- Total Debt (\$ in mil)

Bank	\$1,404
High Yield	\$1,358
Total <sup>1</sup>	<u>\$2,762</u>

- Leverage<sup>2</sup>

MW Holdings	3.0x (vs. covenant of 4.50x)
Insight Inc.	5.6x (consolidated, net of total cash)
	5.9x (proportional net debt)

- Average Cost of Debt

8.4%

- Fixed Rate Debt as a % of Total

44% (accrued value)

- Ample Liquidity

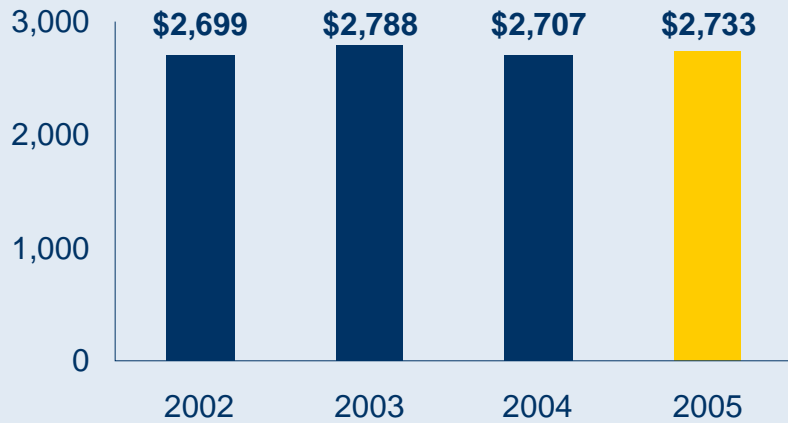
\$30 mil cash  
\$302 mil unused revolver,  
entirely available under the covenant

<sup>1</sup>Decreased from \$2,773 mil at Q3'05 due to \$21 mil in bank amortizations, net of \$10 mil in bond accretions

<sup>2</sup>Based on adjusted OIBDA.

# Deleveraging Trend

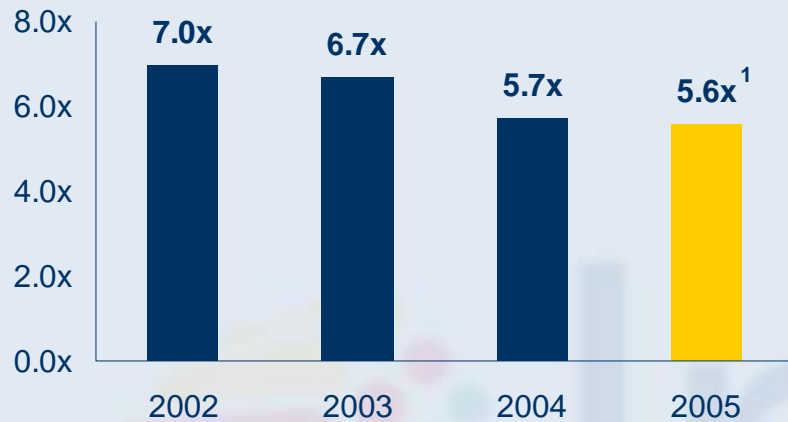
**Net Debt (\$ in mil)**



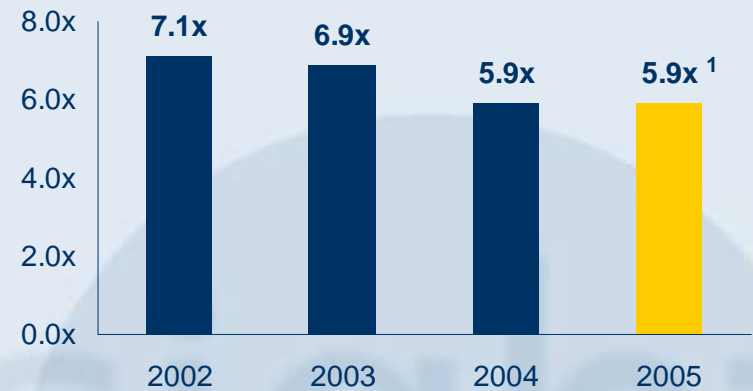
**Proportionate Net Debt (\$ in mil)**



**Net Debt / LQA OIBDA**



**Proportionate Net Debt / LQA OIBDA**



<sup>1</sup>Based on consolidated Q4'05 OIBDA of \$122.0 mil adjusted for \$62.0 mil of privatization transaction fees.

## Comcast Partnership

- **At any time after December 31, 2005, either Comcast or Insight may elect to commence the exit process by giving written notice to the other partner**
  - The non-initiating partner may postpone the exit process for up to six months (each partner has a right to do this one time)
- **The initiating partner will divide all assets and liabilities of Insight Midwest into two groups such that the net fair market value of each group is equal**
- **The non-initiating partner shall select which asset group it wants**

# Q&A



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