REFINITIV STREETEVENTS

EDITED TRANSCRIPT

CMCSA.OQ - Q2 2025 Comcast Corp Earnings Call

EVENT DATE/TIME: JULY 31, 2025 / 12:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Marci Ryvicker *Comcast Corp - Executive Vice President, Investor Relations*

Mike Cavanagh *Comcast Corp - President*

Jason Armstrong *Comcast Corp - Chief Financial Officer*

David Watson *Comcast Corp - Chief Executive Officer, Connectivity & Platforms*

Brian Roberts *Comcast Corp - Chairman of the Board, Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Michael Rollins *Citi Infrastructure Investments LLC - Analyst*

Craig Moffett *Moffettnathanson LLC - Analyst*

Michael Ng *Goldman Sachs Group Inc - Analyst*

Benjamin Swinburne *Morgan Stanley & Co Ltd - Equity Analyst*

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

Kutgun Maral *Evercore Inc - Equity Analyst*

John Hodulik *UBS AG - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to Comcast's second-quarter earnings conference call. (Operator Instructions) Please note this conference call is being recorded.

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

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thank you, operator, and welcome, everyone. Joining us on today's call are Brian Roberts, Mike Cavanagh, Jason Armstrong, and Dave Watson.

I will now refer you to slide 2 of the presentation accompanying this call, which can also be found on our Investor Relations website, and which contains our Safe Harbor disclaimer. 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 schedule issued earlier this morning for the reconciliations of these non-GAAP financial measures to GAAP.

With that, I'll turn the call over to Mike.

Mike Cavanagh - *Comcast Corp - President*

Good morning, everyone, and thanks for joining us. Before I hand it to Jason, I want to talk about three things that are particularly significant this quarter related to several of the strategic priorities of the company.

First is our broadband business, where we continue to roll out our new go-to-market strategy in a highly competitive environment. Second is our theme parks, where we successfully opened Epic Universe in Orlando, one of the largest and most ambitious projects in our history. And third is our media segment where our extraordinary mix of live events, sports, and entertainment across NBC and Peacock led to a record breaking upfront as we continue to execute on our strategy of running NBCUniversal's linear and streaming assets as one holistic media business.

So, let me start with broadband. We've taken a hard look at what it takes to compete and win, and we start with great confidence that our products and network are marketplace leaders. That includes our AI-powered entertainment OS, the most intelligent Wi-Fi network in the country, and a mobile service delivering the fastest speeds in our footprint. We're proud that we've re-energized a culture that drives innovation, one that continues to set our products and services apart.

Building on that foundation, we took several important steps this quarter to strengthen our position. Our goal for all the actions we've taken is to build a loyal customer base that churns less and values our services more by one, delivering simple, predictable, and transparent pricing; and two, making it easier than ever to do business with us.

Specifically, we've realigned our pricing strategy around seven main elements. First, we've moved from local offers to a consistent national pricing structure. Second, we simplified our broadband offering with four flagship speed tiers.

Third, everything is included. All packages come with unlimited data and our advanced gateways, which deliver the fastest, most reliable Wi-Fi experience, enable the connection of hundreds of devices, provide low-lag internet for gaming and streaming, and feature advanced Wi-Fi controls and cybersecurity protection.

Fourth, we've lowered everyday pricing. Fifth, we introduced both 1-year and 5-year price guarantees without contracts to give customers more choice and certainty. Sixth, we're including a free Xfinity Mobile line for one year for all new and existing customers. And finally, we introduced our premium unlimited mobile plan which includes 4K Ultra-HD streaming, expanded mobile hotspot usage, and device upgrades.

But in addition to pricing changes, we focused on making it easier to do business with us. We are incredibly focused on reducing friction across all of our channels, dotcom, phone, chat, and our app, and making every customer interaction an excellent and personalized experience.

For instance, we recently improved our digital buy flow by removing five steps, making the purchase process faster and easier, which has already driven more than a 20% improvement in purchase conversion rates. We also recently upgraded the operating system that manages our customer interactions to Google's AI platform, which will significantly improve our digital experience and route customers quickly to the support they need, providing our teams with full visibility into each customer interaction.

Together, these changes we are making in pricing transparency and ease of doing business are starting to drive the results and customer behavior we are aiming for. Customers are responding to the simplicity and power of these changes, with roughly half of our eligible new customer connects choosing our 5-year price guarantee this quarter.

We also posted a 20% increase in the percentage of new customers taking gig plus speeds, which lifted our overall speed tier mix and helped drive higher connect ARPU. And we're also seeing stabilization and voluntary churn and overall connect activity in broadband.

Momentum is building in wireless as well. Our free line offer and solid uptake in our new premium unlimited plans help drive our best quarter ever with 378,000 new lines added, bringing Xfinity Mobile to 14% penetration of our residential broadband base and still leaving us with plenty of room to run.

Before we leave broadband, I want to highlight a recent deal on the Comcast business side that strengthens our go-to-market approach for that customer base. Just last week, we announced a new MVNO agreement with T-Mobile in partnership with Charter. This new agreement pairs our industry-leading broadband and Wi-Fi with T-Mobile's 5G network to expand our mobile product offer to business customers as a fully integrated solution. We are pleased to work with T-Mobile in this initiative and continue to value our strong partnership with Verizon.

So the net of this is, while it's still early days, we like what we are seeing in our broadband business, giving us confidence in the changes that we've made and what's still ahead. We're executing on a connectivity strategy that fully plays to our strengths in broadband, Wi-Fi and convergence leveraging the largest gig speed broadband and mobile converge footprint in the country that serves both residential and business customer segments, and a best-in-class in-home experience through our advanced Xfinity Wi-Fi gateway. With our go-to-market strategy in place and execution improving, we're well positioned to lead in convergence.

Turning to Parks, we are extremely proud of the successful opening of Epic Universe in May. We're pleased with the early results as Epic is already driving higher per-cap spending and attendance across the entirety of Universal Orlando Resort, with strong food and merchandise sales and minimal impact on attendance at Universal Studios Florida and Islands of Adventure.

Epic is the most technologically advanced park we've ever built, and we are getting high praise for the innovative attractions, immersive environments, three new on-site hotels, and our strong food and merchandise offering. As expected, our near-term focus is on expanding ride throughput to reduce early attendance constraints. Epic is trending in line with our expectations and well on its way to transforming Universal Orlando into a true week-long destination.

Beyond Orlando, we're executing against a strong pipeline of new opportunities to serve more guests. Universal Horror Unleashed opens in Las Vegas next month, and we're developing a second year-round horror experience in Chicago, tapping into one of the country's top tourist markets.

In addition, in Texas, our Universal Kids Resort is moving towards a 2026 opening. And we're continuing the planning process for our new park outside of London, slated to open in 2031. These projects reflect our long-term strategy to expand reach, enter new markets, and broaden the appeal of our parks portfolio.

Turning to Media, our world-class combination of entertainment content and live sports and events continues to drive results across NBC and Peacock. We just closed our most successful Upfront ever, with record total sales and our largest sports commitments to date. Peacock was a standout, up more than 20% year over year and representing over a third of NBCUniversal's total volume.

Our Upfront results reflect our unparalleled 2026 line-up of tentpole events, starting with the Milan-Cortina Olympics, Super Bowl LX, and the NBA All-Star Game in February, the FIFA World Cup on Telemundo in June, and the elections and BravoCon in November, along with a robust slate of entertainment and sports content throughout the year.

We also expect to build on the momentum we are seeing in our entertainment content. Love Island USA, which appeared exclusively on Peacock, was the top-streaming reality series for the entirety of its season 7 run. It attracted a significant number of first-time subscribers. And importantly, two-thirds of those new paying customers went on to engage with additional content, driving a lift in overall consumption across the platform.

Peacock continues to differentiate itself with one of the most robust live sports offerings of any streamer, and that position will only strengthen with the addition of NBA coverage this fall. In fact, in 2026, Peacock will stream more live sports hours than any other streaming entertainment service. Add to that Pay-One films from our top-performing studios, original series, next day NBC and Bravo content, news, and a full entertainment library, and Peacock continues to deliver significant value.

To better reflect this premium content, we recently announced a $3 price increase rolling out in July for new subscribers and in late August for existing ones. The impact of this price increase, combined with the strong Upfront results I just discussed, help position us in the fourth quarter as we launch the NBA and take on higher sports program expenses particularly in the first year of the NBA contract when we absorb the full impact of adding these new rights.

So to wrap up across the company, we're executing with focus, simplifying how we operate, and leaning into areas where we have real competitive advantages. And we're doing it while maintaining a strong balance sheet and returning meaningful capital to shareholders. We feel great about the momentum we're building and confident in our ability to create long-term value.

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

Jason Armstrong - *Comcast Corp - Chief Financial Officer*

Thanks, Mike, and good morning, everyone. Let me start with a high-level overview of our consolidated results before getting into more detail on our businesses. Consolidated revenue increased 2%, benefiting from our core six growth drivers, three of which are organized under connectivity including Broadband, Wireless, and Business Services, and three of which are in Content and Experiences, including Parks, Streaming, and Studios. Collectively, these businesses represent nearly 60% of our total revenue and grew at a high-single-digit rate this quarter.

As you fast forward a couple of years, between continued investment in sustaining strong growth in these businesses and actions we are taking on other areas, including our announced spin-off of our linear cable networks into Versant and a recently announced sale of another one of our businesses, our exposure to these growth areas will be closer to 70% of our total revenue, which is fundamental to our path to re-accelerating total company revenue growth.

EBITDA grew 1% this quarter. Adjusted EPS grew 3% to $1.25, and we generated $4.5 billion of free cash flow while returning $2.9 billion to shareholders, including $1.7 billion in share repurchases.

Now turning to our businesses, starting with Connectivity and Platforms. Beginning with broadband, the competitive environment remains intense as we had previewed and when combined with the typical negative seasonality in the second quarter, resulted in 226,000 subscriber losses.

But as Mike described, we are encouraged by the early reaction to our new go-to-market initiatives as we started to see some early signs of stabilization in both connect activity and voluntary churn. Notably, during the quarter, we saw roughly half of our eligible new customer connects select our 5-year price guarantee, opting to pay more upfront for longer-term consistency.

In addition, we've seen a 20% increase in the share of new connects choosing our premium gig plus speeds. This contributed to broadband ARPU growth in the quarter of 3.5%. Looking ahead, we continue to expect healthy broadband ARPU growth over the balance of the year, although the rollout of our new everyday pricing structure at the end of the second quarter is expected to moderate ARPU growth in the near term as we begin transitioning customers to more consistent and predictable pricing. This includes the continued offer of a free wireless line for a year to both new and existing broadband customers.

Convergence revenue sustained healthy growth as well, up 3.7% in the quarter, supported by high-teens growth in wireless revenue. Fueled by the strength of our Xfinity Mobile product and compelling go-to-market initiatives, including our promotion offering a free mobile line and our recently introduced premium unlimited plan, we accelerated net line additions to 378,000 in the quarter, a new high water mark for wireless net additions for our company.

Our wireless lines have now reached 8.5 million, and penetration of 14% of our residential broadband customer base, a rate that demonstrates both our success in entrenching our product as a competitive offering in the wireless industry, but also that highlights the tremendous runway we have ahead. So we're pleased with the results in the quarter and expect continued acceleration in the pace of net additions in the coming quarters.

Turning to Business Services, revenue increased 6%, and EBITDA grew nearly 5%. Our results this quarter include the acquisition of Nitel, which closed in early April. Nitel contributed a few hundred basis points to revenue growth and about 100 basis points to EBITDA growth. And we expect a similar positive impact for the next few quarters until we anniversary this deal next year.

Our strong performance continues to reflect the same framework we've seen for the last several quarters, including solid growth in SMB and even stronger growth in our enterprise solutions business. At SMB, despite increased competitive intensity, we continue to generate healthy revenue growth by driving higher adoption of our suite of advanced services, including cybersecurity and Comcast Business Mobile.

In our enterprise solutions business, we continue to see strong momentum. This growing segment of our customer base has more complex needs ranging from cybersecurity to multi-location connectivity. And they value integrated solutions and service reliability. These are areas where we continue to invest and lead.

Connectivity remains the core of our business, and we continue to see a meaningful shift in advanced solutions. Three years ago, for every dollar of connectivity sold, we sold $0.20 of advanced solutions. Today that figure has grown to approximately $0.50, underscoring the increasing value we're delivering to customers and reinforcing our competitive position.

Putting all of this together, EBITDA was flat in the quarter, consistent with comments we made last quarter that our new go-to-market strategy would impact our ability to grow EBITDA this year. We still believe that to be true as our investment in our operational pivot will ramp over the remaining quarters of 2025.

On the other side of this, these actions will position us well for long-term convergence revenue growth with a more durable customer base on market-based rate plans with long-term price stability and a discounted wireless offering with broader exposure across our base, giving us a large revenue and profit pool to unlock over time.

In Content and Experiences, there are several key items I'd like to highlight. At Parks, revenue increased 19% this quarter, driven by the successful opening of Epic Universe on May 22nd, while EBITDA growth was limited to 4% due to soft opening costs at the new park.

As Mike mentioned, we're really happy with the consumer response and we're pleased with how Epic is contributing to the overall Universal Orlando guest experience and performance. We expect Epic to continue to scale over the course of the year, with higher attendance and per caps as well as significantly improved operating leverage.

More broadly, performance at our International Parks remains strong, however we do continue to experience pressure in Hollywood, and we think it will be a couple more quarters until we lap that.

Turning to Studios, we saw a strong performance from the successful theatrical launch of How to Train Your Dragon on June 13th, which has grossed over $600 million in worldwide box office year to date, driving this franchise past the $2 billion mark. This success was followed by the July 2 opening of Jurassic World Rebirth, which is the seventh installment of our $6 billion franchise and has already surpassed $700 million in worldwide box office this month.

While the benefit of Jurassic's theatrical performance would land in the third quarter, the investment to launch two of our three tentpole releases back-to-back impacted our second-quarter results and profitability. In addition to Jurassic, we look forward to several more releases in the third quarter, including The Bad Guys 2; Nobody 2; Downton Abbey: The Grand Finale; HIM; and Gabby's Dollhouse: The Movie.

In Media, total Advertising revenue was down 7% in part due to the volume and timing of sports content, as well as tough political comparisons. Excluding this, advertising was down low-single-digits.

As a reminder, for us, the second quarter has historically lacked tentpole sports. So we've been more susceptible to fluctuations in general entertainment ratings. We look forward to that changing next year with the launch of the NBA.

Looking ahead to the third quarter, we will have a tough comparison to the very successful Paris Olympics, but feel well positioned over the next year given our strong line-up of content, including the NBA premiering in the fourth quarter and the Winter Olympics and Super Bowl in the first quarter of 2026, all of which contributed to record Upfront results that Mike highlighted earlier.

Our overall media results this quarter were driven by the continued meaningful progress we are making in our pivot to streaming. Peacock delivered double-digit revenue growth and a nearly $250 million year-over-year improvement in EBITDA losses, which landed at $100 million this quarter. Despite second quarter being a seasonally light sports quarter, we held paid subscribers steady at 41 million, driven in part by the wildly popular new season of Love Island USA.

Before wrapping up on capital allocation, let me start by spending a minute on the impact of the corporate tax provisions in the recently enacted tax legislation. The legislation restores 100% bonus depreciation, reinstating full expensing for property acquired and placed in service after January 19th of this year, and restores immediate deductibility for domestic R&D expenses.

So how does this impact us? We are a leader in US infrastructure investment. We're a leader in domestic content production, and we're a leader in the domestic experiences category. In fact, we have the nation's largest broadband network and are extending our network by adding 1.2 million passings a year. We've just debuted the largest and most sophisticated theme park built in the US in decades. We are leaders in entertainment programming and production, with our film studio consistently ranked number one or number two in worldwide box office. And we are number two in domestic sports programming and the home to many of the top sports in the US like the NFL, the Olympics, the World Cup, Golf, and will soon add the NBA.

As a result of all of that, there are several things in the legislation that benefit us. And we estimate on average roughly $1 billion in annual cash tax benefit for the next several years, with much of the benefit relating to infrastructure investments.

In broadband, we've said for some time now that we expect in the vast majority of our domestic footprint, there will effectively be two multi-gig symmetrical wires running into the home. And that's exactly what we've been preparing for by further strengthening and extending our network and innovating to differentiate the in-home Wi-Fi experience we deliver. The change in tax legislation provides a tailwind to that strategy and further supports our US investment, benefiting the company, our customers, and the communities we serve all across the country.

So, our expectation is that this legislation helps fuel the capital allocation formula that's been successful for us, which starts with reinvesting in our businesses, prioritizing a strong balance sheet, and strong returns of capital to our shareholders through dividends and share buybacks. We've been shrinking our share count by mid-single-digits on an annual basis for the past several years, and we expect to continue to do that as part of a robust and balanced capital allocation framework.

With that, let me turn it back over to Marci.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

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

QUESTIONS AND ANSWERS

Operator

Thank you. We'll now begin the question-and-answer session. (Operator Instructions)

Michael Rollins, Citibank.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Thanks, and good morning. First, on broadband, you mentioned the early reaction that you've seen from the adjustments to your go-to-market. Curious if you'd give some more details on that, on the competitive landscape and how that influences the pace over which you'd expect to improve quarterly broadband performance going forward.

David Watson - *Comcast Corp - Chief Executive Officer, Connectivity & Platforms*

Hey, Mike. This is Dave. So starting with the competitive landscape, it remains intense, as we've noted. Fixed wireless remains very active in the marketplace. Fiber competitors continue to build more passings. So that certainly hasn't changed in terms of the landscape. From our perspective, we want to make these changes that will help our competitive position, leverage our strengths, but change the experience side of things to address some of the pain points that we've talked about.

So, while it remains intense, the changes -- what doesn't change is our tremendous sense of urgency around getting to the other side, around whether it's all-in pricing, whether with the -- leveraging the gateway included, unlimited, the free mobile line -- that's part of it, the lowering everyday pricing, the 5-year price guarantee -- that's key, and all the customer experience changes. Those things are underway.

We're real early to comment in terms of any impact at this point other than to say, as Jason brought up that the early connect activity, very encouraging. Half of the eligible new customer connects selected the 5-year price guarantee. And we saw a 20% increase in the share of new connects choosing the premium gig speed. So like the early results, but we're moving with a lot of speed. And like the early results.

Mike Cavanagh - *Comcast Corp - President*

Mike, it's Mike. I'll just jump in and echo -- and kudos to Dave and Steve and team, the urgency with which they're going after the competitive environment is really strong and impressive. So thanks to that team for that.

But I think to answer your question as well, all the tools of the go-to-market changes that I went through, the seven of them, plus the various attack on any element of customer friction in the experience of engaging with us, whether that's through VRUs or dotcom channels or sales channels or otherwise, there's a lot going on. And I think all that is in the market.

So as we engage with customers, whether they're at a promo role moment or a new customer coming in the door or just a normal customer interaction, I think there's a lot of -- all the things we talked about are at work. And I think it's a mode of continuous improvement throughout the business. When new things pop up, we're going to be doing new things to address the competitive situation with a view that, obviously, this is a hugely important business.

And I think the goal of it all is to position the broadband customer base to really the connectivity customer base in a way that we've got a very loyal, satisfied, experiencing the value of our products with greater stickiness, lower churn, and exposed to our mobile product, which we think drives a lot of value. And I think that's going to set us up well for the long-term competitive dynamics that Jason described just a moment ago of having two lines into each home in the marketplace over the long term. So I think bringing great products, great service, and a great network to bear on all that, wrapped in all the things that Dave and Steve are doing is the plan of attack.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thanks, Mike. Operator, we will take our next question, please.

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *Moffettnathanson LLC - Analyst*

Hi. Thank you. Let me stay with broadband, if I could. Charter called out involuntary disconnects. There's non-pay disconnects as one of the headwinds. I wonder if you're seeing any of the same thing, which I suspect would point to some continuation of the market impact of discontinuing the ACP program.

And then if I think about Project Genesis and where you are with your network upgrades, have you seen any material differences in the way you're competing in Project Genesis markets where you're finished versus where you're not finished yet? What kind of market impact is that having?

David Watson - *Comcast Corp - Chief Executive Officer, Connectivity & Platforms*

Craig, this is Dave. So non-pay, from our perspective, we've seen a slight uptick at this point, balanced by, as Jason and Mike said, that both going into Q2 relative to Q1 on connects and voluntary churn, we saw a stabilization. There was a slight uptick in non-pay but not material.

So on Genesis, the great part, as Mike talked about the network, you have to put in perspective, we have invested pretty consistently over a long period of time, mid splits and other things that put us in a great position. I mean, today, we have gig plus speeds everywhere. And so our ability to compete -- for all segments, we're in a really good position to do that.

And so in terms of the upgrades, we're on track. We're ahead of plan actually. And we are motoring very quickly on the next phase, which is going to the DOCSIS 4.0.

So we're in good shape. We're competing with the strength of the network. And one addition I would add to -- when we talk about our network, a huge part of our point of differentiation is Wi-Fi, that you have to include Wi-Fi in it. And our definition of great Wi-Fi is Wi-Fi that matches the capability of your network. So great coverage, great speeds, and intelligence that can manage just lots of devices. So overall, when you step back, I think our network position is very strong.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Next question, please.

Operator

Michael Ng, Goldman Sachs.

Michael Ng - *Goldman Sachs Group Inc - Analyst*

Hey. Good morning. Thanks for the question. I just have two on broadband. First on pricing, I was just wondering if you could talk a little bit about this concept of everyday pricing as a potential drag to ARPU growth. How many of your broadband customers are on pricing that are above those headline everyday price rates today? I'm just trying to understand how long these ARPU headwinds may persist.

And then second, I was just wondering if you could talk about whether we're back to seasonal on domestic broadband net adds. Could we see improving net additions next quarter just given back to school? Thank you.

David Watson - *Comcast Corp - Chief Executive Officer, Connectivity & Platforms*

Hey, Michael. So in terms of everyday pricing, our focus is to get rolling in the early-stage part of this, in terms of impact, is connects, and we've talked about the connect early-stage results, that's pretty encouraging -- half of the eligible customers are taking it. But we won't be bashful in terms of making it available to the existing base the right packages that make sense for them.

So I won't give detail in terms of the level of customers at this point. But we're going to be very disciplined with a lot of purpose around making sure whether it's base management or in retention that all of our packages will be made available to them.

So we'll be pretty aggressive. As Mike said, the more we put into these longer-term packages, again, if they are willing to pay a little bit more upfront and to have that stability, that's good news for us. And they have all the capability of the products and with an eye towards churn improvement. So it's going to be an aggressive broad-based plan, connects, base management and retention and full use of these new go-to-market tactics.

On the seasonal trends, I think there's been a steady movement towards more seasonal activity that we have seen over time. So yes, Q3 is always a pretty big back-to-school period. And we are, as always, aggressively positioned to go after that. And there are seasonal trends that just happened in Q2 that we talked about, but I think there's movements towards more predictable seasonal trends that we had previously seen.

Jason Armstrong - *Comcast Corp - Chief Financial Officer*

Yeah. Hey, Michael, it's Jason. Just to round out the ARPU question. So as we said in the upfront remarks, 3.5% growth this quarter, we expect it to moderate in the next couple of quarters as we migrate more customers onto new pricing with the goal being it takes several quarters to do this. But if you fast forward a year or two years out, we've got a substantial portion of our base migrated onto new packaging. We gave a guide that said we still expected healthy ARPU growth in this timeframe but moderated a little bit from where we are right now.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thanks, Mike. Operator, next question, please.

Operator

Ben Swinburne, Morgan Stanley.

Benjamin Swinburne - *Morgan Stanley & Co Ltd - Equity Analyst*

Good morning. Jason, you called out 3.7%, I think, convergence revenue growth, which is a nice way to kind of cut through all the GAAP allocations. When you look at the business in the back half, should we expect any movement up or down in that when you sort of think about the volume improvements in mobile offset by your ARPU commentary? I was also curious if you had a cash tax number or help for 2025. Given all the changes, that would be helpful.

And then for Mike, just on Peacock, you got a lot going on in that business. You're going to have a lot of revenue coming in with that price increase and the upfront but also the NBA. Just can you talk a little bit about how you see the rest of the year playing out for that business just as we think about all those moving pieces? Thanks a lot.

Jason Armstrong - *Comcast Corp - Chief Financial Officer*

Several questions there, Ben. Let me start with cash taxes. So we said $1 billion a year on average for the next several years as a result of substantial domestic infrastructure investments we make. We are exactly the type of company this benefits because of the type of investments we're making. I'd look for that to be roughly that number in 2025, not something we're going to kind of continue to guide on. But as you look to set expectations for 2025, that's probably about the right number.

On convergence revenue, maybe I'll tag team with Dave a little bit. But as you look at this quarter, 3.7% growth, I think what we're setting ourselves up for, again if you fast forward, is a base that's repackaged on the broadband side and a base of wireless business that's larger than it otherwise would be because we've exposed our product to more and more customers and have the ability to grow off of this when customers roll off the free line. These are customers -- a lot of whom we necessarily wouldn't have attracted under legacy pricing and packaging. And now we have the opportunity to attract -- expose them to our product and then price them in a year from now when we roll off. So a real opportunity there in the interim.

Again I think you're going to see a little bit of pressure on the convergence revenue metric. As we said, ARPU growth moderates a little bit in the next couple of quarters. In wireless, we've got a portion of our base that's coming in on free line, which moderates that metric as well, but all in the process of setting ourselves up for the one-year, two-year mark, where we can reaccelerate.

Brian Roberts - *Comcast Corp - Chairman of the Board, Chief Executive Officer*

This is Brian. I just want to -- just on the cash tax point, just use it as an opportunity just to say that any policy that encourages American investment really lines up extremely well with everything we've done since the founding of the company. So for decades, we've been investing mostly here in America, building the biggest broadband network, opening theme parks, high-skilled workforce, and we believe where technology is headed, especially with AI and all the different connectivity uses to reshape our society in everything we do, that we are in a great position to continue to lead and invest in the nation's broadband fiber Internet infrastructure as we always have done. So I think it leads to the cash tax question that we are going to be able to take advantage of that policy in a way that's great for our customers.

Mike Cavanagh - *Comcast Corp - President*

Okay. Thanks, Ben. It's Mike. So we do have a lot going on in Peacock and NBC. So let me just step back and kind of cover some ground here. So really happy with what the team has been doing.

When you take NBC -- and needless to say, we'll get to parks at some point, but really great things going on in the parks business. The studio business has been a top-of-the-class performer. So alongside that is really our media businesses, where, obviously, there's a lot of challenges in the ecosystem. But we took on the challenge and opportunity of creating a streaming service in Peacock. And I'm proud to say that we see very strong continued momentum there.

Second quarter, we saw revenues again up nicely into the double digits, 18%; as Jason mentioned, the $250 million year-over-year improvement in EBITDA to a loss of $100 million. But it's really when you look ahead now a couple of quarters down the road, after the Versant spin, we'll then have a media business made up of NBC broadcast, Bravo, Telemundo, as well as Peacock that really are completely symbiotic, leveraging the strengths of the entertainment business, which is both scripted and reality entertainment as well as sports and news. And in addition, obviously, our pay-one movies.

So that new NBC media segment, I think, is really strategically well positioned to continue to compete on the back of -- we're going to have our 100th anniversary of NBC next year. It's a business that's been around a long, long time, has an unbelievable amount of advantages. So having a strategy for the future that is going to serve customers in a digital way through Peacock that wasn't the case a mere four, five years ago, I'm really glad we've got the business set up the way it's set up.

So when you look now ahead to what's coming from the moment where we're now launching into bringing the NBA back to NBC, which everyone here is extremely excited about and I think the people at the NBA as well, there's lots of great ideas for that. But that will start in the fall and go obviously heavily into the first half of next year.

It will be -- the positives needless to say are it's going to give us a full year of sports programming. So the point Jason made earlier about the dearth of sports in our second quarter won't be the case next year.

And obviously, it's a sport that is hugely culturally relevant. So there's a lot of thinking going on in our entertainment side of how to build things beyond sports around the new audience.

So we've talked about all the reasons we like the NBA so much before. But it's a big investment. So when the -- in this first season, we will take a full year's worth of cost amortization related to the business, and that largely starts in the first quarter.

I'll make a note that we'll do our accounting for that where we are going to be essentially straight-lining the 11-year contract, whereas our cash costs are substantially lower in the early years. So we'll have a big working capital benefit that I'll be calling out in the first couple of years of the contract. But put that to the side.

On the revenue side, that's the cost on the revenue side. Obviously, we're taking a big price increase that was in effect already for new Peacock subscribers and will be in effect for existing at the end of August. So that's one element.

I talked in the earlier remarks about the incredibly strong sports upfront. So I think a big piece of that is having the NBA in there, so that's delivered strongly. And over time, we'll have -- the next few years, we'll have the opportunity to drive Peacock subscribers higher as we leverage NBA and other content, and the continuation of consumer trends moving from the linear ecosystem to the streaming ecosystem, continues. We'll have our various distribution deals over several years, call it, three or so, reset and capture more revenues on that side. And over multiple years, we'll have the chance to rebalance various programming commitments for Peacock and NBC at large.

So that's the dynamics. I won't give you any particular second-half forecast. But as you look through the next year, we're onboarding all of that, and I look forward to -- when we're here in a year from now with one season under our belt and lapping that year, I think the business of media at NBC is set up for -- to be well positioned for growth from there post-Versant and post-NBA and with the scaled Peacock that it now is.

And I think the last point is it's also a set of properties and assets that is going to be extremely attractive to the consumer and very well designed to participate in any of the possible re-bundling of and reaggregation of streaming services. So I think the team has accomplished a whole lot in these media businesses over the last few years. So proud of the work that everybody at NBC has done.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thanks, Ben. Operator, we'll take our next question, please.

Operator

Jessica Reif Ehrlich, Bank of America Securities.

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

Thank you. I guess it's time to get to parks. Could you maybe give us some more color on what you're seeing in the market dynamics in Orlando? Whether it's overall market growth -- you mentioned that you're not seeing that much cannibalization in your own parks. And maybe kind of ultimate operating leverage and how you see CapEx flowing through. You have great IP, but ultimately, you'll add more.

And then maybe just stepping back, like a broader question for Brian. As you look out over the next couple of years, there's been so much going on in all of your businesses. What do you view as the most underappreciated growth levers for Comcast as a whole?

And then, sorry, but Mike, a follow-up, you mentioned NBA, the costs kick in Q1. Why not Q4 of '25?

Mike Cavanagh - *Comcast Corp - President*

Okay. It's Mike. So thanks. I misspoke. It does kick in as the season starts. So it kicks in in the fourth quarter; it goes through the full season. So sorry for that.

In terms of Orlando, I think the -- between ourselves and the other parks business that's there, it's a very strong destination for consumers coming to market. And with both businesses investing heavily, I think that's going to continue to be the case to the benefit of everyone in the market.

What we're focused on, obviously, is Epic, which is new to market. And as I said in the prepared remarks, we're really pleased with what we're seeing in terms of revenues in Orlando year over year coming in across -- when you look at the parks altogether, much higher per caps, and that's driven by getting people there for the wonderful experience that is Epic.

So I think as we look to the second half of the year, you'll see just in terms of operating leverage, I think things are on track with Epic and Orlando for us. And operating leverage will be improved simply due to the roll-off of sort of the soft opening that we kind of lap versus the first quarter, which was a short period of Epic being fully opened. So that's Orlando.

Brian Roberts - *Comcast Corp - Chairman of the Board, Chief Executive Officer*

Jessica, thanks. I think it's an important question and the kind of lens that I think is important to look a little longer. I think, a bunch of things that are energizing for why perhaps we're underappreciated in terms of growth possibilities.

Previously, we've articulated six growth businesses. So I won't rearticulate all of them. A lot of that's around broadband, both residential and business services. And we're -- I think we've reenergized the culture around here to focus on how to deliver innovation. We're pivoting, our products are exciting, the pivot with wireless being a really leading part of the bundle for all customers and being more transparent and customer-focused. That's a great mandate.

And the way we tell that story to the consumer with some of the team that we're assembling, I think you're going to see that really resonate. I'm very excited at the work that's being done.

As I look a little bit also with the Versant spin -- and you'll have a chance to hear from Mark Lazarus and Anand Kini over time about that before the end of the year -- it really does do a great thing for the growth businesses, those six businesses that today are about -- they were 50%. Now they're up to 60%, post the spin they become 65% of our revenues and in just a couple of years after that, if the trends continue, it would be 70%.

So all of a sudden, it's a very different narrative, where half your company is declining and half of your company is growing to where 70% of your company is growing. And each of those businesses has a runway of growth that you're excited by. And so I think we're a unique company.

A number of you were at Epic Universe; not many companies on the planet could take the decade it took to build the maybe the finest theme park in the world. And we're looking forward to doing that over time in the London area.

We've got some smaller ventures that are opening this summer in Las Vegas, and we just announced Chicago, and with Kids in Texas and Horror. We've got films. We've got Peacock. So I see so much excitement in our company, and I look forward to the day where the story is a little simpler. And I think that that's happening organically -- with what we just talked about. So very bullish, and I think the best is coming. So that's my thoughts.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thanks, Jessica. Operator, next question, please.

Operator

Kutgun Maral, Evercore ISI.

Kutgun Maral - *Evercore Inc - Equity Analyst*

Great. Thank you for taking the question. I want to ask about M&A. There's been a fair amount of deal-making across your peers, particularly on the communications side. Comcast has a long history of M&A though I realize it's a nuanced regulatory backdrop at the moment. So how should we think about your interest level for potential acquisitions beyond some of the tuck-ins that you continue to make on Business Services?

And maybe relatedly, I know it's maybe too early to talk about the path ahead at Versant, but whatever you could share on its inorganic opportunities as well would be very helpful ahead of the expected spin later this year. Thank you.

Brian Roberts - *Comcast Corp - Chairman of the Board, Chief Executive Officer*

Well, let me -- before we get to M&A, let me -- this is Brian, and Mike can cover this as well. But I really think something we did this quarter that Dave touched on is -- and the team, is T-Mobile and Business Services. Business Services now is about 25% of our connectivity business. It's a $10 billion part of the company. We've been making smaller organic growth and acquisitions and M&A as you heard.

We now connect more small businesses than anyone else in the country, and we see strong traction with larger enterprises. So it was very important for us to be able to use mobile in our relationships in the mid-market to win more share. And the relationship with T-Mobile allows us to now do that in ways that we haven't been able to offer before. So it's strategic and I think will be, hopefully, a great partnership, and we're all very excited to get started.

We also have a really important relationship and a terrific relationship with Verizon, with our MVNO there. And along with that deal with T-Mobile, we feel good about the capital-light approach to wireless. The foundation of wireless strategy -- as Dave was talking about, is Wi-Fi. And today, we carry -- about 90% of all of our traffic is going over Wi-Fi. I think when people hear that they're kind of stunned.

And Wi-Fi works better when you're close to a wire. And we can marry a network together better than anyone. And I think now our customers are going to benefit from two national and two great national 5G networks.

So M&A, kick it over to you, Mike, but really excited with the progress we've been able to strategically make with smaller acquisitions and with innovative partnerships.

Mike Cavanagh - *Comcast Corp - President*

So on M&A, I think these are comments that are consistent with what you've heard from us before. I think it starts with -- obviously, it's our job to consider things, think about things, look at what could be coming around the corner and with discipline to evaluate anything that does come along. So not speaking other than in a general way about that, you could assume that the cadence of what we do is to give a lot of thought to what inorganically could be value-creating.

But I think we said before and continue to say that the bar is really high because I think, particularly when you look at the moment in time we are with a lot of transitions that are, I feel, being well executed in our businesses, that we have plenty of opportunity to create value by running what we have really well and making growth investments either directly in businesses or the tuck-in kind of acquisitions that give us capabilities in places like Business Services, as you've seen us do. So I think that's what you can count on us for.

And when it comes to the other side of the equation, just thinking about the portfolio and what fits for what we're doing and what might be a better allocation of capital for our shareholders, I mean that's where Versant comes in. Versant, to your question, I think everything is tracking really nicely to have Versant launch at the beginning of next year, end of this year into next year, great leadership team, lots of energy. The work is well underway.

I think they will hit the ground running. I won't steal their thunder on their strategies and the like, but they've been at it since the day we announced, as you recall. I made the changes to everyone's responsibility. So effectively, we've had a team focused on the future of Versant and the present of Versant from that moment almost a year ago now.

So I think that -- but that is also a -- changes the dynamics for a use of capital. They generate a lot of cash, but now they're going to have that cash to put into a future for those businesses. And obviously, for the remaining businesses, there will be a revenue growth accretion and more focus on, say, the remaining NBC that I described earlier. So I think that -- we sold a business in Germany that was part of Sky.

So I think M&A is a two-sided equation. And I think we're doing a nice job thinking about the balance across the whole footprint of things that we could do inorganically. But again, the bar is super high because we want to operate and take advantage of our management energies applied against the big gears that we have to improve the businesses that we currently own and operate.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thanks, Kutgun. Operator, we'll take our last question, please.

Operator

John Hodulik, UBS.

John Hodulik - *UBS AG - Analyst*

Great. Thank you for fitting me in. Maybe first a follow-up on Brian's comments on the business market for Dave. It looks like you guys are seeing some additional pressure on subs there. Can you talk about the competitive market you're seeing in that segment?

And as it relates to the T-Mobile MVNO, you've got 14% penetration on the resi side. Do you expect the penetration of mobile into the business segment to sort of follow a similar slope?

And then for Jason, on the $1 billion in cash tax savings, can you talk a little bit about what you see in terms of CapEx trends maybe on the cable side, or are there opportunities to deploy additional capital maybe for further footprint expansion? And then how should we think of the CapEx as it relates to the parks, especially with all the new projects you guys have laid out. Thanks.

David Watson - *Comcast Corp - Chief Executive Officer, Connectivity & Platforms*

So this is Dave. Let me start with the Business Services follow-up. So there are a couple of huge categories for us within Business Services, as you know.

On the competitive side that you mentioned, it's been this way the last several quarters. In SMB, we are the market share leader. There's increased competition. We see some certainly with fixed wireless. Fixed wireless at this point, not really affecting our high-end part of SMB. And so, with the -- the core mid-market and certainly enterprise, gives real value, and the reliability, the multi-product solutions that we have -- and we have a balanced approach towards growing revenue and relationships across the board.

So it's a little bit more competitive in the SMB side. Mid-market and enterprise, though, strong momentum. And as Mike mentioned, the integration of Nitel is well underway and adding capabilities of aggregation in the US, and further the network aggregation expanding sales channels, broadening of the product portfolio, in particular, advanced security.

And then as you mentioned, mobile. So mobile, as Brian mentioned, the relationship, we've got a great one with Verizon on resi. There is a really important one with T-Mobile and business. So it's early stage. It comes at a really good time for us to kick start a higher gear for our Business Services team and including mobile, a big part of how they compete. So more to come on that.

Jason Armstrong - *Comcast Corp - Chief Financial Officer*

Hey, John. On the CapEx side related to any sort of cash tax release that we've articulated, let me step back on infrastructure as a category. A few of you have asked sort of questions related to this. But we are building out 1.2 million homes per year. We've done that; on pace to do that this year; did this last year.

If you really step back, this is a validation of how we see ultimately the market for broadband, right? And we're in a competitive period right now. Not sure we expect that to change. Fiber will continue to be built out against us. Fixed wireless is going to continue to have sort of a niche it carves out in the value-conscious world.

When we build new homes, though, it is against the framework that the competition of the future will involve two wires coming into the vast majority of the territory that we serve in addition to fixed wireless having carved out a more permanent niche in the market. Despite that, we feel very comfortable competing in that sort of environment.

And so as we look to invest, you can -- you look at the cash tax profile, the changes that sort of dictates in terms of return profiles around investment, I would tell you it strengthens the case on the infrastructure side. So I would look for us to continue to be very aggressive in building out new homes, very aggressive in infrastructure investments to support the Genesis investment around mid-splits, DOCSIS 4.0, and how quickly we upgrade the network.

So I think as I said in my prepared remarks, any incremental cash will fit into our traditional framework, which is, number one, investing in our businesses. And on the infrastructure side, this new legislation is a tailwind to that.

On the parks side, I think as we've articulated before, you've called it right in your research, we've got a little bit of a break here post Epic. So obviously, we had substantial investments going to Epic that was a big new launch. We'll trail down off of that for, call it, a couple of years.

We still have, obviously, a lot of investment going on in parks, including the smaller parks we've talked about. That will sort of fill a little bit of the void, but nonetheless, will trend down for a couple of years. And then we'll ramp back up as we approach the park in London, but I'd look for that to be a couple of years from now.

Marci Ryvicker - *Comcast Corp - Executive Vice President, Investor Relations*

Thanks, John, and thank you, all, for joining us this morning.

Operator

Thank you. That does conclude today's conference call. A replay of the call will be available today starting at 11:30 AM Eastern Time on Comcast Investor Relations website. Thank you for participating. You may all disconnect.
