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PRESENTATION

Jennifer Nason - *JPMorgan - Analyst*

Okay, good afternoon everybody. Jamie, you need to exit the room now.

So it's my great pleasure to introduce our next keynote speaker, Senior Executive Vice President and CFO of Comcast, Mike Cavanagh. Mike joined Comcast only last year from Carlisle where he was co-president and co-COO. And prior to that Mike was my colleague, or more to the point my boss, operating committee member at JPMorgan where he ran the investment bank, treasury services and was for many years Jamie's right-hand man and CFO of JPMorgan. Prior to that he was with Bank One and Citi.

Comcast today is a $203 billion media entertainment and communications Company operating in five key and in most cases expanding segments: Cable Communications, Cable Networks, Broadcast, Filmed Entertainment and Theme Parks. Comcast as I think all of you know has a long history of bold M&A and even most recently we've seen DreamWorks Animation, which was a little bit of a surprise for me; Time Warner Cable, which ultimately couldn't get through; and, of course, NBC just a few years ago.

So we can't wait to hear from Mike what is next on the docket. So here is Mike Cavanagh with Phil Cusick.

Phil Cusick - *JPMorgan - Analyst*

Thanks, Jennifer. Thanks for joining us, Mike. Nice to see you.

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

Well, it's like being back home. Jamie is going to stay around and critique me for a few minutes, so it will be like old times.

Everything I knew comes from over there and it's good to see everybody else from JPMorgan. Great to be here, thanks everybody.

Phil Cusick - *JPMorgan - Analyst*

Yes, welcome back. So I thought it would make sense to start with DreamWorks which you really haven't spoken about publicly. What was the driver behind the deal and how does Comcast add value there?

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

Sure. I will spend a few minutes on that one. So DreamWorks, you start with our Film business five years ago was making $25 million year. Last year $1.2 billion of cash flow.

So the team Jeff Shell, Donna Langley, Ron Meyer, Chris Meledandri from the animation side have done an unbelievable job operationalizing that business. We'll get into it a little bit more later.

But in the words that I've grown up with you got to earn the right to do deals. And so that team is clearly one that is running its own business well. And this business has been on its wish list for a long period of time.

So that's a step one, the ability to do it and do it right and execute it well, we had the team that could do it. Two, it's got to make financial sense. So I will hit that one for the crowd and come back to some of the strategy.

So financially you think about DreamWorks as a company that making two animated films a year, which is what their capacity is, a little more than that, but if that's what you believe they should do and that was their intention, you look at most analyst reports and say that business with the TV business and other products in there should earn close to $200 million of EBITDA a year. We believe that as well.

We come in on top of that and say because this is set up we're lucky that it was a moment in time where Jeffrey was ready to put the company, put his baby in the hands of us. He thinks that this is -- Universal is a great home for his business, but it's on the basis that we'll run it the same way that we ran Universal meaning integrated in.

We have this symphony with Steve Burke, board member of JPMorgan, who runs NBC drives which is really to harness the whole company. So it wouldn't have been possible to do what we wanted to do unless we integrated the business.

So a couple of things that are obvious there on the cost side is there is a distribution deal. So about $75 million or so a year is what's paid somewhere else to distribute the films and in about two years time we'll take that in and immediately add that to the core earnings power of the Company.

The other big cost driver is the Company today spends about, and this is all public, about $250 million year on SG&A. So it really doesn't make sense to have a public Company that makes only two movies a year.

So we'll be able to do quite a good job over a period of time to capture synergies there. So in our minds taking those couple of things together turns it into a deal that is high single-digit EBITDA multiple.

On top of that you've got the opportunity for the DreamWorks team did a great job building a TV animation studio, something that Universal has yet to do. So we will be able to take, subject to it making sense, our intellectual property like Jurassic World or other properties and as DreamWorks has done create kids animation for TV largely distributed over SVOD and drive more value through that.

And then ultimately the Parks business. Obviously we have huge ambitions in Parks that we'll get to and it gives us our own IP content to work with there in addition to making a couple more great movies. So the strategy fit goes along with all of that.

You can ask the question why not just -- there's only so much capacity that Chris Melendandri has to make -- he makes Minions, Despicable Me, we've got a great new one coming out, Secret Life of Pets. But the real capacity there is to make maybe two movies a year.

The characteristics of an animated film, profit wise and risk wise volatility is much better for animation than live action movies. So we've long wanted to tilt the business more in the direction of animated films at the margin and this gives us the capacity to do that. For all those reasons and it's a low capital intensity business, it's a once-in-a-lifetime opportunity, so we're glad to be ready to move quick and work with Jeffrey to get it done at a price that made sense.

Phil Cusick - *JPMorgan - Analyst*

So I understand so Chris Meledandri continues to make two movies a year in the legacy business. DreamWorks continues to make its two movies a year. Do you imagine --

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

And Chris will play a role straddling all of our animated output and help drive on storytelling creative and the like.

Phil Cusick - *JPMorgan - Analyst*

Can you imagine an increase in capacity from those two together over time?

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

There's probably about two movies from each side per year. And in each case one new, one sequel.

Because again going back and harvesting we'll have Despicable Me 3 next year. We've gone through 1 and 2. And so you've got great opportunities to develop a franchise, repeat the franchise, drive that through your theme parks, drive that through your consumer products businesses and so that's why we like the business.

Phil Cusick - *JPMorgan - Analyst*

So let's follow up on the parks you mentioned a couple of times. First on the DreamWorks side, how long does it take to start to build those into the parks infrastructure?

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

Well, it will take we're doing basically one new attraction per park per year as part of the formula in the Parks business. That's helped drive that business from a business that made about $400 million of operating cash flow a year five years ago to about $1.5 billion today.

So we're a big believer in the growth trajectory of the Parks business. So we're working on definitive agreements to get a Beijing Park launched. It will be four or five years out.

We just acquired half of the park in Osaka, Japan. We've obviously got our Orlando Park and our Hollywood Park. And in Orlando we've acquired more so over time we will be adding more properties.

So it's measured in years. It's not something we'll do in the next one or two years because these things are scheduled out for quite a bit. But out over the horizon to have internally children's intellectual property that's both in the library of DreamWorks as well as what will be newly created on their side and on the Illumination side is great for the Parks business.

Phil Cusick - *JPMorgan - Analyst*

And the Company has been excited to put capital into Parks. That sounds like that continues at a pretty good pace.

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

Absolutely. You go back to those numbers, I mean that growth trajectory, and going back to some of the things people worry about the media space. The Parks business is completely uncorrelated to what's going on in cord cutting, as a for instance.

So we like and we will come back to the broader NBCUniversal. But you think about that, that's basically a quarter or so of the operating profits of NBCUniversal growing at a very fast rate steadily. And with the investment we've made it will become an ever bigger part of the percentage earnings of NBCUniversal.

Phil Cusick - *JPMorgan - Analyst*

So one of those new attractions you mentioned was Harry Potter in LA. How has that gone versus expectations?

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

Great. So Harry Potter opened in 2010 in Orlando, subsequently in Japan two years ago. Last year or 2014 we opened the second stage of Harry Potter in Orlando.

In each case adding Harry Potter in has helped lift annual attendance by 2 million to 3 million attendees and driven increase is what matters. That business is attendance and what people spend on a per capita basis daily in the parks.

So Harry Potter Hollywood opened April 7. We're getting record high guest satisfaction scores, the word-of-mouth has been excellent and thus far the attendance is up 40% -- 30% versus a year ago, per capita spending up 40% versus a year ago. So it's tracking exactly where we would expect it to be.

Phil Cusick - *JPMorgan - Analyst*

Okay. In Film you mentioned that last year I think you said $1.2 billion in operating cash flow. And that's I believe a record number for NBC.

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

A record after a prior near --

Phil Cusick - *JPMorgan - Analyst*

After a record. In this year much tougher on a tough comp a decent year against anything but the last two. So how should we think about more of a normal level of profitability in the Film business 2017 and beyond?

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

So just to maybe be fair for a minute to the Film business since we -- Film business last year was the first studio ever to have three movies in one year to more than $1 billion each in global box office. We had $4 billion total of international box office, $6 billion of global box office and again for $1.2 billion of operating cash flow driven by franchises: so Fast and Furious 7, Fifty Shades, Jurassic World, Minions.

So the theme of the business from five years ago when Comcast acquired the business from GE was to really focus on in Steve's words increasing the ongoing cruising altitude of the business. So what happened was a lot of focus on what's called strategic slate. So not throwing lots of darts at the wall with similar types of movies because it's what came through and got greenlighted without deliberation.

So much more focused, we're going to make X number of movies a year. We want two have them to be animation, we want to or three tent poles, each of those cases we want sequels and one new, a mature comedy, etc., etc. And sticking to a strategic slate framework is a major part of the ongoing sort of change in the business approach.

Another big change was globalizing the marketing side of the movie business, taking all that in and instead of having different regions of the world kind of doing their own thing and deciding how many screens and which operators to go with and which markets on which dates. All that's done globally now out of LA.

And then, finally, in an important market like China we didn't have people on the ground in China five years ago. Now we have a robust team. We've gone from being represented by third parties to distributing the movies ourselves.

So, for instance, last year, which means a lot of work to make sure your movies get shown to begin with because there's quotas on how many international movies are allowed to be screened in a given year in China, when they get released and then all that we do for ourselves now. So as an example, Fast and Furious 7 last year did $400 million in box office in China which is more than it did in the United States. And so the ramping up of those three aspects, strategic slate, global marketing and China distribution, are what's contributed to the story in Film.

So you're right, this year much smaller slate of films in 2016 versus 2015 and we're coming off a record year. So we expected this to be a down year relative to a record.

We have start with a weak performance by Huntsman which affects us in the first half of the year but then we have Bourne 5 and Secret Life of Pets and some other titles coming out in the second half of the year and then in 2017 a bunch of our big franchises are back. So Fast and Furious 8, and a few others, Fifty Shades and then in 2018 we get Jurassic World back. So we're very confident that the long-term trajectory of the business is going in the right direction.

Phil Cusick - *JPMorgan - Analyst*

It's been nice to see a very sort of planned and disciplined level of investment in Film.

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

I would say all the people, and that was a large part of the town hall meeting that Steve and Brian did at DreamWorks is that it's striking I think to all the creative talent in the NBC world, NBCUniversal world, from the Parks people to the Film side, the bias of Brian, Steve and Comcast to invest in its businesses, which was tougher previously for them to get the resources and the focus. So I think it's actually a great place to work to draw talent and good creative work.

Phil Cusick - *JPMorgan - Analyst*

One of the other things that we've talked about a lot with Comcast is the Olympics and Brian was very excited about it last week at the Cable Show. What's going to be different --

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

He was. He would be here to do a demo if he could.

Phil Cusick - *JPMorgan - Analyst*

I'm sure he would. What's going to be different this year versus four years ago?

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

Well, the Olympics hits on a couple of different things, the importance of sports rights and how in the whole ecosystem live, big sports events are just key to engagement both on the advertising side and the importance in the affiliate relationships of wanting to carry channels and the like. So we love the Olympics. We have it at a low cost escalator going from here through 2032.

Made money in London and we expect to do better again this year in Rio. We've already -- we're four months ahead of crossing the $1 billion mark for advertising sales.

So financially we expect now and into the distant future for the Olympics to be very important to the Company and uniquely combines the storytelling side of NBC, for anybody that's a big watcher of Olympics over the years it's just great display of what the athletic competition is all about, combined with the Comcast side. I'll tell you in a second about what we've done on the X1 side.

But this year for the first time we're going to be carrying 6,000 hours of programming. So think of it as all 130 events either carried on the many both network and cable channels in the NBCUniversal world together with live streams from basically every one of the 130 competitions. So that's obviously different this year which is available on your NBC Olympics app or NBC Sports Live apps.

But for an X1 subscriber to switch over to the Comcast Cable side of things, for anybody that was at the Cable Show last week saw this is a demonstration that Brian did, it's on our X1 box when you turn it on and it brings up a new tile at the bottom of the front screen that takes you front row for the Olympics. And going into that shows you the power of the X1 platform, great searchability of content.

So you can follow a sport, you can follow an athlete, you can follow a country, you can tag any of those as favorites. You can then build your own customized experience and basically curate your way through that many hours and get a unique experience out of it.

There's going to be, it's going to channel all of the furor over the Olympics into the primetime window where because Rio is one hour ahead of New York we'll have all the major sports, all the major events being broadcast live East Coast primetime. So it's going to be a great experience for American viewers.

We couldn't be more excited. And it's going to be a big 17 nights.

And that's actually back to the power of live sports and must-have programming. That's 17 nights, we have this measure of what we call big nights where it's a household rating of 10 or greater and 18 to 49 demo of five or better. So in the course of 2016 there's 63 nights.

We'll have 41 of those, 17 of those being the Olympics. We've got Sunday Night Football which is the number one prime time show for the last five years.

We've picked up five nights of Thursday Night Football and then a few other events. So we think it all goes together to create sort of a must-have experience with NBC.

Phil Cusick - *JPMorgan - Analyst*

I want to talk more about sports in a second. But if I lived in a Comcast area and I had an X1 box what would I get that I can't get as a different cable company customer today?

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

That experience. So having moved to a Comcast territory we have a voice remote. So my whole family is now accustomed to touching the voice remote, speaking to the television to say I want to tune me into your favorite movie, an actor, genre, and it will show all of the content that's available to you.

What I just described is a customized experience for the Olympics that you won't get unless you have the X1 platform which obviously you need to be a Comcast subscriber for. You will be able to access some of the same streaming content on your NBC apps if you are out of the Comcast footprint but not the X1 experience I just described.

Phil Cusick - *JPMorgan - Analyst*

If I were an X1 customer outside of the Comcast area --

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

There's no such thing.

Phil Cusick - *JPMorgan - Analyst*

There's only a couple --

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

Well, there's no, other than we have licensed X1 in Cox's footprint, so they've rolled it out in 30 or 40 markets. So if you're a Cox customer you will be able to get it. But it's got to be part of the X1 offered platform which kind of blew people away for those who were not there in Boston last week.

Phil Cusick - *JPMorgan - Analyst*

And you mentioned the five NFL Thursday night games. How does that -- that and the Olympics I would think lead in strong to your fall lineup, how do those five nights sort of work into your overall lineup?

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

Well, just imagine, those 17 nights of the Olympics where we'll be far and away the number one programming will be it's advertisers heaven. You are reaching the broadest reach for big events, so we're getting the great response I described earlier with advertising bookings generally. Likewise, it's a phenomenal opportunity for us to use promotional spots to advance our fall programming which includes three new scripted programs.

We've got a sophomore season of several big returning shows that were successful last year. Top reality show on The Voice and the top new reality show in Little Big shots. So we'll use the Olympics to launch that and promote Thursday Night Football as well.

Phil Cusick - *JPMorgan - Analyst*

So I'm curious as a new cable Company executive, you've talked about sports being tremendously important, right? Between the Olympics and football, how do you think about the growth in content costs both from an NBC needing to buy content, and specifically sports, and from a cable Company side having to pay and drive that cost through to your customers? Is this sustainable?

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

Sure. So on the NBC side I'll take the NBCUniversal side first, it's a delicate balance where you have to have a lot of financial discipline. So we look at lots of different sports right opportunities and know what balance we're trying to strike and if it goes beyond our appetite for what we're trying to sell for we'll pass.

So there's been plenty of examples of that. But when you look at what we do participate in I've already described the dynamics of the Olympics. With having that locked in through 2032 again with a very low cost escalator we feel very confident, and we're making money today, we feel very confident about our ability to make money on the Olympics for the entire life of that contract which goes obviously for a long time.

The NFL, again tops Sunday Night Football top program on television, great draw for advertisers, we feel very good about. Our two big properties Sunday Night and now Thursday Night Football and Olympics are great properties.

And what you're trying to do on the content side is make sure that you're using live programming of which sports is the best, among the best to make to reach audiences and make your networks and channels must have for carriage in all forms. So it helps drive retrans fees and affiliate fees obviously on the revenue line for the content side of the house.

But you've got to get the balance right. You need enough to get the balance right and that's our team, Mark Lazarus and the team at NBC I think has done a great job of getting that balance right.

So we've got NASCAR, NFL playoffs, some PGA, British Open beginning next year. So spread across a variety of our different properties. So we feel like we've got it right and again that translates into obviously a major driver of content cost for distributors.

So coming to that side of the equation, we are seeing that retrans fees and sports rights are really the main driver of, for us this year we've said we expect programming cost to be up 10% year over year, driven by the calendar which is basically of the major relationships we have, we had a bunch of multiyear deals come up for renewal right at the end of last year, beginning of this year and we'll have a some of the same as we end this year going into next. So for a period of time here we have higher than historical levels of programming increase but when you look beyond that, so 2018 and beyond, there's no reason to think that 7% to 8%, which is more the historical average, won't hold to be true. But we'll see.

We have a bias going, and touching on the Cable side, we certainly have the bias to make sure that we continue to have the best video product out there. So you think about X1, one of its great powers is searchability and the more content that's part of the offering the better. So we've been historically biased to try to acquire full season stacking, library rights, make it a richer and better experience as part of the what you get when you buy the cable bundle and so that's a little bit of bias.

I get the question a lot don't we have the leverage to drive cost down and we do. We used data, we've definitely gotten smarter about using data, about how our subscribers are using different pieces of content and tend to introduce that into the dialogue. But I think at the moment in time we're in and the success we're having -- we added 53,000 pay-TV subs in the first quarter and it is the first time in about 10 years that we've been able to look back 12 months and say we've net added subscribers on the video side. We have done that while driving ARPUs higher.

So it's not a matter of us introducing lots of skinny bundle customers in the mix or changing the profile. I think it's largely to do with X1 together with a very strong video product away from X1 and obviously customer service all part of the story there.

Phil Cusick - *JPMorgan - Analyst*

So you expect that programming expense sort of back in that 7%, 8% range after the next couple of years?

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

That's as best we can see. That's the historical averages. And like I said we get through by the end of this year some of the big contract renewals that lead to the more erratic near-term step-ups like we're experiencing this year.

Phil Cusick - *JPMorgan - Analyst*

And as you've said, you've been getting a lot for that. You've been getting searchability, you've been getting stacking rights, you've been getting some TV Everywhere rights. Is there something beyond what you are targeting now that you think justifies that sort of higher, remaining high single-digit programming cost growth?

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

Well, justified, you know it's a matter of being a capitalist it's what the market will bear. So as a programmer, so wearing the NBCUniversal hat, there's so many different buyers out there for content it's a great time to be a content creator. And you see that for all the reasons we just described.

I think it's our job on the distribution side to convert that into a business model that allows for us to deliver a great product for which we're compensated and drive good results and I think we've been walking that line well. We have, as part of our bundled relationships we have obviously there's a squeeze on the margin of a video product if it were to be a standalone product but as we manage triple, double and triple play bundles where we're pricing an overall relationship, we're well aware of the compression we're not interested in subsidizing things but the rich video experience is one of the greatest reasons to have the best broadband product that's available which is ours.

So we're committed I know some are looking at the video product as something that they want to run away from or minimize. We don't have that view.

Phil Cusick - *JPMorgan - Analyst*

Let's transition more into the Cable business. As you've mentioned you seem to be growing share at the high-end of video customers.

You're expanding the addressable base. Can you talk about first the addressable base, what have you been doing to grow the base of customers and to retain them?

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

Sure. So we pass around 55 million homes and we have about 28 million customer relationships. Inside that last year we had the number of high-speed data relationships crossover the number of video relationships.

It was 23, there are about a million different now, 24, 23 or so. And so we're going to market with a -- obviously we're interested in a more complete package i.e., the bundle and but we've gotten much more refined on customer segmentation.

So we certainly start with the bigger package including X1 but we also have high-speed data only. It's the best high-speed data anywhere you run into us and so for those that are primarily interested in high-speed data we've sought to offer a more basic skinnier video package which is our Internet Plus product, largely taken by millennials that was introduced about two, two and half years ago. So a modest portion of the base and it's actually flattish in terms of its new connect.

So it's not a growing part of our overall base which is to kind of upsell into what otherwise might be high-speed data only a video offering. What we found is of the people who stay with us over time 30% are upgrading to a higher video package. So incubating new clients is part of what customer segmentation is all about, showcasing our product.

So we've got a college campus product, we've got a Hispanic targeted product. I mentioned Internet Plus. Stream is a product where it's all tablet or mobile device-based in your home if you're a high-speed data customer.

So our real job and how we're broadening the base is to make sure that we're relevant to all different slices of potential customers in our footprint and give none of them a reason to go somewhere else. So we have to constantly revisit what our offering looks like to be responsive to customer needs and I think the business has nicely pivoted to that approach. It's not one-size-fits-all.

Phil Cusick - *JPMorgan - Analyst*

You specifically mentioned in your footprint and I'm sure you get asked this all the time, but it seems like every week we're seeing a new announcement about some national over-the-top product. How do you think about Comcast going out of region or over-the-top? And then how do you think about the sustainability of those business models as a standalone video provider?

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

Well, I'd start with everything, we've got to give our customers what they want. So following on what we were just talking about, we're expecting to see some of these ideas of over-the-top be introduced into the marketplace virtual MVPD. So you take some of the ones recently described that are not going to be skinny in nature, may not be the full traditional bundle but certainly if you read reports that would look like something that has the four major networks plus Time Warner and all their channels, which is going to be a relatively costly product, certainly compared to what's currently known as a skinny product.

I think our job on the distribution side, the good news is that every report you read about those kind of offerings includes NBC as must-have content which is a good thing wearing our NBC -- my NBCUniversal hat. But as it relates to the Comcast Cable side of things, we have a great scale in distributing video. So obviously were there ever to be a real market opportunity for our shareholders for us to make money in an out-of-footprint virtual video offering, we would certainly come back to it and consider it.

We have yet to see a business model to acquire that kind of content at the prices that are likely to be required and then make money doing it. We're much more focused on in-footprint where we still have a great runway to rollout X1, sell a whole experience including broadband.

And the converse of that is I think our product will be very competitive against any such offering coming into our space. Because when you think about for the price paid with broadband with a fuller bundle the value, there is actually quite a bit of value on customer satisfaction in our broader X1 experience. So I think that's our primary focus is make sure that we win in footprint against all that's being floated out there and I think we're in a good position to do that.

Phil Cusick - *JPMorgan - Analyst*

You mentioned X1 again and you're in the process of ramping that out pretty fast. How widely distributed would you expect X1 to get and how long does that take?

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

Sure. So we're rolling out 40,000 boxes a day. So it is adding about 5 percentage points of penetration a quarter roughly.

We ended less quarter 35% penetration. So we'll be at close to 50% penetration by the end of this year. We don't have a number of where it's going to go.

We're obviously following the evidence of its payback as we're rolling out later and later cohorts. But it's not likely to go to 100% but I would expect we'll be deep through 2017 and longer, perhaps depending on data. And the data is much lower churn for an X1 subscriber, an X1 customer.

Much higher propensity for all the reasons I've been alluding to of searchability and discoverability. You speak into your voice remote and ask for certain program. It will present you all ways in which it's available, linear or on-demand.

And as a result, as happens in my household you get that presented to you you are much more likely to make use of the video-on-demand library, both paid and free on-demand, which again goes to the power of the experience. Much greater inclination to acquire a DVR, there's 50% higher activation of DVRs and other devices in the home, for overall ARPU of an X1 subscriber much higher. So we're rolling it out it a brisk pace and it will stay at about that pace for the next many, many quarters to come.

Phil Cusick - *JPMorgan - Analyst*

Okay, so 2016 and 2017 really the fat parts of the X1 rollout occur?

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

Yes. And as we get into the future we're now developing, Tony Werner and his team on the Cable side are developing next generation, the next generation X1 box is going to be this big and this thick. It's going to sit on the back of your TV.

It will be, all it needs is power and it will be WiFi-enabled with the powerful wireless gateways we have powering the Internet in home. So there's plenty of advancement of all that to come.

Phil Cusick - *JPMorgan - Analyst*

So you mentioned broadband couple of times and I think you're at 42% penetration of your homes passed. Telco have been losing copper-fed broadband customers for a long time.

Do you feel like there's a point at which you can see that business starting to slow down in terms of penetration? It doesn't look like it is now certainly.

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

Not for quite some time we feel very good. It starts with we have the best product.

We've increased speeds 17 times in the last 15 years. We continue to enhance the capability of our network. DOCSIS 3.1, which will enable 1 gigabit speeds, will be enabled nationally over the next year or so and so we think we have a great product.

We've added more than 1 million subs a year for high-speed data for the last 10 years now and recent quarters have been record quarters for us in terms of adding high-speed data. So we're very competitive in the marketplace and think that that's going to be what carries us forward for the indefinite future.

Phil Cusick - *JPMorgan - Analyst*

Okay. Last week at the Cable Show --

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

And nationally high-speed data has only penetrated about 70%. And we're doing a great job in new connects having a disproportionate share versus what we otherwise extrapolate to in footprint again going back to it being -- and we're very focused on driving share in that business.

Phil Cusick - *JPMorgan - Analyst*

Broadband has been a big regulatory issue over the last couple of years and last week at the Cable Show there was a lot of painful words I think on both sides. As an executive who's had his share of regulatory experience over the years, how do you think about regulation in the cable industry?

Are we at sort of a peak in terms of risk? Is there less risk maybe than the market perceives? How do you think about opportunities here?

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

Well, it's hard to handicap what the market perceives. But certainly if there is a pro regulatory environment generally that you would get if you spoke to executives in just about any industry, that's the moment in time we're in now. We run the Company for 50 years ahead of us.

I think it's our job to make sure we pivot and react accordingly and make sure the Company thrives whatever the outcome is on some of the regulatory proposals that are out there. And they have been coming with a good amount of frequency. And so we have a strong point of view and I think good merits on all of those points.

I was asked earlier how do I handicap them? I can tell you how we feel about them. So set-top boxes, it's an environment where the amount of choice for consumers is high and accelerating.

So the idea that there is a need for a government mandate in that space strikes us as odd. We are making as you saw in the last couple of weeks our X1 experience available on an app basis which is not exactly the same as a box-driven experience but that's done native in some Samsung TVs and Roku boxes. So there's plenty of innovation coming.

Our X1 is available out-of-footprint if you're licensed by another provider. So I think there's plenty coming on the set-top side so we'll see how that one finally resolves itself.

And in any case it's going to be several years before a mandate comes along. And the likely outcome, frankly, in my perspective, is that the marketplace, competition has driven the marketplace, which I care far more about what's likely to come along competitively between now and any kind of mandate than what the mandate itself would be on that score. And we're, going back to what I have been saying, we've been investing, we're thoughtful, we're driving our business and I think we're well equipped to compete.

On privacy we're pro privacy done responsibly by all companies, not just cable providers. So that's a point on that one.

Finally business services access we're actually the disruptor in that space. We're a new entrant helping -- we've grown a $5 billion business making our fast and new-generation connectivity primarily available to small businesses, medium-sized and by adding some additional services and now enterprise.

So the idea that we'll be swept up in regulation that would make that a more costly proposition or cause us to consider slowing that down seems odd to us. But those are some thoughts on a few of the topics out there. But again our job, and I don't see a problem doing it, is to make sure we respond accordingly to whatever the final determinations are on regulatory.

Phil Cusick - *JPMorgan - Analyst*

Speaking of competition, we have AT&T coming up next, we saw T-Mobile this morning, and so the wireless space I'm sure you've gotten a lot of questions. But we see consumer broadband fixed and mobile coming together fairly quickly and Comcast has been sort of tiptoeing around wireless for 25 years.

It feels to me like it's a lot closer than it was five or 10 years ago when people would ask me a similar question. How do you feel about wireless? What's the importance of being in that business one way or another and offering that to customers and then how do you think about the need to maybe own those assets or not?

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

Well, I think wireless is too narrow. If you think about mobility, our customers now and in the future care about mobility which across our existing kind of assets we're very focused on making sure that we provide the logical mobile extension of our products, whether that be content rights to take our content out of home on a device regardless of how you're connecting or it's the apps that allow you to connect to our content or it's the best WiFi out there including in-home and out of home were 75% of people's mobile usage of their data that's not wired is over WiFi.

So we're in the business of making sure that our services are mobile enabled. So when it comes to cellular wireless, obviously there's trends in Europe about quad play that we pay attention to. We have triggered our MVNO rights with Verizon to work on seeing if there's a commercial product that can serve the purpose of satisfying a churn reducing offering for our existing business through a wireless offering with them under an MVNO and that's work in progress.

But we're in the mode of test and learn to watch developments as the marketplace changes, does quad play really matter or doesn't it? We're not necessarily convinced that US will be like Europe on that score. But we're paying close attention and trying to experiment and be quite thoughtful about it.

We don't think having owners economics in the wireless business today is something that's interesting to us now. We reserve the right to have a different view in the future but as we sit here now, no.

Phil Cusick - *JPMorgan - Analyst*

45 seconds --

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

But that's not new news.

Phil Cusick - *JPMorgan - Analyst*

For one last question.

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

People don't necessarily want to believe it but that's not new news.

Phil Cusick - *JPMorgan - Analyst*

Nobody wants to believe it.

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

Yes.

Phil Cusick - *JPMorgan - Analyst*

So 40 seconds, last question, we get a lot of questions about buyback, we get a lot of questions about dividend. What do your investors tell you that they want, how do you expect to return capital over time?

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

Well I mean I think that our long-term investors want us to build our business, protect it for the long, long term. I think we've proven you look at the results of the past couple of years acquiring subs, turning the record rates of sub acquisition and high-speed data and video. So I think we get a lot of credit for being biased towards investing in our business in the way some competitors haven't, which I think explains some of our successes.

So long as we are success based in our continuation or not of capital deployment I think that's an important part of our capital allocation and strategic process at Comcast. And again I think our long-term investors want to see that from us and would rather see us do that than any kind of financial engineering.

On leverage I think we have the view and people can vote what their buys and sells of maintaining a balance sheet that's leveraged around two times. Obviously the Company has taken advantage of that with the opportunity to acquire NBC a couple of years ago and when that wouldn't have been possible had the Company then more highly leveraged in the environment that it was in. So I think conservative balance sheet with the ability to use that opportunistically occasionally is important.

And I think we get credit for being biased towards steady return of capital to shareholders, both through a dividend that increased for eight years running now and steady buybacks but in a responsible way. And we balance all those things, and I'm happy to be held accountable for the decisions we make.

And DreamWorks is a good example of we put $4 billion to work quickly, thoughtfully and in a way that I think is going to pay great dividends as an adjustment to what we otherwise would have said we were going to do at the beginning of the year. But that's I think that's what we're here for.

Phil Cusick - *JPMorgan - Analyst*

Good. Mike, thanks very much for coming today.

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

Thanks. Thanks everybody.
