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# PRELIMINARY TRANSCRIPT

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## CONFERENCE CALL PARTICIPANTS

**Doug Mitchelson**

**Neil Smit**

## PRESENTATION

**Doug Mitchelson**

Good morning, so we're going to get started. Very pleased to have with us Neil Smit, Executive Vice President, President and CEO of Comcast Cable. As you guys know, Comcast has been our top pick; cable is 80% of EBITDA, 90% of the value of the Company. And I think one of the big drivers of the stock over the last 12 months or so has obviously been very strong cable results. So very pleased to have you with us today, Neil. Thanks for coming.

**Neil Smit**

Doug, thanks for having me.

**Doug Mitchelson**

So a clear highlight in the fourth quarter was video net losses improving. So we're going to jump right in that sort of hot topic within reach of breakeven. I think that teases investors to consider the day when Comcast is no longer losing video subs. How should investors think about video sub losses going forward?

**Neil Smit**

Well, we're pleased with the fourth-quarter results. I think we performed well, not just on the video front, but on the overall RGU front. We put on 1.4 million RGUs, up 11%, between video, phone and HSD. I think on the video front, while we improved 85% our net losses over last year and 40% on the year, year over year, I think that if we did another 40% improvement next year we'd still be losing subs.

And don't get me wrong, I hate losing subs. I think there were a couple of factors there. One was the RBOCS, the buildout slowed down. So in 2010 it was about 2.5 million homes that were built; in 2011, 1.1 million. So that slowed down and I think there's less competition in our markets.

I think the other factors are that we're just executing a little bit better. We're getting that product out the door, more of it. We launched 16 new products last year versus -- which is more in the last two previous years combined. We kind of aligned marketing and product dev a little bit better and we're just cleaning up the pipeline.

I think the second factor is our customer service has improved. We're focusing on getting it right the first time. We've taken a lot of noise out of the system and I think the results are showing it. And I think finally, our marketing is getting better. We're more targeted in our marketing, we focused on retention.

Of those net gain improvements most of it was driven by retention or less churn. And so all these changes I think are sustainable, they're not just one-time promotions or discounts. If you think about product and customer service and marketing, those are all sustainable change that will continue to yield results as we move forward. So we feel good about the execution and the team and what we're doing.

**Doug Mitchelson**

Is there a year on the calendar I should circle or investors can say, okay, maybe Comcast won't be losing subs by then?

**Neil Smit**

I'd love to circle a year, but we're just going to keep focusing on doing what's right for the business.

**Doug Mitchelson**

So I think if you look through some of those points that you made -- why don't we start with customer service? I know I actually sort of get excited by some of the things that are happening in that piece. It sometimes sounds a little bit mundane, but it's been an area where you've had a lot of experience in the past.

What are the execution priorities there? How is the strategy evolving? Is that something with your scale that could be turned into a demonstrable competitive advantage?

**Neil Smit**

Yes, I think it can. I mean, I'm there to transform the customer experience and we've done a few things. One is we started to pay people a third of their bonus and we pay it on a quarterly basis so it gets their attention every quarter on customer service metrics. So it's a big chunk of their pay, they get it, they don't wait until the end of the year and say I'm too far away and give up.

And we're really focused on both reliability and convenience, reliability in that we want to get it right the first time. We show up, 96% of the time we're on time, 90% of that is within a two hour window, so we're showing up on time.

We're getting it right the first time, we took out 4 million truck rolls last year, at $50 to $60 a truck roll that adds up. We took out 8 million calls to our customer service agents because we're transferring fewer calls. So we're seeing benefits on the reliability front.

I think on the convenience front we're doing more self-service. So you can pay your bills, schedule appointments, order services online or in the -- on mobile. And we saw a lot of benefits off the mobile platform interestingly in the back-to-school period.

I think that as we look at these changes, both the reliability and the convenience, it adds up. So we put on -- we increased our RGUs 11%, but our customer service and tech labor costs were flat on the year. So the adage that what's good for the customer is good for the business is really proving true. And our churn was down across all three product lines for all four quarters of last year. So, which I think is indicative of some of the improvements we're making in customer service.

So we're going to keep focusing on it. We've got more innovation coming and I think a lot of our product innovation we're now going to transfer over to the customer service front as well.

**Doug Mitchelson**

When you -- so we'll move over to the competition side. DIRECTV announced they plan to reduce reliance on discounting. They indicated that thought the promotional intensity of the environment was too aggressive. So you mentioned the RBOCS in terms of their platform is starting to mature. What do you think about the overall promotional intensity? Is that something that's of concern at all for Comcast?

**Neil Smit**

You know, I think we're competing well right now. I think there's always a balance between rate and volume and that's in any subscription business and I think we put on good volume last year and our ARPU was up 8.1% on the year. So I think we're striking the right balance.

I think promotions kind of fluctuate and discounting fluctuates. New products are launched, there might be a promotion with those or during certain seasonal events there might be promotional activity with that. I think the different products are in different stages of maturation. I think that video is the most mature product and we're focusing on innovating there and launching new products there and bringing news to the video front.

I think HSD right now is about speed in home networking and we're continuing to invest in capacity so we can deliver that speed. And I think phone ties together the triple-play; it's a great product and we're also innovating there, we have text from home and readable voicemail and products like that.

Business services is rocking along, we were up 40% plus last year. Small and medium businesses are what's driving the growth and now we're getting into the mid-market, we have Metro-E and PRI. So I think promotional activity -- I haven't seen a notable change in the marketplace. I think you see promotions, but the destination pricing hasn't changed a whole lot and we'll continue to monitor it as appropriate.

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**Doug Mitchelson**

So, the next topic you talked about was innovation and you knew I was going to ask you a series of questions about innovation. So I think you came prepared with some slides to walk through for demonstration purposes. So if you could sort of walk through some of the innovations that you're working on.

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**Neil Smit**

Sure. Innovation -- when I got to Comcast I wanted to really push the innovation front. Our competition has changed and there's more Silicon Valley competition and I think we've got to compete, we've got to up the pace of innovation. And so, we cleaned up the pipeline. I think there were too many products in the pipeline and we prioritized a little bit better, we aligned marketing and [biz dev] so they were working better together.

We're better coordinated with the field, we have collision calendars so we're not launching too many products at any one time in the field, we're testing our products better so we get better quality products out there. I think we put more up in the cloud and -- quite a bit more, and that enables faster innovation. We can get apps out, we have a sports app out now that's being very well received, we put the iPad app out and that's been downloaded 4 million times.

So we're able to innovate at a faster pace. Before when we did a guide it used to take a year and a half to two years; now when we do a guide it takes -- or any changes it takes two weeks. So that's all about putting things up in the cloud. We have the X1 platform we're extending out to hundreds of thousands of homes right now and it's changed. I mean, you might have seen the original user interface, but that user interface has changed and I thought I'd show a few slides of it.

This is our X1 platform and it's all about discovering content. And as you see across the top there, you can watch TV the way you want to watch it. So it can be my TV which are your favorite channels, the standard guide and you look at the user interface, it's clean and simple. On Demand -- you have search functionality built in, there are apps; every morning before I go to work I'll look at a traffic app and a weather app.

So it's integrating some of the functionality of the Internet with the television -- the standard television experience. In On Demand you get nice poster art, it's much more appealing. And I think then you can filter along the left-hand column the way you want to filter -- I want to watch movies or TV or kids and it screens through that. All the time up in the upper right-hand corner you can be watching live TV so you don't lose your live TV experience.

We built in a recommendations engine which I find is a great way to watch. You pick a movie that you really love and you see other movies like this, more like this functionality and it's terrific. I've found that's the way I'm watching TV these days.

And it enables -- because it got so much up in the cloud and you're bringing IP closer to the edge it enables us to move out on other platforms. So we're going to be on Xbox here shortly and interactive TV is another platform we can get into. So it really has sped up the pace of innovation and we're very pleased with that and we'll be accelerating more of that.

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**Doug Mitchelson**

So, innovation naturally leads into the discussion around the evolution of television, TV authentication. TV Everywhere has been a hot topic for a couple years, but there's real activity now. And it's interesting because we're at the point where we're starting to see content companies and distribution companies both putting forth their view. So I was curious, what's your vision for On Demand authenticated access to content?

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**Neil Smit**

So, we are big believers in TV Everywhere and from a definitional perspective it's having great quality content for the customer anytime and anywhere. So they should be able to view it across multiple platforms, multiple devices in and out of home.

We've done a number of landmark deals, we finished one with Disney the end of the year, Turner, Viacom, CBS. So we have a lot of TV Everywhere content and it's -- I think we've got a great authentication platform. We've really focused on making authentication easy and authentication is ensuring the subscriber has the rights to the content they're viewing.

So you can enter the last four digits of your Social Security number, your telephone number, you can get on easy. You can switch between different networks, so if you're on HBO you can go to Turner or if you're on Disney you can go to ESPN. We have a rolling 30 days authentication process so that if you're -- if you've authenticated once, as long as it's somewhere within the 30-day period you have access, you don't have to re-authenticate.

I think we're leading the industry in this space and we're big believers that we want to give the consumers or our customers access to the content wherever and whenever they want.

In terms of the quantity of content, you can see there that we have 30K On Demand choices, the most in the industry, 200,000 online choices and on our iPad app 8,000 play now minutes so you can actually view it on your iPad.

So we're very excited about the space, we think it's a great opportunity for the customer and for us. As you know, Doug, last week we launched Streampix, I think Streampix is a great complementary service, it is anywhere, there's a lot of great content. If you think about it, you've got live recent via VOD and now back catalog or library content, so it fills out the portfolio.

I read an article in Wired that said that this is the real triple-play of television and movies and it's having that recent, live and now the back catalog. We'll be filling out more content, we're doing it on kind of a daily basis now. So we're very excited about it. And to our higher end video customers, they get this included in their subscription, so we're providing, once again, more value to our customers.

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**Doug Mitchelson**

How do you think Streampix drives value for Comcast? Is this retention, is this revenue driven, how does it drive value?

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**Neil Smit**

I think it's all of the above. I think it's retention because we're a one-stop shopping place. We're giving the customers no reason to go anywhere else; they've got everything they want there, it's a very comprehensive suite of services. And I think it's a revenue opportunity at $4.99, it's a great value and I think for some of our customers they'll want to buy into the service. It's got great content, both television and movies, and we're happy to be in the space and we're going to keep driving the content and the quality of the content.

**Doug Mitchelson**

Yes, it was interesting -- when you announced results and you gave some guidance around what programming cost growth might be for the year we couldn't quite figure out how to get there because the Disney deal wasn't enough. And then of course you announced Streampix and now we know.

It's interesting with those slides, because what you've done is you've spent a lot of time and investment in trying to perfect the user interface for your customers. Is control of that user interface something that's important to Comcast?

**Neil Smit**

You know, I think it is. We want to improve -- we want to have the customer experience improve, we want to let them discover all the great content that they have available to them. We found that the more that they use the service and the more content they're exposed to the lower the churn rate. And so they see more value out of the service.

And so, I think we want to continue to improve our user experience across all the different platforms, whether it's live TV, On Demand, DVR, iPad, a phone or mobile device. So we're focusing on that and that's one of the reasons we put things up in the cloud so we can modify it on the fly and give customers a better experience on any platform.

**Doug Mitchelson**

So even though there's a proliferation of devices with their own user interface and people are focused on things that might be coming this year like Apple TV or Google TV. Is it sort of the over arching view that if you create the best user experience people will gravitate towards that?

**Neil Smit**

I think that's part of it. I think the user experience is one aspect of it and we want to open up the user experience and expose people to more content. I think the other value in the equation is the content, and that's one of the reasons we're doing a number of TV everywhere deals so the content is available. The Disney deal had 70 different services and across multiple platforms in and out of the house. So we felt it's important to have a great user experience as well as great content across multiple platforms.

**Doug Mitchelson**

One thing that was interesting that we came across recently in Nielsen's -- one of Nielsen's reports, it was the 3Q cross-platform report. They -- tiered usage, they showed the top 20% of households were streaming about 21 minutes a day and the next 20% of households were only streaming 3 minutes per day.

So there's a real concentration of the number of folks streaming -- we're all still trying to figure out how online video will evolve over time. Is that what you're seeing in your data? I know you're obviously the largest broadband provider, and does that inform your strategy at all for video?

**Neil Smit**

You know, while online streaming is relatively small minutes wise versus linear or live viewing, it's a growing trend and consumers are wanting to consume video online, some consumers, especially the younger demo, the 18 to 39.

And so we want to be there, we want to satisfy that customer need and we're investing heavily in our platform, our online platform to be able to do deliver that content. And that's one of the reasons we're doing these TV Everywhere deals so that we can deliver the content to that -- where the customer is.

The other interesting thing is home networking. I mean iPad -- I read somewhere that iPad paid views, 92% of them are done via WiFi or home networking and most of that in the home. And so, we're building out our home networking capabilities and capacity to be able to deliver that to customers as well. Let's let the customers view where they want to view.

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**Doug Mitchelson**

So why don't we talk about where the money is? So high-speed data, $9 billion business, still growing almost 10%, I think you've accounted for about 15% of the industry's net adds, you're about 20% to 25% of the broadband subscribers in the United States. One of the things I think investors want to understand is what are you doing different that's allowing you to drive that type of share gain?

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**Neil Smit**

Well, I think first we're investing billions in capacity. It's a -- capacity continues to increase at a pretty high rate over a bigger base year after year. I think that we're increasing speeds, we took the 12 megabit speed to 15 megabit and the 20 to 25, so we continue to increase speeds. We've got 105 meg across virtually the entire country.

I think the other thing is we're investing, as I mentioned earlier, pretty heavily in home networking and in WiFi. Home networking is a growing trend, they have multiple devices in the home and we think we want to meet that need. And WiFi, we've built out some of our markets and we'll continue to build out other markets.

I don't think there's anything that we're doing radically different than other providers. I think we're executing well and we've got a great platform and a superior product.

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**Doug Mitchelson**

And when you look forward, pick a time frame you're comfortable with, how high should investors think your high-speed data penetration can go?

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**Neil Smit**

We're at 35% penetrated right now. I don't see any reason why we couldn't get to the same penetration rate as video. It's a great product. As you mentioned earlier, people are consuming more online and so we'll call that a number for now.

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**Doug Mitchelson**

So let me move over to small- and medium-sized business, it's had obviously a pretty terrific growth, [passed] $30 million quarter-over-quarter revenue growth for two years now almost. It scaled to a $2 billion run rate business, I imagine that's probably somewhere around $1 billion of EBITDA at this point. What are the near-term execution priorities for small- and medium-sized business?

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**Neil Smit**

Well, most of our growth has come out of SMB and we're executing really well on that front. As you mentioned, we're growing at about a 40% rate. It's about a call it all in between small and medium Metro-E and backhaul it's a $20 billion to $30 billion business and we're only penetrated at 10% right now or with a $2 billion run rate.

Right now we're building out -- we built in the infrastructure and the capabilities to execute on Metro-E and Metro-E is a great product because we're going in against the telephone companies who deliver call it a T1 line is 1.5 megabits and we're delivering anywhere from 1 meg to 10 gigabits, so it's a great product.

If you can think about a regional hospital or a school, a campus -- they love the product, some have campus buildings and a research lab all within a metro area and we can service that whole need, kind of their own private network.

The PRI, which services phones that have PBX's, we can serve many more phone lines, it's going well. We have in the backhaul -- we have -- we were up in '11, 75% in our install towers. So as we're growing the business at a healthy rate, Bill Stemper and team are doing a terrific job there and we're going to continue to invest in that area.

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**Doug Mitchelson**

So some of the items you're talking about, really the middle market -- there's obviously been a lot more talk about that as companies' capabilities have increased to be able to attack that marketplace. Do you have all the building blocks in place to go after that middle-market like you already have the small-market or is there sort of a more work to do there?

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**Neil Smit**

No, I think we've got the building blocks in place. We spent the last year and a half doing that. We built up the sales team and the processes and the infrastructure to be able to do that and it's growing at a pretty good clip right now.

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**Doug Mitchelson**

So, when you think about competition in this environment, $20 billion to $30 billion, a lot of that is just one competitor in some of these markets.

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**Neil Smit**

Right.

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**Doug Mitchelson**

So, when I think about share, if it's two competitors and it's a telecom product, why wouldn't it be split up ultimately sort of 50-50? I mean is there sort of a long-term goal of trying to get to penetration at least in the small-market 50, middle-market pick a number (multiple speakers)?

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**Neil Smit**

Yes, I don't know if I -- over what period it could get to that number. I think right now we believe 20% is an achievable target and so we'll keep focusing on that and executing well. But I'm pleased with the execution of the team and we're building new capabilities and we've invested in that business. And I think 20% is a reasonable target.

**Doug Mitchelson**

Is there any friction points that you have to overcome to be able to gain share? When we start to think about middle-markets you get in some cases to phone companies bundling in wireless and things like that. Is there any hurdle that you have to overcome to be able to gain share?

**Neil Smit**

No, not really. I think there's always process components of it -- you need right of entry into buildings and things like that. But I think we've worked through a lot of that process complexity and we know how to execute on that one. And then it's just a matter of time to market from the time you have a sale until the time you install the network or the fiber, it just takes time. But we've made a lot of improvements and we're executing well on that front.

**Doug Mitchelson**

So, let's turn to home security, [in other words] that new growth stream, we all get very excited and jump all over trying to figure out a new business. For you, can you give us any sort of size of the home security environment and your ability to compete for that customer?

**Neil Smit**

So, in the US the home security market is about $9 billion overall. We think we can capture share there as well as grow the market because our product is not just home security, it services both home management. I have a slide there to kind of describe it. So climate control and video monitoring and light control. So we call it Xfinity Home, we used to call it Xfinity Home Security. And it's really providing a more comprehensive service to the customers.

Where we've -- customers we've sold it to, the churn is extremely low, they love the product. You can -- it's got some really slick features where you can have a camera click on when a door opens and you can have it show up on your iPhone or your iPad or your P&C, so it's multi-platform again and it's been very well received and we're going to be building it out across all our markets over the year.

**Doug Mitchelson**

It was speculation a little while back that ADT might be available to be acquired. And my first reaction is why would you sort of buy a home security company when you're actually trying to take all their customers away on your own platform? I think the economics are better for you to win their customers than to buy them. Is there any thought around a need to jump start the home security business by trying to buy some scale?

**Neil Smit**

I think we're focused on organic growth. We know how to organically grow businesses, we've grown business services that way, we've grown HSD that way, phone that way, so we're focused right now on organic growth.

**Doug Mitchelson**

So, why don't we turn to margins? I think the margin outlook was suggested to be somewhat flattish. Where are you trying to find the greatest or where do you think the greatest cost efficiencies can be captured?

**Neil Smit**

I think we're comfortable with stable margins, I think there are some favorable factors and some unfavorable elements. On the favorable side there's product mix. As we mix in a higher percentage of business services in HSD and phone it helps the margin. And I think the other thing is just the efficiencies of running the operation.

As I mentioned previously, we're taking out noise out of the system, we're fewer truck rolls because we're getting it right the first time, fewer calls because we're not transferring as much. We centralized some of the functions so we brought accounting up to headquarters last year from a decentralized function.

So I think there's a lot of efficiencies in the operation there. The unfavorable factors would be obviously programming costs and I think the launch of new businesses, there's marketing that goes behind that and investment that goes behind that. But I think we've got a pretty good track record of making those businesses profitable over time.

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**Doug Mitchelson**

Yes, on the programming side you're relatively unique doing long-term deals, 10-year programming deals. So I'm sort of curious, what's the benefit to doing long-term deals?

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**Neil Smit**

Well, that's a great question. I think it's a very dynamic time in the industry and we would look for some predictability and some stability in our programming cost so we can manage the business accordingly. I think oftentimes in programming deals there will be step-up costs as you renew deals. So I think we wanted predictability.

And in our programming deals now we're trying to get much more flexibility in the deal. So for example, in some of the TV Everywhere deals we're across multiple platforms, we have rights that go in and out of homes. So we really focused on flexibility in the deals and packaging flexibility and we wanted to have predictability in the business.

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**Doug Mitchelson**

Does this -- I sort of imagine there's an obvious answer to this. But does that increase the risk profile of the business at all. I mean, the video business does look over like a long period of time it could change. Do you feel like you're increasing the risk profile at all being that far out in your commitment to programmers?

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**Neil Smit**

Not really. I think we've built flexibility into the deals and it's a partnership. I mean I think we're mutually -- we have mutual interests, the programmers and the distributors do, and we view it very much as a partnership.

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**Doug Mitchelson**

So, we're going to touch on CapEx, then we'll see if anyone in the audience wants to ask a question this morning. On the guidance side for CapEx, also relatively flattish. What are the key swing factors that investors should be looking at going forward for CapEx? What are the things that are going to drive it higher, what are the things that might drive it lower over time?

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**Neil Smit**

So, CapEx since '07 has come down from 20% of revenue down to 12.9% in '11. So we've been able to manage down CapEx as a percent of revenue, and that amidst building out DOCSIS 3.0. We've gone all digital, we've deployed two $23 million DTAs, we've invested over that period $1.7 billion in business services. So we're able to manage CapEx very effectively.

I don't see a major network rebuild or a new cycle of major investment. I think we're going to continue to buildout business services and invest there, new product launches and invest there. But we have a very healthy network and we've launched -- I'm mean, we launched a cable show last year 1 gig over the production plan. So it's a very capable network and I think we'll continue to manage CapEx effectively as a percent of revenue.

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**Doug Mitchelson**

So, if there's any questions for the audience we've got time for a couple.

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## QUESTIONS AND ANSWERS

**Unidentified Audience Member**

I have one question about video pricing and one about penetration. So as a customer in Minneapolis I'm very pleased with the video product and it's much better than the company that used to provide my service. But I was surprised with this year's price increase. Is the price increase that's going through your video customer base more this year than in prior years?

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**Neil Smit**

I think it -- no, it's not really, it depends on the package you're on and the -- the market, whether we took price increases in previous years and to what extent. But overall the rate increases this year were not significantly more than in previous years.

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**Unidentified Audience Member**

Okay, thank you. And the question I had on penetration, and I understand you haven't been with Comcast for a multitude of years. But have you looked at what the penetration rate is in college towns versus your average and what that is and how those rates within the college towns have trended over the last three or four years?

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**Neil Smit**

I haven't looked at that specifically. What we do find is that there are trends in the college towns of video -- one of the things we did look at was video consumption was more of it going online. And we didn't see this last year a notable decrease in video consumption and an increase in HSD.

That's what we look for, so we didn't see a significant increase in HSD and capacity consumption there at the expense of video. So that was an interesting trend. But I haven't looked at penetration rates, to tell you the truth, in college towns versus others.

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**Unidentified Audience Member**

All right, thank you so much.

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**Unidentified Audience Member**

Thank you. All right, two brief questions. When you talked about the 10-year programming deals you said that there was flexibility built into those deals. So I believe that you don't pave -- you pay on a per subscriber basis, so if you lose a video subscriber your cost goes down. Is there other flexibility beyond that?

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**Neil Smit**

We don't really talk about specifics within deals. I'd just say that interestingly with some of the more recent deals it was -- the term and the rate and components like that, the standard components of the deals were relatively simple. But the digital aspects of the deals, because we don't know how things are going to evolve, were much more complex and took much more time and thought. But -- and we built some flexibility into that, neither party knowing where the market would go. So that's generally what I'd describe as the flexibility in the deal.

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**Unidentified Audience Member**

Okay. And then you said that your high-speed Internet was around 35% penetration of homes passed and you figured that could get to 30% with video over time. What is video penetration as a percent of homes passed and where are you assuming that will -- video penetration will be when Internet reaches parity with video?

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**Neil Smit**

Video penetration is about 42.5% right now and I don't know exactly when that line crosses. We've got some markets with very high HSD penetration rates nearing video right now. But -- and it kind of depends on the market, so I wouldn't say here's when the line -- the two lines cross and they're at parity.

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**Doug Mitchelson**

I think there was one more back there.

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**Unidentified Audience Member**

How much have your economy packages helped contribute to lowering your churn -- your economy video packages?

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**Neil Smit**

They've helped. I think that what we try and do with each of our packages is we've tried a different sales technique over the last year and a half where we try and get the right package for the customer. We used to start at the bottom and build our way up. Well, how about this, how about that? You might want some of that. And the customer, it turned out, was a little less satisfied where they ended up.

Whereas now we're more focused on what do you watch, what do you use it for, how much do you watch, what do you do online? And we're trying to get customers into the right package the first time and that's helped us reduce churn.

I think the other thing is we're focusing on -- we built up more science around the retention area. I think the retention channel wasn't really well developed before. So we're getting when people call to cancel we're saying, why are you calling to cancel? Let's see if we can get you into something that's more suitable to you.

So it's less about getting them into the economy package and it's more about getting them in the right package. And so that's really been our focus and we've had great results in churn reduction, which I think is a combination of better credit screening, we have centers of excellence which focus specifically on retention.

We're getting them in -- we're training the sales reps better. So it's a combination of things -- better customer service, it's no one answer in getting them in the economy package. And our ARPU, as I mentioned previously, was healthy, in Q4 it was up 7% and on the year 8%.

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**Doug Mitchelson**

When you talk about churn having improved each quarter last year for each product, is that a year-over-year improvement or is that quarter over quarter? Did it get --?

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**Neil Smit**

Year over year.

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**Doug Mitchelson**

Year over year, so each one got better.

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**Neil Smit**

Yes, because you get -- within quarters you get some fluctuation. So Q2, for example, you have seasonality in there. You've got the college kids leaving school and you've got the snowbirds leaving. So generally speaking it's a higher churn quarter.

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**Doug Mitchelson**

So, is that something where you saw improvements in the pace of churn getting better? Or was it sort of pretty steady the improvement throughout the year?

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**Neil Smit**

It was pretty steady the pace throughout the year, we -- the basis point reduction was pretty steady and I think we're going to keep focusing on it. It's the right thing to do, it's right for the customer and we've been pleased with the results.

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**Neil Smit**

So, when you -- sort of wrapping up. When you think about -- you obviously talk through a lot of execution today in detail. And when you think about sort of from when you arrived to today and how much you've accomplished and what you still think is left to do, is there any kind of -- I hate to use the baseball "what inning are we in" analogy, but how do you feel about the opportunity sort of looking forward in terms of improving execution relative to what's been done so far?

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**Neil Smit**

I'd describe it as a first inning. I'm never satisfied. I believe there is a ton of opportunity in product innovation. We're innovating at a better rate now. I think customer service we talked about, I think we can do a lot more there and innovate a lot more there. I think just pure execution block and tackle, there's always room for improvement.

I think our scale has helped us innovate and get products out at a better rate. But I -- if you ask me the same question next year, I'll say we're still in the first inning. I just think there's a ton of opportunity and the space is very dynamic and exciting right now.

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**Doug Mitchelson**

From what you see right now are we at the point where you would argue that scale is sort of crucial or critical or just something that gives you a bit of an edge or --?

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**Neil Smit**

You know, I think I'd describe it as it gives us an edge. I think we're able to scale products at a pretty rapid rate. I've been real pleased with the field teams and their ability to ingest new products and launch them and get them to market and then get the sales engine revving. So I think it's an edge.

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**Doug Mitchelson**

Great. Well, thank you very much for coming.

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**Neil Smit**

Great to see you, Doug.

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