FINAL TRANSCRIPT

Thomson StreetEvents℠

CMCSA - Comcast Corporation at Goldman Sachs Communacopia Conference

Event Date/Time: Sep. 17. 2008 / 9:30AM ET

CORPORATE PARTICIPANTS

Michael Angelakis
Comcast Corporation - EVP, CFO

CONFERENCE CALL PARTICIPANTS

Ingrid Chung
Goldman Sachs - Analyst

PRESENTATION

Ingrid Chung - *Goldman Sachs - Analyst*

Good morning, everybody. I am Ingrid Chung and it is my pleasure today to introduce Comcast Corporation and our guest, Comcast CFO Michael Angelakis. We have a buy rating on Comcast as we believe the risk-reward trade-offs for Comcast shares is compelling, even in an intensely competitive environment. We believe that expectations for the Company are comfortably achievable and the Company is more focused on growing free cash flow and returning that cash to shareholders than ever before.

Michael joined Comcast last year, but has really only taken over the financial reins fully this year. Prior to joining Comcast, Michael was the managing director at Providence Equity Partners. Before joining Providence in '99, Michael was President and CEO of State Cable TV Corporation and Aurora Telecommunications. Thank you, Michael, for joining us today.

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Nice to be here.

QUESTIONS AND ANSWERS

Ingrid Chung - *Goldman Sachs - Analyst*

So I would like to start off with some bigger picture questions first. Now that you have been in your role for almost a year now, have you accomplished most of the goals that you set forth for the year and what are your new priorities going into 2009?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Interestingly, you know, where I came from, I think, in private equity, the goals and measurements of success I think are pretty compartmentalized and more easily measurable, where you have a pool of funds and invest those funds. You get a return on that and that is sort of your measure.

I think in the new role that I am in here, I think it is very different. Clearly, we are focused on share price and free cash flow and those kinds of things as real measures of success. But I look at the role as one where it is really about focusing priorities internally in the Company. And I think that we have intensified some of our focus around a whole number of efforts that just don't go away. It is not sort of, they stop.

And some of the bigger ones are clearly around capital allocation. Some of the ones are around proactive management expense. Others around how we view return on investment, whether it is CapEx or OpEx. Others involve sort of strategic positioning of the Company, whether it is competitively or in other areas. So I think the job is very varied; I have had a very interesting time. And I think those kinds of priorities and focuses just continue. So -- and where they move up and down on the priority scale.

Ingrid Chung - *Goldman Sachs - Analyst*

So do you feel like you have kind of intensified the focus on return on invested capital and on free cash flow growth? How have you instilled that throughout the whole organization?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I think we have. I think we have tried to do a couple of things. Number one, clearly capital allocation revolves around CapEx in terms of investing in the business. And that is an area where I think we've have spent a lot of time. We have bifurcated how we look at CapEx, both internally and externally. We have tried to create some more transparency around that, again, internally and externally.

And we have tried to instill internally that there have to be reasonable returns of how you invest CapEx and how you allocate capital, in that every year is sort of a new year in terms of when one looks at how you allocate CapEx, what is the benefit to the shareholders of that. And I think that is, I guess again, an ongoing process; we are instilling it into the Company.

Other areas of capital allocation are what is the ultimate result with regards to profitable growth and free cash flow implications. There has clearly been more focus and more analytics around profitable growth and implications around free cash flow. And I think the Company has -- it's a big company; it takes a long time to instill those all the way down, but I think we are making a lot of progress.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. So what do you think is least appreciated about the Comcast investment [gig]?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Least appreciated. Well, in this environment, you know, what I really love about the business model is we have a business model that I think has real resiliency. We are not immune to competitive factors, we are not immune to clearly economic factors. But we have a very resilient business. And we also have assets and market opportunities that are pretty easily identifiable for growth.

So what I really like about the business is we have a defensive, resilient business that can take some body blows related to the economy which we are feeling now. But what we really worry about is growth and how we execute, how we take advantage of those market opportunities.

And I think we are doing it with not a lot of risk. I think we have a reasonable balance sheet. I think we have modest execution risk in how we go about that. So I think we have a pretty rock solid business in terms of how we proceed, and it is really about execution.

Ingrid Chung - *Goldman Sachs - Analyst*

And how does the recent financial fallout in credit markets impact your capital allocation and your business?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You know, it doesn't impact us really dramatically. We are generating free cash flow. Obviously, we are very concerned about the ripple effect that that may have in the consumer market and those kinds of efforts. But if you really look at where our exposures are, you know, we have credit lines and so forth -- we are not worried about that -- with lots of institutions. Goldman Sachs is a wonderful lender to us.

We have hedging in terms of interest-rate swaps, which we analyze, and we are not really worried about that. We have obviously insurance policies that we take out, and we analyze those and gone through the risk profile of those, and I think we feel very comfortable about that.

So, you know, it is more of just a scary world out there, and I think we are trying to make sure we are evaluating whatever risk we have appropriately.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. And do you think it impacts your capital allocation policy? Does it change the way you rank how you are going to use that cash in terms of the acquisitions versus dividends. How is your repurchase (multiple speakers)?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I don't think so. I think we are very focused on sort of risk-reward and I think we are very focused on returns. Clearly, there is a little bit of a somber feeling given what is going on in the marketplace. But I think our business plan is there and we are going to execute it. We know what we have to do with regards to whether it is DOCSIS 3.0, whether it is taking things all-digital or whether it is how we deal with the digital transition in February, or whether we can keep -- I don't think those things change.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. Going to another area of business that is probably being a little bit impacted by the credit markets right now, in terms of wireless broadband and the WiMAX rollout. It seems to us that you agree with our view that wireless broadband is an imperative. I think it would be great if the Sprint/Clearwire JV works out.

However, what if it is not fully funded to free cash flow positive? Would you consider putting more capital into it? How are you hedging against that? What is Plan B?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Well, there is a lot of runway between here and there. First, we have got to get the transaction closed and the joint venture formed. Everyone I know is working hard to get that complete by this year.

When that happens, $3.2 billion of cash comes in, and we will be around a 7% or 8% shareholder. At the same time of closing, roughly 2 plus times the amount of spectrum is contributed unencumbered by Sprint. And with that amount of spectrum, with -- they have a pretty modest debt facility in place and that amount of equity infusion, I think -- I don't want to be repetitive, but I think it boils down to the management team and partners executing on the base of their plan.

I think if we execute well and there is meaningful runway, financing will be there. I don't doubt if we need it -- I don't think we want to get into financing today -- obviously, in these markets. And I certainly think that with all the cash that would be contributed and the assets that we would be contributed, the management team should be focused on how do we work with the partners and execute that business plan. And I think the financing will take care of itself as long as it is successful.

Ingrid Chung - *Goldman Sachs - Analyst*

Is there anything you can say in terms of updating us on kind of the marketing, the joint marketing?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

No, not really. I think it is still early days. I think we are working well with our partners and it is still pretty early days. But we are hopeful and I think we have some of the same visions you do with regard to the wireless broadband.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. So moving kind of over a little bit, but still I guess on capital allocation, do you believe content and distribution belong together? If so, what kind of advantages do you think you would have -- or what advantages does the overall entity have in terms of having both?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You know, I don't really look at either/or. I look at what we are doing with content. We have, obviously, linear channels with content. We are now repurposing some of that for VOD. We are somewhere around 300 million video watches a month on VOD. And now we have launched Fancast on the online side.

So I think we are really looking at cross-platform utilization of content, whether it is linear, whether it is VOD, whether it is platform and it's -- I'm sorry -- online platform and eventually mobile. So from our standpoint, we like content. Our content business is doing very well. And I don't think it is really an either/or scenario.

I think where your question is going is will we look to further add to our content. And from our standpoint, we will look at everything. We looked at a number of content -- or networks that were for sale earlier this year. We passed. Just couldn't get comfortable with either strategy or valuation. But we will continue to look at them and, you know, as we continue to look at sort of the seven business areas that we are really in right now.

Ingrid Chung - *Goldman Sachs - Analyst*

And how would you describe your overall acquisition strategy? Is it based mainly on financial hurdles or do they have to fit into the greater overall strategy?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Yes, we have seven businesses that (inaudible), the way we look at it. We have seven revenue streams coming into the business, all with different maturities. And the way we look at acquisitions is there are strategic filters and there are financial filters, and the acquisition has to sort of pass them.

We're, I think, very disciplined. I think we are very careful about what the returns are. And we are really looking at a go back to capital allocation because it meets certain thresholds. And by the way, we kind of risk adjust those thresholds. There are certain acquisitions that I think have a higher risk of execution for success. That hurdle is going to be higher than if we were to buy a small cable system that is next door to one of our existing cable systems.

So I think that we will continue to look at those seven areas. We are continuing to look at where there is complementary areas of where we can add value. And I think we are going to remain pretty disciplined.

Ingrid Chung - *Goldman Sachs - Analyst*

Of those seven areas, is there any way you could prioritize those? Would you prefer to -- given a good opportunity in any of those seven, would you rather have content, would you rather have cable? How would you rank that?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I don't -- I think it is transaction specific. I don't think we have a particular bent. I think it's -- we are very large cable operator, and by FCC regulation, we can't get a heck of a lot larger. So that certainly pushes you to sort of six other areas. And each of those areas have business plans, and we are really looking [ten in] acquisition.

Or, by the way, an organic investment like Fancast. Fancast was not an acquisition. Fancast was we built that organically. The same thing with our web page, .net. We built that organically. So I think we are looking very carefully at all those areas and build versus buy, or what is appropriate, what makes that sense, what generates real value for the shareholders.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. And is there any sort of must-have content out there that you feel like you need to have?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

No. One thing we are very active in is we are active in the regional sports networks. In our -- we have eight -- eight of our top 10 markets, we own regional sports networks in. We very much like the business from a whole number of factors. It is branded Comcast SportsNet. So even our competitors who want to have sports in the market are carrying Comcast SportsNet. We like that brand. We think it is a very good business, and obviously we have made a couple of acquisitions in the last 12 month in that area.

Ingrid Chung - *Goldman Sachs - Analyst*

Yes. Obviously you have done some acquisitions in the Internet area. And we have gotten some questions as to how things like DailyCandy and Plateau fit together. And we were wondering if you could just describe that.

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Sure. DailyCandy is a very interesting acquisition. It is very local, and it is in a lot of our markets -- Boston, New York and so forth, Chicago. It is free cash flow accretive. So financially, it is actually a very attractive acquisition for us.

It also adds a lot to our entertainment sort of lifestyle genre that we are focused on, whether it's E! or Style, which we have on the programming side, or whether it is on FANDANGO and .net. So we think DailyCandy is a very smart acquisition, both financially and obviously strategically, where we have now a rapport with 2.5 million subscribers every day that we can talk to. It broadens our appeal with advertisers for a pretty interesting demographic. So I think it was a very interesting acquisition for us.

Plaxo was a little bit different. That is more cross-platform oriented, where whether it is online or whether it is even on a phone service, voice service, or whether it is on our data service, and how we integrate that with .net, I think that is a little bit different. But obviously, a pretty interesting transaction as well.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. All right. So just switching topics a little bit and talking about nearer term competitive issues. Why do you think the telcos did relatively poorly in the second quarter and have you seen a pick-up in kind of promotional and marketing activities from them in the third quarter?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I think we are -- I don't really focus on telcos. We have competition, and we have competition by product. And I think that we are really focused on just competing. And I think we competed very well in the second quarter. If you look at the second quarter and you peel back the onion a little bit, if you look at video, in 2005 we lost over 100,000 video subs because of seasonality. In 2006, we lost about 100,000 video subs. In 2007, we lost about 100,000 video subs. And in 2008, where you could argue it has the most intense competition on video, we lost 137,000 subs. So the delta between what 2005 looks like and 2008 is about 30,000 subscribers. I think given the competition, given the economy, I think that is a pretty good job of execution.

Secondly, if you look at the broadband service, I think your numbers show that we took about 75%, 78% market share, which is similar to what our numbers show. I think again we did a very good job of executing. We are not dealing with ARPU issues. We are maintaining really strong ARPUs on high-speed data. I think bottom line, we just have a superior product.

And if you look at phone, we are continuing to grow phone services. And we are, I think, being even more cautious on phone services, making sure that those phone customers are profitable customers and that we are not dealing with any delinquencies, which was an issue we talked about for 2007.

So I think we are very focused on all three products and I think we just executed well in the second quarter. We have gotten, I think, more aggressive on some marketing in some areas, and I think you will continue to see that. I think we have closed the gap a little bit on high-definition. And I think we have just -- frankly, this is blocking and tackling. And I think when you block and tackle well, you know, you do well.

Ingrid Chung - *Goldman Sachs - Analyst*

What do you think is the difference this year versus the year-ago third quarter when things were a little bit disappointing?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I think that -- a whole number of factors. I think that competition was intense. I think we didn't respond as quickly as we should have. I think we are very focused on triple play. We are very focused on growth in terms of -- I mean, if you look at it, we put on a lot of RGU the last year. We are putting on a little bit less this year.

And one thing that does bother me a little bit is, although we did have an uplift in 2007, if you really look at our results, they were great results. I think that, yes, we've had a blip with regards to guidance and we take responsibility for that and disappointed in it. But if you peel that onion back and you look at our core results, they were very good results.

Ingrid Chung - *Goldman Sachs - Analyst*

Absolutely, okay. Time Warner Cable told us that 3Q is seasonally weak for them, whereas I think Comcast has always said that it is seasonally strong for them. Could you compare and contrast that in any way?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Not really. We will talk about that in another month or so. But you know, I think we are very focused on executing on plan for this year. I think that the third and fourth quarter we have issues that are -- they are really initiatives which we are excited about, about DOCSIS 3.0, about taking certain areas all-digital, which we look at as, number one, opportunistic for us, as we look at financially attractive for us, as we look at competitively distancing ourselves from our competitors in certain areas. So I can tell you that back in Philadelphia and throughout the country, this organization is just very focused on getting those things done right.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. So kind of moving towards those bandwidth expansion initiatives that you have. So going to DOCSIS 3.0, it allows you to deliver speeds that are comparable to FiOS. Do you view it more as just a marketing tool or is it more than that?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I think it is a lot more than that. You know, if you think about FiOS, FiOS is roughly 10% of our footprint. And they will grow a little bit more. I don't know where they will end up. But don't forget, in 90% of the footprint, we don't have FiOS, and I don't think anybody can argue that we don't have a superior product.

And I think that speed is becoming more and more important. I just look at behavior, I look at what my kids do. I look at -- I talk to the folks at Google and look at what Utube is doing and video is -- and what we are doing with Fancast and those kinds of things. And I think speed is a really important element. And we will be the leaders in that.

Ingrid Chung - *Goldman Sachs - Analyst*

It seems that most of the talk around 3.0 is about downstream. Will you have to find more channels to kind of get upstream (inaudible)?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Well, I don't think we're really worried about it. Because if you think about what the bonding is, we are going to reclaim through our digital transition significant amounts of bandwidth. We are going to reclaim maybe 300 megahertz of bandwidth, which is sort of 50 channels. Obviously, we want a launch some high def. We will launch some ethnic channels, which we think is a real opportunity for us. And you only need a few more to deal with DOCSIS 3.0, whether it is upstream or downstream. So we are not particularly worried about that.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. So kind of talking about more HD channels, how many HD channels do you think you really need and is there a real difference between having 100 HD channels versus 150?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

It's a great question. And I wonder if anybody in the audience knows exactly how many HD channels they have on their system, and whether they feel like they don't have enough. Because I think once you hit sort of 50 channels, I think sort of there is diminishing returns in terms of how people look at it. All due respect to C-SPAN 2, I don't think people care about watching C-SPAN 2 in high definition.

We will continue to add more linear channels. We have moved up to 500 choices on HD on Demand. We will go to 1000 choices on HD on Demand by the end of this year, and we will increase that with what we call Project Infinity next year.

I think we have closed the gap significantly, whether it is perception of reality with DIRECTV, who I -- hats off -- did a good job last year on their HD effort. And we are continuing to deploy HD boxes at a pretty rapid pace. So we are bullish on HD. We will continue doing more HD. And I think that -- I don't know what the right number is, but I do think there is a real diminishing return in terms of whether you have 50 channels or 70 channels or (technical difficulty) channels.

Ingrid Chung - *Goldman Sachs - Analyst*

And it's more just as a marketing ploy, I guess.

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I think it is.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. So going over to the digital transition, which I know you have spoken about before a little bit, and the potential opportunity there, it is our view that it is definitely a positive and it will have a positive impact. However, our view is that in terms of EBITDA impact, it is going to be relatively small. Would you agree with that or how would you --?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Yes, we are not making any predictions on what the impact of digital transition will be. Very simply, there is no downside for our Company in the digital transition. And we are getting very prepared and look at it as a real opportunity to not only add video customers but to add data and phone customers.

All the research we have done indicates that there is a large population that has phone service, of course. And a meaningful part of the population has a data service. And when the digital transition takes place in February, we hope to provide those folks with a video service that can act as somewhat of a replacement or maybe even a lot better than what they have had historically, and we would certainly like to bundle in with one of our other services.

So from our standpoint, it is a real opportunity. Really difficult to measure. We have tried to garner as much information as we can from Wilmington. We have done a lot of research internally in certain of our markets. And you know, again, it is an opportunity for us and we are going to try to go after it.

Ingrid Chung - *Goldman Sachs - Analyst*

Have you heard anything from the Wilmington market? I know it is a Time Warner Cable market.

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Yes. I mean, obviously I think the very early facts that we have gathered are -- it is positive.

Ingrid Chung - *Goldman Sachs - Analyst*

All right. Fair enough. Going to commercial services, it sounds like revenue growth is strong, although it seems like the pace is slightly slower than last year's growth. We are wondering if you could speak again about if there is going to be an acceleration in the second half. Also, do you feel like the soft economy helps or hurts you in terms of growing at this minute?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You know, this is a great business, and the opportunity is so there for us. I don't think anybody can argue that; there is a real market, there is a real opportunity for us. And again, it boils down to our group going out there and gaining share. And we have done a great job of gaining wireline share into the residential side, and I think we are starting to do a very good job of gaining share on the commercial side.

We grew revenues 40% year on year. We have hired roughly 2500 people for that group. A thousand of them are sales people. There is seasoning and maturity and all those kinds of efforts around sales folks. I think people feel that there is some wind in the sails and we are garnering some momentum. So we are really optimistic about it.

Now with regard to the economy, you know, I would much rather sell into a healthy economy and be able to offer real value and alternative, than a softer economy. The benefits of a softer economy are businesses may be a little bit more interested and value conscious, and that may help us. But we can't control that and all we can really do is do our best to sell our services. And we have now got eight-line phones pretty much throughout the whole country, and I think all our folks have the assets they need to compete well.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. All right, great. I guess shifting to CapEx, CapEx is down 11% year on year in the first half. We do expect CapEx to be up in the second half, as -- our math suggests that CapEx could be flat for the year, but does indicate the second half is going to be higher. And somewhat due to some of your bandwidth expansion products -- or projects. Is that what you are envisioning for the second half?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

Yes, I think we have been clear that we expect CapEx to be somewhat higher in the second half, really related to two factors. The first factor is we will begin to take up to 20% of our systems all-digital, and there is some CapEx related to that. And also, we will begin to take up to 20% of our systems into the DOCSIS 3.0 area, and there is some CapEx related to that.

I think the team has done a very good job of managing CapEx this year. I think we have been very granular in how we look at it, and I don't really see that changing. And I'm please with the opportunities we have with DOCSIS 3.0 as well as with the digital transition.

Our view, which has somewhat changed a little bit, because we took a system or two all-digital last year, and as we looked at what that was like, actually the returns are quite good. And I think what we mentioned on the last call and we will talk about maybe more in the fourth quarter and the first quarter of what we think some of these financial impacts are of going all-digital, which we think, at least with some data we have gathered from examples we have done, is pretty attractive.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. So we are going to go to a few questions from the audience. And as a reminder, there are notecards and there are people who can pick up those notecards for you.

So someone from the audience is asking, "Can you talk about the upcoming retrans talk, in particular with Univision?"

Michael Angelakis - *Comcast Corporation - EVP, CFO*

No, not really. You know, I think that our view is pretty simple, is that we offer a lot of value to broadcasters and we don't think that a free over-the-air service should receive compensation -- or cash compensation. We think they do a very good job, and I don't think this is really the forum to talk about those kinds of discussions.

But we have fruitful discussions. We know the people well. I know the people well there. I was in Providence with an investor and (inaudible) Univision go private. So I can't really talk about that.

Ingrid Chung - *Goldman Sachs - Analyst*

Let's see. Someone wants to ask a question about wireless again. As you have spoken -- or as spoken about before, you've said that you have both strategic and financial filters for wireless. Can you talk about wireless from both those perspectives and what types of services you envision rolling out over wireless?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I don't think we can go into too much about the services for a whole bunch of reasons. But, you know, it is interesting. When I started with the Company just over -- a little bit more than a year ago, there were a number of dark clouds, I think, over the Company. One was, are we going to build a wireless network or are we going to buy a large wireless company. I think we have been very creative and very focused on how we deal with our wireless strategy in a way where the risk-reward is quite good.

How that strategy fits through the two filters is clearly strategically we are looking for a partner that has a lot of bandwidth with regard to the spectrum. And if we think about voice and video and data, primarily video and data, that need a lot of bandwidth, there are very few companies -- actually, there is no company that will have as much as the new Clearwire company will have. So strategically, we think that kind of partnership passes the tests that we need to.

In addition, financially, we hope over the long run our investment in the Company will prove to be, number one, a very good investment, and all the benefits that we have to our Company, both financially and strategically, will also prove out to be very, very good.

What people also don't know or don't always hear -- I am sure they know about it -- is as part of our deal we have a 3G wholesale agreement with Sprint, which could be Plan B, could be a whole number of factors. And I think we continue to have a good working relationship with those folks as well.

So I think the strategy and financial filters that are put in place in the Company, I think Clearwire has gone through it pretty well.

Ingrid Chung - *Goldman Sachs - Analyst*

And are there any specific plans for the AWS section yet?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I mean, no, we have no intention of building that out right now. We continue to clear spectrum, which we think enhances the value. I think our view is, our focus, is how do we make our Clearwire strategy and investment very successful. If it is successful, then we will see what we want to do with AWS. It could actually be an excess asset that we don't particularly need.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, fair enough. So there is another question about CapEx, to kind of CapEx going forward. It seems like bandwidth expansion is probably going to be a higher percentage of your CapEx going forward. Your RGU CapEx, related to RGUs, might come down a bit. On an absolute dollar basis, do you see CapEx coming down over time? Is there a normalized percentage of sales --?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You know, it is really hard to predict because there are lots of things going on. There is new growth opportunities. People have talked to us about cell backhaul, which is another CapEx -- my view is that is very simple; let's go by the numbers. In fact, that is as simple as it probably can be. We have signed a couple of agreements in Philadelphia and I believe Detroit on cell backhaul. I don't think that has any impact on the overall trend of CapEx, which will be a declining trend from revenue.

So if you think about how we are looking at the business, we have got bandwidth enhancements related to DOCSIS 3.0 and going all-digital. We have further investment in our commercial services. We have further investment in areas like new and interactive advertising. And we have obviously our maintenance and our growth CapEx related to RGU growth. I think taking all that together, the trend will continue of a declining number as a percentage of sales.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. On Project Canoe, what do you think the capital commitment is going to be, and will you be building the [Touchbase] yourself or are you considering maybe licensing or using somebody else's platform?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You know, I can't -- I really don't know the answer to that right now. Our CapEx commitment is very modest. I think we have high hopes for it. It is not that intensive a CapEx effort, and I think it has got huge risk-reward in terms of the dollars that we invest in Canoe and what the potential reward for us is on interactive advertising.

So what I am happy about, and one of the things that we focus very carefully on, is when you take all those pretty much offensive investments, you know, that meet the ROI criteria, meet the strategic criteria, as a percentage of revenue, CapEx hopefully will continue to come down. And obviously, the impact is free cash flow.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. So let's see. Let's go back to bandwidth expansion. So you have said that you are going to go all-digital in about 20% of your footprint this year. How much more can that go up, or do you think you need to go up by, like in the upcoming years?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

I think that we hope to get the entire Company complete by sometime in 2010. So our goal is that over -- if you think about it over a 24-month period, 18-month period, and we are going to accelerate it or slow it down, depending on what happens in February -- you know, we don't want to have too much operating activity going on with going all-digital while you have a February 17th event going on, so we will be very careful. But I think over a 18- to 24-month period, we hope to take the entire Company all-digital.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. Thought I'd go to margins. Margins are currently around 40%. Given the mix shift towards higher-margin products, and -- well, which is slightly offset by increased marketing spend, where do you think margins could ultimately go? Do you think margins can expand again at some point?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You know, I think margins are going to be relatively flat. If you look at our guidance, 8% to 10% on revenue, 8% to 10% on OCF. That obviously has a range and indicates margins could go up a little bit or down a little bit. First quarter, we are, I think, down 20 bps. Second quarter, up 20 bps. I think we will have things that we take out of the business. We're taking cost out of the business related to voice. We are taking cost out of the business related to headcount. We are taking some cost out of the business related to HSD.

But on the flip side, there are things that we are adding. We are adding marketing dollars; we are adding customer service dollars; programming rates continue to go up. So I think we are focused on margins. I don't think you'll see meaningful movements one way or another on margins.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay. There is a question from the audience in terms of all the kind of separate box video providers, such as VooDoo, Roku, and Fox. The question is do you view these as a threat to your video product?

Ingrid Chung - *Goldman Sachs - Analyst*

You know, I think some -- not a complete threat. I think that, number one, they are using a high-speed service; that means a lot of speed. Try to do those things over a DSL line and you are DOA. And I think that certainly helps our high-speed business.

I think that they are -- we are trying -- we'll compete with them to get more content on VOD and those kinds of aspects. But we are not really seeing much impact from them as competitors -- actually, any impact.

Ingrid Chung - *Goldman Sachs - Analyst*

No? Okay. They keep going out of business. So let's see -- there is another question from the audience in terms of pole attachment fees. The FCC is proposing adjusting up the pole attachment fees to telco levels. What do you think the probability is this happens and what is the impact on financials?

Michael Angelakis - *Comcast Corporation - EVP, CFO*

We are going through that now. We don't think the impact is severe at all. This is a regulatory aspect and I think right now it is in the full regulatory phase. Clearly, if the FCC rules in favor of us increasing, our costs are going to go up. Do we think we can pass some of that along to certain customers, whether they be voice or HFC? We will have to figure that out. But, you know, we are not looking at that as a material impact.

Clearly, we don't want that to happen. Clearly, we don't think it is fair. But we don't look at it as material.

Ingrid Chung - *Goldman Sachs - Analyst*

Okay, great. All right, I think that is it. Thank you very much, Michael, for joining us today.

Michael Angelakis - *Comcast Corporation - EVP, CFO*

You are welcome. Thank you.
