Company Name: Comcast
Company Ticker: CMCSA US
Date: 2017-04-27
Event Description: Q1 2017 Earnings Call

Market Cap: 167,132.62
Current PX: 35.985
YTD Change($): -4.065
YTD Change(%): -10.150

Bloomberg Estimates - EPS
Current Quarter: 0.610
Current Year: 2.516
Bloomberg Estimates - Sales
Current Quarter: 22643.550
Current Year: 89530.500

Q1 2017 Earnings Call

Company Participants

- Jason S. Armstrong
- Brian L. Roberts
- Michael J. Cavanagh
- David N. Watson
- Stephen B. Burke

Other Participants

- Jessica Reif Cohen
- John C. Hodulik
- Philip A. Cusick
- Marci L. Ryvicker
- Craig Eder Moffett
- Benjamin Daniel Swinburne
- Frank Garreth Louthan
- Vijay Jayant
- Jonathan Chaplin
- Anthony DiClemente

MANAGEMENT DISCUSSION SECTION

Jason S. Armstrong

GAAP and Non-GAAP Financial Measures

In addition, in this call, we will refer to certain non-GAAP financial measures

Please refer to our 8-K for the reconciliation of non-GAAP financial measures to GAAP

Brian L. Roberts

Q1 Highlights

Revenue and EBITDA

- We are off to a fantastic start, our fastest in five years
- In Q1, we increased revenue by 9% and EBITDA by over 10%
- These outstanding results were highlighted by NBCUniversal, which increased EBITDA by 24%, driven by strong growth at each business

Theme Parks

- At Theme Parks, our multi-year momentum continues
- A great example is the success of Harry Potter in Hollywood, where we saw a 60% increase in attendance this quarter
- And we have some incredible new attractions in Q2

Orlando

- In Orlando, Jimmy Fallon's Race Through New York opened earlier this month
- And we think Volcano Bay will transform the water park experience for visitors when it opens as a third gate in just a few weeks
- It looks amazing
- And in Japan, we leveraged one of our most successful film franchises with the opening of Minions Park last week
- Our confidence in the trajectory and leadership of the parks business under Tom Williams reinforced our decision to acquire the remaining 49% of Universal Studios Japan

Film

- In Film, as I've said repeatedly, we have an exceptional management team at Universal that is taking smart risks and using skillful marketing, and the results speak for themselves
- Q1's terrific performance was driven by a wide range of theatrical releases including Fifty Shades Darker, Split and Get Out, as well as the carryover success of Sing
- Our box office strength has continued in Q2 with Boss Baby and the exciting premiere of Fate of the Furious, which just set the new box office record with the biggest-ever global opening

TV Business

- Turning to our TV businesses, NBC has maintained a healthy lead and as the season ends, remains the top-ranked network in primetime for the fourth consecutive season
- Congratulations to Bob Greenblatt and everyone at the network

Cable Networks

- At Cable Networks, we had a strong quarter
- I would highlight MSNBC, which continued its outstanding performance with record ratings and even topped CNN in total viewers during weekday prime and total day for the quarter
- With our unified portfolio of NBC Broadcast, Telemundo and Cable Networks, we feel great about our position as we head into the advertising upfront
- We will be selling into an exciting 2017-2018 season that includes our airing of three of the biggest events on television with the Super Bowl, the Winter Olympics and the World Cup on Telemundo
- So really, a fabulous quarter from NBCUniversal, further validation of what a transformative acquisition this was for us, perhaps the best in our history

Cable Communications

- Moving on to Cable Communications, I want to start by thanking Neil Smit for all that he has done as CEO of Comcast Cable
- I can't say enough about Neil, and a number of you have reached out as well to say how fortunate we are to have had his leadership and character at Comcast over these seven-plus years
- He handed over the company to his top leader, Dave Watson, who, as you can see already, is off to a very strong start

EBITDA Growth

- We had an excellent quarter balancing robust EBITDA growth with terrific customer metrics
- We added 297,000 customer relationships, a 10% increase compared to Q1 2016, with 429,000 broadband subscriber additions and 42,000 video subscriber additions
- We are also seeing good traction with XFINITY Home and now have nearly 1mm customers

Wi-Fi Gateway

- And our best opportunities are ahead of us with a roadmap to continue adding value for our customers and differentiating all of our products
- Next month, we will be launching our new cloud-based smart home networking solution for customers with our Wi-Fi Gateway
  - We're going to call it xFi
- Just like X1 has transformed how our customers experience television, we think this will be a game changer for Wi-Fi, enabling people to easily improve, personalize, manage and control their home network and the devices connected to it

X1 Platform

- We also continue to add to the X1 platform
- On the heels of our successful Netflix integration late last year, during Q1, we announced that we are also going to make YouTube content available on X1 all searchable using our beloved voice remote control
  - This will allow our customers to seamlessly browse and access billions of YouTube videos alongside our live and On Demand programming options

Leveraging

- And earlier this month, we unveiled our highly-anticipated wireless service, XFINITY Mobile, with simple, straightforward plans and a digital-first experience
- We believe including mobile in our bundles will help improve retention and ultimately benefit lifetime customer economics
- We are taking a disciplined approach to the wireless business, leveraging our existing customer relationships and infrastructure along with our access to Verizon's industry-leading wireless network

- We expect to be NPV-positive per subscriber on a standalone basis once we reach a limited initial scale over time

XFINITY Mobile

- Our digital-first approach to XFINITY Mobile reflects a broader shift in how we view the future of the customer experience
- We're making it a priority to give our customers the ability to interact with us through a variety of options in the digital world, including online, on devices and even through X1
- We know this is what our customers want and we are working hard to provide the tools so they can do it with ease

Initiatives

- As we continue our effort to improve the experience, we've seen how quickly customers respond to these initiatives
- You may recall about two years ago, we committed to making customer service our best product
- We put meaningful investment towards this goal and it's really working
- In Q1, we reduced customer calls handled by our agents by over 4mm, a double-digit improvement y-over-y
- First-call resolution is at a multi-year high, a sign that we are making progress in terms of getting it right the first time when our customers call with an issue
  - So I'm incredibly proud of these results across the entire company this quarter
- And with our unique innovation platform to Comcast Cable and the industry-leading growth at NBCUniversal, we are off to a great start

Michael J. Cavanagh

Q1 Highlights

Revenue and Adjusted EBITDA

- I'm on slide 4 for those following the presentation online
- As Brian just said, we had a great first quarter
- Cable delivered terrific results, balancing strong financial growth with healthy customer metrics
- And at NBCUniversal, we had phenomenal growth this quarter, with good contributions from all the business segments
- So on a consolidated basis, revenue increased 8.9%
- Adjusted EBITDA grew 10.4%
- And by the way, adjusted EBITDA is the new label for the metric we previously called operating cash flow
- EPS was $0.53, a 26.2% increase on an adjusted basis, and we generated $3.1B in FCF during the quarter

Cable Communications

- So now let's start with Cable Communications on slide 5
- Cable Communications delivered strong first quarter results
- Revenue increased 5.8% to $12.9B.
- We added 297,000 customer relationships, and we grew total revenue per customer relationship by 2.6%
- Beginning this quarter, we are providing additional disclosure for residential and business customers, given the success of Business Services, which now annualizes at about $6B in revenue

Residential Business

- Now for the numbers, starting with our Residential business, we added 263,000 net new relationships, an increase of 11% over last year, and ended the quarter with nearly 27mm relationships
- Contributing to these results were the positive benefits of customer retention with our Video and High-Speed Internet churn remaining at the lowest levels in over 10 years
- Customers continue to respond to our innovative X1 platform, our best-in-class high-speed data product, and the meaningful strides we have made in improving the customer experience
- Our ability to bundle our products is also a key driver of customer retention, and we continue to do so successfully with 71% of our residential customers now subscribing to at least two products

Individual Residential Revenue

- In terms of the individual Residential revenue categories, High-Speed Internet continues to be the largest contributor to overall Cable revenue growth
- Revenue increased 10.1% to $3.6B in the quarter, driven by an increase in our residential customer base and rate adjustments
- Building on the strong performance in 2016, we added 429,000 total high-speed data customers in the quarter, with 397,000 of them being residential
- We've invested to provide a best-in-class broadband product as we have consistently increased the speeds we offer our customers, and we continue to invest to improve the Wi-Fi experience in and out of the home
  - We ended the quarter with 54% of our residential customers taking speeds of 100 megabits per second or higher
- Looking ahead, we believe we have a long runway for growth in adding broadband customers and a great roadmap to provide additional value to our existing customers

Video Revenue

- Video revenue increased 4.3% to $5.8B in the quarter, primarily due to rate adjustments as well as customers subscribing to additional services and an increase in our residential customer base
- Of our 42,000 total video customer net adds in the quarter, 32,000 were residential
- X1 continues to move the needle on the customer experience, ARPU and retention, driving higher customer lifetime value

- We ended the quarter with 52% of our residential video customers having X1 compared to 35% a year ago, and we continue to expect our X1 penetration will be in the low 60% range by year-end

Voice Revenue

- Voice revenue declined by 3.6% to $863mm in Q1, reflecting a modest decline in ARPU as well as the loss of 27,000 net residential customers
- We continue to believe that our voice product is a good value for our customers and an important part of our triple and quad play bundles

Business Services

- Business Services delivered another solid quarter of double-digit growth, as revenue increased 13.6% to $1.5B during the quarter
- We added 34,000 business customer relationships and grew revenue per business customer relationship by 5%
- The small business segment accounted for about 70% of our revenue and 60% of our growth, driven primarily by the net increase in customers
- And our mid-size and enterprise segments continue to grow at higher rates, given the strength of our product set and the earlier stage of our efforts in these areas

Cable Advertising

- Cable Advertising revenue decreased 6.3% to $512mm in the quarter, reflecting lower political revenue compared to last year
- Excluding the political contribution, our Cable Advertising revenue decreased 2.3%, reflecting a challenging advertising environment this quarter, particularly in discretionary categories

Cable Communications

- Turning to slide 6, first quarter Cable Communications EBITDA increased 6.3% to $5.2B, resulting in a margin of 40.3%, up 20BPS compared to Q1 2016
- This is a terrific financial performance as we manage through a period of higher programming costs by offsetting this impact with strong revenue growth and real discipline on non-programming operating expenses

Programming Expenses

- Programming expenses grew 11.7% during the quarter, reflecting the timing of contract renewals
- Because of these renewals, our programming expense growth should trend higher for the remainder of the year, consistent with our guidance at year-end

Non-Programming Expenses

- Non-programming expenses increased 1.4% for the quarter, helping preserve margins given the increase in programming expenses

- As we noted during our year-end call, this growth rate is trending lower than previous quarters as we benefit from our customer experience initiatives and overall disciplined cost management
- Notably, Customer Service expenses declined 1.1% this quarter, even as we grew our customer relationships by 3.2%
- Consistent with our objectives, we expect the rate of growth for our non-programming expenses to continue to trend lower this year compared to 2016

NBCUniversal's Results

- Now let's move on to NBCUniversal's results
- On slide 7, you can see NBCUniversal's revenue increased 14.7% and EBITDA increased 24.4% in the quarter
  - These strong results were driven by a successful box office, strong growth in retrans and affiliate fees, as well as the continued healthy performance at Theme Parks

EBITDA

- Cable Networks delivered strong growth this quarter, with revenue increasing 7.6% and EBITDA increasing 16.8% to $1.1B.
- This EBITDA growth is higher than recent trends of low to mid-single-digit growth, and it was the result of two factors
  - First, distribution revenue increased 8.6%, due to the successful renewals of a number of our distribution agreements, and should continue to contribute to healthy EBITDA growth for the remainder of the year
  - Second, content licensing revenue increased 54%, reflecting a new licensing agreement and is timing-related
    - Partially offsetting this growth was a 2.9% decline in Advertising revenue

Broadcast Television

- Broadcast Television delivered another solid quarter with revenue growth of 5.9% and EBITDA growth of 13.4% to $322mm
- This growth was primarily driven by higher retransmission consent fees, which increased over 70% to $350mm and reflect the same contract renewals I just mentioned in Cable Networks
  - We remain on track to reach $1.4B in retransmission revenue this year, a 65% increase over 2016 results
- In addition, Advertising revenue was stable compared to Q1 2016, reflecting higher rates offset by audience rating declines and lower volume
- Partially offsetting this quarter's EBITDA growth were higher programming and production costs

Film Revenue

- Film revenue increased 43.2% and EBITDA increased 120.6% to $368mm
- These results primarily reflect higher theatrical revenue, which increased by $415mm to $651mm due to the strong performances of Fifty Shades Darker, Get Out and Split, as well as the continued success of Sing in the

quarter

- In addition, Films' EBITDA growth reflects a positive contribution from DreamWorks, partially offset by higher programming and production costs

Theme Parks

- Theme Parks revenue increased 9% and EBITDA increased 6.1% to $397mm in Q1
- These results reflect higher attendance and higher per capita spending, despite an unfavorable comparison from the timing of spring break vacations
- The Easter holiday occurred in Q1 last year but occurred during Q2 this year, creating a challenging comparison this quarter
- If we adjust for this timing, EBITDA would have grown double digits this quarter
- We just opened the Jimmy Fallon attraction and we will be opening our third gate, the Volcano Bay water theme park, later this quarter
  - We expect these new attractions to drive growth at the parks this year

CapEx

- Let's move to slide 8 to review our consolidated and segment CapExs
- Consolidated CapExs increased 10.2% to $2.1B in Q1
- At Cable Communications, CapExs increased 13% to $1.8B for the quarter, resulting in capital intensity of 13.8%
- For the full year, we continue to expect capital intensity to remain flat to 2016 at approximately 15% of total Cable Communications revenue

X1 Platform

- For the quarter, the increase reflects a higher level of investment in customer premise equipment related to the deployment of the X1 platform and wireless gateways
- However, the increase is timing-related and we continue to expect full-year CPE spending to decline
- In addition to our CPE investment this quarter, CapEx growth reflects a higher level of investment in scalable infrastructure to increase network capacity as well as increased investment in line extensions

NBCUniversal

- At NBCUniversal, first quarter CapExs decreased 3.3% to $285mm, reflecting an increased investment in Theme Parks, offset by lower spending at headquarters
- For the full year, we continue to expect NBCUniversal's capital investment plan to increase approximately 10%
- And now finishing up on slide 9, as I mentioned earlier, we generated $3.1B in FCF in the quarter
- In terms of returning capital to shareholders, this quarter included: dividend payments totaling $657mm, up 7.5%; and share repurchases of $750mm

- We do continue to expect to repurchase $5B of our common shares this year

Net Leverage

- In terms of leverage, we ended the quarter at 2.2 times net leverage
- This reflects investing activity this quarter, which primarily included $500mm investment in Snap as part of its initial public offering, and the acquisition of Icontrol Networks
- I would note that subsequent to the end of the quarter, we purchased the remaining 49% stake in Universal Studios Japan for $2.3B

Broadcast Incentive Auction

- Regarding the recently-announced results of the FCC's Broadcast Incentive Auction, as Jason said, it is still the quiet period, so we cannot discuss or answer any questions related to the auction or spectrum strategy today
- However, based on facts disclosed by the FCC, I can confirm that, first, in the reverse auction, NBC sold spectrum in New York, Philadelphia and Chicago for expected total proceeds of $481.6mm
- In the forward auction, Comcast invested $1.7B to acquire spectrum in the markets identified in the FCC's Public Notice
- The average price Comcast paid per megahertz pop was $1.17
- Hence, our net spectrum outlay is $1.27B
  - These results confirm the comments we made prior to the auction
- We stated we would evaluate the opportunity and purchase spectrum only if we thought the price was right and if we thought the spectrum would have strategic value

QUESTION AND ANSWER SECTION

<Q - Jessica Reif Cohen>: I have a multi-parter. First of all, Dave, congratulations on your new role. Could you outline your priorities for the year as you take over this position? For Steve, I mean, obviously these are probably going to be the best results in media. Can you talk about the drivers that, as you see them, for this year and beyond? And then finally, if I could just throw one last one in on the auction results, it showed incredible discipline on your part with the spectrum and footprint, the cost was way lower than I think anybody expected in the market. Can you discuss your plans for a ramp-up, including potential owner economics? I know you said you can't discuss specific spectrum results, but it does seem like you have a lot of optionality. Thanks.

<A - David N. Watson>: Well, Jessica, Dave here. So thanks and I've been working with Neil on our strategy for a while now, so no great surprise that I'm going to stay focused on what's working. And I'm pretty comfortable, helped develop and with a really good Cable team, we've executed on three main areas, profitable growth, innovative products and services and constantly improving customer experience.

So we're going to keep focus on adding value to our customer subscriptions and we're going to keep delivering more innovation and backing it up with this experience improvement, so really good momentum around the innovation area, X1, broadband, Wi-Fi. Brian talked about xFi and now Mobile, so this will be a centerpiece for us. And we will stay and I will say focused on growth areas like Business Services.

Maybe of all the opportunities in front of us, the one that stands out maybe at the top of the list to me is taking the customer experience to the next level. There's real energy around this in the company; digital, giving our customers more capability to take transactions on, proactive network approaches, first contact resolution. And we're going to take key moments, like when customers move or when they on-board, and we're going to continue to make progress. There's real traction around that. It's good for customers and this is a, I think, the right way to drive healthy and sustainable efficiency. So our strength has been to maintain a good balance of healthy growth, driving share and revenue, and backing it up with solid financial performance.

So on a personal note, as Brian mentioned, I'll miss working with Neil. He's been a great partner, a great boss. However, I am excited about this next chapter. And with a very good Cable team, we're going to go after the opportunities in front of us. Steve?

<A - Stephen B. Burke>: So we had a very good quarter in Film in Q1. But if you take Film out of the equation, the rest of NBCUniversal grew over 13% during the quarter. And by the way, I think we're going to have a very good quarter this second quarter in Film as well. But really, it's every part of the company hitting on all cylinders.

If you look at affiliate fees, we did a bunch of big deals at the end of the year. And you'll see in the numbers this quarter, affiliate fees were up, I think, 9%. And that's now built into our base, so that should continue to go throughout the rest of the year. In terms of ad sales, we're going to the upfront with the strongest hand we've ever had, by a lot. NBC primetime's relative advantage, in other words, we're in first place by more than we have ever been, I think going all the way back to the early 2000s. And Telemundo has been neck-and-neck with Univision in primetime, which was unthinkable five years ago.

MSNBC's beating CNN in prime most nights. And then as you go into next year, we have the Super Bowl, the Winter Olympics and the World Cup on Telemundo, so we couldn't be going into the upfront with a stronger hand. I think the advertising market is quite strong. We've already started discussions with big advertising buying groups. And I think we have a lot of momentum and a lot more to go.

When we first looked at NBCUniversal when we bought it, we were making a little less than $3.5B. I think this year, we're going to be somewhere in the $8 billions, $8.3B, $8.4B, $8.5B, so we've added about $5B worth of cash flow in the last six years. I think we can continue to find places to grow. I don't know what inning we're in, but we're certainly not in the ending innings of above market growth. We still have a lot of opportunity areas, consumer products, Telemundo, a lot of different parts of this business that are yet to build out, and we're excited to continue to do that in quarters ahead.

<A - Michael J. Cavanagh>: And finally, Jessica, it's Mike. On spectrum, we can't speak to the spectrum, other than to confirm what we did, which I did earlier. But I'll just say we approached it the way we said we would before the auction started, and we're pleased with the outcome. We'll leave it at that for today.

<Q - John C. Hodulik>: Maybe for Brian, you've been an observer of the wireless industry for decades now, and with the end of the anti-collusion rules, can you give us a sense of, sort of, how you view the wireless industry today from a competitiveness or from a strategic standpoint, and talk maybe about whether or not the secular changes we're seeing, maybe in terms of usage and technology, how important or critical is it becoming to your offering on the cable side? Thanks.

<A - Brian L. Roberts>: Well, we've been talking about wireless for 20 years. And we sold our wireless company, which Dave ran and that was how Dave came into Comcast Cable. And I don't think we have any regrets with that decision. And the question of where wireless is and where it's going, I think we've done a really good job of making sure the company now has that offering in our bundle. It is for our bundled customers. It is in our footprint. And it is going to be a fabulous value for those customers with the brand-new product that you would buy, a new cell phone, tablet. It will have premier coverage from both Verizon Wireless' network and our best Wi-Fi network and it's going to intelligently allow you to be on Wi-Fi without having to log in. And any time there's extended Wi-Fi, it will automatically give you all your capabilities.

And coupled with that, as we were talking about, a great digital experience, where there's really just two options; all you do is you push the app and you see how many gigabits you've consumed. You pay $12 a gigabit. And if at any time you want to just click a button, push one button and you're now unlimited. And based on what package customer you are, it's either $45 or $65 for that unlimited option and you can switch back. If you're going out of the country, if you're not going to use your phone, push the button to go by the gig. You get five devices and there's no line charge for any of those devices if you're one of our broadband customers. That's pretty great. And I think, in our minds, that gives us what we need.

And so we are always looking at where future technologies are going and things of that nature, but, right now, I think we look at our results today, compare them to anything that we've seen and take Jessica's comment a moment ago, I couldn't be more pleased with the portfolio of our company and the trajectory we're on, and leave it at that and say we're really pleased with the team's effort.

<Q - Philip A. Cusick>: Two quick ones, if I can, Cable margins were up y-over-y and the low non-programming expenses were particular heartening. Is this a good run rate for those non-programming expenses or could the rate improve further from here on Mike's cost initiatives? And second, quickly on Home Security, thanks for breaking that out. I guess 1mm or so is the magic number. Can you add some more detail on this in terms of residential vs. business mix and some level of revenue per user? And is this still on the Other revenue line of Cable or is it mixed into Business Services as well? Thanks.

<A - Michael J. Cavanagh>: So it's Mike. Just on Cable margins, we gave guidance for the year that we'd be flat to down 50BPS for the year, with programing costs continuing to be high this year and that we did expect to drive improvement in the rates on non-programming expenses. So had a very good first quarter, but as far as going down the road on changing any guidance, we're not doing that. That said, I'll hand it over to Dave to give some qualitative stuff of what he's doing because all that will really continue.

<A - David N. Watson>: Well, we expect the rate of growth for non-programming expenses to trend lower in 2017 compared to 2016 and this is as we continue to focus on the benefit from the customer experience initiatives that Brian outlined, I talked about. And we will continue to have really focused cost management, so there's big opportunities. While we're not changing anything in regards to the margin and where things are going, what we're focusing on is continuing to take transactions out, by just doing a better job of handling repeats and all the digital capabilities and we're seeing it really take hold.

So I think there's upside in regards to these operational efficiencies. This will be online. This will be through apps. And actually, right through X1 itself, you'll be able to resolve issues. So the voice remote will connect you to content. The voice remote will also be a service option. So we're excited about this. This is going to be a big focus in regards to efficiencies, but no changes, obviously, as Mike said, to margin guidance.

And on Home Security, the second part, excited about Home Security. This is another good opportunity we talked about another option for us in terms of packaging. Just in our footprint alone, it's $9B opportunity. And so we added the 66,000 for the quarter and just about 1mm customers at this point. So the benefits for Home Security continue to be in packaging. We have over 90% of our customers, Home Security customers, are subscribing to three or four product bundles and half of these customers are brand new to us.

So it opens up, as I expect Mobile to and has been proven with XFINITY Home, it helps consideration. So we're bringing new people in to think about overall, our packaging. So we're pleased with it. We are not giving any financials as the specifics of Home Security, but it's a healthy contributor to our efforts.

<Q - Marci L. Ryvicker>: A couple questions for Steve. Can you just talk about advertising at the stations vs. the networks? I just got back from the NAB and I think the ad environment is a lot more tempered, both from a short-term and a long-term basis, so just curious on your thoughts there. And also, any thoughts on the potential impact of a writers strike? I know you had positive comments on the upfront, but just thinking about that. And then secondly, I guess for Dave, the press keeps reporting that Comcast has an elective desire to go outside your footprint. Can you talk about why this strategy might or might not make sense?

<A - Stephen B. Burke>: So let me start with the writers' strike. I think in the majority of cases, things get resolved. And I'm optimistic and hopeful that the writers' strike will get resolved. Strikes aren't good for anybody. The people on both sides of the table tend to lose and I'm hopeful that we're going to get it done. And we're coming down to the deadline.

In terms of local advertising, I think the national and local markets are quite different and exhibit different characteristics. I do think there's more weakness in local. I think national is quite strong, but I think local has pockets of weakness. We're in a unique position because we have gained so much share at the NBC stations, and the Telemundo stations are growing so quickly in terms of ratings, that we're not as affected. We've grown EBITDA very substantially in the owned stations over the last few years. So we're feeling good about the local station market. Our retransmission consent numbers are growing very, very dramatically and our ad sales are just fine, but I do think it's a fair comment that the local advertising market is weaker than the national one.

<A - Brian L. Roberts>: I think the second part in regards to out-of-footprint opportunities, Marci, there're kind of two things. One, we think we have a lot of opportunity just in our footprint. It's a big upside. We continue to believe in what we're doing. So that's the first thing. The second thing, we just haven't found the business model that works outside. We'll keep evaluating, keep looking at it, but our success within our footprint is packaging, bundling. So we'll continue to drive that internally within our footprint.

<Q - Craig Eder Moffett>: Yeah, first, let me add my congratulations to your new role, Dave. That's terrific news. So I guess since we've sort of beaten the thinly-disguised M&A questions to death, I'm going to turn to something else. There's so much expectation about 5G wireless as a competitor in your footprint, I wonder if you could just talk about what your own internal strategic analysis of 5G as a competitor has told you about that. And then, Dave, if I could ask a somewhat technical question about your new wireless service, can you talk about when you expect to have, or if you expect to have, hot handoffs between the Wi-Fi network and the wireless network? And is that permissible under the Verizon agreement?

<A - David N. Watson>: Well, first off, thank you, Craig, and appreciate that. Let me start with 5G and I'll get to the Wi-Fi question. First, the main thing with 5G, reminding everybody, I think folks know, it is early. I've been through it before, back in the day, in wireless. There are promising, really promising, aspects of the new technologies, but it takes time to scale. So while there may be early-stage applications of something like 5G, we compete today with microwave applications, the MDUs in dense urban areas. So, again, while there's promise, we're going to stay close to it. We're testing both fixed and mobile aspects of it.

And I think the main question for 5G, at least for us, with this higher frequency range, can it be used to broadly, reliably and economically deliver fixed wireless broadband? So we're going to stay right next to it, and I think we're on the same testing curve as everybody else. I don't believe, at this stage at all, that it's a significant threat in regards to the wireless fixed broadband side.

But in the meantime, on that front, we're not standing still. We're going after DOCSIS 3.1. We're rolling it out. We'll have 65% of that deployed by the end of the year. We're working on great devices; the best wireless gateway that we have, that'll deliver 1 gig capability. So this will continue to improve our competitive position as this evolves, and we'll stay close to it.

As to the question on the wireless side and the technical side, no new news in terms of the timeframe. I would say we are working on the Wi-Fi capability. As Brian mentioned, we got a good first step in terms of the auto connection, just taking some of the pain points out of the interaction between 4G and Wi-Fi, simplifying that process. The next step that we're on, that's one of them, but no timeframe to deliver that seamless handoff.

<Q - Benjamin Daniel Swinburne>: Question on cable on the Wi-Fi front, and one for Steve on NBC. For Dave or Brian, either one of you, I'm curious. How do you think we should be thinking about xFi and what that might mean for your business? I guess what I'm trying to get a sense of is what does it mean to make Wi-Fi great for the consumer? How important is this to your mobility efforts? And how you think about selling this? Is this something you're going to be pushing into the base? I believe you've been sort of upgrading gateways and routers for years now and so probably have relatively new equipment in the field, but how you're thinking about the cost and benefits of this.

And then for Steve, when you guys did the NBC deal, the Cable Networks were the high-growth asset. And everything else was sort of, we'll see what happens. And today, the world sort of turned around and people are most excited about the non-Cable Network businesses and concerned about Cable Networks. You're pared some of your networks back.

There's a lot happening with the bundle out there, but you put up some pretty nice affiliate revenue growth this quarter, which sounds like it will continue. Can you give us a little bit of a state of the state for the business as you think about the growth opportunity ahead of the Cable Networks segment, which is an area certainly people are more nervous about? Thank you.

<A - Brian L. Roberts>: Okay. Ben. Got a lot in there so we'll see if we can cover all that or we'll take a shot. Let me just kick off on the xFi, which is we're going to talk about it a little bit down the road so let me leave a little bit as we put it out there, but as a strategy matter, a couple relevant things. First of all, as I don't have to remind you, we have more broadband customers than we do video. And the rate of that growth is pretty exciting in broadband.

So as we built and I think completely remade Comcast in the last decade into an innovation and technology thinking and new products company, our team looked at the broadband space and said, well, right now, it's really just speed is the main differentiator. But our usage of broadband in the home, whether it's your home printer, your tablets, smart devices, home security is just exploding with the amount of things. And if you project out two, five, 10 years, you're going to see more and more use of broadband in the home. That's the bet we're making. I think it's a fairly safe bet.

So how do we bring the same innovation mentality that we did to video the last decade with the incredible X1 and then the voice remote and the content and the rights management all working seamlessly for the consumer? And that's the trajectory that I think the team is on. We're going to deliver to our broadband customers levels of options of services, levels of speeds and services, but also a mindset of innovation, constant innovation. And some of the things – and Dave, you can go into specifics or we can hold that, but I think it's demonstrating to us that we have a leadership and we're going to use that leadership opportunity to innovate.

<A - David N. Watson>: Well, let me offer just a couple things. We are excited about xFi. It'll rolled out later, so more to come. But our goal is to do to broadband what we did with video and X1, create a much better experience of Wi-Fi. Our strategy has been to focus in the home with providing great Wi-Fi because great high-speed Internet is not just a connected experience; it's Wi-Fi spread throughout the house. So xFi is simply three things: it's great speed; it's great coverage; and then this next generation cloud capability control. It lets you define the user experience throughout the household.

So, again, more to come on that, but I think it's a premium position for us and evidence that we're going to keep growing the broadband category, not just on speed, but coverage is awfully important so we'll control over time, so more to come.

<A - Brian L. Roberts>: Just to be clear, it doesn't require everybody to go get a new device. There may be some opportunities for customers to want to upgrade to different things, but as we launched XFINITY with an X1, it was when we reached a certain level, you got a certain service. You were no longer in the past. You were in the future. I think that's the mindset as we're thinking about this.

<A - David N. Watson>: That's a great point. It will have approximately 10mm customers can immediately benefit from this in terms of the devices. So they'll be new devices, existing devices, so we're in pretty good shape to go after a large chunk of our customers.

<Q - Benjamin Daniel Swinburne>: Helpful. Thank you.

<A - Stephen B. Burke>: Cable Networks, which grew, I think, 17% in terms of revenue this quarter, I think that's going to be a high watermark. I don't think we're going to replicate that many quarters in the future. I think this is still a good business. It's a very profitable business and it's a business we should be able to grow. I don't think we're going to grow it more than, call it, low to mid-single-digit growth rate, but you've basically got a bunch of different ways that you make money. You've got affiliate fees, which in this quarter went up 9%.

That won't always be the case, but affiliate's fees should go up. You've got ad sales, which is a function of ratings and CPM. And, to a degree, they cancel each other out, but I think it's quite possible that we will have quarters where ad sales go backwards. But if affiliate fees go up and ad sales go backwards, you can still have revenue growth.

And then the other way you obviously make revenue is by content distribution deals with people like Netflix and Hulu and Amazon. And we had a good deal in this quarter, which increased that. And then you can also make money on digital and other new technologies. Over-the-Top I think is going to be moderately beneficial to these businesses. We're not counting on Over-the-Top being a huge impact, but I think it will be moderately beneficial. And it's going to be a grindier business than it was, but it's a lot of cash. And I think our job is to continue to grow the legacy businesses and the businesses that are very profitable but have a lower growth rate, while at the same time investing in things like theme parks, consumer products, Telemundo, digital, et cetera, that have higher growth rates and hopefully blend it to something that is attractive to investors.

<Q - Frank Garreth Louthan>: Just want to talk about Business Services quickly. What sort of investments can we expect you to make in terms of sales and engineering as you see that grow? And then, if you could comment also on network investment with regards to the Chairman's commentary about Open Internet Order. If that goes as described, what sort of new quantifying growth investment opportunity you might see that that would open up?

<A - David N. Watson>: Let me take Business Services, Frank. So one of the things that, right from the beginning to look at, we're still, there's a lot of opportunity and upside around growth and you look at the three basic categories that we have: SMB, we're at 40%; penetration midmarket, we're at 10% penetration; enterprise, less than 5%. So I think extensions, plan extensions, it's success-based, but opportunistically looking at a couple of proactive ones where they make sense and get a good return, we'll continue to evaluate those. And we think those are good sound areas to keep investing. We like our rate of growth. Bill Stemper and his team are doing a fabulous job. So it's an area that will continue to have sustainable good revenue growth, but we'll invest to keep that going.

<A - Brian L. Roberts>: I think, on your regulatory question, we're encouraged that the FCC made the announcement yesterday and is beginning a process to revisit whether Title II is really the right regime. We've said for a long time that we think it puts a damper on ability to invest and react to change. And we steward a lot of capital every year. And so having the right kind of consumer protections and Net Neutrality, which we've said we support and want, but not in a regulatory regime designed for a different era that doesn't apply to the business.

And so the beginning of that conversation is heartening and I think it will allow for, hopefully, an end result that balances the need for consumers and our commitment, legally enforceable, for those consumers to know that they can surf an open and free Internet, but not do so in a way that has real dark clouds for our investment community.

<Q - Vijay Jayant>: Two questions, first for David, the virtual MVPD market seems to be scaling. Can you talk about what impact Comcast's broadly seeing? We've seen some of your competitors not show good subscriber trends. [Indiscernible]. The press has talked about it. Can you talk about what market segment is that really going target? And then for Mike, obviously, there's been talk about tax reform, maybe a little early on a view there, but if that does happen, how do you sort of look at capital allocation from return on capital and investment in broadband? Thank you.

<A - David N. Watson>: Let me start, the competitive landscape. So there's no question that video, high-speed, both are competitive, but it has been competitive. I'd start with maybe the most important thing I'd tell you is we added 42,000 video customers in the quarter and so there's a lot to that in terms of what we're doing. The good news is it's not one thing that puts us in that position. Let's start with a fantastic X1 platform.

How we go to market through segmentation and packaging that make sense for customers, and I would say we're in the early innings of operational improvements and how we deliver good bundles, good packaging, that helps us compete. So one of the main things that we look at is constant churn improvement and making sure that, as we have success, which I think we're holding our own, on attracting new customers, but we also want to hold onto folks longer.

So I think that our product position is strong and how we compete against folks when – we've been going up against discounted video offerings for some time. And so we look at the new entrants as a broad category and we won't necessarily chase everything. We stick with our guns. Our guns are developing and providing great products and good healthy packaging and taking broadband video, whether it now, home security, phone and/or mobile. I think that will help us compete. So to the extent that we go and leverage any other form of lower priced tiers, we do that in an extremely targeted and segmented way, and we think that that helps us compete. So I like our position and like our momentum. We had, again, good quarter, feel good about the video momentum, even with the increased competitive climate.

<A - Michael J. Cavanagh>: And, Vijay, on capital returns, so the company's got a great track record of being very thoughtful about how we balance our needs to invest in the business and return capital to shareholders. So we maintain a strong capital structure, as you know. And we think that's strategically important. We like the idea of consistently increasing the return of capital to shareholders, but making sure that we keep the ability to allocate strategic capital to take advantage of opportunities when they arise.

So it's way too early on tax reform to say anything, other than we seemingly are positioned well to be a beneficiary of the various ways in which it might shake out. And once we have some final details, we'll take all that into consideration through the lens that we've always talked about, our balancing capital priorities.

<Q - Jonathan Chaplin>: So the trends in Other costs in the Cable segment are really encouraging and I'm wondering as we look ahead to next year with programming costs reverting to more normal trends of growth, if you can maintain this lower growth in Other costs, it seems like we could see real meaningful margin expansion for the first time in a few years after sort of years of investment in the business. It looks like you could do at least sort of 100 to 150BPS of margin expansion in the Cable segment. And I'm not expecting you guys to give guidance at this point for next year, but I'm just wondering if we're thinking about the trends in the business in the right way?

<A - Michael J. Cavanagh>: Well, Jonathan, it's Mike. Thanks for the question. I mean, Dave covered earlier all of the things that are ongoing in the business, in terms of attacking non-programming expenses. And we've commented previously on where programming goes. So the answer, as I said earlier, is we're not going to go beyond the guidance we already gave of margins for this year, but we'll keep working on optimizing the business for the long term and we'll be back to you early next year with our thoughts.

<Q - Anthony DiClemente>: My question is for Steve, really, on the theme of the value of sports rights. So since the last earnings call, we saw Amazon pay $50mm for the Thursday Night Football NFL rights, putting up behind a paywall. NBC Sports, obviously, shares the linear deal with CBS. How do you, Steve, think about that agreement now as it comes up for renewal? And just on sports more broadly, how do you think about valuing the linear side of sports rights in an environment where those rights could become more bifurcated? You have linear on the one side and then you have the Internet players bidding up the value of the streaming rights of the other side. Love to hear your updated thoughts there. Thank you.

<A - Stephen B. Burke>: Well, I think it's early on. I mean, if you look at the ratings for Sunday Night Football or Thursday Night Football when Twitter had the deal, or the Olympics when we do our streaming, streaming is typically very low single-digit percentage of the total. And then in many of these deals, and this is the case with the Twitter deal and the Amazon deal, the same ads that are on linear are also in the digital feed. So from an aggregating-an-audience point of view, it really has been a very minimal impact, and the impact is combined.

I think more broadly, we feel very good about our sports deals. We have an Olympics deal that goes out until 2032. And we have a long-term NFL deal. And these are deals that really make their money on advertising. The bulk of the money that we make on the Olympics is because we're advertising on primetime. They're not affiliate fee-related. They're not related to the number of subs that are in the MVPD universe.

These are deals that basically wash their face very nicely based on advertising and they're long term, and so we like the sports business a lot. We think a company like ours should be in the sports business. The Olympics are part of the DNA of NBCUniversal. And it's a good business, in our opinion, going forward for many, many years. Families will gather to watch major sporting events. And they're going to want to watch it predominantly, not always, not 100%, but predominantly on a big screen. And we're happy to be the company that brings those big events to them.

Brian L. Roberts

Closing Remarks

Let me just, if I might, wrap up by just saying that great start to the quarter, and I think that you can tell by the Q&A, that there's a lot of projects and momentum that is unique

I also think, Dave, hopefully, everybody else can see why we're so excited to have Dave leading the Cable division

- He's got a grasp of the issues

He's going to take the work that Neil started and he started with him, and accelerate us and focus even better as we go forward and pick priorities as we now go into new businesses, and his expertise is particularly perfect at this moment

So really, really pleased with this start, and we look forward to reporting to you next quarter.