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CMCSA.OQ - Q1 2021 Comcast Corp Earnings Call

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OVERVIEW:

Co. reported 1Q21 revenues of $27.2b and adjusted EPS of $0.76.

CORPORATE PARTICIPANTS

Brian L. Roberts *Comcast Corporation - Chairman & CEO*

Dana Strong *Comcast Corporation - Group CEO, Sky*

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

Jeff Shell *Comcast Corporation - CEO, NBCUniversal*

Marci Ryvicker *Comcast Corporation - SVP of IR*

Michael J. Cavanagh *Comcast Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

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

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

Douglas David Mitchelson *Crédit Suisse AG, Research Division - MD*

Jessica Jean Reif Ehrlich *BofA Securities, Research Division - MD in Equity Research*

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

Michael Ian Rollins *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

Philip A. Cusick *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's First Quarter 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. Please note that this conference call is being recorded.

I will now turn the call over to Senior Vice President of Investor Relations, Ms. Marci Ryvicker. Please go ahead, Ms. Ryvicker.

Marci Ryvicker - *Comcast Corporation - SVP of IR*

Thank you, operator, and welcome, everyone. Joining me on this morning's call are Brian Roberts, Mike Cavanagh, Dave Watson, Jeff Shell and Dana Strong. Brian and Mike will make formal remarks, while Dave, Jeff and Dana will also be available for Q&A.

Let me now refer you to Slide 2, which contains our safe harbor disclaimer, and remind you that this conference call may include forward-looking statements subject to certain risks and uncertainties. In addition, during this call, we will refer to certain non-GAAP financial measures. Please see our 8-K and trending schedules for the reconciliations of these non-GAAP financial measures to GAAP.

With that, let me turn the call over to Brian Roberts for his comments. Brian?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Marci, and good morning, everyone. We certainly got off to a great start this year. Our entire company performed well, and we once again had particularly strong results at Cable, which posted its third consecutive quarter of double-digit EBITDA growth, ninth consecutive quarter of double-digit net cash flow growth. We added 461,000 broadband customers, which drove 380,000 customer relationship additions. This is the best first quarter on record.

Our connect activity was healthy and broadband churn improved for the 13th quarter in a row, hitting our lowest churn rate in our company's history. I'm very proud of this quarter's results and our long record of growth, which I believe is a direct result of disciplined investment, fantastic innovation and consistent execution in a highly competitive market.

This morning, I'd like to go a bit deeper in 2 areas: the robustness of our network in the U.S. and more broadly, how we positioned ourselves to successfully compete against alternative providers and technologies. We've spent nearly $30 billion in the last decade building an expansive fiber-dense network comprised of 191,000 route miles that carries an immense amount of traffic and has demonstrated extraordinary performance throughout the pandemic.

Under Tony Werner, our retiring Chief Technology Officer, we have consistently engineered our network to anticipate change. And during his 15-plus years at Comcast, he has helped transform us into a product and technology innovator and leader. Tony, we thank you.

He's being succeeded by Charlie Herrin. Many of you on this call are familiar with Charlie. He helped develop game-changing products, including scaling X1 and most recently led the successful effort to redefine how we interact with customers, which has resulted in significantly higher NPS scores and lower operating costs. Charlie, Dave and I have been fortunate to work together for 20 years.

Under Dave and Tony, we've recruited the best engineering talent around the world and now are working as one global tech team to create platforms, apps and experiences that evolve the way people connect and consume entertainment. We've done all this while keeping the network our #1 priority.

We've introduced the xFi Advanced Gateway, the most powerful of its kind. Our highest users are connecting a wide variety of devices in the home and streaming multiple services simultaneously over Wi-Fi. Our xFi Pods integrate with Xfinity Gateways to form a mesh network that maximizes Wi-Fi coverage. All you do is plug one of these Pods into an outlet to get great coverage in every room.

We provide our customers with what they need, which goes well beyond extraordinary connectivity and speed. Xfinity is the only broadband provider to offer advanced security for monitoring devices inside and soon outside of the home. We also uniquely provide our customers with a whole home speed test and enable parents to manage Internet time spent by streaming application.

This is all backed by a network that is built to consistently deliver the fastest speeds and outperform well into the future with 2 major initiatives underway. The first is virtualizing our network by leveraging artificial intelligence and machine learning. We're taking functions that were once performed by thousands of large and expensive pieces of hardware and moving them into the cloud, which alone has reduced innovation cycles from years down to just months. We're also automating many of our core network functions so that we can deliver instant capacity as well as identify and fix network issues before they ever affect a customer.

Our second priority is further enhancing how we deliver our broadband product over our network. We currently offer downstream speeds of 1.2 gigs across our entire footprint using our DOCSIS 3.1 architecture and can increase upstream in a capital-efficient way. We're making great progress to deliver multi-gig symmetrical speeds.

In the last 6 months, we completed 2 important milestones on our road map. In October, we conducted a successful live test of 1.25 gig symmetrical speeds. And earlier this month, our engineers completed the first-ever live lab test of DOCSIS 4.0, which establishes a foundation for us to deliver multi-gigabit speeds over our existing network without the need for massive digging and construction projects.

Let me next talk about Xfinity Mobile where we're having great success. This past quarter, we reached breakeven on a stand-alone basis for the first time and added 278,000 mobile lines, the highest quarterly additions since launch. We just announced a new unlimited family plan, which can provide $600 in annual savings relative to other competitor family plans.

Now let's turn to Sky, which, despite renewed lockdowns in Europe, generated revenue growth and delivered the best first quarter customer relationships net additions in 6 years. I am particularly encouraged by our strong performance in the U.K.. Excluding pubs and clubs, which remain closed, U.K. direct-to-consumer revenue grew 8% over the first quarter 2020 and 11% relative to 2019.

Churn continued to trend down. 2/3 of our customer base in the U.K. now have Sky Q. We're seeing great acceleration in mobile. And we just launched Sky Connect, our B2B broadband service that leverages the expertise of Comcast Cable. Dana Strong is off to a great start and is syncing up more than ever with Comcast Cable and NBCUniversal so that together, we're all innovating more quickly, better serving our customers and viewers and increasing operating efficiencies.

We're also encouraged by the trends we're seeing across NBCU. Our Parks segment broke even, excluding Beijing, for the second consecutive quarter, driven by remarkable attendance at Universal Orlando. We can see firsthand the pent-up demand for high-quality entertainment and family fun outside of the home, and we remain incredibly bullish on the Parks business. While Osaka recently had to close temporarily, Universal Studios Hollywood reopened on April 16, the first time since the pandemic started. Our long-term excitement stems from the fact that we have a fabulous road map of new attractions and experiences awaiting guests as they safely return to our current parks.

In NBCUniversal's Media segment under Jeff Shell and Mark Lazarus, we're starting to see the benefits of our new operating structure. Excluding Peacock, adjusted EBITDA increased 10% year-over-year. Our news content continues to experience tremendous momentum, and distribution revenue is trending above expectations, a testament to the strength of our linear brands. We're back in business on the studio side with more than 30 television series currently in production, and we're excited for our first big theatrical debut with Fast 9 launching in both the U.S. and China later in the second quarter.

We're also making great progress with Peacock, our premium ad-supported streaming service. Just 1 year post-launch, we've had 42 million sign-ups. Monthly users of the service are consuming nearly 20% more programming hours each month than our traditional audience on NBC. And we just crossed 1 billion total hours watched, nearly double our plan when we launched. This strength in users and engagement has enabled us to create additional advertising inventory outside of our initial partnership with CPMs at a material premium to linear prime time.

Key to Peacock's domestic success has been Xfinity with X1 and Flex driving subscriber acquisitions and healthy engagement. With Peacock, we've created great options for ourselves with several opportunities on the horizon. We've recently secured more original programming with creative partners like WWE and the NFL, providing a strong path to upsell into Peacock Premium. And as Peacock gained scale in the U.S., we see compelling ways we can expand internationally. We're looking to take advantage of the brand and scale of Sky across our European markets and potentially strike partnerships with local programmers and distributors in geographies where it makes sense. We plan to share more information on Peacock throughout this year.

So in summary, we're all very proud and encouraged by our first quarter results. This performance is a testament to the resilience and evolution of our company. Excellent execution of our growth initiatives, combined with tight cost control, brings us one step closer to our balance sheet goals. And I am eager to see us return to our historical practice of repurchasing shares starting in the second half of this year.

Lastly, I want to thank our team. Everyone across the company has continued to show up and innovate for our customers, audience, guests and each other. We were recently named as 1 of the top 5 big companies to work for in the U.S. and 1 of the top 10 inclusive companies in the U.K., a testament to the work and passion of our wonderful employees.

Mike, over to you.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Thanks, Brian, and good morning, everyone. I'll begin on Slide 4 with our first quarter consolidated 2021 results. Revenue increased 2.2% to $27.2 billion. Adjusted EBITDA increased 3.5% to $8.4 billion. Adjusted EPS increased 7% to $0.76 per share. And finally, we generated $5.3 billion of free cash flow.

Now let's turn to our business segment results, starting with Cable Communications on Slide 5. Cable revenue increased 5.9% to $15.8 billion. EBITDA increased 12% to $6.8 billion, and EBITDA less capital grew 16% to $5.1 billion.

We added 380,000 net new customer relationships, up 2.4% over last year's first quarter and up 27% over the first quarter of 2019. This was the best first quarter on record and was driven by broadband, where we added 461,000 net new residential and business customers, only slightly below last year's first quarter and 23% above the first quarter of 2019.

We saw healthy connect activity, and this quarter marked the lowest broadband churn in our history. This positive momentum has continued into the second quarter. And from what we see today, we anticipate total broadband additions for the year to grow by mid-single-digit levels compared to 2019, which, aside from the extraordinary growth we had in an unusual 2020, was the best year in more than a decade.

The strong customer additions, coupled with ARPU growth of 4.4%, drove a 12% increase in broadband revenue for the first quarter, the largest driver of overall Cable revenue, and we expect this trend will continue.

We also saw an acceleration in both business services and wireless. Business services revenue increased 6.1% and delivered 11,000 net new customer additions, primarily driven by continued improvement in small business. Wireless revenue grew 50% due to an increase in both customer lines and higher device sales. We added 278,000 net new lines in the quarter, the best result since launching this business in 2017, bringing us to 3.1 million total lines as of quarter-end.

Turning to video, revenue was consistent with the prior year, reflecting very healthy ARPU growth of 6.8%, offset by net video subscriber losses totaling 491,000, which we felt mostly on the connect side as residential churn improved year-over-year. We believe our residential rate adjustment at the beginning of the year was a significant contributor to both the ARPU increase and the video subscriber loss in the quarter, and we expect video losses in the second quarter will remain elevated.

We currently anticipate Cable Communications revenue growth in the second quarter to accelerate by a few hundred basis points from the 5.9% we just reported, partly due to the comparison to last year's second quarter, which was most significantly impacted by COVID-19 as well as our focus on driving growth in our connectivity businesses.

Turning to expenses. Cable Communications first quarter expenses increased 1.5%. Programming expenses were up 5.5%, primarily due to the number of contract renewals that started to cycle through in 2020, combined with annual escalators in existing agreements.

Looking to the second quarter, we expect programming expense growth to increase at low double-digit levels due to the continued impact of contract renewals as well as the comparison to last year's second quarter, which was favorably impacted by adjustments accrued for customer RSN fees. For the full year, we continue to expect programming expense to increase at high single-digit levels.

Non-programming expenses declined 1.1% on an absolute basis and 5.9% on a per-relationship basis, while our customer relationships grew 5% year-over-year. Non-programming expenses should increase at high single-digit rate in the second quarter due in part to the comparison to last year, which reflected the slowdown in business activity due to COVID-19 as well as our continued focus on driving growth in our core broadband and wireless businesses.

Cable Communications EBITDA grew by 12% with margins reaching 43.2%, reflecting 250 basis points of year-over-year improvement. These results include the important milestone of our wireless business reaching breakeven for the first time since launch. Cable capital expenditures increased 8%, resulting in CapEx intensity of 8.7%, up slightly compared to last year and driven by a 23% increase in scalable infrastructure as we continue to invest to enhance the capacity of our network. This spending was partially offset by lower customer premise equipment and support.

Now let's turn to Slide 6 for NBCUniversal. As you know, we recently issued an 8-K with updated trending schedules and a new reporting format that reflects the way the business is now managed. We moved Peacock, which was previously reported in our corporate results, to NBCUniversal. And now we present NBCU in 3 business segments: Media, which combines our TV businesses and Peacock; Studios, which combines our film and television studio businesses; and Theme Parks. I will discuss today's results in this new format.

Let's start with total NBCUniversal results. Revenue decreased 9.1% to $7 billion, and EBITDA was down 12% to $1.5 billion. Media revenue increased 3.2%, driven by 9.1% growth in distribution revenue, which reflected higher rates post the successful completion of several carriage renewals at the end of 2020, partially offset by subscriber declines, which showed sequential improvement. Advertising revenue declined 3.4% as lower entertainment ratings and tough political comps were partially offset by more sports in the quarter, strength in news and the launch of Peacock.

Media EBITDA declined 3.7% when including Peacock, which generated revenue of $91 million and an EBITDA loss of $277 million. Excluding Peacock, Media EBITDA increased 10%, primarily driven by lower expenses, which was partly due to lower entertainment costs associated with fewer original hours aired and partly due to our new operating model. This year-over-year reduction more than offset higher sports costs resulting from additional events.

Looking to the second quarter, we expect healthy growth in distribution revenue to continue. We will have significantly more sporting events compared to last year, which should result in higher advertising revenue, but also a significant increase in sports-related programming and production costs.

Studio revenue was flat compared to last year, primarily reflecting higher content licensing revenue, offset by lower theatrical revenue. Content licensing revenue increased 14%, primarily due to licensing deals, including The Office, which became exclusively available for streaming on Peacock this past January. Theatrical revenue decreased 88%, reflecting the deferral of theatrical releases due to COVID-19. Significantly fewer releases in the first quarter resulted in lower expenses, driving EBITDA growth of 66%.

We're excited to be releasing Fast 9 in theaters later in the second quarter, but we delayed the release of Minions 2 from July of this year to July of 2022, which will shift the profits from 2021 to 2022 as well, as we continue to manage our film slate to maximize value.

Theme Parks revenue decreased 33.1% in the quarter and generated an EBITDA loss of $61 million, which included $100 million of Universal Beijing preopening costs. These results reflect Universal Orlando Resort operating at limited capacity, but trends remain encouraging as attendance continues to rebound, and we've been at or near capacity limits through spring break. Hollywood remained closed during the quarter, but we recently opened at a 25% capacity limit and expect this to move higher by June 15.

In Japan, we recently had to close our park temporarily due to rising COVID cases. But prior to this, we had seen strong demand. Looking ahead, we expect our EBITDA results to improve in the back half of the year as domestic attendance trends improve, and we remain on track to open our new park, Universal Beijing, this summer.

Now let's turn to Slide 7 for Sky, which I will speak to on a constant currency basis. For the first quarter, Sky revenue increased 2% to $5 billion, largely reflecting healthy growth in our U.K. business. Direct-to-consumer revenue increased 1.8%, with growth in the U.K. even stronger. This result was driven by higher average rates per customer and strong customer growth across all markets.

We generated 221,000 net customer additions, the best first quarter in 6 years, driven by streaming across our markets as well as steady momentum in mobile and broadband within the U.K.

Advertising revenue increased 3.4% as we continue to outperform the market, particularly in the U.K., where the ad market is rebounding more quickly than we expected, and we are driving growth through advanced advertising.

Sky generated $364 million in EBITDA in the first quarter. As expected, this reflects elevated expenses, including higher sports rights amortization resulting from more events in the current quarter as well as higher expenses associated with successfully growing our mobile and broadband businesses and investment in key growth initiatives, which now include Sky Connect, our recently launched commercial broadband business in the U.K.

For the second quarter, we expect revenue growth to accelerate to low double-digit levels on a constant currency basis due to the comparison to last year's second quarter, which was the most impacted by COVID-19, as well as continued strength in our U.K. business. We also anticipate significantly higher sports rights amortization compared to last year when events were paused. As a result, we expect to generate a similar level of EBITDA in the second quarter as we did in the first quarter.

We were recently outbid for some of the broadcast rights for Serie A in Italy as we stood firm in our disciplined approach to sports-related costs. We believe this was the right long-term financial decision, but we expect a reduction in programming and production expenses and a potential decline in customer relationships in Italy as a result. We continue to expect Sky EBITDA in the second half of this year to accelerate from first half levels, reflecting the benefits of a reset to major sports rights as well as a more efficient operating structure.

I'll wrap up with free cash flow and capital allocation on Slide 8. Free cash flow was $5.3 billion in the quarter, an increase of roughly 60% year-over-year, primarily due to an improvement in net working capital and higher EBITDA. Net working capital will continue to fluctuate on a quarterly basis, and we still expect the full year drag increase relative to 2019 due to an increase in content investments, our broadcast of the Olympics and the reversal of COVID-related one-time tax deferrals.

Consolidated total capital, which includes capital expenditures as well as software and intangibles, decreased 1.1% in the first quarter to $2.5 billion, reflecting a decline at NBCU, which was partially offset by increases at Sky and Cable.

We ended the first quarter with $104 billion of debt with a weighted average cost of 3.6% and a weighted average life of 14.5 years and net debt of $86 billion for a net debt-to-EBITDA ratio of 2.7x. Throughout the pandemic, we have maintained an elevated cash balance to fortify our liquidity position, and we ended the first quarter with $15 billion of cash and cash equivalents. We expect to gradually reduce our cash position by deploying excess cash towards debt reduction throughout the remainder of the year as our business operations continue to recover.

Finally, we remain committed to our long-standing balanced approach to capital allocation, which consists of maintaining a strong balance sheet, investing organically for profitable growth and returning capital to shareholders for a strong commitment to our recurring dividends and our expected return to share repurchases in the second half of this year.

Thanks for joining us on the call this morning. I'll turn it back to Marci, who will lead the question-and-answer portion of the call.

Marci Ryvicker - *Comcast Corporation - SVP of IR*

Thanks, Mike. Regina, let's open the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Jessica Reif Ehrlich with Bank of America Securities.

Jessica Jean Reif Ehrlich - *BofA Securities, Research Division - MD in Equity Research*

The company clearly is on an upswing as we come out of COVID, and the leverage in the business is really apparent in the first quarter numbers. So I have a broad-based question that covers basically all the divisions.

In Cable, it feels like the beginning for advanced advertising. We're seeing strength still in broadband. The price decrease in mobile should drive market share. In NBCU, which seems like the division with the most upside coming out of COVID, I'm just -- I don't know if this is the year of peak losses for Peacock, but Theme Parks seem like they're on a 5-year growth trend, advertise -- production is coming back, et cetera. Sky, you can see the leverage.

So my question finally is, where do you see the most leverage overall in each of the businesses? And can margins and free cash flow continue to improve?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Well, thank you, Jessica, for those comments. Why don't we just go around the horn and why don't we just go from Dave to Dana to Jeff and everybody give a crack at their view of the business and a chance for them to introduce themselves on the call here.

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

Thank you, Jessica. This is Dave. Start with -- our focus continues to be maintaining momentum around the connectivity side of the business. So broadband, residential, commercial is enormously important and a great growth engine for us. So we're going to continue to enhance broadband, keep adding to it, speed, control, coverage and now streaming and, as you mentioned, mobile. So we're going to focus on accelerating mobile and just surrounding broadband with these products. So that's going to be -- that's our strategy. Nothing will shake that.

And in terms of EBITDA, that we are -- we like our -- the recurring revenue aspect of the connectivity business, we like the margins that, that contributes towards. We're very focused on taking out the transactions that cause customer noise. And so focusing on digital, focusing on things like self-install kits, those -- all the things that we've been talking about will continue. So I feel very good about our position in the marketplace. So there's a lot of upside still in broadband, feel good about mobile and business services.

Dana Strong - *Comcast Corporation - Group CEO, Sky*

Jessica, this is Dana, following up from Dave's side. From the Sky angle, we're really, really happy with the fundamentals of the business. I think Q1 -- our Q1 results demonstrate the position that we're in, subscriber numbers the best, in fact, quarter 1 in about 6 years, churn is down, revenue is up. All of the fundamental factors of the business position us well to exit COVID.

To be more specific on your question in regards to where do we see the most leverage, if I had to boil it down, I would say the U.K. The U.K. is in an extraordinary position for growth. We've got a very diverse revenue base with DTH having its best performance in Q1 in 6 years. Streaming is going well. Mobile is going very well. Broadband is growing well with a lot of innovation potential. And so I think what we see in the U.K. is a lot of growth left in that business and a really solid business to build upon in the rest of the portfolio.

Jeff Shell - *Comcast Corporation - CEO, NBCUniversal*

Jessica, this is Jeff. So there's a lot of different places I could pick and choose from across NBCUniversal, but let me just talk about 2 big points of leverage that I'm excited about. I think, first of all, as we've talked about in previous calls, we really adjusted our cost base across the entire company during the pandemic. We didn't do this just to cut cost. We obviously looked at where the business was going and changed our organization, particularly on the TV side. But I'm excited about the business being -- kind of adjusting the new cost base. And as we grow revenue side, that's going to help.

And then the obvious other one that really was affected and has been affected during the pandemic is our Parks business, which normally is a really, really great business. But obviously, during a pandemic when you're closed, it's not a good business. It's going to be choppy getting open again as things surge and come back and so forth, but it's hard not to get excited about our Parks business. The demand is there. We're seeing it in Orlando. We have no international travel yet, which is a significant part of the business. And we still are hitting capacity, the capacity we've set for ourselves based on safety protocols every day. Just reopened Hollywood, and we're seeing the same thing in Hollywood. Japan is obviously going back and forth, but we're excited long term about that park and then Beijing coming.

And the other thing that's happened during the pandemic is we've continued to build attractions. So we are hitting the return of the market with some pretty exciting attractions in each of our parks. We have Nintendo, which we think is one of the great attractions that we've ever built in Japan, will come in Beijing as well. We have, out in Los Angeles, our new Pets attraction. We're getting stellar reviews, and people love it.

And then most excitingly to me, we have a new rollercoaster in Orlando called the VelociCoaster, a Jurassic rollercoaster, which I rode a couple of weeks ago. It is both spectacular and petrifying. And I think when we open that to the public in June, it's going to be another driver for our business. So I'm very excited about the Parks business, and it's the one business that's going to come back really strongly from the depths of the pandemic.

Michael J. Cavanagh - *Comcast Corporation - CFO*

And maybe -- it's Mike. I'll just jump in after the -- and put it all together because I think the ultimate question was, what happens with free cash flow over time? What's our confidence? And I think as we've been saying pre-COVID for a couple of years in my tenure, we've been investing in each -- we love our businesses. We've been investing so they stay relevant and strong years into the future. And while free cash flow is always lumpy as you're in different periods of time, we've been confident that we are going to grow free cash flow in the years ahead on a multiyear basis.

COVID got in the way, obviously, of that story, but that's, as you recall, what we felt pre-COVID. And I continue to feel that way as we sit here now. And as everybody just chimed in, I think we see the light at the end of the tunnel of COVID. And all of the earnings power of our businesses that we felt were there before COVID, I think these results say that they're still there and perhaps then some.

Operator

Your next question comes from the line of Doug Mitchelson with Crédit Suisse.

Douglas David Mitchelson - *Crédit Suisse AG, Research Division - MD*

I guess I don't -- maybe these are 2 quick ones. But Dave, on your side, the new wireless pricing, does that suggest another investment round in wireless? Or would you just look at that as consistent with the focus on trying to drive share there? Ultimately, what's the wireless strategy? And what are you hoping the new pricing levels to accomplish?

And Jeff, just path for Peacock monetization with engagement coming in double expectations. My guess is you haven't seen much difference relative to your revenue expectations because of the limits on advertising. Can you just remind us when does that advertising inventory get opened up to new advertisers? And how will Peacock monetization progress from here?

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

Doug, this is Dave. I'll start. So our wireless strategy has been very consistent also. And the new unlimited plans are an opportunity for us to improve that value proposition, still have By the Gig, now introducing unlimited, I don't -- it's not going to be a material shift in investment side. There'll be some, but not material. It's just a great addition to the portfolio.

And this -- we've talked about it, it was important for us to accelerate. We think it's good for broadband. It is helping broadband. We see the results in terms of churn, and it's just a growth engine for us, period. So really happy about the 278,000 lines, the most line additions in a quarter since we launched. It grew revenue 50%, achieved profitability. So we're focused across the board in terms of everything that we said we wanted to do, and this is one piece of it.

So focusing on every sales channel, and this is just going to be consistent with our approach. You'll probably see a bit more packaging with broadband and mobile, but that's not really different than anything that we've been talking about doing. So it's off -- it's early with the unlimited stuff, but it's -- we're very encouraged. And -- but we like our complete suite of products that we have in the marketplace.

Jeff Shell - *Comcast Corporation - CEO, NBCUniversal*

Doug, this is Jeff. So let me just take the opportunity with your question to maybe spend a minute or 2 on Peacock and just provide a little bit more granularity and how we're doing more broadly than your question.

So first of all, we are very pleased with our steady growth on Peacock, and we're particularly pleased that we chose this business model, which is an ad-supported AVOD model for the business. It was the right decision to pursue that clearly for our company. Our revenue in that model is a mix of both subscription revenue and ad revenue. And if you actually break down what drives the ad revenue in the future, it's really 4 things we track. The first thing is sign-ups. I think Brian mentioned in his opening that we reached 42 million sign-ups. This is up 9 million from last quarter. And we're very pleased not just with that growth, but with the steady growth in that over time as we've added things.

The second metric is how many of those people who sign up use the service on a regular basis. We internally use a metric known as MAAs, which I think others in the industry also use, monthly active accounts. That's how many households actually use it monthly. It's either -- to be granular, it's either somebody who pays -- a household that pays a great subscription fee or somebody who uses it monthly. And by that basis, roughly 1/3 of our sign-ups are, by our metrics, MAAs. And that -- to put that into context, that is about 1/3 of where Hulu is today. We've only been national for less than a year, Hulu has been 13 years.

So we're very pleased with how that's grown steadily. And MAAs, the way we track them, actually kind of understate the engagement because there are many people who use it, but just not enough to be an MAA. If you actually made a quarterly assumption, then we'd be up to another 10 million above that number. So one of the upsides for us is converting those non-MAA sign-ups to MAAs, which we think we'll do over time.

The third metric is usage, which is very strong, double our projections. And to put that in context, the peak -- an average Peacock MAA is using Peacock more than an average TV viewer is watching NBC. So we're very pleased with that.

And then finally, how do we monetize those users and usage is the CPM, which gets to your question, we set out, as you mentioned, in the sponsorship model. So the vast majority of our revenue coming out was set up by 10 charter advertisers. But we actually are exceeding the guarantees that we made to those advertisers. So we are already, even this quarter, selling some of the excess inventory on a spot basis. And we're achieving CPMs that are equal or, in some cases, above what we're getting on NBC prime, which is our gold standard. That's very encouraging.

And to answer your question, in Q4 of this year, that's when the sponsorship deals roll off and we start selling all of our inventory on a spot basis, but we're in early stages of the upfront right now. So we're already starting to talk to advertisers about making upfront commitments that include Peacock.

Let me just mention one other thing. All of this success is without most of the programming that we anticipated. We anticipated launching with the Olympics. We have not had -- we have 2 Olympics in the next 7 months. We're going to do some pretty exciting things on Peacock with our Olympics programming. And then even though we're back in production, as Mike mentioned or Brian mentioned on 30 shows right now, most of those have not hit Peacock yet. So the strength of our original programming that we have planned to launch with is really coming in future quarters. So very encouraged by Peacock going forward, very steady growth so far, and we're confident about the future.

Operator

Your next question comes from the line of Ben Swinburne with Morgan Stanley.

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

One on Cable, one on Sky. Maybe for Dave or Dave and Brian, thank you for the comments in the prepared remarks on the network. As you know, there's a lot of focus on symmetric offers, particularly in Washington. And I'm just wondering, from a business point of view, do you think there's real demand there? And what kind of time line should we be thinking about in terms of adding that capability or more of that capability to your network? And can you talk a little bit about what that might mean for capital intensity, which I'm sure is what most investors are focused on?

And then for Dana, there's been an unbelievable amount of kind of tectonic shifts in the European sports landscape just this year. And you mentioned Sky -- Serie A. Can you just put all this in context? When you look at the Bundesliga deal, what we're reading about with the EPL, Serie A, is this helpful to Sky hitting its EBITDA targets of doubling over time? Or is this a headwind? Can you maybe just -- because these are obviously massive contracts. Could you just talk a little bit about the soccer background? That would be great for all of us.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Dave, why don't you talk a little bit about symmetrical?

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

Sure. Ben, so this is a focus for us over the next several years. But overall, our approach, our strategy is to continue to enhance broadband completely in that you want to have the best overall speeds in the marketplace that go from to the house or the business, great Wi-Fi coverage within where people are, control streaming, now mobile is part of the overall solution and making it all seamless. So it's the overall experience that we're focusing on, but we continue to improve speeds along the way. 20 years in a row, constant increases in terms of speeds. And we address both downstream and upstream.

Let me put usage in perspective in terms of what we've seen pre-pandemic and most certainly through the pandemic where our network met the moment and then some. But putting usage in perspective, upstream is less than 1/10 of downstream. And so name the application, whether it's video streaming, whether it's gaming, host of education applications, our network has, I think, really stood up and as Brian talked about earlier.

And so while our competitors are spending heavily to try to catch up to us, we've already -- they're testing, we're not standing still. We've done 2 gigabits of download speed. We're testing symmetrical 1 gig. And so we have an architecture that I think is going to continue to put us in position to do it in an effective and a very efficient, capital-efficient way. So again, not standing still. So we feel very good about the long-term architecture because of DOCSIS. DOCSIS 3.1 that we have is a very -- is a strong road map that we can deliver.

And so right now, as we sit here, we have 1.2 gigabits deployed throughout our entire footprint. We've increased the upstream speed. And so over time, I think we can address symmetrical issues. But in the near term, the midterm, we are in a very good position. And I do not see an incremental need for upgrade in terms of capital. We constantly invest in the network. This is not something that just happened overnight. We invest all the time. And we're making our infrastructure more efficient as we virtualize things like CMTSs, and we're just taking cost out of how we deliver this. Couple that with the great DOCSIS standard, I think we're in a pretty good position.

So broadband, commercial and residential is growing. It's a great business. We're going to continue to strengthen our lead position. And I think it's going to continue to be a great return on investment for us. And if we decide to accelerate our plans, our CapEx intensity might be a little bit higher 1 year versus the other. But we're still going to be in the ballpark of what we've been doing, and it's just not going to be uptick by a material amount. So I feel very good about our position, and I really like our long-term road map.

Dana Strong - *Comcast Corporation - Group CEO, Sky*

And Ben, this is Dana. Good morning and thanks very much for your question. There has certainly been a lot of noise around sports and football in Europe over the past 4 or 6 weeks. But if you put it all into context, what I would say is that Sky has had a very good track record of renewing sports rights, and we're generally feeling good that, that track record will continue. With English Premier League, at the last renewal, we made a deliberate choice to reduce our investment by 15%, but we still secured an improved set of rights. In Bundesliga, for the upcoming season, we continue to hold all of the rights to the very best games, but we were able to secure a discount to our previous contract. And the Serie A, I think it just demonstrates that we will walk away when we feel the economics don't work.

I think more importantly and to broaden the periscope a bit, I would underscore that Sky has been on a journey for over 15 years to really expand our value proposition beyond sport, and that's worked extraordinarily well. And I think it comes through in the performance of the business. The fundamentals are in the right place. Our customers are taking more products and services. Our viewing is up significantly on Sky channels. Our churn is significantly lower. Sky streaming is growing considerably, and the aggregation platform is really working, as Brian mentioned, with 2/3 of customers in the U.K.

So I think we feel very, very comfortable that the business fundamentals are very well positioned across all of our markets. We really like the position that we're in, and we feel confident we can continue to build and grow on these fundamentals.

So I think the core of your question is, do we remain confident in our ambition to double the EBITDA over the next several years? And I would say, yes, we do remain confident in that ambition, and I would say that's based on confidence in a range of factors: strong bounce back that we're already seeing after the effects of COVID, our ability to continue to use the retail engine to drive the customer base and reduce churn through aggregation and our strategy for multiservice bundles, a very good disciplined cost focus. The team is executing very well. Secure content supply, and then really a diversification of that to our expansion into originals and exclusives has worked very well. And we still see a lot of strength in the U.K. growth opportunities. So all of that gives me a lot of confidence to say we're on track for our ambition of doubling EBITDA over the next several years. Thanks.

Operator

Your next question comes from the line of Phil Cusick with JPMorgan.

Philip A. Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

I guess a couple of follow-ups here. Brian, as Ben said, thanks for the detail on broadband. Clearly, it's not just about speed. It's interesting that when the market is worried about competition, you guys are raising the bar on yourself for adds. What's the mix of drivers that you see between strong market growth and share shifting?

And then second, on mobile, it looks like you're hiring a lot of people in that business, probably getting ready for a network build. Can you expand on where that network effort is headed?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

So let me start. Dave, why don't you also feel free to jump in on -- I think Dave gave pretty complete answers on broadband. We do believe that by having the best product, and I think we have that, you're in the enviable position. And so we balance, constantly looking at new technologies where competitors might be coming. Over the last, I don't know, 15 years we've had lots and lots of fiber competition. We've had lots of overbuild competition, DSL competition. We've added 20 million broadband just in over a consistent period of time.

And so I think we know how to compete. We go for market share, and we do that while we're able to increase the EBITDA and free cash flow from the business. We really focused on the business sector, haven't talked a lot about that today. They had a great quarter and real momentum. As all businesses are reopening, people are rethinking their relationships, and we have the latest, greatest, best technology. And you'll be hearing a lot more, I think, from our business services unit.

In wireless, just to add to all the points Dave made about our focus on mobile, while, yes, we bought some spectrum and we'll be doing some trials to see how we can offload, and that really will prove to be a cost savings if we get it right in dense areas. That whole relationship requires a healthy partnership with a wireless MNO. And in the case of Verizon, we were really pleased with the partnership. We restructured it so that we're able to make these unlimited offerings in a way that continues our profitability march and real value for consumers and in a way that Verizon is happy that their network is getting used.

So good work to our team that worked hard and to Verizon's team who are bringing great new offerings to the market with Xfinity mobile. So net-net, I think both of those important 2 products, and we now bundle them together, put us in a position to continue to grow and be able to compete with where the world evolves itself.

Operator

Your next question will come from the line of Craig Moffett with MoffettNathanson.

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

A question for Dave, if I could, and 2 actually. First, can you talk about how your Cable segment is preparing for federal stimulus? And how you think that -- what impact that's likely to have on your business? Can you quantify at all what you expect to come from stimulus, including how many Essentials customers you have and whether you expect those customers to now generate higher ARPU under the stimulus plan?

And then on the wireless business, I just want to drill down on a question that was asked before. With the new pricing, do you think that you can still be EBITDA positive in that business even with the new pricing, which presumably will mean at least somewhat lower ARPU going forward?

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

Well, thank you, Craig. So first, on stimulus, the -- there probably will be some non-pay benefit and that we -- there are a couple of different ways that could play out, but our voluntary churn and non-pay churn have been consistently been running low for the past year and had been trending lower pre-pandemic. So our earlier churn performance was regardless of when stimulus checks were received, but could be some -- a little bit of additional support around that. But I think you have to look at the longer-term trends. Our performance overall reflects what we've been talking about. We're building a great network and improving the products constantly. So I think there could be just a little bit of non-pay support. But again, we're already doing fairly well there.

In regards to wireless, I think in terms of EBITDA, the new pricing, yes, the way that we think about this, it's a long-term growth opportunity, certainly, for broadband. We've talked about it. But when you look at the overall marketplace, you feel -- we feel good about that we're -- we have a little over 3 million lines, less than 2 million customer relationships, mobile relationships out of a pool of 33 million customer relationships. So low penetration, lots of runway. So we always -- and take a look at any of our approaches to key categories, we take a very disciplined approach towards packaging and improving value.

And so, yes, we feel very good about unlimited as part of the portfolio and not changing the strategy or materially the results in terms of ARPU and mobile and the impact towards EBITDA. So overall, again, Brian mentioned it, we really appreciate the Verizon relationship. It's important for us. And I think we're good for them, very good for them. And it's -- so it's a good win-win for us to be able to add this new set of unlimited to an already strong portfolio. So feel good about our ability to continue to drive healthy EBITDA with it.

Operator

Your next question will come from the line of John Hodulik with UBS.

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

A couple of follow-ups for Jeff. Jeff, lots of news in terms of sports rights in the U.S. as well with you guys adding WWE and the NFL deal and not renewing NHL and the shutdown of the NBC Sports Net. So can you talk about your strategy going forward and maybe what were some of the drivers of those decisions?

And then also back to Peacock, the big D2C platforms are obviously spending sort of multiples of what Peacock is on content. And what I realize, those are fundamentally different services. Should we expect the strategy to evolve over time with potentially further investment to capture growth and engagement? Or do you guys think you guys are fully capturing the opportunity at current levels?

Jeff Shell - *Comcast Corporation - CEO, NBCUniversal*

Yes. Thanks, John. Let me take them in order. So first of all, we're really thrilled to continue our NFL relationship. That was an important one for us. The NFL really kind of encompasses what we want in sports rights. It is obviously very important for our traditional business, #1 show in prime time for over a decade. And with our Al and Cris and now Drew Brees and Mike Tirico and our talent, we're -- that is a very important tent-pole for our existing business.

At the same time, as the business evolves and moves to streaming and on-demand, that deal also gave us a lot of content that now we can use on Peacock and our other platforms, whether it's simulcast of games and exclusive games or additional rights to show highlights and other footage. It's really the perfect deal with the premier sport in the U.S. So that really is kind of our model. The Olympics is the same thing where we have rights to use content across multiple platforms. Same thing with golf, which is an important tent-pole for us.

And we'll continue to be aggressive and look for sports that not only we can get for a price that we think we can get a return on, but also properties where we can drive usage, both linear and digital. And WWE is kind of the perfect one on that where we were able to take a franchise that was already important to us on USA and our linear networks and extended across in the Peacock in a way that's been very successful. So we're thrilled with our portfolio now. We'll continue to be opportunistic. We'll find opportunities that match all those things.

Turning to Peacock spending, I think it's important to recognize that we really have -- and Mark Lazarus has laid this out pretty well. We want to build our television business to match what consumers are doing. Consumers are watching content across a variety of different platforms, not just linear, not just streaming, but lots of different ways. And our spending really should be looked at in that context, not just what we're discretely spending on Peacock, but what we're spending across our whole portfolio. And when you look at that, we match up pretty well versus our competitors.

And with Peacock, we actually don't, as I mentioned earlier, we don't even have the benefit of most of the spending that we had planned because of the production delays with COVID. So at the moment, we're pretty pleased with the content we have on Peacock and the content that's coming in future days. And as I said before, with the success of Peacock, and I think Brian mentioned in his opening, we have a lot of options going forward. And we'll continue to watch the way the world changes and how our product evolves, and we'll evaluate those options.

Operator

Our final question comes from the line of Michael Rollins with Citi.

Michael Ian Rollins - *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

Was curious if you could share how much of the programming spend within NBCU is exclusive to your platform, whether created by the studio, live sports, news? And where do you see that mix going over the next few years, especially as you look to expand the reach of the Peacock platform?

Jeff Shell - *Comcast Corporation - CEO, NBCUniversal*

Yes, thanks. I would say, virtually, all of our programming -- the vast majority of our programming is exclusive. We -- that exclusivity of programming is very, very important to us. And it's not just the traditional exclusivity, whether it's an SNL or a drama, but it's the exclusivity of a Rachel Maddow every night on MSNBC or exclusivity of our various sports properties, most notably the Olympics. So exclusivity is critical when you look at programming, not just in NBC, but across some of the new digital platforms, too. I don't know if that answers your question, but virtually, all of our programming is.

Marci Ryvicker - *Comcast Corporation - SVP of IR*

All right. Thanks, Mike, and I just want to thank all of you for joining us on our first quarter 2021 earnings call. We hope you all continue to stay healthy and safe.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Thank you, everybody.

Operator

There will be a replay available of today's call starting at 12:00 p.m. Eastern Time. It will run through Thursday, May 6, at midnight Eastern Time. The dial-in number is (855) 859-2056, and the conference ID number is 5168008. A recording of the conference call will also be available on the company's website beginning at 12:30 p.m. Eastern Time today.

This concludes today's teleconference. Thank you for participating. You may all disconnect.
