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CMCSA.OQ - Q4 2022 Comcast Corp Earnings Call

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OVERVIEW:

CMCSA reported 2022 revenue of $121.4b and adjusted EPS of $3.64.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's Fourth Quarter and Full Year 2022 Earnings Conference Call. (Operator Instructions) Please note that this conference call is being recorded.

I will now turn the call over to Executive Vice President, Investor Relations, Ms. Marci Ryvicker. Please go ahead, Ms. Ryvicker.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

Thank you, operator, and welcome, everyone. On this morning's call are Brian Roberts, Mike Cavanagh and Jason Armstrong, who are also joined by Dave Watson, Jeff Shell and Dana Strong. Brian and Mike will make formal remarks, while Dave, Jeff and Dana will also be available for Q&A.

Let me now refer you to Slide 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, during this call, we will refer to certain non-GAAP financial measures. Please see our 8-K and trending schedules for the reconciliations of these non-GAAP financial measures to GAAP.

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

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

Thanks, Marci, and good morning, everyone. I'm really proud of how our team executed throughout 2022. We achieved the highest levels of revenue, adjusted EBITDA and adjusted EPS in our company's history. And we returned a record $17.7 billion of capital to shareholders - through both our recurring dividend, which we just increased for the 15th consecutive year, and robust share repurchase activity. We did all this while accelerating investment in key growth initiatives, which are showing great progress, particularly our broadband network as we transition to 10G, but also in Xfinity Mobile, Peacock and our theme parks.

I attribute all this success to the incredible talent across our organization, who work collaboratively to ensure we are constantly evolving and innovating so that our customers have the absolute best experience with us at every point of interaction. What also sets us apart is our very strong balance sheet, which, when combined with the cost actions we have taken this past quarter, position us to perform well no matter what the macro environment might bring.

I want to start with Cable, where our financial performance both for the year and the fourth quarter confirm that: we are striking the right balance between rate and volume in residential broadband and we plan to continue to do so in 2023, that Xfinity Mobile and Comcast business remain strong growth drivers, and that we have successfully identified the appropriate mix between cutting costs to drive efficiencies, and investing for our future. We have always maintained an intense focus on providing the absolute best products and experiences, which comes down to having the highest capacity, most reliable and most efficient broadband network.

Our evolution to 10G and the unique way we are pursuing this through DOCSIS 4.0 is a huge benefit for our customers across the entire footprint as they will all have access to an entire ecosystem built around multi-gigabit symmetrical speeds, some as early as this year. It's also great for the company and our investors as our transition to a virtual, software-based network - infused with the marvelous AI capabilities - will not only provide tangible benefits when it comes to operating and capital expenses, but it will enable us to innovate faster than ever before, solidifying our leadership position in broadband, which is extremely important given what is certain to be continued increases in demand for both speed and usage.

In fact, we continue to see signs of this today. Our residential broadband-only customers are now consuming nearly 700 gigabytes of data every month. And customers on our Gigabit Plus products now comprise roughly 1/3 of our broadband subscribers.

In addition to creating more value from our current customer base and further penetrating the total homes and businesses that we pass today, another great opportunity is for us to extend our networks to homes and businesses in the U.S. that do not have the ability to receive our services. To that end, we increased our passings by 1.4% or 840,000 in 2022, and we expect to accelerate in 2023, where we are aiming to add around 1 million while still maintaining the same CapEx intensity level we achieved in 2022, reaching nearly 62.5 million by the end of the year. We are taking a disciplined approach, and we'll only pursue those areas that have a return profile similar to what we have been able to historically achieve.

Wireless is playing an integral part of our overall strategy at Cable, and it's an area where we continue to shine. This past quarter was another record in net line additions, bringing us to over 5 million total lines in just 5 years. With only 9% penetration of our current base of residential broadband customers, we have plenty of runway ahead. And we're just getting started in offering wireless to our commercial segment, which is another great example of how we are selling more products into our existing base of business customers. When you combine our broadband network, WiFi overlay and MVNO with Verizon, we are in the best position to win in convergence. We have a leg up on our competitors with a capital-light strategy that does not involve customer or network trade-offs.

At NBCUniversal, we are seeing some great momentum in Peacock and Parks. And - across all of NBCUniversal - our intellectual property is really resonating. We had the #2 studio in terms of worldwide box office in 2022, fueled by a strong slate, including Jurassic, Minions, Nope, Ticket to Paradise, Puss in Boots, Black Phone, Halloween, which have also had great carryover success to Peacock through our Pay-One window and select day-and-date releases. And our box office momentum continued into the first quarter with M3GAN. So, all in all, a really strong film slate.

Peacock ended the year with over 20 million paying subscribers, more than double where we started; and we added over 5 million paid subscribers in the fourth quarter alone. Our success was broad-based, fueled by some of the films I just mentioned, but also sporting events like the World Cup, NFL, Premier League, several new originals and our exclusive next-day broadcast of NBC and Bravo. Looking ahead, and based on our experience to date, we expect our subscriber cadence will follow our content launches, which fall more heavily in the second half of '23. And we continue to see positive trends in engagement, churn and ARPU.

Mark Woodbury had a fabulous first year as our CEO of the Parks business and we hit a number of new records this past quarter. It was the highest fourth quarter EBITDA for the entire segment, led by Orlando and Hollywood, and Japan had the best EBITDA performance since 2019. This was driven by attendance that far surpassed pre-pandemic levels at all 3 parks. And while attendance at our park in Beijing was significantly impacted by COVID in 2022, we are seeing some exciting demand to start the year.

Given the excellent returns we have generated to date, we continue to seek ways to expand our Parks and I'm really excited about our 2 recently announced extensions: the first Universal Park designed specifically for younger audiences near Dallas and the first year-round horror entertainment experience in Las Vegas. These are new innovative ways to utilize our substantial IP, including from DreamWorks and Illumination, while also extending our brand, both of which should help fuel growth in all of our parks.

In our linear video business, we are managing subscriber declines by taking a disciplined approach to our cost base. We are continuing to invest in our global technology platform, and you will see a number of announcements from us in the weeks and months ahead. For example, in 2023, we will launch one global user interface for Sky Glass, Xfinity, X1, Flex, Xumo and our U.S. and international partners. Every entertainment customer around the world will get the same Emmy Award-winning, voice controlled experience. This scale not only brings us operational efficiencies, but it also puts us in the enviable position when it comes to conversations with distributors, OEMs, programmers, app developers and talent.

At Sky, we are managing through the macroeconomic challenges in Europe, while staying intensely focused on retention and continuing to provide our customers with the best entertainment and connectivity experiences. We're seeing some encouraging results. In the U.K., Sky Glass had the top-selling UHD TV model; Sky Mobile is the fastest-growing mobile provider, surpassing 3 million lines; and we are narrowing the gap between us and the current #1 broadband provider, with Sky Broadband now sitting at over 6.5 million subscribers.

Wrapping up, our consistently strong financial performance, healthy balance sheet and record high return of capital to shareholders underscore how the scale, capabilities and talent across our company enable us to successfully execute our long-term growth strategy. I'm convinced we are on the right path and that we have the right team to capture our many opportunities and overcome whatever challenges happen along the way.

So before handing over the call, I want to congratulate Jason Armstrong, recently promoted to Chief Financial Officer, succeeding Mike Cavanagh. I could not be more confident in the leadership team's ability to continue to drive us forward and create more value for our shareholders. Mike, over to you.

Michael J. Cavanagh - *Comcast Corporation - President*

Thanks, Brian, and good morning, everyone. First, I'd like to just say that it's been a pleasure serving as CFO of Comcast for the last 7-plus years. And I couldn't be prouder to have Jason be my successor, knowing that - with Jason - the financial leadership of our company is in proven and expert hands. Since Jason didn't take over as CFO until early in the new year, I will handle the CFO portion of this call and hand it over to Jason for the first quarter call in April.

So now I'll begin on Slides 4 and 5 to discuss our consolidated 2022 financial results. Revenue increased just under 1% to $30.6 billion for the fourth quarter and 4.3% to $121.4 billion for the full year. Adjusted EBITDA decreased 4.9% to $8 billion for the fourth quarter and increased 5% to $36.5 billion for the full year. The quarterly results include severance expenses booked in each of our businesses, totaling $638 million, which is $541 million higher than the prior year period. Excluding this increase, adjusted EBITDA increased 1.5% in the fourth quarter and 6.6% for the full year.

Adjusted EPS increased 6.5% to $0.82 a share for the fourth quarter and 13% to $3.64 for the full year. And we generated $1.3 billion of free cash flow for the fourth quarter and $12.6 billion for the full year, while absorbing increased investments in Peacock and Theme Parks as well as higher working capital as content creation normalizes post COVID.

Now let's turn to our business segment results, starting with Cable Communications on Slide 6. Cable revenue increased 1.4% to $16.6 billion. EBITDA increased 1.5% to $7.2 billion, and Cable EBITDA margins improved 10 basis points year-over-year to 43.5%. These results include $345 million of severance expense, which is $305 million higher compared to last year's fourth quarter. Excluding severance, Cable EBITDA increased 5.8%, and Cable EBITDA margin improved by 190 basis points to a record high of 45.3%.

These strong results also included the impact of Hurricane Ian in Southwest Florida, which resulted in the loss or severe damage to many homes we serve in this market. Excluding the hurricane impacts, we would have added approximately 4,000 broadband customers versus the 26,000 loss we reported. And we estimate that we would have lost approximately 36,000 customer relationships versus the 71,000 we reported. Overall, our broadband customer results in the fourth quarter were fairly consistent with the prior 2 quarters, reflecting lower levels of new customer connections, offset by churn, which remained well below 2019 levels.

Now let's discuss Cable financials in more detail. Cable revenue growth of 1.4% was driven by higher broadband, wireless, business services and advertising revenue, partially offset by lower video and voice revenue. Broadband revenue increased 5.4%, driven by growth in ARPU and in our customer base when compared to last year. Broadband ARPU increased 3.8% year-over-year when adjusting for some COVID-related customer credits last year. This organic ARPU growth is similar to the growth we've generated over the last couple of quarters and is consistent with our strategy.

We are focused on optimizing our customer relationships by consistently adding more capabilities, services and value so as to provide the best broadband experience, which has and should continue to deliver broadband ARPU growth. The elements of growth this quarter include increased rate, attaching more customers to higher tiers as well as other services. We expect ARPU growth will continue to be the primary driver of our residential broadband revenue growth in 2023.

Wireless revenue increased 25%, mainly driven by service revenue, which was fueled by growth in customer lines. We added 1.3 million lines in 2022, including 365,000 lines in the fourth quarter, which is our highest number of net additions for any quarter on record.

Business services revenue increased 4.6%, which includes the results of Masergy in both this quarter and in the prior year period, as we lapped the closing of this acquisition at the beginning of the quarter. Revenue growth was primarily driven by rate, including customers taking faster data speeds, higher attach rates of our advanced products and rate increases on some of our services.

Advertising revenue increased 9.1%, driven by strong political revenue, partially offset by the absence of advertising revenue that is now part of Xumo, our joint venture with Charter. Adjusting for those items, Cable advertising revenue decreased 1.6%, reflecting a decline in our local core advertising business, partially offset by solid growth at our advanced advertising business.

Video revenue declined 5.6%, driven by year-over-year customer net losses, partially offset by ARPU growth of 5.8% due to a residential rate increase we implemented at the beginning of 2022. And last, voice revenue declined 13%, primarily reflecting year-over-year customer losses.

Turning to expenses. Cable Communications fourth quarter expenses increased 1.4%, reflecting higher non-programming expenses, which included the $305 million in higher severance costs, partially offset by lower programming expenses. Programming expenses decreased 5.9%, reflecting the year-over-year decline in video customers, partially offset by higher contractual rates. Non-programming expenses, which, again include $305 million in higher severance costs, increased 5.6%. Excluding severance, these expenses were flat compared to last year, reflecting an increase in bad debt as we returned to more normalized pre-pandemic levels, and increased technical and product support expenses driven by growth in our wireless business. These were offset by a decline in marketing and promotion and customer service expenses due to lower activity levels, efficiencies in running the business and improvements we continue to make in our customer experience.

Our focus on growing our high-margin connectivity businesses, coupled with our focus on increasing operating efficiency and cost controls, drove strong EBITDA growth and margin expansion in 2022. Excluding the higher severance expense, we grew full year EBITDA by 5.7% and increased EBITDA margins by 110 basis points to 44.8%. We believe that our disciplined approach to running the business, including the benefits from our cost reduction efforts this quarter, position us to drive higher profitability and further expand margins both in 2023 and thereafter.

Now let's turn to Slide 7 for NBCUniversal. Starting with total NBCUniversal results, fourth quarter revenue increased 5.9% to $9.9 billion, and EBITDA decreased 36% to $817 million, including $182 million of severance expense in the quarter. Excluding severance, EBITDA decreased 22%. Media revenue increased 2.6% to $6 billion, mainly driven by Peacock, which nearly doubled its revenue to $660 million, and Telemundo's broadcast of the World Cup.

Advertising revenue increased 4%, reflecting an incremental $263 million from the World Cup, as well as strong growth at Peacock and a healthy contribution of political advertising, partially offset by a decline in linear advertising. If we exclude the World Cup, advertising revenue declined 5.6%, reflecting softening in the overall advertising market.

Distribution revenue increased 3.8%, reflecting growth at Peacock driven by increases in paid subscribers, which more than doubled compared to last year as well as higher contractual rates at our networks, partially offset by linear subscriber declines.

Media EBITDA was $132 million in the fourth quarter, including a $978 million EBITDA loss at Peacock, reflecting the cost of new content such as our exclusive next-day broadcast and Bravo content, our robust lineup of Pay-One titles, day-and-date releases like Halloween Ends, NFL, Premier League and the World Cup. Peacock's full year EBITDA loss of $2.5 billion was in line with the outlook we provided a year ago. And for 2023, we expect Peacock losses to be up modestly to around $3 billion.

As we've said previously, we believe 2023 will be peak losses for Peacock and, from there, steadily improve. Excluding Peacock, Media EBITDA in the fourth quarter decreased 13%, reflecting the lower revenue and fairly flat expenses despite the higher costs associated with broadcasting the World Cup. Looking to the first quarter, while we remain focused on managing costs, we expect underlying Media EBITDA, excluding Peacock, to continue to be impacted by the top line pressures at our linear networks.

Moving to Studios, revenue increased 13% to $2.7 billion driven by growth in content licensing and theatrical revenue. Content licensing was up 16% driven by the benefit of our carryover titles and the acceleration in film windows as well as healthy growth in television licensing. Theatrical revenue increased 47% due to the success of recent releases, including Ticket to Paradise, Puss in Boots, Violent Night and Halloween Ends. EBITDA increased $109 million to $160 million for the quarter, reflecting the higher revenue, partially offset by an increase in marketing and promotion expense, reflecting the size and timing of this quarter's theatrical slate as well as the corresponding higher programming and production costs.

At Theme Parks, revenue increased 12% to $2.1 billion, while EBITDA increased 16% to $782 million, our highest level of EBITDA on record for a fourth quarter. These results were driven by growth at our parks in the U.S. and Japan, partially offset by our park in Beijing, which was negatively impacted by COVID-related restrictions. At our U.S. parks, we continue to see strong demand with attendance and guest spending up year-over-year and with Orlando and Hollywood both delivering record high EBITDA for a fourth quarter. Universal Japan continued to rebound since capacity restrictions were lifted at the end of March and delivered strong year-over-year EBITDA growth in the quarter.

Now let's turn to Slide 8 for Sky. Reported results were meaningfully impacted by currency translation due to the strengthening dollar, but I will speak to Sky's results on a constant currency basis. For the fourth quarter, Sky revenue was relatively consistent compared to last year at $4.4 billion. Direct-to-consumer revenue was also consistent compared to last year, reflecting growth in the U.K. driven by wireless and broadband revenue, offset by declines in Germany and Italy.

On a customer basis, we added 129,000 customer relationships in the quarter, with positive additions across all 3 territories, the U.K., Italy and Germany. These net additions were driven by streaming, broadband and wireless customer additions and reflect our team's strong execution in a challenging macroeconomic environment across Europe.

Rounding out the rest of Sky revenue. Content revenue increased 6.5% driven by licensing our entertainment content. And advertising revenue decreased 9.6%, primarily driven by lower revenue in the U.K., reflecting the timing of the World Cup and the macro environment.

Turning to EBITDA. Sky's EBITDA decreased 15% to $340 million, including $89 million of severance expense, which is $53 million higher compared to last year's fourth quarter. Excluding severance, EBITDA declined 2% compared to last year, reflecting an increase in direct network costs - driven by growth in our residential mobile and broadband businesses - and higher other expenses, which were mostly offset by lower programming costs due to the timing of sports programming as 4 weeks of EPL games were paused during the fourth quarter to accommodate the World Cup. However, we will incur higher sports costs in the first half of 2023, reflecting the higher number of games as the season is extended and the remainder of the games which were paused are now played.

Now I'll wrap up with free cash flow and capital allocation on Slide 9. As I mentioned previously, in 2022, we generated around $12.6 billion in free cash flow, while absorbing increased investments in Peacock and Theme Parks, as well as higher working capital as content creation normalizes post COVID.

Full year consolidated total capital investment increased 14.2% or $1.7 billion to $13.8 billion, due to increased spending at NBCUniversal and Cable, partially offset by a decrease at Sky. At Cable, total capital spending increased 8.3% or $695 million with CapEx intensity coming in at 11.4%, primarily driven by investments to further strengthen and extend our network. In 2023, we expect CapEx intensity to stay at around 11%, similar to 2022 levels, as we aim to accelerate our homes passed growth to about 1 million and continue to transition our entire broadband network to DOCSIS 4.0 over the next few years.

NBCUniversal total capital spending increased $1.4 billion driven by Parks CapEx increasing $1.1 billion, of which Epic was around $800 million and reflects our continued investment in new attractions like Super Nintendo World at Hollywood and Donkey Kong at Japan. In 2023, we expect Parks CapEx to increase by around $1.2 billion over last year as we continue to build Epic, which we plan to open in 2025 and begin work on our recently announced park extensions mentioned earlier.

The required investment to develop these extensions is nowhere near the scale of Epic or Universal Beijing but rather enable us to leverage our already large market opportunity and can serve as a model that contributes to even higher growth at Theme Parks in the future. Working capital was $3 billion for the year, a $1.5 billion increase over last year's level, reflecting a post-COVID ramp of investment in content creation.

Turning to capital allocation. We ended the year with net leverage at 2.4x and returned a total of $17.7 billion to shareholders, including $4.7 billion in dividend payments and $13 billion in share repurchases. For 2023, we expect to continue to maintain leverage at around current levels, which I expect will support continued strong capital returns.

As we announced this morning, we are raising the dividend by $0.08 a share to $1.16 per share, our 15th consecutive annual increase. This reflects our long-standing, balanced capital allocation policy. We're committed to investing organically in the businesses while maintaining a strong balance sheet and also returning a very healthy amount of capital to shareholders.

Thanks for joining us on the call this morning. I'll turn it back to Marci, who will lead the question-and-answer portion of the call.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Doug Mitchelson with Credit Suisse.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Brian, and Mike as well, given your promotion to President, congratulations on that, by the way. And Jason, congratulations on the CFO role. Brian, Mike, since we're turning to a new calendar year, I wanted to ask for an updated vision for the company and how you see the company evolving over time. As part of that, investors are certainly interested how the company best addresses cable broadband competition and connectivity convergence and media streaming challenges and whether you see notable growth opportunities for the company that would shift allocation of capital as well. So, how do you address the challenges and opportunities? And how does the company evolve over the next 3 to 5 years?

Michael J. Cavanagh - *Comcast Corporation - President*

Thanks, Doug. It's Mike. So maybe I'll take a first crack, and then Brian can pile on if he likes. So, vision in the next few years, it's -- I think how you think about that requires a little bit of a reflection of where we stand at the moment. So if I look at 2022 and you really reflect on what are truly excellent operating results, so kudos to the people running the businesses deep down into the organization to produce the kind of results we had, record revenues and record adjusted EBITDA. And that's fundamentally great management discipline, operating discipline, financial discipline in the day-to-day.

When you zoom out a little bit, it puts us in a position where we are returning record capital on the back of those results, $17.7 billion. We have, I would say, the strongest balance sheet in our industry at 2.4x leverage. So it allows us the opportunity, both of those things in good balance, to then go at your real question, which is "what is our opportunity, what are our challenges and do we have the resources to go after them?"

And so I'd say there, you heard it in the call, but I'll recount them, we've got an excellent number of organic investments that are going after all the opportunities and challenges that we currently see. Obviously, as others emerge, we'll go after it the way we usually do. But those are -- you take the network, and Dave can pile in, but we're on a path to 10G. So DOCSIS 4.0 is going to get us, as we've talked about, in a very capital-efficient way to a network that's going to have symmetrical upstream and downstream in a few short years. We're going to start rolling that out at the back end of this year. So I think our commitment is to have the best network out there and to put a tremendous amount of services surrounding that network, whether it be WiFi or Flex and the like, as you've heard us talk about before.

You heard about the tech platform. Brian mentioned it. We're going to get to a single global tech platform, integrating all of the build of Glass in the U.K., X1 here in the U.S., what we do in Peacock, behind a single, scaled global tech platform that we can use in many ways. You know about the Xumo partnership that we have with Charter, for example, to take that capability outside of our footprint.

And then finally, on the Cable side, I'd say wireless. Wireless, we've been at it for 5 years, have 5 million lines now. We put the investment in along the way, and we continue to do it. But it's a capital-light approach. And I think that totality is a great set of strategies for how we're going to drive growth in the Cable business looking ahead. And so I'd say, expect us to continue to keep driving along those lines.

On the Media side, we think Peacock is absolutely the right strategy for our company. And Jeff has repeatedly said, we're not going to play somebody else's hand. We have an excellent business in NBC and our cable networks. We spend quite a bit of money creating content, and so migrating some of that content as eyeballs move to a more streaming universe. We like what we're doing, and we had a phenomenal year getting paid subs to 20 million paid subs from less than 10 million a year ago. And we see this coming year as the peak year in investment there. But, we'll keep on that plan.

And then finally, I'll mention Parks. Parks, we've got Nintendo opening in Hollywood in February. We're ramping the build of what's going to be a phenomenal theme park, Epic universe in Orlando, opening in 2025. And as I said earlier, we'll increase our spend this year and '24 to sort of peak levels there ahead of that opening. And then we're leveraging the great product that we have with some new ideas, some innovation around that with a kids-based theme park, smaller scale in Dallas and Hollywood Horror Nights in Las Vegas.

So these are big investment agendas that go at all the issues that I think are out there across our different businesses. So I think we're well positioned to continue to drive primarily an organic investment agenda and drive growth across our businesses in the years ahead. Obviously, it's our job to consider inorganic things as they come up. But as I've said before, the bar is very high. It's our job to make sure that we are looking at organic opportunities and executing well against them, and I think we are. So Brian, you got anything to add?

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

First of all, I could see why you're the right person for the job. That was a fantastic answer and covered a lot of the vision of the company. So, I'm going to try not to be at all repetitive and maybe even zoom out further with the lens and say what are -- just pick 2 themes of what you just talked about and say, think about the vision of the company, what are the 2 big trends. It's what's happening in broadband both as a competitive reality, and I'm sure Dave will get into that with some of the questions, but then longer term, what's likely to happen to consumers' needs for usage, what are we making our bets on in that vision question. And the other is the convergence to streaming and where are we in that journey.

So if you think about the 10G initiative Mike talked about, it's really to widen our lead, to clearly and demonstrably explain to consumers and give them a product and be able to brand it for residents -- consumers and businesses, that we have something you want to have, if you rely on and need and enjoy broadband and the investments we're making, the ubiquitous nature of it. And if you look at broadband usage, and we cited some stats in the prepared remarks, but if you just look at even Thursday night and the NFL being on Amazon, that creates a lot of broadband usage. And is there going to be more of that in the future or less of that in the future? And what percentage of America today consumes that way? And what will it look like 5, 10 years from now?

And so we want to be a company that is uniquely positioned to capitalize on these macro changing trends. And the same goes in streaming. And Peacock, with just my kudos to the team at the whole of NBCUniversal and Comcast and Sky working together, have put us in a double in 1 year to 20 million-plus paying customers, in addition to what lies ahead. It's the best bargain, for $5 a month, you get everything from the World Cup to Sunday Night Football, to incredible movies to incredible next-day NBC, to all our cable content, original content. And consumers are finding that.

So I think our company -- I echo what Mike said, I think we're extremely well positioned. And I think we'll continue to grow organically and show an ability to keep the balance sheet strong and return capital to shareholders. And those -- finding that balance, we did it really well in 2022, and we hope to do it again.

Operator

Our next question comes from Ben Swinburne with Morgan Stanley.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

I wanted to ask Jeff about the NBC outlook, both sort of some of the key trends you're seeing in '23 but also longer term. I mean, I think the business did over $8.5 billion of EBITDA back in 2019. I think '23 will probably be down from '22 just given the Peacock losses and the pressure on the Media business. But can you just talk about your long-term opportunity at the NBCUniversal? Do you think you can climb back to those EBITDA levels over any sort of reasonable investment horizon? And what are you -- how are you feeling about sort of things like advertising and Parks sitting here today given all the macro concerns?

And then I just had one question for Mike on cash flow. You mentioned the $3 billion net working capital drag in '22. Any help on that for 2023, if you have any visibility there?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Hey Ben, this is Jeff. I'll start and then hand it over to Mike. So we feel really good about NBC's growth trajectory going forward. If you kind of break it down, our content businesses had a great quarter and is doing -- have never been better than they are right now. Our movie studio, we're off to a great start this year. The slate going forward is really good. Our TV businesses -- studios are great. So our content business is doing great, and that's a business that should grow over time.

The Parks business, Brian and Mike both talked about the Parks business, it's never been better for us. We had a record year last year. Trajectory is going to slow a little bit in the U.S. just because we are doing so well, but we're seeing -- we found our footing in Japan in the fourth quarter. That's going to grow based on the Nintendo attraction there. And Beijing, which really had -- kind of got to profitability in the third quarter, suffered from COVID in the fourth quarter, first couple of weeks of this year with the economy opening up there, is really doing well even with poor weather. So I think our Parks business has a lot of growth ahead. And as Mike talked about and Brian talked about, we're investing in it. So those 2 businesses are great.

The Media segment, as Brian just went through very well, we made a decision to invest in Peacock. It's very clear that we picked the right business model at this point, given where we are. And it's very clear that the content strength that I talked about, which has led to our linear networks being #1 for decades, is paying off on Peacock. So -- we've made that investment. We've been clear from the start that we're going to see a return on investment. I think we feel better on that now based on where we are. And we also made that investment to return the Media segment to growth over time, which we feel even more confident today than we did maybe a year or 2 ago. Then that's going to happen. And the timing of that really is up to macro conditions, how -- when does the ad market recover, how -- what our linear decline is going forward. And then, of course, we continue to cut costs in the linear segment to maintain our margins.

So I'm pretty confident that we have a lot of growth ahead in NBCUniversal, particularly after the progress we've made this year. And the Media segment, we wouldn't be investing in Peacock if we didn't think it was going to return the segment to growth over time.

Michael J. Cavanagh - *Comcast Corporation - President*

And then, Ben, the -- on working capital, we said a year ago that it was going to be spiked to a higher than typical run rate level just on the back of the disruptions caused by COVID in getting content creation in the phase we're in up to normalized levels. So expect to just ease back off of the levels we saw in 2022. It's a hard number to predict, but I think we are past peak there.

Operator

Our next question comes from Craig Moffett with MoffettNathanson.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Congratulations to both of you, Mike and Jason. The question I have is on margins. As I think about the Cable segment, I think most people at this point are aware of the puts and takes where growing broadband, it raises margins, losing video raises margins. As you think about wireless now sort of accounting for a larger and larger piece of the pie, how do those pieces fit together as sort of a longer-term outlook for margins? Is it possible for the growth rate of wireless at whatever margin it sort of contributes to keep margins growing in the Cable business?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Craig, Dave. So I think the good news is we have a great portfolio of opportunities and business lines. So as you said, we have real strength in broadband and not only just solid broadband relationships but the ability to drive revenue in a healthy way. So resi broadband, I believe, will continue to be accretive not just revenue but margin. And business services is a real long-term opportunity. It has been, will continue to be. So when you look at top line margin impact, including mobile, I think it's a good -- and video slowing down, on the top line, it contributes towards margin.

The second thing clearly are the expenses. And just lower activity levels, our constant focus around the 2 big buckets of the transactional activity, the experience improvements that we have that really drive things like self-install and the apps that help people resolve issues independently and then our focus around cost, just fixed cost, ongoing. And so that -- all those things, I think, shows that it's not a singular moment. This has been steady progress over a long period of time around margin. So I think we still have a good runway.

Operator

Our next question comes from Jessica Reif Ehrlich with BofA Securities.

Jessica Jean Reif Ehrlich Cohen - *BofA Securities, Research Division - MD in Equity Research*

Going back to NBCU of kind of 2 topics. On Theme Parks, you've got 3 parks planned for the U.S. Can you talk about global plans? And is peak spend in '24? I think that's what Mike just said. And then on Peacock, it sounds like this year will be peak losses. When do you expect breakeven? And can you talk about long-term profit potential, like what margins would you look for?

And then finally, kind of all around, can you just talk about your appetite for acquisitions? Mike said organic and nonorganic. I'm just wondering WWE is obviously for sale. There's IP. Is this the year we finally see some more media consolidation?

(technical difficulty)

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

Jessica, sorry about that. We're back.

Jessica Jean Reif Ehrlich Cohen - *BofA Securities, Research Division - MD in Equity Research*

Did you hear my question? I thought it was me. So I just wanted to go back to NBCU. You've got 3 parks planned for the U.S. I'm just wondering if you have any global plans. And it sounds like from what Mike said that peak spend will be in '24. I just wanted to clarify that. And on Peacock, it sounds like this year will be peak losses. Can you talk about like when you expect breakeven and what you think about the long-term profit potential or margins there?

And then finally, Mike again said organic and inorganic growth. So I'm just wondering what your appetite is for acquisitions, whether it's something like WWE or IP. Like is this the year we finally see media consolidation?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Thanks, Jessica. Sorry about the delay here. So let me -- this is Jeff. So let me start with Parks. So Parks, we are always looking to invest in our parks, given how well we've done. And during the pandemic, we took share. We've had pretty solid growth. And we -- it's a business that we want to deploy capital to. We -- as Brian said, we're really excited about Epic. It's coming out of the ground. It looks great, and our timing couldn't be better for that. But we always want to have things that we're investing in, both domestically and internationally.

The concept that we're going to build in Dallas, which is a -- designed for a younger audience, less investment, if it's successful, which we're pretty confident it will be, is a concept that will work in a lot of places around the world that may not support a full-scale theme park like we have in Orlando or Beijing. But it could support something else. So that -- we're excited about that concept. And then the Halloween Horror Nights experience in Vegas, which I'm really excited about, could also be expanded to a number of different places around the world. So we're definitely having our eye towards places expanding internationally and not just domestically with a number of markets kind of on the docket. And they won't all be places for a big, giant primary theme park, that we might look at different concepts for different markets.

And as far as peak spending, I think Epic, I think we expect our peak spend probably to be this year, although '23 and '24 will be comparable as we ramp down at the beginning of '25 prior to opening. So that's the Parks.

Peacock, we are -- could not be more positive about our trajectory so far. We're right where we expected to be as far as investment, and we're well above where we expected to be as far as paid subs, which was going to pay off. We will hit our peak spend, as I think Mike or Brian said in the opening, this year and then improve steadily from there. And we wouldn't be making the investment if we didn't see the investment in Peacock alone delivering return over time, as I said in my prior answer that I'm more confident now that we're going to get to that. And it's going to be a good return just on that investment alone and the overall Media segment.

And based on how we're doing so far, I'm more and more confident that we made the right choice of business model and that our investment is appropriate for that business. So I don't know, Mike, if you want to talk about acquisitions.

Michael J. Cavanagh - *Comcast Corporation - President*

Yes. Consolidation, and Jeff can pile in, too, I mean, I think when it comes to media consolidation, we'll see what happens. But I think -- go back to the earlier discussion, we've got a robust set of plans to invest in our own businesses. So anything that we would look at, and it's our job to consider things, we have healthy discussions. And our bias has to be investing behind our businesses themselves where we control, operate, know what we're doing, have momentum, no surprises. So like I said, the -- across any inorganic opportunity, we're going to put ourselves through the real discussion, is it worth it relative to the choices we have to invest in our own business, like Jeff just described.

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

And I would just add that we're always looking for bolt-on acquisitions that bolster our business, and I'll give 2 examples. We bought DreamWorks. We talked about that in the past, and it's been paying off steadily since our acquisition. And just now with Puss in Boots, which is a big hit at the box office and really our entry back into the Shrek universe, continues to make that acquisition look really favorable. And we've invested in our Blumhouse investment over time. We're a partner with Jason Blum. And we have a big hit, M3GAN, this month, which is coming out of that investment. So we're always looking at bolt-on acquisitions that don't necessarily involve big industry consolidation questions.

Operator

Our next question comes from Brett Feldman with Goldman Sachs.

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

So later last year, one of the points you had made was just sort of based on market conditions, it was unlikely that you were going to see your broadband subscriber base really change in size, so basically stayed pretty flat for at least some period of time. And we saw effectively that trend in your fourth quarter results. I was hoping you can give us an update. How would you frame market conditions right now? Are you seeing any tailwinds begin to emerge? And do you need a meaningful improvement in market conditions to get back to more sustainably positive broadband net adds? Or do you think some of the steps you've been taking position you to accomplish that at some point this year regardless of the backdrop?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Brett, Dave here. So let me start with kind of your first point on the overall environment and pointing towards our results in broadband. So starting with Q4, clearly, excluding the impact of the hurricane, we reported net adds -- broadband net adds of 4,000. And this has been consistent, consistent the last couple of quarters, reflecting the continued impact of lower move activity, increased competition. But what's different has been the near record low churn.

So, this -- the current environment is similar. Macro -- the macro environment still reflects depressed move activity. Competition continues to be very strong, and we're seeing some normalization in non-pay activity and churn. So it remains a challenging environment to add subscribers right now. However, as our record high revenue, adjusted EBITDA and margins in 2022 show, we have a successful model. We're driving revenue, EBITDA and cash flow rather than just chasing units.

And so you look at our ARPU growth, holding the line on the relationships, but our ARPU growth was 3.8% in terms of broadband. So,we're protecting ARPU growth, constantly adding more value, investing in our network, all within the parameters that we've talked about. And so -- and it -- results within the mix of the base is showing, as Brian said, you have 1/3 of our customers, broadband customers that get our Gigabit Plus products. So this is only just 5% of that number just 3 years ago.

So you look at usage. You look at the entire long-term opportunity. I think as Brian said, whether it's a couple more sporting events that go towards streaming, it just points towards you need better broadband. So from our competitive situation that we see, as I said, it's going to continue. But I think we're going to focus on our great network, ubiquitous network. We're going to continue to invest in that. We will constantly segment the marketplace and address each competitor. And so I think it's similar environment, but we're very focused on being in a position to drive results. But, we're going to do both. We're going to balance rate and volume.

Operator

Our next question comes from Michael Rollins with Citi.

Michael Ian Rollins - *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

Congrats to Mike and Jason on your new roles. Just 2 topics, if I could. First, on the Xumo platform, if you can give us an update on how that's progressing and maybe some of the milestones to watch as you look out over the next 1 to 2 years. And then on the cost-cutting and efficiency actions that you took exiting 2022, how should we think about the annual cost savings opportunity?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Let me start, Michael. This is Dave. I'll start with Xumo. It's really early. Excited about the opportunity. Early discussions are positive and just a variety of partners. So we're excited about the relationship with Charter. And so -- but it's really early at this point in terms of Xumo. But expect more to come, and we'll keep you posted along the way. Mike?

Michael J. Cavanagh - *Comcast Corporation - President*

And Michael, on the cost actions we took in the course of the year, it's really to get our businesses set up to drive the results that we gave some commentary on the outlook. We don't give guidance, but I think consider it all factored into the outlooks that Jeff, Dave and I have given thus far on the call, which is, again, continued opportunity for expanding margins and growth in EBITDA in the Cable business and everything Jeff just described on the Media side, including growth in parks, growth in studios and the net dynamics with linear versus Peacock in the Media side.

Operator

Our next question comes from Phil Cusick from JPMorgan.

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Two follow-ups, if I can. Your tone around new footprint expansion and broadband efforts, there's no change. Does BEAD funding or state subsidies going forward accelerate that further? Or do you think the 1 million annually is the right figure to think about going forward?

For Jeff, any update on trends in advertising since your comments in early December? And then finally, I wonder if you guys can talk about the $500 million in severance this quarter. Is there more to come? And Mike, I heard you say that margins in Cable should continue to be higher. What impact do you expect on cost going forward?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Let me start, Phil, this is Dave, and talk about the footprint expansion expectations. So, pretty steady progress. If you look at '21, did 813,000. In '22, last year, did 840,000, so good progress and in line with our expectations. And we do expect to accelerate in '23. So there's an opportunity to do around 1 million passings. And so the opportunity clearly is still within footprint and residential, also hyperbuilds we call the commercial growth, those all still exist. We're excited about that. And that's the majority still of the footprint expansion. The newer ones will be the rural edge-outs that we've been talking about, and that will begin to pick up the pace.

Having said that, we're excited about it. We're going to lean in. We think we're doing well early stage in terms of the grants and the wins around these communities. But we're going to take a very disciplined approach, and we're going to go after returns that are similar to historic levels as we do that. So -- and we're -- I think all of the -- whether it's the network upgrades, the footprint expansions, we're still right on target with what we said and going back to '21 in being around 11% Cable CapEx intensity. So very excited about both of those areas, how we upgrade, the elegant path to upgrade and the footprint expansion. Jeff?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Yes. Thanks, Dave, and thanks, Phil. So on the ad market, I think in prior calls, the market -- the ad market steadily worsened over the course of last year. It kind of feels like it bottomed out around late November, early December. And really since then, it hasn't gotten worse and maybe even a little bit better. I'd describe it really as shallow. There's parts of the market that are actually doing really well, pharma, entertainment, travel is on fire. There's parts of the market that feels uncertain. Tech, auto, financial services, all are weak. It feels like the weakness is due less to businesses not doing well and more to just macro uncertainty. I mean, none of us really know where the economy is headed, and I think some advertisers in those segments are really holding back. And when they do advertise, they're coming in later than usual.

So, I think we have -- we're doing a little bit better than our peers for a couple of reasons. One is Peacock's growth is really helping to offset the linear weakness, which is fortuitous for us. And I think, secondly, we've made big investments in data and measurement, and we have the best team. And that's really helping. But I guess I would just summarize it by saying the ad market feels to me like it stabilized a bit. And we're assuming it's going to stay weak for the first half of this year and then recover. But who really knows based on the macro economy.

Michael J. Cavanagh - *Comcast Corporation - President*

And then, Phil, Mike, so just picking up on macro. I mean, looking into 2023, as many businesses, just the uncertainty about the environment, we took -- I'll tell you what we did on severance. We offered voluntary retirement across the company, something we do on a periodic basis, which has its benefits, obviously, of giving more opportunities for younger talent anyway as well as some of the tactical situations we have in select businesses to just make sure we're as efficient as we can be heading into uncertain times. So, we've executed against all of these things as we roll into 2023. So, it's behind us.

Operator

We'll take our next question from John Hodulik with UBS.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Maybe a couple of questions for Dave on wireless and on video. On wireless, you talked about the 9% penetration. I mean, are you seeing the positive impact on the broadband base from selling wireless into that? And then do you expect to continue to lean in? I think you guys don't really look at that as a separate profit pool but just as sort of supporting the broadband business. And is that unlikely to change? That's number one.

You also, Dave, talked about selling into the business segment. Just anything you're sort of -- any color on how you're doing that or what that opportunity is? And then lastly, on video losses, just they were little better than we expected. Anything different there in terms of maybe selling of skinny bundles or how we should expect that to trend as we look into '23?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Sure, John. So, when we look at wireless, we actually do, it's a nice growth opportunity in and of itself. But the core real opportunity is to surround broadband, both residentially and commercially, as you brought up. You look at the opportunity, the road map, and Mike said, we just crossed the 5 million lines. But the way we look at it, when you include business relationships, we had 34 million broadband relationships. And you look at the amount of lines that the other competitors do, their lines per relationship, we're talking about an opportunity that's around 80 million lines over the long run.

So, we had a strong quarter in mobile, really strong quarter, good momentum. This has been building, will continue. So it's a good runway. We really like our position. We like the core service offerings approach, the capital-light approach, by the gig, unlimited, different tiers of unlimited and then really leveraging best-in-class WiFi. So the mobile game plan is really to support broadband. We do see continued positive results. When you package the broadband with mobile, there is a churn benefit to that. And so we'll continue to really -- that's our -- part of our core strategy is to do that and leverage as a feisty competitive marketplace in wireless. For those that are offering different kinds of offers, we'll be there with bring your own device as well. So we got a really good balance towards it. And business services is just getting going in mobile. We're excited about that, and there -- it's early but good progress.

In video, it's a combination, just less attach rate on the front end that is really one of the main drivers. But when you look at churn, churn is better, and it continues to improve and -- on the video side. And when you look at the combination of video and broadband right now, that combination of full disconnect churn, it's down over 20% against the -- since the pre-pandemic 2019 level. So we segment the marketplace. Video is an important part of the portfolio. We'll continue to market it where it makes sense per segment. But overall, that's the story around video.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

Thanks, John, and thanks, everyone, for joining our call.

Operator

That concludes the question-and-answer session and today's conference call. A replay of the call will be available starting at 11:30 a.m. Eastern Time today on Comcast's Investor Relations website. Thank you for participating. You may all disconnect.