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EDITED TRANSCRIPT

CMCSA - Comcast Corp at Goldman Sachs Communacopia Conference

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PRESENTATION

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

If everybody could please find their seats, we're going to get ahead and start with the second presentation in the morning. We're very happy to welcome back to Communacopia for our 27th year, Brian Roberts, the Chairman and CEO of Comcast. Brian, thanks for being here.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

My pleasure.

QUESTIONS AND ANSWERS

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

All right. So to kick things off here, if we think about the sector, the U.S. communications sector is undergoing a pretty meaningful transformation right now. Over the last year, we've seen significant M&A and accelerated shifts from linear to streaming content. And I think that there's a continuing blurring of the lines between the traditional market segments that we thought about over time. And so my question to you to start off is how has your assessment of your current portfolio of businesses and your competitive positioning changed since you were here a year ago, if at all?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, first of all, it's great to be here. I think I was here 27 years ago at your first Communacopia Conference. And if you put a broader lens in even a year on what has happened to our industry and what will continue to happen to our various industries, I think our company is as well positioned and maybe unique -- frankly, we are unique in taking more advantage of the disruption and change than problems that it has created for our business. I think we're a net winner, and I'm sure we'd get into that. Why do I make that statement. Well, in the last year, we've added 800,000 new customer relationships. We're growing the core of the company. We're doing that by having added 1,200,000 broadband relationships since we sat here last year. So we've used this last period of time to really pivot internally, and hopefully, for investors, how we define ourselves. We now have said we are in the connectivity business than -- from the traditional cable side of the company. And connectivity has, to go into detail, has better margins, a different CapEx intensity and stickiness with customers as we roll out new products. And over with video, it's playing a bit of a more supporting role than it's historically played in the company's formation. Over at NBCUniversal, we continue to feel that there is growth in all parts of the company, whether it's Theme Parks, Film, television. And so we're really pleased with where the company sits. And if I think about the last 12 months -- I've said this recently, but this is such an important audience. If I had one thing that I think we've been disconnected from some of our investors is the excitement we feel about the core business. So well, yes, we've looked at doing other things. That's been how Comcast traditionally operated. But there is -- I think we have a "show me" mentality with investors, and that's perfectly understandable. And I think in the second quarter, you saw some fabulous results. And I hope you'll see that in future quarters as well and particularly, when you put this lens of the way we're looking at the company. And that allows you to then grow EBITDA but also free cash flow or net cash flow per customer relationship, really, another metric that we're now using to really judge ourselves.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And I'll come back to a lot of things, but just to start here, given that you do have a pretty positive outlook for your business, how important is M&A in executing your strategy?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, this is -- we're 48 years, 47 years since becoming a public company. And when my dad started the company in 1972 -- I joined the company in 1981. We've basically always done 2 things, and we hope we've done both things extremely well. We try to be and have a culture, first and foremost, of being the best operator in the business. Whatever business we're in, we want to be the best operator. We want to recruit the talent to do that, we want to retain that talent. And whether that's evidenced itself in product innovation, customer support, cash flow, free cash flow, whatever way you want to judge a business over the long-term. And I'd say right now, I think we have the best products and the best management team, we operate at the highest level. Second, we've built the company by looking at lots and lots and lots of acquisition. And we've done some, and we've looked at a lot more. And our goal, again, is to find a way to create -- accelerate what the operating business can do with more shareholder value, whether that was AT&T Broadband, QVC or NBCUniversal or a host of others. And so yes, we looked at Fox, not because we went looking for it, because it came to market. And I think, ultimately, the same with Sky, and I can't talk more about it other than to say the notion that, that means you don't love your core business just isn't right. We'll prove that with our results, I hope. And I think that we -- the proof in the pudding is if you bought our stock in 1972, you'd have a 17.5% compounded return for nearly 50 years. If you put that same money in the S&P 500, you'd be just over 10%. And as you all know, the power of that compounding makes it exponentially unbelievably different of where you'd be. So we are all in on shareholder and long-term returns. And yet, it's --- there have been times in the company where we felt we had to do deals, and there were times in the company where we felt we were in a strategically great place. Right now, I feel we're in a strategically great place. And any deals we're doing, we're trying to play offense in the belief that we, over the long term, can create great, exceptional shareholder value. Sometimes, that's hard to prove on day 1. Over time, we hope we can do that though. And nobody's got a perfect track record. Certainly, we don't. But the best way to judge us is that long-term stock return, and I think we're very proud of that.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So it's basically safe to say that right now, you're thinking about M&A as being something that could be additive to your business not changing it?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Absolutely. Could have just said that, and it would've been a lot shorter.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. I want to go back to something you alluded to earlier, which was the company's pivot to connectivity. And you've talked about this a bit on your last couple of calls. I want to dig into the significance of this. In other words, how does it change your approach to products? How does it change your approach to marketing? And then you alluded to this earlier, but I want to go a little deeper. How is it going to impact things like margins and CapEx?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Okay, let's break that question into 2 parts. Let's start with the margins and CapEx, which is probably more relevant to some of you. It's nothing but a great thing. In the video business, we have to put more consumer premises equipment. In the connectivity business, a lot of that's in the network, in the headend and less change in your home. As technology evolves, we can run it through the network. So we've seen margins -- low programming costs at least sustainably higher and accretive to our margin, and we've seen CapEx intensity decrease. And obviously, that then yields a much higher net cash flow for those businesses. We now have about a $20 billion a year connectivity business between business services and residential. That's a huge difference in video where we didn't have a business market to go to. And we have higher margins. And in the last year, that connectivity business has grown double digits yet again. Again, in the second quarter, we had the best broadband net adds in 10 years for a 20-year-old product. And you say, "Wow, is that sustainable? Why is that?" That's the second part of your question, which is well, what is your strategy in broadband? What's your next few years look like? And we have taken the culture of the company and changed it quite a bit in the last 10 years. One of the changes is to have an innovation and technology capability that I don't think any other company quite has and that first product has evidenced itself. It's always frustrating for me to come to New York City and talk about this because it's our X1 product. Our X1 voice remote, unlimited amount of video choices and the amazing results from our customers who really rely on it now. And when they move, they go like, "Where is my voice remote," and "How do I do that?" And if they're not in a Comcast market, they get quite frustrated. We've taken that team, not completely ignoring video and said, "What can we do in broadband in the next few years with that same innovation?" For the first generation, it has been speed, speed, speed; more, more, more. And I think that's going to continue. But we've sort of internally adopted a strategy we're calling Broadband 2.0. And it starts with speed, and you talk about WiFi speed, talk about the gateway and giving you better speeds than anybody else. And we want that to be able to continue, which it will, and improve every year as we've increased speeds every year for those 20 years. Second thing is coverage. And we've come along with a product that's, right now, pretty unique, where we give you a WiFi extender. It's this big. You just plug it in anywhere you don't think you have great WiFi. Boom, done. That is all you have to do. No password, no type it in, no log in, it just works. We sell them in 4 packs -- 3 packs, 6 packs. We're going to give them away to our best customers, we're looking at different marketing ways and we're calling these the pods, xFi Pods. Third is the control. And we've been running TV commercials, which are quite well received that says, you're at a family dinner, and one of the parents says, come to -- the kids are playing games and surfing and having fun. Come to dinner, come to dinner. Boom. We just turned off the WiFi. And now what happens? That's the first control element. We have a road map for several years that gives parents much more control of what their kids are doing if you choose to opt in and want that. And that can extend and evidence itself with many, many ways. You take Xfinity Mobile, it can extend outside of the home. So we have a road map on control, which is, I think, more than just speed, more than just coverage. But we have the best coverage, the best speed. Now we have a unique road map of innovative products just like we did with X1. So we've rebranded it all to xFi and began to say, we're different than just you get WiFi, just as we did with X1. And fourth is capacity. Now let me just give you a quick stat that I think shows you where capacity may go. And this is not counting on streaming becoming the majority of television viewing, this is just where we are today. The power users and top 10% of our power broadband users consume at least 600 gigabits a month. And that's 90x the capacity of wireless, the average wireless customer. That's triple where our average customers are today. So if you basically say they're the early adopters and that we're all headed to where the power user today, 5 years from today, it looks like everybody else. And they're somewhere down the road further with the innovation that's going to still come. It looks to me like capacity is going to also be a huge part of the road map. So we have a capability with fiber, with our network, with the investments we're making to anticipate what our customers want, differentiate ourselves and do it in a way that's CapEx-friendly, margin-friendly. And that's the heart of the company. And so for the team led by Dave Watson and now Dana Strong, who we've recruited from Virgin, who runs our consumers products -- consumer services. We have -- I think all that is just starting to come together with the second quarter results being the best in 10 years, so I'm very excited.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And so it certainly sounds like you think there's some durable momentum to that, what we saw.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Absolutely. And I guess, that's the headline, which is that we think there's a road map and a runway for broadband and connectivity. And all those products coming to businesses as well and different -- and the market's expanding. We're taking competitive share from others and in all of that, as we see the world go more and more to streaming and personalized and gaming and other needs. And that's just stopping the world today. There will be no new innovation for the in-home capability that we as consumers want. I would bet on the other side of that, that we're just scratching the surface on connected devices and automation and health care and wherever this exciting world takes us. It goes back to my very first statement is we wanted to uniquely position Comcast in a way to be a net winner on these developments and changes and do so because we have the best broadband and we have the best video.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So the obvious follow-up question is, "Okay, well, so what could disrupt this momentum?" And the 2 things we get asked most about are, you have telcos like AT&T continue to move ahead with fiber deployments. And of course, you had announcement from Verizon just last night that they'll be deploying 5G as a fixed product, so you may see more 5G competition. How do you feel about your positioning relative to those competitive threats?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, the first thing is, we like our competitive position. We love our competitive position in broadband. It's -- we've been the best from day 1 20 years ago. And we're certainly not going -- looking to cede that in any way. So we can only control what we can control in our own company. And so the first answer would be everything I just said: control, speed, capacity and coverage. The second thing is, like many, we studied this as much as we can. We don't know that we get the economics yet that it's -- against fixed. But we're -- we can't control that and can't affect that outcome. But this industry, for those that have been following it for a long time, there's always something coming to disrupt the future. And that's what made various moments of investor enthusiasm, concern. What I think management has to do is to kind of put ear muffs on and try to compete as vigorously as you can. I've talked to many wireless leaders around the world. I don't know that anybody knows exactly what it would do to -- whether there's really a great product and capacity. But we're not going to take it lightly, and we're going to be ready to compete. And all we can do is be the best and try to create a value for our customers and now a stickier relationship with Broadband 2.0 and xFi. They're going to rip all that out and start all over again. I like our position.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

All right. So you talked about video before. And you lost 140,000 video customers in the second quarter. And then you said on your conference call, you expect pressure to continue as virtual players continue to ramp up their marketing. So the question here is what is the role of video in your cable business? How important is it to you going forward?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

We're going to compete for video, but we want to compete for profitable video. And I think that's a change. And so that takes a while to get your organization and yourself mentally prepared for that. And what we've seen is when there's a slew of new entrants, so a very different kind of competitor than what we've had when satellite came, and then FiOS came, and U-verse came. We've had plenty of competition, DISH network. So we're used to that. But all of a sudden in virtual, you've turned up 5 virtual competitors on the same -- basically, the same day. It will have a bit of an impact. And hopefully, as we exit 2018, we're going to see kind of a beginning of a mitigation, of a trajectory anyway in video and that we're retaining our best customers and our profitable customers. But we'll see. One of the reasons I love this conference, it feels like back-to-school time. And even though we're in the middle of a quarter, there's a fresh energy that is I think it always, I found, when the summer has ended, everyone's pretty focused to see how we did during the summer but also this whole back-to-school period and the race toward the beginning of next year's planning. And as we do all that work, we're pretty excited that we withstood the first wave here. People are starting to raise prices on their introductory offers. And we're sorting it out in a way that I think net, our video business continues to add value to our connectivity business. And I'll give you one other observation. We sort of achieved a pretty great place in our video product. We now have a deal with Amazon that will be like our deal with Netflix, like our deal with YouTube. Another pivot we made is we don't care whose content you watch, just watch it through our X1 experience, and we're going to be a winner. And so the integration, we now have more people consuming their television in our markets through our system than anywhere else, including the streaming services. So we've achieved sort of a vision we laid out a decade ago, which we called Project Infinity, have anything you want any time on any device. We're kind of there. So now where do we go? Well, we're looking at artificial intelligence and anticipating your needs, making it even easier with that much content. Yes, you can say and get what you want, but you don't even know what to say. So how do we find an even better and deeper relationship with you, personalize it more, give you better recommendations, anticipate your needs, make it easier and friendlier? And that same capability, artificial intelligence and the data that we've got, data management, we're applying to customer service and customer experiences. So we also can anticipate whether you're calling us or whether your WiFi signal is weak in some rooms. And we're noticing a frustration before you have to call us. So the same technology capability we're applying to video, we're applying to Internet, but we're also applying it to the customer relationship that you're going to want us in your life because we just add value and reliability in anticipating your needs. Video is a big part of that.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And just to come up -- back to the point about the mitigation of the pressure. I just want to make sure I understood that. I think you're basically implying that whatever level of pressure you see that's been emerging on the video business, you think as you start exiting this year and get into next year, it's going to be about the level of...

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, you start to cycle yourself. Over any competition, there's a slope. We don't know what the future will hold, but we're -- I can't anticipate competitive behavior next year by so many competitors. But I think we're upselling, or we're selling some broadband standalone, and then we're working on a strategy how to encourage you to consume streaming. And if you want, add our video later. So we're changing a lot of things in how we look at that. And I think Dave Watson, who's running the cable division is all over it. And we're -- we'll see how we do when we post our results over these next few quarters. But if the second quarter was any indication, I think there's a real strategy that's working.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. It's been a little over a year since you launched Xfinity Mobile, and you already had 781,000 customer lines at the end of the second quarter. How is this product performing versus your expectations?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, that's not included in the 800,000 number I gave earlier in terms of customer relationships because we're only selling Xfinity Mobile to our existing customers. But I think it's a pretty great achievement from a standing start in a -- with many established, a few established companies, AT&T, T-Mobile, Verizon, to come in and get 800,000 customers this quickly. I think we're a meaningful competitor. And it's still very, very nascent. And so we see a good runway. I'm really pleased that pretty much, we're around the plan we had hoped for. We're seeing more wireless in our future with Xfinity Mobile. And we're beginning to prove out to ourselves the core thesis, which is to our best customers, we can add value to you by you taking Xfinity Mobile. As you know, we have a Verizon MVNO. Verizon has been a terrific partner, and we have the best wireless network. So you're getting a great product. You're getting an Apple device, a Samsung device, whatever device you want. And you're being able to buy it very simply, by the gig and unlimited without a contract. And so to all of our customers -- majority of our customers, not all but majority, it represents a -- maybe in all cases, a value creation because our pricing is cheaper. But you have to take our broadband. And so we're beginning to see a better stickiness from those broadband customers. And our stated goal in the beginning is after a few years and enough scale, we will have every relationship be profitable or most relationships, so that on an individual basis, we're making some money. The division is making some money, but the raison d'etre is yet another product. And then when you get to the innovation side, things like turning off your broadband and also turning it off on a wireless device if you're managing your kids, want them to do their homework. Those kind of features are now going to resonate in and out of the home. So it's strategically helpful and compared to many other strategies, capital-light. So all things said, I'm really pleased it's early. It's been a year, but it's been a good year.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So at year-end, it does seem that there's evidence that the churn in those customers is indeed lower?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Yes.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

You talked a little bit about business services and a part of your discussion as you pivot to connectivity and how important that's becoming to the company. It's a $7 billion run rate business. It grew 11% in the first half of the year. Randall Stephenson was actually kind of complementary of the success you were having in the business market during his presentation. So I want to maybe better understand what's driving that growth. And maybe more importantly, how long can this momentum continue?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, thank you for -- to Randall for saying that. It's like a $40 billion market. And we're at $7 billion. So the answer to your question, I think, is we hope a long time. We have a superstar management team led by Bill Stemper, pretty much since inception of this business. And my hats off to him. We have small, medium and large enterprises. We started with small. We've done a great job in small businesses. I used to say, you go to the pizza parlor in Philadelphia, they're the most important customer to Comcast compared to a residence because they're paying more. But to Verizon, they're the least important customer because they serve the Pentagon. So that pizza parlor isn't getting the kind of attention that we were able to give them. We have a brand new network with a super broadband. Therefore, why shouldn't we win that business? We had to prove ourselves as reliable and up to it for a business to rely on us. And over year after year after year, Bill and his team have done that. So then we expanded to medium-sized businesses. The story is the same, but we've got more growth than we do -- we're still a little bit behind. And most recently, we've upgraded our suite of products to enterprises. And we just -- to give you 2 data points, we just signed a national bank with 2,000 branches that are going to hook up all of our broadband. And we just signed a national wholesale grocery retail store chain. And we're doing the same with close to a couple of thousand or a thousand locations there. So we're pretty excited that we're seeing a different type of customer. And we have all sorts of next, more sophisticated, more sophisticated products with managed data networks and fiber connections and what businesses need. So double-digit growth every year we've been in business. The evolving market segment and a brand and a reliability story that's getting better and better every year.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And because those are national customers, then you are able to win customers, you have some presence outside your footprint. That's not the same barrier usually?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Right. So we've coalesced with other providers and cable companies. But whatever, we're finding a way to say to businesses we can deliver outside of our footprint in a way that is, as you say, that's the right conclusion, which it doesn't have to just remain in footprint. And that's been -- that's a big change as well.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So you had strong results in your cable business through the first half of the year. And as a result, you now expect your cable EBITDA margins to expand by 50 to 100 basis points this year. And you expect your cable CapEx intensity to decline by 50 to 100 basis points this year. So the question is, what's driving this improved operating leverage? And more importantly, is it sustainable beyond 2018?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

I hope and believe that it is sustainable to continue to see the following things happen to the company. As we just talked about, we're shifting to connectivity. So away from some of the video and try to lower the churn as we go for profitable customers. So that is helping take some of the consumer premises equipment and the cost, of course, of those boxes are now tiny little boxes and such. So we're seeing a good trajectory there. But I think at the heart of it is we've transformed the way we're doing business. And we were behind, and now we want to be ahead on people interacting with us digitally first and digitally only. And when Dave took the job, he said, "This is what I'm focused on and giving, therefore, a better customer experience than what you were getting previously." So in the last 12 months, we've taken out double-digit phone calls while we added 800,000 new customers. We've done that for several years, those kind of successes as we've got much less truck rolls. And all of that is taking operating expense out of the business. 75% of all our interactions now are digital in all of the company. We now need your cellphone or your e-mail to do business with us on a go-forward basis. We've collected all that information. So when you start with a totally different mindset from 50 years ago, which is, "Here is my phone number, call me", and in a world of Uber and Netflix and Google where you wouldn't know how to call them if you wanted to, how did we transform our company and yet do so in a way that for those who still want to do business with us the old way, you're providing a better and better experience. All of that transformation is taking cost and operating cost out of our transactions. And that is part of why the margins, coupled with longer-term -- or medium-term programming agreements that those initial bumps have now mitigated. Put all that together, and you're getting the results we just talked about.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And so that certainly sounds like programming costs won't -- will continue to not be as much of a headwind. It's obviously even not nearly as much of a headwind this year as it has been in the past. And then obviously, people would say, "Okay, was there something you're going to spend more money on?" Or do you feel like you are at a point where that really is durable?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

For the next few years, we talked about mobile. And with that, separately, we've given total visibility of that strategy. We're excited by that strategy. But to this core connectivity with video playing an important supporting role, where we've got our ability to continue to do better and give better service, which means the churn is less, the amount of times people interact with us is less, more reliability. And so we're always balancing one more new product with just make the ones you've got work better and better. And look, Tony Werner, who's our Chief Technology Officer for this whole transformation, has just as much focus on network reliability as we do on the next software rev. And so I feel we're in a great place. And it's -- I think, the numbers are going to continue to support that, I hope. And that's certainly what we're shooting for, right?

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Let's spend some time on NBCU. If we think about NBCU's largest competitors, many of them are looking to gain scale through combinations, either with other media companies or in some cases, with wireless operators. So do you feel like NBCU has sufficient scale to be successful in media entertainment as the industry evolves?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Definitely. We have more television viewing than any other media company when you look at any kind of ratings or viewership share. We have, in the last 12 months, the #2 film studio based on box office from this time back a year. And every new over-the-top player, every new entrant basically took all of our products. They wanted and needed to have us be part of their bundle. So almost any way you measure it, we have a very good and relevant seat at the table. Again, if someone puts themselves for sale, we're going to take a look. Some prices, we're buyers, in other prices, we pass. And that's what I think my job is to do. But I don't feel, as I said earlier, that we need to do anything. When we bought NBCUniversal, we got a wonderful company with scale. The one business that we don't have in the 2018 results in a meaningful way is animation just in the way things went this year. But as we look to 2019 and 2020, one of the reasons we bought DreamWorks Animation to go along with Illumination as increasing our capabilities on what has for us been the most profitable part of the film business on a sustainable basis. So television, yes; Film, yes. Theme

Parks are an amazing business for us. We have 1 competitor. We're the smallest of those competitors. I mean, there are many more than just that competitor as you look around the world, but in Orlando, in particular, and Los Angeles. And we've been growing faster than any part of the company. We'll have some lumpiness from quarter-to-quarter, but we have a strategy. We're opening an exciting park in China in a few years. Osaka, Orlando and Hollywood with hotels and a road map. So we really are excited about that business and looking for new attractions and new opportunities. So yes, NBC, for me, NBCUniversal continues to be the best deal we've ever done. We've just had all parts of the business growing. Content is more desirable by more platforms than ever before. And we're the largest breeder of that content in an eyeball-measured way. And that's a pretty exciting place to be.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Right. So we had talked about the evolution of video on the cable distribution side earlier. You obviously are also on the content creation ownership side. So your TV business is inside NBCU. You're not the only ones seeing declines in one of your video subscriptions, but of course, we're seeing really strong growth in streaming. At industry level, that actually looks like streaming growth may be offsetting the linear declines, and so there's actually a net increase now in people who pay to do television. So with that as context, how do you think about the drivers and the trajectory of growth for the TV businesses inside NBCU?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

So great question. Occasionally, when these changes come, there is an immediate what does it mean to this industry. People have different strategic reactions. Market has its own reactions. What we've tried to do at NBCUniversal and the same for Comcast NBCUniversal is try to position the company to be a net winner. And we talked about that on the cable side. Over in the NBCUniversal side, I think the same thing has been true. While yes, you're seeing a decline in linear ratings and we see that's been going on for a few decades, maybe longer. If I projected down the road a bit, there's still going to be an NBC. And it's made more money in 2018 than it did in any time, I think, in its history. So when -- yet, part of that is because of streaming. And we're selling to every new streamer something, and that's been great. So I don't subscribe -- we don't subscribe to the all-or-nothing theory of this change. If you go back all the way to radio, there's still a vibrant radio industry. It just isn't as attractive as it was when it was the only part of the story. But it didn't just evaporate even if it's lost some of its -- and then you look at broadcast television and then cable television, now Internet, now streaming. And so what we want to do is make products for all of those platforms. In some cases, own and participate in ownership in those platforms, but the notion that it's all to nothing, I think, is wildly wrong. And yet, if the growth is being powered by the newest kid on the block, make sure you're well positioned to do that, and that's what we're trying to make sure is true. Heretofore, that's evidenced itself in the amount of money we're collecting from streaming. So that's been a huge growth driver of NBCUniversal for the last 7 or 8 years since we've owned the company. And it's also been true for making sure that the new entrants and virtual MVPDs take all of our products. And that's been true. And then things like retrans fees and things that might plague other parts of the company, we've been a big recipient. And that's what allows me to make the statement that, oh, by the way, over on the cable side, that streaming is what's powering broadband and -- in part anyway. And so how do you get a company that is really well positioned for this continual change. And we're not perfect in every asset, and things will -- but every part of the company is growing, and we had in the last 12 months, and hopefully, for this year, it will be the most profitable year that we've ever had. And that's -- and next year, better than this. And that's been the Comcast story for a long time. And my hope is that we can find ways for that to continue. And I feel really good about that.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

You talked about being invested in platforms. Obviously, Hulu is one of them. What about your own direct-to-consumer platform? What's your view in having a strategy there?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

We study these things all the time. We look at the trade-offs between do-it-yourself and selling it to others. We're going to do things in partnership. There's an evolving landscape and a lot with deals going on and how it all plays out. So no news today, but we study having a relationship with consumers through third-parties and direct, which is quite natural. And I think we will continue to want to do all of those so that we make sure we continue to be on all sides of that ecosystem and continue to be growing while the change occurs. So hopefully, leading while that change occurs.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Before I get -- let you go, we've got to get to ultimately, which is one of the most important things to investors in this room, which is free cash flow. The company generated $7.4 billion of free cash flow in the first half of the year. That was up 30% year-over-year. You returned almost $4.5 billion to your shareholders. That was a 20% increase versus what you did in the first half of last year. And so the obvious question is, how do you think about the trajectory of your free cash flow as we go beyond 2018? And as an extension of that, if you're generating a lot of cash, what are your thoughts on how you should be allocating that going forward as well?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, you can try, but I'm not going to answer that because we are not giving guidance today for 2019. But I think what you articulated demonstrates that we are trying to balance all the pressures of the demand. And we've done, hopefully, a thoughtful job in trying to do the following. One, first and foremost, be the best operator and put the money in the products where that can be a true statement 1 year after another after another. And sometimes, that's popular, sometimes, that's unpopular. Right now, we're in a pretty steady state. And I think, therefore, the kind of trajectory and trends that you just cited look pretty much like what the company is going to do. So there is no massive change coming. Two, is the balance between returning that capital to shareholders and -- either through a buyback or through a dividend, and any new opportunities that you see on the horizon. And you've got to be financially disciplined in playing offense and find -- create shareholder value through the prism that I talked about earlier. And so in any 1 year, something comes along, like what we were talking about earlier, it can change the answer in the short run. But over the long run, I think we will see a balanced return and then what's your target leverage. And we've been pretty consistent. Mike Cavanagh, our CFO, around 2.2 is where we want to have as a steady state. We look at the world around us. We look at future opportunities. We look at returning capital to shareholders. And that's been -- that's allowed us year after year to increase our dividend, be a buyer of our stock, invest in the business, look for new acquisitions. And balancing that, I hope, with a long enough lens and a long enough stability of the management team, you kind of know what you're getting when you buy us. And obviously, we hope to continue to see a shareholder return like we've had for the nearly 50 years.

Brett Joseph Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

All right, Brian. Thanks for being here. I appreciate it.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

My pleasure.
