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PRESENTATION

Mike Rollins - *Citi - Analyst*

(audio in progress) clients only and disclosures are available at the back of the room next to the AV desk. Welcome back to Citi's 2024 Global TMT Conference. I'm Mike Rollins at Citi Research, and we're pleased to welcome Jason Armstrong, Chief Financial Officer of Comcast.

Jason, thank you for joining us today.

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Thanks, Mike.

QUESTIONS AND ANSWERS

Mike Rollins - *Citi - Analyst*

So the management team has been discussing the focus and investment around six key growth drivers for the business as well, managing others through secular headwinds. Can you summarize the key trends across these businesses and how they drive annual revenue and EBITDA growth for Comcast over the next few years?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, well it is a good way to start because it's a super big picture question. And that said, you're right, that's the way we've been articulating the world in the last couple of years in sort of framing the company, what we're about, where we're investing, what the growth drivers are. So to your point, we really have six key growth drivers that we're investing a lot of capital in. And if you look at the six, it's important to look at it this way because the past few quarters, I think as you've seen, our revenue growth has been a bit below our historical standards.

And on one hand, you'd say, okay. Is it the new norm and the other hand you say, no, we don't actually believe that. We believe we can reaccelerate revenue growth, but that is rooted in a view of you have to go look under the hood and unpack it and say we've got 60% of our business that's in six growth drivers where we've got definitive advantages, clear right to play, and they're all growing end markets.

And done right, if we continue to invest in these and invest for growth, and over the last several quarters, these growth engines, which are 60% of the total revenue base, have been growing mid- to high-single digits revenue. So it's a $70 billion book of business, growing at a pretty high rate.

And the concept and how we're motivated internally is to continue to invest in these to drive growth such that 60%, 40% and if you look out a few years, it becomes 70%, 30%, look out a few years after that, and it's 80%, 20% and the mix shift just takes over. So the six drivers and just to hit high level on each one of them, broadband, business services, wireless, theme parks, streaming, and studios.

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So broadband, competitive market right now, no doubt. I'm sure we'll get into that, but even in a super competitive timeframe, which is probably -- as we've said, this is probably the most competitive we've seen broadband, not only is it fiber overbuilding, but it's three new fixed wireless competitors in a certain segment of the market. Despite that, last quarter we grew revenue 3%, so not being able to grow volume, being able to grow ARPU 3% to 4%, actually, in my mind, gives you even more conviction in investing in this business.

In the downside scenario where you're seeing all this competition, you can still manufacture 3% revenue growth at very high and accretive margins. That's a good thing. And so this is a growing business. It is a business where I'm sure we'll talk about convergence given that the news of the day, but where we've got an incredible hand to play. And so we're confident in investing. We're actually accelerating our homes passed at this point to pass more and more homes because we're confident in the formula and it's underpinned by broadband.

Second is wireless. Wireless we're 12% penetrated. We define that as a percent of our broadband base. So we've got 63 million households. We've got 32 million broadband subscribers. So we're 12% penetrated as a percent of our broadband subscriber base, which is really who we're selling into is the original convergence. We've been doing convergence for a very long period of time, but we've got, selling into existing customers is very different than going out and trying to acquire a brand new subscriber you don't have a relationship with.

So whether that means our equilibrium share in the market is 20%, 30%, 40%. I don't know, I don't have a crystal ball, but it's substantially higher than 12%. And so we've been growing at a pretty steady clip, 300,000 plus customers a quarter, there's probably ways we can go accelerate that. So I think we've got a lot of opportunity in wireless. Business services, we've built that business from scratch in the last 15 years. So we had a lot of adjacency to our footprint, hadn't served the small business community, very easy for us to just go in, extend plan, and go serve small businesses and do it really, really well. So we've grown that book of business to $10 billion at very high margins as we've disclosed in the last couple of years. We've given everybody a real view into the business services segment.

The next frontier, if you will there, no pun, is enterprise and midsize. So we've been starting to crack the code there. But as we look at the totality of the addressable market, we think it's about $60 billion in our footprint. So continue to crack the code on sort of moving up market, whether that's sales force or capabilities. But the key question for folks like us is as much as we want to pat ourselves on the back for the first $10 billion, question is, but how do we go source the next $10 billion? And that's mission number one. So I think we've got a ton of room to run in business services.

Theme parks, we've got probably the most -- the biggest scaled, technologically advanced, park to hit the US market in the last three decades or so this coming next year. So it's Epic Universe in Orlando. So really excited about theme parks. We've obviously been spending capital on theme parks to drive growth there. Studios, incredible performance in 2023. We were number one in global box office. We're off to a really good start in 2024 with actually a broad variety of titles, whether it's different genres, we really have cracked the code through a lot of different genres.

And then streaming, which I'm sure we'll spend some time on later, but coming off the Olympics, great moment for the entire company, but in particular, streaming and the way Peacock showed up through that so both as an acquisition driver and engagement driver. But we've been the fastest growing streaming company in the last couple of years and a lot of room to continue to grow as you think about Peacock and ultimately, that business being one of the streaming services that definitively is going to make it to the other side and will be in the winner's circle and we're confident of that.

So you take the totality of these and then you asked about revenue. That's more of a revenue answer and EBITDA we -- the benefit of each of these is, on average, they are much higher margin businesses than the 40% of our business that is not growing. We've got 40% of our business that it's important, it's strategic, it's cash generative, but it's not growing. But the mix shift, the 60% that's growing at a pretty rapid clip, is margin accretive relative to the businesses that are not growing. And then when you take it all the way down to free cash flow, we obviously generate substantial free cash flow and then we make decisions off of that, right.

And so reinvesting in the business is always going to be the number one priority. As you see, we're doing a lot now across the six drivers, but we've returned substantial capital back to shareholders and sort of rooted in consistency and balance sheet management. And that gives you the flexibility through business cycles, through pandemics, through credit cycles to just be able to have a consistent return of capital back to shareholders. We, I think, returned something like, we started buying back our shares in 2021 after deleveraging post the Sky deal, and we've returned somewhere in the order of $50 billion in capital to shareholders in that timeframe. So just over three years, that's an enormous amount of capital back to shareholders as well. So I think we're threading the needle, but priority number one is how do we go reaccelerate revenue growth, and we think we've got a very good formula.

Mike Rollins - *Citi - Analyst*

Very helpful and gives us a lot to discuss today. So maybe starting with broadband. How do you frame the competitive environment, including the impacts from fiber and fixed wireless? You made some references just a moment ago to that.

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, I think it's no different than what we said in the second quarter, it's competitive, but it's also not incrementally more competitive, I would say no better, no worse. It's sort of stable in terms of the competitive environment, which is more competitive than we've historically seen it, but I think we're navigating through it pretty well and have found some stability. If you think about what informs a long-term view -- long term on broadband, we are I think we're very bullish on the outlook. We wouldn't be accelerating our homes passed unless that was the case.

So what informs that view. If you think about the competitive aspects of what we're seeing today and how we're responding, there's the more temporary competition. And that's not to say it's going away but it just -- it's in a finite niche and that's fixed wireless because it's an excess capacity model. There's a certain amount you can sell into. And then you have to make decisions, right, investing in capacity has a marginal cost to it and can fixed wireless really support that type of model. We don't think so. I think the wireless companies would probably say the same thing.

But nonetheless, there's excess capacity to sell into right now. And so we're sort of in the middle of that. But what informs our view there is -- our marginal cost to go deploy for excess capacity is one of if not the lowest in the industry and especially relative to fixed wireless where the economics break down pretty quickly around marginal costs. So then it is just a function of defining the addressable market for fixed wireless is really going to be a function of customer usage patterns and whether those decelerate or accelerate, do you think customers are going to continue to consume more and more on broadband networks?

And our perspective is, of course they are. We've actually seen an accelerated, we saw a big bump through COVID as everybody was work from home, school from home and broadband networks were taxed a lot more than they had been historically. You saw a big bump up from that, then things leveled out as you normalize in the next couple of years, now we've seen usage patterns reaccelerate. And so we have said that in the last couple of quarters.

Our amount of tonnage we're seeing across our network on a per-subscriber basis is growing double digits, and that's a very healthy trend in our business. That's actually what we want to have happen. If you're the low cost, marginal operator to go deploy new capacity against that, you've got a plan around DOCSIS 4.0 and mid-splits to get to plenty of capacity to be able to support this and stay years ahead of it. You want your customers doing more on your networks, every year.

So if you look at what's out there and what would inform this trend of more and more bandwidth consumption, you don't have to look much farther than the next couple of days. Football season is back, starts tonight, Ravens-Chiefs, that will be simulcast, NBC and Peacock. And then tomorrow there's an exclusive game. It's Packers and Eagles from Brazil that will be exclusive on Peacock.

So last time we did this, which was a playoff game in January, we had unbelievable results. We were like 30% of the total tonnage of the Internet was consumed in this game. And so expect more of that, but it's not just us. Netflix has two exclusive games around Christmas for football. The NBA package, if you look at it, a third of the package just went to a streaming only provider and another package went to us. We intend to put a lot on streaming as well.

So if you're on the other side of this secular trajectory, I don't think that's a good thing. Right, if you're banking on consumer usage patterns decelerating I don't think there's any evidence that that would be the case. So that informs our view of why we're comfortable in competing against fixed wireless. We think it will be -- it will carve out a permanent niche in the market, but the size of that niche is going to be governed by consumer usage patterns and secular trends we think are on our side with respect to that. Which leaves us with what we've said is the long-term competitor in our business, is fiber, fiber to the home.

And that's -- we already see it in 50-plus percentage of our households. And we've said that it'll be in the majority of our households over time and probably the significant majority of our households, that's nothing new. And so as you look at what we've seen over the past few weeks with wireless companies investing in fiber, today's news obviously, there will be in the vast majority of our footprint two multi-gig symmetrical wires going into the home. There just will be. One is ours and one will be the fiber company, whichever fiber company we're competing against.

So then it becomes how do you go surround the product with the best features. So coverage in the home, control features whether there's parental control, knowing what devices are on your network, knowing where the consumption patterns are, and then providing a great aggregation experience on top of that. Video consumption patterns are changing pretty rapidly as you know. One thing that's not changing is the customer just wants to be able to find what they have easily. And so we've invested a lot between X1, flex, Xumo with Charter, in providing the best possible aggregation out there. And if people want to do more stream, we're going to make it easy for them to do streaming and find what they want to see because we see benefits on the broadband side of the business.

Wireless, that's a great product to add on as well. And we've got a great placeholder in wireless with the Verizon deal that we have, which is a great partnership. It works for them because we're sending accretive traffic their way, certainly accretive relative to fixed wireless, and the economics work for us. We've been profitable now for the last three years, and we continue to grow in profitability. But it's almost it's -- I wouldn't say that's the sole goal. It's almost in service of broadband as well.

So when you put it all together, and that's one of the questions I know is given the news from today and just all the talk around convergence, if you believe we're headed towards convergence, and that's a real thing, we're sort of the original innovators of convergence. So I mean, you asked okay how do you react to what you're seeing this morning? I would say, okay, that's validation of what we're doing, people are coming our way, though. We have, if you take the totality of our footprint, as I said, 63 million homes and the network plans that we have, which are in motion right now and we're a good ways through them. But the end state in the next couple of years is every one of those homes will have a multi-gig symmetrical wire into it, right, that's our positioning.

If you take the totality of the big three wireless operators and include the company that was acquired today, take the four of them, add up the fiber footprint of all four of them, it is substantially smaller than our 63 million. If you take their plans for the next several years that they've articulated through JVs, through acquisitions, and organic plans to build, it adds up to roughly on par with where we are in the next several years. And so I think we've got an incredible hand to play in convergence.

We're doing it in a way that our starting point is ubiquity. We are not making trade-offs, every customer can get access to the same thing. And then the wireless product that sits on top of it is ubiquitous as well. But also it doesn't involve network trade-offs. We're happy to see you come in and be a wireless customer, that is an economically advantageous situation, financially accretive transaction for us to go add a wireless customer. It protects broadband. It's got its own separate economics that stand on their own as well. But really, really, we think about the two together. And so if convergence is the topic, I would tell you, I think we've got a leadership position and I think we'll sustain a leadership position.

Mike Rollins - *Citi - Analyst*

And just one other follow up on this so as you look at the wireless guys having more fiber and you've had this converged offering for years, what do you see in terms of what drives the decision making for customers to enter into the converged bundle. Is it just the discount in the value of the services put together? Or is it some of the features that you are describing and trying to give the customer holistically a better experience that they can identify with?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Well customers are looking for, you know, they're all making price value trade-offs, right? And people sit at different ends of the spectrum. But I think when you see wireless companies investing aggressively in fiber, they're telling you fiber is, the broadband relationship may be center of the plate in the overall relationship, which is a great thing for us. We're the largest broadband company in the US and the largest homes passed as I mentioned 63 million.

So I think it's some combination. If you think about the real consumer pain points. It's, I want speed in my home, I want wall-to-wall coverage in my home. I don't want rooms that don't have great speed, then I want to have a way to organize what I have from a video perspective that may cut between linear and streaming.

And then if I can add value through a wireless relationship on top of that, that's relevant as well. And I think there's been some stats thrown out the last couple of days. We do see advantage, when we add a wireless customer to our broadband relationship, churn goes down. It's probably the product that has the most explanatory power on reducing broadband churn. So it's helpful to go bundle that and we've got a great strategy to go follow.

Mike Rollins - *Citi - Analyst*

As you pull all this together, how should investors think about the way Comcast is balancing the ARPU growth versus the volume side of the equation going forward?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, I think that's, it was one of the big questions in the last year, year and a half, that not only you guys were appropriately asking it, we were asking it internally as well because it's a real test. I mean, this is a roomful of people that study competitive markets for a living, right. And that's a good thing. We're aligned with that, we think of it the same way and not wrong to think that when the largest broadband company in the US sees a lot more competition come its way, and we're a company that historically has added 1 million-plus broadband subscribers a year, as I was saying, 10 years plus where we were doing that.

And when all of a sudden that becomes more challenged, how do you react, right? And so I think it's a competitive test. The best reaction in my mind that we could see is you're competitive, you're competing for volumes, but you're not stretching too far to compete for volume where it's really going to disrupt the 32 million base that you have because you got to understand where the pockets of competition really, really are. Fiber, for all the talk, we've been competing against fiber for 20 years, and it's been slowly creeping into our footprint and that's going to continue. That's nothing new. So we know how to compete against fiber. We know how incrementally when it launches, how do we respond to that?

The new competitor has been fixed wireless. It's been three companies with excess spectrum positions, dumping capacity on the market all at once. So understanding that that's where it is and being able to segment our base and say, okay, that customer, probably not necessarily you or I, but that customer is a price value customer that's looking for the best deal, that's willing to make some speed trade-offs and just wants a lower price.

So by the way we operate there, but it's a niche of what we do. And we want to make sure we're competitive there. Hence, we've been in the market with Internet Essentials for quite a while, which is really directed at that base. We've launched the NOW product positioning in the last several months that directly goes after this as well. But importantly, we've really segmented the base to say here's where we're going to really compete for that. But we are going to isolate it from the rest of the base, because the rest of the base is seeing consumption patterns grow using 700 gigs per month. That's moving towards 1 terabyte and 2 terabytes over time, our power users are up at 2 terabytes. That's always where the world is going within five years or so, it's historically been the relationship. So that's a very good thing that's happening.

So I think segmentation on the competitive side and the team has done a really nice job. I think we've answered the question this year. We've been growing ARPU 3% to 4%, which is within the range of what we've done historically, despite a much greater test on the competitive side this year.

So I think the team has executed on that really well. I think longer term, the ability to grow ARPU is really -- are customers doing more and more on your network? Are they getting more value out of your network? That's going to be the key question.

And so it's back to the same answer we talked about in fixed wireless. We see our customers increasing usage and engagement on our network double digits year over year. And so if you really think about it, the price per gig is going down pretty significantly for the customer. That's an okay thing. We're still raising prices, taking ARPU, but the customer ultimately is getting a lot more value every single year which informs a view of the ability to continue to grow ARPU.

Mike Rollins - *Citi - Analyst*

And so in terms of the growth of ARPU, conviction to grow ARPU on a go forward basis, that you've been targeting is 3% to 4% range?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, that's been the historical range. Obviously had a greater test of that this year, and we've -- the team has really delivered on it -- been in the middle of that range. And so we've said that's a range we think we can sustain.

Mike Rollins - *Citi - Analyst*

And then one other on broadband, ACP discontinuations and now we're in September. Is there a update on the possible impacts to subscribers and revenue that you see from the discontinuation of this program?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, so I guess first position was wish ACP hadn't gone away, this is not great for the consumer, but it has gone away. And so we're left with how do you go manage it in our base. So as we've said, if you rewind a couple of quarters we came into the end of the program with 1.4 million ACP customers. But we also said along the way, the vast majority of these customers were our customers before ACP, so they were paying us then all of a sudden got discounted bills, now the discount goes away. But importantly, they were customers before this, number one.

Number two, our customers are all postpaid customers. I think some of the hiccups you saw in the second quarter were from companies that had prepaid bases and were -- serving this via prepaid. Our customers were postpaid, wouldn't necessarily show up in voluntary churn then, it will show up through non-pay churn and just customers being delinquent on their accounts. So that's really been the question through the third quarter. But I think we said at the time we think we can manage this very effectively. There will be some impact, yes, but we think we can manage it very effectively.

And by the way, this is what we do for a living. We are constantly dealing with promotional roll-offs. This happens every single quarter, quarter in quarter out. This is just another version of promotional roll-offs, but we've got teams that are just wired to figure out how do you land customers on the best product packaging to ensure survivability of that customer. And so I think we were wired to do this pretty well, I think we sort of identified that we thought we could handle this pretty well. As we get through the third quarter, I think we're delivering on that even better than our expectations.

So will there be an impact? Yes, but I think we're very comfortable with what the impact is. And we're going to try to clean it all up in the third quarter and be done with it. I think if you do step back, third quarter in total, yes, it's still competitive and that hasn't changed at all. We're probably landing ACP, maybe a bit better than we thought and then back-to-school tailwinds have been in place, which is a question because that's very much a group that can do other things at this point. So how are you indexing versus prior years on back to school, I think we've indexed very well.

Mike Rollins - *Citi - Analyst*

And that's the seasonality component that you (multiple speakers)--

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Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

That's right.

Mike Rollins - *Citi - Analyst*

Great. Maybe pivoting over to wireless. You mentioned earlier that there may be an opportunity to push the quarterly mobile net adds from the recent range. So just curious if you can unpack that and the opportunities that you see there to continue to push wireless maybe even at a faster pace?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yes, I think it's an incredibly important product for us, it is one where we've got -- we've got a great relationship with Verizon, it's we're feeding them traffic. They would, I think tell you it's accretive to them and it's good business for them. It also is good business for us and one of the reasons for that is you were sort of taking a lot of the acquisition costs out of the industry, how can it work for both sides.

Well we're selling into our existing customers where it's just a different acquisition process. And so Verizon doesn't have that. We don't have that. It's one of the ways where you can square the economics working for both companies. So very good relationship. But for us, we've been trending plus or minus 300,000 subs. We've been dipping into the market with different promotional activity just to test what might work with an eye towards, let's make sure we're not diluting the opportunity in wireless because we see it as a long-term growth runner. So it's got survivability at 300,000 plus and then can we accelerate it without damaging how we go to market and impacting the existing base.

But I think you've seen us try quite a few things. I think Charter has actually tried quite a few things and they've seen some acceleration. So we can stare at - we've got the benefit of staring at what they do and if it works for them we can be fast followers. So a lot of proof points out there in the industry, but that's one of them. We can dip into handset subsidies more than we have in the past. That technically has not really been an area where we played all that aggressively.

I think we've had good handset trade-in programs, but I think many have pointed out to the extent we see some sort of super cycle in handsets driven by AI, which is not -- I wouldn't say we're voting on it that way, but if consumers vote on that and it does happen, we're probably positioned pretty well to go play a role there. We're -- as I mentioned, we've got 12% share of our broadband base in wireless right now, our gross add share is significantly higher than that. Our equilibrium share over time is a lot higher than that as well. So, confident that we're still a challenger in this business and handsets potentially could be a lever.

Mike Rollins - *Citi - Analyst*

And that's helpful. You mentioned you're ready for a potential super cycle. So as you just look at coming into a new smartphone cycle that I think we'll probably get an update on next week. Is there also a seasonality element now that you're looking at where there's opportunities to stepping more into the handset opportunity?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Something we're studying. And just to be clear, I'm not sure I'm predicting a super cycle, but to the extent the consumer drives a super cycle out of this because it really is that incremental of a product, we will be ready and we'll be prepared for it.

Mike Rollins - *Citi - Analyst*

Maybe pivoting over to the business side, you mentioned that it's been a very significant contributor to growth and really built from the ground up. And so it's been -- your performance has actually been outperforming for some times broader business wireline category that we measure when we do the industry work. So curious to get an update on Comcast strategy, the opportunity to go after that 60 billion TAM that you mentioned with current products or how you're looking at also maybe expanding the product portfolio?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah. I think the, so we've got $10 billion book of business right now and we have built our way into this. We did it, as you would imagine, right, which is go find adjacencies to the existing residential footprint that you can go pretty easily serve. And so small business fit right squarely in the middle of that. And for the first 10 years of its existence, business services was largely going after that type of market, which is a big one in our territory.

But at this point, we have penetration that almost looks like residential penetration. So all of a sudden we're increasingly the incumbent in small business. And so you probably won't see the volume growth there that we've historically seen just given the nature of where we are right now, but can you continue to do more with the customer, almost like residential, segment the base, and add more value to the customer? I think we're absolutely confident in that. So what we've seen is similar ARPU growth in small business, and that will probably be the formula going forward.

When you look at the next segments of midsize, enterprise and government, we've been at this for a few years, but the cycle here is you got to go build a sales force to penetrate this market. And there's a lot of bigger companies that, put yourself in their position, are you really going with the new guy in town or do you want the proof points for the new guy in town?

So the credibility stamps there, and it's less of a leap of faith for you. And I think we've been on that journey in the last several years, but have made incredible progress. So, started out largely some of the bigger wins initially were if you look at fast food, foodservice, we've really cracked the code there. I think about branch offices or locations spread out across a large footprint, we did that and cracked the code there with some of the big names, actually 11 out of the top 15, I think, food service companies are using us at this point. So then that helps you extend into, okay what are the next verticals we're going to go take on, financial services, health care, retail and so now we're really starting to push into those. As we get further into this, a lot of these customers come back and say, gosh, we love what you're doing on the basic connectivity side, you made your way up the stack a little bit, but can you do SD-WAN for us? Can you do the following things?

And so then it's a question of can we go develop that internally or are there tuck-in niche acquisitions, companies that do that particular thing really well, and we can go spread that across our base and make it immediately accretive. So Masergy was a good example of that a couple of years ago where it was a phenomenal acquisition for us, really taking business services to the next level in terms of what they can sell in the product category, but there's more opportunities for us to probably build into that.

So that's what informs the view and we'll continue to crack the code with larger and larger accounts and then sort of become self-fulfilling where the more name brands you have on your resume, the more credible you are to the next counterparty that would say, I want to do business with you guys or at least hand you a part of my business and see how it goes.

Mike Rollins - *Citi - Analyst*

Great. And shifting gears for a moment to the topic of AI. Curious how GenAI capabilities can help your revenue as well as your costs and which one of these is the greater value creation opportunity for Comcast?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Well I think we've got opportunities in both. I would maybe broaden out the category to, somewhatthis gets lost, is it automation, is it AI, put it in the same category. There are, as we think about revenue efficiency, thinking about our cable business, how do you manage for customer lifetime value? And how do you take the customer along that journey and ensure they're staying with you as long as possible. That's going to be a function of how happy they are with you and are they in the right rate plans, do they have the right products and packaging.

So there's an acquisition machine which can be fed by that intelligence to say, Mike should have -- we know Mike's profile, he should have the following product. And by the way, along Mike's journey may have kids going off to college, his needs may change, right and he may be rolling off promotions. So let's go predict exactly what we should be putting him in to make sure we've got Mike as a customer for 20 years and not 10 years. So I think there's a lot of opportunity there that we're already seeing. And then on the expense side, whether it's service delivery, network management, the ability to have more tools in place to prioritize, route, optimize for the customer.

I think we've had some of this in place already, we've given the stats in the last six years, our truck rolls are down 50%, our call center interactions are down 40%. So a lot more automation solving for that. But this could be the next frontier of how do you go accelerate this and put it on steroids from the opportunities and what's available to your agents in the field, to your techs out in the field and their ability to serve customers.

Mike Rollins - *Citi - Analyst*

Very helpful. Maybe moving over to the park side. You mentioned earlier the upcoming Epic opening. Can you provide an update on what's happening in the parks business with respect to the attendance trends, the customer spending levels, competitions, changes in customer behavior, what you're seeing right now from that, and how to think about the upcoming Epic launch?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, we're extremely bullish on the parks segment. And in some ways, we've been a little bit of a victim of our own success this year. So no real change in trend from what we told you on the second quarter call. I would think about, this is a year where clearly there were some COVID pull forward. Clearly, there's other modes of where consumers are going to do tourist activities and international tourism. A lot of other things competing for attention.

Certainly this past summer is what we saw, said that on the second quarter results and it's before Epic Universe next year. And as you think about it, our parks team, I would give them credit, they have the next 10 years mapped out. They are just so methodical about thinking about continuity of growth every single year. It took a pandemic to disrupt that strategy for them. So Epic was supposed to launch this year. This was supposed to be what filled the hole this year. And it wasn't available to us, we had to mothball the project for a few months as COVID hit and restart it so it will be available in 2025. That's the next big thing coming. We're in this window right now where we're dealing with the in between.

But as you think about Epic next year, we've got visitation centers, we've got pre-marketing and the response has been fantastic. So I think as you think about Epic, the two things that stand out to me, number one are just the size and scale the park, the sophistication of the park and then the amount of IP that we have in the park. So it's a collection of a lot of the greatest things between Nintendo, Potter, How to Train Your Dragon, Dark Universe, sort of all in one. Will be the biggest thing launched in the last three decades, we think, in the US market.

And then the second thing that probably stands out is just parks and our Universal properties, Orlando properties, as a true destination. 20 years ago, that probably wasn't the case. It was you're going somewhere else for the first four days and maybe you're tacking on a day at Universal at the end of that. Now with three land parks, one water park, City Walk connecting a lot of it, thousands of hotel rooms, about to add even more hotel rooms, and a state-of-the-art thing that's brand-new and opening up. This is a true destination. So whether you're coming for a few days or coming for a week, that's very different than what used to be.

Mike Rollins - *Citi - Analyst*

And pivoting over to media and streaming can you share with us the results of the Olympics for Comcast and how the entire company came together to create the successful event?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah, it was a big moment for the company. I think you'll hear more about this from us as we're still aggregating how it went and all the proof points of this. But it was a big moment for the company, quite frankly, it was one that was not without risk. To be fair, we've had three Olympics in a row where between time zone and pandemic, had underperformed our expectations, no fault of our own, just things that, a couple of things out of our control. And so that had the Olympics on shakier footing, if you will, headed into Paris. And we had a full company effort to lean into this and make it spectacular to get it back on the right footing and to set up Milan, L.A., and then whatever comes after that. We put that the next couple are locked in and should be great as well.

But they will be more great if Paris was really, really good and set the right tone for that. And so I credit the team. I think we've delivered really well, we've delivered for our advertising clients. If you look at where ratings were relative to expectations, I think if you advertise with us, that was a very good thing. I think it delivered for streaming as an acquisition tool, then the amount of engagement that we saw. And then the quality of the platform, the platform delivery, the unique things like gold zone was a real big hit on Peacock, but that's always a test. When you throw that volume on to a streaming platform, can it handle the load and can it do it effectively and can you come up with innovative things?

I think we clearly checked that box in Peacock and then broader company, Comcast , the cable business, Xfinity, used this as a promotional marketing tool. They had some new products and packaging that were sort of launched around this and really leaned into it as well. And what we saw in our footprint, which is what we've seen historically, it happened again, was the ratings in our footprint from us, driving traffic there from us, making it easier to find the events that you wanted to see on X1, Xumo, et cetera, meant that we've out delivered in our footprint relative to non-Comcast footprint by a pretty wide margin.

So I think you put it all together, it informs a view that when the whole company leans into something, we can go architect an outcome. And so more broadly, we've done this with NFL. Sunday Night Football is the highest rated show on TV. It's been that way for 13 years. That's a whole company effort. Important, we all lean into it. Olympics just delivered on that. And now we've got the NBA. And so when people ask, okay, how do you make the NBA work and how can you do things a little bit differently to really advance this property and work with the leagues maybe in a different way and really deliver? This is another proof point that we can go do that and help inform that view.

Mike Rollins - *Citi - Analyst*

And switching over to studios, the studio business as you mentioned successful summer really well-received movie slate. Can you discuss the outlook for studios and hey, look at this more broadly in the way it contributes to the overall value for NBCU and for Comcast?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

That's a great way to say it, especially the last part in terms of overall. Studios really -- studios have their ups and downs depending on box office success so that can swing revenue around a decent amount. And we've seen that, but it's a critical business because of the IP that exists in it. The success in studios, the different windows you can go deliver in and it's not just box office. It's a pay one window, which advantages Peacock. And then when it's sold into Netflix and Amazon, so we monetize it well there. And then it comes back to Peacock. A lot of the IP and franchises make their way into our parks.

So we've got our own interesting flywheel there that starts with a lot of the studio content. Studios, we had a phenomenal year in 2023, number one in global box office. That's the first time that's happened in a while and then '24 between so far this year, Despicable Me 4, phenomenal success earlier this quarter, Kung Fu Panda 4 before that, Twisters actually did really well. We have Wicked coming up in November and I guess what stands out is just the breadth and diversification in our studio portfolio, not overly reliant on one thing or the other. It's just, we've got a real broad portfolio. It seems to be firing on all cylinders at this point. So incredibly important business, both as it relates to how successful it is on its own, but more importantly, how it broadly feeds the entire company.

Mike Rollins - *Citi - Analyst*

And in our last couple of minutes, if you can give us an update on capital allocation and how you're looking at the target net debt leverage, how you're looking at dividends, repurchases, you mentioned earlier just how much capital Comcast has been returning to shareholders. And maybe also just within this context, just how M&A will play a role in capital allocation going forward?

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Yeah. Well, I think to jump to the M&A is going to be a function -- what you have internally to go invest in, and capital structure, how do you think about your stock? And we're obviously buying back our stock at a pretty aggressive rate. We've got a lot to go invest in internally, in businesses where we've got competitive advantages that have growing end markets. So that's going to be the first priority for capital and where it flows.

So as you mentioned, healthy margins in our business, strong free cash flow, and a range of different growth drivers that we'll go invest in. I think two of the ones that stand out to me in the next couple of years are we really want to continue to accelerate our homes passed. Historically, we did 800,000 new homes or so a year. Did closer to 1 last year, on pace for more like 1.2 this year. That's a very good thing in my mind.

Second is Epic Universe. Coming next year, has been obviously substantial investment in that, but it's going to be an incredible park, incredible revenue accelerator for the parks business, but also NBC and broader Comcast. So these are all things that as you think about growth in the six initiatives that we have that are really long-term growers, we got to make sure we're feeding them. That's always going to be the first call on capital.

We're doing in the context of the balance sheet that we've been in around 2.3x, 2.4x leverage very consistently plus or minus a tick, but that's been the right ZIP code. And that helps, right, because that helps invest through cycles, that helps invest in a pandemic when we've got one business doing really well and two businesses not doing really well. The portfolio and the type of free cash flow that is generated and stability of the balance sheet means we can make decisions that other companies probably couldn't at that point in time, whether it was keeping studios going, commitment to box office, getting Epic back as quickly as we could and running when there were real questions around those businesses at that time. And now you look at the fruits of that several years' labor, it's why we've done so well in the box office. It sets up next year, Epic Universe launching and real competitive advantages there.

And then return of capital to shareholders. We've been, I think, on an incredible trajectory there. We've raised the dividend very consistently, it is a 3% dividend yield at this point, seems like pretty healthy yield to me and then layered on share repurchases on top of that. So if the formula is we can reinvest in our businesses to accelerate revenue growth over the time, we can manage it with a balance sheet that allows for consistency and managing through various cycles. And then we're returning capital to shareholders in the form of 3% dividend yield and what's worked out to be on average, sort of shrinking our share count mid-single digits every year. Seems like a very healthy formula for us.

Mike Rollins - *Citi - Analyst*

Jason, thanks for a great discussion today.

Thank you.

Jason Armstrong - *Comcast Corp - Chief Financial Officer, Treasurer*

Thanks. Yeah.