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PRESENTATION

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Good morning, everyone. We're going to get started here with our first presentation. I guess, first, I'd like to welcome everyone to Deutsche Bank's Media, Internet and Telecom Conference. Thanks, everyone, for joining us.

And I'm really pleased to introduce our first speaker of the day, Jason Armstrong, who's the newly appointed CFO of Comcast. So welcome, Jason.

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Bryan, Thank you.

QUESTIONS AND ANSWERS

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Maybe get started, 2022 was a year that certainly presented challenges across the TMT space from a financial performance perspective, geopolitical. We had pandemic related still in Asia. We saw in your Parks business tougher domestic broadband market, Peacock investments, yet Comcast still grew consolidated revenue and EBITDA mid-single digits. Can you just talk about -- maybe reflect on how you're able to achieve those results and talk about the 2023 outlook and what are some of the challenges and opportunities you see for this year?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. Thanks, Bryan, and thanks for having us at the conference. It's always a pleasure to be here. You're right about 2022. I mean, 2022, I would characterize it as very strong executions from the variety of teams that we have in an environment that brought some challenges. You're right, broadband got more competitive over the course of 2022 with some new entrants. The advertising market was sort of weaker towards the back end of the year as we saw some compression there. Our Theme Parks mostly strong, but internationally, that's still dealing with COVID impacts, which were shutting parks and then reopening parks. So, sort of inconsistency there, yet we made our way through all of that.

And as you said, grew revenue 4%. We grew EBITDA 5%. We grew earnings per share 13%. And we returned $18 billion of capital to shareholders. That's the highest amount in the company's history by a pretty wide margin. So, I think the company has long been characterized by balance, balance of reinvesting in the business, balance in driving growth. You saw that in 2022, and I think that sets up well for 2023.

So, priorities for 2023 are continuing to enhance our position as a leading globally integrated content and distribution company and defined and support avenues for growth within that. So, if you think about the different sort of growth categories broadly, I'd sort of put 4 out there. There's connectivity, which is the largest, and that's broadband, wireless and business services. There's sort of a separate category, which is platforms. Obviously, the video market is changing quite a bit. And consumer consumption patterns are changing quite a bit, we want to be the aggregation layer. We want to serve customers. Customers are looking for a way to sort of organize the video that's coming into their households. So we want to be the aggregation layer. We're investing in Sky Glass, X1, Flex, the Xumo JV with Charter. So, we've got a lot of investments sort of pointed in that direction.

Then there's content, right, which you mentioned, pretty big streaming pivot that we're undergoing with Peacock and getting the linear to streaming transition right, which is a delicate balance. It's clearly a priority for the company, but we're investing pretty heavily to get that right and to drive a successful streaming product.

And then final category I'd sort of put out there is experiences, largely our Theme Parks, where we've had a bunch of investment going back into the system. We tried to refresh our parks almost on an annual basis with new attractions to try to drive attendance. I think we've been fairly successful on that. We've got a lot of new attractions sort of launching this year in the pipeline, especially a big one around Epic Universe, which is our new park in Orlando.

So, if you put it all together, we've got a number of growth drivers. And along these lines, we are going to start to report differently in 2023 and have buckets sort of along these lines. So traditional segmentation and business units that were more siloed around Cable, Sky and NBC will now become sort of 2 reportable business units, connectivity and platforms, which I'll get into, and then content and experiences.

And so connectivity and platforms, I would think about that at the highest level as that's the U.S. cable business plus Sky's direct-to-consumer business. And then content and experiences, think about that as the traditional NBC business plus Sky's content creation engines and Sky Studios.

So to unpack that a little bit more, content -- or connectivity and platforms, think of connectivity as U.S. residential broadband, U.S. residential wireless and then Sky's connectivity business as well. The first 2 total up to about a $28 billion revenue stream that's growing high single digits. Sky's connectivity business, $3 billion revenue stream. That's where -- in markets where they can serve broadband and/or wireless, which is the U.K. and Italy. It's a $3 billion revenue stream growing on a constant currency basis, mid-teens. So very healthy categories there. Something new that we're doing is we're splitting out into a separate segment, our business services group.

And we've always provided revenue disclosure around business services. It's an area I've been very excited about ever since I joined Comcast. How could you not be? We've grown that business from a starting point of 0, 12, 13 years ago to now eclipsing a $10 billion business. And we've always said, within that, this is a very healthy margin business. We're serving the consumer in the right way, but the margin afforded on the back of that is strong. We'll break out for the first time what that actually looks like. So, business services is a $5 billion EBITDA business for us at this point. It's growing high single digits. So, our disclosure will sort of reflect that into a residential and business services category.

And then over on the content and experiences side, we've got, I think, what will be sort of traditional segmentation under that, similar to what you've seen in NBC before with Studios, Media and then Parks. But within Media, I think we and investors probably want more detail on Peacock. We're putting a lot of investment into it. So, within the Media category, we'll break out Peacock sort of between advertising and distribution revenue. We'll break out different expense categories to sort of get people to a more informed answer and more and more transparency.

So, I think a good start to 2023 will be out in the next couple of weeks with an 8-K and new trending schedules that sort of maps this all out for folks. I think at the end of the day, it's more disclosure. It's more reflective of a globally integrated content and distribution company. And it's more disclosure around the parts people really try to dig into, and this is more information coming their way, especially around business services and Peacock.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. No, I'm sure everyone will appreciate the additional disclosure, particularly in those areas. That's great. Maybe to move on to Cable a little bit. Broadband market obviously became more challenging as we came out of the pandemic period, just given high penetration levels in the market, less move activity and increased competition. Can you just talk about those challenges and how they've shaped your approach to managing the Cable business going forward, particularly as it relates to volume versus monetizing the base?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think you're right. It's become a more competitive environment, and certainly happy to get into that. It's one part, move activity; one part, fiber; one part, fixed wireless. Maybe a couple of other factors in there as well, but those are sort of the main ones.

I think expect us to stick to our knitting, which is we're a large company with over 30 million high-value broadband subscribers that are doing more on our network. Consumption patterns are up. Average usage is, for a stand-alone broadband customers is 700 gigs plus. That's double where it was 4, 5 years ago. So, we want people doing more on our network. That's what we're seeing from our base. We're also seeing our base hang more devices under our network consistently.

So, with that comes loyalty, it comes low churn. Now there are parts of the market that are being disrupted with more competition, as I mentioned. Our priority here is we've got to protect the base that we have. We've got to be able to protect and grow our ARPU, which we're committed to doing. We did it last year. We'll do it again this year at a healthy clip. We've got to compete appropriately, but not irresponsibly to just try to drive subscriber volumes.

And so I think within that, Dave Watson, on the fourth quarter call, said it's a challenging environment to add broadband subscribers. I think that's -- as I sit here today, that's probably the right assumption. It's probably the right assumption for the first quarter, by the way. I think there's a number of analysts that have us losing subscribers in the first quarter. And as I sit here right now, it's probably the right assumption.

But if you step back much like the fourth quarter where we grew ARPU 4%, we grew EBITDA 6% in our Cable business and grew net cash flow to an even greater extent, that's the formula, right? And we have plenty of growth runners between broadband rate, business services and wireless that, overall, in the connectivity bucket, we're comfortable with our ability to grow revenue and comfortable with our ability to expand margins, and we're not going to do anything irrational to disrupt that.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. You mentioned competition. I mean, would you provide an update on what you're seeing in your footprint in terms of competitive fiber build activity? And any other market observations regarding with fixed wireless that you could share?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think I'd start with, we feel great about our positioning in broadband. Yes, there's more competition all of a sudden. But if you take a long-term view, both currently and into the future, you look at what we offer currently, it is a terrific combination of really good speed, high reliability, ubiquity per home where one home doesn't look completely different than the next home down the block, and doing that at a pretty good value to the consumer with a big loyal base.

I think long term, you'd say, the consumer is going to do more and more on our network. We expect that. We want that. Do you have a low-cost upgrade and a marginal cost structure that's better than your peers and a path to get there that doesn't require you to go dig everything up and spend thousands of dollars per home to get to the next iteration of the network? And I think we're completely comfortable in a network strategy that is capital light, capital efficient, but the end state is multi-gig symmetrical.

Then you take that and surround it with connectivity broadly, you'd say what's our convergence product? We've got a wireless offering that's on a great network with a great partner, along with Charter driving sort of scale forward in the cable MVNO space and doing it at really attractive rates for the customer, where the customer can save a lot of money coming our way.

So, I think we feel great about the convergence products sort of now and into the future. And as I mentioned earlier, we're focused on aggregation. We're focused on other things that you can package and sort of surround the consumer with to sort of make our value proposition a terrific value proposition.

Now to the competition we're seeing in the market, fiber overbuilding, I think, as you mentioned, has picked up, but saying that fiber is nothing new. We went from a starting point 15, 20 years ago, where we didn't compete against fiber, to now fiber is in 45% of our markets, so we see it across 45% of our homes passed as the competitor. That 45% is going to 60% in the next few years, and it probably goes higher after 60% after that. Good news is we've competed against fiber for a very long period of time.

And I think from a network perspective, we're sort of right there with fiber, both now and into the future. From a convergence perspective, I like our hand relative to fiber's. And so that's a known competitor. It's a costly upgrade to put fiber into the ground. What that tells you is, hopefully, you understand there's rational economics on the back of that, where there's got to be a certain ARPU that comes out of that to justify a return on fiber investment. And so that's very much a known competitor that we've competed against for a long period of time and feel great about.

Fixed wireless is the newer competitor. They are clearly having their moment right now, adding close to 1 million subs per quarter. Maybe that degrades, maybe it doesn't in the near future, but I think there is a limited runway for that to go penetrate. And I think if you step way back and say, take it from the consumer's perspective, is the consumer -- where do they put home broadband in their pecking order of utility and what's relevant to them? And is that going to increase or decrease in the future in terms of relevance? I could tell you, my house is increasing. And we think, in general, it's increasing in terms of how relevant that is.

So, taking a customer base and saying, "Who's going to suffer less reliability, higher latency, deprioritization on a network when wireless traffic takes over? And who's going to be willing to tolerate that?" We think that's probably a shrinking pool over time. And so, not to say it's not having its moment right now, but it's a real finite base you can sell into. It's disrupting us a little bit at the lower end of the market. But back to your prior question, we're going to go out of our way to protect the existing base, move the existing base forward and compete rationally in certain segments where we're seeing some disruption.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

And the core part of your strategy to maintain your network leadership long term is to invest in upgrading to DOCSIS 4. Can you talk about the upgrade plans in more detail in terms of the scope of the project, the time period over which you're going to execute it and also the benefits that you see to the business and to your customers?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think we laid out a strategy late last year that probably no update to that. We'll just reiterate it, which was the network has sort of different iterations and cycles around it. The most recent one is we're going to go mid-split, which is we're taking fiber further into the home. We're virtualizing a lot of the network. And so the next layer of sort of network infrastructure CapEx, if you will, which has already kicked off, will, in the near term, serve 10 million of our homes and, by the end of 2025, will serve over 50 million of our homes. So, it's a vast majority of our footprint, with basically a 2-gig product down several hundred megs on the way up, which is multiples of kind of the current offering, at least upstream.

So much higher speeds coming our way, and then that sets up. It's sort of a foundational layer for DOCSIS 4.0, which we're actually starting to launch in the market this year. We'll have sort of rolling out right on the back of mid-splits, and that is a path towards multi-gig symmetrical in our markets, which will compete against anything out there. And then it's a matter of what we surround that with, whether it's wireless, whether it's what we're doing in home to penetrate walls, buildings, et cetera.

So, I think we feel very good about the network architecture and where we're headed, and we said we can do it in a capital-efficient way. We've said all in, this is less than $200 per homes passed to go mid-split, virtualization and DOCSIS 4.0 as sort of the end state.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. So that cost of less than $200 per home passed, I think maybe if you could comment on how it will impact capital intensity for the Cable business overall for the next few years. And are those investment levels likely to be lumpy from year-to-year? Or should we expect it to be fairly smooth?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. We've guided for 2023 at least, and we've seen 11% [CapEx] (corrected by company after the call) intensity in that business for the past couple of years. That's the guidance for this year as well. I think if the root of the question is, do we see some big bubble coming our way, where either we say, this isn't enough, and we got to take fiber into the home or we got to do this more aggressively and come up with the next iteration because multi-gig symmetrical is not enough? The answer is no, right? We are completely comfortable on the path we have in multi-gig symmetrical over the next few years, along a timeline that's going to be very competitive with everybody else out there.

We also have -- since we're all kind of ending up at the same point, which is multi-gig symmetrical DOCSIS 4.0, it's where we are where Charter is. We've got the vendor community pointed towards that, and we'll get there at scale, which I think is great and helpful.

I think if you unpack our [CapEx] (corrected by company after the call) intensity a little bit more, we sort of have 3 categories, right? There's CPE going into the home, so Customer Premise Equipment, which has actually been flat to declining as a percentage of revenue. We've got our scalable infrastructure component, which is existing footprint, but augmenting speeds in the existing footprint, which is a lot of what we're talking about. And then we have a more sort of core offensive category, which is line extensions, and that's putting new network into homes and locations, businesses, et cetera, that we don't currently serve. So, it's a brand-new opportunities to go serve.

I would say of those buckets, CPE, we'd probably get relief from. The scalable infrastructure partners where a lot of this investment is taking place. But if you further unpack that, you'd say this is a continuum. And historically, every single year, we're splitting nodes. We're taking fiber further in our network. We have, at this point, hundreds of thousands of route miles of fiber in our network, where vast majority of traffic is actually traveling like -- or traveling over fiber in our network. So that piece has always been there. It will continue to be there with mid-splits.

And then DOCSIS 4.0, think about it, it largely takes over from -- we've had DOCSIS 3.0 moving into the system and then we had DOCSIS 3.1 moving the system, now it's DOCSIS 4.0. And so largely a continuum, which gets to your, do you have a bubble question and is that coming? And the answer being no.

Line extensions, that's an area where we'd probably like to do more. We're doing a little bit more this year. 850,000 homes passed last year. We said we guided to 1 million this year, which is a pretty healthy uptick. I'd kind of like to see that number move even higher if we have the right opportunity and economically advantageous to do so.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes, which I think brings us to the question around the government subsidy programs. What's the opportunity that you envision from footprint expansion through the subsidies as well as, I guess, through edge-outs and line extension that may be outside of those programs?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think that's -- it's going to be a bigger part of what we do, already starting a little bit this year. That's why we guided 850,000 homes goes up to 1 million, and that's accommodated for in the 11% [CapEx] (corrected by company after the call) intensity. I think if you rewind the clock, a lot of the RDOF is money starting to get deployed now and you're seeing -- others we didn't really participate to a great extent in RDOF, but you're seeing others sort of executing on that now. So, you could sort of turn that question around on us and say, why didn't you participate to a greater extent in RDOF? And why isn't that you at this point?

I think that was a newer program. It was untested. And it was a pretty frothy capital markets environment, which meant there were a lot of companies in there that actually -- some of the bigger winners in RDOF haven't been able to fulfill commitments. But none of the remaining winners got a discount as a result, and got to go back to the drawing board.

So, we sort of saw that as not the best risk reward. I think as we get further into this and some of the froth has disappeared and you start to get into a more seasoned process, whether it's just state level or leading into BEAD or other iterations of that afterwards, I would expect us to be a bigger participant.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Okay. Maybe shift to mobile here. Xfinity Mobile net adds have accelerated really every year since you launched it in 2017. I think you're at about 9% penetration of your broadband base. What do you think the long-term growth opportunity is in mobile? Do you need to be more active in device subsidies or in premium plans, meaning on throttle unlimited? What do you have to do in order to continue that momentum?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

I think we're really happy with our momentum in mobile. Fourth quarter was a record quarter of net adds for us, and we sort of had building momentum throughout the year, which was great to see. We've tended to compete more on service plan pricing, and we kind of come in and out of the market with different device promotions, but I wouldn't say that's sort of the core way we compete, instead it's a very good value to the consumer if you look at our service plan pricing attached obviously to a compelling broadband proposition as well.

I think for the category in general, we're very happy with the underlying MVNO that we have. It's a capital-light approach to wireless. That is the right approach for us, and we think actually gives us a better path in convergence than others have. And by the way, nice to see Charter doing really well in wireless as well. They have really scaled that business. They've done some interesting things in terms of the go-to-market strategy that we're paying attention to. And if there's an area to learn there and go replicate some of it because it's working really well, we won't hesitate to do that.

And I only bring that up because it's nice to have -- when you have the cable MVNO category scaling the way it is. The better Charter does, the more brand awareness there is. The Cable MVNO as a category, that's a good thing for all of us.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. Maybe a question here on margins. So, Cable margins have improved about 600 basis points over the past 4 years. How should we think about margin trajectory from here given the more challenged revenue environment, but what you're doing on the cost side?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think we -- rewind to last year even in a competitive -- super competitive environment, still expanded margins over 100 basis points. So, if you sort of unpack that, there's -- you mentioned challenged revenue growth environment. We still think we've got, between the different layers of connectivity, in particular, 3 of them: broadband rate; business services, which we'll now disclose much higher margin than our core margins; and wireless. We've got the ability to grow revenues.

So, you'd start there, and we're doing it in categories that are margin accretive, right? And that's been the transition you've seen for the last few years. As connectivity grows, video and voice are under pressure a little bit, that is a favorable margin trade-off for the business. So, I would expect that to continue to be the formula, which means we've got continued opportunities for margin expansion.

And then the Cable team has been all over efficiencies in the system. They've been driving that for several years. There's an outlook for more of that into this year and beyond. And so very tightly managed business, which gives us even further room for margin expansion.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. Okay. Shift to media. So, Peacock, I think, had its highest quarterly paid net adds in the fourth quarter, finished a strong 2022 with 11 million net adds for the year. Can you talk about the factors that contributed to the strength, caused an expansion, seasonality, I guess, in some quarters, churn, gross adds? Just talk about some of those trends.

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think we -- rewind to the initial decision-making on Peacock and how we wanted to launch this, what we wanted it to be, we leaned heavily into paid AVOD and said, we think there's a big market for paid AVOD. We think that's sort of the right market to launch Peacock into. And credit to the team, they got that right. A lot of others are coming their way at this point. But while we were -- later to the game with streaming, we were sort of early to the market figuring out that, that was going to be a super interesting and large segment to go target. So, I think we've done really well in sort of market positioning.

More recently, Peacock has had a ton of momentum, 5 million customers added in the fourth quarter. And so, if you unpack that, you'd say it's largely content success and availability that's driven that. We've had our Pay-1 rights come back to us, which means movies like Jurassic and Minions are moving into a window on Peacock, which is helpful. We've had Day and Date opportunities with Peacock. Halloween is a good example of that, the movie.

We've had our Hulu content come back, which is next-day broadcast, plus Bravo, which is highly popular. And so that's been beneficial to Peacock. And then sports programming where -- when we negotiate rights, we're negotiating both for linear and then ultimately, streaming rights as well. And so we can determine where we -- what we put where if/and both places. And that's been beneficial to Peacock as well when you think about Sunday Night Football and World Cup, so those are sort of the contributors that really drove momentum at the end of 2022.

As you fast forward to 2023, just step down the same pecking order, we got huge opportunity coming out of the Studios. We've got a great slate for this year with Fast 10, Mario. Right now, we're in the market with Puss in Boots that will obviously roll on to streaming in the not-too-distant future. So, super opportunity there to continue with sort of the Pay-1 window impacting and positively benefiting Peacock.

Then we've got in sports rights, everything I sort of just mentioned, plus some MLB rights, plus Big Ten. So we've got incremental sports rights coming into the equation and then continuing to drive sort of next-day broadcast plus Bravo and then hopefully, some additional success with some of the originals we put into Peacock.

And we've had some early success in 2023, If you're not watching it, you should, both Poker Face and Traitors are off to a really good start and super interesting, so put in the plug for those. But I think it's content-driven, and I think we've had a lot of success more recently with Peacock and we'll continue to in 2023.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. How do you think about the economics of Peacock? And how do you balance that with the linear business?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

That's the right way to ask the question because that's how we think about it. We're running the business in total. And so you got to get the linear business, which is a very good business, and a cash flowing business, highly profitable business that you want to protect, but migrating to streaming.

So, I think, first and foremost, how you protect it and think about it is you make sure you've got content availability for both and you can make the decisions of what goes where and how things window. And that we have, right? Most of our sports rights, if not almost all, are negotiated with both linear and streaming in mind. So, we've got the opportunity to sort of pick and choose what we put where. Our -- most of our content is coming from our own Studios, which gives us a lot more flexibility. It's one of the benefits of having this type of studio and content production engine that we do.

So I think that's the -- when you really step back, you'd say, you've got to protect linear, right, because there's a lot of cash coming out of the business. And even though subscriptions are declining and ratings are declining, we've got to program that appropriately to sort of preserve the cash flow characteristics of it, but doing so with an eye towards making sure we're migrating to streaming on sort of the right continuum.

And so the same things you mentioned before that were benefits to us on the back half of 2022 in terms of driving streaming for and driving subscriptions, you got to have the right amount of content plugged into streaming and get that business off the ground. So streaming, it's obviously a newer business. There's technology costs. There's platform cost. There's -- you're building a new brand. So, it's a costly pivot. We're right in the middle of that right now.

We said this year would be sort of the peak loss year on EBITDA, and then we'd start to rebound beyond 2023. So, we said roughly $3 billion for this year. And then trajectory beyond this, it's more favorable as we head towards breakeven and beyond. But I do think if you were to think about a guiding principle, you'd say, the good news is linear plus streaming is a growth business, right? We actually -- when you combine those categories, we grew revenues last year. That's true not just for us. It's actually true for the industry as well. That's helpful, right? That means subscriptions in general are growing. Engagement is actually growing. So you're not losing out to another category, but it's just you got to manage the pivot from one to the other.

And what you'd ultimately like to see over time is have -- last year, we added 11 million streaming subscribers, those were all domestic that far exceeds the amount of linear subscriber losses that we had. So that's a helpful thing. But what you'd like to see is more parity in that trade-off, right? And so what are the things that would create more parity? You've got to drive engagement on Peacock. And as Jeff said at a conference back in November, I believe, we're seeing 20 hours per month on Peacock at this point. That's actually a pretty high level of engagement. We think we could probably drive that higher. But ARPU monetization and churn loyalty are going to follow engagement trends.

And so that's the balance we've got to get right. You want to make it more of a parity trade-off, you can -- you've got a replacement mechanism. You're adding a streaming sub as you lose linear subs, and you've sort of got it covered domestically. Right now, we're sort of in peak expense mode around funding this transition. But using that as sort of the guidepost and what you need to aspire to long term and hence what you have to -- what the Peacock economics have to turn out to be and what you need a Peacock subscriber to be, I think, is instructive and what we're focused on.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. Would you say that you're looking at EBITDA growth, linear plus streaming post 2023, off the same basis...

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

That's right. Yes, that's a good way to frame it, looking at the business sort of holistically.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes, I agree. One thing I wanted to ask you is you recently stopped taking new sign-ups for the free tier on Peacock. I guess 2 questions on that. First, what are your plans to monetize the existing free user base? And then second, is that leading to more sign-ups on premium or the premium plus year, because people can't get free anymore?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think if you -- what we just talked through and you use that as your guide, where we see more engagement is in paid AVOD, right? And so, the better ARPU opportunity over time, the better loyalty opportunity, hence, controlling your churn, sits in the paid AVOD category. And so that's what's behind the move. We think this is, hopefully, an accelerant for that category. And within that, we've got the Xfinity sub base, which is right now on the free tier, but for premium content, and the ability to move that over, over time, which should be a boost this year for paid AVOD subs for Peacock.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Okay. And maybe talk about the Studio for a moment, you mentioned the slate. I think profit there has been really stable for the past 5 years, even through the pandemic. What's the outlook for the business going forward given the investments you've made into the slate? Will it be more of the same? Or do you see growth ahead for the Studio?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

I think we're optimistic it's growth. And I think there's 2 things that are probably beneficial. And as you look at successful studios and the opportunity, everybody had ahead, there's probably an industry-level opportunity, which is there are just more ways to monetize at this point. There's different windows you can sell into. There's sort of content on a case-by-case basis, what goes where and more path to sell into, which is helpful, not just for us. That's sort of an industry-level comment.

What's more unique to us when you get into who can actually execute on this, you got to have great content coming out of your studios to really effectively execute on this. We were the #2 in worldwide box office last year, tremendous success with Jurassic and Minions, M3GAN, Halloween's successful. And as we look at the year ahead, I think it's more of the same. We're super excited about the Puss in Boots in the market right now. Mario coming in roughly a month or so. And then Fast 10 not too far behind. It's another great slate for this year, which means you can get into all those windows, serve them more profitably over time. So, we're bullish on the Studio business.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. Okay. Let's talk about Parks. '22, you had strong performance. What's the outlook like for 2023 in the domestic parks as well as in international, particularly in light of the COVID restrictions last year and also the attractions that you're adding this year? And can you, maybe as part of that, talk about how demand is holding up, given concerns over the macro environment and potential impact on the consumer? Are you seeing any slowdown in visitation and per caps?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. It's -- our Parks are off to an exceptional start for 2023. If you rewind to 2022, as you said, our domestic parks actually did really well. Our international parks, Japan sort of came in and out. There were COVID restrictions in place. But when those were released and some government incentives were put in, Parks did incredibly well. Beijing was sort of a different story as the condition -- the restrictions around COVID were more severe through most of the year, and then those started to get lifted, as we know, towards the back end of last year.

So put that all in context, we had a really good year in 2022 for 3 of our parks. Attendance levels were above 2019 levels, so 2 domestic parks plus Japan. And as you look towards 2023, off to a really good start at this point, where domestic showing no signs of a consumer slowdown in our parks right now. I think we're all waiting for the phone call if that's happening, but it hasn't happened yet. And so clearly, parks and experiences are resonating with customers. I think the newer opportunity we will have is to get back to international visitations in the domestic parks that replicate what we used to see in 2019 and prior years.

So historically, that was around 30% of our attendance. And those are guests that are staying in the hotels. They're generally engaging a little bit more, a little bit higher per caps. But that's a good base of customers we want back in our parks at the volumes they were in before. So that's an opportunity in 2023 in our domestic parks.

Internationally, I think we're seeing a lot of momentum in Japan at this point. We're seeing a lot of new momentum in Beijing, which even though we launched a while ago at this point, it's still a brand-new park for most people and haven't been able to visit it, and all of a sudden, the restrictions are lifted.

So, I think we've got a very good outlook for parks. And then if you think about the new attraction slate, which is ultimately going to be an incremental driver, we just launched Nintendo in Hollywood. That's off to a very good start. In many ways, we kind of just launched Nintendo in Japan, even though we actually launched a couple of years ago, the restrictions made it such that a lot of people haven't actually experienced it. And so, we're getting sort of a brand-new wave around that in the park in Japan. Beijing obviously is a new park. So that's completely refreshed brand-new attractions.

And then in Orlando, we have one of, if not, the biggest incremental park to be built domestically for the last potentially 20 years in Epic Universe, which is coming in 2025. So, we're super excited about Epic. What that's going to turn our Orlando destination into is exactly that. It will be 3 large-scale dry parks, plus a wet park that make it a potentially a weeklong destination, which is different than how we've been before where it was tacked on to some other visit. This is actually a destination, which for hotels, per caps, et cetera, I think can be a really good thing. So, we're incredibly bullish on the Parks business.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. And can you talk about your plans for investment into the Parks business? I mean you mentioned large-scale expansion in Orlando with Epic. You also recently announced some smaller scale attractions you're planning in Dallas and Las Vegas. How long is the runway for investing in long-term growth in the Parks?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

We're happy to go invest in Parks. It's been very high returns for us. We have in refreshing sort of what's in the parks. It's translated into strong attendance. It's translated into strong per caps. So we tend to see very strong and immediate payback when we do things like that. We are at an abnormally high part of the cycle right now because we're bringing Epic on. Epic is not an extension of existing park. Epic is a brand-new park in Orlando that's obviously costing us several billion dollars to bring to the market.

This year, we said -- so 2023, we said Parks CapEx will be up another $1.2 billion off of last year's capital, and that is -- we're sort of in peak Epic phase. I would say we're probably '23 and '24 peak Epic's CapEx. So, $1.2 billion up this year, think about similar levels for 2024. And then we'd expect to decline after that. So, the pipeline beyond Epic, Epic's going to open middle of 2025. So capital intensity will sort of decline pretty rapidly towards that.

And then what picks up on the back of that are smaller scale projects. So, we announced one north of Dallas in Frisco. It's going to be -- think about a smaller park, leveraging a lot of our kids IP coming out of our great animation franchises. So clearly, a niche of the market that we think is interesting to serve. We think it's complementary to our bigger parks and will act as feeder mechanisms into our bigger parks. But those are smaller in scale between Frisco, and then we're doing something in Las Vegas as well, but both of those in the smaller category. But, interesting test and learn using existing IP, where we think those will be successful franchises for us.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. Maybe to wrap up on capital allocation. I think you returned more capital to shareholders last year than any other company in the sector, $18 billion, as you mentioned, in dividends and share repurchases. How should we think about capital allocation going forward?

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Yes. I think our priorities are the same. And it's, number one, reinvest in our business; number two, protect the balance sheet. And we've sort of been fairly consistent in saying we really like the ratings where we operate on the credit rating side and want to protect those. We had a period of time with Sky where we were out of bounds and then got back inbounds and worked really hard to get back inbounds. So, we want to protect the ratings, and that's roughly 2.4x net debt-to-EBITDA. There's a range around that. But if you want to point number, that's what we've guided people to.

And then returning cash to shareholders. And as you mentioned, $13 billion in buybacks last year, close to $5 billion in dividends. We actually just raised the dividend again sort of high single digits. So really good trajectory and momentum there.

But I'd go back to the first category. We're investing heavily in the business this year, everything we've just talked about. And we did last year as well in the context of returning a record amount of capital to shareholders, so really good balance. But the investment categories, which I'm excited about it go back to sort of the 4 things I laid out initially in terms of the buckets where we're investing.

Connectivity, we talked through this. We're investing aggressively in the network, right, under the same CapEx intensity umbrella, but we're going to take the network pretty aggressively to mid-split DOCSIS 4.0 and multi-gig symmetrical that's going to keep us competitive versus anybody. So, in the Platforms business, we're investing in Sky Glass, X1, Xumo. And all these things come together under the global technology platform, which is globally integrated and gives us a real foothold out to the consumer as their aggregation layer, which we think is incredibly important.

And then on the content side of the business, we obviously want to fund our studios. You've seen a lot of working capital pick up as we've gotten back to production post-COVID. That's still going to be a priority for us and then getting the streaming pivot right, which we're in investment mode right now because we have to be, but we know what we're pointed to and we know, hopefully, what success looks like on the other side.

And then final category, experience, is we just talked through it, right? We've got a great pipeline, both with additional attractions in existing parks, but then also a brand new park in Orlando coming in a couple of years that we're really excited about.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Yes. Okay. Great. Well, thanks so much for joining us, and that was a great discussion. Thank you.

Jason S. Armstrong - *Comcast Corporation - CFO & Treasurer*

Great. Thanks, Bryan.