Company Name: Comcast
Company Ticker: CMCSA US
Date: 2017-07-27
Event Description: Q2 2017 Earnings Call

Market Cap: 167,109.40
Current PX: 35.98
YTD Change($): -4.07
YTD Change(%): -10.162

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

Q2 2017 Earnings Call

Company Participants

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

Other Participants

- Benjamin Daniel Swinburne
- Craig Eder Moffett
- Marci L. Ryvicker
- Jessica Jean Reif Cohen
- Philip A. Cusick
- John C. Hodulik
- Bryan Kraft
- Brett Feldman
- Kannan Venkateshwar
- Michael L. McCormack
- Vijay Jayant

MANAGEMENT DISCUSSION SECTION

Jason S. Armstrong

GAAP and Non-GAAP Financial Measures

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

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

Brian L. Roberts

Q2 Highlights

Revenue and EBITDA

- We had an excellent second quarter with revenue and EBITDA both increasing by 10%
- This is a great result and is due to the broad-based momentum across all our businesses
  - It gives us the best H1 EBITDA growth in six years
- NBCUniversal’s results stood out with EBITDA increasing by over 20% for the second consecutive quarter, reflecting strong contributions from all parts

Theme Parks

- So let me break this down by business starting with Theme Parks, which had another outstanding quarter of double-digit EBITDA growth
- This quarter included the opening of our exciting new water theme park Volcano Bay in Orlando
- And speaking from personal experience, it is truly extraordinary, from the use of innovative wearable technology to the amazing attractions, including a thrilling 125-foot drop-down of slide from the top of the volcano

Japan

- In Japan, our timing was really good and we couldn't be more pleased with our acquisition of the remaining 49% of Universal Studios Japan, where the recent launch of Minion Park has significantly exceeded our early expectations
- The region holds tremendous potential for us and Mike Cavanagh and I along with Tom Williams, who heads the Park business, just returned from a trip to China and we are as enthusiast as ever about bringing a spectacular theme park to Beijing

Film

- In Film, we continue to see success with theatrical releases after setting a new record for the biggest ever worldwide opening, Fate of the Furious, went on to become just the sixth film in history to cross $1B at the international box office and Universal's third-highest grossing movie ever
- And Chris Meledandri's creative ability is on full display again with Despicable Me 3
- The film's performance has been fantastic both domestically and internationally since its release at the end of June and was the largest ever debut for an animated movie in China
  - These incredible results are attributed to the management team's wonderful execution of our franchise-focused strategy along with global marketing and distribution efforts

TV Business

- In our TV businesses, our strategy to market and monetize NBCUniversal's unified portfolio of networks under one umbrella is working really well
- On the distribution side, affiliate fees and retransmission fees continue to fuel good momentum
- Our upfront performance proves that advertiser demand for high-quality TV content is really solid

Cable Network

- During the upfront, we achieved high single-digit growth in CPMs, demonstrating the power of the big events we air across NBC broadcast, Telemundo and our Cable Networks
- We think we had the most successful upfront of anyone in the industry
- During Q2, NBC broadcast gained share from its peers helped by summer hits, including World Of Dance, the number one new entertainment series

- NBC remains on track to win the 52-week season for the fourth consecutive year and by a substantial margin
- At Cable Networks, MSNBC is a real bright spot with ratings in prime increasing nearly 80% y-over-y in Q2

Cable Communications

- Now turning to Cable Communications, our team's performance has been a model of consistency for us, and Q2 was no different
- Our results again demonstrated our balanced approach of driving profitable growth as we generated a healthy 5.4% increase in EBITDA, while also adding 114,000 net new customer relationships
  - Since taking the reins in April, Dave Watson has done a terrific job and the transition has been seamless

EBITDA Growth

- We are confident our team has the right strategy focusing on improving service with strong EBITDA growth and customer momentum
- We're investing in innovation, differentiating our products and customer segmentation, highlighted by offerings like the X1 platform and our recently launched xFi experience for in-home broadband, as well as our ongoing rollout of DOCSIS 3.1 to enable gigabit speeds across our footprint

Customer Service

- In addition, a relentless focus on customer service is translating into a better experience for our customers and reduced costs as we get it right the first time and move more and more interactions to digital
- In Q2, we reduced customer calls handled by our agents by over 3mm y-over-y
- We also increased the percentage of customer interactions completed digitally by double-digits y-over-y

XFINITY Home

- As we look beyond Q2, we see so many opportunities for continued growth in our Cable business, with significant runway ahead in broadband, robust growth in business services, attractive opportunities driven by our differentiated approach to Video, and upside in newer offerings like XFINITY Home, all these services enabled by an ever-increasing digital service experience
- We're also excited about the prospects for XFINITY Mobile, which we launched to customers in the middle of Q2
  - While it's still early days, the customer feedback confirms our belief that we have an attractive proposition in the market
- Our differentiated offerings are resonating, including our By the Gig data option and the ability for customers to mix and match and easily switch between two plans, as well as the inclusion of five lines in our convenient digital experience

Accomplishments

- So all in all, a great H1 the year with a fantastic group of businesses that are executing extremely well

- I'm proud of what we accomplished, including our 10% EBITDA growth, and we have a strong foundation to build on for the remainder of the year and beyond

Michael J. Cavanagh

Q2 Highlights

Revenue and Adjsuted EBITDA and EPS

- Let's start on slide 4
- So as Brian just said, we delivered very strong second quarter results
- On a consolidated basis, revenue increased 9.8%, adjusted EBITDA grew 10%, EPS increased 26.8% to $0.52 per share, and we generated $2.2B in FCF during the quarter

Cable Communications

- Now, let's go deeper into the businesses, starting with Cable Communications on slide 5
- Cable Communications revenues increased 5.5% to $13.1B, driven by growth in residential high-speed Internet and Video as well as Business Services
- In our Residential business, we added 77,000 net new customer relationships in the quarter, a 6.4% increase over last year, with both Video and high-speed data churn remaining at the lowest levels in over 10 years
    - We are pleased with these results and our ability to weather the more competitive environment this quarter
- There have been several new entrants in the over-the-top video space, prompting existing competitors to respond with aggressive price points that have cut across multiple products

Residential Customer Base

- We continue to believe in our ability to compete effectively
    - First, we have innovative products, including best-in-class broadband and a great video experience with X1
    - Second, we successfully bundle our services together, with 70% of our residential customer base taking at least two products
- In addition, we focus on market segmentation, packaging our products to be competitive to multiple customer segments, and, importantly, we are making continuous improvements to our customer service

Cable Revenue Growth

- High-speed Internet continues to be the largest contributor to overall cable revenue growth
- Revenue increased 9.2% to $3.7B in the quarter, driven by an increase in our residential customer base and rate adjustments
- We added 140,000 residential high-speed Internet customers in the quarter and we remain focused on adding value and further enhancing our competitive differentiation through improvement to capacity, coverage and capabilities

xFi

- We consistently increase our speeds and nearly 55% of our residential customers take speeds of 100 megabits per second or higher
- We're offering gigabit speeds with our deployment of DOCSIS 3.1 and plan to have this technology available to the majority of our homes passed by year-end
- And in addition, we recently launched xFi, a new home WiFi platform that gives customers the fastest speeds, the best WiFi coverage and ultimate control in their homes, making WiFi an even better experience
- As Brian mentioned, we have a long runway for growth in adding broadband customers

Video Revenue

- Video revenue increased 3.9% to $5.8B in the quarter, primarily due to rate adjustments as well as customers subscribing to additional services
- We had 45,000 residential video customer net losses in the quarter, reflecting both typical second quarter seasonality as well as the competitive dynamics I mentioned earlier
- We continue to drive X1 deeper into our base, ending the quarter with 55% of residential video customers having X1, compared to about 40% a year ago

Business Services

- Business Services delivered another strong quarter of double-digit growth as revenue increased 12.6% to $1.5B during the quarter, primarily driven by customer growth
- We added 37,000 business customer relationships, and in terms of individual products, we added 11,000 video customers, 35,000 high-speed Internet customers, and 27,000 voice customers in the quarter
  - In addition, we increased revenue for business customer relationship by 4%, which reflects good momentum in our Ethernet and advanced voice services

Programming and Non-Programming Expenses

- Turning to slide 6, second quarter Cable Communications EBITDA increased 5.4% to $5.3B, resulting in a margin of 40.5%, down 10BPS compared to Q2 2016
- Programming expenses increased 12% during the quarter, and on a YTD basis, reflecting the timing of contract renewals
- Non-programming expenses increased 1.4% this quarter as we benefit from the investments we have made in customer experience initiatives, as well as overall disciplined cost management
- Notably, customer service expenses declined 1.1% this quarter even as we grew customer relationships by 3.2%

YTD EBITDA Margin

- Despite the higher rate of programming expense growth, our YTD EBITDA margin of 40.4% has improved by 10BPS compared to the same period in 2016
- The improvement was driven by growth in higher-margin services such as high-speed Internet and Business Services, as well as the lower rate of growth in non-programming expenses

- As we look forward, we now expect the full year 2017 EBITDA margin to be flat compared to 2016, which was 40.2%
- The improvement relative to our original guidance from earlier this year is equally split between programming and non-programming expenses

NBCUniversal's Results

- Now let's move on to NBCUniversal's results
- On slide 7, you can see NBCUniversal's revenues increased 17% and EBITDA increased 23% in the quarter
    - These strong results were driven by a successful box office, healthy growth in re-trans and affiliate fees, as well as continued strong growth at Theme Parks

Cable Networks

- Cable Networks delivered another quarter of strong growth with revenue increasing 5.1% and EBITDA up 11.7% to $1.1B
- While advertising revenue was down 1% this quarter, distribution revenue increased 8.1%, driving double-digit EBITDA growth
- Recall we have successfully renewed a number of our distribution agreements and this should continue to contribute to healthy EBITDA growth for the remainder of the year

Broadcast Television

- Broadcast Television also delivered a solid quarter, with revenue increasing 5.3% and EBITDA growth of 5.5% to $416mm
- This growth was primarily driven by higher retransmission consent fees, which increased nearly 65% to $363mm
- Partially offsetting this growth was a modest 1% decline in advertising revenue, which reflected ratings pressure during the quarter as well as higher programming expenses and increased marketing investments

Film

- Film had a phenomenal quarter with revenue increasing 60% and EBITDA growing by $229mm to $285mm
- Theatrical revenue increased by $540mm to $837mm, driven by the strong box office performance of Fate of the Furious, which more than offset the underperformance of The Mummy
- Home Entertainment revenue increased 43% due to the continued success of earlier titles including Fifty Shades Darker and Sing
- Last, content licensing revenue grew 14%, reflecting the inclusion of DreamWorks

Theme Parks

- Theme Parks continued its momentum with revenue growth of 15.6% and EBITDA up a very healthy 17.3% to $551mm in Q2

- These results reflect higher attendance in per capita spending as well as a favorable comparison from the timing of spring break vacations

EBITDA

- As a reminder, spring break and the Easter holiday occurred in Q2 this year, but occurred during Q1 last year, creating a favorable comparison this quarter
- However even if we adjust for this timing, EBITDA would have still grown double-digits this quarter as we continue to benefit from Harry Potter in Hollywood as well as our launches of new attractions Brian mentioned Volcano Bay in Orlando and Minion Park in Japan

CapEx

- Now let's move to slide 8 to review our consolidated and segment CapExs
- Consolidated CapEx increased 2.5% to $2.3B in Q2
- At Cable Communications, CapExs increased 4% to $2B for the quarter, resulting in capital intensity of 14.9%
- For the full year, we continue to expect capital intensity to remain flat to 2016 at approximately 15% of total Cable Communications revenue
- For the quarter, the increase in spending reflects a higher level of investment in scalable infrastructure to increase network capacity and increased investment in line extensions partially offset by decreased spending on customer premise equipment

NBCUniversal

- At NBCUniversal, second quarter CapExs decreased 6.1% to $338mm, reflecting our continued investment in Theme Parks more than offset by the timing of spending on real estate and at our headquarters
- For the full year, we continue to expect NBCUniversal's CapExs to increase approximately 10% vs. 2016

FCF

- And now finishing up on slide 9, as I mentioned earlier, we generated $2.2B in FCF in the quarter and $5.3B on a YTD basis
- Our return of capital to shareholders in Q2 included dividend payments totaling $747mm, up 11.6%, and share repurchases of $1.4B.
  - We continue to expect to repurchase a total of $5B of our common shares this year

Net Leverage

- In terms of leverage, we ended the quarter at 2.2 times net leverage
- During the quarter, we completed our acquisition of the remaining 49% stake in Universal Studios Japan for $2.3B
- Subsequent to the end of the quarter, we received proceeds of $482mm in connection with our previously announced relinquishments of FCC licenses for spectrum in the New York, Philadelphia and Chicago designated market areas

- So that concludes our summary of the quarter
  - We're clearly very pleased with our continued strong performance as well as our momentum

QUESTION AND ANSWER SECTION

<Q - Benjamin Daniel Swinburne>: I'd like to ask you about two of the big debates out there. One is on the runway for broadband and the other on the pay-TV ecosystem. Brian, you specifically said in your prepared remarks you see a significant runway for the data business. And I'd love to hear from you and from Dave what gives you confidence in that, how do you think about driving market share gains further from here, any comment on the response to xFi and just other things you're doing around the products beyond speed, to continue to push your advantage in the marketplace and grow that business over time?

And then on the Video side, maybe from Steve, how are you – what are you seeing on the subscriber front for your Cable Nets as you see these new entrants come into the market? Obviously, there's been a lot of pressure for the overall industry. But curious how you're thinking about the impact of these emerging streaming bundles on your business. Thank you.

<A - Brian L. Roberts>: Okay. Well, thank you and good morning. So first big comment would be that we're performing well in broadband. If you look at us vs. all the competitors that have reported, you're going to see growth – continued growth and we expect that to continue for the rest of the year, and hopefully, for years to come. And that's why, I think we make that statement.

I think our product is better. So what Dave's doing, and I'll let him talk about it, is we're taking some of that same innovation, as you alluded to, that we brought to Video, which is why our Video results have been pretty strong the last several years compared to, again, the marketplace. It's that innovation and that culture of every month the product gets better. So we have a whole team of people who are trying to be more than just we're getting faster and better. But, again, Dave, why don't you jump in, and Steve can talk about the Video.

But, again, I think company-wide, I think we're executing better than maybe a lot of people believe these businesses can do. And that's why we think it's going to continue for the future. It's great momentum.

<A - David N. Watson>: Yes, Ben, so – as Brian said, there is significant runway ahead of broadband. And the key to me when you look at this is the upside of the opportunity. We're sitting at 45% penetration right now. So there's growth just there. The overall market is growing with only 75% of households subscribing to Internet access. And so mostly, from our position, it's the innovation that Brian's talking about. We like our formula. We deliver very fast, reliable service. And the focus – the shift that we've had around innovation is around WiFi in the home.

And a key for us to staying ahead of competition with speed, capacity, coverage, and capability. And xFi is a good example of that. I think we deliver on all these points.

With xFi, you get fantastic wireless gateways. We're just introducing a new advanced wireless gateway that can get you up to 1 gig WiFi speed. So it delivers great coverage in the home. And it gives for the first time – one of the pain points for customers – the ability to connect just an ever-increasing amount of wireless devices in the home and let you simply and easily manage all of that within your home. So I think when you add it all up, we like our position. There could be continued innovative focus around the broadband category, but we have good momentum.

<A - Stephen B. Burke>: So the over-the-top services that have been launched so far, doing about as we expected they would do. And they're not all that material to our business. They've all launched. They have subscribers. We have deals in place with all of them. They're actually very favorable. So from an NBCUniversal point of view, if someone goes to an over-the-top provider, it's actually slightly better. But it's a very tough business. And as we've said before, we're skeptical that it's going to be a very large business or profitable business for the people that are in it. And they're off to a relatively slow start.

In terms of the overall subscriber trends, they're the same as they have been. No speed-up or slowdown in the modest subscriber losses that we've seen over the last few years.

<Q - Craig Eder Moffett>: Brian, I guess, the obvious question that seems to be on everyone's lips is, it seems like every day that goes by, there is another round of speculation about who – with whom you might partner next, or who you might buy or merge with and that sort of thing. I wonder if you could just step back and strategically talk about the assets you have and where, if anywhere, you think you might look next to add to the portfolio.

<A - Brian L. Roberts>: Thank you and thanks for posting that question in a broad way, which makes it, in my opinion – I thought we were really clear last quarter. So I guess, the chance to be even more clear. While, yes, we always look at the world around us and we do our jobs, frankly, and looking at opportunities. We love our business. Look at this quarter, 10% cash flow growth, 10% revenue growth, every one of the businesses performing well. So I don't see anybody quite doing that, frankly, in our space, quarter after quarter, by the way, not just one movie.

And I think I've said and I think we've said in multiple forums that we really feel we're not missing anything. And so just to specifically talk about wireless, which I think was embedded in your question, no disrespect to wireless, it's a tough business. And our strategy of MVNO, we really like what we're doing – and just it's very, very early with XFINITY Mobile. And our early employee results and our first set of customers really improves a lot of the things we hoped it would improve. It will be a long road, but I don't see something happening in that industry that we envy a position that we don't have today.

So while we continue to focus on what we've got, if you look at the mix of content, it's not just content for content's sake. I think putting an incredible team on the field and having an NBC be in first place, to have Telemundo really just surging. Big year we're going to have in sports with all the big events. And Cable, Dave just talked about it. It's a fantastic strategy. I think we have a really special company and I wouldn't want to do anything to change that.

<Q - Marci L. Ryvicker>: Two questions. First on the Cable side. We've seen the subscriber results from AT&T and Verizon, and I think the FIOS and U-verse subs were a bit better than expected. So, I guess, the question is, at what point do you feel that you have to respond to this, whether it be promotions or lower overall pricing?

And then second, on the NBC side, Steve, as you said, the upfront was really successful. Do you think this represents true underlying demand or do you think it's just ad dollars being pulled forward so there might be less demand in scatter? Thanks.

<A - David N. Watson>: Let me start, Marci. It's Dave. So we go through competitive cycles with all sorts of providers, not the least of which the telephone company. So we're very accustomed to moments where they discount a bit more. Our focus is to stay disciplined around delivering the best products. We put them in packages that work for customers. And so whether it's X1, just talked about broadband, those are the keys.

We always compete, and we always segment. We always go after different market segments and making sure we are competitive for each of those. So we do tweak our go-to-market approaches. We've been doing that for a long time. So I don't see anything materially different in our approach to stay very focused on delivering the best products in the marketplace and being competitive.

<A - Brian L. Roberts>: I just want to add one other thing, too. Dave has been doing this for us for 20 years now or more, and has seen it all. And what I like about his leadership is the mix, and Neil before him. And you'll see a lot of results today. We've got a busy day for the analysts and our sympathies go out to you for all the companies reporting on the same day. I don't know that you'll see subscriber results and revenue growth and cash flow, and it's that balance that is the way Dave's leadership and the team he's got is trying to run the company. And I think that's what we're going to try to do in the future.

<A - Stephen B. Burke>: So regarding the upfront, I think it was a pretty good upfront for the television business in general. It was a particularly good upfront for us. We went into the upfront with NBC ahead if you take out the Super Bowl at Fox, we were 20% ahead in terms of primetime ratings of anybody else.

Brian mentioned Telemundo, but we also had strength at MSNBC, cable strength, sports. And our approach to ad sales, starting five years ago, we put all of the ad sales under Linda Yaccarino, and Linda and her team sell the entire portfolio together, which, since we're the biggest provider of television advertising, we tend to go first. We've gone first the last few years in the upfront. And that yielded, I think, a greater result than was the typical result.

Our upfront volume was up about 8%, which represents about $400mm. And that doesn't include the Olympics and Super Bowl where we sold some ads on top of that 8% increase. We think we led the market in terms of Broadcast by a few points and Cable was at the high-end of the range. We've been talking over the last six years or so about a monetization gap. We think every year we're chipping away at that and we've closed a lot of the monetization gap.

In terms of did we pull demand forward? I don't think so. I think the demand, really for the last two years or three years, has been remarkably consistent throughout the year and the percentage that went in the upfront, I don't see any major sign that that percentage is higher or lower than it has been traditionally. And all the signs we see more recently than the upfront point to continued strength in the advertising markets, and we're doing well in terms of our advanced sales on the Super Bowl and the Olympics and everything else. So I think we feel pretty confident.

<Q - Jessica Jean Reif Cohen>: Two separate questions. First for Brian or Dave, the competitive landscape is changing pretty rapidly as companies from multiple industries are trying to emulate you or parts of you. Whether it's the FANG companies, the telcos, they're all big companies. So can you talk about what you're doing to enhance the customer experience over the next few years to protect and grow your business? You sort of answered it on broadband; maybe if you could take a Video perspective?

And for Steve, a different advertising question. The market overall seems fairly stable despite ratings issues, whether that's due to measurement or fragmentation. Can you talk about what NBC is doing to position your company over the next two years to enhance the advertising platform?

<A - David N. Watson>: So, hey, Jessica. Dave. So let me start with Video. It is – as you said, it's a very competitive environment, lots of new entrants coming in, and doing different things. The key is we really like our position overall. We've got this terrific platform X1 with the unbelievable functionality of the voice remote and the complete – the overall level of choices that we deliver and the amount of the breadth of content on-demand, live, DVR, and new entrants that are now part of X1, like Netflix, all seamlessly integrated.

So in addition, as I mentioned before, we're going to compete vigorously across the board for every segment. And so we do break it down, whether it's students, whether it's millennials. And so we're seeing really good benefits. And I think while they're sampling, you see new entrants come in. For us, we're going to stay very focused on our strengths.

And one of the things, too, that we're rolling out is, we've talked about before is Instant TV. Instant TV, again, we're launching this. We've been testing it for a while. We'll launch it more broadly in H2. And, again, this is an in-home Title VI cable service, with a managed network, without a set-top box. So it's ideal for certain segments and millennials in the test markets; very good response.

So we'll continue to roll that out. There's a lot of appeal, different price points that we're testing around that. But our key is to leverage our strength in X1 and Video, but also compete for every segment.

<A - Stephen B. Burke>: So in terms of ratings and what's going on in the video landscaping, it's a very interesting time to be in the television business. I think you have to assume that ratings are going to – linear ratings are going to continue to decline. I'm not sure if the decline is going to speed up or slow down. I think the safest thing is to assume it's going to continue.

But overall video consumption if you include consumption on the Internet, I think most think it's as high as it's ever been. And the first part of our challenge is to make sure that we monetize better, that we get ratings and then monetization at a better rate than we currently do with consumption on the Internet.

The second thing is to try to get more of the Internet functionality, target ability, and data into our traditional television advertising. And I think we've been a leader in that. We have a lot of data enhanced products and ways to position our television advertising with some of our digital assets and the partnerships we have. We're a shareholder in BuzzFeed, and Vox and Snap, and we're doing a lot of selling with Apple and AOL and others. So that when Linda Yaccarino goes to market, we can offer television products, which are data-enhanced and then bundles, which include television and traditional digital advertising.

So it's certainly more challenging. There are more variables to play with. But I like our hand, and we, I think, have been as aggressive as anybody in trying to make sure that we're continually evolving and giving advertisers what they want, which is the tremendous reach of television, still the best way to reach a large market. But some of the targeting that people have started to realize is attractive because of the Internet.

<Q - Philip A. Cusick>: Wonder if you can dig more into the cable margin guide increase. How should we think about programming in H2 and 2018, if you can, vs. the 12% in H1, what does the pace of renewals look like in H2 vs. first?

And then second, in terms of non-programming OpEx trends, are there cost-cutting efforts happening there? Or is it really declines driven by a shift in customer activity from those call centers to digital? And what does the runway look like there? Thank you.

<A - Michael J. Cavanagh>: Hey, Phil, it's Mike. I'll start and Dave can finish. So for 2017, as we started the year, we expected programming to be up 13%. Programming costs, we came in in H1 at around 12% and I wouldn't expect it to be much different in H2.

In terms of non-programming costs, you saw the great results in H1 and we think those trends are steady. So we're just revising today the guidance for the full year this year and we expect to be flat to 2016.

And as you know, we don't go into a multi-year guidance. But I think what Dave and I have both said previously is that we're going to continue to drive growth in our high margin businesses, high-speed data and business services, which were obviously margin positive. We do expect programming costs as we've said to come down into the high single-digits in years after 2017.

And then, finally, on the non-programming costs side, a lot of the efforts that Dave and Neil have been putting in over multiple years into customer service, in particular, are paying dividends in terms of reduced truck rolls, lower calls, on top of higher satisfaction. And that's been a tailwind to non-programming expenses. And Dave can comment further, but we're going to continue to execute against those kind of trends. But, again, we don't go beyond the year we're in in terms of guidance. So I'll leave it there.

<A - David N. Watson>: Thanks, Mike. So, as Mike just said, it starts with us, we're looking at high-margin businesses. So you said that we're all very focused on broadband commercial. But the key driver, I think, to your question, Phil, is that the rate of growth for non-programming expenses is trending lower in 2017 and certainly continued trending it from last year. So this is a combination of things. We've always been very focused on cost management. But the key thing that we're looking at is getting yield from our customer experience investments. And we made those investments. We like the results. And we believe very strongly that this is going to yield a better customer experience also.

So it's often the case that you do a good job and you're taking transactions out. You're going to get a lower cost of delivering service. So I think we're getting out ahead of a lot of customer service issues. We've got ways to go, but we're really pleased with our progress. So – and this comes in – you look at call volumes coming out, truck rolls, and so contact rates. All of these things are really trending in the right direction. So I like our momentum there. We're going to stay very focused on taking transactions out, but at the same time, this is going to be good for the customer.

<Q - John C. Hodulik>: Maybe a couple of follow-up questions for Dave. First on the competitive front, have the competitive efforts you've seen from the traditional guys, does that continue here into Q3? And maybe, can you give us a sense for maybe where it's coming from? Is it the telcos, or the satellite guys? And then, on the new Instant TV product, I think we've heard – or you guys have talked about a third quarter launch, but could you give us some more color on the breadth of launch, how you guys are going to promote it, maybe anything you can tell us about what's in that package, or the pricing around it? Thanks.

<A - David N. Watson>: Yes. Sure, John. So on the telcos side, it's mostly in terms of the shift, there's – again, this competitive cycle, it's the telephone companies being a little bit more aggressive on discounting. And again, we compete. We take it all seriously. We look at everything, and don't take it for granted. So we do compete, but the adjustments we make are modest in nature, very targeted. And so we like, again, our position as I talked about before. And you connect that and sometimes, you have a lot of new entrants coming in. So a lot of sampling on the new folks over-the-top. But, again, I talked about our Video and broadband momentum.

On Instant TV, this is a program that we've been looking at to go after. Primarily the segments that, like millennials, this is not something that we'll do broad-based in terms of our approach to the market. This is going to be very targeted; primarily digital in nature and how we do it. We love our fall video positioning with X1. So we'll continue to compete aggressively with that. But Instant TV gives us one more part of the portfolio to be able to go after different segments with. So it'll be fully launched towards the end of Q3 and will be part of our go-to-market approach.

<Q - Bryan Kraft>: . Mike, I had, I guess, a housekeeping question first then I had one for Steve. The NBCU headquarters other elimination OCF number was noticeably higher this quarter than it's been in the past. I just wanted to see if you can give some color on that. Is that a new run rate, more or less, or was there something anomalous in Q2?

And then, Steve, you had mentioned a moment ago the digital investments that you've made in Snap, BuzzFeed and Vox. I was wondering if you could maybe elaborate on just how you're leveraging those investments in NBCU and how they fit into the broader strategy. Thanks.

<A - Michael J. Cavanagh>: Thanks, Bryan. It's Mike. So there's just some one-time choppiness in that number. We can deal with that – give you more color offline, if you like, but nothing that would affect the go-forward trends that you've seen before this quarter.

<A - Stephen B. Burke>: So when we make these digital investments, we actually call them beacon investments, because we like to think that by investing in BuzzFeed, or Vox, or Snap, we're telling our employees and their employees that we really want to work together. So it's not a passive or inactive process. So when we make the investment, we would sit down with the management teams of the various companies and try to identify a half dozen projects to work on. And in each of those three companies, we've had very material projects succeed in the marketplace.

Our most recent investment was Snapchat. And we have a show called The Rundown, which is produced by E!, which is getting 5mm to 10mm daily users, which makes real money. We just launched a second product based on an NBC News – a 24-hour-a-day NBC News product. Very unique. Launched – I believe it was last week. It's called Stay Tuned and it's off to a very, very strong start.

And we've done similar things with BuzzFeed and Vox. And a big part of our job, I think, as the company gets more digital DNA into our company, is to find digital investments with companies that we can learn from and get into business with as opposed to just making an investment. So I think Vox, BuzzFeed and Snap are three great companies. We've learned a lot from them and we're better off for having made those investments.

<Q - Brett Feldman>: I realize it's still early days here with XFINITY Mobile, but I'll throw a couple of questions at you and see what you're willing to share. In terms of acquiring customers, what's working? Are you mostly leveraging interactions you would otherwise have on a normal basis? Is some of your outbound causing people to come to you? Where are they coming from? Which plans are most successful? And then, the last one would be, is it hurting any of your other businesses? For example, is it actually cannibalizing residential voice? So a lot in there, but whatever you can do to help us gain some insight as to what's working early on would be great. Thank you.

<A - David N. Watson>: You got it. All right. So a couple of – it's way early, as Brian said, but a couple of observations. First off, it's operationally scaling well. Again, very early, but we're pleased with just in general as we have rolled this out across the footprint. One thing that maybe in terms of where the customers or how they're onboarding, about half of the customers are going through our digital channel, which is terrific.

So Greg Butz and his team have really done a terrific job. And I think it speaks to just how easy this experience is for customers. And not only is it easy to onboard but, as Brian said, it's really easy to manage your service on an ongoing basis. We're one of the only ones that you can go back and forth literally with the click of a button and you can change your By-the-Gig to unlimited and back and forth.

So it's a really extraordinary digital experience. And so we're pleased with that. The other observation early on is that there's real value By the Gig. We have – most of our customers are taking By the Gig vs. unlimited. So we can do both. And the partnership with Verizon is going well. And so early response from customers is extremely positive. They like the service. They like the value. They like just how easy this is.

And so in regards to things, I think it's the – quite frankly, there's an opportunity to go the other way, especially as we leverage our existing retail capabilities and digital capabilities, I think mobile is an opportunity to expand consideration for other products. And while there may be some – a little bit of focus, whether it's packaging around wireline voice, I think it gives us an opportunity to talk about everything that we do. So we're really encouraged about our early-stage retail launches where we see that happening. So real pleased with their early results.

<Q - Kannan Venkateshwar>: Just one question from me, which is on the CapEx line. You've seen scalable infrastructure and line extensions grow quite substantially over the last year or so. Could you just talk about what's exactly in that line? And is this driven by fiber or is there some other focus on those lines right now? Thanks.

<A - Michael J. Cavanagh>: Hey, Kannan. It's Mike. So I'll start again on this one. So scalable infrastructure – think about it as adding capacity and speed to our network generally in things like Cloud DVRs and the like. As we see greater usage to our network, we're investing to keep the experience ahead of our customer expectations. And so that's what you would see in that CapEx line. And then we've said repeatedly we want to continue to invest in that broadband network for the future we see for the business.

In terms of line extensions, that's connecting more addresses to our networks. And so that's largely led by business services. And pushing the business services is obviously high-growth business. Some of the hyper-builds we talk about – the growth in line extensions is driven by that.

<Q - Michael L. McCormack>: Dave, maybe just a comment on the commercial opportunity and what you're seeing as far as moving upstream into bigger enterprises? And then, also a comment perhaps on 5G, what you're seeing out there as far as whether it's a risk or opportunity for you guys? Thanks.

<A - David N. Watson>: Sure. So I think the larger business services opportunity is enterprise. It's upside for us. Currently, we're within our footprint. We're at less than 5% of the overall revenue opportunity. So what we're seeing is solid cooperation with the other cable operators and really helping large businesses that have local offices throughout the country. So I think so far we're real pleased with our progress. A lot of very premier accounts that have jumped on board. Again, early innings on this one, too, but we're pleased and I think there's upside there.

On 5G, we're testing it. We're looking at it. I've commented before that it's something that, I think, will evolve and take a while. It's not something that will be immediate, but we'll look at it as closely as everybody else. From our vantage point, there's work to do there, but we'll stay very close to that. I continue to believe that it's an opportunity for the mobile providers to enhance their mobile data service, but in regards to any other implications, way too early.

<Q - Vijay Jayant>: Brian, you've been talking about innovation and differentiation in the marketplace that Comcast is trying to lead on. We are pretty close to the end of the consent decree on NBC, and obviously, you've had some synergies with the assets. Can you just talk about what that end could do in leapfrogging that innovation and differentiation?

<A - Brian L. Roberts>: Well, let me just start by saying that I'm very pleased with the organization for – we complied and in many cases exceeded all the requirements that were placed on us. And I think that it'll be less of an administrative burden for sure when the consent decree ends, but we have great momentum. And I think hopefully we'll look forward. We won't look back.

I don't have a specific answer for you probably today in that regard, but I do think we've executed really well in the past. So I don't want to say any more about the consent decree as we get toward the end of it.

But I will say that the two companies have worked really well together. And one of the themes that this will probably allow that to even continue and maybe increase in the future is just how well the culture of the company is – Comcast, NBCUniversal. I'm really pleased and proud of that, and I think that the results that we just talked about for the last hour, I think, demonstrate that.