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# EDITED TRANSCRIPT

CMCSA - Q1 2015 Comcast Corp Earnings Call

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## OVERVIEW:

Co. reported 1Q15 revenues of \$17.9b and EPS of \$0.81.



## CORPORATE PARTICIPANTS

**Jason Armstrong** *Comcast Corporation - SVP of IR*

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

**Michael Angelakis** *Comcast Corporation - Vice Chairman & CFO*

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

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

## CONFERENCE CALL PARTICIPANTS

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**Craig Moffett** *MoffettNathanson LLC - Analyst*

**Phil Cusick** *JPMorgan - Analyst*

**John Hodulik** *UBS - Analyst*

**Ben Swinburne** *Morgan Stanley - Analyst*

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**Brett Feldman** *Goldman Sachs - Analyst*

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**Kannan Venkateshwar** *Barclays Capital - Analyst*

**Mike McCormack** *Jefferies LLC - Analyst*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to Comcast first-quarter 2015 earnings conference call. (Operator Instructions). Please note that this conference call is being recorded.

I will now turn the call over to Senior Vice President Investor Relations, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

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### 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, Steve Burke, and Neil Smit. Brian and Michael will make formal remarks and Steve and Neil will also be available for Q&A.

As always let me now refer you to slide number two 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?

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

Thanks, Jason, and good morning, everyone. We are very excited to tell you about our first-quarter which we are really pleased with. But I would like to start briefly with two non-earning topics.

Today I appreciate everyone adjusting the time of the call because unfortunately a number of us have to attend the funeral of our great friend, Larry Smith.

As most of you know, Larry was co-Chief Financial Officer for Comcast for nearly 18 years and when he joined the Company we were a small regional cable company and when he retired we were the largest cable operator in the country. But he was so much more. His integrity, his passion, his friendship are hard to put into words and are very tough for all of us right now. He meant so much to Philadelphia and nonprofits and he also has one of the most spectacular families.

So on behalf of all of us at Comcast, we want to celebrate his life and say thank you for a very special man.

I would also like to say word on Time Warner Cable. At Comcast we have great products and technologies and we were excited about bringing these capabilities to additional cities. The government ultimately didn't see it the same way.

Fortunately we structured the transaction in such a way that it avoided unnecessary risk for our shareholders in the event that the regulatory outcome did not go our way. It was equally important to make sure our focus remained squarely on solid execution of our existing businesses, which we did. As you can see in the first quarter we are off to a terrific start in 2015 with very strong progress at both Cable and NBC Universal.

Our consolidated operating cash flow increased 7.6%. In addition, we generated \$3.2 billion in free cash flow which is a new quarterly record for the Company. We have a number of material growth drivers, many of which accelerated in the quarter. Our performance continues to reinforce our strategy of consistently and prudently investing in new products, technologies and in customer experience.

So to reflect our confidence we are today adding \$2.5 billion to our existing buyback program for the year. In total, this now represents a plan to repurchase \$6.75 billion in our own stock in 2015.

Now let's go deeper into first-quarter results which demonstrates our great momentum. Starting with Cable, we are responding to a tough competitive environment with real product leadership including accelerating the rollout of our X1 platform, our Cloud DVR, and offering the fastest Internet speeds. Our strategy is clearly resonating.

In the first quarter, we added 199,000 customer relationships, a 61% improvement from the prior year. At the same time we increased our revenue per customer relationship by a healthy 4.7%. At Business Services, we once again saw over a 20% growth in revenue. Our products are constantly improving as we invest in our network, the best platform, the most robust content lineup and as we transform customer service.

In Broadband, we recently launched a symmetrical 2-gig service for residential customers who demand the absolute fastest speeds in the market. We are also testing Docsis 3.1 and expect to begin rolling it out in 2016. Meanwhile, recent studies confirm that the XFINITY wireless gateway continues to be the industry's fastest device delivering speeds of more than 700 Mbps. Add it all together and the result is a terrific proposition for our customers which was demonstrated once again by an industry-leading 407,000 broadband net adds in the first quarter.

In terms of our platform and content, the reaction to X1 from customers continues to be fantastic as we scale the deployment, resulting in lower churn, more outlets connected, and an increase in overall viewership. We are so pleased with this product and our focus is to get it into more of our customers' homes and so we have accelerated the rollout again this year and we look forward to realizing these benefits across a larger percentage of our subscriber base.

We are also transforming customer service. So all told, our cable business had a great first quarter and Neil and his team have built a foundation for a very strong 2015 and beyond. A number of us are on our way to Chicago for the INTX convention and there you will see a number of exciting announcements, many of which are around customer service and innovation.



Over at NBCUniversal, Steve and the team delivered another set of excellent results. First-quarter operating cash flow increased by 14%. Our Cable Networks continue to deliver the majority of the operating cash flow at NBCUniversal while Parks, Broadcast and Film are driving great growth in the business each having an outstanding quarter.

We are excited about the progress we have made at broadcast with some notable highlights in the first quarter. Super Bowl XLIX, which aired on NBC, was the most-watched television program in US history and the highest-rated Super Bowl since 1986. SNL's 40th Anniversary Special was NBC's most-watched primetime entertainment special in more than 10 years and The Voice continues to rank as a top five rated broadcast show.

The turnaround has really taken hold and we have sustained the momentum as NBC remains number one in prime time for key demos.

Film turned in a terrific performance thanks in large part to the tremendous success of Fifty Shades of Grey which had the highest worldwide opening in history for any R-rated film.

As we turn our attention forward, we are excited by the fast start in the second quarter with Furious 7 setting records as the first Universal film to ever reach over \$1 billion in worldwide box office during its first run and there is more to come with a large film slate still ahead for the balance of the year.

But the biggest highlight of all may have been at the theme parks where among other drivers the continued enormous success of our new Harry Potter attractions in Orlando contribute to over 50% growth in operating cash flow in the first quarter. Notably to experience the full breadth of attractions in both our parks in Orlando, Universal Studios Florida and Islands of Adventure, nearly 80% of visitors chose the higher value Park to Park tickets. Additionally, sales of season passes were at an all-time high.

Finally, our diversified Cable Networks remain our largest source of operating cash flow at NBC Universal and operating cash flow increased again this quarter. Highlights were in sports and CNBC which continues to see a big pickup in primetime's ratings as well as at E! where The Royals is the number two rated new cable drama in cable TV this year.

Turning our attention to the new venture we recently announced establishing a strategic Company with a management team led by Michael Angelakis that will focus on investing and operating growth companies. We did this in such a way that allows us to invest in opportunities that can be important drivers of strategic and financial value creation for our Company. I am personally excited for Michael and look forward to what this will bring for Comcast.

We are currently engaged in a search for a new Chief Financial Officer and while these are big shoes to fill, I have complete confidence that we will find an incredible replacement. We fully expect that there will be a smooth transition as Michael moves into his new role and a new CFO comes on board.

Altogether this is an exciting time at Comcast as we have such a great Company, an exceptional set of assets and a team that has consistently delivered including this first quarter, strong operating performance. Michael?

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**Michael Angelakis** - Comcast Corporation - Vice Chairman & CFO

Good morning, everyone, and thank you, Brian. We are off to a terrific start in 2015 with solid financial results across the Company which demonstrate a consistent focus on execution and profitable growth and on the fundamental strength in our businesses. Let me begin by briefly reviewing our consolidated financial results on slide four.

First-quarter consolidated revenue increased 2.6% to \$17.9 billion. For comparison purposes if we exclude the \$376 million of revenue generated by the Super Bowl this year as well as the \$1.1 billion of revenue generated by the Sochi Olympics in the first quarter of last year, consolidated revenue increased a healthy 7.2% reflecting strong organic growth in our cable business and exceptional performance at NBCUniversal.

Consolidated operating cash flow increased 7.6% to \$6 billion; however when we exclude the Time Warner and Charter transaction-related costs in both the first quarter of this year and last year, our consolidated operating cash flow grew a very strong 9%. Free cash flow generation was also healthy for the first quarter with an increase of 12.7% to \$3.2 billion and a free cash flow per share increase of 16.8% to \$1.25 per share in the quarter. This growth was primarily driven by increased operating cash flow and improvements in working capital which were partially offset by higher capital investment.

Earnings per share for the first quarter increased 14.1% to \$0.81 per share versus \$0.71 per share in the first quarter of last year. Again for a clear comparison when you exclude gains on sales and acquisition-related items, our normalized EPS increased a solid 16.2% to \$0.79 per share.

Now let's review the results of our individual businesses starting with Cable Communications on slide five.

Our Cable Communication segment continues to focus and execute well and we are pleased with our first-quarter performance of strong revenue and operating cash flow growth along with solid customer matrix. Cable Communications revenue increased 6.3% to \$11.4 billion reflecting strong growth in high-speed data, solid growth in video and continued strength in business services. As more and more customers take multiple services, total revenue per customer relationship and our total number of customer relationships are two critical metrics that we used to evaluate our progress and improvements.

Our objective is to focus on profitable growth by striking the right balance between financial growth and customer growth and we believe we delivered on this balance during the first quarter.

Total revenue per customer relationship was \$140 per month in the first quarter, a 4.7% increase that reflects a higher contribution from business services, customers upgrading to higher levels of service, customer subscribing to additional products and rate adjustments.

As Brian mentioned, we increased total customer relationships by 199,000 in the first quarter. We continue to focus on bundling our products to provide the most value to our customers. At the end of the first quarter, 69% of our customers took at least two products and 37% took three products compared to 36% at the end of last year's first quarter.

Moving on to the individual product results, in the first quarter we lost 8000 video customers. This reflects a difficult comparison to the first quarter of 2014 when our Internet Plus offering was relatively new as well as the competitive environment that has expanded and intensified. While competition pressured connects this quarter, we are encouraged by the trends we see in the overall video business which includes lower churn and outstanding X1 results.

Our X1 net adds continue to accelerate more than doubling compared to last year's first quarter and accounted for nearly half of our video connects. X1 customers now represent more than 25% of our triple-play base.

In high-speed Internet, we again delivered impressive subscriber results adding 407,000 new customers in the first quarter, an increase of 6% year-over-year and the best result in the past two years. We continue to gain share as we differentiate our product with speed enhancements as well as the fastest in-home Wi-Fi with our advanced wireless gateways.

Approximately 65% of our residential high-speed data customers now have one of our new wireless gateways.

In addition, voice remains a valuable component of the bundle as our voice customer base grew by 77,000 in the first quarter. This reduction in voice net additions reflected X1 availability that was mainly focused on triple-play customers in the first quarter of 2014 making for a somewhat difficult comparison.

As we look at our service categories, we reported strong video revenue growth of 3% in the first quarter, the highest rate of growth in two years. This growth reflects an increasing number of customers taking advanced services and rate adjustments. As I noted previously, we have been very focused on striking the right balance between customer growth and financial growth and this clearly is demonstrated in these results.



High-speed Internet continued to fuel cable revenue growth in the quarter with revenue increasing 10.7%, the strongest rate of growth in over four years 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, 68% of our residential high-speed Internet customers received at least 50 Mb service. Voice revenue declined 1.5% in the first quarter as growth in our customer base was offset by a modest decline in ARPU.

Moving on to Business Services, first-quarter revenue grew 21.4% to over \$1.1 billion making again the second largest contributor to Cable revenue growth. Not only did the revenue growth rate accelerate sequentially but the absolute dollar growth we delivered in the first quarter is the highest in the business' history.

Our performance in the small end of the market was especially strong with growth driven by an expanding customer base and rate adjustments. At the same time the contribution from the midsize businesses continues to increase. There is clearly tremendous opportunity here for our Company as we have captured approximately a 25% share of the small end of the market and less than a 10% share of the midsize business segment.

Cable Advertising revenue decreased 0.7% during the first quarter reflecting lower political revenue. Excluding the political revenue, our core Cable Advertising increased 1.3% for the quarter.

Please refer to slide six. First-quarter Cable Communications operating cash flow increased 6.2% to \$4.7 billion reflecting a consistent margin of 40.9% compared to last year. This is terrific financial performance as we effectively managed higher programming costs, in increasing advertising, marketing and promotional expenses and additional expenses to support the accelerated deployment of X1 and Cloud DVR to our customers.

Programming expenses increased 7.8% in the first quarter driven by increases in retransmission consent fees and higher sports programming costs. We also continue to increase the amount of content we provide our customers across all our multiple platforms. As I mentioned before, we expect full-year programming expense to grow at a similar level to 2014's growth of about 8%.

In addition, advertising, marketing and promotion expenses increased 10.9% for the first quarter reflecting higher overall media spend and continued investment to more effectively target customers and enhance our competitive position in both our residential and commercial businesses. We remain very focused on expense management and believe that we can continue to effectively offset these increased expenses with an improving product mix as we add more high-speed data and business services customers and upgrade existing customers to higher levels of service as well as implement modest rate adjustments.

So our Cable Communications business has lots of opportunities and is performing well, both financially and operationally. The team's focus is exactly where it should be, on improving the customer experience, having best-in-class innovative products and continuing to deliver strong financial and customer results.

Now let's move on to NBCUniversal's results which are presented on slide seven.

For the first quarter of 2015, NBCUniversal's revenue decreased 4% reflecting a difficult revenue comparisons with the Sochi Olympics in the first quarter of last year. However excluding any impact from the Olympics as well as the \$376 million of revenue generated by the Super Bowl this year, revenue increased a strong 7.9%. NBCUniversal's first-quarter operating cash flow increased 14% reflecting great results at Broadcast including a profitable Super Bowl and an impressive growth at Theme Parks.

Now let's review the individual business segments at NBCUniversal. For the first quarter, Cable Networks generated revenue of \$2.4 billion, a decrease of 5.9% compared to the first quarter of 2014 again due to difficult comparison with the Olympics last year.

Excluding the Olympics, revenue increased 4.9% driven by a 4.8% increase in distribution revenue and a 4.3% increase in advertising revenue. While we continue to invest in sports rights and original programming, Cable Networks' operating cash flow was relatively flat at \$898 million in the quarter as lower revenues were offset by lower operating expenses which reflect the absence of programming and production costs associated with the Olympics in 2014.



In the Broadcast Television segment, the success of the Sochi Olympics last year drove a difficult comparison again and as a result, revenue decreased 14.2% to \$2.2 billion in the first quarter. This was partially offset by a very successful Super Bowl this year which contributed \$376 million of revenue. Excluding the impact of both the Olympics and Super Bowl, Broadcast Revenue increased 5.5% reflecting a 5.5% increase in advertising and higher retransmission consent fees. Importantly, Broadcast operating cash flow increased 48.9% to \$182 million for the first quarter.

Filmed Entertainment is also off to a strong start in 2015. First-quarter revenue increased 7% to \$1.4 billion as content licensing revenue increased 15.7% reflecting strong titles such as Ted and Bourne Legacy entering the free TV window and home entertainment revenue increased 3.6% driven by a larger number of films available compared to last year.

In addition, despite three fewer releases this quarter, theatrical revenue only declined by 1.3% due to the successful box office performance of Fifty Shades of Grey. As a result, film operating cash flow increased 1.7% to \$293 million reflecting the higher revenue partially offset by increased marketing costs to support the highly successful premiere of Furious 7 in early April.

Our Theme Parks had another remarkable quarter as revenue grew 33.7% to \$651 million and operating cash flow increased 54.6% to \$263 million reflecting higher guest attendance and per capita spending at both parks. Orlando is experiencing tremendous growth from the continued momentum of Harry Potter Diagon Alley which opened last summer.

The increases in attendance per capita and park to park ticket sales have accelerated Orlando's operating cash flow growth. At the same time, the Despicable Me attraction continues to drive healthy attendance in per capita increases at the Hollywood Park.

Let's move to slide eight to review our consolidated and our segment capital expenditures. Consolidated capital expenditures are tracking to our investment plan and increased 19.2% to \$1.7 billion compared to the first quarter of 2014 driven by increased investments at Cable. In Cable Communications, first-quarter capital expenditures increased \$300 million or 26.2% to \$1.4 billion, equal to 12.6% of Cable revenue versus 10.6% in the first quarter of 2014. The increase primarily reflects higher spending on CPE driven by the accelerated deployment of our X1 platform as well as additional investment as we launch our cloud-based initiatives and our continued investment in network infrastructure to increase our network's capacity.

As announced at year-end, we expect that for the full year of 2015 Cable's capital intensity will increase to approximately 14.5% of Cable revenue compared to 13.9% in 2014 as we had plan to continue the aggressive deployment of X1, expand our cloud DVR services, deploy additional wireless gateways to enable our customers to receive the fastest in-home Wi-Fi and continue to invest to expand our business services area.

All of these initiatives are part of our growth-oriented strategy that we expect to generate attractive risk-adjusted returns.

This is very much evidenced by the success we continue to have with our X1 rollout. We accelerated our X1 net additions in the first quarter and as the deployment has expanded, the customer benefits we have highlighted continue.

More customers are subscribing to DVRs and taking additional outlets. There is increased VOD usage and we continue to see reduced voluntary churn levels among these customers.

First-quarter capital expenditures at NBCUniversal declined by \$23 million to \$268 million primarily reflecting decreased investments in facilities partially offset by increased spending in the Theme Parks as we build new attractions, including Harry Potter and the Fast and Furious attraction in Hollywood. As I mentioned, in February, we expect that NBCUniversal's 2015 capital expenditures will remain relatively stable at last year's level with over half directed to our Theme Parks segment as the investments we are making in Parks are clearly generating strong returns and drive increased attendance and per capita spending.

Now let's move on to slide nine please. As I mentioned earlier, consolidated free cash flow increased 12.7% to \$3.2 billion in the first quarter reflecting growth in consolidated operating cash flow and improvements in working capital partially offset by higher capital investment. We are executing on our 2015 financial strategy and increased our return of capital to shareholders by \$1.3 billion or 104% in the first quarter to \$2.6 billion consisting of share repurchases totaling \$2 billion and dividend payments totaling \$572 million.

As Brian mentioned, today we are increasing our prior share repurchase plan in 2015 from \$4.25 billion to \$6.75 billion. Combined with a dividend increase of 11% that we announced earlier this year, our total return of capital to shareholders will increase by over 40% in 2015.

We came to this conclusion based on the optimism and confidence we have in our business illustrated by the strong results we are reporting today, we remain committed to returning a significant percentage of our free cash flow to our shareholders each year.

So let me wrap up by saying we are very pleased with our performance this quarter. We have had a tremendous start to the year with strong operational and financial results that confirm our strategy of consistently and prudently investing in new products, innovative technology and customer experiences across the Company at both Cable and at NBCUniversal. We are committed to continuing this momentum and I believe our strong portfolio of complementary businesses work well together and leverage each other's capabilities and this will continue to generate profitable organic growth and yield positive results.

Now let me turn the call over to Jason for Q&A.

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**Jason Armstrong** - Comcast Corporation - SVP of IR

Brent, let's open up the call for Q&A, please.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Jessica Reif Cohen, Bank of America.

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**Jessica Reif Cohen** - BofA Merrill Lynch - Analyst

One for Brian and one for Steve. Brian, given the extremely disappointing turn of events which subjectively I will just put my two cents in, seems like you guys are being penalized for investing in your network and being successful at that. But regardless, given the current situation, can you give us your top three priorities for the Company at this point from an operational perspective and any comment you may have on strategic direction with or without M&A?

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

What is your Steve for question while I think?

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**Jessica Reif Cohen** - BofA Merrill Lynch - Analyst

Okay, for Steve, I guess it is kind of a two-parter. The Theme Park numbers I don't think we have every seen theme park at any Company grow that quickly. So if you could just maybe highlight what your five-year plan is for the attractions and hotel rooms?

And the second part is on the Cable Networks, given the environment which is obviously much tougher than when you bought the Company, how are you positioning the Cable Networks -- I guess in two ways. One, if the world goes to skinny bundles, how are you positioning the Company for that? And given the upfront is next week, how are you guys thinking about approaching the market given the changes in advertising from both programmatic buying, from measurement issues, etc., etc.?

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

There's a lot of stuff in there, Jessica. Let me begin by just saying that of course, we are disappointed but it was a unique one-off situation as we all replay what happened. And proud of the Company, proud of the effort but really we have moved on.

So my top three priorities start with execution and if you look at this quarter if you look at last year and I hope we look at the future, it won't always be perfect but, Neil, congratulations for really the whole team staying focused in a very trying situation. The announcements that we will make at the convention about service, about organic growth, those are the priorities. Really X1, what else can it do? How can we roll it out faster, get it to more customers?

And I look at what Steve also a great quarter and I think setting us up for record performance in Film and just can't say enough great things about what is happening in the Theme Park business. But the core television side, we have the upfront coming, advertising, Steve can talk about some of the priorities and details but if I had to pick one thing, I would say is continue to make the experience if you are a Comcast customer better all the time and that is across the board. And I think we are doing that and have been doing that and we have a real plan to execute in the future.

In terms of other things that could come along, I believe we have a very special Company in so many different businesses. We are always open-minded. We have always been however I think extremely disciplined and focused on building shareholder value and right now we are back to the work and there is nothing that I could think of that we don't have on our plate that I'm excited about. Steve?

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

So if you go back to four years ago when we bought the Company, the Theme Parks were making about \$400 million a year and right after we showed up Blackstone, we had a buy-sell agreement -- a buy-sell situation with Blackstone and we ended up buying out their 50% of the Orlando parks for about \$1 billion.

If you move forward to today, this year the Theme Parks should do over \$1.3 billion in operating cash flow. We are only one-third of the way through the year so we will see how the rest of the year goes but they are off to a very, very good start. And we see the Theme Parks now as a very big and very important part of our Company. They are about 20%, 20% to 25% of our operating cash flow and we see many, many years ahead of us of growth.

Our strategy is very simple. We are going to invest in great attractions, probably about one a year at each of our major theme park locations. We think we have a fantastic creative group led by Mark Woodbury, who they are coming up with really cutting edge, great, very modern terrific attractions. And then we also think in Orlando that we are significantly under hotel-ed. Guests who stay on property tend to stay -- their length of stay in the theme parks increases by a day and we did a study that showed us that we can have many more hotel rooms than we have. So we recently opened a lot of hotel rooms but you will see a very significant hotel build out in Orlando over the next five or so years and we think if you look at our Company holistically with Illumination led by Chris Meledandri making great animated films that can travel to the Theme Parks and all the other things that come out of our movie studio that we have the ability holistically to create great IP and see that IP go into our Theme Parks and help drive the future.

So Theme Parks I think when we first showed up were something that came with the rest of the Company and now they are right at the core of what we are all about and we think provide a tremendous growth opportunity.

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**Craig Moffett** - MoffettNathanson LLC - Analyst

Craig Moffett, MoffettNathanson.

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**Craig Moffett** - *MoffettNathanson LLC - Analyst*

Good morning and first, my condolences to Larry's family and to everyone there.

Can you talk a little bit about two of the biggest opportunities that you had discussed with Time Warner Cable, the opportunity to really approach the enterprise segment and the opportunity to potentially do something with wireless? How do your plans change now that you don't have the scale associated with TWC and the New York and LA markets, are those still really nationally addressable market opportunities for you or do you scale back and think of them now as more regional opportunities?

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

Hi, Craig. This is Neil. On the enterprise space, we have already begun working with a number of enterprise players in the financial industries, in the food industries and a number of others. So we've built that capability. We are working with some other cable operators to fill in some of the territory that we don't have to serve the needs of the larger customers but we've got a channel if you will already established. So we think there is lots of upside opportunity there.

In the wireless space, we have been spending a bit building out our Wi-Fi network. We've got 8.6 million hotspots. We have the MVNO agreements with Sprint and Verizon. We don't have anything to announce right now. We are still working on our wireless strategy and how that will manifest itself but we feel that Wi-Fi is a very strong and powerful asset that we will be looking into the best way to leverage going forward.

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**Craig Moffett** - *MoffettNathanson LLC - Analyst*

Can you give any kind of timeframe around when we might see those opportunities start to show up in the numbers?

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

No, I think it is premature to do that.

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**Craig Moffett** - *MoffettNathanson LLC - Analyst*

All right. Thanks, Neil.

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**Operator**

Phil Cusick, JPMorgan.

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**Phil Cusick** - *JPMorgan - Analyst*

Thanks. I guess focused on the buyback, should we look at the additional \$2.5 billion as a catch-up in any way or can we think about this as a normal capital return?

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**Michael Angelakis** - *Comcast Corporation - Vice Chairman & CFO*

Good morning, Phil. It is Michael. I really wouldn't look at it as a catch-up in any way. I think we do this as you know annually. We look at where we think the stock price is, what our capital investment plan is, where we think our leverage is and I think the \$2.5 billion simply reflects a balance of a couple of items.

One is we firmly believe the stock is undervalued so therefore having a buyback makes a lot of sense. I think two, we really have a pretty robust capital investment plan so the way I look at it is we are playing offense. And I would say number three, we are at the high-end of the range with regards to our leverage target. We are coming in approximately at year-end where we think we want to be, approximately 2 times. So when you put all those factors together, those are the numbers that we think makes sense and I think we will address 2016 next January or February.

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**Phil Cusick** - *JPMorgan - Analyst*

Thanks, Michael.

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**Operator**

John Hodulik, UBS.

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**John Hodulik** - *UBS - Analyst*

Thanks. Maybe a follow-up to Craig's question for Brian. Given what you heard from the FCC, are swaps, even if they don't increase the footprint of Comcast, off the table at this point?

Secondarily, I think Plan A with Charter, it looked like Comcast may benefit from some spins from a potential Charter Time Warner Cable deal. At this point does it look like that those are impossible as well and any increase of the footprint can't happen at this point? Thanks.

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

At this point we are not focused on either those two scenarios you just outlined. I don't know what is or is not possible. Each time you go, it is a unique conversation but right now I think we like our Company's assets and we don't have any conversations in that regard.

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**John Hodulik** - *UBS - Analyst*

Okay. If I could just ask a quick follow-up for Neil. In the prepared remarks, you guys talked about increasing competition in the video market. It looks like AT&T has pulled back a bit on the U-verse side. Where is the competition at least from traditional video providers coming from at this point? Thanks.

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

I think Q1 was a fairly aggressive quarter from a discounting perspective. There were a number of orders out there with gift cards and discounts on the triple play and the double play that were lower than what we had seen. However, we felt we had competed well. Really what drove our video numbers the big driver there was improved retention especially on the non-pay side so we are getting better quality customers and retaining them. So we feel good about the video quarter. This is the highest growth rate in a couple of years and we didn't chase low-end subs.

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**Michael Angelakis** - *Comcast Corporation - Vice Chairman & CFO*

And let me just pile on a little bit. Obviously over the last 12 months, the telcos continue to overbuild us and right now we are at about 56% overbuilt by the telco community. That number was just under 50% 12 months ago. So to put on 199,000 customer relationships and perform the way we did across the board with having increased promotional competition as well as more overbuild I think the Cable team just did a great job.

**John Hodulik** - UBS - Analyst

Thanks, guys.

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**Operator**

Ben Swinburne, Morgan Stanley.

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**Ben Swinburne** - Morgan Stanley - Analyst

Thank you. Good morning. Brian, could you spend a couple more minutes just talking about the investment company you are forming with Michael inside of Comcast. And since it is consolidated, we won't be able to see at least obviously the investments and the returns out of the gate so how do you think about what that company invests in versus Comcast? And how do you think about generating returns from that investment?

And then I just wanted to ask a question to Neil on customer segmentation. I think you've probably already now passed your video sub base with more broadband subs and since we are whatever a month and a week past the quarter and you were pretty close at quarter end, how do you think about targeting the broadband only household and thinking differently about bundles as we move more toward an Internet led sort of television world over time?

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

Let me start. I am thrilled with the partnership with Michael and we will definitely find ways to give reports as it progresses. But if you go back to his life before Comcast, the track record was stellar returns for many, many years and projects that are in and around our space but not directly in the center of what Comcast would do by itself. So we by virtue of relationships or by the nature of things we can do (technical difficulty) we see a lot of opportunities that we don't execute on that have proved to be some fantastic returns and some not so fantastic returns. And if you are lucky enough to have someone who can build a management team like Michael will hopefully and I believe with outstanding judgment, we will find a way to add to the returns that Comcast is otherwise getting for shareholders and I think it will create potential for businesses down the road that Comcast may want to own outright.

So we think we thought that all through. It has been very much a part of the structure. We think we have a really great deal for the Company side and I think Mike has a chance to now build a fleet entrepreneurial organization that was in an enviable situation compared to many of its other kinds of companies out there because I don't think there's anything quite like this. So we are very excited and wish him incredible success on behalf of all of us.

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

And onto your broadband question, so broadband has in fact surpassed video in terms of the number of subs. It is a less mature market so we think there is room for growth. We believe we are increasing share and the market is growing. We do target HSD to satellite video households where we can use HSD has a foot in the door and then expand the relationship from there.

The on-campus product and Internet Plus are examples of where we are segmenting the market, on-campus thing the college student and Internet Plus being the millennials. With either -- in the case Internet Plus, it is a relatively high-speed video product with B1 and a premium and in the case of the campus product, it is streaming service to the dorm room in effect.

The other thing I would say about broadband is the Wi-Fi network continues to build out and that opens up opportunities to other products like streaming video to any IP device in the home or to the XFINITY home product. We now have over 500,000 XFINITY home customers and that business is really starting to catch on.

**Operator**

Vijay Jayant, Evercore.

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**Vijay Jayant** - *Evercore ISI - Analyst*

Thank you. Just wanted to focus on new competition on the digital front now that you are back to execution on your asset base. Can you talk about any aspirations of deploying a virtual MSO nationally or and I think your business and press reports have some branded standalone over the top products that NBC was contemplating? But just sort of with that but also within the ecosystem do you think that you need to repackage some of the ways the product is bundled and how FiOS is trying to do that, is that even legal and just the fact that in both sides of the equation, any thoughts there? Thank you.

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

Let me start if I might, Neil, and then kick it to you. I don't think we have any news today on any of those matters. I think the ecosystem is always evolving. We've got really smart people, we've got a lot of great assets but we are a facilities-based company that has proved to be a tremendous business and creates new products all the time.

NBC has international assets, is constantly looking at how the world is changing and what are opportunities. And then there is relationships that we have with content companies that want to give customers more access on the go, in the home, on new devices. And then you have new content players who just want to get their content more broadly seen on new platforms and I think we are doing some of all of those things and we will have more to talk about as we go forward. But right now getting X1 rolled out I think is still the best opportunity in the Company in the very short run and that is what we are pretty focused on. Neil?

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

I would just echo that the X1 acceleration is core to our plans. We still see voluntary churn rates, 20% to 30% lower VOD buy rates, 20% to 30% higher DVR penetration, more additional outlets. So the ARPU per X1 customer is significantly better than the legacy systems.

In terms of over the top, we feel as Brian said very comfortable in our footprint. We have got a lot of penetration still to go and we will be focusing there.

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**Vijay Jayant** - *Evercore ISI - Analyst*

Thank you.

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**Operator**

Brett Feldman, Goldman Sachs.

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**Brett Feldman** - *Goldman Sachs - Analyst*

I think question, you have come out and stated your opinion that you think Verizon's custom TV product is a violation of the programming agreement you have with them and ESPN has taken the extra step of actually suing saying explicitly that they are not allowed to include ESPN in programming tiers. So my question is, is that the same problem that you see with the product and then could you just elaborate on what your options are for enforcing your contractual rights?

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

Let me start and kick it over to Steve. I don't think we have any new statements to make today. I think you characterized the situation in the market and we will just have to see what each company pursues in their conversations or any actions they make. But I think NBC has put out its own press release. Steve, do you want to add to that?

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

No, I think you said it well. Nothing more to say.

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**Brett Feldman** - *Goldman Sachs - Analyst*

Thanks for taking the question.

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**Operator**

Marci Ryvicker, Wells Fargo.

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**Marci Ryvicker** - *Wells Fargo Securities - Analyst*

Thanks. I have two. First for Steve, a lot of the diversified companies have restructured the businesses and taken some big write-offs mostly related to programming. I assume that NBCUniversal is in a different position because you have been working on all of this for the past couple of years. So just wanted any commentary or color on how NBCUniversal is positioned at this point?

And then the second question is for Brian or Michael, the \$4 billion for the new venture, where is that capital coming from? Is it a reallocation of resources or is it coming out of free cash flow? Thank you.

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

So if you look at the activity that has taken place at NBCUniversal over the last four years, we have made major, major changes at all levels of the organization, restructuring the Company, grouping like businesses under business heads and then once you do that grouping going through and making sure that you eliminate redundancy and inefficiency.

If you look at Cable, we now have all of our Cable entertainment under Bonnie Hammer. For example, if you look at ad sales, we used to have different ad sales groups for Broadcast, Cable and Digital. They are all now operating under Linda Yaccarino; Mark Lazarus has all of sports so he has NBC Sports, NBC Sports Network, Golf, all of a regional sports businesses. So we have put like kind groups together and I think that has the benefit of giving you more management leverage and putting those businesses together realizing synergies, it also sometimes allows you to take costs out of the business because you've got people who are doing essentially the same thing who are now part of a group.

So we have done a lot of that and we are going to continue to do that by the way. We I think are constantly looking at ways to make the business more efficient but we have done a lot of that already.

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**Michael Angelakis** - Comcast Corporation - Vice Chairman & CFO

Let me just talk about write-offs for a second which I think Marci, putting a finer point on your question, we are constantly evaluating the assets that NBC is producing on the content side and frankly constantly taking some write-downs to the extent that they are unsuccessful. So it is not like we do it every couple of years. We have done it right from the start and it is sort of a constant evaluation process the Company goes through.

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

I think the capital allocation question, I want to echo what Michael said earlier on the buybacks and our view of the health of the Company's financial position and I think as we look to invest in the first observation, the \$4 billion doesn't go out the door in one day. It can't happen any quicker than a couple of years without a new conversation. But I think it will be probably even be longer than that so I don't think it will really have a material change in the trajectory of how we are running the Company and I think the way I look at it is we are planting seeds for future growth accelerators for the Company and really optimistic to do that.

**Marci Ryvicker** - Wells Fargo Securities - Analyst

Thank you so much.

**Operator**

Jason Bazinet, Citi.

**Jason Bazinet** - Citi Investment Research - Analyst

I have two questions. One for Mr. Burke. We have been surprised given the strength of the dollar how good the international visitors into Orlando have been. As you look at sort of the patterns down at the parks, do you anticipate the strong dollar becoming a headwind for you in six or nine months?

Second for Mr. Angelakis, should we be delevering your balance sheet because when I look at the amount of cash flow you have and if I hold your leverage constant given your EBITDA growth, I can't figure out what to do with that cash. I don't know if I should be moving toward the low end like another 1.5 turns of leverage or what I should be doing with that cash. Maybe it is all related to this new investment company but any color would be helpful. Thank you.

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

So the strong dollar is obviously affecting any of our -- any of the dollars that we are bringing back to the United States from the movie and television businesses that we distribute around the world. And despite the strong dollar, we have had the most successful film in our history with Fast and Furious 7, which actually the benefit of which is in the second quarter, not the first quarter. But we are currently standing at over \$1.4 billion in worldwide box office and that would be pretty significantly higher if the dollar wasn't so strong.

As it relates to Orlando, we have really seen no impact from the strong dollar. It is very difficult to tell because our attendance is up so dramatically. When your attendance is up 25%, it is basically coming from everywhere including international and we have very, very strong Latin American business and European businesses.

So we lap ourselves with Harry Potter this summer and would anticipate that the overage or the increase in attendance to decline but we don't think that international is going to be the kind of drag that is noticeable because we are on such a run and we are growing the overall business and a piece of that is international. But a big piece of that is local, domestic and faraway domestic as well.

**Michael Angelakis** - Comcast Corporation - Vice Chairman & CFO

Jason, I will take the cash point. I think you know, we really don't provide multiyear sort of forecasts on where we think cash is going. But the reality is the Company is generating cash, we are providing the vast majority of it back to shareholders in both the form of dividends and buybacks and we increased the dividend about 11% a few months ago and now we are continuing to increase the buyback pretty significantly.

So as we go forward, I think that is sort of an annual review. The annual review is where do we think free cash flow is, where do we think leverage should be, where do we think our overall dividend and return of capital should be? I really don't see our -- the investment area that you mentioned having any material impact on return of capital or leverage. We are an A-rated credit and I do think now we will probably end the year approximately at 2 times and as we go forward could we delever just a little bit organically as we have over the last four years? Sure, but I don't anticipate any large change or swings.

**Jason Bazinet** - Citi Investment Research - Analyst

Thank you very much.

**Operator**

Kannan Venkateshwar, Barclays.

**Kannan Venkateshwar** - Barclays Capital - Analyst

Thank you. Just a couple. The first one now that Title II is the new state of the world, if you can lay out for us how you see that framework affecting broadband pricing going forward or what you can or cannot do with this new framework now?

And secondly, given the big base of subscribers that you have on 50 mg or more, how have you seen the consumption patterns change as you have upgraded more and more customers to these higher speeds, are people spending more time on over the top content versus linear? If you can help us that, that would be very useful. Thanks.

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

Yes, this is Neil. On Title II, it really hasn't affected the way we have been doing our business or will do our business. We believe on Open Internet and while we don't necessarily agree with the Title II implementation, we conduct our business the same we always have, transparency and nonpaid peering and things like that.

I think how it will emerge remains to be seen. We have been flexible in our packaging with HSD. We have invested significantly in our capacity and will continue to do so and that includes both the -- we launched a 2 gigabit speed, 2 gigabit symmetrical speed recently. We are rolling that out across 18 million homes by the end of the year and we've got the fastest in-home Wi-Fi router. So the broadband in terms of pricing we remain market flexible. We are always balancing rate and volume and packaging in different ways so we will be in tune with the market is the way I would describe it.

**Kannan Venkateshwar** - Barclays Capital - Analyst

And on the consumption patterns in broadband?

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

Consumption patterns continue to go up. We increased 40% to 50%, our capacity consumption going up that amount per year and we haven't seen a dramatic change in that but we will continue to invest. We double our capacity every 18 months and we don't see that slowing down in the near term.

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**Kannan Venkateshwar** - Barclays Capital - Analyst

Thank you.

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**Operator**

Mike McCormack, Jefferies.

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**Mike McCormack** - Jefferies LLC - Analyst

Brian, you might have alluded to it earlier, just thinking about the international piece of NBC, but now that domestically it seems like M&A is probably off of the table, have you given any additional thoughts to international opportunities around that?

Secondly, if maybe Michael can just try to quantify the retrans benefit in the quarter for us? Thanks.

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**Michael Angelakis** - Comcast Corporation - Vice Chairman & CFO

Retrans has been very helpful. I believe the number for 2015 is approximately \$500 million so that has just been a great tailwind for NBCUniversal. I think going back four or five years ago when we acquired the Company, the number was in the single-digit millions of dollars and now that number is approaching 500. So that is certainly helping and importantly dropping to the bottom line. That was an important factor that we have talked about internally is making sure that yes, we are investing significantly and programming across the board but that some of those dollars can increase profitability.

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

Again we don't have any new news or even new focus today. I do think as Steve said, the international results at NBCUniversal have been really strong and part of what is helping our growth so clearly we now have products, we have opportunities internationally that we never had before, buying NBCUniversal, Michael's new company is what you have an opportunity to look at things from all over the world.

But I think our number one focus and just want to make sure you hear it, is the kind of results that we posted in the first quarter here. It is staying focused, not taking our eye off of the ball, looking at how to accelerate this great X1 experience for customers, improving customer service every quarter as we did in the last quarter. But we know we can continue, we will have a lot of news to talk about that at the Cable convention and continuing to onboard great products that we have got in the Company and get them to more consumers.

So good quarter and thank you to the team for making it happen.

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**Jason Armstrong** - Comcast Corporation - SVP of IR

Thanks, Brian. We will wrap up there and again, thanks everyone for the flexibility this morning with the time change. Brent, back to you.



**Operator**

Thank you. There will be a replay available of today's call starting at 12:30 p.m. Eastern. IT will run through Monday May 11 at Midnight Eastern Time. The dial in number is 855-859-2056 and the conference ID number is 11175378. A recording of the conference call will also be available on the Company's website beginning at 12:30 p.m. today.

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

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