Company Name: Comcast
Company Ticker: CMCSA US
Date: 2018-04-25
Event Description: Q1 2018 Earnings Call

Market Cap: 158,182.40
Current PX: 34.26
YTD Change($): -5.79
YTD Change(%): -14.457

Bloomberg Estimates - EPS
Current Quarter: 0.607
Current Year: 2.452
Bloomberg Estimates - Sales
Current Quarter: 21956.000
Current Year: 89757.789

Q1 2018 Earnings Call

Company Participants

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

Other Participants

- John C. Hodulik
- Craig Eder Moffett
- Jessica Jean Reif Cohen
- Benjamin Daniel Swinburne
- Jonathan Chaplin
- Scott Goldman
- Philip A. Cusick
- Marci L. Ryvicker

MANAGEMENT DISCUSSION SECTION

Jason S. Armstrong

GAAP and Non-GAAP Financial Measures

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

Please refer to our 8-K and trending schedules for the reconciliations of non-GAAP financial measures to GAAP

Brian L. Roberts

Business Highlights

Opening Remarks

- We were off to a terrific start in 2018 with first quarter revenue growth of over 10% and healthy EBITDA, EPS and FCF
- I'm really proud of these results, which reflect strength across all parts of Comcast NBCUniversal
- We have such a special company with a collection of scaled businesses, each executing at a high level and substantial opportunities for continued growth led by our margin accretive segments
- We have a business model that works well, and we see more and more of our peers attempting to pivot towards a similar strategy of integrating distribution and content

- We think our team has done a great job of this, particularly with NBCUniversal, as you can see in today's results
    - This successful execution led us to make an announcement earlier this year that further strengthens this strategy with our proposal for Sky
- This morning, we're excited to take the next logical step with a formal binding cash offer for Sky
- The terms are consistent with what we already outlined in our 2.4 announcement and Mike will provide some additional color on this later

Cable

Connectivity Businesses

- So let me turn now to our strong first quarter results
- Starting with Cable, our connectivity businesses, including residential broadband and business services are now at a nearly $24B annualized revenue run rate combined, growing over 9% with significant runway ahead
- We are confident in our outlook for high-speed Internet subscribers as the total market continues to grow our homes and businesses past steadily increase and our focus on product innovation and differentiation through speed, coverage and control elements enables us to continue to grow and take share

Business Services

- In business services, we're making nice strides in our newest segment serving enterprise customers and also continuing to gain in the small and mid-size business space with superior products and attractive value proposition
- We have built an incredible organization within our company with over 10,000 employees dedicated to our business services efforts and more than 3,000 of them are sales professionals helping us add new business customers every day
- In Q1, we added almost 380,000 net new broadband customers grew residential high-speed Internet revenue by 8% and business services revenues by 12%
    - Fueled by these businesses and our ongoing customer experience efforts, we're on track to increase Cable margins for the full year in 2018
- While investing in a network to strengthen our position in our connectivity businesses remains a priority, we expect overall capital intensity to decline in Cable

EBITDA and Net Cash Flow

- Altogether, this puts us on a path for healthy Cable EBITDA and net cash flow growth as our first quarter results demonstrate
- We continue to increase customer relationships with 273,000 net new additions balanced with healthy EBITDA growth of nearly 5% and margin expansion
- Cable net cash flow, which is EBITDA less total capital spending, grew nearly 13%, which is the fastest rate of growth in six years
- As you can see, our Cable business overall remains well positioned for the future

Video Competitive Landscape

- The team is also capably reacting to and managing the ongoing changes in the video competitive landscape
- This includes the increasing presence of virtual MVPDs which contributed to our net loss of 96,000 video customers in Q1
- We remain focused on finding innovative and profitable ways to deliver the best video and most complete experience to our customers
- We have pivoted X1 to be a whole-home platform that aggregates the best content, not just linear TV
- We recently added Sling TV's international programming, joining YouTube, Netflix, Pandora, to name just a few of the partners we've already integrated

X1

- X1 also serves as a dashboard for WiFi connectivity and home automation, with recent launch of xFi notifications and new Voice Remote commands that help manage our customers' smart home devices
- The value that this seamless integration of services brings to our customers is quite apparent
  - X1 has quickly become the most used platform for Netflix viewing among our customers

Relationship with Netflix

- We are excited to deepen our relationship with Netflix with our recent announcement that Comcast will begin packaging Netflix with TV offers, creating an additional revenue source for our company
- It has been about a year since we entered the wireless market with our launch of Xfinity Mobile and we are pleased with the results so far
- Our offers are clearly resonating, adding value to our customers by bundling wireless together with access to our high-speed Internet at attractive prices
- We ended Q1 with 577,000 customer lines and continue to enhance this offering with features like bring your own device

New Operating Platform Partnership with Charter

- In addition, last week we announced the new operating platform partnership with Charter, the result of our continuing collaboration aimed at getting to scale more quickly through operational and cost efficiencies as we develop our respective mobile businesses, enabling both companies to better compete in the national wireless market
- Finally, our results continue to benefit from our ongoing efforts to make interacting with us simpler and more consistent, including through more all-digital tools
- In Q1, we reduced calls handled by our agents by 13% and increased the portion of customers interacting with us only digitally by about 15% y-over-y
  - I'm proud of the consistent progress we are making with these metrics and our room for further improvement bodes well for the future

NBCUniversal

- Turning to NBCUniversal, we are well positioned to succeed in an evolving media landscape with our high-quality sports, news, and entertainment content fueling strong results at our TV businesses, our focus on leading franchises at Filmed Entertainment, and a fantastic trajectory in our high-margin Theme Park businesses
- This strategy again delivered terrific results in Q1, with EBITDA increasing by double-digits, highlighted by exceptional growth at our TV business and Theme Parks

Broadcast and Cable Networks

- Broadcast and Cable Networks, collectively delivered 23% EBITDA growth, underscoring the power of our Big Event Strategy as well as continued distribution and retrans strength
- The Olympics generated over $1.1B of revenue at our TV businesses and were a tremendous success
- The Games averaged nearly 20mm viewers in prime time over all 18 nights across broadcast, cable, and digital
- And NBC's prime time viewership was over 80% higher than ABC, CBS, and Fox combined, the widest margin on record for a Winter Games

Olympics Dashboard

- I'm extremely proud of the efforts across the company from NBC's fantastic and very personalized and human coverage to the amazing Olympics dashboard on X1 that made it easier than ever to access all of the moments that make it such a special event
- The results within our Cable footprint highlight the benefits of the entire organization working together, as ratings in X1 households for NBC and NBC SportsNet prime time coverage were 26% higher than the national average
- We think of the Olympics as a technology laboratory for the future of television
- NBC also aired the Super Bowl in Q1, which generated over $400mm in advertising
- Notably, the broadcast of This Is Us after the game was the highest-rated scripted series following a Super Bowl in over a decade
    - On the back of these incredible big events, NBC is on track to finish number one for the fifth consecutive year in demo and is number one in total viewers for the first time in 16 years
- We also have the fastest-growing cable network with MSNBC and a number one cable entertainment network with USA

Theme Parks

- At Theme Parks, another quarter of double-digit EBITDA growth reflects continued strength from Volcano Bay in Orlando and Minion Park in Japan
- And there is more to come this year with several exciting attractions debuting across our parks this spring that leverage our own intellectual property, including a Fast & Furious ride in Orlando, Kung Fu Panda in Hollywood, and a Hollywood-themed night parade in Japan celebrating films, including Minions and Jurassic World

Filmed Entertainment

- Speaking of Filmed Entertainment, as we expected and communicated, we face a tough comparison to last year's record results
- We continue to focus on our franchise strategy and are pleased with the performance of first quarter releases, including Fifty Shades Freed, which brought that series across the $1B mark
- And we are looking forward to Jurassic World: Fallen Kingdom coming to theaters in June
- So I'm incredibly proud of the team's performance this quarter and excited about the opportunities ahead for our company

Sky

- I believe today's announcement for Sky will further strengthen our successful strategy and momentum
- We love our position owning content and distribution businesses that individually have a great outlook and together make each other stronger
- We think Sky is an outstanding company that follows this same formula, with a similar business model in new and attractive geographies
- We believe Sky, when combined with Comcast NBCUniversal, will create an even stronger and more international business with an increased ability to invest in content and innovation
- Much like Comcast NBCUniversal is in the U.S., innovation is at the core of Sky's culture, and it has a portfolio of attractive content
- A larger combined base of 52mm customers will help support the ability of a combined Comcast Sky to invest more in original and acquired programming and technology capabilities as we strive to deliver truly differentiated customer experiences

Opportunities

- When opportunities arise from unique timing and company-specific situations, we look to take advantage, while viewing any potential transaction through the lens of both financial and offensive strategic impact
- Financially, we evaluate opportunities against alternative uses of capital, including buying back our stock as well as accretion to FCF per share, and ultimately, the ability to exceed the cost of capital in a reasonable timeframe
- Strategically, we are focused on where we can enhance our position through scale with complementary businesses that provide us with new capabilities, new markets, and other growth opportunities
- We think Sky is a great fit when judged against these criteria

Closing Remarks

So in closing, we like our outlook at Cable

And NBCUniversal continues to grow at a faster pace than any of us originally imagined

The whole team is off to a great start this year

Michael J. Cavanagh

Financial Highlights

Cash Offer

- Let me start by providing the details on our Sky announcement, which is a binding cash offer known as a Rule 2.7 firm offer under the UK Takeover Code
- The key terms are consistent with our original proposal back in February, an all-cash offer for £12.50 per share and acceptance condition of 50% plus one share
- Our various intention statements related to investment in the UK are all consistent with the Rule 2.4 announcement
- And our commitment to Sky News has been strengthened with a pledge to establish an independent Sky News editorial board, maintain investment, and to not acquire a controlling interest in any UK newspapers

Process

- In terms of process, in the near future, we'll file for EC antitrust approval, which would kick off a 25-day Phase I review
- We still expect to complete all regulatory reviews in a timely manner so that Sky shareholders will be in a position to review our offer without any regulatory concerns attached

Financial and Strategic Merits

- In terms of the financial and strategic merits of the transaction, let me add to what we have said before
- We believe this is a financially attractive transaction
- New information in the 2.7 announcement today is a synergies estimate of around $500mm achieved through a combination of revenue benefits and recurring cost savings across the combined company
  - These are expected to be achieved through optimizing Comcast and Sky's complementary operations with only limited impact on head count expected
  - We believe those synergies, combined with the strength of Sky's standalone business, which we've spent more time studying, makes this a compelling transaction based on a variety of measures

Opportunities

- To reiterate what Brian mentioned, we evaluate all opportunities against alternative uses of capital
- This includes buying back our stock, investments we make in our own business, as well as other inorganic opportunities
- Quarterly evaluation is optimizing for a range of criteria, including accretion to FCF per share and the ability to earn and exceed the cost of capital in a reasonable timeframe
- All balanced with potential strategic merits of the transaction
- In essence, transactions that are financially sound and put us in an even stronger strategic position are exactly the type of opportunities we engage in and also where we have a strong history of value creation
  - In this context, we believe Sky is a great fit

Q1 Results

- So now let's discuss our first quarter results
- First, I just want to remind everyone that as we previously announced on our year-end earnings call, we adopted the new accounting standard related to revenue recognition effective January 1, 2018
- Today's results are reported on that standard

Revenue, Adjusted EBITDA, EPS and FCF

- Beginning on slide 5, let's review our first quarter consolidated results
- Revenue increased 10.7% to $22.8B, which includes results from the broadcast of the PyeongChang Winter Olympics and the NFL Super Bowl
- Adjusted EBITDA increased 3.3% to $7.2B
- Results for the quarter reflect healthy EBITDA growth of 4.7% and 13.1% for Cable and NBCUniversal, respectively
- The corporate and other results include an EBITDA loss of $189mm associated with our newly launched wireless business
- Adjusted EPS increased 17% to $0.62 for the quarter
- And finally, FCF was $3.1B in the quarter

Cable Communications Business

- Now let's get into the details of our quarterly results for the Cable Communications business, starting with slide 6
- Revenue increased 3.6% to $13.5B, reflecting a 273,000 net increase in customer relationships to 29.6mm and rate adjustments
  - These results were driven by our high-margin connectivity businesses, including high-speed Internet and business services, which together totaled nearly $6B in revenue in the quarter and grew over 9%

Residential Business

- Taking a closer look at our residential business, high-speed Internet continues to be the largest contributor to overall Cable growth, with revenue increasing 8.2% to $4.2B in the quarter
  - These results were driven by a net increase in our customer base and rate adjustments
- We added 351,000 net new residential high-speed Internet customers

Outlook

High-Speed Internet Subscriber Growth

- And as Brian said earlier, we continue to be confident in our outlook for high-speed Internet subscriber growth for several reasons
- First, the broadband market is expanding as more Americans adopt high-speed data

- Currently, only about 80% of American households subscribed to Internet access and we believe this number will continue to expand
- Second, we have an opportunity in our footprint through new home formation and by extending our plant within our footprint to increase our homes passed on a steady basis
    - This has been growing at a rate of about 1.5%
- Lastly, we are driving market share gains on the back of ongoing investment in innovation and product differentiation

Speed, Coverage and Control

- As Brian said, we are focused on continuously improving speed, coverage, and control in our best-in-class broadband product
- In terms of speed, 75% of our residential customers receive speeds of 100 megabits per second or higher
- We continue to make good progress rolling out DOCSIS 3.1, with 90% of our footprint now offering gigabit speeds
- At the same time, we are putting our advanced gateways in the home, translating these speeds into the best WiFi
- With WiFi powering an increasing number of connected devices in the home, our xFi app enables the customer to better manage their home network, further improving their experience
    - All this differentiates and increases the value of our broadband service and helps us capture additional market share

Video

Revenue and EBITDA

- Switching to video, revenue declined 0.8% to $5.7B in the quarter
- The difference in the quarter's results compared to last year is primarily driven by a decrease in customers as well as our choice to take lower rate increases
- We had 93,000 residential video customer net losses in the quarter
- The video marketplace is highly competitive and our business continues to adapt in a way that allows us to compete while preserving strong Cable EBITDA and net cash flow growth
- We continue to believe X1 is the best video product on the market and remained focused on innovation and our aggregation strategy around content in a market where total video consumption is at an all-time high
- In addition, we are segmenting the market to get the right product to the right customer by offering other video products including products with thinner packaging that extend our reach into additional segments that we still think we can serve profitably
    - And we are doing this all in the context of managing the whole-home relationship
- While broadband is at the epicenter of the majority of our customer relationships, customers can still get the best experience and value with a bundled service, including some combination of broadband, video, voice, home security, and now mobile products

- And despite the shifting contributions, we are growing EBITDA and EBITDA per relationship

Xfinity Mobile

- Speaking of Xfinity Mobile, as Brian mentioned, we are happy with the early results we are seeing in this business, ending the quarter with 577,000 customer lines, having added 196,000 lines in the quarter
- We are seeing real momentum as the product is resonating with our customer base, and we believe Xfinity Mobile is a big opportunity to continue to drive the bundling strategy of the Cable business and provide more value to our broadband customers
- Financially, our $189mm EBITDA loss at Xfinity Mobile in Q1 reflects our ramp in subscriber acquisitions and the incremental operating costs associated with getting this new business launched

Business Services

- Moving on to business services, which continues to be a top driver of our overall Cable results, we delivered another strong quarter of double-digit growth, with revenue increasing 11.9% to $1.7B during the quarter, primarily driven by customer growth
- We added 29,000 business customer relationships in the quarter and grew revenue per business customer relationship by 5%
  - These results are driven by connectivity, as the rollout of DOCSIS 3.1 has enabled us to offer gigabit speeds to small businesses and our investment to push fiber deeper in our network helps us continue to increase the number of mid-size customers
- All business services segments, small, medium-sized, and now enterprise, are focused on connectivity and have substantial room for future growth

Cable

EBITDA Margins

- Now let's turn to slide 7 to discuss our Cable expenses and margin
- First quarter Cable Communications EBITDA increased 4.7% to $5.4B, resulting in a margin of 40.1%, up 50BPS compared to Q1 2017
- We continue to believe our full-year margins could be as much as 50BPS higher compared to last year
- We have added 745,000 total customer relationships over the last 12 months, which translates into 2.6% growth y-over-y in our customer base
- If we look at our Cable financial results on a per-customer relationship basis, we increased total revenue per customer relationship by 0.9% and EBITDA per customer relationship by 2%
  - These results were driven by growth in our high-margin connectivity businesses and our focus on cost control

Expense Growth

- Programming expense growth moderated to 3% this quarter

- After experiencing double-digit growth for the past two years, driven by the timing of several contract renewals, this quarter's growth is mainly driven by normal escalators in our programming contracts, partially offset by a loss of video subscribers
- Non-programming expenses increased 2.8% this quarter
- We continue to benefit from the investments we've made in customer experience initiatives as well as disciplined cost management overall
- Notably, customer service expense continues to improve, declining 2% this quarter even as we grew total customer relationships by 273,000

NBCUniversal's Results

- Now let's move on to NBCUniversal's results
- On slide 8, NBCUniversal's revenues increased 21.3%, and EBITDA increased 13.1% to $2.3B in the quarter
  - These exceptional results were driven in part by the successful broadcasts of the 2018 Winter Olympics and the NFL's Super Bowl, which generated an incremental $1.6B of revenue at our TV businesses, of which over $1.2B is related to advertising revenue
- In addition to these big events, NBCUniversal's results reflect healthy growth in retrans and affiliate fees at our TV businesses and strong results at our Theme Parks

Cable Networks and Distribution

- Cable networks revenue increased 21% to $3.2B and EBITDA increased 13.7% to $1.3B
- Excluding $378mm of revenue associated with the Winter Olympics, revenue increased 6.6%, reflecting solid growth in distribution, advertising and content licensing, and other revenue
- Distribution revenue increased 5.7% this quarter, reflecting the continued benefit of previous renewals of distribution agreements, partially offset by a decline in subscribers at our Cable Networks

Advertising, Content Licensing and Other Revenue

- Advertising revenue increased 2.4%, reflecting the impressive performance of MSNBC as well as strong overall pricing that was partially offset by ratings declines and the impact of channel closures
- Lastly, content licensing and other revenue increased 26% due to new licensing deals and the timing of content provided under current agreements
- Broadcast Television revenue increased 58.3% to $3.5B, and EBITDA increased 57.5% to $507mm
- Excluding $770mm of revenue associated with the Winter Olympics and $423mm of revenue generated by the broadcast of NFL's Super Bowl, revenue increased 4.3%, primarily reflecting higher retransmission revenue
- Retrans revenue increased about 18% to nearly $415mm
- In addition, advertising revenue, excluding the Olympics and Super Bowl, was stable, as the strong scatter market offset ratings declines

EBITDA

- Film revenue declined 16.3%, and EBITDA declined 45.2% to $203mm, primarily driven by lower theatrical revenue
- Coming off the most profitable year in its history, Film results were down due to the size and timing of the slate
- While the third installment of Fifty Shades delivered strong results in the quarter, it was a tough comparison to the higher number of films during last year's first quarter
- As Brian said, we remain focused on our franchise strategy and we are excited to have the return of one of our biggest franchises with Jurassic World: Fallen Kingdom opening in Q2
- Finally, Theme Parks revenue increased 14.5%, and EBITDA increased 24.6% to $495mm
  - These strong results are partly driven by the timing of spring break, which was concentrated in Q2 last year
  - Even if we exclude this benefit, EBITDA growth would still be strong, up double-digits compared to last year, driven by higher per-capita spending
- In Q2, we expect to benefit from several new attractions opening that Brian highlighted earlier

Consolidated and Segment CapEx

- Now let's move on to slide 9 to review our consolidated and segment CapExs
- Consolidated CapEx decreased 5% to $2B in Q1

Cable Communications and NBCUniversal

- At Cable Communications, CapExs decreased 5.2% to $1.7B for the quarter, resulting in capital intensity of 12.5%
- For the full year, we continue to expect capital intensity to be favorable relative to 2017 by as much as 50BPS.
- For the quarter, the decrease in spending is driven by a decline in spending on customer premise equipment, primarily related to X1, which is now deployed to over 60% of our residential video customers
  - Partially offsetting this lower spending was increased investments in scalable infrastructure to increase network capacity and increase investment in line extensions to reach more business and residential customer addresses
- We expect the composition of our capital spending to continue to shift away from video-centric customer premise equipment and towards connectivity-driven broadband infrastructure spending
- At NBCUniversal, first quarter CapExs decreased 5.6% to $269mm
  - However, this is mainly timing-related and for the full year we expect capital spending to increase at NBCUniversal, with the majority of the investment directed to our Theme Parks

Return of Capital

- And now finishing up on slide 10, let's cover return of capital
- As I mentioned earlier, we generated $3.1B in FCF in the quarter
- We returned $2.2B of that to shareholders, about a 60% increase over last year

- This includes $738mm in dividends and share repurchases of $1.5B in Q1
- This equates to an annualized rate of $6B, nicely above the minimum target for 2018 of $5B, which we reaffirmed at the time of the Sky announcement

- In addition, we remained at net leverage of 2.2 times EBITDA

Potential Acquisitions

- Regarding potential acquisitions, it's our job to continuously evaluate whether there are opportunities for us to create value
- But should we pursue anything while our stock is at these levels, while circumstances can always change, I think it's unlikely that we would use Comcast shares as a medium of exchange for a transaction
- Our strong balance sheet allows us to consider strategically important opportunities at times like this

Conclusion

I will just conclude by saying we feel great about the fundamentals and underlying strength of our businesses

Our first quarter results support that and set us up well for a strong 2018

QUESTION AND ANSWER SECTION

<Q - John C. Hodulik>: Maybe to focus on the strategic topic. Brian, as you said, you're seeing increasing competition in the video market here in the U.S. And with the Sky transaction, you will be purchasing an asset that is primarily a satellite TV distribution company. Is there reason to believe that the video market in Europe will not evolve similarly to what we've seen here in the U.S.?

And then number two, as a follow-up, just if you could give us any color on the $500mm in synergies, or any more details would be great. Thanks.

<A - Brian L. Roberts>: Thank you, John. Look, they're very different markets. Obviously, video and television have many similarities, but you really have to do the work and look at the competitive situation, dynamic, the future potential for competition. And I think the markets are just coming from different vantage points.

Also, Sky has a terrific programming business, content creation business, over-the-top business. And so we looked at it and continue to look at it, look at their quarterly results, which they posted last week. And they also are in the broadband business in the UK. And they made announcements that they intend to do so in Italy.

So we are impressed with just the continuing momentum at the business, the ability to have a content and distribution company that looks very similar to Comcast NBCUniversal. Mike?

<A - Michael J. Cavanagh>: So on synergies, John, $500mm, it's the same categories, I'd say, that we flagged that we expected to see when we did the 2.4. But it's about $300mm of expense side, $200mm of revenue synergies.

On the expense side, just think about the amount of third-party spending the two businesses at our scale does. And then the ability to get some efficiencies across the two companies in some of the more administrative and production side of things. All that $300mm represents such a small percentage of the overall expense base that we're not too – we're confident that's gettable, as we said earlier.

And then on the revenue side, it's again $200mm. When you think, again, about the ability to add to the power of monetization of Sky content in the U.S. and to some degree NBC content elsewhere, together with the strength of what we can do in producing new originals together is what gets you to those combined $500mm or so.

<Q - Craig Eder Moffett>: I mean I'll stay with the strategic theme as well. So, I guess, my and most people's reading is that your interest in Sky and Fox signals a view that the scale required for the next generation of media is likely to be much, much greater. First, is that right? And is the production side of that business, does that require much larger scale, [ph] hence (33:04) perhaps more than just Sky, but a real kind of addition to the studio?

And then if that's a global concept, I wonder if you could revisit your thoughts about how the U.S. fits into that with a sort of direct-to-consumer platform outside of your existing footprint?

<A - Brian L. Roberts>: Okay. Well, thank you, Craig. Let me start by saying, because there has been some commentary around this question of strategic intent, is that love our core businesses. And anybody who is viewing this as some divergent from that is not reading us properly in my judgment. We didn't choose to put Sky in play or any other asset in play. That event happened around us.

And the question is, do we take a look at it and engage? And as we have done the work and in M&A generally, as Mike just articulated, and I tried to earlier, what are the reasons to do it and what are the reasons not to do it? And we look at all of that. And we think we are disciplined. We think we have a great track record. Nobody is perfect. But I go back to NBCUniversal and say we didn't have to do that. And at the time, there was what's the strategic rationale and other things.

In the end, you want to buy it right, you want to operate it right, and you want to make a strategy and a growth trajectory for your company that's better than without it. And that's how you build an organization over 50 years. And so in the question of scale and looking at the future, again, I don't think we have to do this. I don't think international is broadly is a strategy. I think it is a unique asset in Sky's case that fits well within the mix of businesses we have already got, and is aligned with our existing strategy of integrating content and distribution. And a benefit is that you will get new geographies and additional scale, which gives you optionality for future things to consider, not a requirement or a necessity.

<Q - Jessica Jean Reif Cohen>: I'd like to maybe switch gears to NBCU. And I don't know if Steve is on the phone, but just a question or two is, as you approach the upfront, what will be different this year in how you sell those or how buyers view the market? Or how the marketplace occurs, whether it's targeting or demos or digital vs. linear?

And then secondly, could you comment on the health of the movie business? And any changes in distribution with the Fox-Disney deal combination pending. Does that change premium video-on-demand or the potential premium video-on-demand?

<A - Stephen B. Burke>: Okay. So this is Steve. First on advertising, we're entering the upfront, which is two weeks from Monday is our presentation. It's amazing how quickly it comes every year. But we are entering the upfront in the strongest position we have since we arrived seven or eight years ago at NBCUniversal.

If you look at NBC, we are over 40% ahead of the number two network in ratings. We had a very, very high percentage of the big nights in television between the Olympics and the Super Bowl, Golden Globes. We have a very, very strong schedule. And scatter for the last two or three quarters has been quite strong. Q1 was the strongest quarter for scatter that we've had in a while. It's too early to say what Q2 will be. But I think we have the cards to enter the upfront in a stronger position than we have in many years.

In addition, there is a pendulum swing that happens between traditional linear broadcast and cable and digital. And I think for a whole variety of reasons advertisers are coming to the conclusion that that pendulum ought to swing back in our favor. It's not to say it definitely will, but there's certainly signs in people that we've talked to of a coming home to a trusted environment where an ad can be in context, where an ad can be watched the way people watch television ads from the beginning until the end. And behaviors change and brands are built and businesses succeed.

So for all those reasons, the strength of our portfolio, in general, but in particular with NBC and also the strength of the market and the pendulum coming back to television, I am really looking forward to a very robust upfront.

In terms of Film, Universals has been around something like 105 years. And we have set the record for operating cash flow consecutively in two of the last three years. We had the highest year, the best – our best year ever last year. This year, because we are comping against that year and you see it in Q1 results we won't be quite as strong in terms of Film. But we are going to plenty strong, in my opinion.

We are looking forward to Jurassic World on June 18. We have Mamma Mia! coming back as a sequel. We have The Grinch at the end of this year. And our approach to our Film business, led by Jeff Shell, has been to build on franchises, which we have more now than ever, and animation. And the purchase of DreamWorks Animation is going to start bearing fruit starting next spring with our first new release under our control. And of course, Illumination has never been stronger.

So we feel very good about the Film business. I do believe that technology allows windowing to occur that will be beneficial to the Film business. And it's hard to say when and how that's going to happen, but we're doing so well in the Film business, that's just upside for us. And very proud of our team and their approach to the business, their discipline, their creative risk-taking, and the kind of movies that we are making, which are making Universal more profitable than ever.

<Q - Benjamin Daniel Swinburne>: I have two questions. Mike, I think, I just wanted to go back to your comment before, you talked about where your stock is today and that it's a currency. To make sure we're hearing you right, it sounds like you are sort of taking any equity finance deal off the table at the moment. And then related to that, can you just remind us sort of how far you would take the leverage or the company is comfortable taking leverage up through acquisitions? Just so we can put some kind of parameters around there? And then I have a follow-up for Dave.

<A - Michael J. Cavanagh>: Sure. I don't really have much to add to what I earlier said. I mean, obviously any comment like that is subject to facts and circumstances at the moment. But since I have been getting the question about would we or wouldn't we in a variety of different possible scenarios, I guess, in people's minds, just want to make personally the point that I don't see us using stock at these levels. So that's the point I was making earlier, really in response to a question that I have been getting.

In terms of does that necessarily mean we can't do anything, no, because the follow-through on that is the strength of our balance sheet and the history of being able to take advantage of the strength we keep in our balance sheet if something makes sense, which just ties back into what Brian said earlier about how we look at opportunities. And we are trying to always consider situations where if we can add value on top of the existing business, we view it as our job to try to do that. I wouldn't throw out any parameters for where we would or wouldn't go, other than the idea would be we like the leverage that we have and the strength of the balance sheet. And would be intent if we ever temporarily increased our leverage to bring it back to the neighborhood it's been operating in in a reasonable period of time.

<Q - Benjamin Daniel Swinburne>: That's great. And then, Dave, just on the broadband business, as AT&T upgrades their network, deploys more fiber, can you talk a little bit about how your flow share sort of trends over time? Do you see any marked differences in Comcast's ability to grow the business as they upgrade their DSL plant and even U-verse plant to more fiber? And are you doing anything around Verizon's 5G deployments in terms of just preparing the business or your customers for their deployment later this year? I realize the markets aren't all announced yet, but I'm just wondering how you are thinking about that.

<A - David N. Watson>: Well, Ben, first off, I think you go through competitive cycles. And certainly we saw that earlier with AT&T moving more of their DSL footprint over. Once these adjustments happen, you level off. We make some adjustments to how we go to market and then there is sort of the new normal that exists. And what we are seeing is we have great momentum. We really like the trajectory of our broadband business. So we had a good result, as you all saw with the 379,000 new high-speed customers. And we think there is more room here. There's more room in share, there's more room in terms of how we approach the marketplace. So when you look at – Mike and Brian talked about the overall market growth in terms of broadband, in terms of homes passed. From our standpoint, when you go up against a lower-end broadband, I mean, how we are talking about how we compete, we talk about connected devices, how much consumption is going on. And our focus on providing a superior speed, coverage, and controlled answer to the broadband marketplace, I think, is working.

So from our standpoint, you go through it and there's an opportunity to win some customers back that maybe are testing the waters. But I think our network is really designed and has great opportunities to scale around this new market. We increase the capacity every 18 to 24 months. And so I just feel that not all broadband networks are created equal. We have a great network designed, I think, to help us compete with more consumption.

And in 5G, we're paying close attention to it. We are testing our own results in terms of what this can do. And we still feel that I think it could be a good opportunity for a mobile network provider to enhance their mobile applications and mobile service. It's a different question around whether or not it can – what it's going to – what they will do in terms of fixed broadband.

So our focus, whether it's Verizon or whoever, is to continue to build out our network. We're very focused around broadband. We are going to test opportunities with 5G. But we are not going to stand still. We are going to continue to enhance our network capabilities. And you look at in terms of just overall consumption, just at a high level, you look at the top 10% of our customers, just how much they use, they are using 20 or more connected devices. And it's a tremendous amount of consumption that we have. And I think that's where the market is going. There is going to be more consumption, more connected devices. And so our focus is to provide the best in-home solution. And we will see what happens with 5G, but in the current spectrum use, the current way they are looking at it, I'm still very confident of our ability to compete.

<Q - Jonathan Chaplin>: I'm wondering if you can give us a little bit more context on trends in the wireless business this quarter. So if the $189mm losses that you reported, associated with wireless, how much of that is sort of one-time costs associated with getting the business started vs. sort of ongoing costs?

And then how does the cost profile of the business change now that you have the JV with Charter, where they are covering some of the platform development costs?

And then finally, when do you expect the pace of net adds to start accelerating as you upgrade the stores and get your sales channel really behind the product? Thanks.

<A - Michael J. Cavanagh>: So, Jon, it's Mike. I'll start and then I'll let Dave take over. But I actually feel pretty good about the [ph] 198,000, I think, line adds to close to 600 (46:40) thus far. We feel pretty good about the launch.

But in terms of the expenses, the $189mm of EBITDA losses, in line with what we had guided. We had several hundred million of losses last year. It will be a few hundred more this year. And that is really as we are acquiring customers and ramping the business.

We also have to cover expenses of just getting a business started, from marketing departments, technology departments, the like, just core infrastructure. We will get some benefit in our deal with Charter of bearing some of those costs together.

And in terms of where we go from here, I'll let Dave comment. But as we always said, when we get to scale in the business, we'll be able to cover those costs and be NPV-positive on a per-customer basis once we get to scale.

<A - David N. Watson>: Well, so on – as Mike said, I think we're off to a really good start in mobile. It is early, launched last May. I think the consumer response to the choice of By the Gig or Unlimited is working.

And it's still early in terms of how we expand distribution. And you mentioned kind of where we're at with that. We've launched now completely our retail stores. We didn't have to add a lot of retail stores, we just converted our existing stores and providing the capability to sell mobile in them. So that's going very well.

We continue to press, I think, a very good digital solution. And we're just now beginning to package mobile solutions with broadband with other options. So I think it's relatively early, but we like the early trajectory of that.

On Charter, just one other comment, given the amount of alignment and how we both look at the business, this is just, I think, a really logical next step. And so, as Mike mentioned, it helps us reduce costs. But I think it's even more than that. It's a really – it has the potential to be a really good operational partnership. We're both focused on back-office operations, really critical to how you scale this new business. And having Charter at the table thinking through the right answers to how we scale it, I think, is going to be a good help.

So it reduces costs, it's efficient, it's a good thing. But I'm real pleased that we were able to bring this partnership forward.

<Q - Scott Goldman>: I guess, Mike, maybe just on the programming expense, probably a bit lower than most people were expecting. It doesn't look like you have a lot of major renewals going on this year. I know you've signaled that this year might be a little bit lower than perhaps the historical average. Wondering if that view has changed at all or how we should think about 2018 from a programming expense side of the equation.

And then secondly, just maybe talk a little bit on the video side, what you're seeing in terms of vMVPD competition. How effective is Instant TV? I know it's probably early there, but how effective is that in terms of targeting some of the competition there? Thanks.

<A - Michael J. Cavanagh>: Sure. It's Mike. I'll start out. So as we said, we expected programming costs to come down to historical levels in this year after the couple of years of big renewals. So we're back in the land of regular escalators.

And as I said earlier, that combined with some of the shift in mix of our customer base and some of the reductions in subs deflates the growth rate down, as a result, a little bit below the historical levels. So that's programming.

We'll probably see trends similar for the remainder of this year, it's safe to say. And we'll come back next year with further annual guidance, but that's just on programming costs. And I'll let Dave comment on the competitive landscape on vMVPDs.

<A - David N. Watson>: Well, no question, it's a competitive landscape. And don't see that changing, but we anticipated this as we saw it, thus your point on Instant TV, very much in line with our approach towards segmenting the marketplace. So still early on Instant TV.

But again, similar to the question on broadband, once you see a fundamental shift in competition and the new – the virtual folks as they build a little bit of scale and get some customers, you have a real opportunity to win them back.

And so our focus is to segment the marketplace. But our approach is to lead with the best-in-class video solution in X1 with broadband. We package, it gives the customer the best overall value when you do that.

But part of this anticipated new competitive – more competitive landscape in video, we've continued to shift towards our connectivity business. And that has been absolutely part of our planning. As we look at the shift, it drives growth, both business services residentially, business services growing at almost 12%. There are share opportunities. Our focus is very much centered on broadband. When we start a package sale, when we talk to customers, we lead with broadband.

And then we complete the package from that point on. This is how we're going to compete and win, I think, in the marketplace. And you look at the overall opportunity, we are generating nearly $24B in this connectivity business in annualized revenue. It's growing at 10%. This is where our focus is. We will not – we're going to continue to compete in video, and I think that we'll see how things play out. We're not going to just stop competing. We're going to absolutely be aggressive. But our focus has shifted towards the connectivity business.

<Q - Philip A. Cusick>: Two follow-ups. Dave, you mentioned the shift to connectivity. Was there any pushback on the broadband price in this increase this year or any more than usual?

And second, and if I can follow-up on wireless, can you talk about the contribution from bring your own device launching in the quarter and how effective that was? And what type of usage and spending are you seeing from customers, especially the earlier ones who have been around for a couple of quarters? Thank you.

<A - David N. Watson>: So on broadband, Phil, in terms of rates, I would say at the highest level, we see that there is a real opportunity not just in share, but also in terms of how you reasonably price things. Our focus is to innovate. Just as we did with X1, we have really ramped up the ability years ago, focusing on mesh WiFi, great speeds, and then better control through the xFi app.

And so I think when you do all these things, it adds up to just a really compelling value proposition where you can reasonably price and then compete with a superior broadband product. So I think that, again, not all broadband networks are created equal. If you are providing a better solution in broadband, your pricing can reflect that. So we're getting share, we can price reasonably. We are comfortable with that approach.

And so in terms of wireless, I think it's too early. We just introduced the bring your own device. We like it. It's operationally working well. But it's a little early to go into any detail in terms of the usage metrics and the follow-up around that. But we'll get back to you over time on that.

<Q - Philip A. Cusick>: Okay. If I can do one more on 5G, Brian, you mentioned continuing to work on this. What's your interest in either the millimeter wave spectrum auction later this year or maybe the CBRS auction next year? Thanks.

<A - Brian L. Roberts>: Yeah, I don't think we have any news today on that. When we're ready to talk about that, we will. But I think Dave's answer was pretty complete earlier on our view of 5G. Thanks.

<Q - Marci L. Ryvicker>: You mentioned in prepared remarks that you are offering the gigabit speeds in 90%, I think, of your homes. Can you talk about how many people are actually taking these speeds? Or is it still really, really early?

And then, secondly, one clarification on the Charter JV. This is clearly different than the agreement you signed last year. So I assume there is no renewal of the prior-year agreement and that this, whatever was announced, is all encompassing? Or am I wrong there?

<A - Brian L. Roberts>: Well, first off, on gigabit, yeah, it is too early to talk about it. But we're primarily focused on just getting it rolled out. So that's the main thing, and putting it in a premium position. So it's a little early to talk about customers. On the Charter...

<Q - Marci L. Ryvicker>: So, I just want to clarify you are not offering it to customers yet? You're just...

<A - Brian L. Roberts>: No, we are. We absolutely are.

<Q - Marci L. Ryvicker>: Okay.

<A - Brian L. Roberts>: Yeah. No. It's launched and available 90%.

<Q - Marci L. Ryvicker>: Okay.

<A - Brian L. Roberts>: So in terms of Charter, the aspect that you are talking about is still in effect and through May. But this agreement that we just talked is really for the operational partnership. And that's going to be the relationship that will carry forward.

<Q - Marci L. Ryvicker>: Okay. Thank you very much.

<A - Brian L. Roberts>: Okay. And I just would add that I think great collaboration between ourselves and Charter and we'll keep informing you as that goes forward. But I just want to end by saying, Dave, you are doing a great job. Steve, the team is off to a strong start in the year. And we're looking forward to a great 2018. Thank you all for your support