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CMCSA - Comcast Corp Proposal for Sky PLC Investor Call - UK

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OVERVIEW:

Co. announced a possible cash offer for Sky of GBP12.50 per share, valuing Sky's equity at approx. GBP22b or $31b; representing 16% premium to Fox's offer.

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PRESENTATION

Operator

Hello, and welcome to the Comcast Corporation's Investor Call on its proposal for Sky. (Operator Instructions) Just to remind you, this conference call is being recorded.

At this point, I'd like to turn the call over to Comcast's Senior Vice President of Investor Relations and Finance, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason S. Armstrong - *Comcast Corporation - SVP, IR & Finance*

Okay. Thank you, Hugh, and thank you, everyone, for joining us this morning. With me on the call are Brian Roberts, Chairman and Chief Executive Officer of Comcast; and Mike Cavanagh, our Senior Executive Vice President and Chief Financial Officer of Comcast; who will make formal remarks. Following the remarks, we will take questions.

As a reminder, this conference call may include forward-looking statements subject to certain risks and uncertainties and you should refer to Slide 2 of our presentation for more information.

With that, let me turn the call to Brian Roberts for his comments. Brian?

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

Thanks, Jason, and good morning, everybody, and thank you for joining this call at such short notice. I hope by now, you've had time to read the press release we issued this morning announcing our possible offer, which is a superior cash proposal to acquire Sky.

Starting on Slide 3, I'd like to take a few minutes to explain why this is a superior proposal for Sky's shareholders.

Our superior cash proposal is a GBP 12.50 and it values Sky at approximately GBP 22 billion. Importantly, for Sky's shareholders, this represents a 16% increase in value over the existing Fox offer for Sky.

We intend to engage fully with all the regulators to secure their approvals. Significantly, we do not see any material issues, and we expect to receive the necessary approvals in a timely manner. We know that we need regulatory approvals for the transaction to proceed, and today's announcement triggers the start of those regulatory processes.

We would like to buy all of Sky, but we have set an acceptance condition of 50% plus 1 share. We believe that this proposal offers better value than the current Fox offer. In due course, we very much hope that the Sky independent directors will recommend our proposal.

Turning to Slide 4, we think the U.K. is and will remain a great place to do business. We intend to build on the wonderful platform that Sky has here to grow our businesses in the future.

Through NBCUniversal, we already have over 1,300 employees in the U.K. We invested over -- we have invested over $1 billion in film and TV productions over the past 3 years. And some of you might even be surprised to know that we made Downton Abbey, for instance.

We know that Sky is very important to the U.K., and we respect that as this and part of our proposal today, we are making a number of intention statements: one, we will maintain Sky's U.K. headquarters at the Osterley campus, which is amazing; two, we will continue to support Sky as a leader in content creation, arts, culture and entertainment; three, we have tremendous respect for Sky News and its strong track record for high-quality editorial and journalistic independence, we will fully maintain that; four, we will continue to support Sky's technology hub in Leeds; five, we will maintain Sky's Software Engineering Academy; and six, we will continue Sky's local community programs.

Turning to Slide 5. We have admired Sky for a long time. When it became clear that not only was Sky for sale, but that every share was potentially going to have a change of ownership, we thought that now was the time to make a superior cash proposal. We think Sky is an outstanding business. There are strong strategic benefits in combining Sky with Comcast. As you know, Sky is a leader in its markets, with 23 million customers and is an exceptional brand.

Sky has a great record of creating original content in forming exclusive partnerships with top franchises like HBO, the Premier League and Bundesliga.

Sky has a consistent -- has been a consistent innovator in its use of technology to deliver a fantastic experience through its leading products such as the Sky Q box. They have a strong financial model demonstrated by their growth in sales, profits, cash flows and of exciting future prospects, particularly, entering new markets.

And finally, Sky has reputation for quality of management and people. I admire what the company has achieved under Jeremy's leadership.

As you can see on Slide 6, Comcast and Sky are a perfect fit. We are both leaders in creating and distributing content, with innovation at the heart of what we both do. Our strong market positions are complementary with Sky's leadership in Europe, pairing nicely with our strong position in the U.S.

Europe is, obviously, a highly attractive market and this acquisition will create a leading platform for growth.

I'm very proud that Comcast now has 29 million customers, Sky has 23 million customers. Both companies have attracted these customers by combining top content with innovative technology, this includes leading networks, like NBC, USA and Sky Atlantic; top studios like Universal and Sky Vision; preeminent IP like the NFL and EPL; or with leading technology platforms like our X1 and Sky's Q.

Innovation is a hallmark for both companies. Comcast's X1 and Sky's Q both redefine what watching television is all about. Both companies are focused on delivering more value to customers, be it broadband, mobile or home security.

In short, the combination of Sky and Comcast creates a fantastic leader in entertainment and technology for today and in the future.

Turning to Slide 7. The strategic benefits for Comcast of acquiring Sky are quite compelling. By combining the 2 companies, we create significant opportunities for growth. Our strong market positions are complementary, their leadership in Europe enhancing our position in the U.S.

Finally, through combining these companies, viewers will get more high-quality content. The near doubling in our base to some 52 million customers will fuel our ability to invest even further in innovation and drive more compelling financial returns.

And an outcome of the first 3 factors, the transaction creates a very attractive financial opportunity. Comcast and Sky have strong growth prospects and consistent with our history, we are committed to investing to realize this growth.

Together, we are a unique leader, we would become a unique leader in entertainment and technology. With the resources and capabilities to compete, grow and thrive in a rapidly changing world. So let me now hand it over to Mike, who will touch on each of these 4 themes in more detail. Mike?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Thanks, Brian, and good morning, everybody. It's an exciting day for us, and so really appreciate everybody jumping on the call here in Europe in the early morning, and apologies to anybody who is dialing in the wee hours somewhere else in the world. We will be doing this East Coast time early in the morning in a couple of hours' time. So let me just take the 4 points that Brian just made on strategic rationale and go through and touch more detail.

So on Slide 8, our first point on the strategic rationale is gaining leadership position in the Sky markets. So as you see from this page, Sky is the leader in its markets. In terms of the number of customers, it's #1 in the U.K., Italy, and #3 in Germany. And in terms of ratings for its Pay TV networks, it's #1 in all 3 of these markets.

So we believe that similar to our -- the way we run our business in the U.S. having leadership positions in such large and dynamic markets enables broader distribution of our content and successful launches of new offerings for customers across these geographies.

Turning to Slide 9. Sky and Comcast have a roster of some of the most widely watched franchises and shows across sports, entertainment and news, as you can see many of these icons on this page. In sports, Sky is known for sports notably Premier League, Bundesliga and Serie A.

While in the U.S., NBC Sports just returned from the successful Olympics on the back of airing the Super Bowl. Not to mention things like, Sunday Night Football, Premier League and NASCAR in the U.S.

In entertainment, Sky and Comcast have premium studios and networks that attract the largest audiences in their markets. The company's top franchises and IP of global appeal, creating significant opportunity to distribute content across Sky and NBCUniversal properties.

Sky News, and NBC News are 2 of the most respected news organizations in the world. And together, we would have the opportunity to enhance each other's news coverage on a global basis.

Finally, Sky and Comcast have a wonderful collection of powerful brands that resonate with consumers. From NBC's peacock and Universal's globe to the Sky brand itself.

Turning to Slide 10 and third. Together Sky and Comcast will have 52 million direct customer relationships. This large combined customer base will fuel our ability to invest in and develop even more services ranging from technology offerings to new content experiences.

As a result of future innovation of products and services, we would expect to grow the customer base in existing markets, extend it to new geographies and attract new customer segments through products, such as Sky Now.

On Slide 11, the fourth and final strategic rationale pillar, the financial opportunities this transaction affords are significant. In terms of content leadership, we believe the combination of the businesses presents the opportunity to distribute Sky and NBCUniversal content across the U.S. and Europe.

We will extend our Symphony model in the U.S., where all parts of Comcast NBCUniversal come together to support a franchise, big show or movie to Sky.

We will benefit from expanded R&D and best practice sharing and technology. And we believe there will be many compelling growth opportunities for investment in Europe, the United States and on a multinational basis.

Shifting gears to the financial side on Slide 12. Again, our possible cash offer for Sky is GBP 12.50 per share valuing Sky's equity at approximately GBP 22 billion or $31 billion, representing a 16% premium to Fox's offer. We believe our proposal is compelling for both Sky and Comcast shareholders. Our proposal values Sky at 12.2x enterprise value to consensus calendar 2018 EBITDA. The multiple would be 11.3x pro forma for the lower cost resulting from the recent Premier League auction. We expect this transaction to be accretive to our free cash flow per share in year 1 post-close, excluding onetime transaction related expenses.

In terms of balance sheet impact, pro forma net leverage would be 3x immediately after closing. Our strong balance sheet allows us to take advantage of attractive opportunities like this transaction and maintaining balance sheet strength will continue to be an important priority for us.

Our previously announced capital allocation priorities remain unchanged, including the 2018 capital expenditure guidance we outlined for both Comcast Cable and NBCUniversal on our fourth quarter earnings call, our 21% increase to our dividend and our commitment to at least $5 billion in share repurchases in 2018.

As you can see, NBCUniversal operates from a position of significant financial strength. Our ability to drive growth and compelling returns by investing in our businesses with a long-term view has been proven out over multiple large-scale transactions, including AT&T Broadband and NBCUniversal, and we plan to take the same approach with Sky.

Now I'll hand it back to Brian.

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

Thanks, Mike. So taking a step back on slide 13. We have discussed what an attractive business we view Sky to be, and how a combination would provide significant strategic benefits.

But why is Comcast the right partner? For those of you who may not be as familiar with Comcast, let me tell you a little bit about our company, our history, and why I believe that we will be a good and responsible owner of Sky. Much like Sky, we are a leading media and technology company and a proven steward of world-class brands. We have 2 primary businesses, that Mike alluded to, that work really well together. Comcast Cable is the #1 broadband provider, and #2 video provider in the United States. NBCUniversal is the fastest-growing media company comprised of leading TV networks, premier IP and franchises and our fantastic film and theme park businesses.

Turning to Slide 14. You will see that acquisitions have played a huge role in the transformation of our business, since the inception of the company. We have a proven track record of investing in the businesses that we acquire with a long-term view to driving growth and strong returns. And one of the best and most recent examples of this is NBCUniversal.

We invested billions of dollars in the business and the results have significantly exceeded our, and I believe, most other people's expectations. And you can see that in the chart here. And we plan to bring the same approach to Sky.

On Slide 15, really tells our story. If you invested with my dad when he founded the company in the IPO in 1972, you would have so far realized for 40 years nearly an 18% compound annual rate of return, significantly better than the comparable 10.6% for the S&P 500. Underpinning this performance is strong execution, consistent investment in our businesses and growth through acquisitions that add value for our company and our shareholders.

So wrapping it up on Slide 16. What we have just outlined is a superior cash proposal, Sky is an outstanding company in businesses that we know well, and we have a proven track record of successfully integrating, operating and driving growth.

As a European market leader, Sky would accelerate Comcast's international strategy, increasing revenues from outside the U.S. to 25% of the total from around 9% currently.

And as we've said, we will bring investment, content and capabilities to drive growth for the combined businesses.

Everything we've shown you here today, underscores that we are serious in our intent and have a superior cash offer at a premium of 16% to the Fox offer. Underpinning our proposal are the clear intentions we've described in terms of investment, independence of news and communities. We are confident in receiving all necessary regulatory approvals in a timely manner.

We are excited about the potential to create significant shareholder value with the strategically attractive and financially accretive deal. We very much hope that Sky's independent directors will recommend our superior cash proposal. Jason, back to you.

Jason S. Armstrong - *Comcast Corporation - SVP, IR & Finance*

Okay. Thank you, Brian. Hugh, let's open up the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Okay, our first question is from the line of Tom Singlehurst at Citi.

Thomas A Singlehurst - *Citigroup Inc, Research Division - Director and Head of European Media Research*

I'm Tom here from Citigroup, well, with Jason Bazinet in the U.S. So couple of questions, firstly, have you had any sort of outreach to the Sky board as of yet? Or is this at this stage sort of totally sort of undiscussed and solicited. And second question, obviously, it's international expansion, so I guess the traditional activities of Comcast and Sky are quite sort of discrete and separate. But is there any sort of, at this early stage, any sort of operational synergies do you think between the 2 groups that might convert into cost efficiencies? I'm interested particularly on the technology side.

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

Well, let me start by saying under British takeover rules that we began the process today. So there's been, until this morning, no communication with anybody. As soon as we made a decision, we brought it to the market and this begins that process. And in terms of the 2 companies and technological working together. What's been impressive to me, I have and Dave Watson, who runs our cable company and Steve Burke, who runs NBCUniversal, all 3 of us have spent time over the last several years looking at Sky's vision and technology for their Q box platform. We've visited, we have different executives who have gone back and forth between the 2 companies not by design but just how it's played out. And I believe, there are many opportunities, English-speaking from the content side to work together and as well from the vision of when -- in an increasingly all digital world and with capabilities, whether they're in the cloud or in the set-top box to have incredible consumer experiences re-imagined from where they are today and certainly, where they've been historically. And I think Sky has done a great job at that. I think Comcast has done a great job at that. I think they are the 2 best in the world at doing it. And the prospect of us working together and seeing where that will lead for our customers, for our shareholders, is a very exciting thought for me. And I think we will have much more on that subject as we go forward.

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Operator

Over to Polo Tang of UBS.

Yin Kin Tang - *UBS Investment Bank, Research Division - MD and Head of Telecom Research*

I actually have -- I have two different questions. The first one is really just to flesh out synergies in a bit more detail. Can you provide some color on the quantum of potential synergies that you expect from the deal? And what gives you the confidence in making a hard offer for Sky than Fox with Disney? The second question is really about your strategy in Europe going forward. If you look at Sky, it's primarily a content and Pay TV company, but do you see any opportunity to expand into communication services such as broadband and telephony in the rest of Europe? Or is the focus more about expanding over-the-top into the rest of Europe? And maybe, a third question, if I may, which is, what are the next steps that you need to implement in terms of formalizing your offer?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

I'll take a crack, Brian can pile on. So if I go back in order here, the reason we're confident in our offer, I think the key point would be that this is, in our minds, a transaction that can be accretive to -- on a free cash flow per share basis to Comcast shareholders, as we said, within the first year after the close. Brian, rattled off and I won't repeat him on the many ways in which we have hopes for benefits strategically from running these businesses together across content, technology and the like, that's much more on the top line than many deals we look at. And then second point was -- I'm sorry, that number 2 for you was?

Yin Kin Tang - *UBS Investment Bank, Research Division - MD and Head of Telecom Research*

It was really about, that we can get some color on the quantum of potential synergies. And then there was a question in terms of, in Europe, whether you would expand into communication services such as broadband and telephony, or is the focus more about doing OTT in the rest of Europe? And then it was about next steps in terms of formalizing your offer, what you need?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

No quantum of opportunity on the financial side other than that it translates to that accretion point. And two, I think on the -- what the product in a lineup looks like in different -- it's going to be a market-by-market strategy, as Sky has already proven that they understand how different markets in Europe work and there's different opportunities in different places. So we look forward to continuing the strategy they have and as time passes, we'll see where that leads. As then finally, as Brian said, this is the beginning of the process. So we start now with this announcement that we're intending to turn this proposal into an offer. And we start the process of conversing with authorities and regulators and hopefully, the company itself and will be through that process in our mind. What matters in a timely way, that we'll put our superior cash proposal in a position to have shareholders of Sky in a position to evaluate themselves and presumably make a decision to take -- to go with the superior proposal when all is said and done.

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

The only thing I would add to those answers is, again, what Comcast has been well, if we go back to AT&T Broadband, we integrated many markets and do businesses very successfully. NBCUniversal, businesses that others has had many, many years to try like Theme Parks, and we've had incredible success. So you take great brands, wonderful company, and I think, we'll have tremendous focus. This is an under-understood asset for many of us because of it's shareowner structure, the fact that it's been for many years in and out of separate companies, consolidated, proposal to buy and such. And as we've looked at Sky, we see opportunities in all those areas. And it will be amazing for our Comcast shareholders and the Comcast management team to work with the Sky team to say, how do we accelerate your plans? And when we got to NBCUniversal and had those same conversations, the results were radically different than they've been previously. And we've created real value for our shareholders. And that's I think our philosophy of long-term investment with the financial discipline and hopefully, together we will prove it once again.

Yin Kin Tang - *UBS Investment Bank, Research Division - MD and Head of Telecom Research*

And maybe just a follow up in terms of your leverage, because you mentioned that you're on 3x leverage at the closing of the deal. But what do you see is your optimal leverage going forward?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

The company has long held the strength of balance sheet as a strategically important asset of the company. I think we run our leverage as folks in the U.S. that follow us know at a -- lower level than many of our peers, 2.2x net debt-to-EBITDA is where we ended last year. So yes, this deal will add to our leverage. But obviously, with $30 billion of EBITDA in our existing businesses and that will set up to handle an opportunity like this. And in due course, we'll bring our leverage back down in all likelihood. But the point is, we're strong, can handle this and continue to believe that strengthened balance sheet on the other side of this transaction would continue to be a very high priority. As I said earlier, though, for U.S. investors or investors in Comcast listening, the deal here doesn't disrupt any of our plans for capital allocation that we previously described for 2018.

Operator

Our next question is over to the line of Patrick Wellington at Morgan Stanley.

Patrick Thomas Wellington - *Morgan Stanley, Research Division - MD and Head of the European Media Equity Research*

A couple of questions. Firstly, you want to earn all of Sky, but you're happy to earn 50% and 1 share. Do you have a preferred partner between Fox and Disney, so the ownership of the 39% existing stake? The second question is about content, a lot of Sky's premium content is sourced from elsewhere, of course, in particular, HBO and Showtime on Sky Atlantic. Do you anticipate the deal disrupting those relationships in any way at all? And then thirdly, and just on your synergy elements, what do you see in the NBC content line after that's going to appeal in Italy and Germany? Do you think those markets are ready for NBC content?

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

Okay. So the first question on -- do we have a point of view between 50% and 1 share or 100%. The answer is, we wanted to present an offer that the Sky's shareholders are in control of their destiny, so the high bid will prevail and it being all cash makes very much simpler for people to determine what's the high bid. And so with this superior cash proposal 16% higher, if we buy 100%, that would be fine, if we end up with 50.1%, or 50% and 1 share that's fine, and so no preference, if you will. And our balance sheet, as Mike described, we don't need the cash flows from this businesses to service the debt, the purchases businesses. And that we didn't want to have a proposal that would leave any uncertainty to Sky shareholders, is it actionable based on their activities not on Fox or Disney's desire to remain or to sell. Second, I think that our content -- Sky's content relationship with some of the same companies the Comcast has content relationship with, such as HBO and others. And I think we're all very familiar and comfortable in those relationships evolving as ownerships and acquisitions occur in the media of business. And I'm sure that the goal for all of us is to find compelling value for customers, to make better and richer content. I think more local content is a strategy that has been working throughout the world and that goes to your German and Italian question. What NBC has is many employees all over the world thousands, many are focused on our U.S. activities, but we make content in many languages all over the world. And this will allow that to accelerate and go in directions that will evolve as the markets change. What's appealing is Sky in most of its markets was the first operator. And Comcast Cable was the first cable company in its markets going back many years. And so you really become a platform for distributing media as the media business keeps evolving. And Sky has a very rich relationship with its customers, different in different countries, as Mike said. And I think we're able to sit down with the NBC creatives and with Sky's creative team. Just as we talked about technology, there will be synergistic opportunities to work together on show concepts, on film distribution, on technology and the like. So we think there's a great fit. Something -- lastly, the other folks have not run networks the way Comcast has. And this is a business that we have been committed to since the inception of our company. And so we're very comfortable with the changes that happened as these technologies evolve.

Operator

Our next question is over to the line of Matthew Walker at Crédit Suisse.

Matthew John Walker - *Crédit Suisse AG, Research Division - Research Analyst*

I've got 3 questions. The first is the share price is clearly higher than your offer. So it's anticipating the other guy is coming back. Are you -- have you got any thoughts on that? Are you prepared for that? Second question is on the Premier League. You mentioned of the benefit to the Premier League. What are you assuming in terms of savings from the Premier League for the Sky business? Or are you assuming that the Sky management reinvests all or part of those savings, if you could give a bit more precision? Lastly, the Premier League hasn't sold the last packages. Does it make a difference to you where the Amazon comes in and buys the last few packages and maybe some other rights, as a signal for the future?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

So it's Mike. So on the -- I'll tick through those, and again Brian can pile on. So our proposal today is GBP 12.50, 16% premium. So haven't actually been staring at what the markets are doing today. We can't predict what other folks are going to do or how they're going to think about things, for the reasons we went through. We're very excited about Sky and our proposal is what it is. And as you all know, well, here the takeover code we've got to be very careful about making any comments at all about how all this can play out. But we understand others get to make their own decisions. And we'll have the chance to react accordingly as time passes. Second one, on EPL, as we -- simply as we did that multiple adjustment. We did a simple calculation that rolled through the savings pro forma that have already been public on the back of the 5 packages that have already changed -- already settled in the auction. And then on your last point, on the last 2 packages, it doesn't matter at all to us how that turns out.

Matthew John Walker - *Crédit Suisse AG, Research Division - Research Analyst*

So just to be clear, the saving, you're talking about is roughly $200 million, it's the difference between $1.4 billion a year and $1.2 billion is not saving versus where consensus was, which was up 30% or whatever it was for the rights?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

That's right.

Operator

Question is from the line of Will Milner at Arete Research.

William Noel Woodville Milner - *Arete Research Services LLP - Senior Analyst*

So no sort of quantification of synergies, but I mean perhaps you could just outline how long you expect leverage to take to get back from 3x to, I think, the new 2.2x target, that will be my first question. And then the second one, I'm just -- in the U.S., Dish's satellite TV business is probably trading around 5x EBITDA after adjusting for spectrum. You've obviously announced the deal today with Sky at around 11x to 12x EBITDA. And Sky is sort of facing similar challenges to Dish at least terms of losing customers on its legacy satellite platform. I mean, I wonder if you can just talk a bit about the difference between the U.S. satellite valuation of Dish and what you're paying for Sky? That would be really helpful.

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

So in terms of leverage, as you all know, we've got great capacity to bring leverage down, it has relatively quickly, if that's what we choose to do. Here today, don't want to give any prediction other than it is within our control to bring it down quite rapidly, as I'm sure your models will pencil out. But that's it for today, no target date.

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

Look on the second question there -- it's apples and oranges, pick the phrase you want to make. I don't want to be disparaging of Dish, but I think there's no comparison to Sky. First of all, Dish doesn't own any content. We look at Sky as a media company, Sky News, Sky Sports, Sky Movies, their tremendous presence in the content creation not just the distribution. It feels much more to us, like, what we have when Comcast got together with NBCUniversal. Second, their market presence and success is very different with the variety of competition in the United States. It's a different competition with Sky, but they are and have been the market leader. And so we can see the Sky trading as an independent stock, long-term cash flow prospects, just the last results that they -- financial results that Sky recorded. Recently, their -- the comment that was made on the English Premier League and their prospects going forward. So I think our history in that chart that I showed at the end of -- since for 40 years, our hopeful ability to find attractive companies that can create significant value for Comcast shareholders while doing well by the selling party that we have a long history of doing that. And we think Sky would be a fabulous addition to Comcast. And at this price, we're creating premium cash -- a superior cash proposal to Fox. So it's good for the Sky's shareholders. So again, we hope we found another one of those situations and time will only tell.

Operator

Is from the line of Jerry Dellis at Jefferies.

Jeremy A. Dellis - *Jefferies LLC, Research Division - MD & Senior Telecommunications Analyst*

I've got 2 questions, please. The first one is on connectivity. In the U.S., Comcast operates a high quality fast broadband network. In the U.K., Sky is migrating customers to Sky Q, many of the benefits of which rely on Sky managing in-home connectivity, yet Sky's reliance on relatively slow copper-based broadband delivered into the home on BT infrastructure. Do you think this is the appropriate setup for Sky going forward? Is it necessary in your view for Sky to own the broadband subscriptions of its households? And then is it necessary for Sky to go further and earn the infrastructure that the broadband service is delivered on? And my second question, please, is what alternatives are there at the Comcast level to building your international presence, if you're not successful in purchasing Sky?

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

Look, we'll be able to converse on that after at some point sitting down with the Sky management team and understanding their view and their logic. But from outsider's view, what looks to me is they've architected in such a way that a lot of the capabilities are in the Sky Q box itself. Where in the X1 box, we put much more in the cloud. They have connectivity. When I have tested it at the Sky shop, and the Sky stores and done my work and our chief technology team and our visits to Sky, we've been very impressed that for their platform they have found a way to give some of the great benefits. Consumers don't care how you do it. They just want it to work, and they want to be able to make it seamless and fun and easy. And I think Sky has done a beautiful job of finding a way to achieve that. And we think together we'll be able to do more of that. So they use the broadband connectivity they've got. And I can't imagine that they need to buy something in order to achieve the product that they've already built. So in terms of your question on other alternatives, we're not here to speculate today. We're very excited about this opportunity. It's kind of unique and it's kind of a unique moment, given all the proposals in play and allow for -- given our balance sheet strength and our commitment and enthusiasm about this space and our success coming off of NBCUniversal with getting more international revenues, this feels like where we want to focus.

Thank you all for joining us today. And we'll, obviously, have opportunities in the future to engage on more of the questions. Jason, back to you.

Jason S. Armstrong - *Comcast Corporation - SVP, IR & Finance*

Great, thank you. We'll wrap up there. And, Hugh, back to you. Thanks.

Operator

Thank you. This now concludes today's call. Thank you all very much for attending. And you can now disconnect your lines.

Editor

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Important information for U.S. Sky shareholders

Sky is a public limited company incorporated in England. If an offer is made for Sky, it would be made in the United States in compliance with the applicable U.S. tender offer rules under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), including Regulation 14E thereunder, and otherwise in accordance with the requirements of English law. Accordingly, any offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer law and practice. Sky's financial information, including any included in any offer documentation, will not have been prepared in accordance with U.S. GAAP, or derived therefrom, and may therefore differ from, and not be comparable with, financial information of U.S. companies.

Comcast and its affiliates or brokers (acting as agents for Comcast or its affiliates, as applicable) may from time to time, and other than pursuant to any offer for Sky that is commenced, directly or indirectly, purchase, or arrange to purchase outside the United States, shares in Sky or any securities that are convertible into, exchangeable for or exercisable for such shares before or during the period in which any offer remains open for acceptance, to the extent permitted by, and in compliance with, Rule 14e-5 under the U.S. Exchange Act and in compliance with the Code. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Information about any such purchases or arrangements to purchase that is made public in accordance with English law and practice will be available to all investors (including in the United States) via the Regulatory News Service on www.londonstockexchange.com.

If any offer for Sky is consummated, the transaction may have consequences under U.S. federal income tax and applicable U.S. state and local, as well as foreign and other, tax laws for Sky shareholders. Each shareholder is urged to consult his or her independent professional adviser regarding the tax consequences of any offer.