

FINAL TRANSCRIPT

Thomson StreetEventsSM

CMCSA - Comcast Corporation at UBS Global Media and Communications Conference

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CORPORATE PARTICIPANTS

Neil Smit

Comcast Corporation - President, Cable

CONFERENCE CALL PARTICIPANTS

John Hodulik

UBS - Analyst

PRESENTATION

John Hodulik - *UBS - Analyst*

Okay. If everyone can please take their seats, we're going to go ahead and get started here. Am I going to have to read that again?

Unidentified Participant

I think they probably -- stand up and shout.

John Hodulik - *UBS - Analyst*

Okay. Good afternoon. Thank you all for coming. I'm John Hodulik. I'm the cable, satellite and telecommunications analyst here at UBS. I want to thank you all for joining us today. I hope everyone's enjoying their lunch.

We're very pleased to announce our lunchtime keynote speaker, Neil Smit, the President of Comcast Cable. I believe this is Neil's first presentation as a Comcast employee. He joined this year from Charter Communications, where he served as CEO since 2005. Before that, Neil was President of Time-Warner's AOL access business, overseeing Internet access services, including AOL, CompuServe, and Netscape ISPs.

Neil, thanks for joining us today.

Neil Smit - *Comcast Corporation - President, Cable*

Thanks for having me, John. Good to be here.

QUESTIONS AND ANSWERS

John Hodulik - *UBS - Analyst*

Great. So we're going to spend about 40 or so minutes on Q&A, and then we're going to have some time to open it up to questions from the audience. But Neil, you joined the Company earlier this year, and spent some time to get the lay of the land, in terms of the cable business at Comcast. Can you give us a sense of what your priorities are over the next 12 months as you look at the -- watch the cable business evolve?



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Neil Smit - Comcast Corporation - President, Cable

Yes, I think what I found at Comcast is, we do big things really well. So when we're rolling out DOCSIS 3.0, or we're rolling out an all digital experience on the video side, we do that very well.

I think one of the things we could do better is really leverage our platforms and leverage our investments. My top priorities are, first, to drive sustainable growth. I think that we've got great products, and we need to really drive them out. Our Triple Play sell-in is coming along. We've made investments in HSI. We've got DOCSIS 3.0 in over 80% of our market. That gives us real speed superiority. We're driving share there.

On the video side, we've rolled out 25,000 of VOD opportunities or viewings per market. We've got a lot of opportunity there, new guides. So really driving our growth there and sustaining it.

As we came out of Q3, we saw an opportunity to drive more connect, so we spent more in marketing, and we're seeing the connects.

The second priority is customer experience. I think that it's an area where we have probably underinvested in. We can capture more mindshare of our employees in it. We've hired someone to drive the self-help, self-service side of the business, let's get more of our stuff online, more usage online. We're driving down repeats, so repeat service calls. No one wants to have a customer experience where they -- you know, someone shows up and it's not done right. So repeats were at their all-time lowest level just last month.

I think there's a lot of opportunity in improving the time that people wait for a customer service call, so in a couple markets now, we're testing one hour service windows, which have been very successful. So I think customer experience is really an opportunity.

The third is product superiority. As I mentioned, we've made a lot of platform investments, and I think it's time to leverage those. We've got 105 megs in HSD. We've got a huge array of video assets. Our iPad app enables people to interact with them quicker, and search and discover that app, that content, more easily.

So I think we have a real opportunity to drive product superiority. We've made the investments, and it's time to leverage those.

And finally, there's an initiative that I call One Comcast. As I traveled around to all the systems, I found that some systems were performing really well on one metric, so -- repeats, you know. In one market, it might be 7%, in another market it might be 14%, but they weren't connecting. So the markets weren't sharing that information. So we've launched a portal now, a best practices portal, and people are sharing the information more readily, and we're -- it's really rising the whole tide.

So those are my priorities. I think what's been great is, the organization responds really well. We're seeing them making a lot of progress, and I'm very pleased.

John Hodulik - UBS - Analyst

Great. Let's drill down a little bit on the residential business, and more specifically, on video. You're about two thirds of the way through the all digital product -- digital project. Could you talk a little bit about how that helps the video product, and your competitiveness in video?

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Neil Smit - Comcast Corporation - President, Cable

Well, tangibly, it's increased our HD channels by about three times, so we're at over 100 HD channels per market right now. We've more than doubled the amount of foreign language programming, so we're at [50 to 7] foreign language programs in the average, and then we have markets like San Fran that are over 100. And that was an area that I think we weren't performing as well, versus satellite.

As I mentioned previously, we've got about 25,000 VOD choices out there, 11,000 movies, so a great library of content. I think the guides we've rolled out, and we're still in the process of finishing, are enhanced guide rollouts, so it provides more search functionality for both On Demand as well as linear content.

So really, the all digital project, aside from its bandwidth savings, was really driving more value into our video product.

John Hodulik - UBS - Analyst

And a lot of the commentary from the conference over the last couple of days has been that the effects that over-the-top video maybe had on the cable business, and via distribution in general. At this point, do you -- you've got all these assets, all these content arrangements. Do you feel that you're at this point seeing some effects from that in terms of your subscriber count?

Neil Smit - Comcast Corporation - President, Cable

We've seen no evidence of over-the-top. That being said, we don't have our heads in the sand. We can and will compete there, if need be. We've got -- we launched xfinity.com recently. It's a great site, great user interface, 150,000 choices. So we're not ignoring the possibility.

I think the sub-losses we saw in Q3 -- it was interesting, because I think obviously, we had the economic impact. We had the impact of the digital transition, and as people rolled off those promotional rates, we saw some losses there. And I think we're seeing more competition, so AT&T is still building out their (inaudible) product in a number of our markets, and we're just having -- we have another competitor there.

But today, we haven't seen any evidence of over-the-top. In the markets where we did exit surveys of customers who were leaving, we did see a small trace of folks going back to antenna, which I thought was interesting, and we're monitoring that trend.

John Hodulik - UBS - Analyst

What about cord shaving, where your customers are buying less video from you, maybe fewer premiums or less VOD. Is that something? And then, Netflix has obviously been a big topic over the last couple days as well. How do you view them? Is it more of a direct competitor, or a complement, or -- how do they fit into the (inaudible)?

Neil Smit - Comcast Corporation - President, Cable

Well, I think I'll take those in the reverse order. I think that online video, we view as complementary. We think it's a convenient way for customers to get information, to get their content. As I said, we're playing in the space, and we've got great long-term relationships with our content partners. We've got a fantastic broadband pipe that we can leverage, and we've got about 1,000 Internet engineers who -- in Seattle, San Francisco, Philly, who can work and develop in this space.

From the cord shaving perspective, it's interesting, because our ARPU in Q3 was up about 5.5% on the video side, so we're seeing ARPU increases. I think we've learned to sell better. We're spending time on retentions, make sure we're getting people

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into the right packages. If they do decide they're having an economic challenge, we can get them to the right place that works for them.

John Hodulik - UBS - Analyst

Now, some of the other providers, like DirecTV last week, their analyst day, and we heard a little bit from Charter and (inaudible) experimenting with smaller packages for video. Is that something that interests Comcast, and how big of a market do you think there is for that, sort of that -- not quite cord cutters, but people that are trying to lower their cable bill?

Neil Smit - Comcast Corporation - President, Cable

Well, I think it's all about getting the right product or service to the right customer, and making sure we're segmenting that thoughtfully. Our -- we have a digital economy product that we've had out there for almost a year. It's about 75 channels, 50 SD, 25 HD. It's targeted to that type of customer.

And one of the things we found with that product is, for that customer who is generally a higher churn profile, that segment, that we are -- we're not doing step ups, because a step causes potentially a churn opportunity or possibility. And so it doesn't step. It's a \$29.99 if you buy into a bundle, \$39.99 standalone. It does have HD, which some of our peers or competitors do not. And we're not selling -- we're not promoting it aggressively. However, to the right customer, either as a save offer or whatnot, we will sell it. And it's margin accretive, and -- so we have a product there, and we're able to sell it.

John Hodulik - UBS - Analyst

Great. Another big topic, I think, at the conference, has been the sort of co-existence of linear, more traditional service, with over-the-top. Things like, a lot of the -- DirecTV talked about it last week, about connecting all their set top boxes to the Internet, to be able to do some hybrid service. Obviously, the cable industry is well positioned to be able to do that, because (inaudible) already connected (inaudible).

Can you talk about your strategy as it relates to that? I'm sure Xfinity plays in, and I assume you have a demo of a product as well.

Neil Smit - Comcast Corporation - President, Cable

Well, I think that one is, they can co-exist together. As I've said previously, I think that they can and should be complementary. There is a -- people want to access their content online or stream it, that's fine with us. That's one of the reasons we put out Xfinity TV, I think -- the dot.com site. We worked hard on the user interface. I think making that information accessible to the customer is important.

I think the other thing that we offer which is unique is that we go across multiple platforms. So if they want to stream it, they can. If they want to record it on DVR, they can. If they want to watch it VOD, if they want to program their DVR, that's fine, and it's very easy and fluid to go across the various platforms.

In the last -- call it three months, we've launched two new products. We've launched the xfinitytv.com site, which I referred to, and we're getting a lot of unique growth there. And we launched the iPad remote application, which I brought here to demo. We just -- I just announced it at Web 2.0 recently. It's -- we've got about 350,000 downloads already. It's one of the top ten iPad launches, and we're very excited about it, and seeing great consumer receptivity.

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So the first thing -- you look at this, you say, well, it automatically picks up how many DVRs you have in your household, so I could go to the family room, the den, the bedroom, so I'm actually going to change the programming in my household. The way this works, instead of a two-way relationship, your remote to your set top box, it's going through the Internet, the servers, to the head end, and changing our channel. So let's just pick the family room.

It's very easy to scroll through it. You can get 14 days of content. You can move forward in time. You can move to now -- well, let's hit now. Let's pick a channel. So let's pick Law & Order, and pull up the channel, and there is all about it. We can get more information if we want by pulling up that particular episode. We can see the future episodes here on the right. We can record them, or record the entire series.

So it's great, from searching for content, exploring content. If we want to search for content, we can say, well, let's look for Boardwalk Empire, and hopefully I spelled that right. And we click Boardwalk Empire, and we can, again, watch a channel immediately, record the whole series. So it's very easy to search for content, and find it immediately.

If we -- let's go back to TV listings, and we want to -- let's just filter. We want to refine our content. So let's go, HD only, and let's go movies, and it filters down to movies. I don't think we'll watch *Zombieland* right now, but we could if we wanted to. Right?

So it's very easy to filter and discover content. You think about the old remote, it was just a very awkward way -- it's been around for 20 years, it hasn't changed. So a very nice, fluid way of finding content.

One of the features that we're launching coming up here is -- well, let me go to On Demand first. So On Demand, you see the poster art, it's very fluid, it's very easy to get through. You can filter by TV series, we could watch -- we could filter by -- let's go by networks. And let's watch *Weeds*, for example. So very easy to filter. We can watch whatever episode we want. We can go networks, TV series, we can go A to Z, we can go genres -- let's pick comedy and see what we get here. So it's going to filter the kids' series, so it's very easy to filter by any particular way you want to.

So one of the features we've launched recently is -- we're in the process of launching, excuse me, is Play Now. And this means you can watch it on your iPad. And it's coming up within the coming weeks here. We'll pick Play Now. Let's pick movies, let's filter by networks -- we're on HBO right now -- and let's go ahead and watch *Avatar*.

So we're going to play it, and -- there's *Avatar* playing. We want to click it, and we want to move forward, same as an iPad works when -- any time we want to move forward, then we can scroll forward, we can scroll backwards. So it's a great experience. It's really redefining how people interact with their television and discover content. I've got it at home, and I don't use the remote anymore. This is what I'm using. And it's a very exciting way to open up all that content and the whole discovery of it, and we're just thrilled with it.

And this, interestingly -- I think one of the important things to recognize is this took us from the iPad launched and the time we launched this was six months. And we've got 1,000 engineers Internet capable, our *xfinitytv.com* site relaunched in about three months. So the speed of innovation is really going to pick up, and I think the guides have always been a limitation of the cable industry, and this really opens up a new platform of experience for the customer.

John Hodulik - UBS - Analyst

That's great. The Play Now service, that's going to be available to existing subscribers in the next few weeks?

Neil Smit - Comcast Corporation - President, Cable

That's correct.



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John Hodulik - UBS - Analyst

And do you have -- have you worked out with your content partners the ability to watch all the content that they purchase, or is it a subset of what they currently purchase? (multiple speakers) --

Neil Smit - Comcast Corporation - President, Cable

We have -- we've worked it out with the premium providers such as Showtime, Starz, HBO, and we're in the process of working it with the other networks.

John Hodulik - UBS - Analyst

So over time, eventually, they'll have -- customers will have access to all the content that they --

Neil Smit - Comcast Corporation - President, Cable

That's our plan, yes.

John Hodulik - UBS - Analyst

And is that something that -- you know, higher content costs are part of the story here, and pay TV -- well, is that something that adds extra pressure to the increases we've been seeing over the last few years?

Neil Smit - Comcast Corporation - President, Cable

Well, the way we view this, this is another additional outlet. It just happens you're streaming on this versus watching it on your TV or PC. So we just view it as another additional outlet.

John Hodulik - UBS - Analyst

You know, it doesn't -- you don't have to pay the content providers more to --

Neil Smit - Comcast Corporation - President, Cable

That's the way we look at it right now.

John Hodulik - UBS - Analyst

And then, out of region -- and again, this probably comes back to the content, your deals with your existing partners. But being able to see this product outside the home in maybe some non-traditional Comcast video customers -- is that something that you could potentially see in the future?

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Neil Smit - Comcast Corporation - President, Cable

Well, right now, we're focused on -- most of our programming rights are for access within our network, or within our footprint. And we've got a lot of opportunity. We're at 44% video penetration, and that leaves a real opportunity to extend our service to the other 56% of our footprint that are currently not buying a service from us.

I think that what -- the way I look at this is, it's a real value add to customers. It's really -- it changes their experience and the way that they're working with us, exploring our content.

John Hodulik - UBS - Analyst

Do you see programming expenses -- aside from the (inaudible), continuing to be the problem it has been, or how do you expect that to evolve? You know, Glenn (inaudible) yesterday talked a little bit about potentially having some regulatory involvement in the process as we go forward (inaudible). Is this something that two or three years from now, we're still going to be talking about higher programming costs (inaudible) in the industry?

Neil Smit - Comcast Corporation - President, Cable

I mean, I think the way we see it in the short term is that our programming rate increases will exceed our video revenue growth. We're getting more value from our programming. We're getting more platforms. VOD is opening up. I mean, we had year to date about 166 day and date movies available. Three years ago, it was 16. So we're getting more value from the programmers. We're going across more platforms, as you just saw.

That being said, we've worked through these commercial relationships for a lot of years. I think that they -- I don't personally see a need for regulatory involvement. But you know, there's no project -- predicting how it will go.

I'm glad to say that neither Comcast nor NBC have been involved in a standoff where the customer has not been able to view our content in the (inaudible).

John Hodulik - UBS - Analyst

Moving over to broadband, Comcast has been the industry leader in deploying DOCSIS 3.0, increasing speeds for customers. Do you see this as primarily a way to drive share, or a way to drive ARPU, or how do you balance the two?

Neil Smit - Comcast Corporation - President, Cable

I think it's both. So in Q3, we drove about 40% of the HSD net adds in the total industry, and we're about 20% to 25% of the subs in the market. We're indexing at about 101 versus the industry at 80. Our ARPU is up at a higher level than our peers. So we grew ARPU close to 5% in HSD in Q3.

So it's -- the good news is, we see it as both a share opportunity, because we've got a better product, as well as an ARPU opportunity, because people want and need more speed.

John Hodulik - UBS - Analyst

Are those 5% type ARPU numbers sustainable? That seems like a big --

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Neil Smit - Comcast Corporation - President, Cable

I think it will ebb and flow, but I think that our perspective is, let's drive more value, and if the customers are willing to pay for it, we're happy to oblige.

John Hodulik - UBS - Analyst

Right. Another one of the themes from the conference, both on the wireless and -- we haven't seen it quite yet, at least not in the mainstream, on the wire line side, is usage based pricing for data speed. I think with Verizon's launch of LTE this week, they've put in some relatively aggressive tiers.

How do you feel about that? I guess to a certain extent, we're waiting for the regulatory air to clear, but do you see that as a natural hedge for any dislocation that might happen in the video business from over-the-top?

Neil Smit - Comcast Corporation - President, Cable

We don't have any plans for usage based pricing right now. That being said, we put in some of the instrumentation for -- you know, so our customers are able to see what their usage is, for example. I think that we've got a 250 gig cap, and the average consumption right now is 2 to 4 gig. So we've got lots of room there, and we'll manage our network as is appropriate.

But right now, we don't see the -- we don't have plans in place to activate usage based pricing.

John Hodulik - UBS - Analyst

How fast does that content, or that -- the consumption growing? The 2% to 4%, is that -- are you seeing consistent growth of that, especially as the speeds increase and the applications improve?

Neil Smit - Comcast Corporation - President, Cable

Well, it's 2 to 4 gig now. It's growing at a steady -- at a fairly aggressive rate. Interestingly, though, you've got much, much less than 1% of our customer base, at whoever caps out at the 250 gig level. So it's not a significant problem. We're not seeing huge numbers of people who are hitting that cap.

I think that some of our peers have put in place different caps, and I think we'll kind of monitor and test our way into it.

John Hodulik - UBS - Analyst

Okay. Speaking of peers, I've got a great segue. But there's obviously been a lot of noise these days between Comcast and Level 3 and a dispute over exchanging traffic on the Internet. How do you view the situation? I mean obviously, both paid peering and free peering has been around for a long time, and it would just be interesting to get your comments on the current situation.

Neil Smit - Comcast Corporation - President, Cable

Well, I think, as you said, John, the paid and the free peering have been around for a number of years, at least ten years. We've had a relationship with Level 3 for a number of years. I think that what they're referring to would be a change in industry practice. It would involve a lot of parties. I think they themselves, not too long ago, took the Comcast position in the peering debate.

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If there is a change, if for some reason the Internet, and the way it works and the networks, the way they interact need to change, I think there are groups and bodies that can do that. NANOG is the North American Network Operators Group, and we're certainly more than happy to participate in those discussions.

John Hodulik - UBS - Analyst

Okay, moving from the residential business, or the residential segment over to the business market, you've had a lot of success in the business market. You've seen growth in the 40% to 50% range for the last number of quarters. How long can that type of growth rates continue, and are there other -- have you made the investments you need to make to fully penetrate that business, or are there other assets you may need, whether they're organic or from an M&A perspective?

Neil Smit - Comcast Corporation - President, Cable

Well, as you said, we're very pleased with the growth in our SMB market. We're growing the 40% to 50% revenue rate. We see it continuing to pace very strongly. Right now, we're at a \$1.3 billion run rate.

The -- we're also offering new products to enter into the mid-market area, so metro Ethernet that can serve customers within a certain region, a number of locations, very strong product, we're investing in that. PRI, which taps into the PBX system, we're seeing great demand for that.

So I think there is demand on both the SMB side, continued demand there. This whole mid-market, we view as a -- it's a \$10 billion to \$15 billion market, and we think we can get a decent share of that. We think SMB market, we think it's a \$2 billion to \$3 billion opportunity. And backhaul as well has been a very good growth opportunity for us, and we see that as a \$1 billion opportunity over time.

We are making the investments. We've continued to invest in both the CapEx side of things, as well as the infrastructural element, the sales force, all the back office work.

So we're very pleased with the product. And there's some other new business opportunities that we're looking into -- home management and security, as an example, which we're testing right now in Houston.

John Hodulik - UBS - Analyst

The margins, from a telco's perspective, the margins, the small business margin, are some of the best retail margins [they see]. I would imagine, with all the investment that you're making now, and the 40% growth, that's not the case for the cable industry. I mean, is -- is that a source of potential margin improvement as that business matures over time?

Neil Smit - Comcast Corporation - President, Cable

Yes, I think it is. I think that right now, as the business scales, as you've said, I think it will be at or above residential margins, and could be margin accretive for the overall business.

John Hodulik - UBS - Analyst

So we touched on the commercial space, a little bit of what you're doing online as it relates to video, and the broadband growth. Are there any other growth areas that we should think of for Comcast over the next five years?

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Neil Smit - Comcast Corporation - President, Cable

Well, I think interactive advertising is a real opportunity. We've got about 20 million EBIF enabled boxes out in the market right now. We're testing requests for information, requesting VOD telescoping, where if someone clicks, they -- it goes over to VOD, and they can get more information on a particular product.

Canoe, I'm happy to say, we're participants in, and is getting some good products underway. They recently launched a multi-network, multi-cable operator campaign to about 10 million households. And I was talking to the head of Canoe recently, and they found that with the postal service, this one price shipping box, they tested an offer, and it was pulling -- the response rate was about eight times that of a regular display ad on the Internet.

So I think there is real potential there, and I think it's exciting to be able to see that space now come alive.

John Hodulik - UBS - Analyst

I mean, when do you think we should -- we can start seeing some improvement in the advertising line driven by interactive advertising?

Neil Smit - Comcast Corporation - President, Cable

I think it will happen over the next couple of years, and I think it will be gradual. I think that the hardest task was, A, getting the EBIF boxes enabled, and getting them deployed. But once that's done, you really see the potential for multiple different businesses such as our (inaudible) telescoping.

John Hodulik - UBS - Analyst

I've got one more question, and then we're going to open it up to the crowd for some Q&A. You know, on the wireless side, you have the deal with Clearwater, and you're marketing the service in a number of your markets. Competition is changing pretty rapidly in that market. Again, we had the 4G LTE launch with Verizon this weekend.

Is wireless a critical component of your residential bundle, or of your residential strategy? And what kind of importance do you see it have in the commercial space?

Neil Smit - Comcast Corporation - President, Cable

So I think it's going to be important, and more important going forward in both the resi and commercial space. We take a multi-pronged approach, so we're -- you know, it's all about extending our services, all three services, video, Internet and voice, across -- through to our customers.

And so, we have the Clearwater deal. I think we've learned a lot better about -- we've learned a lot about how to better sell that product. So we have a 4G/3G package, as well as a 4G standalone. We're selling it as a bolt-on to the Triple Play. I think we were having troubles integrating and explaining to the customer beforehand, so we're seeing growth there.

We're testing Wi-Fi in the Philly market. We've built out about 4,000 access points. It's cost in the range of \$20 million to \$25 million. We've got about 50,000 unique visitors already. And so we'll test that, perhaps, in another market, and see how that grows and scales.



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I think the -- we're doing a lot more apps, as you've seen in the space, and I think that's a great way to bring it to market, and bring our functionality and connect the functionality.

And then finally, the in-home networking. We think that that's a very important component. It's not going to go away. And we're -- as I said, with HSD, we're driving that very aggressively, including the networking component of it, which is real value for the customers.

John Hodulik - UBS - Analyst

Great. I think there's some microphones in the back of the room, if there's any questions from the audience? Must have been a great lunch. Comprehensive.

As we wait for some questions, maybe you could -- I know, sort of return of capital to shareholders isn't exactly your bailiwick, but maybe if we could approach it from the capital investment side. That's somewhere that has been -- you know, a very good, big part of the cable story over the last several years.

I mean, do you -- can cable CapEx continue to decline on a whole number and as a percentage of sales, even if we get a return to some growth in the residential market?

Neil Smit - Comcast Corporation - President, Cable

Well, I -- A is, I think we're very disciplined about our CapEx spend, and the large majority of it, it's success based. We're going to invest in the high growth opportunities that we see, such as, you referred to business services, DOCSIS 3.0. We're going to make those investments, make sure we're competitive, and we have superior products going forward.

You know, it's been interesting. Even with the difficult economy, the advanced set top boxes, there's still demand for those. So we're selling about the same number this year as we did last year and the year before.

The per unit pricing on those continues to come down, so within the corridor, we sold about 10% more, yet a total of 15% less money went out. So that's good news, in the per unit pricing.

I think that as the economy recovers, if you think about it, video is a capital intense business. And video is, you know, it's harder to move significant share there, so our penetration of 44% will probably not change dramatically with the new market coming in. However, the less capital intensive business, which are currently the higher growth business, such as HSD and phone, will be the -- we see those as the great growth drivers right now.

So I think we're -- we've come down from, say, 2007, we were about 20% of revenue. Q -- the run rate in Q3 was 12% to 13%. I think we can continue to have that come, drift down kind of gradually to a lower percentage of revenue.

John Hodulik - UBS - Analyst

And with the mix shift, with the sort of roll off in spending from DOCSIS 3.0 to all digital, can you foresee a future, however that is, with a single digit capital intensity type number?

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Neil Smit - Comcast Corporation - President, Cable

I'd like to see that. I think that's -- I think -- you know, as I said, I think it will drift down gradually. There's a point where you've got support and maintenance and line extensions and things like that, that are just needed to continue to support the business, make the business healthy.

John Hodulik - UBS - Analyst

Right, okay. Any questions? Right here in front?

Unidentified Audience Member

Do you see any changes in your pricing rates of increase in, say, Triple Play, or any of the other services? What is the outlook for the next year or two on consumer pricing?

Neil Smit - Comcast Corporation - President, Cable

Well, I think it's -- always with pricing, it's what the market will bear, and what customers are willing to pay.

I think that we've been able to grow ARPU at a good rate so far this year. We're at, overall, about 3%, 3.5% ARPU year to date. I think that -- you know, people want to consume more video. They want higher speeds on their Internet. They like to talk on the phone.

So I think that -- and with that comes cost for us, and to the right customer, we'll get the right price. I don't see dramatic changes in pricing going forward, but the market will tell us what it will bear.

We are spending more time on retention these days. I think one of the things I found is, there was a great marketing science engine on the acquisition side, and there was an opportunity to steer that same marketing science engine to the retention side.

And the other thing we're finding recently is, we're trying a different sales approach which is working very well. We're testing it in a couple of markets, where you start it -- tell me about the needs you have, and I'll tell you the package that's right for you. So instead of building the bundle from the bottom up, we're actually starting addressing the need, and then they can bring it down.

And it's worked very well for us in terms of both driving incremental ARPU, as well as driving down churn, because they feel like they're in a package that's comfortable for them.

John Hodulik - UBS - Analyst

How has the competitive market been evolving over the last couple of quarters? You know, there's -- we're reaching -- we're getting towards the end of the build out of telco, TV, both FIOS and (inaudible). Have you seen any differences in how either Verizon or (inaudible), AT&T has been acting in the market?

Neil Smit - Comcast Corporation - President, Cable

Not really. I mean, I think there's always new flash prices you'll see, but I think the destination prices are pretty similar. I think everyone's trying -- will continue to try new promotional packages to drive volume. But I haven't seen any fundamental changes in the way the pricing has shaped up for the market.



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John Hodulik - UBS - Analyst

Okay. On the left?

Unidentified Audience Member

What is the present status of your merger with NBC/Universal? And what do you see in the way of synergies with NBC?

Neil Smit - Comcast Corporation - President, Cable

Well, NBC, it's not really my area, and if Steve Burke were up here, he'd probably give you a better update. But we're hoping to close by year-end. We see it as some real opportunities for synergies in areas like VOD, as an example, or like interactive advertising we spoke about. I think those are real opportunities.

I think what's exciting from the cable perspective is, if you think about the content partner and the distributor relationship now, you get together every four or five years, and you kind of bang heads and walk away, and see each other maybe once a year to discuss opportunities.

I think what this really enables is a very active test and learn conversation. Gee, I've been thinking about that -- great, we can do that. And I think it will really drive more innovation and more value to the customer on a much shorter cycle.

So I think it's very exciting for the business, and we're pleased with the progress.

John Hodulik - UBS - Analyst

Right here?

Unidentified Audience Member

What plans do you have for your free cash flow generation? Thanks.

Neil Smit - Comcast Corporation - President, Cable

We're generating great free cash flow growth now. It's up year to date. It's probably a question -- as I said, we're very disciplined about CapEx. I think one of the things that we're focusing more on, I think, is we're very active and we're very aggressive on managing the revenue and the FCF line, the income statement. And we're spending more and more time making sure that that integrates into the net cash flow, and FCF business. As I mentioned, we're very disciplined with CapEx.

In terms of plans for FCF, I think that's probably a broader question I'd leave to my colleague, Mike Angelakis.

John Hodulik - UBS - Analyst

In the back there?

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Unidentified Audience Member

Yes. For Comcast Xfinity, in a year's time, what would you want to see in terms of the important metrics that would give you confidence that things are rolling along as you would expect?

Neil Smit - Comcast Corporation - President, Cable

I'd like to see a growth in unique visitors. I'd like to see an increased consumption usage, or viewing, on xfinitytv.com. And I'd like to see higher -- you know, both purchase and retention rate amongst our customers, as they're getting more value out of the relationship.

So those would be a few of the metrics I'd look at, and from a success perspective.

John Hodulik - UBS - Analyst

Right here on the right?

Unidentified Audience Member

Do you keep track of where you are with JDPower, or are you moving up, moving down, or staying the same as far as customer satisfaction?

Neil Smit - Comcast Corporation - President, Cable

I think generally speaking, we're staying the same, you know. There is some movement up and down, but I think it's relatively insignificant, which is one of the reasons why I'm really trying to focus the organization aggressively on customer experience. I think it boils down to a few areas.

One is, get it right the first time. Let's make the install process work better, let's make sure there are fewer repeats, let's make sure if we're on the phone with a customer, that we get it right the first time.

We're working on the handoffs between the different areas. I recently put someone over the top of the end to end customer experience, so it's not just about the call centers, or dispatch, or the tech visit, or network reliability. It's about all those put together, and let's make sure we don't drop the ball as we go along.

We've improved the ease to read our bill. The bill was pretty complicated, so we're improving that. And I think as I mentioned earlier, there's a real opportunity for self-help. A lot of customers just don't want to pick up the phone -- I think they want to do it online. And we brought someone in who's done it before at big scale for the top sites, and I think there's going to be real opportunity there.

So I'd expect to see us moving up the ranks next year.

John Hodulik - UBS - Analyst

And I think one of the things -- I think one of the earlier things you did is, you consolidated some of the regions within Comcast cable business. Was that driven by efficiency, or more from a -- just to improve the business metrics and make it easier to manage?

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Neil Smit - Comcast Corporation - President, Cable

Well, there were a few reasons there. We just recently consolidated from four divisions to three divisions, and there were really two drivers there. One was the speed to market. I thought we could respond and react and roll out new initiatives much more quickly.

The second was, we aligned according to our competitive set, so we have kind of the Northeast that lines up very well versus our Verizon overlap, and then we have the South Central that lines up very well versus our AT&T footprint. We found that when people got really used to the -- who they were competing against, and how to drive offers, and how to drive differentiation, they got very good at it.

So those were the real reasons. There were obviously efficiencies that were driven from that, but that wasn't the primary driver.

John Hodulik - UBS - Analyst

Okay, a question right here on the right. Okay.

Unidentified Audience Member

(inaudible question - microphone inaccessible), your discussion about the iPad. Can you talk about where you are in the whole subject of, whether you call it TV Everywhere, or authentication, mobile and other devices?

Neil Smit - Comcast Corporation - President, Cable

So we're proponents of TV Everywhere. As a matter of fact, we just recently launched with Turner. The -- I think it makes a lot of sense, and everyone who is not familiar with it, it's the ability to watch a program on xfinitytv.com, or over on the content provider's site, so HBO GO, as an example.

The -- we authenticate to the HBO GO, and we improved our authentication process significantly, so they ensure that whoever is watching on their site is a paying customer.

We're not yet decided on how we want to handle the third party authentication. I think it's just very early to tell, and we want to make sure that first and foremost, that we're protecting the privacy of our customers, as well as making sure that the content is well protected. I think that it's in all of our interests in the industry, both the content providers as well as the distributors, to protect that content.

So we are proponents. We are launching it across a number of sites, and we'll continue to look at other opportunities.

John Hodulik - UBS - Analyst

Okay. Well, Neil, thank you very much for joining us this afternoon, and thank you all for coming.

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