Company Name: Comcast
Company Ticker: CMCSA US
Date: 2018-07-26
Event Description: Q2 2018 Earnings Call

Market Cap: 159,222.19
Current PX: 34.75
YTD Change($): -5.30
YTD Change(%): -13.233

Bloomberg Estimates - EPS
Current Quarter: 0.627
Current Year: 2.489
Bloomberg Estimates - Sales
Current Quarter: 21927.294
Current Year: 89604.000

Q2 2018 Earnings Call

Company Participants

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

Other Participants

- Benjamin Daniel Swinburne
- Jessica Jean Reif Cohen
- John C. Hodulik
- Jonathan Chaplin
- Marci L. Ryvicker
- John Janedis
- Douglas Mitchelson

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 and trending schedules for the reconciliations of non-GAAP financial measures to GAAP

Brian L. Roberts

Business Highlights

Opening Remarks

- I'm really pleased with our quarterly results and let me reiterate something that perhaps has been lost in recent months
- We have a unique and special company with a terrific team and great operating momentum
  - These excellent second quarter results underscore all of this
- We generated robust FCF of $4.3B, along with healthy EBITDA and EPS growth

Cable Communications

- At Cable Communications, we've talked a lot about the pivot we've made in our business towards connectivity

- It is increasingly the focal point of our relationship with residential customers, it's the driving force behind our growth in business services and it's where we're investing our CapEx dollars to continue to differentiate and extend our network leadership position
- We delivered strong results in Q2 that reflect this strategy with successful execution
- Cable EBITDA increased 6.5% and Cable net cash flow, which is EBITDA less total capital, improved over 16%

Connectivity Business, Residential Broadband and Business Services

- Fueling these results are connectivity business, residential broadband and business services, collectively grew revenue nearly 10%
- We added 182,000 net new customer relationships and this was driven by 260,000 broadband net adds, our best second quarter in 10 years as our focus on innovation and differentiation through speed, coverage and control with our xFi products is resonating in the market
- In business services, we continue to see growth across small, medium, and enterprise customer segments
- Dave Watson and his team are doing a fantastic job and we see substantial further opportunity in our connectivity businesses continue to take share and grow

Video

- In video, the team continues to adapt to a changing marketplace
- As anticipated, continuing competition from virtual MVPDs contributed to our 140,000 video customer net losses in Q2
- We remain focused on segments that we can serve profitably as part of a broader relationship with the customer centered on a whole home experience

Best-in-Class X1 Platform

- Our best-in-class X1 platform positions us well to do this by aggregating the best content from linear TV to third-party apps like Netflix, YouTube, Pandora and more
- Integrating other services like xFi and Xfinity Home and adding features like our recent launch of Fandango voice activated movie ticketing experience
- We expect to announce more integrations with X1 in the quarters ahead

Xfinity Mobile

- We're also pleased with the performance of our newest product, Xfinity Mobile
- In a little over a year since launch, we've signed up over 780,000 lines and are encouraged by the results and customer response so far as well as early signs of the positive impact that wireless is having on our overall relationship with the customer

Customer Satisfaction

  - Finally, we are making progress in improving the customer experience and offering more ways to interact with us digitally
  - In Q2, calls handled by our agents decreased by 10% and the portion of customer interactions completed digitally increased by double digits y-over-y
  - Customer satisfaction is rising and churn declined in every one of our product categories, including the lowest level for a second quarter and over 10 years in broadband
  - Our focus on making customer service our best product is starting to really pay dividends and I'm proud of the great strides we've made so far

Cable Networks and Broadcast TV Businesses

- At NBCUniversal, EBITDA increased 4% in Q2 as particular strength in our Cable Networks business offset expected tough comparisons in film
- Overall, the underlying trends across our businesses are very healthy with many exciting highlights like the World Cup on Telemundo, which continued into Q3; Jurassic World: Fallen Kingdom, which is on track to be one of the top 15 highest grossing movies of all time; and the recent opening of several new attractions at our Theme Parks
- Our Cable Networks and Broadcast TV businesses collectively increased EBITDA by 9%

MSNBC

  - The power of our big event strategy and robust demand for our content is driving continued retrans and affiliate revenue momentum, growth in content licensing and solid advertising, which reflected strength at MSNBC and the World Cup in Q2
  - Telemundo set numerous records throughout the tournament, including the network's highest ratings ever during Mexico's thrilling win over Germany
    - Its digital presentation has also been tremendous, generating a record 130mm live streams and making it the biggest Spanish language live streaming sporting event in history
  - NBC broadcast won the recently concluded September to May season by the widest margin for a network in 30 years and is on track to win the full 52-week season for the fifth consecutive year
  - And MSNBC continued its impressive performance, now solidly ahead of CNN in primetime and closing the gap with Fox News
  - I'm not sure enough focus has been paid to MSNBC and the incredible progress it has made

Pricing Gains and Volume

  - Underscoring the importance and value of all this great content to advertisers, we just completed another outstanding upfront with high single-digit pricing gains, coupled with 5% growth in volume commitments
  - We also achieved 25% growth in upfront digital sales reflecting our strength across viewership platforms

Theme Parks

- Turning to Theme Parks, EBITDA is up 12% through H1

- Our wonderful team continues to successfully execute its strategy with new attractions across our parks and in H2, we'll benefit from the recent openings of Night Parade in Japan, Kung Fu Panda in Hollywood and Fast & Furious: Supercharged in Orlando
- Adding hotel rooms has also been a key driver in Orlando and we're excited to have the Aventura Hotel opening in a couple weeks, bringing total on-site rooms to over 6,000, which is 2.5 times more when compared to five years ago, with still more capacity to grow
- As you can see, we had a great H1 the year with a really strong second quarter and showing strength across all parts of the company

Michael J. Cavanagh

Financial Highlights

Revenue, Adjusted EBITDA, EPS and FCF

- I'll begin on slide 4 with our second quarter consolidated results
- Revenue increased 2.1% to $21.7B
- Adjusted EBITDA increased 4.8% to $7.4B, reflecting solid growth of 6.5% and 4.2% at Cable and NBCUniversal, respectively
- The Corporate and Other segment results included an EBITDA loss of $185mm for Xfinity Mobile
- Adjusted EPS increased 25% to $0.65 for the quarter
- And finally, FCF was $4.3B in the quarter, bringing H1 total to $7.4B

Cable Communications Results

- Now let's turn to the details of the quarter, starting with Cable Communications results on slide 5
- Revenue increased 3.4% and EBITDA increased 6.5%, resulting in a 120 basis point y-over-y improvement in margin to 41.1%
  - These results reflect strong underlying growth in the business and also include benefits from a tax settlement and hurricane insurance proceeds in this year's second quarter that together contributed slightly less than a point of EBITDA growth
- Customer relationships increased 2.8% y-over-y to 29.8mm, including 182,000 net additions in Q2
- On a per relationship basis revenue increased 0.7% and EBITDA increased 3.7%
- As Brian said, we are undergoing a strategic shift in our business
- Video competition from virtual MVPDs remains challenging, driving a loss of 136,000 residential video customers and a 1.9% decline in video revenue in the quarter
  - We expect this pressure to continue as the virtual players continue to ramp up their marketing

Connectivity Businesses

- However, our strong total Cable results underscore the successful pivot we have made towards our high margin connectivity businesses, residential high-speed Internet and business services
- High-speed Internet revenue increased 9.3% to $4.3B, again the largest contributor to overall Cable growth

Residential Broadband Customer Base

- Our residential broadband customer base has increased by 1.1mm over the past year, including the addition of 226,000 net new customers in the quarter
- As these robust results demonstrate, we are competing well as we've differentiated our product with speed increases and the launch of our 1 gig tier across our footprint, our advanced gateways and over 19mm hotspots for the best in and out of home Wi-Fi coverage and unique home network control elements through xFi
- Additionally, one of the ways we have adapted our approach in the current marketplace is to proactively market broadband-only packages which will continue in H2
- The increasing importance and value of broadband to our customers is clear
- Our customers' median monthly data usage on our network now exceeds 150 gigabytes for the first time
- Additionally, our xFi customers are connecting an average of 11 devices in the home over Wi-Fi daily

Business Services

- Business Services delivered another quarter of double-digit growth with revenue increasing 11.1% to $1.8B
- Business customer relationships increased 6% y-over-y to 2.2mm, including net adds of 36,000 in the quarter and revenue per business customer relationship increased 4.6%
- Connectivity is at the core of our relationship with customers on the business side as well
- Offering gigabit speeds and pushing fiber deeper into our network is enabling us to continue to win share across small businesses, Ethernet customers and our enterprise segment
- We believe the competitive and strategic positioning of our broadband services and their increasing value to residential and commercial customers, as well as our expectation for continued broadband adoption, new home formation and the extension of our network to new commercial locations within our footprint, all point to sustainable growth ahead in our Connectivity businesses

New Product and EBITDA Loss

- The newest product in our Cable bundle, Xfinity Mobile, ended the quarter with 780,000 customer lines, as Brian mentioned, with 204,000 net line additions in the quarter
- The EBITDA loss of $185mm booked in our Corporate and Other segment reflects our continuing ramp in subscriber acquisitions and the incremental operating costs associated with getting this business launched
  - While it is still early, we are pleased with the early indications we are seeing, including the mix of By the Gig vs. unlimited plans, the impact of bring your own device and the attachment of mobile to our high quality double and triple-play bundles

Cable

Expense and Margin

- Now turning to Cable expense and margin on slide 6, total Cable expenses increased 1.4%, driven by 3.3% growth in programming costs
- Non-programming costs were flat compared to last year and down 2.6% on a per customer relationship basis, reflecting our ongoing focus on cost control as well as the financial benefits of the progress we are making in our efforts to improve the customer experience
    - In particular, our customer service expenses declined almost 1% even as our customer base was 2.8% higher y-over-y
- Additionally, the tax settlement and insurance proceeds that I mentioned earlier, together reduced non-program expanse cost growth by approximately a point

EBITDA and CapEx

- Bringing all this together, Cable EBITDA increased 6.5% to $5.6B, resulting in a margin of 41.1%, up 120BPS compared to Q2 last year
- Based on our strong performance YTD and our outlook for H2, we believe full-year margins could be 50BPS to 100BPS higher compared to last year, which is an improvement from our previous guidance of up to 50BPS higher
- Cable CapEx decreased by 9.7% to $1.8B, reflecting a decline in customer premise equipment spending as X1 is now deployed to over 60% of our residential video customers
    - This decline was partially offset by higher spending on line extensions to reach more business and residential customer addresses and continued investment in our network, consistent with our ongoing focus on driving our connectivity businesses
- Cable CapEx intensity was 12.9% in Q2
- For the full year, we now expect 50BPS to 100BPS of CapEx intensity favorability relative to last year, an improvement from our previous guidance of up to 50BPS.
- Overall, healthy EBITDA growth and margin expansion, driven by our strong connectivity results and focus on cost control, coupled with a decrease in Cable CapEx as the mix of our business continues to shift, drove a 16% increase in Cable net cash flow in the quarter

NBCUniversal's Results

- Now let's move on to NBCUniversal's results
- On slide 7 NBCUniversal's revenue of $8.3B was consistent with the prior year and EBITDA increased 4.2% to $2.2B
- These results reflect robust growth in affiliate fees and retrans at our TV businesses, strong advertising growth, and solid results at our Theme Parks, despite a difficult comparison from the timing of spring holidays
    - These growth drivers were partially offset by the expected impacts of a tough comparison to last year's film slate as well as the programming and production costs associated with Telemundo's broadcast of the FIFA World Cup

Cable Networks

- Cable Networks revenue increased 8.2% to $2.9B and EBITDA increased 12.5% to $1.2B driven by higher affiliate fees, content licensing, and MSNBC ad sales
- Distribution revenue grew 8.7%, primarily reflecting the continued benefit of previous renewal agreements
- Subscribers at our Cable Networks declined by just under 1% this quarter, as adoption of virtual MVPDs drove an improvement from the recent trend of 1.5% to 2% declines
- Content licensing and other revenue increased 22.5% due to the timing of content provided under current arrangements and new licensing deals

Advertising

- Advertising increased 3.6%, reflecting another outstanding quarter for MSNBC as well as strong overall pricing that was partially offset by ratings declines
- Broadcast Television revenue increased 6.7% to $2.4B, reflecting advertising growth and higher retransmission revenue
- Advertising revenue increased 9.2% driven by Telemundo's broadcast of the World Cup
- Excluding the impact of the World Cup, advertising would have been consistent with our recent underlying trends, which have been roughly flat y-over-y
- Retrans revenue increased about 20% to $437mm

Broadcast EBITDA

- Broadcast EBITDA of $417mm was consistent with the prior year due to programming and production costs associated with the World Cup
- Excluding the World Cup, EBITDA would have increased by high-single digits
- Film revenue declined by 20.2% and EBITDA declined by 52.1% to $138mm, reflecting the size and timing of 2018 theatrical releases and limited carry-over from earlier releases
  - As expected, this created difficult comparisons to the strong theatrical performance of Fate of the Furious in Q2 2017, Jurassic World: Fallen Kingdom launched late in this year's second quarter as well as last year's successful home entertainment releases like Sing, Split and Get Out
- Finally, Theme Parks revenue increased 3.6% to $1.4B and EBITDA increased 3.4% to $569mm despite a difficult comparison to the timing of spring break, which was concentrated in Q2 last year and benefited our results in Q1 this year
- On a YTD basis, which smooths out the spring break timing differences, revenue increased 8.6% and EBITDA increased 12.3%

Return of Capital

- So let's finish up on slide 8 with return of capital
- As I mentioned earlier, we generated $4.3B of FCF in the quarter
- We returned $2.1B to shareholders in Q2, including $878mm of dividends and $1.25B of share repurchases
- We remain committed to repurchasing at least $5B of stock in 2018

- Finally, we ended the quarter with net leverage of 2.1 times EBITDA and we continue to be comfortable maintaining net leverage around the 2.2 times level
- We value our current credit ratings
- Assuming we are successful in acquiring Sky, our significant FCF generation will allow us to delever on a timetable, which we believe is consistent with the rating agencies' expectations, but of course we cannot speak for them

Closing Remarks

In closing, to reiterate what Brian said, the strength and momentum of our underlying business has probably been underappreciated in recent months

We are pleased to again report great quarterly results that support this

I'm confident in our trajectory and believe we are well-positioned for the future

QUESTION AND ANSWER SECTION

<Q - Benjamin Daniel Swinburne>: Two questions; Brian, I think it was about nine months ago or so where you started to talk about your business as a connectivity business. And that may have faded in the background a bit over the last several months given everything else that's been going on. But I'm wondering if you could come back to that shift in strategy and sort of go-to-market and talk about what that means for Comcast in terms of capital allocation, the products you're building, your product pipeline both in broadband and video.

And related to this shift maybe for Mike or Dave, what does this mean for the return on capital for the business? We look at these margin trends and capital intensity trends and certainly suggest that the whole model is becoming a higher return business as a result of this shift. I don't want to over analyze H1, so I'd love to hear your thoughts on sort of how that shift impacts the return in the business if you can.

<A - Brian L. Roberts>: Okay. Well, thank you, Ben. Let me start and then kick it over to Dave maybe for a little bit of his perspective. First of all, doing great job, taking this company that we build and recognizing times are changing. And as more people rely on faster and faster broadband and more capacity that gave us a marvelous opportunity to make investments to take the innovation machinery that our engineers and technology team have built and repurpose them partially to focus on innovation around broadband with our xFi products and our xFi brand.

So the whole company understands that connectivity same with business services. And so it starts with everyone understanding that that's the opportunity and then trying to be best in class. I think some of our competitors are focused on other things and that allowed for an opening for us to make these investments and see consumers be happy with the products.

And so I think today's results, we are hopeful they can continue in the future. We don't have a better crystal ball than anybody else, but we're pretty confident with the momentum through H1. And this is the best second quarter which is seasonally not your strongest quarter that we've had in 10 years. So I think that's a great achievement. Dave?

<A - David N. Watson>: Well, Ben, it starts with what Brian said. I think that our number one priority is growing the connectivity side of the opportunities that we have. So how we invest, how we manage, how we look at the product pipeline, it starts with literally everything around broadband.

And given our current penetration level, we feel that there is considerable upside in growing share in broadband. So market is growing, people want better broadband. We deliver a better broadband service, and we're taking share. So, feel good about this quarter. This is our highest second quarter broadband in 10 years, as Brian said, and it's driven by strong connects, really strong retention performance. And that ties to this continuous investment in the category. This just didn't happen overnight. We have been very focused on broadband on the connectivity side, both residential and commercial for some time.

And so every year, we have gone to our residential customers and 17 years in a row have increased their speeds. And our focus is delivering speed, coverage and control, all under the xFi brand. Right now 75% of our customers have 100 megabits or higher of speed and we're connecting, on average, about 11 devices in a household with our Wi-Fi. So coverage and the investment around gateway devices and Wi-Fi mesh is very important. And we've launched 1 gig virtually across the entire footprint. So, I think that's why our retention and the churn performance is doing well. We keep adding value to the subscription.

So in addition, the focus has been from a marketing standpoint, we segment the marketplace. We're going after multiple segments and packaging, but we have increased our focus around the high speed only segment and that is really helping fuel things.

So from a capital standpoint, let Mike jump in, but this reflects the shift in mix, net-net less video CPE, more broadband infrastructure. This is good for not only capital, it's good for margins, it's good for overall growth. And to me, this puts us in a really good position, and feel very optimistic about what broadband can do for us in H2. Mike?

<A - Michael J. Cavanagh>: Yeah, thanks, Dave. So Ben, just on the capital return dynamics, completely consistent with this pivot to connectivity. You think about what Dave and team are doing is really focusing on growing EBITDA at a customer level and driving higher lifetime profitability per customer. And obviously, the more that broadband becomes the center of the plate product, which it is, as you see from the results here, that's a higher margin product with lower capital intensity. So that shift is, you're seeing that in the numbers and what Dave is doing is sustainable looking ahead.

That then sets the team up to really manage video, as Dave will talk about a little more, I'm sure, in a way where we're not going to chase low profitability video and but because we can drive better results at a customer level in other ways. And it shapes the effort to add other products like Xfinity Mobile where we're seeing good results at the beginning and that's in our hopes anyway, something that can add some incremental profitability at the per customer level and hopefully over the long term keep churn low in the existing business. So all those factors together make us feel very confident about the long-term trajectory and the return dynamics of Dave's business.

<A - David N. Watson>: One thing in addition, Ben, talking about the profitability on a per customer basis in addition to the 260,000 strong, market share strong growth, we are as focused on driving rate and revenue given that it's just a great product. So our focus has been on ARPU growth as well. So if you look at the quarter, we have grown ARPU by almost 5% in HSV and broadband. So it's a good balance between the two and that's how we look on our returns as well.

<Q - Jessica Jean Reif Cohen>: Just a follow-up to what Dave just said and then I have a NBCU question. So given the dynamics of broadband's, the demands, usage, et cetera, and pricing power, would you reconsider ever going to usage-based pricing? And if not, why not?

And then on the NBCU side, I guess two questions. Addressable advertising still seems to be the key to making progress for traditional media companies vs. the pure digital companies. Can you talk about what needs to be done and when it will be done to really drive that?

And secondly on Theme Parks, Universal filed in mid-June with the patent office for the name Fantastic Worlds. Is that an indication that you are planning another gate in Orlando? Could you talk about plans for, and timing on that?

And then on China, any update that you can give us. Do you expect any backlash from some of the trade issues going on between U.S. and China? Any progress that you can talk about? Thanks.

<A - Brian L. Roberts>: Jessica, let me start. Our focus has been to position broadband in the core subscription and I think the 4.7% ARPU is a good outcome that speaks to that. We have fair rate increases that impact that. Our packaging is entirely broadband centric and so that's a big source of revenue and how disciplined we are around – if somebody does elect to take broadband-only, we're very focused on making sure we price that fairly. So we'll evaluate everything over time but we're very focused on the core subscription. That's where I think the rate opportunity is.

<A - Stephen B. Burke>: So in terms of advertising, we just completed strongest upfront in the seven years that we've been here. Overall, volume was up significantly and rate was up very significantly. This is maybe the fifth upfront that we've really led the upfront and sort of set rates and others followed behind us. But we're seeing a very strong advertising market scatters terrific World Cup sales were terrific.

We're making a number of investments and making a number of sort of technological improvements, some of which are related to addressability and some of which are related to just packaging and selling our products differently. And that's obviously going to be important as we differentiate ourselves against digital advertisers.

In terms of a new gate in Florida we are looking at it. We filed basically a name registration. We have a lot of great IP. We love the Theme Park business. It's one of our best, most consistent businesses. And we think we have a lot of – a very long runway and that another gate in Florida would have the advantage of turning Florida from a two or three-day destination to potentially a weeklong destination. We think that would be attractive.

In terms of China, no sign of any changes related to whatever friction there might be between the two countries. We're actually starting vertical construction. Things are going very, very well and we continue to believe a Universal park in Beijing is going to be a huge addition to our Theme Park segment.

<Q - John C. Hodulik>: Maybe we could focus on some of the strategic issues that have been impacting the stock. In the wake of the bidding for Fox, Brian, do you feel that NBC is subscale as DC offerings increasingly become the focus of U.S. media? That's number one.

Number two, if you could talk about your confidence level in the Sky bid. And three, just what's your view regarding being a minority investor in Hulu with Disney controlling the company? Thanks.

<A - Brian L. Roberts>: Thank you, John. Let me just generally comment on this and I think I hit some of your points, and some of them we're not prepared to address today. But in terms of scale, I think today's great results show that our company has scale, that it's working well, maybe even better than that, maybe in the number of our products, we're the market leader, best-in-class. That comes with scale.

So in the case of Fox, it was a unique opportunity and we were very disciplined in our approach to it, but we thought it was mostly about international expansion opportunity. We had regulatory belief that it was approvable in the United States. In fact, we've had conversations that we're going well. But ultimately, we pulled back, because we thought that we couldn't build enough shareholder value by making the price at which it seemed to in our judgment to be possible to buy it at, which was increasing.

So – and that's how we built the company. We've looked at a lot of things, thousands of transactions over 50 years and we've done several hundred and that we have more times than not been able create to increase shareholder value, if we can make those acquisitions work. So we're focused on Sky now. We think it's a great business, it will fit well, good use of capital. It's also unique but I don't want to say anymore today and hopefully that addressed a number of your issues.

<Q - Jonathan Chaplin>: Two quick questions for Dave, if I may. So the shift in trends in broadband this quarter from sort of the last three quarters is really impressive. I'm wondering if you can just give us some context, looking back over the last three quarters for sort of what the drivers in slower growth were in terms of how much if it was a slowdown in overall market growth vs. a step up in competition, vs. perhaps you guys just not being as focused on this piece of the business as you have been this quarter?

And then the increase in EBITDA per customer relationship was really impressive as well. And we've had a thesis for a while that there is a lot more variable cost in the video business than maybe investors realize. How much of the improvement in margins that you are seeing is a function of as video subscribers decline there's just variable cost dropping out of the model vs. a continued sort of cost cutting and streamlining that you're doing in that business? Thanks.

<A - David N. Watson>: Well, Jonathan, let me start with – again, one of the trends that we've seen that has continued very, very good retention performance in broadband. So while that's continuing, what has upticked has been the connect side of the business. And so to some extent, we did shift gears and have increased, a little bit more focused, as Brian has mentioned and Mike, around the broadband-only segment.

We still package. We have a terrific package of where we combine video, the best of video with the best of broadband. We're giving customers I think really good options in the marketplace today. And I think it's helping all the products, but its broadband centric.

And in addition, we have supplemented that with a strong focus around broadband-only. So I think that has helped. So – but it's connected to just this constant focus of investing and the overall improvement of the broadband services. Every year we just keep coming back to it and offering more and that's why I think we had record level retention performance.

So on the operating expense leverage, so the non-programming expense per customer relationship, it was down 2.6%. And so there're two things to me that we stay very focused on cost control and to your point, we have been talking about this that we are absolutely seeing the financial benefits of the progress we're making in our efforts to improve the customer experience. This is the single best thing that we can do for our customers and it takes transactions out of the business. So what we're doing is just making it easier to do business with this.

And when you take out, just as Brian said, the 10% reduction in the phone calls, 6% reduction in truck rolls. This is because we're just staying on it all the time. It's another area of continuous improvement that we think is going to be – it's important today, it will be important tomorrow and we're not going to stop. So it is improving customer satisfaction as well. So we think that this is sustainable, a very important part of margin and just how we run the business.

<Q - Marci L. Ryvicker>: I know the vMVPD is a hot topic and we're all trying to figure out what overall penetration will be of the entire pay TV industry. Do you have any thoughts around where virtual MVPDs may end up as a percent of the total pay TV industry? And is there some level of indifference that you may have because it ultimately helps your broadband business? That's the first question. And then somewhat related to the last couple questions, your lower CapEx guide, I think it's due 100% to more efficiencies and not to a projection of lower subs, if you could just confirm that.

<A - Michael J. Cavanagh>: So let me start. In terms of virtual MVPDs, I don't think we're going to have – as I said, give you a number because we all can speculate. But I think your point it actually is even – I would broaden it and say it's true for NBCUniversal as well. One of our strategies is to have diversification in such a way that as new technologies come it's not all or nothing and we're benefiting more than I think we're losing from that additional competition.

If you'd look at the two businesses, to your point, clearly broadband is growing faster as we keep saying that in recent years, why is that? Because video over the Internet is more reliable and more devices, there are 10 devices in a home and growing and more bits per consumer and more bits per home, all those are great trends for us. We'd like it all to be our bits, but if it's not that's why we've integrated the Netflixes and the future integrations in YouTube and things we've done.

Over at NBCUniversal, they're able to have more distributors and are having more ways to sell individual shows to those distributors and having more packages of channels that they can sell to new packagers. So I think it is a very dynamic time and we're uniquely positioned as a company to benefit from these changes. And we don't think they're all or nothing and going to happen overnight. This has been one of the most, maybe the single most profitable year in television's history, if you add up all the various piece parts. And that's true globally and that's true in United States.

And so our strategy of trying to have our company better positioned than maybe anybody else to take advantage of these shifts without having a bet that's so great that we could get something wrong, that's what's given us a sustainable long-term track record of creation of value for shareholders, a good return and we hope to do that in the future.

<A - Brian L. Roberts>: So, CapEx side in terms of the question, in terms of video, as Mike said, we're improving the guidance 50 to 100BPS vs. the prior guidance of 50BPS of improvement. And this is absolutely it does relate to mix shift and we're continuing to invest quite a bit in our infrastructure around broadband. But there are less video customers, but we're also doing a good job with X1. We're highly penetrated with X1. So we're not going as proactively to that base. So it is video CPE that's less that is driving that.

<A - Michael J. Cavanagh>: And that's really, remember, we're at the late stages of penetration of X1, which has crossed now 60% penetration. So as we always said, once we get to a certain point, that will ease and that's what you're seeing offset by good investment back in the network for broadband with line extensions and business services investment on the capital side.

<Q - John Janedis>: I had two. First, obviously you talked about the upfront, but can you talk more broadly about the demand you're seeing in terms of willingness of advertisers to buy across all of your platforms? And do you still see a slowing in the shift of budgets moving to digital? And then separately, one of the themes this earnings season has been direct-to-consumer. Some understanding there may be a couple of options for you. I was hoping you could give us more on your DTC strategy over the next say 12 to 24 months. Thank you.

<A - Brian L. Roberts>: So, it's hard to predict or hard to say exactly what percent of marketers' budgets are going to digital, but the television market remains very, very strong. And I think some of the strength is just because if you're trying to change a buyer's opinion, there's nothing better than a TV spot. There has been nothing created on the Internet that is as compelling in terms of changing a person's mind about a brand as a television spot in a great show watched by millions and millions of people.

And what we're finding is the breadth of our offering, we have over 20% of all the rating points in the United States. The breadth of that offering is allowing Linda Yaccarino and our sales team to go to market and provide sort of integrated solutions for advertisers across all of those networks and also across all of our digital properties and all of the other digital properties that Linda is selling. We have deals with Apple and AOL, BuzzFeed and Vox.

So that combination, we think is proving to be very valuable despite the fact that obviously people like Google and Facebook are achieving gigantic ad sales. And in terms of direct-to-consumer, and so I think there is a feeling right now that everybody is completely focused on Netflix. The vast majority of television viewing is not streaming. The vast majority of television viewing is not Netflix or Amazon or Hulu. The vast majority of television viewing continues to be linear television for big events, particularly for big events.

Our future I think is selling wherever consumers are, if they're watching linear, if they're watching streaming, if they're watching any different kind of platform cable or broadcast. And so we're trying to position our company to make sure that all those avenues are open and that we intelligently look at those avenues and maximize the profitability of our video business. And that's, to me, that's the kind of strategy that leads to a successful company and that's the path that we're on.

<Q - Douglas Mitchelson>: So your update to Cable CapEx guidance brings into focus the debate on long-term capital intensity for the Cable business. I was just wondering as you look out over the next few years, are there any sort of big projects – you're obviously coming off of X1 that we should be focused on. I know you often get the fiber to the home question. How should we think about those next few years and the long-term capital intensity?

And then for Steve, I just wanted to make sure I got the stats right. And then I have another question which is I think many of your competitors are saying the upfront had double-digit CPM price increases and I think Brian indicated in his prepared remarks that NBC had high single-digits and you said you led the market. So I think all of what you're saying is consistent with what I was hearing from advertisers but I just wanted to make sure I had that right relative to what some competitors are saying. And the other question for Steve is just any update on Q3 Theme Park pacings given the dynamics around Q2 related to the holiday timing? Thanks.

<A - Michael J. Cavanagh>: Thanks, Doug. It's Mike. I'll start on Cable capital intensity and Dave can jump in. But we'll come back and do our annual guidance in January. But just to go at the question, I think that the trends that – and factors that affected are affecting the lower capital intensity that we saw in H1 are ones that are enduring sustainable.

And so I think that's a takeaway you can have. And I'd leave it there.

<A - David N. Watson>: I would only offer – I'll end with where we started. We have continuously focused on the connectivity business, business services, proactive builds, infrastructure around broadband capacity. So because of that it's just a – it's a more steady investment plan. And so that – we'll talk more later, but that's from the Cable side.

<Q - Douglas Mitchelson>: I mean Dave...

<A - Brian L. Roberts>: In terms of more specifics about the upfront, NBC prime was actually up over 11%, and our total, I think we said high-single digits. And we're pretty confident that we're leading the market, particularly on the NBC side. And there may be some cable channels that have higher growth rates than some of our cable channels, but in general, I'm pretty confident that we led the market.

In terms of Parks, Parks are doing fine. There are going to be quarters, which are stronger than others due to new attractions or hotel openings, but we feel very pleased about our Parks business. We have had some poor weather in Osaka and to a degree in the U.S. parks as well, but Parks are doing fine