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CMCSA.OQ - Comcast Corporation at Bank of America Media, Communications & Entertainment Conference

EVENT DATE/TIME: SEPTEMBER 10, 2026 / 12:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Since you've been at a Bofa conference, we're thrilled to have you. But you've been at Comcast and NBCU for more than two decades. You've had a front row seat for the enormous changes across the media industry.

QUESTIONS AND ANSWERS

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Aside from preparing for the separation, which obviously we'll discuss in a few minutes, as you look out over the next three to five years, can you talk about what your top priorities for NBCUniversal Media Group? And what success looks like to you?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Well, first, thank you, Jessica, for inviting me. It's good to see you again. When you take a step back and you look at NBCUniversal's Media Group, we have a really strong portfolio of assets. You've got NBC, Bravo, Peacock, NBC Sports, NBC News, Telemundo. These are assets that truly work better together.

NBC, in many ways, is like a megaphone. It has tremendous reach, tremendous promotion. It was really critical as we were building Peacock. But Peacock also is reaching new viewers, new audiences that we're able to drive back to NBC and Bravo. And so about 18 months ago, we restructured the Media Group into what I like to call, centers of excellence. And so where before we had a streaming division, a broadcast division, we just centralized everything into one programming group, one marketing, one advertising, one product and technology.

And it's been very kind of empowering to the teams because it's very much content first, platform second. How do we get the maximum reach, the maximum engagement? How do we drive top-line revenue? How do we ensure that we're investing and getting the right return, but at a portfolio level versus looking at it through any one individual asset. And so when you look at how we've been performing this year, we feel really good about the momentum. I mean, if you look at NBC, we were number one in the '25-'26 season for total viewers.

Earlier this year we had, as you know Legendary February, where the Super Bowl was the highest-rated Super Bowl. It was actually the highest rated live event in NBC's 100-year history. The Milan Cortina Olympics were the highest rated since 2014. This summer, we had the World Cup on Telemundo, which was the highest rated Spanish language World Cup in US history.

Peacock had Love Island this summer, which was the number one streaming show. We had Five Star Weekend, which was the number one scripted original that we've had on Peacock. And so it feels like we're firing on all cylinders. But what's also really interesting is the interplay of the audiences. And so, for example, about 40% of those Love Island viewers were also watching the World Cup. And that is effectively our strategy, which is, how do we use sports to drive acquisition? How do we drive engagement and retention using entertainment? And how do we get the maximum value for our content across the portfolio?

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Fine. So, as you plan to separate -- as Comcast announced you're separating in the coming year or so. You have -- well, it's NBCU and Sky and we'll get to Sky in a second. But what is operating as an independent company allow NBCUniversal and more specifically NBCUniversal Media Group that you Chair to do differently? Are there areas where you expect greater strategic or financial flexibility?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Well, I don't think being independent changes our overarching strategy. I think what it does is, it allows us to move faster. I think it gives us more flexibility. We have an incredibly strong management team led by Mike Cavanagh. There's a few areas that I think just play to our strengths. And so, for example, one area is Live Events in sports. When you look across NBC, Peacock, Telemundo, Sky, we have amassed one of the largest and most valuable sports portfolios in media, that allows us to drive ratings, monetization, it allows us to drive subscriber acquisition for Peacock.

You're also seeing -- when we partner with the leagues, you know the leagues are also looking for how do we drive incremental reach. We check a lot of boxes. We have broadcast cable, digital, streaming. We've demonstrated that we can drive audience and grow the addressable audiences for the sports leagues. Look at Sunday Night Football. It's been number one in primetime 15 consecutive years in a row. I think that that's an example of how we're able to drive more reach as a portfolio.

I think another example would be talent, franchises, IP, that's an area that is an opportunity for investment. Donna Langley and the team have created this unbelievable environment where the best talent wants to work with Universal, whether it's Christopher Nolan or Chris Meledandri or Lorne Michaels or soon to be Taylor Sheridan. And so these franchises were able to kind of build and then extend across film, TV streaming, and even our theme parks.

And I think because we're independent and we're not a closed ecosystem, we also have the ability to be more flexible when it comes to partnerships. And so, for example, we announced a deal this summer with YouTube. I think that's the type of innovation that we're looking to continue driving. And so I wouldn't say that the independence changes how we're looking at media, I think it just gives us more flexibility to move quicker.

We're not trying to build a broadcast business sitting next to a streaming business. We're trying to build a digital-first new media company where we're trying to get the maximum return for our investment across the portfolio.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

It's such different businesses like obviously given yesterday's performance of the parent company, having a separate trading like equity, there's obviously a very different -- difference -- a big difference in performance. And so having separate currencies, I think will be rewarded in different ways.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Yeah, but I would say internally at NBC, there is genuine excitement. We feel really good about our trajectory and our growth, and I think the independence is going to allow us to move faster. It's like a catalyst for us.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Amazing. So we're going to go to every piece that you talked about in terms of assets. So let's start with Peacock. Peacock recently reached quarterly profit. You've continued to add subs. What do you think the biggest drivers of sustainable profit are from here? And what does Peacock at scale ultimately look like to you?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

So we launched Peacock in 2020. So if you go back six years, it's pretty remarkable how different the streaming landscape looks now than it did back then. I would say most media companies at the time were focused on ad-free, binge viewing, scripted dramas, almost growing subscribers at any cost.

We clearly came to the market with a very very different strategy. We did not see streaming as a separate business. We saw it as an extension of our broadcast business. And so that influenced our strategy in some pretty profound ways. The first was to really look at Peacock as a dual revenue stream business. Two revenue streams is typically better than one. NBC is a dual revenue stream business.

We have obviously a very deep advertising infrastructure led by Mark Marshall. And we truly believed that the advertisers would follow the eyeballs to streaming. And so we anchored Peacock as an ad-supported service. And so when you look at our sub mix, at 80% of our subscribers are on the ad tier, that's been critical as we're driving ARPU to have those two revenue streams.

The other important part of the strategy is, we really anchored ourselves around live and sports, which at the time was incredibly controversial because the belief was, the future is on demand, it's binge viewing, nobody watches live events anymore. Well, we knew that that wasn't true, especially given our cable DNA of understanding how people consume media. And so we really started investing in live events and sports.

And so, I think that there was something about streaming at the time that to me felt like a casino. There was no sense of time or place, there was no urgency. What you want with the streaming service is frequency. How do I get somebody to come to my app every single day? Well, live events is probably the best way to do that. And so that was a very core part of our strategy. But it was also investments we made in the technology because to scale live sports is incredibly difficult. It is not for the faint of heart. And the tolerance of the consumer for pixelation, latency, when the video and audio don't sync, it's zero.

And so for us, we now have a platform that has been proven, whether it's the Olympics or exclusive NFL playoff games. And I think that that's actually an example of investments that we made early on. And so, I think that when you look at where we are today -- in Q2, we reached 48 million subscribers. We had our first quarter of profitability, which was a great milestone for the team. I think it's the beginning of the validation of our strategy, which we've been very consistent about from the beginning.

And so when we look out for the future, we feel really good about continuing to scale Peacock, both through direct-to-consumer, but also through wholesale partnerships. I think the real growth is going to continue to come from focusing on engagement because of that dual revenue stream and how we're able to monetize the engagement. But we're not measuring our success based on hitting a certain subscriber number. What we're looking for is a healthy subscriber base, continuing to drive ARPU, growing revenue and margin faster than the underlying cost basis.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Right. I mean, you [just have $0.02], but you were digging when everyone said you were the only one with an AVOD strategy out of the gate. Absolutely true. Mark Marshall is amazing.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

He is fantastic.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

He's just done a phenomenal job.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Yeah, I think that we've been very consistent. We said from the beginning, this is not a sprint, it's a marathon at a sprinter's pace. If you look at the decisions we made in 2020, we have been incredibly consistent, where others I think have evolved their strategy, arguably closer to what we've been doing. And so I think because of some of those earlier decisions and bets, we feel very well positioned for continued growth. Especially given the fact that we're going to be independent and we're now managing much more aligned as a portfolio.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Right. So advertising, obviously, one element live plays into that super well. But you've also taken price like Warner Bros and Peacock. So what does that tell you about the services pricing power? How do you balance ARPU growth while maintaining a strong consumer value proposition?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

So I actually think Peacock is an incredible value in the market. When you look at the service, you've got next-day NBC and Bravo, you've got Universal Films, Focused Feature Films in the most premium pay one window, we've got a growing portfolio of originals that we're investing in. And we talked about sports. We've got NFL, NBA, MLB, Premier League, Big Ten, Olympics. We've got an incredible portfolio of sports.

And so when I compare Peacock to other streaming services in the market, there are some streaming services that are comprised primarily of sports that are double the retail price of Peacock. And so I think we've got the ability to continue to look at rate growth in the future. And as we took a price increase this summer on Peacock.

Now, all of that being said, I think you've got to be mindful of consumer share video wallet, you have to be aware of the macroeconomic environment. And so we've also tried to be surgical around giving consumers choice. And so choice means, you can sign up for Peacock through our website or through our app, you can get Peacock through a bundle, you can get Peacock as part of paid television. You can get a discount on Peacock if you purchase an annual plan.

And so you're trying to look for incrementality to continue driving subscribers and growth, but you're also looking at different cohorts and different sales channels to maximize that incrementality.

I think the next evolution for us is to start thinking of subscribers more as members. And if you can evolve your subscriber base to a membership base, what you're doing is, you're providing more values to drive loyalty and retention. So the only calculus isn't limited to what's the content offering at that moment, but what are the other benefits that we could be making available as part of Peacock?

And so for example, because we're testing this right now, we've got a membership program which is primarily based on tenure and engagement levels. And so what that looks like is, if you are a Peacock member, you can get 25% off NBC and Bravo merchandise. If you are a Peacock member and you watch three movies in a month, you can earn a free pizza.

We have a partnership with Instacart where Peacock subscribers can get a free annual subscription to Instacart Plus. You can imagine -- Again, now that we're managing much more closely as a portfolio across NBCUniversal, maybe this evolves into something where you get benefits at the theme park or BravoCon or you talked about advertising, how do we take the partnership we have with advertisers to create better values and discounts and activations for our subscribers.

And so this is an area that we are starting to lean more aggressively into. But I think it changes the aperture of how you think about future rate increases because the more value we can provide into the subscription in addition to video, I think the more opportunity we're going to have for continue to also improve retention and drive down churn and loyalty overall.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Right. Obviously, drive engagement and usage of the app, et cetera. So the theme park connection is very interesting.

So I guess, moving on to the content piece of it. As you think about, you've obviously beefed up sports in a very big way. You have tons of great movies. You mentioned Taylor Sheridan is coming, which is incredible. Is that in two years?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Well, we have a relationship with 101 Studios and Taylor Sheridan. I believe it's in 2029.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay. So over two years.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

But we also have Yellowstone. We have the rights, as I think to Yellowstone exclusively for streaming on Peacock. And so we know the power of Taylor Sheridan, which is why we're incredibly excited about this relationship. And I think it's only going to help continue to fuel our strategy about driving additional engagement, but also new franchises and possibly new IP for the portfolio.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

If there was a knock on Peacock, it would be the originals, like how quickly -- well, not quickly, you've ramped up originals. But as you think about the incremental dollar of content spend. Can you just walk us through how you think about where does the money go? Sports, originals, entertainment, library, syndicated content, or something else? How do you know that, that investment is working? What are you looking for?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

So the answer to that question actually changes depending on where you are in the life cycle of your business. And so when we were building streaming with Peacock, we were very focused on acquisition. And so the content that tends to drive acquisition, sports is one, and you can analyze what's the addressable audience for sport, what is the conversion of subscribers you would need against that addressable audience based on the CLV to then justify the level of investment.

And so we have been very surgical and I would say disciplined in how we have evaluated the different sports and live events that we've been acquiring because they become mechanisms for how we've been able to grow acquisition. Originals are another way to drive acquisition.

All Her Fault was a very popular show for us. Five Star Weekend was a very popular show for us. Love Island was the number one show for the summer. So we are able to drive acquisition through originals and Donna Langley and the team are really leaning in and doing a great job at continuing to build the original machine for us.

I think that movies, especially in that early pay one window, consumers understand the value of premium movies in that earlier window, and so when you have a movie like Obsession or Super Mario Galaxy or in the coming months, The Odyssey, people will part money to get access to those movies as part of a subscription.

If you manage a subscription business, and I've been in this business a very long time, if you don't get the mix right, you'll have a leaky bucket because the content that drives acquisition doesn't necessarily drive retention and engagement. And so this is where you also need to be very focused on investing in content that drives that retention. And that also plays to our strengths because what we have found is that type of programming is typically library TV and movies like a show like, The Office or Brooklyn Nine-Nine. It's unscripted programming, it's News content, it's Telemundo, it's next-day NBC.

And so in a way, what we're doing is almost like we're managing a mutual fund. You're investing in different content that has different values, but you're trying to extract a return at a portfolio level. So we're investing in content that drives acquisition, engagement, frequency, some content might even be a loss leader. But it's adding value across the entire portfolio. And so I feel like, when we look out to the next several years, we feel really good about the growth of Peacock through direct-to-consumer and through partnership.

And so I think naturally what that does is it starts to shift your investment profile more towards content that drives engagement and retention. And so a good example of this is Bravo. So Bravo -- the Bravo is a fandom. I mean, if you watch Bravo, if you've ever gone to BravoCon, I mean, this is a ravenous, passionate -- is probably the word I would use -- a passionate base of users. And so, they watch on average 75 episodes a month. They typically have 33% lower churn than the average.

And so when I was mentioning earlier about the originals, there is a corollary because shows like All Her Fault and Five Star Weekend, which went on to become our number one scripted show, it was the Bravo audience that drove that engagement. And so when we look out over the next few years, we're really focusing on how do we super serve our fandoms, which we've sized? How do we continue investing in building the reach of those fans, but also the engagement of those fans? And that's where we think we're going to unlock more retention, more engagement, better monetization.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

You're super fandom there, obviously. So moving on to, you mentioned the YouTube relationship. And we're seeing the relationship between media companies and large tech platforms continuing to evolve. So as you move towards the whole industry moves more towards rebundling, aggregation, can you talk about what drove the decision to partner with a platform like YouTube?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

So I've been in media most of my career, both paid television as well as just the broader media business. And I think if you've been in this industry long enough, you see trends. And so for me, I see a lot of similarity with the streaming market with what I saw with pay television, it feels like back to the future. And so if you rewind the clock, go back 10 years, people were cutting the cord and they were subscribing to streaming services with the belief that they were going to save money.

And so you sign up for a streaming service, but then you quickly realize one streaming service is not going to give you the video calories because the average consumer watches five to six hours of media a day. So you subscribe to three, four, or five streaming services. The cost of content has not gone down. It's only gone up. Sports rights have only gone up.

And so it was inevitable that retail prices for streaming services would have to go up. That would likely move the market to bundling. The more you get, the better the price. I actually spoke about this back in 2019 before we even launched Peacock, where I said, the great unbundling of pay television is likely just going to give rise to the great rebundling of streaming. I think we're in that moment right now.

So when we were building Peacock, we were very intentional because doing bundle deals is actually not very complicated. Doing bundling deals where you're getting the right wholesale economics is actually much more difficult because if you don't thread the needle right, then you could be cannibalizing high ARPU direct-to-consumer subs for what I would say are low calorie bundled subs. And so we were not going to do that.

And so we had spent years really focused on building what I would describe as a healthy base of subscribers on Peacock, taking maximum share of video wallet out of the market by really focusing on our direct-to-consumer business. And we are still focused on growing the direct-to-consumer business. We also wanted to give ourselves time to build our portfolio of content. The one thing that I feel always held the cable bundle together was sports. And so if you're trying to extract maximum wholesale economics through bundling, sports is typically one of the best levers for you to do that.

And so 12 months ago, we hit an inflection point on our growth, where we activated the second phase of our strategy, which was to start leaning more into strategic wholesale bundles. And we did a deal with Apple. We did a deal with Walmart. We started leaning into channel arrangements primarily for the ad-free version of Peacock because it's only 20% of our subscriber base. And so, what you're looking for is incrementality. How do I continue to drive incrementality in a way that also generates positive consumer lifetime value?

I think the YouTube deal is just a manifestation of where we are in this phase of our growth. What was attractive about YouTube is that, so much of our content is consumed on YouTube as clips. So you've got viewers that are familiar with our IP, whether it's SNL or whether it's late night, but they don't necessarily subscribe to Peacock. So we saw YouTube as an opportunity to partner to grow the engagement, grow incremental subscribers.

This is a way for us to, I think, continue to scale Peacock, but do it in a way that I think is going to be a win-win because YouTube is also a platform that's continuing to grow engagement. And as I said earlier, we're continuing to focus on how do we grow engagement. And so partnering with YouTube, I think is going to be a mechanism for how we could do that.

There's a couple of pieces to the deal that are kind of just worth unpacking at a very high level. The first is, this partnership is going to take Peacock Premium, which is the ad tier of Peacock, and it's bundling it with one of the tiers of YouTube Premium. But that is going to add millions of subscribers to Peacock. This could make Peacock one of the top domestic streamers once we launched this with YouTube.

The second piece of the deal was to extend the cable and broadcast linear portfolio with YouTube TV. This was critical to us because YouTube TV is the fastest growing pay-TV provider. And by extending the linear portfolio, we're providing stability into the future for the continued growth and health of NBC and Bravo and our cable networks.

The third piece was to expand the relationship around advertising with YouTube, both on data as well as deeper integrations with Freewheel. If we want to monetize our advertising inventory better, this was a critical piece. And we feel really good that the partnership with YouTube is going to allow us to monetize our advertising in a way that's consistent with how we've been going to market with Peacock and NBC to date.

And then the fourth is that it provides us a path to continued growth internationally. We have a few smaller streaming services, which we don't talk a lot about publicly. One of them is Hayu, which is predominantly the Bravo unscripted program in which we distribute internationally as a subscription service. And the other is a service called Universal+, which is predominantly in LatAm and soon will be in parts of Asia, which is primarily comprised of library Universal Film and TV.

And so this partnership allows for bundling of those services with YouTube Premium internationally in select markets, which is going to give us another path for growth. And so we feel excited about this deal. We think YouTube is going to be a great partner. But at the same time, kind of back to where I started, I think as an independent company, we are I think able to be more innovative in how we could structure deals. And so what we've done with YouTube, I think, is an example of the type of deals that we would like to do with others as we're looking at continued growth and opportunities into the future.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

There's so many aspects of this. I'd love to dive deeper. We don't have the time. I mean, the Walmart relationship, there's just so much to unpack there, but thank you.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Well, the thing that's critical about it, Jessica, is that the YouTube agreement doesn't change any of the deals we've done in the market. We're still doing bundle deals. We're still doing various wholesale arrangements. We still have channel arrangements. We're obviously still going to aggressively lean into direct-to-consumer. I think that's one of the elegance aspects of this relationship is that, it allows us to build off of what we've done in a material way, but it also allows us to continue to evaluate and look for additional partnerships in the future as well.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

No. Obviously, it's a massive scaling up of existing assets. But you mentioned the international component, so maybe we can talk a little bit about -- Sky is now becoming part of the independent NBCUniversal. How do you think about the international opportunity? Sky has always felt like a little bit of a stepchild, like no attention, but where does it fit in the NBCU portfolio?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

I think Sky under Dana Strong, I think it represents a really big opportunity for the new NBCUniversal. It gives us more optionality. When you look at NBCUniversal, I think this is stating the obvious, but we are a global company. I mean NBCUniversal distributes its films internationally. Our theme parks are global. We license our content in every major market around the world.

We've got linear cable networks that we distribute globally. I just talked about some of our smaller streaming services with Hayu and Universal+. I think Sky becoming part of our portfolio just expands the aperture of opportunity. They have a strong brand, they have deep customer relationships, they've got local expertise, they've got production expertise in sports and news, there's a lot of similarities with NBCUniversal and the media group and what Sky is doing that I think is just going to allow us to be more opportunistic.

What sometimes gets lost is, that when you look at the relationship with Sky through the lens of technology and product, the tech stack that we've built for Peacock is the same tech stack and product that Sky uses for the distribution of their streaming service, NOW TV. It's the same tech stack that we've actually scaled in dozens of other countries around the world.

And so when Sky does an acquisition with ITV, which we think is going to add significant scale and additional reach digitally for Sky, it also provides different opportunities when how we look at technology and how do we continue driving investment in technology but get the economies of scale and the benefit. And so when you kind of project out into the future, I feel like we're really well positioned to continue to leverage the playbook that we have in the market.

If we believe licensing is going to give us a better return, we're going to lean into licensing on a market by market basis. If we think there's opportunity to build streaming, then we're going to lean into doing that just like I talked about with YouTube. And if we see opportunities for partnership or acquisition, like Sky is doing with ITV, then we're going to lean into that.

And so maybe this is another example where we've zigged while others have zagged. But make no mistake about it, like our focus is we're looking at this through the lens of getting the best return for our content. And I think we've been very disciplined. We feel good about how we've been able to monetize our content on an international level.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So couple of areas we need to cover. So sports is one, and you've now had meaningful experience with the NBA on NBC and Peacock. Can you tell us what you've learned so far about the audience, advertising demand, subscriber engagement? Are the early results consistent with the assumption you made when you entered into the agreement? Let's start with that.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Well, so we're a year into the NBA Partnership, and we couldn't be more excited and happy with the performance. We're pacing ahead of our internal model. The NBA has brought new audiences onto the platform, new advertisers onto the platform. It also filled a very strategic objective of ours, which is we wanted to build continuity for Sunday, right? So we've got NFL, NBA, MLB. We now have a premium lineup throughout the year, which is really critical as you're continuing to build audiences.

I think that when you break down the performance of the NBA, if you look at the regular season, we were averaging about 2.8 million viewers. That's roughly double what the NBA was generating for comparable games prior season. The playoffs were over 7 million viewers. The Western Conference Finals were across NBC and Peacock were the highest rated in two decades. And so I give a lot of credit to our sports team, Rick Cordella, Sam Flood, the team that I feel brought the premiumness back for the NBA on NBC and for Peacock, and that's in turn brought dozens of advertisers onto the platform, 60% are buying across NBC and Peacock because they want that broader reach.

And so we feel good about our ability to continue monetizing the deal. The other aspect of the NBA was the audience. And so the NBA has brought a younger, more diverse audience onto the platform. They're more mobile-centric. 25% are engaging with the product features that we've built for the NBA, which is critical for building that loyalty. About three quarters of NBA viewers are watching entertainment.

Actually, the majority of their entertainment -- of their consumption is entertainment content. And so when I was talking earlier about the interplay between sports to drive acquisition and monetization and then entertainment driving retention and engagement, that flywheel is effectively what's happening with the NBA partnership. And so we feel good about the continued momentum and our ability to continue to get the right return from that partnership.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Obviously, sports has been critical for you guys, but have to cover a couple of more topics -- advertising. Can you give us an update on what you're seeing in the advertising environment today, where do you see the biggest opportunity for NBCUniversal to take share as viewing continues to move toward streaming and as we discussed, live programming?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

So I would say that the advertising market is a bit more cautious this year than what we saw in the prior year, but that's really a result of just the macroeconomic environment that we're all navigating through. I think the team under Mark Marshall has done a fantastic job and we're actually seeing growth in pharma, in financial services, in technology. The advertisers still want broad reach and we don't sell as Peacock or as NBC or as cable, we sell as one platform and we've been in the market that way for many years. And I think that that just plays to our strengths.

I think the other aspect that we're seeing in advertising is a real premium that's being put at the moment around live and sports. The Winter Olympics was -- The Milan Cortina Winter Olympics was the highest grossing advertising Winter Olympics we've had in our history. This summer with the World Cup, we had about 120 sponsors that spent double what we saw in 2022.

And so this was probably -- sports and streaming was probably 30% of our advertising business pre-COVID. It's now 60% of our advertising business. So you're going to see us continue to lean into sports and live events as the tip of the spear for where we continue to see growth.

Another area is programmatic. That's a business that didn't exist for NBCUniversal five years ago. It's now $1 billion and growing. It's also allowing us to further expand the aperture of sponsors and long-tail sponsors that we can bring onto the platform. And so we're very bullish on that. And I think the other area I would focus on is AI.

How do we use AI to create more contextual and personalized advertising? And here would be an example. Imagine you're watching a show and there's a scene where a family is eating pizza for dinner. And we can use AI to scan the content, look at the metadata, and then dynamically insert an ad coming into the break for Pizza Hut or for Domino's.

Well, now you're blurring the lines between content and advertising in a way that feels very endemic. That I think is a better experience for the consumer, but that also could unlock future opportunities for how we can look at premiums around our inventory to drive additional monetization.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

One last question on advertising -- a little deeper. You've increasingly partnered with third-party data, technology and commerce companies to improve targeting, measurement and advertising outcomes. So how important are these partnerships to differentiate NBCU's advertising platform. What capabilities do you believe you need to keep to remain proprietary?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

So when you look at advertisers today, I mean, they're much more sophisticated. They want independent measurement. They want to understand that the investments in their advertising are yielding the business outcomes. And they want better control around their optimization of their campaigns. I think partnering with third parties is critical. We partner with various companies like VideoAmp or an iSpot. This gives us the ability to have additional analytics and data, which is incredibly valuable for our clients.

At the same time, I do think that there are certain aspects that should be proprietary, like our Performance Insight Hub is our platform. And so we take proprietary data. The tools that we've built on our Performance Insight Hub, and then we commingle that with the third-party data and insights that we're able to gather. And so now we can provide that to our clients where they can make real-time optimizations to get the best return on their campaigns.

And so I think you have to have a balance where the proprietary technology gives us much more control over the product road map and the tools, which could become differentiators for us versus others, but the third-party relationships allow us to enhance the analytics and the performance to ensure that our clients are getting the maximum return on their investment with us.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Okay, we have time for one last topic, which we have to ask the AI question. So when you're thinking about the next five years, do you think of Peacock primarily as a streaming service or as something broader, and what roles do areas like AI personalization -- which we really didn't get into that much, but personalization, gaming, interactive experiences play into that evolution?

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

We only have a few minutes left, I could spend hours talking to you about this, and so I'll try to be concise, but I'm pretty passionate about that question actually. I think that if you were to look four or five years into the future, I think we're going to say the definition of streaming is going to feel pretty antiquated. If you look at streaming services today, there's more similarity than differences in the experience. The content is organized in rows, you use artwork. It's not that different than Blockbuster a couple of decades ago where people would walk around the perimeter of the store trying to find something to watch.

And so I think there is a tremendous opportunity to reimagine the experience for streaming. How do you super serve fans? And I think you look at evolving streaming into becoming more of an entertainment platform. And so here's an example of what I mean.

If you take a show like Love Island this summer, which was the number one show, as I mentioned, there were actually certain weeks of the year where the number one app in the app store was not ChatGPT. It was the Love Island app. I mean, this show was a phenomenon. And so what would happen is six days a week, people would tune into Peacock at 09:00 Eastern Time. They would watch Love Island, and at the end of an episode, we do what every streaming service does, which is we use an algorithm to say, oh, well, you like this show, you might like that show.

But what we found is that at the end of the episode, many of those fans didn't want to watch another show. They wanted to continue engaging with Love Island. So what happens, they leave our platform, they go to social media. They're looking for clips, for games, for podcasts. And that is engagement that we built, but we're not monetizing because we're not really providing that level of experience outside the premiumness of the content.

And so we've started to look at this several years ago. All right, well, what does it mean to be an entertainment platform? And so, if you stick with Love Island as an example, you have 30% of the engagement of Love Island on mobile devices. This is a demographic that's very comfortable with vertical video because they're using social media platforms with vertical video. So we built and introduced vertical video 18 months ago. So now you can watch clips in vertical video, live events in vertical video. We're even producing micro dramas for vertical video.

And so we're not creating the behavior, we're tapping into the behavior, but we're moving that engagement back to our platform.

Gaming is another area where obviously it's exploding because that's where people are spending more of their time. And so we invested in gaming. So you could watch Wheel of Fortune and Jeopardy on Peacock, or you could play the game on Peacock. We even partnered with Wolf Games to produce a game of Law & Order. You could watch Law & Order, or you can actually be the detective and try to solve the crime.

We're actually introducing something later in a couple of months called the Bravoverse, where we're using AI to scan thousands and thousands of hours of Bravo library to then create personalized playlists based on the shows you like and the Bravo celebrities you like. And now you can get a new way to experience Bravo and go down the Bravo wormhole, but we can recreate versions of that for SNL, or we can create a version of that for The Office, other franchises that have deep catalogs and fandoms.

And so you're starting to think differently about ways that you could drive engagement, where when you finish an episode, it's not the end, it's the beginning. And then we can introduce more ways for you to engage and give you more things that you love and continue to drive growth and monetization.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

There's so many things that you just said. The fandom -- you have so many titles that have insane, well, intense, however you want to say.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Passionate.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Passionate fans. You have so many titles, and then micro drum is a whole another area we didn't even remotely get into. There's just so much opportunity. So anyway, very exciting. Thank you so much for being with us today. We really appreciate it.

Matt Strauss - *Comcast Corp - Chairman, NBCUniversal Media Group*

Thank you. It's a pleasure.

Jessica Reif Ehrlich - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thank you.
