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CMCSA - Q1 2007 Comcast Corporation Earnings Conference Call

Event Date/Time: Apr. 26. 2007 / 8:30AM ET

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's first-quarter 2007 earnings conference call. At this time all participants are in a listen-only mode. Please note that this conference call is being recorded. I will now turn the call over to Executive Vice President and company CFO, Mr. John Alchin. Please go ahead, sir.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

Thanks a lot, operator. And welcome to our first-quarter 2007 call. First of all, I need to refer everybody to slide number 2 that contains our Safe Harbor disclaimer and remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties. In addition, in this call we'll refer to certain non-GAAP financial measures; please refer to our press release for a reconciliation of non-GAAP financial measures to GAAP. And now for opening remarks let me pass the phone to Brian Roberts for his comments. Brian?

Brian Roberts - *Comcast Corp. - Chairman, CEO*

Thanks, John. We are thrilled with the beginning of the year. The first quarter, as you can see, had the biggest RGU growth in the Company's history with 1.8 or nearly 1.8 million net adds, up some 63% over the same period last year. Double-digit revenue growth, 12% in cable, over 14% cash flow growth -- and this was the third consecutive quarter of record RGU net adds. So as you break it down I think we have strength across all fronts.

Triple play really is changing the Company and it's the gift that keeps on giving, if you will. We basically have basic net adds of 75,000; John and Steve will take you through it, but high-speed data, Comcast Digital Voice and digital we are seeing an acceleration in America's transition to digital. So you put it together, every one of the business lines is performing at or better than we had thought, the momentum is growing, they're driving revenues which are therefore driving to increasing margins and 14% plus cash flow growth.

We're very bullish on the full year. It's only 90 days, so we're not changing any guidance -- consistent with our policy in past years not to do that -- 90 days into the year. But I have to tell you, I think the momentum is fantastic. You'll hear lots of details; I look forward to your questions. So I think we're off to a great start. John?

John Alchin - *Comcast Corp. - EVP, Co-CFO*

Thanks a lot, Brian. On a consolidated basis our consolidated numbers are driven by really strong results in the cable division and reflecting the impact of the Adelphia, Time Warner and Houston transactions. Revenues up 32% to $7.4 billion and operating cash flow also up 32% to $2.8 billion. Operating income increased 26% to 1.3 driven by growth in operating cash flow and offset in part by increased depreciation and amortization.

We reported $1.5 billion in depreciation and amortization in the first quarter, a 37% increase from the prior year. That increase reflects our recent cable acquisitions and higher CapEx. This level of depreciation and amortization is expected to recur throughout the remainder of 2007. Net income increased $837 million in the first quarter, up from 466 or $0.15 a share in the first quarter of 2006.

In addition to strong operating results at Comcast Cable, the quarter includes a onetime gain included in other income of $500 million or $300 million net of tax related to the dissolution of our Texas, Kansas City cable partnership. Excluding the gain associated with the partnership dissolution and reconciled in table 7B of our press release, adjusted net income for the first quarter would be $537 million or $0.17 a share.

First-quarter programming revenue increased 27% to $302 million reflecting higher network ratings, advertising revenue and distribution revenue. Programming operating cash flow increased 30% to $65 million primarily due to the increase in revenue offset by rights and programming increases.

Corporate and other revenue is essentially unchanged at $88 million. Corporate and other operating cash flow loss for the quarter was $95 million compared to a $55 million loss a year ago and reflects the lower operating cash flow contribution from our Philadelphia sports partnership and from increased expenses at Comcast Interactive Media to support the growth in that new business.

Moving on to the next slide where we break down the cable revenue highlights -- record-setting RGU net additions in the first quarter led to strong revenue increases across all product categories. You'll hear much more about our RGU growth that Brian has already alluded to and the success of our product offerings from Steve. As always, we're presenting the cable results on a pro forma basis.

Pro forma cable results include the results of the Adelphia/Time Warner transactions, the Susquehanna acquisition and the Houston systems acquired with the dissolution of the Texas/Kansas City partnership as if those transactions were all made effective January 1, 2006. Again, I'd ask you to refer to the press release and specifically to note 1 in table 7A for the details of those pro forma entries.

Pro forma cable revenue for the first quarter increased 12% to $7 billion with pro forma operating cash flow for cable increasing 14% to $2.8 billion. Total video revenue increased 8% to $4.4 billion. The increase reflects increasing customer demand for digital features including ON DEMAND, digital video recorders and high-definition television as well as higher basic cable pricing.

During the first quarter of 2007 Comcast Cable added 75,000 basic customers, up 49% from a year ago, and added a record 644,000 Digital Cable customers, an increase of 82% from 355,000 a year ago. We now have 13.3 million digital customers or 55% digital penetration of our video customer base.

During the quarter 535,000 Digital Cable customers added advanced services like high-definition and DVRs to their digital service either by upgrading or as new customers. This is a 70% increase over the same quarter a year ago. We now have 5 million or 38% of our digital customers taking high-definition DVR services. These customers are among our best customers and pay on average $75 or more for video services a month, a $25 premium to the digital starter customer category.

Our full digital customers pay $65 or more a month, as we indicate on this slide, and amount to 45% or 6 million of the digital customer base. The incremental revenue generated by our digital tiers is a key driver of video revenue and represents almost half of the increase in this revenue category.

All of our digital customers have access to ON DEMAND and we continue to see strong increases in movie purchases through this service. As a result, pay-per-view revenues increased 26% to $181 million in the period. This category has increased more than 20% on average over each of the last nine quarters.

Our high-speed data business continues to be a really strong performer. We added 563,000 high-speed data customers in the quarter, the highest level of quarterly net additions in the Company's history and 10% more than a year ago. High-speed data revenue increased 21% to $1.5 billion, now a $6 billion a year run rate business. For the quarter average revenue per high-speed data customer was stable at about $43.26, in line with prior periods.

We ended the quarter with over 12 million high-speed data customers. High-speed data penetration now stands at nearly 26% compared to 22% a year ago. We continue to believe there is significant growth potential in high-speed data as our sell-in rate continues to be at a very strong mid 50% range. Phone, we had another great quarter with our phone business -- you'll hear more about this from Steve -- but revenue increased 88% to over $350 million.

Comcast Digital Voice alone, revenues passed $250 million in the quarter for the first time making this a run rate $1 billion business with a lot of growth ahead of it. Steve -- as I said, Steve will say more about this in his commentary. The phone revenues were partially offset by a $50 million decline in the circuit switch business as we continue to transition to the digital voice category.

Advertising revenue decreased 3% to $313 million reflecting primarily the impact of the 12 broadcast weeks in the current quarter compared to 13 weeks in the first quarter of 2006. When you adjust for the effect of political advertising and the extra week last year, we think our core advertising business is continuing to grow at about a 5% rate.

On the next slide, where we show the operating margin, we're reporting further growth in the operating cash flow in the first quarter and an increase of about 70 basis points in the operating cash flow margin over a year ago. The margin improvement reflects strong double-digit revenue growth and our continued success in controlling the growth of operating costs even as we incurred higher service and installation activity from record RGU additions and increased expenses as we begin to add additional resources to new businesses to like Commercial Services. Even as we delivered the record-setting RGU additions to continue to tap into the benefits of scale and we expect this improving margin condition to continue with some seasonality throughout the year.

Living on then to the capital slide -- capital expenditures for the quarter were $1.4 billion compared to $967 million in the first quarter of 2006. CapEx continues to be predominantly variable and revenue driven with the increase in CapEx driven by the record-setting RGU net adds. For the first quarter 2007, as it has been in the past, capital spent on new service offerings represents approximately three-quarters of our capital expenditures and is directly associated with new product employment and consumer demand for our new services.

As you can see from the chart, 86% of the increase in residential cable CapEx in the first quarter was related to new service offerings, with 66% of the increase alone in the form of customer premise equipment and the rest relating to scalable infrastructure to support the growth in RGUs. During the quarter we spent approximately $70 million in capital related to network improvements and the integration of the new systems. And we expect to spend a similar amount to complete all the necessary integration in this category in the second quarter.

On the other hand, the capital spending on Commercial Services in the first quarter was nominal at about $24 million, but it's expected to scale up in the latter part of the year to the total that we mentioned when we gave guidance for this category at the beginning of the year of about $250 million. We will continue to invest to drive growth. As we sell more new products throughout the year expect capital expenditures to follow our RGU growth.

We're clearly off to a very strong start with RGU growth and we expect this momentum to continue. We generate a great return on this investment. When we look at the return on variable capital associated with RGU the result is a return of more than 30% as we generate on average approximately $220 in annualized operating cash flow per RGU.

Moving on then to the free cash flow slide -- in the first quarter we generated $442 million of consolidated free cash flow. This is a decrease driven primarily by the increase in capital expenditures and was attributable to two key drivers. First of all, the $680,000 increase in RGU net additions; and secondly, the increase in the deployment of high-definition DVR boxes.

Consistent with the last three years, we used all of our free cash flow to buy back stock this quarter investing $500 million to buy back 19 million shares. The remaining availability under our stock repurchase program is $2.5 billion. So when you put these factors together you can see that we're making significant investments in our business that generate strong returns. At the same time we've returned almost $8 billion to shareholders over the past three years, an amount that's well in excess of the free cash flow that we generated and we've reduced our shares outstanding by almost 12%.

We'll continue to make these investments to support this incredibly strong business plan while also returning capital to shareholders. In his comments Steve will give you more insight into the operational strength of our business. Steve?

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Thanks, John. We're very pleased with the first-quarter results and feel like we're off to a strong start for 2007. The real story continues to be the triple play which keeps making almost every single metric that we track better. If you look at revenue versus a year ago, operating cash flow versus a year ago, basic subs, digital, high-speed data and of course phone, every single metric looks better than it was 12 months ago. So since we'll be talking to a lot of you on May 1st, let me briefly touch on four areas -- phone, data, digital and the integration of new systems.

First, turning to phone, we added a record 571,000 new phone subscribers and ended the quarter with over 2.4 million CDV or IP enabled phone subscribers in total. Our footprint grew to 35 million homes, up from 19 million homes a year ago and 32.5 million homes in the previous quarter. What's interesting as if you look at our growth, about 60% of the growth in the first quarter versus the first quarter of '06 came from having more marketable homes; the other 40% came from selling more to existing homes which we've been trying to communicate on these calls.

What happens is as we launch the phone business the initial penetration gain per week is much less than it is after you've been at the business six or nine or 12 months. So as we go through 2007 our phone net adds should increase quarter after quarter as we continue to ramp up and add more marketable homes, but also as we continue to increase the velocity of our sales to existing homes. So as a result we think our quarterly net adds will increase significantly by the end of 2007.

Earlier this week I was in Boston which was one of our first phone markets that we launched about 18 months ago, and their CDV penetration for the entire Boston region, which is a big region, has hit 12% with some areas over 14% already. Boston shows no sign of slowing down and we think Boston is really a leader and a telling indicator of where the entire business is going to be in the next nine or so months. Company wide right now our penetration is right around 7% and you're going to see that 7% number increase significantly over the next three quarters.

Moving on to data, we had another really strong quarter with 562,000 net adds, up 10% in terms of net adds versus the same period in 2006. What's interesting is our high-speed data business was plateauing and slightly -- showed signs of slightly declining two or three years ago. And as we had hoped, the triple play is really like a booster rocket to our high-speed business. We're in a different trajectory than we were on just a couple years ago.

Interestingly we really got going with the triple play about five quarters ago and for each of the last five quarters we've added more high-speed data customers than we did in the previous year. And we're doing it without sacrificing average revenue per subscriber. ARPU actually climbed $0.73 to $43.26 this quarter versus the same quarter in '06.

Moving on to digital, we had an all-time record digital quarter with 643,000 digital net adds which is up over 80% versus the 354,000 digital net adds we added in the first quarter of 2006. I think this increase is so significant I want to take a minute to explain where it's coming from. There are really three causes for the acceleration of our digital rollout.

First, we're seeing a lot of demand for high-def and DVR boxes. As John mentioned, 38% of our customers or 5 million -- 38% of our digital customers or 5 million customers now take either a high-def box or a DVR box or some combination of both. What that means is 20% of all of our 25 or so million customers now have high-def or DVR or combined functionality which is amazing since we've only been at it a few years. We added 535,000 of these advanced set-top boxes during the quarter.

And here the math is a little bit hard to explain because some of those customers were upgrades. So when you add up the number of high-def boxes we added plus the number of enhanced able plus the number of regular digital tier it adds up to more than the 643,000 digital subs that we added. But this is a key driver of our digital growth.

The second trend is an increase in what we call enhanced cable which is our low end set-top box deployment. We added 307,000 enhanced cable customers during the quarter and the strategy here is we don't charge that much -- in some instances we don't charge at all for enhanced cable. What we're really trying to do is get our digital penetration deeper into our footprint because we know that when a digital customer switches from analog their propensity to churn is much lower. Digital customers have better picture quality, they get VOD, etc., etc. So at the end of the quarter we were up to 55% of our video customers in total having digital, up from 46% a year ago and on its way to over 60% by year-end.

The third trend, which is really a temporary trend which will end at the end of the second quarter, is our goal of getting more digital boxes out in advance of the July 1st date when we're required to have a new type of set-top box with separable security. So as a result you're seeing in the first quarter us being more aggressive than we normally would be to get more boxes out before July 1st. And in the second quarter you're going to see that spike even more.

We're going to have a very, very high digital number in the second quarter which we actually think is going to drop in the third quarter after we've made the transition to the new boxes. The good news is we're rolling out more boxes again; our ARPU actually grew to from $17.08 a year ago to $18.45 this year in the first quarter as more people took advanced set-top boxes.

Finally, I'd like to touch on the integration of the new systems. We closed the Adelphia/Time Warner deal -- it's hard to believe -- but we closed the Adelphia/Time Warner deal about nine months ago and we had internally set a standard of getting the integration done in 18 months. We're now halfway through the time period so I thought I'd give you a status report. The good news, even though we're halfway through in terms of time, we're about 80% of the way there in terms of progress integrating these systems.

We've now finished with 14 of 16 waves of system conversions and, as our business has gotten more complicated, these system conversions are more complicated than they were when we were just in the analog cable business. System conversion could be a billing platform, is always going to be a high-speed data platform as we shift from Adelphia's high-speed data service, Time Warner's Road Runner to our own Comcast data network and also obviously getting ready for the phone business.

So during the quarter, as John mentioned, we spent about $70 million on capital enabling these systems to make these conversions and only two of the 16 waves are left to go. We have a big wave left ago in Houston and one smaller wave, but 80% of the waves are now behind us. Interestingly we have gained basic subscribers in these systems during the first quarter and actually gained significantly more subscribers than we did for the quarter a year ago.

So from the basic sub front we're making very good progress. We are not making as much progress in terms of high-speed data and telephone where we actually added less units during the quarter in these newly acquired systems than we did a year ago. This is explained by the fight that during the conversions we actually slowed down the marketing for high-speed data and telephone. But now that most of those conversions are behind us we think high-speed data and CDV in the acquired systems will increase significantly.

Financially these newly acquired systems are off to a very strong start. When we acquired these systems -- and we're talking about, about 15% of the Company is an acquired system when you do the math -- these systems had a blended margin a year ago in the mid-30s and in the first quarter we got these margins up to over 40%, slightly over 40% or roughly where we are with the rest of the Company and doing that in nine months is a real testament to our team and getting off to a very strong start. So I think the integration efforts are ahead of plan, the basic subs are healthy, the financial side looks good and high-speed data and CDV will pick up now that we've made these conversions.

So in summary, we think we had a very strong first quarter. The triple play continues to drive our financials and unit growth and the new systems are performing well. As importantly as the first quarter, we're taking a lot of momentum into the second quarter and a lot of the things that we've done in terms of infrastructure in the first quarter will pay off in the second, third and fourth quarters. So in total 2007 looks like it's going to be a very strong year. John?

John Alchin - *Comcast Corp. - EVP, Co-CFO*

Okay, operator. Thanks, Steve. Let's open up the call to Q&A.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Craig Moffett, Stanford C. Bernstein.

Craig Moffett - *Sanford C. Bernstein - Analyst*

Good morning. Two questions if I might. First, and I'm sure you're going to say a lot about this next week, so I don't want you to have to front run it. But as you start to ramp up your online business with Fancast and now with the Fandango acquisition, can you talk about what advertising is doing in that business today and whether the softness in advertising includes presumably some gains online, what does that mean for the advertising business on television?

And then second, your capital structure is an area that constantly raises questions. I wonder if you could just talk about your thinking now about the amount of leverage you've got on the balance sheet and whether your thinking has changed at all given the strength of the business and what level of debt it might support?

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Let me start with the amortizing. We are very excited about the potential to grow our advertising business through interactivity of all sorts and I would say the Internet is about one piece. You've got video-on-demand, the ability to do direct response interactivity on the television set. I think we're going to have a very positive series of quarters and years on the interactive Internet advertising front and we're very, very happy with the progress that [SIM] has made.

I think the entire advertising business is going through a transition as people do are more interested in having two-way capability in their advertising and more eyeballs shift to the Internet. And what's great about our position is, because we're so big and strong on the broadband side, we are really in great shape to take advantage of that shift.

As John mentioned, we were hurt on the traditional ad sales side by the lack of a week this quarter that comped against an extra week last year and I think that business is -- because it's an odd numbered year and there's less election and political impact and obviously no Olympics, that business will be a single-digit business this year. But if you look at it in total, I think we're as excited as we've ever been about advertising.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

I just want to add that we will detail at the conference more about interactive, but I definitely echo Steve's sentiments, I think it is a very profitable segment and growing and it's -- as we all read in the newspaper every day, it's where a lot of attention is being spent. Second question I think -- we'll also go into a deep dive on the balance sheet and we'll talk a lot about the leverage and the free cash flow then. So if I might, why don't we just push that question to the conference? But I don't think anything has changed. I think we're very pleased with the start to the year and we're continuing to buy the stock.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

The only thing I'd add to that, Craig, is that -- it's stealing a little bit of our thunder from next week, but you'll see debt continue to tick up a little bit through the year because we've announced a couple of transactions -- the wrapup of inside, the acquisition of Fancast. So don't expect that to go down, expect it to sort of tick up from the 25 in accordance with the numbers that were published around those deals.

Craig Moffett - *Sanford C. Bernstein - Analyst*

Understood, thanks.

Operator

Jessica Cohen, Merrill Lynch.

Jessica Cohen - *Merrill Lynch - Analyst*

Two questions. Could you update us on what's going on in these video-on-demand trials and when you might roll out like across the board? And on the data, which was obviously a phenomenal number with the strong ARPU, what are you doing from a competitive standpoint in regard to speed and what is your average home per node at this point?

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

VOD trials, we have confidentiality agreements with the studios, so we can't be as precise as I wish we could. But the increase in purchasing of movies is very substantial and that increase would translate to a substantial increase in studio revenue from a pay-per-view and obviously our business would increase substantially as well.

We're currently trialing in two markets. We're actively talking to the studios about adding a third market. We've done some research that shows that this business is incremental not cannibalistic, which we shared with the studios. And we're optimistic that in the not too distant future we're going to be able to expand beyond two or three markets to the rest of the country.

In terms of our high-speed data business, currently we're at 6 meg down. We have something called PowerBoost that allows a customer that gets 6 meg down all of the time to go to a higher speed, 12 meg or 15 meg. And we believe that for the vast majority of our customers our high speed data product is delivering much better speed than they can get from DSL. If you look at the last quarter, over half of our net adds came from DSL customers that switched to cable, which is amazing. There was a time when that number was less than 10%, it's now over half.

You asked how many homes per node, I think we're about 450 homes per node. We're in the process of surgically splitting some nodes in areas where we have very high high-speed data penetration -- we have a lot of places where high-speed data is now over 30 or 40% of homes within a node so we're doing some splitting. But I think what's happening -- and the reason why we've been able to maintain ARPU, which is incredible to me when DSL goes down to $19.95 and our ARPU stays at $43, it's a better product.

For most people they get better speed, it's a better product, we're managing our network well and at the end of the day that's why our business -- one of the reasons why our business is growing. Another reason is the triple play. I think that's a way to deliver tremendous value without overly discounting our high-speed data business.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

Let me add a couple points. I just came back with a CableLabs visit as we've done every few years to Asia, and make one observation that America's competitiveness in broadband is absolutely on par despite what various political agendas may be at work to try to suggest that this country is not up to snuff on broadband deployment. We actually look at speeds and services and business plans for the future whether we went to Hong Kong, to Japan and to Korea. I was amazed at how similar because a lot of us are buying some of the same equipment.

What's happening in the U.S., and I think maybe at a faster pace now, is the market is clearly expanding as more and more great applications are available in broadband. So when something like a YouTube takes off more and more people now want broadband. And what Steve just said at the last point I think is the key -- when they want the best experience we're finding we're getting the high-quality customers, the revenue is fantastic per customer and we are constantly improving that experience with features like PowerBoost.

And then finally, I'll give you a commercial for the NCTA convention. We are planning to demonstrate on stage the next wave of where we're going as an industry in CableLabs technology of DOCSIS 3.0, which is going to be a significant speed enhancement for not a lot of additional incremental cost, which is this channel bonding technique to really be able to turbo charge today's experience into a super broadband experience. So I think I'm very, very comfortable with not just one quarter, but the whole strategy and how we stack up around the world.

Operator

Spencer Wang, Bear Stearns.

Spencer Wang - *Bear Stearns - Analyst*

Just two quick questions. First, I know it's very early in terms of commercial, but I was wondering if you could just talk to us about what you're seeing there and how big the revenue impact was in the quarter. And did you include any commercial accounts in the subscriber figures or ARPU figures that you've provided in the presentation? And then just one clarification on Steve's commentary about the margins of the acquired systems going from mid-30s to over 40. Does that mean that for the historical or legacy Comcast systems that margins were flat to down? If that's right can you just tell us why? Thanks.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

In terms of margins in the historical Comcast systems, because the acquired systems are only 15% historical Comcast did not go down. We're making progress on margin improvement in historical as well. Regarding commercial, commercial really was not a material impact during the quarter. We've spent most of the -- it was actually a drag financially in terms of OCF because we're spending a lot of time and energy hiring -- I think our plan calls for us to hire about 600 people and we've done a lot of that.

In most of the markets right now commercial is confined to just high-speed data; we don't have a high-speed data and phone combination and that's not a real business. You really want to be able to offer a small- and medium-size business both. We're going to be rolling out phone pretty aggressively over the next two quarters, so you're going to see commercial really start to move. In terms of commercial's percentage in the total high-speed data business, I think it's below 5% or right around 5%. It's a fairly small percentage of our overall high-speed data business.

Spencer Wang - *Bear Stearns - Analyst*

Great. Thank you.

Operator

Vijay Jayant, Lehman Brothers.

Vijay Jayant - *Lehman Brothers - Analyst*

Thanks. If I could, two questions. Given the Verizon recent victory on patent litigation with Vonage, is there any risk to the cable VoIP technology and specifically Comcast CVD? And following that, on switched digital video roll out, any color on how the rollout has been in Denver and when can it be fully rolled out across the footprint? Thank you.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Let me start with switched digital. We're doing very early stage trials in a couple markets, Denver and New Jersey, and when I say very early I'm talking in the lab and with employees. The trials are going fine. We're committed to switch digital playing a role in our capacity enhancements, but I think it's too early to declare victory or say that the trials are doing well or poorly. In terms of Vonage, who wants to --?

John Alchin - *Comcast Corp. - EVP, Co-CFO*

In terms of that, Comcast Digital Voice is really technically and fundamentally different than Vonage. And our product is implemented based on packet cable standards that were developed by CableLabs. And based on everything that we've seen from the Verizon suit, all of the public information that's available, the patents that are at issue in the Vonage case seem to be very different and appear to apply to over the top VoIP providers like Vonage who route their customers' calls over the public Internet. And our service and systems do not use the public Internet. The major thrust of the Verizon case involves a different technology than ours and where our service is over a privately managed network. So that's what we know at this stage.

Vijay Jayant - *Lehman Brothers - Analyst*

Thank you.

Operator

Tuna Amobi, Standard & Poor's Equity.

Tuna Amobi - *Standard & Poor's Equity - Analyst*

Thank you very much for taking the question. I can't remember the last time I had a chance to ask Brian a question. But I wanted to zero in on SIM if Brian or Steve can comment on that. The first housekeeping question -- is that currently -- the advertising revenue that you alluded to earlier, is that going to be accounted for under the other line or is that going to be included in the cable segment? I have a follow-up.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

I think the answer is it's in SIM which is part of other not cable.

Tuna Amobi - *Standard & Poor's Equity - Analyst*

Okay.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

It's a very, very small number at this stage, that it would be a rounding by the time you get it up onto the P&L.

Tuna Amobi - *Standard & Poor's Equity - Analyst*

Okay, that's helpful. And still on SIM, just to get a sense of the financial, how it's looking right now. I know there are probably a bunch of things in there -- the video and the platform, all of that. I'm just trying to get a sense for that entity as a whole. When do you expect to break even in terms of profitability and what kind of longer-term margins would you expect that segment to generate over a longer period of time?

Brian Roberts - *Comcast Corp. - Chairman, CEO*

First of all, I love coming to Standard & Poor's; so we'll have to let you ask more questions when we're with the debt side of Standard & Poor's. But you're going to hear a lot about SIM at our investor conference -- or not a lot, but you'll hear more. We're pretty comfortable that what's happening in online advertising and search advertising is going to put SIM in a very good position quickly. We'll see exactly how much detail we can share at that point.

We have some discussions under way as have been rumored in the media right now that are -- it's a very aggressive time and we believe we have a great advertising platform with Comcast.net and the reach that it has and then some of the new services that we're securing content rights for. What's really amazing in the grand picture of Comcast, the cost of creating a new division like this and several new websites is relatively minor and the opportunity could be relatively major.

Time will tell how much consumers want to consume over the Internet. We saw with our ON DEMAND platform that it was really transforming. We had 2 billion orders of ON DEMAND shows last year and we've only been at it a few years. And we're hoping to be able to have some of that same content, long form and short form, available on PCs but then be able to transact and also do it on cross platform devices. So at the same time we can be in discussions with the people who do search and advertising and I think when you put it all together you might be surprised that it's actually not a drag. Steve?

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Just to clarify what's in SIM because it's a relatively recent phenomenon. We have the Comcast.net portal which is the portal that any of our 12 million high-speed data customers can access. We also have a company that we purchase called The Platform which is a company dedicated to the physical delivery of video for ourselves and other third party clients.

We will have Fandango, which is the company that we just bought that's in the movie ticketing and entertainment business; and then a series of Web businesses that we've been in the process of putting together over the last 15 months since we created SIM. And we mentioned Fancast was mentioned in the Wall Street Journal today. There's a site called Video -- it's a site dedicated to gaming, etc.

And when you add all of that up, because we make a fair amount of money from search advertising and some money from display advertising, the business is a moderate -- a very modest negative in terms of operating cash flow this year, but I think that business is going to turn fairly rapidly. And as we buildout these sites it could be a major new area for us.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

And we hope to have specific news on that -- a little more clarity on that at the investor conference.

Tuna Amobi - *Standard & Poor's Equity - Analyst*

Thanks a lot. Thank you.

Operator

Anthony Noto, Goldman Sachs.

Anthony Noto - *Goldman Sachs - Analyst*

Thank you very much. I was wondering if there's anything about seasonality this year compared to years past that your 1,760,000 net adds doesn't accelerate in the following three quarters. I know second quarter goes down, but then third is greater than one and the fourth is greater than third. Because if that's true RGU net adds could be closer to 7 million than your prior guidance of 6.5. So is there anything different?

And then the second question around Internet advertising, could you give us a sense of the total number of page views that you've generated through the PC and the total amount of revenue just so we think about how much more monetization opportunity there is against that inventory? Thank you.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Let me try to hit the first -- I don't think we're seeing anything different in terms of seasonality. The phone business is clearly going to ramp very substantially in the second, third and fourth quarter. One anomaly that might -- that is clearly going to cool down in the second half of the year is what we're doing with Digital. Obviously the high-def move is here to stay for more than the first half of the year, but the separable security date is going to change.

Obviously it's too early in the year to sort of say that we think we're going to do better than what we have guided the world in terms of RGU's, but we're off to a very strong start and if that continues there's no reason why we can't do better than we thought we would do when we gave guidance three months ago.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

And then on Internet ad sales?

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

I think it's too early to be that specific, the numbers are staggering. We're something like the fourth most popular destination -- in our homes. The pages are in the billions and billions. We can give more color on that on May 1st, I think.

Anthony Noto - *Goldman Sachs - Analyst*

Great, thank you.

Operator

Jason Bazinet, Citigroup.

Jason Bazinet - *Citigroup - Analyst*

I just have a quick question regarding your strategic decision to push digital set-top boxes ahead of this SEC mandate; if you could just give a bit more color on that. Thanks.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

I think it's just -- part of it, the suppliers are ending a productline because they're going to have to now put in cable cards. So they had made a lot of units and the date got hard with actions at the SEC and so we were able to buy a lot of inventory and it has to get deployed right away. And there's also an increase -- around the end of the year a lot of people bought these new sets, as Steve alluded to, and in the first quarter and the second quarter they all want to get hooked up.

It is amazing when you actually look at statistics of customers who bought high-def sets who think they're getting high-def actually are not yet getting high-def. And then they finally get the real high-def and they're really in love with the product. So new televisions just improve television period when they're hooked to digital. And of course eventually people realize to hook it up to the real HDTV it then becomes incredibly compelling. So we're just seeing a great lot of growth and at the end of a productline and the opportunity to get it deployed in the early part of the year.

Jason Bazinet - *Citigroup - Analyst*

I guess just one follow-up. If you had your druthers then, given all the advantages and disadvantages of being in the box business, you prefer to remain in the box business as opposed to push that capital on the consumers' balance sheet?

Brian Roberts - *Comcast Corp. - Chairman, CEO*

No, not necessarily. That was part of the trip -- the CableLabs trip to Asia was to visit with the consumer electronics company, and we had an excellent series of meetings across the board with every major CE company in Japan and Korea to talk about precisely that question. And rather than take up a whole lot of time today, it's something that we can delve further into either at the cable convention or at investor day.

But the short version is OCAP is being deployed by this industry right now and through the fullness of next year and pretty much every major operator is focused on having an interoperable software platform that every cable company has deployed so that -- and every set-top company and every television company can operate on. And whether you see OCAP TVS or whether you see OCAP boxes made by these companies where consumers buy the box or whether you see it integrated, I think we're going to see a variety of all those. And you're going to see PCs and some progress with the PC industry running OCAP.

So I think this industry is on the verge of a breakthrough on having better interoperability with the consumer electronics industry and being able to give the consumer that option. We do like the existing business model; it may improve, we're not factoring that into any of the future plans, but it's something we're working on.

Jason Bazinet - *Citigroup - Analyst*

Okay. Thank you very much.

Operator

Doug Mitchelson, Deutsche Bank.

Doug Mitchelson - *Deutsche Bank - Analyst*

Good morning, gentlemen. Two questions as well. Based on all the comments on HD and the strong demand you're seeing, based on the average excess capacity you expect in your systems, how many HD channels do you think your systems can accommodate by year-end? And secondly, you talked about the items holding back margins, John, but what's the source of the current margin expansion? Steve of course gave the acquired properties change, but can you give us what the margin change was at the core properties and what was driving any change? Thanks.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

Sure.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Well, I think as we continue to roll out the triple play and high-speed data, margins should go up modestly for the core business. We obviously have a drag when we launch triple play the first quarter or two, we have a drag from commercial, we have other drags, but the high-speed data business and the phone business -- because they don't have the programming costs, when you efficiently roll those out over time I think your margins should go up.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

Yes, I think that says that.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

And then in terms of high-def channels, right now we have all the high-def channels that anybody cares about. And it's interesting because DirecTV runs a lot of advertising saying how they're going to have all these great high-def channels, but the fact of the matter is most of our systems have 20 to 25 high-def channels. Right now we're offering high-def video-on-demand. And Dave Juliano on May 1st will take you through our plans for making sure that we keep the high ground in terms of high-def. We intend to do so, I believe we will and for the last couple years I think we benefit -- we have a higher high-def proportion of our subscribers and of our digital subscribers than I think almost anyone and we intend to keep that.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

Something that people also have noticed and we see affecting retail is the quality of our high-def as well, and we'll be talking about that. But we are -- it's a very complicated thing when you buy these new sets and I alluded to it. But there's some very interesting data around that as well. So we're very comfortable that we have a good strategy around that, we'll lay that out in greater detail.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

We think we win in terms of quantity, in terms of quality and in terms of price value for high-def and our goal is to make sure that we keep that.

Doug Mitchelson - *Deutsche Bank - Analyst*

If I can go back to something, Steve, that you said in the first -- maybe this is again a better question for next week, but if the implication is there's not a lot of margin expansion in the base video business, is it possible over the next couple years we're going to have another round of difficult discussions with the programmers regarding rates?

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

No, I think that the video business is -- it is what it is. The programming cost increases have come down very significantly since we bought AT&T Broadband. I think there's always squabbles, but I think that business is kind of in a grove and I don't think the margin there is going up or down too much. It's such a big part of our company that it sort of weights you a little bit. And what we're seeing is the business gets more efficient.

I think as we scale the telephone business there's tremendous opportunity to start taking cost out of that business the way we have with high-speed data. But knowing us there will be more new products that we'll be launching which will be a drag down. So I think it would be inappropriate for anybody to assume our margin is going to go up very dramatically. But I think there should be a steady rise, not including other activities, over the next few years.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

To that point, we are fortunate that -- and I've made this point before -- at some point here we reach the crossover where half of the Company is not in the cable television business, we are the data business, the high-speed data business and we're in the telephone business. And with the RGU growth being what it is, it will not take very long until that tipping point occurs. And of course those businesses don't have programming costs.

So the diversification on the risk around that question is extraordinary. Over a 10-year period we will be, from where we started to some point in the 10 years, we'll be 50% no longer a television company and that's hard for us to change and I think it's hard for investors to look at that change in terms of the revenue diversification that this company now has.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

And we'll go into a little bit more of a deep dive next week, Doug, as we talk about some of those cost efficiencies in the operations. So more to follow.

Doug Mitchelson - *Deutsche Bank - Analyst*

Looking forward to it.

Operator

Bryan Kraft, Credit Suisse.

Bryan Kraft - *Credit Suisse - Analyst*

I just have a question actually on the full-year guidance. Why is the guidance for revenue growth 100 basis points lower at the consolidated level than it is for cable, particularly when you look at this quarter's results where cable revenue growth was 12% versus corporate and other growing 20%?

John Alchin - *Comcast Corp. - EVP, Co-CFO*

All that is is that the growth out of programming and the corporate and other category just isn't at the same level. Because while we're doing higher growth in programming it's just not enough to [offset] that larger number, Bryan. So nothing more complicated than that.

Bryan Kraft - *Credit Suisse - Analyst*

Okay, thanks.

Operator

Rich Greenfield, Pali Capital.

Rich Greenfield - *Pali Capital - Analyst*

Good morning. A couple questions related to your digital rollout. Steve, I think you mentioned that in some markets you're actually giving away digital boxes at no cost. Could you discuss your thought process in terms of moving all digital faster and whether it might make sense to give away these low-cost digital set-tops and really drive either a high-end digital tier which is kind of the HD or DVR group or than a free kind of low-cost digital box and that kind of be the plan moving forward versus the existing kind of standard digital product that you actually charge a rate for in between?

And relate that to -- is the second part of the question -- of what you're doing in Chicago. I know you're not planning to go all digital rapidly nationwide, but what are you learning so far in the early days of the digital conversion in the rest of downtown Chicago and how does that apply to this discussion? Thanks.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

What we're doing in Chicago is really confined to just downtown and we're doing it on a node by node basis and we're literally going all digital. But the numbers there are fairly small. What we're finding is it's easier than we thought which is good for the rest of the Company and we have some other markets, parts of Augusta, where we've done this before. I think our general approach to the conversion, the eventual conversion, which we think is inevitable, to all digital is that there's no great rush and there's no need to put too much stress, financially or otherwise, on the system.

If we get up over 60% by the end of this year, which we should do fairly easily, and we keep at this pace, what you're going to find is that we have many, many systems that are in the 70s and 80% digital and we'll be able to make the transition, but we want to do it gradually. We have a lot of other things going on with the triple play. We don't need the bandwidth just yet. We will need the bandwidth for high-def and other services, but we don't need it just yet, so I think our strategy (technical difficulty) chipping away at it and getting penetration from 46 to 65, over 60, up to 70, up to 80 makes sense.

In terms of enhanced cable, I think enhanced cable is a part of the eventual solution. There will be a subset of customers who just don't want to pay for more television channels. The interesting thing about enhanced cable, once you get that into someone's home they tend to spend more on pay-per-view. And so you actually are getting a revenue stream when that customer gets a box in their home because they're more likely to use pay-per-view. And over time once you get enhanced cable into the home you have the ability to upsell HBO, you have the ability to upsell the entire digital assortment and, of course, you have reduced churn and better picture quality.

So there's always been an internal debate -- should we start to really put our foot on the peddle and go all digital? And some systems you will see doing that, but I think it will be the minority certainly in 2007 and Chicago and Augusta and a few other systems will be test cases this year.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

Let me make a couple other points. I think there's some confusion in the world about the words "all digital". Every device in the house, in order to completely reclaim the bandwidth, would have to have a box. There were some cable markets, mostly urban America, for effective service, and the way just how closely packed the houses are, that from the beginning had a box on every single device, those markets are therefore a lot easier to go all digital and that's what I think you're seeing. That can be a great learning ground, can be a great test area.

Most cable systems don't have a box on every device and therefore it's very much in our plan and a lot of what you'll see in bandwidth management at the May 1, deeper dive on this subject will show you that we can be somewhere in the middle where we're a majority digital. We're somewhere between all and a complete analog where you can gradually, over time, reclaim some bandwidth. It's not an all or nothing proposition and as Steve said, we're completely in control of that pacing, that timing and how that works and right now you'll see that we think we have a very, very sensible roadmap that can be flexible. So I wanted to just make that point.

Rich Greenfield - *Pali Capital - Analyst*

Just to follow up, can you just discuss kind of the strategic rationale for why in some markets you're charging for enhanced cable versus in others it sounds like you're just pushing it out at no cost?

Brian Roberts - *Comcast Corp. - Chairman, CEO*

No, in all cases the lowest would be zero and the highest might be $2. From the beginning enhanced cable has really been a bandwidth -- maybe $3. Enhanced cable has been an analog version put with a low end digital device. That device, not every operator was taking that strategy. We have rollout lots of them. I think they're kind of -- there on the one hand have allowed us to, as Steve said, have a better pay per view platform; begin to reclaim some bandwidth; get more customers with the digital experience.

It's the offset, because you do see some growth from that, to the fact that many of our customers who were existing customers take advanced digital in somewhat equal numbers actually that aren't considered new customers. So in the end the total digital base, as Steve said earlier, keep your eye on, Rich, which is the total number of digital homes and the average per digital box or digital home went up.

And so when you add it all together it's a terrific trend and that's -- but nothing has changed in the marketing of that. In fact and of course that low end box just got more expensive with the cable card having to be added to it. It actually changes the form factor and so that's something that probably slows back down a little bit as we adjust and I think that's what Steve was alluding to.

Operator

Kathy Styponias, Prudential.

Kathy Styponias - *Prudential - Analyst*

I too have two questions. The first question is regarding retransmission consent which has obviously been in the press quite a bit lately. And the question I have is I'm wondering how much of the discussion that you're having with stations owners talks about having a true affiliate relationship. That is to say if you're "paying something you get something in return," specifically advertising time whether it's on the television set or through the Internet. Is that something that Comcast is pushing for and/or getting or something that is going to be part of future discussions?

And then the second question is, you had fantastic high-speed data adds this quarter. In Seattle I believe Clearwire has launched and I'm just wondering if you had any data points that you can share about what kind of impact you're seeing, if any, from that wireless data service. Thanks.

Steve Burke - *Comcast Corp. - COO, President Comcast Cable Comm.*

Let me start with the second question. Clearwire launched in Sarasota -- I think it might have been the first market or one of the first markets -- and the pie is so big and expanding, as Brian mentioned, so quickly that Clearwire has really had a de minimus impact if any on our business.

Brian Roberts - *Comcast Corp. - Chairman, CEO*

Let me take the retransmission consent. I don't think there's any new news there. We -- all quite on the Western front. There was a lot of noise recently from the industry and I think you're seeing the kind of deals that we make with all groups. We have been from the beginning trying to get value for value and it's got to at least be reasonably comparable. And thus far I think we've remained consistent with that policy.

We have long-term agreements with the largest broadcasters; we have long-term agreements with many of the independent broadcasters; we always have agreements that are expiring coming up. The world is constantly reassessing this question. But for the most part, the kinds of things you're talking about, whether it's advertising on the Internet or advertising on the TV, supporting each other's businesses, if it's a true relationship, these conversations are very complex.

With the larger groups that own cable channels, they obviously involve distribution, but we have not gone out and just directly paid for free broadcast television. In fact, some of the set-top box folks I think are going to be demonstrating at the cable convention an interesting technology that I saw in Asia, and the last time I'll refer to this, but it's a different point.

An interesting technology that I had never seen was a mobile device with an antenna in it and the antenna picked up the new digital broadcaster's video in all those countries. And so you got a very clear digital picture on a small device, not the kind of video we're seeing here in the U.S. which is coming over the cellular airwaves if you will. So it had nothing to do with the bit rate, but had to do with the fact it's being broadcast.

A number of set-top companies said why don't we build that same technology into the set-top boxes? And that's something CableLabs has taken a look at. So I think television that's broadcast that you can get with an antenna will get easier, not harder in the digital age. I think that we continue to want to work with the broadcasters to build each other's businesses. We're very comfortable where we're at and we can go into deeper discussions at the NCTA convention of some of these newer technologies.

Kathy Styponias - *Prudential - Analyst*

Thank you.

John Alchin - *Comcast Corp. - EVP, Co-CFO*

Thank you all. We appreciate your participating. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.