

Company Name: Comcast
 Company Ticker: CMCSA US
 Date: 2019-01-23
 Event Description: Q4 2018 Earnings Call

Market Cap: 166,238.90
 Current PX: 36.54
 YTD Change(\$): +2.49
 YTD Change(%): +7.313

Bloomberg Estimates - EPS
 Current Quarter: 0.645
 Current Year: 2.777
 Bloomberg Estimates - Sales
 Current Quarter: 26889.714
 Current Year: 109070.650

Q4 2018 Earnings Call

Company Participants

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

Other Participants

- Jessica Reif Ehrlich
- Benjamin Daniel Swinburne
- John C. Hodulik
- Philip A. Cusick
- Richard Greenfield
- Craig Eder Moffett
- Douglas Mitchelson
- Marci L. Ryvicker

MANAGEMENT DISCUSSION SECTION

Jason S. Armstrong

Financial Measures

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

FY Review

FY2018 Overview

- 2018 was a successful and pivotal year for Comcast, capped off by an outstanding fourth quarter, where we grew pro forma EBITDA by 11%
- For the full year we generated record FCF
- We are now truly a global company with our acquisition of Sky; and as you'll hear, we had many other significant achievements throughout each of our businesses
 - This success is based on a few guiding principles: Be leaders in the markets in which we compete; continuously improve everything so we can deliver the best products and experiences; and keep building deep,

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highly valuable, recurring relationships with our customers

- This is what allows us to have tremendous consistency and to think and compete for the long term
- Throughout this very busy year, one of the things that stands out for me is that the team did not miss a beat, enabling us to deliver exceptional operational and financial results for Q4 and 2018

Cable Communications

- So let's turn to a few of the highlights as well as some of the growth opportunities we see in the coming years
- In Cable, we made a very successful transition to a connectivity-centric model and that drove our fantastic performance in 2018
- Strategy is clear
- Deliver the best products and experiences while improving our focus on keeping the customer at the center of everything we do
 - In Q4, customer relationships increased by 258,000 and EBITDA growth of 7.3% was the best for a fourth quarter in eight years

New Customer Relationships

- For the full year, we added 1mm net new customer relationships, driven by our 13th consecutive year of over 1mm broadband net adds
- Our connectivity businesses Residential Broadband and Business Services, in total, grew revenue nearly 10% in 2018
- We made progress in transforming the customer experience and taking unnecessary complexity and activity out of the business
- Greater than 75% of transactions are now being completed through digital touch points
- In the past 12 months alone, we have reduced agent-handled calls by 15mm and truck rolls by 1.5mm, all while adding 1mm new customer relationships
- Altogether, this resulted in Cable EBITDA growth of 6.5%, the best for a full year in seven years, and net cash flow growth of 13%
- Our focus on network differentiation and product innovation continued throughout the year
 - We rolled out gigabit speed availability to nearly all of the 58mm homes and businesses in our footprint and are redefining the in-home broadband experience for our customers, with the best speed coverage and control, which we call xFi

Video

- In Video, we are leveraging our X1 platform to be the best aggregator of aggregators, delivering the broader selection of content
- With our integration of YouTube, Netflix, and most recently, Amazon Prime Video in December, X1 is the best platform to consume live on-demand and streaming content on TV and on Xfinity Stream

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- Xfinity Mobile, which has quickly become another important component of our bundled offerings for customers, ended 2018 with 1.2mm subscriber lines
- We're very pleased with this performance in Mobile so far and the value it adds to the bundle and are on track to achieve our primary objectives, including positive standalone economics
- Customer satisfaction is increasing and retention improved across all of our products in 2018, notably including the best broadband retention on record
 - So our Cable team is leading and their big strategic shifts are really paying off
- Looking ahead, we hope to build on this positive momentum
- We expect connectivity will again be the growth engine of our Cable business in 2019 and beyond, with sustainable benefits to our financial results as our mix shifts more towards these margin-accretive businesses
 - We see lots of runway ahead and this should help us deliver another year of healthy customer and net cash flow growth in 2019

NBCUniversal

- NBCUniversal has had an incredible run with EBITDA growth at a double-digit compound annual rate since our acquisition and we are well-positioned to succeed for years to come with scale, must-see content, and I believe the premier management team in the media industry
- NBCUniversal ended a very good year on a strong note
- Fourth quarter EBITDA increased 12%, driven by over 20% growth at our TV businesses
- For the full year, TV EBITDA increased by 15% with growth across all revenue streams
 - Reflecting successful execution of our strategy focused on big events and must-see entertainment, news and sports content

NBC

- NBC had a notable year, finishing the 52-week broadcast season at number one in total viewers for the first time in 16 years and number one in adults 18 to 49 for the fifth consecutive year in prime
- MSNBC was also a real standout, reaching record viewership for the full year and its largest-ever lead over CNN
- Our Theme Parks and Film business were very meaningful contributors to NBCUniversal's profitability as well
 - And Mike will take you through the details for Q4 and full year

FY2019 Outlook

Streaming Service

- Now looking to 2019 and beyond, as our 2018 results demonstrate, there is robust demand for our content across multiple platforms
- The popularity of our programming is what gives us a great opportunity to create our own streaming service as we announced last week, which we plan to launch in 2020

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- This service will be distinct and compelling, offering current and prior seasons' library and some original content, with a light advertising load all for free to pay TV customers
 - It's a great value proposition for consumers and provides marketers with unique, targetable digital advertising in a high-quality premium programming
 - It will harness all of the things that make our company so unique
- NBCUniversal's premium programming, the loved franchises and industry-leading advertising sales capabilities and Cable and Sky's broad distribution to 54mm direct customer relationships across the U.S. and Europe and top-notch IP video capabilities and infrastructure, including the NOW TV OTT platform
- We believe that we can generate significant value with this service over time by enhancing our content monetization, strengthening the value of pay TV, becoming a leader in targeted digital streaming advertising and expanding our reach through direct customer relationships
- At the same time, our approach to monetizing our content will remain balanced
 - We will continue to sponsor a broad varied distribution environment and see this platform as being a valuable addition to this highly effective strategy

Film

- In Film, we have a terrific slate in 2019, which includes the third installment in DreamWorks' How to Train Your Dragon franchise
- The next chapter in Illumination's brilliant Secret Life of Pets and the return of the Fast & Furious franchise with Hobbs and Shaw
- Finally, we have some wonderful attractions opening at our theme parks in 2019 with Jurassic World in Hollywood and a pretty thrilling new Harry Potter coaster in Orlando
 - In addition, with occupancy above 90%, even as we more than doubled our onsite hotel rooms at the park over the last five years, we are looking forward to opening Phase 1 of the 2,800-room Endless Summer Resort in Orlando in 2019
- We are confident in the long-term growth potential at our parks, with an exciting roadmap as our partnership with Nintendo debuts at Universal Studios Japan in 2020 and we bring a brand-new large park to Beijing the next year

Sky

- Turning to Sky, which we have viewed for years as a truly unique company that combines a direct-to-consumer business, similar to Comcast Cable, with brands and content ownership economics like we have at NBCUniversal, Sky operates in significantly underpenetrated markets and has terrific long-term growth ahead of it, including the potential to expand into new markets
- As our teams have come together, the brand leadership, impressive customer loyalty, premier content, and innovation-driven culture that attracted us to Sky in the first place have become even more apparent
- The team at Sky delivered a healthy fourth quarter, its first as part of Comcast
- Sky's achievements in 2018 underscore some of the reasons we are so excited about this business
 - Sky grew its customer base in each of its territories with 735,000 total net additions in 2018, including a record H2 the year, bringing its customer relationships to nearly 24mm

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New TV Offering

- We continue to innovate and scale its best-in-class Sky Q platform and launched a new TV offering in Italy with Sky over digital terrestrial television
- Highlighting Sky's proven cross-selling abilities, fiber penetration increased and mobile customers continued to scale in the UK
- Sky's successful original programming strategy drove strong viewing, with Sky Originals representing 9 out of the top 10-rated shows on its wholly owned and partner entertainment channels in 2018
- Sky enhanced its differentiated sports offering, securing Premier League soccer rights at a lower cost and Serie A in Italy with more exclusive games

Improving Operating Efficiency

- And finally, the team is extending Sky's leadership and customer service while continuing to improve operating efficiency with its digital-first initiatives
- We are enthusiastic about Sky's organic growth prospects as well as the opportunities created by the combined company in 2019 and beyond

Summary

So in summary, this was a really important year for our company, underscored by an excellent fourth quarter

Our consistent track record, which now includes 24 straight years of EBITDA growth and confidence in our outlook for continued strong and profitable growth, is what enables us to announce that we are raising our dividend by 10% for 2019

- We're really just getting started on this next chapter in our company's history, and we have a lot of excitement about the future

Michael J. Cavanagh

Financial Performance

Financial Highlights

- I'll begin on slides 4 and 5 with our fourth quarter and full-year consolidated results
- As a reminder, we completed our acquisition of Sky in Q4
- As a result, our reported results include a partial quarter of Sky from October 9, while pro forma results are as if the Sky transaction had occurred on January 1, 2017
- Revenue increased 26.1% to \$27.8B on a reported basis and 5.2% on a pro forma basis for Q4, and increased 11.1% to \$94.5B on a reported basis and 6.4% on a pro forma basis for the full year
- Adjusted EBITDA increased 21.6% to \$8.2B on a reported basis and 11.1% on a pro forma basis for Q4, and increased 7.9% to \$30.2B on a reported basis and 4.8% on a pro forma basis for the full year
- In Q4, adjusted EBITDA increased 7.3% at Cable, 12.3% at NBCUniversal, and 8.9% at Sky on a pro forma basis or 12.4% on a constant-currency basis

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- Adjusted EPS increased 36.2% to \$0.64 for the quarter and 25.6% to \$2.55 for the year
 - This growth reflects the benefit of a lower effective tax rate throughout 2018 due to tax reform as well as our strong operational performance
- Finally, FCF was \$2.1B in the quarter and \$12.6B for the full year
 - These EPS and FCF results include a partial quarter of Sky results in Q4

Cable Communications

FY Results

- Now let's turn to Cable Communications on slide 6
- Starting with a few highlights from Cable's results for the full year, revenue increased 3.9%, EBITDA increased 6.5%, and net cash flow increased 13.3%
- Total customer relationships grew by 1mm or 3.4% y-over-y to 30.3mm
- On a per relationship basis, EBITDA grew 3.4% and net cash flow grew an impressive 9.9%
- As Brian mentioned, retention improved across all of our products, including the best on record for broadband
- For Q4, Cable revenue increased 5.2% to \$14.1B, EBITDA increased 7.3% to \$5.8B, and net cash flow increased 8.4% to \$3.1B
- Total customer relationships increased 3.4% y-over-y, including 258,000 net additions in Q4
- On a per-relationship basis, EBITDA increased 3.8% and net cash flow increased 4.8%
 - These strong operational and financial results for Q4 and full year reflect our overall focus on driving profitable growth and the benefits as our model shifts more towards our high-margin connectivity businesses, Residential High-Speed Internet and Business Services

Q4 Results

- Now diving into the details of Cable's fourth quarter results, High-Speed Internet revenue was the largest contributor to overall Cable revenue growth, increasing 10.1% to \$4.4B
- We added 323,000 net new residential broadband customers in Q4, bringing full-year net additions to 1.2mm
- This performance demonstrates our broadband offering's attractive positioning in the market, which is a result of the investments we've made in product innovation and in the capacity of our network
- We've raised the bar for broadband by offering gigabit speeds, the best customer equipment for wall-to-wall WiFi coverage in the home and innovative control features to help customers manage their networks and devices
- We are delivering more value in our offering and utility of broadband continues to grow
- Our customers' median monthly data usage was over 170 gigabits per month for H2 2018, up over 30% y-over-y
- We believe we are well-positioned to continue to grow as the size of the broadband market increases and we take greater share with our differentiated product and highly capable network

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- Having broadband at the center of our offering and go-to-market strategy gives us of the opportunity to deepen our relationship with the customer and drive additional value by attaching other complementary products

Video

- Video is one of these important supporting parts of the bundle
- Our best-in-class X1 platform enables us to compete well for customers who want the most content and a premium experience and it further underscores the value of our broadband by bringing together the best streaming content with linear TV
- However, as we saw throughout 2018, the video market remains competitive, including the impact of virtual MVPDs
- We expect this dynamic to continue in 2019 and remain focused on driving video in the customer segments we can serve profitably

Xfinity Mobile

- Xfinity Mobile also highlights another opportunity to add value to our core business by bundling with broadband
- We ended the year with 1.2mm customer lines having added 227,000 in the quarter and 854,000 for the full year
- Early results are supportive of our key objectives in wireless, as we're seeing benefits to overall customer satisfaction and improve broadband retention when Xfinity Mobile is attached
- Xfinity Mobile EBITDA losses, which are included in the Corporate and Other segment, were \$191mm for Q4 and \$743mm for the full year
- Lastly on Mobile, one housekeeping item, which is that starting with our first quarter 2019 results, we will report Xfinity Mobile as part of the Cable segment

Business Services

Revenue

- Moving on to Business Services, revenue increased 9.5% to \$1.8B in Q4, driven by a 5.7% increase in business customers to 2.3mm and a 3.5% increase in revenue per business customer
- We are taking share in each of our customer segments, small, mid-sized and enterprise by leading with our connectivity expertise
- In enterprise, in particular, we are still in the early stages of penetrating a significant addressable market with great traction so far
- As we continue to drive growth in enterprise, there can be some lumpiness in revenue due to the timing of bringing new customers online, which was a factor in our fourth quarter comparison
- Overall, we ended the year at over \$7B in Business Services revenue and with at least \$40B market opportunity in our footprint, we see substantial runway ahead for this margin-accretive growth business
- Collectively, our connectivity businesses generated over \$24B of revenue and grew nearly 10% in 2018

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Advertising

- As we begin 2019, we're optimistic that we will continue to grow at similarly strong levels, thanks to our network and product differentiation
- And finally, advertising was again a driver of Cable revenue growth in Q4, increasing 27.7% due to record political advertising spending
- Excluding political, advertising increased 3%, driven by growth in our advertising technology platforms

Cable Business

Expenses

- Moving now to Cable expense and margin on slide 7, total Cable expenses increased 3.8% in Q4, driven by 4.5% growth in non-programming expenses, or 1% growth on a per-relationship basis
- The increase in non-programming expenses reflects costs associated with increased advertising sales activity due to political and costs related to our X1 syndication business
- Partially offsetting this growth was 2.5% decrease in customer service expenses, even as our customer base grew 3.4%
 - This reflects reduced call volumes and truck rolls as we continue to make progress in providing a better overall experience and eliminating unnecessary activity and transactions, including through more digital service tools
- Programming costs increased 2.9% in Q4
- Following elevated growth in 2016 and 2017 due to the timing of renewals, we said the rate of programming costs growth should be meaningfully lower for a period of time
 - We saw this in 2018 with 2.7% growth for the full year, and expect a similar level in 2019

EBITDA and Margins

- Cable EBITDA and margins were 40.9% in Q4, up 80BPS y-over-y and 40.7% for the full year, up 100BPS
- For 2019, we believe our margins on our currently reported basis could improve by up to 50BPS compared to 2018, benefiting from our high margin connectivity-driven growth and ongoing customer service efforts
- The same margin improvement of up to 50BPS will also apply after we restate our Cable financials to include Xfinity Mobile results in Q1 2019

CapExs

- Fourth quarter Cable CapExs increased by 7.6% to \$2.3B, driven by increased investment in scalable infrastructure as well as higher customer premise equipment investment due to typical seasonal spending patterns
- For the full year, CapExs decreased 3% to \$7.7B, reflecting a decline in customer premise equipment spending, partially offset by increased investment in scalable infrastructure and line extensions
- CapEx intensity was 14% for the full year, an improvement of 100BPS y-over-y

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- In 2019, we expect 50BPS of improvement in CapEx intensity, primarily reflecting continued decreases in video-centric CPE spending, consistent with the broader shift in our business towards connectivity
- Overall, I'm really pleased with our results in Cable in 2018 and have confidence that we are well-positioned to deliver another year of healthy growth in 2019

NBCUniversal

Revenues

- Now moving on to NBCUniversal results on slide 8
- NBCUniversal revenue increased 7.1% to \$9.4B and EBITDA increased 12.3% to \$2.1B in Q4, driven by growth in our TV businesses
- Cable Networks revenue grew by 8.9% to \$2.9B and EBITDA increased 4.3% to \$1B in Q4, reflecting growth in distribution and content licensing revenue
- Distribution revenue increased 10.3%, driven by the ongoing benefits of previous renewal agreements as well as another quarter of improved subscriber trends at our Cable Networks relative to the 1.5% to 2% declines we were experiencing earlier due to consumer adoption of virtual MVPDs

Content Licensing Revenue

- Content licensing revenue increased 28.4%, driven by the delivery of content under our existing licensing agreements, and reflecting overall strong demand for our content
- Advertising revenue was consistent with the prior year as growth from MSNBC and overall higher rates were offset by ratings declines at our Cable Networks
- Broadcast revenue increased 3.7% to \$3.1B, driven by growth in retrans and advertising
- Retrans increased about 25% to \$440mm, bringing the full year to \$1.7B, up over 20% compared to \$1.4B in 2017
 - We expect retrans of \$1.9B in 2019 and we believe our successful content and big event strategy at NBC and Telemundo position us well for continued growth in the retrans over time

Advertising Revenue

- Fourth quarter advertising increased 2.1% as overall higher pricing, record political advertising and strong Sunday Night Football ratings more than offset the comparison to Thursday Night Football in last year's fourth quarter and ratings declines in other programming
- Broadcast EBITDA increased by \$215mm to \$412mm, reflecting higher revenue as well as lower programming and production expenses due to the comparison to Thursday Night Football rights cost in last year's fourth quarter

New Streaming Service

- Lastly in TV, we are excited about NBCUniversal's recent announcement of a new streaming service

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- We believe our unique proposition offering premium programming and a light advertising load offered free to pay TV customers will be well-received by both consumers and marketers
- As Brian outlined, we believe this approach will create significant value over time and leverage the strength and resources of Comcast-NBCUniversal
- We anticipate a manageable level of investment will be required to build out and scale the service over several years, with a negligible impact to our financial results in 2019
- We will be measured in our production of streaming originals, aligning the levels of spend with the consumer and financial scale of the service over time
- We have a balanced strategy that promotes a broad very distribution environment for our content and our new streaming service will be a complementary part of this approach

Film

- Turning to Film, revenue increased 14% to \$2B, driven by the theatrical success of The Grinch in Q4, while EBITDA decreased 23.6% to \$179mm due to a tough comparison to our 2017 slate
- We are optimistic about our Film slate and outlook for growth in 2019, underscored by an increased number of animated titles and the return of The Fast and the Furious franchise
- Theme Parks' revenue increased 3.5% to \$1.5B and EBITDA increased by 0.7% to \$666mm in Q4 as record results from the annual Halloween Horror Nights event at our domestic parks were offset by continued weakness at Universal Studios Japan as the park recovers from the lingering effects of the natural disasters that occurred in Q3
- We remain bullish on the outlook for our parks over the next several years as we're investing in a robust pipeline that includes Harry Potter and Jurassic World attractions in our domestic parks in 2019
- A new resort hotel opening in Orlando this summer, Nintendo coming to our park starting with Japan in 2020, and a new park opening in Beijing

Sky

- Turning to Sky on slide 9, we are pleased with Sky's execution and results in Q4
- On a reported basis, Sky is included in our financials as of October 9, 2018
- As I go through Sky's performance in more detail, I'll refer to our pro forma results as if the transaction had occurred on January 1, 2017 and growth rates on a constant-currency basis, consistent with what's reflected in the earnings release and what will be our go-forward approach for discussing Sky's results
- For Q4, Sky's revenue increased 5.6% to \$5B, reflecting healthy growth across direct-to-consumer, content and advertising
- Direct-to-consumer revenue increased 4%, driven by improved product penetration for pay TV, growth in Sky Mobile and Sky Fibre customers as well as rate adjustments in the UK

Customer Relationships

- Sky's total customer relationships grew 3.2% y-over-y to \$23.6mm, including net additions of 164,000 in Q4, reflecting customer growth in each of its markets

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- Sky added 735,000 net new customer relationships for the full year, with growth in all markets led by Italy, driven by the successful launch of its new DTT TV product and benefiting from an enhanced sports offering there with new Serie A Champions League and Europa League deals

Sky Mobile

- Sky Mobile customer lines reached 785,000 at year-end, and fiber penetration has increased to 47% of Sky's broadband customer base, up from 34% a year ago
- Sky's content revenue increased 35.7% in Q4, reflecting the wholesaling of sports programming, including Sky's newly acquired exclusive sports rights in Italy and Germany, increased penetration of Sky's premium sports and movie channels on third-party pay TV networks in the UK, and monetization of its successful slate of original programming
- Sky maintained its position as the number one pay TV provider in core markets
- Sports viewing was up 10% in Q4, with growth in each territory and strong performances from key sports rights like Formula One in the UK and Italy and UEFA Champions League Soccer in Italy and Germany
 - Advertising revenue increased 2.9%, reflecting increased sports inventory in Italy and Germany and advanced advertising growth in the UK

EBITDA

- Sky's fourth quarter EBITDA increased 12.4% to \$765mm, driven by healthy revenue growth, partially offset by 4.5% increase in operating expenses due to growth in programming cost, driven by new contracts for Serie A and UEFA Champions League Soccer rights in Italy and Germany
- Sky's total capital was \$1.6B for the full year, primarily reflecting its ongoing deployment of Sky Q, which was rolled out to 3.4mm homes throughout Sky's footprint over the past 12 months to end the year at 5.5mm homes
- For the full year, pro forma revenue increased 4.5% to \$19.8B and EBITDA decreased 5.3% to \$2.9B
 - This reflects contract termination costs and costs related to a settlement that impacted Sky's second and third quarter 2018 results, totaling \$231mm for the year
- Excluding these costs, Sky's EBITDA would have increased about 2% for the full year, reflecting growth in direct-to-consumer content and advertising revenue, partially offset by increased programming expenses and customer acquisition costs associated with Sky's new product launch in Italy

FY2019 Outlook

- Looking ahead to 2019, we expect Sky to deliver healthy full-year EBITDA growth by executing on its strategy of growing its TV penetration and attaching additional products, including exciting new opportunities like the launch of broadband in Italy, as well as monetizing its investments in original content
- Sky's EBITDA growth in 2019 will be back-half weighted, primarily reflecting the timing of sports rights costs, which will increase in H1 due to increased costs associated with its new Serie A and Champions League contracts, which commenced in August of 2018
- In H2, Sky will benefit from lapping these contracts as well as from the new lower cost Premier League contract, which begins in August 2019

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- Additionally, the teams across Cable, NBCUniversal, and Sky are highly engaged and working together to leverage our capabilities throughout the company and further strengthen each other's growth opportunities
- Giving us continued confidence in our previously announced synergy expectations and our ability to make good progress through the year towards a healthy exit rate for 2019

Return of Capital

- Wrapping up on slide 10 with return of capital, we generated \$12.6B of FCF in 2018 and returned \$8.4B of that to shareholders, comprised of \$5B in share repurchases and \$3.4B in dividends
- We are pleased to announce a 10% increase in our dividend, our 11th consecutive annual increase, reflecting our confidence and outlook for growth going forward
- We ended the year with pro forma net leverage of about 3.3 times
- As we said in October, we are pausing our share repurchase program in 2019 as part of our commitment to returning to leverage levels consistent with our current ratings
- Overall, I'm pleased with our results and successful execution in 2018
 - We have a lot to be excited about across the businesses as we start 2019

QUESTION AND ANSWER SECTION

<Q - Jessica Reif Ehrlich>: I have two questions. First on direct-to-consumer, the Video business has transitioned faster than I think many have expected, and your DTC service seems like an ecosystem-friendly way to address that. Can you talk about what the service looks like in 2020 at launch and beyond? Where do you see it going? Will you bring in – what content and/or marketing partners will you bring in? And can you talk a little bit about the financial impact in 2020 because it seems fairly low cost?

And on the second question on Sky, this is the first time Sky is included in your call. Brian and Mike, you both talked about underlying opportunities at Sky. What's more than increasing penetration in existing and new markets? And what does NBCU and Comcast Cable bring to Sky? What can you do together that you couldn't do separately?

<A - Stephen B. Burke>: Okay, I'll answer the first question on direct-to-consumer. First of all, we're really excited about our approach. We spent a lot of time on it, and we're excited to get going and stand up a management team and get going on entering the business.

I think our excitement comes from the fact that the way that we're entering the business really addresses the real objective we have, which is as viewership goes online, how do we monetize that viewership better. One of the good things about what's going on right now in the television business is people are watching professionally produced content at higher levels than ever. We're just not monetizing as well online as we should.

And so what we've come up with is we're taking some of the most popular shows on television that we produce, and we're going to offer them for free to 80% of the people in the United States who are multi-channel customers, for free to Sky customers in Europe, and also to people who are not part of the ecosystem at a fee that would be comparable to other people in the SVOD business.

The service will have a very light ad load of targetable ads. And we know there's a huge demand for digital advertising – interactive digital advertising. In fact, we're constantly trying to find more ad inventory because advertisers want to be in very, very good professionally produced content.

So our idea to enter the business is to leverage Sky's technology. It's called NOW TV in Europe, and also parts of what we've been doing at NBC and Comcast Cable. We think this approach has a much better chance to get scale quickly. There's nothing better than free for consumers. And we have enough product that consumers are currently viewing on

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other platforms online for free and charged that we think putting it all together in one place, very, very good technology, and then leveraging our relationship with Comcast Cable and Sky.

There are a lot of approaches to get into the market. And we think this one is attractive to consumers. We also think financially it's more attractive because you get scale more quickly. And we think it's highly likely that will reduce the amount of investment we need to make coming into the business and also accelerate our ability to get to breakeven. So that's what we're doing. We plan to launch in H1 2020. And we're spending a lot of time right now developing the technology, getting the management team in place so that we can get going soon enough.

<A - Brian L. Roberts>: I think that's a pretty complete answer. And if there's other questions on that, we can come back to it. But I think we're uniquely positioned to do all the things Steve just described.

I think as we look at Sky, part of the answer, Jessica, right off the bat is what Steve just described. The amount of media companies and potential partners that have reached out to me and to us and to Jeremy and his team since we announced Sky is surprising and overwhelmingly positive in my opinion. Sky's position is just – it's quite unique.

So today, we focused more on operations, which we did on the last earnings call. Jeremy, you may want to talk a little bit about the specifics of some of the integration work we're doing in the early days. But at the highest level, it gives the company a reach with a very healthy business that is quite enviable and desired. And that's changed the dialogue we're having with our partners and within our own company, and the first evidence of that is the global OTT that Steve just described.

Jeremy, do you have anything you want to add on that?

<A - David Jeremy Darroch>: Look, I strongly think that Sky as a business is going to be able to grow faster and serve as part of the broader Comcast organization. Bear in mind, still 78mm households just in the markets we're in, don't think pay TV, we're in fundamentally underpenetrated markets. And I think by combining what we're all good at, means we're going to be better for customers. I think we'll be able to innovate faster. We'll be able to develop better content.

There's obvious areas like procurement and best practice where we can share learnings, insights around product roadmaps. And I think all of those things over time will come through, both for customers importantly but also for shareholders. And you can just start to see the early wins emerging. So to give you two to three examples, we're going to be deploying xFi into Italy for our broadband launch. That's particularly important because of the number of homes in Italy that our MDUs or quite housing stocks of WiFi coverage in the home is a real-world customer opportunity for us to improve.

We really like the Comcast Voice platform, and we're going to be incorporating that to Sky Q and we'll consolidate that and use the technology there. And as Steve mentioned, we're already sharing our expertise. A lot of the infrastructure we've built for the NOW TV service here into the – in NBCU's OTT service launch. So these are – it's early days. We're only 15 weeks in but encouraging, I think. We're starting to see some really important tangible evidence of working together as part of the broader group.

<Q - Benjamin Daniel Swinburne>: Sticking with the NBC announcement, Steve, when you think about particularly that business outside the United States where there – as Jeremy late just laid out, there's a lot of non-pay TV households. What led you to the decision to bundle this or link this with the broader NBC bouquet of channels in terms of positioning it for consumers? I know it's going to be available, I think, for a subscription outside of the bundle. But it seems like it's positioned primarily for bundled customers. And outside the U.S. the definition of a bundle gets sort of murky. And Sky's been a leader in offering those more skinny tailored bundles. So how do you think about this outside the U.S.?

And then, on the licensing side, it sounds like we shouldn't expect a big impact to financials. I think when I add up 2018's licensing revenues at NBC, it's north of \$6B across all your businesses and that's been a huge growth driver over the years. How do you think about pulling some of your big titles like The Office back on platform over time? And why did you land where you landed on that approach?

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<A - Stephen B. Burke>: So in the United States 80% of the addressable households are multichannel subscribers. That's obviously not the case in many places around the world. But between United States and Sky's footprint in the UK, we think we should start and try to gain as much scale as possible with an ad-supported free to consumer service.

There will be countries where we launch SVOD-only, countries that don't have the kind of advertising ecosystem that we have in the United States or in parts of Europe. There will be places where we have different strategies and obviously our – the rights we have, the shows we have will vary by country. But if you look at Comcast and Sky alone, Comcast Cable and Sky alone, you're well over 50mm customers. And so the ability at launch to have those 50mm customers get all this great programming for free, we think not only gets us to scale, but is also good for Comcast Cable and Sky.

You're going to be offering a lot of good things to people who are subscribing to those services. And we'll have those discussions with Charter and DIRECTV and everybody around the world that's a multichannel supplier.

In terms of content and taking things that are currently licensed elsewhere and moving them to the platform, I think, it's going to be very positive for us financially, because in effect, we're going to be a brand-new buyer. So we have long sold to everyone. We've sold to SVOD. We've sold to cable channels that we don't own and even broadcast channels that we don't own. Our feeling is if you're in the television business, you should work with the best people, have the best shows and sell them wherever it makes the most sense.

And we'll have the same philosophy ourselves. We do feel we undermonetize significantly on the Internet. And we undermonetize on free platforms and we also undermonetize on SVOD platforms. So as more and more content becomes available, I think a lot is going to be on our platform, but we will continue to sell on other platforms, depending on the show, depending on the prices that we can command for those products.

And so I think it's fair to assume that when we launch, we'll have a lot of content. We have a significant amount of content at launch. That will only increase over time, but we'll go show-by-show, instance-by-instance and figure out what makes sense at the time those rights come back to us.

<Q - John C. Hodulik>: Maybe a question on Cable for Dave, a lot of focus on the broadband business, but the Video business is holding up better than we expected both from a subscriber and a revenue standpoint. Maybe could you just comment a little bit about what you're seeing from a competitive standpoint, maybe in terms of cord-cutting trends as well?

And given the sort of higher-than-typical price increases we saw late in the year and early this year, can the revenue improvement that we've seen in that line continue into 2019 vs. what we saw in 2018? Thanks.

<A - David N. Watson>: Thanks, John. Video remains a very competitive area. And I really don't think it's going to change anytime soon. And our game plan is going to remain the same that we're going after the – and we'll attract the most profitable video customer relationships that we can. And we're going to continue to manage this shift as Brian – Mike talked about and focusing very much on the connectivity business. But in improving the connectivity business and competing Video still remains an important part of packaging.

So I think the competitive environment remains challenging. We'll watch it closely and what happens we always make adjustments. And if there are opportunities based on what the competitive landscape is then, our packaging will be there to benefit from it. But our main focus is continuing to take X1, leverage that with the broadband. And we have other opportunities in Mobile to be able to package things. So we're really not changing our approach and it's improved overall the financial performance.

You look at the overall customer relationships, 1mm customer relationships that we've added. Obviously, fueled and helped by broadband. But when you couple great video with great broadband then, I think that it helps us financially. And we'll see what happens in terms of video share, but we're so far pleased with this quarter and can't comment too much further into next year.

<A - Brian L. Roberts>: Let me just add that kudos to the X1 team. I think they launched Amazon really flawlessly at year-end, Amazon Prime Video following up on Netflix and YouTube. We've transformed that product every year and

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made it better. And at the same time, we have a discipline under Dave's team to look for profitable video as we've made this transition. So it's this alchemy of leading with broadband now. We have way more broadband customers than we do video customers. That's a huge shift in the company.

And we manage that shift, I think, to intelligently still invest in our Video business, but not chase every single subscriber all the time. And I think that balance is why you see great cash flow growth, RGU growth, customer relationship growth, lowest churn, more digital interactions, less cost and FCF, therefore, growing at its best clip in a number of years. So I think it's a real balance job led by still our passion around X1 and Video.

<Q - Philip A. Cusick>: Can you expand on Cable costs and margins? It looks like you did a similar price increase to last year and you've said that programming costs should again be muted. How do you think we should – how should we think about trends in non-programming OpEx per customer? Are you focused on bringing those numbers down further like calls and truck rolls? Or is margins expansion more a function of mix shifting to broadband and business? And if all that's right, is anything else going on that would mean that margin growth of 50BPS is the high end vs. the 80BPS you did in 2018? Thanks.

<A - Michael J. Cavanagh>: So Phil, it's Mike. I'll start and Dave can pile on. But I think it's all in the 50BPS of margin improvement. It's sum of all of the above. But I think as I've said repeatedly that Dave and team are doing the same things on an ongoing basis in terms of staying focused on non-program expenses, which is the customer experience journey, which has been of great value to our customers and so a virtuous cycle that continues to continue to make it a better, more digitized experience, which brings out cost in the businesses, gets reinvested in other parts of the experience.

But all that's going to continue, and I think confident that non-programming expenses will be managed well going forward. And it's embedded in that 50BPS of margin improvement. We said the kind of another low-year of programming expense growth as we predicted two, three years back, that would be the trend. And so again, it's all in there. And there's a mix shift going on as you point out, and the more we see a shift to connectivity, which we have in the revenue mix that's a long-term positive trend for the margins in the Cable business as well. And hopefully, we'd beat our expectations like we did last year, but our expectations are 50BPS of improvement.

<Q - Philip A. Cusick>: If I can follow up...

<A - David N. Watson>: So in addition to the connectivity focus that we have, which helps margins, that helps us overall in terms of growth, emphasizing what Brian said, just the focus on packaging and going after the profitable customer relationships that we are broadband and video. And we've remained very optimistic about taking transactions out of the business. We spend a lot of time thinking about the digital experience for customers, and it's just the best way to take out unnecessary telephone calls, truck rolls by just letting customers handle their solutions independently. So I think Mike gave the guidance in terms of the expectations in margin, but extremely focused on non-programming expense.

<Q - Philip A. Cusick>: Mike, if I can follow up. Now that Dave owns the wireless side, can we assume that those losses have probably peaked?

<A - Michael J. Cavanagh>: We are at a level where we're really pleased with what we see happening in the mobility business, and hence, the move into the Cable business. I think we've said for a while now that we're running now at a level of ads that the losses are going to be commensurate with what the ad trajectory looks like from here. So I won't let myself get pinned down on that one. But that is the two will go hand-in-glove with each other. And we like the pace of growth that we've had in the business over the course of 2018. I think hopefully, we get something similar in 2019.

<Q - Richard Greenfield>: Wondering about programming. So Dish dropped Univision earlier this year of the middle of last year and really hasn't seen any meaningful negative impact. We've got the RSNs from Fox, which after Fox bowed out of buying them, looks like they're about to be orphaned. Just curious how you think about right-sizing content within the bundle to provide cheaper packages. We've seen a lot of the MVPs with much lower cost bundles. And as you have added more of these third-party apps, you were just talking about Netflix, Amazon, and YouTube being on the set-top box. Just thinking about, is there the potential to really transform programming cost or bundle

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dynamics over the next couple of years as deals come up?

<A - Brian L. Roberts>: So a couple of things. I think you raise a very good point. Our focus – we’ve been very disciplined in our approach to programming and how we value content and the use of data to understand this. So what goes into packaging, and so that has been something that we’ve been doing for several years now. That’s not brand-new, but we’re very focused on understanding the content value.

The point you make in X1 is game-changing in that as we look at and we aggregate all the different apps and all the content that’s available and the ability to connect all these assets through the great voice recognition capability delivered 9B voice commands last year. So X1 just gives us strategic flexibility with programming options. And we look at it very broadly that way and we provide, I think, the best live, the on-demand in terms of DVR, and then now with all this new content that comes on, I think it just gives us the strategic flexibility. So I think it’s a very good point and we look at it that way.

<Q - Craig Eder Moffett>: Brian, a strategic question for you on the wireless business. Now that you’ve had your wireless MVNO operating for about a year now and seemed to have settled into a solid growth pattern, what have you learned and how do you think about the relationship with Verizon going forward and where would you like that relationship to go? And then as a related issue, how did that inform your thinking about the 600-megahertz spectrum that you purchased in the last auction?

<A - Brian L. Roberts>: I don’t think we have any new revelations on that last part of the question on the 600-megahertz. But I think we’re very pleased with the relationship with Verizon big company. So there’s always going to be some issue somewhere between us at one moment in time or another.

But if you step back and say we’ve become a meaningful contributor to the wireless net adds in our markets, we’re constantly looking to innovate the product and make sure we have the latest offerings available. Sometimes we’re successful in that; sometimes, we’re not perfect. And I think we’ve hit a good stride, as Mike and Dave were just talking about. So I think the strategy to become a meaningful part of some other folks’ networks rather than go out and build our own, very comfortable with that broad category of question. There’s plenty in the detail that is always being worked on. Dave, you’re closer to it.

I just want to add one other point then before that is what have we learned? We’ve learned that wireless can really achieve what we thought, which is to reduce churn for the customers who take all our products. And if you go back to the Uber view that we’re now looking for profitable relationships and make those relationships deeper, more digital, better experience, and better value, wireless checks a lot of those boxes, particularly on value. The way we’re structured, it’s a simple offer. There are only two options. Customers get it. Most of the people take By the Gig and that is how our relationship with Verizon works. So it sets up economically to be simpatico. And I think we’re on a trajectory that we believe we can get to, as we said, standalone economics that support the business, and we’re on our way.

<A - David N. Watson>: I would add that we participate, as Brian said, in the Mobile business and pleased with the progress that we’re making. We also participate in wireless. We generate a lot of data traffic over WiFi in the home. Over 80% of the data traffic on smartphones is delivered through WiFi. So I think we’re beneficial to each other’s networks in that way.

We’re pleased in that the reason – one of the main reasons, as Brian mentioned, we looked at broadband retention. It’s early days, but it’s working. And the contribution of that – mobile consideration as people go to retail and look at other sales channels that we have and are asking about mobile, then they consider other lines of business. So all of these things are encouraging, and we’re pleased with our progress.

<Q - Douglas Mitchelson>: One for Steve, one for Dave. Steve, it seems like the media trends in advertising and pay TV subs are a bit better than investors might have expected. And last quarter, you mentioned that virtual MVPDs had plateaued and suggesting cord-cutting kicked in. The commentary this quarter that pay TV subs and trends were improving suggest the opposite. I just wanted to get my bearings on what you saw for video subscriber trends in 2018 on your fully distributed channels since you have the broadest distribution of any media company and what you expect

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in 2019.

And I'll just throw the question for Dave in there as well. Just any update on trends for high-speed Internet subscriber growth in 2019 and the pricing environment as well? I do note in 2018 a lot of the high-speed Internet customers came from single play, which was different from 2017 and prior. And any thoughts as to whether that boosted growth in 2018 or whether you feel that was a pretty normal steady-state type growth rate would be helpful. Thanks.

<A - Stephen B. Burke>: So I think we've always felt that the television ecosystem was healthier than maybe some people thought. We really had an extraordinary television year this year. We grew EBITDA by 15%, which was way in excess of what we thought we would grow EBITDA. And there were a whole bunch of factors in there. In terms of subscribers, we had a better year in terms of subscribers than we had budgeted, and we're entering 2019 better than we had forecast.

It's very hard to predict the virtual MVPDs. If you look quarterly, the virtual MVPD growth – somebody who might be the fastest-growing in Q1 might be the slowest in Q2 as they change strategies and people figure out the market. But virtual MVPD growth was faster than we thought in 2018. At some point, we do believe it's going to slow down, but we certainly did not see that in 2018. 2018 and the early part of 2019 are also very strong years for advertising. We had the strongest upfront we've ever had. The network primetime, our ad sales were up double digits. The scatter market is extremely strong right now.

So the television business, we obviously had pressure on ratings as people migrate to digital. And that's why – one of the reasons why we're launching the direct-to-consumer product, but it's a very, very healthy business and we think it's going to be healthy for years to come.

<A - David N. Watson>: Hey, Doug. Dave. So thinking about broadband, we feel that broadband in 2019 as we have in 2018 that it's our growth engine. And as Brian mentioned, there is a consistency that we have had in broadband, the 13th year in a row consecutively, delivering over one million net additions. And so behind that, going into 2019, we feel the market continues to grow.

You look at things like homes, employment, you look at macro conditions. But just as important as anything, you look at the overall market penetration of 80%. There's room for growth there. You look at our penetration, 47%, there's absolutely room for growth there. So and our view is that customers' expectations continue to go up in terms of how they're interacting with broadband, how they're leveraging it. So our focus, as Brian has said, is deliver the very best broadband product in the marketplace and xFi is that brand, the best of speed, coverage and control. And so in 2019, we're going to continue to do that.

And along with that, your point on single product and packaging, we've made some adjustments along the way. I think that our game plan is consistent. We'll be consistent. We do offer great options for both. And if somebody wants to start off with a high speed only, that's great, but we also have a wonderful packaging options that we'll talk to them about. So as important as anything, if you look at the balancing share growth in rate, so you look at that, I feel confident as well.

In 2018, along with great share, we grew the resi ARPU by more than 4% y-over-y for 2018. And if you look at then combining the overall connectivity business, Brian and Mike just mentioned it, you look at Business Services, big part of that is broadband and our resi broadband, it's growing nearly 10%, \$24B. So we like our momentum. We like our game plan. I think it's very consistent and we're just going to focus on execution.

<Q - Marci L. Ryvicker>: I have one for Steve and then one for Mike. Steve, as you launched the OTT business, I know you're not going to have a tremendous amount of incremental investment spend. But as you do, where is that going to flow through the financials? Is that going to be in the separate segments? Is that going to be in the studios? I guess, just trying to figure out what we're looking for?

And then, second for Mike. You talked about healthy EBITDA growth for Sky for 2019. When you say healthy, do you mean the same 2% adjusted for 2018? Or are you talking more mid-single-digits? I'm just trying to understand what you're messaging. Thanks.

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<A - **Stephen B. Burke**>: So we currently have several very profitable and successful television studios, cable one and a broadcast one and an international one. And those studios will continue to produce for our existing channels, and increasingly over time, produce for direct-to-consumer. And we will figure out the right kind of transfer pricing and margin for those services so that everybody is incented to produce and continue to produce for all different outlets.

<A - **Michael J. Cavanagh**>: And it's Mike. For Sky, healthy means really means growth in customers, growth across all markets and growth in financial results, which is better – higher than last year is what I would say, healthy as mid-single-digits is a fair level to think about. And I did point out that'll be more back-end-weighted for the reasons I mentioned earlier. Just sports rights coming, a reset for Italy in August of last year. So in H2 we'll lap that. And we'll see the improved rates for Premier League in the UK business kick in in H2. So we'll achieve that healthy growth over the course of the year with the back half lighter and back end H2 heavier.

Brian L. Roberts

Results Summary

So let me just end the call by saying really how pleased we were with 2018, and we're off to a great start in 2019 think just about the last answer that Mike gave, we look at Sky as really unique

- It's different than Cable and it's taking all of us time to understand those differences and the same thing it's got a content company and it covers the entire footprint where it offers its product

So as it renegotiates, it's probably got different characteristics than either of our two businesses

- But I think you're going to like what you see. And it's going to add to our capabilities worldwide
- And those capabilities really do come together, I think, in the OTT announcement just to pick that as an example, because not only will it throw out the best of our content creation capabilities, whether that's in film or television, whether that's original or new recurring series

It needs broadband to get the great capabilities of that streaming service

- And that's the core of where the cable company is focused as we discussed this morning
- And that broadband had a fantastic 2018 and xFi has a roadmap of innovation onto itself in 2019 and beyond, which is as exciting as what we've done previously on great speed

Advantage of X1

- And now we're looking at other ways
 - And all this takes advantage of X1 in queue which are the best capabilities in the world and what we do, we can always do better
- We had 500 engineers meeting yesterday in our new technology center and we've just got a real, I think, credibility and the technology space now to keep innovating
 - And it all comes back to what we give our customers and we see how well Sky's performance has been in customer experience
 - And NPS made great progress on the Cable side, taking truck rolls out and calls as we've heard NPS performance improvement
- So all in all, that's what's giving us the confidence to raise the dividend and to start 2019 off to a great start. So thank you to the team

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