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PRESENTATION

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

Again, thank you all for coming to our 47th Annual TMT Conference here at UBS. I'm John Hodulik, the telecom and media analyst here in North America. I'm very pleased to announce that our next speaker is the CFO of Comcast, Mike Cavanagh. Mike, thanks for being here.

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

Glad to be here. Thanks, everybody. Thanks, John. Good to be here again.

QUESTIONS AND ANSWERS

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

So before we dive into the key topics on each of the business units, Mike, can you give us an update on what your top priorities are for the upcoming year?

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

Sure. Well, as we look ahead, I mean, start with how we feel about the way the company is positioned. So we do feel like we're a uniquely set up company. We've got great scale in direct-to-consumer businesses, relationships with 55 million customers, and premium content. So I think that sets us up really nicely in a world that obviously has got a lot of opportunities ahead of them -- ahead of it.

And so for us, if I think about the big priorities for 2020, obviously the biggest one is to continue to drive growth in our broadband businesses. So that's number one -- I'll tick through these each in some detail. Second, we've got emerging areas, which would include content aggregation and streaming. And so there, we'll be talking more about Flex, Sky Q over IP acceleration in the U.K. and obviously, Peacock. And then finally, another area that we clearly have big investment plans underway, nothing new here, but it's important to us, is the parks business, where in addition to the -- I mean, it's been a great growth story for us and great characteristics of a business that we have. So we'll be investing in some new opportunities there that I'll talk about. And we'll do all that in the context of a year, where our plan is to restore the balance sheet to where we said we would get it after the Sky deal, which will then set us up with those investments, together with getting back to where we want to be for 2021 and beyond, where we'll have strong earnings growth, strong cash flow growth together with being back in our traditional capital allocation framework.

So if I just take each of those one by one, John. So the first one is broadband. So broadband, clearly is a business that's having a really strong year. So we'll -- this year, we'll finish again a year in cable, where we'll add, I think, a record number of new adds in customer relationships, driven by broadband. Broadband will again add, call it, more than 1.3 million net adds in broadband for the year, which will be the 14th consecutive year of more than 1 million, and we're going to end the year with a very strong fourth quarter. So I think it's safe to say that we will have fourth quarter net adds in broadband that are easily going to exceed where we were last year. And so that, together with the fact that for the full year, we're going
So when you look ahead to 2020 for the business, those trends continue. And it’s safe to say that looking at our connectivity businesses, which this year will have around $26 billion of revenues, I’d expect to add next year, call it, a couple of billion, $2 billion of incremental revenues in that space, which obviously at the high margin -- incremental margin that, that business has, will lead to strong EBITDA in the cable business. And we’ll continue to see improvement in capital intensity as well.

So that sets us up to just think about where we invest in broadband. So I think in broadband in the U.S., it’s going to be a continuation of what we’ve -- you’ve heard Dave talk about and the team work on, which is invest in our network, stay ahead of customer expectations, and invest in the in-home experience through xFi. And so that is continued in the U.S. It’s going to be what adds more value and differentiates the product which will continue to fuel the growth in that business.

And then in Europe, we’re going to be accelerating or launching Italian broadband, powered by xFi, as we talked about that previously, that will be coming in the middle of next year. So we have a very strong U.K. broadband business. We’re the #2 player with large market share. And if we can get Italy on the same path, it’s going to be a tremendous boost to the franchise in Italy. So that’s broadband.

Second is content aggregation. So obviously, with a business that has 55 million subs of the highest value in direct-to-consumer across pay TV and broadband, generating $111 of monthly ARPU, anything we can do to increase the stickiness and relevance of our products is a no-brainer basically for us to invest behind. So for us, in a world where we have the best traditional video technology platform in X1 in the U.S. and Sky Q over IP in the U.K. that allows the traditional linear buyer of video to aggregate their OTT product as well with great search, great navigation and voice remote. That technology then puts us in a position to do a couple of new things. And that is, one, in the U.S., Flex, which we’ll get into deeper, but just think about the ability to add a product as good as X1 to a broadband-only relationship and what it can do to improve stickiness. So we’re pleased with the early results there, and we’ll be pushing that hard in 2020. And then in Europe, Sky Q is a IP-delivered product. Legacy set tops in the Sky of state don’t have the same capability. So that stands at 40% penetration across its markets today, and we want to get it to 60% fast. So we’re going to step on the gas and accelerate what otherwise would have taken more years and do a lot next year and then next year by -- at about 60% penetration of Sky Q, really going back to the 55 million relationships, cementing a very strong position as consumers look to stream more than they have historically, and we take advantage of our positioning.

So I’ll just cap those 2 before going to 3 and 4 with making the point that those are 2 things in broadband in Italy and Sky Q in content aggregation that together is us, Comcast, looking at what’s going on at Sky and the opportunity globally and saying move faster. So that’s going to be a few hundred million dollars worth of investment in Sky this coming year that they probably wouldn’t have otherwise done but for doing it over several years. And I think that speaks to the opportunity of having Sky as part of Comcast.

So next is streaming. And so in streaming, it’s -- obviously, the big project is Peacock. And I think we announced last week that we’ll have an Investor Day on Peacock on January 16. So that will be an important day where Steve and team will tell you a lot about what the product actually is. But just let me remind you, we’re excited because we think we’ve got a pretty special opportunity, when you think about the relatively underserved segment of premium content ad-supported. Our work shows us that consumer demand is there. With all the pay-for-SVOD services that are proliferating together with traditional video, 80% of folks would be looking for something that has a reasonable amount of ads embedded in the product with premium content. So we think with the consumer demand that will be there, clearly, advertisers are going to be looking in this world for opportunities to reach audiences. And we’ve got obviously a great advertising business. So we’re excited about what this can mean for advertisers. And then finally, we have all the pieces that go along with what it takes, connection with distributors, advertisers, the tech that is required and the must-have content that will go into it. You’ll hear more about that.

But the net of it is, we think it is a approach that will lead to lower aggregate investment to get to a place where you can achieve breakeven relative to the more -- the SVOD models we’ve seen thus far. And I’ll just take some of it off the table for January and give you a sense that specifically, we think that we’ll ramp quickly next year in our spending on Peacock to get to, over the first 2 years, probably about $2 billion of aggregate investment in years 1 and 2 together, with sort of the peaking at about 1% of Comcast revenue and achieving breakeven by year 5. And when you put that in
context to the size of our company and the evolution of TV markets and the assets we have and the opportunity, we think it’s a completely reasonable and logical and exciting investment for us to make. And I’d analogize it to Xfinity Mobile, which we did a couple of years back. We took about the same amount of investment, close to 1% of company revenue and incubated a product that now we expect to be at breakeven in 2021, and that’s the same mindset that we bring to the investment in Peacock.

And then finally, it’s parks. So parks is a business that was making about $400 million of EBITDA at the time of the NBC deal and now is going to be around $2.5 billion of EBITDA this past year. So tremendous long-term growth potential, great track record of delivering on returns on investment. So we have 2 things going on there. Obviously, the continued investment in existing parks and some of the exciting stuff that’s coming there is, in particular, Nintendo World in Japan in 2020. And think of that as a — well, it’s investment in an existing park. We think that Nintendo has the opportunity to be as transformative to an existing park as any IP as you can get, similar to, hopefully, Harry Potter has been in all the parks it’s been to, and then that will follow around to our other parks. And, continued investments in hotels and the like in our existing parks. But the exciting new stuff is 2 new parks: Beijing, which is well, well underway and opens in 2021. Very excited about that. And then we’re underway in construction on Epic Universe, which will be a fantastic new park in Orlando, coming in 2023.

So again, those are the big areas of investment and focus for 2020. And when you wrap it all together, I’d say, again, we feel very good about the portfolio of businesses we have at the company; very good about the fact that in a shifting landscape with lots of trends affecting the multitude of businesses, that we have the scale that we have and the ability to enumerate the kind of investment opportunities we have that I just articulated, that we can invest behind that, I think, set us up again really well for continued long-term growth in 2021 and beyond in earnings, while at the same time, this year is the year, we’ve said it before, I’ll say it again, we’re going to get — our priority is to get the balance sheet back to where we said it needed to be to satisfy our commitment to the rating agencies over the course of this year such that in addition in ’21 to earnings growth, we’ll be back in a position to return to historical capital allocation for us, which means, again, to remind everybody, we get to invest in our businesses and keep them strong. We get to maintain and invest behind a strong, strong balance sheet as well as returning capital to shareholders, obviously in terms of a strong dividend, and as you know, our historical excess capacity has led to significant buybacks. And when you run the math on all of our numbers, you should expect us to be in a position to have the ability to do the same once we get our balance sheet back in shape.

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

Great. Perfect.

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

Thanks for giving me the time to lay all that out, but I think it covers a lot of what people probably want to hear.

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

That’s fantastic. A lot of good color there and a lot of places to follow up, I guess. Maybe we’ll go through each of the businesses, cable, NBC, some Sky stuff. First, you had some positive comments on the broadband side, which really drives the cable business. So first to clarify, so 4Q net adds higher than 4Q net adds in...
John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Last year.

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

By a good amount.

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

That's great. So what's driving the strength? I mean is the competitive environment changing at all? Or is it what you guys are doing on the product side?

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

It's always competitive out there. So I can't point to anything particular on the competitive front that I'd say it's worth calling out. But I think running our own playbook, which has been to invest in the product, add more value, make it better, and you've seen that happen consistently. And you get to innovations that others aren't making. xFi, I think, is a big improvement in the value and experience and what people perceive is the reason to have our broadband. And I think the increased focus on making sure we capture the folks that want broadband, even if they don't want video and that's where all of those features, speed of network as well as value away from speed are important, quality of our routers, best routers and in-home WiFi in the marketplace, all that feeds the differentiation. So I think we've been taking market share. And Flex is going to be just the -- a continuation of that philosophy. And there'll be more to come after that because we don't want -- it's such an important business. We're not going to rest on our laurels. We're going to continue to thoughtfully invest and put energy and innovation behind the product and do more and more as time passes. So I think our runway is quite good for continued growth in subs as well as profitability in the business for the long term.

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

And we're going to have really starting tomorrow, a number of the wireless carriers here, 5G is going to be a big theme. Does fixed wireless access as it relates to -- with -- in conjunction with 5G technology, do you perceive that as a threat to your broadband franchise?

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

Nothing different from comments we've made previously. It's -- our plant, our approach, we think, is the most efficient way to deliver high amount of data into the typical home. You all know the numbers about how much data is passing over our network and how much growth there is in that. And so I think the fact that there is nothing sort of better in the end about 5G, even where it might work -- it's not going to be cheaper to deliver, it's not going to be faster. So therefore, yes, there may well be situations, geographies that -- where it is applicable to fixed delivery, but can't see it really on a wholesale basis, certainly not anytime soon. And nothing that we've seen or heard since last speaking to you all would lead us to think anything different than that. It's a challenging -- there are challenges to bring that technology to market, including the fact that there will be differential experiences depending on which house you're in, in which neighborhood, on what block and what the weather and tree pattern is on your street, which we continue -- now I would never say we can't -- we are looking at new technologies all the time. Have a ton of respect for the competition. It's always been competitive in the businesses we're in. This is, net-net, another version of overbuilding. I expect it to come and cause us to need to react given what I hear others saying, but that's our state of play on things.
John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. Now you’ve talked about Flex a couple of times in your earlier remarks. And then how do we -- how should we expect that to roll out? I mean is that product in the market now in terms of new gross adds on the broadband side are getting the Flex product? And so how quickly do you expect it to penetrate across the base? And then how do you expect it to affect the overall sort of economic model of providing broadband?

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

Sure. I mean the latter is easy, right? I mean I think as I’ve made the point earlier, with the business that we have with all the subscribers and profitability embedded in relationships where our general view is we want to maximize lifetime customer profitability. The idea that you can take -- to the extent someone is not interested in the video package and there Flex is a way to enhance the value of broadband, it’s such good technology, supporting -- a major reason why people are looking for great broadband is to consume video. And if they choose to consume it over the top, Flex is a fantastic way to do that. So I think it’s going to add value and done right will, for those relationships where it’s deployed, will be the best path to stickiness and lifetime customer profitability. So we’re going to go as fast as we can. So it’s in the market already. The teams are getting ramped up in terms of deployment. But over the course of next year, I think Dave’s objectives are to really make it widely accessible across the base. It’s very early days, so I won’t venture a -- any numbers for where we want to be externally next year. But you can imagine we have robust focus on it internally. And I think we’ll have a good year next year with that product.

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

Got you. Maybe to return to video, what’s your view of the video bundle? Obviously, we’ve written about it a lot, and it’s -- obviously, one of the big themes is cord cutting. And I’d say over the last year, Comcast has pivoted to focus on profitable subs. What does that exactly entail? And what does it mean for the video trends as you look out?

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

Well, I mean I don’t think we’ve pivoted necessarily over the last year. I’d stretch it out a little longer. We’re certainly well in stride on the idea that yes, video is important. We make money in video. But -- and we, therefore -- and it’s important to our customers. And with our legacy and the investments we’ve made around X1, I mean we are really well positioned to provide video through X1 and the traditional bundle for homes where that makes sense for a long time to come, and I expect that to continue to be the case. But given the rise of streaming and interest in streaming, there are increasingly homes where you can’t provide the full experience and expect to make money doing so. And so I think it’s we want to give customers choices and a continuing choice will be the full experience. And I think we’ll -- like I said, we’ll be doing that for a long time. But you’ve pointed out as well as others, and we see it in our numbers, we’re not going to chase unprofitable relationships but rather figure out ways to give consumer choices where we’re looking to maximize what we perceive to be the lifetime value of a relationship, which features stickiness. Center-of-the-plate product is always going to be broadband in this day and age. There’s no question about that. And that might not have been what we said 5 years ago. But really, really, I think there’s no one in our cable business that doesn’t see the world that way. So it’s about attaching products where you can make incremental money and/or add stickiness.

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

Right. And as far as that’s concerned, the change in trend that you’ve seen in the video business, is it more on the gross add side? Or is it the churn side. I mean is it just fewer people signing up for the service? Or are you actually seeing a change in the churn characteristics?
Michael J. Cavanagh - Comcast Corporation - Senior EVP & CFO

I think it depends on segments. So I think churn is well under control in video in the places where the X1 product and the full bundle makes the most sense. And I think what we've actually seen happen -- this is a little more anecdotal -- is that where we might have been a little bit more focused on making sure everybody has a video product before, now that's less our focus. So if it's -- customer satisfaction goes up obviously, when you give customers the product that they actually want. And so I think, again, broadband being that, in all cases, you might see broadband alone -- broadband only is increasing, and we're figuring out ways to optimize that. And add stickiness and Flex is going to help us do that.

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

Got you. Maybe a couple of quick questions on wireless. You mentioned that a little bit about the move to profitability in '21. How is the business sort of living up to your expectations, both in terms of sort of penetration in growth and the effect it's having on your cable business?

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

Sure. Well, we're doing well against our objectives, right? And our objective was to give a good product on a good network with good devices on a basis that gave customers value based upon how they put their package together. Obviously, By the Gig is a big part of our offering. And in so doing, ramp to a place where it could be NPV positive as a -- at a relationship level and overall -- and we'll get there in '21 on an overall basis, but also look to generate higher retention and higher consideration. And I think against those objectives, we've seen that happen. And so we're at stage 2 years in, we have 2 million lines. I wouldn't say we're a threat to the 4 big guys. But that's not what we -- in the context of what we set out to begin to do -- we're pleased with what we've done and what we see coming down the pike.

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

Do you expect to -- over time, there's a couple of meaningful auctions coming up in 2020. Maybe 2, maybe 1. Do you expect to put more capital towards the business? Right now, you have an MVNO relationship. I guess, one, is that MVNO relationship working for you? Or could you seek to add a second? And b, do you expect to buy some spectrum or build out some infrastructure to get where you need to be in wireless?

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

Well, no news today on spectrum. I mean I will repeat what we said previously, which is that we're constantly evaluating what new technologies mean and how spectrum could fit in. So we'll continue to evaluate spectrum. As you know, we bought some, a couple of years ago, optionality can provide some value, but there's no news on that score today other than you expect us to be giving that consideration, in the same way where we balance other trade-offs like price versus volume on things. So I think the MVNO works in the context -- works for now in the context of what I've set forth. But as we learn more, we'll evaluate future strategies as the future rolls in.

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

Got you. And lastly, on cable margins. You had some positive comments on the -- about the margin picture for the cable business, better than 100 basis points of improvement. And you talked about the continued shift -- strength in broadband and the secular trends in video. You've also got some meaningful renewals coming up really towards the end of '20. I mean is the margin picture as you look out into '20, maybe beyond still a favorable one, given that the mix shift? Or does that get over scatter?
Michael J. Cavanagh  - Comcast Corporation - Senior EVP & CFO

Yes -- clearly, I said earlier, with the growth in broadband revenues that I would expect, connectivity revenues that I expect to see next year, I feel confident in -- the growth of dollars of EBITDA will be significant. Margins, we benefited in terms of margin expansion and the patterning of programming renewals. And as you say, we'll see them come back in next year at the back end. So too early to comment on what we actually see in terms of the margin opportunity for next year, but we'll touch on that when we get to January. But it's fair to say that renewals are coming back at the end of next year. But in the long term, I think we manage the business the way I described earlier. And when you look at it the way I've described, I think the long-term opportunity with programming, creating some pockets that you manage your way through, the long-term trajectory is to continue to focus on customer level EBITDA and EBITDA less CapEx per relationship. And I think over the long term, we've got runway to keep going.

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

Great. Maybe switching to NBCU as we talk about video subscription in the U.S. is following sort of mid-single digits. How do you manage the impact of that on your affiliate revenue lines?

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

Yes. Well, I think it's fair to say, it's tougher on the affiliate side for the reasons we described. So I'd say, last year or this year, you see sort of the push on the virtual MVPD side sort of abating and together with the dynamics, particularly on the satellite side of losses of traditional subscribers, and so less so on the cable side, now looking at it from an NBC perspective. And so clearly, with that being the backdrop, it's going to be -- and we expect that to continue to be the case looking ahead until there's some stability in the virtual MVPD side. And there you have promotional deals that are running off. And so there may be -- may get some stability at a point, but it's going to be -- continue to be pressure on subs, affiliate sub levels. Together with -- until you're in a renewal cycle, which we don't really have on the NBC side any affiliate renewal deals coming up of any significance until 2021. So until then, don't expect us to drive revenue growth on the affiliate revenue side on NBC cable nets. But when you look at it on a longer term, we continue to focus on the value of the portfolio and manage it accordingly. I think Steve is focused on this and commented regularly on, it's not the same business it once was, you have to manage accordingly. And one of those ways is to continue to drive quality in the product and then get paid for it. So we talked about monetization gaps. And so when we go into the next renewals, there's still opportunity, clearly, given the strong performance of NBC, MSNBC as well as Telemundo. So there's still places where we'll be looking to capture value in the next cycles.

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

Got you. And then maybe quickly on the advertising backdrop. Obviously, viewership has declined, but offset by higher CPMs. Is that -- do you see stability in that revenue line?

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

Well, we're still pretty optimistic on TV. As you pointed out, the one has offset the other historically. We're continuing to see strength in the scatter market. Advertisers are continuing to come to us for the ability to reach big audiences. We've got, I'd say, the best programming in the business as well as the best ad sales team. So we've led another really strong upfront. Seventh year in a row, we've been leading the upfronts. And again, scatter has been strong. So with the portfolio we have, and we're #1 again in primetime for the sixth year in a row, and as I already pointed out, real strength in some of the portfolio assets, MSNBC and Telemundo, in particular, and we got Olympics coming back next year and sold Olympics for the first time in last year's upfront. So we continue to be pretty optimistic on the advertising front.
Great. Sports is increasingly a focus of the bundle, right? And the ratings for sports, mostly the NFL, have been relatively strong, whereas you're seeing entertainment viewership declining at a faster rate. Is this a concern, the increasing importance to -- of sports as we head into the NFL renewal next year?

Yes, it's a good question. But I mean, sure, there's always concern. But on the other side of that, think about the partnerships we've built with all sports leagues and federations that we partnered with, who I think are well aware of the value that a media company like ours in the history of helping them build their businesses, create global brands, and now especially with Sky in the mix and global reach being all the more important to sports teams, leagues and federations, I think we're actually well-positioned going into future rounds of rights deals, given that dynamic, that if you're running a league, you need to be mindful of the long-term value of your business and partners like us. I think they do recognize the value we bring. Now that said, we'll exhibit financial discipline at the same time, as you've seen us do before. So we'll only sign up for rights or rights packages that are at prices that we think are sensible for our business model. So we'll see how it all falls out. But I do feel we're well-positioned.

Got it. Now lastly on NBC, Mike, you commented on in some of your early comments on Peacock. Obviously, you want to -- you probably want to save a lot for the January event, but you talked about $2 billion in aggregate spending. Anything you can tell us about sort of either the pacing of that spending or sort of where it lands? Is it mostly incremental content? Is it promotion? Is -- what's sort of -- anything you can tell us about the shape of that spend?

Ramping quickly. So it's going to be -- we'll get to a pretty high level of that run rate in year 1, but not all the way there and second year will be a touch higher. And then the arc brings you to breakeven profitability in 5 years' time. So I think that's the shape, which I think is a lower cumulative loss or investment than what you otherwise might see in other places. But obviously, that's with the opportunity to rely on advertising, ramp through distribution partnerships and reach and it being free to -- quality product, free to the customer. So that's the rough framework of it. And I'd say the nature of the spend is, obviously, a lot of content spend together with meaningful marketing and just early year infrastructure built for us.

And when you say, free to customers, is it just free to the...
Got you. OK. And then lastly, on the topic, you said it’s -- we should think of it similar to Xfinity Mobile, and that’s in terms of the top line growth, but also sort of where we should think about EBITDA, peak EBITDA losses?

Yes. And I also make that point simply because with our size and scope, I think these are the kind of investments our shareholders should want us to make. We’re not -- I think it’s a -- that for our -- we’re not looking to play somebody else’s hand. I think our approach to Peacock is going to be a thoughtful -- is a thoughtful consideration of our strengths and opportunities to put together a plan. And I think in success, will put us in a very good place. And success is ours if we get it right, and it’s worth pursuing. And I think giving it that context is why wouldn’t you do it in the context of the ability of the company to put money behind its opportunities.

And if it proves to just like Xfinity Mobile, we said from the beginning, all these are -- ongoing investment will be success-based. We’re not going to walk away quickly, but we’re not going to -- we’re also not going to commit ourselves to do things for a decade when we might have evidence in a shorter period of time that it falls one way or the other. So it’s our best view at the early days that convinces us to get going and get going with bigger.

Sure. Well, I mean I am quite pleased -- I think we are quite pleased with Sky and what we got, and we’re very happy with what we got, what it brings to the company, strong brand, great management, premier position in sports and entertainment as well as really serious reach into the best part of direct-to-consumer relationships in some of the most important markets in Europe. And integration is going great. It’s hard to believe it’s only been a touch more than a year. And so very glad for what we have with Sky and what its potential is. And opportunities. We don’t have time here, but a lot of the integration opportunities are really people moving around the globe, support for NBC, thinking about sports rights, talking to the leagues on a global basis. There’s a lot of touch points with other media companies that are enhanced by Sky being part of the mix.

In terms of the 2019 performance, I mean just remember that Europe, all the markets that Sky operates in are experiencing serious macroeconomic challenges, together with legislative change around gambling advertising that together are headwinds that exist in ’19 and will continue into 2020. But what I will say for those who study the European markets, Sky has nicely outperformed all of its competitors. So hats off to that team for doing that. And I think I would expect them to continue to do so. And when you then layer back the investments that because they’re part of Comcast, we can ask them or direct them or push them to do faster despite the impact that will have on their results in the context of our company, I think it’s going to set them up even better for 2021 and beyond. So feeling good about Sky.

Great. And I think we’re reaching the end of our allotted time here. But just wrapping up, you had some commentary on strong cash flow, but then there’s also a lot of sort of gives and takes and a lot of new investments in Peacock, in the parks and things like that. Can you give us sort of a general
sense of sort of the overall trajectory of the cash flow? And then you talked about getting back -- maybe put a finer point on getting back to your target leverage ratios? When do you expect that in...

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

Sure. So I think the -- these businesses, I said here repeatedly that I think our collection of businesses has confidence on our management team’s side that we will be driving free cash flow growth over multiyear periods for as far as we can see. 2020, for the reasons that I kind of listed, we’re looking to lean in, in an environment where we see some opportunities and in a world where competitors are doing the same thing. We’re just going to do it our own way in a couple of areas that I described. I think that sets us up to continue the long-term trajectory of free cash flow growth again in 2021 and beyond. And you guys can -- I won’t run the math, but I’d just say we’re confident that we’re making choices that are going to optimize the trajectory of long-term free cash flow. And then concurrently, we’re focused on bringing the balance sheet back to where we said. We do that basically over the course of 2020. We’re not going to buy back stock next year. We’ll get to a place where in 2021, we’ll both have healthy -- as healthy as we can have it or healthier than if we didn’t make these investments -- trajectory of cash flow growth for years to come, together with a restored balance sheet, and we’ll be back to traditional capital allocation.

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

Perfect. Well, Mike, I think that’s all we have time for. Thanks for being here.

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

Thanks, John. Appreciate it everybody. Thank you.