

Comcast Corp.

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CMCSA
Ticker▲Bank of America Merrill
Lynch Media,
Communications &
Entertainment Conference
Event Type▲Sep. 11, 2013
Date▲**— PARTICIPANTS****Corporate Participants**

Stephen B. Burke – Chief Executive Officer, NBC Universal & Executive Vice President, Comcast Corp.

Other Participants

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

— MANAGEMENT DISCUSSION SECTION

[Starts Abruptly]

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

...you've done a phenomenal job in improving operations. NBC has moved into a very strong third place and that's just one example of the momentum you've created. So as we look at the next like three – maybe three to five years – what do you see as the core drivers of NBC Universal's upside and how have these drivers evolved since you first took control in 2011?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

So we're about 2 1/2 years into the deal. We had a mechanism in place where we would buy out GE's remaining 49% over a seven-year period and we bought them out five years early. We did that about six or nine months ago. So, we did that because obviously we think there is a lot of opportunity and the opportunity – there are a lot of opportunity areas. I think the biggest one that we're most excited about that could be the biggest change quickly would be the performance of the broadcast business, where NBC has made some progress. We have the number one show in Sunday Night Football, number two or three show in The Voice. We feel like we have some shows returning and very, very good development for this fall. But the fact of the matter remains that we are significantly behind CBS, FOX and ABC in terms of the profitability of our broadcast business.

Roughly speaking, if you include the owned television stations, the network and syndication, which I think is the way you should look at the broadcast ecosystem, we're \$500 million to \$1 billion behind the other three broadcasters. And we have essentially the same physical plant. We all have our own television stations. We have production studios that make television shows and we have networks that reach 100% of the United States at essentially the same cost structure and the other three players make \$500 million to \$1 billion more than us. And I think that represents a huge opportunity.

Retransmission consent is something that's going – has changed and will continue to change the broadcast business. NBC made virtually nothing on retransmission consent two years ago. This year we'll make about \$200 million, and I think if you go out two or three or four years, other broadcasters like Les Moonves and Chase Carey have really said how important retransmission consent will be for anybody who is in the business.

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So retransmission consent is a big opportunity for broadcast, but more fundamentally we've underperformed. We sell our ads at a discount – about a 20% discount – which we're working on closing. Ratings are lower than we would like them to be and so broadcast remains a very big opportunity.

If you look at the company, we're about two thirds cable channels. Two thirds of the operating cash flow in the company comes from our cable channels and we think there's real opportunity there. We have a very broad and impressive group of cable channels, USA the number one channel measured in terms of ratings, Sci-Fi, Bravo, E!, MSNBC, CNBC, NBC Sports, a lot of regional sports networks, very, very strong portfolio of cable channels.

Seven of our cable channels make over \$200 million a year, and they're a very, very impressive set of assets. That having been said, we think there's a monetization gap, which is what we call it, between how those channels are doing and how they should be doing measured by how peer cable channels are doing. And the monetization gap exists on both the affiliate side, in other words, we're not paid as much as we think we should be given our ratings and our positioning by cable and satellite companies; we think that monetization gap is 20% or 25%. We think there's also a monetization gap on the advertising side, where a channel like USA with its position, we think should get the same kind of CPMs that similarly situated cable channels get and it currently does not. We've made some progress on both the affiliate side and the advertising side in the last couple of years. But we think there's still a real opportunity.

And then the final area I'll touch on in terms of opportunities is the Theme Park business where we were primarily attracted by the cable channels and actually put a very low valuation on the Theme Park business. It was somewhat complicated because we only owned half of the Florida – the major Universal Studios complex in Florida – Blackstone owned the other half. So, when we did our original acquisition model that we showed to our board, we valued the Theme Park business at about \$1 billion.

That business, since we did that valuation, we bought out Blackstone and we've taken EBITDA from about \$400 million up to \$1 billion in the last 12 months. Attendance is up 40% or 50% in Florida and California, and if you take \$1 billion of operating cash flow and you apply the multiple that SeaWorld currently trades at, I think you'd value the business at something like \$9 billion or \$10 billion.

We love the Theme Park business. We think there's a real opportunity to increase the pace of new attractions. We have far too few hotel rooms in Orlando and the one thing we know, when people stay in our hotels, they stay – they visit our parks an extra day or two – and so we have 2,400 hotel rooms. We think we have room and capacity for 10,000 hotel rooms. So you'll see us add attractions at a more rapid rate, add hotel rooms at a more rapid rate, and we think the returns in that business are great and there's great running room.

So in general, we see lots of different opportunity areas and a big part of our goal – our job – is to try to prioritize those, make sure that we do those and execute against them. And the good news is, I think, we're making progress. When we first looked at these assets – it's a little complicated because some of the assets, content assets like E! and Golf and some of the other cable channels existed inside Comcast – but if you look at the assets that are now NBC Universal, on a pro forma basis in 2009 when we put the deal together, these assets generated about \$3.1 billion worth of OCF [operating cash flow]. And in the last 12 months, that \$3.1 billion has gone to about \$4.5 billion. And we think there is lots more opportunity to go. So, we're pleased with how we started, but think there's a lot more upside and we have to execute and some of these businesses are not very

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predictable, the film business and NBC Primetime. Some of it has to do with good fortune, but we think there's tremendous opportunity for this company.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

Before we go into the divisions, just wanted to ask you one broader question, which is how much progress have you made with project Symphony?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well. We -- you have to start from a philosophical point of view that says it's extremely hard in a world that's fragmented with so many opportunities that exist -- it's very, very hard to get a new show or a new movie launched. And you have to start from the point that says one of the reasons why you put a company together with scale is to allow you to have all the piece parts of the company work together to help major projects succeed. Not everybody shares that point of view, not everybody believes that distribution and content can work well together, but we look at it and say, if you have a company with 22 different businesses representing about 20% of the ratings, if you go broadcasting cable ratings cumulatively, we've about 20% of the ratings.

We're the country's biggest supplier of television advertising. And we also, as a sister company, have 20 million video customers, close to 20 million high-speed data customers, that if you put that altogether and if you get the company working together and cooperating to help launch new television shows, launch new movies, launch important initiatives for Comcast cable, that you'll do better than if you had all the different parts of the company not working together. It's certainly a harder company to manage, if that's your starting point, because it requires people to do things that are not always in the selfish interest of their particular part of the company. But we feel that it's an enormous benefit.

And we call it Symphony because synergy is such a sort of old and overused word, but really when we get all parts of the company working together, we've been astounded by how successful we can be. And some of the examples, when we first launched The Voice, we made that a real priority for the company and anywhere you looked on any of our cable channels, anytime you turned on Comcast cable you would see promotions for The Voice. And I think a big reason why The Voice got launched out of the gate a couple of years ago as strongly as it did with Symphony.

The London Olympics, we basically took the entire company and said, everywhere you go everything you see we're going to be reminding people that London is coming and the Olympics are a wonderful event and we actually -- for a completely tape-delayed Olympics -- we greatly exceeded all of our estimates. We were up 20% versus Athens, 8% versus Beijing. We did very, very well with younger people. We were, Olympics-to-Olympics, Summer Olympics-to-Summer Olympics we were up 25% with younger people. And we think that's because if you watched any of our channels or went anywhere near any of our assets, you couldn't escape the fact that the Olympics were coming and they were important. And it's certainly harder to get a company to operate that way, but we think it's one of our real competitive advantages.

And if you talk to filmmakers, if you talk to Chris Meledandri, who runs Illumination, which is the part of our company that produced Despicable Me, I think he'd tell you that he feels very fortunate when Despicable Me comes out, you've got a Despicable Me blimp at the Kentucky Derby, you've got Minion characters running across the screen on USA and E! and even the Golf channel. And all

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parts of the company get behind it and if you can harness that I think you're more likely to succeed in this very competitive world.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

Okay, let's move on to the divisions and we've a lot to cover. So, on the NBC broadcast, you've moved up from fourth to third. How important is it for you to become number one?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well, there are a couple of advantages. First of all, our advertisers, because NBC's ratings have not been as strong as the other three, we currently sell spots at a discount. So our CPM is on the order of 20% lower than the CPMs for, certainly CBS and Fox. We made some progress in the recent upfront. We actually sold advertisements at a 7% or 8% increase, which we think was, after CBS, higher than the other broadcasters. So we're chipping away at that discount, but the fact of the matter is that discount exists because we haven't had the ratings to sort of change it. To the degree we could continue to build on the momentum and get a couple more shows to really connect, that discount will go away. It may not go away in a year, but it will go away and that discount represents a lot of money.

Also, just by the sheer fact that we would increase the ratings, that would also be an increase. And the wonderful thing – when it works – the wonderful thing about the broadcast business is there's no variable costs associated with that improvement in revenue. So, if you add hundreds of millions of dollars of increased advertising, that really all falls to the bottom line. In addition, to the degree we start to get some hit shows that we own – and we've tried to rejuvenate and reinvest in Universal television, which produces a lot of our shows – we would then have an increased syndication flow from that.

But I think really, job one is trying to make sure that we build on the momentum that we have. And the next broadcast year is a very special year because not only do we have Sunday night football, which is doing very well and should be the number one show, we have The Voice coming back, we have a little bit of momentum from last year with shows like Revolution, Chicago Fire, and Grimm. We have some very good new development.

And most importantly, we have something that occurs only once every four years, which is the Winter Olympics is right in the middle of the broadcast season this year, which not only is going to provide a lot of revenue and sort of ratings and profitability for us right in February during the time of the year when we were slow this year, but it will be a great launch pad for all of our spring shows. And I think one of the reasons why we did so well last fall – we were number one, NBC was number one last fall – one of the reasons was because we were able to use the London Olympics to promote our fall shows and we'll be able to do that with Sochi.

So, I spend a lot of time with Bob Greenblatt, who runs NBC Entertainment and his team yesterday, and you're never totally confident or totally optimistic in a business that has so much variability and so much resting on consumer tastes and sort of getting lucky with a hit, but we feel like we're putting ourselves in a position to do better this fall and spring.

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And, because so many are watching TV very differently than a few years ago, different devices, different times, how do you think about the kind of content that you need to produce, whether it's sports or drama, comedy. How is that changing the way you guys are thinking about that part of the business?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well, it's certainly a much more complicated world today and measurement's more complicated, monetization's more complicated. The kind of deals you do with Netflix and Amazon and others, international, how you structure deals to acquire programming, it's a much more complicated world.

That having been said, some things have not changed. I think our feeling is if we're going to be in businesses we need to invest and we need to play to win. So, we made major investments in the Olympics and football shortly after doing the deal. We did long, eight or nine year deals for the Olympics and football and those deals I think, with 20-20 hindsight, have turned out to be very good deals for us, very strong programming and those are – those deals are in a position now where they can be profitable as opposed to loss leaders.

We're going to continue to invest in sports. We recently did a deal with NASCAR, a very long deal with NASCAR to put NASCAR programming on an NBC Sports channel. So, we now have hockey, NASCAR, English Premier League. We're really building out a full year-round roster of professional sports. And we think sports is a good business. If you look out 10 years, it's hard to figure out exactly how people are going to use technology, but I would bet a lot of money people are still going to love NFL Football and Olympics and NASCAR, and so we like sports.

We like live event programming like The Voice or America's Got Talent. We think that that's a very important part of getting people to watch linear television on a live basis, not DVR. And then we're investing a lot in scripted programming, both at NBC where we're investing enough in the development process and our ownership of shows to compete effectively, but also in places like USA, where we have 11 scripted shows, Suits, Graceland, Burn Notice, Covert Affairs. So we're, I think we're investing what we need to, to compete, and when we're in a business we want to be competitive. We don't want to try to cut our way to profitability.

When we first started, we increased the investment profile on a lot of these channels. We're not having the kind of large increases that we had before, but we're investing what it takes to compete. And it's always easy to say the world's fragmenting and measurement is more of a challenge and you should pull back, but we look at it and say, with all the new technologies those can be good for the ecosystem. And the amount of money we're making from Netflix and Amazon, and international television sales is far greater than we ever dreamed five years ago, and part of our philosophy is if you create great content and you're competitive in these businesses, and have a certain optimism about these businesses, that that's the way you win over the long term.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

You mentioned retrans, and it's obviously a key driver for some of your peers, but where's NBC in terms of capitalizing on that? There's been a lot of pushback, Time Warner Cable and CBS most recently. So can you just tell us where you are and what the challenges are in terms of meeting your potential?

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Well, the key to retransmission consent is to have contracts expire with the big distributors that allow you to reopen the existing retransmission consent contracts. When we did the deal 2 1/2 years ago, NBC was essentially making no money in retransmission consent. So the existing contracts spelled out the ability for those distributors to carry NBC and not have to pay. One thing that we really hadn't figured on when we did the deal was how rapidly retransmission consent was going to establish itself. We underestimated that, frankly. That's a very good thing for NBC Universal, not so good a thing for Comcast Cable.

But, over time as we reopen and renegotiate deals, I think what's happening is there's becoming a rate card for retransmission consent. The negotiations that CBS, FOX, ABC and we are having, the market place is settling around numbers and those numbers are sort of a rate card that exists over time. And we will, as our contracts come up, we will get those revenues the same way CBS, ABC and FOX have. There may be a little bit of a lag, because our contracts may come up at a later date than some of the other broadcasters, but, we've gone from essentially zero a couple of years ago to \$200 million this year and I see no reason why we won't sort of draft behind the other broadcasters and get paid in a similar fashion to the way they get paid in the future.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

And if somehow the retrans is regulated away or their work-around services like ARIO are successful legally, what can you do to ensure the value of – that you receive the value of your content?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well, I think ARIO is going to be found unlawful. So I don't think that's – that's something that we're not necessarily worrying about – and I know there's been a lot of talk about taking broadcasters and turning them into cable channels which is something that we've looked at. But my bet is that what's happening here is that the broadcast channels are turning into dual revenue stream businesses and they'll remain dual revenue stream businesses for a long time.

I mean the fact of the matter is ABC, NBC, CBS and FOX aggregate the biggest audiences in the country and those audiences are valuable and now there's a marketplace establishing itself. And that marketplace, we need to get the same kind of retransmission consent dollars that CBS and FOX and ABC get if we want to be competitive with them and invest in programming the way they do. So, I think that's now part of the ecosystem. I'd be surprised if that changes.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

Okay. On advertising, you've got a wide range of properties as you mentioned. Can you give us an update on what you're seeing on the national level, the local level and any peek you can give us into Q4 2014?

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Well, I think national advertising is still strong. If you look at scatter prices, they're still double digit. We're starting the broadcast season, so upfront pricing will start to manifest itself. But I think that the national advertising market is quite good. The local markets are not as good as national and we do have pockets of local markets that are not doing as well as we wish. But I think in general, advertising is strong. And I think if you look at the most recent upfront, people were more tentative and it may have taken longer to do deals, but we did 7% or 8% deals for our big cable channels like USA and Sci-Fi, 7% or 8% deals for NBC. And I think that's a sign that the market is good and all of the indications that we get more recently since the upfront has closed is that the market continues to be strong.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

And on the upfront, you had a very different strategy. You sold your NBC Universal properties as a package, so both the broadcast and cable. How much incremental CPM – you mentioned the 7% to 8% – but how much do you feel of the entitlement gap, or the monetization gap, I think you're calling it now, do you feel you achieved through bundling?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well, just for a little historical perspective, prior to this year we had never sold broadcast, cable and digital together. So USA had a sales force, Bravo had a sales force, NBC Entertainment had a sales force and we didn't even really sell the individual day parts inside NBC together. So, NBC Sports had a head of sales and a group selling NBC Sports. NBC Entertainment had a head of sales and a group selling NBC Entertainment and we never really put everything together.

And again, going back to our core sort of philosophy that, that this scale is helpful, this year we put all of our advertising businesses under one executive, a very good strong executive named Linda Yaccarino and we went to market with one approach. So if you wanted to buy Sunday Night Football, we wanted to have a discussion with you about Modern Family on USA. If you wanted to buy The Voice, we wanted to have a discussion with you about buying some time in Bravo. And our feeling is that when you have our scale and you can put all these assets together, first of all, it's one stop shopping for buyers. So I think it's a more efficient way of dealing with a company than having eight different discussions on eight different parts of the business. I think it also helps you when you're dealing with large buying groups to have a large portfolio of assets to talk about.

And I think we're chipping away at the entitlement gap. I think we probably made two or three percentage points or 200 or 300 basis points of improvement. We still have a long way to go, but in my opinion, if you manage it well, clearly you'll do better as a group of assets sold together than you will having a variety of different, disparate sales forces.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

And the other part of the entitlement gap, or again monetization gap that you've been calling out lately, are the [indiscernible] (24:36) fees. So you've done 25% of your contract so far, another 75% to go. How much have you achieved in terms of closing the gap and what do you think the timeframe is for the rest?

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So, we had a lot of distribution deals to do over the last 12 months or so. It's just the way they fall and where they're bunched up. We reset rates in about 25% of the multi-channel home universe and we established rates that we feel are fair and rates that if we got those rates for the other 75% when those contracts expire, we will have closed the entitlement gap. The other 75% of contracts expire roughly over the next three years and we don't see a real reason – some of the 25% that we've done in the last 12 months were with very big distributors – so we don't see a real reason why we can't get the kind of value for the other 75% of contracts that we got for the first 25% over time.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

Okay. I want to cover theme parks and film [indiscernible] (25:49) before we open it up and we don't have that much time, there's so much to talk about. I guess on theme parks, if you exclude like the noise that you said timing in the last quarter, you still had a great quarter. What are you seeing? What are the underlying trends that you're seeing in the parks and can you talk about from an attendance standpoint, revenue, et cetera?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well. Our park business continues to be strong. We're on a cadence now of opening one attraction in Florida and one attraction in California every year. We opened Transformers, the Transformers attraction in Hollywood two years ago – and it was so successful we sped up the development of Transformers in Orlando and opened that in the beginning of this summer. We have two parks in Orlando, but the park where we opened Transformers has been up 20% most weeks since that attraction opened. And our feeling is that if we open the right kind of attractions – they have to be well executed, they have to be things that are easy and created a market – that we can really grow these businesses.

The thing that we're most excited about, what really transformed our park in Orlando was opening Harry Potter, which happened a few years ago. We're opening a second Harry Potter attraction in Orlando, which I think is one of the most creative ideas I've ever seen in the theme park business. The first attraction is in one of our gates – it's called Islands of Adventure. The second attraction is in the other gate and the way you get from one gate to the second gate is you take a train, and the train is the Hogwarts Express, and so the actual transition or the movement from one gate to another gate is part of the attraction which has never been done before and it's a wonderful, creative idea. That opens next spring. We think that's going to be a very big draw. And then we're opening Harry Potter in Hollywood and in Japan.

So I think our feeling is, first of all, the economy is seems to be positive for theme park attendance and people are coming to Florida and Southern California. But within what's going on a macro level if we can continue to invest in innovative attractions, get the right kind of marketing that explains to people what Universal Studios is – that it's a destiny, a family destination in and of itself, not an add-on attraction for somebody who's spent three or four days someplace else – that we can continue to grow that business and that's our plan.

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And then how should we think about the capital, where you are in terms of the capital cycle? How should we think about this new attractions and what it can do to the business, hotel rooms, et cetera?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well, we've taken the capital spend up to about \$500 million this year and I think that's about the level that you should assume capital is going to stay. That will allow us, on an annual basis, to open a couple of major attractions and continue to sort of invest in the ongoing maintenance and IT and other infrastructure that's necessary. We do think – so I think that level should be a reasonable sustainable level, which is much higher than the capital spend that we've had if you look over the last five years or so, five or 10 years or so.

In terms of hotels, we have 2,400 rooms now. We'll open another 1,800 rooms with our partner Loews next spring in advance of Harry Potter and I think you'll see us open hotels. We've done a study that says that we could have as many as 10,000 or 15,000 hotel rooms and still have occupancy that makes those rooms profitable. And all of the people staying in those hotels would be more likely to go to our theme parks. So, I think strategically we need to get those hotel rooms open and build out the resort, but I think about a \$500 million annual capital spend is necessary to increase our growth rate and keep that business moving.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

Right. I'll ask just one question on film and then open it up because we don't have that much time, but film has actually had a really good year this year with Despicable Me and Fast and Furious, et cetera. Is there anything you're doing differently or is it just like the cyclical nature of the business and what, can you give us an outlook on that business?

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Well. I think we're concentrating very heavily on franchises and very heavily on animated films. One of the real gems inside our company is Illumination, the animation studio lead by Chris Meledandri and Despicable Me 2, which came out this summer, is the most profitable film in the 100 year history of Universal and there will obviously be another. We're opening a film called Minions, which are the Minions from Despicable Me next Christmas and then there'll be a Despicable Me 3. And so the animation business, we think is a very, very important part of our future at Universal Studios.

We also are trying to do whatever we can to invest in our franchises. Take old franchises like American Pie and try to clean them up and reinvest in them, franchise, and then take franchises like Fast & Furious and continue to evolve and invest and make those what they can be. And then try to build some new ones, movies like Ted and Pitch Perfect and others. So that's a part of our strategy.

We're also very eager to improve our performance internationally, improve our performance in terms of digital, improve our strategies in terms of how we take our films and move them around the world. There are huge, huge opportunities in places like China and with new technologies, and I

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think we've made a lot of progress in the last two and half years and we want to make even more progress in the future.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

I'm going to open it up to questions and if we have time, love to come back to a Telemundo question as well. Question here.

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QUESTION AND ANSWER SECTION

<Q>: Thank you. Good morning. I had a couple quick questions. One, a couple in cable. Can you discuss your brand, USA, what is the brand USA mean to consumers? How do you build that brand in a more fragmented world and as I understand it, the ideas are around the name blue sky and what – what that means to consumers? And then secondly on the Cable group, your programming expense this year has been fairly subdued. The group has had a kind of a programming bubble or pig going through it for a while. Your, pretty well controlled your balance sheet, it doesn't appear to show that that there's a pig coming through your programming costs, but maybe there is. Could you discuss what the outlook is for programming costs? Thanks.

<A – Steve Burke – Comcast Corp.>: Did you say a pig coming through?

<Q>: Yeah, pig, [ph] like through a python (33:02)...

<A – Steve Burke – Comcast Corp.>: So I'll answer that one first. I think we stepped up our programming investment in the cable channels pretty significantly the first year after the deal. I think now we're sort of in a groove where we're going to continue to invest in those businesses. One of the biggest questions we have during when we go through the budget cycle is what should the programming increase be? And I think we're in sort of the mid to high-single digit range and you could argue it should be 5%. You could argue it should be 9% and that's – that's a debate that we're going through. We have not set our programming budgets for next year, but I don't think there's another major pig going through the python, if that's your analogy.

I think in terms of USA, the simplistic answer for USA has always been that it was a blue sky network and that it would produce one hour drama that were very character driven. I think that's a little simplistic as to what USA is. I think USA has become a place where well-written dramas with very, very strong characters exist and it's interesting, the team at USA led by Bonnie Hammer and Chris McCumber and Jeff Wachtel, they're trying to continue to evolve and change their programming mix.

One of our biggest new initiatives is we bought all the rerun rights – the cable rerun rights for Modern Family. So in two weeks, Modern Family will be on USA, which is a huge opportunity because the Modern Family audience is not necessarily – it does not have a tremendous overlap with the USA audience, which is a challenge from a marketing point of view – but if we can get the Modern Family audience to come and watch Modern Family, we think that will be beneficial for the rest of USA programming. But, basically it's a general interest channel with a very clear point of view and a belief that character-based shows, whether they're dramas or comedies, are important and enjoyable and attractive to viewers.

<Q>: Jessica asked about you had some more success with content. The overall industry is also seeing more beneficial [beneficial] (35:29) trends in terms of electronic sell through and SVOD. Longer term, what's your idea of the prize for film profits?

<A – Steve Burke – Comcast Corp.>: Well, if you look at it right now, there has been some technology that's been beneficial to the film business. But the majority of the benefit I think from SVOD has gone to television shows not to film. I think electronic sell through is not even in the first inning, it's in the top half of the first inning. And I think there – with all this technology and all of these ways to securely get film content, there are a lot of businesses that are yet to be created, that will be created over the next 5 years or 10 years that can grow the pie.

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My belief is that the theatrical experience, going into a movie theatre is going to be around for a very long, long time, as long as boys and girls want to get away from their parents and go out and see a movie and parents want to get away from their kids and everybody wants to share that magic that you get when you're inside a theater. But that doesn't mean there isn't room for a lot of businesses that can be enabled by all this technology.

I think there is something like five billion cell phones in the world. Not all of those phones are smartphones, but I think someday they'll all be smartphones. And each one of those smartphones, in effect, is a seat in a movie theater or a chance or a television set or a chance for someone to watch a motion picture.

So all that technology, at some point I think, can be harnessed to grow the pie and get more people to watch a movie in its first run. Even a movie that does \$50 million its opening weekend, only has 6 million or 7 million people going to that movie in a country with 320 million people. So, the vast majority of people don't see even the biggest hit movies and the vast majority of people have the ability to see those movies at home or on the go with their mobile. So, very, very hard for me to predict when and how and exactly what the financial ramifications would be but, if I had to bet over the next 10 years, the movie business is going to get some technological help that'll improve the profitability of that business.

<Q>: Thank you.

<Q – Jessica Cohen – Bank of America Merrill Lynch>: Okay, I don't see a question from there until. Let me just follow here, we're getting the mic. Just on Telemundo, I'm dying to ask, you've actually improved your share despite Univision's unique advantage in having Mexico as like a test market. I guess the question is, how, what do you attribute the success so far to and what can you do to really move the needle on that business?

<A – Steve Burke – Comcast Corp.>: Well, we haven't really talked about Telemundo, but it's another case where we have infrastructure that is very similar to Univision. There are really two major Spanish language providers in the United States, Univision and Telemundo. We both have television stations, we both have affiliates and we both have national networks that reach the majority – vast majority of Spanish speaking people. And yet before debt service, I think Univision makes over a \$1 billion a year in operating cash flow and Telemundo makes about \$50 million a year in operating cash flow.

So, a huge, huge variance, and Univision is a great company and they've invested wisely and have a unique relationship with Televisa and so, certain advantages that Telemundo doesn't have, but to me there clearly is room for improvement if we do the right things and invest smartly. Many of our television – Telemundo television stations don't have strong local news – don't even have local news in the morning. Don't have strong local news franchises because they haven't been given the money to invest and we need to build those, we need to make sure that we're doing the right thing, in terms of telenovelas. And I think the rest of NBC Universal can help Telemundo. We took The Voice, which has obviously been tremendously popular on NBC, and did a version of The Voice called La Voz Kids, which is a kids version of The Voice, on Sunday nights on Telemundo. Instantly became a huge hit. And I think there are other franchises inside NBC and our cable channels that we can bring to that market as well.

So, I think there's real opportunity there. It's going to require investment and being smart. It's going to require time. But if there are two people in a market and one player has 80% share and the other player has 20%, if you're the guy with 20% share, I think you've got to come into work everyday saying we have opportunity.

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<Q – Jessica Cohen – Bank of America Merrill Lynch>: The question here.

<Q>: Yeah, just wanted to ask about your current thoughts on 4K Ultra HD and the rollout, the time to market and how if you, if the cable industry or Comcast views it as a tool to remain competitive with over-the-top providers?

<A – Steve Burke – Comcast Corp.>: Well, personally I'm skeptical that over-the-top is a good business. I've looked at it many, many times and with or without high def or 4K or new technologies, I'm just skeptical. It remains to be seen, maybe I'm missing something but I'm not sure over-the-top is a real business.

4K, I think is a very interesting question. I've seen it and what I've seen, it's spectacular. It's – the picture quality takes your breath away. I have no doubt 4K is going to occur. To me, the whole question is how quickly things go, and having been at Comcast cable and living through 3D and then watching high def take way longer than people thought it would take and then all of a sudden it happened. To me the only question with 4K is when it happens, and I think the price of sets has to come down, a little bit of a chicken and the egg, because the price of sets won't come down until a lot of people get it.

But it's a tremendous investment for cable companies and content companies to change cameras and my understanding is there are ways that you can simulate 4K without cameras. You can do things technically to sort of make it look like 4K. But the best way to really deliver a great 4K experience eventually will require a change in the infrastructure. And I think it's just a question if you're sitting in our shoes, or other media companies, what that timing is. But I would be very surprised if at some point 4K doesn't become a very important part of the landscape.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

You can't enough time with you, but we're out of time, so, I thank you so much for coming.

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Thank you, Jessica.

Jessica Reif Cohen, Analyst, Bank of America Merrill Lynch

Thank you, Steve.

Stephen B. Burke, Chief Executive Officer, NBC Universal & Executive Vice President

Thank you.

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