OVERVIEW:
Co. reported 4Q19 reported revenue of $28.4b and adjusted EPS of $0.79.
CORPORATE PARTICIPANTS

Brian L. Roberts  Comcast Corporation - Chairman & CEO
David N. Watson  Comcast Corporation - Senior EVP & President, CEO, Comcast Cable
Jason S. Armstrong  Comcast Corporation - SVP of IR & Finance
Jeremy Darroch  Comcast Corporation - Group Chief Executive, Sky
Michael J. Cavanagh  Comcast Corporation - Senior EVP & CFO
Stephen B. Burke  Comcast Corporation - Senior EVP & Chairman, NBCUniversal

CONFERENCE CALL PARTICIPANTS

Benjamin Daniel Swinburne  Morgan Stanley, Research Division - MD
Brett Joseph Feldman  Goldman Sachs Group Inc., Research Division - Equity Analyst
Craig Eder Moffett  MoffettNathanson LLC - Founding Partner
Douglas David Mitchelson  Crédit Suisse AG, Research Division - MD
Jessica Jean Reif Ehrlich  BofA Merrill Lynch, 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
Philip A. Cusick  JP Morgan Chase & Co, Research Division - MD and Senior Analyst
Vijay A. Jayant  Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Media, Entertainment, Cable, Satellite & Telecommunication

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast’s Fourth Quarter and Full Year 2019 Earnings Conference Call. (Operator Instructions) Please note that this conference call is being recorded.

I will now turn the call over to Senior Vice President, Investor Relations and Finance, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason S. Armstrong  Comcast Corporation - SVP of IR & Finance

Thank you, operator, and welcome, everyone. Joining me on this morning’s call are Brian Roberts, Mike Cavanagh, Steve Burke, Dave Watson and Jeremy Darroch. Brian and Mike will make formal remarks, and Steve, Dave and Jeremy will also be available for Q&A.

As always, let me now refer you to Slide #2, which contains our safe harbor disclaimer, and remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties.

In addition, in this call, we will refer to certain non-GAAP financial measures. Please refer to our 8-K and trending schedules for the reconciliations of non-GAAP financial measures to GAAP.

With that, let me turn the call over to Brian Roberts for his comments. Brian?
Good morning, everyone. Before we get to the results, I'd like to embarrass our friend, Jason Armstrong, just for a moment, and thank you for your incredible hard work these past 6 years as Head of Investor Relations. And on behalf of everyone at Comcast, and I believe all the investors, say thanks for a great run, and we wish you terrific success in your new role as Group Chief Financial Officer of Sky.

Also, I'd like to welcome Marci Ryvicker, who's joining to take over Investor Relations. Marci's got a talented and successful past, and welcome to Comcast.

2019 was a busy, productive and exciting year for our company, capped off by a strong fourth quarter, and we've already jumped right into 2020 with the debut of our exciting new streaming service, Peacock. As you heard last week, it's a truly differentiated approach to streaming that leverages capabilities from all across our company.

As we look to the future, I am confident that the company we have built has all the necessary components to succeed, and our guiding principles remain the same: be leaders in our markets; continuously improve our products and experiences; and build deep, highly valuable recurring customer relationships. Our world-class teams are executing and operating at a high level, all of which allows us to invest in our businesses and deliver consistent results.

The success of our strategy is demonstrated in our consolidated financial performance. We delivered another year of terrific results with growth in pro forma EBITDA of 5.9%; record free cash flow generation of $13.4 billion; growth in adjusted EPS of 14.7% - the tenth year of double-digit growth in the last 11 years.

These results were driven by Cable as the team's successful pivot to a connectivity-centric strategy and investment in xFi continue to pay off. Cable delivered broadband net additions of 1.4 million, the best in the last 12 years, finishing off with an exceptional fourth quarter, which included 442,000 net additions, a 26% increase over the prior year. In addition, we continue to reap the benefits from our ongoing investments to improve customer experience, setting all-time best for many key metrics, including agent contact rate and first call resolution. We're increasing customer satisfaction and driving unnecessary costs out of the business. All in, this drove 1.1 million net customer relationship additions in 2019, our best year on record, as well as outstanding EBITDA growth of 7.3% and net cash flow growth of 18% for the full year. Thank you, Dave Watson and your incredible team. You're doing a phenomenal job.

At NBC, our content continues to resonate with consumers. We were the most watched media company in the U.S. in 2019. NBC ended the 52-week season at #1 in the key demo for the sixth consecutive year, and Telemundo was #1 for the third straight year in weekday prime. Our film business grew EBITDA by double digits to $833 million, making it the third most profitable year in Universal's history, providing further evidence that our strategic slate approach is working. At Theme Parks, we had a challenging fourth quarter, but overall, it was a solid year during a particularly competitive period, and we are looking forward to new attractions in parks to drive growth in the coming years.

In its first full year as part of Comcast, despite difficult European market conditions, Sky had a good year under Jeremy Darroch and his team, delivering healthy customer additions and 12% EBITDA growth on a constant currency basis. Our exclusive sports and award-winning original content are resonating with our customers in Europe, with viewership up year-over-year. Sky has been a great addition to Comcast and positions us to better compete in a world where global scale matters.

As I mentioned at the outset, we have all the pieces in place for long-term success. True to our guiding principles in 2020, we are leaning into investments that further improve our products and experiences across the company.

First, we'll continue to strengthen our already leading position in broadband. At Cable, we are launching our fastest gateway, delivering true multi-gig speeds with unprecedented WiFi range, and we're providing our customers with added protection by offering new features like xFi Advanced Security for free. At Sky, we are building on our success in broadband in the U.K. and Cable's continued success with xFi in the U.S. to launch broadband in Italy this year.
Second, we will focus on the emerging growth areas of streaming and content aggregation by launching Peacock and accelerating our deployment of Flex and Sky Q.

Consumers are watching more and more video, driven by growth in streaming. And as we highlighted last week, we believe that Peacock, a premium ad-supported service, hits the mark for both consumers and advertisers. In this app-driven world, consumers increasingly are overwhelmed by content fragmentation and endless scrolling. So with X1 and Sky Q, we enable our customers to aggregate all their apps and linear channels on their TV and seamlessly search, access and view all their content.

At Cable, we leveraged X1 to launch our newest service, Flex, to better serve the segment of our broadband customers that prefer streaming only. Our early results with Flex show that our customers love it. In our first month, we could not keep enough inventory in stock, and we're deploying Flex as fast as we can.

Based on the proven success we had with X1 in the United States, at Sky we're now accelerating the deployment of Sky Q, getting to X1-like penetration levels as quickly as possible. This is good for our customers and generates very attractive financial returns.

Finally, we have some exciting new investments in our park business. This year, we will open Super Nintendo World in Japan, with launches in the U.S. to follow in the coming years. Super Nintendo World combines one-of-a-kind ride technology with iconic IP for a remarkable guest experience, and we believe it has the potential to drive substantial incremental attendance at Universal Studios Japan.

On top of that, we are also investing for long-term growth with 2 amazing brand-new parks. We'll open Beijing in 2021, the largest park we have ever built, and have started construction on Universal's Epic Universe, a new world-class park in Orlando opening in 2023. The parks business is set up for growth for years to come.

The scale, capabilities and talent across our company enable us to successfully execute our long-term growth strategy, while also strengthening our balance sheet and returning capital to shareholders. Earlier this morning, we announced that we are raising our dividend by $0.08 for 2020, up 10% over the prior year and our 12th consecutive annual increase.

Before I hand the call over to Mike, I want to take a moment to personally recognize Steve Burke, whose contributions have been instrumental in shaping not only my career, but the company that we are today. It's impossible for me to overstate what a terrific partner Steve has been. His leadership, first at Comcast Cable and later at NBCUniversal, have been a critical component of our company's growth and success. And maybe even more significantly, his impact on our culture and personal integrity have been truly defining. Steve has built a great team at NBCUniversal, led by Jeff Shell, and I know we are in good hands going forward. Thank you, Steve.

Mike, over to you.

Michael J. Cavanagh - Comcast Corporation - Senior EVP & CFO

Thanks, Brian, and good morning, everyone. I'll begin by reviewing our consolidated results on Slides 4 and 5. As a reminder, we completed our acquisition of Sky in the fourth quarter of 2018. Our reported results include Sky from the acquisition date, while pro forma results are as if the Sky transaction had occurred on January 1, 2017.

Revenue increased 2% to $28.4 billion on a reported basis and was consistent with the prior year on a pro forma basis for the fourth quarter. For the full year, revenue increased 15% to $108.9 billion on a reported basis and was consistent with the prior year on a pro forma basis.

Adjusted EBITDA increased 3% to $8.4 billion on a reported basis and 2.1% on a pro forma basis for the fourth quarter and increased 14% to $34.3 billion on a reported basis and 5.9% on a pro forma basis for the full year.

Adjusted earnings per share increased 9.7% to $0.79 for the quarter and 15% to $3.13 for the year.
Finally, free cash flow was $2.5 billion in the quarter and $13.4 billion for the full year.

Now let's turn to our segment results, starting with Cable Communications, on Slide 6. For the full year, Cable revenue increased 3.7%, EBITDA increased 7.3% and net cash flow increased 18%. Total customer relationships grew by 1.1 million to 31.5 million, an increase of 3.7% year-over-year. On a per relationship basis, EBITDA grew 3.5% and net cash flow grew 14%.

For the fourth quarter, Cable revenue increased 2.6% to $14.8 billion, EBITDA increased 5.4% to $5.9 billion and net cash flow increased 13% to $3.3 billion. We generated 372,000 customer relationship net additions in the quarter, a record for any quarter. These results reflect our commitment to innovation, execution and driving profitable growth, including our continued focus on our high-margin connectivity businesses, residential high-speed internet and business services. Together, residential and business services generated 442,000 broadband customer net additions in the quarter and 1.4 million net additions for the full year.

In fact, on the residential side of the business, high-speed internet revenue was the largest contributor to year-over-year growth at Cable, growing 8.8% in the fourth quarter and 9.4% for the full year. We believe that our consistent and ongoing investment to extend our leadership in broadband through speed, coverage, control and now streaming as well as through security and privacy is unique among our competitors and across the industry. We will continue to benefit from the growth in the overall market for broadband, and we are taking share with a superior product.

On the business services side, revenue increased 8.8% to $2 billion in the fourth quarter, driven by a 4.1% increase in business customers year-over-year and a 4.3% increase in revenue per business customer as we’ve added new products, including WiFi Pro and SecurityEdge. We ended the year at nearly $8 billion in business services revenue, with an addressable market just in our footprint of approximately $50 billion. There’s no shortage of new customers or additional revenue for us to capture in this margin-accretive growth business.

In 2020, we expect to deliver another year of well over $2 billion in highly margin-accretive revenue growth in residential broadband and business services on top of the $26.5 billion in revenue that we generated from these businesses in 2019.

Turning to video. Video is still valuable for us to attach to our broadband-centric customer relationships, but only to the extent that it helps us increase the lifetime value of those relationships. We’ve consistently said that there is a segment of the market that either doesn’t value a traditional pay TV service or isn’t profitable for us to serve. We’re not chasing this segment of the market, and we saw fewer new connects with these customers. With the rate adjustments that we are implementing in 2020 as well as the ongoing changes in consumer behavior, we expect higher video subscriber losses this year. Within this environment, our X1 platform enables us to compete well for customers who want the most content and a premium experience, including their favorite streaming apps. And now with Flex, we’re able to better serve the customer segment that prefers to stream over-the-top, and we are prioritizing Flex as a key initiative in 2020.

Moving on to our wireless business. We continue to be happy with what we’re seeing with Xfinity Mobile and its positive impact on the cable business. We launched Xfinity Mobile 2.5 years ago, and we ended 2019 with more than 2 million lines, including the 261,000 net adds in the fourth quarter. We are pleased with the acceleration in net adds in the fourth quarter, and we expect this momentum to continue in 2020. Our results to date indicate that adding mobile improves broadband customer retention and increases prospective customers’ consideration. And importantly, we continue to see a significant improvement in the financial performance at Xfinity Mobile. We reduced our quarterly adjusted EBITDA losses at Xfinity Mobile to $116 million, a 40% improvement compared to last year’s fourth quarter, and we expect Xfinity Mobile to be EBITDA positive for the full year in 2021.

And finally, advertising revenue in the quarter decreased 19.1% due to a comparison to record political spending in the prior year period. Excluding political, advertising revenue in the fourth quarter was consistent with the same period last year.

Moving now to cable expense and margin, on Slide 7. Total cable expenses in the fourth quarter were relatively consistent with the prior year, despite our record growth in customer relationships, as we continue to benefit from cost management, our connectivity-centric strategy and a lack of programming renewals. On a per customer relationship basis, non-programming OpEx decreased 1.9% compared to the same period last year. We’re clearly seeing the benefits of our ongoing focus on operational improvements as we continue to make progress in providing a better...
overall experience and eliminating unnecessary activity and transactions, including through digital service tools. On a full year basis, non-programming OpEx per relationship improved by 2%, and we expect continued improvement in 2020.

Cable EBITDA margins were 39.8% in the fourth quarter of 2019, up 100 basis points year-over-year and 40.1% for the full year, up 140 basis points. For 2020, we expect higher programming expense growth due to a number of contracts scheduled for renewal during the year, with the increase in expense back-half weighted. Despite this, we expect to improve Cable EBITDA margin by up to 50 basis points for the full year, benefiting from growth in our high-margin connectivity businesses, continued operational improvements, better performance at Xfinity Mobile as well as higher political advertising revenue.

We’re also excited about our film business and outlook for growth, underscored by a continuation of our strategic slate strategy. Keep in mind, the first quarter of 2019 included the record performance of How to Train Your Dragon: The Hidden World, which was Focus Features’ top title of all time. For the full year, film EBITDA increased 14% to $833 million. Looking ahead to 2020, we are excited about a number of films opening later this year, including

- the summer spin-off of our temple Fast and Furious franchise, Hobbs & Shaw;
- successful original movies, such as Glass and Us as well as Downton Abbey, which was Focus Features’ top title of all time. For the full year, film EBITDA increased 14% to $833 million. Looking ahead to 2020, we are excited about a number of films opening later this year, including
- DreamWorks’ How to Train Your Dragon: The Hidden World and Secret Life of Pets 2; and
- timing of our slate in the fourth quarter of 2018, which included the successful releases of Grinch and Halloween. Overall, we had a great year in film, highlighted by key franchise animated hits, including DreamWorks’ How to Train Your Dragon: The Hidden World and Secret Life of Pets 2; the summer spin-off of our temple Fast and Furious franchise, Hobbs & Shaw; successful original movies, such as Glass and Us as well as Downton Abbey, which was Focus Features’ top title of all time. For the full year, film EBITDA increased 14% to $833 million. Looking ahead to 2020, we are excited about our film business and outlook for growth, underscored by a continuation of our strategic slate strategy. Keep in mind, the first quarter will have a tough comparison to the release of How To Train Your Dragon, but we have several exciting films opening later this year, including

In summary, we feel great about Cable’s results in 2019, and we’re confident that the business will continue to deliver healthy growth in 2020.

Now I’ll turn to NBCUniversal’s results on Slide 8. NBCUniversal’s revenue declined 2.6% to $9.2 billion, and EBITDA declined 4.7% to $2 billion in the quarter.

Cable Networks revenue increased 1.2% to $2.9 billion, and EBITDA declined 1.4% to $1 billion in the fourth quarter as solid growth in advertising and content licensing and other revenue was more than offset by higher programming and production costs and subscriber declines. Advertising revenue increased 2%, benefiting from the timing of returning series, Golf’s Presidents Cup and improved MSNBC performance. Content licensing and other revenue increased 3.4%, reflecting continued timing-related licensing comparisons to last year, which was more than offset by the performance of some of our digital businesses. Distribution revenue was flat year-over-year as the ongoing benefits of previous renewal agreements were largely offset by subscriber losses that modestly accelerated in the quarter. Against the backdrop of continued subscriber declines, it will be tough to grow affiliate revenue until our next round of renewals starting in 2021. Overall, higher revenue in the quarter was more than offset by increased expenses, primarily driven by the timing of programming and a couple of new sports contracts that will continue to impact our first half 2020 results.

Broadcast revenue increased 2.1% to $3.2 billion, and EBITDA increased 14% to $471 million, driven by growth in retrans and content licensing partially offset by lower advertising revenue. Advertising revenue declined 1.5%, largely reflecting a difficult comparison to record political advertising last year. Adjusting for this comparison, advertising would have been up low single digits, reflecting strong NFL results and the benefits of higher upfront pricing, partially offset by ratings declines. Retrans increased over 10% to nearly $500 million, bringing the full year total to $2 billion, up about 15% compared to 2018. Content licensing increased 5.8%, reflecting the delivery of content under our existing licensing agreements as well as new licensing deals. Last, we expect to benefit from a profitable Tokyo Olympics this summer and anticipate robust political advertising in the back half of the year.

Turning to film. Revenue declined 21% to $1.6 billion, and EBITDA declined by $88 million to $91 million, reflecting a tough comparison to the size and timing of our slate in the fourth quarter of 2018, which included the successful releases of Grinch and Halloween. Overall, we had a great year in film, highlighted by key franchise animated hits, including DreamWorks’ How to Train Your Dragon: The Hidden World and Secret Life of Pets 2; the summer spin-off of our temple Fast and Furious franchise, Hobbs & Shaw; successful original movies, such as Glass and Us as well as Downton Abbey, which was Focus Features’ top title of all time. For the full year, film EBITDA increased 14% to $833 million. Looking ahead to 2020, we are excited about our film business and outlook for growth, underscored by a continuation of our strategic slate strategy. Keep in mind, the first quarter will have a tough comparison to the release of How To Train Your Dragon, but we have several exciting films opening later this year, including
more animated franchise titles, with Trolls World Tour this spring, Minions 2 this summer, and Croods 2 at the end of the year, along with another summer installment in the Fast and Furious franchise.

Wrapping up the TV and film segments, we are confident and optimistic in our ability to continue monetizing our vast portfolio of new and existing premium content. As we've said before, we will sponsor a broad and varied distribution environment by continuing to license to third-parties when it makes sense, and NBCUniversal would benefit from selling to new buyers of content, including our very own, Peacock. As we've discussed at our investor event last week, we believe that Peacock will be a fantastic product for consumers and advertisers alike and a new channel to better monetize our content.

Theme Parks revenue increased 3.2% to $1.6 billion, and EBITDA declined 4.5% to $636 million, reflecting steady results at our domestic parks, offset by some softness at our Japan park. Looking ahead, we remain confident in our outlook for growth in the parks business, which will benefit from our robust pipeline of new attractions. At our domestic parks, we'll have a new Jason Bourne-themed live-action stunt show and over 2,000 hotel rooms coming online in Orlando this year as well as a Secret life of Pets-themed ride in Hollywood. And we're especially excited for the opening of Super Nintendo World at Universal Studios in Japan, which will be opened and ready during the summer, coinciding nicely with the Tokyo Olympics. Preopening expenses for this new land in Japan will weigh on results in the first half of 2020, but we expect Super Nintendo World to be a meaningful driver of our parks results in the second half. We're also looking forward to the opening of our park in Beijing in 2021, which will be a major milestone for us, and we'll see some preopening expenses throughout this year. Even longer term, we're excited for Epic Universe, which will transform our already successful Orlando park.

Now let's move on to Sky results on Slide 9. As a reminder, I will be referring to our pro forma results as if the Sky transaction had occurred on January 1, 2017 and growth rates on a constant currency basis, consistent with what’s reflected in our earnings release.

Sky revenue increased 1.4% to $5 billion as growth in direct-to-consumer and content revenue was offset by lower advertising. Overall, macro headwinds have persisted, but Sky continues to perform well in a challenging environment.

Direct-to-consumer revenue increased by 2.3% to $4 billion, driven by growth in customer relationships. Sky added 77,000 customers during the quarter - ending the year with 24 million total customer relationships - and average revenue per customer remained stable. As expected, we delivered improvement in net adds compared to the third quarter. Sky delivered customer growth in all 3 territories in the fourth quarter and continue to make good progress in growing key products, including broadband and mobile.

Content revenue grew by 2.7% to $371 million, with growth driven by the wholesaling of programming.

Importantly, viewership on Sky channels was impressive. In the fourth quarter, total viewership on Sky’s branded channels was up 5%, while total TV viewership on non-Sky channels was flat. Viewership across Sky sports channels was up 8%, driven by the performance of Formula 1 in Italy and the Premier League in the U.K.

On advertising, the market remains soft across all of our territories, reflecting continued macro weakness as well as the impact of a change in legislation related to gambling advertising in the U.K. and Italy, which began impacting our results in 3Q ’19. Against this backdrop, advertising revenue in the quarter declined by 4.1% to $647 million.

Sky’s fourth quarter EBITDA of $765 million was consistent with the prior year as revenue growth was offset by higher costs, in part driven by our efforts to accelerate the deployment of Sky Q. In 2020, we’ll continue the accelerated deployment, and we are coming out of the gate quickly. As a reminder, like X1, Sky Q enables the aggregation of streaming apps and other advanced features, functionality that’s not available on our legacy platform. Our Sky Q customers have higher viewership, better retention levels, better product attachment and higher ARPU and, therefore, we want more of our customers to have it and quickly.

We’re pleased with the progress Sky is making by delivering growth in customer relationships and creating award-winning, popular content. We expect these tailwinds to continue in 2020, and but keep in mind, we also expect our results will continue to be impacted by the challenging macroeconomic environment and changes in gambling legislation. All in, before the few hundred million dollars of investment we’ve previously
outlined for Sky Q and broadband in Italy, and using today’s foreign exchange rates, we expect Sky’s 2020 EBITDA to be consistent with our reported 2019 results.

I'll wrap up with free cash flow and capital allocation on Slide 10. We generated a record $13.4 billion in free cash flow and paid $3.7 billion in dividends to our shareholders in 2019. We also made great progress in deleveraging, ending the year at 2.8x net leverage, down from 3.3x at the end of 2018. Deleveraging will remain a top focus for us in 2020, which we will balance with the key investment priorities we have outlined across Cable, NBCUniversal and Sky.

On return of capital, as Brian mentioned, we raised our dividend by $0.08 to $0.92 a share, a 10% increase, marking our 12th consecutive annual increase. And in 2021, we expect that we will be well positioned to resume share repurchases.

In summary, 2019 was another fantastic year for Comcast, and the fundamentals of our business remains strong. We feel good about our outlook for 2020 and expect our overall performance to accelerate through the year.

Jason, over to you.

Jason S. Armstrong - Comcast Corporation - SVP of IR & Finance

Thanks, Mike. Let's open up the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Ben Swinburne with Morgan Stanley.

Benjamin Daniel Swinburne - Morgan Stanley, Research Division - MD

Two questions. Brian, you mentioned in your prepared remarks sort of the benefits of global scale across the company. And I think there's certainly a debate in the market about that a bit. So I was curious if you could sort of touch on it in 2 ways: One, how does this scale allow Comcast to grow faster over time? Obviously, we've seen some very strong results across the company recently, but I'd love to get more thoughts from you on how that plays out. And secondly, how do you assess sort of the optimal level of scale? I'm sure there's a lot of interest from shareholders about where you think about future acquisition opportunities or how you think about deploying capital longer term.

And then while you think about that, Mike, you mentioned some comments about free cash flow at a conference last year. Comcast delivers pretty consistent double-digit earnings growth, and you've raised the dividend consistently double digits. Should free cash flow over time generally follow earnings and the overall dividend growth? Because, obviously, you guys are in a pretty heavy investment year this year, and I think people are obviously interested in the free cash flow profile over time.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Well, let me begin. Thank you, Ben. I do think we have consistent growth across all parts of the business. Sky was a unique asset. And I don't want to look backwards more than just for a moment here to your question.

And I think it happened. I'm really thrilled we bought it. I feel better about that decision today, the nature of our company. We displayed the great technical team at the Peacock Day; the ability for Cable to help with broadband; Jason going over to be CFO; the gentleman running Germany, Devesh, who was our Head of Strategy. There's -- we're a better company. And it's the -- it's a longer conversation. Happy to have it.
But I think the essence of your question, if I might, might be, well, do you feel you have to go to other countries? And what are you thinking about? And one of the points we tried to make throughout this year is that if you take the 4 countries, U.S. plus the 3 principal -- U.K., Germany and Italy, where Sky principally operates, that represents 50% of the world's broadband and video revenues, and that's pretty extraordinary.

So our strategy with now 60 million or 55 million-or-so relationships and growing those relationships, and we had a great year in growing customer relationships with a terrific ARPU, north of $100. These are exceptional opportunities. So I don't want to say we won't look at other things and consider other things, but it's -- there was nothing quite like Sky. It was unique. Mike?

**Michael J. Cavanagh** - Comcast Corporation - Senior EVP & CFO

So Ben, on free cash flow, it's certainly our stated objective and belief that we can healthy -- get healthy growth of free cash flow over the long term. I said that before at a recent conference and continue to believe that's the case. We don't focus on it on -- in the near term. And this year coming up, obviously, we talked about the many investments in organic growth that will benefit that long-term free cash flow growth trajectory. So we'll have that pressure, and some Olympics working capital in 2020. But the dividend increase is absolutely an indication that we feel very confident in the long-term growth trajectory of free cash flow.

**Jason S. Armstrong** - Comcast Corporation - SVP of IR & Finance

Thanks, Ben.

**Operator**

Your next question comes from the line of Doug Mitchelson with Crédit Suisse.

**Douglas David Mitchelson** - Crédit Suisse AG, Research Division - MD

I wanted to focus on streaming, so both Flex and Peacock. For Mike or Dave, with -- Mike, you talked about prioritizing Flex in 2020. Sort of what specifically does that mean? And for you both, what's your vision as to what that service will look like in a few years? And I guess I'm thinking not just everything that you bring to bear, but also third-party apps and how they're authenticated, integrated into Flex as well. And then for Steve, on Peacock, I think the Peacock Analyst Day was well received, but I'm getting the question a lot as to what the difference will be between the premium and free tiers? And I'm also getting the question that if it's free, what would the friction be to sign up other distributors other than Cox?

**David N. Watson** - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Doug, this is Dave. So let me start with Flex. And I think Flex shows, and in particular, the Flex and Peacock combination just shows how uniquely positioned we are for streaming. And Flex is a natural extension of 2 things: our broadband innovation and also the fact that we've been investing steadily in X1. So we're -- Flex is going to help fuel broadband over time. Comes with, it's free, as Brian has said, and we'll continue to innovate around broadband. So you look at what's coming up. And we have tons of apps that are available right now. We're pleased with the road map ahead. Good progress coming up for Flex in terms of content: Hulu; we talked about CBS All Access, we'll be the first to do that. But we, in particular, we're really excited about the prospects of Flex and Peacock together. So that's -- that is, I think, a real opportunity.

In addition, down the road, and of course, the main consideration is broadband growth with Flex. But I think it opens up other opportunities, whether it's app participation or -- and/or advertising. It's a great long-term platform for us.
Stephen B. Burke - Comcast Corporation - Senior EVP & Chairman, NBCUniversal

So if you include Dave’s broadband business, plus Flex and Peacock, think our company is better positioned as the world moves to streaming than any other company in the world. And I think you could argue in the next 10 or 20 years, if you look at all those 3 businesses combined, we could make more money in streaming than anyone else, by a lot.

If you then move to Peacock, the idea behind Peacock -- and Matt Strauss mentioned Spotify. It’s a little bit like Spotify. We have an entry level of Peacock, which is about 7,500 hours, which is completely free for anyone. We then have a 15,000 hour version of Peacock that costs $5 if you’re not a member of a participating cable or satellite company that provides multichannel video. That universe is still about 80%. So 80% of the people in America, I think, eventually, are going to be able to get that $5 product for free.

As to your question about other cable companies and satellite companies, it’s such a great value to be able to give all of your customers a product that’s $5 a month in value or $60 a year for free that I think eventually, we will get the vast majority, if not all, of cable and satellite. It will take some time. And a lot of times, the Peacock discussion will be tied to the ongoing MVPD discussion, and we have a lot of big deals up in this year. But I think by the end of this year, you’re going to see the $5 Peacock product be offered for free to a lot of cable and satellite customers.

Operator

Your next question comes from the line of Jessica Ehrlich with Bank of America.

Jessica Jean Reif Ehrlich - BofA Merrill Lynch, Research Division - MD in Equity Research

I have, I guess, 3 questions for the 3 divisions. On Peacock, can you talk a little bit about how you see -- what will the impact be on your legacy businesses, including TV stations, cable networks and I guess, other Comcast businesses? Going back to Flex, it’s such an interesting product. You’re keeping customers engaged on the Comcast platform. Can you talk about a little bit more detail about what the benefits would be for -- I mean, it seems like there might be benefits for advertising as well as other parts of your business. And then on Sky, this $300 million-or-so step-up in investment, can you talk about how that will drive growth in the various businesses in 2020 and beyond? If there’s anything more specific you can say about growth, that would be great.

Stephen B. Burke - Comcast Corporation - Senior EVP & Chairman, NBCUniversal

Let me start with Peacock’s effect on the other businesses. If you imagine a television show where 70% of the viewing comes from some place other than linear television. What Peacock is designed to do is to go after that 70%, get it on our platform in a place where we’re ad-supported and we get 100% of the ad revenue. That’s the intent.

And if you look at it from that perspective, I think Peacock is going to be very good for our company. We’re going to make more money from the television ecosystem, and that will allow us to continue to invest in the linear platform. So if I were talking to an affiliate, if I were talking to a cable company, I would say, Peacock is a way to make us a better, stronger competitor in a way that’s good for all of our businesses, not just streaming.

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

So in regards to Flex, Jessica, the -- it starts with our strategy. And I think it gives us real choice in the marketplace. And we will continue to compete, I think, very well for the many segments that value X1 and everything that, that brings. But for this growing streaming segment, it really positions us well. It’s a great proposition being able to use all the attributes of X1, the voice capability, the integrated data, being able to find what you want very quickly.

So in terms of the drivers, your point is a good one. You look at the first one, it’s going to help us compete -- continue to do well with broadband. So we’re going to look at broadband share growth, and Flex will be part of that, one of several things that we’re doing. If you do look at additional
revenue opportunities, whether it’s everything from the -- when we sell an app on this platform, we participate in that economically. There is going to be, I think long term, a platform. You can think about advertising.

And in addition, there’s syndication. We have great partners that we have with X1. And I would anticipate that we’ll continue to make progress in syndication with Flex with these partners.

So I think it’s -- we will use it as a growth platform, primarily focused on broadband, but we’ll be opportunistic going forward in these other areas.

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**Brian L. Roberts** - Comcast Corporation - Chairman & CEO

Jeremy?

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**Jeremy Darroch** - Comcast Corporation - Group Chief Executive, Sky

And then on Sky, the investments we’re making here. So Sky Q, look, we think that’s the best TV service here in Europe. So we want to accelerate its penetration in our base. We’re actually pulling costs forward, really, rather than spending additional cost, pulling costs forward in our plan to get Sky Q penetration up more quickly.

The benefits really are twofold: The short-term benefits are sort of purely financial really. As Mike alluded to, we see lower churn, higher viewing, higher ARPU. And of course, as we sell Sky Q into our customer base, it gives us the opportunity to cross-sell another product or more products at the point in which we do that. And then the second thing to say is we have Sky Q in the base now for some time. So good line of sight in terms of the financial returns that flow from those investments. And whilst the number aggregates, so it’s all customer by customer. So if you don’t get a customer on the -- if you look at the benefits, you don’t get -- you don’t spend the cost up front, if you see what I mean.

The second one there is broadband in Italy. Obviously, that’s a big, new, adjacent category for us, but it’s a $7 billion market in Italy. We’ve got a very strong and credible brand, we know that, in Italy to step into the broadband market. I think we’ve got all the skills that we need across the company to be able to do that. The longer-term investment profile, although a very strong one, again given that it’s a new category. And then beyond that, I think the real benefit, as we’ve seen here in the U.K., is that’s a business that we think we can grow to significant scale over time. It was probably the single biggest thing we did in the U.K. to step change our business growth in the U.K. So I think the tale of growth we’ll see from broadband and the ability for broadband to reset the size of our business in Italy is pretty strong.

And then the final thing I’d say just operating in Europe. One of the great things about being part of the broader Comcast group from my point of view is, of course, we can keep our foot on the gas and accelerate these investments while we see strong returns profiles at a time when many in Europe are probably being a bit more cautious in a more challenging consumer environment. So I think this is a good example of how, as part of the broader group, we can really think about the medium-term returns from Sky and drive those hard. And we’ll see those benefits progressively come through in 2020 and then into 2021.

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**Operator**

Your next question comes from the line of John Hodulik with UBS.

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

Maybe some questions for Dave. Dave, you’ve had some solid results this quarter and this year in your connectivity businesses. Maybe first starting with broadband, the 1.4 million subs accelerated second time in a row on a year-over-year basis. Is that a decent number for 2020? And can you talk a little bit about the pricing power that you may have in that business, given the deceleration we’re seeing in high-speed data revenues.
And then over in wireless, again, another solid quarter. You talked about momentum continuing into '20. What's driving the growth there? Is it improved distribution? Is it handset availability? I think your pricing has been the same, but the sub numbers continue to beat our view. So some commentary there would be great, too.

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Well, thanks, John. And I won't give the specifics in regards to '20. But I would say that 1.4 million does demonstrate just consistency, broad-based growth, strength across our entire area when it comes to broadband. So pleased with the quarter, pleased with the year and pleased with momentum going forward.

So yes, it starts with that we're going to grow relationships with broadband. This is our top priority. It's what we focus on when it comes to innovation. I talked about Flex, that we have many other examples of innovation, including the Advanced Security product that we are rolling out for free to those that lease our gateway device. Another example of that, speed increases, we continue to do. So very, very focused. We wake up every day thinking about how are we going to grow and sustain broadband. And so -- and it's working.

I think xFi, when you combine the best of speed, the best of control coverage, Brian mentioned a great new gateway device. We're leading in regards to the gateway devices that are in the marketplace we feel in terms of the combination of speed, WiFi speed and WiFi coverage, and combine that with the pods that we have in the marketplace. So all these things, I think, position us well going forward.

So our game plan is to continue to lead with broadband. I think it is very sustainable. You look at the macro conditions, the marketplace is growing. On penetration, we have upside, and we're taking share.

So -- and we're balancing this share growth with strong financial performance. For the year, we're pleased. One point in terms of the quarter-to-quarter revenue performance, just to make sure there's some context there, that we did move out a couple of rate increases of Q4 into the early part of 2020.

So if you look on a go-forward basis, I think you're going to see good, strong runway for growth in share, growth in revenue on a per subscriber basis and for the whole category. So real pleased with our momentum going forward.

In wireless, I would say, the keys there are a little bit of maturity. We talked about the reasons why we're doing it. We're real pleased with broadband retention. The area that's beginning to pick up that we really pleased that we wanted to focus on is just growing consideration using wireless because I think it does help broadband. But getting people into retail stores, they didn't really think about doing that before, beginning to see real traction in retail.

Most certainly, when you see a solid product introduction, like Apple, that they had, and other wireless devices, I think we benefit. We're in a good position for Bring Your Own Device. I think we're uniquely positioned in the ability to have a combination of unlimited and by-the-gig pricing. So you add all those things up, and we're really pleased with our overall wireless momentum as well.

Operator

Your next question comes from the line of Brett Feldman with Goldman Sachs.

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

Actually, I'm going to follow-up here on wireless. Two questions. One, the big national operators are going to be increasingly making 5G a part of their marketing throughout the year. I'm interested if you can give us some context on how you're thinking about the 5G opportunity for your mobile business. And then, obviously, the line of sight you have to EBITDA breakeven next year is a key milestone. How do you think about maybe improving the profit profile of your wireless business even more from there? So for example, how much of a priority, if at all? Is it to get better
MVNO terms or find more MVNO vendors? And then you're going to have a few midband spectrum auctions coming up over the next couple of months and into next year. Are you interested in maybe looking to acquire spectrum to see if you can bring traffic onto your own infrastructure?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Well, thanks, Brett. So in regards to 5G, one of the great things about our existing relationship that we have with our partner that we have -- we will participate in 5G mobile as that market matures and they start rolling it out in earnest. So we're -- I think we'll be right there, and we'll evaluate that as it goes.

In regards to economics, we talked about -- we're right on track with the profitability trajectory that we talked about. So we're absolutely pulling off what we thought we would in regards to the economics. And what I would say, we're always going to be opportunistic when it comes to either a combination of the ability to do more with WiFi and the LTE network and manage traffic flow between the two. We'll always be looking at that. We'll be opportunistic on any spectrum opportunity. But we like our capital-light MVNO approach today. It's accomplishing what we need to. We'll always be talking to our partner about opportunities, but I think we're in a really good position going forward.

Operator

Your next question comes from the line of Phil Cusick with JPMorgan.

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

Cable EBITDA margin guide of 50 basis points growth is similar to what you said a year ago, and it came in nearly 3x that level. If I think about your price increase, which is similar to last year and the trajectory of declining mobile losses, it seems like this is fairly conservative. How should we think about programming as a headwind this year and next or anything else going on?

And then second, if I can, in parks, can you talk about the environment for customer traffic overall? And any feel for share shift? And if we look forward to those new gates and parks in the next few years, what should we think about for the cadence of both CapEx and revenue?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

Phil, I'll start off. As Mike mentioned earlier, as expected, we're going to have a number of programming renewals in 2020. So we had a couple of years where it was a lower number, and that is picking up in 2020. And in particular, it will ramp more towards the back half of 2020. So despite that, the part -- even with that, we expect to improve cable margins up to the 50 basis points that Mike talked about for the full year.

And the strategy and the expectations are built around -- are focused on the connectivity businesses, which are margin accretive. We're going to continue to drive that. That pivot has happened, and we're making great progress there. We're going to continue to focus on the non-programming Opex. We're going to be taking a lot of transactions out, whether they're truck rolls or telephone calls, the customer experience improvements. There's a big runway ahead for us to continue to take out those transactions. We're always going to be disciplined on cost control. And I think you look at what we talked about earlier, Xfinity Mobile, economic improvements. If you look, there's going to be a pretty big year for political advertising the tail end of this year. All those things considered, I think, put us in a pretty good position to overcome whatever programming renewals that are going to occur in 2020.

Stephen B. Burke - Comcast Corporation - Senior EVP & Chairman, NBCUniversal

So regarding parks, if you look over the last 5 years, our EBITDA or OCF in the park business has almost exactly doubled to about $2.5 billion. The parks are about 1/3 of NBCUniversal, 30% of NBCUniversal. And when you have that kind of growth, you're used to parks being a driver of the
overall NBCUniversal growth profile, which they were not this quarter. A big part of it, and Mike mentioned this in his introduction, was Japan, where we faced a number of headwinds and actually went backwards.

If you look out, I think the next big thing on the horizon is Nintendo. Nintendo, based on our research, is one of the biggest potential drivers of attendance that you could have of any kind of IP. It's up there with Harry Potter, which in some of our parks, Harry Potter drove incremental attendance of about 2 million people. So Nintendo is in very rarefied air. And the attraction that we're building in Osaka is spectacular. From a creative standpoint, it's really unbelievable, and that opens sometime midyear this year in Osaka and then we're going to bring it to Hollywood, and we're going to bring it, obviously, in the fourth gate in Florida. So I think Nintendo is going to be potentially a big accelerator of growth in the theme park business.

And then once you get into '21, we haven't talked about it maybe as much as we should. The fact that we're opening a park in Beijing and the fact that the park is so spectacular from a design and creative standpoint, I think, is going to generate a lot of growth. And then Brian mentioned in his introduction, the fourth gate, which opens in 2023.

So when you look at the capital side of it, these are all high-return projects, that are all -- all make a ton of business sense. And I think if you look over the next 5 years, it's likely our theme park business is going to be a driver of growth. Maybe not quite as much as it has been in the last 5 years because the growth has been so phenomenal, and we're getting to a bigger base now, but I would look at the parks business as a real opportunity for us. We still don't have the share that I think we deserve, given the quality of the experience we're giving our guests, and it's a lot of opportunity over the next 5, 10, 20 years.

Operator

Your next question comes from the line of Craig Moffett with MoffettNathanson.

Craig Eder Moffett - MoffettNathanson LLC - Founding Partner

I wonder if I could return to the wireless business for a second. With AT&T having potentially opened the door to at least have a discussion about MVNO terms, can you just talk about what that process is like? Are you engaged in discussions with other potential MVNO suppliers? And have any of the discussions with any of the wireless operators expanded to ways that they might leverage your wired infrastructure? So as you think about how your wired infrastructure sort of brings value to wireless, there are all different ways you could do it, whether it's capitalizing yourself through retail or doing something on a wholesale level or using it to get better terms with your MVNO. Just how do you think about those opportunities?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

So I think it starts with -- that our very strong feeling that we are -- the cable industry, Comcast, we're a great partner for the wireless industry. So I think we are -- bring share. We bring customers over to them. I think we're a great investment for the long term. So that's kind of how we start our thinking and that -- all the goals that I mentioned before.

From a process perspective, not much to talk about right now. We are always thinking about ways of improving an already good platform, a good approach to the business. If there are opportunities, we'll explore them. And if anything does develop, we'll let you know.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Yes. The only thing I want to add to that is simply that I think we've shown we can get some scale. It's still early days. And that previous question about, it keeps accelerating a bit, I think we're seeing that now throughout the rest of the industry and others coming into wireless. So I think I just want to echo that point, that we have a successful beginning, and hopefully a very long runway that we're just getting started.
Operator

Our final question will come from the line of Vijay Jayant with Evercore.

Vijay A. Jayant - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Media, Entertainment, Cable, Satellite & Telecommunication

I have 2. One for Jeremy. Just wanted to understand in the U.K., Ofcom is pushing to reduce what I think they dubbed as the loyalty penalty, the difference between what new customers pay and what existing out-of-contract customers pay. Is there really any impact to your business from that regulation?

And then for Dave, at CES, I think you guys showed a new xFi Advanced Gateway that supports 85 megahertz mid-split, really increasing the upstream part of your network. Obviously, I just want to understand what business opportunity and CapEx implications that may have as you scale that.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Jeremy, you want to go first?

Jeremy Darroch - Comcast Corporation - Group Chief Executive, Sky

Sure. I think not majorly for us. If you think of our business, we've really, I think, led the way over the last decade really around breaking down the bundle, making pricing more transparent.

We're a leader in service, according to Ofcom, starts across all of our products, so not just pay TV, but broadband and mobile and fixed line as well. At the heart of that, we have a belief about trying to rightsize customers to the products that they want and the price that they want to pay because we think that's important and is the most durable way. And typically, therefore, we moved a long time ago to essentially offering the same deals right across our bases. The deal for a new customer is typically available for an existing customer as well.

So there'll be some transition, obviously, within that. There'll be some -- there's noise as the market quickly moves to that, but I don't expect it would have a big effect on our business.

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable

On the new gateway that we did talk about at CES, we're excited about this. I think there are several steps forward with this gateway in regards to WiFi speed; the improvements in terms of coverage, both for the 2.4 band as well as the 5 band improvements, both in those areas; improvements in latency. Across the board, it checks a lot of boxes.

And so like we do with a great new product like this, we'll package that in some of our higher-tier packages and on a go-forward basis, we'll compete. If you think about segments where this matters, it's an ideal product for the gaming segment. So we're going to -- we'll segment it and go after it. But the fundamentals of being able to provide the best speed, the best coverage, control, all those aspects, I think this gateway helps us in our position very well.
And it’s Mike. Let me just jump back in at the end here and echo Brian’s thanks to Jason Armstrong for a great job he’s done for all of us in the IR job and I know will be a great add to the Sky team. I welcome Marci Ryvicker to the company, and thank all of you for the support and joining us on this call as we get 2020 kicked off. So thanks, everybody. Have a great day.

Operator

There will be a replay available of today’s call starting at 12:00 p.m. Eastern Time. It will run through Thursday, January 30, at midnight Eastern Time. The dial-in number is (855)859-2056, and the conference ID number is 3469916. A recording of the conference call will also be available on the company’s website beginning at 12:30 p.m. Eastern time today.

This concludes today’s teleconference. Thank you for participating. You may all disconnect.