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EDITED TRANSCRIPT

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PRESENTATION

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Okay. Good morning, everybody. I'm Ben Swinburne, Morgan Stanley's Media, Entertainment and Cable Satellite analyst. Quick disclosure statement, which is here. For important disclosures, please see the Morgan Stanley research disclosure website at morganstanley.com. Do you have any questions, please reach out to your Morgan Stanley sales rep.

And I'm really excited to welcome to the conference -- back to the conference, Comcast. And to the conference on stage joining me, I think, for the first time here, Jason Armstrong, CFO. Jason, thanks for coming.

Jason S. Armstrong - *Comcast Corporation - CFO*

Great to be here. Good morning, everybody.

QUESTIONS AND ANSWERS

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

So stepping back, we think about 2023, company had a solid year. Stock had a solid year. You guys delivered 9% to 10% earnings growth, free cash flow growth. And at least from our perspective, Jason, the stock looks pretty cheap relative to that kind of growth algorithm. Can you talk about your strategy to sort of continue to drive that level of growth and generally maximize value for the shareholders in '24?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. Well, thanks for sort of starting out that way. That's right. 2023, a really good year for Comcast. You're right, we grew both earnings per share and free cash flow per share sort of in the 9% to 10% range. So good healthy growth. And I'd point out that was despite a super competitive environment broadband, probably the most competitive environment we've seen in a long time. It was despite taking on peak streaming losses in Peacock. So we've been investing to get Peacock off the ground, ultimately in the last 3 years and scaled, which I think we're making good progress on, but nonetheless, last year was sort of the peak year losses.

And last year was when spending on our Epic Universe Park really ramped up as well. So despite kind of those 3 things, which were headwinds on free cash flow and earnings, we grew -- as you said, grew 9% to 10% on both of those metrics.

So I think after a really strong year as it relates to sort of the how do we look at the forward progress and the forward outlook. We're really aligned around -- if you unpack this and sort of started revenue growth, operating leverage and margin expansion and then ultimately how we return cash to shareholders and sort of what the algorithm is, I'd start with revenue growth, right?

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We are really aligned as a company around 6 major growth drivers we have. So we have 6 businesses that in totality of our $120 billion in revenue, they're $70 billion. Last year, they grew high single digits. A year before that sort of in the same range. So we've got 6 businesses that are diversified but related that are growing and are at scale.

And priority #1 is to just invest in those businesses to continue to drive growth. We've got another $50 billion of revenue that's attached to businesses that are strategic. They're important. They're contiguous to what we do, but they're not growing, and we manage them a little bit differently.

So to step through the 6 businesses to probably tee up the rest of the conversation, number one, broadband. Broadband, we've got 32 million subscribers, relatively flat year-over-year in 2023, but we grew ARPU 3% to 4%, right? Historically, we've gone 3% to 4%. We were at the high end of that range in 2023, which in a competitive environment, I think, was a question coming into the year. And I think the team led by Dave Watson and company really delivered on that. By the way, 4% ARPU growth is $1.2 billion in incremental revenue, high-margin revenue across the company. So incredibly important, incredibly important to be navigating it that way, but still a lot of room to run.

Second, wireless, which newer business for us launched 6 years ago, 6-plus years ago. At this point, we've got 6.6 million lines as we exited 2023 with. We are 11% penetrated of our broadband base. That's really the way to think about it. And we've got distinct and sort of logical advantages in selling into our base. So really good trajectory, we think, in wireless, and we're going to continue to invest there.

Business services, sort of the third category, really big business for us at this point. Grew it from scratch. We sort of launched it 15 years ago. It's now a $10 billion business. We've given some new disclosure around it to help people sort of unpack what it looks like across the P&L, and it's a business that's growing mid-singles, and it's a business that's got almost 60% margins.

So really strong cash flow and prospects coming out of the business. And it's a business where we have an addressable market, sort of started with small business. We made a ton of progress there, but midsize and enterprise if you sort of total what that represents in and around our footprint, the totality of the opportunity is greater than $50 billion. And we're [$10 billion] against that with a really good product that competes really, really well. So the ability to continue to take market share and creep into other segments, I think we feel really good about.

Parks, sort of the fourth category. Parks, we've had an incredible trajectory in the last couple of years. We had to make a real bet on parks through the pandemic when you go from making $2.5 billion in EBITDA to losing money. That's not a good place to be. But it's the beauty of having diversified growth drivers at scale because in that same time frame, our broadband business, as you know, did incredibly well as everybody was sort of working from home, schooling from home, people wanted the best pipe and that's what we were and still are. So broadband did incredibly well.

Parks was a question mark. We really invested aggressively in parks because we saw through to the other side that banking on investor demand or demand coming back, consumer demand coming back and consumer demand for experience is coming back, and that has really played out.

So parks between what we've done over the last few years, which is really aggressively refreshing attractions, adding new lands, adding new attractions and then ultimately, adding sort of new parks, that's what's in the pipeline ahead of us. We feel really good about the parks business.

Streaming, we're sort of newer to that game. 3.5 years in with Peacock. But in that time frame, we've added 31 million subscribers. We've done it really healthy ARPU. We've got good engagement, strong engagement metrics. And so happy with the progress in streaming. And then finally, sort of premium content in the Studios business, and we're coming off a year where we had 3 of the top 5 films. We were #1 in global box office for the first time in a very long time. So tremendous momentum across the 6 growth businesses.

And if you think about them, the businesses that are growing and the nice part is they are margin accretive to what we do in our overall margin. So businesses that aren't growing relative to the ones that are that has been a healthy margin trade-off for us, which you saw last year, I would predict you'll continue to see that. And the type of cash flow that's coming out of the business just to sort of round out the picture and get to the bottom line. We generated a lot of free cash flow. We'll grow that free cash flow and a really good balance across the company, the investment. I think we're investing aggressively in the 6 growth businesses, but there's a lot of cash left over, and we've been deploying that back to shareholders at an aggressive rate.

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I think if you look at last year between buybacks and dividends against our market cap, it was close to a 10% all-in return back to shareholders. We shrunk our share count by more than 5%.

So the totality of that picture is exactly how you started the question, how do you do 9% to 10% growth in a super competitive environment, which we did in 2023 and how does that frame in the outlook going forward, which I think we're incredibly bullish on.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

That's a great overview, Jason. I want to talk about all 6 of those drivers as we move through the questions. Why don't we start with the topic that's most front of mind for investors, which is the broadband market. I think all of your major competitors have already presented at the conference. Now is your chance to -- something like that. How -- I mean, look, I think people get it's competitive, but can you give us a sense of sort of the broadband market today as we sit here in early '24, even relative to what you saw last year?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes, I think it's always helpful to step back and sort of go real macro on broadband and then we can get into the micro. From a macro perspective, I would say the market is very healthy, right? The -- if you look at '22 and '23, I think the overall market added somewhere in the range of 3.5 million to 4 million broadband customers in each of those years. So it tells you the overall market is growing. And you get down to the customer level, what's the average customer doing and good news, the average customer is doing more on their networks. They're consuming more year after year. They're hanging more devices off their network and the utility of broadband is as strong as it's ever been and growing in the minds of consumers.

So I think that's a very healthy framework overall. If you take it down to what are we seeing and are we seeing something different than that? I would say on the individual consumer side and what the engagement trends are, we're seeing at least that, right? We're seeing customers that our average customer using 700 gigs but our super users, which are kind of the -- this is where the world is going, right? And as for the 5-year time frame, usually the median user equals the super users sort of 5 years forward. That's certainly been the case in the last 5 years.

And our super users are up at 2 terabytes per month. So if that's the way the world is going, that's terrific. So I would predict between all the things we're doing and a lot of things moving streaming and more and more usage patterns sort of hitting that type of market, then we'll continue to see that. So I think the overall health of the average consumer very strong.

On the competitive environment, which is sort of the next level down, how our company is competing, I would echo what I've heard already at this conference. It's a competitive market, no different than what we said on the fourth quarter call, which was the market as competitive as it's been in quite a while. I think at the time, we said -- we lost 34,000 customers in the fourth quarter and gave an outlook for the coming year and said I wouldn't expect trends to improve off of that.

And so I think we -- that's -- I wouldn't change that language sitting here today. It's exactly the way we see it. But I think we're competing really well. I think last year, the question around ARPU growth, which there's volume growth and then there's ARPU growth and totality of that obviously is how we're driving revenue forward. In a super competitive year, there were questions around, is volume impact going to seep into pricing and have an impact there as well as you see dilution in your base. And the team did a really nice job in segmentation, in competing like where we've seen the most competitive pressure has been at the low end of the market, where the consumer that's been willing to make trade-offs, but they'll trade off reliability, they'll trade off speed for a little bit lower price. That's an incredibly competitive part of the market.

So we came into the year saying we want to compete there, but we want to protect our base with 32 million customers, probably the most important thing we can do is segment appropriately and not like competition in one part of the market, seep into other parts of the market and really drag your base down. I think the team executed against that really well. Historically, we've grown ARPU 3% to 4%. We gave an outlook for 2024 and said we'll be in that range again.

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Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

That was going to be my next question. You said there were questions. I'd say there are also still questions this year. And you sort of answered it, but it sounds like you don't see the competitive environment putting the ARPU growth outlook at risk?

Jason S. Armstrong - *Comcast Corporation - CFO*

No. No. I think we're confident in the ability to grow ARPU, confident in the ability to sort of grow it along the lines of how we have historically. And it starts with segmentation, as I mentioned, but then it continues into the average customer doing more and getting more utility out of your network. And whether it's the 2 terabytes, and that's where the world is headed or the percentage of customers that are taking 400 meg speeds and above. That's 70% of our base right now, substantially higher than it was.

We've got 1/3 of our customers taking at a 1 gig speeds and higher. That was 15% a year ago. So the world is moving higher. That's exactly what we want to see because we think we can accommodate that speed and that type of traffic at the lowest marginal cost. So I would tell you the underlying health and what people are doing on the network is very strong.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Sticking with the micro. There's also a lot of focus on what's going to happen with the ACP programmer from the FCC. And we've started to see some notices come out this week around the end of that -- potential end of that program. You guys disclosed 1.4 million customers that are on the ACP plans on your call. If this is not refunded by Congress, how should we think about the impact to customer levels and also ARPU?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. No, see that's right, we've got 1.4 million ACP customers disclosed out on the fourth quarter call. All of the -- majority of them were preexisting customers to Comcast, right? So they just moved into the ACP program, which I think is important. And so with ACP, I think like anything, hope for the best in a continuation, but I think you have to plan for the worst, which is going away and there's disruption. So that's what we're planning for.

But I think there's how do you plan for it and there's defensive aspects to it, and then there's offensive aspects to it. So on the defensive side, which probably allows you to play offense eventually, it's how well do you segment your base, how entrenched or programs to go serve this type of community, which I would point out. We've been in the market with Internet essentials for a decade. At this point, we have a very entrenched program that sort of hits this type of base.

The other thing I'd point out, which I think has been lost in the discussion a little bit is this is similar to promotional roll-offs in our base, right? We have waves of customers every single quarter rolling off promotion that you have to figure out, how do you tier up? Is there a disruption in the base? How do you land that customer on either higher rate plans or migrate them to something else. So this is not new. We're wired to do this. It's exactly what we do.

So that's not me saying it won't be disruptive. It is 1.4 million customers that potentially have a different outcome coming their way. But at the same time, it allows us to play offense as well. We have really lacked, and we've talked about this, whether it's move activity or other factors, we've lacked jump balls in the industry for the past several years. And so an event that triggers more jump balls. Jump balls have generally been favorable for us. So getting an event that maybe surfaces to more of that, I think we've got the opportunity to play offense as well.

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Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

That's very helpful. That's a good reminder. You guys did say, I think it was you or Mike or both on your earnings call that you do expect a return to customer growth, and I'm sure you believe that. And you touched on a number of reasons why. Anything you would add in terms of what gives you confidence that eventually over time, that's the outlook that you expect?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. I think that's exactly right. And this may be the most important question of all of them. It's definitely where we're focused and how we return to growth. As I mentioned, it's a competitive environment. So I'm not sure I'd predict that in the coming quarters. But as you look out beyond that, the foundational work to sort of create that opportunity down the line is all in place right now.

So whether it's upgrading the existing network, which we're doing at a pretty rapid pace between mid-splits and DOCSIS 4.0, which we have both of those going sort of at pace right now, that facilitates a path to multi-gig symmetrical in the home, which if you combine that, go tackle sort of what a customer wants from us. They want high speeds. They want high reliability. They want low latency. And they want -- to the extent we can package around that, whether it's a wireless product that offers the customer a ton of value or aggregation is a big pain point for customers right now. They love their content, but they can't find at sometimes.

We've got, I think, a best-in-class aggregation product. We're now in the mix with Charter as well through Xumo, but the number of companies that have licensed our aggregation product would tell you. The cable industry broadly is voting. We've got the best aggregation product. So I bring that up because the totality of what you bring to the customer is sort of foundational to can you move the needle once you get past sort of this era of pretty aggressive competitive activity in particular at the low end.

The other thing we're doing, which is follow the money in this industry, we're accelerating our homes passed. So we were at 850,000 incremental homes passed in 2022. We did 1.1 million actually in 2023, so up pretty significantly. We did it actually within a pretty reasonable capital intensity envelope, which I'm proud of. But nonetheless, ramped up what we're doing there. And then we gave an outlook year that said, we'll do 1.1 million or higher homes passed.

And so I think that's all foundational such that if you get to a point in the not-too-distant future where hopefully we're adding subscribers again and the conversation is a little bit different. You'll be able to trace back to -- we were solving for all that right now and solving for sort of the competitive aspects that we see, which are at the mid- to higher tiers, it's fiber, right? And we've always viewed fiber as it's going to be a very viable competitor. That is our competitor for the long term. And we've gone from 0% of our base to almost 50% of our base being exposed to a fiber competitor, and that's not stopping, right? We see that as 60% in the next couple of years and it will go beyond 60%, but we know how to compete against fiber really well.

The difference has been actually more at the low end of the market, as I mentioned, with fixed wireless, where if you're a customer that's very price-sensitive, value-conscious and is willing to make trade-offs in many markets, there's 4 or 5 options available to you. right? As we tier down to try to serve that base as wireless companies come in to serve that base. But if you step back and say, how do you win in a multiyear time frame, I'm optimistic it comes down to who's got the lowest cost to serve and lowest marginal cost to serve, which path we've laid out between mid-splits and DOCSIS 4.0 to get to multi-gig symmetrical. We've got an extremely cost-efficient way to go handle through the next wave of traffic.

I'd put our economics up against fiber any day. In particular, when you think about wireless, when the conversation around fixed wireless changes, and it's not some cost and excess capacity and instead, it's okay, we've exhausted that, and we have to come back to this room and say, we need more spectrum. We got to split cell sites. Here's the cost of that, and we got to go try to serve the home broadband market with a true wireless cost structure. That's going to be a different conversation, right? And that's one where you've got to stack that up versus our marginal cost, and I think we've got a huge advantage there.

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Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Let's talk a little bit about your mobile product. You guys have been delivering around 300,000 net adds a quarter. That's healthy, but you also talked over the last few quarters of maybe getting a bit more aggressive testing different offers. Is there a way to drive that business faster that's also economically attractive for Comcast?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes, I think we're very happy with wireless and where we are. Potential opportunity to accelerate. As you mentioned Charter is doing some really interesting things, and they've really accelerated. But I would start with our book of business. It's one of our core growth drivers. It bundles really well. It's a product that can add a lot of value to the broadband customer and beyond. And it's a customer -- it's a product where we're really happy with marginal economics. We are profitable in wireless. We're growing profitability and wireless. There's decision points in terms of whether you want to continue to grow profitability at that pace. We'll reinvest a little bit of it for the benefit of the broader business, and that's an active conversation.

But I think we've got really strong positioning in wireless. And if you look at the last couple of years, we've been in and around 300,000 subs per quarter, sort of plus or minus. That's probably the right range to think about for the first quarter as well, so we'll be right there. And then we're constantly studying ways to go how do you go find upside to that. Can you accelerate it? Can you accelerate it accretively? And there's different paths in the industry. We've been taking the more methodical, let's go try things in certain trial markets and pull back and try new things and really figure out what works, but in a testing cycle that sort of works on our time frame. Charter for their credit sort of leans in quite a bit and really goes for it. But the benefit of that is I think peer of our, we can study what they're doing. If they're doing something that has some real secret sauce and longevity and accretion to it, no reason why we can't replicate it.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

And I'm contractually required to ask you about the MVNO capital-light model, which I think is like every couple of years, it comes back into a debate as to whether it can be -- the right economic approach for Comcast and Charter, for that matter, long-term. What's your view on whether this is the right optimal way to go at the wireless market, not just now, but over the future for the company?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. We really like the MVNO strategy we have. And maybe I'd start with -- it's a partnership. And it's a partnership that I think is working. It's just take it from -- Verizon was here yesterday. You take it from their side. I think they're exactly right. This is an important source of revenue growth for them. It's in their words, an accretive way to fill their network. It's got strong margins attached to it. And as a reminder, it's got no acquisition cost for them, right, which is a big deal in the wireless industry.

So I can see it through their lens that it's very good business. You can see it through our lens that there's other wireless companies that would say that is a very good business. We might be interested in that as well. But from our perspective, it's a capital-light model, which we really like.

The wireless industry is fairly capital-intensive, and there's predictive capital intensity, which is what you're doing sort of at the tower level and backhaul level, and then there's the spikes in capital that you get around spectrum auctions that are big and chunky and happen every few years.

So totality of that has us in the -- we really like the capital-light model. We really like the leverage on the Verizon network, which is a top-tier network. And look at relative to where we are, it facilitates marginal economics, which are strong, but it also allows us to play to our strengths, right?

So our strengths are -- if you think about the realm of wireless carriers, it's macro cell sites and its coverage sort of coverage layer networks. If you think about the domain of a broadband provider, it's sort of the micro cell site. In the home, dual SSIDs where we can broadcast off of it. We've got probably the largest micro cell site network out there because we've got 32 million broadband customers. We've got a lot of small businesses. And

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when you put that all together, it does mean we offload at a much higher rate than a typical wireless company. So that influences our economics favorably.

And then the middle ground, I think as you focused on its small cells, right? And that's whether it's wireless carriers moving down to that or us moving up into it, depending on what the economics are, it's sort of the ultimate favorable opportunity we have in what's the opportunity in wireless and where we wanted to tweak this model. Because if the MVNO contract dictates that we've got incredibly strong economics, we really like it, which I would tell you that's where we are right now, then no reason to go further into small, that sort of dictates what the economics for you will be in small cells.

But to the extent we're seeing traffic patterns that dictate, we should be more aggressive in small cells, or changes to the MVNO that dictate that, then we've got that opportunity because we've got a densified urban and suburban network, and we've got spectrum, right?

So that's the reason for this question, the reason why we evaluate it. But I think the relationship is great. As they articulated yesterday, it's growth for them at accretive margins and no acquisition cost. And for us, it's a capital-light way of serving our customers that we've, I think, done really effectively.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Great. My last question on the sort of connectivity business, and we'll move into some of the other drivers. The last couple of years, you guys have been able to drive expenses down. I mean we talked about 9% to 10% of EPS growth with basically flat revenues. There's a lot of reasons for that, but one of the biggest, if not the biggest, is your ability to drive down marketing costs, tech support costs, customer service in '23 and in '22, and I think at least we're forecasting more of that trend in '24.

I guess, Jason, the question is, how sustainable is this sort of efficiency exercise that you guys are going through every single year? And any risk that you're putting your customer service and your sort of NPS scores and your position with the customer at risk from under-investing in those aspects?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. I don't think we're at the risk of underinvesting. I think there's been a couple of things sort of structural changes in the business. Number one has been just the change in the interaction with the average customer. So if we look back to 2017 I think in the last but 6-plus years, we are down in truck rolls by 50% and that's despite an increasing customer relationships. So we're just becoming more efficient in how we install and ultimately serve a customer.

Our customer interactions, that's the totality of truck rolls, call center interactions. That's down 40% in the same timeframe again against a bigger base of customer relationships. So I think that is, to your point, that -- that's structural that continues.

The other thing structural is just the mix shift in the business. So the businesses that are growing broadband business services, wireless on the connectivity side, in particular, first to very strong and accretive margins relative to the overall base. We broke out business services this year. Obviously, it's 60% margins. That's the beauty of having kind of a scale and distributed network the way we have where you can serve, you can find new end markets off of it that were capital efficient to go serve and where we had a real opportunity.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Great. Okay. Let's talk parks. This is almost a $10 billion business. It probably doesn't get enough attention inside of the sort of Comcast story. You have enough -- a bunch of -- several international parks that are now fully open and operating. Any way you can help us think about the growth outlook for the parks over the next couple of years? And obviously, you should touch on Epic.

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Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. We're very bullish on parks, as you can tell, that's probably not a surprise to you. And I think you laid it out the right way. Sometimes in these discussions, parks are sort of the last thing you talk about in content experiences, whereas your own model, your -- some of the parts has -- parks is more than half the value of content experiences. And so that's -- we see it the same way where there's a ton of value in parks and a ton of value that's been created there.

So think about parks in the last several years. As I mentioned, the pandemic was sort of this -- it was an important moment for parks because when the world changes on you if things are shut down. You still have a cost base, you got to support. You got to be able to see your way to the other side and have confidence in what the other side looks like.

And I would credit the team, Mark Woodbury and his folks that just saw their way through the other side, convinced us to what the other side looked like and we actually foot on the gas and investing through that time frame to set ourselves up for. When experiences came back, we were going to be the ones with fresh new attractions and something to go see in the parks.

And so if you look at the past few years, we've had Nintendo World launched in both Hollywood and Osaka. Those have been incredibly successful for us. We have -- if you take, okay, what's there to be excited about from here, we've got a huge pipeline of things we're excited about.

So coming this year is new Donkey Kong attraction in Japan. Subsequently, we've got a new fast and furious ride coming in Hollywood. We're not too far removed from launching VelociCoaster in Orlando. So a lot of big new attractions. But the biggest one you mentioned is Epic Universe. So that will be a brand-new park in Orlando. It's the biggest park of it's scale to be built in 30-plus years in this country, 5 different lands, incredibly interesting and I think will be a big driver. And so that's the big one, but then there's also -- we've got a family park coming in Frisco, Texas. Our attempt to sort of serving on a smaller scale, a slightly different demo that can ultimately be used as a feeder into the larger parks and not cannibalize the larger parks sort of the right way to approach that. But it will be a test. And so we've got that. And then the not-so-family Park or new attraction is Halloween Horror nights, which we're doing in Vegas. So it's another attempt to sort of serving an additional market.

So I think we've got a lot of super interesting things going on in parks. So the underlying momentum was very strong in the last couple of years. It continues to be really strong.

The 2 things that I think -- one is that could get in the way or just one is technical and it's just -- it will run its course, but currency has not been our friend recently, in particularly, around Japan. That's a little bit more of a headwind than it has been in the past. That's purely currency. Underlying momentum is great.

And then the other question, and I think you've asked this before, is when you're launching the big new shiny thing, which is coming in 2025, not an unfair question to ask, are you seeing any delayed visitation ahead of that. No evidence of that right now. But it's a fair question. It's one we'll be studying through the year. That's usually not a in totality, a negative event, that's usually a very positive event because you're stalling a little bit ahead of a lot of pent-up demand and then you release the pent-up demand. So to the extent we see that it will be temporary, and it would be actually signs of a really good thing about to happen in our parks business.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

You have to keep the biggest new park in Orlando in decades secret as you're building it. That seems tough. Okay. Let's shift to media. We've had a lot of conversations with a number of media companies at this conference around sort of disruption in the industry, which are all pretty well known. Streaming has proven to be challenging economically, at least. I think when I look at your business, it seems to us that '23 might be the -- or is the trough year for segment EBITDA in the media -- for the media segment, particularly as Peacock starts to scale. I guess, question for you. Is that the right way to think about the media businesses at NBCUniversal? And do we think about streaming and television sort of as growth drivers in the long term?

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Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. And I think you framed the question the right way, which is the totality of the media business because that is how we look at it. It's not linear or streaming, it's sort of the totality of both of them and how are you thinking about the transition.

So I would agree with the premise of the question. Did you just trough and can move up from here if you combine the 2? I think that's absolutely how we're looking at it. I think if you step back again, back to the -- similar to how we thought about broadband, look at sort of the macro and what you'd want to see out of this business is your relevance, right? Are you still highly relevant with the consumer, which is do you have the right reach? Do you have the right engagement? And are you monetizing that engagement in the right way? And as you look across linear and transition into streaming, whether it's the big tentpole, sports, Sunday Night Football, the Olympics, Big Ten, got soccer rights. We've got golf rights, WWE. So really robust portfolio there. But then there's Law & Order, the Chicago Series, Saturday Live, America's got talent. And then you start to move into, okay, the streaming world. The streaming world for us is all those things plus Pay-One movies where we've been extremely successful in the last year and the studios, all that's making its way in.

And the totality of all this, and this is lost on people every once in a while, but the totality of this is growing, right? It's growing in engagement terms and it's growing in revenue terms. So the transition largely is a cost structure transition. And it's a different way to serve a customer where you've had to invest in original programming, invest in technology and platforms, and you have to scale your way out of that. And we were later to the market with Peacock that's why we sort of trough later, but now we've just seen incredible momentum in a 3.5-year time frame. That momentum continues. And we're scaling our way out on the streaming side while managing the sort of linear to streaming transition holistically.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

You added 10 million paid net adds last year, obviously, a healthy number. What are the drivers of growth in '24 that we should be thinking about for [subs]?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. I think we're off to a good start with -- we had a streaming-only NFL playoff game that was...

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

I've heard about that.

Jason S. Armstrong - *Comcast Corporation - CFO*

Hopefully, you did. Hopefully, everybody heard about it, and we were...

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes, a clip was there.

Jason S. Armstrong - *Comcast Corporation - CFO*

That's right. So that did incredibly well for us, particularly as an acquisition driver. Oppenheimer just launched on Peacock a couple of weeks ago. So that's been incredibly favorable. I think for the first time, if you look at Nielsen top 10 streaming shows, we've got 2 out of the top 10 at this point with Ted and Traders. That's the first time it's happened for us, starting to see success on the original side.

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And then as you look at over the course of the year, a lot of this is sort of back half weighted. We'll have the Olympics coming in late July or August. We will have the return of Sunday Night Football and Big Ten and everything else. And then we've got a -- as you think about the success of the slate, and the ability for that to continue to be a driver as it makes its way into different windows and ends up on Peacock, that's been an incredible driver for us as well. So I think there's a lot to be excited about in 2024.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Jason, I wanted to ask you about the sports streaming JV, I don't know what else to call it at this point. That's been sort of a dominant topic in general, including at this conference. How does that impact how Peacock has positioned in the market? And maybe you could even expand on sort of how it might impact the bundle and trends you're seeing that would impact NBC's networks, for example?

Jason S. Armstrong - *Comcast Corporation - CFO*

Well, I think it's a tough one to comment on because we, like everybody else, don't really have all the details.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. It hasn't stopped anybody else from commenting.

Jason S. Armstrong - *Comcast Corporation - CFO*

Well, it's probably going to stop us a little bit because rather know a little bit more. But obviously, you're going to see some challenges to this. There's already lawsuits. The government probably takes a look. But we -- I'd get back to one of the key questions we're going to have you mentioned, the distributors are going to look at this and say, we've always wanted. This is exactly what we wanted. This is -- we asked for this in our base and just more bundling flexibility, and haven't been able to achieve that. So to the extent it's available now, is it available on the same terms to a distributor, right? I think that's going to be an interesting question out of all this.

But to your original question on how is Peacock positioned, what does this mean for Peacock. As I mentioned, we're only 3.5 years in on Peacock, with 31 million subscribers, $10 ARPU, high engagement, churn coming down. So I think we really like what we're seeing with Peacock. But I would point out, our sports portfolio on Peacock, we got a pretty terrific portfolio. So it's all the things I mean Sunday Night Football had an exclusive NFL game. We've got the Olympics coming, which will be fantastic across both linear and streaming. I don't think there's anybody better positioned to sort of reach a linear and then scale and streaming than us.

And so that will be fantastic. And then you're back in the Sunday Night Football, Big Ten, English Premier League. We got a lot of soccer rights, Golf, WWE, NASCAR. So it's an extensive portfolio. But at the same time, we've seen a lot of value in having sports and entertainment in one portfolio. Because as important as sports is and it's super important as an acquisition driver it ends up being about 10% of our overall usage, right?

And so then you get into, okay, that's a big important acquisition driver. But what are people sticking around for and doing in between sports and between our Pay-One, originals library and then the TV, in particular, the library we have around TV, which is there's a lot of tonnage there. I think we've seen a lot of value in kind of having the 2 together and Peacock's got a lot of momentum right now.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. maybe last question on the media side. Advertising revenues, they were at least better than we thought they were going to be in the fourth quarter for you guys. There's been some, I'd say, generally constructive commentary at the conference. Can you give us an update on sort of the ad market as you see it? And then if there's anything you can tell us about how the Paris Games are selling so far?

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Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. So I would say overall market, what we reported in the fourth quarter was 3% advertising growth. And that's ex-World Cup. The World Cup was a comparison challenge for us. But if you take out the World Cup, we grew 3%. We had a lot of benefits in that from sports performance in the fourth quarter, whether it was Sunday Night Football performing really well. Big Ten rights performed really well. .

So I think our characterization of the environment at the time was it's a stable advertising environment. We happen to grow 3%. As you look at the first quarter, I think that the overarching comment would still be exactly the same. The market has stabilized, and that's important. That probably means ex the sports, not as much going on there in the first quarter relative to the fourth quarter. So that for us probably means more of a flattish environment in ad revenue but I'd point out that sort of fits within exactly what we said last quarter, which is it stabilized, and that's a good thing.

Now you get into, okay, if that's the overall environment, what are the things that would advantage or disadvantage us relative to the overall environment. And I think as you look at particularly the back half of the year, you mentioned that Olympics and political and we're going to be uniquely advantaged in Olympics and having really strong hand to play in political.

On the Olympics, in particular, Paris is going to be spectacular. And we're going to lean into that as a company to ensure that happens, not that it need much help to begin with, it's Paris and it's the Olympics, pretty darn good formula. But importantly for us, we've had no fault of our own. We had 3 straight Olympics that were time zone challenges and pandemic, 2 out of the 3 pandemic challenged. That was a really difficult comparison for a few year period.

Now we have the next 3 Paris-Milan L.A., it sets up really nicely for us, but this is when the world comes back to the Olympics. All the fans will be there. The buzz will be unlike anything you've ever seen, and the story lines are very good for the Olympics, too. So to answer your question, we've seen a ton of demand on the Olympics side. I think we're very happy with where it's shaping up. But it's -- we'd expect continued strength as you head into this.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. I want to quickly hit the studio in the time we have left. Last year, Universal had the -- I think the highest -- is the margin -- highest margin studio of the public companies and also #1 in the box office. I prepared for this interview by watching Oppenheimer on the flight here. But there were also strikes a 6 months of delays. So anything you can tell us about how those strikes impacted the '24 slate? Or anything we should be thinking about in the studio's results this year as a result of all those delays?

Jason S. Armstrong - *Comcast Corporation - CFO*

So I know we have a few other people that watched Oppenheimer on the flight out here.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

It's a long flight and it's a long movie.

Jason S. Armstrong - *Comcast Corporation - CFO*

Whether it's the first time or second time or -- obviously, we did -- we're incredibly happy with how we did in the box office last year. It similar to parks, there was a disruptive moment around the pandemic when you've got theaters closed and real uncertainty in the creative community around sort of what the future looks like. .

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We were the company, if you really think about our business, broadband doing this, the parks and box office more challenged, we really leaned in, at that point, trusting what was on the other side and that helped us attract some key creative talent. It helped us lock down existing creative talent and really makes us an incredible place to partner with and work with.

And I think you saw the fruits of that last year. So 3 out of the top 5 movies in the global box office incredible creative talent. We're working with Christopher Nolan. My guess is he might hear his name a couple of times this weekend. Chris Meledandri, Jordan Peele, Jason Blum, Steven Spielberg, it's a long list, it's a talented list.

As you look at the path forward from here 2024, I wouldn't say really that we have any anticipated slate impacts from strikes. I think we're kind of on track with where we thought we would be. So the pipeline is this coming weekend, Kung Fu Panda 4, which I've seen, everybody should be really excited about. It's terrific. More importantly, my 3 kids all saw it, they are various age ranges and between the 3 of them, I got 6 thumbs up. So that is a very rare occurrence in my household for anything. But that's sort of the next one up. We have the Fall Guy coming in May. We have Despicable Me 4 along with Twisters coming over the summer and then Wicked at the end of the year. So I think we are -- it's a tough comparison relative to 2023, given all the success we had, but we have an incredible slate coming in 2024 that we're happy about.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Great. I want to end, Jason, on M&A. You guys -- Comcast has a long history of both organic and inorganic growth. On the last earnings call, Brian highlighted his enthusiasm and the team's enthusiasm for your existing portfolio. He also highlighted the high bar you have for M&A. Could you just sort of spend a minute fleshing that comment out for us what shareholders should take from that message?

Jason S. Armstrong - *Comcast Corporation - CFO*

Yes. I think tick it for exactly what was said. There wasn't any hidden meaning in there. I think Brian and Mike have been incredibly consistent. And that's what's helpful when you think about us and the way we originally laid out the business for the first question was we've got 6 growth businesses at scale that we're spending money on that a lot of capital on to drive sort of consistent forward growth, they're margin accretive. They still allow for strong free cash flow, growing free cash flow where we can buy back shares and return a lot of capital to shareholders.

So the totality of that is a really strong formula. And the benefit of 6 growth drivers is if you look around the industry and the peer groups, a lot of other folks you'd have on the stage, you probably say they have 2 growth drivers, 3 growth, here's what you can point to. We have 6, right? And that's an incredibly powerful place to be, and we're going to continue investing to drive all 6, whether we get every one of them right, I don't know, but we get most of them right, and that's going to be a very good outcome for this company. I think the answer is yes. And so that's why when you think about doing anything other than this -- Brian made the comment, Mike made it before, the bar is set incredibly high for the right reason.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Great. Well, listen, Jason, thanks so much for coming, and I hope you come back. Thank you, everybody.

Jason S. Armstrong - *Comcast Corporation - CFO*

Thank you.

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