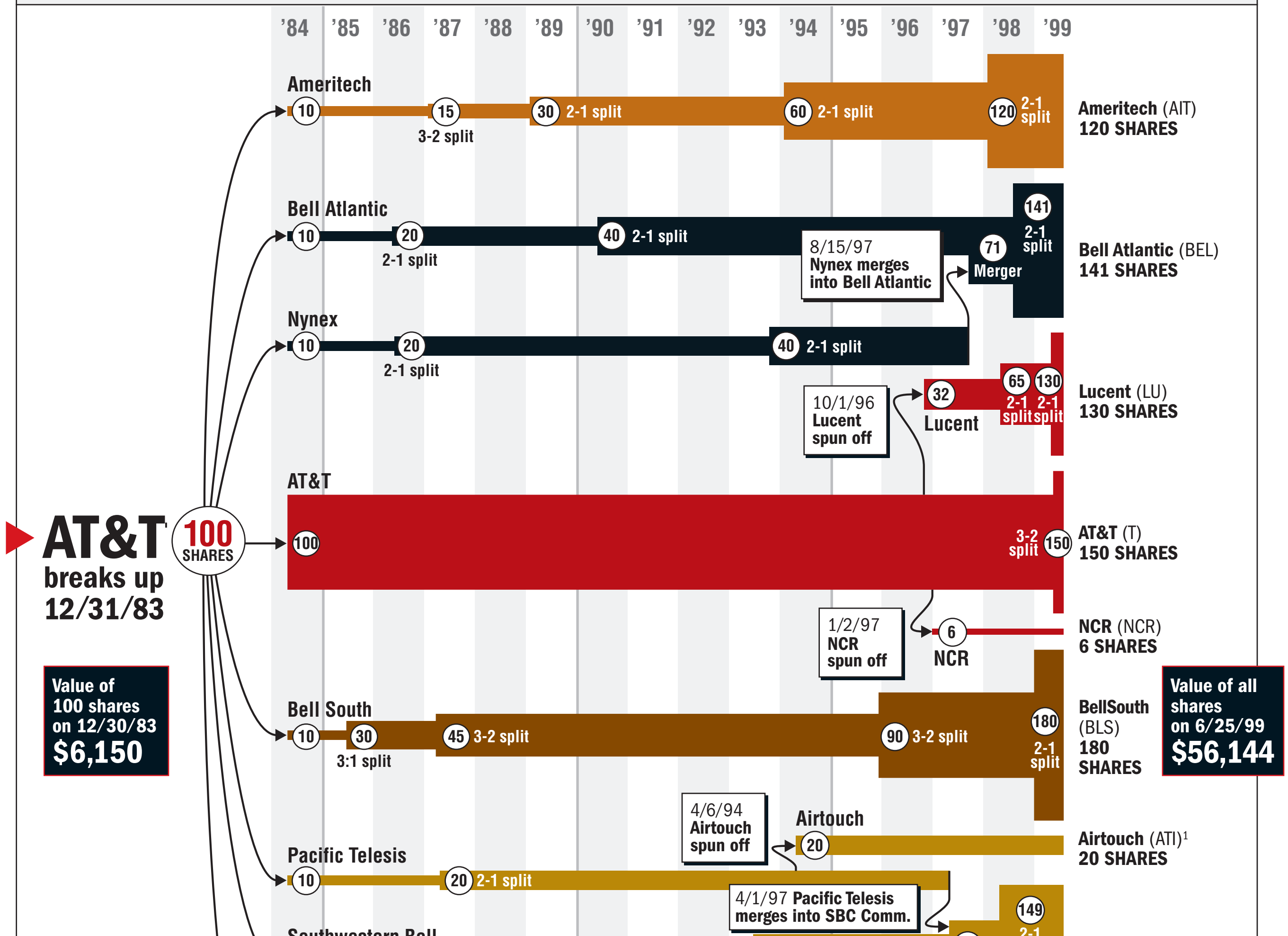
100 SHARES OF THE OLD MA BELL TODAY

If you owned 100 shares of AT&T when the company was broken up and didn't sell the shares or reinvest the dividends, your $6,150 would have grown to $56,144 dispersed among 10 different companies. If you'd put that same money into an S&P 500 index fund for the same period, you'd have $49,048.



Notes: [1]Airtouch and Vodaphone merged on June 30. [2]On 6/12/98, MediaOne became a separate company in a stock transfer that gave MediaOne shareholders a fraction of U S West stock in exchange for a division owned by MediaOne. AT&T's bid to merge with MediaOne is now pending.

Sources: Merrill Lynch, the companies.

Chart by Tommy McCall

buybacks of $10 billion in less than a year, the TCI merger diluted per-share earnings of existing AT&T shareholders by 25%, according to Somers. (He says the MediaOne deal would dilute the stock another 10%.) Earnings growth is on the back burner as the company focuses on boosting market share. According to First Call, Wall Street's consensus is that AT&T's earnings will fall 5% in 1999 and another 5% in 2000.

But now that Ma Bell is becoming Ma Cable, *should* we be focusing on earnings? Perhaps not. Other capital-intensive cable companies are valued on free cash flow or earnings before interest, taxes, depreciation and amortization (EBITDA). At a recent price of $54.50 a share, AT&T is trading at just 8.7 times EBITDA, calculates Eli Salzmann, director of equity research for mutual fund firm Lord Abbett; cable stocks normally trade at multiples in the mid-teens. "Some of AT&T's [lower] multiple comes from it being an acquirer at what were previously unfathomable prices,"