OVERVIEW:
CMCSA reported 1Q19 revenues of $26.9b and adjusted EPS of $0.76.
Good morning, ladies and gentlemen, and welcome to Comcast’s First Quarter 2019 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 and Finance, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Thank you, operator, and welcome, everyone. Joining me on this morning’s call are Brian Roberts, Mike Cavanagh, Steve Burke, Dave Watson and Jeremy Darroch. Brian and Mike will make formal remarks and Steve, Dave and Jeremy will also be available for Q&A.

As always, 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, in this call, we will refer to certain non-GAAP financial measures. Please refer to our 8-K and trending schedules for the reconciliations of non-GAAP financial measures to GAAP.

With that, let me turn the call over to Brian Roberts for his comments. Brian?
Thank you, Jason, and good morning, everyone. This was a great first quarter and an exciting, fast start to the new year. Overall, we delivered strong EBITDA and earnings per share growth as well as robust free cash flow. As you’ll hear, this includes the best quarterly EBITDA growth in over 10 years at Cable, favorable results at NBCUniversal and exceptional growth in customer relationships at both Cable and Sky. These results, combined with the continued strategic evolution of our company, bring into focus why we are so well positioned to successfully compete and grow for the long term.

We have the leading scale platforms in the key and most attractive markets in the world. The U.S., U.K., Germany and Italy are 4 of the top 10 markets globally in terms of high-value households, representing 15% of the world’s broadband and video customers, but with about 50% of the world’s associated revenues. Collectively, we are #1 by a wide margin in these markets with 54 million customer relationships that generate ARPUs of over $110, with substantial margin and incredible stickiness.

We are intensely focused on being the leaders in the markets in which we compete, and we’ve achieved this by continuously improving our best-in-class products and experiences. This gives us a sustainable path to growing and deepening our customer relationships for years to come, and our over 400,000 net additions in the first quarter continues our company-wide momentum.

Secondly, we also have leading scale in premium content. We purchased and produced $24 billion of content annually and monetized it through our entertainment, news and sports networks and across other third-party platforms.

The first quarter was highlighted by NBCUniversal’s fantastic theatrical releases and Sky’s differentiated content continues to attract strong viewership, with Sky Originals representing all of the top 5 rated shows across its owned and partner entertainment channels. As content creation has many recent entrants, our industry-leading scale is a defining asset.

So let’s turn to some more details of the first quarter and the opportunities that lie ahead. Cable Communications delivered an outstanding quarter, including the highest quarterly EBITDA growth in over a decade, even better net cash flow growth and healthy customer relationship growth. Our efforts to improve the customer experience are driving higher customer satisfaction and taking unnecessary activity out of the business.

Nearly 80% of customer interactions are now completed digitally. And in the first quarter, we reached our lowest service call rate, highest first call resolution rate and shortest repair times on record. These operational achievements are a huge part of the roadmap.

As we’ve previously described, we pivoted the business towards our most important and differentiated product, our industry-leading broadband service, which forms the foundation of our valuable relationships with residential and business customers. Our customers’ demand for speed and data usage keeps increasing. Our median broadband home now uses over 200 gigabytes of data per month, an increase of 34% year-over-year, which accelerated from the fourth quarter.

With our consistent investment in our network, including a capital-efficient path to 10-gig speeds in the coming years, we believe we will continue to exceed customer expectations. Along with X1, mobile, voice and home security, we continue to develop complementary products and services to deepen these data-centric relationships.

Most recently, we launched Flex, which adds value for broadband-only customers by integrating a wide variety of favored streaming apps and leveraging some of the best features of the X1 platform, like our voice remote and the ability to manage connected devices on the big screen.

Overall, with lots of runway ahead on our connectivity businesses, we are confident in our outlook for continued healthy customer and net cash flow growth at Cable.

At NBCUniversal, our first quarter performance demonstrates the power of our premier content portfolio. Adjusting for the profitable broadcast of the Super Bowl and Winter Olympics during last year’s first quarter, NBCUniversal EBITDA increased by double digits.
Film had a tremendous quarter, including the theatrical releases of DreamWorks’ How to Train Your Dragon: The Hidden World and the thriller, Us. We are looking forward to the second Secret Life of Pets as well as Hobbs & Shaw from the Fast and Furious franchise later this year.

At television, underlying trends remain healthy, reflecting demand for our must-see entertainment, sports and news content. NBC is on track to finish in first place among adults 18 to 49 for the 52-week season for the sixth consecutive year and has 4 out of the top 10 entertainment shows on broadcast this season, more than any other network. MSNBC also continues its impressive success leading CNN by more than 50% with the narrowest gap to Fox News in over 15 years in total viewership.

These highlights throughout our content portfolio bode well for NBCUniversal’s direct-to-consumer launch. Each company seems to be pursuing different opportunities as the streaming ecosystem evolves. And we really like our plan, which naturally leans towards the wonderful strengths across all of Comcast.

Together, NBC and our cable networks have leading viewership share, and consumers love Universal’s films, library and many content franchises. Advertisers are eager for targeted digital advertising opportunities in the kinds of top-quality shows we produce and our ad sales capabilities and organization by the best in the industry. So our DTC service will be positioned to gain scale quickly as it will leverage the current Pay TV ecosystem, including our own tens of millions of valuable customer relationships. We also have scaled IP video capabilities and infrastructure, including the NOW TV OTT platform developed by Sky, which will greatly accelerate our efforts. The entire company is energized by this new initiative.

Turning to Sky. We remain confident in our strategy of differentiation through unique content, leading to a sustained, attractive, competitive position. With a wide range of innovative products and packages, Sky is in a great position to continue to expand its addressable market, leveraging the strength of its brand. In the quarter, we had robust subscriber growth, adding over 100,000 net new customers, while as expected, new proprietary sports rights deals impacted our profitability.

As we begin this new chapter of our combined company, its early days, but we are finding significant areas for collaboration.

A couple of notable examples this quarter included the expansion of AdSmart, bringing together NBCUniversal’s advanced targeting solutions and Sky’s addressable advertising tools in a first step towards creating a global premium video offering for advertisers.

We also announced plans to combine key NBCUniversal and Sky assets, including some European TV channels and global content distribution businesses, which will provide better scale to accelerate growth and innovation.

And we’re also exploring launching a global NBC-Sky news channel later this year.

So in summary, we’re off to a terrific start in 2019, highlighted, in particular, by momentum in broadband and business services, which drove Cable to its fastest level of quarterly EBITDA growth in years. I'm really pleased with both our execution in the first quarter and our strategic positioning of the company for the future. We have world-class global content creation capabilities, and our growing base of over 54 million recurring customer relationships is built around the highly differentiated products and capabilities, our powerful broadband network at Comcast Cable and Sky's unique market position.

Over to you, Mike.
Adjusted EBITDA increased 18% to $8.6 billion on a reported basis and 6.4% on a pro forma basis. These results reflect exceptional growth at Cable and growth at NBCUniversal, despite the tough comparison to the prior year, partially offset by a decline at Sky due to the timing of new sports rights costs.

Adjusted earnings per share increased 17% to $0.76.

And finally, we generated $4.6 billion of free cash flow in the quarter.

Now let’s turn to our segment results, starting with Cable Communications on Slide 5. Overall, Cable delivered a very strong first quarter, highlighted by profitable growth and great customer metrics driven by our connectivity businesses and ongoing improvements in the customer experience. Cable revenue increased 4.2% to $14.3 billion, EBITDA increased 9.8% to $5.7 billion and net cash flow increased 25% to $4 billion. Customer relationships grew 3.6% year-over-year, including 300,000 net additions in the first quarter. On a per-relationship basis, EBITDA increased 6% and net cash flow grew 20%. These results now include Xfinity Mobile, which was previously reported in our corporate segment, in both the current and prior year periods. Excluding wireless in both periods, Cable revenue increased 4% and EBITDA increased 7.9% in the first quarter.

Now let’s get into the details of the quarter. As our impressive first quarter results clearly demonstrate, the engine of growth for our Cable business is broadband, where we are very well positioned competitively through the strength of our network and our differentiation on the basis of speed, coverage and control. Residential high-speed internet revenue was again the largest contributor to overall Cable growth, increasing 10% to $4.6 billion. This reflects a healthy balance of customer growth and higher revenue per customer.

Our residential broadband customer base increased 5% year-over-year to over 25 million, including 352,000 net additions in the first quarter. And our average revenue per customer grew nearly 5%. Notably, retention is the best on record.

Turning to our other connectivity business. Business services revenue increased 9.5% to $1.9 billion. Customer relationships grew 5.4% year-over-year, including 25,000 net additions in the first quarter. Revenue per business customer increased by 3.8%. These results reflect demand for our core connectivity services across small, medium and enterprise customer segments.

We also continue to enhance our offering with complementary solutions that deepen our relationships with commercial customers and drive additional value. We are seeing encouraging uptake of these services, including advanced WiFi, video surveillance, wireless backup and SD-WAN.

In total, our connectivity businesses generated $6.5 billion of revenue and grew nearly 10% in the first quarter, and we expect to grow at equally strong levels for the full year.

Turning to our video business. In a highly competitive market, our residential video subscriber base declined 1.7% year-over-year, consistent with recent quarterly trends and including net losses of 107,000 in the first quarter, resulting in a slight decrease in revenue. Video continues to play an important role in the bundle. We remain focused on driving video on segments we can serve profitably, leading with our best-in-class excellent platform for customers who want a premium experience and the most content choices. For customers who are primarily interested in streaming video content, we are leveraging the investments we’ve made in X1 to deliver our new Flex service, which provides a compelling platform and unique voice search capabilities for customers to use apps, like Netflix, YouTube and Amazon Prime Video, underscoring the value of our broadband service.

Now to wrap up with our newest addition to the Cable segment, Xfinity Mobile. Wireless generated $225 million of revenue compared to $185 million of revenue in last year’s first quarter. This growth was driven by an increase in our customer base, partially offset by lower handset sales. We ended the quarter with 1.4 million customer lines, up by 828,000 year-over-year, including 170,000 net additions in the first quarter. The majority of customers are choosing our By the Gig plan and we are seeing a significant increase in the uptake of Bring Your Own Device, both of which delivered great value to customers and benefit our economics.

These factors, along with the scaled benefits we are seeing as our base grows at a relatively steady pace, are contributing to improvement on our wireless EBITDA losses, which totaled $103 million compared to $189 million in last year’s first quarter.
Moving now to cable expense and margin detail on Slide 6. To start, I’d note that while costs associated with Xfinity Mobile are now included in each of our non-programming expense categories, the bulk of these costs fall into the tech and product support expense category, as this is where our MVNO costs and mobile handset costs are housed.

Overall, total cable expenses increased about 1% in the first quarter, driven by 2.8% growth in programming expenses. Non-programming expenses decreased slightly and decreased 4% on a per-relationship basis.

Notably, customer service expense was down 2.3%, even as our customer base grew 3.6%. Our ongoing focus on improving the customer experience and offering more digital service tools continues to pay off in the form of higher customer satisfaction and a reduction in unnecessary activity and the associated costs.

As Brian mentioned, nearly 80% of our interactions are now being completed digitally, while both truck rolls and calls handled by our agents decreased nearly 10% in the first quarter.

These expense results, coupled with robust revenue growth, resulted in EBITDA margins of 40.1% in the first quarter, up 200 basis points year-over-year, including wireless in both periods.

For the full year, we now expect up to 100 basis points of year-over-year margin improvement compared to 2018's margin of 38.7%. This is an increase from our original guidance for up to 50 basis points of improvement in 2019.

Cable capital expenditures decreased 19% to $1.4 billion, leading to capital expenditure intensity of 9.5% in the first quarter, partially reflecting the timing of our spending.

For the full year, we continue to expect 50 basis points of year-over-year improvement in capital expenditure intensity compared to 13.8% in 2018, which has been restated to include wireless revenue and capital expenditures.

I’d note that our MVNO approach to mobile is very capital-light and so the amount of wireless capital expenditures is immaterial, both in the prior year and our 2019 guidance.

We are confident in our ability to deliver another year of healthy growth at cable in 2019, and our first quarter results show we are off to a great start.

With that, I’ll turn to NBCUniversal results on Slide 7. NBCUniversal revenue decreased 12% to $8.3 billion and EBITDA increased to 2.9% to $2.3 billion, primarily reflecting the difficult comparison to our profitable broadcast of the Super Bowl and Winter Olympics, partially offset by a strong quarter at Filmed Entertainment. As a reminder, the Super Bowl and Winter Olympics generated $1.6 billion of incremental revenue at our TV businesses in last year’s first quarter.

Cable Networks revenue decreased 9.2% to $2.9 billion and EBITDA increased 0.7% to $1.3 billion. Excluding $378 million of revenue associated with the Winter Olympics last year, revenue increased 3.2% driven by distribution and advertising revenue growth.

Distribution revenue increased 6.8%, reflecting the ongoing benefits of previous renewal agreements and a modest decline in subscribers.

Advertising revenue increased 2%, benefiting from overall higher pricing, robust demand at MSNBC and healthy NHL results, partially offset by ratings declines.

Content licensing revenue decreased 12% due to the timing of content delivered under our licensing agreements. We continue to see strong and growing demand for our studios content overall. And with the upcoming launch of our own direct-to-consumer service, we’ll have more ways than ever to maximize the value of our content.
Broadcast revenue decreased 29% to $2.5 billion and EBITDA decreased 24% to $387 million. Excluding revenue of $770 million from the Winter Olympics and $423 million from the Super Bowl, broadcast revenue increased 7.1%.

Retrans revenue increased by about 20% to $495 million.

Content licensing revenue increased by 7.2%.

Advertising revenue grew 2.6%, reflecting overall higher pricing and strength in our entertainment and sports properties, partially offset by a decline in ratings.

Filmed Entertainment revenue increased 7.4% to $1.8 billion and EBITDA increased 79% to $364 million, reflecting an 11% increase in content licensing revenue and including a successful quarter of theatrical releases.

Theatrical revenue increased 5%, driven by the box office performances of How to Train Your Dragon: Hidden World and Us. We look forward to another animated sequel with the Secret Life of Pets 2 hitting theaters in June and the return of our Fast and Furious franchise with Hobbs & Shaw later this year.

Finally, at Theme Parks, revenue and EBITDA were both relatively flat at $1.3 billion and $498 million, respectively. This, in part, reflects the impact of spring holiday timing, which benefited the first quarter of last year, but falls in the second quarter of this year. Excluding this impact, EBITDA would have grown by low single digits. Towards the end of the second quarter, we will be opening a new Hagrid-themed Harry Potter roller coaster and the first phase of our Endless Summer Resort in Orlando as well as a new Jurassic World attraction in Hollywood. Looking ahead, we have a robust pipeline of new attractions, which includes Nintendo coming to our parks starting with Japan in 2020 and the opening of our new Beijing park in 2021.

Moving onto Sky pro forma results on Slide 8. As I said earlier, these results are as if we owned Sky as of January 1, 2017. In addition, the growth rates I will refer to in this section are on a constant currency basis.

In the first quarter, revenue at Sky increased 1.9%. Content revenue grew 38%, reflecting the monetization of Sky’s exclusive sports rights, premium channels and original programming.

We added 112,000 net new customer relationships in the first quarter with growth in each of our markets.

Direct-to-consumer and advertising revenues were both relatively consistent with the prior year.

EBITDA decreased 11% in the first quarter, reflecting the increased in programming costs from new contracts for expanded Serie A and Champions League Soccer rights in Italy and Germany, which will lap in the second half of this year, while, at the same time, a new lower-cost EPL contract begins. We also anticipate benefiting for the remainder of the year from the price increases in the U.K. that went into effect in April.

It’s been 7 months since the end of the Sky auction and we couldn’t be off to a better start in the ways our teams across Sky, NBCUniversal and Cable are working together. Among the exciting initiatives already underway, our Sky’s NOW TV team support of NBC’s direct-to-consumer service, the expansion of AdSmart, the integration of NBC’s European channels with Sky, the integration of Sky Vision with NBC’s global TV distribution, the enhancement of Sky’s products with Cable’s XFi and voice technology, the leveraging of each other’s content by sharing Universal films and TV shows as well as Sky Sports and NBC Sports Network programming, and the collaboration in news on event coverage and the launch of Sky News on X1.

So wrapping up on Slide 9 with free cash flow and our balance sheet. We generated $4.6 billion of free cash flow in the first quarter and paid dividends totaling $869 million. Pro forma net leverage was 3.2x at the end of the first quarter. We are making good progress on deleveraging and remain on track with the leverage commitments we made to the ratings agencies.
In closing, as you can see in our first quarter results, we are off to a great start to the year and strategically well positioned for future growth with leadership in valuable customer relationships, a highly differentiated broadband network and world-class content. Our team's collaboration across the business makes us even stronger, which further supports our excitement about the opportunities ahead for Comcast.

With that, I'll turn it back to Jason.

Jason S. Armstrong - Comcast Corporation - SVP, IR & Finance
Okay. Thanks, Mike. Regina, let's open up the call for Q&A, please.

QUESTIONS AND ANSWERS

Jessica Jean Reif Ehrlich - BofA Merrill Lynch, Research Division - MD in Equity Research
I guess 2 questions. One, how is the company view evolving for direct-to-consumer, both for your own service and for the cable company, given the onslaught of coming services not just your own, but Apple, Disney, Warner? And then separately, can you -- is there anything that you can say on, like, long-term intentions with Hulu?

Brian L. Roberts - Comcast Corporation - Chairman & CEO
Let me start then kick it over to Steve and Dave, maybe. I think that we start with the central view that streaming is going to happen, video over the internet is more friend than foe and we wish every bit was our bit, but if people consume more bits, and video clearly does that and 4K video does even more of that, that's in the sweet spot of where this company is going to grow. In terms of the cable effect for the cable company, again, we've now integrated Amazon and we've integrated Netflix and we've delivered more Amazon and Netflix, I believe, to our customer homes, the #1 way to receive it in our footprint in our customer homes, and that -- it's a deep, successful, beautiful, elegant integration that the tech teams have done at both companies. And we've done that with YouTube. And you can imagine we'll do that again with others as the world continues to evolve. Dave, you want to talk a little more?

David N. Watson - Comcast Corporation - Senior EVP & President, CEO, Comcast Cable
Yes. Well, as Brian had said, we think that the internet-delivered video is a good thing for the Cable business. And you look at where the usage is on the broadband network. The median monthly data usage for our resi business is over 200 gigabytes, and this is increasing at 34% year-over-year in the quarter. So it's clearly critical to have a fantastic broadband network. And I think it really showcases, for us, these differentiated network and broadband. But while broadband is crucial, delivering the experience for all these apps, as Brian said, too, the X1 platform is uniquely positioned to tie up all this together. I've heard and you've all read different stories about just how complicated it could be for the consumer. We think X1 is just a fantastic platform. It gives us the ability to combine everything, live, DVR, On Demand and these apps in such a unique way using the voice. So I think that those 2 things, I think, give us a great position as we go forward in this landscape.

Brian L. Roberts - Comcast Corporation - Chairman & CEO
On Hulu, the relationship with NBC is very much in everybody's interest to maintain. And we're -- have no new news today on it, other than it's really valuable. And we're really glad we own a large piece of it. And Steve, you want to add anything there?
Stephen B. Burke - Comcast Corporation - Senior EVP & CEO, NBCUniversal

So Jessica, let me give you an update on the NBCU streaming service that we're developing. First of all, our feeling is -- and it's interesting watching -- you watch CNBC, you would assume that streaming is all of the entrants are in and it's a big battle between 2 or 3 of them. We actually think it's very, very early innings and, in some ways, reminiscent of cable in the 1970s or 1980s. And we think there will be a lot of entrants, and a lot of companies will try to enter with their own unique strengths, leveraging their own unique assets. And so you're starting to see that. In our case, NBC is the #1 broadcast channel. We have a huge portfolio of cable channels. And if you add up all of our rating points, more people watch our channels than any other media company's channels. And then not surprisingly, we're the #1 provider of television advertising in the country. So we think those are strengths. We also think the fact that Comcast Cable and Sky have over 50 million direct relationships, billing direct relationships with customers is a real strength. So our approach, which we think is very interesting and different, is to take thousands of hours of great programming and make it free to the vast majority of people who live in the United States or the U.K., eventually. And we think that's a way to get real scale quickly. And we think that's a way to achieve profitability more quickly than we would otherwise. So we've taken -- as Brian and Mike mentioned in their introductions, we've taken the NOW TV executive team, the -- 2 of the most senior people at Sky working on that project now live in the United States. And we have hundreds of other people working on rights and technology and all those things you need to do to set up the service. And in about a year, we plan to enter in this unique way. And we see a lot of people entering and we think there is plenty of room for multiple companies and different strategies to make money. And we look at it as a real opportunity. Given all the content we have and the real strengths we have, we look at this as a way to grow our company, empower our company for decades to come.

Operator

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

Benjamin Daniel Swinburne - Morgan Stanley, Research Division - MD

I just want to start on Cable, another quarter where not just customer growth strength, but also continued margin performance. Dave, you guys have had -- I think your non-programming OpEx has been coming down as a -- on a per-customer basis now for a while. Can you talk a little of the drivers of that and whether you see opportunity to continue, Dave and/or Mike, to drive this kind of leverage in the business, even as you grow your customer growth -- count so much? And then just coming back to sort of the shifting streaming landscape, for -- maybe for Jeremy. Disney rolled -- laid out a plan to roll out their product in Western Europe next year. We don't know about Warner's international plans. I'm sure we'll hear about it. How do you -- how should we think about Sky's position in Europe to the extent these rights move away from you and, I guess, if you see that as a risk or how you may redeploy capital into your own studio production? Just talk about Sky's position in Europe and how you think about the shifting landscape on the supply side.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Let's start with Dave.

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

Yes. All right. Thanks, Ben. So our non-programming OpEx, we've said we have a long-term game plan. And the key drivers for us starts with transforming the customer experience and the customers' digital capability. And when we do that, we're going to take out unnecessary transactions and associated cost out of the business. And this is happening. It's good for the customer. And it's the right way for us to run the business. And so we think that there is still significant room to improve our performance and taking out these unnecessary transactions. And so -- but at the same time, customer experience is only part of the non-programming OpEx. Some of the costs are success-based and some -- you'll see, perhaps, some increases based on higher volume of sales activity, like on the mobile side, handset costs. And we're going to continue to invest and grow on the experience. But what we're seeing, I think, is a reflection of our focus of just being very disciplined around cost and the customer experience. So there can be some lumpiness in any given quarter, but I like our momentum in reducing the transactions. And if you combine what Mike was talking...
about, the combination of this focus on the connectivity business and then with the -- our focus on taking these costs out, you're seeing the margin improvement that Mike talked about, up to 100 basis points. So we like our momentum.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Jeremy?

Jeremy Darroch - Comcast Corporation - Group Chief Executive, Sky

Yes, sure. So look, Ben, I feel really good about our position. I think that Sky's position in Europe has proved, as you've seen, to be very successful and endurable in a variety of environments. It's anchored off our brand leadership in all of our markets, our range and reach. I don't think any business in Europe can reach as many customers through their broader platform as we can. And we've got really strong market positions. We've got very broad content, as you know, across all of the major genres, pretty much across all of the major providers. I don't think people are going to say -- any of the business probably has the breadth and range of content that we've got. And as you know, we stepped in early to really dismantle the big bundle almost 10 years ago now in Sky. So we have -- we really moved our base already away and right sized much of our base. And of course, we were early into streaming with NOW TV. So it's no surprise to me that a business like Netflix, for example, want to be on Sky because they see that as one of the ways that they'll continue to grow the base across Europe. So I feel good about our basic market position. I think the second thing I'd say about Europe, given that we've got such a strong free-to-air sector here, is that the other capabilities of DTC away from platforms, the ability to sell products, reach customers, compete against good free services and then keep the products sold, that's very acute here. And I think we're in a good place there. I think our relationships will evolve, of course, with our partners. I don't feel there's any single partner that we need to keep on the platform and, as part of that, and continuing to invest in our own channels and content has been a key theme and will be a theme for us going forward. So this quarter alone, the Sky channels or Sky Originals, as Brian mentioned, outperformed all of the Pay TV providers in our markets. So as always, it'll be disruptive to an extent, I think. But I think if you look at our hand and all the assets we've got, we're going to be in a good place to navigate and continue to thrive in that environment.

Operator

Your next question comes from the line of John Hodulik with UBS.

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

Okay. Can we talk a little bit about competition in traditional video? Do you guys think you're benefiting from the fallout we're seeing at AT&T and maybe the price increases on the streaming side? And then correspondingly, do you think that gives a boost to the broadband market? And then maybe similar question, but on the NBC side. You talked about modest declines in subs. I think over the last few quarters, you've talked about sub improvement or improving sub trends on your fully distributed networks. Are you seeing that the -- those trends worsen? Or how would you think of trends on the -- on that side?

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

John, this is Dave. So look, the video category is -- remains a very competitive one. And it's little early to gauge any impact from some of the moves from either virtual competitors or the SVODs. But they're still all competing. The sheer number, though, that Steve mentioned, too, there are some new ones coming in. So it's a very competitive category. But having said that, I think we're competing very effectively with discipline to not chase unprofitable relationships. And X1 is a great long-term, terrific platform that, as I mentioned before, that integrates live, On Demand, DVR apps and will continue to be an important part of our go-to-market packaging approach. So we're going to compete for the segments that really matter. We're going to leverage our X1 platform. We'll see where the video market goes. But what's happening is, to your question, broadband is the centerpiece of our packaging. And we drove 300,000 total customer relationships. Broadband is the real driver behind that. We're ending with 31
million relationships, which is up 3.6% year-over-year. So we're, I think, doing a good job managing the business. We're still going to compete in video. But our overall net results, I think, reflect the strategy.

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

Before we jump to Steve, I just would add to that point that, probably, the difference between us and some of the others that you referenced is that's the strength of this great network and the model we've got between business services and consumers. If a customer doesn't choose to want to buy one of our video products, they're buying our broadband at a better rate than we might have had anticipated years ago. And that's where the shift that we're talking about is playing to our strength. The higher-margin, ultimately increasing revenues, the double digit that Mike talked about for the broadband business is pretty exceptional. So getting that mix right, not holding on to the wrong customers too long allows us to free up the broadband business and that's where the Flex product looks like strategically. We've now set a course for years to come that anticipates the change that is happening in the market. And that's where -- Dave, you're doing a great job.

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**Stephen B. Burke - Comcast Corporation - Senior EVP & CEO, NBCUniversal**

So from the perspective of NBCUniversal and sub trends, we've said, I think, maybe 3 or 4 calls in a row, that we thought the virtual MVPD sort of growth was probably unsustainable, and that's proving to be the case. I think as a number of people have come into virtual MVPD universe, they had promotional pricing or big launch plans, and they would gain a fair amount of subs. And actually, at one point, the gain on the virtual MVPD side pretty much offset the loss on the traditional MVPD side. That trend, I think, is over. I think we were right that people came in, and now they're raising prices and pulling back and redirecting. And what you're seeing is that the virtual MVPD growth is slowing. And there's nothing really dramatic on the traditional MVPD side. The erosion is pretty much the same as it's been. You just have a lower number of virtual MVPD net adds, and I think that's going to continue. I think we all believe that's a quite challenged business model. And there was a bit of excitement as everybody rushed into the business over the last year or so, and that excitement now is going away.

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**Operator**

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

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

One follow-up and a new question. First, on the cable margin. Following up, it seems like even the new guide of up to 100 basis point seems conservative. Anything coming in costs later in the year that we should be thinking about? And then second, Sky revenue growth in local of only 2% year-over-year looks like a significant slowdown. Was there a timing comp issue in the U.K. price increase? And then recognizing that April price increase, should we expect that to be enough to return local growth towards last year's 4%?

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

This is Mike. I'll start and then give it to Jeremy. So on the up 100 basis points improvement in margin, I think that's what you should count on. I think one quarter, it's a great start to the year. The trends that we've seen in the business of continued mix shift to broadband and control of programming and non-programming costs will continue to be the story. But one quarter at a time, and I'd point you to the guidance that we gave today of up 100. Jeremy, you want to hit Sky?

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**Jeremy Darroch - Comcast Corporation - Group Chief Executive, Sky**

Yes, sure. So yes, in terms of our quarter year-on-year revenue growth, there were couple of one-time effects in there. We had fewer pay-per-view events, that was a bit of a drag this year. And then we also launched Sky in Italy on the DTT network last year, and that is a lower ARPU, lower
revenue business -- with lower cost, so it's very, very additive and attractive as a business for us -- so that's a bit of a drag. You're right to say there's really no effect at all of our -- of 5% price increase in the U.K. and that will come through as we move forward. So we would expect our revenue growth to improve from here and that will continue as we go through the -- and broadly move us to that sort of number. The final thing to say is probably in Europe, as you know, the macro environment is a bit more challenging in Europe. So the overall ad market in Europe was weak in the first quarter. We significantly outperformed that because our channels are doing so well. We'd expect that trend to continue. But given the political uncertainty, things like Brexit, we'll have to see how the total ad market goes as we move through the rest of the financial year.

Operator

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

Craig Eder Moffett - Moffett Nathanson LLC - Founding Partner

Two questions, if I could. Steve, just -- if I can stay with this topic of direct-to-consumer and the sort of the response to what Disney laid out. They articulated a pretty clear path for what it's going to cost as well as what the strategy is. I'm wondering if you could just give some broad guidelines to how you think your own strategy will affect spending levels and your licensing revenues over the next couple of years. And then just on the cable side, I wonder if you could just talk about capital intensity. I know there are reasons not to get too excited about today's number just because of some pull forward in CPE last quarter. But this really is a sort of very different level of cable capital intensity that we've ever seen before and I'm wondering if that sort of informs your view of long-term capital intensity, whether it's any different than what you said in the past.

Stephen B. Burke - Comcast Corporation - Senior EVP & CEO, NBCUniversal

So on the direct-to-consumer capital and spending and everything else, we have a lot of people working on it, but we're not going to give any numbers for the obvious competitive reasons. And we'll leave it at that.

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

Craig, so as you said, capital intensity can be lumpy from quarter to quarter. So -- and sticking with the -- expecting 50 basis points of improvement in capital expenditure intensity in 2019 is right. I think the main drivers are very consistent. We stated this a while ago, what was happening, anticipated this. And so it's the decline in video CPE spending, but with a very consistent focus on investing in the connectivity side of business. And so we don't provide guidance much beyond what we just said. But we expect the trends to continue. I look at the investment and the infrastructure. Business services is just such a great growth engine. We'll continue to do the right things in the marketplace and capital and increase passings and lines. The business services team is doing a great job getting a return on all of those investments.

Operator

Your next question comes from the line of Doug Mitchelson with Crédit Suisse.

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

So a couple of questions. First...

Jason S. Armstrong - Comcast Corporation - SVP, IR & Finance

Doug? Hey, Doug, we can't hear you. Doug, we still can't hear you.
Douglas David Mitchelson - Crédit Suisse AG, Research Division - MD

Sorry about that. Can you hear me?

Jason S. Armstrong - Comcast Corporation - SVP, IR & Finance

We can now. Yes, go ahead.

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

Sorry about that. Just a bit on the wireless strategy. So obviously, strong profit improvement year-on-year, a bit better than we expected. What does this suggest for ROIs? And about the profitability, is the pace of improvement sustainable? And what drove that? And is wireless delivering the churn you had hoped for? And over on NBCU, Steve, any predictions going to the Upfront, what are advertisers telling you about their spending plans given this balance of high scatter pricing, but also a lot of ratings declines across the universe?

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

So I'll just -- it's Mike. I'll start on -- we're starting to see on mobile the benefit of scaling up the business, and so that's -- we've been talking about that for a while and waiting and watching for it. So you're seeing that in year-over-year with the improvement of about $180 million of losses to around just over $100 million of losses. Going forward, I think we sustain that scale. We're really pleased. Dave can comment on how the business is performing. But quarter-to-quarter, it'll be driven a lot by volumes. And we like the volumes we got in this quarter, particularly in light of what you see from the industry overall. And that's part of what you see here. But we're starting to see the benefits of scale. It's the short story on the financials.

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

So we are -- so we're happy with the mobile results today, including this first quarter, especially within the context of seasonality and our overall strategy. So 170,000 net additions, pretty solid and ending with 1.4 million lines are -- it's early, I mentioned it before, but we are seeing some improvement in retention and that's exactly what one of our top goals were. We want to increase consideration of other products. We're seeing movement in certain sales channels, retail, for example, where people are coming in and thinking about broadband, and mobile is helping that. And last, Mike was mentioning, maintaining positive standalone wireless economics when we reach scale, and I think we're on track.

Stephen B. Burke - Comcast Corporation - Senior EVP & CEO, NBCUniversal

So we're a few weeks out from the Upfront and I think all of the indications are, that at least for us, it's going to be a very strong upfront. I think the economy in the United States, the economy is quite strong. Our channels, NBC is ending the year #1. MSNBC is beating CNN at night. Telemundo is beating Univision. So we have a lot of inherent channel strength. And then we have -- we're bringing a lot of new technology and a lot of new ways of thinking about spending on digital and interactive technology, et cetera, to the market. And then finally, you mentioned the scatter market. The scatter market for many, many quarters has been up 30% and sometimes 40%, and that is just a very consistent strength. And the reality is there's more and more places to spend on digital, but television remains a platform for big companies that want to change people's brand perceptions that you just can't find on the internet. And so I think it is very likely to be a strong Upfront, and we're right there. We're heading into it in a few weeks.

Operator

Your next question comes from the line of Marci Ryvicker with Wolfe Research.
Marci Lynn Ryvicker - Wolfe Research, LLC - MD of Equity Research

I have 2 questions, Brian. You mentioned that Comcast in total spends $24 billion annually on producing and purchasing content. Do you have how much of that is related to sports? And then second, for Steve. As the stations groups get bigger, is there any change in conversations when it comes to reverse comp?

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Marci, I don't have that off the top of my head. We'll get back to you with whatever has been disclosed on that. We'll try to sum that up. But I think the point in making the statement, just to put it in context, is the scale of this company and the questions, even the conversation that we've been having here, it just dawns on me that the steps we've taken, I feel great about it. Sitting here today, with a global world that is interconnected more than ever, technology allowing that, what's our growth? What's our strategy? And you take those top 4 geographies, that's where the best customers reside. You want to have content opportunities in those countries. And we -- the $24 billion shows -- and that's not Dave Watson buying cable service. That's our production or sports spend or purchase from making films, and you put that together, that puts us first or second biggest producer of content. You have all these new platforms that want that content. And we have the very best team making that content and now doing that in the #1 position in Europe, it makes us just that much of a greater company. And then the 54 million homes and having only 25% market share, but that's far and away bigger than anybody else. But 25% of those -- in those 4 countries, we represent the revenue and the business relationships, is a fantastic position for this company. So it's the scale and it's across content and distribution that I think we were trying to highlight.

Stephen B. Burke - Comcast Corporation - Senior EVP & CEO, NBCUniversal

So let me just quickly address the reverse comp question and explain it a little bit for those of you who don't follow it. So in the 25% of the United States where we have NBC stations, we get retransmission consent and keep all of it. In the 75% of the United States where we don't have NBC stations, but do have affiliates, we keep over half of the retransmission consent in a form that we call reverse comp. And the reality is that has become a very substantial operating cash flow generator for the company. And we -- literally, every single one of our affiliates, we've entered into deals with. And I think our affiliates will acknowledge, if you look at eyeballs -- or really, any way you measure it, advertising, anything else, the network brings over half the value to a local station. And the value of that local station as an asset would change dramatically without the network affiliation. So I don't think any of the changes on the M&A side are going to affect reverse comp in the future. And I think being an NBC affiliate has been a very good thing over the last 6 years.

Operator

Your next question comes from the line of Jason Bazinet with Citi.

Jason B Bazinet - Citigroup Inc, Research Division - MD and U.S. Cable & Satellite Analyst

All right. Can I just go back to Mr. Roberts' comments around that $24 billion? I think there's a little bit of an asymmetry that the market perceives in that for an attacker like Netflix, whether you produce or purchase, it's viewed as fungible dollars. But for someone that's more in the incumbent position like yourself, those are not viewed as fungible. And so my question is, is there an explicit sort of idea inside Comcast to pivot more of the dollars towards production and reduce the purchase, so that you would have the flexibility to make a more aggressive DTC push over time.

Brian L. Roberts - Comcast Corporation - Chairman & CEO

Yes I think -- what Steve said earlier is we're going to keep our powder dry for another day to talk about more specifics than what we've already laid out. I would think -- again, the point is as we see new entrants, we're just reminding people the breadth of this company and also, I guess, our philosophy that it doesn't all have to be on one platform to be successful. There are a lot of different strategies and, particularly, when you do that
on a global basis. So we go from the #1 broadcast network to, frankly, a great portfolio of cable channels. Universal having its most successful 3 years in the last 3 years, I think, or 3 of the top 4 years and having a great start to this year. Sky already said they're going to do more of their own productions. And the top 5 shows were all Sky produced. You can see some trends and draw your own conclusions. And we'll have more to talk about in the future.

**Operator**

Our final question will come from the line of Vijay Jayant with Evercore.

**Vijay A. Jayant** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Media, Entertainment, Cable, Satellite & Telecommunication

Now that you've owned Sky for a little over 6 months, can you give any update on the $500 million synergy I think you had called out and how that's tracking? Or is there a bigger opportunity there? And then you've also talked about the Flex product being sort of a new frontier. Is that a product that's only going to be in your broadband footprint? Or is that something you could set a license out -- or rather sell outside the footprint and really give the benefit of the extent of the experience to other cord cutters?

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

Vijay, it's Mike. I'll start. So $500 million of synergies, we've said -- I'll say again, we're on track and we'll get those over time, a couple of years, mix, as we said, of expenses and revenues. So projects against all that are underway and you'll see that in Sky's numbers, but also spread around via the company broadly since the -- there's teams across the place working on all that. So feel good about the synergies. But I'd say more importantly, feel very good about owning Sky. And as we said, it's about what Sky is unto itself that is attractive there. And it's got great market position, as Jeremy has described, and you can pile on. But I think the list of work that both Brian and I have mentioned earlier, and I won't repeat it, but it really cuts across the way Sky, NBCUniversal and Comcast Cable connect with each other, I think, is upside over the longer term, for many years to come. That'll make us a better, stronger company and reach as many consumers as we've called out across the best markets in the world. So Jeremy, I don't know if you want to add. Sorry.

**Jeremy Darroch** - Comcast Corporation - Group Chief Executive, Sky

Well, I'll just add a couple of things and these are bit nonspecific, but I think they're important. I mean it seems to me, these businesses are of such size, the fact that we've, 7 months in, integrated well. I can tell you that the people of Sky easily feel very comfortable, like our new colleagues, are excited by the future. That in and of itself is not -- that's a good thing to have got under our belt. So there'd be no -- I don't think that there've been any sort of balls dropped in the immediate transition, that's important. And then secondly, I think, sort of big picture, my assessment is that, broadly, we wake up in the morning thinking about the same things. We're all trying to do the same things together. And therefore, in a fast-changing world, where you've just got to believe that the ability to move quickly and decisively, have a broader set of views and do single things more commonly across the organization, across the markets that Brian talked to you about, is going to lead to advantage, is my view. So I think both of those things, they're a bit nonspecific, but I think they're important nevertheless.

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

So Vijay, this is Dave. So on Flex, Flex is available in our cable footprint right now. And -- but consistent with our approach with X1 where we have syndication partners that have X1 and they market it in their footprints, there's a lot of excitement around Flex as well. So we're in discussions with our partners around Flex as well. I think, as Brian said, it's an important, long-term product. It's -- I think we're going to be using it in early stages in a targeted fashion, helping broadband, but it's a great platform to build broader video relationships as well. So we're excited about this in our footprint, but we'll be talking with other partners down the road.
Okay. Thank you, Vijay, and thanks to everyone for joining us today. Regina, we'll wrap up the call at this point.

Operator

There will be a replay available of today's call starting at 12:00 p.m. Eastern time. It will run through Thursday, May 2 at midnight Eastern time. The dial-in number is (855) 859-2056 and the conference ID number is 8973128. 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.