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CMCSA.OQ - Q2 2021 Comcast Corp Earnings Call

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**OVERVIEW:**

Co. reported 2Q21 revenue of \$28.5b and 2Q21 adjusted EPS of \$0.84.

## CORPORATE PARTICIPANTS

**Brian L. Roberts** *Comcast Corporation - Chairman, CEO*  
**David N. Watson** *Comcast Corporation - President & CEO, Comcast Cable*  
**Jeff Shell** *Comcast Corporation - CEO, NBCUniversal*  
**Marci Ryvicker** *Comcast Corporation - SVP of IR*  
**Michael J. Cavanagh** *Comcast Corporation - CFO*

## CONFERENCE CALL PARTICIPANTS

**Benjamin Daniel Swinburne** *Morgan Stanley, Research Division - MD*  
**Craig Eder Moffett** *MoffettNathanson LLC - Co-Founder, Founding Partner*  
**Douglas David Mitchelson** *Crédit Suisse AG, Research Division - MD*  
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## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to Comcast's Second Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note that this conference call is being recorded.

I will now turn the call over to Senior Vice President, Investor Relations, Ms. Marci Ryvicker. Please go ahead, Ms. Ryvicker.

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### Marci Ryvicker - Comcast Corporation - SVP 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?

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### Brian L. Roberts - Comcast Corporation - Chairman, CEO

Thanks, Marci, and good morning, everyone. I'm really excited to report these strong second quarter results, which were highlighted by exceptional performance at Cable, delivering 11% revenue growth and a nearly 15% increase in adjusted EBITDA. This was fueled by our fantastic success in broadband.

We added 354,000 broadband customers, an increase compared to both the same period last year and to 2019. And that drove 294,000 total customer relationship additions. These were the best broadband and customer relationship results we've had for any second quarter on record.

Our broadband connect activity is healthy, and churn improved for the 14th quarter in a row. In fact, we hit the lowest second quarter churn rate in our company's history. Based on our first half results, combined with the strength we're seeing in current trends, we now expect total broadband net additions for 2021 to increase mid-teens relative to 2019.

We also added 280,000 wireless subscriber lines, the highest of any quarter since launch. And Xfinity Mobile is now a stand-alone, profitable business. We got here on time, if not a bit earlier than expected. And we are experiencing the fastest sales momentum we've ever had, a testament to the changes we implemented in the back half of last year when we reprioritized wireless across our sales channels and integrated this business more fully into our core operations. And this past April, we introduced a fabulous Unlimited family plan, which we just started offering to our small business customers as well.

So I couldn't be more pleased with Dave Watson and the team he has assembled as they have a relentless focus on connectivity, which has never been more important. They truly put the customer first, offering innovative and differentiated products and services. And pretty unique to the market, we now offer 1.2 gigs of downstream to essentially all 60 million homes and businesses in our footprint.

The foundation of our success is our network, which we constantly evolve so that we can easily handle capacity growth, increase in subscribers and the changing usage patterns of our customers who continue to take faster speeds. Currently, there are typically 25 connected devices in the home, with 8 active at any one time, and this increases every year. That drives in-home Wi-Fi usage to 15x that of wireless. Delivering huge amount of data at consistent speeds and reducing latency is what's powering our growth. And we're doing this in a cost-efficient way.

Virtualizing our network, combined with our suite of digital tools, also allows us to continue to improve the customer experience while identifying additional cost savings. And the progress we've made is evident in our results. During the second quarter, total agent calls decreased by 10%, and total interactions were down by 7%. We also saw a 22% reduction in truck rolls, despite an over 5% increase in our customer base.

So as I look ahead, I think about our philosophy since the early days of broadband, which has been to bet on a never-ending cycle of new technologies, devices and applications that come from Silicon Valley and new start-ups everywhere that need to take advantage of greater speeds and capacity over time. We see this transformation happening every day and continue to believe that this is ongoing for the foreseeable future.

So what does that mean for our network? Well, since October of 2020, we've been trialing gig and multi-gig symmetrical speeds over our DOCSIS infrastructure to great success. With upstream comprising today less than 10% of total broadband usage, even during a peak, we don't really have a consumer use case for this technology capability yet. But the strategy for our network is to plan ahead. We're investing in architecture that lets us go beyond where consumers are, and we can do all of this in a way that won't affect the capital intensity ratios we currently enjoy. Dave can provide more detail about the technological decisions we're making during the Q&A.

With Cable comprising roughly 70% of our consolidated EBITDA, broadband is a top strategic priority. And I could not be more pleased with the strength of this quarter and the first half of 2021.

Looking at other parts of our business. For the first time since the pandemic, our Theme Parks returned nicely to profitability. This was led by Orlando, where we've seen strong domestic demand in both per cap spending and in attendance, which returned to 2019 levels, somewhat faster than I thought might happen, despite virtually no international visitation.

And in Hollywood, since restrictions have been lifted, attendance is growing week after week. We continue to see firsthand, the pent-up demand for high-quality entertainment and family fun outside of the home. And we remain incredibly bullish on our Theme Parks.

Our Studios business is also coming back. We've returned to pre-pandemic television production levels, and we're really optimistic about our upcoming films, especially after the success of Fast 9, which debuted at #1 in all territories at launch, and with \$600 million of worldwide box office to date, remains the biggest U.S. film launch since the pandemic began. Following Fast, we successfully released Boss Baby 2 and the latest installment of Purge. And over the July 4 weekend, we had the top 3 films at the domestic box office, the first time that's happened for any studio since 1995. We have a great slate ahead with Dear Evan Hansen in September, followed by a new Halloween in October. And we end the year with Sing 2.

Next, let's talk about our media and production strategy, which across the entire company, is aligned around one purpose: create premium programming which we can then scale and monetize for the very best global distribution outlets. Peacock adds to what we already offer. It's a great complement to our linear brands, which are successful in their own right. And together, these platforms provide a continuous loop of content and promotion that seamlessly drive viewership across our ecosystem, offering a different access point to attract new audiences while giving existing viewers more of what they love.

We are clearly capitalizing on the strength of our media brands, having just completed the strongest advertising upfront in our history, securing double-digit increases in both volume and price across our entire portfolio. And I'm pleased to report that as of this week, Peacock has 54 million sign-ups and over 20 million monthly active accounts. This is 50% higher than our last report, driven by a number of factors: the Day and Date release of *Boss Baby 2*; debut of *Dr. Death*, our most successful original to date; and the airing of the 2020 Tokyo Olympics.

The third quarter, thus far, has been a particularly strong period, and we will work hard to manage retention and grow from here, recognizing we are unlikely to replicate such tremendous performance. But we remain optimistic with a lot of programming strength ahead of us, such as more premium originals; Monday Night Football; the Beijing Olympics; and our reimagined dynamic Pay-One window, which starting in 2022, shifts our film titles to Peacock exclusively for the first and last 4-month segments in the Pay window, with Amazon Prime and Netflix sharing rights for the 10 months in between.

By showcasing content across multiple platforms, Universal films will constantly refresh across the streaming ecosystem. Audiences will have multiple access points with which to consume our content, and we will generate more third-party revenue while retaining the most valuable window for Peacock. So as you can see, we've successfully been able to pivot, coming up with creative ways to keep up with consumer demand and in many cases, making even more money than we did before.

At Sky, we are pleased revenue is back to pre-COVID levels, despite the lingering impact that COVID continues to have on our pubs and clubs segment. Sky's results were led by the U.K. with revenue and EBITDA ahead of 2019, and we're seeing momentum across a number of areas. Premium TV churn is at record low levels. In streaming, we posted ARPU growth of over 20% for the fourth consecutive quarter. And in broadband, where we just introduced our 500-meg offering, we experienced improved churn relative to both 2020 and 2019 despite a 6% price increase in the quarter. In addition, Sky Mobile had the strongest second quarter activations on record with churn averaging 40% better than industry average.

And today, we're announcing the debut of our international streaming strategy for Peacock. Later this year, we will leverage Sky's significant scale and powerful brand to include Peacock at no additional cost for its 20 million customers across Europe. The benefits of this launch are tremendous. We will unlock incremental advertising revenue, introduce the Peacock brand and content catalog via Sky's established platforms in key European markets and directly monetize our programming investments.

The decision to make Peacock the anchor tenant on Xfinity's X1 and Flex platforms for its domestic launch has been a key driver of brand awareness, scale, consumption and promotion, and we see a similar opportunity with Sky. We're utilizing all the wonderful assets of our company to create value for audiences everywhere, and we look forward to finalizing agreements with other programming and distribution partners outside of our Sky markets.

So summing up, this was a fabulous quarter and a great first half of the year. I'm so pleased we are now in a position to buy back stock, which we will report on in Mike's section. This is a truly very special company, and I'm excited for the road ahead.

Mike, over to you.

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

Thanks, Brian, and good morning, everyone. I'll begin on Slide 4 with our second quarter consolidated 2021 results. Revenue increased 20% to \$28.5 billion. Adjusted EBITDA increased 13% to \$8.9 billion. Adjusted EPS increased 22% to \$0.84 per share. And finally, we generated \$4.8 billion of free cash flow.

Now let's turn to our business segment results, starting with Cable Communications on Slide 5. Cable revenue increased 11% to \$16 billion, EBITDA increased nearly 15% to \$7.1 billion and net cash flow grew close to 15% to \$5 billion. As a reminder, last year's second quarter was most significantly impacted by COVID-19, including adjustments accrued for customer RSN fees. Excluding the impact of these RSN adjustments, Cable Communications revenue increased 9.3% with no corresponding impact to EBITDA.

We added 294,000 net new customer relationships, up 35% over last year's second quarter and up 93% over the second quarter of 2019. This was the best second quarter on record and was driven by broadband, where we added 354,000 net new residential and business customers, up 10% over last year's second quarter and 69% above the second quarter of 2019. These strong results were driven by improved churn and healthy connects relative to both 2020 and 2019. And this was the lowest second quarter broadband churn on record. Looking ahead, as Brian mentioned earlier, based on our strong results through the first half of the year as well as current trends, we now expect total broadband net additions for 2021 to be up mid-teens from the 1.4 million net adds in 2019.

Broadband revenue increased 14% and grew 13%, excluding the RSN fee adjustments in last year's second quarter. These results were driven by strong growth in volume and rates. Wireless revenue grew 70% due to an increase in both customer lines and higher device sales. We added 280,000 net new lines in the quarter, the best result since launching this business in 2017, bringing us to 3.4 million total lines as of quarter end. We are encouraged by the initial results on our new Unlimited plan, which is driving a notable increase in Unlimited connects as well as a lift in overall volume.

Turning to video. Revenue increased 2.6% or 0.5%, excluding the RSN fee adjustments in last year's second quarter, reflecting healthy growth in rates, mostly offset by net video subscriber losses totaling 399,000. While our residential rate adjustment at the beginning of the year was the primary driver of the increase in rates, we believe it was also a contributor to the video subscriber loss in the quarter.

Business services revenue increased 10%, primarily driven by higher rates though the comparison to last year when business services was significantly impacted by COVID-19. Over the past year, we have bounced back, rates have recovered and customer growth is strong as we added 17,000 net new customers in the quarter and 70,000 over the past year, primarily driven by continued improvement in small business.

Last, advertising revenue increased 59%, reflecting an overall market recovery compared to last year when we experienced reduced spending from advertisers due to COVID-19. As we move to the second half of the year, we will have difficult comparisons to last year when we benefited from strong political advertising.

Turning to expenses. Cable Communications second quarter expenses increased 8.2%. Programming expenses increased 12% and were up 5%, excluding the impact of RSN adjustments last year, primarily due to the number of contract renewals that started to cycle through in 2020, combined with annual escalators in existing agreements. Looking to the third quarter, we expect programming expense growth to increase at high single-digit levels due to the continued impact of contract renewals as well as the comparison to last year's third quarter, which was also favorably impacted by RSN fee adjustments. For the full year, we continue to expect programming expense to increase at high single-digit levels.

Nonprogramming expenses increased 5.7% or 0.5% on a per relationship basis due to higher technical and product support and advertising, marketing and promotion spend to drive growth in our core broadband and wireless businesses. These higher expenses were partially offset by lower bad debt expense. These trends should continue in the third quarter.

Cable Communications EBITDA grew nearly 15% to \$7.1 billion, including a contribution of \$68 million from our wireless business, the best results since launch. Cable EBITDA margins reached 44.2%, reflecting 140 basis points of year-over-year improvement. While the RSN fee adjustments had no impact on EBITDA, they did impact margins last year. Excluding the RSN adjustment impact, margins expanded 200 basis points year-over-year. Cable capital expenditures increased 17%, resulting in CapEx intensity of 10.6%, up 50 basis points compared to last year. These results were driven by an increase in scalable infrastructure as we continue to enhance the capacity of our network as well as increases in broadband-related CPE and line extensions.

As Brian mentioned, we have decided to move a bit faster to the next phase of DOCSIS using very cost-effective technology, allowing us to maintain the CapEx intensity level we achieved in 2020, which was the lowest in our history. And we expect to be at this level for the next few years.

Now let's turn to Slide 6 for NBCUniversal. Let's start with total NBCUniversal results. Revenue increased 39% to \$8 billion, and EBITDA increased 13%, \$1.6 billion. Media revenue increased 26%, driven by higher advertising, distribution and other revenue. Advertising revenue increased 33%, reflecting the timing of sports and overall market recovery compared to last year and the launch of Peacock. We had significantly more sporting events compared to last year when sports were paused, which benefited our advertising revenue. Excluding this benefit, advertising grew at mid-teens levels.

Distribution revenue increased 19% or high single digits, excluding the RSN fee adjustments that impacted last year's results. This growth reflects higher rates post the successful completion of several carriage renewals at the end of 2020, partially offset by subscriber declines, which were sequentially flat.

Media EBITDA declined 16% to \$1.4 billion, including Peacock, which generated revenue of \$122 million and an EBITDA loss of \$363 million. Excluding Peacock, Media EBITDA was essentially flat, driven by higher sports costs associated with the increase in sporting events this quarter compared to both last year and 2019. As a reminder, our third quarter Media results will be impacted by our broadcast of the Summer Olympics.

Studio revenue increased 8.4%, driven by higher theatrical revenue, reflecting the success of Fast 9 in theaters and compared to last year when theaters were mainly closed due to COVID-19. Studio EBITDA decreased 52% to \$156 million as a result of higher expenses associated with our theatrical releases compared to last year when releases were paused, the timing of content licensing sales and the comparison to last year, which included transactions with Peacock related to our initial launch of the service. In the second half, EBITDA comparisons to last year will remain challenging as we continue to launch new theatrical releases and ramp our TV production.

Theme Parks revenue increased by \$958 million to \$1.1 billion and generated EBITDA of \$221 million, which included about \$150 million of Universal Beijing preopening costs. This is the first profitable quarter we've had since the pandemic began in the first quarter of 2020 and was driven by strong results at our Universal Orlando Resort. Orlando has had exceptionally strong demand, with June attendance exceeding 2019 levels as well as strong per cap growth, despite virtually no international guests during the quarter due to COVID-related travel constraints. We opened our Jurassic World-themed roller coaster, the VelociCoaster, on June 10 with some of the highest guest satisfaction scores we've had.

Hollywood has been operating without capacity restriction since mid-June and has experienced strong demand, aided by the opening of our Secret Life of Pets attraction in April. We're optimistic that our domestic parks are on a path to return to historic levels of profitability, but we need international visitation to resume, which remains dependent on COVID-related travel restrictions being lifted.

At our Japan park, results continue to be challenging. After closing in late April, we reopened on June 1 with capacity restrictions that are likely to remain in place through the summer. Last, as we prepare to open our newest park, Universal Beijing, we expect overall results will be negatively impacted by up to \$250 million in the third quarter.

Now let's turn to Slide 7 for Sky, which I will speak to on a constant currency basis. For the second quarter, Sky revenue increased 15% to \$5.2 billion, largely reflecting strong growth in our U.K. business. Direct-to-consumer revenue increased 7.7%, primarily reflecting higher average revenue per customer relationship. Results in the U.K. drove the bulk of the growth and benefited from the comparison to last year when sports subscriptions were paused as well as a rate increase, higher mobile device sales and improving hospitality revenue as pubs and clubs reopen.

While customer relationships grew in the U.K., overall customer relationships declined 248,000, primarily driven by customer losses in Italy and Germany to the end of the football season. As we have previously said, we have reset our football rights in Germany and Italy. As a result, we anticipate lower programming and production expense, along with continued customer losses in the third and fourth quarters. We believe this disciplined approach to sports-related cost is the right long-term financial decision for the business.

Advertising revenue increased 79% with results in the U.K. driving the growth and reflecting the overall market recovery from COVID-19 as well as an increase in the number of sporting events compared to last year when sports were paused. Sky generated \$560 million in EBITDA, a 32% decline compared to last year's second quarter, primarily reflecting higher sports rights amortization related to more events in the current quarter. These higher expenses were partially offset by lower entertainment costs due to production delays.

I'll wrap up with free cash flow and capital allocation on Slide 8. Free cash flow was \$4.8 billion in the quarter, a decrease of 20% year-over-year, largely due to the timing of last year's federal tax payments, which were deferred to the third quarter. While net working capital was a positive contribution to free cash flow in the quarter, we continue to expect it will be a negative drag on our full year results and higher compared to 2019 levels due to an increase in content investments and our broadcast of the Olympics.

Consolidated total capital, which includes capital expenditures as well as software and intangibles, increased 5.2% in the second quarter to \$2.8 billion, reflecting an increase at Cable, which was partially offset by a decline at NBCU. For the full year, we now expect capital to be slightly above 2020 levels, reflecting our plan, as I've previously mentioned, to accelerate enhancements to our network.

In the second quarter, our return of capital to shareholders included dividend payments totaling \$1.2 billion, up 9.5% year-over-year. We also resumed our share repurchase activity late in the second quarter, totaling \$500 million as of June 30. As previously communicated, we intend to stay at historical buyback levels until we reach our intended target leverage levels, which we currently expect to reach sometime in 2022. With our return to share repurchase in the quarter, we are happy to get back to our long-standing balanced approach to capital allocation, which consists of maintaining a strong balance sheet, investing organically for profitable growth and returning capital to shareholders.

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.

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**Marci Ryvicker** - Comcast Corporation - SVP of IR

Thanks, Mike. Operator, let's open the call for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question will come from the line of Doug Mitchelson with Crédit Suisse.

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

A couple of operating questions for me this quarter. Jeff, any discussion of the shape of park's profitability going forward? You've got Beijing shifting from preopening losses to opening. The U.S. is more fully opening. Japan, at some point, a little more fully opening. How do we think -- I know you gave the 3Q sort of onetime item for Beijing. As we get to 4Q, are the Beijing losses done? Is it an easy comp next year? How should we think about profitability overall?

Dave, can you unpack the margin expansion for us in the quarter? It looks like advertising and wireless probably drove all of the margin expansion. When I think about the last few years, you've got a lot of margin expansion from leveraging non-programming costs. Was there just unusual year-over-year comps within the Cable business relative to 2Q of last year that expires over the next couple of quarters, and you get back to sort of normal margin expansion on non-programming line? Or is there other investments you're making that we should consider?

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**Jeff Shell** - Comcast Corporation - CEO, NBCUniversal

So should I take the first one? Yes. So on the parks, we're very -- first of all, I would start by saying we're very pleased with not just the quarter, but the trajectory of how we're opening. As Mike went through, Orlando is, on attendance standpoint, pretty close to back where we were in 2019 even though we don't have any international visitors. And you would expect those international visitors to pick up over time. In Hollywood we've only been open a couple of months, and we're already approaching our capacity. And we're excited about the next couple of months and Halloween Horror Nights.



So the domestic parks, obviously, with COVID, you just don't know. It's -- things could be lumpy. Things could be nonlinear. But so far, the trajectory is really good, and we expect that to continue. And I would say the thing we're most pleased with is the protocols have worked, and we've been able to keep people safe and keep our workers safe and keep our guests safe. And that, I think, is driving the confidence in coming to our parks.

Internationally, Brian and I actually were in Japan. And even though that country is a little bit behind as far as COVID, we've been able to get our park back open. We're open again with some capacity constraints. We have a great attraction there that we were able to see, Nintendo, which is one of our best attractions that we've ever built anywhere in the world that rivals Harry Potter. And I'm very excited for that, not only in Japan, but for Epic Universe down the road and our other parks eventually. So Japan is behind, but feels like it's heading in the right direction. And so that's going to be great.

And then lastly, with Beijing, we're ready to go in Beijing. The park's ready. It's awesome. It's our most technologically advanced park. And we expect -- right now, what we're doing is going through the final approvals of rides and the process you have to go through. And that is somewhat indeterminate, but we expect that park to open in the next couple of months. And when it does open, as you mentioned, those pre-operating costs go away, and we start getting attendance in. So Beijing should be a good contributor to us remainder of the year when it opens and then on to next year. So overall, our Parks are on a good trajectory, and it's hard to see what happens with COVID, but we're pretty pleased. Dave?

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

Yes. So we've walked through a couple of things on margin in the quarter and looking forward. It's -- we feel very good about our position on the progress that we continue to make on margin improvement, real focus around the fundamentals. And so while there'll be some things within a quarter that move a little bit, the fundamentals are the things that we stay extremely focused on. And starts with broadband. And both residential and commercial, both are -- just drive higher revenue. Both are margin accretive and just help us deploy digital solutions, in particular, in residential at a higher rate. So those fundamentals are -- continue to bring us to where we're at.

As we scale mobile, as you said, there are improvements there, advertising as well with advanced advertising providing support. But it's primarily the focus around connectivity and just driving more customer relationships there in that space, connected with the digital customer experience improvements, is such a win-win for the customer and for us.

Just to provide perspective in the quarter, our total agent calls decreased by 10% with total interactions lower at 7%, and we saw a 22% reduction in truck rolls. And this is despite an overall 5% increase in the customer base. So if you go back over time, this is just a continuation. Over the past 5 years, we've constantly made progress, taking 37% or almost 100 million calls out of the run rate and reduced truck rolls by 25%.

So Doug, it's been -- this is a real focus for us. And while I don't think we'll grow the second half of the year margins at the same rate that we did the first half, we're in a really good place. And we're doing it in a healthy and sustainable way. And so I like the road map that we have around digital tools and the experience. I like the run rate around connectivity. And while we'll invest in areas like business services, in mobile, sales and marketing, the things that are just going to help us grow, we're going to continue to stay extremely focused on margin.

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

And I'd just echo that point that in this great first half margin expansion, which, as Dave said, will ease a little bit in the second half of the year, there's tremendous investment behind wireless, behind advancing growth in broadband and business services. So it's really healthy margin expansion because we're putting the money back in to drive future growth.

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**Operator**

Your next question will come from the line of Ben Swinburne with Morgan Stanley.

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

I wanted to ask actually also about Cable, and then I have a question for Brian sort of on M&A and strategic stuff. Mike and Dave, we're all trying to figure out what normal looks like as we hopefully emerge from the pandemic. And Mike, you've talked about bad debt being down. And I think like it continues to be a tailwind year-on-year. Do you have a sense of what sort of normal looks like as you think about OpEx? I mean you guys just sounded quite bullish on margins going forward. But there is some concern that as activity normalizes, that some costs come back in the business. I'm wondering if you could just tackle that.

And the same thing for you, Dave. I mean churn, it sounds like it keeps coming down. Do we go back to normal churn from pre-COVID or not? I don't know if you have any sense of that when you look at different geographies in your footprint, if you can glean anything there.

And then, Brian, I'm sure you know there's been lots of press articles on Comcast buying lots of different businesses. And I'm wondering, now that you've laid out at least some of your Peacock international strategy, all these articles seem to assume that you don't have enough scale in NBC to achieve your strategic goals around streaming. And I know you can't talk about M&A, but I wonder if you could just talk about whether you believe NBC has what it needs to do, what the company wanted to do on the streaming front globally.

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

So maybe I'll start, Ben. Thanks for the question. I'll -- I think on non-programming expenses, OpEx, we still expect low single-digit increases compared to 2019 for full year '21 here. So that's -- all the factors are embedded in there that Dave mentioned. And you're right, bad debt continues to run low.

I think giving a feel for what the second half looks like is the best I'll do at this stage. I think we are -- continue to do all of the things in the underlying business, move the business towards more digital sort of cleaner operations that are low cost. The move to the higher-margin products in broadband, business services, all the things Dave described are things we'll work on that will benefit us regardless, I think, of what the operating environment normalizes at. But I think that's the best sense for the second half of the year.

And I'll let Dave comment on churn, but it's a little bit of the same message, which is we'll see what normal looks like. But I think the investments in products, the investment in network, the investments in Flex, wireless, you name it, all the things that we're doing I think are -- there is at least some element of sustained benefit to churn versus historical levels, at least in my mind. But we'll see.

Dave, over to you.

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

Thanks, Mike. Yes, so we expect, over time, to have a little bit more normalization as you go into quarters like Q2, like Q3 with student activity, move activity, seasonality that could impact the churn. But we're reaching a level that we expected in terms of overall broadband churn performance. And this is -- it's the redefinition of great broadband, I think, that's helping deliver this -- some of this churn improvement.

We have a fantastic network. We talked about it. Brian and Mike mentioned it. Continuing to invest in the network. We're going to stay ahead of the curve in terms of capacity, in usage. So a lot of focus around the network.

And then just to complement not just speed, but our devices, the pods, the ability to provide great Wi-Fi coverage inside the home is just so critical. And staying ahead of that curve is key. And then adding value extensions to broadband, like Mobile, like Flex that impact churn. And so these are early days for us in terms of as we -- both of those categories are exciting for us, but they're impacting broadband in a positive way.

So can't give specific guidance in terms of where churn would go. But the fundamentals of -- and the focus around attracting healthy and keeping healthy customer relationships and connectivity is so key. So we're very excited about the prospects of Mobile and Flex impacting that over time.

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

And Ben, this is Brian. Let me start by saying I really love the company we've got. I can't imagine really a better quarter. It's an exceptional quarter. And I believe we have lots more organic growth ahead. And we have a very special, unique company, across distribution and content, working so well together. And you see that with Peacock and Sky and Peacock and Xfinity and even in our Olympics advertising. And we like -- and we are investing behind the businesses. So I don't think -- I think Mike Cavanagh has been very blunt that we don't need M&A. We have a majority broadband-centric company, and we like the mix.

So what might that drive us to consider at least, which is any kind of partnership where we have unique special capabilities that could lead in -- globally or internationally to enhancing our streaming position. That's something you might talk to others and consider.

But as to your scale question, I really think it would -- we have all the parts. And Jeff, why don't you comment on that in just a second and maybe with some more specifics. But if you look at the results of Peacock this quarter, again, we're probably -- we're the fastest-growing streaming service, 50% in 90 days. We have a brand that's only a year old, and it's either the #1 or #2 new brand in America that's been created. So I really think our corporate focus is, as we've said many times, was to get back in balance on capital returns.

I'm probably most pleased this quarter that we were able to get to that place, buy back stock, as Mike just talked about. So I do think we have the scale. I think we have an amazing company, and I feel fortunate with our position.

Jeff, why don't you talk a little more about the scale?

**Jeff Shell** - Comcast Corporation - CEO, NBCUniversal

Yes. Thanks, Brian. Ben, when you talk about scale with respect to streaming and Peacock, just to get more granular for a second, there really are 3 elements of the scale. One is the scale of the platform technologically. And as Brian just mentioned, we launched on the back of the Sky platform. And we've leveraged our Xfinity and Dave's team significantly. So I think we have proved that we would have never launched -- this success technologically with a platform that looks great and works without the scale that we have already at the company. There is scale with respect to the brand, and that's why I'm thrilled with today's announcement that Peacock is going to be in 20 million Sky homes, and eventually, we'll roll it out across the globe.

Then the most important by far element of scale as far as streaming is content. And we are really at the beginning of our content rollout on Peacock. That's why this quarter's growth is really extraordinary. Because this quarter, as Brian went through, we had a pretty good movie with Boss Baby 2. We had our first real good drama with Dr. Death. And we had -- and we have obviously rolled into the Olympics here where we're halfway through the first week of the Olympics.

Looking forward, we -- as part of our plan, we have another Olympics. We have lots of original programming, which Mike mentioned. We're ramping our production right now on. And we'll be rolling out over the next year. Brian mentioned our movies. We have the -- what I think is one of the top studios in Hollywood, and we have lots of movies coming directly to Peacock. And eventually, we're going to have the Hulu content coming back.

So we have plenty of content coming. And this quarter showed that when you put that content on a service that's good, you can actually get pretty good growth in the streaming world. And so personally, I don't think we've ever lacked for the capital to do what we needed to do to grow our business.

And what I'll end with is a perfect example that happened in the last week was we, at Universal, acquired the rights to the next 3 Exorcist movies in a pretty unique deal that was done in tandem with Peacock. We wouldn't have been able to do it if we didn't have a streaming service. Where we basically got the rights on the back of the strength of our studio where we have Jason Blum and a horror pedigree that's unmatched and Donna Langley and her team's ability to market movies. But because we did it with Peacock, we have full optionality going forward. Do we put the second and third movies direct on Peacock? Do we do something hybrid? We can really kind of adapt and be flexible based on how the market works.

So we have the scale across our company to do things like that. And I don't think we're lacking for scale personally. I think we can achieve our success at Peacock without anything additional, and I think this quarter proved it.

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**Operator**

Your next question will come from the line of Jessica Reif Ehrlich with Bank of America.

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

I have 2 questions directed to 2 people. Brian, first. I mean this is such a different call than a year ago. You've come out of the pandemic in a stronger position than you were even going in at really all of the businesses, Cable, NBCU and Sky, in every aspect, whether it's share gains, margin, growth in developing businesses, et cetera. So sitting here today, what do you think the biggest ongoing benefits will be from all the changes that have been implemented? And then what are your key longer-term goals from here? You've talked about the near-term goals.

And then Jeff, I don't even know where to start because there's so much going on at NBCU. But can you give us a little more color on the upfront and the cross platform benefits? And maybe to drill down a little bit into Peacock, what should we be -- expect in the next year or so in terms of incremental cost for the international rollout as well as increased content? And then finally, you said in the past that you expect this Olympics to be the most profitable, but you've been hit with a little bit of bad luck, I mean, in terms of COVID getting a little bit worse and stuff going on with the athletes. Do you still have that view? Like how do you think about this Olympics or the next one in terms of profitability?

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

For the observations because I would -- I share your view. It's been an extraordinary year. I'm really proud of the company, first of all, on some of our initiatives, our commitment of \$1 billion over 10 years to close the digital divide and have broadband be accessible and affordable for many more people. And so I guess I'd start by saying the momentum, it's on us to keep this fabulous execution. Dave talked a lot about that focus.

I think what kind of gets lost perhaps a little bit in broadband is not just the consumer broadband, which clearly, record second quarter. Now saying again that this year, we expect mid-teens growth from 2019. I did not expect that 6 months ago.

So how do we keep that momentum and build on it, that comes down to great products and the network and a team and a management team. We've made a lot of changes. We've had some retirements and other things and the backfilling and moving executives, promoting executives. All that has put our team in an excellent place. We've learned how to work in a hybrid manner. And whatever comes next, I don't think this team will miss a beat. And so I thank them for their focus.

But as I think about broadband, we really don't talk about business services enough to have a \$9 billion business from 0, built literally with 0 market share and growing only 1 direction and keep expanding the definition of that market from small, to medium, to now really enterprise. And every couple of weeks, I get an e-mail that talks about some major account that we've just won for the first time, and it could lead to way more volume over time. So Bill Stemper, who has run that business really since inception and has done an exceptional job. And we're trying to do that now at Sky and expand that market.

And then, we've talked a little bit about wireless and mobile. And we've really pivoted to being a strategic opportunity with fantastic customer satisfaction ratings, a great relationship with Verizon that enables us now to compete and compete well and to innovate and so on and on. I think keeping our focus there.

So in the longer term, I think we have an opportunity to see the vital trend of direct-to-consumer, digitization, computing power evolving our -- the way we live, how relevant will our company remain and be and help lead that change. And I look at the tech company results, and you just see this trend accelerating.

So what are some of the takeaways? Well, first of all, being an enabler and a critical opportunity to innovate our network to help be as relevant in the future as we are today is job one. I think digital advertising. We saw some of the results from the tech companies, and we look at our own, creating more inventory. So the strategy for Peacock for me feels really smart. We're creating more digital inventory. That's the Holy Grail of ads. That's why we're able to get a premium, and Jeff can talk about Olympics a bit. But in the big picture, we're reimagining how people consume. And that consumption is enabled by broadband and now enabled by Peacock and hope to do that in a more significant way.

And then retaining talent and being a company where people want to work, but at all levels of the company. And that's being reimagined in our society. And we read about it every day, how people have more choices and want more balance in their life.

Figuring that out, we have a talented team that is leading us and that I really want to thank here and at this quarter and this first half of the year. And coming through the pandemic, it feels like, hopefully, there's an opportunity to be a real light even if we have a few more moments. This company is well positioned, and I just really feel that way. So thanks for giving us a chance to ask that question. Pass it to you, Jeff?

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**Jeff Shell** - Comcast Corporation - CEO, NBCUniversal

Jessica. Thanks, Brian. So on the upfront, let me take it kind of in order, Jessica, of how you asked the question. So on the upfront, I think we've been -- I think we've talked about that in the past. It's, as Brian just mentioned, the strength of our platform, combined with Linda's -- Linda Yaccarino and her team's approach, one platform approach was the perfect way to approach this red-hot upfront. And as Brian said and Mike said, double-digit increases in both volume and pricing, and we'll see those results in the years ahead. And particularly happy with both the volume on Peacock and the CPMs on Peacock. So that, we could not have been more pleased with how we did in the upfront.

As far as Peacock, I should mention that one of the things I didn't talk about is we concluded our Amazon and Samsung deals this quarter too. There is a lot going on at NBC. We're now fully distributed for Peacock, and that's going to have benefits as we roll out all our additional content.

I would say that we look at where we are today, and being much further ahead than we expected to be at this point, we'll probably ramp up our investment modestly over what we've done in the past. But as I mentioned, we have so much content coming to Peacock that it doesn't have to be significant.

I will say with Peacock and then segue to the Olympics, we're learning a lot as consumption happens on the Olympics here at day 6. And not to ruin anybody tuning in, but we have a big upset just happened in the last hour. And you should tune in and watch tonight on NBC to see that, but exciting U.S. team. And we're not -- we've had some bad luck. But if you look at the product, it's fantastic. And it really is impossible. And so what I would say is on Peacock, what we will learn in this Olympics, we will take to Beijing and change the product, change the offering in each Olympic out forward, and we're really excited about that.

It's impossible to understate the importance of the Olympics to NBCUniversal. It's not really financially. It's more operationally across the company. We have 4,000 people literally working on it. Brian and I were in Tokyo. I came back and saw our team in Connecticut. You have people, this is their life work. You go from room to room. You have experts on surfing and volleyball and gymnastics. And it's a -- it is an operation that would be very difficult to replicate the talent and the experience that our team brings to it, and they show it every night in NBC. And then of course, the Olympics are the perfect property to show the strength of our platform across not only NBCUniversal, but Comcast and Xfinity and Sky.

So the Olympics, obviously, as you said, Jessica, we had a little bit of bad luck. There was a drumbeat of negativity. We got moved a year and no spectators. And that has resulted a little bit in linear ratings being probably less than we expected. But the flip side of that is the digital strength has kind of offset that. So when you look at what's happening with Peacock, that's directly related to the Olympics.

So net-net, with all this bad luck, we're going to be profitable on the Olympics, which we're very happy with, and we're very happy with the product. And then if you watch every night, you'll see we use this as a firehose to promote everything else we're doing at the company, not just across NBCUniversal but also Comcast. So the Olympics, I think we're very pleased with the Olympics and very proud of our team and got a ways to go here.

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**Marci Ryvicker** - Comcast Corporation - SVP of IR

Thanks, Jessica.

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**Operator**

Your next question comes from the line of Peter Supino with Bernstein.

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**Peter Lawler Supino** - Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst

I have a question about your aggregation business. With Flex's expanding app portfolio, I wonder how you could increase your momentum in aggregation in general. And whether it would make sense to send Flex boxes to all of your Internet-only subs and maybe even video subs who only have one video box at home, again, in order to drastically increase your scale with a good product.

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

Well, I'll jump in on that one. This is Dave. So we are very excited about Flex. Early -- still early days, but we have over 3.8 million Flex boxes deployed, and about half of those are being actively used and engaged. So -- and the reasons why that we're -- we continue to be excited, it is a terrific long-term platform, but it is helping broadband, as I mentioned earlier. So they were generating about \$2 of incremental revenue just on the pay per view, the rev share side of things. And advertising opportunities will be above that.

So today, in terms of what we're doing within footprint, there are parts of what you mentioned. We absolutely include it as part of the broadband subscription. It's a key part now that with broadband, you get this great streaming platform. So we're doing that.

We have -- if you're a traditional video customer, we have devices that enable full home, the X1 experience throughout. So we have that. But we are not bashful about letting our customers -- broadband customers, in particular, that really important streaming segment, know that this is included.

Outside of footprint, we are -- we have syndication partners that we're working with, Cox, the Canadian companies. And we continue to explore ways of doing that. And we think that it's a terrific long-term platform to tie together uniquely. The way that we do with the voice remote, it gives full capability. We've been investing in X1. We can leverage that platform.

So we do qualify. We ask the customer if they want it. And then we -- but we stay right on it and deliver a great service. And the feedback that we're getting and engagement is very strong. So it's a really important part of broadband growth today, and we'll explore outside of footprint opportunities, ways of doing even more over time.

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**Operator**

Your next question comes from the line of Phil Cusick with JPMorgan.

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

A couple on wireless. First, you're building momentum and growth in this business. Should we think of it as this is sort of the level based on essentially all stores and distribution channels open? Or are there more things you plan to do push this harder? And then second, did you register for the next wireless auction?

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

Phil, this is Dave. So on the sales momentum side of mobile, one of the things that's happened as we got through the first pandemic phase that we did shut down last year. Retail slowed things down. And what we saw in the back half of last year just continued through this year, is every single sales channel, now we focused on. Retail's back and -- but in addition to that, extremely focused on our call centers, the digital tools that optimize buy flows for mobile and how we go to market. It's -- that has been a huge change, just the fact that we lead with mobile is so key and mobile and broadband being a package.

So those fundamentals have emerged and really an important part of our go-to-market strategy. We've invested in tools, not only for the customer but for our agents and how they sell mobile, just improving the experience for customers is really key. So -- and a lot of marketing investment around the mobile message. If you live in our footprint and you're watching this great Olympics coverage that Jeff and the team are doing, you can't miss the fact that we are really, really focused around the mobile business. So -- but I think that natural combination of broadband plus mobile will continue.

So the other big addition recently is clearly the Unlimited packages that we've rolled out, and that is adding to it. We've seen a nice shift in mix, and we continue to have By the Gig. But adding on Unlimited really closed and filled the gap that we had in our competitive portfolio. So now with great Unlimited pricing for multiline kind of families, and you can mix and match still between By the Gig and Unlimited, we're in a unique position in our footprint.

So like our momentum, the 280,000 lines was just terrific and set a record for us. But we're continuing to stay focused, and we see that this is a real opportunity for us going forward. So on the auction side, I think the last part...

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

Mike, why don't you answer that?

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

No comment on status for next auction. We take a look on occasion. We like our spectrum portfolio. It gives us optionality for offload. So we often take a look if the price is right, but no comment yet on where we stand with the next auction.

**Marci Ryvicker** - Comcast Corporation - SVP of IR

Thanks, Phil.

**Operator**

Your final question comes from the line of Craig Moffett with MoffettNathanson.

**Craig Eder Moffett** - MoffettNathanson LLC - Co-Founder, Founding Partner

A question for Brian and Mike, if I could. The free cash flow profile that you guys have over the next few years that you're, just given the EBITDA today, you're already running ahead of, would suggest that if you keep your leverage target at something like 2.5x like you've talked about, you could be buying back \$20 billion a year of stock just to keep your leverage constant. Can you just talk about sort of how high you're willing to go in terms of share repurchases? And I know you've always talked about keeping your powder dry for optionality. But it would seem like there's a lot of optionality there and room for a pretty significant increase in cash returns to shareholders.

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

Craig, it's Mike. So I'd just say, first things first, we're happy with the first half of the year. We're happy that we're back in balance, starting to get the buyback going again. I think the way we'll look at it over time is not in terms of is there a dollar number. We're going to think about it in terms of we want to keep a strong balance sheet. So I think, think of us as wanting to be comfortably in the range of ratios that would support the single A rating. We want to make sure we're investing behind our businesses, primarily organically, but occasionally, tuck-in acquisitions or all that. You see that in the normal course all the time in our business.

And then capital return is the other leg of the stool. We've been -- this company has historically been very strong, and an important part of the priorities is to return capital. We've increased the dividend for 13-plus years running and 1 of the few companies that have had as strong a level of consistent dividend increase. And you look back between the time of the NBC deal and the Sky deal, the level of free cash flow that was returned to shareholders through buybacks and dividends combined was incredibly strong. So I think we would continue to execute against that.

The first half of the year -- I guess, the remainder of this year, think of us as continuing to be at the historical levels for now. We've got a level of working capital this year that we continue to expect will be higher than it was in 2019. That's mostly going to be hitting us in the second half of this year with Olympics and the ramping of content spend. But the dynamics of EBITDA growth and future prospects is as you described. So we'll take it a quarter at a time as -- and we'll talk more probably at the end of the year.

**Marci Ryvicker** - Comcast Corporation - SVP of IR

Thanks, Craig, and thank you all for joining us this morning. We hope you have a great rest of the summer, and stay safe.

**Operator**

There will be a replay available of today's call starting at 12:00 p.m. Eastern Time. It will run through Thursday, August 5 at midnight Eastern Time. The dial-in number is (855) 859-2056 and the conference ID number is 2883365. A recording of the conference call will also be available on the company's website beginning at 12:30 p.m. Eastern Time today.

This concludes today's teleconference. Thank you for participating. You may all disconnect.

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