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EDITED TRANSCRIPT

CMCSA - Q3 2015 Comcast Corp Earnings Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's third-quarter 2015 earnings conference call. (Operator Instructions). 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, Mike Cavanagh, Steve Burke and Neil Smit. Brian and Mike 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 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?

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Brian Roberts - *Comcast Corporation - Chairman & CEO*

Thank you, Jason, and good morning, everyone. I'm pleased to report very strong third-quarter results. This is a real reflection of how well the various parts of our business are working and, more importantly, how well they are working together.

In the quarter we grew revenue by 11.2% and operating cash flow by 8.4%. Our performance was broad-based with broadband, business services, film and theme parks leading the way. Over in Cable Communications our investments in our network, our X1 platform and customer service are all paying off. Revenue and operating cash flow growth were each over 6%.

We added 156,000 customer relationships, up over 90% from the prior year. Our video results were the best for a third quarter in nine years and our broadband results were the best for a third quarter in six years. Similar to last quarter, churn was a standout as we saw an improvement across every category.

We continue to push harder on X1 and have now accelerated our deployment to over 40,000 boxes per day. Roughly 25% of our video subscribers now have X1 and the reaction from our customers together with the financial benefits that we are seeing continues to indicate we should go even faster in taking that rate higher.

Encouragingly, as we get further into our base the magnitude of favorable impacts on churn, additional outlets, VOD viewing, and DVR uptake remain at a high level. In addition, there is a deep list of initiatives that are adding to our value proposition for our customers.

Last quarter we talked about launching a voice remote. To date we have already deployed nearly 1.5 million of them and we are confident that we have unrivaled content rights, which makes it much more important for us to facilitate the discovery of that content. The voice remote is exactly the type of solution and the customer feedback has been terrific.

In addition, we scaled our XFINITY on campus offering, nearly quadrupling the number of participating universities versus last year to 26. Business services delivered another excellent quarter with revenue growth of nearly 20%.

We continue our progress in small business, have established ourselves as a strong competitor in the midsize segment, and recently announced that we created a new enterprise services group targeting Fortune 1000 customers where we have already had some good early success.

At NBCUniversal things continue to exceed our expectations. I am thrilled to report a 17% operating cash flow growth for the quarter which is the same number for year to date.

At film the third quarter was remarkable in many ways and continued the terrific run we have had this year. Minions and Jurassic World sustained our box office streak into the third quarter.

On August 5 we surpassed the prior record for the highest grossing year ever for a movie studio in worldwide box office and this is the first time any studio has had three films cross the $1 billion mark in theatrical receipts in the same year.

At our Broadcast and Cable Networks, while industry-wide ratings remain challenged we had some real success in this past quarter. NBC was the number one broadcast network for the fifth summer in a row and has continued the momentum into the fall winning premiere week for the fourth straight year.

The relative strength in broadcast is diversified across sports with the number one rated show on TV in Sunday Night Football paired with the number one rated reality show and we are number one in nightly news and in late night. Now we have the fall's top-rated new show with Blindspot.

In our Cable Networks, NBC Sports Network put up its most watched third-quarter ever thanks to NASCAR's debut and continued growth in viewership for the English Premier League. At USA Network, Mr. Robot was the number two new basic cable drama of the summer.

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We are delighted about our progress in the theme parks and more specifically about our ability to manage for growth and returns. Parks delivered another quarter of double-digit revenue and operating cash flow growth. Notably we had record attendance despite the anniversary of our launch of the new Harry Potter attraction in Orlando.

Also, during the quarter we announced our intention to acquire a 51% stake in Universal Studios Japan. We believe that in Japan and in other parks the combination of wonderful intellectual property and new attractions along with great service and value for families translates into very strong performance.

As we look at our overall results, the third quarter and year to date are reflective of a special Company with businesses that are working well together and focused on execution. Our operating cash flow is increasing; we are reinvesting back in the businesses for growth and also looking for strategic investments along the way such as Universal Studios Japan.

And importantly, we are returning a significant amount of cash to our shareholders. We believe that we are on the right path to continue to successfully create value for our customers and shareholders and we are confident and excited about our future.

I would like to now turn it over to Mike who, with a full quarter under his belt, has made a really seamless and excellent transition into Comcast. Over to you for a more detailed review of the quarter.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Good morning, everybody. I'm going to begin by briefly reviewing our third-quarter consolidated financial results starting on slide 4.

As Brian highlighted, consolidated revenue for the third quarter increased 11.2% to $18.7 billion with consolidated operating cash flow increasing 8.4% to $6.2 billion. The primary drivers of this growth were high-speed data and business services at cable and film and parks at NBCUniversal.

Earnings per share for the third quarter was $0.80, an increase of 9.6% when you exclude $724 million of tax adjustments and $49 million of transaction-related costs that were in last year's third-quarter results.

Free cash flow for the quarter increased 6.8% to $2.7 billion and free cash flow per share of $1.06 was up 11.6% driven by strong operating cash flow growth, partially offset by higher capital expenditures and cash taxes. On a year-to-date basis free cash flow increased 13.5% to $7.3 billion and free cash flow per share of $2.90 has grown 17.9%.

Now let's go into the results of the businesses in more detail starting with Cable Communications on slide 5. We are very pleased with the strength of our Cable Communications results. Cable revenue increased 6.3% to $11.7 billion as we added 156,000 customer relationships, a 90% improvement compared to last year's third quarter, and increased total revenue per customer relationship by over 4% to $143 per month.

These results demonstrate the strength and health of our business and were driven by strong growth in high-speed data and business services as well as higher video revenue.

Taking a closer look at our video business, third-quarter revenue increased 3.3% reflecting rate adjustments and an increasing number of customers adding advanced outlets and services like high-definition TV and DVR services.

In fact, we added nearly 2.5 times the number of advanced customers in the quarter compared to last year as customers are recognizing the value in our innovative X1 platform and extensive amounts of programming.

This also contributed to us improving our customer losses by 41% over last year's results. We lost a combined 48,000 video customers in the quarter primarily driven by another quarter of improved churn.

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We are pleased with the progress we've been making in rolling out X1, which accounted for nearly 60% of video connects in the quarter. We added nearly 1 million X1 customers in the quarter, including both new customers and existing customers upgrading to the platform.

X1 net adds increased more than 20% from the second quarter and were up nearly 50% compared to last year with X1 customers now representing roughly one-quarter of our total video customer base.

The positive benefits from X1 continued in the third quarter. X1 customers have significantly lower voluntary churn, over 50% higher DVR penetration and take a greater number of advanced outlets. This results in higher average revenue per customer for our X1 base. As the X1 customer base expands we see the positive impact on our overall video results.

A final comment on video, we are responding to different customer preferences, segmenting the market effectively with a variety of video packages and offers, like our Internet Plus offering to appeal to customers that might otherwise choose to purchase only broadband from us.

Providing the right introduction to our products allows us to better retain our customers and potentially migrate them to higher end packages over time, improving our customer lifetime value.

The strong momentum in our high-speed data business continued. Revenue increased 10.2% during the quarter making it again the leading contributor to overall cable revenue growth, driven by impressive growth in our customer base as well as rate adjustments and an increasing number of customers taking higher-speed services.

We added a combined 320,000 data customers during the quarter with 73% of our customers now receiving speeds of 50 megabits per second or greater. We continue to differentiate our product through speed upgrades and the fastest in-home Wi-Fi with our advanced wireless gateways.

Over 70% of our residential high-speed data customers now have one of our gateways which are fueling our impressive growth in Wi-Fi hotspots. Our hotspots now number more than 11.7 million across our footprint compared to 4.9 million in last year's third quarter.

Voice revenue declined by 1.4% in the third quarter. As we expanded eligibility of X1 to double-play customers our combined voice customer net additions slowed to 17,000 and ARPU has declined modestly. However, voice remains an important product for our customers and we believe adds value to the bundle.

Turning to business services, it has been second-largest contributor to overall cable revenue growth for 18 of the last 19 quarters with third-quarter revenue increasing 19.5% to $1.2 billion. This rate of growth is especially impressive given that business services is approaching a $5 billion run rate business annually.

Over 70% of that revenue was generated by small businesses where our performance is especially strong with growth driven by customer additions and higher rates. At the same time, the contribution from midsize businesses continues to increase.

We feel great about our runway for growth in business services even more so with the recently announced creation of a new division that will target Fortune 1000 companies and other large enterprises.

If you look under the hood at many of the businesses we are targeting, they resemble an aggregation of small businesses, those with branch systems such as banks, retailers and restaurant chains. In these cases the needs of the local branches look very much like the small- and medium-size business customers we serve so well today.

We are in the early stages of pursuing the enterprise opportunity, but believe it adds yet another avenue of growth for this already robust business.

And lastly on slide 5, cable advertising revenue was relatively flat during the third quarter due to lower political revenue. Excluding political our cable advertising revenue increased 8% primarily driven by increased media advertising ahead of the launch of the fall TV season. This level of increased spending was timing related and should be lower in the fourth quarter.

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Also keep in mind we will have a difficult comparison in the fourth quarter as we had $110 million of political revenue during last year's fourth quarter fueled by election year spending.

Turning to slide 6, third-quarter Cable Communications operating cash flow increased 6.4% to $4.7 billion. During the second-quarter call we detailed our plans to increase our investment in the customer experience as well as continue our aggressive X1 rollout which would drive higher customer service and technical operation expense.

While this is reflected in what we saw in the third quarter, our better revenue performance and lower program expense growth allowed us to deliver flat margins at 40.4%.

Third-quarter program expenses increased 6.4%. This rate of growth is lower than the 9.6% increase we reported in the second quarter due to the lower pay-per-view costs and timing of programming deals. We expect fourth-quarter program expense to increase at a similar rate of growth and, as a result, our full-year 2015 program expense growth will be slightly lower than our previous guidance of about 8%.

As we look beyond 2015 we expect programming cost growth to remain elevated driven in part by continued increases in retransmission consent fees and higher sports programming costs, as well as our commitment to further expand our content rights for our on-demand and TV Everywhere platforms.

We plan to continue to add more content, out of home rights, stacking rights and back seasons, ensuring that we have the most compelling and competitive video product on the market.

In the third-quarter non-programming costs continued to bear the impact of the X1 rollout and our investment in the customer experience with technical and product support costs up by 8% and customer service expenses up 8.4%.

At the beginning of the year we indicated stable margins were expected. Through the first three quarters we have delivered on that with our year-to-date margin of 40.7%, right around last year's result of 40.9%.

We feel confident we can continue to largely offset these higher expenses with an improving business mix as high-margin businesses like high-speed data and business services continue to grow, and ongoing improvement in efficiencies as our investment in X1 and customer service begin to pay off.

Overall Cable's results prove we are executing well and competing effectively with innovative products and services that provide a great value to our customers. We are focused on continuing to deliver strong and profitable growth along with healthy customer results.

Now let's move on to NBCUniversal's results. So on slide 7 you can see NBCUniversal delivered exceptional results in the third quarter as revenue increased nearly 21% and operating cash flow increased 17% driven by film's record-breaking theatrical slate and strong parks results.

At Cable Networks third-quarter revenue increased 7% primarily driven by an 8.6% increase in distribution revenue, which partially reflects higher affiliate fees associated with the premiere of NASCAR on our NBC sports network during the quarter, the first quarter in our new 10 year deal.

In addition, advertising revenue grew 2% as the positive contribution from NASCAR advertising more than offset what would have been a modest decrease in advertising revenue overall since rating declines across many of our networks more than offset increases in prices and volume.

Last, we benefited from higher content licensing revenue reflecting the timing of content delivered under our licensing agreements. Cable Network's operating cash flow declined 3.9% due to higher program expenses that include the timing of our NASCAR rights fees.

In Broadcast we did well this quarter with entertainment, sports, news and Telemundo all contributing to revenue growth of just over 11%. This growth was driven by strong retrans and content licensing revenue which reflects the timing of content provided under our licensing agreements as well as new syndication deals for Law & Order.

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In addition, advertising revenue increased 3% despite the difficult comparison created by one less NFL game this quarter compared to last year. The fact that we were still able to report modestly positive advertising growth speaks to the strong scatter market with the third quarter trending better than the first half of the year. Importantly, this higher demand in the scatter market has continued into the fourth quarter.

Finally, operating cash flow at broadcast increased 6% as expenses increased in the third quarter primarily driven by higher studio production costs.

At film our focus on well-known intellectual property is delivering exceptional results. In the third quarter film delivered revenue growth of 64% and operating cash flow more than doubled to $376 million compared to last year driven by the record-breaking performances of Minions and Jurassic World.

This was the second-most profitable quarter in Universal's history topped only by our second-quarter 2015 results. In the fourth quarter we have fewer theatrical releases, but we will continue to benefit from our successful film slate as these films move to the home entertainment and content licensing windows.

And at Theme Parks record attendance this summer fueled 14% revenue growth despite lapping the July 2014 opening of Harry Potter Diagon Alley and Hogwarts Express. Three-quarters of our Orlando guests now purchase park-to-park tickets.

Hollywood also contributed to our third-quarter growth driven by the success of Fast and Furious: Supercharged, which opened strong on June 25. With higher attendance and healthy per capita spending growth at both parks operating cash flow grew 14% net of $18 million of transaction-related costs associated with our plans to develop a theme park in China.

Lastly, recall that last summer was more of a soft opening for Potter so, while we believe the momentum of Harry Potter will continue, the growth rates will likely slow in the fourth quarter as we compare against the fully opened Harry Potter.

Now let's move to slide 8 to review our consolidated and segment capital expenditures. Consolidated capital expenditures continue to track to our investment plan and increased 11% to $2.2 billion driven by increased investments at cable. At Cable Communications third-quarter capital expenditures increased 12.6% to $1.9 billion, equal to 15.8% of cable revenue compared to 14.9% in the third quarter of 2014.

We expect the fourth quarter to be a another quarter of heavy activity reflecting continued investments in customer premise equipment like X1 and wireless gateways. In addition, we plan to increase spending on cloud-based initiatives such as our Cloud DVR service, business services reflecting the expansion into the mid and enterprise markets, and network capacity bringing our full-year CapEx as a percent of cable revenue to be right around 15%.

At NBCUniversal third-quarter capital expenditures remained relatively stable at $289 million with the majority of our spending at Theme Parks as we build new attractions including Harry Potter in Hollywood and King Kong in Orlando.

We continue to expect that NBC Universal's 2015 capital expenditures will remain relatively stable at 2014's level with over half directed to our Theme Parks segment as the investments we are making in our parks are clearly generating strong returns as they drive increased attendance and per capita spending.

Moving to slide 9, as I mentioned earlier, we generated $2.7 billion of free cash flow in the quarter and $7.3 billion of free cash flow year to date. In the third quarter we returned $2.8 billion of capital to shareholders, an increase of 111% compared to the third quarter of 2014, including dividend payments totaling $623 million and share repurchases totaling $2.2 billion.

We bought back more stock in the quarter than the typical pro rata amount given the weakness in the share price in late August and September, as well as a desire to get ahead of the blackout period that will accompany the plan to merge the A&K shares. On a full-year basis we continue to expect to achieve our planned repurchase of $6.75 billion of our common shares.

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In terms of leverage, we ended the quarter at 1.9x net leverage. The pending acquisition of a 51% stake in Universal Studios Japan would take that to about 2.0x net leverage. As I said before, we expect to continue to operate with leverage in this range. As a reminder we will talk about 2016 capital plans on our next quarter's earnings call.

Yesterday we announced our plan to reclassify each share of Comcast Class A Special Common Stock into one share of Comcast Class A Common Stock.

We believe the reclassification will benefit our shareholders by, among other things, eliminating investor confusion caused by having two classes of publicly traded stock and improving the trading liquidity of our publicly traded stock. The reclassification will require approval by each class which we anticipate will occur at a shareholder's meeting by year end.

Thanks, everybody, for dialing in. And now I will hand it over to Jason for Q&A.

Jason Armstrong - *Comcast Corporation - SVP of IR*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Craig Moffett, MoffettNathanson.

Craig Moffett - *MoffettNathanson - Analyst*

Brian, I wonder if you could update us a bit on your thinking about wireless and how it fits into the longer-term business plan. There have been reports this quarter about exercising the option for the Verizon MVNO and we're I guess about a month away from filing a short form for the 600 megahertz auction.

Could you just talk about those two things and what your thinking is at the moment for how wireless fits?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Well, we don't have any new news today, so let me just say that we believe that wireless obviously is an important area for consumers and how they are -- in the future and today. We have incredible success with our Wi-Fi network which is the largest in-home Wi-Fi network as well as terrific out of home Wi-Fi. We are seeing a majority of bits travel over that Wi-Fi network.

But it takes about six months to activate the MVNO. We had told everybody that before we were going to trial some things and test some things after we activate and we will update people as that progresses.

But it is an opportunity to take the network and the investments we made, the successful investments that we have made, and try and see if we can continue relationships and product innovation that the team is working on.

Regarding the auction, again, no news today. We have seen some of the opportunity for NBC in that part of the auction and that's certainly something that we are likely to participate in. And beyond that we are is studying it and we always look at all the options for the Company. But we are pretty excited about the road map that we are trying to develop. Neil, anything you want to add?

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Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

No, I think you covered it, Brian. We are in the test and learn mode and I think it's a natural part of the evolution of our entry or our participation in the mobile space beyond Wi-Fi. But we are testing and learning and nothing new to report.

Craig Moffett - *MoffettNathanson - Analyst*

Would you think that longer-term an MVNO is a satisfactory end point? Or would you think of it more as a starting point and then eventually you would want to have owner's economics if you pursue that business?

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

We don't know, we are evaluating opportunities.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Yes, I think we are -- we have always felt it is a part of a product set. I don't think we feel that we have to necessarily in any way seek owner's economics. And just to clarify what I was -- make sure I was clear. At the NBC side we intend to participate, the cable side something we'll continue to study.

Craig Moffett - *MoffettNathanson - Analyst*

All right, thank you. That is helpful, Brian.

Operator

Ben Swinburne, Morgan Stanley

Ben Swinburne - *Morgan Stanley - Analyst*

I will try two. Mike, can you talk about the leverage comfort zone for the Company around that two times? In other words, how high would you go if you saw something really compelling on the acquisition front? And how low would you drift before you would sort of default to buybacks if you didn't see anything out there?

And then I will ask my second question to Neil. You guys talked a lot about X1 in the prepared remarks. Can you talk broadly about your customer segmentation that is allowing you to put out kind of 2% customer growth every quarter, things like Internet Plus, Internet Pro?

And I believe you have been testing a Stream product that is sort of pure over the top. Any color on sort of the ongoing customer segmentation activities and new product pipeline? Thanks, thank you both.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Thanks, Ben, so it is Mike. So on leverage, we used to say, and I changed this in the last quarter, that would be at 1.5 to 2 times net leverage was the range that the Company was drifting down towards from being at a higher level post GE.

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I think we sit now at 1.9x net leverage at the end of the third quarter. But as I said earlier, when you pro forma for the deal we did in Japan parks, that takes us right at 2x.

Feel quite good at around 2x that that gives us the ability to do all we need to do to return lots of capital to shareholders, to invest in the businesses organically and to give us some flexibility around things like Vox, BuzzFeed, parks and so forth.

So in that range, right around 2x is fine to allow us to do all that. And I won't speculate on any larger M&A. As Brian said before, we are pretty comfortable with the portfolio of businesses we have.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

Concerning segmentation, X1 was about 61% -- 60% of our connects this quarter. And so, we are seeing healthy growth of X1. We offer different products based on the segment, for example, the Internet Plus applies well to millennials who want a great Internet product and a lighter video product.

On those customers, after churn is considered, we upsell about 30% of those, so we are able to get new people into the system and then upsell them or upgrade them.

The on-campus product has been a great success, around 26 campuses now and continue to grow. It is a great product. It serves the video to where the customer, in this case the student, wants to consume it which is in their dorm room, we stream direct.

We launched the Stream product in a trial market and that also applies to millennials or younger audience. And finally Watchable we launched earlier this month. And that is about 32 providers of semi-professional content, so it is getting to content that is not normally what we've been carrying in the past and we think that will attract another segment.

So, we are very careful on how we segment the audiences and we are getting a better quality customer and holding onto them for longer.

Ben Swinburne - *Morgan Stanley - Analyst*

Thank you.

Operator

John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

Maybe for Neil. Can you comment on the strategy and timing of the DOCSIS 3.1 rollout? And if we look back, you have been adding about 1.2 million, 1.3 million new HSD subs per year for the last few years. Does this initiative sort of help you maintain that growth or could we see some acceleration again on the sub side or ARPU as you get further down the path there? Thanks.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

Well, as you said, we've continued to add over 1 million customers for nine years now and that we have done 16 speed increases in the past 13 years. So we continue to increase speeds and that is the value that customers are receiving. We have also, as Mike mentioned in his comments, increased the wireless gateways so our in-home Wi-Fi is a very strong value add.

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In terms of DOCSIS 3.1 it is -- we have it in the labs, we plan on rolling it out early next year. And we think that will give us more speed capability and we are also working on products that will increase let's just call it the smartness of the Internet, not just speed. So, we think we can continue to grow market share and the market is growing. Only 70% of customers have a high speed connection. So there is market growth opportunity there as well.

Operator

Jessica Reif Cohen, Bank of America Merrill Lynch.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

I guess two questions. First, can you talk about what you are doing in terms of mining data and driving targeted more relevant advertising across all your platforms? So across Comcast Cable and also NBCUniversal businesses?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Well, let me start by just saying that we see the two companies -- the two parts of the Company working together is really part of what is powering these earnings results and across the board. And one of the areas that we have identified as a management team is that question.

There is [importantly] how do we improve the technology so we have better targeted information? What is the data that can assist the advertisers and the networks in having the right relationship with what they are offering?

And it is an important area to the Company because of both parts of the Company have a lot of advertising dollars. It is nice to see the spot market being very successful right now and supportive of this space. So I think there is a lot of chance for us to perform well.

The other thing with data is sort of measurement and having buyers be more knowledgeable to whatever means that that data gets to the marketplace. And so, we're looking at all those opportunities across the Company. Steve or Neil, please jump in.

Steve Burke - *Comcast Corporation - Senior EVP Comcast Corp., CEO of NBCUniversal*

Our advertising group which is now unified under Linda Yaccarino for all the cable channels, all broadcast and all-digital. She's currently not only allowing advertisers to sell across all those platforms, but to do so in a way that is informed by information or complemented by targetability on the Comcast side.

Which is obviously a very, very unique product in a world where advertisers want to marry the proven storyteller -- storytelling of a television spot with the targetability of the Internet.

So, she is in the market with those products right now, they are doing very well. And those products are going to get more sophisticated as we complement them with more information, more set-top box data, etc.

Operator

Phil Cusick, JPMorgan.

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Phil Cusick - *JPMorgan - Analyst*

If I can squeeze in a clarification and a question. First on -- following up on Ben's question on the balance sheet size. In the past you have talked about the size of the balance sheet being as important as leverage and the $50 billion range being sort of the high level.

But with more and more companies at a $100 billion debt balance are you more comfortable that you can ladder out maturities enough to take the balance sheet substantially higher?

And then second, you mentioned programming expense coming in below 8% this quarter and the comment about continued investment rights. How should we think about that for 2016? What could accelerate growth or we should we think about that 8% as a reasonable run rate? Thank you.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

It is Mike. On the balance sheet side or the size of the debt issuance of the Company, I think that continues and should continue to be a factor that we think about. We are a large issuer and we want to make sure that through the course of time we are always able to carry the balances at good rates through time.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

And concerning programming costs, this was a lower quarter than usual in terms of percentage of increase. We do see that increasing. We will be slightly below our 8% number that we have given previous guidance on. And I think we are not done with the budgeting process yet for 2016, so we are not prepared to comment on that yet.

Operator

Vijay Jayant, Evercore ISI.

Vijay Jayant - *Evercore ISI - Analyst*

Just continuing from one prior question in terms of the Internet Plus offering, can you talk about -- because the step-up is pretty substantial. Can you talk about what customers do after their one year promotional price given that you already have that experience?

And I just wanted to get a sort of philosophical question about Altice has come to US mainland, and talking about 40% margins for cable companies that are one-fourth the size of Comcast and you are already at 40%. So any thoughts about is there opportunity on the margin side on cable given some of the strategies they are contemplating? Thank you.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

Concerning Internet Plus, as I mentioned, when they roll off promotional rates some people step up to higher level packages, more video, about 30% do. Some people roll off or churn off and some people extend in the existing to step up in their pricing. So we find it is an attractive way of getting customers who are initially only interested in Internet onto a video product and then expand the package from there, get a foot in the door.

Concerning Altice, it is good to see others recognize the value in the cable market as we have. There is always things we can learn. They do some things -- some interesting things with self-service, their IT consolidation, their structural approach and we are always open to learning.

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Vijay Jayant - *Evercore ISI - Analyst*

Thanks.

Operator

Brett Feldman, Goldman Sachs.

Brett Feldman - *Goldman Sachs - Analyst*

If we could just talk a little bit about your view on the competitive environment in the video market. Because if we look at some of your biggest competitors it feels like their emphasis has shifted. Verizon is very focused on custom TV, AT&T is pivoting away from U-verse, DISH seems very interested in Sling versus its traditional product and you have obviously invested a lot in some of your premium offers.

And so, the question is how do you feel about the competitive intensity? And then just in general, you have been showing improved trends year over year. Do you feel like that is sustainable?

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

I think the competitive intensity is much the same as it has been in the past. The base offers they're attractive promotional offers but the base rate remains in the same ballpark. I think different people are trying different things.

We feel the X1 platform is something we can build on. There is greater viewership, there is more VOD consumption both transactional and non-transactional. The churn reduction is significant. And there are more AOs, more DVR usage. So we are investing behind the X1 platform and we feel we can continue to -- our objective is to continue to improve year over year on an ongoing basis.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I would just add that the thing that I feel good about is the video product that we are offering has tremendous momentum. It is the best in the market. People that don't live in Philadelphia or one of our markets when they see it they go, wow, I wish I could get that.

With the ease now of the voice remote we will put millions of those out in the next several quarters. And it just makes it even that much better. And our service initiatives and the improvements that are being made, and the reliability and on time and the network reliability, there's a tremendous focus here and I think that is improving as well. So, you put all that together, I really think we have great momentum and a good strategy.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

I complement Dave Watson and the operating teams in the field who are really driving the X1 out and targeting selective segments in the offer.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

40,000 a day, that is a huge push.

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Brett Feldman - *Goldman Sachs - Analyst*

Great, thanks for taking the question.

Operator

Marci Ryvicker, Wells Fargo.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

I have two questions. The first, Mike, you talked about the enterprise unit being sort of an aggregation of small businesses. So it sounds like there will not be a need for a major upgrade to the network, and there is not going to be a need for major investment there. So just want to confirm that I am reading right from your comments.

And then, the second question is for Brian. You mentioned I think during a press conference around Universal Studios Japan that this is going to be the beginning of your international expansion. So I just wanted you to just provide some more color around that comment. Thanks.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Marci, it is Mike, I will start and Neil can finish. But on business services, enterprise growth it is a continuation of what we are doing. The needs are similar and we are investing and it is a big source of capital investment that you have seen and the recent past and that is going to continue. But we are going to layer on businesses of a bigger scale that have the profile of the medium-size enterprises that we already have.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

And I would just add that we are targeting the Fortune 1000 companies and other large enterprises that have 300 locations or more. And if you think about it, this type of enterprise customer, we are looking at entities with branches such as banks, restaurants retailers and those are all small customers like an assembly of small customers. So, we have managed services to more than 20 large enterprise customers already and have already signed multiple eight figure deals.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

So one of the things that NBCUniversal does for Comcast and I think Steve put a focus on it right from the get go when we moved Jeff Shell to London was to really use this as a way to have the Company look at broader opportunities, not just in the United States, but around the world. And we are really happy with the Osaka and Japan theme park, 51% announcement.

But as we have said, and I think that what I was really referring to was our China opportunity. We have a partnership that we are in the process of getting complete all the approvals necessary to go forward, but we are looking forward to building an entire new Universal in Beijing and that is a continuation of the --because we are in the theme park business, when we bought the Company there were no owned assets outside the United States. And we will have perhaps the largest or one of the largest theme parks will be China.

And when you see Universal Japan it is a thriving business that we think we can grow and we are in the process of putting in the manage unit. Coming from Florida, the Chief Financial Officer of Universal Parks is going to move there. And the team is really ready for this kind of opportunities and can hit the ground running.

So, there is nothing else at this time that we are working on specifically like that. But this was a unique opportunity and we are -- it complements what we're going to do in Beijing.

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Marci Ryvicker - *Wells Fargo Securities - Analyst*

Got it, thank you very much.

Operator

Mike McCormack, Jefferies.

Mike McCormack - *Jefferies & Company - Analyst*

Maybe we can just circle back on Brett's question on the competitive landscape and more specifically talking about the recent combination of AT&T and DirecTV. AT&T is out there with pretty aggressive wireless and DirecTV bundles with pretty good bounties and sort of bill credits if you will.

Just trying to get a sense for if you have seen any significant change in appetite for that combined wireless video bundle? And then just secondly, on the retrans side, if you can give us an update on the pacing there and any risk to that trajectory?

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

I think on the competitive side, as I said, we haven't seen a meaningful difference in approach or sub numbers. Our churn -- our numbers are the best in nine years and it is driven by churn. So you'd think that if there was a very attractive offer you would see higher churn but our churn numbers remain over. And concerning the retrans --.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I don't know if he is talking to you or to Steve?

Mike McCormack - *Jefferies & Company - Analyst*

This was for Steve.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

I think our retrans(multiple speakers) generally speaking are continuing on a steady curve and there is no real lumpiness in that number.

Mike McCormack - *Jefferies & Company - Analyst*

Okay, thanks, guys.

Operator

Bryan Kraft, Deutsche Bank.

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Bryan Kraft - *Deutsche Bank - Analyst*

There seems to be some elevated activity in Washington and also in local government arenas to facilitate more fiber to the home deployment. And like in some of the Google fiber markets, they seem to be increasingly leaning toward allowing redlining.

And so I guess first, I was wondering if you have the same assessment. And second, how much of a concern is this for you that competitors might be able to sort of cream skim and not have to serve the higher cost areas? And what are you -- if you have any expectations around how that could play out, I would just be interested in any thoughts you have on that. Thank you.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Look, we've seen this is not a new thing, there were similar thoughts when the bells were building, that it was not universal. We can't per se control that. We obviously want to have as level a playing field as one can.

But a pro-competitive strategy in our opinion is better than a pro-regulatory strategy. And if there is more competition, that is something that we have been facing for years and nothing we are going to do to change that or want to change that.

I think if anything it is a reminder to regulators how competitive this industry is and will be in the future. And that is why it is so critical that we continue to perform well and sharpen our operating skills and we are showing that.

Bryan Kraft - *Deutsche Bank - Analyst*

Okay, thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Bryan. Regina. We have got time for one more question.

Operator

James Ratcliffe, Buckingham Research.

James Ratcliffe - *Buckingham Research - Analyst*

Just to dig into the video churn improvement you have been seeing. How much of that is really X1 driven and how much of it is the benefit from the investment in customer experience? And so, how much incremental run rate is there on that both in terms of expanding X1 and in terms of the customer service investments? Thanks.

Neil Smit - *Comcast Corporation - Senior EVP Comcast Corp., President & CEO of Comcast Cable Communications*

I think it has been a combination of a number of factors. One is getting people on the X1 platform is having an effect on churn. Second is we have more people on contracts. And third is that there is more people using TV Everywhere. There is a third of our customers are using TV Everywhere on a monthly basis.

And finally, I think our customer experience improvements have helped significantly. I mean, if we can get the right customers and keep them longer it is going to impact churn. So our customer experience things in terms of reducing phone calls, reducing truck rolls, getting things right the first time and really super serving our customers is having an impact as well.

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Brian Roberts - *Comcast Corporation - Chairman & CEO*

I just want to sum up from my perspective what was so good about this quarter from where I sit is the Company working really well together. It was a terrific first nine months of the year, this quarter being in video the best in nine years, and broadband the best in six years. At NBCUniversal we basically now have doubled the cash flow on a run rate to do that. That strength is across so many different parts of the Company that are participating in the technology change that is happening, as we have talked about the millennials, we talk also about NBC and investments in Vox and BuzzFeed and the ability to now hopefully have advertising that can take some of our content and their content and bring it to advertisers.

Doing all this while still maintaining leverage allows us to buy back shares and the dividend and Mike Cavanagh joining us here and changing sort of the trajectory of that buyback in anticipation of things.

And ultimately it is giving customers what they want in having a company with a unique set of assets that can do that. And I think we really -- in so many different fronts of the Company did that this quarter. So we are really pleased and thank you for your questions and support.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Brian. And thanks, everyone, for joining us. That will conclude today's call. Regina, back to you.

Operator

There will be a replay of available of today's call starting at 12:30 PM Eastern Time. It will run through Tuesday, November 3 at midnight Eastern Time. The dial in number is 855-859-2056 and the conference ID number is 39613302.

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.

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