OVERVIEW:
Company reported adjusted EBITDA of $10.2 billion, adjusted earnings per share of $1.13, free cash flow of $3.4 billion, EBITDA of $8.3 billion, EBITDA of $2.2 billion, EBITDA of $833 million.
CORPORATE PARTICIPANTS

Brian L. Roberts  Comcast Corporation - Chairman & CEO
David N. Watson  Comcast Corporation - President & CEO of Comcast Cable
Jason S. Armstrong  Comcast Corporation - CFO
Marci Ryvicker  Comcast Corporation - EVP of IR
Michael J. Cavanagh  Comcast Corporation - President

CONFERENCE CALL PARTICIPANTS

Benjamin Daniel Swinburne  Morgan Stanley, Research Division - MD
Brett Joseph Feldman  Goldman Sachs Group, Inc., Research Division - MD
Craig Eder Moffett  MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst
Jessica Jean Reif Ehrlich Cohen  BofA Securities, Research Division - MD in Equity Research
John Christopher Hodulik  UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst
Jonathan Chaplin  New Street Research LLP - US Team Head of Communications Services
Philip A. Cusick  JPMorgan Chase & Co, Research Division - MD and Senior Analyst
Steven Lee Cahall  Wells Fargo Securities, LLC, Research Division - Senior Analyst
Vijay Jayant  Evercore ISI - Senior Manager Director

PRESENTATION

Operator

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

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

Marci Ryvicker - Comcast Corporation - EVP of IR

Thank you, operator, and welcome to our second quarter 2023 earnings call. You’ll first hear from Mike Cavanagh and Jason Armstrong, then Brian Roberts and Dave Watson will join us and be available for Q&A.

I will now refer you to Slide 2 of the presentation accompanying this call, which can also be found on our Investor Relations website and which contains our safe harbor disclaimer.

This conference call may include forward-looking statements subject to certain risks and uncertainties. In addition, during this call, we will refer to certain non-GAAP financial measures. Please see our 8-K and trending schedule issued earlier this morning for the reconciliations of these non-GAAP financial measures to GAAP.

With that, I'll turn the call over to Mike.
Michael J. Cavanagh - Comcast Corporation - President

Thanks, Marci, and good morning, everyone. I'm very pleased with our second quarter results, which, again, demonstrate that our focused efforts to invest and innovate in businesses that offer significant revenue growth, while we carefully manage the contiguous areas with structurally lower growth, is paying off.

Total revenue grew 2% and the six growth priority areas we have outlined: residential broadband, wireless, business services, theme parks, streaming and premium content creation in our studios, grew nearly 10% year-over-year and now represent 55% of total revenue. This revenue growth, combined with careful management of margins across all businesses, generated mid-single-digit EBITDA growth and double-digit earnings per share growth.

Looking further into the future, we expect to continue to drive significant growth in these areas and to continue to identify and invest in organic growth opportunities across our strong portfolio of businesses. We are also very clear-eyed about the challenges that we and our competitors face in other business lines and have established thoughtful plans, which will enable these businesses to continue to meaningfully contribute both financially and strategically.

Importantly, the net effect of this approach is a path to sustained future revenue growth for the company in total, driving strong earnings and free cash flow growth -for what I expect to be many years to come. Significantly, we have, by far, the strongest balance sheet among our core competitors, which allows us to continue to invest for growth, while returning substantial capital to shareholders through both dividends and buybacks, which will drive excellent free cash flow and earnings per share growth.

Now let me call out a few highlights from the quarter. For the first time in the company's history, we generated over $10 billion in quarterly EBITDA. And while the diversification of our businesses means there were several significant contributors, I would highlight three that stand out to me in the quarter and reflect the consistency of our investments and the resulting durability of our growth profile.

The first is broadband ARPU growth of 4.5%. Stepping back, I am confident we have a winning hand in convergence. We're the largest broadband provider with a high-quality, ubiquitous network and the most cost-efficient upgrade path to higher speeds. In addition, we can compete effectively in wireless with a capital-light approach and a very strong value proposition for our customers. We also have a long history of consistently surrounding our products with industry-leading features and capabilities, ranging from the coverage and control aspects of our WiFi experience, to content aggregation through our X1 and Flex platforms, which is how we have been able to achieve near record low levels of churn and grow ARPU consistently quarter after quarter.

This second quarter's 4.5% growth was no exception and is a testament to our ability to appropriately balance rate and volume, to effectively segment the market, and surround our broadband product with industry-leading products and capabilities. The broadband market remains highly competitive, but we have and will continue to invest to sustain our position as a market leader.

Second is our parks, which continues to be such a great story for us. Our teams have consistently introduced new and innovative attractions, leveraging both our owned or licensed IP. We opened Super Nintendo World at both Universal Hollywood and Japan, which helped drive the record results in the quarter.

Later this summer, we will be opening a new Minion land in Orlando and we look forward to Donkey Kong in Japan next year, as well as starting the previously announced kids-theme park in Texas and the Halloween Horror experience in Las Vegas. And I couldn't be more excited about the opening of Epic Universe in Orlando in 2025.

Third is the strength of our film studios, and in particular our animation business. Super Mario Brothers crossed over $1.3 billion in worldwide box office to date making it the second highest grossing animated film ever. This is another incredible achievement by Illumination and Chris Meledandri.

We also invest in successful franchises like FAST, highlighted by the successful launch of the latest installment with Fast X during the quarter. Of course, we just released Oppenheimer, which grossed about $180 million this past weekend, to a tremendous acclaim from critics and movie goers.
alike. Oppenheimer is such a powerful and impactful movie, and we at Comcast, couldn’t be more proud to work with Christopher Nolan to bring such an important movie to audiences globally.

We have the very best roster of creative partners, and these innovative filmmakers enable us to invest in a strategic slate, which is one of the keys to our continued box office success, where we remain #2 in box office year-to-date.

All of these results and accomplishments - from broadband differentiation to studio leadership, to our part success - are a function of our focused leadership team, commitment to innovation, strong balance sheet and disciplined approach to capital allocation.

As I look at our company, I am extremely bullish on the durability of growth drivers we've invested in so consistently and in our continued ability to invest and deliver through a variety of businesses and economic cycles.

This was also my first quarter with direct responsibility for NBCUniversal. As I observed in a note announcing some organizational changes a few weeks ago, NBCU is a very special place with tremendous opportunities ahead. I could not be more impressed with the depth of talent and particularly with our leadership team. And I am very confident that the new streamlined organization we have just put in place and which has been very well received, will help us move even faster and make even better decisions.

As you know, NBCU operates a diverse array of businesses, each with leading market positions. In addition to film and parks, which I referenced earlier, we have the #1 TV portfolio by total audience, and our TV studio is award-winning and prolific. We're the #1 most watched news organization in the U.S. And sports continues to be a huge driver with the NFL, NASCAR, golf, Premier League, the World Cup on Telemundo, including the Women’s World Cup going on right now, Big 10 starting this fall, and the Paris Olympics coming up next year.

I am also confident that we have the right strategy for the future. We produce premium content through our studios, distribute it through our TV networks, Peacock and third parties, and further monetize this content with our theme parks and consumer products.

In streaming, we launched Peacock as an ad-supported model that is an extension of our existing business. We set out a plan, which we have adapted as needed, and Peacock is strong and growing. We gained 2 million paid subscribers in the second quarter, going from 22 million to 24 million paid subscribers. This growth was largely driven by conversion of Comcast subs to paying relationships, which started in June, and we're very pleased with the results so far.

Without a doubt, consumer trends, such as cord cutting and new competitors, particularly from the technology sector, present challenges for us. And we are facing an uncertain macro environment, which continues to pressure linear advertising, but I firmly believe that we have the business strategy, management depth and financial strength to emerge as long-term winners and value creators as the landscape evolves at NBCUniversal and across the company.

Another challenge in the near term are the writers and actor strikes. We remain committed to reaching a fair deal as soon as possible so we can get back to doing what we do best, which is making great content together.

With that, let me turn it over to Jason.

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

Thanks, Mike, and good morning, everyone. We had a really strong second quarter. And to take you through it, I'll start with our consolidated results on Slide 4.

Revenue increased 2% to $30.5 billion, while adjusted EBITDA grew 4% to $10.2 billion, a record level, driven by continued operating leverage at our high-margin Connectivity & Platforms business as well as strong growth at studios and theme parks. We grew adjusted earnings per share by 12% to $1.13 and generated $3.4 billion of free cash flow, while returning $3.2 billion of capital to shareholders.
Our healthy level of free cash flow in the quarter includes the significant investments we're making to support and grow our businesses in six key growth areas: our connectivity businesses, including residential broadband, wireless and business services connectivity, theme parks, streaming and premium content in our studios. Taken together, these areas generated more than half of our total company revenue in the quarter and grew nearly 10% year-over-year, consistent with the first quarter.

Now let's turn to our individual business results, starting on Slide 5 with Connectivity & Platforms. As I get into these results, I'll refer to year-over-year growth on a constant currency basis.

Revenue for total Connectivity & Platforms was flat at $20.4 billion. Our core connectivity businesses: domestic broadband, domestic wireless, international connectivity and business services connectivity - increased 7% to over $10 billion in revenue, while video advertising and other revenue declined 7% to $9.8 billion. Our strategy continues to incorporate a strong focus on investing in and driving growth in high-margin businesses, while protecting profitability in businesses with secular headwinds through disciplined cost management. This resulted in 170 basis points of margin expansion for Connectivity & Platforms in the second quarter, while margins for our domestic legacy cable business improved 240 basis points, reaching a record high of 47.3%.

Diving deeper into the details. First, I'll unpack connectivity revenue growth. Residential connectivity revenue grew by 8%, reflecting 4% growth in domestic broadband, 20% growth in wireless and 26% growth in international, while revenue for business services connectivity grew 4%. Domestic broadband continued to be led by very strong ARPU growth, which increased 4.5% for the second consecutive quarter. As we have said before, our goal is to protect ARPU by retaining the appropriate balance between rate and volume and to serve our customers' constant demand for more from our network.

We continue to see the use cases for better and faster Internet increase. Demand for higher speeds is increasing, as is average network consumption, and our customers are hanging more devices off our network in their homes. The average monthly data usage for a broadband customer that doesn't take video from us is nearly 700 gigabytes and continues to grow. In fact, this is nearly 70% more than the average usage from the comparable quarter in 2019 pre-pandemic.

Additionally, nearly 3/4 of our broadband customers are now on speed plans of 400 megs and above. That's up from less than 50% last year, and less than 20% in 2020. We plan for our network and product capabilities to stay far ahead of demand, so that we maintain our position as a market leader delivering the best broadband possible. To that end, our transition to DOCSIS 4.0 is progressing well. We're more than halfway through the year and have implemented our mid-split technology to 25% of our footprint and are on target to complete 1/3 of this build by year-end, with the first commercial launch of DOCSIS 4.0 in just a few short months.

We're also hard at work when it comes to expanding our footprint. We've grown our homes and businesses passed by 1.5% year-over-year to 61.8 million and we are on pace to meet or exceed our goal of 1 million new homes and businesses passed for 2023, with future footprint expansion remaining a high priority.

Growth in domestic wireless revenue was due to higher service revenue, driven by continued strong momentum in customer lines, which were up 1.4 million or 30% year-over-year, to 6 million in total, including the 316,000 lines we just added in the quarter. This marked the seventh consecutive quarter of more than 300,000 line additions.

We continued testing some new converged offers in the quarter and we're encouraged by an increasing mix of new customers to Comcast, and we'll continue to experiment with different offers over time. With just 10% of our domestic residential broadband customers taking our mobile offering, we have a big opportunity and long runway ahead for growth in wireless.

International connectivity revenue grew to $1 billion, a record high and demonstrates the strength of the Sky brand and the ability to leverage a leadership position in video and extend that to connectivity with significant success. Broadband, which accounts for 2/3 of international connectivity revenue, continued to grow at a mid-teens level, benefitting from both an increase in customers and ARPU compared to a year ago. The remainder is wireless revenue, which tends to have more variable growth due to handsets, which contributed to the higher growth rate this quarter.
Finally, on business services connectivity, revenue increased 4%, reflecting stronger growth in enterprise and mid-market and a slight deceleration in growth from small business, where we are seeing a bit of macroeconomic pressure. The strong revenue growth overall in our connectivity businesses was offset by declines in video due to customer losses since last year as well as declines in other revenue, reflecting similar dynamics in wireline voice.

And finally, in advertising, which was impacted by lower political revenue in our domestic markets and the macro environment. Connectivity & Platforms total EBITDA increased 4% to $8.3 billion, and as I mentioned a moment ago, an adjusted margin that expanded 170 basis points. This is driven by the mix shift to our high-margin connectivity businesses, coupled with very strong expense management. In fact, every line of expense was down year-over-year, except direct product costs, which are success-based and directly associated with the significant growth in our connectivity businesses.

Further unpacking our Connectivity & Platforms EBITDA results between residential and business, residential EBITDA grew 4%, with margin improving 180 basis points to reach 38.9%, again, highlighting our favorable mix shift, while business EBITDA grew 5%, with margin improving 40 basis points to reach 57.7%.

Now let’s turn to Content & Experiences on Slide 6. Content & Experiences revenue increased 4% to $10.9 billion, and EBITDA increased 7.5% to $2.2 billion, driven by record results at Parks and strong growth at Studios, fueled by the success of Super Mario Brothers. Taking a closer look at the results, our Media segment combines our TV networks and Peacock, matching our holistic approach to managing these businesses.

As viewership shifts to streaming, our dual revenue strategy at Peacock, where we’re growing advertising and distribution revenue, is offsetting declines in linear revenue. At the same time, we are managing costs at our linear networks and reallocation of some of these resources to Peacock, with the goal of maximizing profitability over the long term across our media portfolio. You see that in our media results this quarter with stable revenue as strong growth in Peacock offset the performance of our linear networks. Media EBITDA decreased 18%, which included a $651 million EBITDA loss at Peacock.

To get a little further into the details, domestic advertising declined 5%, with underlying trends consistent to prior quarters, reflecting continued softness in the overall market, partially offset by strong growth in advertising at Peacock, which increased over 75%, driven by strong demand. We expect these overall results in advertising to continue in the third quarter.

Domestic distribution increased 2%, driven by Peacock distribution revenue growth of nearly 70%. Peacock paid subscribers landed at 24 million compared to 13 million a year ago, and 22 million at the end of the first quarter.

As Mike mentioned, in June, we began an effort to transition Comcast bundled subscribers who receive Peacock for free to a paid relationship. We’ve made some nice progress to date as the conversion activity drove Peacock’s second quarter subscriber growth, and we’re bullish on further increasing our Peacock subscriber base through the balance of 2023, driven by both our continued conversion efforts as well as strong programming in the second half.

Some highlights include a strong lineup of movies exclusively on Peacock in our Pay-1 window, including Super Mario Brothers, coming August 3, a day-and-date movie, Blumhouse Five Nights at Freddy’s, coming at the end of October, and continued benefits from our next-day broadcast, Bravo content, along with a strong sports lineup, including Sunday Night Football and for the first time, Big Ten.

Turning to Studios. We had a great quarter, driven by our film business, including the latest installment of the Fast franchise and the tremendous success of Super Mario Brothers. While theatrical revenue growth was offset by lower content licensing at our television studios, due to the timing of when we deliver content, the momentum in our film business, led by the success of Mario, fueled nearly $260 million in year-over-year growth in Studio EBITDA.

At Theme Parks, revenue increased 22% and EBITDA increased 32% to $833 million, a record level. Our park in Hollywood continued its momentum from opening Super Nintendo World last quarter. The positive consumer reaction drove strong attendance and per cap growth, helping Hollywood to deliver its best quarterly EBITDA in its history. Our international parks are both experiencing nice rebounds post-COVID.
Our park in Osaka delivered a record level of EBITDA for a second quarter as it continues to benefit from strong demand from Super Nintendo World. And our park in Beijing enjoyed its most profitable quarter to date, resulting in strong improvement compared to last year when the park was largely closed due to COVID.

In Orlando, our comparisons were impacted by unprecedented levels of visitation last year, but underlying momentum remains healthy as attendance was relatively in line with 2019 pre-pandemic levels, while revenue was substantially ahead of 2019 levels.

I’ll now wrap up with free cash flow and capital allocation on Slide 7. As I mentioned previously, we generated $3.4 billion in free cash flow this quarter and achieved this while absorbing meaningful investments in our network and theme parks. These investments drove a 20% increase in total capital spending, primarily driven by higher CapEx, which was consistent with the outlook that we provided on our last quarter call.

At Connectivity & Platforms, CapEx increased 11%, with CapEx intensity coming in at 10.4%, primarily driven by investments to accelerate our growth in homes passed as well as transition our U.S. network to DOCSIS 4.0. Content & Experiences CapEx increased by $344 million, driven by parks, with Epic accounting for the majority of this quarter’s increase in spend.

Turning to return of capital and our balance sheet, we repurchased $2 billion worth of shares in the quarter. In addition, dividend payments totaled $1.2 billion, for a total return of capital in the second quarter of $3.2 billion. We ended the quarter with net leverage at 2.4x, in line with our target leverage.

With that, let me turn it over to Brian for a few words before we turn the call back to Marci.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Thanks, Jason. I’m really pleased with our team and this outstanding performance for the first half of the year. It was a terrific quarter on all the great metrics you’ve just articulated. So, I’d like to just zoom out a bit.

And probably what’s most exciting is the hopefully, recurring and sustainable model that we’re able to leverage our faster-growing businesses, which you laid out, to generate revenue growth for the entire company, and then we convert that all the way to free cash flow per share that accelerates with the strength of our company and our balance sheet. I really couldn’t be more proud of the team, excited about the future.

So, Marci, let’s turn it over to you for Q&A.

Marci Ryvicker - Comcast Corporation - EVP of IR

Thanks, Brian. Operator, let’s open up the call, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ben Swinburne from Morgan Stanley.

Benjamin Daniel Swinburne - Morgan Stanley, Research Division - MD

Question on broadband, and then one on NBC. Maybe for Mike and Dave. When you think about the converged offers you have in the market, I know you’ve been testing more of the investments in the network. Those tailwinds against sort of the headwinds around competition, housing,
fixed wireless. When you put that all together, how are you feeling about the ability for the company to return to sort of consistent broadband customer growth, particularly when you look into maybe the seasonally stronger back half or into next year?

And then, Mike, you mentioned the strikes. There's a lot of different ways that those could impact your business, depending on how long it lasts, but I'm particularly interested in free cash flow for the company and also Peacock.

There's a lot of expectations around Peacock profitability improving or losses coming down and continued growth. When you put the strike into context for us, how should we be thinking about the impact should this last longer than expected?

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

Ben, this is Dave. Let me start with broadband, and hand it over to Mike. I think when talking about this environment, you got to start where the market is and where the customer is going. And the customers continue to be highly engaged in multiple broadband applications, streaming, gaming, all trending up.

And you look at the other thing that is happening, just an increasing number of simultaneous device usage that's happening in peak moments. And now we have over 1 billion connected devices, WiFi-connected devices to our network. So that's -- from an overall perspective, that's just very encouraging.

And you look at the results, non-video broadband customers are doing more than 700 gigabytes per month. And you take one key area, one major streaming part of the business, and that's sports. And it starts with just making it really easy to find the sporting events. So great voice search that we have on our platform.

Multiple ways to consume sports and linear: DVR, streaming, all seamlessly connected. And then, of course, comes when big sports moments happen, you want reliability, fast speeds, great coverage and capacity. And you look at just what happened Thursday Night Football, Messi and MLS. Peacock has a fantastic sports slate that will be streamed and consumed that way.

So you need great broadband to be able to back all of that up. And so I think that's a great driver over time. But in this environment, we are seeing continued lower move activity. Competition has still increased. And fixed wireless, you brought out there, they're still pressing. However, we are seeing some rational promotional activity. It's early, no changes to any trending. But when you see that in the competitive environment, that is encouraging.

Both voluntary and nonpaid churn remain below pre-pandemic levels, and that has continued. So, our game plan in this environment is that we're going to invest in our network, we're going to focus on upgrading and the mid-split, all that activity is on track, leading to 4.0, beginning the deployments and trialing activity starting at the end of the year. No change to our game plan.

And we're going to segment the base. And we've consistently focused on the starting point, high-end broadband activity in tiers. 1/3 of our customers are plus or 1 gig, and we've launched our new 2-gig service to 25% of our footprint. And overall, 75% of our customers are for 100 megabits or more.

So we're going to continue to leverage mobile. We're going to press aggressively with mobile and even new broadband partners, like NOW TV, which is a great streaming video tier that showcases Peacock. And the net of this is a stable base, 32 million residential broadband customers and while protecting resi broadband ARPU growth.

You saw us do that in Q2 at 4.5% ARPU growth. But in this environment, we're still competitive and lower activity. It's a period of flux. And in some quarters, we may report customer losses. That being said, to your question, we believe over time, we will return to subscriber growth. And certainly, we're seeing more normalization back-to-school is going to happen in Q3. And most certainly, there's some seasonal normalization. But over time, I'm confident that we will be able to balance this formula of ARPU, focus and over time, getting back to the subscriber growth. Mike?
Michael J. Cavanagh - Comcast Corporation - President

Thanks, Dave. So I think I'd just add a point. If you look back at the first half of the year, what Dave and his team have been doing and continue to do in terms of setting the broadband business, which is obviously extremely important to the future of the company up for long-term success by continuing to improve our product, add innovation around its segment the base, extend the footprint, all the things that you want to see happen, while protecting pricing, are all outstanding work in a competitive moment in time.

But I think, as you know, we here and Dave and his team, in particular, are thinking what are the implications for the long term as we think about how to compete in the short term.

Going to your question on the NBC side on strikes, I'll just repeat what I said earlier, which is that we are committed to reaching a fair deal with the guilds as soon as possible. Beyond that, just say it's really for all involved in the industry broadly, a prolonged work stoppage. And the longer it goes, the worse it will be. It's, obviously, going to have a negative impact all around.

To your question about free cash flow, nothing to quantify in the context of our company. I mean it's all manageable, but it will shift studio working capital out of the near term and into the future. So probably for 2023, a little bit of lower working capital, higher free cash flow and the flip side of that in 2024.

As you look at Peacock, I wouldn't point out anything in particular related to strikes and its effect in 2023 or second half of the year. Obviously, the longer the strike, the more that could have an effect as you look into 2024 and beyond, and that would be for ourselves and others, obviously. So it's a level playing field.

But to comment on Peacock, in particular, in the second half, we've got a lot of strong content coming. So we've got NFL coming back. Obviously, then, on top of that, we have an exclusive NFL wild card game. We're going to have Big Ten for the first time, which is fantastic on Saturday nights. In movie slates, we've got Super Mario Brothers coming to Peacock shortly. We've got Exorcist, Five Nights at Freddy's, as Jason pointed out, coming from Blumhouse. And then on TV side, some originals, including Continental, which is related to the John Wick franchise. So we feel very good about the strength of what we have coming in the second half of the year content-wise.

And then beyond that on Peacock, I think there will be a continuation of the good work that we've done inside the company to convert Comcast subscribers over to a paying subscriber status, which we're not quite halfway through that as we only got started in June on that score. So over the remainder of the year, that will also be happening.

So when you look at the doubling of Peacock subs year-over-year, and I'm optimistic about what the second half of the year brings, feel pretty good about Peacock.

Operator

Your next question today is coming from Craig Moffett from MoffettNathanson.

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

Two questions, if I could, regarding your wireless business. One, there's been some talk in the market as there was some discussion on the Verizon call yesterday. Sort of calling, if not fully into question, at least kind of raising some eyebrows with respect to the permanence of that contract.

I'm just wondering if there is anything that you can say about the durability of that relationship and your confidence that, that is, in fact, an irrevocable contract? And then second, you've obviously now started to subsidize handsets more frequently in line with the way the whole market really operates. I wonder if you could just talk about that a bit and talk about your views on customer lifetime value that you're seeing with new customer acquisitions given the handset subsidies and expected churn?
David N. Watson - Comcast Corporation - President & CEO of Comcast Cable

Thanks, Craig. This is Dave. So let me start with the wireless MVNO question. And -- so let me start with -- we have a great MVNO and really like our approach towards the business from day 1 and continue to feel that way, and definitely think that cable is a material and really strong benefit to our partner. And so we have a good relationship with Verizon -- and -- so that continues.

Really key is we have a perpetual access to all the services that we need from Verizon’s network. So it’s just straightforward, that’s the way it is.

So let me start with -- then let me go into the handset subsidy point. We go in and we go out in terms of different offers. So we’ve always consistently had promotions, and they come in different forms, can be in the form of gift cards, can be outright promotions that are discounts and, in some cases, a free device.

But it’s not every day. That’s not part of our everyday game plan. We will go in and out with that. And we increasingly focus on higher-end mobile tiers, and we have a great slate there between by the gig unlimited and premium unlimited. So we stay very focused on the core service offering and been very strong in terms of the really consistent performance in terms of wireless growth.

We really like the long runway ahead that we have and things that we’re just getting going in small business and wireless. But I think our core wireless pricing provides customers with the savings that help us compete against the telecom companies, like between 30% and 50% savings versus the telcos.

And so we got a strong position partnering mobile with broadband, got great WiFi overlay and a strong MVNO, as I’ve said. So we like our capital-light approach. We like our core service offering approach, and it’s been effective.

Operator

Our next question is coming from Brett Feldman from Goldman Sachs.

Brett Joseph Feldman - Goldman Sachs Group, Inc., Research Division - MD

Disney has said that they’re looking for potentially a partner to help them transition ESPN to a more direct-to-consumer model. You have a really big sports franchise as well.

How are you thinking about further transitioning NBC Sports to a business that is mostly streaming? Is it something you think you would need to partner for? And maybe broadly speaking, do you think as sports businesses become more streaming-centric, there’s an opportunity or need for consolidation among those platforms?

Michael J. Cavanagh - Comcast Corporation - President

Thanks, Brett. It’s Mike. So I’ve been asked about and read the speculation that, in some way, we might be interested in swapping businesses as part of what’s going on in the sports space. And I would just say that, that’s very improbable given the -- as you could imagine, there’s tremendous issues around tax, minority shareholders, structuring generally.

So I would put aside the idea that there’s anything inorganic that is likely to happen around ESPN, in particular, which is what we’ve been asked about. When I think about our own sports business, I think we’ve got one of the best portfolios in sports, Sunday Night Football, Big Ten, EPL, NASCAR, WWE, Olympics next year, PGA.
So -- and we've got a very acclaimed group of people in terms of producing excellent content around those sports. So obviously, it makes us a really strong partner to leagues around the world. We're known for that, and I think we bring a lot to the table whenever there is a time, and that includes Sky Sports as well, obviously.

So that brings us to the table with more than money when it comes time for discussions around how rights owners want to create value for their participants. And I think we are doing a very good job, in my mind, of continuing to do that in a way that has tremendous reach, obviously, through NBC and the broadcast side.

We can leverage our cable nets, as we've done through -- in various sporting events using our cable nets. But really importantly is Peacock. And we looked at one of the great drivers of Peacock subscriber growth has been sports. And I think it adds to the value of the Peacock subscription, the fact that when we looked at the value of rights that are streamed inside Peacock, where it is and where it goes when you include the value of Olympics next year, it is very substantial and would alone represent a really good deal for the consumer just sports within Peacock. So I think that's how we see our evolution. We're in sports. We're going to continue to be in sports, and that's the game.

Operator

Our next question is coming from Phil Cusick from JPMorgan.

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

Lots to talk about. One follow-up on Brett. Do you think that you have the right sports rights mix? Or could you stretch your lead and Peacock's lead by taking more over time? And then second, could you dig into the strong Hollywood and the weaker Orlando numbers? So it looks like Orlando, just, in general, is a little bit softer year-over-year, but we have been thinking you had been taking share. Do you agree with that? And how do you see that going forward?

Michael J. Cavanagh - Comcast Corporation - President

So sports rights, going back to that last question for all the reasons I said, and I'll keep it shorter this time. We should -- we're always looking to see if there's ways to add more value to our business and likewise, work with partners. So obviously, NBA is coming up. That's a fantastic property. We don't necessarily need it given the portfolio we have, but given its strength and our historical involvement in the sport, is something I'd like to see us take a look at as for instance, but we'll see where that goes.

And then on theme parks, we have, I think, one of the best quarters we've seen. Tremendous momentum in the overall portfolio. We feel very, very good about the parks business overall. Hollywood was a record on the back of Nintendo opening up. Japan doing well and a record as well there for second quarter and Beijing, highest level of profitability.

In Orlando, it is really compares very well to pre-pandemic. We're obviously down on attendance, which was kind of unprecedented in the back of coming off COVID. So not surprised by that softening. That said, we're at levels of attendance and per caps being better so that overall, we feel good about what we're seeing in Orlando.

We have had, with a stronger dollar, still are seeing softness of international attendance, which continues to be about 30% lower than pre-pandemic levels. We expect that to sort of continue. And on the domestic side, it's just been a rebalancing with cruise lines back and people, the flip side of the dollar doing some international travel. It's the dynamics that you see in Orlando. We feel really good about what's going on there. And Brian, you going to jump in here?
Brian L. Roberts - Comcast Corporation - Chairman & CEO

I just want to add that -- really bullish on the parks. It’s one of the 6 areas Jason mentioned that we feel are the growth driver of the company in the years ahead. We were just down in Orlando, recently looking at Epic Universe progress, and it’s spectacular.

What’s coming in 2025, we have the two parks -- the smaller parks in Vegas and outside Dallas. So we’re looking for growth in this area. We’re pretty excited about the results that Jason and Mike have talked about, and I just draw your attention that the opportunity in Orlando with Epic is pretty massive, we believe.

Operator

Our next question is coming from Jessica Reif Ehrlich from BofA Securities.

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

I have one maybe longer term and one near term. First, on content. You just announced a restructuring in your content area. And with the current strike, which is kind of reminiscent of the pandemic where all production is shut down, at least in the U.S., it seems like an opportune time to rethink your entire content strategy.

So, are you thinking differently at all about how you produce, what you produce, what your costs are? And just anything you can say about how NBCU may change its approach to content in coming years.

And then on advertising, the upfront, I guess, is still dragging on. Can you talk about what you’re seeing with the strength and weakness? And where the dollars are being allocated to what platforms? And I think that Jason just said that Q3 advertising will be similar to Q2?

Michael J. Cavanagh - Comcast Corporation - President

Good. So in terms of content, I’m really pleased with -- Jessica, with the elevation of a couple of my partners at NBC. One of them being Donna Langley. She’s one of the most respected people in Hollywood, along with -- we’ve got a great leader, Pearlena Igbokwe, who runs our TV studios.

So I think giving them a sort of content vertical that’s going to work closely with Mark Lazarus on the TV side and platform side and Cesar Conde on news and Telemundo, I think, is going to really make -- take advantage of the company that we have. We’re going to, obviously, be very much focused on creating great content.

But I don’t -- we already do create great content. I think when you look at the movie slates we’ve had and the TV that we produce for ourselves and others. And I think that strategy is going to continue. We’re not going to be creating content exclusively for ourselves, but I think it’s a great advantage for our studios to actually have platforms that can take a substantial amount, though not all, of the content that we can create, which puts us in a great position to work with all sorts of talent and creators in Hollywood and elsewhere, can come work with our great leadership in our studios, and we help bring their ideas to life.

In terms of cost and strategy and so forth, that’s a -- we will work in the context of the industry and the buyers and what they’re looking for and be responsive to that. But I feel very, very good about the way our studio businesses are set up.

In terms of advertising, the market -- ad market softened versus last year. It stabilized as it came into this year and has stayed stable, and I think that would be on the back of just uncertainty -- economic uncertainty, about economic outlook looking forward. And I think Jason’s comments are, we don’t see that condition changing as we’re looking into the third quarter and second half of the year.
As you know, I think we feel good about our upfronts. Despite those headwinds, our total cash and pricing levels were roughly in line with last year and really strong related to Peacock in particular. But a lot of that comes from the strength of our portfolio, as I’ve kind of mentioned earlier, where we see strength around Big Ten, Sunday Night Football, Peacock, One platform and the like, all things that are helping us out quite a bit.

Operator

Our next question comes from Steven Cahall from Wells Fargo.

Steven Lee Cahall - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Just two on the connectivity side of the business. Maybe first on the broadband ARPU, really strong at 4.5%. I was wondering if you could help us unpack that a little bit. Maybe what in there is price increase? How much do you think you’re getting from customers up-tiering to faster speeds? And maybe what might be coming from cord cutting as some of your double-play video subs go to single-play Internet or Internet plus mobile bundles?

And then on the international side, where revenue growth is really strong, can you just help us think through what kind of margin contribution you get on international? You talked about more handsets in the quarter. I’m guessing those are a little lower margin as is some of the U.K. connectivity stuff. But as we just think about that as a growth driver, how should we think about the margin or EBITDA contribution from international?

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

Got it. So let me start with ARPU. And you hit on a couple of the key points. First off, pretty strong performance in the quarter. As we’ve said, we’ve seen 4.5%. And there are multiple drivers. There was a little bit more rate that we took early on, not widely different, but a little bit more than we did in the beginning of the year.

I think a critical one for us is tier mix. And we have 1/3 of our base, that’s a gigabit plus, and that’s 75%, 400 megabits are higher. That definitely impacts the overall ARPU. And I think one that’s maybe not as understood as much as maybe it should be, but we have a wonderful product called xFi Complete. 25% of our base has that.

And let me take one second, describe what’s in it. It’s a gateway. It’s a great gateway that’s included in the tier, with a path to upgrading the gateway over time. You have an opportunity to do that in advanced security is included in that, unlimited is included in that, and then a coverage plan, making sure your whole house is covered.

So xFi Complete is a great tier, good value to customers, at 25% of the base. And then there’s the bundled discount that you mentioned. When customers go to HSD only, you lose the bundle discount. And so all of those things factor in. So I think it’s a positive that there are multiple drivers that are helping.

And the thing, Steven, that starts with is just where the market is going, and I mentioned that before. And you have this very stable group of customers and -- that are just using more. And over time, that continues to trend up. And we have this balance of a stable base and healthy ARPU growth.

On international connectivity and the margin side, so it’s -- this is a great growth area for us. And you look at the -- from a revenue perspective, just starting with that because that impacts margin, the revenue increased 26% this quarter, as Jason said in the call. And the 2/3 of that revenue comes from broadband, which continues to grow at mid-teens level and was driven by a higher level of customers and ARPU compared to a year ago.

Remaining 1/3 is wireless, which tends to have more variable growth quarter-to-quarter due to handsets. And so, this is a solid quarter growth rate, and it will impact margins. So -- but normalizing for the mobile side of things, revenue growth, I think of maybe the right level to focus on is more closer to the 20% level for international connectivity.
So I think this is a strong part of the portfolio. And a definite contributor towards, as Jason has said, one of the main pillars of not only just domestic broadband and mobile, but also the international broadband and mobile. Jason?

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

I think, Steven, important for us, as we came into this year with the resegmentation and how we sort of presented out to the world, this was an important category. So international connectivity, as we think about Sky and taking the brand name and reputation that they’ve sort of earned in video, and taking that into other products like broadband and wireless, the way they have, this quarter, $1 billion in revenue coming from connectivity internationally.

So kudos to the team, and I think important that we’ve been able to highlight that to the Street.

**Operator**

Our next question is coming from John Hodulik from UBS.

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

Maybe a couple of questions on profitability. I think maybe for Jason. First, really impressive performance on the cable side, 240 bps, 47%. I mean how’s the visibility into further margin expansion from here, especially given you’ve got a couple of mix shift issues, obviously, more broadband and less video, but also more wireless?

So anything you could tell us about the sort of outlook there. And then on the Peacock side, doing better in terms of losses there, is $3 billion losses for this year still the right number for Peacock? And anything you’d say about the sort of path to profitability beyond ’23 would be great.

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

Yes. Thanks, John. Good question. So on mix and margins in the connectivity business, I think we’ve had a fairly consistent track record, if you look at the last several years, of margin expansion.

If you look at the core sort of legacy cable business, as we mentioned, this quarter, record margin over 47%. And the factors that have contributed to that historically are in place as we look forward.

I think Mike’s comments upfront about being able to grow revenue, being able to grow margins, that’s a key part of it. So to your question specifically on connectivity, there is a mix shift going on when we talk about sort of the six key growth drivers across the company, three or sort of core connectivity growth drivers, whether it’s broadband -- residential broadband, business services or wireless. This is an accretive mix shift for us as we think about the way the categories are sort of shifting and what’s growing versus what’s not growing.

So I would look for more of the same. I think also importantly for the team, for the second consecutive quarter, every expense line in Connectivity & Platforms was down year-over-year, except for direct product costs, and those are the costs that directly support the Connectivity & Platforms revenue growth in the categories we talked about.

So outlook for more of the same and continued margin expansion out of the business. I think on Peacock, you’re right, we came into the year and gave guidance for roughly $3 billion in losses. No change to that. As you see, we’re pacing to that over the first couple of quarters. We’ve got a lot of incremental content as we think in the back half of the year, as Mike said. So no change to that guidance.
Our next question is coming from Vijay Jayant from Evercore ISI.

Vijay Jayant - Evercore ISI - Senior Manager Director

So I think Jason talked about future expansion of the footprint being a high priority and the BEAD dollars by state of being sort of allocated. Can you just talk about -- is that really going to be a big opportunity in terms of participating in that and driving that footprint?

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

This is Dave. Let me jump into that. So we operate in 39 states, where they're expected to be subsidy money. And we're actively engaged both at the federal and state government levels.

So as the framework rules of bid participation are being developed, we're actively -- they're looking at it and working, I think, in a good way at all levels. So assuming satisfactory outcomes on the framework rules, we're going to be full participants in bidding where it is consistent with our business goals.

But it's too early in the process for us to comment on where we'll bid or the potential win rate. But we're active right now building out edge outs. As Jason has talked about, we're going to build out even before any BEAD activity. The BEAD activity, by the way, is really going to be more rules will come out and be clarified. This is a '25, '26 kind of an impact once it clears up.

But in the meantime, we're actively edging out and looking at opportunities where it's a profitable return and aggressively pursuing it. So, 1 million homes passed, we expect to build this year alone. So, we're going to be aggressive in the meantime. But considering -- we'll stare closely at it. And assuming the satisfactory outcome, we will be a participant.

Marci Ryvicker - Comcast Corporation - EVP of IR

Operator, we'll take our last question.

Operator

Our last question today is coming from Jonathan Chaplin from New Street.

Jonathan Chaplin - New Street Research LLP - US Team Head of Communications Services

Just to drill into broadband in a little bit more detail. The shift from 1Q to 2Q was quite different from what it has been, historically, in terms of broadband net adds. I'm wondering if you can give us just a little bit more color on how much of that was muted seasonality versus some of the initiatives that you guys have been pushing on the competitive front with low-end broadband offer and the wireless bundles.

And in that context, you mentioned that wireless is starting to have a bigger pull-through impact on your broadband subs. So, there are more new to Comcast subs taking wireless. I'm wondering if you can give us a little bit more context around that?

And then sorry to pile on, but one last one. On wireless, for Jason, when we look at Verizon's wholesale revenue, it seems to have flattened over the course of the last 3 quarters, which suggests that maybe you're getting some gross margin expansion in the wireless business. I'm wondering if that's accurate.
**David N. Watson - Comcast Corporation - President & CEO of Comcast Cable**

So this is Dave. Let me start on the broadband part and a little bit on wireless. So as we saw, the base is stable, 32 million. And this is sequentially and year-over-year for this quarter. We also flagged -- we talked about this last quarter, we expected more normal seasonal activity so that net adds would be lower than Q1, but we also expected a more muted step down in net adds from Q1 to Q2.

This is a combination lower overall move activity, the overall macro issues that we've experienced over the past year in the market. At the same time, we did, as you brought up, we go in and out in terms of offers. We had some offers really targeted in the multiple segments that we serve, more in the lower end. And we had some traction on some of that. So that did help. And so we'll continue to be opportunistic throughout the year.

And we -- as I mentioned before, to your point on wireless, we absolutely, aggressively packaged mobile with broadband. And this is for new and existing customers. So mobile is a great extension of the relationship and a really profitable way to existing customers that are HSD only. So it's one of the key things that we do.

And I think over time, we're going to continue to stay focused on that. I think there's as much of an opportunity to grow the mobile business and really help broadband -- is going to the base as well as attracting new customers. So it's a double win from our perspective. Jason?

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

Yes. Just, Jonathan, thanks for the question on wireless. Can't speak to Verizon and their revenue trajectory. I know they've got a few different things in the wholesale revenue category beyond just cable. But I can speak to obviously, the economics of our business. We're happy with it. We think it's good business for Verizon. That's sort of what they said yesterday, as they think about traffic and ways to fill up their network.

But for us specifically, we've got a revenue stream coming in for customer from customers. We have a wholesale deal with Verizon to accommodate that traffic where there's outflows, but then we're also trying to offload as much traffic as we can on our own network.

We've got a fairly efficient acquisition vehicle and that a lot of this is just marketed to our own broadband subscribers. So in terms of acquisition costs, I think we're fairly efficient in the market. And then all the way down sort of closer to cash flow, this is a capital-light model, which we like. So I'll leave it there.

**Marci Ryvicker - Comcast Corporation - EVP of IR**

Thank you, Jonathan, and thank you, everyone, for joining us on our second quarter call.

**Operator**

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