Q1 2020 Earnings Call

Company Participants

- Brian L. Roberts, Chairman and Chief Executive Officer
- David N. Watson, President and Chief Executive Officer, Comcast Cable and Senior Executive Vice President, Comcast Co
- Jeff Shell, Chief Executive Officer of NBCUniversal
- Jeremy Darroch, Group Chief Executive, Sky
- Marci Ryvicker, Senior Vice President, Investor Relations
- Michael J. Cavanagh, Senior Executive Vice President and Chief Financial Officer

Other Participants

- Benjamin Swinburne, Analyst
- Craig Moffett, Analyst
- Douglas Mitchelson, Analyst
- Jessica Reif Ehrlich, Analyst
- John Hodulik, Analyst
- Philip Cusick, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. Good morning and welcome to the Comcast First Quarter 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. Please note that this conference call is being recorded.

I will now turn the conference over to Senior Vice President, Investor Relations, Ms. Marci Ryvicker. Please go ahead.

Marci Ryvicker {BIO 6183203 <GO>}

Thank you operator and welcome everyone to our first quarter 2020 earnings call. Joining me are Brian Roberts, Mike Cavanagh, Dave Watson, Jeff Shell and Jeremy Darroch. Given these extraordinary times we have slightly changed the format of this morning's call. Brian and Mike will spend a bit more time than usual in their prepared remarks to provide as much color and visibility as possible on all of our businesses as well as update you on how we are managing our customers and employees through COVID-19. We will then use the time remaining to answer as many analysts' questions as we can.

Before we begin, I refer you to Slide 2, which contains our safe harbor disclaimer. I remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties. In addition, during 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.

With that I turn the call over to Brian Roberts, Brian?

Brian L. Roberts {BIO 1415772 <GO>}

Thank you, Marci and good morning everyone. These are truly extraordinary times and on behalf of all us at Comcast, our hearts go out to everyone who has been impacted by this terrible disease, I'd like to echo our thanks to the thousands of heroes on the frontlines. Society today is being challenged like never before in our lifetime and I couldn't be more proud of our company, our employees and our leadership teams across Comcast Cable, NBCUniversal and Sky for making a lot of tough, fair and I believe best decisions for our customers and our organization. I truly believe that when we look back at this unprecedented time, we will be reminded of the strength of our employees, the resilience of our business and the important role our services played in our customers' lives. COVID-19 has created a tremendous amount of uncertainty and financial strain for people and businesses around the globe.

Every company is different and few are immune to this dynamic, Comcast is no exception. We have businesses like broadband, which had the best first quarter net adds in 12 years and continued its sales momentum in April, then we have businesses like theme parks, as well as television and film production, which will be under substantial stress because we must shelter in place. On today's call, we will discuss our first quarter performance and provide as much information as we can about the future. But perhaps the most important thing we can do is give you a sense for the guiding principles we are using to run our business during this pandemic and share some of the important decisions we've made to help move our company forward. First, how we are supporting our most important asset, our people, we saw the virus in China and then in Italy and Europe and it gave us a real sense of urgency as to how quickly decisions had to be made and required us to change procedures almost instantaneously across the globe to get ahead of this crisis. It is this global perspective that has helped us immensely as you will hear. The first thing we needed to do was protect our employees, especially on the front lines, so for those working in news, managing our network and ensuring that our customers maintain vital connectivity, we've taken many safety precautions to keep them and our customers safe.

At the same time, we've successfully move tens of thousands of employees across Comcast Cable, NBCUniversal and Sky to a work from home environment. Most impressive has been our ability to shift thousands of call center representatives at Comcast and Sky to working remotely in a matter of days and weeks. In fact, over 95% of our US call center employees are now serving customers from their homes, and I'm not sure that's ever been achieved before. We've been doing this now for about 45 days since the second week of the crisis, extraordinary feat. Our digital tools have been instrumental during this time of need. Usage of our xFi digital app is up 60% and we're seeing a 20-point increase in customer satisfaction when they use our digital tools to activate their Internet service. Use of our AI powered Xfinity Assistant is also up 445%. It's clear that our multi-year investment in digital and AI has prepared us for this crisis and I could not be prouder of the work of our teams.

For our employees who are not able to work because operations have been closed or severely impacted, we've differentiated ourselves by committing $500 million in direct support to help bridge this moment. Our employees have shown us that they are among the most engaged in the country and we want to do what we can to support them during this crisis.

Our second guiding principle is to serve our customers and continue to innovate at a time when they need us most. This starts with Xfinity Internet. In the face of COVID-19, we quickly agreed to continue service for customers facing economic hardship, committing to the FCCs keep Americans connected pledge and going further to ensure that all our customers stay informed, engaged and in touch. We are not disconnecting Internet or voice services for failure to pay. We are also offering new Internet Essentials customers two free months of service providing free Xfinity Wi-Fi access by opening our public hotspots and giving all customers unlimited data for no extra charge and permanently increasing the speed of our low cost internet essential service.

Through all of this, the company is working overtime to ensure that our world-class network and services have the capacity they need to keep Americans productive, informed and entertained during this difficult time. At both NBCUniversal and Sky News, we seamlessly move to production in home working 24x7 to keep viewers informed. Sky's riveting documentary coronavirus inside the red zone taped from inside the hospitals of Italy is an example of an incredible investigative look at what's happening in one of the hardest hit regions and countries. It's prominently featured along with other virus related content on our X1 and Flex boxes, which you can pull up by just saying coronavirus into your voice remote.

In the US, we responded quickly as theaters shutdown bringing several of our movies including Trolls World Tour to customers' homes and we swiftly re-dated Fast, Night and Minions to next year to give us a strong theatrical slate in '21. Well, this certainly wasn't our plan, there may not have been a better time to launch our free ad-supported streaming product, Peacock, for Xfinity customers. Now it's only been three weeks, but what I can tell you is, we're already pacing ahead of our internal forecast on monthly active users and in time spent viewing and we're still on track to launch Peacock nationally in July.

Moving to our third principle, our balanced efforts to successfully navigate through the crisis while simultaneously thinking about how to emerge with an even stronger future. We don't know when we will be through the worst, nor do we know the shape of the global economic recovery, but we are not sitting still. Company-wide we are using this moment to step back and are looking at our organizational structure and costs. To that end, I am grateful to have as my partner and Chief Financial Officer, Mike Cavanagh, who helped JPMorgan successfully endure the worst of the financial crisis and emerge stronger than ever in '08, '09 as their CFO. Mike and I lead our global leadership calls where we meet virtually with our teams frequently, collectively sharing best practices, making real time decisions across the entire organization. Our strategy has not changed, but our pace and tactics are being re-prioritized so that we can emerge quickly as industry leaders across each of our businesses. We've also enhanced our already strong balance sheet by accessing the debt market and we currently sit with over $15 billion of liquidity, putting us in an even better position. At this point, I want to touch on some of the specific issues important to many of you on this call.

First is broadband. Our network is operating incredibly well and we stress tested with 700,000 diagnostic speed tests on most days. As you know our cable business comprises roughly 70% of our consolidated EBITDA driven primarily by our connectivity businesses, while we have limited access to people's homes as we shelter in place, we continue to connect customers with our newly implemented dropping growth strategy, and we've had tremendous success with our self-install kits, which were especially easy for broadband. In fact, we had our best first quarter of high-speed data net additions in 12 years of 477,000 excluding any free Internet Essentials customers and that's up 27% year-over-year. Our engineers have done a wonderful job in creating and maintaining a network flexible enough to allow so many of us to learn and work at home. We've seen an unprecedented shift in network use with a 33% increase in upstream traffic, yet our network continues to perform exceedingly well. If you're interested, you can go to our corporate website to read more about our network performance and some amazing stats.

In fact, it is tough to fathom what would have happened if this virus struck just five years ago. The investments we've been making in our broadband products and network every single year are paying off, better than almost anywhere in the world, and we will continue to innovate and invest in our network as we had always planned.

Second, I want to touch on theme parks. As of today, our theme parks remain closed resulting in substantial operating losses which Mike will detail. We have also delayed construction of the fourth gate in Orlando and Super Nintendo World Japan is likely to open a few months past our original expectation. But there is no doubt that our theme parks will reopen and when they do, I believe will benefit from strong pent-up demand. We love these businesses, they have been one of our fastest growing for the last 10 years, they are extremely profitable, historically resilient and enjoy high barriers to entry. Our talented parks team is taking the right near-term steps to control costs, while remaining laser focused on putting in place the appropriate protocols, technology and infrastructure, so that when we do reopen, our parks are safe, and feel that way to consumers. And while we don't know when that will be in the US, I am heartened by what we're seeing in China where we have been building a magnificent park in Beijing. As we all know the first case of COVID in China right around the Chinese New Year, going into that holiday, we had 12,000 construction workers going full bore, but it was a result of the virus that number soon went to zero. As of today, we now have over 15,000 construction workers back at our site, even more than before the virus started. I was part of a group that recently spoke with Mike Hightower, a 40-year parks veteran, who is the Head of Construction living in Beijing, and he reports we have a safe working environment with many protocols in place, I'm pleased to announce we expect to be open amazingly on time and on budget in 2021. Beijing may be different but perhaps it shows the arc of this crisis.

My third topic is sports, which have been postponed across the globe, creating significant timing impacts on financial results and forecasts. We absolutely believe that sports will come back and when they do there is bound to be so much excitement and enthusiasm which may resonate even more than before regardless as to whether or not stadiums are filled with fans. Bringing these stories to the world is what our sports teams do best. Given how the sports programming business works in Europe, the postponement of so many games has been a material of that with many customers pausing their sports subscriptions. I reason to be optimistic as many European teams are already back practicing and we have hope that they resume play as early as May. Perhaps this will be the playbook the rest of the world users and allows us to have conversations with our partners as we constructively work together to find solutions to bring sports back.

Fourth, this crisis has shined a bright light on just how much video consumption is evolving and while such change is disruptive to parts of the company, it reminds us how well we are positioned overall, given our strength in broadband, our innovation in streaming products such as Peacock and Flex, and our diversification of world-class content across NBCUniversal and Sky. Great content is more valuable than ever even while technology disrupts. You know, in both good times and bad, I think about my father Ralph who 57 years ago built this company to be vibrant, relevant and attract the best talent to work for us, while creating long-term value for shareholders. Ralph was truly the most optimistic man I have ever known and at the same time he lived through some of the worst events like the Great Depression and World War II, which instilled in him the need to be prepared for anything. And Ralph's views are deep in my DNA and throughout all of Comcast, and that means having a very healthy balance sheet, a strong portfolio of complementary best-in-class assets, good sense to always take care of your people and a belief that scale really matters, particularly in difficult times. Pulling all of this together requires an entrepreneurial global leadership team able to pivot at a moment's notice.

We are working really hard to find a safe path back and while we continue to operate and serve our customers every day. Mike will now take you through our first quarter financial results, which under these circumstances I feel we're quite strong. Mike?

Michael J. Cavanagh {BIO 3375974 <GO>}

Thanks, Brian, and good morning everyone. I first want to echo Brian's sentiments on the terrible impact COVID-19 is having on society and I sincerely wish all of you well in these very difficult times. Now, I'll review our first quarter 2020 results in which the effects of COVID-19 only impacted us towards the end of the quarter. As a result, I'll try where possible to offer some commentary on the current conditions in our businesses, but please understand that circumstances are changing rapidly in this environment, making it impossible to offer anything but highly caveated commentary. That said, I'll do my best to be as informative as possible and get after many questions I know you have for us.

Beginning on Slide 5 with our consolidated results, revenue decreased 0.9% to $26.6 billion, adjusted EBITDA decreased 4.9% to $8.1 billion, free cash flow generated in the quarter was $3.3 billion and adjusted earnings per share decreased 6.6% to $0.71. First quarter financials generally reflected strong results in Cable, which were more than offset by NBCUniversal and Sky. Now I'll unpack the consolidated results as a business segment level and let's begin with Cable Communications on Slide 6.

For the first quarter, cable revenue increased 4.5% to $14.9 billion, EBITDA increased 6.1% to $6.1 billion and EBITDA less capital increased 10% to $4.5 billion. We generated 371,000 customer relationship net additions in the quarter, a 24% increase year-over-year and the best first quarter on record with strength, driven by our high margin connectivity businesses. Together, residential high-speed internet and business services generated 477,000 broadband customer net additions excluding customers getting free Internet Essentials and high risk customers who continue to receive services following non-payment. The 477,000 net additions will reflect a 27% year-over-year increase and marks the best quarterly net adds we've had in 12 years and the lowest quarterly churn on record. High-speed internet revenue increased 9.3% to $5 billion, driven by the strong customer additions and ARPU growth of 3.6%. Business services revenue grew 8% to $2 billion and revenue per business customer relationship, increased 4.1%.

Turning to video, revenue was flat in the quarter at $5.6 billion with very healthy ARPU growth of 4.1% offset by video subscriber losses, which totaled 409,000. We believe our residential rate adjustment at the beginning of the year was a significant contributor to both the ARPU increase and the video subscriber loss in the quarter. Wireless revenue increased 52% to $343 million driven by 216,000 additional lines, bringing us to 2.3 million total lines. Advertising revenue in the quarter was flat at $557 million excluding political, core advertising was down 4.6%.

Turning to expenses, Cable Communications' first quarter expenses increased 3.4% driven primarily by non-programming expenses, which increased 4.5% in part due to COVID-19 customer facing employee pay increases and bad debt expense, which increased about 40% to $156 million in the quarter, including an increase in the reserve due to COVID-19. For the quarter, Cable Communications' EBITDA grew by 6.1% and margins reached 40.7%, reflecting 60 basis points of year-over-year improvement. Cable capital expenditures decreased to 6.9%, resulting in CapEx intensity of 8.5%, down 100 basis points year-over-year. Declines in the quarter are across CPE, line extensions and support capital, partly offset by an 8.3% increase in scalable infrastructure.

So now I'll touch on what we are currently experiencing in Cable Communications in the second quarter with a reminder of the earlier caveat on the rapidly changing environment. Residential high-speed data net ads are off to a solid start in April. The residential high-speed data revenue growth rate is expected to ease off modestly due to our proactive response to COVID-19 specifically our keep Americans connected pledge, which we recently extended to June 30. We expect to see business services revenue growth moderate-to-low single-digit year-over-year levels for the second quarter, resulting from the net effect of COVID-19 economic pressures affecting our business customer base with some customers having paused service during lock downs, while others are requesting higher tiered Internet service as they remain open, often in a remote fashion, which makes their high speed data service all the more important to them.

On the video side, I mentioned earlier that our first quarter net losses were 409,000 which were 288,000 higher than our net losses during the same period last year. We don't see video trends changing as we begin the second quarter and so we could see a similar year-over-year increase in the number of video customer net losses in the second quarter, likely still a reflection of our beginning of year rate increase as well as change in consumer preferences and economic stress. COVID-19 began to impact cable advertising at the end of the first quarter and we expect advertising to be down significantly in the second quarter.

Turning to our outlook for expenses and margins, for programming costs, we continue to expect to increases in the second half of 2020 as a result of anticipated programming renewals. We continue to approach programming renewals with a high level of discipline and we expect sports and other programming to eventually return driving viewership and overall engagement. For non-programming costs, we expect to continue to bear for a period of time both COVID related operating expenses, specifically wage increases for our frontline employees, and elevated levels of bad debt expense. Such expenses are expected to be more than offset by expense declines related to slowdown in activity in some aspects of our business and ongoing cost discipline. Taking all this together, we expect to meet our original full year cable EBITDA margin outlook of up to 50 basis points of year-over-year margin expansion. We also expect to meet our full year CapEx intensity outlook for approximately 50 basis points of year-over-year improvement driven by an increase in network investment, offset by declines in CPE, line extensions and support capital.

Now I will turn to NBCUniversal's results on Slide 7, revenue declined 7% to $7.7 billion and EBITDA was down 25.3% to $1.7 billion, reflecting a challenging film comparison, which was expected, as well as the impact of theme park and theater closures directly resulting from COVID-19. Cable Networks revenue was flat at $2.9 billion and EBITDA was down 1.2% to $1.2 billion while content licensing and other revenue was strong, up 13% due to the timing of certain S5 deliverables in addition to a healthy contribution from our digital businesses, distribution revenue declined by 1.5% resulting from the expected lack of programming renewals combined with accelerated subscriber losses. Advertising revenue declined 2.2%.

Turning to Broadcast, revenue was up 8.8% in the first quarter to $2.7 billion as a result of strong content licensing and retrans [ph], while EBITDA was up 30% to $501 million driven by the strong revenue growth, as well as the benefit of an industry accounting change related to how content is amortized. Advertising revenue was flat. Taking the television businesses together, advertising results at both Cable Networks and Broadcast were impacted at the end of the first quarter due to the postponement of sports resulting from COVID-19. Looking ahead, we anticipate advertising revenue will materially weaken from the first quarter due to the continued postponement of sports, as well as the shape of the economic recovery as it reopens from COVID-19 shutdowns. Somewhat offsetting the advertising declines in the second quarter will be lower sports rights amortization given we amortize those rights during the period in which games are not there. As already announced, the summer Olympic games have been moved to 2021 and we remind you that we expect no financial loss in 2020 for this delay. As a result of this change in Olympics timing in addition to accelerated subscriber losses, we now expect distribution revenue in the Cable Networks segment to decline low single digit percentages for the full year.

Film revenue in the first quarter declined by 22.5% to $1.4 billion and EBITDA declined by 71% to $106 million partly due to challenging comparisons to How to Train Your Dragon and the Grinch, further aggravated by exhibitor closings. In response to these shutdowns, we immediately and proactively moved our theatrical films to a premium video on demand service. While we are very pleased with the PVOD success, the particular circumstances of each film are unique, and we will determine our future distribution approach on a title by title basis. Looking forward, we anticipate film revenue and EBITDA to decline substantially, particularly in the second and third quarters, as a result of moving our two most highly anticipated feature films, the next installment of Fast & Furious as well as Minions 2 to 2021.

Theme Parks revenue in the first quarter declined 32% to $869 million and EBITDA declined 85% to $76 million due in part to lingering softness in Japan prior to COVID-19, which was subsequently aggravated by the closures of Universal Studios Japan on February 29, Universal Studios Hollywood on March 14, and Universal Orlando Resort on March 16, all a direct result of COVID-19. At this point, all of our theme parks are closed and we do not know when they will reopen. To help you understand the impact of park closures, where the parks to remain close the entirety of the second quarter, we would expect to incur an EBITDA loss of parks of roughly $500 million in the quarter. The parks team is balancing near-term financial discipline with maximizing the long-term value of this business and this is a dynamic effort on their part as the situation continues to develop. We remain very confident that the parks business will generate healthy returns over the long term. Nonetheless, we have decided to pause construction of Orlando's fourth gate or Epic Universe at this early stage while we focus on the immediate challenges that COVID-19 presents, while the final stages of work continue in full force for Super Nintendo World Japan which is expected to open later this year and Universal Beijing, which remains on schedule to open in 2021.

Now let's move on to Sky results on Slide 8. As a reminder, I will be referring to Sky's growth rates on a constant currency basis consistent with what's reflected in our earnings release. For the first quarter 2020, Sky revenue decreased 3.7% to $4.5 billion and EBITDA declined 15% to $551 million. COVID-19 has resulted in the postponement of many sporting events throughout our Sky markets which started to impact our results in the second half of the quarter. This postponement was the primary driver of the 1.9% decline in direct consumer revenue and 10.5% decline in content revenue. Advertising revenue also decreased by 11.6% due to overall market weakness, which was exacerbated by COVID-19, as well as continuation of the unfavorable impact from a change in legislation related to gambling advertisements in the UK and Italy, which we expect to lap in the third quarter. Given the significant revenue associated with Sky Sports and the fact that sports packages are sold separately, the complete shutdown of sports presents a unique risk of customer attrition if unaddressed. In light of that challenge, our approach has been to allow our customers to pause their sports related subscription payments during this time which mitigates the risk of customer disconnects and keeps us in control of turning this revenue stream back on when sports return. As we look to the rest of the year, we do anticipate based on reports coming out of each country that most major sports will return to complete their current seasons, although at different times for different sports across the Sky markets.

In terms of financial impact, due to the significant pause in sports revenue impacting our residential, commercial and wholesale revenue, the deferral of sports rights cost to amortization into the quarters when games are played as well as the headwinds we face with advertising revenue due to the economic pressures of the current environment, we expect Sky EBITDA for the second and third quarters combined to decline roughly 60% year-over-year. Between the second and third quarters, the split in the results is difficult to predict, it is very sensitive to the proportion of the remainder of season play between the two quarters in each market, hence the commentary on the second and third quarters combined.

While the impact on Sky due to the shutdown of sports is significant and unfortunate, our approach to customer retention gives us confidence that when sports return for their new seasons later in the year that the Sky Sports business will snap back as well. In terms of Sky's 2020 investment agenda, which include Sky Q acceleration and the launch of broadband in Italy, COVID-19 will cause some delays in execution, but we still expect to complete them in due course given their very healthy returns. Fortunately, the impact of COVID-19 on global sports and therefore on Sky feels to us to be finite. Sky is a strong business with 24 million customers paying us over $50 per month and we firmly believe the return to a normalized sports schedule and in end to shelter in place should enable Sky to capitalize on its leading products and brands so as to return to its trajectory of long-term growth.

Wrapping up on Slide 9 with free cash flow and capital allocation, free cash flow was $3.3 billion in the quarter and we paid $977 million in dividends. Consolidated total capital, which includes CapEx as well as software and intangibles decreased 5.3% in the first quarter to $2.5 billion driven by declines across all of our businesses and we now anticipate a modest year-over-year decline for the full year. We anticipate working capital to be roughly in line with last year with declines at NBCU and Sky resulting from delays in content production and sports programming, offset by an increase in Cable. We expect the significant disruption from COVID-19 on EBITDA at NBCU and Sky to pressure our leverage ratio until the affected portions of those businesses have returned and ramped back up. As a result, we no longer expect to resume share repurchases in 2021.

Finally, we remain committed to our long-standing balanced capital allocation approach of maintaining a strong balance sheet, investing organically for growth and returning capital to shareholders through a strong commitment to our recurring dividend and an eventual return to share repurchases.

So with that, I'll turn it back to Marci, who I welcome to the Comcast team. She couldn't have joined at a more interesting time and it's clear that we are very lucky to have her on-board.

Marci Ryvicker {BIO 6183203 <GO>}

Thanks Mike. Carmen, let's open up the call for Q&A please.

Questions And Answers

Operator

Thank you. (Operator Instructions) Your first question will come from the line of Benjamin Swinburne with Morgan Stanley. Please go ahead with your question.

Q - Benjamin Swinburne {BIO 5489854 <GO>}

Thanks, good morning. Two questions and thank you for all the color this morning. Realizing these are unprecedented times, I'm curious if you could talk about some of the, maybe longer-term structural changes you expect to come out of this across your businesses, obviously a lot of the stuff is temporary. But as you step back from the day to day managing of the company, what are you seeing in terms of opportunities or changes you make to how you invest in the business and sort of your priorities for the company, be interested in your thoughts there? And then second along the lines of sort of structural changes and opportunities to test new models without getting into the controversy around Trolls World Tour, I'd love to just hear how you're thinking about the film business in a post-COVID world, because the numbers out of that one film seem pretty interesting, I'm curious your conclusions on sort of what you take from that experiment so to speak, and how you address the theatrical business longer term? Thanks a lot.

A - Brian L. Roberts {BIO 1415772 <GO>}

Okay. Well, this is Brian. Let me begin and pass off to some of my colleagues to help with those questions. I think that the long-term priorities of the Company are we're looking at this whole pandemic in sort of phases. First phase is how do you stay operating and give customers great service, protect your employees, some of the things I said in my opening remarks. I think the second phase is we're all hoping that we're getting into right now and Europe maybe a bit ahead of us, is to getting back into some form of going to the office, some form of normalcy. And then the third is kind of probably where your question is headed, what do you see on the other side, quote-unquote, and a lot depends on how that second phase really pans out. I think for me the priorities have sharpened our focus on taking advantage of disruptions and we reexamine whether its cost structures, revenue opportunities, innovation in each of our businesses.

To start with broadband, maybe we start with Dave, why do not you take a crack at that answer and, then Jeff, why do not you talk about the film business?

A - David N. Watson {BIO 18910264 <GO>}

Thanks, Brian. So, I there are a handful of things certainly broadband related when you think about structural opportunities going forward. But even before that I'd start with the amazing work that the team did and taking 90% of our call center agents and getting them to work from home, so whether or not that stays at that level don't know, we'll figure out the right balance going forward. But there has to be a structural benefit and being able to figure that out very quickly and effectively. I think from broadband standpoint, the process we had already been investing strong product roadmap around self-install capability, but we've enhanced that with the drop and go capability, we believe the SI [ph] could provide telephonic and chat support and those are going to be benefits that I think we'll have going forward and most certainly as Brian talked about, our digital tools have built a very strong roadmap there between X5, My Account and the Xfinity Assistant, the chat capability. These things are game-changers and provided, I think, a nice uptick during this period, but I think a lot of that will be sustainable.

A - Brian L. Roberts {BIO 1415772 <GO>}

Before Jeff you pop-in, I want to welcome you to this call obviously under tremendous unique circumstances but you have been with us forever, been on listen-in on a lot of these calls, but you care about it with both your maybe a broader view of life and specifically the film question.

A - Jeff Shell {BIO 1930932 <GO>}

Yes, so, thank you, Brian, and hello everybody. I will just echo Brian what you just that have been with the company for a long time and had been in a lot of our businesses, and it's a monitor to run this and I think longer term as we come out of this, we couldn't be better positioned, so I'm happy; happy to be here and happy to be part of this team. So, then on the PVOD question, I spent a big chunk of the last decade in the film business and there is no question that theatrical is someday again going to be the central element to our business in the film business, it's how people make their movies and how they expect their movies to be seen, but the flip side is the majority of movies whether we like it or not are being consumed at home and that's not realistic to assume that we're not going to change that, but this part of the business is not going to change like all parts of the business that are going to change. So as you mentioned, we're in a current unprecedented environment, we had a number of films including Trolls that we're ready to go that we had worked very hard on and invested a lot of money in and we really had a choice, do we - do we delay those movies to a time when we think the theaters are going to be back open again. We did that with Fast and Minions. We sell them or move them to streaming, some of our other competitors have done that or do we try something new to preserve kind of the premium nature of movies and that's how we came up with the PVOD offering and I couldn't be - first of all, I would say, I could not be more pleased with Donna Langley and her team how they executed it. The numbers as you mentioned are really interesting. It provided consumers with a product that they desperately needed at home, particularly if you have a bunch of seven-year olds and five-year olds running around and it was good for our employees who kept them - kept them working on something and gave us an ability to make some money on something that we were proud of. The question is when we come out of this, what is going to be the model and I would expect that consumers are going to return to the theaters and we will be a part of that, and I also would expect that PVOD is going to be part of that offering in some way, it's not going to be a replacement, but it's going to be a complimentary element and we're just going to have to see how long that takes and where that takes us.

A - Marci Ryvicker {BIO 6183203 <GO>}

Thanks, Ben. Carmen, next question please.

Operator

Your next question is from the line of Jessica Reif with Bank of America Securities. Please go ahead. I'm sorry, one moment. I'm not sure what happened with the queue. She just disappeared from the queue. Would you like to go to the next question?

A - Marci Ryvicker {BIO 6183203 <GO>}

Yes, please.

Operator

Your next question will be from Doug Mitchelson with Credit Suisse.

Q - Douglas Mitchelson {BIO 1897051 <GO>}

Thanks so much. I guess, first question would be on sports. Investors have a lot of questions on sports, in particular, whether you have to pay the league's and whether you have to pay the sports networks when they do not have sports on the air and I think regional network, sports networks are well understood, so the investor focuses on national sports networks. I know these are a sensitive sort of subject area, but any commentary around that obviously the Olympics are also already understood? And then I think I have a question on wireless actually which is with T-Mobile and Sprint getting approved and closing another viable MVNO partner obviously very different from what your Sprint MVNO could have offered to the extent you were trying to improve on your Verizon MVNO terms, in addition [ph] starting early efforts to build out CBRS and C-band auctions are coming up, it feels like the company has some important decisions to make on wireless strategy this year. I'm wondering if this crisis has impacted those decisions at all, whether there's an increased bar for cost of capital internally are based on how you see customers using wireless during this crisis, and its relative importance to Comcast? Thank you.

A - Brian L. Roberts {BIO 1415772 <GO>}

Well, let me start Doug on sports, depending on which part of the ecosystem you are in as you said regional, national, US or international, there is not a connection necessarily at all. The contracts all synch in one way or the same. They're all very individual and based on the nature of the (inaudible) versus play offs, it can get - it obviously gets even more complicated, so our, our focus at the moment is trying to work with each of our various leagues where I think ultimately the answers to some of these questions reside. The leagues have to decide it whether they are going to be playing, what happens to the future if they are just starting a season or the current one they got disrupted. And as I said, I think we're seeing encouraging movement all over the world, including in the US. And so I think it is very much top of mind, we, if we are able to get clarification then we can give that to our customers. It works differently in Europe than it does in the US. So, I don't know that we have any more to add to the information that we gave in the - in the remarks, but our main focus and hope is that there is awful lot of effort being spent to get back quickly and safely and I am hopeful that that's going to happen. But Dave why do not you talk about anything else on sports, but particularly maybe on wireless?

A - David N. Watson {BIO 18910264 <GO>}

I think you covered it well in sports. On wireless, Doug, we continue to like our current approach even in this moment, we see that you have all the major areas that we've been focused on around broadband churn. Yes, there will be a little bit of impact on retail through this period, but between Bring Your Own Device, new device launches, we continue to be real pleased with the trajectory of the wireless business. As to opportunities, Spectrum and/or the relationship, we like our relationship. The current one that we have, we are always going to be staring at ways of making improvements to it over time, but the fundamentals are very good and as in regard to Spectrum, nothing new to report, we will be opportunistic if it makes sense to our business. Overall, the third objective is to be profitable at scale and we feel very comfortable with where we're going.

A - Marci Ryvicker {BIO 6183203 <GO>}

Thanks Doug. Carmen, next question please.

Operator

Here we have Jessica Reif with Bank of America Securities. Please go ahead, Jessica.

Q - Jessica Reif Ehrlich {BIO 17655233 <GO>}

Hi, sorry, I think the operator disconnected me, so I apologize if this question was asked but on, I know I came back on something with sports, but Sky and NBCU are still paying for sports and obviously there's nothing on. So, I'm just wondering how you're thinking about contracts as they come up. What will you get in return? How does this position you for the next round? On Peacock, you said it was a great start for the first three weeks. Can you give us color on what you're seeing and why not change rollout plans, I mean, all the elements seem to be in place for a direct to consumer service in this environment, everyone's home and given the targeted advertising, it just seems like the perfect opportunity? And finally, I'm not sure if maybe we missed this, but have you said, have you, I haven't seen much on costs going forward, do you feel like your businesses are right sized for the current environment and what's going, in fact, so many of NBCU businesses, theme parks, film, TV, et cetera? Thank you.

A - Brian L. Roberts {BIO 1415772 <GO>}

So, let me, Jessica, welcome back to the call. We did talk on sports a little bit, so, but let me ask Jeremy since the Sky Sports is a separate subscription for those that aren't familiar with it. It is a different business approach and people have paused their subscription, which is I think a very intelligent approach and what we're seeing there. So, let me ask Jeremy to talk about that, and then why don't we take your two questions on Peacock and costs in general, which I think are, and ask Jeff to talk on when Jeremy is finished.

A - Jeremy Darroch {BIO 4666664 <GO>}

Thanks, Brian. Yes, so, we've - so we've clearly [ph] stepped into sports customers as Brian said and have paused many of sports customer subscriptions (inaudible). So, we thought that was a very sensible way to manage in an environment where essentially the sports even got away for (inaudible) of course means that the level of cancelations we have had is the smallest - is the minimus. So, we think that positions us well to bring customers back when the sports season resumes. In terms of negotiations with sports rights holders, we are talking pretty much to everybody at the moment, that covers a range of things. First - firstly, how do we get sport back, which I think is in everybody's interest, we are working with rights holders, with government around what we can do to create a safe environment that sports can come back, but our assumption is that if sport does start to come back over the summer as Mike -- as Mike talked about, and then in terms of the future in sports, renegotiations and new contracts, I mean, (inaudible) may change because we start with volume [ph] and the volume that we see we bid against that volume in a disciplined way. One of the advantages I think about the way sports is sold in Europe is it typically we are on shorter cycles. The average cycle will be three parts for years [ph]. So that does give you the opportunity while we think there is some form of research that's required, obviously a different, we take a different view in terms of volume to get by the way and obviously we'll, we're thinking about that all the time but particularly at the moment and will reflect that in due course. (multiple speakers).

A - Jeff Shell {BIO 1930932 <GO>}

Yes, let me jump in. Hi, Jessica. Let me take Peacock. And then, and then go to costs. So on Peacock, it's very early, Jessica, we're three weeks in or so not even three weeks in, so I am reticent to make any conclusions but our goals on launching first with Comcast were twofold; one, get the product right technically and, two, learn some things about how people are using it. So, when we roll it out nationally we can go out with the best product. The early result as I said, it's a couple of weeks in, but they're very, very encouraging, particularly the amount of time that each person is spending on the platform we have. Our product is a very, very deep offering, we are speeding [ph] the launch with a lot of our splashy originals because of COVID, but we have so much on there that people are getting on there and they are spending a lot more time than we had originally anticipated, which is great news. So, why not pull it up and launch it earlier. We're in a marathon, not a sprint. We're not -- we have an ad supported service, we don't, we don't see the value and we're not trying to gain subscribers and we want to make sure the product is right before we launch in July. So, this is kind of a measured strategy on our part and I think it's the right strategy for Peacock and we're very encouraged and even more optimistic on it long-term.

On costs, the question about whether we're right sized on costs given where the environment has headed is, the answer is probably no and we're addressing that pretty aggressively. We we're trying to be thoughtful within our business though, and there's obviously a couple of different kinds of businesses; one, businesses, there are businesses like the theme park business where the revenue has just shut off and we have to adjust our costs but we're going to come back at some point. There we have cut a significant amount of our costs and can flex even further down if this goes longer and deeper than we see right now. And then elsewhere in our business where we're seeing both short-term and structural declines, I think what we're trying to do is address our cost base in a way that comes out of this in a different way that we look like a different company and we can shift our business as we adjust our cost base, but we're spending a lot of time on our cost base and certainly over the next weeks and months we'll make pretty significant adjustments there across our business.

A - Marci Ryvicker {BIO 6183203 <GO>}

Thank, Jessica. Carmen, we will take the next question.

Operator

Your next question is from the line of Craig Moffett with MoffettNathanson. Please go ahead.

Q - Craig Moffett {BIO 5987555 <GO>}

Hi, thank you. Two questions if I might. One on the cable side of the business, what are you seeing with respect to small medium business in your business services segment and how should we think about the exposure of that segment in particular to the crisis, have share shifts continued and is that perhaps enough to offset the pressure that those businesses are likely to be feeling? And then in the Sky business if you, part of the strategy I think for that business has always been to try to grow the OTT platform in Europe given the strength of that brand, is there a way that you can accelerate that transition now, just given that they are experiencing a lot of the same lock downs that we are here to try to sort of build the lifeboat if you will, for the traditional distribution business? And actually if I could squeeze in just one simpler and more technical question, on theme parks, just can you give us an idea of what the breakeven occupancy or attendance rate would have to be when you reopen in order to be profitable?

A - Brian L. Roberts {BIO 1415772 <GO>}

Okay. That is touched on all parts of the company. So why do not we start with you Dave on SMB and business services and we'll go over to Jeremy and then maybe Mike, you take the parks question if you want, would you?

A - David N. Watson {BIO 18910264 <GO>}

Got it Brian. Hey, Craig, so this, what we're experiencing right now is primarily as you noted in SMB issue, the number of businesses where Mike mentioned earlier where we've paused their accounts, there is no question. There has been an uptick and increase but the rate of that increase is declining and so you take that, it's not a huge number, but it's, we're working with our clients, stay very focused on that. I mean, there will be some impact for sure as we go into Q2, but overall to counter as you referenced in SMB, we're still the challenger, we do around 40% or so penetration. So there the fundamentals of SMB are still very good and there's penetration upside, we're going to go after it, and we still are getting a fair amount of connect business even during this, this period. So, our team is on it. We've had to redeploy folks, people that were out working in communities are now doing driving demand and other ways, and it's been, we're getting some effective responses. So, we'll stay on that. I think the last point before I turn it over is over the last decade plus since launching, we started off with SMB still the primary part of our business, but we have most definitely materially diversified to mid-sized and enterprise business now. So, these segments are really important for us right now, will be in the future. It's where most of the penetration upside is. So, really proud of our (inaudible) the business services team. Great local operations that have moved on a dime to handle a lot of this at this moment, but we certainly are planning for multiple scenarios. We'll work with our small business clients, we want to be a partner with them getting them through it, and so I'm optimistic coming out of it and we'll be there for them when that happens.

A - Jeremy Darroch {BIO 4666664 <GO>}

Thanks Dave. Jeremy (inaudible), the answer is yes, Craig, it will form a bigger part of our mix, it's another string to our bow if you like and, but we will do that in complement to our main services as well. Sky Q which had been the priority for us as you know going into this year, one of the frustrating things is it was going really very well at the start of the year, and slightly had to take a step back because of the crisis, but it reminds me, the strength of that platform, but we can push hard on our OTT, all of our streaming services, we're already providing Sky Q directly over fiber in Italy and all of these providers with good alternatives and different ways to get the customers in this environment.

A - Michael J. Cavanagh {BIO 3375974 <GO>}

And lastly, it's Mike on your parks question, Craig, it's something well short of typical. Seasonally through the year we're operating at typical seasonal levels, which are for the most part of the year well below full capacity anyway. And so then versus typical, I would guess that we are, breaking even in, if certainly, when we get to sort of 50% of typical, which will be well below capacity on average. And I think another point would just be versus the number I gave for $500 million in second quarter loss if the, if the, if the parks are closed for the full quarter. As Jeff said, if they're closed longer, there is ability to flex and do more and change that long-term rate if we are staying closed, but on the other side of that, if we open and have lower attendance at the lower end, because our priority is going to be to make the parks safe and so we're not going to push for attendance, but a pretty low levels of return attendance as things ramp up, will be in better shape than where the parks to be closed.

A - Marci Ryvicker {BIO 6183203 <GO>}

Thanks Craig. Carmen, next question please.

Operator

Your next question is from the line of Philip Cusick with JPMorgan. Please go ahead.

Q - Philip Cusick {BIO 5507514 <GO>}

Hey guys, thanks. Number one, can you think through the puts and takes to cash flow this year versus last. I know there's a lot of differences between the timing of cash going out the door and some of the amortization especially in NBC? And then second, Comcast has taken pride in keeping leverage low to take advantage of disruption opportunities, I understand not buying stock next year, but would you consider buying assets if things come to market at the stress levels or is de-levering from here still your top priority? Thanks.

A - Michael J. Cavanagh {BIO 3375974 <GO>}

So, I'll take that, it's Mike, Phil. So in terms of puts and takes on cash, as I said, for total capital spend, we've got, we are down 5%, 5.2% in the first quarter with declines across all businesses and I think the natural that will naturally be where we expect the full year to be, which would be sort of modest - modestly down in 2020 versus 2019 across all of our businesses for the host of reasons that some things just getting slowed down, some things getting paused like Epic Universe. So, in any event total capital down modestly for the year. And then on working capital, it's the toughest one to predict, lots of volatility and unpredictability in it. But that said, my commentary there was that we expect to be roughly flat for the full company best I can tell as we're sitting here now and that's really on the back of the increases that we'll see in the cable business this year. We got an extra payroll period, we will do political ads in the fourth quarter that don't get paid until we're in the first quarter '21, et cetera. So, and then just a little bit of expected slowdown in consumer payments is why working capital will be up year-over-year in cable and that offsets declines at NBCU and Sky, which is caused by a slowdown in production, typically in the in the TV and film businesses and a little bit of impact on sports. But I caveat that one, as we continue conversations with, especially with sports related partners like the Olympics, et cetera, those numbers could change over the course of the year, but those are the various puts and takes. And then on the leverage ratio, it's important to us that we get back to the leverage ratio commitments we gave to the rating agencies that continues to be a top priority. I think obviously we're going to be delayed in getting there because of the pressure on EBITDA that comes from COVID particularly related to parks. So, it will take time for those to ramp back up and I think our focus, as Brian said, we've got lots of opportunity in our existing businesses and that will be priority number two, and I would never say we wouldn't be taking a look at things that are sort of inorganic opportunities but the bar would be pretty high.

A - Brian L. Roberts {BIO 1415772 <GO>}

I just would only add that definitely that last part, our focus is the business as we've got, we feel we're in wonderful position again as I think about the timetable, we know parks are going to reopen and we know sports is going to get back. So, these are temporary hit and I think being in a home and watching sports I think is a pretty safe, but that is going to return pretty quickly to a great business. And then I look at the majority of the company being broadband in people homes and people who are spending more time in their homes, and that's not going to change quickly and that's a great opportunity to develop new products and relationships and deepen those relationships. So, as we look at it as we talked as a team, I don't think we would trade positions with anybody, we like our company, we like our hand and we're going to be focused on improving from here.

A - Marci Ryvicker {BIO 6183203 <GO>}

Thanks Phil. Carmen, we have time for one last question.

Operator

Your last question will come from the line of John Hodulik with UBS. Please go ahead.

Q - John Hodulik {BIO 1540944 <GO>}

Okay, great. Following up on those latest comments on high-speed data, obviously great numbers even without the Connect America and the free subs. Can you talk a little bit about the strength there in terms of is it share gains given the ease of self-installation or are you guys seeing penetration gains and sort of wiring up what were previously wireless-only customers given the need for the work from home environment? And then I think you guys gave some sub guidance on the video side and some revenue guidance on the high-speed data side, but can you talk about how you expect the sub trends to sort of play out through the course of the year and whether you think the trends you're seeing now are sort of more related to the outbreak or could you see some, some secular strength and some follow through given the demand for connectivity? Thanks.

A - Brian L. Roberts {BIO 1415772 <GO>}

Well, I'll start, Dave, I think you can help on that, but I think the - we think we have a superior product and we've been investing in our network, we've had a focus, we've seen a shift coming in customers' behaviors, we saw this and really put our emphasis on innovating a broadband, whether it's speed, coverage, control or various things that X5 stands for, the brand itself. And I think a lot of this was happening before there was COVID and momentum has been terrific and Dave and his team I think are really, really all over it and we're very pleased, both from product side, service side and our marketing and consumer perception and so why wouldn't this be continued at some level, you then have to put that in the face of huge economic shifts in the country and just temper in that regard is, we don't know what the economic outlook looks and the slope of recovery, but in terms of focus, I don't think there is a better focus that we could be having then Dave and the team. So, Dave, why do not you talk about -- more about that?

A - David N. Watson {BIO 18910264 <GO>}

Thanks, Brian and hi, John. So, as Brian said, this has been our top priority, continues to be our top priority going forward and our mission has been to redefine what great broadband is and Brian hit it. It's, we are investing, and we have a really great product roadmap that really hits on all it; speed, coverage, control and now streaming with the addition of Flex and all the content that comes with it. So, in this moment, robust reliable network that can consistently handle this uptick and data consumption as well as all the devices with Wi-Fi coverage in the home, yes, we've invested and built the network that can stand up to this moment and it's going to be important going forward. So, and we're not standing still, but we're going to continue to improve the value of broadband and I mentioned introducing Flex that comes with our, included in our broadband service, and this is focused for the broadband only segment. And Jeff mentioned Peacock already this comes with - Peacock comes with Flex, high levels of engagement with content, a great video addition to the broadband service. So, but your main point John even in this environment, you have lower move activity that is suppressing some of the activity, but there are many sources of new broadband share opportunity and we continue to compete for share from the primary competitors. That's a big source of business even right now that we take share from folks, we just have a better product and that's proven out and people need it right now and we'll continue to. There's still a lot of DSL. There are some nevers [ph] - never broadbands out there. You had mentioned mobile only people are finding you need broadband and I think once they experience what xFi is, I think, we're optimistic about, I'm staying with it. So along with historic record churn, I think we're proving right now that we can attract new business for broadband as we go forward. So you look at the 477,000 in Q1 that we feel we took out, there is no Internet Essentials in that number. There is appropriate reserve that we took out for bad debt projections. It's not material in Q1, but we took it and we think going forward, April, as Mike mentioned, is a very good start, it's impossible to say how things are going to play out through the quarter but the fundamentals and the momentum that we have, I think we've proven that we can drive connects and that we have, will maintain solid churn. So, I'm optimistic about our momentum as we go into the rest of the year.

Q - John Hodulik {BIO 1540944 <GO>}

All right, thanks guys.

A - Marci Ryvicker {BIO 6183203 <GO>}

Thanks, John. So that concludes our first quarter 2020 earnings call. Thank you all for joining us this morning and please stay safe.

A - Brian L. Roberts {BIO 1415772 <GO>}

Thanks everybody.

Operator

Thank you. There will be a replay available of today's call starting at 12:00 PM Eastern Standard Time. It will run through Thursday, May 7 at midnight Eastern Standard Time. The dial-in number is 855-859-2056 and the conference ID number is 9334849. A recording of the conference call will also be available on the company's website beginning at 12:30 PM Eastern Standard Time today. This concludes today's teleconference. Thank you for participating. You may now disconnect.
