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CMCSA.OQ - Q3 2022 Comcast Corp Earnings Call

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OVERVIEW:

Co. reported 3Q22 revenue of $29.8b and adjusted EPS of $0.96.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Comcast Third Quarter 2022 Earnings Conference Call. (Operator Instructions) Please note that this conference call is being recorded. I will now turn the call over to Executive Vice President, Investor Relations, Ms. Marci Ryvicker. Please go ahead, Ms. Ryvicker.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

Thank you, operator, and welcome, everyone. Joining me on this morning's call are Brian Roberts, Mike Cavanagh, Dave Watson, Jeff Shell and Dana Strong. Brian and Mike will make formal remarks, while Dave, Jeff and Dana will also be available for Q&A.

Let me now refer you to Slide 2, which contains our safe harbor disclaimer and remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties. In addition, during this call, we will refer to certain non-GAAP financial measures. Please see our 8-K and trending schedules for the reconciliations of these non-GAAP financial measures to GAAP.

With that, let me turn the call over to Brian Roberts for his comments. Brian?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Marci, and good morning, everyone. I'm really proud of the company and our results this quarter. We are reporting adjusted EBITDA growth of 6%, adjusted EPS growth of 10% and significant free cash flow while also investing in our future and returning a record high amount of capital to our shareholders. The strong financials today are a testament to our focus on driving profitable growth through innovation as well as a reflection on the professionalism of our employees. Together, I believe we are collaborating and executing at the highest levels.

I especially want to recognize and publicly thank all of our teammates in Florida as well as those who traveled to Florida over the last several weeks. They worked tirelessly to assist customers who were impacted by Hurricane Ian, even while many of these employees had their own losses. This was a devastating storm, particularly for us, as we are the primary cable operator in most of the areas where it hit, and we expect this affected about half of our traditional Florida seasonal customers.

Digging into the third quarter, our results at Cable Communications, again, underscored the impressive consistency in this business with 5% EBITDA growth and 120 basis points of year-over-year margin expansion, bringing us to 45.1%, our highest margin on record. While we are still in a challenging environment in terms of depressed move activity and increased competition from new entrants, we were pleased to see that back-to-school provided a tailwind, and we ended the third quarter with 14,000 net new broadband subscribers.

There have been 4 primary drivers of revenue growth at our Cable segment: residential broadband units, residential broadband ARPU, wireless and business services. And while we don't anticipate residential broadband units to be a significant driver for now, we expect to maintain healthy growth in the other 3, leading to continued strong financial performance at Cable for the foreseeable future.

My confidence stems from the fact that we have always been able to strike the right balance between units and profitability. We compete aggressively while also staying focused on investing in and managing the business to deliver long-term profitable growth, which is exactly what this quarter has shown. We have a distinct competitive advantage that goes beyond just fast and consistent speeds. We provide a differentiated and superior experience within the home, which is the foundation of our ARPU growth.

For example, we offer reliable WiFi coverage in every room, device control and cybersecurity features and a world-class entertainment platform as well as other complementary solutions like Xfinity Mobile that increase the value and utility of our broadband product even more. All of this is only getting better as we further improve our network, and we're making great progress.

During the quarter, we announced that we have begun to roll out multi-gig download speeds combined with up to 5x to 10x faster upload speeds, and we expect to have this available to 20% of our footprint by the end of this year and to the vast majority of our footprint by the end of 2025.

Directly on the back of this, we're completing the core technical foundation for 10G, and we're transitioning to a cloud-based virtualized network as we work towards DOCSIS 4.0, which will enable us to deliver multi-gig symmetrical speeds to customers beginning in the back half of next year.

Looking further ahead, the combination of our high-capacity network, differentiated broadband experience and our terrific MVNO in wireless puts Comcast in a winning position to offer in-home and mobile connectivity that is both robust and ubiquitous. And it doesn't involve trade-offs, which is going to become even more important as people's level of data consumption and overall expectations continue to rise over time.

On average, our broadband customers who don't subscribe to traditional video from us are already using nearly 650 gigabytes of data per month, and that's just today. We are doing a fantastic job leveraging our wireless business. We're still in the very early growth phase in penetrating this segment, and we're having a lot of success.

We added 333,000 wireless lines, the most of any quarter to date, and this morning, we announced that we now have over 5 million Xfinity Mobile lines, and we're just getting started. So summing up, we're pleased with our strong financial performance at Cable. We're encouraged by the long-term trends in demand for connectivity and our competitive advantages, and we're confident in our future growth.

At NBCUniversal, we saw some great momentum with EBITDA growth of 25% despite the tough comparison to the Tokyo Olympics last year. Our Parks segment continues to be a real standout, generating the highest quarterly EBITDA on record driven by growth at each of our geographies, including Beijing, which hit profitability for the first time since the grand opening last September. We're seeing clear evidence that the investments we made throughout the pandemic continue to pay off.

We launched Super Nintendo World in Japan, the VelociCoaster in Orlando, Secret Life of Pets in Hollywood, and our drumbeat of innovation goes on. For example, Super Nintendo World will open in Hollywood early next year. We're adding another Nintendo-themed area, Donkey Kong, to

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Japan in 2024, and I'm especially excited for Epic Universe to open in the summer of 2025, which will transform Universal Orlando into a week-long destination.

Studios also performed exceptionally well, resulting from a huge summer box office led by Jurassic World, Minions, Black Phone and Nope. Our leadership is driving change in the industry. Our flexible windowing strategy has enhanced the overall profitability of our Studios business, and it's also had a significant positive carryover to Peacock, which just started to benefit from our new Pay-One agreement.

At the end of the third quarter, Peacock had more than 15 million highly engaged paying subscribers in the U.S. On top of that 15 million, Peacock also had approximately 14 million bundled and free users totaling around 30 million monthly active accounts. Peacock has become the best streaming value in the market, providing customers with a massive premium content offering across movies, TV entertainment, sports and news in English and in Spanish. And with less than 5 minutes of ads per hour for just $5 per month, it is really a great value.

Our sports content is unmatched, with customers enjoying live coverage of the biggest leagues and events, including the NFL with Sunday Night Football, MLB, Premier League, Notre Dame, Big Ten starting in 2023 as well as the WWE; and marquee events, including Super Bowl and Olympics, French Open, U.S. Open, Tour de France, Triple Crown and later this year, the World Cup. We also provide the best of other sports with very passionate fan communities, including IndyCar, Supercross and track and field.

We're seeing a nice uplift from our next-day broadcast, which, at last, are exclusively ours. And coming up through the rest of this year and into 2023 is a strong slate of highly anticipated originals from proven creators, including The Best Man, Mrs. Davis, Poker Face and others. While it only launched a little over 2 years ago, Peacock is already an important part of our portfolio and reflects how we're running our Media business holistically.

Switching gears, the U.K. and other European markets have been adversely affected by the Ukraine conflict, as we all know, higher energy costs, higher interest rates, higher overall inflation and currency headwinds. This quarter, we took a noncash charge as a result of all of this at Sky based on this environment, which Mike will talk a bit more about.

Our Sky team is working hard amidst this changing economic backdrop that's putting pressure on the average customer in the region. We remain focused on customer retention as well as providing the best experience and value in entertainment and connectivity, which contributed to the highest quarterly customer growth since we've owned Sky, including some nice momentum in our broadband and wireless business.

We are keeping an eye on churn and acknowledge that ARPU may be affected in the future as customers deal with this unstable and inflationary environment. We are successfully managing through a variety of measures, and we remain disciplined on our cost structure. We reset the majority of our major sports rights within the last 2 years and are looking for more efficiencies in a number of areas.

So looking at the company as a whole, all of us are paying attention to economists' and other experts' view about how some of these issues in Europe may come to the U.S. And while we are certainly not immune to potential macroeconomic headwinds, I firmly believe that Comcast is in a very strong position relative to our peers and most other companies.

We are a leader in very large and highly profitable markets, and our healthy balance sheet and substantial free cash flow generation enable us to continue to invest organically in our strategic initiatives while simultaneously returning a substantial amount of capital to our shareholders. We pay nearly $5 billion in dividends per year, and we bought back $9.5 billion of our shares year-to-date through the third quarter.

We have a great business, including a fantastic team. Earlier this month, we announced that we promoted Mike Cavanagh to President. For the past 7 years, Mike has been an incredible leader, partner and friend, and we are both very focused on continuing to innovate and grow this wonderful company for all our employees, customers and guests.

So it's my pleasure to hand it over to Mike.

Michael J. Cavanagh - *Comcast Corporation - President & CFO*

Thanks, Brian. I look forward to the new role. It's quite an honor, and I appreciate the trust that you and the Board continue to have in me. I'm excited to work with the leaders on this call, Dana, Dave and Jeff, and all of our colleagues to take advantage of the great opportunities for Comcast's future.

So now I'll begin on Slide 4 with our third quarter consolidated 2022 financial results. Revenue decreased 1.5% to $29.8 billion, reflecting the comparison to last year's quarter, which included the Tokyo Summer Olympics as well as a headwind from currency translation at Sky and our international theme parks due to the strengthening dollar. After adjusting for both of these items, our revenue was up about 7% year-over-year. Adjusted EBITDA increased 5.9% to $9.5 billion and on a constant currency basis, increased about 8%.

We generated $3.4 billion of free cash flow, and we reported an EPS loss of $1.05 per share, which was mainly impacted by an impairment charge at Sky. We test goodwill annually across the company in the third quarter. Challenging economic conditions in the U.K. and other European markets have resulted in a significant increase in discount rates used in the annual impairment analysis and reduced estimated future cash flows at Sky. As a result, we have taken an impairment charge related to Sky goodwill and intangible assets totaling $8.6 billion. On an adjusted basis, EPS increased 10% to $0.96 per share. And on a constant currency basis, adjusted EPS increased about 12%.

Now let's turn to our business segment results, starting with Cable Communications on Slide 5. Cable revenue increased 2.6% to $16.5 billion driven by higher rate and volume in residential broadband as well as growth in business services, wireless and advertising. The strong growth in these businesses was partially offset by lower revenue in video and voice. Total customer relationships were up 315,000 compared to last year and down 21,000 sequentially in the third quarter.

Diving further into the details, first, our revenue growth drivers. Broadband revenue increased 5.7%, driven by growth in ARPU and in our customer base compared to last year. Broadband ARPU increased 3.7% year-over-year, consistent with the growth rate in the second quarter. We expect ARPU growth will continue to be the primary driver of our residential broadband revenue growth in the near term.

Wireless revenue increased 31% mainly driven by service revenue, which was fueled by growth in customer lines. We added 1.3 million lines over the last year, including 333,000 lines in the quarter, which is our highest number of net additions for any quarter on record and marks the fourth consecutive quarter of adding more than 300,000 lines.

Business services revenue increased 9.4% or approximately 5%, excluding the acquisition of Masergy, which closed at the beginning of last year's fourth quarter. This healthy organic growth was driven by increases in both ARPU and our customer base. We continue to see healthy performance across our diverse customer segments, including SMB, mid-market and enterprise, with this quarter's organic growth driven by a mix shift to higher data speeds and increased sales of our advanced services as well as rate increases and growth in our customer base.

Advertising revenue increased 7.2% primarily driven by political and our advanced advertising business, FreeWheel, partially offset by a decline in our local core advertising business and the absence of our streaming business, Xumo. As we previously announced, Xumo is now part of our joint venture with Charter, with those results reported in Corporate and Other.

If we exclude the impact of Xumo, cable advertising revenue would have increased 12%. Partially offsetting the growth from these revenue drivers was video revenue, which declined 4.4%, driven by year-over-year customer net losses partially offset by 6% ARPU growth due to a residential rate increase at the beginning of this year. And last, voice revenue declined 12.5%, primarily reflecting year-over-year customer losses.

Turning to expenses. Cable Communications third quarter expenses increased 0.5%, reflecting higher non-programming expenses, mostly offset by lower programming expenses. Programming expenses decreased 2.8%, reflecting the year-over-year decline in video customers partially offset by higher contractual rates.

Non-programming expenses increased 2.5% driven by growth in other expenses due to an increase in bad debt compared to last year, reflecting a return to more normalized levels and increased technical and product support expenses driven by growth in our wireless business as well as the addition of Masergy.

These higher costs were partially offset by a decline in advertising, marketing and promotion expenses partly due to the comparison to last year, which included some Olympic sponsorship spending as well as lower activity levels. The lower activity levels, coupled with the improvements we continue to make in our customer experience, also contributed to the decrease in customer service expenses.

Cable EBITDA increased 5.4% to $7.5 billion in the quarter with Cable EBITDA margins improving 120 basis points year-over-year, reaching a record high of 45.1%. And on a per customer relationship basis, we grew EBITDA 4% as we focus on monetizing these relationships over their lifetime.

Before moving to NBCUniversal, Hurricane Ian has impacted our footprint in Southwest Florida, causing outages and damage to our cable network that our cable team is still repairing. Many of our customers' homes and commercial locations were severely damaged or destroyed. While our third quarter results were not impacted by the storm, we expect to report an impact in the fourth quarter, including net losses of broadband customers.

Now let's turn to Slide 6 for NBCUniversal, starting with total NBCUniversal results. Revenue decreased 4.3% to $9.6 billion, reflecting the difficult comparison to last year, which included $1.8 billion from the Tokyo Olympics included in our Media segment. EBITDA increased 24.6% to $1.7 billion. Media revenue decreased 23% to $5.2 billion, again reflecting the comparison to the revenue associated with the Tokyo Olympics last year. Excluding the Olympics, Media revenue increased 4.4%, driven by Peacock with revenue of $506 million, which more than doubled compared to last year.

Distribution revenue increased 4.6%, reflecting growth at Peacock driven by increases in paid subscribers compared to last year as well as higher contractual rates at our networks partially offset by linear subscriber declines that accelerated sequentially. Advertising revenue increased 4.7%, reflecting strong increases from Peacock partially offset by a decline in linear advertising.

Media EBITDA decreased 41.5% to $583 million in the third quarter, including a $614 million EBITDA loss at Peacock. We continue to expect Peacock's EBITDA loss will be roughly $2.5 billion for the year with the fourth quarter's loss reflecting the cost of new content. Excluding Peacock, Media EBITDA in the third quarter decreased 21%, reflecting the difficult comparison to last year's Tokyo Olympics as well as revenue pressure at our linear networks.

Looking to the fourth quarter, we expect Media growth ex-Peacock to be impacted by a gradual acceleration in pay TV cord cutting as well as some deterioration in the ad market, reflecting broader economic uncertainty as well as higher costs associated with the broadcast of the World Cup on Telemundo.

Moving to Studios. Revenue increased 31% to $3.2 billion driven by strong theatrical and content licensing revenue. Theatrical revenue more than doubled compared to last year, driven by the success of our summer film slate, including Jurassic World: Dominion, Minions: The Rise of Gru, Black Phone and Nope.

In addition, content licensing was up 17%, driven by the benefit of our carryover titles and the acceleration in film windows as well as healthy growth in television licensing. EBITDA increased $358 million to $537 million for the quarter primarily reflecting the higher theatrical and content licensing revenue partially offset by the corresponding higher programming and production costs and also the benefit of the timing of marketing costs that we incurred in the second quarter for films in the third quarter.

Last, at Theme Parks, revenue increased 42% to $2.1 billion, and EBITDA increased 89% to $819 million, our highest level of EBITDA on record. These results were driven by growth at each of our parks. At Universal Beijing, we had our first profitable quarter since opening compared to the third quarter last year when it incurred $130 million of pre-opening costs.

At our U.S. parks, we continue to see strong demand with attendance and guest spending increasing year-over-year. In fact, Orlando broke a new record, delivering its highest level of EBITDA for a third quarter despite the park being closed for 2 days due to Hurricane Ian. Universal Japan continues to rebound since capacity restrictions were lifted at the end of March and compared to last year when the park operated under more strict COVID-related controls.

Now let's turn to Slide 7 for Sky. As I said earlier, our reported results were meaningfully impacted from the currency translation due to the strengthening dollar, but I will speak to Sky's results on a constant currency basis. For the third quarter, Sky revenue was consistent compared to last year at $4.3 billion as low single-digit growth in the U.K. was mostly offset by lower revenue in Italy and Germany.

Direct-to-consumer revenue was also consistent compared to last year, reflecting low single-digit growth in the U.K. driven by broadband and wireless revenue, offset by declines in Italy and Germany. On a customer basis, we added 320,000 customer relationships in the quarter with positive additions across all 3 territories: the U.K., Italy and Germany.

These net additions were driven by streaming customers due to the timing of unique content and the early start of football seasons, including the EPL, to accommodate the timing of the World Cup in the fourth quarter. We do not expect a similar level of additions in the fourth quarter.

Rounding out the rest of revenue at Sky, content revenue increased 6.4% driven by licensing our entertainment content, and advertising revenue decreased 1.6% with lower revenue in Italy and relatively flat revenue in the U.K. and Germany, reflecting the difficult macro environment.

Turning to EBITDA. Sky's EBITDA decreased 15.5% to $701 million, primarily reflecting the timing of sports costs, again, due to the early start of the football seasons and the shift of matches into the third quarter to accommodate the timing of the World Cup in the fourth quarter. While this shift will benefit sports costs in the fourth quarter as 4 weeks of games are paused, results will also be impacted by the challenging economic environment in Europe, and we will incur higher sports costs in the first half of 2023, reflecting the higher number of games as the season is extended and the remainder of the paused games are played.

Now I'll wrap up with free cash flow and capital allocation on Slide 8. We generated $3.4 billion of free cash flow this quarter. Consolidated total capital increased 24% due to increased spending at NBCUniversal and Cable partially offset by a decrease at Sky. The increase at NBCUniversal was driven by higher CapEx at parks as we continue to invest in attractions and make significant progress in building Epic Universe in Orlando.

Cable capital spending increased 17% with CapEx intensity coming in at 12.2% due to timing. On a year-to-date basis, Cable CapEx intensity was 10.4%, and we continue to expect Cable CapEx intensity to be around 11% for the year. Working capital was $1 billion for the third quarter, reflecting the continued ramp in content creation and the timing of annual sports rights payments.

As we enter the fourth quarter and look to our year ahead, we remain focused on driving long-term growth during an increasingly challenged economic environment. As a result, we expect we'll be taking severance and other cost reduction-related charges in the fourth quarter in anticipation of expense reduction actions that will provide benefits in 2023 and beyond.

Wrapping up with capital allocation. Last month, we increased our buyback authorization to $20 billion, up from $10 billion, and during the quarter, we repurchased $3.5 billion worth of our shares. In addition, dividend payments totaled $1.2 billion for a total return of capital in the third quarter of $4.7 billion. We ended the quarter with net leverage at 2.3x, in line with our expectations for leverage to remain around 2.4x.

Thanks for joining us on the call this morning. I'll turn it back to Marci, who will lead the question-and-answer portion of the call.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

Thanks, Mike. Operator, let's open the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ben Swinburne with Morgan Stanley.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Brian, I'd love to hear from you how you're thinking about capital allocation, given just we've had this significant increase in cost of capital, and investors are highly focused on where you guys are making your big bets in the business.

How are you thinking about priorities, including M&A, just given the backdrop we're in right now and some of the macro concerns we see ahead of us? And along those lines, one of the big announcements you guys and you talked about in your prepared remarks is into the cable network around DOCSIS 4.

So I'd love to hear from Dave sort of what are the capital needs to get where you want to go over the next few years? Is that going to drive up CapEx? Is there an argument to spend the money faster to help the business differentiate better in the market? Or how do you think about the benefits to the business from getting to DOCSIS 4.0 over the next few years?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Ben. Let me just start and then kick it to Mike. Given his new job, I'm looking for him to help on those capital allocation questions quite a bit. But I think the bar is the highest it's been in terms of M&A. Obviously, cost of capital has gone up, and we think our stock is attractive and have increased the buyback as Mike just said.

We announced both in actions this quarter and in our Board authorization. So we feel really great about that opportunities to look at things, but we really like the company we've got. Mike, why don't you do that? Dave can talk about DOCSIS 4.

Michael J. Cavanagh - *Comcast Corporation - President & CFO*

Sure, Ben. Thanks. So I'd just step back a little bit and think about what we do with capital through the lens of start with how we generate capital. So if you look at this quarter, you see we had record margins in the Cable business, 45%. We had record profits in the Theme Parks business and record profits in the Studio businesses, so just to call out a few examples.

And those are the result of us putting tremendous energy and effort and capital back in our businesses. So when we talk about the formula that we've got, it's always with the view to have growth opportunities in our existing businesses so we can put capital to work and in the future, get the kind of results we've had now on the back of the investments that we have had in the past.

So priority 1 right now is to invest in the network. I'll let Dave expand on that, but we've got a great path to symmetrical multi-gig through DOCSIS 4.0 in a reasonable time frame at reasonable cost inside the envelope that we talked about of about 11% CapEx intensity. We've got Theme Parks with Epic Universe well underway. We've got investment in streaming with Peacock that Jeff will talk about.

So we're excited about putting money, first and foremost, back into our businesses to drive great results for years to come. And so that's the virtuous cycle that you see. So that's step one, put money back in the business.

Two, keep a strong balance sheet. We get asked a lot about that. But I think when you look at the environment we're in, I think we're happy to have what I would say is the best, strongest balance sheet in the business, period. So I think that's piece 2.

And then piece 3, and I'm very happy with the results Brian talked about, $9.5 billion of buybacks year-to-date, $5 billion-ish run rate of dividends for the year. We were asked the questions over the last several years, are we committed? And when we got back to leverage targets, would we be able to -- would we be committed, are we committed to returning capital to shareholders?

And we said all along that it was our highest priority to get back to that place but to do it in the context of the formula I just described. So I think hopefully, everybody has confidence that we understand that formula and you all understand that formula.

So as you look ahead on capital return, I think we're going to be guided as we've been in the recent past by our leverage. We'll stay around 2.4x leverage while doing all the things I just described, and that will dictate ample amount of return to shareholders. So that's that.

And then I think on the M&A side of things, it's -- we like the business we have. With all the opportunities we have in the businesses and the stock where it is, I see us very focused on the opportunities in the business and as I just described. So I'll give it over to Dave for DOCSIS 4.0.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Thanks, Mike. So one of our game plans have always been to consistently invest in the network. I think our network is one of our core strengths. We have this ubiquitous footprint, and we serve every segment with, I think, a great round of broadband tiers. And we're able to do things like we just announced, the 20 million customers just had a speed upgrade, and we've been doing this consistently.

So the initiatives that we have are -- it's a great road map, starting with what we've talked about mid-split capability in DOCSIS, and that rolls to DOCSIS 4.0. And also, we're going to play offense by just adding more passing. So we're anticipating longer-term growth in broadband, real opportunities in every segment.

And so in terms of mid-splits, we're rolling it out right now, delivering multi-gig download speeds and upload speeds that are 200 to 300 megabits, which is up to 10x faster than our current upload speed. So we'll be deployed to 20% of our footprint by the end of this year and will be, by the end of '25, it will be serving the vast majority of our footprint with mid-split.

And then on the back of this, to DOCSIS 4.0, we'll be in the market in the second half of '23 with multi-gig symmetrical speeds, as Mike mentioned. And the vast majority of our footprint will begin the process in '25. So we do all of this with the CapEx intensity of around 11%, and we're able to do this as we virtualize key parts of the network. It's part of the road map to be able to do this.

So we'll have the most effective and efficient, I think, game plan in regards to the network. And we're also going to limit the amount of CPE change-outs that are required, whether it's video set-top boxes, gateways, we're able to just focus on serving every segment effectively and efficiently.

So -- and what we're seeing, it's early, but we really like the customer experience benefits as we do this. But it's a really effective, very efficient road map. We're real pleased with our position to serve ubiquitously. I think -- by the way, one of the big reasons why we have near-record low churn, is because our network is so solid.

Operator

Our next question comes from Doug Mitchelson from Credit Suisse.

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

One for Mike, one for Dave. Congrats, Mike, on the promotion. On the hurricane commentary for the 4Q net losses of broadband customers, is there any sizing or context for how big the hurricane impact might be? And whether ex hurricane, there would have been positive broadband net adds for 4Q, if I heard your comment correctly?

And then for Dave, I just wanted to follow up on DOCSIS 4.0 from Ben's question. I'm just curious, how would you articulate the end state for DOCSIS 4.0-based network or node versus a fiber-based one? There's a lot of debate as to whether DOCSIS will be fully competitive on speeds and latency, particularly from a consumer perception basis. And is there any other benefits to an upgraded plan that we should consider relative to your operations today as you push forward these upgrades?

Michael J. Cavanagh - *Comcast Corporation - President & CFO*

Thanks, Doug. I'll let Dave really chime in. It's his team that's doing amazing work to get the network back up in Southwest Florida. Those are our markets. They were -- like Brian said earlier, our plant was the one hit hardest.

It will be in the tens of thousands, but we're still working on the numbers in terms of homes that -- residences that won't turn back on, but we'll tell you what the number is when we get through it during the course of this quarter. And you can look back at some hurricane experiences. It's typically tens and tens of thousands.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Hey, Doug. So let me piggyback on what Mike was saying in regards to the hurricane. Really remarkable. We have just amazing teammates that respond to these moments. It's just incredible. I think it's a testament to how we run the business. We run it very locally, and so our teammates live and work in these communities which we serve. And so they were positioned to get to work almost immediately even when, in some cases, they're personally dealing with situations.

So we started rebuilding and repairing right away. It's a pretty big area of impact for us in Florida. In terms of just sizing it seasonally, it's about half of our seasonal activity that was impacted by this hurricane. So when you look at it, I think Mike mentioned in terms of the overall impact on subs with -- have that kind of impact that will be negative in terms of broadband.

But when you look at the underlying business, I think we're around the same as where we were in Q3. The conditions are similar in that regard. So in terms of fiber, in terms of DOCSIS that -- in state, I think we have all the benefits of DOCSIS, the road map that we have. And in terms of the customer experience in terms of multi-gig speeds that are symmetrical and the road map that we have, I don't really see a difference.

And by the way, we build a lot of fiber into our network today. And we were able, with this architecture, to feather in fiber to be able to serve MDUs directly where needed. And so we just have the flexibility within DOCSIS to pull fiber deeper as needed. And so we actually provide a significant amount of fiber today already.

But we really don't need to. It minimizes, as I mentioned, Doug, earlier the need to change out a bunch of CapEx. And -- but I really like the road map to get to multi-gig symmetrical over the long run. And to me, that puts us right there, and do it in a ubiquitous way where other network providers are having to pick and choose how they get to certain communities. We serve every community with every tier of broadband that we have.

Operator

Our next question comes from Craig Moffett from MoffettNathanson.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Let's talk about wireless, if we could a bit. There have been reports that you've been pretty aggressively deploying strand-mounted small cells to offload traffic. I'm wondering if you could just talk a little bit about your experience thus far with traffic offload. It's still today mostly on WiFi.

But what you're thinking in terms of how much traffic can be offloaded, and is there the potential for something broader than just the CBRS strategy with getting some of your own mid-band spectrum to try to offload significantly more traffic? And just what you think the margins of that business could ultimately look like?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Hey, Craig, Dave. So let me start with where we're at right now with mobile, and I'll talk about spectrum. We really like our trajectory in mobile. Obviously, we had a record-setting net add quarter. And so we like our capital-light approach. We like our position, what we're able to do competitively, how we surround broadband. With mobile, we get to play offense. And we also get to package mobile with business services.

Business services in small business is in the market now with mobile and having -- it's early, but having great success out of the gates with that. So when you combine By the Gig with new unlimited pricing that we have and then compare it against the telephone companies, we can help customers save up to 50% in some cases. So it's -- we're well positioned to compete with mobile today.

But -- and as I said, so we really like our position, the capital light that we have. But we do view providing enhanced 5G connectivity in service areas where we have a high concentration of traffic as a very good potential opportunity. So we've always been opportunistic. Today, WiFi is a part of how we look at managing our network. Most of the traffic goes over WiFi today. So we look at the spectrum, whether it's CBRS or 600 megahertz spectrum as a good opportunity.

So there's nothing new really to talk about, but we're testing. And we've talked about that before. We're working closely with Charter on modeling out the potential in these high dense traffic areas and what the savings could be. But no new news at this point, Craig, in terms of specific modeling opportunities. But we do look at it as a potential opportunity down the road.

Operator

Our next question comes from Brett Feldman from Goldman Sachs.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So you mentioned during your prepared remarks that for now, you would expect that broadband ARPU growth would be the primary driver of overall broadband revenue growth. We've definitely gotten a little pushback from investors on that. They look at a more competitive market and households having lots of other pressures in their budgets in an inflationary environment. And so what gives you confidence that you can sustain a profile of ARPU growth? How do you think that's going to break down between rate increases or upselling or maybe something else?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, good question. And part of it is our results. You look at our results consistently that we've had in a very competitive environment. We've been dealing with very intense competitive activity for a long time now. We've had fiber overbuild now just over 40%, new competitive entrants. And so we've been able to -- and part of the reason why I think we do perform well and we have a balanced approach in terms of share and ARPU is we serve every segment, and we break it down by every segment.

So we had healthy ARPU growth of 3.7% in Q3, and we look at the opportunities to focus on tier mix as an opportunity. So starting with HSD-only and then how we package. And we surround again, we leverage mobile to do some of the lifting in terms of value and focusing on broadband ARPU there. We take a very balanced approach towards rates. We do have rate increases that we manage through.

And we've had -- segmentation is part of our acquisition plan, but it's also part of our retention plan. We model out retention opportunities by segment, and so we've been very disciplined, I think, in terms of all these things. And so it's an opportunity for us to drive both share and balance ARPU growth.

We've been doing it over a very long time. And we anticipate competition to be very substantial. And -- but we also look at the road map that we have in being able to leverage mobile and other services. And so we like our position. We've always taken a balanced approach towards ARPU and share.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

And just one other point to add, long term or longer term, I continue to believe broadband is so critical. It's such an important dynamic part of our society, and it's changing all the time, and people want the best. And the best is experience. It's speed, it's innovation, it's service, and that's what we're really focused on, and we've been that way. And I think it's why we have the #1 position today, and we want to retain that.

Operator

Our next question comes from Michael Rollins from Citi.

Michael Ian Rollins - *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

Just sticking in the Cable business. If you look at the pace of video revenue, would you expect the current pace of video cord cutting to continue at this level? And how much of the video losses that you're experiencing are simply a function of changing customer preferences for consumption relative to the elasticity from the pricing initiatives to offset the higher programming costs?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

I'll start. This is Dave. The -- I anticipate the changing nature of video to continue. We've anticipated it. We've looked at this. We've been able to manage through it and the focus on multiple growth drivers for us in terms of broadband, business services, mobile. But we also have looked at video as a broad platform opportunity. So yes, we've had the fluid nature of video putting pressure on the more mature tiers of video service, but we've also offset a substantial part of that through Flex.

We've invested in the ability to do smart TV things, like the joint venture with Charter is an opportunity. So we view video as an opportunity long term as a platform, so we will continue to focus on that. And I think that will balance both things. But we've navigated through, I think, this before, but I don't see it changing.

Operator

Our next question comes from Jessica Reif Ehrlich from Bank of America Securities.

Jessica Reif Ehrlich - *BofA Securities, Research Division - MD in Equity Research*

Questions, one on Cable and one on NBCU. On Cable, you talked like, I guess, it was about 9 years ago when you introduced or announced the Comcast Technology Center. Can you talk about the progress you've made in making Comcast a leading hub of innovation and how your view of Comcast's position, I think you called it like unique cross-section of media and technology. How has that changed over time or evolved?

And then on NBCU, I can't believe you haven't gotten questions, really. But what are the long-term aspirations for Peacock, let's say, over the next 3 to 4, 5 years, what do you think it will look like? And can you talk about on Theme Parks, the advanced bookings or visibility? Are international visitors coming back yet?

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

Yes. We'll take it -- this is Jeff, Jessica. I was hoping to get no questions, so you broke my streak here. But we're going to do it in reverse order a little bit here. So in the Theme Park business, record quarter in the third quarter, first quarter ever profitability in Beijing. And despite the economic uncertainty that you see elsewhere in the economy, we're seeing no effects of that right now in the Theme Parks even in terms of our performance, our actual performance or our bookings going forward.

Florida is really strong. Hollywood is really strong. Japan really ended the quarter pretty strong. So it kind of defies logic a little bit, but part of it is based on the investments Brian outlined in his opening we're really paying off. So the Theme Park business is really strong, and we're seeing no weakness there.

As far as Peacock, our long-term aspirations on Peacock is for it to be -- to balance out our overall Media business. I think we've said all along that we -- our strategy in streaming is different than some of the premium SVOD players like Netflix and Disney+. We view it as a part of our business. We manage it as one. We make decisions on programming as one. We sell advertising across the business as one.

And as viewership shifts from linear to Peacock, we want Peacock to get to a level and a scale that causes our business to be balanced as consumer sentiments and advertiser sentiments change. And very pleased with our performance in this quarter, over 15 million, and we're right on track for what we expected to do as we've built that business.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Okay. Dave, why don't you start on innovation, and I'll add at the end? I think it's a great question.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Yes, it is, Jessica. So this is -- this facility is a big part, not the only part, but a big part of how we think about long-term growth and innovation. And so it really -- when you think about the teams over there, it culturally has changed the company, I think, in terms of getting multiple groups, multiple teams together to work on exciting projects that literally changes categories.

And if you look at video, what we -- the question before, you go from the linear video delivery system to a broad-based platform on multiple devices, this innovation happened with teams over there, being able to change broadband and to tie in WiFi and to be able to do it for residential and business services and being able to deliver leading gateway devices, and the road map that I talked about from mid-split to DOCSIS 4.0 happened over there.

In addition, the teams are changing the customer experience there as well and very focused on digital and what is possible to be able to help customers do everything over any device. And so you look at where things are going, the Internet of Things, being able -- devices and cameras being able to tie everything together. This is where these teams are focused on what's possible. So it really has been game changing in terms of what we've been doing.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

I'll just quickly add that post the pandemic, it's pretty exciting to walk through the technology center and see people back at work and the energy and buzz. But I think of ourselves as a unique media and technology company, and we're focused on this sector. We view -- the competition has changed. It includes the tech companies on the West Coast, and we have been looking to add to that scale.

And I think we made real progress in the last 12 months for things like our voice remote, which for those who have it, whether you're using it for a streaming service or for a video bundle, were to now do other things and look up your account and many other aspects of how voice is deeply embedded in all of our products on Sky Glass globally.

We now have, between Sky, the new Charter arrangement, previous deals with Cox and all of the Canadian operators, are virtually all a road map for innovation. And I think as we look forward to the company, that's what's going to keep powering what Mike was talking about, the virtuous cycle of investment and return.

So we're all mindful of the economy and the world that we live in, but we have a pretty unique company. And this is a big part of what I think will make it more unique in the future is to continue to try to innovate. So glad you asked that question.

Operator

Our next question comes from Philip Cusick with JPMorgan.

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Mike, congratulations again. We've danced around it a little bit, but Brian, I want to ask about your sort of vision of the video ecosystem because we see this linear acceleration to the downside. Peacock is growing, but Comcast and Charter and I think Cox customers get that for free now.

And so maybe, Brian, talk about where the video ecosystem is growing and how the company shifts the way you make money there. And Jeff, remind us what success is in Peacock paying subs and MAUs over time, and how you sort of balance that Media business model overall. Is that fair?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Very fair. I think let me just start, and I'll let my colleagues join in. The way we're trying to manage the company, and we said this several years ago, which was a shift, was we saw a change coming. And we tried to think like a customer and think like the consumer.

And we've learned -- I at least think I've tried to learn from other's successes with that mentality. And the consumers, many consumers didn't want the big video package. And so we can fight that or we can try to embrace it.

And so our leadership in broadband was the first evidence of, okay, let's try to embrace it. Let's put Netflix on X1 going back several years. And more people, I think, in a Comcast market view Netflix via X1 than any other device. I think that's still relatively true. Dave, you can comment on that.

Our voice remote integrated all of Netflix's content, and along came many others. Let's just jump to Apple most recently. I think we have the best integration in the world of Apple TV+ on our consumer devices. Over on the content side at NBCUniversal, that change allowed us to create content for Netflix, for Amazon, for Apple, and many others.

We own 1/3 of Hulu. So when we bought the company, all of our content was committed to Hulu in the streaming -- much of our content. As we've discussed that relationship's changed, and much of it is now back on Peacock. And Peacock has only been out there for a couple of years, and super successful and a great quarter, and congratulations to all of NBCUniversal and the Peacock team for the results this quarter, in my opinion.

And we came up with a different model since we were starting at a different time, an ad-centric low cost to the consumer. So again, it's back thinking from the consumer's perspective, how do we fit in and how do we do so on a profitable long-term value-creating way? And so the results you're seeing this quarter, I mean, if you look at last year, last year was our best year in EBITDA and our best year in EPS in the 60 years Comcast has been in business. And we're on pace to do better in this year than last year.

So I think we have a good model, but it starts with thinking from the customer. And so the shift in video, we got to a place where we're actually somewhat indifferent to what the consumer prefers, we want to be for the customer. And then if they're now taking our mobile product, they're getting an even better value. And if they're taking Peacock, they're getting an even continued relationship with NBC if they've changed how they're consuming. So I think we're in a very unique playing offense in a very changing world in a way that continues to yield great results for the company.

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

Yes. So let me jump in, Brian, and Phil, take your question on Peacock. So if you kind of go to 30,000 feet and look at the NBCUniversal business, the business at our core is producing content. And if you look at this quarter alone, most successful, profitable quarter in the history of the movie business, we think our movie business is second to none right now. Our TV business has expanded dramatically. We sell, as Brian said, to others in addition to ourselves.

Our news division, second to none, and our sports division is doing really great. And so if you want to -- if you have a great content business, the way you maximize your returns is having platforms where you can have the flexibility to put your content on your own platforms and move it around to give your content the best chance of success. And we've had that over the years. So when you look at Peacock, what is the definition of success? It's really 2 things.

One is taking that ecosystem that I just talked about and giving yourself an addition to your platform, which allows you more flexibility to maximize the return of your content, both in terms of allowing it -- a show to have a better chance of being a hit or a movie to have a better return when you can move it around and have the right platform for the right piece of content. So we want to get Peacock to a scale where we're fairly indifferent between content going on linear and content going on Peacock and having the best platform out there. And we think we're well on our way to that.

The second is just the traditional way you look at any investment, which is that we're investing a lot of money in Peacock, and we view the fact that it's going to get to a level of profitability that will generate a return on that investment that will add value to shareholders, and this quarter makes us more confident that we're along that trajectory. So those are really the 2 measures.

Operator

Our next question comes from John Hodulik from UBS.

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

Maybe last one for Dave back on the Cable side. The business market certainly emerged as one of the drivers of revenue growth in that segment, and it sounds like you guys are having some real successes across small, medium and enterprise markets.

I mean, just any commentary on sort of penetration levels in those markets, to give us a sense of how much runway you have? And then commentary on sort of the profitability of that business segment versus, say, the rest of the Cable business?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Hey, John, so look, we -- as Brian mentioned, one of the core growth drivers for us is business services. I'm really glad you asked about it because the team is doing an outstanding job. When you look at our performance in business services, we outperformed all competitors and peers. It really is a very interesting long-term consistent performance from our group. Bill Stemper and the team have really done a terrific job.

And we're generating now approaching $10 billion in annual revenue and have a great opportunity to grow further. So it's high margins, and you look at the addressable marketplace, we're serving less than -- we have less than 20% share of our addressable marketplace of $50 billion in our footprint.

So you break it down, SMB, we are -- along with share, and very focused on that, but we're also very focused on the corollary to what we talked about early in residential is ARPU. And we focus both share and revenue and with WiFi, enhanced WiFi for small business customers, wireless backup cameras, security and now mobile. So we have a strong portfolio to go up against the telephone companies with, and it's working. So very balanced approach towards growth.

In mid-market and enterprise, it is a key long-term growth opportunity. And there, it's more sophisticated applications like SD-WAN, enhanced security and UCaaS, the advanced unified messaging. And Masergy has just been a terrific addition, giving us international scale and being able to help us with certain applications. So no specifics beyond that, but it really is a very important part of our business, and they're doing a terrific job.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

Thanks, John. And thank you, everyone, for joining us this morning.

Operator

That concludes the question-and-answer session and today's conference call. A replay of the call will be available starting at 11:30 a.m. Eastern Time today on Comcast Investor Relations website. Thank you for participating. You may all disconnect.
