PARTICIPANTS

Corporate Participants

Jason S. Armstrong – 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.
Stephen B. Burke – Chief Executive Officer, NBC Universal & Executive Vice President, Comcast Corp.
Neil Smit – President & CEO-Comcast Cable Communications; Executive Vice President, Comcast Corp.

Other Participants

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch
Benjamin Swinburne – Analyst, Morgan Stanley & Co. LLC
Doug Mitchelson – Analyst, Deutsche Bank Securities, Inc.
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to Comcast Fourth Quarter and Full Year 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, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason S. Armstrong, Senior Vice President-Investor Relations

Thank you, operator, and welcome, everyone. It's a pleasure to be here, and I'm really excited to have recently joined Comcast. Joining me on this morning's call are Brian Roberts, Michael Angelakis, Steve Burke and Neil Smit. As we've done in the past, Brian and Michael will make formal remarks, and Steve and Neil will be available for Q&A.

I know in my prior role, I would've been tempted to ask the questions about recent press headlines surrounding consolidation in the cable sector, but our intention here today is to talk about our fourth quarter and 2013 results, and we have no comment on press speculation or potential industry consolidation. Let me now refer you to slide number 2, which contains are 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

Thank you, Jason, and let me officially welcome you to Comcast and to this earnings call. We're all delighted to have you leading Investor Relations.

We just celebrated Comcast 50th anniversary, and it was a wonderful and emotional experience for many of the employees in the company and a chance to reflect on the past. But I have to say the best part is really thinking about our future, where the company is headed, and all the opportunities that lay before us. And as we exit 2013, we really have strong momentum across all our businesses, and we've achieved some fantastic financial milestones in 2013. And today, we are reporting results for the fourth quarter and the full year 2013, strong results that demonstrate our confidence and optimism in the future of all our businesses, so we're increasing our dividend 15%, increasing our stock repurchase program authorization to $7.5 billion, announcing our plan to repurchase $3 billion of stock during 2014. Combined, this represents an increase in capital returned to shareholders of over 30% from 2013 levels. We remain committed to returning a significant percentage of our free cash flow to our shareholders every year. Michael will discuss our results in more detail, but I want to provide a few highlights for both the fourth quarter and the full-year performance.

So, let me start with Cable, which had a really strong year of revenue and operating cash flow growth. Our focus on innovation and enhancing the customer experience has driven meaningful improvement in our Triple Play subscriber trajectory. In fact, our customer metrics across each category of video, data and voice improved in the fourth quarter and also improved for the full year. In video, we added 43,000 subscribers in the fourth quarter, which is really a remarkable improvement after 26 straight quarters of subscriber losses.

High-speed data continues to lead the way in both revenue and subscriber growth. We added nearly 1.3 million customers in 2013, which is a 6% increase in the eighth year in a row of more than 1 million customer additions. And the bundling efforts continue to drive strong uptake of voice, and we added nearly 800,000 voice subscribers in 2013. And finally, Business Services remains a critical growth driver, adding close to $700 million in very profitable revenue growth last year.

All in all, it was a fantastic year for Cable, and we ended on a high note with a very strong fourth quarter. The Xfinity brand is taking hold, and the team is delivering consistent performance quarter after quarter. Neil Smit and all the folks at Comcast Cable are doing a fabulous job. At NBCUniversal, Steve Burke and his team had a year that was just a successful. In fact I believe the single most important decision of 2013 was buying in the remaining 49% common stake from GE. We feel great about the improvements at NBCUniversal, which have significantly exceeded our expectations. Let me go through some of the highlights.

Our Cable Networks continue to drive NBCUniversal's profitability. USA remains the highest-rated cable entertainment network for the eighth year in a row, and Bravo continues to rise again, gaining meaningful traction with its eighth consecutive best year ever. Over at Broadcast, NBC ended this past fall in first place for primetime, and even without sports, NBC was still tied for first place in the 18 to 49 demo. The turnaround in Broadcast is happening even faster than we had anticipated. At Theme Parks, we exceeded $1 billion in operating cash flow for the first time. In 2014 and beyond, we believe we will continue to benefit from a range of additional attractions, including Harry Potter and new hotels. We expect this to continue strong momentum in Parks. And over at Film, we had a record 2013 in terms of box office, which was the largest in Universal's history. But we were even more focused on profitability, where operating cash flow was up over $400 million last year alone. In 2014, we turn to ramping production in building a strong pipeline for 2015. NBCU is a wonderful diversified portfolio of media assets and all four major segments of the business had strong performance in 2013.

So as we think through the priorities for 2014, we're excited about our businesses and are going to continue to invest to enhance our differentiation and to drive growth. We're innovating faster than ever before, and our investments are paying off. We will continue to invest in high-speed data with a focus on delivering the fastest speeds to the home as well as the fastest speeds within the home, and with only 38% broadband penetration of our homes passed, we believe there is a significant room for continued growth. We have now increased speeds 12 times in 12 years.

In addition, we currently have wireless gateways installed in over one-third of our high speed data homes and expect 2014 to be another significant year of deployment. Our X1 service is now available on all of our markets, and we will accelerate our spending around this deployment, intending to reach the majority of our customers in the next few years. Michael will talk more about this in his remarks, but the initial user feedback and customer metrics are very encouraging. We will also continue to aggressively extend our reach and capabilities set in the small and mid-size business segment, were we still see substantial opportunities for profitable growth. So, I think this is truly exciting time in so many ways for our Cable business.

Turning to NBCUniversal, we enter 2014 with the Olympic Games just a couple of weeks away. Let me spend a few moments here, because the games are an incredible opportunity to start off the year, and our plan is pretty amazing. We're going to deliver the most comprehensive Winter Olympics we've ever had. We will have roughly 500 hours of TV coverage across the NBC broadcast network, NBC Sports, USA, CNBC, MSNBC. As a result, I am pleased to say that our ad sales are at an all-time record for Winter Games. The games are also a great way to demonstrate the type of innovation and integration we continue to drive across the entire company. Every event is going to be available live online for the first time ever in a Winter Games. This will create roughly 1000 hours of live streaming, available at NBCOlympics.com, at our NBC Sports Live Extra app. Like no other event today, the Olympic Games have been and continue to be a watershed moment and opportunity for TV Everywhere, helping to drive awareness and usage. So, authenticated subscribers will be able to consumer content both in and out of the home and on mobile platforms. It really is a fantastic way to start the year and a great way to showcase the strength and the integration of our wonderful portfolio of assets.

Let me now turn it over to Michael to cover the results in greater detail.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Good morning, and thank you, Brian. 2013 was a strong year of financial and strategic performance for the company. And we're very pleased with our fourth quarter and 2013 full-year results, which reflect consistent execution, profitable growth, and the fundamental strength of our businesses. Based on our confidence in the core strengths of the business and our positive operational momentum, as Brian just mentioned, we are increasing our total return of capital to shareholders in 2014 by more than 30%. I will address our 2014 at financial strategy a bit later, but now, let's discuss our business performance for 2013 in more detail.

Let me begin by briefly reviewing our consolidated financial results on slide 4, for the full year, excluding $1.2 billion of revenue generated by the London Olympics and $259 million of revenue from the Super Bowl in 2012, consolidated revenue increased 5.8% to $64.7 billion. On a reported basis, full-year consolidated revenue increased 3.3%. Full-year 2013 again excluding the impact of the Olympics in 2012 and costs associated with the termination of a pension plan this year, our operating cash flow increased 8.3% to $21.5 billion on a reported basis consolidated operating cash flow increased 7.3%. Free cash flow for 2013 increased 6.9% to $8.5 billion, and free cash flow per share increased 9.2% to $3.19 per share. This growth was primarily driven by increases in the consolidated operating cash flow and some timing benefits in working capital related to the performance of our film slate as well as favorable comparisons to production spending and the rights for 2012 Olympics. These improvements were partially offset by increased capital expenditures and cash taxes.

On a reported basis, full-year earnings per share increased 12.3% to $2.56 from $2.28 in 2012. However, excluding gains on asset sales, favorable tax adjustments, the investment losses and pension termination costs, EPS grew 28% to $2.47 per share in 2013. Table 4 in our press release provides more detail on EPS. These healthy consolidated results reflect a strong execution and performance of both our Cable and NBCUniversal businesses.

Now let's review the results of our business units in more detail, starting with Cable Communications on slide 5. In 2013, Cable Communications had another year of strong financial results and improved customer metrics. Cable Communications revenue increased 5.6% to $41.8 billion for the full year, reflecting solid growth in our residential businesses and continued strength in Business Services, partially offset by lower political advertising.

In 2012, we generated $240 million of political ad revenue, making our 2013 comparisons challenging. As a result, cable advertising revenue declined 4.2% for the full year. However, excluding the political ad revenue, core cable advertising increased 4.8% for the full year. Excluding advertising revenue, the Cable business has generated consistent results, with the revenue increasing 6.2% for the year, which is consistent with the growth rate in each of the last six quarters as we've appropriately balanced financial and customer growth.

We continue to experience real strength in our customer metrics and ended the year with improvement across all of our products. In the fourth quarter, we added 649,000 total video, high-speed Internet, and voice customers, a 29% increase in net customer additions over last year's fourth quarter. For the year, we added 1.8 million total customers, a 17% increase in net additions compared to 2012, despite a more competitive environment with an additional 2.3 million overbuilt homes in our markets this year. These results demonstrate we are competing better and have intensified our focus on customer retention and the value of our Triple Play strategy. We are growing our customer relationships, increasing the number of customers receiving higher levels of services, and have an increasing number of customers taking multiple products. At year end, 79% of our video customers took at least two products, and 44% took all three services versus 40% in 2012.

As Brian mentioned, we added 43,000 video customers in the fourth quarter. This marks improvement over the 7,000 video subscriber losses in last year's fourth quarter and the first time we've gained video subscribers since 2007. For the full year, we reduced video losses by nearly 10% compared to 2012, even with an aggressive increase in our overbuilt service areas. Our X1 platform and industry-leading On Demand service are best in class products, and we're successfully upgrading non-video customers and improving retention. High-speed Internet also delivered impressive subscriber performance as we added 379,000 new customers in the fourth quarter, an 11% increase over last year. For the full year, we added 1.3 million new customers, the eighth year in a row that we added more than one million high-speed Internet customers, and now have a total of almost 21 million high-speed Internet customers.

Voice also delivered solid growth. We added 227,000 new customers in the quarter, a 35% increase. For the full year, we added 768,000 new customers for a total of approximately 11 million. This is a 25% increase for the year over 2012's net additions, as we have successfully converted Single and Double Play customers to Triple Play, and acquired new Triple Play customer relationships. At the end of 2013, our voice penetration was 20% of homes passed.

As we review the individual service categories, reported healthy video revenue growth of 2.3% for the fourth quarter and 2.9% for the full year, driven by the impact of rate increases and in increasing the number of customers taking advanced services. We added 658,000 advanced service customers in 2013 and now have 12.4 million high-def and/or DVR customers, equal to 57% of our video customer base.

High-speed Internet revenue was again the largest contributor to Cable revenue growth as revenue increased 8.7% for the quarter and 8.3% for the year, reflecting continued growth in our customer base, rate increases, and an increasing number of customers taking higher-speed services.

At the end of the year, 36% of our residential high-speed customers took at least a 50 megabit speed. Our high-speed Internet services is clearly capturing market share as we continue to improve and differentiate our product through service and speed enhancements.

Voice revenue increased 3.7% for the fourth quarter, and 2.8% for the full year, driven by growth in our customer base as we continue to focus on the value of the Triple Play.

Business Services was the second largest contributor to Cable revenue growth for the quarter and for the year, with revenue increasing 25.3% in the fourth quarter and 26.4% for the full year as total of 2013 revenue was $3.2 billion. The small end of the market or businesses with less than 20 employees continues to grow nicely, and we are focused on executing our market-by-market plan. We're also making progress penetrating mid-sized enterprises and this business now represents 20% of this group's revenue and is growing at an accelerated rate. Business Services continues to experience momentum and represents a large and attractive opportunity for the company. With approximately 10% to 15% market share, this is a substantial opportunity for additional growth. When you evaluate our Cable business in aggregate, our total revenue per video customer reached $164 per month in the fourth quarter, a 6.8% increase over last year.

Now let's move on the slide 6. In 2013, Cable Communications operating cash flow increased 5.8% to $17.2 billion, resulting in stable margins as we effectively managed higher program expenses and absorbed increased expenses to support new initiatives and the deployments of X1 in wireless gateways across our footprint as well as expansion of Business Services and Xfinity Home. Program expenses increased 8.6% in 2013, slightly below our original estimates, but nonetheless reflecting higher rates and step-ups related to certain agreements, and increasing retransmission consent fees and sports programming costs. As we look to 2014, we expect programming expense growth to accelerate to approximately 9% to 10% for the year, driven by several factors, including once again meaningful increases in retransmission consent fees, higher sports programming costs, and step-ups for recently completed long-term agreements.

In addition, we continue to be very proactive in expanding our On Demand library and expanding our rights to multiple platforms. We believe we are leading the industry by offering the most robust On Demand and TV Everywhere services, giving us a meaningful competitive advantage. We once again believe we have appropriately planned for these programming expense increases and are confident we can effectively offset these costs through modest rate adjustments, further efficiencies, and improving product mix as well as increasing the number of customers upgrading to higher tiers of services. As result, we expect to maintain relatively stable margins. We continue to achieve efficiencies in our operations and improve our customer experience with improved customer service tools and self-service options.

At year end, more than one-third of our customers are managing their accounts online with 9 million unique visitors, a 42% increase over the prior year. In addition, more customers are electing self-installations, which accounted for 42% of our total installations in 2013 compared to 30% last year. As a result of these efforts, we reduced our truck rolls by 3.5 million in 2013, and over the last two years, we've reduced our truck rolls by approximately 8 million. We're also more efficient and specialize in our call centers with incentives of excellence dedicated to sales, billing, service, and retention.

Just as a reminder, when we report first quarter earnings in April, we'll be changing our disclosure of customer metrics from an FCC-equivalent, or EBU basis, to a billable units methodology. At the end of the first quarter, we also restate our customer metrics for 2013, making it easier to compare 2014 metrics as we report them. We believe this change will reinforce our operational focus on customer relationships and align our customer count methodology with the rest of the industry.

To wrap up the Cable segment, our Xfinity brand continues to build positive awareness and our performance in 2013 clearly demonstrates that we are executing well and competing effectively with our improved products and services. We are pleased that the Cable group has delivered strong, consistent results, and in 2014, we remain focused on sustainable, profitable growth and plan to build on this positive momentum.

Now let's move on to NBCUniversal's results, which are presented on slide 7. Excluding any impact from the Super Bowl and Olympics in 2012, NBCUniversal's full-year 2013 revenue increased 5.7%, and operating cash flow increased 18.7%, reflecting strong results across all business segments. For 2013, on a reported basis, NBCUniversal's revenue decreased 0.7%, and operating cash flow increased 15.2%. Now let's take a closer look at the individual segments at NBCUniversal. Our Cable Networks generated full-year 2013 revenue of $9.2 billion, an increase of 5.4%, driven by a 6.5% increase in distribution revenue and a 4.3% increase in advertising as ratings pressure at some of our Cable Networks was offset by higher pricing.

Cable Networks operating cash flow increased 6% to $3.5 billion in 2013, reflecting improved revenue performance, partially offset by an increase in programming and production costs as we continue to invest in original programming and experience higher sports costs, reflecting more NHL games this year versus last year and the launch of the English Premier League on the NBC Sports Network. In addition, we had higher advertising, marketing and promotion expense to support the launch of these new shows and events.

With regards to our Broadcast segment, we ended the year on a strong note with fourth quarter revenue increasing 11.5% to $2.2 billion and operating cash flow growing 54.8% to $140 million, driven by higher primetime ratings from the success of the Voice, the Blacklist, and Sunday Night Football.

Full-year 2013 results were a bit muted due to difficult comparisons to 2012 that included the Super Bowl, Olympics and higher political advertising. However, excluding the Super Bowl and the Olympics, Broadcast revenue increased 5.4% and operating cash flow increased 45% to $345 million in 2013, reflecting a meaningful progress we've made in this business in terms of improved ratings, higher advertising revenue, and increased retransmission consent fees.

Moving to Filmed Entertainment, 2013 was a record year for NBCUniversal as it enjoyed the best box office performance of its history, driven by outstanding success of Despicable Me 2, as well as strong performances of Fast and Furious 6 and Les Miserables. As result, revenue increased 5.7% to $5.5 billion, and operating cash flow increased over $400 million to $483 million in 2013.

Switching to our Theme Parks segment, we had another terrific year. Full-year revenue increased 7.2% to $2.2 billion, and operating cash flow increased 5.3%, reaching $1 billion for the first time, a very exciting milestone for this business. These strong results were driven by strong attendance and per capita spending at both parks, reflecting the continued success of Harry Potter in Orlando and the Transformers attraction at both parks. To summarize NBCUniversal, we are just very pleased with the progress made at NBCUniversal, and since the original announcement, our operating cash flows has increased approximately 50% on a pro forma basis.

Now let's move to slide 8 to review our consolidated and segment capital expenditures. We believe that operational excellence and strategic differentiation drive shareholder value, so we have an operating strategy that is execution focused and a financial strategy that is focused on risk-adjusted returns. Our strategy support these goals by investing in our business with our attractive opportunities, maintaining a strong balance sheet and providing consistent and sustainable return of capital to shareholders. Our number one priority remains generating strong and sustainable returns by investing in our businesses. In both Cable and NBCUniversal, we're investing to strengthen our competitive positions and to support attractive organic growth opportunities.

As we planned, 2013 consolidated capital expenditures were $6.6 billion compared to $5.7 billion in 2012, reflecting increased investments at both Cable and NBCUniversal. Our Cable Communications, 2013 capital expenditures increased 9.8% to $5.4 billion, equal to 12.9% of Cable revenue. This capital plan primarily reflects higher spending on CPE, including our new X1 boxes and wireless gateways, our continued investments in network infrastructure to ensure our leadership in video and high-speed Internet as well as the expansion of new services, such as Business Services and Xfinity Home.

In 2013, we began the deployment of our X1 service, and we are very pleased with the early customer feedback. Clearly, this is an improved experience for our customers, making it easier to navigate through the tens of thousands of content choices we offer. Early results show that X1 customers use our Video On Demand service more, and our VOD revenue for these customers is higher. In addition, more X1 customers are subscribing to DVR and upgrading to Triple Play, and we're also seeing reduce churn levels among these X1 customers.

Based on the early positive customer results, and strong double-digit returns of X1, we plan to accelerate the pace of deployment to reach the majority of our video customers over the next few years. In addition to this X1 acceleration, we plan to deploy additional wireless gateways to enable our customers to receive the fastest in-home Wi-Fi, increase network capacity, and continue to invest to fuel the expansion of both Business Services and Xfinity Home. As a result, our 2014 capital investment plan will increase approximately 100 basis points to approximately 14% of Cable revenue for approximately 13% in 2013.

At NBCUniversal, in 2013, we had a similar approach. Capital expenditures increased $397 million to $1.2 billion, primarily driven by increased investments in Theme Parks as we build new attractions, including Transformers and expansion of Harry Potter in Orlando, and Despicable Me and Harry Potter in Hollywood. In 2014, NBCUniversal's capital investment plan remained stable at 2013's level as we continue to invest in theme park attractions, including Harry Potter at both parks. Our Theme Parks OCF has increased from $400 million in 2009 to over $1 billion in 2013 as a result of new investment.

Over the same time, combined attendance of both parks has increased over 40%. We remain excited and optimistic about the next phase of Harry Potter opening in Orlando this summer and expect this to generate strong returns by increasing profitability and attendance and continuing the transformation of our parks into must-visit destinations. The vast majority of both Cable and NBCUniversal's investment plans are growth oriented capital and should yield attractive IRRs coupled with strong strategic advantages.

Let's move on to slide 9. We continue to have a strong commitment to deliver a consistent and sustainable return of capital to shareholders through a combination of dividends and buybacks. In 2013, we returned $4 billion to shareholders, and with today's announcement, our total return of capital is increasing 32% to $5.2 billion in 2014. This incorporates a 15% increase in our dividend to $0.90 per share on an annual basis and a plan to repurchase $3 billion of our stock in 2014, a 50% increase compared to our 2012 buyback. This total return represents a payout of 62% of our last 12 months' free cash flow and 77% of our last 12 months' net income. In addition, our Board of Directors has increased our stock repurchase program authorization to $7.5 billion.

We have consistently increased our annual dividend since we instituted it in 2008 at $0.25 per share. Today's newly announced level of $0.90 per share represents 33% of our last 12 months' net income and raises our current dividend yield to approximately 1.7%, which is relatively in line with the S&P 500. Since 2008, and through our return of capital commitments in 2014, we will have returned $24 billion to shareholders, including $9 billion in dividends and repurchasing $15 billion in shares. By all measures, we believe 2013 was a very successful year. As we begin 2014, we are positive and feel very good about our financial strength, our operating momentum, and the attractive opportunities ahead at both Cable Communications and NBCUniversal. We look forward to executing on those opportunities ahead and continue to achieve profitable growth and build value for our shareholders.

Now let me turn the call back to Jason for Q&A.

Jason S. Armstrong, Senior Vice President-Investor Relations

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Jessica Reif Cohen with Bank of America Merrill Lynch. Please go ahead.

<Q – Jessica Reif Cohen – Bank of America Merrill Lynch>: Thanks. One for NBC and one for Cable, if that's okay. So the NBCU numbers came in above what I think most of us expect from other media companies, and it looks like you're really hitting your stride at this point, but there still seems to be a lot of untapped potential at basically every division. So I was just hoping that Steve could address what you see as the biggest areas of upside as we go forward?

<A – Steve Burke – Comcast Corp.>: Well, Jessica, as Mike said in his introduction, when we looked at the company, before we ended up doing the deal with GE, cash flow had – since that point, cash flow has increased 50%. And we feel like we still have a long way to go. And the opportunity exists, I think pretty much across the board. We're investing a lot more in the Theme Parks, they've gone from $400 million of cash flow to over $1 billion. We think that cash flow in the Theme Parks can increase significantly with investments like Harry Potter 2, hotels and other investments in the future. I think Broadcast Television has a long way to go. We now have ratings. First, you got to hit the ratings, then you can sell the ratings. There's sort of a lag variable. So I think broadcast has real upside. We seem to be hitting our stride and being a little bit more strategic with our portfolio in Film, and of course, we've got a great group of cable networks. We do feel there's a monetization gap between how we're doing in terms of ratings and box office and everything else, and the amount of operating cash flow we're generating, but pretty much everywhere you look, we still think there's a lot of opportunity, and as you said, we believe we're off to a good start, but there's plenty more to go.

<Q – Jessica Reif Cohen – Bank of America Merrill Lynch>: Okay. And then on the Cable side, how much of a factor was X1 in terms of positive video subs? Is this, I guess, what I really want, is this looking to reverse course on a full-year basis?

<A – Neil Smit – Comcast Corp.>: I think X1 was not a really material part of the fourth quarter positive sub numbers. It's a great product, we're rolling it out across the country, as of today, we have it across the 100% of the footprint. We are seeing great results. Customers like the guide more than other guides, video – VOD metrics are up 25% of views and 20% transactions. Churn is down, I mean, so we're really pleased with the results. I think it's going to take a while before we go positive for the year, but we're clearly going to be aggressively rolling out X1 based on the strong double-digit returns we're seeing with it.

<Q – Jessica Reif Cohen – Bank of America Merrill Lynch>: Thank you.

<A – Jason Armstrong – Comcast Corp.>: Operator, next question, please.

Operator: Your next question will come from line of Ben Swinburne with Morgan Stanley.

<Q – Ben Swinburne – Morgan Stanley & Co. LLC>: Thank you. Good morning. A couple of Cable questions. Mike or Neil, you guys talked about the advanced product penetration, I think it's well above 50% now. And a lot of the investments you've been making have taken, it seems like it's taken the customer base to maybe a more premium customer base. I'm wondering if that's been a strategy of yours, if you could talk about the sort of B1 or low-end of the market that you've got left at this point? And does this equate to greater pricing power, lower churn over time as you sort of deepen the advanced products, and as you mentioned before, we haven't even seen sort of the benefits of X1 yet? And then I just had a quick follow-up on commercial.

<A – Neil Smit – Comcast Corp.>: Well, we are focused our high-value customers, and we do feel that our role is to continue to add value to our products and suite of services. The X1 platform is a big-step forward, because you can launch other products off there. For example, we launched EST, electronic sell-through, where you can buy a movie off the platform, and that was the top-selling Fast and Furious and Despicable Me 2 retail channel for the Thanksgiving holiday. So it's a very powerful platform. I think going forward, we are very focused on the high-value subs. We set up a differentiated treatment for those subs in the call centers, and what we did during the quarter is the connect volume overall was up, but the disconnect volume or its index down, so that's what resulted in the positive subs.

<A – Michael Angelakis – Comcast Corp.>: One thing I'll just chime in on, Ben, is, obviously we're really focused on bundling, and you can see the percentage of our Triple Play bundle is continuing to increase, we're up about 400 basis points year-over-year, so that is really adding value to our customer base, and as you move up that bundle from single to double, triple, obviously you have lower churn, which is certainly helpful. So the whole customer lifetime value increases on the Triple Play which is something we are very focused on in terms of how you think through advanced services and returns and those kinds of things.

<Q – Ben Swinburne – Morgan Stanley & Co. LLC>: Right. And then just quickly on the CapEx increase, which looks like about $600 million or $700 million or so on Cable, you mentioned commercial, Mike, or Neil, either one of you, how much of this is now sort of penetrating the medium-size? I think you guys have talked a lot about sort of small business being the predominant source of revenue, but I would imagine it's a little more capital-intensive is as you get into the larger enterprise area.

<A – Neil Smit – Comcast Corp.>: Well, right now the enterprise, the mid-sized business is about 20% of the overall. That's up from 15% a quarter or two ago. So it is growing at a faster rate than the small-size business. It doesn't require more initial capital per unit or per building, if you will, but you get stronger returns over time. We're pleased with the product suite. It's accretive business to us, and the team, Bill Stamper and team have done a great job, just pulling together the organization on focusing on those opportunities but SME is still the largest percentage of our overall revenue mix there.

<A – Michael Angelakis – Comcast Corp.>: So when we look at capital for 2014, the increase, there is some increase in business services, which as Neil said is really terrific returns, and we go through them very frequently. And the SME side is great, and the majority of it is really around the accelerated deployment of X1 which also, as I mentioned, has great double-digit returns and also has other strategic advantages, which are really important. So commercial services is part of that increase, and X1 is a larger part.

<Q – Ben Swinburne – Morgan Stanley & Co. LLC>: Got it. Thanks a lot.

<A – Jason Armstrong – Comcast Corp.>: Operator, next question, please.

Operator: Your next question will come from line of Doug Mitchelson with Deutsche Bank.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: Thanks so much. Michael gave the strong double-digit returns for X1. Neil, are you willing to walk through the economics of X1 in anymore detail, given the rampant investment this year? And I've got a couple of follow-ups on that.

<A – Neil Smit – Comcast Corp.>: Sure. Let me run through a few of the stats. One is we've rolled it out across the entire footprint. We've opened the gates. It used to be just available for Triple Play customers, it's available for some Double-Play customers as well. So we're rolling it out more aggressively. We've already, as of the end of the month, everyone will be getting the new, what we code name X2 guide, so it shows you how quickly you can change a software platform –

platform from X1 to X2. It's a better user experience, and I think if you lay that great improved user experience on top of all the content rights that we have that Michael refer to and our TV Everywhere rights and in and out of home right, it's a very powerful combination. About 65% of the X1 subs rate the X1 guide is superior to their other guide experiences. VOD viewing is up 25%. VOD transactions are up 20%. More X1 customers want DVR, so and X1, there's a larger percentage of X1 customers who are Triple Play customers, so as you think about it, you're getting a higher ARPU for X1 sub.

The roll out is going well, the platform is stable, and as a – another sign of momentum building around the X1 platform, Cox recently agreed to partner with us to better understand what elements of the X1 platform might be useful to support their next-gen video services across the various platforms. So we'll be working together to explore the opportunities – opportunity to identify where X1 might be useful in their business.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: Right.

<A – Michael Angelakis – Comcast Corp.>: To add Doug, one more data point is churn is actually down, voluntary churn in our X1 base too. So you plug in all the variables that Neil just mentioned and literally our CLV increases and our IRRs are well into double digits.

<A – Brian Roberts – Comcast Corp.>: Let me just weigh in also that the – there's some good trends happening as we look at a multi-year strategy, the cost per home with whole-home DVR, cloud DVR, and second devices, as we've shown, little smaller boxes that can attach to this platform that then allow in-home experiences as well as second, third devices for much lower cost than the original X1 box, plus the cost of the box itself, all those things are coming down in price. And so there is – we think that the ability to get this to many, many people is going to keep getting more and more economically better, the returns are only going to improve as we go, and so at some point, you cross that line that we are so excited about the initial feedback that we just began the roll out. And we're pretty excited.

<Q – Doug Mitchelson – Deutsche Bank Securities, Inc.>: So I think out of the 20 follow-up potential questions, I'll limit myself to one. Just curious, Michael, how much has Cable OpEx been impacted in 2014 for the roll out? And is that a potential future tailwind as the investment spending winds down?

<A – Michael Angelakis – Comcast Corp.>: To be honest, in 2013 and 2014, we did absorb OpEx related to X1 in the roll out but, obviously, we've managed through that. No different than us absorbing OpEx related to Xfinity Home or business services expansion in SME, so to us, it's part of the business, and we're able to power through that. We've kept margins stable in 2013 and our expectation is we'll power through that in 2014 and keep margins stable in 2014 as well, so yes, there is some of that.

<A – Neil Smit – Comcast Corp.>: I'll also add Michael that we've rolled out the DOCSIS 3.0 platform, we've gone all digital, we've rolled out business services and we've kept margins during that period relatively stable.

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

<A – Jason Armstrong – Comcast Corp.>: Thanks, Doug. Operator, let's move to the next question.

Operator: Your next question will come from line of Phil Cusick with JPMorgan.

<Q – Phil Cusick – JPMorgan Securities LLC>: Hey, guys. Thanks. First a bit of a follow up on Doug's question. As you think about the typical price increases you've quantified after the first quarter each year, can you help us think about what you're planning on in the first quarter, or what you've already rolled as we think about year-over-year video subs? And then second, Brian, at the conference a few weeks ago, you outlined 2014 as an investment year in Film. Can you help us think about what the working capital drag for that business might be as we think about free cash flow? Thanks.

<A – Neil Smit – Comcast Corp.>: So I'll take the rate increases question. We've – our rate increases are going to be similar to previous years in the 3% range. We're rolling them out across a wider footprint than we did last year in the first quarter, so there'll be more people affected by rate increases. However, we feel good about the overall environment, and we're carrying some good momentum from Q4, so we've got our heads down and trying to improve. At the end of the day, we're trying to improve our results year-over-year, every quarter, and we've done it 11 out of the last 13 quarters.

<A – Brian Roberts – Comcast Corp.>: Well, I think that's the, just to finish that question, I think that's the way to be judging us, myself, which is over reasonable periods of time, are we making headway year-over-year, not positive, negative than any one quarter. But it's a great achievement, and thank you, Neil, for the fourth quarter. As I think about 2015, I think Michael's better to talk about free cash flow. I just think that Jeff Shell is now at Universal, very excited about the new opportunity and 2015, the slate appears to be fantastically exciting. There's an investment that you can make in the year before, so it's a little bit of it up-and-down business in terms of the free cash flow way to judge it. We had a nice 2013, but, Michael, why don't you go through this detail?

<A – Michael Angelakis – Comcast Corp.>: Yes. Let me just, you know, 2013, obviously Film had a terrific year in terms of performance, in terms of operating cash flow. But there was a little bit lighter on the production spend in 2013 for the 2014 slate. As we – and that's obviously a working capital benefit that we've had in 2013 related to free cash flow. As we enter 2014, we have a great slate for 2015 that we're going to more normalize our spend in 2014, and that's going to absorb some cash in 2014, which helps build that 2015 slate. So I think that's what Brian meant at the conference, and I tried to articulate on my prepared remarks.

<Q – Phil Cusick – JPMorgan Securities LLC>: Excellent.

<A – Brian Roberts – Comcast Corp.>: So just to put some specificity around 2015, Steve, why don't you just run through a couple of movies?

<A – Steve Burke – Comcast Corp.>: Well, in 2015, we have Jurassic Park 4, Fast and Furious 7, Minions which is a kind of a sequel of Despicable Me, the Despicable Me franchise. We have Fifty Shades of Grey. We have a very, very strong year, potentially Ted 2, so that investment is – we're incurring that investment right now as we gear up to what should be a very strong year for Universal on 2015.

<A – Michael Angelakis – Comcast Corp.>: And, Phil, just to clarify, I really look at this as a little bit of a normalization because 2013 was a little bit lower than one would've expected and I think 2014 is going to be a little bit of a catch up year in preparation for 2015.

<Q – Phil Cusick – JPMorgan Securities LLC>: Great. That's helpful. Thank you.

<A – Jason Armstrong – Comcast Corp.>: Operator, next question, please.

Operator: Your next question will come from the line of Craig Moffett with Moffett Research.

<Q – Craig Moffett – MoffettNathanson LLC>: Hi. Thank you. First, congratulations, Jason. I got to say I'm happy not to have to compete with you anymore. So a question about the enterprise segment. I know you can't talk specifically about what was reported last night, but I think – I wonder as you think about what you might do down the road in the Large Enterprise segment. Whether, Neil, maybe you could talk about what is it you need to put in place first? And how do we think about the timeline over the next few years for you to make a real run at the large enterprise multinational corporation segment?

<A – Neil Smit – Comcast Corp.>: Well, as you know, Craig, we've been focused on small- and mid-size, and we're still only 10% to 15% penetrated there and see a lot of opportunity for growth there. On the enterprise side, we have been, we are aware of the space, aware of the competition there, I think there will be network implications, there'll be organizational implications. But right now, we're focused on small and mid for the time being.

<A – Brian Roberts – Comcast Corp.>: The only thing I would just add is that one of the great things about this business for so many years as we find new products to sell using our existing base, who would have thought of Wi-Fi being as great and add-on to your in-home broadband, and if we can get to larger businesses who will think of us very differently than they would have five years ago, in whatever cooperative manner that we can do that, it should be a business opportunity down the road. Right now, we've gone from small to medium. It's not an illogical thing to say some day. But it's not on the focus right this moment.

<Q – Craig Moffett – MoffettNathanson LLC>: And, thank you. And if I could ask a follow-up, you mentioned Wi-Fi. Has your view of Wi-Fi as a real business separate and apart from this value added to your existing broadband subscribers changed at all in the last six months or a year?

<A – Brian Roberts – Comcast Corp.>: Well, I think we're paying careful attention to the technological innovation and the potential opportunities that it creates. We're hopeful that in the government thoughtfulness as to what to do with spectrum allocation for the country, that Wi-Fi is very much top of mind, because as I just said, who would have placed the tablet having this kind of explosive growth. Without Wi-Fi, I don't think it would have happened. And so it's hard to completely predict it, but we are well-positioned, and we've added Wi-Fi, we don't want it to be lost into every modem that we now put into people's homes, and last year, that was...

<A – Neil Smit – Comcast Corp.>: Seven million.

<A – Brian Roberts – Comcast Corp.>: Seven million times that we've installed this capability into people's house, and we intend to do that again this year. So that may be in some ways the most important thing we've done. So is it an opportunity someday to add Wi-Fi to our network outside of the home? Well, we're doing that in some cities, we are testing different technologies. There are other companies who are also doing that with their own businesses purposes, and we just, for example, this week announced with the San Francisco 49ers that we're going to do their entire stadium and have new capabilities that they very well expand into your neighborhood and into your commute patterns and into restaurants as we've already seen in a lot of cities. It's a very interesting area, and I think it's synergistic for us. And we're keeping tabs of it.

<A – Michael Angelakis – Comcast Corp.>: I think that we should just add, we have almost one million hot spots right now that people are utilizing, both in-home and out of home.

<Q – Craig Moffett – MoffettNathanson LLC>: Thank you.

<A – Jason Armstrong – Comcast Corp.>: Thank you, Craig. Operator, next question, please.

Operator: Your next question will come from line of Marci Ryvicker with Wells Fargo.

<Q – Marci Ryvicker – Wells Fargo Securities LLC>: Thanks. I have two questions. The first, Michael, you talked about accelerating programming cost. And I was just wondering how much does your thoughts about sub trends factor in? Meaning that the better the subscriber trends are, presumably the higher the P&L programming cost will be? That's the first question. And secondly, just generally thinking about your M&A strategy. One of the questions, I think all of us are getting is how to think about, would a domestic distribution deal have any impact on your ability to expand internationally, whether that would be distribution or content? Thanks.

<A – Michael Angelakis – Comcast Corp.>: Okay. On programming cost, listen – number one, that's I think a high-class problem in terms of subscriber growth, which I think you might mention. We are, I think, pretty diligent in negotiating our programming contracts, and I think we're somewhat fortunate in 2013 where what we had originally projected as our increasing programming cost, we came in lower, I don't know, 140 basis points, 150 basis points. Part of this is timing in terms of when contracts are up. Part of it is retransmission consent. Those I can say somewhat are controllable, but some not. And then part of it is really in terms of sports and some other areas. So it's a hard question, because our goal really is to continue to improve on our subscriber trends, and that obviously will have a positive impact in our sort of per subscriber programming costs, and I think Neil addressed that earlier. On M&A, the view really is on international, we are a bit underweight. We've mentioned that.

It's really our goal to be very educated on a country-by-country basis and see if there are opportunities for us, whether it's distribution or content that really makes sense from a shareholder value perspective. So on an M&A overall, we're going to remain very disciplined. We're going to be, as I mentioned before, we're going to have our strategic filters in place. We'll have our financial filters in place, and we're really going to evaluate that. So it's all about can we – is it value enhancing from a shareholder perspective, and we want to be very focused, we want to be very educated, we want to make sure we look at everything. I think our shareholder base expects us to do that, but if we're to do anything, it's going to be value creative and that's really the focus right now.

<Q – Marci Ryvicker – Wells Fargo Securities LLC>: Thank you.

<A – Jason Armstrong – Comcast Corp.>: Operator, next question, please.

Operator: Your next question will come from line of Jason Bazinet with Citi.

<Q – Jason Bazinet – Citigroup Global Markets Inc. (Broker)>: I just had a question for Mr. Roberts. Either organically or via M&A, would you say it's a strategic priority of the firm to be hedged, if you will, on content cost? Meaning today I think you spend about $2 on content on the Cable side for every dollar you get for content on the NBCU side within cable nets. Is that a priority or is that sort of the wrong way to think about how you're thinking about the business?

<A – Brian Roberts – Comcast Corp.>: Well, I don't actually think of it that way. I think it happens to be a fact, and I think in compared to many other companies, that's a good fact if you're a shareholder because no one has a perfect crystal ball, but the bottom line is we love both businesses. And that's what we said for many, many years. All the way for me personally back to when I was on Ted Turner's board. They were starting all these cable channels. They looked like great businesses. That didn't make cable a bad business, it just was here was a new business. And then finally is the synergy between the two companies, and I think what you'll see during the Olympics, as a for instance, is by understanding both businesses, we're smarter and maybe just a little better than we would be if we were two separate companies.

And with the kind of hopefully culture and chemistry in the company and across the company, that's proved itself out, whether it's electronic sell-through that Neil mentioned or what we're going to do with the Olympics in Sochi both on the Xfinity side and on the NBCUniversal side. And I think we're creating something very, very special and as an investor, yes, you get the fact that if programming costs are going up or there is a new type of utilization that causes that cost to go up, we're on both sides. We're helping to innovate and make that possible, and I like that balance that the company has.

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

<A – Jason Armstrong – Comcast Corp.>: Operator, next question, please.

Operator: Your next question will come from the line of John Hodulik with UBS.

<Q – John Hodulik – UBS Securities LLC>: Okay. Great. Thanks. Three quick ones. First, as it relates to Cable CapEx, I know, Michael, you don't want to give sort of longer-term guidance, but is that 14% in 2014, should we think of that as sort of a peak level or could you see it drifting higher than that in 2015? And then given the increased investment you're putting into the home with the X1 box and the modems, it sounds like you expect that to eventually be a driver of better video trends going forward with the lower churn. How about pull through effects on the broadband side? Right? You'll be able to sell more Triple Play, again, better capabilities. Do expect that to improve trends around broadbrand? And then lastly on the leverage, I guess this is a follow-up to the M&A question, you said 1.5 times to 2 times is your target, but what – and you guys said that you would be willing to go above that if in fact there is a better, you know, there's some M&A opportunities that made sense, would you be willing to go above two times? Thanks.

<A – Michael Angelakis – Comcast Corp.>: Okay. On the CapEx side, we said 2014 will come in approximately 14%. You're right, John, we don't give guidance going forward and the vast majority of our capital is actually growth-oriented capital. So, I think we really want to take a look as we go through the year on the success of that deployment and that's really part of the plan. If it's successfully deployed, that's terrific and we'll reevaluate as we enter towards the end of 2014 of what 2015 will look like. So we're hopeful that the deployment will be successful. I don't know what peak in, and I really don't want to get into that but I just want to make sure that you'll understand that the vast majority of our CapEx is growth oriented, and we have checkpoints along the way to make sure that the deployment is successful in generating the financial returns and strategic returns we're intending to. Do you want to take the one on the in-house...?

<A – Neil Smit – Comcast Corp.>: Concerning X1 and its impact on other customers or RGUs, we have seen X1 customers are more likely to upgrade to the Triple Play. We have seen that they are generally – they request DVRs more, they over-index in that category. So I think it will have a positive impact on churn because we know Triple Play sub churn at a lower level, and we think it will have a positive impact on ARPU as well as they buy, upgrade to DVR and buy more VOD. Generally speaking, the product has been very well received by the field and by the customers and I think it will have a positive overall effect on the business.

<A – Michael Angelakis – Comcast Corp.>: And, John, I'll go back to the leverage one. So when we closed NBCUniversal, that was sort of nine, 10 months ago, our leverage popped up to about 2.4 times, and now we ended 2013 at roughly 2.3 times, so some modest decrease. It's really our goal, more medium-term goal, to bring that leverage down to, as I mentioned, under 2 times, between 1.5 times and 2 times, but we recognize that's going to take years. And I think that's really all we can say, that, I think we can do several things at once we can invest for growth, like we're doing it NBC and at Comcast Cable. We can increase our returns of capital, which obviously, we announced today. I think we will modestly deliver over a number of years.

<Q – John Hodulik – UBS Securities LLC>: Gotcha. Thanks, guys.

<A – Jason Armstrong – Comcast Corp.>: Operator, we have time for one last question.

Operator: Our final question will come from line of Kannan Venkateshwar with Barclays.

<Q – Kannan Venkateshwar – Barclays Capital, Inc.>: Thank you. A couple of questions from me. First is on video subscriber growth during the quarter. I mean, it's still a video [indiscernible] largely given the state of the housing market even now? In that sense, given the overbuilt in your footprint, just between your competitors, is it fair to assume that a lot of this is coming from the satellite operators? And secondly, from a regulatory perspective, there's been obviously a lot of movement over the quarter in terms of net neutrality as well as Supreme Court taking up the area of ruling and so on. So it would be great to get your thoughts on that as well, as to whether things like pay for priority services could become real over time.

<A – Neil Smit – Comcast Corp.>: So I'll take them into chunks. One is the overbuilt and the effect on the business, and then, Brian, I'll turn it over to you for the regulatory issue. We had about $2.3 million overbuilds, incremental over-builds in the fourth quarter. The majority of those coming from AT&T. I think we performed well given that. The housing starts, so that didn't really have a material effect, and I think if we look to get a tailwind from those overtime, that would be positive for the business. But we feel we're competing well in both the fiber side as well as the satellite side, and I think part of that is the X1 product is performing well. I think part of it is great execution by Dave Watson and divisional teams, and I think part of it is we are targeting our marketing a little bit better, our services are getting better, as Michael mentioned, we have 3.5 million fewer truck rolls, where we have 45% of the installs, are self-installs, 36% of the people manage their accounts online, so I think we're just executing better on the service front. Brian?

<A – Brian Roberts – Comcast Corp.>: Well, there was obviously the court ruling on the Verizon case, and we do not believe that the government is going to materially alter the approaches taken for many years that would in some ways hinder our business objective going forward. We were a supporter of the Internet order when it was originally drafted by the commission, because it was a nice balance between consumer interest and not interfering with network management and engineering decisions. And we are confident and hopeful that they're going to continue to strike that balance. And so we're supportive of working with the Chairman and the Commission on trying to find that balance. As I just sum up for the year in this quarter, in my opinion, we're also trying to find a balance between really strong operations, I think both at NBCUniversal and at Cable, we had a really strong year. And in finding opportunity like buying back the 49% stake for $18 billion in cash while still achieving the leverage targets that Michael just talked about and being able to increase the dividend and the buyback program. And I think we've done that. We have a great plan for 2014 and thank you all for your support.

Jason S. Armstrong, Senior Vice President-Investor Relations

Great. We'll leave it there. Thank you, everyone, for joining us.

Operator: There will be a replay available of today's call starting at 12:30 p.m. Eastern Standard Time. It will run through Tuesday, February 4, at midnight Eastern Time. The dial-in number is 855-859-2056, and the conference ID number is 24847495. A recording of the conference call will also be available on the company's website, beginning at 12:30 p.m. today. This concludes today's teleconference. Thank you for participating. You may all disconnect