Okay. If everyone could please take their seats, we're going to start. I'm John Hodulik, I'm the telecom and media analyst here at UBS. I'm very pleased to announce the next speaker is the CFO of Comcast, Mike Cavanagh. Mike, thanks for being here.

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

Glad to be here, John. Good to end the year this way with you guys.

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

Absolutely. We love to hear that.

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

Sure. So -- I mean, obviously Comcast especially now but even before this past year, unique company. One of the very few that has driven the kind of consistent growth and financial performance year over year over year for many years and quarters looking back. Largely the nature of our business is obviously with heavy portion of recurring subscription models across all the businesses basically, together with really strong platforms, and importantly, operators. So when you look at 2018, it was another year that we'd put right up there with -- in that category, great results really coming from across all the businesses. I know we'll get into it deeper. And really our outlook is that there's nothing to stop that from continuing into the future. I'll just tick the top of the waves for each of the major businesses. I mean, Cable, the outlook, it's a growing business and the outlook is for it to continue. We added past 12 months -- trailing 12 months something close to 1 million new customers, crossing 30 million subscribers overall. Obviously, we're doing a very good job in the high-speed data side of that, shifting in emphasis a bit in that direction, which we'll go deeper on. But obviously, in both the business and resi side, that comes with very high incremental margin, and at the same time, we're doing a great job I think in mobile, business services, 2 big growth opportunities that we'll come back to again later. So prospects for a continued strong performance in the cable business feels quite good. On NBC, we have the benefit of being a complementary diversified media company. We've all seen the results since the GE deal going back less than a decade now, and the performance has made it the fastest-growing media company in the space. And we really ticked through it and we'll go deeper on all of this, but the TV businesses are really well positioned. We continue to believe that they...
Michael J. Cavanagh - Comcast Corporation - Senior EVP & CFO

Well, sure. It’s a couple of things, but it starts with the -- our investment in that product, capacity, great network, the HFC network is a fantastic way to deliver to the consumer, great usage going up, but we’re continuing to invest in speed and capacity of our network, together with investments in the in-home control, the equipment in the home, our gateways, our WiFi pods, it’s extending the sort of perceived value and the actual experience of a customer of valuing that broadband. And finally, things like control. So we’ll get deeper on a lot of this stuff, but you’ve got our power users or something like 600 gigs a month and connecting 20-plus devices in the home. On that last piece, I think -- we just think that’s a taste of what’s to come. We’re all connecting more devices in the home and the ability to have more control over that through xFi, the app we use, some of the advertising for those in our markets have seen, is all raising the customer expectation of what broadband should be capable of. And that’s allowing us to take market share, grow the business, retain -- retention of customers has improved on the back of all these things. And then we put it together in a go-to-market strategy, I think, increasingly over the going on 4 years that I’ve been here, an increasing emphasis on making sure that broadband is the center-of-the-plate product and making sure we’re not missing an opportunity to drive that product as the center and then attach other things around it. So all that, I think is what drives 1.4 million broadband adds in the trailing 12 months, and we feel like we’ve got runway ahead. Our markets are growing, we are taking share and penetration nationally of broadband is still just at 80%, and we think that has growth from here. And again, the dynamics looking into our network, we continue to see year-over-year usage, transfer of bits, growing at 30%, 40% steadily. And as long as that continues to be the case, I think it sets our network up for continued proposition of being able to please our customers, increased satisfaction. And by the way, we did all that with close to 4 -- a little over 4% broadband ARPU increase in the past year.

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

So how big of a role is xFi playing? You talked about it in some of your comments about the strength of it. Can you talk a little bit about the penetration, and where it goes from here? And because that seems like a great service. I mean, is it -- can it be as big of a driver for the broadband business as maybe X1?

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

X1 for video. We think so. I mean, I think that was a little bit of the a-ha moment 2 years ago or something like that where the history of the company before I arrived was investing behind X1 and that keeps evolving. I know we’ll get more to video. But what that did for us in terms of being an innovator, trying to take the product to a level that competitors hadn’t invested behind is something that we said to the importance of the broadband product, "Why not do the same thing?" So many of the same leaders have built teams that are trying day in and day out, in our new tech center in
Philadelphia and elsewhere, to acknowledge the trends of connected devices, usage, people's desires for mesh WiFi in the home and the like. So that deserves investment, which it's getting, lots of investment. And it deserves sort of a marketing positioning much like X1. So again, in X1 markets, you hear a lot more about xFi, you see a lot of advertising about our differentiated broadband product and what xFi is and examples of the app where you can, at dinnertime, turn off everybody's devices, get them to the dinner table, pay attention. But the utility...

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

I need that.

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

Exactly. And then walking into the home, working with a lot of external partners to make sure a new device coming into the home is very easily brought onto the network. We all know that there's ways to improve WiFi experience, which is really the in-the-home experience of broadband, high-speed broadband. That, together with the investment in video, is really the power of the video platform, whether it's -- there's ways in which the power of our video platform can be used for things in voice remote and the like, it's all making the utility of your broadband pipe, which is the best one around in our marketplaces. It conveys the idea of consumers that it's differentiated, which we do believe it is and have been investing in that. But I do think xFi is making a difference, and there's lot of energy for us to keep going.

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

But one of the big themes...

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

And then, in fact, our new Italian friends at Sky. One of the most exciting things they're most excited about is they are -- have access to wholesale broadband in the Italian market where nobody's got the scale or investment background that we have. So when they came to Philadelphia and saw everything that xFi is, kids in the candy store in terms of how can they take that and, as the great marketers and brand positioning folks that they are, use it to differentiate themselves as a broadband reseller basically in the Italian market. And so we'll see. That's a -- but it's just interesting to see other market participants that we respect to come in and really observe that differentiation in broadband through xFi is real.

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

That makes sense. So part of our presentation, we had Randall Stephenson from AT&T. Actually, see, we talked about 5G, we're going to have Hans from Verizon at lunch, a little bit of different approaches to 5G. Randall definitely see it as more of a mobile service. I think you're going to see Hans talk about it both in mobile and fixed service. How do you see the threat from 5G to your broadband franchise? And is it changing the way you guys go to market at all?

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

Sure. Well, I'll start with nothing that -- we've been watching the news and watching our competitors, AT&T, Verizon and other players in the marketplace and the equipment guys. We're staying tuned. So we're definitely not head in the sand. But the short answer is that nothing that we've seen since we've last really spoken about this publicly has caused us to alter our view that the threat of 5G to our broadband business is not significant anytime soon. And that's because, again, you go back to the -- we think that our HFC, our network is a fantastic one for meeting and exceeding the needs of consumers for all the reasons I just described, increased usage and all, at very good economics. So our ability through
DOCSIS 3.1, to roll out gig speeds nationally, our ability to just continue and there’s a future path beyond that is, we all know with FD, so it will continue to be a very efficient platform for increasing capacity and speeds, and thus be something that we think is, for a long, long time, it’s going to be the most economic way to deliver high-quality broadband period full stop. When you really think about any competitor to that, whether it’s 5G or otherwise, it’s got to have high capacity, it’s got to have high speed, and it’s got to have high reliability. And between the different ways of different levels of spectrum and approaches to 5G, it’s really hard to see how there’s a path to any one of those being a broad – a broadly addressable solution for residential in the United States other than in certain use cases, which are possible that, of course, we then look at ourselves and see if there’s ways to deploy technologies ourselves to advantage ourselves. And then all that said, 5G does amount to overbuilds, right? One way or the other, okay? So we’ve faced that many times over in the past, and so when you get down to sort of how acting as a reseller so to speak of video bundles plays out, I think the technology and innovation we put around that is important. So we continue to feel very good. When you put it all together then, there is, for folks that want to consume a lot of video, our X1 experience with our broadband packages I think is the premier video product out there period full stop, including especially when you consider our openness to integrating other sources of video not our own, like Netflix. So expect us to continue to consider that to be important to your question. But it’s not important for us to go chasing unprofitable subs. So I would tell you, I am not at all concerned with the number of subs we have, I’m concerned about continuing to make sure we approach video in the context of a business where in Cable, we’re trying to drive overall increases in total customers, so the 30 million growing at a million, the driving high speed data as the center-of-the-plate product, which comes at very high incremental margin and then attaching other products, video being one where we can attach it in a profitable way, and we’ve got a lot of different ways in different customer segments to put packages together that do add incremental profitability, and a road map for aggregating more third-party content that adds value. So we’ve got a lot of ways to continue to drive video, and it is important. But again, not going to chase subs for the sake of subs.

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

Got you. Maybe a couple of questions on video. There’s been a lot of talk about DTC and some of these new SVOD platforms. How important is video to the Cable franchise?

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

So it’s important. But in the context of everything I just described. I think that we are very proud of what we’ve done in video, X1 and the like becoming a platform where now we aggregate inclusive of our own content. We’ve got Netflix, Amazon Prime coming. And the world of video now with all the choices consumers have, the ability to search with the voice remote, to have all the metadata we have, the ease-of-use of the experience, I think is something that’s a natural end to our broadband pipe. Much like xFi is to broadband, the X1 platform, regardless of how acting as a reseller so to speak of video bundles plays out, I think the technology and innovation we put around that is important. So we continue to feel very good. When you put it all together then, there is, for folks that want to consume a lot of video, our X1 experience with our broadband packages I think is the premier video product out there period full stop, including especially when you consider our openness to integrating other sources of video not our own, like Netflix. So expect us to continue to consider that to be important to your question. But it’s not important for us to go chasing unprofitable subs. So I would tell you, I am not at all concerned with the number of subs we have, I’m concerned about continuing to make sure we approach video in the context of a business where in Cable, we’re trying to drive overall increases in total customers, so the 30 million growing at a million, the driving high speed data as the center-of-the-plate product, which comes at very high incremental margin and then attaching other products, video being one where we can attach it in a profitable way, and we’ve got a lot of different ways in different customer segments to put packages together that do add incremental profitability, and a road map for aggregating more third-party content that adds value. So we’ve got a lot of ways to continue to drive video, and it is important. But again, not going to chase subs for the sake of subs.

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

Now that said, third quarter trends beat our expectations and then I think it showed some nice year-over-year improvement. Maybe talk about what’s driving that. Is it that, we’ve heard about AT&T’s efforts to sort of reprice a portion of its satellite base. Is it some change in the competitive environment? And what are your expectations maybe for the trajectory of the video net adds? And maybe video revenues of the cable business over the next year or 2?

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

So what I’ll say there is it’s been -- I mean, video has been competitive for quite a while now for the host of reasons you described, new OTT entrants, folks trying to build businesses around video that has yet to shake out whether those are sustainable business models or not, but before people
give up, the competition in the marketing and the promotions, et cetera, it’s out there, along with the traditional players continuing to figure out with ebbs and flows of different company strategies and appetites. All of that -- we are in a continued competitive video marketplace on the cable side and I expect that to continue. Trailing 12 months, we lost just inside of 2% of our video sub count. But I think in the grand scheme of running the company, that’s not a number that is -- it gets a lot of fanfare obviously when sub numbers for video are quoted. But I think the pressure continues. And I would just tell you from where I sit, I don’t think it changes anytime soon. And again, we’re not going to chase unprofitable video subs. We’re going to drive our video business in the context of everything I just described.

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

Got you. Maybe quickly on the business segment. Obviously, it’s a high-margin business, it’s a nicely growing business. How do we -- should we expect that line item?

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

Sure. We think it continues to be a big grower. So $7 billion annualized revenues now at this stage has grown fast, obviously still growing revenues. I mean last quarter, I think it was 10.5%, 11%, 10.6% or something like that revenue growth in the business services side. I think we have a great product. I think the fact that we’ve got DOCSIS allowing gig speeds across our whole footprint together with our willingness to do hyperbuilds bringing fiber to office parks, cities and the like, so that we can then aggressively grow the business, are all strategies together with add-on services that sit on top of connectivity, which is voice, security, surveillance, cameras and the like. And now, a still pretty early push into enterprise, whereas we’ve talked before, there are a lot of big businesses that have local market needs, think bank branches, fast food restaurants, retailers, where the local distributed need is very similar to the product offering we have. And with a little bit of the investment that the teams have been making to stitch it together, both with other cable operators and some add-on services that sit on top, we feel good about the growth ahead of us in the enterprise side. And in our footprint alone, we think the aggregate is something like a $40 billion market, and we’re at $7 billion -- so I think we have -- of annualized revenues, so I think we got a nice runway ahead in the business services side.

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

Got you. Maybe turning to wireless. How is Xfinity Mobile performing? I’d say both in terms of maybe the growth of the business, the profitability of the business and maybe what it’s doing to your overall Cable franchise?

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

Sure. Well, we’re happy with what we’re seeing. It’s been -- we launched it last year. We ended the last quarter with 1 million lines. We would still say it’s early days, but we’re encouraged by what we see. It’s resonating with customers, whether it’s the packaging, By the Gig and unlimited, and the ability within the household to put different phones on different packages is enabling customers to, in general, save money while at the same time be on a superior network, wireless network. We are, again, seeing that work and testing and learning our way through it all, bring your own devices is something new that looks good, another thing that’s resonating with customers. So that’s the start we’re at. We’re pleased. We’re getting it in our stores and that’s another option for our customers in terms of how to engage with us and the digital acquisition process is actually quite good and is going to give us a lot of learnings for our core cable business as well. And so looking ahead, I think we continue to see the business ramp. And when we get to a certain level of overall subs, we’ll cross the profitability on a stand-alone basis. And that’s -- we think that’s possible and still was our base case, is our base case. So if you can do that, then you get to a place where going back to broadband is center-of-the-plate product, that is important, profitability-wise. The ability of then to have another product like mobile that can attach and over the long term add incremental profitability to the relationship is fantastic, will be fantastic. And we think that’s the plan. But beyond that, in all these products done well, whether it’s X1 or Xfinity Mobile, when bundled with broadband, it’s been our experience that the additional products help lower churn in our existing business. And early days still, but we’re starting to both test customer satisfaction, and it’s higher for those that have Xfinity Mobile
than don’t. And it’s only been a year, but early indicators would be that it is going to be as expected or as hoped anyway, helpful to retention to the core business, which obviously given the size of the core business has huge potential of value add.

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

Do you still view the MVNO strategy as a sort of viable end state in wireless for Comcast?

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

Yes. We think our MVNO makes sense for us and for those objectives that I just described. Obviously, we’re not looking to go out and compete with the national carriers in quite the same way, but in the context of our business, we think it works. What’s unique about it, we like the economics that come along with it and it’s specific to our situation. We love the fact that it’s the Verizon network, it’s a fantastic network. And so when you -- and unlike what I understand MVNO deals were like in this country many years back, we do control a lot of things. We control the packaging and pricing, we control the branding. We control the customer experience. And so it’s got a lot of the features that in aggregate, at least for the moment we are now and for the foreseeable future, we think it’s a great situation for us.

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

So any interest in doing something sort of more organic that might -- may require investments in spectrum as we sort of look out into the auction calendar?

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

We haven’t decided yet whether there’s any appetite for us in -- as a general matter for the businesses that we’re in, we’re pretty pleased with our setup. Our plant is a great plant and our MVNO allows us to do things that make sense for us and so it doesn’t mean we don’t look at auctions and we participated in last year’s auction, prices were good, so we picked up a little bit of spectrum. I think of that as giving us some future flexibility and optionality. And we passed on the one that’s going on now. We have the best last mile, so the idea of technologies that are alternative, that would just be different ways to play our current network, it doesn’t make sense to us relative to investing in the network we have. And 3.5, we’ll see. We haven’t decided whether there’s an appetite there yet.

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

Yes, sure. Wrapping up on Cable, the highlight -- I’d say the highlight of the third quarter call was some slight adjustments you made to guidance, you’re now going to be at the high end in terms of margin improvement at 100 bps, similarly in the CapEx side, 100 bps decline in capital intensity. A lot of it I think has to do with what we’ve been talking about here, as sort of pivot towards connectivity. As we look out into ’19, are those types of improvements in the overall business model sustainable?

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

Sure. Well, we'll come back about ’19 at the next earnings call, you tried, well done. But as I’ve been saying all year long, the things that are driving the outcomes that we’re seeing of improved margins and improved capital intensity are not one-offs. There are ongoing efforts and obviously, maybe water finds a level at some point, so even doing the same things won’t have quite the same benefit. But I do think looking ahead, activities like continuing to drive broadband as the center of the plate with an attitude that we’re going to think about client-level profitability and attaching other things that are profitable to that, and the growth that we see in broadband and business services at those high margins are constructive and
ongoing, right? I think the efforts that we have on customer experience and the digital side of interacting with us are all making it a better product and rating better in the consumer's mind. But as we said all along, like in many businesses, you fix the root cause of a lot of problems, you get higher customer — better customer experience and lower cost. And so that's an ongoing journey where we keep getting better at that, nothing different other than a continued push to digitize the experience as much as possible and make experience better. So that said, we are growing, we're growing customers, and so that is all pretty healthy on the non-programming side. And on the programming side as we said back, '16 and '17 were big increases years, and we have these next couple are back to sort of normal for a while. Okay. And then I'm sorry, on capital intensity, everything we're doing that's good to invest in and grow the business is the net positive for capital intensity. So the shift, X1 is getting deeper into deployment plus future generations of equipment, in-home equipment are getting cheaper and more done in the cloud. Broadband side, the push there on xFi doesn't come with as big a ticket on CPE in home. And again, efficiency of network, we rolled DOCSIS 3.1 and gig speeds across the footprint capability-wise without it being a big capital cycle in any way. So again, the dynamics are just the result of the way Dave Watson and team are driving the business.

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

Got you. And then moving to Sky, obviously recently completed the acquisition. I get this question a lot. What makes that asset so strategic and so important to own? And then I'll follow up, at this point, I know it's early days, but do you anticipate making any sort of changes to Sky's strategy or investment plans?

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

Well, Sky is unique. So for -- in the aftermath of it all and the many conversations we've had, I think there's -- we knew all along the odds were long on us prevailing in acquiring Sky. But having known Sky for a long time and really looked at how it fits into the European ecosystem, there's no -- it's not fungible. There wasn't another Sky out there, there isn't another Sky out there. So uniqueness of Sky, the quality of the management team, the quality of the brand, the fact that it's a different marketplace, a different market structure, and they are just great market position in the 3 of the best markets in Europe, both in terms of the consumer relationship and the viewership on their platforms, which we can get into all that, made it a business that -- you start with Sky why it's so important. Well, it's a good business. We think it's -- we are very confident in its ability to grow and maintain an important position in European markets and what it has ahead of us, organically getting to your question are we going to change anything, no. We think the team that's there that's staying with us has the ability, pay TV obviously relatively lowly penetrated versus what we see in these markets and there's reasons for that, but we think there's headroom. They obviously have the ability given brand and consumer experience to broaden out what they deliver, and so you see in the U.K., their leading business in delivering broadband through resale with others, and they're now -- they, themselves now have 1 million mobile lines. Italy will follow the same path. Each market is going to be different in Europe, but their ability to drive more into a customer relationship is really there. They can expand, we think, and are trying to, in early days in Spain and some other markets, they can expand into adjacent geographies. And then finally, there's some not noncore, but adjacent businesses, advertising, ad tech, content licensing, they're all things that are in early days for them. So net of it all, we think we feel very good about Sky. When you put it all together with Comcast, we think the company, going back to my opening remarks, when you put it all together, and we think we're good operators in each of the 3 businesses, when you put them all together and look at the recurring nature of the revenue streams across many of the businesses, the leading market positions, the global presence, technology bent of both Sky and Comcast Cable, we think the bonus is we think it positions the company really well to navigate the future.

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

Is there sort of either a need or maybe an opportunity to further M&A in Europe or in other geographies now that you're sort of moved on from being just a purely domestic company?
Michael J. Cavanagh - Comcast Corporation - Senior EVP & CFO

Well, so Sky was unique. There's not other things that are as unique as that out there anyway so think of Sky as our big international move. Our priority now is get ourselves back to the balance sheet where we want it to be, so that's going to be our focus is going to be on running the businesses that we have, they all have great forward plans, and delever.

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

Got you. We continue to hear media companies announce, moving on to NBC over here.

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

Sure.

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

There are DTC efforts. Obviously, we just had Randall here, talking -- giving the framework, meat on the bones of their DTC strategy. Comcast has expressed more support for pursuing multiple outlets for the contents you produce. So what is your outlook for growth and profitability in your TV business? And do you need a DTC effort to produce that growth?

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

Sure. Well, you step back and you sort of say our perspective on the world is informed by where we actually sit in the landscape. And when you look at NBC and its TV businesses and focus and success and strategy, it's around developing high quality content and focusing on sort of big events, big properties, sports and The Voice and otherwise. And so when you put all that together, you end up with a prime-time 52-week season just ended, we're #1 in prime time. We've got great results in MSNBC. We just finished in sports a year with Olympics, World Cup on Telemundo and Super Bowl. So all that's translating into businesses in the existing cable and broadcast TV that's allowed us to grow EBITDA on a year-to-date basis around 13% in the core TV businesses off of great continued prospects given that approach for retrans and affiliate fees, which we think continue to drive healthy growth into the future, and solid advertising, we just finished what we think was the best upfront, we got the best sales team. Obviously, interesting landscape out there, but we think the business that we're in, given the way where we're positioned, the way we're running things, which is not a blind eye of the changes out there, we think it's going to be a healthy story for shareholders for quite some time. That said, content licensing is a -- been growing and a great growth area. And when you look at on the streaming side, whether it's Netflix, Hulu, YouTube TV or all of those platforms, NBC, NBC Studios are the creators of some of the most popular shows that sit on those other platforms. So we think the success in our TV businesses is coming from a view that it's not one-size-fits-all. As long as we're creating great quality content and have the ability to attract talent and work with leagues and other properties to drive big events, figuring out how to let all of that content find its proper and best monetization and business models that we're not going to control all of them, but I think participating, that's been the history of our industry, and that's where we start. When it comes into OTT, we think that it's not going to be, again, one-size-fits-all. Some shows are going to be best on traditional platforms, some shows will find their home either originally or in the aftermarket on SVOD or AVOD. And so when it comes to DTC, yes, we're working on our plans there. We will -- we want to be where consumers are and we want to make sure that the content we create is best monetized for us. And so some form of direct-to-consumer we think will make sense for us. But all I'll say now is it's not going to be a strategy that's just, let's go copy what Netflix has done, fabulous success but that's their model. We think our model will look like something that takes advantage of all that we're good at and is in light of the fact that we think it's an interesting and dynamic ecosystem that we're intending to participate in a bunch of different ways and our own DTC will just be one avenue on all that.
John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group, and Telco and Pay TV Analyst

Okay, so speaking of DTC, so Comcast owns 30% of Hulu. AT&T, I think, over the last couple of weeks has made it clear that they're going to sell their 10% stake in Hulu. What's your plans for that asset considering Disney will consolidate 60% of it once it closes?

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

Well, no news for you here today. I mean, we have and want to continue to have a healthy relationship with Hulu. We think our content as I just said, much of our content finds a great home on that platform. And one way or the other, we want to make sure we have a good and healthy and constructive for everybody ongoing relationship with Hulu.

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

Okay. Another quick one. Theme Parks had a tough quarter in the third quarter because of the weather in Osaka. Has the results in that property rebounded? And how are you thinking about that theme?

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

Obviously, we had tremendous set of tsunamis, earthquakes and the like. It really affected Osaka acutely, we closed the park 3 times and many of the days were either weather-affected or transportation-affected.

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

Their airport was underwater.

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

Over the -- exactly, the airport. And in some U.S. newspapers, you saw the tarmac underwater, getting into the airport. So you think about all the difficulties of just getting to the park. That's alleviated the trends in Osaka park, as we sit here now, have bounced, which is nice. But I would say, anything -- in a business like parks, we're playing the long-term game obviously, and you're going to have things like weather and economic events or otherwise that could affect quarter-to-quarter. But really long term, we're very much like the -- well, we love the Osaka park. It's one of the most successful parks in the world. Very excited about bringing Nintendo to Osaka in -- around 2020, a new kind of world in that park and then to other parks. But basically, the model in Orlando and Hollywood are the same, continued investment in attractions, so we've got Jurassic World in Hollywood that's coming here. We've got a new hotel resort and attraction that's coming into Orlando. And as I said, Nintendo coming behind that and then behind that, we've been hard at work on bringing Beijing to life. So a lot of excitement about the long-term trajectory in the parks business.

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

And lastly, on NBC. You mentioned this in your opening remarks, the film slate, give us a sense of, you have some animation coming through after a couple of years. How's the...
Michael J. Cavanagh - Comcast Corporation - Senior EVP & CFO

Yes, yes, yes. Well, 2018, solid year but coming off of a record in 2017 and I think it’s 3 or 4 of the best years in film profitability in a 100-year plus -- just over 100 years of those studios. So we like the machine and a lot of it is driven by the timing of slates. So we end this year with -- film will have a good year, we end the year with Grinch. It’s been a great success, and that’s going to carry over and help 2019. We also have, in 2019, 2 animated, How to Train Your Dragon coming back, first big DreamWorks film under our watch, as well as Pets 2. And then when you really think about going into 2020, 2020 likely to be a year where it all comes to fruition in animation where the Illumination platform and the DreamWorks platform have kind of feathered in to the strategy of trying to bring 2 animated films to market each year, 1 original, 1 sequel. It’ll bounce around a little bit, but that’ll be fantastic. At the same time, we’ve got some non-animated franchises, many now versus none -- 10 years ago. And so we’ve got the next Fast spin-off of Hobbs & Shaw come in the middle of next year as well.

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

Great. Last question, focusing on the balance sheet. You typically talked about the 2.2x leverage as sort of the neighborhood that you want to return to. As we think about deleveraging, is that still the goal? And I think that a lot of times this relates to how should we think about the buyback until we get there? But is that the level that you’re still focused on?

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

So the level we’re focused on, and you got to go through one to get to the other anyway, but what we’re focused on is what we said in getting the Sky done is that it’s going to be our top priority to get back to leverage consistent with the rating that we protected and committed to the rating agencies that we would do that. So that’s the priority. 2019, no buybacks as part of that journey, we’ll come back and talk about buybacks for 2020 in 2020. So yes, think about our priority is going to be to direct resources to getting first into the range for expectations for the rating.

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

Which is A-, would you know what that level--?

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

It’s a touch higher than 2.2, there’s little room there, but like I said, you have to first get to that point and then based on, I like the 2.2 but what we’re seeing right now is that we’re going to -- with great priority, get to -- get back to the level consistent with the rating. And I think just wrapping it up, we can do that, plus really maintain overall capital allocation on the back of the ability of these businesses to drive profit growth and free cash flow growth on a consistent basis backwards and looking into the future in our mind. That sets us up well for just a continuation of the capital allocation that you’ve seen, which is healthy investment back in our businesses in the form of CapEx and innovation and bolt-on acquisitions and the like. The maintenance of a very strong balance sheet and finally, healthy return of capital to shareholders. And that’s our model looking into the future. And right now, we’re just focused on getting the balance sheet back to where it was.

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

It’s a great way to end it. Great.
Great. Thanks very much, John. Thanks, everybody.

Thank you.