THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CMCSA - Comcast Corp at Goldman Sachs Communacopia Conference

EVENT DATE/TIME: SEPTEMBER 16, 2015 / 1:40PM GMT

CORPORATE PARTICIPANTS

Mike Cavanagh *Comcast Corporation - Senior EVP and CFO*

Brian Roberts *Comcast Corporation - Chairman and CEO*

CONFERENCE CALL PARTICIPANTS

Brett Feldman *Goldman Sachs - Analyst*

PRESENTATION

Brett Feldman - *Goldman Sachs - Analyst*

We will go ahead and get started here with our next session. Very happy to have at the conference this year, Comcast. We've got Brian Roberts, the Chairman and CEO, and Mike Cavanagh, the new Chief Financial Officer. Brian and Mike, welcome.

Mike, since this is your first presence at Communacopia and you are still pretty new to the Company, I figure we will start things off with you. I think we're coming right up on about 100 days on the job. What are your first impressions and now that you've been there for that period of time, what do you see as the big opportunities for the Company?

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

Thanks for having me here. Thank you, everybody. This is the first time here in this industry. I've got to say I'm familiar with the room and the crowd and the company and thanks, Goldman Sachs, for hosting us.

I would say it is right around 100 days. And I guess I will just give 60 seconds of reflection. When Brian called me about this job, it wasn't something that was on my mind, but it hit me right away and our rapport, I've known Brian a while. I've known other members of the management team over the years, Michael, Steve, and others, and have gotten really to know the rest of the team well. To me the chance to join a management team like this one leading -- helping lead a real leader in an industry as interesting as this one is and I embrace that, the change, the dynamism, the fact that management has a big impact, that is really what brought me on team.

So it was really quite easy a decision on my part. I know I get asked that question all the time. But boy, there's so many similarities to some of the best years of my career that I'm feeling already 100 days in.

But to answer the question what I have been doing, I have been getting out in the field. I've been in California and Florida and all around the cable system, getting to know folks, getting up to speed on the businesses, which again are very interesting, lots of fun, the right way to do that -- I've changed jobs many times over the years so this is a familiar pattern of what to do and two observations.

One is that a lot of business rhymes so when I'm in working with the cable folks serving retail customers across a variety of different products across the system that has been put together over the years, there's a lot of similarities to what the consumer financial services businesses I have been in before have put me through. And so I actually believed coming in the door and I definitely believe it today that I do bring, feel good about the fresh perspective. It's got relevance to it as we are getting involved in conversations on how to drive the business. And it's very welcome because that is the second piece.

I would say the second piece that I observed getting around the system is how deeply Brian and the team have pushed the DNA of being financially disciplined and commercially responsible. So there's a lot of delegated authority into the various parts of the business so you have real business mindedness deep down. And so I have felt that -- that feels quite comfortable and the DNA that I am very used to of invest and build businesses for the long-term. You feel that from the top straight on down through.

So with that, the big excitement for me in thinking about the industry is I will wrap it up in a nutshell. We have got a portion of our business that is obviously going through and we will get into it today lots of change. The change that's going on in the ecosystem broadly that has got everybody worried over the past months around pay-TV and millennials and what that means for cable networks, pay-TV distribution and advertising.

But as we'll talk about, I love Brian saying the future isn't written in concrete and I believe that all through my career of lots of change and lots of industries. We have a great game to play in the businesses that have the challenges that you will be asking us about.

Then there's the preponderance of the Company that isn't touched by those trends that actually benefits in many ways from some of those trends and that our broadband business. We will get into it deeper, a great business, great growth opportunity, an area where we are doing a lot and extending with Wi-Fi and the like.

Business services. So in the cable side and lots of growth, 20% growth for the past bunch of years to $5 billion or so of revenues approaching that anyway. And I just want to hit today as an example we just announced that we are -- it was in the Journal. We're launching a new division to move up from our history of serving small and medium-sized businesses to now go after Fortune 1000s, those with a profile that have branch systems, so you take banks, retailers, food businesses where the needs of the local branch looks very much like the small and medium-sized businesses that we have been in.

Noteworthy that we are working with other MSOs to come up with a solution that helps span the nation which is very constructive I think and we have invested capital in doing some small acquisitions to add services. So lots of areas and I haven't even gotten to NBC, where everything is on an unbelievable roll in the parks business and the like and all that with a very strong balance sheet to meet. There's so much to be excited about and that's why I'm here, not the least of which is to get to work with Brian and the senior management team.

Brett Feldman *- Goldman Sachs - Analyst*

Thank you. Brian, I'd like to spend most of the day talking about the cable business but I do want to touch briefly on NBCU. It's a media conference. You have such an interesting vantage point on media. How do you feel about your media portfolio right now?

Brian Roberts *- Comcast Corporation - Chairman and CEO*

First of all, I thought it was great to have Mike here and I echo the first 100 days there is an energy and a perspective but it feels like we have been working together a long time already.

Second quarter I think was reflective of sort of what has been going on at NBCUniversal for a couple of years now. Every part of the business has been improved since we got there. It's probably getting close. I think we are approaching doubling the cash flow since we announced the acquisition in the case of Universal a 100-year-old business and in NBC and the other parts of the Company, a 50-year-old business and we've doubled the cash flow in 4 1/2 years.

So there is an energy and a passion and a pacing. I think Steve Burke and the team are doing a fabulous job. A lot of us come to New York all the time and it feels like we have completely transformed into Comcast NBCUniversal as one company working together.

So just to tick it off real quickly, let's start with the film business. We are having, as you've read this summer, the best year in the history of Universal, maybe the best year in the history of Hollywood. So what is replicatable from that? What changed?

Well let's wait it a little bit and see but I think it was put well that we are hoping we're cruising at a new altitude. We may not be able to replicate 2015 so quickly. These things have ups and downs as you know but I think with Jeff Shell running Universal partnered with Donna Langley and Ron Meyer, we have a team. Some have just done film all their career. Jeff has been with Comcast for many years and in the television business and working with Steve and others. We believe that our Symphony approach to marketing is unique. It goes across all parts of the Company so when we launched Minions this summer, if you are watching the Golf Channel, the Minions are popping up two weeks before the movie opens.

If you are watching Jurassic World, you are seeing dinosaurs when you click your on-demand on your Comcast cable. The breadth of the marketing -- and I think that message is getting out to the creative community. We opened a movie last weekend, a very small movie by M. Night Shyamalan and the emails that I got from both the director and from the producer saying we have never seen anything like it, it did $25 million or so in the first weekend. That message is big and small getting across the creative community and that is what we said we wanted to do when we bought NBCUniversal, be a company that understands -- maybe we can't create it ourselves but you want to work with this company because when you have something we are going to be able to tell your story better than anybody else.

You follow that right into theme parks. When we got there we were I think around $400 million of EBITDA and we did $1.2 billion last year. This year we will be way better than that and next year will be better than this year. The reason I can say that is we have had amazing success opening new attractions. It started with Harry Potter, which was a credit to our predecessor, but when we saw what had happened we said okay, let's take this global and let's really double down, triple down. And whether it's the King Kong or Harry Potter 2 or new hotels, each one has exceeded its financial pay back.

We do have a very disciplined structure, as Mike said, that has been part of Comcast's DNA since I got there and before with my father and Julian Brodsky and right through 50 years, which is everything has to stand on its own. Doesn't mean we don't sometimes do things that aren't perfect but we have a real discipline and so with the theme parks we came in very leery and we are right now very bullish.

There's one well-known company that is in the theme park business in addition to Universal and they have more market share and this has allowed us to grow, expand. They are investing. The whole category is rising and we see worldwide opportunities.

If you move on to Broadcast, we got there, we were the fourth-place network. Looking around the room when a lot of us grew up, NBC was the first place network. I'm pleased to say in 18 to 49, we are back to being the number one network for the second year in a row. We have the number one show on television in Sunday Night Football. We have the number one reality show on television in The Voice and we have the Olympics coming this next year. Very exciting in a business where we know ratings are going down but the advertising that supports those businesses, nobody aggregates eyeballs better than NBC Universal and we saw that again at the upfront and we are seeing that in the scatter market. So we are bullish with headwinds with so many great choices for television.

Which leads you to cable networks, same story. We think we are -- between retransmission fees and programming costs, NBCUniversal when we bought the Company had zero in retrans and was the for the amount of ratings it had I think the lowest share of wallet and we call that the entitlement gap. And the same thing was happening with advertisers for the same number of eyeballs if you bought it on CBS or bought it on NBC, there was a 15% difference in what you are paying or thereabouts.

And so we have been over time trying to correct that, which is why I think we have runway to go in the cable network business. We had two very successful shows launched this last year in The Royals and we also have USA with slowly changing the kinds of shows it makes and I think you respond to the market as it goes and we believe we will continue to grow in the cable business but it won't be as fast as when we bought it and we said that last year. I think people have talked about that but we -- I kind of think the reaction in the media business is there's nothing that has really changed. I think you hopefully continue to see good results from ourselves and others throughout the rest of this year and into next year. But I think it has sharpened people's focus on okay, where are you making your investments and where you make your bets? I think that's healthy.

Brett Feldman - *Goldman Sachs - Analyst*

So let's turn our attention back to the cable side of the business, second-quarter results. Your year-over-year pay-TV numbers got better; on an industry wide basis, the numbers got worse. So from your position at the top of the industry, do you think pay-TV is a healthy industry right now? How do you view the emergence of over the top? Is it threatening that model or is that a misunderstanding of what over-the-top it?

Brian Roberts - *Comcast Corporation - Chairman and CEO*

That's a great question. I guess, Mike, we can tag team on some of these. My instincts just to kick that off would be let's take Comcast, something I can talk about more with more certainty. We had the best second quarter in nine years. It still was a loss so we're not declaring victory but we think the innovation, the products, the lower churn, better service, sharper focus, and doing it over and over every quarter is working and right now we have a talking remote. You talk into the remote, you say find me The Royals and there it is. If you go to any other cable company or any other satellite company, you are scrolling, you are going across, you're typing in letters. There's nothing quite like it. We put 1 million of these talking remotes out in the last several months. We're doing 70,000 a week at no extra cost to our consumers and we can innovate off that platform.

That -- so it seems the ecosystem changing, as Mike said the future is not set in concrete, is taking your destiny and trying to do something about it better than others. So I hope that will continue that we will make improvement over each year, each quarter, and keep the churn down.

As to over-the-top, the first time I ever -- one of the first times I ever met Bill Gates, he said someday you will have more data customers than you have video customers and I think last quarter of this year that flipped and so therefore anything -- we've said video over the Internet is more friend than foe and I would sit here today given our Company and our mix of assets, we are uniquely positioned at the cross-section of technology and media in a way that these transformations will have some agita over here and more opportunity over there and so take the more you rely on video, you need Wi-Fi, you need broadband. You want that. It's not going to work as well and we want to have the fastest, best network and the investments that we can make in that space we can talk more about it are great investment opportunities. And that's why our Company has grown for all these years while satellite came and phone companies came and we were able and have been able to continually position the Company so we are different than any other true media or pure cable company.

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

I'd just add, the other piece on playing offense in video has been the great investment by the Company before I arrived in content. So very much a leadership and a bias to be asking for more rights, thinking about how to address different populations, different customer segments which I think we will get through in a little bit but content and rights to content has been a big part of the story along with the investments in X1.

So when you put all that together and I came from out of footprint so I am enjoying my new X1 in my house in Philadelphia. It is a different kind of experience than I've ever had before in cable TV. When you convert it to the numbers you've heard before but now that I've been getting under the covers and really looking at the data around customer segmentation and what we are seeing, because we've got some great people working for Neil on that score, churn for triple play customers is down 30% for people that use X1 versus those that don't.

Video-on-demand viewing and now I understand why -- I heard these stats but now actually using it, I understand why. You ask for whatever you're looking for and you are presented with all the ways that you can get it. As a result, the user ship of video-on-demand is 45% higher X1 customers than not. And some of that is just accessing stacking rights that the Company has pushed to get -- going back to the earlier point about making content available. Much of it is a 20% uplift in paid video-on-demand.

So the net of all that and X1 users also have much higher device counts, 50% higher levels of usage of DVR and all that results in much higher ARPU per customer for an X1 side than not, which circles back to why the Company before I arrived put itself in a position that as you look at the pay-TV ecosystem is in -- not everybody is in the same spot and I actually feel like I said very good about what we can do in that space.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

Two more points. To the point you just made on X1, we hit 10 million X1 [boxes] this quarter.

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

30,000 a day rolling out.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

And we are seeing, as you just said, great economic payback and if we can continue to accelerate that and make this investment, we see that paying great dividends.

The second point, you and I were in a meeting yesterday and the team came to show us, just to show you that it's not going to be static the product, I said well, we have traditionally underperformed in the Hispanic market, Comcast Cable, and in other diverse ethnic markets with our product offering. Let us show you what we are working on and you talk to the remote in Spanish and the whole guide changes into Spanish because this is because it is cloud-based.

So we're going to be able to do some things nobody else has done. We will be hopefully announcing how we are doing that and implementing that but I think the innovation is going to continue and this roadmap of differentiating ourselves is a huge opportunity.

Brett Feldman - *Goldman Sachs - Analyst*

You talked about how the user experience gets so much better with X1, the customer metrics get better with X1 but what about customers who aren't paying for the bundle and we have a growing population of cord nevers. What is the strategy for winning them over to Comcast?

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

Well, when you jump into broadband we've got in our footprint the best broadband product there is, the fastest speeds, we continue to grow. It's nine years in a row of adding 1 million or more high-speed data customers. First half of this year about the same first half as we had last year so we are well on our way to another year of 1 million or so customer adds in what is a scale business for us already. So I think all the trends we talk about make me feel quite optimistic about the asset we have in that network. And so we continue to invest in being ahead of our customers' expectations.

So speed rollouts, 16 speed increases in the last 13 years and Wi-Fi I guess would be the point I would hit on hardest. The idea that a wireless seeks a wire economically speaking, we all know that makes sense as fast as possible. It makes great sense what the Company has been doing. We're up to just shy of 11 million Wi-Fi hotspots that our broadband customers can access outside their homes. The stats that we are seeing now, customers are on average five times a day they access that Wi-Fi capability which speeds again throughout broadband pipe and using it for 25 minutes a day.

So I think as a new guy coming in, I think it is the sweet spot of what our business on the cable side is about is and I go back to videos, the killer application of why you want fast broadband? So I love the fact that we are an innovator and game winner I think in video distribution however it evolves because it's very important to feed the use case for why it wants fast broadband and fast broadband is something that we have and that's the view we have on that business.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

Internet Plus is a product that we created to play off of what you just said that would add some video to customers but not the full complement. From there we found that we got more people introduced to thinking about a package and we have had some percentage, a third or something upsell over time.

We then announced that we are working on a product called Stream where you don't need a set-top box and it's going to just even the on-boarding. Again we went through a demo last week of how that's going to work and you are literally going to click one -- at the most two clicks and you are watching, boom, just like you're on the New World.

And so we're driving our whole Company to the digital world to an untethered world, but as you say, wireless wants to find a wire as fast as possible and not everybody wants the same bundle. If you go to universities, if you go to MIT, if you go to Carnegie Mellon, Northwestern --

Brett Feldman - *Goldman Sachs - Analyst*

-- where my daughter is getting dropped off today and I'm not there, but I was in the cafeteria with her signing up for XFINITY on campus this day last year.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

And that is a fabulous product again where every student can just take their laptop and be watching.

So we're touching all the segments and for those who don't want anything from us on video, Mike's answer is obviously the sweet spot of where we've got to drive for that but we are not giving up by any stretch of the imagination. Again, go back to our results. We had the best second quarter. I think this year we will be better than last year and last year was better than the year before. That is a good trend to have and if you're relative market share continues to improve because your products are good and your service improves, that is a big part of the conversation. And of course you have NBCUniversal over here and whatever it is, however people get it, I think the theory that great content will have value in however the world evolves has to be right. And it doesn't mean there won't be some winners and losers there too but again back to working together and having the breadth of content from sports to news to general entertainment and beyond and then doing that on a global basis. So a lot of things going on, a very, very exciting time.

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

If I could just pile, as the new guy, one of the great observations inside the Company is we are -- the projected view of Comcast sometimes from the outside is an incumbent that is going to want the world to stay the same way as it was yesterday because that would be good for the Company. Well, that's not what I see inside the Company.

Coming inside there is -- coming from some consumer businesses before, there's very much of an attitude that consumer behaviors and tastes are changing, that it's different at different age groups and it's probably going to be evolving as people move through stages of life. And so we may not get all of these projects correct and it's funny when you read, when we launch one, people think we have decided that the Stream or Internet Plus or On Campus is the answer. I wouldn't necessarily say we're going to get -- these are all going to be home runs but certainly it is evidence of what I think is very good, which is a willingness to experiment, try out, try to stay tuned in with what our current and future clients are doing and how they are behaving.

I personally think we're going to have plenty of time no matter how those trends behave. We will have plenty of time to adjust our business model to get it right. The death knell would obviously be if we were ignoring what customers wanted and trying to give them what we wanted to provide and that's not what I feel as a new guy coming into the Company so it's quite energizing and exciting.

Brett Feldman - *Goldman Sachs - Analyst*

When you think about the shift we are seeing in the traditional pay-TV model, the rise of broadband is very much behind it. That's what we've been talking about. The FCC has re-regulated broadband this year. Does the adoption of Title II in any way affect your broadband strategy or contain it at all?

Brian Roberts - *Comcast Corporation - Chairman and CEO*

We certainly apply and continue to apply a disciplined filter that is different because of that potential regulation and we reserve the right to see how that all plays out. I think there's no new news today. I think our views are well known that we wished that regulation had not passed the way that -- been enacted the way that it was. It's being challenged by parties in court.

But I also take comfort as investors, as an investor myself, I take the government on its face to say look, we did this for a reason not to go rate regulate your business or try to constrict your investment. We hope that is not the consequence that we are trying to create. Whether that happens and whether future regulators see it that way, that's part of why it's being challenged.

But I don't think in the short-term here it's going to -- anything has changed since it all went down a few months ago.

Brett Feldman - *Goldman Sachs - Analyst*

All right, so let's talk about something you alluded to before, which is the investment you are making in Wi-Fi. You also have MVNO agreements with some major wireless players. How do you think about leveraging those assets and is there a growing sense of urgency now that you are seeing some of the wireless players start to get more engaged in offering mobile service, video services on their mobile networks?

Brian Roberts - *Comcast Corporation - Chairman and CEO*

I think video services on the mobile networks, we haven't seen the latest announcements in action yet, but all that works better on Wi-Fi and peoples bills don't go up and so I think we're thinking we are very much part of this conversation on a go-forward basis.

We are as you just pointed out, we have relationships that can be put together in new business constructs that we have not heretofore done and what I will say today is again we don't have news today other than we are working on ways to take our Wi-Fi, our 11 million hotspots, our MVNO relationships, everyday it's a competitive space. You saw the announcements from Apple leasing phones and there's plenty of activity around us. We are hopeful that as people make decisions, they are going to want our Wi-Fi and our relationship, our broadband as part of that. If we can enhance that by someday having an offering, we will see.

But I think it's an asset of the Company, the Wi-Fi base. I think it's an asset of the Company, the MVNO relationships. And hopefully we will have more to talk about down the road. It is an area that I think we can create value for our shareholders and give more value to the consumers.

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

The thrust on mobile video -- and I watch my kids how they behave, we all do, you've got to have good content. So I think going back to the starting point of what being an XFINITY customer enables you to get through XFINITY Go as a remote application -- 60 or 90 streaming channels and we've got close to 20 million downloads of that application, so constantly thinking through. Forget about how but Wi-Fi is our strength. But once you are mobile, what kind of content you are you going to get? And as an XFINITY customer, we want to make sure you've got great content rights. So circling back to the earlier point on how we're thinking about playing the content acquisition game.

Brett Feldman - *Goldman Sachs - Analyst*

So as we think a little more about content, the growth in programming cost has been something you've had to grapple with for a long time. You continue to see that increase at a rate that's more than twice the way you present your video revenues. How much longer do you think we're going to continue to see programming cost inflation of this magnitude and how do you maintain stable margins or can you maintain stable margins if it does continue?

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

I think at least for a couple of years. Early days but I see for at least the next two years or so continued pace of programming cost increases at high levels as we have kind seen in the past. Maybe it will moderate at some point after that for the host of reasons that we have been talking about, but I guess the important point is what our cable team has done is continue to be investing in higher margin businesses that are growing and managing to offset the pressure that that component of the expense base causes.

So I expect that to continue. That's the story from where we sit looking for the next few years is to continue despite continued high programming costs, increased expectations together with our appetite to acquire broad rights. So we are again willing to be investors into the value proposition of what the pay-TV bundles or types of bundles are all about. That will lead to programming cost pressure but I think we are well set up based upon historical investments and the evidence we see of continued investments to get growth out of higher-margin businesses and maintain leading margins.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

So I think you see a number of a la carte offerings, so-called over the top or just direct to consumer. You add all those up, they are way more expensive and give you way less than what Mike just outlined.

So we continue to want to add more capabilities, more wireless rights, more out of home rights, more ease-of-use, more back seasons, more episodes, so that you buy a subscription it's really clear what you get. And I think that hasn't been the case the last five years. It's been evolving to something. And I think this conversation that is happening right now is only going to accelerate that.

I do think on the other side however there is a realization you can't keep raising price forever and either having serious margin change or people saying I'm going to live without some channels. And I think you are seeing that tension rise so I think these things have a way of correcting and balancing out before something draconian happens. And I am hopeful that that is the case.

But as the other services kick off, you start adding up if you want to watch this and you want to do that and you're spending a lot more and so adding value to the consumer while we hopefully slow those costs down would be at least a direction for the next couple of years.

Brett Feldman - *Goldman Sachs - Analyst*

At the risk of sounding near-term, you have been making some investments quite recently in customer experience in a variety of growth initiatives and that spending does flow through the P&L and so it's been a very modest headwind on margins. Can you talk about what the correct framework is for thinking about your cable margins for the balance of the year, maybe even into next year?

And then as an offset, these are supposed to result -- these investments to result in better performance of the business. When do we really see that have a financial impact to Comcast?

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

So we reached 41% cable margin I think last year we've said thus far and it stays the same. We expect our margins for this year to be stable and we saw that for the first half of the year, a 20 basis point decline for the first half of the year. Some of that due to the whole list of investments we're making of which customer services is only one piece.

And to the question is there evidence that we are getting payback for those investments? Absolutely. Go back to X1, the churn we talked about, the growth in the broadband business because we're rolling out spending money in OpEx to get our wireless gateways rolled out. We are spending money in OpEx to do more in the business services side that is growing at 20% a year. So there's definite evidence that those are in the here and now getting payback.

I have done a lot with customer service in my old experiences and I see nothing different than what I see at Comcast now, which is that it's the moment in time that makes a lot of sense to attack the noise in the system. When you put together lots of companies over many systems over many years and have a big pace of change, sometimes it's hard to retool the engines while the plane is in the air. But that is what Brian and Neil and the team, Charlie Herrin have launched, really getting to root causes of customer service issues. Definitely investing in operating expense in the near-term to go at that with more text available, more investment in consolidating billing systems to present better clearer bills, moving the whole system towards the idea of Net Promoter, which all that I've only seen and I see the same here that in the course of time that expense is going to pay dividends in terms of lower fewer truck rolls, fewer calls, OpEx will come out.

On that particular slice, that is a couple of year journey and the expense base will be moving up and down for a whole variety of other reasons. But I think we maintain stable margins overall while making sure all of the investments we're making in customer services simply another one stand on their own and have good paybacks associated with them.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

I think we had the highest margins in the cable operator land so anything close to starting with a 4 I think we're in a pretty good league.

I think the investments absolutely have a payback and I'm not sure we haven't seen it. If you take this -- you started your very first question, well the rest of the industry went backwards and you had your best second quarter in nine years, if that can continue a trend like that, I think you are seeing that. We've also taken truck rolls out, millions of truck rolls out already this year and phone calls are down as well on a same-store kind of basis.

So we are seeing impacts already. The whole organization is excited and I think we have anecdotally seen lots of progress but systemically you are seeing the numbers come down, seeing our results be compared to their conversation better than others. I think it's happening, it's working.

And we will try to continue to give granularity as we go so people understand that but I also think it's not that material and going to have some huge impact long-term to what we think the business will do.

Brett Feldman - *Goldman Sachs - Analyst*

There has been a growing debate among investors about the right capital structure for Comcast particularly as we've seen some of your peers increase leverage to make investments. What is the view right now on the correct level of leverage and the correct capital allocation planned for the Company?

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

I will start with capital. I will give my views and Brian can chime in on capital allocation. Going back to everything we've talked about, I think it's management's job to do the proper balancing of invest with discipline in the businesses that you have and we have great opportunities to keep driving X1, to keep investing in the broadband network when it comes to the hotspots, and more fiber to new dwellings, MDUs and the like to just protect that asset and continue to drive the growth that we are seeing there.

Business services as we've talked about growing 20%, we want to make sure that within our ability to manage the investment and get good returns, I would expect of us -- and I'm an owner too -- put all the capital that we can get a good return on into our businesses and we are fortunate that on the back of everything that this Company has done previously we are rich in opportunities to invest organically in the business. So that is step one.

Two is and you've seen a little bit of what Steve's doing with Vox and BuzzFeed, and things in the newspaper about other items, we did the acquisition I referred to earlier, small but very helpful in the enterprise commercial space. I think you should expect that we are constantly looking at the fringes of our existing franchises. Is there a way to put capital to work to get where we want to go faster in a very quasi organic way? And so that's first priority.

And then we want to obviously then balance and get a great return of cash to shareholders both through dividend and buybacks, and you have seen the Company do that over prior years. The net of it is that we are at 2 times leverage just about today. That is where we are expecting to end the year and I think we can properly execute capital allocation with those factors put together and be operating roughly in that neighborhood, not drifting lower, being in that neighborhood is where I would expect this to operate.

That puts us in a position with a strong balance sheet which has always benefited this Company in the past and that's where we sit.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

One thing that I think -- nothing to add I think well said and I think we've had -- each February we come out and say here's what we're going to do next year and that will be the same. I think the same timing.

The thing that I would just talk about in addition to some of the great opportunities we have had if I were an investor, I would be asking, tell me how good your network is. Where are we going in the longer-term? And the thing that is exciting and we were -- some of us were discussing this just the other day with the technology innovators in this industry, we started in the broadband business using one cable TV channel. And there was a time prior to that that if you wanted to go from 30 channels to 50 channels or 80 channels you had this big debate internally and you had to go out and tear down the wire and put up a whole new wire. And one day we put a lot of fiber out and now you can extend that fiber deeper. You can go from one channel to four channels to eight channels, maybe someday to 80 channels. It doesn't matter.

There's a roadmap as television goes more IP and you reclaim analog and digital bandwidth and apply it to broadband. We have a roadmap where we recently announced we're going to go to 2 gigabits a second in certain locations and the ability to do that and we're going to deploy DOCSIS 3.1, which is a quantum leap forward in potential speeds and capacities.

So to me you are actually hoping big picture that the world does keep evolving whether it's Internet of Things, whether it's more video, whether it's some new Facebook type thing that if we could all sit here and say what it is we would all rush out and invest in it.

It is such an exciting world and if you've positioned your company that it's going to need content for part of that world but it's also going to need the best pipe. And if we don't forget that that is our best asset and then have a great people organization to take advantage -- capitalize on it, then I think the capital structure that you have will allow you to invest in the business while returning lots and lots of free cash flow to shareholders, which is what we have been doing every year, and I don't think that's going to in any way retard our ability to do that.

Brett Feldman - *Goldman Sachs - Analyst*

Just to summarize and make sure I'm hearing you correctly, this two turns number where you feel comfortable running the business, at that level you see ample opportunity to make all the investments you think are necessary to keep running the Company and to the extent there's more flexibility in there, returning capital to shareholders feels like the right thing to do. That is the math.

Brian Roberts - *Comcast Corporation - Chairman and CEO*

Yes.

Brett Feldman - *Goldman Sachs - Analyst*

Okay, so, Brian, this will be our last question because we're running out of time here. But we are seeing this industry undergo a significant amount of transitions as a result of the transaction and the changes in consumer behavior. As you look at Comcast as a structure today, do you feel like you have the right assets that you need to execute your business model in this changing environment?

Brian Roberts - *Comcast Corporation - Chairman and CEO*

I remember when Communacopia got started, the very first conference and it was a great Goldman Sachs coming together of several analysts saying this world's converging and so you never think -- the world doesn't stop so I have to put a caveat by saying the world doesn't stop, therefore you have to reserve the right to look at the new world.

But sitting here today I feel we have a fantastic set of assets we do have what we need. We do not feel the need to go out and do something just for the sake of it for sure and we have these talk and acquisitions or expansionary acquisitions or whatever you might call them from existing businesses when we bought the rest of universal Orlando as a for instance, one of the best decisions we made has now allowed us to look at how to expand Universal.

We signed an agreement on Sunday to continue the development and get closer to the development of a theme park in Beijing so I think our company has opportunities all over the world, new products in the US, allowing us to attract some of the best people on the planet to work in our company and join so I feel very focused and content with what we've got. At the same time you never say never. World keeps changing. You look around what others are doing, and you do the financial discipline and the goal to finding value for shareholders. I think what more can you do?

Brett Feldman - *Goldman Sachs - Analyst*

Guys, were out of time. Thank you so much.

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

Thanks, everybody.
