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OVERVIEW:

Company Summary

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

PRESENTATION

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

All right. Well, welcome, everyone, to day 2 of our Communacopia + Technology Conference.

Before we get started with our first keynote session today, I need to briefly provide some important disclosures. We are required to make certain disclosures and public appearances about Goldman Sachs' relationships with companies that we discuss. Disclosures relate to investment banking relationships, compensation received or 1% or more ownership. We're prepared to read aloud disclosures for any issue or upon request.

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QUESTIONS AND ANSWERS

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

All right. Brian, thank you so much for being here. You are the longest tenured presenter at this conference, and so it continues to be a highlight of the year for us when you're here to do a keynote. We typically start this conversation with a big-picture view on how you see Comcast positioned, and we're going to get to that.

But I was hoping you could weigh in on some recent news, specifically the programming dispute between Charter and Disney. And really, Charter has just expressed their view that the video ecosystem is broken and that the model that is proposed to Disney is a model it's going to be pursuing with all its programmers. How do you see the relationship between cable companies and programmers evolving? And what do you think is a win-win model?

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

Well, first of all, great to be back. And it feels like school is back in session every year when we come here and Labor Day's over. So hello, everybody. And we certainly started the new season with some big news there. At some level, I guess I'm not completely surprised. When you have many distributors of the same product in a geography, you're going to have disputes between the content and the distribution. It's not the first dispute and probably won't be the last dispute.

Clearly, we all know the video ecosystem is changing. I think our company, and I'm sure we'll talk about this, I think we're really well positioned for that change, but change can have disruption. And ultimately, I hope people are looking at what is the consumer saying. And I think the consumer wants simplicity, somebody to help aggregate and have the most bang for their buck. And this dispute is putting tension around some of those issues.

I hope they work it out. I think that's in the interest of consumers. I look at our company, we don't look at it as linear or streaming, we look at it as linear and streaming. The whole strategy, and again, I bet we talk more about it with Peacock and NBCUniversal and Xfinity is we are the best aggregator. We have all the streaming apps, all the linear, all in one place.

At NBC, Peacock allows our media business to give even more value to a Peacock customer, with all the great content and some originals and lots of sports all for a very modest fee. So each company is dealing with their version of this transformational moment, and you're going to see some tension. But I don't have any more about that situation than what I've read in the press.

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

Okay. Well, thanks for that color. So let's zoom out for a little bit. You're well into a year where you've implemented a lot of changes at Comcast, including some new segmentation and your organization structure and even from a management point of view. Can you talk about how these changes fit with your vision for Comcast? And why do you feel confident you have the right assets and business model to be a leader across all your markets?

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

Well, we've been in business a long time, and we've had, I think, a really exciting history. But I feel very energized about our present and our future. And we've broken the company into 2 groups: Connectivity and Platforms and Content and Experiences. And it simplified how we think of ourselves and actually how we manage ourselves.

And if you look at those businesses, there are 6 businesses within those 2 groups that are growing revenue in the first half of the year at 10%, about 10%. We have about $100-plus billion, $120 billion revenue company. So, half of that pretty large company is one of the fastest-growing probably S&P 100 companies out there with revenue growth of 10%.

And the other half of the company is obviously not when our revenue in the first half is around 1%, 2% growth. So what's going on there? As you unpack that, we -- in the half that's going backwards, it's a lot of the video that you just asked in your first question. And a lot of that video we're a pass-through, if you will, for the programmer consumer relationship. And the margin, therefore, has really come down to very, very low margin. Some of the businesses require some cost realignment because the business is contracting, and we're very aggressively doing that.

The other half of the company, the growing half of the company, is broken into these 6 growing businesses. And if we don't get to touch them all, let me just list them. It starts with broadband. And we can go into consumer broadband, but that business, we have 32 million customers. We have great hopes for what that will be in the next 10 years. It's very appropriate to be here in San Francisco and Silicon Valley, whether you believe innovation is done or we're coming into maybe a hyper mode of continued innovation. And we're on the side of innovation by having the best network. So broadband, we can talk about it more competitive market because it's such a good market. But if you have the absolute best product, you're going to win.

Second, wireless. Another form of broadband, and we're only scratching the surface in wireless. Then you get to business such as business services. We reported that we have a 60% margin on that business, and that's the growing part of the company, much better margin than the whole company at large. And that, of course, is because you're not involved in the programming business, and we continue to invest there.

We have streaming. Streaming revenues just in a couple of years of creating Peacock are $3 billion, where we have -- we can talk about Peacock, but I'm really optimistic on what the business plan we have for Peacock. Theme parks are all over the world, rebounding and surging with consumer appetite and interest and the quality of our parks and what we're building and what we've built.

And then premium content that we create out of our studios, Universal Television and Universal Pictures, I would love to brag on a little bit this year, with all the disruption in movie theaters and what's happening, whether it's Oppenheimer or Super Mario or Fast, we have 3 of the top 5 movies of the year. Donna Langley has just taken on more responsibility with all content for the company, and the team and Mike Cavanagh and

I were just in L.A. yesterday reviewing all the work and obviously, disruption from the strikes. But we have a great road map ahead, very excited about that business as well.

So, you put that together with a strong balance sheet, returning capital to shareholders and you're able to create a model that with modest revenue growth, if you take the time to unpack it and you project 5 years from now, if this half grows at 10 and this half contracts at 8 or 9, what does it look like?

Well, the way vast majority will be the growing part of the company. We will have reinvented ourselves with a constant CapEx-type model of knowable investments. With a 2.4x levered company, the free cash flow per share when you go all the way through the system, will be the fastest-growing metric in our company and hopefully, very sustainable for years ahead. And that is both my comfort and excitement about where we're at.

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

All right. Well, let's dig into some of those growth areas. We can start with your broadband business. You've had a pretty consistent approach to that market in terms of balancing rate and units. And most recently, we've seen rate be a real driver of the business. Your domestic broadband ARPU growth actually was accelerating through the first half of the year, even as the subscriber base remained pretty flat, which is how you'd kind of provided the outlook for that business.

Sort of a two-part question here. How confident are you that you can still grow EBITDA and free cash flow in an environment, in that business where you're not growing subscribers? And then the second part of it is the confidence that the investments that you're making in your network is something you'll be able to monetize in that kind of a backdrop.

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

Well, that's -- first of all, let me reconfirm that I see the world very similar to what you said. Let me just put a little clarification around it. Even through this third quarter, basically flat is what we are expecting to happen in subscribers. And that has been the case, as you said, for the last several quarters.

So, we -- in the first half, ARPU grew 4.5%. Our historical range has been 3% to 4%. And I think what we've tried to say to investors is probably will be more in that range. But we're in a competitive business, and I think our team is competing really well. You'll hear from other people this week, newer technologies, new competitors, new investments being made. Why is all that? Because it's a great business. And is it going to change that? I don't think so. We do broadband in residential and, as I said, in businesses.

But then let's zoom out a bit and talk about what's going on with the usage of broadband. And that's where I get very excited about your second part of your question, and why we're making those investments and believe there will be great returns and will also help differentiate our broadband from our peers and competitors. Just in the last 4 years, we have 13x more attached devices to WiFi than we did in 2018, 5 years. And we've got 1 billion devices attached in our homes.

What's that look like in 5 years? Is it constant or exponentially more? That's a good bet that WiFi will power so much. If you look at our broadband usage, it's almost doubled in the last couple of years with COVID. The average non-video -- non-linear video customer uses 700 gigabytes a month of data. That's -- wireless is like 17.

So now we start there. Well, Sunday Ticket is about to launch, and it's 100% streaming. Millions of people are going to stream all those games. Then you roll into, for us, Big 10 coming to Peacock and then Sunday Night Football and then an NFL playoff game in January, first game ever only available on streaming. And then you look at what's being discussed in that first question about where is ESPN going, and Bob has been pretty clear about someday, we're going to stream ESPN and the regional sports networks. And we're at 4K, but then there's ultra high-def. And is there an 8K and a 100K someday?

And what does all that need? That needs bandwidth and it does not need freezing with the ball in the air. So, I think as people become more and more user dependent on the dream of broadband and the capabilities, I think broadband will reinvent itself. And that's before we even get to things like AI creating more volume through the system or things like augmented reality or health care in the home or more Zoom or more video cameras or more video gaming, more YouTube.

So, I think we're on just a great side of would you like to have the best broadband in your house. And we're a company that's investing in DOCSIS 4.0, and that is going to get us up to 10 gigabits bidirectional, unprecedented capability, it's anybody's guess whether we need at all, but I think most of us in this room are going to absolutely want it.

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

You've been a leader in the fixed broadband market for a long time. You more recently have been talking about clear and strong demand for your converged offers of broadband and mobile. How do you think about convergence? Do you think of convergence as a product strategy or a network strategy? And if it is a network strategy, does that mean you ultimately need to invest in macro mobile infrastructure?

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

Well, I think it's both. Today, it's a product. So, we have our broadband fixed and our broadband mobile, thanks to our relationship with Verizon. We have the best value and the best product in mobile because it's a mix of our WiFi and our broadband. The average, as I said, mobile customer uses around 17 gigabytes a month, we're vastly lower because there's -- we're 90% WiFi and our mobile customers home usage is actually the WiFi network. So we have the fastest WiFi and we have the nation's best coverage in mobile.

And we have all that technology. We don't make any trade-offs to take a lower inferior product to save capital. We have a capital-light model, and we are spinning up the ability to offload to save cost, even beyond that for consumers. We're probably 30% to 50% cheaper in mobile. We're only 10% penetrated, so unbelievable upside. The bundle creates value for our consumers to take the very best broadband, so the story really resonates.

And we're spinning up a market. Our tests are going well of offload, we're spinning up officially Philadelphia as our first trial market for a very modest amount of capital. And we've got the great realization that 3% of our geography gets 60% of the bits in our network consumption. So, if this works, we're going to continue to be able to look at more markets, and I think we're in a really good space.

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

I want to talk a little bit about your business services segment before we move on and start talking about your Content and Experiences business. It's a $9 billion annualized revenue business. It's returned to mid-single-digit growth. As you pointed out, it has some of the highest margins we've seen in any connectivity business in the U.S., right around 60%. How are you thinking about the long-term growth opportunity in this segment? And is this an area where you might be thinking about stepping up your investment through fiber or some other type of infrastructure?

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

If it was a stand-alone company with $9 billion, $10 billion and a 60% margin and then growing high single digits, there'd be a pretty robust value post on that company. So, we are very committed to wanting to invest behind that growth. We have a great management team, great culture. They've built this organically from zero. It's probably the most successful new build product I've seen, I guess broadband was better, but this is pretty great.

And we see a lot of -- we've reached a certain level in the small businesses, but medium and enterprise customers and international customers. We've made an acquisition with Masergy. That has been integrated extremely well, and the team is really excited about the capability extension. And I think that's probably what you'd be looking for us is can we add capabilities, can we add scale and growth to our story?

Mostly, we do that organically. But from time to time, we find some way to invest. Clearly, we're investing in fiber. And I have nothing to say, but we're really hopeful that, that business will help power our growth for years to come.

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

Do you see an opportunity to start moving more outside your traditional footprint with infrastructure?

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

I don't know about with -- exactly with infrastructure, but we got a great relationship with the other cable operators and with AT&T and network operators that works for data centers and redundancy and for private networks and the sophistication and everything we just talked about broadband and what it means to your business. What's it going to mean to computing speeds and all the innovation coming powered by this next generation of computer-driven AI to companies wanting to communicate quickly. We're the solutions company, and I think you'll be hearing a lot about Comcast business for years to come.

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

All right. Let's turn to the Content and Experiences business. I'd like to start with Hulu. Your put option is coming up in January. Is it currently your intent to exercise your option to sell your 1/3 stake in Hulu to Disney? And what would be alternatives that could be attractive? And if you do sell it, how do we think about reallocating those proceeds?

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

So we have a little bit of news this morning, which is that we and Disney last week signed a modification to our agreement to bring forward the date that, that question begins to get answered to September 30. So as of September 30, after some short period of time, Disney can call, we can put, and I believe that's what will end up happening. So therefore, we thought with all the questions people have had about how exactly does that work.

Let me just take a few moments and try to be a little bit more specific. Let's start with as people know or may know, we own 1/3 of Hulu. Hulu is a great business. It's clearly in the United States, the most important market. It's the #2 AVOD, SVOD service behind Netflix. The #1 company has a $200 billion valuation in the market today.

In terms of the engagement of customers, I think Netflix and Hulu are in a class by themselves. Based on Nielsen, there's 2 to 3x the engagement for Hulu than any other streaming service, save for Netflix. So the contract language, we believe, is very clear. And what happens is you go through an appraisal process, ultimately yielding a value that then we would sell our 1/3 stake. That appraisal process, however, is why I just want to clarify a little bit this morning is I've never quite -- we've never been through one at Comcast that I can recall all my time because it's a very unusual clause.

It assumes for the appraiser as if Hulu were to be sold as is, what is that value to maximize the equity value? So, the key words or the key concept is as is business. And you would achieve that through some hypothetical auction or sale process to get that maximization. That could be a sealed bid. It includes Comcast as a bidder. Hypothetically, Disney is a bidder or any other company, tech company and the like as a bidder.

What you're actually appraising therefore, and this is really the point, is more than Hulu, a lot more than Hulu, in my opinion, because you start with Hulu as a standalone has a value. Very successful. The numbers are mostly private, so we'll leave that up to the appraisal process. Second, it's - no one's ever sold a pure play or auctioned off, a pure-play streaming asset that's in this kind of position. That's a scarce kingmaker asset, whoever would get that.

But the key and why that is so [much](added by company after the call) more than Hulu is you get all the content and you get all the bundling, and you have your own synergy as a buyer. So, let's unpack that. The content comes from many sources for Hulu. A lot of those are made by Disney-owned entities. And so in this hypothetical sale, which they probably would never actually sell it with all of the content, not just for a year but just as is. So there's no end date that we think that changes that.

The value of the bundle, we've seen Hulu packaged with Disney and with ESPN+, you'd be able to stay in that bundle. [According to Street research, that](added by company after the call) reduces churn like half for Disney and others. So that value goes with it. And we've seen analyst reports that a buyer depending on who they were, if it was to scale them up, they could have a couple of billion dollars or who knows what of synergy. Just that piece of the synergy and the churn benefit could be worth $30 billion. And that's before you ascribe any value to the actual Hulu.

And of course, when you go into one of these really robust auctions, and I think if you were selling all of this as is there'd be a line of bidders around the block to actually buy all the content, all the bundling of Hulu. That business we've never seen. And so usually, buyers in robust auctions pay for all the -- the [buyer](corrected by company after the call) gets all the benefits of the synergy. And that's just what Goldman Sachs is really good at getting from people to do.

So, I think we are excited to get this resolved. And the minimum number of [$27.5 billion](corrected by company after the call) that people have bandied about, that was just a hypothetical that we picked 5 years ago because Disney had control of the company. The company is way more valuable today than it was then. And we are looking forward to seeing how that [progresses](corrected by company after the call). And again, the details are they have an appraiser, we have an appraiser, they're so far apart, then you get a third appraiser. And so, it will take a little time for this to play out. But both companies wanted to get it behind us. So ,we pulled the date forward, starting the process -- therefore at September 30.

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

Is there a prescribed time line for this? You said it might take a while. So do we know when it would need to be resolved by?

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

I think it starts 30 days after that, you begin to get the first put call triggered and -- but both companies, I think, are well served to have clarity for our investors what this really means. You might say, what are we going to do with the proceeds of this? And let me just say on that, we've been asked that a lot as well. Our plan is to return it to shareholders. And net of bond financing and taxes, we're going to accomplish a portion of that this year in 2023.

We've increased the run rate by several billion dollars for the remaining 2 quarters of the year, which really is a reflection of our confidence in the anticipated outcome and of the valuation process and the strength of our underlying business that we've been talking about this morning.

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

So you've increased the run rate of the buyback program? Specifically, is that what's going to be higher through the balance of the year?

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

Yes.

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

And maybe outline how much higher that run rate is going to be.

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

Several billion.

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

Several billion above the current run rate?

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

Yes.

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

Okay. That's great.

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

And that's just this year, there will be more next year because we believe there will be -- we'll know exactly how much this use of proceeds will be.

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

And it does sound like the buyback specifically is the part of the capital return program you're going to augment with the additional proceeds as opposed to the normal dividend trajectory.

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

Yes.

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

Okay. We only have a little bit of time left, and we have so much more to talk about. So let's jump ahead. And I'd like to talk about your studios business for a little bit. You've highlighted premium content creation through your studios division as a real driver of growth for the company. How are you thinking about your content investments longer term, whether it's film or television or even putting it into Peacock?

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

Well, I think our -- as I said at the beginning, our creative team is off to -- has been doing really well the last several years, and this 2023 is the best year maybe in Universal's history. We'll see how it all ends up. We'll have an ability to continue to make TV shows and films globally distributed.

What our strategy for the U.S. is, I think, pretty clear. We have a great business. We are the #1 consumed eyeball-reaching television company. What do I mean by that? Well, you watch the Today show, you watch the news, you watch CNBC, you watch any of our content and one of our films, one of -- and we reach -- we have a reach that is close to 90 million, 100 million each month. So how do we get that to remain regardless of what happens to distribution, disputes and things of the nature?

And so our model of Peacock is really a form of, a digital form of all of our content. We've seen other industries do this successfully, transition from an analog world to a digital world, try to have the seesaw as close to balanced as possible. We still make more money in the analog world, but it's getting closer.

If you look at some companies, that seesaw is way more distorted because consumers are paying a lot, and they can't get as much in this digital world. Peacock at $5, $6 a month, I think is arguably one of the best values for a consumer anywhere. But we hope the cable bundle, of which NBCUniversal is a part of, is also a great value. And with broadband, we can distribute in either mode.

So, I think content creation being -- having a culture that is artist-friendly, having a team that has a track record to not just rely on certain key franchises but continually reinvent themselves every year, and that's what the team has been doing. And I think content for us with so many places to sell it, we also don't just put it on Peacock. We have deals with Netflix and Amazon and HBO. And all over the world, Universal's content and NBC's content has resonated, and we'll continue to be flexible to find ways to build value to remain very competitive.

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

All right. I'm going to squeeze in one last question here. Your parks business has been incredibly strong over the last 18 months. You're seeing some stabilization or normalization in Orlando, but international has just been a great tailwind. In light of all this success, explain why you're so comfortable making the big investment in Epic Universe. And how should we think about that augmenting the growth trajectory over time?

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

Parks have been just an amazingly, wonderfully -- good surprise business since we bought NBCUniversal. Started with Harry Potter, but now we're seeing it with Nintendo. We've seen it with the Jurassic Coaster in Orlando. We've seen it in Osaka, in Beijing.

It's given the company just a whole new dynamic. Hotels, 90-plus percent occupied, been able to get consumer products, include our content brands from all of our creators. Halloween Horror Nights coming as a huge month in October. So we looked at where is the best market in the world, Orlando. We bought land that GE had previously sold. We bought it back. That was a tough call, and we're building a magnificent creation. There's 100 vertical structures or something like this going up simultaneously, restaurants and hotels and attractions, powered by Nintendo, powered by the great franchises that we've got, Harry Potter and the like.

And so you're going to come. We have a water park. I think it makes Universal even more of a destination, get another day or 2 of stay. The incremental IRR on that is pretty great and it opens, we believe, in 2025. And I think we've been rewarded with our judgment in getting further and further into parks. Under the team, Mark Woodbury is a fabulous creative lead for many years and is now the CEO, doing an incredible job. And he is a plug for him speaking at a competitor conference in a couple of weeks. For those that are interested in learning more about our parks, we'll go into a deeper dive there.

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

All right. Well, that's a great place to end. Brian, you've been coming here for over 30 years. We certainly look forward to having you back.

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

Hope you will. Thank you.

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

Thank you.