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CMCSA - Q2 2015 Comcast Corp Earnings Call

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OVERVIEW:

Co. reported 1H15 revenues of $36.6b and EPS of $1.65. 2Q15 revenues were $18.7b and EPS was $0.84.

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Mike Cavanagh *Comcast Corporation - Senior EVP & CFO*

Neil Smit *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

Steve Burke *Comcast Corporation - EVP, also CEO of NBCUniversal*

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PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to Comcast's second-quarter 2015 earnings conference call. (Operator Instructions). Please note that this conference call is being recorded. I will now turn the call over to the Senior Vice President, Investor Relations, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thank you, operator and welcome, everyone. Joining me on this morning's call are Brian Roberts, Michael Angelakis, Mike Cavanagh, Steve Burke and Neil Smit. Brian and Mike will make formal remarks and Michael, Steve and Neil will also be available for Q&A.

As always, let me now refer you to slide number 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 for the reconciliation of non-GAAP financial measures to GAAP. With that, let me turn the call to Brian Roberts for his comments. Brian.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Jason and good morning, everyone. As this is the first call since the death of my father, I'd like to express my gratitude for the tremendous outpouring of support for me and the entire Comcast family. So many of you recalled your favorite memories and stories and for this I am beyond grateful. And as I think about today reporting on another terrific quarter, it's such a great reflection of the special company Ralph built and I am honored to help lead.

Comcast NBCUniversal has real positive momentum on many fronts and so we are pleased to report that in the second quarter we grew revenue by 11.3% and operating cash flow by 8%. Our growth was broad-based. In Cable, our investments in the customer experience, a faster X1 rollout and our leading broadband network are all paying off. We grew overall customer relationships, added broadband customers and reduced our video losses in half. In fact, this is the best second-quarter result in video that we've had in nine years.

But the highlight of the quarter was Universal Pictures and Universal Theme Parks. And overall at NBCUniversal, I just can't say enough great things about the second quarter. Operating cash flow increased 19.4%, following up 14% growth in the first quarter. Steve Burke and his team continue to transform the business and are on track to soon double the operating cash flow since we made our original announcement with GE in 2009.

Led by blockbusters Furious 7 and Jurassic World and a successful Pitch Perfect 2, the Film division put up an unbelievable quarter. We broke a long list of records, so let me just highlight a couple. Universal's worldwide box office grosses have already set a yearly record for the Company, exceeding the prior high achieved in 2013. Jurassic World generated $1 billion in worldwide box office in its first 13 days, which is faster than any film in history and now stands as the fourth-highest grossing film of all time and Furious 7 is the fifth-highest grossing film.

Notably, we have had outstanding success internationally. Furious 7 became the highest grossing film ever in China and Minions, which is off to an excellent start, will help continue the trend of global success into the third quarter. This all demonstrates not only our focus on franchises and sequels, but also our approach to global marketing and distribution under the leadership of Jeff Shell, Donna Langley, Ron Meyer and many others.

Turning to Broadcast and Cable Networks, industry viewership continues to be under pressure, but we have a strong, diversified and enviable lineup of networks. A big success was NBC Broadcast, which won the 2014/2015 season for adults 18 to 49 marking the second year in a row as number one. NBC Sports continues to demonstrate the power of live sports with year-over-year viewership gains across the NHL Stanley Cup finals, the English Premier League, the Golf Channel and now NASCAR.

We also remain focused on original programming. A recent example is we are very encouraged by how strongly Mr. Robot has gotten out of the gate on USA. It now ranks as the number two new scripted cable series of the year.

Finally, at NBCUniversal, our terrific momentum at Parks continues. Tom Williams and Mark Woodbury and their teams have led the business to a stellar 45% operating cash flow growth. The enormous success of the new Harry Potter attraction in Orlando was sustained in the second quarter. Our strategy of consistently launching new attractions is really working.

Our recently opened Fast & Furious Supercharged attraction in Hollywood provides already an additional boost to that park and we have an exciting roadmap with other new attractions that will be launching in the future, including the highly anticipated opening of Harry Potter in Hollywood next summer. All in all, the team at NBCUniversal is doing a fantastic job and is executing incredibly well.

Moving to Cable Communications, Neil Smit and the team continues to drive the industry's best technologies and platforms forward and the results prove this out. In the second quarter, we increased revenues 6.3% and operating cash flow 5.1%. We continue to believe X1 is an absolute gamechanger, better connecting our customers to content, serving as a platform for so much more. We have scaled our deployment to nearly 30,000 boxes per day and we are pushing to go even faster.

The results are measurable and I am pleased to report that the significant improvements we've shared previously around X1 viewing patterns, churn, DVR penetration and additional outlets, amongst others, continue to hold as we get further into the base with our deployment. We very much believe in the video business and our place in its future and we will strive to lead in innovating to match the demands of our customers. Along these lines, we continue to generate serious interest in licensing opportunities for X1 with Cox and now Shaw engaging with us on trials and a number of other companies expressing interest.

Importantly, we are making progress in our commitment to improve the customer experience. We told you that our intention was to take the same focus we've had on product innovation and technology experiences and apply that to customer service and we are doing it. Some notable examples we recently announced include new cloud-based platforms to give our employees a better view of a customer's account history, a reimagined retail experience, apps that put customers in the driver's seat to troubleshoot problems themselves, a tech tracker feature and commitment to service windows and our plan to add more than 5500 customer service jobs.

In short, our goal is to make customer service and the customer experience our best product. And our customers are responding to these efforts. Churn is down in every category -- video, data, voice and home security, which is excellent news and evidence of the progress we are making. And the future holds even more for our customers. We recently began providing voice remotes standard with our X1 product, the next iteration in simplifying search and discovery on our platform.

And just last week, we announced that we are launching a new video product called Stream that will offer Comcast Internet-only customers an easy way to add a light cable package to their subscription and enjoy immediate access to programming across computers and mobile devices.

We also announced a gaming service in partnership with Electronic Arts on the X1 platform. And later this year, we will begin trialing and ultimately deploying DOCSIS 3.1 in our network, which will provide significant added capacity and lay the groundwork for future speed increases for our broadband customers.

In addition to our strong performance on the residential side, in Business Services, Bill Stemper and team continue to deliver with another quarter of greater than 20% growth in revenue. The consistency of the growth has been amazing and we have significant runway ahead.

Summing up, we have a great portfolio of complementary businesses. The diversification of our businesses carries significant benefits as evidenced again this quarter. The key to our success is not only a great set of assets, it is also our collaborative culture. We make sure that our people work together enabling us to innovate and execute more quickly.

Now I'm excited today for you to all meet Mike Cavanagh, who is here with us on the call. As you know, he recently joined us to become Chief Financial Officer. Mike has an incredible background and will be able to contribute broad experience and perspective to the role. He is going to be a great partner to me and to the senior team.

But it's bittersweet that this will be Michael Angelakis' last earnings call, so I want to thank you, Michael, for all that you've done as our Chief Financial Officer and Vice Chairman and so much more for the past eight years. But we are all excited by your new initiative, which I think will be exciting for shareholders, for the Company and for you personally. You're one of the smartest and most successful dealmakers I know and we wish you only the best of luck. So Michael, why don't you take a few words before we turn it over to Mike Cavanagh.

Michael Angelakis - *Comcast Corporation - Senior Advisor*

Thank you, Brian. I very much appreciate the kind words. I'm proud of what we've accomplished and it has been an honor for me to represent this amazing Company and all my talented colleagues to our shareholders and the investment community. As you can see from these results, the Company is so well-positioned and has incredibly strong leadership teams throughout the organization. I'd like to thank all of my Comcast NBCUniversal colleagues for their friendship and dedication.

Also, I am very pleased that Mike has joined the team. His experience, his energy and fresh perspectives, as well as great business judgment has made our transition seamless. I am proud and delighted he is here and look forward to our partnership. Now let me turn it over to Mike who will review the quarter's results.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Thanks, Michael and good morning, everybody. Although it's only been about two months since the announcement, I feel welcome and at home at Comcast. It's great to be joining the team at a time as exciting as Brian just described.

Before jumping into our results, I'd like to say a few words about Michael. He has established a great culture and financial organization inside of Comcast, putting me in a great position to step into this role and to provide leadership from this special seat. He himself is an outstanding leader and has been and will continue to be a trusted partner of mine. I wish him the very best as he pursues his new growth opportunity for our Company.

Now let me begin reviewing our second-quarter consolidated financial results starting on slide 4. Overall, we are very pleased with our second-quarter performance, which reflects healthy growth and consistent execution across our businesses. For the second quarter, consolidated revenue increased 11.3% to $18.7 billion and operating cash flow increased 8% to $6.3 billion reflecting healthy organic growth in our Cable business and outstanding performances in Film and Theme Parks and at NBCUniversal.

This result includes Time Warner Cable and Charter transaction-related costs in the second quarters of both 2015 and 2014. Excluding these transaction costs, consolidated operating cash flow increased 8.5%. Year to date, consolidated revenue increased 6.8% to $36.6 billion and consolidated operating cash flow increased 7.8% to $12.2 billion.

For comparison purposes, if we exclude the $376 million of revenue generated by the Superbowl this year, as well as the $1.1 billion of revenue generated by the Sochi Olympics in the first quarter of 2014, consolidated revenue increased a very strong 9.3%. Similarly, if we exclude transaction-related costs incurred in the first six months of this year and last year, consolidated operating cash flow increased 8.7%.

Earnings per share for the second quarter grew 10.5% to $0.84 a share versus $0.76 a share in the second quarter of 2014. However, excluding several adjustments we outlined in our press release, EPS increased 12%. Year to date, earnings per share increased 12.2% to $1.65 a share versus $1.47 a share in the prior year. Again, excluding adjustments, our normalized year-to-date EPS increased 14% to $1.63.

Free cash flow for the quarter increased 30% to $1.5 billion and free cash flow per share increased 34.1% to $0.59 a share driven by growth in consolidated operating cash flow and improvements in working capital, partly offset by increased capital expenditures and cash taxes. For the first half of this year, we generated $4.7 billion of free cash flow, an increase of 17.7% over the first six months of 2014 and year-to-date free cash flow per share increased 21.9% to $1.84 per share.

Now let's review the results of our businesses in more detail starting with Cable Communications on slide 5. Our Cable Communications team continues to execute well and we are pleased with their second-quarter performance of solid revenue and operating cash flow growth along with healthy customer metrics. Cable Communications revenue increased 6.3% to $11.7 million reflecting the ongoing strength in high-speed data and business services, as well as higher video revenue. Total revenue per customer relationship increased 4.5% to $143 per month driven by a higher contribution from business services, customers subscribing to multiple products and higher levels of service and rate adjustments.

In addition to strong financial growth, we continue to deliver strong customer metrics. As Brian highlighted, despite the typical seasonality we experienced in our second quarter, we added 31,000 customer relationships during the quarter compared to a loss of 25,000 customers last year. More encouraging is that the improvement was driven by increases in our double and triple-play relationships as customers continue to find value in the bundle and are increasingly taking multiple services from us. At the end of the quarter, 69% of our customers subscribed to at least two products and 37% subscribed to three products compared to 36% at the end of last year's second quarter.

Moving on to the individual products, as Brian mentioned, Video delivered great results. We improved Video net losses by 75,000 year-over-year to 69,000. This impressive performance was driven by better customer retention as we focus on improving the customer experience and delivering innovative products. The investment we have made in our cloud-based X1 platform is paying off as the positive customer benefits make their way into a larger portion of the base.

Our X1 net additions continued to accelerate this quarter, increasing more than 10% from the first quarter and up nearly 35% compared to last year. X1 accounted for about 50% of our second-quarter video connects and X1 customers now represent nearly a third of our total triple-play customers.

Our high-speed data service continues to gain share as we differentiate our product through speed upgrades and the deployment of wireless gateways. Not only do these gateways provide our customers with the fastest in-home Wi-Fi, they are also fueling our impressive growth in Wi-Fi hotspots, which now number more than 10 million. We added 180,000 new data customers in the second quarter and 587,000 customers year to date, which matches last year's first-half total.

In addition, voice remains a valuable component of the bundle as our voice customer base grew by 49,000 in the second quarter. This slowdown in voice net additions primarily reflects our focus on double-plays this year compared to prior-year results that add stronger triple-play additions.

As we look at our revenue categories, Video revenue increased 3.7% reflecting an increasing number of customers taking advanced services and modest rate adjustments, as well as an increase in pay-per-view revenue due to the Mayweather/Pacquiao fight in the quarter.

High-speed Internet revenue increased 10% in the quarter, making it again the leading contributor to Cable revenue growth driven by continued growth in our customer base, rate adjustments and an increasing number of customers taking higher-speed services. At the end of the quarter, 69% of our residential high-speed Internet customers received speeds of 50 megabits per second or greater. Voice revenue declined by 2.1% in the second quarter as growth in our customer base was offset by a modest decline in ARPU.

Our Business Services division continued to help fuel Cable growth this quarter with revenue increasing 20.4% to $1.2 billion. Our performance in the small end of the market continues to be especially strong with growth driven by an expanding customer base and rate adjustments. At the same time, the contribution from midsize businesses continues to increase. There is a tremendous opportunity for growth in this segment as we have captured only a 25% share of the small end of the market and less than 10% of the midsize segment. Cable advertising revenue decreased 0.9% during the second quarter reflecting lower political revenue. Excluding political, our core Cable advertising revenue increased 2.5%.

Now let's turn to slide 6. Second-quarter Cable Communications operating cash flow increased 5.1% to $4.8 billion resulting in a margin of 40.9% compared to 41.4% in the second quarter of 2014 primarily driven by higher programming costs, additional expenses related to the deployment of X1 to our customers and the investments we are making to improve the customer experience.

Second-quarter programming expenses increased 9.6% reflecting higher sports programming costs and increases in retransmission consent fees, as well as an impact from the pay-per-view fight in the quarter. Excluding the impact of pay-per-view fights in both years, our programming expense growth would have been approximately 150 basis points lower. We continue to expect program expense growth for the full year 2015 to grow at a similar level to 2014's growth of about 8%.

Technical and product support expenses increased 6% in the second quarter as we continue to accelerate the deployment of the X1 platform and invest in the customer experience. As Brian said earlier in the call, we are committed to transforming the customer experience and it is our number one priority this year. As a result, this means we will incur modestly higher expenses as we are hiring additional technicians and service personnel, strengthening our dispatch teams in operations and investing in training, tools and technology, including a new cloud-based customer platform that gives our employees a better view of our customers' accounts so they serve them better and faster.

We are already starting to see these additional investments pay off as the metrics we use to evaluate our service levels are all improving. Things like our on-time metric, how quickly we answer calls, how successful we are in onboarding new customers all have shown real improvement. We firmly believe that these investments in the customer experience will pay off for us over time as we do a better job maintaining and deepening our customer relationships.

Overall, Cable's second-quarter and year-to-date results prove that we are executing well and competing effectively with innovative products and services that provide a great value to our customers. We are focused on improving the customer experience, having best-in-class products and continuing to deliver strong financial and customer results.

Now let's move on to NBCUniversal's results, which are presented on slide 7. NBCUniversal delivered strong results in the second quarter as revenue increased 20.2% and operating cash flow increased 19.4%. Cable networks generated revenue of $2.5 billion in the second quarter, a decrease of 1% driven by a 26% decline in content licensing and other revenue and a 3% decline in advertising revenue that was partially offset by a 5.6% increase in distribution revenue. Cable Networks operating cash flow declined 4.6% to $872 million in the second quarter reflecting the lower revenue and modest increases in operating and administrative expenses.

With regards to our Broadcast Television segment, revenue was essentially flat at $1.8 billion in the second quarter as a 7% decline in content licensing revenue was offset by increased retransmission consent fees and a slight increase in advertising revenue. Stable revenue and a modest increase in operating costs in the second quarter led operating cash flow to decline 3.7% to $231 million.

Moving to Filmed Entertainment, second-quarter revenue nearly doubled to $2.3 billion driven by higher theatrical revenue from the strong performances of Furious 7 and Jurassic World, which both saw tremendous success at the box office. As Brian said earlier, these were two of the biggest films in Universal's history, so we had an exceptionally strong quarter. Second-quarter operating cash flow increased $227 million to $422 million driven by the significant revenue increase partially offset by an increase in the amortization of film costs and higher advertising, marketing and promotion expense to support the larger film slate.

The momentum at our theme parks continued this quarter as revenue increased 25.7% to $773 million and operating cash flow grew 44.9% to $354 million reflecting strong attendance and per capita spending driven by the continued success of Harry Potter Diagon Alley in Orlando, which opened in July of last year. This new attraction has been a real success since its opening, driving double-digit increases in park-to-park ticket sales, record attendance levels and per capita spending.

While we believe the momentum of Harry Potter will continue, the growth rates will likely slow as we have now passed the anniversary of the Diagon Alley opening. In Hollywood, Fast & Furious Supercharged opened strong on June 25 with double-digit attendance growth ever since.

Let's move to slide 8 to review our consolidated and segment capital expenditures. Consolidated capital expenditures continue to track our investment plan and increased 9.6% to $2 billion compared to the second quarter of 2014 driven by increased investments at Cable. At Cable Communications, second-quarter capital expenditures increased $183 million, or 12.3%, to $1.7 billion, equal to 14.3% of cable revenue versus 13.5% in the second quarter of 2014. The increase was primarily driven by higher spending on CPE to support the aggressive deployment of our X1 platform and wireless gateways, our continued investment in network infrastructure to increase network capacity, additional investment as we continue our cloud-based initiatives, as well as our expansion in Business Services.

Year to date, Cable Communications capital expenditures have increased 18.3% to $3.1 billion, representing 13.5% of Cable revenue. We continue to expect that for the full year of 2015 our Cable capital intensity will be approximately 14.5% of Cable revenue compared to 13.9% in 2014.

We are focused on investing in the business where we think there are attractive financial and strategic returns. All of these initiatives are great examples of this growth-oriented investment strategy and X1 is no exception. We continue to be very pleased with the results of X1 and its success underscores our confidence in accelerating the rollout. We've accelerated our X1 net additions quarter-after-quarter and the positive customer results have continued. More customers are subscribing to DVRs and additional outlets, increasing video ondemand usage and we continue to see reduced churn levels among these customers.

Second-quarter capital expenditures at NBCU decreased 8.5% to $272 million, primarily reflecting decreased investments in facilities, partially offset by higher spending at Theme Parks as we build new attractions including Harry Potter in Hollywood and King Kong in Orlando. As we mentioned at the beginning of the year, we expect that NBCUniversal's 2015 capital expenditures will remain relatively stable at 2014's level with over half directed to our Theme Park segment as the investments we are making in our parks are clearly generating strong returns as they drive increased attendance and per capita spending.

Turning to slide 9, as I mentioned earlier, we generated consolidated free cash flow of $1.5 billion in the second quarter, an increase of 30%. For the first half of the year, we generated $4.7 billion in free cash flow, an increase of 17.7% over the first half of 2014. The increases for both the quarter and the year-to-date results reflect growth in consolidated operating cash flow and improvements in working capital that were partially offset by higher capital expenditures and cash taxes.

In the second quarter, we returned $2.2 billion of capital to our shareholders, an increase of 65.8% compared to the second quarter of 2014, including share repurchases totaling $1.6 billion and dividend payments totaling $628 million. In the first six months of 2015, we returned $4.8 billion of capital to shareholders, representing an increase of 84.5% compared to last year, including share repurchases totaling $3.6 billion and dividend payments totaling $1.2 billion.

Recapping our return of capital plans for 2015, we plan to buy back $6.75 billion of our shares, which includes the original $4.25 billion we announced at the beginning of the year, plus the additional $2.5 billion announced with our first-quarter earnings release. As we said at that point, this should place us at roughly 2 times leverage at year-end. And as always, we will discuss next year's return of capital plans when we release fourth-quarter earnings after the process of reviewing our business plan is complete.

My priorities are to make sure our businesses are being fed the capital they need for strong and profitable growth and to make sure that we have strategic flexibility from a financial perspective and to prudently maximize our return of cash to shareholders.

Overall, we've had a really strong first half of the year in both Cable and NBCUniversal. We are pleased with the financial and operational progress we have made in all of our businesses and we are focused on continuing that momentum throughout the year. We believe that our disciplined investments, along with our focus on execution, will continue to generate healthy growth and yield positive results.

Before turning the call over to Jason for Q&A, I would like to say how great it is to be here. Comcast is a fantastic company with a portfolio of leading businesses that have tremendous opportunities ahead. Brian, Steve, Neil and David are a great leadership team and in my short time here, I have found that all levels of this Company are filled with smart, energetic people with high integrity. I am very happy to be part of this team. Over to you, Jason.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Mike. We will now move to questions and answers. I will remind you, Brian, Mike, Michael and Steve are in the room with us today and Neil is traveling, but he has dialed in and is available for questions. So with that, Brent, we will turn it over to you for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ben Swinburne, Morgan Stanley.

Ben Swinburne - *Morgan Stanley - Analyst*

Good morning. I have two questions. Neil, can you give us a little more insight into the churn trends? The customer adds this quarter were really strong. I can't remember the last time you guys added customers in the second quarter. So when you look at the voluntary/involuntary or look at the investments you are making in customer service, can you just help us think about what's driving the churn down and what the opportunity is from here to take that down further?

And I'll just give Steve my question, which is there's been some press coverage on your upfront. Wondering if you could give us some details on how the upfront went from your perspective across your properties. Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

I think the churn has been a key driver of Q2 results, but over the last year and a half, the churn numbers improved every month year-over-year and part of it is driven by the X1 deployment where we are seeing about 30% less voluntary churn. Part of it is driven by the fact that we are getting a higher percentage of our customers on contract. It's more than doubled year-over-year and I think we are getting better quality customers and retaining them longer is the real story.

How far can that go remains to be seen. We are going to keep on driving out X1. We are targeting our segments better. We are doing better on non-pay disconnect. We are just I think managing the customer relationship more effectively and I think all the work we are putting into customer experience is paying off. Each initiative is kind of additive and it's really affecting the churn number over time.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

In terms of the upfront, I think we had a great upfront because it was a challenging time for the industry and we ended up with our volume up. We gained share. We talk a lot about the monetization gap. We closed some more of the monetization gap for really the second time in a row and despite the fact that I think overall industry volume was down, ours was up and our CPMs were right at the top for both NBC and the big cable networks.

So we feel very pleased and part of it is because of the way we manage our advertising business. Linda Yaccarino has responsibility for all advertising, every single one of our channels. And we have around 20% of viewership, so that gives us a tremendous portfolio approach to the market and allows us to outperform and hopefully we will continue to do that.

Ben Swinburne - *Morgan Stanley - Analyst*

Thank you both.

Operator

John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

Maybe another question for Neil. Neil, does the lower churn you're seeing in Video and all the runway you still have with the X1 deployment, does that give you better visibility in a return to subgrowth in terms of -- on the Video side? And then it looks like a lot of the growth is coming more from double plays than it has from triple plays in the past. Has there been a change in marketing or your approach to focus more on doubles than triples? Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

Well, our goal is always to improve year-over-year customer metrics, which we've done for the last four years in a row on the video side. I think the churn and the X1 deployment does give me optimism that we can continue to improve the voluntary churn number. I think going forward we are going to continue to drive out X1 at an accelerated rate. It does affect CapEx. And the second part of your question, John, was what?

John Hodulik - *UBS - Analyst*

Was about the double plays versus triple plays. It looks like more of the growth is coming from double plays and I was just wondering if there was a change in your approach from a marketing standpoint?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I think this quarter we did shift to more double plays than triple plays. I think that affected phone. If you look at Broadband for the first half of the year, it's right on what we did in the first half of last year. So we don't think there's any big macro change in our approach, but each quarter it can vary a little bit. I would just add on the churn point, I also am excited by the innovation roadmap that we have around X1, around the customer experience, around the Stream product, around the EA games and more things in the labs. So I think each quarter it gets a little better and we are pleased that this was the best second quarter in Video in nine years.

John Hodulik - *UBS - Analyst*

Great. Thanks, Brian.

Operator

Jessica Reif Cohen, Bank of America Merrill Lynch.

Jessica Reif Cohen - *Bank of America Merrill Lynch - Analyst*

Thank you. I have two questions, but, first, I just want to say to Brian, condolences to you and your family on the passing of Ralph Roberts, Comcast's Founder and obviously your father. Ralph was just such an amazing person and a great leader and for Mike, not saying goodbye, but good luck. Hopefully, you'll be a very important part of the Company and the Company's initiative.

But anyway on the questions. I have one for Cable and one for NBCUniversal. For Cable, with the rejuvenated focused on customer service and the customer experience, it just seemed so much different in the past. Could you say how your vision has changed and how do you judge the effectiveness? You mentioned churn. Is there anything else we should look for and over what period of time?

And for NBCUniversal, obviously, film and parks are just amazing -- I don't even know what adjective to use -- but as an outsider, it seems like parks just seem so obvious that there is a long runway. So maybe you can just review some of the attractions and hotel, plans that you have in film. Is there anything that you are doing differently? How will this performance look a year from now?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

So let me -- Neil, feel free to weigh in -- but I'll kick it to Steve if you don't. Let me say -- first of all, thank you, Jessica, for the kind words. So the cable customer experience is a mind shift, a cultural shift. It is quite sincere. We've talked about it over the years; why now?

I think the opportunity to focus on it more; technology can be your friend in self-help, in using apps like the tech tracker and being able to self diagnose, reset your modems and things that we have on the runway. We are very pleased with the team we are building around that and we are taking that innovation culture, which really kicked in using the cloud for X1, and we're going to try to do the same thing around the customer experience.

And I think it starts with all employees. We are retraining all employees, starting with myself and right on through the entire company, where we are experiencing the opportunity to re-look at everything from the customer (technical difficulty) not from the Company's perspective. We're using all sorts of new incentives.

So I think you should be paying attention to churn. I think you should be paying attention to the quality of the customer. The customer lifetime value is a big area that we are focused on. And we are excited by X1 and we are excited by accelerating that into the future. We're up to 30,000 a day, as I mentioned. That's a lot, but we think we can do even more and then the customer has that much better of a remote control. The voice remote is getting rave reviews from people who use it. We're putting 6 million of those out this year. The Wi-Fi -- it's the whole experience. So I don't want to go on too long. Steve, about Theme Parks and Film?

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCUniversal*

So obviously the headline from the NBCUniversal side of the Company of the quarter was Film, but in many ways, Theme Parks had as good or even a better quarter than the Film business. Our total operating cash flow for Theme Parks grew about 45%, which I've never seen. That's just a huge, huge number for a business this size.

Five years ago, we made about $400 million in the Theme Park business. We probably added $1 billion to that. This year's results will probably be over $1 million higher than that $400 million. The year is not over, but the way we are tracking and we see this as a major growth driver for the Company for 5, 10, 15, 20 years. We are basically adding more attractions than we had historically added. We just did -- a year ago, we did Harry Potter 2 Diagon Alley in Orlando, which has fueled a lot of the growth there. We have Harry Potter coming to Hollywood next spring, which I think is going to be a tremendous seachange for how people think about that park in the Los Angeles market.

So basically on both coasts, about one major new attraction a year. We have King Kong coming next year in Florida, which is a fantastic -- creatively a fantastic attraction. We have a big waterpark coming in 2017. So you'll see us on both coasts continue to add.

And then we are also adding to our hotel stock. We looked in Florida when we first got here and we had 2400 hotel rooms. We did a study as to how many hotel rooms we should have given the strategic importance of keeping people on site to increase length of stay. At the time, we had 2400 hotels and the study said we could easily digest 10,000. So we've added a couple thousand hotel rooms. We're going to be adding hotel rooms next year and what's happening is we are seeing the combination of better attractions, which give people a reason to come and then when they come, more hotel rooms, which keep people longer and that kind of attraction is embedded in that kind of growth rate you are seeing.

Orlando grew 21% in terms of attendance during the quarter, which is just a phenomenal result and Tom Williams, who runs our Theme Park business is fantastic. Mark Woodbury, who is in charge of the creative side of that business, is doing great things and we haven't even talked about China or other parts of the world where we are also very excited about the growth opportunities.

So Theme Parks, when you think of NBCUniversal, are 20% to 25% of our operating cash flow, but it's a great global business and we think there's lots of green lights as you look down the highway.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Jessica. Next question, please.

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *MoffettNathanson - Analyst*

First, Brian, let me reiterate what Jessica said. Condolences on the passing of your father, but also I think it is great to celebrate just what a spectacular thing he has left behind and how many people he touched and so it's nice to remember him.

I wanted to ask Neil a question about fiber. AT&T has now made some commitments to significantly expand their footprint. I think you've talked about your Gigabit Pro. Can you talk about how you think about fiber to the home and your Gigabit Pro service versus DOCSIS 3.1 and how the competitive market will shape your thinking in the architecture that you use?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

First, I think we've competed with both AT&T and Direct for a number of years. We feel very good about our broadband network. And as Brian mentioned in his comments, we will be rolling out for market trial DOCSIS 3.1 in Q4. We continue to pull fiber deeper as we roll out our Business Services network and that strengthens the residential network as well.

I think we'll be ready to compete. As you think about new households, we pull fiber directly to the new households. We are in big enough development and we are also pulling fiber to the premise in some of the large MDU complexes. So we feel good about our network going forward. We continue to increase speeds. I think we're -- as you see from the HSD numbers, where year to date the same as the numbers last year and we feel good about our ongoing prospects.

Craig Moffett - *MoffettNathanson - Analyst*

Do you think that your DOCSIS 3.1 -- I think you or at least the industry has talked about gigabit per second speeds being attainable with DOCSIS 3.1. Is your latest view that that is likely to be the case or is that probably -- or is that potentially too high an expectation?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Let me jump in, if I might. Again, thank you for the nice comments. But I think we have a superior product when you take the totality of our triple-play offerings, but a lot of that is broadband, Wi-Fi, the fastest in-home Wi-Fi and it's important that we continue to have a great network and have superior products. That is core to what we are about and DOCSIS 3.1 combined with -- we've now fully encrypted the entire Company, so we keep reclaiming bandwidth. We apply it to broadband, we split nodes, we pull fiber deeper, we use DOCSIS 3.1, which will be a quantum leap forward, we believe, not just linear and allow you to go to the kind of speeds you are talking about. In fact, as you know, we have a 2 gigabit product that we are using as our Business Services and our residential kind of converge in terms of where these fibers go.

So this is top of mind. We think we have an exciting roadmap that doesn't require us to go out and rebuild things, but to continually improve things. We've increased speeds 13 times and we envision doing that, we hope, into the future and remaining in a very, very strong position, but it's a competitive market as we've always said and we are learning to compete better all the time and we are very prepared to compete into the future.

Craig Moffett - *MoffettNathanson - Analyst*

Thanks, Brian.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Next question, please.

Operator

Phil Cusick, JPMorgan.

Phil Cusick - *JPMorgan - Analyst*

Brian, I wonder if you can expand on the Stream product and how that's going to fit into the business? And you've talked about churn a couple of times. As you've seen churn in the business, has there been any change in the number of people who are leaving for economic versus competitive reasons? And is there any indication that they are leaving for the over-the-top competitive products out there? Thanks.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Look, there's a little bit of everything in the real world and we are dealing in millions of units every quarter, but I think we are encouraged, as Neil said, by these results and by not just this quarter, but by several years where we've had improving results.

The Stream product is an extension of a couple things. One, we have a college product, a university product that we are very excited about and is doing well that is attracting to younger consumers. We have a broadband product, as I just got finished saying, that we are extremely proud of and excited by. Have more broadband customers than we do video customers and what can we do with the mindshift of selling people broadband and then introducing them to video, whether they are a university student or someone that wants a different kind of product and maybe not even a set-top box, but a way to get started with all their mobile devices.

And so I think it's a -- we are doing a couple markets this year. It's not going to be something you're going to see meaningful results from in the near future, but it's very exciting to be able to have a range of products and then to have a platform to upsell consumers from, which we've had great results doing this with our Internet Plus and other examples where, when you have that relationship with the consumer -- another thing that that our technical teams are very excited about and our customer experience team is this product is going to just work. You're just going to turn on your device and boom. You're going to be receiving the video, the authentication, all the things we've been talking about in customer experience.

When we get a chance to start new from a mobile device, it is going to work faster and easier to introduce people to their relationship with us. So we are using it to also drive some of those improvements on just the onboarding experience and then the ability to upsell in a seamless, frictionless way. So a lot of reasons to like the product and it's part of the whole panoply of just having a range of offerings, which is a very, very different mindset than we were several years ago.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

I would just add, Brian, that this is a great example of how our cloud-based technology is enabling us to innovate at a faster pace and target specific segments such as you mentioned.

Phil Cusick - *JPMorgan - Analyst*

Thanks, guys.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Phil. Operator, next question, please.

Operator

Vijay Jayant, Evercore ISI.

Vijay Jayant - *Evercore ISI - Analyst*

I have two questions. First, for Mike Cavanagh, obviously, you've only been there two months, if you can give us any thoughts about if there are any differences in your philosophical view on capital allocation and the like. A very broad question, if there's any changes you think that could be incorporated.

And then for Neil, you have a bunch of trials going on on usage-based pricing down south. Any color on how that's working? Is that something that we can expect to be introduced across the footprint anytime soon? Thank you.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

So it's early days, as you said, but we will end this year at 2 times leverage and I think just observation would be that that puts us in a place consistent with what I commented on earlier. I want to have some financial flexibility in the balance sheet. We will return $6.75 billion of capital this year through dividends and share buybacks, consistent -- both those numbers consistent with what we said last and as this Company has always done, it's been my experience, you've got to spend time focused on business plans and what's coming next, which we will do over the coming months. It will put me in a position to have a perspective when we come back in the early part of next year and talk about what we will do next year and beyond.

But to share some views anyway, I think it's always been, and this team and my personal views that highest priority is to make sure we are giving our businesses all the capital they need to win in the marketplace and grow their businesses -- albeit do that profitably. So we will be very focused on that and that's job number one.

Beyond that, we will love to return capital to shareholders as we are doing and have done and we are going to want to maintain flexibility in the balance sheet to be able to continue making those investments and driving the business the way we want to through economic cycles, through whatever headwinds might come along and maintain some other flexibility to do some more things for the shareholders.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

Concerning the usage-based pricing trials, as you mentioned, we do have a few trials going on in different markets. The response has been neutral to slightly positive. We don't have any plans on extending that on a widespread basis anytime soon.

Vijay Jayant - *Evercore ISI - Analyst*

Great. Thank you.

Operator

Brett Feldman, Goldman Sachs.

Brett Feldman - *Goldman Sachs - Analyst*

You mentioned earlier some of the investments you're making in customer experience and how that is already starting to pay off. It also sounds like you continue to plan on investing in those areas. If you could just help us out from thinking about it from a margin standpoint, how much longer do you expect some of these spending initiatives to continue? And then as we look into 2016 and beyond, how are we going to know that you are getting a return on those investments? Is it something we should look for through churn or adds or some other areas in the performance of Cable? Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

As Mike Cavanagh mentioned, X1, broadband capacity and gateways, Business Services and customer experience. The customer experience investments, there's generally a lag time between when we make the investment and when we see the returns, but we are measuring the returns on each of our initiatives. A few success points on getting it right the first time. The percent of the customers who are calling and speaking to agents is down 15%, so we are getting things right the first time. And the customers are getting the repeat tech visits within 30 days are down 9%.

So our waiting times are down and we are getting it right and it's resulted in a real improvement in customer satisfaction, so we will -- we test each of these investments. We have a test market up in Portland, Oregon where we test the initiatives before we extend them on a wide-spread basis and I think we will continue to invest. I think we will continue to see returns and at the end of the day, it's the right thing to do. We're going to compete on both our products and our service and we want to get our service to be our best product there is.

Mike Cavanagh - *Comcast Corporation - Senior EVP & CFO*

I'll just jump in. You see year to date our Cable margin at [40.9%] is off 20 basis points from a year ago and given all that we are -- stable again to last year and that's something that we are proud that we are getting all these things done and maintaining that stability of margins.(Company corrected after the call) The view obviously on -- and it's hard to parse -- it's all in the numbers. The improvement in service and the quality of the product I think is all part of what is driving churn and driving the lifetime value of customers higher.

Brett Feldman - *Goldman Sachs - Analyst*

Great. Thank you.

Operator

Marci Ryvicker, Wells Fargo.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

I have two questions. The first, your Stream product, it looks like it's one of the only ones actually including live broadcast. Just curious if you're talking to the stations and if so how those negotiations are going. And then secondly, when we look at the sub numbers, your Q2 video so much better; your voice, I think, less than expected. We've always thought that the more products you sell the stickier the subs. So if you are focusing a little bit more on double play, how do you know that your subs today are sticky as your subs have been?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable Communications*

On the Stream product, we didn't have to obtain any additional programming rights for this product. Stream is a Title VI service that's delivered via the customer's IP-enabled gateway and it's covered under our existing contracts. It's not an OTT service.

Concerning the voice number, we did focus a little bit more on double play this quarter, which also reduces churn, but it is always a blend of what the right offer is for the right customer base at any time. And as Mike mentioned, our double-play customers are up to 69% and our triple play are also up to 37%. So we are increasing both. It's just a matter of balancing the offer mix.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

Thank you.

Operator

Kannan Venkateshwar, Barclays.

Kannan Venkateshwar - *Barclays Capital - Analyst*

Just a couple of questions. The first is I think the deal between Comcast and NBC on the retrans rights comes up next year. Just wanted to figure out how you guys are thinking about it and within the organization how that kind of a negotiation happens. And secondly, on the Stream product, given the fact that it's not really an OTT product, is there any implication on the MFN clauses that you guys have with the programmers in general? Thanks.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Neil, I think I can take that, maybe finish the call, but feel free to jump in if I don't cover it. I don't think that your facts are right on the NBC Comcast timing, but we are not going to go into more detail than that. But I can say that one of the things that's worked really well is how well the Company is working together and that's one of the points that I'd want to end on, which is this combined portfolio of incredible companies -- the first half of the year and the second quarter, we couldn't be more pleased. Really broad-based results and as we talked a lot about NBCUniversal, but also within Cable, Broadband, Video results, just really pleased with the start to the year.

I think our innovation in products, including Stream, but also being able to say that we've nearly doubled now the cash flow of NBCUniversal since the acquisition in 2009 is a terrific achievement and we believe we can lead innovation in the cable industry and do well by content companies and help both work together and that's what we are doing. We are shifting our focus to, in addition to innovation, to real focus on the customer service, customer experience. That's going to take years. One of my comments to some of the questions that got asked would be this is going to take a long time to see some of the results, but we are going to stay the course.

And I think we feel that the transition with our chief financial officers has gone extremely well and we didn't miss a beat here and we are excited by Michael's new venture and building value for our shareholders through creative opportunities, but that our priority is to continue to find profitable growth, return capital to shareholders and to keep the Company in a strong position in a sustainable way that has -- we've been doing since Ralph started the Company 51 years ago. So thank you all for your support and we will see you in the third quarter.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Brian. Thanks, everyone, for joining us. Brent, back to you.

Operator

Thank you. There will be a replay available of today's call starting at 12:30 PM Eastern that will run through Friday, July 31 at midnight Eastern time. The dial-in number is 855-859-2056 and the conference ID number is 60425188. A recording of the conference call will also be available on the Company's website beginning at 12:30 PM today. This concludes today's teleconference. Thank you for participating. You may all disconnect.