REFINITIV STREETEVENTS

EDITED TRANSCRIPT

CMCSA.OQ - Comcast Corp at Deutsche Bank Virtual Media, Internet & Telecom Conference

EVENT DATE/TIME: MARCH 10, 2021 / 2:00PM GMT

CORPORATE PARTICIPANTS

Michael J. Cavanagh *Comcast Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

Okay. Thanks, everyone, for joining us this morning. I'm Bryan Kraft. I cover the cable, media, telecom sectors for Deutsche Bank. And I'm really pleased to introduce Mike Cavanagh. Mike is the CFO of Comcast. Mike, thanks for joining us today.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Glad to be here, Bryan. Good morning to everybody. Thanks for joining us.

QUESTIONS AND ANSWERS

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

Mike, why don't we start off with some reflection back on 2020. It was a highly unusual year with many challenges for Comcast, there were also opportunities. How was Comcast able to capitalize on these opportunities? And at the same time, adapt and learn from the challenges to come out of the pandemic on even stronger footing?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, I'll take it in a couple of pieces. I mean, it was clearly a completely unforeseeable type of year and one, I think, we'll all put down our own personal business histories as one of the biggest challenges you could have as a leadership team and, really, a company.

And so I think the story of the year was something we're quite, quite proud of because we started out with -- I mean, basically 1 year ago, right, really with Sky in Milan first shutting down, followed by a little bit of awareness what might be coming our way. I would say, the immediate focus of the operators in the company was how to conduct business in a way that was safe for our employees and stood up the company for our customers, which was obviously of critical importance to our customer base that their broadband worked in the world we ended up in.

So -- and at the same time, we focused on making sure -- because none of us knew at this time a year ago, bond markets were shutting, not opening. None of us knew how -- just what it was going to be like. So you can imagine the scenario planning, liquidity planning. We issued some bonds. We slowed down some projects. We paused. But I would say the company then quickly moved from those very early moments into the mode of, okay, how do we sustain this?

And that became the story of -- last thing, items that we did because they were the right thing at the moment. And in that category, I think of the heavy move to self-install in our business on the cable side. The movement of our call centers to work from home. The throughput that we saw increased in digital tools on that side. On the NBC side, the move to premium video-on-demand. A whole variety of work that I think we'll come back to it. I think many of the learnings are going to sustain as we go forward.

But then Phase 3 was really an awareness, I think, that the world is going to be different after COVID. And to spend time without running around with our hair on fire as we settled into all this, what's it going to take to get the businesses set up to win on the other side. And again, in the Cable businesses, we're going to get into that a lot. But I think with the carry-through of just making sure our network and our services can and will stand up to the heavy tests they were put under and carry that momentum into the future.

I think on the NBC side, Jeff Shell was a new manager, 2 months into his job when this hit at NBCUniversal. And he went through a big reorganization to get the businesses set up, and we can come back to that again. But I think a lot of great work on getting leaner across all the businesses, TV businesses. But also needing to realize that the parks were shut down and taking the cost base of the Parks business, which went from close to $3 billion of EBITDA to negative EBITDA, was a major project, but I think set us up for the future. And then Sky, similar stories of just making sure we set ourselves up to win in the future.

So I think we feel good about the way the business has come out. On top of that, we did a tremendous amount on the diversity and inclusion on the ESG front last year with our $100 million commitment, our push into Lift Zones, digital divide with -- through Internet essentials. So all in all, I would say, I couldn't be prouder of what the company did in 2020. And I think it actually shows us a lot about the way this company can and will, I think, thrive in the future on the back of just the mere fact that we stood up to the test, but also the fact that we took advantage of the opportunity to rethink some of our businesses and learn from the circumstance that was thrust upon us.

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

Connectivity services for residences and businesses are the primary driver of revenue and cash flow growth in the Cable business. Starting with residential, how would you characterize the sustainable growth outlook in the business over the next several years? And what factors underlie that outlook and your confidence in achieving it?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, I mean, I take that in a couple of pieces. One is just our recent and current performance, our differentiated product, the road map that we have going into the future and the fact that we've faced competition decade over decade in this space and stood up well.

So first, performance. Last year, we had a great year, obviously, in the broadband business. Obviously, there is a lot going on. But as we came out of last year and as we've said on the earnings call a month ago, we feel good about the momentum in broadband net adds that we bring into the first quarter of 2021. So that's point one. And that's on the back of strong trends in new connects, together with a continued strength in keeping churn down. A lot of things we implemented in the pandemic that will again carry through.

Like I said, on -- it's been 15 years now where we've added 1 million plus or more subs, and so we're dialed in to continue to drive in that range. And as we said on the earnings call, I think for this year, looking back to 2019, it's a good benchmark year, it feels -- continues to feel like a good place to kind of think about what our goals and expectations are.

And to get into why is that, I think you've heard Dave Watson and Brian and myself talk about this many times, but I think the idea of how much we've invested in differentiating our broadband product. It's not just a pipe. We've focused heavily on investing in the network, significant investments over the last few years. So speed has always been and capacity has always been strong.

But the further differentiation, obviously acknowledging a competitive world and a world that will change in the future, things like Flex, things like xFi, where you get control over the WiFi in the home. Our equipment, the fastest routers, all of that -- and the WiFi hotspots out of the home all go into the package of making sure that our broadband in our footprint is thought of as best-in-class.

And when you combine that with what we've obviously seen in the pandemic, which is that this is a product that enables people's lives in a way that is only growing more and more each year, and as we're talking before we got on about doing this call from where we happen to be in our homes. I don't think a lot of this stuff is going away. It's going to change and we're going to enable it in different ways. And there's going to be the next invention that requires greater and greater reliance. And so I think that's to our significant advantage.

And then when it comes to capitalizing on that, we think DOCSIS 3.1 and our steady investment in continuing to bring fiber closer to the home, to keep bringing it to the home and all new developments, mid splits in the network, together with just the road map for continued ability to bring capacity up and down to our product, that's the fruits of a lot of years of efforts. And we've done that. We'll talk further with -- in a world where capital intensity is coming down. And that's on the back of just steady strategic investment in the network, and I think we got plenty of room to continue.

And again, I think when it comes down to the final point of just, sure, we're going to face competition. We have in the past, there's been all sorts of efforts to get into the business that we're in and overbuild us. And I think that's one other thing, I wouldn't underestimate Dave Watson and our cable team when it gets down to the business of attracting and retaining customers when it comes down to just pure competition, marketing sales in the face of competition. It's something we've seen before. We're used to it and we know how to play that game as well. So I think I hit a lot of the key points on that. There's more, so.

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

Okay. Why don't we talk about business services for a second. That was an area that was initially impacted by COVID-19, but it seems to be recovering. What's the opportunity for growth over the next few years there?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Well, proud to say that, one, business services is an area that we've had a lot of focus on for quite some time. We're now at a $8.2 billion revenue base in 2020, and we grew that revenue every quarter in 2020. So overall, revenue -- pace of growth wasn't as strong as we've seen in the past couple of quarters but -- I mean, past couple of years. But nonetheless, we grew right through. And to your question, it's coming back. Small business, no question, is -- we're feeling it with -- we're indexing sales greater than 100% of prior year. So good momentum in the small business segment as we speak.

But it's not just getting more subs. I mean, I think one of the things that we're -- this has been a layered approach over the decade-plus that we've been doing it of initially taking a fundamentally residential data product and bringing it to small businesses. But as time has passed, we've increased the services that we can bring to small businesses as the businesses scale. So everything from video surveillance, network management, WiFi in the premises for the business owner and security of their networks, you name it. So that's actually been a deeper sell-in that allows for more revenue per customer on the back of more value to the customer, so they do more with us and grow their business.

And I think everything we've seen in the pandemic has actually reinforced -- the behavioral changes of your business customer out there is going to be quite similar to what we've talked about on the residential side already, which is going to be how do they enable customers to access them more remotely. How do they enable their employees to do things over a network more and more. So I think that will continue to happen and we're quite encouraged. So I feel really good, and we've seen very strong growth in ARPUs in that business over time in the small business side.

When you get into the mid-market and larger enterprise, starting to come back, not back as fast as small business. A lot of that relates to sales cycles and the like, but we're pleased with what we're seeing there. So I think the outlook -- and the outlook there, you've heard this before, many of you have heard it from us, as we've moved up from the original target market, what we've tried to do to drive long-term possibility for deeper growth and -- is to focus on what we're good at and take -- go after parts of enterprise and mid-market that have characteristics where the customer needs is really built upon the services we already started with. And that has proven very successful.

So when you get into the large segment, we've had to stitch together some services that cross out of our footprint with other cable partners, so that's accomplished. But once you get that done, you're really talking about the ability to serve banking, retail branch systems, stores, retailers, fast food chains and the like, where the local office need looks very similar to the needs of a typical small business. Obviously, you need to bring it all together for headquarters.

And in so doing, you're getting a look -- they're getting a look at what we can actually do, which starts to give us the opportunity to then build out services to serve some headquarters and the like. But all of it is with the view that crawl, walk, run and just keep building on success, and then keep layering on ever more sophisticated services as you move up that stack to where, now with software, we can tie a lot of these network services together with SD-WAN. And more and more levels of network security. We've done a variety of tuck-in acquisitions.

So it's a lot to say, but we feel like we're less than 20% penetrated in a $50 billion market in our footprint, right? And hopefully, you all get the sense of just how focused we are. This isn't a side show. Bill Stemper and the team under Dave Watson really have put together a great, great effort in this space. And so we're very excited to just keep driving for continued success and growth in the business services side of Cable.

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

That's a really helpful perspective on the business side. Let's talk about video for a minute. As your cable video strategy has broadened to feature Flex as a prominent option for customers, how has it impacted the business broadly from a customer metrics and an economic perspective? And what is Flex's role in Comcast's long-term strategy?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Another great example of how we've taken the penchant that our company has for innovation and investing in product, which originally was X1. You just heard a lot of how we brought it to residential broadband through the kit of product and network investment and innovation that we have there, business services and now Flex. So in light of the fact that video is changing from what it once was and we're moving ever more to a streaming world for television, the -- our pipe, our broadband is the best product, as I said earlier, in footprint to consume video.

Not everyone, as we know, given all the forces at work in the media marketplace, want to have the traditional bundle or the modified bundles that we've increasingly brought to cater to different types of customer needs. And while we might have thought that a little bit years ago, I mean we clearly embraced where the world is going with the idea of we have an opportunity to attach to our broadband the kind of brains that goes in X1, to aggregate all that and ingest all that video, staple it to our navigation tools, including the voice remote. And for free, give someone Flex.

And that we're seeing -- so the business rationale is as video itself was to -- primarily to make sure we bring down churn in the broadband business, the center of the plate product. We don't -- many people are worried we'd chase holding on to a video bundle even if it went upside down on us economically, and we are very eager to continue to super serve the segment of the market that values the full bundle that we think is fantastic, and you get that through X1.

But if it's not what you're interested in, rather than chase that, Flex gives us the ability to get the same churn reduction benefit that being at the end of the pipe and providing a service. And so we see 15% to 20% reduction in churn for a broadband customer only with Flex versus a broadband customer without. That's what we wanted to see. That's what we are seeing.

And then it becomes a platform to do more. Obviously, we are a marketer of services for a variety of streaming services. And I think we've -- I think if you're a big streaming service, you look at the success we've had with some of the leading streamers out there of integrating them and helping them sell their products. I think we increasingly look at the lens for monetization of that type of activity.

And it's something that was a tremendous assist to Peacock that we'll get into later, to be able to bring Peacock onto Flex and we'll get to it. But bringing -- creating the second highest-rated new brand during the pandemic was Peacock, no small part due to the ability to drive through our various platforms, including Flex being one of them.

So we're now at 3 million Flex boxes out in the field. We've got plenty of opportunity to just continue to focus on rolling it out and making it available. Driving greater engagement with it and bringing more and more services onto it. And ultimately, it just becomes another platform for providing entertainment choices to our customers. And that can't be a bad thing when you think about 30 million plus customer relationships that we have. And the pandemic has shown network usage, as we shared in our report, still some staggering amount, 70% or something like that of Internet activity, data usage is video entertainment consumption despite what we're doing now.

And so I think that all points to the logic for having a strong service like Flex available in the video space. But it's not an abandonment of our other video strategies, I would say it's a complement, it's a very strong complement to our broadband strategy.

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

Okay. And let's talk about wireless. You've recently made comments about focusing on accelerating growth in wireless this year. Can you be more specific on what you're doing differently in 2021 and how your plans have changed since when you launched the business in 2017?

Michael J. Cavanagh - *Comcast Corporation - CFO*

So I think our suspicion from when we launched the business has played out that with the Verizon network, the best wireless network and with access to the best phone devices, which was all work we had to kind of stand up to activate -- it was on the back of -- having a great MVNO was on the back of selling spectrum many years ago before my time. You recall tremendous skepticism that MVNOs could ever work. We started and Charter is now very much -- we're together in this effort and you see here we are several years down the road.

I think we're real, right? I think there's no one that doubts that anymore. It's sort of where do we go next is more of the question. And I think with the scale that we have and the learnings, we've alluded to just tuning up our MVNO agreement with Verizon, which not going to jump our marketing teams, but will give us more flexibility to offer packages of services that will do what we intended to do for customers, which is give them a great deal on the wireless packages that they want.

Our initial wave was very strong features of a number of lines free, the by the gig or unlimited, and you can mix and match in a household. And the net of it was great ability to bring a great service at a cheaper cost than otherwise available, which when you put it together, is a great connectivity package when tied together with our own broadband, which remember, is still something like 70% of the data that flows over a cellphone is happening over a wired network through WiFi, either in the home or office. So I mean there is definitely -- when you can put a high-end product together that's going to thrill a customer and be done at a better price, there's every reason to think that we have a path ahead.

So with the -- where we go now -- and just like Flex. I think one of the things we hoped for and the cohorts that have come through, we've seen it, is again significant reduction in churn for a broadband customer when you have Xfinity Mobile attached to it. 20 basis points or so of churn reduction versus the sort of control group. So I think we have a lot of runway ahead to just bringing it to the marketplace. Some folks wondered why not more last year and what's the -- versus what the opportunity is.

And I think when we look at the fact that we're rolling Flex into our marketing packages, wireless into our packages, continuing to be committed to X1, we got a lot of tools to do the job of making our broadband relationship sticky and value to the customer. I'd say simply, our messaging this year is that sort of across channels -- and remember, some of our sales channels were closed, the retail stores we closed down last year, those are back up. And I think our message is with some changes to the MVNO and therefore how we'll go to market, together with just moving it up in our marketing priorities, it's simply a big focus and can have benefits for us.

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

And how about on the network side, you've talked about investing into deploying your own cell sites in high-traffic density areas where it's NPV positive to bring traffic on that. How important is this to the long-term profitability of the business? And how would you -- how would the CBRS and the 600 spectrum you've purchased at auction fit into your own infrastructure strategy?

Michael J. Cavanagh - *Comcast Corporation - CFO*

It's optionality, really. I mean I think we've said all along that we get to profitability this year on the wireless business and that's without any offload. But I think the point is that over the long term, given our own network, we'll evaluate but have in our MVNO agreements and with the benefit of the spectrum we purchased with the -- covers 80% of our footprint as it is, the opportunity will exist into a cost benefit trade-off as time passes with should we offload, should we light up some of that spectrum.

It will be targeted. It has the opportunity to be likely targeted where there's the most traffic that we can bring back on to our network. But at the very same time, that leads to the same kind of conversations where maybe we just get -- we may not do it if we find the economics of staying on network get better as time passes. So it's not a must do to achieve any element of our plan, but it's simply an option that we'll capitalize on in the future if and when we like the cost benefit of it.

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

Okay. And overall, in the Cable business, you've guided to further cable margin expansion and lower total capital intensity in 2021 and beyond. What are the factors driving the operating and asset leverage? And how has the experience of operating during the pandemic enhanced this outlook?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, I think overarching, this has been a journey we've been on. And as I said at the earnings call, you described it for 2021 and the years ahead seeing the opportunity to continue to drive margin and expansion and capital intensity improvement -- in cable is our expectation. And why is that? I mean fundamentally, we're just -- the mix shift of revenue and customer relationships moving ever more to where broadband is the center of the plate product with its inherent strong operating leverage and -- at the margin and overall strong margins in and of itself on a sort of fully loaded basis.

Hopefully, here and in everything we've talked about thus far, it's all viewed through the lens of what it does around the broadband relationship, because obviously, there's tremendous leverage around that product. So bringing more as we -- as our mix moves more and more to broadband, you get a natural lift, all other things being equal.

Beyond that, though, obviously, we've got real and ongoing efforts to just become more efficient that Dave Watson and the team have been hard at work for quite some time to just bring -- and examples of that are, again, the -- taking breaks out of the system, errors and cleaning up processes and the like has got us to where we've taken 100 million service calls out of the system. 37% of the calls came out over the last 5 years. Truck rolls down by 25%. At the same time, we've grown relationships by 20%. And so we still have 150 million calls in the system. So the opportunity set to just keep running the play. It's a virtuous cycle. When you focus on what's creating those calls and do root cause fixes, we're getting at it, like many industries do. So that's another factor that just has plenty of room to run.

And I think the one other factor that I'd point out is definitely the tools we now give our customers on your mobile device, through your voice remote, to access digital assistance that put a lot of the service and provisioning at your fingertips. And that's increasingly what customers want and expect. It also happens to be a lower-cost path to giving the customer what they want.

And all that comes through in NPS scores, which as you've kind of gone through the pandemic, where a lot of volumes been driven that way merely because you can't go to someone's home and they have to engage with us through more remote tools and are finding those tools, which is a -- frankly, a benefit of the experience of the pandemic for sort of conditioning our customer base and our agents to drive and commit to get behind that. Fortunately, we had the tools built. But all in all, it's led to a 20-point improvement in NPS scores.

So we'll continue to invest in all of those elements. And I think that cycle -- all those elements run for a while, and that's the backdrop. We'll get to the network probably a little more. But I think our network has so much -- the road map of DOCSIS 3.1 and what we've done and merely what the pandemic has proven to us, I feel very good about the capital plan for the network up against whatever competition comes our way. We're going to be way ahead of customers' needs as we were in the past as we go into the future. So that's the backdrop for both margins and capital intensity.

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

Okay. If data usage meaningfully ramped in 2020, largely driven by the pandemic, what's the outlook on network investment in 2021 and beyond? Do you anticipate any meaningful lift in scalable infrastructure spend in the near-term to further upgrade the network?

Michael J. Cavanagh - *Comcast Corporation - CFO*

I think what you've been seeing us do and what we just talked about, the improving capital intensity is really part of a multiyear, very steady strategic plan to keep the needs -- the capacity of the network and the performance of the network ahead of wherever we stress test in our minds consumer expectations might go and then some. So that's the $15 billion that we spent from 2017 to 2020, 39,000 additional route miles. We've done a lot. We've been doing a lot to just steadily -- and you see it in the numbers and yet intensity continues to come down in that framework.

What I would say is -- and you said it, is the network, we saw peak traffic increase 32% across the network and up 50% in some markets. And again, people working from home changed when peak times were. It had more upload than had been in the past. But upload versus download is still at 14x ratio. So I think our ability to handle the demands of the customer without a blip in such a stressed time, I think, bodes well for the continued expectation that the path we've been on is the path to continue to go down.

We've put more intelligence into our controlling network, looking for problems using AI to just engineer fixes ahead of problems. We used that heavily during the pandemic. As we saw in different parts of the network, node usage spiked and we knew where to go to stay ahead of demands. And it's just a very accommodating architecture that allows you to, as you wish, bring more fiber deeper into the network with a variety of different types of splits to just continue to enhance the ability of a 3.1 architecture to do the job.

And as others have commented, the magnitude of the data that our customers are taking over the network dwarfs what happens over a wireless network. So when you really think about the -- what it would really take to rival the performance of the network we currently have, I like our hand and as does the team. We don't rest on our laurels. And I think we are definitely looking years down the road to the ways to continue to stay ahead of expectations.

But to your question of, are there any big changes in trajectory that we see? Not from where we sit and not from the experience we just had. It'd be a whole different story if we were like Europe and had to slow -- or down res Netflix for -- in order to keep the performance of the networks up. But saw none of that in the performance of our network and the American networks broadly. So feel pretty good about where we sit.

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

Okay. And maybe we could talk about Peacock. The service launched less than a year ago, yet you've hit 33 million sign-ups.

Michael J. Cavanagh - *Comcast Corporation - CFO*

I'm glad to shift gears, but it's kind of amazing that just reflecting back on the conversations thus far, such a -- rightly focused on -- start off with a broadband question. And really, when you think through what we spent the last half hour talking about wireless, Flex, business services, the residential network, there's so much good stuff going on in the business that it's, I think, worth -- I wanted to just point it out in light of the overarching questions about what comes next in the future of those businesses? And I think we just want everybody to hear how focused and committed we are around continuing to drive growth and efficiency with all the levers we just talked about, which are ample. So, sorry -- keep going.

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

No, no, it's a great point. There's a lot of momentum in the connectivity side of the business, and it's worth highlighting. But definitely a lot of interest in Peacock at the same time, which is an exciting new service that you launched less than a year ago. You've announced you've got 33 million sign-ups. I understand that's ahead of your internal expectations. It's certainly ahead of your external commitments. What have you learned so far? And how do you think Peacock evolves over the next several years?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, you said it well. I mean it's off to a start. 8 months, great team, good vision by Steve Burke and the follow-through by Jeff Shell, getting this launched in the midst of a pandemic when one of the anchor elements of our plan that we went through last January was the launch around the Olympics and then the Olympics got delayed. So when -- and productions -- original productions couldn't happen. So to sort of be where we are is a real testament to the -- I think the power of the content and creativity and understanding of the media space that our teams at NBCUniversal have.

And frankly, our commitment as a company in total, inclusive of driving through our cable system, featuring Peacock strongly in Flex and X1, all of it coming together, really pleased with the start we had. And I did mention earlier, but it's just a fun stat. Of the brands that got started -- or the growth in brands. The #1 growing brand last year was Zoom, the #3 was TikTok and the #2, sitting in the middle was Peacock. So I think it all speaks to the power of this combined company to advance a cause like launching Peacock.

So what matters for Peacock, from what we've learned, is content. We've got 30,000 hours of content. 40,000 when you add WWE. It's a great pipeline. Obviously, we just brought The Office on, and that's performing really well. We had some exclusives that we're able to -- Saved by the Bell was a nice success. We've brought from other platforms exclusively onto ours for runs, things like Yellowstone, which are great hits, and Modern Family we have now. But Susan Rovner, who's joined the NBC team, has got the originals pipeline that's going to have a lot of fun stuff in it from Tina Fey and Mike Schur. It's going to be fun to see what comes along the way. I won't steal their thunder. And then, of course, we have the Tokyo Olympics coming.

So I think we continue in the relatively early days to look to leverage a whole bunch of ways in which our own content and our access to content is -- in an AVOD model, has been a strong performer. And we knew that -- we suspected that going in knowing how our assets were performing on other people's streaming services. And so here we are happy to have that follow through. So that one is a lesson learned.

Two is the importance of distribution. So I think already commented on the importance of Comcast distribution, but we've added Peacock onto other platforms. And in short order, I think we'll be on all major ways in which people aggregate their streaming services. So that's the second piece, which is important and in good place there.

And then as an AVOD service, it's about performance in terms of minutes viewed. And as you said earlier, we've exceeded all of our internal targets. People are using -- an average customer is using, minutes-wise, 50% more than we expected. We're ahead of the commitments we made on the advertising side. Remember, we brought in something like 10 sort of anchor advertisers as just sort of founding partners, so to speak, to figure this out together with them. So we'll get the opportunity to start to monetize that over the next year or so as we roll off the initial way we structured the partnerships with the early advertisers.

But it all looks good. And as Brian talked to you last week, we're in the process now of figuring out what the lessons learned mean about where we go next. It will be an iterative and evolving kind of process. I think we have lots of opportunities for doing more. And you can expect we'll kind of lean into our success. But more to come on that as the year progresses.

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

Okay. Yes, we'll look forward to hearing more about those details. You just provided restated financials the other day that primarily impacted NBCUniversal. Can you just provide a high level description of what some of the more important changes were and what led you to the new external reporting structure?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. It starts, as I said earlier, by Jeff Shell has been running NBCUniversal following Steve Burke for a little over a year now. And so as I said, we kind of did a reorganization to bring the TV businesses with Peacock under one cohesive leadership team, programming, content creation, advertising sales, all comes together across multiple platforms in a way that's a, more efficient; and b, I think sets us up for success in the world where both the networks, cable and broadcast together with Peacock, are all of importance to program them right and make sure our best content finds its place in the right way.

So the result of that is Peacock, which we incubated in our corporate segment as we did with Xfinity Mobile a couple of years ago, it was reorganized to come out of corporate, along with eliminations of the sale of content between Studios and Peacock and the networks, all moved into cable -- I'm sorry, all move out of corporate into NBCUniversal. And then we collapsed our Broadcast TV segment and our Cable Networks segment into one media segment, which includes TV plus Peacock in it. Separately, we'll have a studio segment, which is the film and TV studios that are then selling -- monetizing content through content licensing, both to third parties and to our own platforms. And then finally, the Parks segment.

So -- and the bottom line of the company obviously didn't change, but that's how we'll manage the businesses going forward and talk about them, and obviously, provide some commentary on pieces that are going on inside all of those elements. That's the thumbnail sketch of what we did.

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

Okay. Theme Parks has obviously been an evolving story over the past year, to say the least. After last year's complete shutdown, you managed to get back to essentially breakeven in the fourth quarter. How do you see the continued recovery taking shape in '21? What are you seeing from a demand perspective? And how should we be thinking about the Parks' margins post pandemic given some of the operating efficiencies that you've been able to realize?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. So I mean, Parks, we've said it before, well, it's a shame that a pandemic came along to take the air out of the balloon for a little while. But these are -- we have a fantastic business. We're 1 of 2 that can operate at the scale and with the prowess that our Parks division has. So we feel really good about the long-term trajectory of the businesses, the Parks business. We went from close to $3 billion of EBITDA to negative $500 million in a flash. As you said, came back to breakeven in the fourth quarter.

And so as we head into this year, it's encouraging. We're hitting capacity peaks, limited capacities in -- by regulation in our Florida park, but we're basically hitting those on a consistent basis. We just got news that Hollywood, California will open -- cleared to open, again with some constraints, in April. So starting to see the green shoots of the ability to really start to bring capacity back.

I think consumer reaction is fantastic. I think the experience the Park team has offered people that have been going to the Florida park and the Japan park has been excellent. And you can judge that at exit surveys, NPS scores. Do people feel safe. I mean, it's a phenomenal experience. The reviews are off the charts. So I think we will end up feeling good as COVID moves behind us.

And so to be ready for that, where we just brought back -- a week ago, we announced that our pause on building the fourth gate in Florida Epic Universe, which will be a fantastic park, we're back in business to turn that project back on delivery a couple of years down the road. Modest impact to profits and cash flows this year, but an important signal of the company being back on offensive footing. That was one we just wanted to be a bit careful about last year, but kept it warm and we're off and running.

We've got Beijing opening this summer. So it's going to be a fantastic park. Sometime this summer that will open up. Construction is finishing up. And again, hopefully, pandemic passes by and doesn't interrupt. We've got Super Nintendo World opening up in March in Osaka. And then eventually, that will move its way around our other parks. And then new attractions in Orlando, the Jurassic coaster coming and Secret Life of Pets in Hollywood. So we've got a lot coming and feel good that this is a great long-term return on capital business, and we're happy to put our money there.

To your point on margins, we always operated at strongest margins in the space the way -- got a great team, always focused on that score. So look to get profits back and possible that we see some margin, some carryover of the efficiencies we put in place during the pandemic. But we had good -- very strong margins going in, so we feel good about the future of Parks.

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

Great. Okay. And how about on the film studio side, there's been a significant amount of disruption there. Although from an EBITDA perspective, 2020 was actually a good year. I realize there's still a great deal of uncertainty as it relates to the return of theatrical exhibition. But how should we think about the trajectory of the business from an EBITDA perspective as you do transition back to a theatrical or exhibition model?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Yes. I think as we've -- as you know and as we've talked about, the economics or the P&L of a film business is very much a multiyear story. So as we have seen theatrical shutdown that's going to have -- that has positive benefits as production shuts down, too, because you're neither spending money to make things and not spending money to market things. But the tail effect of that is there's -- in the future years, there's no carryover into home windows for revenues related to the cycle of the business. And until you get the machine really going, you might see some cost benefits, but it's more a timing issue.

So we'd like to see the good -- the best news is that we've got a great pipeline of content on the creative side looking for production to really be able to -- we're going on some of our productions and finding the right time to put things in theaters. Theaters aren't really open at the scale in all parts of the globe that we'd like to see. So as you've seen, we just moved Minions back into '22 from '21, wanting to see some better performance of theater openings in many markets of the world. Pushed Fast back a month to the end of June. So we're looking forward to seeing that really come back in full force, but we're not there yet.

We're happy through the course of the pandemic that we've evolved sort of the hybrid model, which you started with some of Trolls and Croods going into sort of a PVOD type of model. And with some of the deals Jeff and Donna and the team have negotiated to just shorten the window on a case-by-case basis going forward, I think all those things bode well for the film business as we look into the future. But I would just make the point, it's going to be -- the lumpiness in the P&L is going to be with us for a while, but the backdrop is healthy.

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

Okay. We only have about a minute left, Mike. So why don't we just kind of jump to maybe a wrap-up question here. And as things reopen and the global economies improve, how would you summarize Comcast's competitive position and future growth prospects?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, we feel good that from, I think, a great discussion, I hopefully get a sense across the place that we feel great about our positioning in all businesses, both the current performance, the momentum we have now and the focus on positioning well for the future. So I think that's point one. Point two would be that we see plenty of areas for investment in growth, whether it be wireless, Flex, Peacock, Parks, we hit many. But I think our posture is to lean into the things that are working and plenty of organic opportunities. So I feel great from the seat that I sit in that we see those opportunities and I think our operating performance business-by-business warrants getting behind those ideas.

I think all that -- and then I think a signal of optimism. I feel getting Epic Universe turned back on gives you a signal that we feel like we have the confidence, as just one example, that we're in where we see the world ahead brightening and we're positioning for that. While at the same time, we see the return of our balance sheet to where we wanted it to be, and we talked earlier in the year about that as we head to the second half of this year.

EBITDA has been our problem as it relates to leverage. But as that comes back, we'll kind of -- we expect to be where we want to be by end of 2022. But hopefully, as I've said, and I'd expect to be in a position to start some buybacks in the second half of this year, while funding all of the right kind of investments for growth that are in the businesses that they warrant. And so I think the company is in a great spot. And it was a hell of a year last year, but I think we entered this year the better for it.

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

Okay. Great. That's a great way to wrap up. Mike, I really want to thank you for taking the time today to spend with us, and thanks to everyone in the audience who's tuned in. Have a great rest of the day.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Thank you. Thanks, Bryan.

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

And hope to see you -- yes, hope to see you in person next year, Mike. All right. Take care. Bye.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Stay safe everyone. Bye-bye.

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

Thank you.
