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PRESENTATION

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Good morning, everybody and thank you for joining us for the people in the room and the people who are joining us via webcast for the 9th Annual MoffettNathanson Media and Communications Summit.

I am delighted to welcome this morning, Dave Watson, back for your fifth year at our summit. So thank you for being here. Dave, we've had a couple of conversations, already this morning, about cable. There's one subject that sort of dominates the conversation about cable entirely and of course, that's Flex, so I want to start with that. Okay, just kidding.

So let's start with the broadband business, because that's where everybody's attention is focused. Subscriber growth has come down, obviously, for the industry as a whole, not just for you. And the debate among investors is whether that slowdown is going to tip over into subscriber losses. And I suppose, to some degree, it depends on the diagnosis, right? If the diagnosis is this is approaching saturation, then it should slow toward household formation growth rate. If it's share loss, then it could slow to negative numbers. So I think the diagnosis is really important.

QUESTIONS AND ANSWERS

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

You talked about the -- some of this on your conference call. You called out competitive intensity. But on the conference call, you also said that you really weren't seeing fixed wireless all that much and that there were trends in household formation and move rates that were really shaping the market. Talk more about that, if you would. What's sort of shaping the broadband market right now? And is it a market share story or a market size story?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, it's good to be with you, Craig. Let me start, just for a second, and just frame kind of the -- this business, which is a terrific business and broadband. And I think it does point towards the future, what's going. But if you go back and you look at the broadband business, it's such a strong business, 32 million relationships that we have in broadband. But really, the connectivity business, there are 3. There's residential broadband, there's mobile, and there's commercial. All 3 are unique. All 3 have different trajectories ahead of them. A lot of upside in each single one.

I think the competitors would love to have any one of those that we have. And you look at the results over the last 5 years, we've averaged revenue at 5%; EBITDA, a little over 7%; free cash flow at 12%. And we went -- I remember talking with you going back 5 years, we're just under -- margins were just under 40%. Hovering right around that. We're now at 44%, and we've added 7 million broadband customers throughout.

So it points towards the health of the business, the strength of what we're doing and puts things in a little bit of perspective. When you go to the moment that we're in right now, that most certainly, I mentioned macro being, really, probably the majority of the issue, just the number of moves that have slowed down quite a bit, household formation, a little bit of pulling back. But it's mostly that move data that we track very, very closely that has continued and just less people moving.

And the other thing that we talked about, there's a little bit of normalization around seasonality, seeing a little bit -- example that I gave is Florida.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So a returning to the old seasonal patterns.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Correct. Yes. '20 and '21 people hung around Florida a little bit longer. Not so much, they're going back to wherever they're going to. There's a little bit of mobile substitution normalization too, I think, that's what we're seeing. There was a pull forward early on in the pandemic and a little bit of giveback that's going on. But there's no question that there's some competitive pressure, too. While most of the issue we can point towards the macro issues that I just mentioned, there's some competitive activity, but we've been in a competitive environment for a very long time.

Has it inched up a little bit with a little bit more fiber activity, a little bit more fixed wireless? It has gone up, but it's also important to note that every single geographic area, every place that we serve, our penetrations are going up. And so even in very competitive environments, we're holding our own, growing the business. During this period, not the same trajectory, but still growing. And the thing that really singles out this unique moment is the fact that churn is just at record lows.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Yes, it's hard to reconcile higher competitive intensity with the lowest churn you've ever had.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Yes. It's -- that is unique in that if you look at the macro issues. And I think that's consistent across so many operators, whether they're competitive or other peers in cable that it's going on throughout the entire industry.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So move -- you talked a lot about move churn on your call and just now, and move churn is both a blessing and a curse, right? It -- that's where a lot of your DSL gains come from as they come at the time that someone leaves a house or moves into a new one. But it presumably also is -- it works in the opposite direction where fiber gains are likely to be faster if there's higher move rates. It's interesting that you just said that your penetration rates are rising in every cohort or every geography. Is it still fair to say that you are still a share-taker and that more move activity is good and that the benefit of faster gains from DSL still outweighs the potential of losses to fiber?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, we like jump balls. We -- jump balls have historically been, and I predict will continue to be good for cable in that we have a ubiquitous great network that you get a chance to go after that relationship perhaps once again. They've left. You didn't have mobile before. Now you have mobile. There's a chance to repackage and -- or they move to an area that we cover and others don't. So net-net, we really like jump balls.

But so what's going on with -- how do you reconcile things, to your point, it's just the move activity has slowed. But you can't miss the fact that in terms of churn, our churn rates were going down many, many quarters in a row prior to the pandemic. There was a steady march down. And I think a lot of this ties to how we segment the marketplace. We are -- we have a great product in every single segment that we serve, backed up by a great network. We've consistently invested in the network and devices.

So the action is in WiFi. And so we have great WiFi devices performing very well, lots of consumption and engagement, but we price and package and surround broadband with mobile now, Flex included. And all those things have contributed towards the improved churn. So there's, yes, macro impact, less move activity. But I would also say we saw it happening before and it's continued. We compete aggressively for every segment, and we have a great network and a set of products to back it up.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Do you think that the fiber guys who -- I think, the sort of generic fiber overbuild plan says that you're going to get to -- in 3 years, you'd get to 40% penetration against whether it's Comcast or Charter or whoever you're building against. My guess is you would sit back and say, I'm certainly not going to concede 40% penetration. How do you think about the share gains that fiber overbuilders are likely to get in your footprint?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, we've seen it. We've had 15 years now of competing against fiber. So what we -- during that period, they've had some success, for sure. With that, we're just over 40%, 41% in terms of our footprint that's been overbuilt by fiber. So -- but during that period, we've grown 22 million broadband customers in the last 15 years. So we've adjusted. They've had some success. But eventually, after a surge period in the early stages, when you launch new footprint, after that, things settle down, and we compete variously, try to welcome back customers. But we consistently have done well.

And again, back to the point, we've grown penetration in every competitive area and every geographic point that we serve. So we think the 41%, we said this before, probably gets to the mid-50s when it's all said and done in our footprint. But we anticipate this. We expect it, and we're not going to stand still in terms of how we're investing and how we're competing.

And by the way, one of the things that we have, I'm sure we'll talk about it a bit more, that is -- that helped is mobile and being able to package mobile just about in everything that we do. So it's -- we're the challenger when it comes to leveraging mobile into the relationship.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And we'll talk about that and the stickiness of the mobile bundle. But -- so it is interesting to me that the market is so obsessed over what is essentially a transition of maybe 14% of your footprint from 41% overlap to 55% or call it, that obsession of what happens in 14% of your footprint is driving all of this anxiety and the drop in multiples is sort of striking.

But part of that narrative is also fixed wireless. And so I want to just touch on fixed wireless for a second. How should investors think about it? How much are you seeing it competitively in your footprint? And you and your engineers know a thing or 2 about capacity. So how do you think about the capacity of wireless networks to deliver fixed wireless over the long term and the scalability of it as a competitor?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, we start, when thinking about fixed wireless similar to what I was talking about earlier, in that we're really accustomed and expect robust competition at this stage. We've been at it for a long period of time. So with a new entrant in fixed wireless, we've anticipated -- we actually have about 3 years the most early market launches of fixed wireless. So we've seen it. It is -- when you have a lot of new footprint when they're launching it and new marketing that they're rolling out, there's going to be some activity around that.

But it's not showing up in any material way in regards to churn. So -- and to the -- it's just -- are there some -- is there some inching up of competitive pressure on some jump balls on the connect side? Probably. But we anticipated that as well. When you look at the source of where are they competing, where are they launching, you've done great work on this, Craig, yourself. You've seen that they are -- it really varies that you have --

Verizon talked an awful lot about this, about half of their customers are business customers, and they're expanding the market in some ways, which is interesting, in construction, sheds, trailers to COVID tents and food trucks and all sorts of things, so great. That's a good thing.

And T-Mobile is steering business, we think, from a marketing perspective towards less congested areas of mobile and more rural areas, less served parts of the footprint. It doesn't mean that it's not competitive. It doesn't mean that we're going to take it lightly. We're not. We're going to aggressively assume just this level of competition. But to your point, at capacity planning, they're having -- they will, right now, if they're steering business today, imagine what's going to happen later as there is more congestion.

And you look at that and applications are all over, and it's speed and latency that are -- that go into play. There's video streaming and there's gaming. So gaming, they don't like latency. So we'll see how their services stand up. 2/3 of our customers today take -- are at 300 megabits or higher. So we're coming from a position of strength in regards to network performance and WiFi performance in the household. So -- and we're not going to stop.

Every year, we're looking to add on capabilities to continue to serve our customers. And so fixed wireless, we'll see. They've got a lot of trade-offs they're going to have to sort through. It doesn't mean they're not going to serve some segments and prove rural, but we'll have to see over the long run. I like our position. We're going to compete aggressively for every segment.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

One of the curious things is T-Mobile has said their average fixed wireless customer is doing about 300 gigabytes of usage per month, which sounds awfully high relative to mobile, but it sounds actually pretty low relative to what you see. And there's -- it's hard for me to think -- see long term why their usage wouldn't be more or less the same as yours, which means if that usage is going to double for them fairly quickly to normalize to industry, it's going to be even more congestion and more difficult to host.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

They just have fundamental trade-offs they're going to have to sort through over time, and we'll see. But we -- the benefit that we have is a ubiquitous great network where we're just going to continue to add capabilities consistently across the entire footprint. And we'll watch it. We compete at a very local level. So it's not like we're going to miss part of a ZIP code that's become very active. We're very aggressive locally. We have all sorts of capabilities to understand what's happening, and that's part of our playbook is to understand block-by-block kinds of activity. So a goal of ours is to stay ahead of the curve.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Do you price differentially in those kind of block-by-block areas, whether it's -- I know it's not a big change in your rack rate prices. But how finely can you target your promotional activity for individual areas?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

In some cases, we will. We do have differences in go-to-market promotional prices. Mostly, what we do is price it differently by segment and offer different tiers of services, which gives us market share strength but also provides good consistent ARPU growth based on being able to cover so many different segments. So it's mostly segment by segment and just taking if it's an MDU market that has high concentration, apartment buildings. Then we'll go aggressively after HSD-only or HSD with mobile and package it that way. So it really does vary based on the geographic area.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So I want to talk more about pricing and the bundle when we get to mobile. But one of the narratives that's out there that has weighed on the whole sector is the idea that not only are broadband subs under pressure, but the broadband ARPU is going to be under pressure.

Interestingly, AT&T actually raised its broadband prices last week or maybe it was 2 weeks ago by \$3 per month per sub. And Verizon, in announcing their wireless price increase, sort of hinted that there's more to come maybe on the broadband side.

That's pretty different narrative that said they're increasing pricing. How do you think -- and then -- and remember, pricing is just one piece of the broadband ARPU puzzle of mixed combinations and promotional activity rolling off. And how do you think about broadband ARPU growth rate going forward?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, first, the main point from us that we don't think about the customer relationship and think about just purely the piece parts that add up to the customer relationship. We look at the whole relationship and price it that way. So we're able to leverage mobile. We're the challenger early stages. We've got a lot of runway left on how we leverage mobile. It's a growth engine in and of itself, but it's a great pricing and packaging partner to broadband.

So we just keep adding value to broadband, Flex, security, different things that we do, great WiFi devices. So we provide different tiers of service. Very thoughtful, if it's HSD only, there is a price difference versus being packaged. We protect that. And over time, competitively, what we've seen, we've been at it as long as we have with this much competition. You do see different cycles. And eventually, there's some rational thinking that emerges. So hopefully, that is the case with the amount of capital that one has to invest to provide this kind of service.

But our view is to take the long road in that keep improving the product, effectively monetizing the relationship, build a great network, great products that back it up and have good balanced, aggressive market share but also be very mindful of ARPU.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

One other piece of the broadband story that I'd be remiss if I didn't talk about is your -- the growth rate in your footprint and your edge-out strategy. You've talked about accelerating that from where you've been historically over and above the growth rate of new household formation in your footprint. How much can you grow this business? Do you think that footprint expansion, that homes passed can grow at 2% a year? Can it grow even faster than that? How should investors think about that? And how quickly do you realize the benefits when you move into a new geography?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, yes -- as you said, if you looked last year, we did 813,000 new passings. And the bulk of it is -- if you break it down into the 3 areas, the bulk of it is just residential developments and some hyper builds, what we call hyper builds, which is commercial passings with some resi mixed into it.

So that is the -- we're very -- first dollar capital goes into network or the capacity. The second dollar goes into making sure we have those passings covered. But the third leg of this are these rural edge-outs, where we have plant, we can do extensions. And so we were active prior to subsidies.

Now with subsidies on the table, we're all in, and we're going to participate. And so I think you'll look for a more aggressive posture from us to compete. So I think the 800-plus thousand is a pretty good benchmark for folks to be looking at for this year. And we'll see what happens over time. When do you monetize? And when do you see the benefits? It takes a little bit, about 2 or 3 years to ramp things and it really does depend on the area that you're building.

If it's already has residential communities there and you're just getting the broadband service still, it's fast, and you'll get there. If it requires more communities that are going to be built, it takes 3 to 4 years. But typically, it's 2 to 3 years. And it's more the newer -- the wins that we're getting right now, which it's early, but we've gotten some wins at the state level already, and that's going to be more of a '23 benefit than it is this year.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Yes. But those numbers could be quite large. And if I understand you, that the 800,000 or so benchmark is separate and apart from what you would do under the Jobs Act or including what you can do under the Jobs Act?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

No, it's all -- it's the total of what we did. So it's another consistent 800-plus thousand similar to what we did this year. It could go up. I hope we win more. And as things progress, we'll keep everyone informed. But the main point is we're aggressively pursuing these opportunities.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I've got to imagine that trying to deal with 50 different states and 50 different processes is going to be a slow and difficult process.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Yes. We're keeping our eye on the -- the process is the key point. It's between states, the guidelines. We genuinely appreciate the focus, though that the Commerce Group has and NTIA. There's a real effort to try to figure this out, but it is a process. You're totally right.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

We've talked with some of the speakers this morning about the rising anxiety in the broader market about a recession. And there's a lot of subsidy money available for lower-income broadband consumers. You've already done a lot to try to educate consumers. But I would imagine in the event of a recession, that becomes a real focus, right, trying to educate people. I've heard 48 million households would actually qualify. It's a mind-boggling number of households that would qualify for subsidies.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

It really is an extraordinary moment actually, when you look at that. So we're -- we've -- the good news is we've been, as you said, very active with Internet Essentials for a decade and have great experience in serving every segment, including low-income constrained segments. So we're accustomed to it. It's a really local opportunity, community by community, to roll up your sleeves and figure out how to help. And so with ACP, it's another opportunity to do just that. And so we're going to be very aggressive there, too, making sure that there's an awareness of it, that it's available and to be a partner and helping those households get to it. Sometimes it's not so easy to figure everything out.

And so we've been training, all of our teammates, to get prepared for this and rolled out a new product recently, the Internet Essentials Plus, that provides a little bit more speed and capabilities. But we're proud of our efforts. This is a really important thing to do and it's important to support this program. So we're doing that.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Well, the narrative on your quarter, I think everybody was focused on taking those subsidy subscribers out to try to get to a run rate. But sort of lost in that narrative was it's actually a pretty good story that all those customers that you got stuck and that they converted into long-term paying customers is...

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

It's an important part of what we do. It fully leverages the capital that we invest everywhere, this ubiquity. And it's proven, I think, to be respected from local communities, the state level and even at the federal level, that they understand what we're doing. And it's an important part of our total portfolio.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So Dave, one of the other narratives that has emerged is the idea that your physical plant is not going to be good enough long term and that you're going to have to upgrade to fiber. I think some of that was -- Altice USA is obviously overbuilding themselves and going to fiber, but so is Liberty Global in Europe. And so I think it just leads to this kind of -- this anxiety about are we missing something and are we going to have to go to fiber in Comcast's footprint. Talk about that, if you would, how confident are you in the high splits to DOCSIS 4.0 road map as a long-term answer versus having to eventually overbuild your plant with fiber?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

We're very confident. The fact that we have, I think, a very fast, very efficient path to multi-gig, symmetrical, at scale that we can do versus anyone that I can see of any technology, including fiber that's out there that we can get to. So our path, as you know, is mid-split, and with the DOCSIS capability. And the key for us is really optionality. And I think Tom said it well earlier, but to repeat it, we have a lot of fiber in our network right now. So there'll be some cases, could be apartments, could be communities or a new build where we'll do fiber. But a lot of what -- and we've invested already, talked about investing in upstream improvements in the network, which we're doing, have been doing and having good returns in terms of just momentum and movement and building out.

And 3.1, we're already at 1.2. The gig, ubiquitous throughout the entire network. And with the improvements that we have, we're going to be in the next several months, be rolling out multi-gig with our current capability that we have today.

So there's not an application that we can see that we're not ahead of and be not only competitive, but leading. And then as you said, you look at the end game, and that's 4.0. So we've tested multi-gig symmetrical in the lab, it works great. So there's a path towards that.

And so I think we can compete and lead with great WiFi, great network performance today. We're taking cost out. And at the same time, we're building out the network. We're building out virtual capability. So the guidance that we've given in terms of the capital intensity, even with everything that we're doing, we still -- that 11%, we're investing in growth businesses. We're investing in passings and network capacity, and we're still at that level.

So hopefully, from an investor standpoint, people appreciate the fact that we're going for growth, but we're building a great network. And to me, I think our position is a great one. And we don't have to change out a lot of CPE with our -- mid-split path that we have. A lot of our CPE can just handle what we're doing. And then 4.0 could be a growth opportunity for the future.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And can you do the mid-splits at the pace that you want to, where it sort of substitutes for physical node splits that would have been downstream that would have presumably been more -- you would have more of them if you weren't doing the mid-split strategy. Is it all fit in the same CapEx envelope roughly?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Yes. Yes.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So it's not -- there's no reason to think there's a sort of snake that swallowed the pig moment, coming where there's going to be this big CapEx thing, that's improved?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

No. The guidance that we gave, we feel very good about. The part that, again, is the consistency of how we've approached -- and it used to be back in the day node splits. And that was how you did it and a little bit of bandwidth management. But it's now, with mid-splits, you can go in and it's a card change out.

And at the same time, it's really important, though, that folks appreciate the -- how much costs we're taking out by virtualizing big pieces of the network. So we're taking cost out at the same time, we're adding capabilities. So that's an important long-term road map that we've had in place for some time.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I want to talk about Business Services because it's an area that I think sort of fell off people's radar screens a little bit. There was a time when everybody was very focused on it. But your Business Services business is actually quietly putting up pretty consistent numbers, and even separate and apart from Masergy. But I wonder if you could just talk about what you're seeing, what are the drivers of growth that you're seeing in the different subsegments? And where do you think you have the most upside? And what does Masergy do for you in that?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Sure. Well, I think we have upside in all 3 parts of Business Services. And Business Services are one of those growth engines in and of themselves, you're right. It's a \$50 billion addressable market just on Business Services that we have. We're a \$9 billion run rate in terms of revenue today, so less than 20%. Right at 20% and growing. All 3. So SMB is still the primary engine of growth. We have runway, a lot of runway left there.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

How penetrated are you?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

We haven't, I don't think, broken that out specifically, but we're -- we still are the challenger. So still hovering when you combine other fiber operators and telcos, we're still under 50%. So there's a lot of runway left in SMB.

And there are really 2 revenue streams within the SMB marketplace. There is the customer relationship itself and growing that connectivity, but it's also the incremental products and enhancements that we've been really focused on. And that could be WiFi, advanced WiFi capability, could be wireless backup, security and now mobile. We just launched mobile to small businesses in the last year or so.

So we actually have 2 sales forces. We have client, get the relationship going, sales force, both internal, the inbound and feet on the street. But we also have a group that does nothing but work with the customers and expand the relationship and add on revenue. So a lot of success in SMB. In the mid-market, we've gone from kind of the early stages of mid-market was just connectivity, was just -- in some cases, just backup connectivity and now we've gotten to primary connectivity.

And we've been adding ourselves full SD-WAN, full client relationship. And with Masergy, we have now the ability to do advanced security. It's very sophisticated SD-WAN in international. So it's early with Masergy, but we're thrilled that they really are great part of the company now. We're going to be focused for the next many months, just streamlining and integrating operationally the -- our go-to-market approach with them.

But we've had wins already. We just couldn't go to -- if a client, even though we had success at mid-market with multi-branch businesses, but the second, they said, "Hey, can you get to Europe or Asia," then no. Now we can. And so -- and do it very effectively. So it's -- that mid-market is -- we want to be a leader in mid-market and mid-market branches into enterprise. And we have a good relationship with the cable companies in the U.S. But with Masergy, we're going to expand our capability in enterprise as well. So it's a terrific part of the business.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I want -- just to go back to SMB for a second, because with recession risk so much on everybody's radar screen, the place where people see it first is typically in the SMB segment. Does the SMB segment to you look healthy and feel healthy? My sense is that there's still an awful lot of activity post COVID.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

It's interesting. There's so much movement within SMB in the early stages and people are rethinking what they're doing in corporate life or things. We saw a lot of new start-ups in SMB. So we're still seeing that. I think there will be -- there's pressure though. There's pressure in small businesses. It's amazing. The strength, though, because -- just how broad every category is and where it may be tough and God bless, the restaurant community could be tough and -- but they're back and growing. It could be tough in different parts.

We cover a wide, wide range, and that gives us a little bit of strength even in a tough economic environment. So -- and the other thing that we do, and we did in the early stages of the pandemic, and we're going to work with clients during tough times. That's, I think, a good trademark of cable. We're going to be respectful of that. And if things get tougher with fuel and other things, we'll be mindful of that.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Let's talk about wireless because it's -- I think even I've been surprised at how quickly wireless has ramped to being 5% of your revenues. I think it's growing at 25%- 30%. So it's actually a pretty significant portion of your overall growth now. Have you been surprised at how quickly it's ramped? And has it changed your longer-term expectations for what role wireless can play for you?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Not really. Not really surprised in that -- but it took a minute for us to get all the piece parts pulled together as we are evaluating the opportunity, whether we're looking at Europe, we're looking at Asia and the different -- how things were progressing. But we always felt if we -- we had -- we have a great network partner in Verizon. That was clear. We needed to have the premier devices once that was arranged. And then we needed to operationalize our go-to-market approach and knew that we would be leveraging this with broadband.

Once we had all those, we really did feel we're confident we're going to have success. And it's happening and we've had many quarters in a row now where line growth has been at record levels. So we're -- part of what -- the reason why we felt we had a unique and differentiated go-to-market offer in that as the wireless industry shifted very quickly from by the gig to unlimited, it just opened up the whole category for us to be able to do both.

And so the second leg of what's happened is we were able to provide a little bit of a boost to unlimited and renegotiated our relationship with Verizon so we could do that. We're now more competitive with unlimited. We still have by the gig. We have core service pricing that's very strong, and we can go up against anyone. And we leverage it and, really, the 3 things that we wanted to accomplish, we feel we're doing. We had the ability to bring down broadband churn, leverage it with broadband, drive consideration of us in the first place by just rolling it out in retail.

Retail and cable is not as robust as it is now, so -- with having mobile at the centerpiece. And then third was to be profitable at scale, which we've accomplished. So we want to continue to leverage mobile, be aggressive with it. And you look at it, we have 4 million lines, 2 million customers, we have 4 million lines. And we have 32 million broadband relationships, that's 64 million lines that we look at as an opportunity. We're just getting going. There's that third growth engine that we have.

So we're going to use it to -- a lot of time we're spending on operationalizing every single sales channel. And I think some people I've gotten questions before around, well, it seems like you have a couple of different apps, and it's still not completely integrated quite yet, and it feels like you're -- I'm doing business with 2 different companies. And I think that's fair. I think that we had work to do and just completely integrating mobile into everything that we do, every operational experience, every sales channel. That's our focus right now and clearly going to leverage it, and our go-to-market offers as well.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

When you do that, your competitors can't follow, right? I mean, Verizon has 11% of the country covered by fiber. You can't have a converged offering that only speaks to 11% of the country. AT&T is 14%. There's nobody but you that can offer a ubiquitous package of broadband and wireless. That has to be -- sort of weigh on your thinking of how do we actually prosecute this opportunity, right?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

There's a strength in our ability to scale this in our footprint. Now it is -- we sell it to broadband, and it is within our footprint. So -- but there's a real strength to be able to do it one way and to be able to break it down by segment, but when you go at a segment, you do it completely throughout the entire footprint and you do it throughout the country in every area that you serve.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Interestingly, so I talked about this with Tom earlier. If you count the -- by including the 3G subs that didn't continue in the wireless industry, you and Charter and Altice took 90-plus percent of the broadband -- of the wireless net adds in the industry last quarter.

And it -- you just had Verizon announce a price increase in wireless the day before yesterday, which sort of widens the gap between your pricing and theirs even more. How do you think about that? Is there an opportunity to say we can start to grow the margins of this business? Or do you say let's put the pedal to the metal and grow this thing even faster?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, it goes back to the prior point, Craig, where we have -- we're at 4 million lines. If the real opportunity is 64 million, Then we've got a ways to go.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Growth is more the opportunity than pricing.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

We're going to focus and be very consistent. I think we have a good go-to-market approach right now with our pricing and by the gig and unlimited. Just did the -- within the last year or so, the unlimited pricing that we have. So -- and I think there's another gear that we'll find through this operational integration.

So that's our focus, is to grow relationships, leverage mobile, be in position when the macro issues that we talked about earlier clear up. We want to be in a position to compete aggressively and win jump balls. Mobile's an enormously important part of that.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Is there a time -- you've captured customers mostly through bring-your-own-device plans. But a lot of those customers, if you've been around for 2 years and your device is now getting pretty old, are going to start to want new ones. Is there a moment when you say we have to start subsidizing handsets like most of the rest of the industry does? And is that already contemplated or...

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Yes, we -- I think people have seen us. That is built into how we go to market. We go in, we go out with certain -- either gift cards or things like that. We're not one that's going to consistently every day offer free devices. We just haven't done that and don't see the need to. But we will compete. There'll be -- when a new product launch happens, then we'll be aggressive for a period of time to be in the mix.

But it has worked out that the -- and we'll see what happens over the run, but the big telcos, including T-Mobile, who you'll have tomorrow, but they like to offer a lot of free devices, we'll see. And we welcome those customers a little bit later on with bring-your-own-device, so let them continue to do that.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I want to transition away to my joke at the beginning because you did announce some pretty interesting stuff with Flex and your XClass TVs. Talk about that a little bit. Talk about what you hope to get from that partnership and how you expect that offering to evolve in video?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, to really compete in the platform business, as video has changed, and we've seen it and anticipated it and reimagined it. So we're able, fortunately enough, to leverage the decade plus of innovation around X1 and then Flex and now XClass. But we have a great platform and folks in New York, not too distant future and L.A. and other parts where Charter serves is going to be great. But what's really key to compete, whether you're talking to OEM providers or retailers or the content world is to have scale. You really do need scale. It needs to be uniform.

And so it was -- it's really -- that was the key thing. It's terrific to have Charter as a partner in the joint venture. They're a great operator. And the innovation that will come, having them at the table with us, I think, will continue, very focused on having best-in-class, not only products that in terms of voice capability, asset location. When you say something, it's there instantly. But being that operator-friendly platform, too, as we welcome other operators on.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I was going to say, should we expect -- you've licensed X1 to Cox and into Canada, and that's -- should we expect more people on the -- into this partnership over time?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

In the U.S., most certainly, we're going to be doing that. We are extremely focused on growing the operation. And I think we're ideal in terms of the kind of partner that can turnkey the technology solution, the innovation that's required to win and provide an answer as more and more operators are focusing on connectivity and are trying to figure out video. I think we're a great platform for them.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And you've got a relationship with Walmart for distribution that -- is it fair to say this is going to start to be a bigger, sort of consumer presence that people start to be more aware of over time because of the retail distribution?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

I think there are several legs that we'll look at. One will be other operators. There are a lot that are left that have opted not to do anything. And so -- yes, that's one area. Then there's retail. Walmart is great. We've had a lot of experience working with them and have the XClass trial that's been going. There are other retailers we're going to work with. And there are other manufacturers of smart televisions, which is the device that we've been able to put a software stack into.

So you look at that, and there's just so many Comcast overall, Craig, I think, is so uniquely positioned for streaming. And you have in Europe, you have Glass with Sky TV, doing a very nice job with that. For us, we just want to compete against great platform operators and provide a great experience. I think we can do it and our focus will be in the U.S.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So that's part of a portfolio of ways to deliver video to customers. But I guess I have to ask the linear video question. We've always sort of conceptualized linear video as having something like a floor as you get to sports and news customers as the ones who were left. But I think as the closer we get to that floor, the more doubtful people are that there's a floor. Do you -- how do you think about it? It seems like you're sort of agnostic as to whether it's there or not. But what's your view of is there a real floor? Or is this business going to just keep shrinking in perpetuity?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Well, we're going to continue. I think we're in also a unique position to be able to offer a wide variety of what customers want. And we segment, what I talked about earlier, certainly goes for video, not just broadband. We segment the marketplace. And so customers want X1, full capability, on-demand, DVR, apps integrated fully, we have that. Now we're also -- we've said, as we've anticipated this transition in the ecosystem in video, we're not going to lose money in doing so though. So we're not going to chase unprofitable video relationships.

So that is happening, and that'll put pressure on an ongoing basis, I think, to video. But at the same time, this is what we were just talking about. We're reimagining what video is. So yes, we'll lose video, and there will -- I don't see that changing, that video on the linear side. We're still going to offer it. We still proudly back it up with a great product. But at the same time, we're adding Flex today, and the video attachment rate is not that far off in terms of if you add up Flex and...

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And linear?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

And linear from where we were pre pandemic. So over time -- and we're just getting going in terms of -- now it's a different video experience, but there are economic drivers that we're excited about when you get to the software stack getting into smart TVs at scale, whether it's transactional SVOD, it's selling content and participating on a rev share basis, it's advertising. There's lots that we're going to be aggressively pursuing on that platform. So yes, there are trade-offs that are happening in video. But the platform side, I'm pretty excited about.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

So if I wrap all of this up, you've described a company that your broadband business is still what you described as a growth business. Business Services, as a clear growth business. Wireless as an early-stage growth business and with a road map for sort of a really being the first and only converged player that offers all of that and video in your footprint. Talk about kind of what your vision is for what you want the Cable business to look like in 5 years. And maybe what you think, from your conversations with the investment community, what people are missing the most when they -- and where the disconnect is from that vision of 5 years from now?

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Let me start with that, such a good point. To me, the thing that -- I don't know if it's missed, I know we talk about it, but you look at what's happened. I remember going back a handful of years ago, and everybody was pestering us on margins. Well, what are you doing? And look, what we've been able to do. And while we're investing in growth businesses throughout, we haven't stopped. We're continuing to focus on growth. We're taking transactions out. We took out, I think it was like 19% in the first quarter, agent-handled calls, 17% truck rolls out. And this is consistently how we're doing it.

So again, up to us to tell the story of what's really going on, but I hope people do appreciate there's a reason why we're at 44% margin. We're focused on fixed cost. We're focusing on taking transactions out. At the same time, we have prioritized growth businesses that provide attractive margins in the first place and the connectivity arena. So to me, that's the -- when you look at then the growth opportunities that we have in the long run, it's to have market share focus, connected with good balanced revenue performance and healthy contribution of EBITDA and free cash flow.

So I like our hand. We go through cycles. And we're going through one certainly right now where the macro things are putting us in a suppressing connects, but we're in a great churn position. And I like our hand quite a bit going forward. I think we're in a unique position with a great network and a wonderful set of products.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

Well, it's a great place to leave it. Dave. I thank you very much for joining us. I hope we see you next year for your sixth visit here.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

Thank you, Craig.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

But it's been a delight to talk cable with you. So thank you very much.

David N. Watson - *Comcast Corporation - President & CEO of Comcast Cable*

You got it. Thank you very much.

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