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PRESENTATION

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

So good morning. I'm Doug Mitchelson, Credit Suisse's media and cable satellite and wireless analyst. Pleased to have with us today Jeff Shell, NBCU Chairman and CEO for our lunch keynote presentation. So this will be a fireside chat format. My questions are likely to run the full time, but feel free to e-mail me questions if by chance we do have some remaining time.

So Jeff, thanks so much for coming today. And just about 1 year ago to the day, you talked with a lot of optimism about the future of NBC Universal at our last conference, certainly been an eventful year since. I just wanted to start with the state of the union. Would you walk us through any learnings from the past year and particularly anything that surprised you? And how NBCU's strategy and growth outlook has evolved?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Sure. And thanks, Doug, for having me, and thanks, everybody, for being here. So I'll just go 30,000 feet on this, and then you can obviously, Doug, drill as I know you will into any specific area.

But just kind of talking about the company, the way I think about it and we think about it. So we really think about it in 3 broad buckets. The first one is theme parks. We don't usually start with that, but let me just start with that really quickly. Our theme park business during the pandemic, obviously, we shut completely down and then came back. We chose to keep investing during this whole process, both in new attractions and in a big new park in Orlando. And the business has come roaring back.

So starting with that business is kind of appropriate because it's virtually in all of our parks, we're above where we were in 2019 despite not a lot of international travelers still, we're historic bookings in Florida hotels and our theme park attendance. Japan is all the way back now after kind of a slow start to the year with COVID. Hollywood is more than all the way back.

So we're kind of sailing into the summer on the theme park business really, really strongly. And we're hoping to kind of reopen our Beijing park kind of momentarily once we get through all the testing and everything here in the next couple of weeks. So that business is cranking, and we can talk a little bit more about that if you want, going forward.

The second business is just broadly speaking, content creation, big broad category, but that business is also cranking. Our film business, I don't think our film company has ever been as strong as it's been right now. I started there, as you know, when I came back from London in 2013. I think creatively, we're as strong as we've ever been. We're the only studio, I believe, who's making more movies in this year than we were last year. Everybody else is making less.

I think the whole level of the industry has increased as far as profit potential with some of the streaming deals and the change in windows, which we can talk about. And I think our creative situation is sailing into that strength perfectly, and we kind of saw this, this past weekend with Jurassic World just opening up to dominate business across the world, including China, which in one weekend, we are now the top movie of the year in China after only 4 days of release. So hopefully, the China market is coming back.

But across the rest of our content business, TV, our model of not just having a platform that allows us to maximize the creative value of every show, putting it where we think it will be most successful, but also selling to third parties is really doing well. Our news division, we really have no competitors, given what's happened in the industry right now with our three-pronged approach with MSNBC and CNBC and NBC News NOW, which is our AVOD business, that's doing great.

And our sports business in a world of kind of increasingly rising sports costs, most of our key sports properties are locked up long term. So looking -- and then, of course, Telemundo, which is gaining ground and Univision, and we have the World Cup coming here in a couple of months. So if you look across all of our content businesses, I think that second business, I'm very excited about, too. I think we've made a lot of progress this year, and we can dive into that.

And then the third business, which gets probably most of the ink and most of the talk is really the video distribution business. And I think in that business, we've made a tremendous amount of progress, Doug, since last time we talked. NBC continues to be #1. We're #1 again this season. And even though everything is declining, NBC relatively strength improves we still kind of have the one-two punch of USA and Bravo, with now sports on USA, which has bolstered that. So kind of our linear businesses are strong but declining like everybody else as people switch to streaming.

And with Peacock, which I'm sure we'll spend a lot of time in the next few minutes talking about, but it's gone from an idea to an execution. We clearly picked the right business model for Peacock, the ad-supported model, which I think we took a lot of heat on when we chose it, but now everybody is kind of diving into the pool with us. And we are very excited by our progress. 2 years, we've basically caught up to Paramount who's been at it for 7 or 8 years, and we're 1/3 to half the way as where Hulu is, and I'm very excited about the business model. And then we're doing all that with really most of our programming strength still to come that we can talk about. So very excited with the prospect of getting Peacock up to scale.

So that's kind of a tour of the business. I know not a lot of negatives there, but I'm really excited by where we stand creatively and competitively and I think we've made a ton of progress, and we can kind of dive in any area you want.

QUESTIONS AND ANSWERS

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Well before we dive into those, why don't we -- we're about halfway through 2022. So I'm just curious, the execution priorities for the second half and into 2023, what are the important milestones you're focused on?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Well, if you kind of go back to the beginning of the year, I was doing this last night actually for something else. And I was worried about if you kind of look at the year, so starting in January, I was really, across the company, I was worried about 5 things, there were kind of 5 things on my mind.

And one of them was getting our theme parks back up to cruising altitude, that's kind of happened already. Other than Beijing, where we're a little bit behind on that. But everywhere else, we're above where we were in '19 and feeling really good about that business.

I was worried about the China Olympics. I was worried about the Beijing Olympics. I was worried that we wouldn't be able to pull that off. It was a very tough operational Olympics and also an advertising environment. And that we pulled off, both from a kind of a broadcasting perspective and a revenue perspective. So that's behind us. So no longer worried about that and very excited about Paris in a couple of years.

I was worried about the movie business because we have a lot of big tentpole movies, and we bet on that business, and we have a lot to come. I was worried about that until Top Gun hit the theaters and then now really not worried about it after the performance of Jurassic and we have Minions coming and Nope coming and a really great - The Black Phone, which you probably haven't heard of, which is a great horror movie. So I'm very excited about that business.

So 3 of the 5 things I was worried about in January are kind of in the rear view mirror a little bit. They are not keeping me up at night anymore. I think the 2 things remaining we kind of talked about, getting Peacock to scale is critical for our company, having a scale streaming portion of our business to go along with our linear business is core to our model and even though we're doing well and we're right on track, we're spending a lot of time on it, and I'm thinking about that a lot.

And then, of course, the macro environment. We're not seeing any impact of the macro environment on our business yet, but how can you not be worried on the macro environment with inflation and everything else. We're keeping a close eye on that. Even as I said, we're not really seeing signs of it in our business yet. So that's kind of how the state of the union here. But having 3 of the 5 things I was worried about kind of in the rear view mirror is a nice place to be in June.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Great. Well, let's go to #4 that we're still working on, Peacock, right? So when people would call up on Comcast, it's right up there and among the top questions. And so certainly an important topic. And you're making a major investment, right, $2.5 billion, I think is the guidance for losses this year you've outlined, taking this year's $3 billion of programming investment to $5 billion in the next few years. So investment is going to increase from here on the cost side. So can you walk us through the path to profitability for the service?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Yes. So there's really kind of -- what I would say -- let me divide it. I do things in threes, and this is another example of that. So when we kind of divide it in 3 buckets.

So first bucket, of course, is distribution, how many people are watching? How many people are paying for it? We -- the big investment that we're making was a conscious decision. We had started with a more limited AVOD strategy, where we found that more people were much more subscribing and choosing to watch the premium service, so we chose to invest more money to go after more of the premium AVOD experience, $4.99 with advertising, and that's what's driving the increased investment. Very pleased with that.

I think as we noted in our earnings for the first quarter, we added 4 million-plus subscribers paying us in the first quarter, which took our subscribers to over 13 million paying subscribers. That means that we added, by the way, 1/3 of our paying subscribers in one quarter. And obviously, that was driven by the Olympics and Super Bowl, and I'll get to the programming investment in a second.

So if you look at that, the second quarter, we're obviously going to get to our programming strategy in a second, but we're going to ebb and flow each quarter depending on our programming and when we have things coming in at what time. The second quarter, we have none of our sports, and we don't yet have our movies and originals coming.

So what I've been pleased with in the second quarter is that we've been able to retain virtually all of the subs we added in the first quarter. So people came for the Super Bowl, had stuck around and kept paying us to watch things like Dick Wolf dramas and The Office and news. And even though we're probably not going to add a lot of subscribers in the first quarter, we didn't expect to, but we've retained the ones that we added in the first quarter.

And so as we move to the back half of the year, when all of our programming strength is coming, I think we're pretty optimistic that we're going to continue to grow paying subs. By the way, it's also important to remember that 13 million paying subs comes from only a portion of the country because in Comcast territory, Comcast homes who get Xfinity, get Peacock Premium for free. At some point, we'll roll that to pay. But right now, it's a benefit to our Comcast ecosystem. And so the 13 million doesn't represent a fair kind of representation when we have millions of people in Comcast homes getting it for free using the content, which we like, by the way.

So thrilled with our trajectory on paid, but obviously, a long way to go, right? Second category is advertising, which we actually make more per sub on our base advertising, our base subs than we do in subscription fees. Very pleased with that. Couldn't be more pleased with that. As I said, in 2 short years, we've ramped that up to a level that next to Hulu is probably second to anybody in the industry.

We are getting CPMs at the broadcast level, which we -- I don't think expected to. We had hoped to do that, and we are getting CPMs at that premium level which is great. So it validates kind of this business model we chose, a dual revenue stream to match kind of the core business, which was our thing. And then obviously, everybody else is who we were chasing before is now jumping into the pool behind us saying, "Oh, yes, we like this model, too." So it's great and it feels good to be where we are.

And then the core thing that's driving the investment is generally programming costs. So Doug, when you talk about losses, losses are driven by what you said, which is that we said $3 billion in programming costs this year going to $5 billion over the next few years. Most of that is our - on programming and most of the programming is our own program, our own content that we're buying.

So we basically have 4 main pillars of programming that we're spending money on. One is sports, that's driven us so far, where every sports deal we do, we don't do if it doesn't have a digital component. So if you kind of look at the 4 main ones we have, we have NFL, where not only do we have simulcast on Sunday Night Football which is the top rated show on TV, but we have an exclusive game coming up this year on Peacock.

We have the Olympics, which we have all rights. And I think once we were kind of able to redo all our distribution deals, you saw in Beijing, what we can do, where Peacock really was a nice clean way to watch the Olympics live. Any time you wanted to see an event, that was where you went. So we're thrilled with that.

English Premier League, which we renewed, which we have a lot of exclusive games on Peacock and of course, golf, which we have our PGA deal. So sports is really the driver right now. I'm very excited about the movie part of Peacock. We bought our own first window of movies. That kicked in this year. So as you know, it takes a little while because the movies that were in 2021 are still on HBO.

So now we have a couple of movies on Peacock as we go out throughout the year, you're going to see Jurassic go on Peacock and Minions go on Peacock and Nope go on Peacock. And I think in the next 3, 4, 5 quarters, you're going to see a real impact on films going in their first window on Peacock along with some selected kind of originals. So film is a key part of the strategy. And I think we're in the second inning on film really from Peacock perspective.

Third major pillar is using our linear strength, either day and date or next day, broadcast. We moved all the Bravo stuff next day exclusively on to Peacock a couple of weeks ago. But most of the content we get when it comes up, Hulu, as you know, we terminated our Hulu programming deal. We get all that back starting Labor Day, September 1. So that's going to be a real driver in the back half of the year.

And then finally, originals, where you can't be a successful streaming service unless you have original hits. The pandemic slowed us down a little bit on that, like it slowed everybody down, just producing things, but we're starting to see some of them hit the platform. And there's a couple that shows that I'm pretty excited about coming on Peacock back half of the year and early next year.

So the nice thing about it is we're buying -- the spend is for buying content and the content is deployable lots of different places. And we think this is the highest value creation possibility for this type of content. And so I'm -- I mean, I can talk about this for hours, as you can tell, but I'm pretty pumped up with how we're doing on Peacock.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

So quick clarification, I think the listeners understood what you were saying, but I think you sort of reviewed 1Q when you were talking about not going to add a lot of subs. I think you said in 1Q, I think you meant 2Q, right?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Second quarter. Yes, yes, yes. Sorry.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

No, quite all right.

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

I think we -- by the way, Doug, I think we've said that in our first quarter earnings call, we didn't expect -- we knew we didn't have a lot of -- we pulled a lot of our program forward in the first quarter as far as sports. So we never expected second quarter to be a growth quarter for us. Actually, we're doing better than we are. We thought we'd have more churn from the sports programming. But yes, so I meant second quarter, if I said first.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Fair enough. And I think I'll let you slip on trying to pin you down on the path to profitability and get to the next. I think the -- look, last...

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Well can I -- Doug, can I say can say one thing on that? It's important to remember that we don't -- we're not managing Peacock as a separate business. I mean this is a critical thing if you kind of look inside of our company of how we're operating. We view our TV business as one business. In fact, we manage it that way. We don't have 2 different programming departments, one for Peacock and one for everything else. We don't have different marketing. We manage it as one business.

So really the calculus on what you're asking is do we grow faster? Do we create value overall in the TV business as a result of the investment we're making in Peacock right now? And we feel strongly that we do and will. And so the goal is not necessarily to get Peacock to profitability, of course, we want to, but the goal is to have our TV business grow sooner and more rapidly despite linear declines, and we think we're well on our way to that in the next few years.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Fair enough. So alot of streaming services out there, a lot of viewing options at this point. I think we still see some of those surveys saying it takes 10 minutes on average for consumers to find something to watch. And consumer surveys reflect a lot of confusion. Many are overwhelmed.

So just kind of a high marketing burden for each streaming platform and a consumer perhaps that could be happier, so do you see opportunities to evolve the streaming marketplace over time to improve that consumer experience and perhaps ultimately the streaming business model?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Yes. It's interesting. I mean, I saw those surveys that said 10 minutes, too. And back in a prior life, I think you and I knew each other, Doug, I ran TV Guide decades ago. And back then, it was 90 seconds. That's how long people took to find what they wanted to watch when they got home.

So I actually don't believe the survey. I think it's shorter than 10 minutes. I don't think most people want to get home and spend 10 minutes figuring out what they want to watch. I think people either know the show that they want to watch or the event that they want to watch. That's a lot of people or they don't and they want to quickly find something that gets what they want to watch and get going and watch it.

When you turn on your TV and watch NBC or watch Peacock or watch Netflix or whatever, you want to start watching something, you're tired after your day, you don't want to spend a lot of time searching for something to watch. So I totally agree with your point.

I think that especially in this world where it's fragmented, and there's lots of different streaming services, I think it's going to be critically important for each of us to get somebody to what they want to watch in a rapid way and satisfy them. Part of that is having enough programming so you can always find something new when you're on your service, which we feel pretty confident in our ability to do that because of our library and our movies. But part of that is just the user interface.

And what I would say is, in this case, we're pretty fortunate to be part of Comcast because a lot of our viewership, a lot of our kind of incoming, as I mentioned at the beginning, is coming from X1 and Xfinity and people see an ad for something on Xfinity for a Peacock show or a piece of content, and they come in that way, that's one way people are coming into Peacock in Comcast home, which I think gives you a little window into the future.

Everybody is going to have to use the full strength of their platform to make it really simple for consumers to find what they want to watch and advantage our service. And part of that is going to be how good the product is.

By the way, our product is great. We benefited by -- we basically took the Sky platform, we didn't have to create it from scratch. And then having all these touch points in our company, especially with Xfinity, allows us to get people more quickly to something they want to watch when they don't know what they want to watch.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Yes. And it kind of leads to what the consumer behavior with Peacock looks like today. So I'm curious where you would put consumer awareness at, user engagement, satisfaction? How is that all shaking out so far?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Well, so it's interesting. I think, first of all, people love our platform. It works as opposed to other platforms, which are more bespoke that crash when you get a huge influx. We were able, for example, in the Super Bowl to handle 6x our highest traffic prior to that without any problems with service. So once again, using the Sky platform, the NOW TV platform that has been out there for almost a decade has been very helpful to us. We have a better product and it's more robust from a technical standpoint.

So that's been -- those are one of the things that people don't talk about unless it's bad. So that's an advantage that we have. Awareness-wise, we chose not to go with a plus or prime or gold or max name. We chose to kind of create a new name that had -- harken to our history, but was new and allowed us to kind of create something new across the world. I think, actually, it's harder to do that, but it's the right decision because it allows you to create your own identity for that new service and not have it tied to any specific heritage, which gives you a lot more opportunity to different types of program.

And I think last year in '21, next to Zoom, it was the second -- according to surveys I've seen, it was the second most admired new brand out there. So I like that company. So we're happy with that. And then as people -- usage, we know why people are coming. You can kind of very easily judge. The nice thing about a streaming platform is you know what people -- you know when they sign up and you know what the first thing they watch is, and it's pretty easy to determine that's why they came. If somebody signs up for Peacock and watches The Thing About Pam, then we can pretty much know that's why they kind of chose to go subscribe to Peacock.

What's really interesting to us is what they watch second and third and fourth and why they continue to pay everything per month. And I think the breadth of our programming is a huge untalked about competitive advantage because we have this library of television content, which has been driving services like Netflix, by the way. We have an unmatched library of movies. Movies drive these platforms and movies are doing huge usage.

And then kind of an unsung hero in our platform is news, right, where we have this 24-hour NBC News NOW, we find people are watching a lot more. They're not coming for news. News is not a big subscription driver to Peacock, but the strength of NBC News when you just watch an episode of Bel-Air and you're on the platform, and we hit you with a promo for - get the latest in the Johnny Depp-Amber Heard trial, and then we get you to the rabbit hole of NBC news, a lot of people are enjoying that watching news in a nonlinear way.

So it's interesting, but I think the breadth of our programming is a huge advantage for us.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Interesting. I think there's 2 competing dynamics that I find intriguing. I mean, streaming services need a lot of content to grow and to lower churn. But there also seems to be more content being produced than any household can possibly watch, right? So is there opportunity for NBC to be more profitable making more content? And I guess, which content would that be? Or is it time for the industry and NBC to start rationalizing spending given how much is being manufactured?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Well, I think this is this big debate are we at peak content, right? Like this peak content question. I, for one, am not a big believer that we've hit peak content. I think lots of viewers like lots of different things, and I think things will continue to fragment. And the reality is, as long as you're selling total audience, and can make a margin on your content, I think there's -- I don't think we're remotely close to peak content in the industry.

I think the key is finding the right distribution kind of strategy for a piece of content that maximizes its chance to be a hit. Because for something to be a hit, whether it's a movie or a TV show, it not only has to be great, it not only has to be marketed well, but it has to have the right distribution platform so that the people can find it and discover it and watch it.

And so I think we have kind of this unique platform with all these leading linear networks and Peacock, which is really tethered to this linear environment, plus a willingness to sell content to third parties. Like if we have a show -- I'll give you an example, Hacks, which is a great show that we make, we didn't feel that was right for our platform, given that it really belongs on a premium, non-ad-supported platform, and so we sold it to HBO where it's a hit.

So I think our kind of economic model allows us to maximize content by picking the right place. And I think at the moment, I like all these businesses. So I think we're going to continue to make more content.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

So you've made a lot of changes in terms of how content is produced and obviously, different focuses for some of the distribution with streaming platforms. So the content creation strategy has been evolving, but you talked about the strength of the studio.

Can you walk us through -- how would you articulate the studio's strategy for NBCU at this point? How aggressive are you producing for third parties versus focusing internally?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

So it's interesting. I think probably we are more focused on producing for ourselves. But ironically, we're actually selling more to third parties than we ever have. And the reason for that is because in the old days, the old days being 5 years ago, right, you would produce generally for NBC in your cable networks and you bought the vast majority of the content. If you look at what Universal Television produced and what NBC bought, NBC 5 years ago bought most of the content, and then we would sell a couple of shows to other broadcast networks or cable networks.

Now I think the whole content engine at our company is much more geared towards supplying what we think our content engines need, whether it's what NBC needs on a Monday night or what Peacock needs in the third quarter to leverage something that is working. But ironically, because everybody else is buying lots of content, and we have a deep library and lots of content, we're actually selling more to other streaming platforms, too, because our philosophy is the first objective is to make a hit, wherever a show could be a hit.

Hopefully, it's on our platform. But if it's on another platform, we get it back someday in our library, and that's good, too. So we're selling -- the answer to your question is I think we're more focused on supplying our own platforms, but ironically, we're selling more to third parties than we ever have.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

It's interesting. How is the theatrical window sort of selling out in your view? Is there more experimentation to go? And then I think you sort of already hinted at this earlier, I was going to ask you if box office results for some of the recent blockbusters suggest fully recovering to pre-pandemic levels. But I think you led me left on that one.

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Well, you know what I love. I mean, we've talked about this or you know I love talking about the theatrical business. I was very frustrated back in 2019 with the way that the -- I really felt that the business was anti-consumer and leaving a lot of money on the table for people like us that made great movies with the way movies were distributed. I love what's happened over the last couple of years. I think the whole business has reached a new water level, really driven by 2 things.

Number one, the streamers realizing that movies drive platforms. I mean, we saw this at HBO Max and other places. But movies drive platforms and I think -- it's not just a U.S. phenomenon, but around the world, we're having a robust licensing business for our movie content, which is making the whole business more profitable.

And then the second thing is how the windows have kind of evolved rapidly. It's a little bit -- it took a little bit of shrapnel to do that. But we got to a different place. And what's happened is consumers can watch movies in the home much sooner than they could pre-pandemic. The strategy for movies is much more bespoke. I don't actually think, to your question, it's settled at any specific pattern yet.

You just saw -- for example, yesterday, I think Disney announced Dr. Strange is going to go on Disney+ 47 days after theatrical. So they're continuing to experiment with different things, which by the way, was unheard of 3 years ago. Disney was the one who would say we're never changing the windows, right?

And then for us, as a company, what I'm particularly proud of is the PVOD window, the premium video on-demand window, which kicks in for us at Day 17. And we did that -- and we're doing that in partnership with the distributor, the exhibitors, right? So the more screens you put us on in the theatrical release, the bigger share you get of the digital window, which I think is a great model for us.

And what we've seen is a significant increase on how much money we're making in the home entertainment window, really driven by that premium video-on-demand window $19.99 or $24.99 at home from Day 17 to when we go to Peacock. So I think the whole model is better now. I don't think it's settled into a particular calcified model. I suspect that someday it won't settle.

It will be more bespoke by studio and by movie where older adult movies, which will all have a harder time getting box office, might go sooner on the platforms and big family movies that have this PVOD potential may wait a while to get on the streaming platform. So I think it's going to kind of ebb and flow a lot over the next kind of couple of years until we find the right economic equation and that equation could be different by each market, by the way.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Yes. I think while in streaming, I guess, Peacock and NBC as well, I wonder about content cost inflation. And in fact, let's just broaden it out here to any inflation impacts across the organization that we should be factoring in?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

So if you look theoretically at how inflation impacts our business, right, there are a number of different ways that it should theoretically impact our business. I mentioned this at the beginning, it was one of the things I was a little worried about going into the year as we saw inflation starting to creep up.

The first way that it impacts us is we have a lot of people who drive to our theme parks, right, particularly in Hollywood, but also in Florida. And as gas prices rise, you would expect to see a decline in those people. As it becomes much more expensive to drive from Atlanta to Orlando than you would -- and it's more expensive to fly by the way, as airlines have to raise their prices to offset fuel. We are seeing none of that, yes, like literally none of that.

If you landed from Mars and looked at our numbers for our theme parks and tried to discern if there was inflation or not, there's no impact on our business. But I think going forward, obviously, at some point, you would expect to see some impact of that with or without a recession, you're going to have an impact.

The good news for us is that with the U.S. just eliminating the testing requirement for people having to fly into the United States, we expect a surge of international visitors so there's hopefully, when domestic starts to decline if and when it does decline, it hasn't yet, we'll start to see that offset with people flying in from other places. There's a big pent-up demand we think around the world for people flying in to see our theme parks. So that's number one.

The second thing you would expect inflation to affect the ad market. You're probably going to ask me about the ad market going forward. So I'll put the upfront question aside, Doug, until you ask it, if you ask it. But in the scatter market, we are starting to see some weakness. Last year was hugely on fire in the ad market. So it's still pretty strong, but it's definitely weaker now than it was last week, last month, last year.

The weird thing about that is it's still really segment specific, right? It's not like the whole market is coming down by a specific amount. You see lots of weakness in the auto industry, the auto ad spending, which I think is driven by the fact they have no inventory on the lots. So it's probably not an inflationary impact. It's a supply chain issue.

Same thing with pharma, where we've seen some weakness in pharma, that also is due to the fact that there's a backlog of new drugs that have been approved by the FDA as they focused on COVID. So we expect that to turn around.

There's really some of the weakness in the scatter market doesn't seem to be inflation-related yet, even though there is some weakness in the scatter market. But that's the second thing. And then you asked about content costs. Our content costs aren't really -- we're not really seeing any impact. I think what's happening probably is any impact on increase in cost due to inflation is being offset by some of the big guys like Netflix are spending less.

So the whole dynamic of the industry is not really -- our content costs aren't really going up. If anything, going down a little bit because some of the COVID testing costs, which were pretty expensive on the TV business, in particular, are starting to come down. So we're not seeing any impact on content costs at the moment.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

All right. Well, that's overall encouraging. I think you mentioned this earlier, so I don't want to belabor it, but I was just thinking about the studio, when is it normalized post pandemic? And has the profit potential studio changed for the better or worse in the pandemic or the shift to streaming or windows changes or how popular content is going to be? Any overarching comment? It feels like you're optimistic as to your profitability.

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Yes, it's interesting. I've tried to explain this both internally and externally at our company. So whereas a theme park business, comes -- it goes down, it comes back and it's all in the same period of time. We count it all. In the movie business, in particular, it takes a couple of years for an impact to shock in the system to really flow through the system.

So we basically stopped making movies for most of 2020, and then we started again. By the way, the first movie we came back and started making was Jurassic, where we leased an entire hotel in London and put our whole staff in there and actually finished Jurassic during the height of COVID, so that worked.

But when you don't make movies for a year, what happens is that affects the box office the next year because you don't have anything to release, then it affects your first window the following year, which is home entertainment and then in our case, Peacock and the first pay window and then it goes to free. So it really takes 3 years after a decline in production for you to really see the effect, the studio get back to the full potential of what it could be.

So I think we're really looking at '24 being probably the first year that we're back up to normal based on this shock to the system in 2020 of not making movies, right? And I think we should settle in at '24 at a higher level, as I mentioned than we were before, but it's going to take a while to get through the year of stopping production. That's true for every studio, by the way.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

That makes sense. I mean, you mentioned advertising earlier, so yes, I'm going. And I guess the lead-in is buyers are saying high single digits for the upfront. So we're not quite done, but mostly done. How did NBC or NBCU...

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

So we're pretty -- we're -- because of our size, I think we're probably the biggest advertiser in the upfront. There's a couple of others that are close to us, but I think we probably sell the most advertising now given that we have Peacock as well. So we're pretty much done, just a smattering of things still finishing up and came out at exactly what you just said, high single digits was our pricing, which we had expected kind of mid-single digits coming into the upfront. So I'm thrilled with that.

On volume, which is kind of the other part of the equation, our volume is comparable to last year. We're kind of right in the same range of dollars as we did last year. So if you want to kind of go all the way to top level, what basically happened is the declines in viewership and distribution due to cord cutting and everything else was offset by pricing and Peacock at our company. So I think a pretty good result given everything. So we're thrilled with how the upfront finished up.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Yes, it makes sense. So let's switch over to the parks with about 5 minutes to go. And that was the first one you mentioned. I'm leaving it for last. I think you've given us a little bit of sense on current trends and visitors are spending more when they visit the parks. Do you think about affordability issues on the other hand? Are there other things that you can do to improve yield?

And as you sort of look forward over the next bunch of quarters, macro aside, difficult to predict, anything in particular you would highlight in terms of whether it's increasing capacity or might drive price or might drive attendance that's on your radar?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Yes. So what I would say is you go to 30,000 feet, this is our view of the theme park business, my view of the theme park business. You essentially have a business globally where I believe that you have an imbalance between supply and demand. I mean you're seeing we're selling out our parks. We're selling out our hotel rooms. They're just -- as people start traveling and getting out of their house and getting back out traveling with their families, there's simply just not enough theme park capacity out there.

What I'm really pleased with our decision is that we kept investing during the pandemic. We didn't stop investing. So as we come out of the pandemic, we have new attractions opening. The VelociCoaster, which is the best roller coaster in the world down in Orlando, opened last year, has been driving huge, huge attendance there. But in virtually every park, we have new rides.

We have Nintendo, which is really driving the resurgence of our Japan park. We're pleased with how that's going. We're opening that in Hollywood in the coming months. I don't think we've announced a date, so I won't spill the beans here on that. We opened up a Pets attraction in Hollywood. We have opened Hagrid's roller coaster. We have Jason Bourne things. We've just kept investing on things.

And then more importantly, we're building new parks. So we're building this giant new park in Orlando called Epic Universe. It's going to be anchored by Nintendo. So the Nintendo will have a full land there like it does in Japan, which I think based on the success of Japan, I'm very excited about. And given there's a new terminal in the Orlando airport and given that Disney is selling out and we're selling out, there's a lot of demand in Orlando, particularly as international travelers start to come back. I think we're going to time that right.

So I think we're addressing basically, Doug, this supply-demand imbalance by continuing to deploy capital to the business, rides, new parks and some smaller things that were out there investigating on for new experiences. So that's our strategy for -- we're building capacity to deal with excess demand. Others are doing different things. That's not what we're doing. So I'm pleased with our strategy, and I think it's going to turn out to be the right strategy.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Yes. It makes sense. And the last topic I wanted to hit on today is, are there ways to sustain the benefits of being a part of Comcast even if NBCU were separated from the company as whether it's part of a merger to gain superscale or some other need at some point?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

I think from my perspective, all I can answer, this is from my perspective, as Head of NBCU, if people could see my average day or average week, there's a lot more touch points between our various operations than people kind of from the outside looking in might guess, they're small and they're big. I mean, they're the obvious ones are we wouldn't have never launched Peacock in the same speed or success without the Sky platform and without Comcast Xfinity promotion.

But there's other things, too. We talked about the film business transformation. We pivoted on Trolls. It feels like 10 years ago, by the way. But less than 3 years ago, we decided to approach the pandemic by putting Trolls on and creating basically this premium video-on-demand window. And Comcast, we had Comcast there to kind of immediately launch it. So without Comcast being in that business, it would have been much harder to reach commercial agreements.

I talked to Dana at Sky three times a week, we're selling -- making and selling shows across the globe. We're obviously taking advantage of the technical platform. We obviously chose to address European growth in streaming with the SkyShowtime joint venture as opposed to just launching a streaming service in every market. So that's another way.

So there's just -- and I could go on and on, by the way, Doug, there's 30 other things. So I like being part of Comcast. I think it's -- there's a lot of touch points. And I think it works better for me than not being part of Comcast.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

And I guess our last 30 seconds, any closing comments? Anything I missed as we ran through?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

No. I would just say, look, I think obviously, we're a big, complicated company, both NBCU and Comcast, but I think if I seem excited, I'm pretty excited. I was excited to speak to you all today. I think our business is operating really well, and I'm really excited about the next couple of months and years, given where our trajectory is heading. So I think we're doing really well.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Great, Jeff. Thank you so much for being with us today. I really appreciate your insights.

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Thanks, Doug. And thanks, everybody, listening and watching.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

Thanks, everyone.
