PARTICIPANTS

Corporate Participants

Marlene S. Dooner – Senior Vice President-Investor Relations, Comcast Corp.
Brian L. Roberts – Chairman & Chief Executive Officer, Comcast Corp.
Michael J. Angelakis – Vice Chairman & Chief Financial Officer, Comcast Corp.
Neil Smit – Executive Vice President; President & CEO, Comcast Cable Communications, Comcast Corp.
Stephen B. Burke – Chief Executive Officer, NBC Universal & Executive Vice President, Comcast Corp.

Other Participants

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch
Douglas Mitchelson – Analyst, Deutsche Bank Securities, Inc.
Jason Boisvert Bazinet – Analyst, Citigroup Global Markets Inc.
Benjamin Swinburne – Analyst, Morgan Stanley & Co. LLC
Philip Cusick – Analyst, JPMorgan Securities LLC
Marci L. Ryvicker – Analyst, Wells Fargo Securities LLC
Craig Moffett – Senior Research Analyst, MoffettNathanson LLC
Kannan Venkateshwar – Analyst, Barclays Capital, Inc.
Bryan D. Kraft – Analyst, Evercore Partners
Amy Yong – Analyst, Macquarie Capital (USA), Inc.
Vijay Jayant – Analyst, International Strategy & Investment Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to Comcast's third quarter 2013 earnings conference call. [Operator Instructions] Please note that this conference call is being recorded.

I will now turn the call over to Senior Vice President, Investor Relations, Ms. Marlene Dooner. Please go ahead, Ms. Dooner.

Marlene S. Dooner, Senior Vice President-Investor Relations

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

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

In addition, in this call we will refer to certain non-GAAP financial measures. Please refer to our 8-K for the reconciliation of non-GAAP financial measures to GAAP.

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

Brian L. Roberts, Chairman & Chief Executive Officer

Thanks, Marlene, and good morning, everyone.

I'm really pleased with our results this quarter and so far in the first nine months of the year. We have real momentum across all of our businesses, reporting strong revenue growth of 5.2% and cash flow growth of 10.5% when you adjust for the Olympics and pension termination costs. We also generated free cash flow of nearly $2 billion, a record for the third quarter.

Cable continues to execute really well, with solid financial and customer results. In the third quarter, we added 337,000 combined video, voice, and Internet customers, a 15% increase from last year, once again driven by really outstanding growth in high-speed Internet and voice and stable performance in video despite a larger competitive footprint.

We continue to focus on delivering the best and most innovative products and are providing more value to our customers, all backed by a compelling brand message that attracts customers and potential customers alike. In fact, our XFINITY brand metrics continue to move up. Brand consideration reached its highest level this third quarter, and we have grown the rate at which non-customers would consider purchasing our services by 70% since we launched the XFINITY brand.

In high-speed Internet, we're delivering some of the fastest speeds across devices both inside and outside of the home. We have installed more than 6 million wireless gateways in our customers' homes and expanded our Wi-Fi coverage to now more than 350,000 hotspots.

In video, we recently expanded our partnership with CBS, adding to our already substantial On Demand choices and giving our customers even more opportunities to catch up and stay current with a bigger selection of shows. Real progress has been made in this last year, and customers now have access to the most comprehensive video experience, no matter where they want to watch, with close of 50,000 On Demand choices and more than 250,000 streaming options, including the full current season of more than 200 television series from all major networks and nearly all of the top 50 rated shows on television. And customers love all this choice, as they have viewed On Demand 30 billion times in the last ten years and watch on demand 400 million times a month on average.

Just like we have transformed our video offering by expanding our content choices and deploying all-digital, we believe the X1 platform now represents another step function in the evolution of our service. X1 is deployed in more than 90% of our footprint, and by year end it will be available everywhere. Based on the early positive customer results and the attractive returns of X1, you will see us accelerate the pace of deployment to customers and maintain the fast pace of innovation as we deliver X2 and integrate even more apps and new features.

NBCUniversal also delivered solid results in every one of its business segments, with healthy growth in revenue. And when you adjust out for the Olympics last year, this is the fourth quarter in a row of double-digit cash flow growth. So far, we're off to a great start with NBC early-season leadership in broadcast television. For the first five weeks, including and excluding sports, NBC has grown in ratings and is the number one broadcast network. The Voice, Sunday Night Football, and now The Blacklist are all helping to power this improvement.

Our film studio has enjoyed tremendous success from Fast Six and Despicable Me 2, and we've had steady growth in all of our cable networks and the theme parks as well. Even more impressive is that these businesses have grown cash flow by more than 50% since we announced our acquisition in 2009 while making significant investments for the future. I could not be more pleased with the progress and see lots of growth ahead.

We're also excited about the Winter Olympics and expect that this will once again help support all of the company's momentum, as it did in London. And all parts of Comcast NBCUniversal will be behind the Sochi Olympics. And then just a few months later, we'll do it again with the opening of the much anticipated Harry Potter 2 in Orlando.

We're constantly looking for new and varied ways to innovate. One recent example is our announcement with Twitter, which combines our technology platform and our content. We will debut in November a new feature called See It that in effect creates an online remote control. We believe this new feature may help drive Twitter users to live TV and also give NBCUniversal another way to add to our broad array of programming assets with its advertisers.

So as you can see, we're executing really well on so many different businesses. And with this strong quarter and first nine months of the year, we're really optimistic about the future.

Let me now pass to Michael to cover the third quarter results in detail.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Good morning and thank you, Brian. Let me begin by briefly reviewing our third quarter consolidated financial results, starting on slide four.

Overall, we're very pleased with our third quarter performance, which once again demonstrates consistent execution, profitable growth, and the fundamental strength of our businesses. Excluding the impact of the London Olympics, which generated $1.2 billion of revenue in the third quarter of 2012, consolidated revenue for the quarter increased 5.2% to $16.2 billion. On a reported basis, third quarter consolidated revenue decreased 2.4%.

From an operating cash flow perspective, again excluding the impact from the Olympics last year and costs during the third quarter associated with the termination of a pension plan, consolidated operating cash flow increased 10.5% to $5.4 billion. This performance reflects strong organic growth in both our Cable Communications and NBCUniversal businesses. On a reported basis, operating cash flow increased 6.4%.

Free cash flow for the third quarter increased 30% to $2 billion, and free cash flow per share increased 32.1% to $0.74 per share in the quarter. This growth was primarily driven by increases in our consolidated operating cash flow, some benefits in working capital related to the performance of our film slate, as well as favorable comparisons to production spending and rights for last year's Olympics. These improvements in free cash flow were partially offset by higher capital expenditures and cash taxes.

Earnings per share of $0.65 for the third quarter increased 41.3% excluding gains reported in last year's third quarter related to SpectrumCo's sale of wireless spectrum licenses and NBCUniversal's sale of its interest in A&E Networks. In addition, our third quarter 2013 earnings per share of $0.65 reflects a non-recurring $0.11 gain related to the sale of our investment in Clearwire that was fully offset by other investment losses and the pension termination cost I just mentioned. Table 4 in our press release provides more detail.

These are strong results for the company, and now let's review the results of the business units in more detail, starting with Cable Communications on slide five. We're pleased with our third quarter performance of healthy financial and customer growth in our Cable Communications business. In the third quarter, cable revenue increased 5.2% to $10.5 billion, reflecting solid growth in each of our residential businesses and continued strength in Business Services, partially offset by lower advertising revenue.

Cable advertising revenue decreased 10.8% during the third quarter, reflecting lower political revenue and one less week of advertising included in this quarter. Excluding political and normalizing for the calendar, our core cable advertising revenue increased 3% during the third quarter. As a reminder, we generated $132 million of political ad revenue in the fourth quarter of 2012. This will make comparisons a bit more challenging next quarter.

Our cable business continues to execute well and excluding advertising has delivered consistent financial results, as cable revenue increased 6.2%, which is consistent with the growth rate in each of our last six quarters as we carefully balance financial and customer growth.

We're focused on driving sustainable profitable growth. And our total revenue per video customer reached $161 per month, a 6.9% increase. This revenue growth reflects rate adjustments, growth in our customer base, an increase in the number of customers receiving higher levels of our service, and an increasing number of customers taking multiple products.

We're clearly competing better with improved products, with a focus on customer retention and our triple play strategy. At the end of the third quarter, 78% of our video customers took at least two products and 43% took all three services, a 400 basis point improvement over last year.

We continued to experience during strength in our customer metrics as well. Combined video, high-speed Internet, and voice customers increased by 337,000, a 14.9% increase in net customer additions compared to the third quarter of 2012, driven by strong high-speed Internet and voice net additions, partially offset by video customer losses. In the third quarter, we lost 129,000 video customers, which is comparable to the 117,000 of losses in last year's third quarter despite a more competitive market with the telcos' expansion of an additional 1.5 million overbuilt homes in our footprint during this year.

As we review the individual service categories, we reported healthy video revenue growth of 2.9%, driven by the impact of rate increases and an increasing number of customers taking advanced services. In the third quarter, we added 70,000 advanced service customers and now have 12.1 million high-def and/or DVR customers, equal to 56% of our video customers.

High-speed Internet was again the largest contributor to cable revenue growth, with revenue increasing 7.9%, driven by continued growth in our customer base, as we added 297,000 new high-speed Internet customers, an improvement over last year and increasing our penetration to 38% of homes passed.

Also contributing to this growth was the increased number of customers receiving our higher speed services. At the end of the quarter, 34% of our residential high-speed customers take a higher speed tier above our primary service. We continue to invest in our network to improve and differentiate our high-speed Internet service. And during the third quarter, we increased speeds for our fastest tier to 505 megabits from 305 megabits in some of our markets.

With regard to our voice service, revenue increased 2.6% for the quarter, which was driven by growth in our customer base, as we continued to focus on the value of the triple play. In the third quarter we added 169,000 new voice customers, a 38% increase over last year, as we successfully converted single and double play customers to triple play and acquired new triple play customer relationships. At the end of the third quarter, our voice penetration was 20% of homes passed.

Moving from our consumer to our commercial businesses, revenue increased 26.4% to $836 million for the quarter. We continued to experience real momentum in Business Services, as we offer a full suite of competitive products and are focused on execution. With only about 10% to 15% market penetration, we continue to be excited about the growth and profit opportunity in our Business Services segment.

Please move to slide six. Third quarter Cable Communications operating cash flow increased 6.2% to $4.2 billion, representing a margin of 40.5%, a 40 basis point improvement compared to the third quarter of 2012. This is excellent performance as it also absorbed the impact from the loss of high-margin advertising revenue during the quarter.

In the third quarter, total expenses in cable increased 4.5%, primarily reflecting higher programming expenses. Programming expenses increased 9.2% in the third quarter, reflecting higher rates and step-ups related to certain agreements, increasing retransmission consent fees, and our expanding content lineup on multiple platforms. This was partially offset by the timing of certain network launches.

We're pleased with the management of these costs year to date. And while we expect fourth quarter programming expense growth to accelerate, we expect our full-year programming expenses to increase by high single-digit rates, lower than the 10% we had previously forecasted. Excluding these programming costs, cable expenses increased 2%, reflecting higher customer service expenses, as we roll out X1 and wireless gateways across our footprint as well as costs related to the expansion of Business Services and XFINITY Home.

We remain very focused on expense management and further efficiency gains. In the third quarter, we reduced our truck rolls by nearly 1 million during the quarter. Customers also continued to elect self-installations, which in the third quarter now accounted for 44% of our total installations compared to 34% in the third quarter of last year. In addition, we now have almost one-third of our customers managing their accounts online.

In addition to these efficiency gains, an improving product mix, reflecting an increasing amount of operating cash flow coming from our high-speed Internet, Business Services, and voice services continues to contribute to stability in our cable margins.

Now let's move on to NBCUniversal's results, so please refer to slide seven. Excluding any impact on the Olympics in 2012, NBCUniversal's third quarter revenue increased 3.9% and operating cash flow increased 22.4%, with strong results across all business segments. On a reported basis, revenue decreased 14.2% and operating cash flow increased 9.6%.

Now let's take a closer look at the individual segments at NBCUniversal. For the third quarter, Cable Networks generated revenue of $2.2 billion, an increase of 4%, driven by a 5.4% increase in distribution revenue and a 4.6% increase in advertising revenue, as ratings pressure at some of our cable networks was offset by higher pricing. Cable Networks operating cash flow increased 5.4% to $853 million in the third quarter, reflecting improved revenue performance, partially offset by a 3.8% increase in programming and production costs as we continued to invest in programming to enhance our franchises, including our launch of the English Premier League on NBC Sports Network.

In the Broadcast Television segment, the success of the Olympics, the early start of the fall season, and higher political advertising last year drove some difficult comparisons. And as a result, revenue decreased 41% to $1.6 billion in the third quarter. However, excluding the Olympics, broadcast revenue increased 2.6%, reflecting higher retransmission consent fees and a 2.6% increase in advertising, reflecting lower political advertising revenue at our owned stations and lower primetime ratings, as last year benefited from the early start of our fall schedule. Recall in 2012 we premiered our fall primetime shows earlier than normal, immediately after the Olympics. Excluding the Olympics, broadcast operating cash flow increased $66 million to $34 million in the third quarter, reflecting higher revenue and slightly lower programming and production costs.

Moving on to Filmed Entertainment, our third quarter revenue increased 3.3% to $1.4 billion and operating cash flow increased $117 million to $189 million, driven by higher theatrical revenue from the strong box office performance of Despicable Me 2, partially offset by lower home entertainment revenue due to fewer titles released on DVDs compared to last year's third quarter.

Switching to our Theme Parks segment, we had a strong quarter as revenue increased 7.9% to $661 million and operating cash flow increased 8.6% to $343 million. This is the largest quarterly operating cash flow in the history of the theme parks and was driven by increased per capita spending at both our Orlando and Hollywood theme parks and higher attendance at Orlando, fueled by the successful opening of the new Transformers attraction.

Let's move to slide eight to review our consolidated and segment capital expenditures. Consistent with our plan, in the third quarter consolidated capital expenditures increased 9.1% to $1.7 billion compared to $1.6 billion in the third quarter of 2012. And year to date, capital expenditures have increased 13.6% to $4.6 billion, reflecting increased investments at both cable and NBCUniversal.

At Cable Communications, third quarter capital expenditures increased $68 million or 5% to $1.4 billion, equal to 13.6% of cable revenue versus 13.7% in the third quarter of 2012. The increase primarily reflects higher spending on CPE such as advanced digital boxes, including X1 and wireless gateways, as well as the expansion of new services that will generate attractive returns, such as Business Services and XFINITY Home. Year to date, Cable Communications capital expenditures have increased 6.3% to $3.8 billion, representing 12.1% of cable revenue. We continue to expect that for the full year of 2013, cable capital expenditures will increase by approximately 10% compared to 2012.

At NBCUniversal, capital expenditures for the third quarter of 2013 increased $75 million to $284 million and year to date have increased $331 million to $807 million. This higher CapEx was primarily driven by the increased investments in theme parks, as we build new attractions such as the expansion of Harry Potter in Orlando as well as Despicable Me in Hollywood. We continue to expect NBCUniversal's full-year capital investment plan to total approximately $1.1 billion.

Please refer to slide nine. As I mentioned earlier, we generated consolidated free cash flow of $2 billion in the third quarter, an increase of 30% compared to last year's third quarter. For the first nine months of the year, we generated $7.1 billion in free cash flow, an increase of 15.5% over the first nine months of 2012. And year to date, free cash flow per share has increased 17.9% to $2.64 per share.

We're executing on our 2013 financial plan and year to date have returned $3 billion of capital to shareholders, including share repurchases totaling $1.5 billion and dividend payments also totaling $1.5 billion. Our return of capital plan will be reviewed by management and our board in the next few months. We'll provide an update for 2014 on our earnings call at the end of January.

So let me end by saying we're very pleased with the operational and financial progress we have made during the first nine months of this year. We believe our disciplined investments and our focus on execution will continue to generate healthy organic growth and yield positive results.

Now let me turn the call over to Marlene for Q&A.

Brian L. Roberts, Chairman & Chief Executive Officer

Before we do that, actually, Michael, I just want to jump in here and say thank you to Marlene. This will be her last Investor Relations call. As many of you know, she is happily moving inside the NBCU family and joining NBCUniversal to help lead our Hispanic entertainment and content efforts. Believe it or not, this is Marlene's 68th earnings call, and she has done a fabulous job. And on behalf of all of us, Marlene, thank you.

Marlene S. Dooner, Senior Vice President-Investor Relations

Thanks, Brian.

Brian L. Roberts, Chairman & Chief Executive Officer

Also on a tough note, I want to acknowledge yesterday's announcement by Glenn Britt about his health. On behalf of all of us at Comcast, the industry, and his many friends, we just want to wish you, Glenn, the best as you battle that tough disease.

Okay, Marlene, over to you and thank you.

Marlene S. Dooner, Senior Vice President-Investor Relations

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Jessica Reif Cohen from Bank of America. Please go ahead.

<Q – Jessica Cohen – Bank of America Merrill Lynch>: Thanks. I guess on a personal note, I want to second Brian's comments to Marlene, best of luck, and obviously Glenn. I have two questions, one on cable and one on NBCU. I guess on cable, could you talk a little more about the X1 impact? You mentioned, Brian, the positive impact of customer experience. Can you give us any details on what it's doing to churn? And what should we expect in terms of costs, both in marketing and set-top boxes, as you look out over the next year or so? And then I'll follow up with NBC.

<A – Brian Roberts – Comcast Corp.>: Okay, let me just quickly start and turn it over to Neil. I think we're a few months into this where we've had significant scale, and we will be working a lot on coming up with really good detail. Our instincts and all our intuition suggest that there's a real positive IRR here on the business. And it's a healthy opportunity and we're very, very excited. But, Neil, why don't you try to go with those numbers that you're comfortable with?

<A – Neil Smit – Comcast Corp.>: Sure. Earlier in the year, we decided to increase the rollout of X1 from about 50% of our footprint to 100%. We're currently at about 90% deployed in the footprint. We're very pleased with the VOD results. VOD viewing is up about 27% and VOD transactions are up about 20%. I think the churn, we're seeing a meaningful impact on voluntary churn. And it's still in the early stages, but that's been a good surprise. About 60% of the people are using apps weekly on the products. We're seeing a lot of apps usage and last-nine usage. We're going to continue to ramp the product aggressively. We're seeing a good upgrade amount on existing customers as well as new customers on the acquisition side, so I'd say we're very pleased overall. X2 we're going to begin to deploy the end of this year and will more aggressively market it into the beginning of next year.

<Q – Jessica Cohen – Bank of America Merrill Lynch>: Any comment on the cost side, on set-top boxes or marketing?

<A – Neil Smit – Comcast Corp.>: Over time, the costs will come down as we scale the product, and I think whole-home household CPE costs will come down as we deploy slave boxes or pucks that are smaller and less expensive for the additional outlets. So we think it will be a good CPE return as we move forward.

<A – Michael Angelakis – Comcast Corp.>: And, Jessica, another thing we will do probably in the first quarter, as we have much more detail on how the deployment has gone, we'll provide, similar to what we did with the all-digital project, we'll provide the business case of how we see the X1 deployment and X2 deployment and what the advantages are to the company. So we'll probably provide that sometime in the early part of next year.

<Q – Jessica Cohen – Bank of America Merrill Lynch>: Great. And then just on the NBCU question, I was just hoping Steve could elaborate. The Theme Park number was very impressive. I was just wondering if you could maybe elaborate on the potential over the long term. It seems pretty clear that new attractions drive attendance. It seems like rooms will increase. Per capita numbers were great. So how might the film plans play into this, anything you could think of, consumer products as well, just some more color on Theme Parks?

<A – Steve Burke – Comcast Corp.>: We obviously have grown increasingly bullish about the Theme Park business. When we closed the deal, the Theme Parks were generating about $400 million in OCF, and this year they'll be about $1 billion. So in three years, those businesses have grown dramatically.

I was just down in Orlando last week and saw the new Harry Potter 2 attraction which opens next spring. We have a very large hotel complex called the Cabana Bay, which is 1,800 rooms that opens right before Harry Potter, or most of it. And we're making these investments because we really like the business. We think it's synergistic with film. We're opening the Despicable Me attraction in Hollywood. We already opened one in Orlando, and you'll see us continue to have that back and forth. We're just getting started in consumer products, but I think all of these ancillary businesses we feel are really important and really contribute to making this company a very well-rounded media company. And our initial experience with the theme park business couldn't have gone better.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Jessica. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of Doug Mitchelson from Deutsche Bank. Please go ahead.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: I'll add my congratulations, Marlene. We're raising our Hispanic EBITDA numbers right now.

<A – Marlene Dooner – Comcast Corp.>: Oh boy.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: The dreaded capital return question for Michael, let's try it this way. So at the beginning of the year, if I remember correctly, you talked about flat free cash flow in 2013, and refreshing the balance sheet was limiting return of capital in 2013. Free cash flow tracking reported $700 million better year over year. So first, is there anything so far this year that reverses in 4Q or something else happening in 4Q that would disrupt the free cash flow trend that we've seen so far this year? And second, given the faster pace of free cash flow and healthy EBITDA growth, you could be at or below the top end of the two times leverage target around year end. So do you feel the balance sheet refresh is being completed this year?

<A – Michael Angelakis – Comcast Corp.>: Okay, so let's take it. We're ending this quarter at roughly 2.2 times leverage. So you have to add the preferred stock, the way we look at it, that's at NBCU Enterprises. We'll probably end the year around that 2.2 times number, so we feel very good. When we closed on NBCUniversal, that number was about 2.4 times. So we've come down a little bit and we done it all organically.

With regards to free cash flow, free cash flow has performed exceedingly well this year. We've had some benefits related to working capital. Some of that working capital is within the film and the Olympics side. So I think we feel very good about how free cash flow is going to perform this year. I don't really want to go into next year. We're finalizing our operating plans now for 2014. We'll see how working capital looks in 2014, but it's still a little bit premature.

When we think about return of capital, we are now going through that process. We go through a pretty comprehensive process. We have about $2 billion left on our share authorization. So as we go into the end of this year and the very early part of next year, we'll be sitting down as a management team and with our board looking at both our operating and our financial plans and go through how we think about the buyback and what would be the appropriate financial plan related to the dividend. So we are bit ahead of schedule when we look at 2014. We're going to take a very hard look at working capital that happened this year, particularly around film and on the Olympics side. But so far, the plan is being executed well.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: Michael, would you say that the balance sheet refresh is something that can continue to happen over a period of time? In other words, just on a practical basis, if you end at 2.2 times, are you going to be well below two times by the end of next year, so you would think that there's excess capital next year and it's just a question of how you deploy it?

<A – Michael Angelakis – Comcast Corp.>: I really don't want to go into next year yet, to be honest with you. I know that's where you'd love to go, Doug, but we're in the middle of finalizing our operating plans. We have a lot of initiatives we want to pursue. We're finalizing our financial plans, which will take the next few months. So I don't really want to go into 2014. I can say we feel very good about the operating performance of the business, which is really the key part. And as we look at how our strength in operating performance, that will flow into how we deal with our financial plan and our balance sheet management. But I would say we are trending a bit better both on free cash flow and balance sheet management than we might have expected this year.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: Thanks so much.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Doug. Operator, let's have the next question, please.

Operator: Our next question comes from Jason Bazinet from Citi. Please go ahead.

<Q – Jason Bazinet – Citigroup Global Markets Inc.>: Each year there seems to be an increasing blurring between linear TV as we think about it and the way you all are thinking about Internet video. And recently there have been a few press reports about trials you're running with HBO maybe without a pay-TV requirement in the bundle and also some comments on your VIPER [Video IP Engineering and Research] initiative. And so I was wondering if you could just talk a little bit about what you hope to accomplish with some of these trials, what you're hoping to see, and then if you could just step back and talk a little bit about some of the longer-term investments that you're making and paint a picture for us in terms of where you see the video product going. Thank you.

<A – Neil Smit – Comcast Corp.>: Sure, Jason. This is Neil. I think first off, the Internet Plus product, which was recently announced, is a combination. It's a targeted offer to customers who are interested primarily in a good Internet product and secondarily in a light video product. It does require video, so it's not HBO without a video offering. It's basically a performance HSD product with a B1 video offering coupled with Streampix and HBO. We've done these kinds of offers before. We've offered Blast! Plus and Blast! Extra in the past, and they've been successful in targeting segments such as millennials.

I think as I look at the video landscape, we're seeing windows move around. And we're focused on making sure our customers get a complete offering of products as well as current season. We think that VOD is a very powerful platform. And with the C3 window, we've disabled fast-forward with our programming partners. And C3 being measured now, it provides incremental advertising opportunity as well as ratings. We think that could be a better alternative than DVR, and you're seeing some of that in the news. We're investing heavily in new innovations such as X1 and X2. It's very fluid, but we feel like we're leading the approach, and we're working well with our programming partners to come up with new ideas and target new segments.

<Q – Jason Bazinet – Citigroup Global Markets Inc.>: Thank you very much.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Jason. Operator, let's have the next question, please.

Operator: Our next question comes from Ben Swinburne from Morgan Stanley. Please go ahead.

<Q – Ben Swinburne – Morgan Stanley & Co. LLC>: Thank you, I guess two questions. Michael, I'd love any more color, if you have any, on the programming costs for the year. I'm curious if it's at all timing related. Maybe a deal didn't come up or didn't get done this year that's pushed into next year. And anything you'd say about your rights strategy on pulling On Demand together and positioning XFINITY as really the premium On Demand experience as you think about negotiating rights that might have had an impact on that programming cost growth.

And then, I'm just curious. For Neil, I think in the prepared remarks, there was a comment about a more competitive video footprint. I'm assuming you're talking about U-verse. Are you guys doing anything differently in the new U-verse footprint than the rest of the company, maybe more focused on X1 or some of these millennial platforms to try to manage this process, or is this one of those situations you have to let it play out and then things tend to stabilize? Thanks.

<A – Michael Angelakis – Comcast Corp.>: So why don't I take the first part of the question and I'll pass it off to Neil. With regards to programming costs, I've just got to give kudos to the team who I think has just managed our costs better this year than we've anticipated. We do expect in the fourth quarter to have another bump in programming costs, but we're going to end the year modestly below where we thought we would. We'll probably end the year just slightly below 10% growth for the entire year. So our view is the team really – there's no structural change. There's nothing that has been dramatic to affect that. It has really been I think just the team being able to manage costs significantly better. And we really did anticipate a bit of a higher increase in programming costs this year than what the end result will be. For premium VOD and some of the other questions, I'm going to pass it off to Neil.

<A – Neil Smit – Comcast Corp.>: Yes, on VOD rights, as in all our negotiations with programmers, we're getting very comprehensive VOD rights as well as in and out of home rights and TV Everywhere rights. Interestingly, I recently looked at information on the XFINITY TV player app, and the viewing has gone from about 2 million hours to over 6 million hours, so it's getting a lot of usage.

And concerning the overbuild situation, it's a tale of two cities. We have a number of markets that are growing video net adds, and then we've got some of the overbuild markets where you see a typical bubble where there's initial losses and then we come back and get win-backs. So overall, we feel good about the video business considering the overbuilds. We're in about the same ballpark in terms of losses. And we're aggressively deploying X1, and we think we have a superior product and we'll continue to market it.

<Q – Ben Swinburne – Morgan Stanley & Co. LLC>: Thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Ben. Operator, let's go to the next question, please.

Operator: Your next question comes from Phil Cusick from JPMorgan. Please go ahead.

<Q – Phil Cusick – JPMorgan Securities LLC>: Hey, guys. Thanks. You've been running a couple of broadband tiering trials that we've seen. I'm wondering if you could talk about your thoughts there: one, how they're going; and two, how you think about monetizing broadband over the next few years. Thanks.

<A – Neil Smit – Comcast Corp.>: This is Neil. We have a number of trials in place in markets. We're testing different types of usage-based pricing offerings. Thus far, the consumer response has been neutral to slightly positive. We'll continue to monitor it.

In terms of how we monetize HSD, we've been successful in increasing our market share as well as driving ARPU. We've rolled out about 6 million gateway devices, which increased the in-home Wi-Fi speeds, and that has gone very well. And we think there are going to be more people hanging more devices off of their Wi-Fi. We're deploying Wi-Fi as well. Every home we install is a new hotspot, and we think there's opportunity as we grow the Wi-Fi business. And then I think there's innovation we can add onto HSD over time. As you know, our XFINITY Home product runs off of Wi-Fi, and that's a good example of something we can run off of our network.

<Q – Phil Cusick – JPMorgan Securities LLC>: Neil, speaking of Wi-Fi, should we look for a significant acceleration in public Wi-Fi rollouts next year?

<A – Neil Smit – Comcast Corp.>: I wouldn't call it a significant acceleration, but we will continue to build out our Wi-Fi network. We've done so in a number of cities, and we'll continue to invest on the Wi-Fi side.

<A – Michael Angelakis – Comcast Corp.>: Let me just add to that. I think you know that as we deploy these wireless gateways, they have multiple SSIDs. So that actually increases the ability to have Wi-Fi hotspots. And then as Neil said, we are deploying more capital into Wi-Fi into public areas as well.

<Q – Phil Cusick – JPMorgan Securities LLC>: Thanks, Michael.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Phil. Operator, let's go to the next question, please.

Operator: Our next question comes from Marci Ryvicker from Wells Fargo. Please go ahead.

<Q – Marci Ryvicker – Wells Fargo Securities LLC>: Just a question for Neil. Can you talk about the difference in performance between your large and your small markets? And have you ever thought about rationalizing your portfolio and maybe taking a bigger focus on large markets by slapping smaller market clusters with other operators?

<A – Neil Smit – Comcast Corp.>: Our market performance, there's no significant difference between large and small markets. We get some efficiencies on the plant side out of a large market because we have bigger headends and can run the markets more efficiently and you have a denser footprint. So there's less maintenance, for example, on the lines in the network. But our small markets operate very well. In many cases, there's less competition in the smaller markets. And we've been in these markets for a lot of years and we know how to run them. And we've got great management teams who run them very effectively. So really I think in terms of rationalizing the portfolio, we feel good about the assets we have right now and continue to focus on efficient management of them.

<Q – Marci Ryvicker – Wells Fargo Securities LLC>: Great, thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Marci. Operator, let's go to the next question, please.

Operator: Your next question comes from Craig Moffett from MoffettNathanson. Please go ahead.

<Q – Craig Moffett – MoffettNathanson LLC>: Marlene, congratulations, 68 quarters is an unbelievable number. I'm truly impressed and grateful.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Craig.

<Q – Craig Moffett – MoffettNathanson LLC>: Two things if I could. First, let me ask the same question that Marci just asked on the NBC side. Now that you've had the assets for I guess 3.5 years now, where are the opportunities for you to fill in and add to the portfolio, and what kind of assets do you think would make sense to add to the NBC portfolio? And then just a quick question for Neil, there has been a lot of talk about licensing X1. I wonder if you could update that initiative.

<A – Steve Burke – Comcast Corp.>: Starting with NBCU, we've had so much organic growth and we see so much more organic growth that we haven't spent any time at all thinking about adding to the portfolio. I think if you were going to create the perfect media company, it would look a lot like NBCUniversal. We have 15 broadly distributed cable channels. We have broadcast, film, theme parks, Spanish language, English language. And we have broadcast and cable for news, sports, and entertainment. No one else does, and we have plenty of growth ahead of us. So we really are focusing on what we've got and trying to make it better.

<A – Neil Smit – Comcast Corp.>: And concerning the licensing of the X1 product, we've had interest expressed by a number of MSOs, and we're considering the opportunity. We think the benefit of scale is that we can invest in products like this and continue to refine them. And I think other operators like the product, and we'll continue to have conversations. We have no immediate plans, but we think it's a great product. And we think it would be good to get a larger footprint of X1 from just being able to continue to invest in the product perspective.

<Q – Craig Moffett – MoffettNathanson LLC>: Thanks.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Craig. Operator, let's go to the next question, please.

Operator: Our next question comes from Kannan Venkat (sic) [Venkateshwar] (43:35) with Barclays. Please go ahead.

<Q – Kannan Venkateshwar – Barclays Capital, Inc.>: Questions. First, there was some news recently about Netflix being in conversations with the MSOs on coming through the set-top box. I just wanted to get your thoughts on all the over-the-top content potentially at some point sitting in the set-top box and coming through that and how you think about that. And also on the home gateway trend, if I heard correctly, I guess you guys mentioned 6 million home gateways but 350,000 hotspots. Given that you have multiple SSIDs, is the gap between the two, does that start to close anytime in the near future?

<A – Neil Smit – Comcast Corp.>: This is Neil, so let me take the questions one at a time. On the Netflix side, really there's nothing to report. It has been frankly incredible to me the amount of press coverage this has received. Our customers can receive Netflix in a number of ways, so it's not really a high priority for us. We're open to putting apps on our X1 platform. We have, for example, Facebook and Pandora there now. But at this point, we don't really have anything to report on the Netflix front.

Concerning the gateways, yes, there's going to continue to be in both SMBs and the home, so it's hotspots that will make our Wi-Fi network denser. And as the Wi-Fi federation between the different cable companies expands, it provides Wi-Fi coverage to our customers, for example, in New York City or Philadelphia or Boston as the partnership continues to expand Wi-Fi hotspots. So we think it's a great consumer benefit, and we're seeing a lot of our usage uptick in our Wi-Fi network in the cities where we've deployed extensively.

<Q – Kannan Venkateshwar – Barclays Capital, Inc.>: All right, thank you.

<A – Marlene Dooner – Comcast Corp.>: Thank you, Kannan. Operator, let's go to the next question, please.

Operator: Our next question comes from Bryan Kraft from with Evercore. Please go ahead.

<Q – Bryan Kraft – Evercore Partners>: Hi, good morning. Thanks. The standards for using consumer data in the Internet advertising world are much lower than they are in the TV world, including the use of set-top box data. Do you have a view on whether these standards will converge over time? And if so, how would you envision this potentially playing out?

<A – Neil Smit – Comcast Corp.>: This is Neil. We do have set-top box data from a number of markets. And whether or not it will converge I think is a regulatory question that I wouldn't offer any conjecture on. I think that this information can be valuable to us from both a marketing and a programming perspective. But we'll obviously be very sensitive to the privacy issues that are inherent.

<A – Steve Burke – Comcast Corp.>: I think on the content side, there is some upside in the not too distant future that could be foreseen related to interactive advertising. Neil is rolling out a technology called digital ad insertion into VOD streams. And what we're also finding is when you eliminate commercial skipping in VOD, you make it very convenient for consumers to get large amounts of programming, but also you make it very good for a programmer to get C3 ratings. And we have a lot of our shows now that are getting a noticeable jump because of that in effect conversation from DVR viewing to VOD viewing. So I think the technology side of the business is going to make it better for a content owner as companies like Comcast roll out more of this technology.

<A – Brian Roberts – Comcast Corp.>: One last point, Bryan, here that I think throws it all together, it may not be totally about set-top box data but about our experience now as one company. By having more On Demand consumer behavior, we're beginning to see a lot of statistics where people know they can get a show, so they don't need to record it. That's in the interest of the programming side of the company and that is in the interest of cable because of our robust two-way platform versus other platforms. And then if you have X1 as the way to be able to navigate and know what's on demand, it all comes together. And eventually, you get to advanced advertising or working on joint initiatives between the two parts of the company on that as well, so a lot of good things around that area that are happening.

<Q – Bryan Kraft – Evercore Partners>: Great, thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Bryan. Operator, let's go to the next question, please.

Operator: Our next question comes from Amy Yong from Macquarie. Please go ahead.

<Q – Amy Yong – Macquarie Capital (USA), Inc.>: I have two questions. First on housing, are you seeing any pockets of strength in your footprint? And the second is can you just elaborate on your partnership with Twitter both from the NBC and cable angles? Should we think it's going to help drive ratings at NBC and help drive premium services on the cable side? And then how do we think about this as it gets offered to other MVPDs [Multichannel Video Programming Distributors] like DIRECTV? Thanks.

<A – Michael Angelakis – Comcast Corp.>: Good morning, Amy. It's Michael. I'll take the housing side. The best way to describe housing is slow and steady growth. We have a lot of different data points internally, whether it's vacancy rates or housing starts. But one thing we do utilize a lot is what is our construction spend. And as we look at 2013 and where we think 2013 will end up, construction spend is still a fraction of what was at its peak. And it's up actually a little bit from 2012, but we're not seeing meaningful housing growth or meaningful I would call tailwinds related to housing at this point. So it's slow and steady growth. I don't think the impact to us has been meaningful. As we look at 2014, I think we'll see a little more on construction spend in 2014 than we did in 2013, which is up from 2012. So the trend is going in the right direction right now, but it's certainly not meaningful to us.

<A – Brian Roberts – Comcast Corp.>: Let me take a shot at Twitter. I think our mandate is to try to be innovative and lean forward and try to find new ways to experiment. And in the case of Twitter and in others, we want to promote live television. That's really good for NBCUniversal. We want to have more advertising inventory that we can monetize. At the same time then, you access live content through other means than just starting with our guide. And all these things are things we want to try. Whether that will really move ratings, I think we don't know. We're going to try to do a lot of initiatives, but I think it's important that we try to lead and that we try to experiment and innovate. And this is a great example of that, and hopefully it will be really successful.

<Q – Amy Yong – Macquarie Capital (USA), Inc.>: Great, thanks.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Amy. Operator, let's go to the last question, please.

Operator: Our final question comes from Vijay Jayant from ISI Group. Please go ahead.

<Q – Vijay Jayant – International Strategy & Investment Group LLC>: Thanks, if I can have two, please. Verizon mentioned that they were terminating long-term partnerships with cable broadly. Can you just talk about – is your current Wi-Fi build-out strategy sufficient, or do you think you probably need an MVNO [Mobile Virtual Network Operator] type strategy longer-term? And second is a topic that's gotten a lot more press is Aereo, and you guys are on both sides of the equation there. I just want to get your thoughts on that. Thanks.

<A – Neil Smit – Comcast Corp.>: This is Neil. I'll answer the Verizon question, then turn it over to Steve for the Aereo question. I think the Verizon partnership, what we announced was really about the JV structure for R&D. And what we found was we didn't need a formal structure to innovate and develop technology. We developed, for example, an app called Test Drive, where people in the Verizon Wireless stores can see preloaded video, and it drives data usage for them and it drives subs for us who experience the XFINITY app on Verizon Wireless devices.

In terms of the Wi-Fi build-out, we don't right now have any plans to launch an MVNO relationship. We continue to build out Wi-Fi. And as I said previously we're seeing good usage on the Wi-Fi network, and it's an added value to our customers on the data side. Steve?

<A – Steve Burke – Comcast Corp.>: In terms of Aereo, we and others are suing Aereo, so obviously we think what they're doing is unlawful. I also think that any content company that has multiple assets is going to look at that technology and someone circumventing the need to pay for retransmission consent in a negative way. So we'll see what happens with the lawsuit, but we think it's a clear violation of law.

<Q – Vijay Jayant – International Strategy & Investment Group LLC>: Thank you.

Marlene S. Dooner, Senior Vice President-Investor Relations

Thank you, Vijay, and thank you all for joining us this morning.

Operator: Thank you. There will be a replay available of today's call starting at 12:30 PM Eastern Time. It will run through Wednesday, November 6 at Midnight Eastern Time. The dial-in number is 855-859-2056, and the conference ID number is 63826624. A recording of the conference call will also be available on the company's website beginning at 12:30 PM today.

This concludes today's teleconference. Thank you for participating, you may all disconnect.