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PRESENTATION

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

So welcome back, everybody. I'm John Hodulik, the Media and Telecom Analyst at UBS, and I'm very pleased to have with us here -as our next speaker, Jeff Shell, the CEO of NBCUniversal. Jeff, thanks for being here.

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Thanks for having me.

QUESTIONS AND ANSWERS

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

So we've got about 40 minutes for questions. I do have the iPad here, and I think it's working. So if anybody has any questions you can click on the reader there in front of you and it'll get registered here and I'll filter it into our conversation. But as we always do this late in the year, Jeff, we can start by maybe giving us an outlook on '23 and just talk about what your priorities are as we start the new year?

Jeffrey S. Shell - *Comcast Corporation - CEO of NBCUniversal*

Yes. So first of all, good morning, everybody. Thanks for being here so early. So when we think about our business, we really think about it -- the way I think about NBCUniversal is, I think about it in 3 buckets. I think about it in the first bucket is really content. And in all the stuff of all the other businesses, you kind of lose sight sometime to the fact that the life part of our business is really the things that we make and produce. And I'm really pretty optimistic about '23 and beyond. Our movie -- I know we're going to talk about some of this later probably, but our movie division has never been stronger than it is right now with the breadth of movies that we have and we had another hit movie this weekend with *Violent Night*. TV business, production business, also not just supplying our own networks, Peacock and NBC and Bravo, but some of the top shows on other broadcast networks, and also on streamers like *Hacks* on Apple and *Umbrella Academy*.

And then across the board, top news organization, top sports production company, Telemundo with the World Cup now if not the top, we're approaching the top Spanish language. So our content machine, that part of the business really is, in my opinion, never been stronger than it is right now. Second part of the business, the one that gets most of the ink is the distribution part of the business where the lion's share of it is still linear, but we also have launched Peacock, and I'm sure we'll talk about that a little bit. We're going through a transformation in that business, but very optimistic, very encouraged by how Peacock is doing, which we'll talk about. And also very encouraged by our linear networks, which continue to lead across the board, NBC's still #1, Bravo, best script -- the best cable channel.

And then lastly, the third bucket is really monetization outside of the core windows for our content, which the lion's share of that bucket is the theme park business, which is just doing great and day-to-day, week-to-week. We also have other parts of monetization in there, like the consumer

products part of the business and things like that. So that's really the 3 ways we look at the business. And given all the turmoil and uncertainty, kind of if you look at those 3 ways, I'm pretty optimistic about '23 and beyond.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. Maybe we'll start with on the media side and then go through each of the segments. Maybe first starting with the advertising market. Obviously, there's a lot of noise out there. And trends have been weakening across sort of the macro backdrop. Could you talk a little bit about sort of what you're seeing across different platforms and just sort of how you view the advertising market at this point?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yep. I think I've been saying -- I've gotten questions on the earnings calls, maybe from you, actually, the last couple of earnings calls, the advertising market has been really pretty steadily worsening over the last 6 to 9 months. And I think it's gotten even worse really in the last month or so. It's hard to -- it's actually hard to figure out whether that's because of macro conditions, whether people's businesses are worsening or rather because people are just uncertain. I tend to believe it's more the uncertainty because it's more cash than pricing. Pricing is still pretty good. It's really cash and cash -- advertising is coming in late -- so it used to be a month out, we'd have our cash for Sunday Night football, for example. And now it's coming in a couple of days before. And that would indicate to me that advertisers are kind of like the rest of us trying to figure out where the economy is going and holding back, but it's definitely getting worse.

For us, even given the worsening advertising market, we're still going to be in the fourth quarter up mid-single digits over a year ago. So this is not a disaster-- remote disaster. And that -- the fact that we're actually up year-on-year is really driven by a bunch of things, it's driven by Peacock, first of all, which continues to do really well, driven by election, dollars, the runoff in Georgia tomorrow is helping us. And then lastly, I believe that our scale as an advertising business and the investments we've made in data, investments we've made in alternative currencies we just are a bit insulated from the weakness in the ad market because of the scale and quality of our ad sales group. But there's no question it's getting worse.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

So is this -- obviously, political sort of ended, right? And so the comps get tough there after November. But so you're saying, I guess, is it after the political cycle ended things have gotten meaningfully-- I mean I'm just trying to sort of get a sense for just how bad it is, right? So you said, I think we were looking for about 10% increase overall in terms of your ad sales. You guys are saying now mid-single digit, and that's and that is with Peacock, right? And do you guys have any -- you guys really don't talk about numbers sort of ex Peacock or...

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

No, because we don't really -- the interesting thing about our business is we manage it as 1 business. So -- so the advertising we sell, which Linda Yaccarino, who runs our ad sales group calls one platform. The majority of our advertising is sold in a bundle across linear and non-linear. So even if you kind of allocate, it's harder to do that. But I would say when you factor out being up even with Peacock brand. Peacock is not cyclical. Peacock is a business that's growing and real and that advertisement is going to continue to grow. Yes, election and political is cyclical and ends tomorrow -- but the vast majority of advertising that's driving the year-on-year growth isn't cyclical. So to be up in a market, the answer is it's -- if the advertising market is bad compared to the way it was a year ago or 2 years ago, which is historic highs, but it's just not that bad.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right, right. Yes. So what kind of visibility do you have on sort of future spend? And how does that compare to pre-pandemic levels? I mean -- and especially as we look out into '23, I mean, is this -- I mean, obviously, we have the macro backdrop, but people have been worried about sort of secular issues as it relates to TV advertising and move to digital. I mean does it -- as we look into '23, actually, we heard from the ad panel that they expect a rebound as we go through the year. Any sort of sense for how we should start off the year if we can look that far out?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

It's hard to say because there's so much uncertainty in the market. I -- once again, I tend to believe that it's people being cautious. I look at our own advertising spend, we're a big advertiser. We advertise for our movies and our cable segment for cable. And it's not like our business -- our film business is actually really good right now. So it's more that people are holding back. You don't know if there's a recession coming, how big and deep it will be. I think the upfront will be probably more challenged. Historically, forever in my experience -- I've been in the TV business for 30 years, it was a cycle where you'd have a weak scatter market, poor upfront, strong scatter market, strong upfront, and that kind of chain broke entering the pandemic in the last couple of years.

I think we're returning to that kind of cyclical. For me, just kind of elevating a little bit, John, what I would say in our media sector in general, which is where the advertising revenue really is. The fourth quarter is where we're seeing some weakness where probably our EBITDA will be challenged a little bit more than we thought, given the cord cutting and then the advertising. But looking out to '23, I don't think it's that worrisome. I think that the business continues to be pretty strong, and where there may be some macro issues. I mean, anybody in the room could guess if there's going to be a recession or not, I don't know, -- but I'm not that concerned. I'm pretty comfortable with '23. Even though the fourth quarter, I think, will be a little bit worse.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. And how is demand for Sports and World Cup? I mean you mentioned Telemundo being very strong. I mean that has to be a bright spot for you guys.

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

To say the least. First of all, NFL continues to be just awesome. I mean NFL I feel for companies that don't have NFL to package with the rest of their portfolio because NFL is just a juggernaut. The ratings are great. The young stars. I mean, look at all the things yesterday, I mean, I wish somebody had won the Giants-Commanders game that would have been better than a tie. But the NFL is really just a source of strength, and we bundle it with virtually everything we do. The World Cup is a great kind of lesson, I think. We did the World Cup deal probably almost a decade ago, and that the bet was okay. Telemundo is a laggard compared to Univision. If we can get Telemundo closer to Univision, it will be a huge asset for us because there's such a big Spanish language population in the United States.

Since then, in the last 10 years, 2 things have happened. First thing that happened is we actually closed most of the gap with Univision. So we started the World Cup already close to where Univision was. But the second thing is because we bought all rights, Peacock wasn't even -- we didn't think about Peacock 10 years ago. We didn't know about the streaming business. So we've had the benefit on Telemundo of this strong performance, but then Peacock has been off the charts because people like the production and don't mind watching in Spanish. And for a lot of people, it's the only streaming option they have to watch World Cup and the World Cup has been great. So Peacock, the World Cup has been a big driver for Peacock.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. With Netflix and Disney entering the AVOD space, are you seeing any change in demand? And do you expect that dollars will flow from sort of traditional advertising on TV more towards AVOD or connected TV more so than we've been seeing in the past.

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

So first of all, I think with Disney, Netflix, Warner all moving towards the AVOD model, it just validates the business model that we chose for Peacock. We were late coming into streaming, but we clearly chose the right business model. Broad-based premium entertainment ad supported is the lion's share of the market. It's not -- there was already such a giant amount of advertising going to YouTube and other places that it's really not having -- it's not material, it's not having an effect on the overall market. So it's not really having an impact.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Moving away from advertising. You mentioned cord cutting as one of the areas. And I mentioned that, that was one of the sort of drivers that's impacting the business in the quarter. And we've seen that, we cover the distributors, it seems to us that you're seeing that the traditional guys really under pressure sort of offset a little bit by the virtual guys with the NFL and college football. But just talk a little bit about how that -- especially if you could put some numbers around it, just how that's impacting maybe not just the quarter, but just the business overall?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes, there's no question, cord cutting is accelerating. And by the way, it's one of the things where you can just put down the numbers and you look at your own behavior or kids' behavior, people are watching more and more on streaming and non-linear. And so that's accelerating and that's putting pressure on affiliate fees. It's putting pressure on rating points to sell on linear because you have less homes to sell across, but it's still a giant business. I mean there is a tendency to kind of say, okay cord cutting is happening, you know the MVPD --you know the paid Universe. I don't know the numbers exactly probably the peak was probably high 80 millions you know low 90 millions, now it's kind of down in the high 60s, you know, who knows where that'll end up plateauing.

There's definitely a core linear business, whether it's rural or sports or older viewers. But the full find is it's still a giant business, and it's still -- when you have a Sunday Night football game like Colts-Cowboys that we had last night, there's nowhere on streaming you're going to do the kind of reach, we did 20 million-plus viewers last night. So is just balancing the 2 and finding -- and thank God, we have both sides of it now because if we didn't, it would be a different story, but just balancing out the two businesses.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right. And against that backdrop, how do you think about the renewal cycle and your pricing power that you have with distributors as you renew each of the distribution agreements?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

We don't have any for a while. We're kind of in a period right now where we're in the middle of long-term distribution deals. So we'll see what happens in 2 years or 3 years when our deals come up. I think that it's a question of how do distributors think about the video market? Are they just going to pass through price increases from programmers to the consumer? Or is there going to be a different dynamic. But we're in this nice period right now where we actually don't have any deals up. So we don't have to address it yet.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Does Peacock, and I think you guys are less. I mean, I think what we've heard from some of the other media companies is that if they have a competing SVOD/AVOD service, that's very similar to the content or even pull some of the content off of linear onto the AVOD service that passing those price increases through, it gets harder. I mean have you guys seen -- I mean, Peacock, it's a little bit of a different animal. But -- does having a strong SVOD service make that -- make the pricing environment more difficult?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

It's -- it's a good question. I'm not sure the answer. And once again, since we're not in a renewal cycle right now, it's hard to judge for us. But it's not like when it used to be that you had -- I'm old enough now that I've seen the different cycles, it used to be when you were basically exclusive to cable, and then DIRECTV came along and then DISH came along and suddenly you had 3 or 4 or 5 video distributors in the market, that didn't really have an impact on pricing. So I'm still bullish that we'll continue to see price increases. It's just that cord cutting now is at a level where those price increases are not going to offset from a total amount. You're still going to see declines in subscription revenue. We've kind of hit the top of the curve, right? And that's going to be offset by, hopefully, subscription revenue on the streaming side.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right, right, right, which we'll get to in a second. But just lastly, I guess as far as your traditional media business, lot of store -- a lot of cost cutting that's going on. You guys have had a fair amount of cost cutting if you look back a year or so Paramount going through it seems like that's just sort of part of the landscape. I mean, is there additional cost-cutting opportunities as you look at your sort of traditional media side of the business?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes. I think we're in a different place than our competitors. We did a big restructuring back in 2020. We were the first to do it. We, unfortunately, lost a bunch of people. We took all the different parts of our TV business, and we consolidated them together. If you are in our company, there is no NBC. There is no USA It's one TV group. It's one programming group. It's one publicity group. We did that hard work and took those costs out back in 2020. Now it's less about that. It's more about reallocation of investment. Like if you're going to invest more in streaming, the way we look at -- since we manage the TV business as a whole, you have to take cost out of linear as that business declines and try to maintain your margins. So yes, we're definitely going to continue to take costs out, both probably more programming than overhead, but certainly some overhead over time. I think that will be a continuing ongoing process as we reallocate resources, but our overall spend is up because we're putting resources into the streaming side, right?

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

So let's shift to Peacock. Can you give us a sense -- you guys were sort of early to the AVOD-- seems like everybody else is sort of shifting towards AVOD. Could you just give us a sense of the long-term strategy of Peacock and sort of the path to profitability, obviously, '23 you guys are going to see sort of the trough. But what's the path -- what's the strategy to sort of get the profitability in that business?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes. So if you go to 30,000 feet, if you look at our strategy with Peacock. It basically was, we believe, in the premium video ad supported, dual revenue stream, essentially broadcast and cable on streaming, right? -- driven by kind of the key programming that's always driven the pay television universe, sports, movies, broad-based procedurals and dramas and alternative. And we believe that if we could launch a streaming service that

was that at the time that we launched, really the only one in our market was Hulu, that had been neglected a bit. We felt that was the right place for us and match best our programming strength. So that was kind of the theory going in, and there's no question that we picked the right business model. I mean if you look at where the market has gone in the last 2.5 years since we launched, we picked the right business model.

So long term, really, the answer is to build that part of our business as the other part of our business declines and get the overall hold to a place where it's growing again. And that means getting Peacock to a scale where we're kind of indifferent between cord cutting more higher than we think than Peacock is going to benefit and linear is going to be more pressured. If cord cutting slows down at some point, then we'll see the other thing, but that's really the goal, looking at the business as a whole. It's hard for me not to get out of my seat right now and jump up and down about how Peacock is doing. I'll give you a little bit of news this morning since we're here. But I think at the last -- end of the last quarter, we reported the Peacock was over 15 million paid subscribers. We're as of this morning, over 18 million paid subscribers.

That's more than double since the beginning of the year. So we've doubled our paid subscribers at Peacock since the beginning of the year. That's real subscribers paying us real American dollars, not some of the bundled wholesale stuff that you see outside from other people. And also remember, that's outside of people getting Comcast because Comcast Xfinity is still bundled with Peacock and at some point, we will convert those subs to paying. So 18 million, over 18 million, very strong. Additionally, there's been some questions about what is our usage. Our usage because we sell advertising, that's important -- as important as our paid subscribers. We're seeing a usage of over 20 hours per month on those paid subscribers, which is well above what we forecasted 3 years ago when we launched the business.

So when you look at kind of those 2 levers, the 18 million paid subscribers in the over 20 hours per month, we're seeing an ARPU that's approaching \$10 for each of those paid subscribers. Once again, real dollars, not funny money, as you see. So -- and that kind of -- everybody in the room can kind of quickly do the arithmetic. But that results in a business that on a run rate basis is doing over \$2 billion of revenue already in 2.5 years. So very, very encouraged. We think we picked the right strategy. We think that -- and why are we doing so well? I guess what I'll come back to is why is that working? I think the programming is key. The content -- it always comes back to the content with these services. So we talked about sports. We clearly have the best sports offering of any streaming service out there. Every sports deal we have basically has a Peacock component, whether it's NFL or Yes, EPL, World Cup, which we didn't even know when we did it, had a streaming component.

We have to -- hopefully, we're going to talk about a movie studio. Our movie studio is cranking and all those movies going to Peacock are having an impact. It's not just movie to movie to movie, but if somebody comes there to watch Nope and sees that we have another 12 movies on there. We have the best movie offering now in streaming and people don't talk about it. Movies drive platforms and our movie studio is driving Peacock. Third thing is as part of our overall strategy, the strength that we have on NBC that's making it #1, Dick Wolf procedurals, SNL, -- all the things that are making NBC #1, and making Bravo #1 with, I have to mention Below Deck and every thing as my favorite show. -- Below Deck, Real House Wives, all of that content goes immediately on to Peacock starting this fall.

It used to go to Hulu. Now it goes on Peacock, and we're seeing a lot of strength there. And then all 3 of those pillars then are supplemented by an original strategy which we're just getting going, but we have another hit quiet -- there's a documentary right now about Casey Anthony that we have on Peacock, which is on fire right now, and it's actually become the top title for somebody coming to watch a World Cup game, it's the second thing they watch. It used to be movies, it's now Casey Anthony. So we have this platform that has the ability to launch hits, whether it's non-fiction or drama or comedy. So the content strategy, it's early days, but I think it's working and is resulting in the performance we're seeing.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Did the new Hulu content that came back in the fall, did that drive engagement and monetization. Has that been as big of a nice -- I mean, you got a couple of things giving you definitely World Cup being one of them. I think for me, English Premier League is definitely another -- but I mean, did the Hulu stuff give you a nice little kicker here in the fall as well?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Not just a nice little kicker. It's been above our expectations. So particularly the Dick Wolf dramas where if you look at the strength of NBC, our Wednesday night, Chicago lineup and our Thursday night Law & Order lineup, having both of those on Peacock with the library that was already working that used to be on Hulu, that's working. And then you see SNL. I mean SNL, you'll see this weekend, we have Martin Short and Steve Martin hosting, which is going to be iconic, and you'll see Peacock benefit from that when the SNL goes on that the next day, which used to go right to Hulu. So it's having a big impact. And then all the Bravo content. The Bravo content is just amazing, and that's having a big impact, maybe in some cases, bigger than the NBC content.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

So you guys were obviously early to the AVOD strategy. Now you have Disney moving in that direction. Netflix has already announced the or have already launched there. I mean does that change the dynamic for you guys? Is there -- I mean it seems like there's a lot of competition out there. Or is this just the new way that people are going to be consuming content, whether it's strictly SVOD or AVOD. I mean -- does that change the equation for Peacock?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

I think first of all, just taking back -- it's a great question, John. I would say, take a step back and look at the market, right? There's always been a market for premium, non-ad-supported SVOD, right? That's HBO. We all -- I don't know most people in the room are younger than me, but we grew up as HBO here, HBO was the dominant -- if you had a lot of disposable income and you want a no advertising and you wanted premium content, you got HBO and then some people got Showtime and other things. That's clearly Netflix in our world right now, everybody gets Netflix, and then most of the value -- most of the viewership of the market actually was in the center in pay television, which was all the things I'm talking about. So I think all those businesses moving towards AVOD it first of all doesn't have any impact on us because we're coming from -- we have the programming already. We have the sports, we have the movies. We have the content on our linear. They don't have that.

And then the second thing, because I think there's a risk with some of those services that they actually cannibalize the position where we're core in that position, and that's where we're going. So it doesn't really -- it doesn't surprise me, first of all, because the market is saturated at that top end, but it doesn't worry me either as far as our ability to get to where we need to get to, particularly after the last 6 months of performance on Peacock.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right. So you mentioned the 18 million subscribers are the actual paying subscribers and not the bundled Comcast customers. But how do you plan to convert the bundled Peacock customers that receive the premium for free to pay and over what time do you expect that to happen?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes. So first of all, it's a great example of why our company, if you look more broadly, I know we're talking about NBC Universal today, but we never could have launched Peacock as from a standing start as fast as we could have if we had not been for Comcast for 2 reasons. One, we use the Sky platform. So technically, most people use Peacock, think it's one of the best technical platforms that doesn't crash. It's easy to use. It's great. The second you watch for Premier League, so you probably know that. It's a good platform. And that's totally because we use the Sky platform.

The second thing is having that initial gilt of promotion of having all the Comcast homes have, Peacock definitely got us on the map and allowed us to get off the mat from this late start. Now the challenge, as you said, is how do we convert all those people to paying subs. We have a -- we're

looking at it as a total company. We don't want to just do it from an NBCUniversal perspective. So the question is, how do we do that and when do we do that in a way that adds value to the whole company, and we're deep in discussions on that. And I think we're pretty confident.

The other thing, too, is the increases in subscribers that we've seen over the last 6 months, driven by our movies, driven by the content coming off Hulu, driven by World Cup, Premier League has also happened on the bundled side where we see more people using it in Comcast homes, which increases the size of the pool we have to then convert to paid. So over the next year or 2, we'll be probably moving towards that model.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got you. And you mentioned Sky platform, any international aspirations for Peacock? Or should it just be a -- should we just give it as a domestic platform?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

So we studied international really, really deeply when we entered this market because people said, you got to be global to be a streaming platform. And the reality is why. And by the way, fundamentally you actually do have to be global to be a successful streaming platform, but the reasons are because you want to have content scale, you want to have the ability to kind of say yes to a show and now you can monetize this across the world. The second thing is you want to have technical scale. You don't want to have 6 different platforms all over the place when you make an improvement on one, you want to make it global.

And the third thing, which is the hardest to quantify is you want brand scale. So Netflix can launch in Australia and go immediately to 15% penetration because people have been dying to get Netflix. So we intend to be global on Peacock -- we're just doing it in a different way. We're kind of doing it market by market. So we're already in Sky markets, and we've been there for over a year. So in the U.K., Italy and Germany, Peacock's there. We're in the rest of Europe in our joint venture with Paramount. So SkyShowtime, which is our joint venture, which has launched and is doing really well, has both Peacock and Paramount Plus branding.

So Europe, which is the lion's share of the SVOD opportunity, the AVOD opportunity internationally, we've kind of got our strategy. And then in other markets, Latin America, Asia, we're doing a market-by-market approach, which we think is the smartest for us as we really focus on domestic first.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. Maybe turning to the film business. You mentioned that your guys' hit movie this weekend. Just your thoughts on how the Universal's positioned as we look out to '23, both from a sort of slate standpoint, your views on windowing and just overall profitability of that?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

So I love talking about the film business because I don't think people talk about it enough. The film business changed dramatically during COVID, right? So -- so the economics of the film business are significantly better than they were before COVID. And the reason for that is because windows finally compressed, right? So you still have your theatrical window, which has all the attributes of the way it had before the pandemic. But now we have this thing called the PVOD window where 17 days after we launch in the theaters, we put most of our movies on all of our platforms to rent for \$19.99 generally. We get an 80-20 split there generally versus a 50-50 theatrical split \$0.80 add up a lot more quickly than \$0.50 add up, and we're still in the marketing halo. So we've already -- people think of it as a new film. Oh and by the way, we're the platform a lot of the times because Comcast and Fandango and Vudu are some of the biggest platforms that sell that.

So that has been a hugely profitable part of the business. And then we -- you've got the streaming for us. So it's not just -- we've sliced up our content, so we're taking a lot of it first window on Peacock, but we're also selling it in different windows to Netflix and Amazon and then across the world, we're selling it to different people. So if you take all that -- and then the cost of making movies really hasn't gone up. So there's not cost pressures in the movie business.

So if you look at all that, we early in the pandemic said, "Holy cow, this is going to be a better business -- and what we did is we put our pedal to the metal, and we actually increased production during the pandemic, where everybody else cut production. And so if you look at how many movies we're doing roughly across our company, probably about 40 movies a year, which between Focus, Universal and all of our titles that, in most cases, is more than double any of our competitors.

And then the key is not just amount of movies. The key is good movies, right? And if you look at the movies we're doing, we -- during the pandemic, were able to kind of pick and choose because we were increasing production. A lot of the people that we wanted to work with. Chris Nolan, who had been at Warner forever moving over to Universal, we have his first movie Oppenheimer, coming this summer, which I'm very excited about, and I've seen a cut of and it's awesome.

We have our next Fast and Furious movie. We have the movies from Steven Spielberg. We also -- the rumors are, I can't confirm it, but that the 2 biggest horror producers, Jason Blum who's a Universal guy and James Wan, who was at Warner Bros. may be coming together. But if that should happen, we are going to be in an absolutely impregnable position in horror, which is a giant very profitable place. We're also the place for surprising original movies that other people don't do. Violent Night this weekend, which is -- I don't know if anybody in this audience saw. It's awesome.

It's about Santa kind of coming down the chimney into the middle of a Home invasion robbery and becoming Rambo essentially. It's so fun and so awesome. Big Surprise over the weekend did really well. And then the thing that people don't focus on, the last thing I'll just -- I'll say is that -- if you had gone back -- go back 10 years and say, is Disney ever going to be challenged in animation. I think most people, including me, would say impossible. They are the dominant player in animation. Their position is not going to be challenged ever. I honestly think that not only are we challenging Disney in animation, but I would take our animation business over theirs right now. We have the only bonafide global hit in animation right now with Minions and Despicable Me. DreamWorks is doing really well, and we have Puss in Boots coming in a couple of weeks, which will be our first new part of the Shrek franchise, which is a great thing.

And if you look at our animation business overall, the DreamWorks films, the Illumination films from Chris Meledandri, I actually think we have an animation business that now rivals if not surpasses Disney, which has huge ramifications for the rest of the company because those -- that's the IP that drives the television and streaming business, but it's also the IP that drives the theme park business. So if you look at the big attractions and theme parks, the fact that our animation business is cranking is going to have giant and consumer products, giant implications. So -- if I seem excited about our content and film business, I'm very excited about our content and film business.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Exactly. So with all that enthusiasm, I mean, just -- how should we think about your overall content spend? It sounds like the film business is great. You're growing the streaming business. And frankly, we're in a period of flux where it looks like content budgets are sort of peaking or you might even see some pressure. I mean, how should we expect content spending at NBC?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

So it's a hard question to answer, and I'll tell you why. We are not a company that just takes content and puts it on our own platform. We sell more than half of our TV content, we actually sell to third parties in various windows. And even our film content, if you look at our film content, it goes domestically on Peacock first and then to other platforms. So we don't look at an overall content spend as far as how much should we be spending should be up or down. If we look at overall content spending on how can we monetize it -- and so our content spending is going up, but it's because, A, we're selling more TV shows and B, we believe in the movie business, so we're making more movies. It's not going up because of any kind of

other cost pressures or whatever. So I think because of how strong we are creatively, I hope our content spend continues to go up because that's an indication of our content strength.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. So Peacock broke into Nielsen's top 10 streaming was for the first time with Halloween Ends and do you think this matters in terms of better trends or churn or monetization? I mean, what is that sort of -- do you expect that you'll have more sort of high-end content that resonates and will drive those numbers? Or sort of how should we see those numbers sort of...

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes, there's no question about it. I mean, to go in the top 10 of Nielsen with kind of at the time, probably 17 million or so homes is really pretty extraordinary. It's actually more than 17 million because we have the Comcast bundled homes, too. So the MAAs, I think we reported before, well over 30 million. So -- but even 30 million homes to be in the top 10 is shows that you could actually create hits on these kind of platforms. So I would expect, given the strength of our content and the growth in Peacock that that will continue. And it is important. People look at, I think, advertisers are advertising on Peacock because of the granularity of it right now. You know exactly who's watching where they came from, how long they're watching, what their demographic is. But I think over time, we expect Peacock to be a scale replacement and advertisers want reach as well. So the combination of selling across our linear and Peacock reach is going to increasingly be one of our big advantages of the company. So it does matter.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

With the time we have remaining, let's move to theme parks. You said theme parks are still strong. And obviously, coming out of the pandemic, you guys had a very strong domestic numbers. What do you see in terms of demand against what may be an increasingly challenging macro backdrop?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes. So by the way, if you came down from Mars and looked at theme park numbers, you would not think there was a challenging macro environment. It is astounding. Domestic continues to be strong, both in terms of our daily attendance, also in terms of our forward booking and hotel occupancy and things like that. By the way, we have Mario opening in our Mario attraction opening in Hollywood, I don't think we've announced the date yet. Maybe we have it's in the spring, but it's right around when we're releasing our Mario movie from Illumination. So those are in sync. So domestic continues to be strong.

Internationally it's interesting, Japan, which has probably been our most challenged. It's 1 of our largest parks and has been our most challenged with COVID, given the restrictions in Japan, really kind of in the last kind of 2 months has accelerated. So Japan is doing extremely well, which has an added benefit of the fact that it's really the new Nintendo land that's driving a lot of that attendance. And given that we bet on Nintendo both for Hollywood and for Epic Universe our new park in Orlando, very encouraged by that, somewhat balanced by Beijing, which is difficult. We're still open. I think Shanghai Disney has closed, but even given that we're open with the protests and the COVID lockdowns, our attendance is not where we want it to be. So if you kind of look at international, at the moment, Japan is kind of cranking and accelerating, but that's being somewhat offset by Beijing, which is getting weaker.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Right. So Epic, obviously, a lot of excitement around Epic. Just can you give us an update in terms of sort of overall -- sort of, first of all, progress, timing and the opening and just the sort of spending we can expect to get there.

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes, we're right on track, literally right on track. So we expect to open it in '25. I don't think we've said the exact date that we're opening in, but we will have an impact on '25 that will open in time for the summer of '25. I think it's perfect timing given the demand constraints in Orlando right now, new airline terminal, what Disney is seeing and what we're seeing as far as hotel bookings and there's clearly a demand supply imbalance, and I think we're opening a theme park right in the right time in that. We're also -- it's also very interesting that park is close to the convention center. So it's an interesting experiment for us. We believe we can get the attendance we need just on the basis of the demand in the market, but it's also going to be interesting to see as the convention business comes back to us -- the park is built so that you can come into one land and not the whole park and are we going to get nighttime convention business, which is kind of an interesting experiment for us.

But we're right on track as far as spending. We're not -- we were worried earlier on because of raw materials costs and steel and things like that. We're now largely past that now. We're now what they call going vertical. I was down there a couple of weeks ago, and everything is coming out of the ground. So all the infrastructure is in, a lot of the steel is in, and now it's just a question of, of building out our peak spend will be in '23 as far as cash, but that was always what we planned. So everything is right on track with Epic. So I'm feeling good about it.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

And just overall in the segment, I mean, obviously, people are worried about the macroeconomic situation. I mean how much visibility do you think you have? I mean, if we see a meaningful slowdown in the economy in midyear, would you expect to see some that sort of roll through the Park segment?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Of course. I mean the 2 parts of our business that are most susceptible to the macro environment are advertising that we talked about and theme parks. And right now, there's a question of why is there weakness in the advertising market, but we're not seeing in the theme park business. I think it's -- I think -- by the way, there's also a traditional -- if you look at travel to theme parks, you can kind of break it down in 3 segments. There's people who come for the day. Let's talk about Florida at our theme park, people come for the day from the surrounding area don't stay overnight. There's people drive in for a couple of nights. You come from Atlanta, you come from Jacksonville and there's people who fly there, right? People who fly there are coming there as part of the vacation that they plan for a while, whatever.

Generally, the second bucket is tied to fuel prices. Gas prices go up and the amount of people that drive the park go down. That's been true for 20 years until the last couple of months where rising fuel prices really haven't had any impact on the attendance of that segment. And by the way, as they have come down over the last couple of weeks, it hasn't had any impact, it's just still strong. So my personal belief is that people were sick of being home, looking to get out of their house, had disposable income that they've saved during COVID and nothing is going to stop them from taking their family vacation and don't necessarily want to travel internationally yet, don't necessarily feel comfortable with that. And we're just seeing the benefits of that. And it may be that, that offsets some of the macro uncertainty.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. And wrapping up, the question we always get, obviously, a lot of changes in the media space these days, both from a sort of micro level and macro level. Do you believe that NBC has the scale to implement the strategy and reach the goals that you've laid out for us today?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Yes. I mean, I get the scale question a lot, and I think CNBC a couple of weeks ago, I had the scale question, like there's never been anything. Scale to me is just a weird question because there's never been a project that we wanted to do or an investment we want to make at our company where we didn't have the size or the capital to do it. So we have the scale to do anything we want to do. I think it's definitely going to be interesting. There's so much turmoil in our market amongst different competitors that that you can imagine that there's going to be assets available at some point that might be attractive. Like a DreamWorks acquisition, which worked out really well for us, adding content to our company. But as far as our actual plans and plans to grow Peacock and grow our content business, we have plenty of scale. Our scale is as good as anybody.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

And then lastly, especially with different assets. Just Hulu obviously is getting a lot of attention, a little bit more attention now given some changes at Disney. Just how should we think about that as you -- in your put option with that asset as we look out into next year?

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

I wish I had something more sexy and interesting to say about it, but the -- we have a put, they have a call end of '23, the process kind of happens in the beginning of '24. We think it's worth a lot of money because it's sold on a full control basis as if you were auctioning it off. And I think there's no indications that anything else is going to happen then Disney writing us a big check for the asset in '24.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Got it. Makes sense. Well, Jeff, that's all we have time for. Thanks for being...

Jeffrey S. Shell - Comcast Corporation - CEO of NBCUniversal

Thank you, everybody. Thanks for having me this morning. John. Thank you.

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