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CMCSA - Comcast Corp at UBS Global Media and Communications Conference

EVENT DATE/TIME: DECEMBER 04, 2017 / 1:45PM GMT

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PRESENTATION

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

Okay. If everyone can please take their seats. Again, I'm John Hodulik, the media, telecom and cable infrastructure analyst here at UBS. And welcome to the 45th Annual Media and Telecom Conference. I'm pleased to announce our keynote speaker this morning is Mike Cavanagh, CFO of Comcast. Mike, thanks for being here.

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

Thanks for having us. Great to be here once again. Three years in a row.

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

That's right.

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

Wait, I got [to put] my clip-on, sorry. Okay, great. Got me? There we go. Good morning, everybody.

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

So we've got about 40 minutes for some Q&A. I'm also going to be taking some questions on the app, if any of you have downloaded it this morning.

QUESTIONS AND ANSWERS

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

So Mike, I'll start it out with -- it's the same question we ask each year. A lot of changes going on in the media world these days. As we look out into 2018, can you give us a sense of Comcast's priorities?

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

Sure. I mean, I think it's no surprise it's a continuation of -- with the really good results and good momentum we've had in 2017. So if I just tick through the businesses, on the Cable side, we're really focused and optimistic about our connectivity businesses. So you think about residential high-speed data business, business services, which is largely a connectivity business as well, together representing about $20 billion of revenues, grown top line around 10%, very high marginal -- margin. So accretive as we grow those businesses at that kind of pace. So everything that goes into those 2 businesses, from investing in the network to building out the technologies that we'll talk about further around xFi on the residential side and on the business services side, lots of investments there, which has been consistent, is a big area of existing focus and continued focus for quite a while to come. And on the video side, we'll get into that, I'm sure. We're very confident and proud of the robust platform we have with X1 and the strong bundle and then the work we're doing to segment for the users that want something less than that robust package. But we think video is an important part of the overall equation, and so we remain focused there, despite the fact that the preponderance of our profits are coming from the connectivity side. We'll get into some more of that later. And then there's the new businesses. A couple of them in cable that we're focused on growing. So XFINITY homes crossed -- home security products, which is great, doing well, growth -- has grown past 1 million subscribers. And so we look to see that continue to grow, great characteristics of the customers that join us through that product. And then XFINITY Mobile, which we just -- we're in the market. As you all know, we're adding subscribers as we speak. I think we'll get into that more deeply later, but we're very excited about what we've seen so far. It's a compelling story in the -- with the customers that have -- among our customer base, given the way we've got the pricing and packaging put together with our network, together with the fastest cellular network out there and great devices, as we're just figuring out how to turn off my new device as we're getting started here. So that is one we feel really good about what it will do for our overall business. Already hit business services. So when you wrap all that up on the Cable side and put it all together in the context of what we do well, which is sell interrelationships through a bundle, I think we've invested in a lot of different aspects of our product set, continue to innovate in all of them and look to optimize long-term client relationship profitability. And I think we have plenty of room to maneuver in the years ahead. And so '18 is very much focused on that. On the NBC side, it's been a great story. As you all know, since the acquisition from GE, more than doubled the cash flows and then some now. And we think there's continued runway there. On the TV side, the aggregate of Broadcast and Cable Nets, think about the real revenue drivers there of continued growth in retrans. The ability, given the breadth of our channels, both Cable and Broadcast, and our sports and news packages to continue to drive strong affiliate fee growth, which as you know, this year is the year where we just re-signed a lot of affiliate deals at the beginning of this year, end of last year. And that's rolling through. We'll talk about that more later, I'm sure. And the quality of our content flowing through the many content licensing opportunities that we have in this interesting world of lots of different options. So that's TV. Parks, great story in parks. We're very excited about that business. Talk more again later, but continuing the strategy of additional attractions in each of our parks, which was -- in Hollywood, it will be Kung Fu Panda added to the lapping now of Harry Potter, which has done great for us there. We just opened Volcano Bay in Orlando. And the next year will be our first full year of that third gate, which we're looking forward to as well as Fast and Furious in Orlando and some more hotel rooms. And then USJ, the Japan park, which is doing great. Just opened a Minion ride, and we'll have a night parade carried over. So that park is doing fantastically well. Very proud of what we did with that acquisition. And then finally, we continue to work in parks on Beijing. And then lastly in NBC, it's the film business. Film is going to have one of its very best years in the 103-year history of the studio in 2017, close to the best. We'll see how it all turns out. We got Pitch Perfect 3 about to be released. And earlier in the year, with Get Out, Split, Despicable Me 3, et cetera. A very strong year, and that will carry over into '18. And then in '18, we have Jurassic, Fifty Shades returning and a few other of our big franchises. So those are the 2 businesses. And then the one thing I'd add, obviously, it's taxes. We look forward to seeing what finally happens with the reform and the final law. But looking at what came out of both House and Senate, either one of those versions would be significantly meaningful to Comcast, given we're a U.S. business, high tax rate payer and a significant investor in CapEx. And obviously, relative -- our leverage and debt expense is far away from any level where we would have any negative impact from that. So I think we look forward to having final details of that and figuring out what that all means for us as we -- those being the big kind of themes looking into 2018. We're excited. Lots of good momentum in our businesses.

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

Yes, and lots to talk about. So let's -- maybe we'll step back and go back and drill down on the Cable business. And maybe first, we'll tackle video. Back in September, you flagged that you guys were seeing increased competition in Cable. And I think maybe particularly in video. So what have you seen subsequent to those comments?

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

Sure. I mean, always got to put quarterly commentary into proper context. And the proper context is we run the business for the long term. And as we think about the sub subscriber metrics, which I think is what you liked to hear me talk about for the fourth quarter, remember, we balance that against the financial picture. And we always talk about trying to get the balance right between subscriber growth and long-term profitability. So that said, I'll start with high-speed data. So high-speed data, we've talked consistently about our optimism by having good long-term runway for continued growth in subscribers there. Said on the third quarter call that the fourth quarter was off to a good start. That continues to be the case. So we talked about this year being the 12th year in a row we're expected to exceed 1 million net adds. Actually, it looks like we'll be well ahead of 1.1 million net adds, which means the fourth quarter net adds for high-speed data will be well ahead of what consensus expectations are as we speak, which is again consistent with the optimism we've had in -- and we'll talk more about it later, and sets us up well as we look into 2018 for the expected growth in that business. On the video side, I think there -- competition, we talked about there as being tougher in the third quarter. It's stable. It's no worse, our competitive positioning is, as I said earlier, with what we're doing in video, we think it's an important product. We're committed to it. We've got X1, and we think we're outcompeting other traditional players on the back of that. So the net of all that is I think we'll come in on expectations or within the expectations that seem to be out there for what happens in video in the fourth quarter. And then including all that together in the context of what's going on in HSD, and what's going on with our overall focus on customer relationships where we added 800,000 in the last 12 months, we feel good about how we're stacking up in the marketplace in this quarter in Cable.

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

That's great. Well, keeping with video, obviously, a lot of new streaming options available. Can you talk a little about Comcast's strategy and what you're doing to sort of protect share and win incremental customers?

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

Sure. I mean, so go back to X1. I mean, X1, the aggregation of all the content we have, for someone who's a heavy consumer of video, I think we have the best product that's out there. And when you throw in the innovation we continue to do repeatedly with new voice remote with the inclusion of Netflix in X1 and its searchability and the -- our intention to do more of the same, I think we continue to have the premier product in video, and we think that goes along well with selling a bundle where we're very focused on broadband, as I said earlier. That said, there are changing tastes in different segments and so I think we've been -- Dave Watson and team in Cable has been very focused on how to take the aggregate toolkit that we have in video and segment properly. So we've got a new Instant TV option for the home that's more focused on having broadband and a taste of video. We've got a Campus offering. We've got Internet Plus for more millennial characteristics. So we're looking to adopt a strategy, whereby it's not X1 full package, take it or leave it. We're looking at what people are wanting out there and want to be the place where they can go to obviously get broadband. Because in a streaming world, great broadband is the enabling technology and product. So we have that. And so we're going to look to make sure we provide a variety of different video options to different segments that hold on and retain the best customers and sort of greenhouse customers of the future. Because on all of the alternative products that we have, we've convinced ourselves and seen it that there's a good opportunity to up-sell. As time passes, as people's needs change over time, they get more experience with our product and are more interested in upgrading a video package. So all that makes sense for us why we continue to say that we're committed to video.

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

Got you. And you started out the answer with some comments on X1. You've licensed that out to a number of providers in the U.S. and Canada. Does licensing revenue start to move the needle in the next year or 2, I mean given how high margin it is?

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

I wouldn't think about it that way. The way I think about licensing is going back to the earlier point. I mean, it's great validation if some of the best names in North American cable are endorsing and wanting to sell X1 into their customer base. I think it's just validation of the point I just made, which is that it's the premier video product out there with -- and we want to keep investing in it. So having partners through licensing, at a minimum, allow us to defray the cost of ongoing R&D. So it's -- we're quite pleased with what we're doing on the licensing side there.

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

Got you. Now maybe turning to Broadband, you said the cornerstone of the product offering there in the Cable business. The 1.1 million subs for the year is great news.

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

More than 1.1 million.

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

More than 1.1 million, greater than or equal to 1.1 million. The response we're getting from investors is that the word maybe not just this year, but maybe as you look out into '18, what makes you confident that you can do another 1 million subs in '18?

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

Sure. Well, so it's a variety of things. We've talked about these things before. We're 45% penetrated in our footprint. In the country, there's about 80% of homes that have some form of Internet service, which we think -- so we think there's opportunity for just deeper penetration of the existing national footprint and particularly in our footprint. So that's step 1 -- point one. And I think that's got years to go. That 80%, when you really take out some of the lesser-quality Internet service that's embedded in that number and see that growing, in a world that we're all talking about, streaming television and the like, we're confident that number is going well higher on a -- in the future. And so that's point one. Point two is helping new home formation, at least in our footprint is what we see. And we think we'll get our fair share of that. And third is market share gain. We're competing well with the investment we've made. We're investing in broadband the same way we invested in X1, whether it's the speeds with DOCSIS 3.1 coming out, product capability in terms of the best gateways, our new gateways, XB6; and the earlier ones, XB3, fastest ability to deliver WiFi, combined with the pods, XFi pods that we have, gives great coverage, automatic connection and great coverage of WiFi in the home. That's innovation in sort of the devices that we're putting out there in homes, best on the market. And then lastly, it's the capabilities that we are creating in terms of xFi, greater ability, and this is the innovation side, to control how WiFi is used in your home and monitor it and more easily connect new devices and the Internet of Things in the home. All of that innovation and investment goes back to the market share point. So I think it's those 3 reasons: more penetration broadly, growth in homes and innovation and hustle allowing us -- and selling in a bundle, allowing us to gain share.

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

Got you. Is there an opportunity to license the xFi product similar to what you're doing on the X1 front?

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

A lot of folks that are taking X1 from us are wondering about that themselves. So I think it's something we'll explore as time passes.

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

Got you. And one of the keys to the market share benefits that you didn't really focus on is the speed advantages with other drivers. So can you talk a little about the -- what you've been...

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

So yes, we think DOCSIS 3.1 is, we think, a very efficient way to enable across our footprint at 1 GB speeds. Everybody's going to want them, but to enable our network to deliver them the way it's valuable to folks is -- that's our road map. So by the end of this year, we'll have 70%, 75% of our footprint enabled for DOCSIS 3.1. And then when you combine that again with the in-home devices, the broadband-related CPE that will be going into homes, it's -- we're going to be increasing the quality of the experience, the quality of the product, again, against the backdrop of whether it's our video or somebody else's video or other uses of broadband. Remember, we're seeing year-over-year a 40-plus percent growth in the use of data across our networks. So I think continuing to invest in the network and product and in technology around broadband is a smart move. It's paying off, and it goes back to the importance of -- for such a high profit and high top line growth rate, I think we're properly focused on all those pieces.

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

Great. You mentioned the XFINITY Mobile launch at the beginning of the presentation. Can you give us an update on how that launch has gone and whether the metrics you're seeing are sort of falling in the range of what you expect?

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

Yes, definitely falling in the range. We're on track broadly. We are treating this again like an X1 rollout. We're in the early years. We're going to get out there. We're going to learn. We're going to tweak, adjust as necessary and then really step on the gas when -- as appropriate. So it's early months, right? But as we said, as of the earnings call, whenever that was, a month, 6 weeks ago that we had 250,000 lines added. It's continued on a good pace since then. We'll update you on the fourth quarter earnings call. But early days, we're very pleased with what we're seeing. The message is resonating with our customers. Again, it's a -- the combination of what we already do for customers in a bundle with the ability to bring great devices and a great wireless network at a price point that allows most families or most customers of ours to save money in aggregate on their wireless side. And we give them choice between the By the Gig and the unlimited approach the pricing approach, that's really resonated well in the marketplace. And in fact, as we sort of expected, the flexibility that gives the consumer, particularly when it's not all or -- it's not -- every line in the household does not have to be the same thing. So we were able to put lower users on a By the Gig plan and heavier users on an unlimited plan. And when you add that in, the power of the potential for savings is quite high. And so we're seeing, as expected, high selection of the By the Gig option, which we thought was a missed opportunity, a gap in the marketplace consumer demand for that versus what was available in the marketplace. So it's going well and we'll keep you posted. But so far, very, very pleased.

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

I know it's early, but have you found that it's helping your Cable business in terms of lowering churn or getting customers to buy up into bigger bundles of data and video to get those better prices?

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

Too early to say, obviously. But I mean, obviously, it's -- you go back to the core principles, where we think and then we've talked about the ability to add value to the customer relationship, bring on these relationships on an NPV-positive to the customer relationship, without counting in any benefit of lower churn or up-sell in our existing business. So that would all be gravy. There's no reason to think it won't be there in the fullness of time if we're successful.

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

Very much related to your data trends, can you talk a little bit about what's happening in the business segment? That's another high-margin business for you guys.

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

Yes. So we're a $6 billion-plus top line business now, growing healthy double-digit revenue growth rate. We think we have a compelling product. As I said earlier, it's a connectivity product largely. It's -- we started out in the small, medium-sized business segments. We've done a series of investments in product capabilities, SD-WAN and managed enterprise services that allow us to go after now enterprise-sized customers. Think of a fast food chain or a bank -- a chain of bank branches or retailers where the local need -- and these number in the thousands -- the local need is very much like what's just described. So that's where we've done well in penetrating the smaller end of the segment and see plenty of room for continued growth there, but also going into the bigger end of the market, where our product kit is relevant. We don't need to go after the headquarters of a multinational Fortune 50 company that's got a different degree of complexity. We can leave that for other players, but we think we have plenty of room to grow and appropriately invest and have been doing that. One other point I'd make on business services is that as we roll out DOCSIS 3.1, that is enabling again gig speeds for the business market at the same time, over and above what we get when we do our hyper builds, which is bringing fiber and therefore better speeds directly to concentrated markets where we think the business opportunity is great. So lots of good progress on the business services side.

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

Great. So finishing up with a sort of top line on Cable. You're talking about video, broadband business. I mean, you've consistently delivered mid-single-digit Cable revenue growth, even with what we're seeing from a...

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

And profit.

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

And profitability as well. We'll get to that. Can you keep the top line growing at that mid-single-digit sort of rate even in this competitive environment?

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

Yes. I mean, when you look at all the things we just ticked through, I won't regurgitate all of them, but I think the strategy of the Cable business, by keeping a very long-term view on expanding product set, investing behind innovation, investing in the network, I think sets us up well to handle an interesting competitive environment. But like I said earlier, we continue to be very optimistic about the long-term profitability of our -- of these businesses, this business in aggregate, and the broadband business certainly is a core element of that.

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

Maybe turning to expenses. Obviously, biggest line item is programming expenses. We've been expecting them to moderate here in 2018 now and over the end of the year here. Is that still the view? And what kind of a deceleration are you expecting?

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

Sure. Well, if you come back and just catch up with -- anchor ourselves in 2017, and we started the year expecting, guiding that our margin in Cable will be flat to down 50 basis points. We tuned that up in the middle of the year, pre-hurricanes, to say we'd actually be flat to last year. And then hurricanes came along dinging us a little bit, and we still expect to be flat. And that's in an environment where we had 12% above-normal trend programming cost growth on, obviously, a huge programming cost number. So the offset to that has been very good work on the non-program expense side, which is logical, given we've put a lot of money into customer experience. And by making that experience better, we've also fixed a lot of root cause issues that create inefficiencies in the operations that are rolling off as we continue to keep that as a high priority, reinvest some of the savings in the next set of priorities and so on and so on because we're not going to lose focus on Dave Watson and Neil Smit's priority of -- and Brian's on the importance of improving the customer experience. So everything we did there on the non-programming expense side, I would say, is ongoing. There weren't any tricks to just try to deflate expenses on a non-programming side while we're in a high-programming cost environment, given the renewals -- the cycle of renewals. So yes, next year is a year where we think we're going to see a significant decline in the rate of programming cost increase and a continuation of the efforts on the non-programming cost side and a continuation of the growth in relatively faster growth of the businesses that are high-margin contributing businesses, like business services and residential broadband. So we'll come back and give crisper guidance, as we usually do, on the fourth quarter call, but those are the dynamics we're dealing with.

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

So without giving guidance, can I sort of put it all together and suggest that maybe margins will be up next year?

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

Maybe. I mean, those are the pieces. So that's the...

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

Okay. Sounds good. We'll take maybe. Maybe turning to capital intensity. It's been -- in the Cable business, it's been about 15% for the past few years. Given all these initiatives, the investments in fiber, the slowdown in sort of X1 penetrations given where we are, it's -- can we see a point here where maybe the dollar number can stop going up or maybe that we can see some improvement in the capital intensity?

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

Yes, I do. We will start to see declining capital intensity on the Cable side, with the puts and takes being CPE, video-related CPE starting to ease both because we're deeply into the rollout of X1 at this stage, not that it's over, but just it's past its peak, and future generations of video-related CPE are going to be lower cost per home. So we've got those long-term factors there. And I don't see another platform at this stage needing to be built. So those will be the dynamics there. And the other side is what I already commented on, the desire to keep investing appropriately as we have been. And you've seen it in the numbers in our network, in speeds and in our business services. And to some degree, as we do a lot more in the cloud, we have to handle greater scale in our scalable infrastructure as time goes on. So those would be the strategies. And I think the net of it is we'll see some easing of capital intensity for the net of it.

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

Do you -- could it potentially be setting yourselves up for sort of a multiyear sort of slow decline in capital intensity? Or...

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

I think that's a fair -- it's hard -- I don't want to go out too far, but those factors that I described, and the same on the margin side, are ones that are -- they're not going to be -- as we sit here now, they're continuous in their nature, and we'll see how the future rolls in. Obviously, we want to, at all moments, be thinking about investing properly in the future of the businesses. So always reserve the right to come back and say we've got a different point of view. But -- I think we're doing all we should be doing and those are the -- that's how the factors line up in both margin and capital intensity in Cable. And like I said, we'll come back with more on the next quarterly call as we normally do.

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

Great. Maybe turning to NBC. So far this year, you've been offsetting the ratings declines with higher CPMs as you continue to better monetize the networks at the upfront. What's your longer-term outlook for growth in advertising?

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

Listen, I think advertising -- TV advertising is going to continue. We expect it be a large and continued solid business. It's -- I wouldn't point to a great growth opportunity there, but when you think about all the factors, just the reach of TV advertising and, in particular for us, the quality of our platform. When -- it's all -- we approached the marketplace, so Linda Yaccarino, with all of our platforms with the broadest reach, from Telemundo, to Cable Net to NBC as one package, which benefits advertising, and we'll hi affiliate fees in a second, but that approach to market has served us well. When you actually put the quality behind that, NBC has just finished the 2016-2017 season as #1 in prime time for the fourth year in a row. And we're #1 again. We've got big nights in '18. We've got the Olympics. We've got the Super Bowl. We've got, on Telemundo, Spanish-language World Cup. Telemundo itself, won weekday prime, the season this year. So there's that. And on the Cable Nets, The Sinner was the #1 new cable show on cable television and other proof points are just how well NBC's been doing and the like. So there's a lot of good underlying quality in what our TV businesses are doing, which rolls into the advertising story as I just said.

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

Yes. Now switching to the other driver, affiliate fees and retransmission. First of all, can you talk a little bit about sort of the distribution environment? And are you seeing some incremental growth from the live streaming guys when it comes to the affiliate side? And then how much more runway is there in terms of retrans?

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

So affiliate fees, we signed again a lot of our deals up at the end of last year, beginning of this year. This is a high single-digit growth year in affiliate fees for the TV businesses. And that obviously, in the first year, have a little bit of a bump versus the long term, but we're doing quite well, given the portfolio that we have on the affiliate fee side. So optimistic there, and a lot of that locked in until the next cycle a couple of years down the road. Plenty of opportunities then for the same content on the content licensing side. And we've been doing good work there. In terms of virtual MVPDs versus traditional MVPDs, the net of it all is subs declining around 1.5% a year, which is stable from where we were, a touch -- up to 30 basis points worse than maybe than what it was trending a year -- at this time a year ago. But to us, that feels relatively stable on that side of things. And then finally, retrans, $850 million a year ago to $1.4 billion in retrans this year. And no reason why we wouldn't track the trajectory of what CBS has talked about of continued steady growth there. So I think total TV, affiliate fees, stable -- growth, stable advertising and retrans growth against all the investments and the focus on the quality of the product, I think leaves us feeling good about our TV business.

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

Got you. A number of companies just mentioned CBS and Disney are focusing on the direct-to-consumer initiatives. AT&T sounds like it's going to head more in that direction as they get the TWX deal closed. Can you talk about NBC's initiatives in this area?

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

Sure. Well, obviously, we do -- well, first, on direct-to-consumer. So we've done a few things, a Seeso comedy platform, a UK platform called Hayu, couple of others. So we're definitely trying to experiment and learn. So expect us to continue to do that in a variety of different forms. We don't have the answer yet to whether it's better, worse, different, how it's all going to evolve relative to this traditional ecosystem, but we're certainly paying attention and experimenting. And away from, I guess, pure -- if that's what you would call it, direct-to-consumer platforms like some others are doing. We're doing plenty in the space of how millennials are absorbing content. Snapchat, we've got 2 of the best shows on that, the Entertainment one; and stay tuned on the new NBC one. So the E! news and NBC News are 2 of the most popular shows on Snapchat. We've got partnerships through our commercial partnerships with the BuzzFeed, as an example, where they were with us in Rio and they'll be with us again in the Winter Olympics. We got lots of focus on our own digital platforms from NBC Sports to NBC News. And so we'll -- and we're doing more in windowing, thinking for some of our programming, how to take the windows that are used traditionally and put those to work against the evolving ecosystem. So as you know, we're doing a variety of different things, making a show like This Is Us available to the VOD platforms with the traditional MVPDs and Hulu as a for instance, to just get our content out there in this new ecosystem.

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

Got you. So does the move or maybe increasing focus on D2C increase the need for scale in the content business? You knew I'd get to M&A eventually.

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

Sure. I would say no, in the sense that what matters -- our focus is on quality content. We've got plenty, obviously. We got very significant capacity, and we can invest more in our content production capacity, but what we're most focused on is that we have quality. Quality content is what's -- is going to be the coin of the realm, I would say, more than scale.

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

Got you. And the -- in your view, does the AT&T-TWX deal, does that change anything in terms of ability to view the sort of distribution or content market? And any thoughts on just the -- what it might mean for Comcast, the fact that the DOJ seems to be set against or trying to prevent the deal from happening?

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

I guess, 2 pieces there. On the direct-to-consumer, I think we covered that. They're the big player. We're -- our -- I guess, I should say our -- the good news is, our NBC portfolio of content is ubiquitous in all of these virtual platforms. So that, we feel quite good about. And how deals out there would change the landscape, I think NBC is really well set up on the distribution side. On the M&A side, I don't want to comment on anybody else's deals or the ones that are speculated out there. I'd just kind of offer a few thoughts. For us, we've said repeatedly, and I'll say it again, and hopefully it's very consistent with everything I've said thus far, we really like the collection of businesses that we have. We think they're performing well with tremendous momentum, great management teams, lots of opportunities to continue to drive growth in these businesses. And so we're quite optimistic about the portfolio we have, and we don't see a strategic gap that would require us to go fix a strategic deficit in any way. On the same -- by the same token, it's our job to evaluate and consider and see if despite the fact that there is not a strategic necessity, are there things out there that we could do that would create value for shareholders. So I don't think any of that's a surprise, but it's a fair state of the play of how we think about the world.

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

Got you. How should we think about the trajectory -- just sort of moving on to sort of corporate, outside of NBC, how should we think about the overall trajectory of free cash flow? And can you talk about the sort of capital returns strategy?

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

Yes, sure. I mean, I think all the things we talked about, we've (inaudible) a view that we're going to be able to drive healthy free cash flow growth over time. That's our -- we're very focused, I think as you know, on long term and driving EBITDA and translating that into free cash flow growth. It ebbs and flows, obviously, when you're in -- 1 year to the next, if you have Olympics or if you're at a late stage of a deployment cycle, but our view is that the momentum we have in top line, EBITDA translating into bottom line give us a good confidence that we're going to be growing free cash flow into the future. And again, there may be periods -- I have nothing on my mind as I sit here now -- there obviously may be periods where we'll say, "We're going to take some of that growth and invest it back into the business because we have this next idea that we'll tell you about." But there is -- that's not -- there's no message in that other than we're going to continue to be the team that we've been historically, which is think about investing in the business where it's appropriate and the returns justify it. And when that comes back to capital returns strategy, I think it's -- again, no change. We want to -- it's 3 pieces to the puzzle. It's invest in the businesses through CapEx and innovation as we've described. It's spend money on bolt-on acquisitions, and whether it's the Japan park or DreamWorks Animation. So we spend some amount of our capital. It ebbs and flows, obviously, on things like that. And I think doing those 2 things well, which I would put in the category of investing in the businesses we have properly as a priority, also leaves us in a place that we can meet our third and equal priority, which is strong returns of capital to shareholders. So we increased the dividend 15% last year. We're buying back $5 billion of stock this year for a total return of almost $8 billion to shareholders. And we consider that to be a priority of ours as well, and we'll again talk about that more of what it means next year come January.

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

And this existing leverage that you have now, that's the 2 to 2.5 target, is the right...

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

Yes. We feel good about the -- yes, the neighborhood we live in on leverage.

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

Got you. I think that's all we have time for today. Mike, we really appreciate you being here.

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

Great. Thanks, John.

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

Thank you.

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

Thank you, everybody.
