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MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

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PRESENTATION

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Okay. All right. Thanks, everyone, for joining us for our final morning keynote. Really pleased to introduce Dave Watson. Dave is the Senior Executive Vice President of Comcast and President and CEO of Comcast Cable. So welcome, Dave.

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Good to be here.

QUESTIONS AND ANSWERS

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Why don't we just start off with maybe a high-level question. There's been a lot of changes happening across the cable, media, Internet landscape. How do you position Comcast Cable for long-term success in this rapidly changing environment?

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Well, I think, Bryan, one of the keys that have helped us is consistency, staying focused around just really a handful of things, 3 things that we've been very focused on over the years. First and foremost, whatever category that we're participating in, we want to deliver the best experience, so we want to be a market leader in the major categories where we compete, delivering the best experience that we can. Connected to that is number two, is just constant improvement. I think for those who follow us see this that every one of the categories, the products and services, on an ongoing basis, pretty much every year that we are improving things. Broadband is a great example of that. Broadband, 17 years in a row, we've increased speeds. We kept data to the point where 10 years ago, something like a 15 megabit broadband capability, now we're up to nearly all of our footprint is 1 GB. So just constantly keeping at it. We've rolled out xFi that adds a dimension of WiFi in the home that improves coverage and control capability. And then video. Video, I think, folks know about X1, but X1 is another service where we just continuously improve the capability. We've added, last year, Amazon, on top of Netflix, YouTube, and connected it in such a way that I think is very unique, very different that I haven't seen anybody else do it the way that we're doing it. Contributed towards 9 billion voice commands last year. People are getting to what they want. So you -- the third component is just deepening the consumer relationship. Broadband is the centerpiece, in which we then partner video with that, but we also now have mobile and other capabilities, home security. And when you add those things up and packages that consumers value, it just extends the consumer life, improves customer lifetime value, and so it has led towards, I think, a pretty good level of performance. Last year, we added 1 million customer relationships, 13th year in a row did over 1 million broadband net customer additions. We had, I think, a fairly solid financial performance that it did for full year, 6.5% EBITDA growth and the best in 7 years. And then because of broadband, because of the focus on the expense side, the margin improvement, we just have taken the two business services and consumer businesses, growth of nearly 10% between the connectivity side, and if you look at our free cash flow growth of 13%. So all these things sort of add up. We're improving the customer experience. We're competing aggressively with the products that we have. And we like the trajectory. I think this formula will serve us well going forward.



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

And you mentioned this strategic shift to cable to focus on connectivity. What impact is it having on the business, including -- you alluded to it a second ago, but you can get maybe a little more into it, the impact on the EBITDA margins and the capital intensity in the business.

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Well, it starts with the consumer relationships because it's helping us grow in terms of the consumer relationships, first and foremost. But to your point, our margin and capital intensity, it's margin-accretive, the broadband business. And so just as we talked about, 100 basis points of margin improvement, CapEx intensity improvement that we saw contributed because of this focus, the shift towards the broadband business. And going after, I'm sure we'll talk about video a little bit, but we will partner video in the segments that want it and do it profitably when we do that. So you add all these things up. It really comes down to the basics that we focus on day in, day out, and that's expanding consumer relationships. It's the EBITDA per customer relationship and net cash flow growth. So it really has been a help towards the improvement in margin and CapEx intensity. I think these conditions will continue.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

And broadband is -- as you mentioned, is the core of the connectivity-based strategy. And it's the company's largest growth driver. What's driving the growth in broadband? How are you thinking about the opportunity to continue to grow the subscriber base over the next several years when you consider current market share levels as well as the overall industry penetration level?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

I think you start with broadband and connectivity. You look at the overall market, the 80% broadband penetration, approximately, there's room for growth there, just on the beginning point. So there'll be an opportunity to take that 80% north. If you look at our own penetration around approximately 47%, we have leading indicator markets. Some of our markets are in the 60% penetration range. And there's no reason to think why the other markets won't follow over time. So we're very focused on just continuing to drive penetration but do it in a way that balances revenue growth. And so we've been able to -- we're very focused on market share, leveraging the best product with xFi. But the ARPU growth of 4%, overall broadband growth of 9%, I think, reflects the fact that we're doing both. And so it's been -- you have to have your eye, back to the earlier point, just constant innovation around. And so the driver of broadband historically has been speed. Listening to customers and competing, we felt there's a real opportunity to do even a better job. So we've been focused on the gateway devices themselves, provide really good coverage as well as speed, but we're complementing those devices with pods and control capability, and that led towards xFi. So it's the steady drumbeat of the -- making sure that we're innovating around broadband as much, if not more, than even video, which we still are very focused on. But this focus around broadband helps us compete. So to me, I think those are the big drivers of opportunity. If you look at where the customer is in broadband and the expectations are high today, they're not stopping. The amount of consumption that's going on is increasing, and so in staying ahead of that, their expectations, is just critical. So I think that between upside on penetration opportunity, upside in terms of appropriate rate management, I think, and then the other focus around business services is, I think, a real opportunity for broadband in the years to come.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

And the strategy for differentiation going forward, is it more the same in terms of what you've done? Some things you just mentioned? Or?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Yes. It's going to be -- so we have today the ability to deliver 1 GB of ubiquitously throughout the footprint. So it's taking the best of speed, the best of devices and then the best of the control so customers now being able to manage the WiFi experience simply, easily in their home. I think



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

the xFi innovation roadmap is critical for long-term differentiation in the marketplace. So we're right ahead of this. We're pleased with the market reception to it. And if you look at the nearly 1.4 million broadband additions last year, it reflects that.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

And what would you say to investors who are concerned about the prospects for new 5G-based competition for broadband? Verizon was just on before you talking about their 5G fixed wireless strategy.

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Well, I think it starts with the premise of what I said before that I think we have a long road map ahead of growth for broadband. We've been very accustomed to competing in different ways. It could be fiber. It could be some form of wireless substitution already. That's not a new thing. So we've been competing aggressively for a while. So you start with that. And I think one of the key points of differentiation for us is our network, and it relates certainly to 5G. Our network is the most effective and efficient network to deliver bandwidth-rich applications that are in the marketplace. So we've been continuously going fiber, building fiber out into the marketplace. This is not new. We've been doing this for some period of time. So our network is very robust, very capable of handling the broadband growth. And you look at where consumers are today, average customers are 6, 7 devices. And our average in terms of the consumption, the average is around 200 gigabytes that they use on a monthly basis. And you look at our power users, and I think this relates to 5G because our power users, we are the -- they are the leading indicators of where the consumer is going. And our power users are 20-plus devices, and you name it. The power user devices, the smartphones, so the laptops, connected TVs, smart speakers, cameras, so 20 devices and 650 gigabytes of usage. And that's 100x more than smartphone consumption, wireless consumption. So -- and we still -- WiFi is the -- if you look at a smartphone usage, 80% of the overall data consumption is through WiFi. So we feel like that we're going to be the leader in terms of these rich bandwidth applications going forward, and then you break it down to 5G. And 5G, I think, there's promise for mobile, and we'll participate in that and the relationship that we have on a wholesale basis. Like when you look at the ability at scale to replace broadband, especially where the market's going, and do that effectively and efficiently, I think, there -- from our standpoint, we believe that our broadband business will compete very nicely. And so I think they'll be able to do some testing, and there'll be moments where they could pick a dense area where they could do it, but that's happening today. And there are wireless providers that are looking to go after apartments and MDUs today, so it won't be new. So we'll watch it closely. We're testing it. We stay very connected to what the capabilities are at the spectrum level. And the -- where they're at in terms of spectrum, they're going to have to deploy for fixed broadband purposes a significant amount of small cells to be able to pull it off at scale, and we think we'll stand up very nicely to that. So I don't feel that it's, in any way, shape or form near-term a competitive threat for our broadband business. Mobile could be great, and there could be applications that come out of it. There could be niche applications that could be great. And remember, I came from wireless ages ago, but 4G, they're still getting the final stages of that completed, and it takes about a decade for some of these things to happen and the whole ecosystem for it to come together. It'll take a while, and we'll stay very close to it as it does.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. You mentioned business services when you're talking about the connectivity-based strategy. Obviously, also a very important driver of growth. What's the opportunity that you see for continued growth in business services?

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Well, business services is one of our growth engines, for sure. If you look at the 2, between broadband and business services, they were growing at 10%. And business services is -- you break it down into the opportunities that we have, small business, medium and now large with enterprise, there's growth in each one of those segments. You look at where we were a decade ago, it's unbelievable that a decade ago, we are, in business services, delivering \$500 million of revenue. We're now at \$7 billion with line of sight that we feel to get to \$10 billion. And this is in a \$40 billion opportunity within our footprint. So very focused on these opportunities. And they'll come within our footprint. We're leveraging where we built. But quite frankly, there are important pockets where we have not built in the areas that we serve. I'll give you an example. In Philadelphia, we have



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

a project called River to River, and it's approximately 3,000 business passings, and this is in Center City, an urban area that connects 1 river to the other, the Schuylkill to the Delaware. And so it took us a while to build that out. But looking at this 3 years later in a dense area, we have about 1,000 of those passings that we now serve. It's a great return. And we'll do this surgically, and we're doing this everywhere that we serve. Every market, when you see cranes, you see all this construction going on, we're right there. So we will continue to build out these areas. I think the other area of growth that is very important to us, so the \$40 billion that we talked about between small business, medium and large, the enterprise segment, that's primarily connectivity-driven opportunities for us. But in addition, the last handful of years, we've been pretty steadily working on how can we deepen the client relationship by adding more value. And so we're doing things like providing WiFi capability to our business customers, so they can keep WiFi for themselves but also have the ability to give it to their customers. We're providing surveillance capability with cameras. We're doing wireless backup. More advanced, the midsized markets and even enterprise. We're introducing things called SD-WAN. SD-WAN is software-defined networks that essentially gives more control to the customer to be able to control the broadband traffic that they want. Simple example, it could be a medical office where it's pretty important to get their radiology stuff passed through the network and then prioritize that versus administrative stuff. So there just are simple examples like that, but these products are very powerful. We're adding, on a connect basis, anywhere from \$20 to \$100 of new revenue per client. And then we're standing up teams to sell to the existing base on these products. And so we feel, on top of the \$40 billion, there's an additional \$7 billion of revenue opportunity in terms of the suite of advanced products that we have today, and we have not even rolled out the mobile business to small business yet, which will happen late in the year into early next year. So we think it's similar to residential where you constantly improve the products. We're doing 1 GB for businesses now. We're going to continue to make the product, to improve the product on a constant basis. But we're also going to deepen the relationship through the suite of new products. So all of that, I think, there's a long runway for growth in business services as well.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

And you mentioned the enterprise segment. Are you confident in your ability to grow share in enterprise? It's obviously different than small business. And what extra steps are you taking tactically as you execute on that opportunity?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

We are confident, and we're seeing in the early stage good results. And so we're still around 5%-or-so penetration. Our focus early on is multi-branch company businesses, so for those large banks, large retailers that have multiple locations that we can serve. And so we're very focused on that, having early-stage good success with it. Just signed up a retailer that has 14,000 locations throughout the country, I mean, 14,000. So to pull it off, you need to do a couple of things tactically. But one, you hire a great management team. Focus on -- we hired an individual named Glenn Katz to run this group for us within Bill Stemper's organization in businesses services, Glenn has hired a team of sales professionals. One of the things that we did also, we bought a company called Contingent that helps us do all of the back office applications that you need to tie together, so you have a simple 1 bill, 1 provisioning capabilities. So Contingent was very important. And third but pretty important are the relationships with the other cable providers. We have a great relationship with cable in this regard, Charter, Cox, others that participate. An example could be, which we have, to do the 14,000 locations, the primary account, we have 1 that was generated in San Francisco, but their ask was, "Hey, wait a minute, we need L.A." And so we'll break it down, and we'll work with Charter to -- and/or Cox to make sure the L.A. locations are taken care of. It's that simple, but back -- behind the scenes, things like Contingent and our sales and operational professionals tied it altogether and do it profitably. So I think it's early, early stages, and it's primarily connectivity. I think there's going to be an opportunity to do more with this segment.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

How -- there was, I guess, for years talk about cable operators working together on enterprise. The way you just described, it seems like it's been -- is it correct, it's been a most recent phenomenon that that's actually started to happen effectively? Or has it been going on behind the scenes for a while?



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

I think -- no. I think it has been the last several years where this has -- and it started just with the focus around what would it take to provide this kind of end-to-end solution. Once you define that, and I give a ton of credit to Bill Stemper for working with the other cable operators, but the cable operators have been great. And this is an area where if you have the main relationship and you go through, and it could be -- again, retailers, could be banks, but once you define their needs and then you describe to them the capabilities that we have and once they understand, the client may not even know that we can provide this in all of their locations throughout the country. Then there -- this has been the last several years where that's been eye-opening to them and a real opportunity for us.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Interesting. Okay. Why don't we talk about video a little bit? With the focus on connectivity, you still continue to be a leader in innovation in Pay TV and the video marketplace. X1 has delivered a great experience to the customers. It's adapted to an evolving video market by adding OTT applications, like you have mentioned, YouTube, Netflix, Amazon Prime. What's the current role of video in the Cable business? And will you continue to focus on innovation in video?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

We will. We will continue to focus on innovation in video. Video is very important to us for a handful of reasons. First and foremost, it's profitable, that we serve customers across multiple segments. And customers that want a premium experience, we're a great provider, and we'll continue to be so, I believe. So we will continue to innovate around X1. We will continue to do this within footprint. We have syndication partners that we do it outside of our footprint. And for the right segment, video becomes a great complement to broadband. And so broadband is the foundation of which we start the relationship. It's how we go to market. It is the packaging epicenter. That's where we start thinking about how we go to market. But video can be a great supporting part of that package, and I believe it'll continue. So I talked about earlier the addition, on top of Netflix, on top of YouTube, that now Amazon, I think there will be other things with -- that we'll be adding, apps to X1. It could be music. It could be other things that we're doing, even beyond video. But X1 is a really powerful platform that can connect apps, video, and do it uniquely in a way where a DVR, On Demand, live linear, on an asset basis, if you say the show -- the reason why there's 9 billion commands that were generated in 1 year, you say The Patriot, there it is. You don't have to hunt around. This amount of content that's available these days, which is amazing. You need this kind of powerful user interface. So video will be important. Having said that, video is intensely competitive, and we're simply not going to chase unprofitable video relationships. So it starts with the profitable segments, stay very focused on that, packaging it with broadband. And so that, I think, justifies and warrants the ongoing innovation around the X1 in the video experience. So we're going to stay very active in other apps to come. And I think the other point, too, X1 is this broad platform that today is going after customers that are in certain higher-end packages. But X1, I think, is extendable, is a platform that can go deeper into other profitable segments. So we'll look to -- ways to extend that X1 into more broadband-focused segments over time. So all of those reasons, I think, you will see us continue to innovate around video.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

I mean, on that point, it seems, I think, people have always thought about X1 as a premium product, which it is, centered around a rather pricey premium experience. But I mean, it sounds like you're alluding to is being able to use that platform capability and maybe do it through a less expensive hardware solution to reach some other segments. Is that a correct assumption?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Yes, that's correct. That's exactly right. To be clear, though, I mean, just video, the entire video category is very competitive. So the amount -- and it's competitive in a couple of different ways. One, the large amount of OTT folks jumped in a couple of years ago. And you hear ebbs and flows of some people rethinking their go-to-market approach and pricing, how they -- how aggressive they'll be. And so that's -- that'll change over time, but they're still active in the marketplace. That amount of competition does not go away. So it's still going to be very, very competitive. I think the second thing is video, people spend a lot of time talking about their virtual, over-the-top live linear providers. I think there's a new niche video



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

direct-to-the-consumer product that's introduced like every other month. And so there's more choice than ever for consumers to piece together what they want. And so I think we're positioned. On one hand, X1 could be that platform. If I'm a direct-to-the-consumer video provider, I get it. I want to be on X1 because it seamlessly connects and does a good job. We'll think about those applications over time, but on the same time, because of consumer choice, because of all this competition, we're just not going to chase video. We stay very centered on broadband. We'll package video where it makes sense, and do that profitably.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

So I guess, as you mentioned, a lot of people focus on video. The investment community in terms of net adds may improve in the third and fourth quarter. Was that due to less competition from virtual MVPDs during that period? And given what you just talked about in terms of not chasing profitable customers, what are your expectations for the trajectory of video net adds and video revenue at cable for the next year or 2?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Well, because of the fact that we're not going to chase every segment and the fact that the video business will continue to be very competitive, I think the video marketplace will be -- it's still tough. And again, we're not going to chase it. So you may have moments where there's an opportunity, and we'll be there. If there's an opportunity and some of the segments or some of the participants have a different go-to-market approach, then we'll be, I think, well positioned in that moment. But I don't see the video marketplace changing. And again, it's because of the virtual, the sheer amount of virtual over-the-top providers as well as the amount of choice between folks that say, hey, I want 2 SVODs and a couple of niche things, and that could be okay for a certain segment. So we'll pick and choose the segments. Again, primarily focused on broadband. But I think the video marketplace will continue to be a tough one for at least in the near term.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Yes. Okay. And let's talk about mobile a little bit. Can you just spend a few minutes talking about Xfinity Mobile? Can you remind us of the strategy and the goals that you're seeking in mobile?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

So again, our -- the focus on mobile for us was to -- within our footprint, to be a great companion to broadband. And that was the starting point, and video, too, if they want it, but it was primarily with broadband. And so the starting point was, in introducing mobile, we do it in a way that would add value, deepen the relationship and drive down churn, improve retention. That was step 1. So the second part of it is to expand the relationship with the customer in introducing mobile. So example of that is retail. We've been doing retail for a long time. And so we don't need a lot more retail locations, but we needed to do a better job within the locations in which we had. So we -- that will even refurbishing and upgrading our retail stores that we already have. And when you introduce mobile into the retail channel, it improves foot traffic, it gives you a better chance of selling broadband, gives you a better chance of selling other products and services. So deepening the customer relationship with mobile is an opportunity. Last but not least is the ability to achieve stand-alone, profitable economics at scale with mobile, so doing it profitably. So yes, we certainly had hoped that the churn benefits would be there, but we knew that our go-to-market approach would be done profitably at a certain scale point. So we're real pleased the early stages. Ended last year, 1.2 million lines within our footprint, focusing on mobile. That's encouraging. And so we're pleased with that. And I think we have a unique value proposition in the marketplace. We compete with unlimited, but we also have By the Gig. We're one of the only ones that do By the Gig the way we do. We let customers mix and match what they want within a single account. So if you have a power user that needs -- at the time, they picked unlimited, but you have some others that want to have By the Gig. And By the Gig performs very well for us. So we're pleased with mobile. Mobile is -- at the early stages that we're seeing -- we are seeing the broadband churn benefits. So it's -- and again, it's early stages, but it's kind of what we hoped for, exactly what we hoped for.



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Do you see any benefit -- I mean, you mentioned increasing foot traffic in the stores, and how that could lead to more connects in video and broadband. Do you actually see a benefit in customer acquisition for mobile?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

In the channel, certainly in retail, it turned out to be a benefit. It's a win. We're seeing some additional sales of other products, but we're seeing the mobile is -- that's a wonderful channel. We still sell it in digital. We still sell it within call centers. Retail has been a win. So all elements, the churn benefits early on, the ability to deepen the relationship, and the profitable economics. We looked at -- questions have been around how -- when will you find a moment where the overall, your losses will peak and be able to come down. And I think, in general, that kind of happened in Q4 in terms of the net losses for the peak. Then there could be a moment when could be a new suite of products that are introduced by Samsung or Apple that could cause sales frenzy in the future. If that happens, great. So that may be a little bit of a caveat to that point. But for the most part, I think we can see an ongoing trajectory of steadily improved economics overall and then certainly a road map to achieving on a stand-alone basis at the scale that we're anticipating.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Is it fair to say that you're most competitive on the By the Gig pricing? It seems like that's where the best deal is for the consumer?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Well, it's -- again, we're one of the only ones that do it. And so I think we offer unique solution to that. The whole market, it was interesting how it just -- they just went years ago, they all went. So we're competing with that, but it's a -- it offers a family. And again, for us, the value proposition could be kind of a couple, say, 1 power user, 1 not; or a couple that just -- they're going to start off in By the Gig, and then mid-month, if you see your usage get to a certain plateau, you can switch and go right to unlimited. So I think it just gives us that flexibility. It's very unique and gives customers good value.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Yes. I wanted to talk a little bit more about margins in the cable business and capital intensity. You have improved cable margins by 100 basis points last year. You've guided to margin improvement of up to 50 basis points in 2019. What's driving the improved operating leverage in the business?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

I think it starts with what we talked about earlier, and it really starts around the focus on the connectivity businesses. So broadband, business services, margin accretive, the growth -- the revenue growth, it's the majority of your EBITDA growth, growing that business collectively at 10%, pretty powerful. That drives margin improvement part of it, in and of itself. So staying gets us constantly focused on the connectivity end of things is a big driver of margin improvement, and I would say CapEx moderation as well. The second thing, talked about the cycles with content in terms of content programming expense. We talked about it in '16 and '17. Those levels were elevated based on timing of some of the agreements. And we said that there'll be a period afterwards where it would level off. Last year, I think, it was about 2.7%, around that in terms of the programming increase. I think you're seeing just a period of moderation, and I would anticipate that to do the same in '19. So -- but they certainly go in cycles. The category where we are very focused on have been is the nonprogramming OpEx. And it's just -- and we talked about it before, but it is an area where there's just a massive opportunity, I think, for cable operators to do a better job, day in, day out, delivering service, meeting customers where they are in terms of their expectations around service delivery. I don't think people -- we have wonderful call centers, but I don't think people wake up and say, "I'd like to call my cable provider." So I think that to the extent that we can provide a better digital experience, and again, we love our



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

call centers, love our people, and they do -- are doing a better job over time, knocking down repeats and things. But right now, 75% of our interactions are digital. So it's, in digital, end to end, very mindful of -- if you start with an app, you could go on X1. And if you want to solve something or do something, do a restart, you can do that. You can do it through your app. You want to find out where the technician is, you can find out through your app. We're introducing AI capability within this to improve the chat experience, so we kind of know what's going on, and we can learn from it. So I think the nonprogramming OpEx opportunity is significant and will be there for some time. I think we knocked off a minimum 15 million telephone calls last year, about 1.5 million truck rolls. And there's a long runway for growth ahead of us in that. So you add up all these things, and you look at the ability to -- in terms of margin, you see, I think, that steadiness to the margin improvement and holding margin. In terms of CapEx, that clearly is a shift away as we have the X1 product reach a point of maturation. There's less video CPE that we need to deliver in the marketplace. We'll compete. Profitable customers, we'll be right there. But we're not going to chase it. So as that -- and then as we're building out broadband capability, we're focusing more and more on the connectivity side. But that combination, that shift of less video CPE, steady focus on broadband going deeper into the network, expanding the network, expanding passings, you do all those things, you're seeing a moderation of CapEx, as you mentioned, 100 basis points improvement. I think you're going to see, we talked about improvement in CapEx, the 50 basis points expectation that we have. So I think you're going to continue to see us stay very focused on what we're doing on this formula for margin improvement. The connectivity business, the holding the line on nonprogramming OpEx and just staying extremely focused. The 13% net cash flow for last year, don't give multiyear projections around that, but I think this formula is working, and we're going to stay with it.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Is it fair to say that the capital intensity should continue to decline beyond '19 because those drivers that you laid out are still pretty much in place?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Can't give you -- can't give a multiyear view there, Bryan. But this is our focus. I think, again, there's not going to be a catalyst. We're going to stay more focused even on the video CPE that we have. We'll be more IP-based. We'll begin to bring down, on a per device, the costs, but this -- the steady focus of having -- our network is a primary point of differentiation. And the great part about cable is if you're steady, you're constantly looking to how do you make sure you're going after the homes passed, the business passings where you should. You're staying ahead of capacity. You can do that on a managed basis and do it well and be a leader in the category. So -- but if you do all those things, I think you can -- the formula is there for the same kind of performance to take place in '19 and beyond.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Senior Analyst

Okay. And how about Sky? What kinds of opportunities do you see to work with Sky going forward?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Well, we're thrilled with Sky joining the Comcast family. They have a terrific team, very focused, unique ways that they look at competing. Really one of the best combinations of content and distribution, how they marry the 2 together in a way and go to market. From our standpoint in Cable, there's been this natural connection with them in a subscription service provider that they are, and a good one, with the brand that people really connect with. They -- really appreciate them. So there's a lot of learnings that we'll have on the marketing side from them, but immediate wins are things like the -- being able to help them in Italy later on this year with their broadband launch. They're going to launch it with xFi. And then you look at -- they have a -- their user interface is fantastic, too. But they -- we're sharing capabilities with X1. They like the natural language capabilities of X1. So that voice recognition component of X1 will be something that we'll work with them to deliver. So I think that there'll be opportunities back and forth, but the part that's kind of bringing it up a notch that you get excited about and you talk to anyone is the 54 million customers, the passings that we have. And you get to be able to talk to people with the -- with that in mind, whether it's the consumer electronics industry, whether it's the content world. But over time, we'll be able to get excited about those opportunities that when you have that kind of scale. So it's early, but it's been terrific working with the Sky team.



MARCH 12, 2019 / 1:40PM, CMCSA - Comcast Corp at Deutsche Bank Media and Telecom Conference

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Okay. All right. Great. Well, just about out of time. Just want to wrap up there. Thanks, Dave.

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

You got it. Thank you.

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