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CMCSA - Q2 2014 Comcast Corp Earnings Call

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OVERVIEW:

Co. reported 2Q14 consolidated revenue of $16.8b and EPS of $0.76.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's second-quarter 2014 earnings conference call. At this time all participants are in a listen-only mode. Please note that this conference call is being recorded. I will now turn the call over to Senior Vice President Investor Relations, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thank you, operator, and welcome, everyone. Joining me on this morning's call are Brian Roberts, Michael Angelakis, Steve Burke and Neil Smit. Brian and Michael will make formal remarks and Steve and Neil will also be available for Q&A.

As always let me now refer you to slide number 2 which contains our Safe Harbor disclaimer and also remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties.

In addition, in this call we will refer to certain non-GAAP financial measures. Please refer to our 8-K for the reconciliation of non-GAAP financial measures to GAAP. With that let me turn the call to Brian Roberts for his comments. Brian?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Jason, and good morning, everyone. Our second-quarter results continue our strong progress in 2014. This is an important time as we focus on gaining approval for our Time Warner Cable transaction. But it's just as important that the team stays focused on operations and we believe that is apparent in this quarter's results.

Excluding transaction-related costs we grew operating cash flow 7.8% and, as you will see, there are several bright spots across the Company. Let me start with NBCUniversal. They had a great first half and we are really happy with the performance of our team. And we believe this strategically and financially positions us well in the content business.

For the second quarter results were very strong with operating cash flow growth of over 20%. At NBC Broadcasting the team has done a terrific job and we ended the season ranked number one in the important 18 to 49 demo and we're the only network to deliver ratings growth versus last year.

This ratings momentum translated into a very strong upfront for us where we made solid progress in closing the monetization gap we have relative to our peers. Specifically, we were able to achieve approximately 8% growth in CPMs which was substantially higher than the rest of the market.

In Cable Networks we have a great set of assets and channels that are generally under monetized relative to our peers. That gives us a lot of confidence in our position. And this quarter NBC Sports Network had its most watched primetime quarter ever driven by the Stanley Cup playoffs and Bravo continued its climb and is now ranked as the number seven cable entertainment network in the 18 to 49 demo.

But there is no better example of the power of bringing together our broadcast networks, Cable Networks and strength of our X1 platform in Cable than the Olympics where we were able to leverage the positive experience customers received at the recent Sochi Olympics to negotiate an extension with the International Olympic Committee whereby we acquired the rights to an additional six Olympic games.

Sports rights are so valuable and we believe these rights are both unique and compelling. And together we now have the rights to the Olympic Games running through the year 2032.

In Parks we have been investing behind what we see as a significant opportunity. We recently opened Harry Potter 2 in Orlando and the work is creative and authentic, imaginative and the attention to detail is incredible.

Many of us were recently down in Orlando and got to experience the new attraction. It was amazing. And the whole team deserves a lot of congratulations. When you combine this with the increased hotel capacity with the also imaginative Cabana Bay Beach Resort, the Parks business is set up for strong trajectory.

In Film we had a relatively quiet theatrical quarter which benefited from recent successful films hitting home entertainment and content licensing windows. And so, our focus now is building towards a strong slate in 2015 and beyond.

So all in all NBCUniversal had a terrific first half of 2014 and since we bought the Company we've had terrific growth in cash flow and we believe that this progress that we've made with ratings in broadcasting, success of the up front and with the new Harry Potter attraction in Orlando, NBCUniversal is positioned to continue this momentum.

Our Cable division also delivered impressive results. We operate in a vibrant and competitive market, one that forces us to constantly innovate and improve the customer experience. There is no better example of this than our X1 operating system which provides customers an unparalleled experience.

Our focus is on embedding the best content and technology from the X1 platform. So on the content side for the first time we now offer all of the top 100 Nielsen rated broadcast shows on On Demand.

On the technology side we are now deploying cloud DVR and currently have it available in 31% of our footprint. And our customers are responding very favorably to X1. We are so pleased with the impact that we've accelerated our pace of deployment. Our X1 additions nearly doubled this quarter and we are looking again at further increasing the eligibility.

In high-speed data we now have 47% of our base receiving a 50 megabits or greater product which is up from 38% at the end of the first quarter. Customers now have access to over 3 million Wi-Fi hotspots. We are targeting 8 million by the end of this year, offering customers increased reach in the form of a network of millions of additional hotspots at no extra cost while offering us the potential for new business opportunities over time.

For both video and high-speed data this was the strongest second-quarter customer results we have had in the past six years. Additionally, in business services, revenue growth remains robust at 22% this quarter as we approach a $4 billion revenue run rate.

The midmarket segment in business service represents our fastest-growing segment and we believe there is a significant opportunity with Time Warner Cable to add to our capabilities in this market and ultimately deliver customers more choice.

We firmly believe that our operating improvements are rooted in providing customers a better experience. And while we are making progress with better service tools and online tools and improved service levels, we are also very cognizant that there is ample room for further improvement and this is a top priority for us.

We do feel confident that there are measurable improvements in the experience we are offering customers, this includes faster broadband speeds, best in-home Wi-Fi, more content choices on more devices and what we believe is the best user interface and guide experience in the market and maybe in the world.

As I said initially, this is an important time for Comcast with lots of opportunity for distraction. So I am so pleased these results demonstrate that our Company is focused on operational excellence and once again delivered strong results across all segments. Let me now pass to Michael to cover the second quarter in greater detail.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

Good morning and thank you, Brian. Let me begin by briefly reviewing our second-quarter consolidated financial results starting on slide 4. We are very pleased with our second-quarter results which once again reflect sustainable profitable growth and strength across our businesses.

Second-quarter consolidated revenue increased 3.5% to $16.8 billion and operating cash flow increased 7% to $5.8 billion reflecting strong organic growth in both our Cable and NBCUniversal businesses. This result includes $44 million of Time Warner Cable and charter transaction-related costs which were included in our corporate and other segment. Excluding these transaction costs consolidated operating cash flow increased 7.8%.

Year to date consolidated revenue increased 8.5% to $34.3 billion and consolidated operating cash flow increased 8.4% to $11.3 billion. If we exclude $1.1 billion of revenue related to the Olympics in the first quarter and $61 million of transaction-related costs in the first six months, consolidated revenue increased 5% and consolidated operating cash flow increased 9%.

Earnings per share for the second quarter grew 16.9% to $0.76 per share versus $0.65 per share in the second quarter of 2013. To provide a clearer comparison, when you exclude a gain on an investment in the transaction-related costs I mentioned, our normalized EPS increased 15.4% to $0.75 per share.

Year to date our earnings per share increased 23.5% to $1.47 per share versus $1.19 per share in the prior year. Again, excluding gains on sales and acquisition-related items, our normalized year-to-date earnings per share increased 23.3% to $1.43.

Free cash flow for the quarter decreased 40.7% to $1.2 billion and free cash flow per share decreased 39.7% to $0.44 per share as growth in consolidated operating cash flow was offset by higher working capital due to higher expenditures for film and TV production as well as increased capital expenditures in cash taxes.

For the first half of the year we generated $4 billion of free cash flow, a decrease of 21.8% over the first half of 2013. Year-to-date free cash flow per share has declined 20.5% to $1.51 per share. I will discuss free cash flow in a bit more detail later in the presentation.

Now let's review the results of our businesses in more detail starting with Cable Communications on slide 5. Our Cable Communications business continues to execute well and we are pleased with our second-quarter performance of healthy revenue and operating cash flow growth along with improved customer metrics.

As Brian mentioned, we had the best second-quarter customer results for both our video and high-speed Internet services in the past six years. The second quarter is always our weakest due to seasonality and we lost 144,000 video customers, but this is an 11% improvement from last year's second quarter.

In high-speed Internet we added 203,000 new customers, an increase of over 8% year over year as we continue to add value to our product through speed upgrades in the deployment of wireless gateways.

Voice remains a valuable component of the bundle and we increased the Voice customer base by 137,000 customers in the second quarter with our highest triple play sell-in in over three years.

While total customer relationships declined 25,000 reflecting the typical second-quarter seasonality, which I mentioned, our customer relationship results are a 62% improvement over last year's second quarter driven by our improved products and improved customer support.

Second-quarter Cable revenue increased 5.4% to $11 billion reflecting solid growth in our residential businesses driven by strong high-speed data results, continued strength in business services and healthy growth in advertising revenue.

Total revenue per customer relationship increased 4.5% to $137 per month driven by rate adjustments, a higher contribution for business services and an increasing number of customers taking multiple products. At the end of the quarter 68% of our customers subscribed to at least two products and 36% subscribed to three products, a 200 basis point improvement compared to last year's second quarter.

Moving to our product categories, Video revenue increased 1.2% reflecting modest rate adjustments and an increasing number of our customers taking advanced services. We now have 12.7 million high def and/or DVR customers which equals 57% of our 22.5 million video customers.

High-speed Internet was the largest contributor to Cable revenue growth in the second quarter with revenue increasing 9.7% driven by continued growth in our customer base, rate adjustments and an increasing number of our customers taking higher-speed services. At the end of the quarter 47% of our residential high-speed customers received speeds of 50 megabits or greater as we have doubled the speeds included in some of our bundled plans.

With regard to Voice revenue increased 1.3% for the second quarter driven by growth in our customer base as our bundling efforts continue to drive triple play penetration. We are successfully converting single and double play customers to triple play and acquiring new triple play customer relationships resulting in a net addition of 152,000 triple product customer relationships during the quarter.

Moving on to our commercial business, second-quarter business services revenue increased 22.4% to $965 million and was again the second largest contributor to Cable revenue growth in the quarter. The small end of the market, or businesses with less than 20 employees, continues to have strong growth while the contribution from midsize businesses is increasing. We continue to experience real momentum in this business and are focused on competing effectively and gaining share.

Cable advertising revenue increased 7.5% primarily reflecting higher automotive advertising and political revenue as we are beginning to benefit from advertising for the upcoming midterm elections. Excluding this political revenue our core Cable advertising increased 3.2%.

Please refer to slide 6. During the second quarter Cable Communications operating cash flow increased 5.3% to $4.6 billion representing a consistent margin of 41.4%. In the second quarter total expenses in Cable increased 5.4% primarily reflecting higher programming expenses and advertising, marketing and promotion expenses as well as additional costs related to the deployment of X1, cloud DVR and wireless gateways as well as the expansion of our business services in XFINITY home.

Second-quarter program expenses increased 6.7% reflecting increases in retransmission consent fees, higher sports programming costs and step ups for recently completed long-term agreements. We expect program expense growth to accelerate in the second half of 2014 due to the timing of network launches and midyear step ups in certain long-term contracts. We now expect our full-year programming expenses to be slightly lower than the 9% to 10% we had previously forecast.

Advertising, marketing and promotion expenses increased 8% in the second quarter due to timing as well as an increased investment to enhance our competitive position in both our residential and commercial businesses resulting in a positive impact on our core customer metrics.

We remain focused on gaining efficiencies in our customer service and technical operations. However, we have experienced modest expense growth as the majority of our triple play connects are X1 and as we deploy cloud DVR, wireless gateways and XFINITY home across our customer base.

We are not only committed to offering the best products, we want to support them with a great customer experience and in some cases that means investing more time at the customer's home or answering additional questions on a customer service call.

However, overall we continue to expense reduced truck rolls and agent call volumes. And 44% of our installations are now completed with self installation kits. Our expectation is this number will grow as we are beginning to offer X1 self installations.

We are effectively offsetting some of these higher expenses with an improving product mix with more high-speed data and business service customers and an increasing number of our customers upgrading to higher level of services such as high def DVRs, faster Internet speeds and modest rate adjustments.

Overall our second-quarter and year-to-date Cable results prove that we are balanced in our strategy and we continue to execute well and deliver strong financial, customer and operational performance. We are focused on delivering the best and most innovative products and providing more value to our customers.

Now let's move on to NBCUniversal's results which are presented on slide 7. For the second quarter 2014 NBCUniversal performed very well as revenue increased 0.3% and operating cash flow increased 20.4%. Now let's review the individual segments at NBCUniversal.

For the second quarter Cable Networks generated revenue of $2.5 billion, an increase of 2.6% driven by a 14.3% increase in content licensing and other revenue and a 4.2% increase in distribution revenue. However, if we adjust for the closure of the Style network distribution revenue would have increased 6%.

Advertising revenue declined 2.2% as increases in price were offset by some ratings pressure. However, when adjusted again for the closure of Style and the movement of Fandango from our Cable Networks group to our Film Group, advertising revenue would have increased 1%.

Cable Networks operating cash flow increased 6.3% to $914 million reflecting higher revenue, partially offset by higher sports programming costs including a new long-term relationship with the Philadelphia Phillies on Comcast Sports Net and the continued impact of the launch of English Premier League on NBC Sports Network.

With regards to our Broadcast Television segment revenue increased 4.9% to $1.8 billion in the second quarter reflecting increased retransmission consent fees and the impact of new content licensing agreements.

Advertising revenue was down slightly at 1.7% due to the timing of The Voice, which aired significantly fewer hours in the second quarter compared to last year. Year to date advertising revenue is up 5.8% excluding the impact of the Sochi Olympics, which is more indicative of the rating strength in the broadcast segment.

Broadcast's second-quarter operating cash flow increased 16.2% to $240 million reflecting higher revenue and a modest increase in operating expenses. We are really pleased with the overall performance of the Broadcast business.

In just 3.5 years we have improved from fourth place to ending this past broadcast season in first place in the 18 to 49 demo. This rating success, as well as the strength across our portfolio of Cable Networks, helped us make meaningful progress in closing the monetization gap both on the Broadcast side and on the Cable side.

For Broadcast we had double-digit growth overall with CPM increases of 8% leading the market in both rate of change and volume growth.

As we move to Film Entertainment second-quarter revenue declined 15.3% to $1.2 billion driven by difficult theatrical comparisons to last year which included Fast 6, and the international performance of Despicable Me 2, partially offset by an increase in content licensing revenue driven by Despicable Me 2 and Fast 6, as well as the home entertainment performance of successful films like Ride Along and Lone Survivor.

Second-quarter operating cash flow increased $162 million to $195 million as this year's reduced theatrical slate required significantly lower marketing and advertising costs compared to last year.

Switching to our Theme Park segment, revenue increased 12.8% to $615 million reflecting increases in per capita spending in guest attendance at both our Orlando and Hollywood parks, which benefited in part from the spring holidays occurring in the second quarter of this year compared to the first quarter of last year.

Second-quarter operating cash flow for the Parks increased 5.6% to $244 million reflecting higher revenue partly offset by increased marketing and training expenses to support the successful launch of the new Harry Potter attraction in Orlando which opened on July 8.

Let's move to slide 8 to review our consolidated and segment capital expenditures. In the second quarter capital expenditures are tracking to plan and increased 19.4% to $1.8 billion compared to the second quarter of 2013, which is driven primarily by increased investments at Cable and a modest increase at NBCUniversal.

At Cable Communications second-quarter capital expenditures increased $253 million or 20.4% to $1.5 billion, equal to 13.5% of Cable revenue versus 11.9% in the second quarter of 2013. The increase was primarily driven by higher spending on CPE, particularly for X1 and cloud DVR as well as our continued investments in network infrastructure to increase our network capacity.

Year to date Cable Communications capital expenditures have increased 13% to $2.6 billion representing 12.1% of Cable revenue.

We continue to be very pleased with our X1 rollout. We have almost doubled our X1 net additions in each of the past two quarters and the positive customer results have continued. More customers are subscribing to DVRs in additional outlets, upgrading the triple play, increasing Video on Demand usage and will continue to see reduced churn levels among these customers.

As planned our Cable CapEx spend will accelerate in the second half of the year as we continue to deploy more X1 platform boxes in wireless gateways. And we continue to expect that for the full year of 2014, Cable capital intensity will increase to approximately 14% of Cable revenue compared to 12.9% in 2013.

Second-quarter capital expenditures at NBCUniversal increased $38 million to $298 million and year to date have increase $66 million to $589 million. This higher CapEx is primarily driven by increased investments in facilities as well as the Theme Parks as we build new attractions, including the Harry Potter attraction, in both parks and a Fast & Furious attraction in Hollywood. We continue to expect that NBCUniversal's 2014 capital expenditures will remain relatively flat at 2013's level.

Please refer to slide 9. As I mentioned earlier, we generated consolidated free cash flow of $1.2 billion in the second quarter, a decrease of 40.7% as growth in consolidated operating cash flow was primarily offset by increased working capital which was mainly driven by net production spent at our film and TV studios as well as higher cash taxes and capital expenditures.

For the first half of the year we generated $4 billion in free cash flow, a decrease of 21.8% over the first half of 2013, and year to date free cash flow per share has decreased 20.5% to $1.51 per share, again primarily reflecting increased working capital.

As I indicated on our fourth-quarter earnings call, compared to a modest film slate in 2014 we have increased our film production spending as we prepare for a larger 2015 film slate, which will pressure free cash flow during 2014. Saying that we would expect second half working capital comparisons in 2014 to be more favorable than what we've experienced in the first half of this year.

We are executing on our 2014 financial plan and year to date we have increased our return of capital to shareholders by 33.5% to $2.6 billion including share repurchases totaling $1.5 billion and dividend payments totaling $1.1 billion.

Turning to our acquisition of Time Warner Cable and our related transactions with Charter, we remain focused on our regulatory and shareholder approvals as well as our integration planning. We are pleased that the FCC has started its 180 day review clock as of July 10.

In addition, we are progressing towards a shareholder vote on the Time Warner Cable merger as quickly as possible, realizing that the divestiture transactions with Charter have added some complexity to the normal SEC review of our S4 filing.

At this point we currently believe a reasonable estimate for the timing of our shareholder vote would be in the fall. This does not have any impact on the FCC or Department of Justice review processes and is not expected to impact of the timing of the closing of the deal.

As we have mentioned before, we remain committed to be purchasing an additional $2.5 billion in shares following our shareholder approval for the transaction.

So all in all we've had a strong first half of the year in both Cable and NBCUniversal. We are pleased with the financial and operational momentum we're showing in all of our businesses and we are focused on continuing that momentum throughout the year.

We are making meaningful progress on the integration planning of the Time Warner Cable merger and the Charter divestitures. We remain excited about the strategic benefits these transactions bring to Comcast and the value they create for our customers and our shareholders.

Finally, we remain confident that our ongoing investments, along with our focused and disciplined execution, will continue to yield positive results and profitable growth. Now let me turn the call over to Jason for Q&A.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Michael. Regina, let's open up the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ben Swinburne, Morgan Stanley.

Ben Swinburne - *Morgan Stanley - Analyst*

This is really for anybody who wants to take it. I wanted to revisit the X1 trends, which obviously sound encouraging. I'm wondering if you could spend a little more time telling me what that is doing to the business and particularly what the cloud DVR means to the consumer experience, to the economics of the products and whether the success you have had has changed how you view the ultimate adoption of that project in your base.

And I am wondering if it impacts your broadband business. You are putting up double-digit revenue growth this far into the penetration curve, is the X1 helping sort of the other products in the bundle as well?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

This is Neil. So the X1 rollout we are very pleased with. We are in 100% of the footprint right now. It has brought down churn 20% to 30%, VOD usage up 25% and VOD transactions up 20%. Additionally, you are getting two times the DVR take rate on it and you are getting more additional outlets. So the ARPU of the product once it is deployed has gone up very nicely.

Where it is still not having a material impact on the video results because it hasn't been deployed to a large portion of our base yet, where about 50% of the triple play packages that we sold had X1 in them and where that has been deployed it has worked well.

In terms of the impact on the HSD business, I mean I think bringing Internet functionality to a video experience will help lift the -- both products and our triple play sell-in was at the highest rate ever. We've got more -- 68% of our customers on two products or more. And so, we are selling well in the triple play and X1 is a great part of that.

I think there is some really interesting new product developments. I mean, if you think about it, we have launched EST on that over the last six months and that has been a very successful product. And I think there is more to come on the platform.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

On the cloud DVR part -- this is Brian -- we are very encouraged by what that product means. It basically means that inside your home any device, whether it is a mobile phone or a tablet or a Kindle by any of the different providers, can become a television set without a box. And then you can use -- see all the channels as well as access your DVR. And then it gives you a feature to download and take with you certain shows from that DVR.

So the cloud has tremendous promise -- not just for the guide interface but for the user?s functionality. The other thing, and one of the reasons I think the results Neil just talked about are so encouraging is you also get a whole home DVR with the X1 experience of any of our customers.

So just everything gets better, the -- those of you that have the product, if you just look at On Demand in the last week, there is a whole new series of ways to see what is on television. It's -- the guide just gets better and better every few weeks, not every few years.

And right now we have all sorts of categories that are being stunted so you can see the top 10 types of shares you like every single night of the week, the best shows of the day. Really is very programmer friendly because it encourages people -- you don't have to DVR, it is basically right there for you On Demand now that we have all top 100 shows.

Ben Swinburne - *Morgan Stanley - Analyst*

Thanks for the color.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, then, let's move to the next question, please.

Operator

Jessica Reif Cohen, Bank of America-Merrill Lynch.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

On NBC Universal, I guess a two-part question. You obviously had a great relative upfront performance, but the ad market was down. And so I would love your views on how -- is the advertising market, what is going on in advertising for Broadcast and Cable? Do you see the decline as cyclical or secular? And if it is even somewhat secular how are you positioning your assets differently?

And also on NBCU, given the likely consolidation and content, how are you positioning your assets differently? Do you need to bulk up?

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

Well, we certainly don't think we need to bulk up in content. We have sold all of our Broadcast and Cable assets together in the upfront and I think that was a major reason why we had such a successful upfront relative to the rest of the industry. If the industry was down, call it 5% in the upfront, we are not sure of the precise number but that is what we gather is pretty close.

If the industry was down 5% and we were up 10% that is a 15% difference versus what we would have done had we done exactly what the industry did. And you apply that to a base of $5.3 billion and it is a swing of $750 million. And the reason why that occurred is because we made the investments in programming, NBC was number one, people came to us first and we sold together.

So that $750 million improvement we think goes a long way, not all the way, but a long way to closing what we have always referred to as the monetization gap. We have always said that the other broadcasters are on the order of $1 billion better off than we are. So we close $750 million of the gap.

We think we are about half way. And so, we can continue to count on the closing that gap providing the fact that our ratings are good and we continue to bundle the properties and sell appropriately.

In terms of the overall market I think the real question is what is scatter? And if scatter end up being strong this could end up being a very good year for advertising. If scatter ends up weak that will obviously not be the case.

So we don't put too much into the down 5% in the upfront, I think the year is going to plate itself out and we will see where we end. There is some shift to digital. We don't think that is the majority factor here. That is the minority factor. And I think the real question is what is going to happen as the calendar and broadcast seasons play out.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

Can I -- well just ask one follow-up for Brian. You said the eligibility of X1 is increasing. Could you just clarify, what do you mean?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Neil, why don't you do that?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Yes, the X1 product is currently available to all triple play customers and -- it is available in the retention Q as well as to some of the double play customers depending on their packaging.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

So what we mean by that is that you could then go to more double play customers or other -- or even single play. So it is just who can get the product in the beginning. We had inventory issues and also we are looking at the ability to use it as a sales tool.

But we have not put out -- the rate of installations continues, as I said earlier, continues to increase each quarter. And it is scaling really well, there haven't been any big hiccups at all. And frankly just the opposite.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Yes, I describe it as ramping up the business right now. The last two sequential quarters we have doubled the number of boxes we deployed. So I think we are seeing it ramp up and it has been very stable, the platform has been.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

Do you want to use this as an opportunity to say how many boxes?

Jason Armstrong - *Comcast Corporation - SVP of IR*

No, we don't. That is okay, Jessica. Go to the next question.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Thanks for the offer.

Operator

Phil Cusick, JPMorgan.

Phil Cusick - *JPMorgan - Analyst*

I guess following up on Jessica's questions fairly quickly. Can you help us quantify the remaining discount to peers on advertising, sort of where NBC should be versus where you are? I think you said 50%, but can you help us quantify that?

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

Well, we have said before that if you look at NBC and then you look at USA, sort of our biggest cable channel, that they were trading at about a 20% discount on CPMs to our competition. And really when you look at it it is not as precise as just looking at that number. You also have to factor in volume. But we think if you take volume and rate and you look at them both, we were at about a 20% discount and we are now at about a 10% discount.

Phil Cusick - *JPMorgan - Analyst*

Okay. And then also on the X1 side, just a quick follow-up. You said it is available to triple plays and some double plays. Why not widen that availability to everyone, what are the gating factors?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Well, we are basically trying to maximize the return on our capital. And we want to make sure that we are rolling out the product to customers where we know there is a good return. And also as Brian said, we initially had some inventory issues, those have since been resolved. But put it -- I describe it as we are ramping as quickly as we can and the product has been very well received.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

The only thing I would add to that, Phil, is really as we rolled it out early, we really wanted to use it as a premium product and we had a lot of folks who were wanting that product. So we want to go to those folks who have the highest customer lifetime value and that is both in terms of higher ARPU, more services and lower churn.

Phil Cusick - *JPMorgan - Analyst*

Thanks, guys.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Phil. Next question, please.

Operator

Jason Bazinet, Citigroup.

Jason Bazinet - *Citigroup - Analyst*

Can I -- just back to Mr. Burke for a second. You mentioned in the upfront -- I guess your estimate upfront down 5%, you said the shift to digital is not the majority of what is going on. Do you mind elaborating on what you think is the majority and what causes you to draw that conclusion? Thanks.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

I think -- and by the way this is an art, not a science. And we don't have perfect information on every single participant in what is going on.

Jason Bazinet - *Citigroup - Analyst*

Sure.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

But when you look at the ad dollars that are related to video, the shift to digital doesn't, in our opinion, doesn't represent the majority of why the upfront was down 5%. We think the majority reason why the upfront was down 5% is because a broad array of advertisers and their agencies decided to be less aggressive in the upfront and they will show up in scatter.

Jason Bazinet - *Citigroup - Analyst*

Okay.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

Now that may be wrong, but that is our analysis.

Jason Bazinet - *Citigroup - Analyst*

Okay.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

I think, Jason, from the Cable perspective as an advertiser, while we have seen a movement towards digital it has not come, generally speaking, at the expense of our media spend.

Jason Bazinet - *Citigroup - Analyst*

Understood. Okay, thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Jason. Next question, please.

Operator

John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

Maybe a question for Michael. Just a clarification on the buyback with the shareholder vote getting pushed back a little bit. You guys had changed the guidance to $5.5 billion, but that was I think under the impression that the shareholder vote would take place in the middle of the year.

Now with it happening let's say end of third quarter, does that slide back the $5.5 billion? I mean should we assume that you do sort of $2 billion in the fourth quarter then maybe $2 billion in the first -- how should we think of the sort of timing of that?

And then I guess for Neil on the broadband side, the numbers were I think stronger than we expected in terms of the net ads. Can you give us a sense of what you're seeing from a competitive standpoint? Did you see any less competitive pressure than you have in the past maybe from some of the larger telcos? Thanks.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

I will take the buyback one. So really we don't know when we will have the shareholder vote. Our hope is we will have it in the fall. And really the plan has been that between the shareholder vote and when the deal actually closes we will execute an additional $2.5 billion of buyback.

So our teams are ready to go but obviously we need to get through the SEC, get the S-4 filed and go through a variety of other things. Our hope is we will get it all done this year including closing of the transaction, but we will have to see how that all plays out, both from a shareholder approval perspective and obviously from a regulatory perspective.

But I think the key point is, between shareholder vote and when closing, we are going to try our best to execute on an additional $2.5 billion.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

And on the competitiveness of the data market, it is still very competitive. We have been upgrading our customers to higher speeds. We now have 47% of the residential customers get at least 50 megabits per second versus 33% last year. So it is a -- we are getting customers onto better, higher speeds. We are investing heavily in the best, fastest in-home Wi-Fi. But it is a very competitive market.

John Hodulik - *UBS - Analyst*

Great, thanks, guys.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, John. Next question, please.

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *MoffettNathanson - Analyst*

I wanted to ask a couple of questions about Wi-Fi if I could. Neil, I think you said you were going to have 8 million hotspots. How many of those are public hotspots versus dual SSID? And can you update us on your thinking about whether the Wi-Fi business would become a retail strategy or whether it has continued to be tied to your terrestrial broadband product?

And then last, can you talk about how you think about spectrum as it relates to Wi-Fi? Would you like to have licensed spectrum -- or a licensed LTE component of -- that would sort of substitute for Wi-Fi with better interference? Or do you see it as an unlicensed product entirely?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

So, with regards to hotspots, we have about 3.6 million hotspots across the in-home network right now. Of the 8 million we are going to, the majority of those, close to 7 million will be in-home versus out of home. We are currently extending the out-of-home markets at a pretty aggressive pace so the network will fill out. And you would add to those in-home those SMB locations where we have dual SSIDs.

In terms of spectrum and how we think of it, we think our Wi-Fi network has a lot of potential. We are not buttoned down totally on how we would like to deploy that, but there is a lot of opportunities. For example, the XFINITY Home product we launched across the Wi-Fi network. And there are other products that Wi-Fi can be the foundation for.

So, we are going to continue deploying it. We have the fastest in-home Wi-Fi routers and we are going to keep developing that product. And I think that we are seeing 75% to 80% of data usage -- mobile data usage as happening either in the home or in the office, so we think we're very well-positioned going forward.

Craig Moffett - *MoffettNathanson - Analyst*

And can you talk about your strategy for a wireless replacement product versus a terrestrial supplement product?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

We haven't finished that planning yet. But as you know, we do have some MVNO relationships and those, if we elected to, could play a role.

Craig Moffett - *MoffettNathanson - Analyst*

Thanks, Neil.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Craig. Next question, please.

Operator

Vijay Jayant, ISI Group.

Vijay Jayant - *ISI Group - Analyst*

Neil, now that you have some more time to sort of evaluate the Time Warner Cable, its synergies, can you sort of give us any update on how you feel about the $1.5 billion number on the cost side? And any color on the revenue side? Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Yes, we feel very good about the cost synergies, they are in duplicated areas or in operations. And we have gone through quite a bit of detail, the makeup of those synergies, the cost synergies and feel very good about them.

In terms of that revenue opportunities, we have also been through those and I think the opportunity to up sell and penetrate to a greater rate on the resi products is an interesting opportunity as well as the opportunity to go into the enterprise space with commercial or offer more advanced advertising products across a broader base.

So we feel -- net-net we feel good about the synergies on the cost side and that CapEx side which were about $400 million. And we also feel positive about the revenue upside.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

And the only thing I would add, Vijay, is I think you know we did these divestiture transactions. And even with the divestiture transactions we are reconfirming what we think our operating expense savings will be through the synergies and obviously the vast majority of those don't come from the programming side.

So when you do the original transaction we set a target and even after the divestiture transactions we/re confirming that target as something that we think makes sense.

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Vijay Jayant - *ISI Group - Analyst*

Great, thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Vijay. Next question, please.

Operator

Bryan Kraft, Evercore.

Bryan Kraft - *Evercore Partners - Analyst*

Michael, I had a working capital question. Whatever the working capital use ends up being this year for Film and Television, would you expect essentially a full reversal of that next year as those production investments at the box office and television?

And I don't know if you could provide any range for what you expect the net working capital use to be this year, that would be really helpful. Thanks.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

So obviously working capital was a large factor in the first half of this year with regards to investing in more Film and more TV. But I think a little bit of the anomaly is actually more in 2013 than in 2014 or 2015.

If you really look at our 2014 slate, it is a relatively modest slate and we really didn't invest that much in Film related in 2013. And I think, as you know and we talked about, we had quite a bit of positive working capital in 2013 that obviously helped out.

There has been some reversal of that in the first half of 2014 where we are building up a more meaningful slate in 2015. We actually have a great slate planned for 2015 and we are investing in that.

As we look at all of 2014, I think you will see a bit of a swing to more normalization in the second half of the year. And our expectation is really that 2013 and a little bit of 2014 were a bit of anomalies given how we managed the film slates, but 2015 should normalize.

I don't get too much into 2015, but we feel that really what we are seeing is -- in 2014 is what actually was in effect in 2013 versus next year. Does that help you, Bryan?

Bryan Kraft - *Evercore Partners - Analyst*

Yes, that is helpful. Thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Bryan. Next question, please.

Operator

Kannan Venkateswar, Barclays.

Kannan Venkateshwar - *Barclays Capital - Analyst*

A couple of questions. The first is on dynamic ad insertion. I mean, we have seen some deals this year on dynamic ad insertion, but the way I understand it is there has to be backend support, especially from Comcast, just given the technology component of this.

So just from a structure perspective, how are these contracts structured between you, the advertiser and the content company on the dynamic aspect?

And secondly, as we look at the asset base post all the transactions which are outstanding right now, are you right now at a stage where you expect this to be the steady-state? Or should we expect a few more asset swaps and so on to fill out some of the holes that you have especially in regions like New York?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

I will take the dynamic ad insertion. We basically do that through Canoe. We have done deals with all of the programmers where we -- almost all the programmers where we disable FastForward in exchange for a full VOD lineup. And then we -- the programmers are able to, with Canoe, insert those ads dynamically in the pre-, post- and mid-roll. We haven't disclosed the nature of the financial transactions though.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

I mean, we really don't see any further activity. We have quite a full plate and we are very focused on integration and obviously we have got a spin that we are going to be doing. So I think that we are really focused on our business. And the reality is we are very excited about having those assets come to us from Time Warner Cable and from Charter and the clustering we will do. So I think our plate is quite full.

Kannan Venkateshwar - *Barclays Capital - Analyst*

Thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Kannan. Regina, let's take our last question, please.

Operator

Mike McCormack, Jefferies. Mike, your line may be on mute. And that question has been withdrawn.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Okay, let's try one more then.

Operator

Amy Yong, Macquarie.

Amy Yong - *Macquarie - Analyst*

Thanks. I was just wondering if you could talk about the impact of the AT&T DTV merger. How does this change your view as a competitor of perhaps different product sets including a quad play or mobile video. And then you can talk about how that might change the longer-term regulatory picture? Thanks.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Well, this is Brian. I think it -- first of all they are two wonderful companies with wonderful products. And the reality is the last six years they have both been part of the reason that we have lost video subs and that is why you are seeing some of the competitive response and the progress we are making, which I am very pleased about. But it is a very powerful combination.

And it sort of for me validates the changing and dynamic nature of the market that we are living in, the technological changes, the consumer behavior changes that are happening at very fast speeds. And so, you have to look at each situation differently and individually.

One of the things that I like about our transaction from the regulatory standpoint is the nature of the Cable business is you wire up an entire community and then you see what customers you can get. Other technologies, whether from the cloud or from satellite, are ubiquitously available via different technology. So we do not overlap in any market, as you know, with Time Warner Cable. Hence there is no diminished competitive choice for any consumer.

So each situation is different. I think long-term we are assuming, and we always did assume, that the world is changing who your competitors are, what their capabilities are, whether it is quad play or other things. And I think our Company is really well-positioned and that is why we are excited about the proposed transaction.

But as I started the call, right now the main focus of this Company is to execute well quarter after quarter. And as we end this call I just want to say to everybody I think we did that again this quarter and we hope to do it again next quarter. Thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

We will leave it there. Thanks, everyone, for joining us.

Operator

There will be a replay available of today's call starting at 12:30 PM Eastern Standard Time. It will run through Tuesday, July 29 at midnight Eastern Time. The dial-in number is 855-859-2056 and the conference ID number is 57489596. A recording of the conference call will also be available on the Company's website beginning at 12:30 PM today. This concludes today's teleconference. Thank you for participating. You may all disconnect.

Important Information For Investors And Shareholders

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed transaction between Comcast Corporation ("Comcast") and Charter Communications, Inc. ("Charter"), Charter will file with the Securities and Exchange Commission ("SEC") a registration statement on Form S-4 that will include a proxy statement of Charter that also constitutes a prospectus of Charter, and a definitive proxy statement/prospectus will be mailed to shareholders of Charter. INVESTORS AND SECURITY HOLDERS OF COMCAST AND CHARTER ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of the registration statement and the proxy statement/prospectus (when available) and other documents filed with the SEC by Comcast or Charter through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by Comcast are available free of charge on Comcast's website at http://cmcsa.com or by contacting Comcast's Investor Relations Department at 866-281-2100. Copies of the documents filed with the SEC by Charter will be available free of charge on Charter's website at charter.com, in the "Investor and News Center" near the bottom of the page, or by contacting Charter's Investor Relations Department at 203-905-7955.

In addition, in connection with the proposed transaction between Comcast and Time Warner Cable Inc. ("Time Warner Cable"), on May 23, 2014, Comcast filed with the SEC an amendment to the registration statement on Form S-4 that was originally filed on March 20, 2014, containing a preliminary joint proxy statement of Comcast and Time Warner Cable that also constitutes a preliminary prospectus of Comcast. The registration statement has not yet become effective. After the registration statement is declared effective by the SEC, a definitive joint proxy statement/prospectus will be mailed to shareholders of Comcast and Time Warner Cable. INVESTORS AND SECURITY HOLDERS OF COMCAST AND TIME WARNER CABLE ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain free copies of the registration statement and the joint proxy statement/prospectus and other documents filed with the SEC by Comcast or Time Warner Cable through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by Comcast are available free of charge on Comcast's website at http://cmcsa.com or by contacting Comcast's Investor Relations Department at 866-281-2100. Copies of the documents filed with the SEC by Time Warner Cable will be available free of charge on Time Warner Cable's website at http://ir.timewarnercable.com or by contacting Time Warner Cable's Investor Relations Department at 877-446-3689.

Shareholders of Comcast and Time Warner Cable are not being asked to vote on the proposed transaction between Comcast and Charter, and the proposed transaction between Comcast and Time Warner Cable is not contingent upon the proposed transaction between Comcast and Charter.

Comcast, Time Warner Cable, Charter and their respective directors and certain of their respective executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction between Comcast and Time Warner Cable, and Comcast, Charter and their respective directors and certain of their respective executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction between Comcast and Charter. Information about the directors and executive officers of Time Warner Cable is set forth in its Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on February 18, 2014, its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on April 29, 2014, and its Current Report on Form 8-K, which was filed with the SEC on June 13, 2014. Information about the directors and executive officers of Comcast is set forth in its Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on February 12, 2014, its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on April 11, 2014, and its Current Report on Form 8-K, which was filed with the SEC on July 1, 2014. Information about the directors and executive officers of Charter is set forth in its Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on February 21, 2014, its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on March 27, 2014, and its Current Report on Form 8-K, which was filed with the SEC on May 9, 2014. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, are contained in the preliminary joint proxy statement/prospectus of Comcast and Time Warner Cable filed with the SEC and will be contained in the definitive joint proxy statement/prospectus of Comcast and Time Warner Cable and other relevant materials to be filed with the SEC when they become available, and will also be contained in the preliminary proxy statement/prospectus of Charter when it becomes available.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication regarding the proposed acquisition of Time Warner Cable by Comcast and the proposed transaction between Comcast and Charter, including any statements regarding the expected timetable for completing the transactions, benefits and synergies of the transactions, future opportunities for the respective companies and products, and any other statements regarding Comcast's, Time Warner Cable's and Charter's future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance that are not historical facts are "forward-looking" statements made within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are often, but not always, made through the use of words or phrases such as "may", "believe," "anticipate," "could", "should," "intend," "plan," "will," "expect(s)," "estimate(s)," "project(s)," "forecast(s)", "positioned," "strategy," "outlook" and similar expressions. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are the following: the timing to consummate the proposed transactions; the risk that a condition to closing either of the proposed transactions may not be satisfied; the risk that a regulatory approval that may be required for either of the proposed transactions is not obtained or is obtained subject to conditions that are not anticipated; the parties' ability to achieve the synergies and value creation contemplated by the proposed transactions; the parties' ability to promptly, efficiently and effectively integrate acquired operations into their own operations; and the diversion of management time on transaction-related issues. Additional information concerning these and other factors can be found in Comcast's, Time Warner Cable's and Charter's respective filings with the SEC, including Comcast's, Time Warner Cable's and Charter's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Comcast, Time Warner Cable and Charter assume no obligation to update any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.