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CMCSA.OQ - Q2 2022 Comcast Corp Earnings Call

EVENT DATE/TIME: JULY 28, 2022 / 12:30PM GMT

OVERVIEW:

CMCSA reported 2Q22 revenue of $30b and adjusted EPS of $1.01.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Comcast Second Quarter 2022 Earnings Conference Call. (Operator Instructions) Please note that this conference call is being recorded.

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

Marci Ryvicker - *Comcast Corporation - EVP 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 & President*

Thanks, Marci, and hello, everyone.

Our financial results were very strong across the board once again this quarter. We grew second quarter consolidated revenue by 5%, adjusted EBITDA by 10% and adjusted EPS by 20%. We accomplished this while continuing to invest in our businesses and return significant capital to shareholders.

Specifically, we bought back $3 billion worth of our stock in the quarter, bringing our total to $6 billion year-to-date. And we continue to have a healthy dividend and one of the strongest balance sheets in the industry.

Our prudent financial management and long-term innovation-based strategy are paying off in Cable, which posted 5% growth in EBITDA and 70 basis points of year-over-year margin expansion. In fact, our EBITDA margin reached a record high of nearly 45% this quarter.

While we've added nearly 800,000 broadband subscribers in the past 12 months, more recently, that pace has slowed. And we posted flat broadband subscriber additions in the second quarter. I'd like to dig into what we are seeing in that area. Broadband additions, of course, are basically a function of churn and connect activity. While churn remains well below 2019, connect activity was also lower than what we generally see in the second quarter.

We believe this is primarily the result of 3 factors. The first category is move activity. As we've discussed for some time now, there's been a dramatic slowdown in moves across our footprint with the second quarter below 2019 by 12% and the lowest we've experienced since the pandemic began. Our win share of new customer acquisition opportunities remains high, but the slowdown in moves has resulted in fewer of these jump balls. And this has had the largest impact on our gross connects.

The second category is a reversal of some pandemic trends. During the pandemic, many customers, particularly at lower income levels, sought to optimize home-based solutions by adding broadband. This presented us with significant opportunity to take more share in residential broadband. In fact, in the first year of the pandemic, we added nearly 50% or 600,000 more customers than our prior annual average growth.

At this stage in the pandemic, those opportunities have waned as consumer behavior has begun to return to pre-pandemic patterns. And we have also seen some give back to a normalization of mobile substitution.

In addition, during the pandemic, seasonality patterns were very different than what we had seen historically. And this really began to also normalize in this second quarter, causing more seasonal disconnects that did not occur at typical levels in the prior 2 years.

The last bucket is increased competition. Fixed wireless is a new entrant in the marketplace. And while there are likely to be significant long-term limitations, today's excess capacity in wireless networks is creating what we believe to be a temporary opportunity targeted at value-oriented customers. We are not seeing fixed wireless have any discernible impact on our churn but its early growth appears to be another contributor to our lower connect activity. In addition, we continue to compete against fiber in an increasing percentage of our footprint.

Notwithstanding these industry and mostly macro-related factors, we remain extremely confident. We have spent decades investing and innovating to build a business that is well positioned to succeed in the environment we're seeing. And we certainly expect a return to residential broadband subscriber additions.

How do we plan to do that? Well, we are working hard to expand our footprint, taking advantage of growth in housing and businesses in our current markets, accelerating edge outs into new areas. And we are playing offense when it comes to government subsidies.

Next, we will continue to aggressively compete for market share. We offer a superior product focused on innovation and differentiation. And we continue to increase the value of broadband by bundling it with Mobile and Flex. And we are making great progress in our network transition to DOCSIS 4.0, which gives us a clear path to reaching multi-gigabit symmetrical speeds at scale faster and at a lower cost relative to our competitors, all within the CapEx intensity levels we have previously outlined.

I'm also confident and frankly, more excited in our ability to drive revenue and EBITDA growth even through our existing subscriber base alone. We've had a history of generating strong and steady ARPU growth as we continue to add tremendous value and improvement to the customer experience. Our margins are some of the highest in the industry, which highlights the stability and operating leverage of our business, the diversification of our revenue streams and the strength of our other important growth drivers at Cable.

In particular, business services and wireless have been 2 substantial contributors to Cable's financial strength, and each still has lots of runway ahead.

Business services had another strong quarter of revenue growth. And in just over a decade, we've grown this to nearly $10 billion in high-margin annual revenue, including the addition of almost $1 billion in the last 12 months alone.

In wireless, we added 317,000 customers this quarter and similarly, have added over $700 million in incremental revenue in the past 12 months. And we've barely scratched the surface of the opportunity here at only 8% penetration of our residential broadband customers.

Wrapping up on Cable, we are in a unique environment with some headwinds, but move activity should return to some level of normalcy, mobile substitution will eventually stabilize. And we believe fixed wireless has inherent performance and capacity limitations that sharply limit the number of people on a network using a given amount of spectrum, which should provide a natural cap on their overall industry penetration.

Moreover, we believe that our path to deliver multi-gigabit speeds together with the other features and functionality we offer will make our broadband experience superior to any of our competitors over the long term. In the meantime, we will maintain the discipline we've always had. And I am confident that we will strike the right balance between subscriber acquisition and long-term profitability. And we all believe we have a very bright future in this business.

Moving to NBCUniversal. We had a very strong quarter with EBITDA growth of 20% year-over-year. Our parks segment continued its momentum, generating record EBITDA for a second quarter. And this is without much contribution from Beijing, which was closed for nearly 2 months. Domestic park attendance and per caps continue to be above pre-pandemic levels. And we are moving full steam ahead in building Epic Universe. I could not be more excited for how this park will bring new experiences to our visitors and additional runway for growth.

NBCU Media remains a very healthy business. We just completed the highest grossing upfront in our history, a testament to our content and a superb team, and the unique data and technology innovation we deliver through One Platform. This year, we secured more than $7 billion in commitments, including $1 billion at Peacock, double what we did in the 2021/ 2022 season, along with strong pricing.

In Studios, our success with Jurassic World, Minions and Black Phone demonstrates that great content attracts massive audiences. In addition, we are very pleased with our new film windowing, including PVOD and an accelerated Pay 1 availability on Peacock, which have expanded the audience for our films and made our studio business even more valuable.

For Peacock, early access to premium Universal films is a proven driver of subscriber acquisition and engagement. As we discussed during our last call, Peacock had a very strong first quarter driven by a variety of extraordinary programming, including the Super Bowl and Olympics. Given the normal ebbs and flows of our content slate, we were pleased to have stayed relatively flat for the second quarter at 27 million MAAs and 13 million paid subscribers in the U.S., in line with our expectations. And we look forward to a very strong fall when next-day broadcast becomes exclusively ours from Hulu, and we'll be able to take full advantage of our Pay 1 window with a number of big movies like Jurassic and Minions. We'll also have Sunday Night Football, Premier League, the World Cup and more originals.

At Sky, we are operating well in an increasingly difficult macro environment, reporting our highest ever second quarter EBITDA. We grew revenue and EBITDA in the U.K., which is our largest European market and the primary driver of our future growth.

Calling out a couple of highlights, we are particularly pleased with the consumer response to Glass, which resulted in Sky being the third largest Ultra High-Definition television selling brand in the second quarter. And we also recorded our highest ever Premier League final day viewership, taking 30% audience share. In addition, we're seeing the benefit of our disciplined approach to sports rights in both Italy and Germany, where EBITDA also improved year-over-year.

In reflecting on the last 24 months, which has been wrought with uncertainty, we have performed extremely well and continue to make progress against key initiatives. Our Cable business has achieved some of the highest margins in the industry while also delivering healthy top line growth. At NBCUniversal and Sky, they have shown resilience and continue to recover despite unique challenges from the pandemic.

Together, we've generated nearly $30 billion in free cash flow. We're returning a record amount of capital to shareholders, and our balance sheet is in a great place. We have also continued to invest in strategically important growth opportunities, including enhancing our world-class broadband network, scaling Xfinity Mobile, increasing our capabilities at business services, launching Peacock, completing Universal Beijing and starting construction at Epic, just to name a few.

With substantial cash flow generation and a strong foundation for innovation, Comcast is in a wonderful position. Mike, over to you.

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Thanks, Brian, and good morning, everyone.

I'll begin on Slide 4 with our second quarter consolidated 2022 financial results. Revenue increased 5.1% to $30 billion. Adjusted EBITDA increased 10% to $9.8 billion. Adjusted EPS increased 20% to $1.01 per share. And finally, we generated $3.2 billion of free cash flow.

Now let's turn to our business segment results, starting with Cable Communications on Slide 5. Cable revenue increased 3.7% to $16.6 billion. EBITDA increased 5.3% to $7.4 billion. Cable EBITDA margins improved 70 basis points year-over-year, reaching a record high margin of 44.9%, and net cash flow grew 4.4% to $5.3 billion.

Customer relationships are up 591,000 compared to last year and down 28,000 sequentially in the second quarter, reflecting lower levels of new customer connections given the current operating environment, partially offset by low levels of churn, which remains well below 2019 levels. We are focused on delivering an excellent customer experience and monetizing our customer relationships over their lifetime. And in that regard, EBITDA per customer relationship grew by 3% in the quarter.

Now let's discuss Cable financials in more detail. Cable revenue growth of 3.7% was driven by broadband, business services, wireless and advertising revenue, partially offset by lower video and voice revenue. Broadband revenue increased 6.8%, reflecting an increase of 3.6% in ARPU and growth in our residential customer base compared to last year. Net residential and business customers increased by 775,000 over the past 12 months with flat results in the second quarter.

The trends that we saw through the second quarter have largely continued into the early parts of the third quarter with connects remaining soft, while churn is still near all-time lows. This has resulted in a quarter-to-date loss of roughly 30,000 customers.

July is typically the weakest month of the quarter. And the vast majority of quarterly connect activity is weighted towards August and September, which is helped by back-to-school activity. While we're optimistic that we will have a healthy back-to-school season, short-term visibility remains low. And more importantly, beyond this temporary period, we are confident that our broadband speeds, reliability, coverage and control features continue to position us as the best-in-class product for our customers, allowing us to protect and grow our 32 million broadband customer base over time.

Business services revenue increased 10% or approximately 6%, excluding the acquisition of Masergy, which closed at the beginning of last year's fourth quarter. This healthy organic growth was driven by increases in average rates per customer and in our customer base, which grew by 54,000 compared to last year with 10,000 additions in the second quarter.

Moving to wireless. Revenue increased 30% mainly driven by service revenue, which was fueled by growth in customer lines. Overall, we added 1.2 million lines compared to last year, including 317,000 lines in the quarter, which was our highest net additions for any second quarter on record.

Advertising revenue increased 10% mainly fueled by political revenue as well as strong growth at both our advanced advertising business, FreeWheel, and at our streaming business, Xumo, which was partially offset by a decline in our local core advertising business.

As a reminder, Xumo, which contributed about 20% of our advertising growth this quarter, is now part of our Charter JV and beginning in the third quarter will no longer be reported in our Cable results.

For video, revenue declined 2.4% driven by customer net losses totaling 1.8 million compared to last year, including 521,000 net losses in the quarter, partially offset by 7% ARPU growth due to a residential rate increase at the beginning of this year.

Last, voice revenue declined 12% primarily reflecting customer losses totaling 902,000 compared to last year, including 286,000 net losses in the quarter and reflects our shift in focus to bundling broadband with wireless.

Turning to expenses. Cable Communications second quarter expenses increased 2.5%. Programming expenses decreased 1.6%, reflecting the year-over-year decline in video customers, partially offset by higher contractual rates. Nonprogramming expenses increased 5.2% driven by growth in our wireless business, expenses related to our recent acquisition of Masergy and an increase in bad debt as we return to more normalized levels and compare to lower levels last year. These higher costs were partially offset by a decline in customer service expenses, reflecting lower activity levels in the business as well as improvement in customer experience initiatives.

Wrapping up on Cable, we are very pleased with the 5.3% increase in EBITDA and record EBITDA margins. Even as we prioritize increasing investment in our network with CapEx intensity at nearly 11%, we generated a significant level of net cash flow. And we believe our ability to continue to generate strong and growing net cash flow out of the Cable business is sustainable.

Now let's turn to Slide 6 for NBCUniversal. Starting with total NBCUniversal results, revenue increased 19% to $9.4 billion, and EBITDA increased 19.5% to $1.9 billion. Media revenue increased 3.6% to $5.3 billion driven by Peacock with revenue of $444 million, which is more than 3.5x higher compared to last year.

Distribution revenue increased 8.4%, reflecting growth at Peacock driven by increases in paid subscribers compared to last year and growth at our networks as higher contractual rates were only partially offset by linear subscriber declines.

Advertising revenue decreased 1.3% due to linear rating declines and a difficult comparison to last year when we had a higher number of sporting events and NHL, which we no longer have rights to, partially offset by a growing contribution from Peacock and higher pricing. Excluding the impact of sports timing and NHL, advertising would have grown low single digits.

Media EBITDA decreased 2.9% to $1.3 billion in the second quarter, including a $467 million EBITDA loss at Peacock. Excluding Peacock, Media EBITDA increased nearly 4% driven by a decrease in sports costs associated with a lower number of events compared to last year and the absence of the NHL.

We continue to expect Peacock's EBITDA loss will be roughly $2.5 billion for the year. However, taking into consideration the timing of content launches, we expect losses to be higher in the second half, especially in the fourth quarter.

Moving next to Studios. Revenue increased 33% to $3 billion driven by higher theatrical and content licensing revenue. Theatrical revenue nearly tripled compared to last year's results driven by an increase in the number of releases as well as the success of these films, including the outstanding results of Jurassic World: Dominion.

Content licensing revenue was up 19%, mainly driven by growth in TV licensing as production has returned to pre-pandemic levels. EBITDA decreased $155 million to breakeven for the quarter driven by an increase in programming and production costs associated with the higher content licensing and theatrical revenue in the current quarter as well as an increase in marketing costs ahead of several film releases in late June and in July, including the very successful release of Minions: The Rise of Gru, Black Phone and Nope.

Last, at Theme Parks, revenue increased 65% to $1.8 billion. And we generated EBITDA of $632 million, which was a record level for any second quarter even though Universal Beijing was closed for most of the quarter due to COVID-related restrictions. These results show strong improvement compared to last year when Hollywood was operating at limited capacity and Japan was closed for part of the quarter.

We continued to see strong demand and EBITDA growth at our U.S. parks, where attendance and guest spending has been above 2019 levels with Orlando delivering its highest level of EBITDA for any quarter and Hollywood experiencing its best second quarter EBITDA on record. Universal Japan has shown a nice rebound since capacity restrictions were lifted at the end of March with attendance having its strongest improvement since the pandemic. And we expect momentum will build over the long term.

Universal Beijing was closed for about 2 months and reopened at the end of June, resulting in an EBITDA loss at that park this quarter. However, this was still a financial improvement compared to the level of preopening costs we incurred in the same period last year. Since reopening the park, the trends have been positive despite capacity restrictions and testing requirements. While COVID remains a risk we must manage, particularly in Asia, we remain bullish on the parks business, both in the near and long term.

Now let's turn to Slide 7 for Sky, which I'll speak to on a constant currency basis. For the second quarter, Sky revenue decreased 3.5% to $4.5 billion as low single-digit growth in the U.K. was more than offset by our results in Italy and Germany, where we continued to transition through resets in our sports rights.

Direct-to-consumer revenue decreased 2.4%, reflecting consistent average revenue per customer relationship and a decline in customer relationships compared to last year, including customer losses in the quarter of 255,000, which partially reflects normal customer churn associated with the end of the football season as well as an increasingly challenging macroeconomic environment for consumers across Europe.

Direct-to-consumer revenue in the U.K. increased low single digits in the quarter due to an increase in video revenue primarily driven by higher revenue from pubs and clubs as they recover from the pandemic as well as increases in wireless and broadband revenue. This growth in the U.K. was more than offset primarily by a decrease in revenue in Italy due to the reset in our Serie A broadcast rights.

Rounding out the rest of revenue at Sky, content revenue declined 16% driven by the reset and sports licensing agreements in Italy and Germany. And advertising revenue decreased 3.1% with growth in the U.K. and Germany despite the difficult macro environment more than offset by a decline in Italy.

Turning to EBITDA. Sky's EBITDA increased 71% to $863 million, reflecting our strong growth in the U.K. and improved results in Germany and Italy mainly driven by lower sports programming and production costs due to resets in our sports rights.

As a reminder, the upcoming World Cup will take place in the fourth quarter, which is the first time this event has taken place during National League's regular season schedules. To accommodate this, national soccer leagues, including the EPL, will start the new season 1 to 2 weeks earlier in the third quarter and then take a pause for a period of 4 game weeks in the fourth quarter while the World Cup is played. As a result, compared to last year, we will incur higher sports programming amortization in the third quarter with lower levels in the fourth quarter and higher again in the first half of next year.

Now I'll wrap up with free cash flow and capital allocation on Slide 8. We generated $3.2 billion of free cash flow this quarter. Cash taxes of $2.75 billion included some items that drove us above the normal run rate by roughly $600 million.

Consolidated total capital increased 12%, reflecting significant progress in building Epic Universe in Orlando, higher capital spending at Cable driven by investments in line extensions and scalable infrastructure, partially offset by a decrease at Sky. For the year, we continue to expect Cable CapEx intensity to stay around 11% as we work towards enhancing and transitioning our broadband network to DOCSIS 4.0 in the next several years and NBCUniversal CapEx to be up around $1 billion year-over-year driven by the construction of Epic. Based on what we reported in the first 6 months of the year, that means total capital should be about $2.5 billion higher in the second half of the year compared to the first half.

Working capital was $1.7 billion for the first half of 2022 and is likely to be slightly below this amount in the second half of the year, reflecting the continued ramp in content creation and the timing of annual sports rights payments.

Turning to capital allocation. We repurchased $3 billion worth of our shares in the quarter. In addition, dividend payments totaled $1.2 billion for a total return of capital in the second quarter of $4.2 billion. We ended the quarter with net leverage at 2.3x, in line with our expectations for leverage to remain around 2.4x going forward.

So with that, 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 - EVP of IR*

Thanks, Mike. Operator, let's open the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ben Swinburne from Morgan Stanley.

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

Maybe just a strategic question for Brian, and then I wanted to ask a follow-up to Jeff. Brian, your balance sheet and cash flow generation is a real asset in markets that are tough and creates opportunity for the company. And honestly, in the backdrop of broadband slowing and concerns around the future of streaming and also some press reports about Comcast considering different strategic structure, just wondering if you could talk about the portfolio and how your level of confidence that you've got growth opportunities and the opportunity to create value and if you're thinking about ways to deploy that balance sheet at capacity to change things or take advantage of opportunities in the market that may be there for you now that weren't there maybe over the last 2 years?

And then, Jeff, just on the parks business, I guess, with the GDP result this morning, we're officially in a recession, but it doesn't sound like that's the case at the Theme Park business. So can you talk a little bit about your visibility into the second half of the year and into next year, both in the U.S. and overseas and whether you have confidence you can continue to kind of deliver these record results at the Theme Park business despite what seems to be a weakening macro.

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

Thanks, Ben. I think what I was trying to say at the end of my remarks was cutting right at your point. I think we are in a fabulous place. We have kind of unprecedented cash flow and scale by our -- what we've got as one company. We're working really well together.

We always think about whether this is the competitive right set for the company, and I feel it is. If you look at all the broad diversified growth drivers that came out here again in the second quarter, whether it's wireless net adds at a record -- near record levels or the business service growth back to high single digits, the new attendance records to your question about Theme Parks domestically.

The last couple of years in broadband, obviously, we'll talk, I'm sure, some more here about that, but adding almost 3 million customers, going from 0 to 13 million paid subs in a couple of years at Peacock is a great achievement and the highest rated broadcast network. I think all parts of the company are really doing a great job in some interesting times.

By the way, our treasury department went out while interest rates were low, and we've basically repriced the whole balance sheet for something on the order of 18 years average maturity at record low rates. So I feel we are able to return capital to shareholders. I think that's been the real focus, and I think we did it again this quarter.

Our bar is, therefore, very high to -- as we look at things from that -- through that strategic lens of our cash flow and scale. So I think we feel really strong. I think we have so many diversified businesses that are each has its own game plan. And we'll talk, I'm sure, a little bit about some of them today. But the biggest ones are really well run. We've got some new leadership in a number of cases, and I'm really pleased with the company that could post 10% EBITDA growth.

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

Thanks, Brian. Ben, I'll just take the parks one really quickly. So obviously, the parks business historically has been subject to macro trends, and there's no reason to think that, that won't be the case in the future. When we look at our business, we're just not seeing it yet in our numbers and our performance. And if you kind of look at the -- we're putting up these numbers despite the fact that our international visitation domestically is about half of what it has historically been. So we expect that to increase over time back to where it should be.

We have a lot of attractions. We continued building attractions during the pandemic. Brian talked about Epic in the opening. We have those attractions continuing.

Internationally, Japan has been steadily improving quarter-to-quarter-to-quarter, still not back to where it was pre pandemic, but the trend line is really good. And Beijing, which was closed 2 of the 3 months of this quarter, opened in the third month and is doing really well, much better than we expected despite COVID constraints still on capacity.

So -- and all that international performance is subject, obviously, to the strong dollar, and that is a headwind for us. So I think we feel really good about the parks and feel like there's a lot of growth ahead of us despite what could be macro challenges that we could or might face. We're just not seeing it yet.

Operator

And our next question will come from Phil Cusick from JPMorgan.

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

I wonder if we can dig in to the level of your promotion and competition in the Cable business. We've anecdotally seen some pretty aggressive promotions. It's hard to tell whether those are sort of limited or widespread.

Are you pushing harder on average than you were a year ago? And when you compete with wireless since you expect fixed wireless to have a cap on penetration, does it make sense to push back with that on price? Or do you sort of just let it come in and take those customers? How do you address that?

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

Phil, this is Dave. Let me go into both of that, the competitive landscape and the promotional intensity. So let me start with the drivers very quickly because I think that sets it up and Brian mentioned, since March of '20, we've added 3 million broadband customers to this point.

And so you look at things like the move activity, June being the lowest level since this whole -- happened, mobile substitution really driving that 3 million with the surge and seasonality, places like Florida that in 2021 we actually gained customers, which we normally don't. And this quarter, we went negative in Florida.

So you put all that together, we have to, I think, put that in perspective. And that determines a lot of the competitive planning. But we've always approached competition with a tremendous sense of urgency. We have local competition. We have large national scaled competition. And most certainly, fixed wireless is the newest one.

And you go through a launch phase that typically adds pressure. And we are seeing that on the front end. As Brian said, it's impacting connects. We do not see it in churn. So our approach is to segment the marketplace, go after each segment, provide great value, really lean into the network benefits that we have and compete fiercely for each segment. We've always done that, and we'll continue to do that.

Mobile is an area where we really can continue to be aggressive. We've been doing that. I think the results were very strong in the second quarter in terms of mobile. I think there's more that we can do as we integrate mobile into every single sales channel. So look for us to continue to be aggressive in regards to how we package each segment and leverage mobile.

What we won't do is chase pricing down to the bottom. So we're going to have a good balanced approach towards competing fiercely for each segment, but we have a great network. We have great innovation. We have the best WiFi gateway device that's out there. We're going to leverage our strengths in every part of what we do.

And so with all of those things, you manage the promotional intensity for the long run. But we continue to evolve our competitive playbook all the time. But you won't see us go down and chase discounting.

Mobile is a great addition adding value, and look for us to continue to do that. And I think one of the unusual moments part of this is with the mobile surge, with wireless-only coming back, look for us to continue to leverage the best broadband network with the best mobile.

And by the way, for those that are paying attention to Ookla stuff, we have the data from Ookla in terms of mobile service, and Xfinity Mobile is the fastest overall mobile service provider. So look for us to leverage that. We'll combine the best network with best mobile service, and we'll continue to do that. But there won't be a dramatic shift in promotional intensity.

Operator

And our next question will come from Craig Moffett with MoffettNathanson.

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

I wonder if you could, let's stay with the topic of broadband for a minute, if you could dive into the patterns that you're seeing geographically. You talked about fixed wireless. The companies that are selling it primarily, T-Mobile and Verizon, are skewing rural. Where are you seeing the competition from fixed wireless most strongly? And where are you seeing the competition from fiber most strongly? And what does that fiber competition look like?

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

Well, actually, let me start with fiber, Craig. And there, we've been at it for a long period of time. We've gone from 0 to -- over a 15-year period from 0% to 40% overbuild. And so that is -- we have good visibility to where fiber is, and that's all over the place at this point between multiple fiber providers. And important to note whether it's fiber or any other form of competition, we're growing in every single geographic area.

With fixed wireless, you're right in that there appears to be 2 things. One, they are adding some small business, new, maybe even expanding the marketplace a bit with small business, watching that closely.

They're a little bit more rural, which we have been watching. But it's kind of across the board. When you have, again, this launch phase of somebody doing it at scale like this, you see it a little bit all over.

But again, the difference here is our churn versus fiber back in the day where we saw churn go up. We're not seeing that here. We are seeing a little bit of pressure on connects, and it's kind of all over, which points towards more of the main drivers being what I mentioned earlier. It's the move activity plus the mobile search. So that is really the key thing. But we watch it. One of our great strengths is local competition. We stay on it in a very granular basis. We watch this very closely. So your point is a good one.

Operator

Our next question comes from Doug Mitchelson from Credit Suisse.

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

I'm just curious if anyone on the team has any other thoughts on what they're seeing in terms of macro trends, whether it's advertising or days outstanding or bad debt or sort of across all the businesses.

But also, Dave, for you, as we look forward in Cable, if you're going through a sustained period of slower broadband growth due to the factors you've outlined, that potentially means a little bit slower revenue growth. Are you -- as you budget this business on a go-forward basis, are you budgeted to hit a particular margin goal, so investment OpEx levels would come down as revenue comes down? Or how do you think about managing the business on a go-forward basis if there is a little bit of a revenue slowdown given the slower broadband growth?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

So it's Mike, Doug. I'll jump in. I think across the board, we're generally -- we're not seeing slowdown. Dave can comment or add on payments on the consumer side. And I'll let Jeff comment on advertising, but versus some of the commentary you've seen, I think we're able to deal with some of the macro stuff impact on consumer and impact on cost in our expense base.

Brian already mentioned the interest rate side of it, and 85% fixed at the grade levels we -- he mentioned. And then on our expense base, very small part of it is energy related through fuel or rolling trucks. Others -- other areas, labor and the like, we have pressures like all others. But I think we know how to manage our way through these kind of challenges. So I wouldn't call out as we look to the second half of the year that macro is a particularly big issue. I'll let Jeff jump in.

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

Yes. So I just -- thanks, Mike. I would just add, Doug, that in the advertising market, the advertising market is choppy. I mean, I think we said that last time. It continues to be choppy, down year-on-year in the scatter market. It's really segment by segment-based though. Some segments are doing better. Some segments are doing worse.

And we just finished the upfront, as Brian said in his opening. And the upfront was way better than we expected. So definitely some, as I said, choppiness, but nothing really that dramatic.

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

And I'll just jump in one more time, and Dave can follow up. But I mean, when we -- across all the businesses, budget exercise and the like, I mean, our job and the way we think about it is to really think about optimizing for the long term.

So last thing you're going to see us doing is -- and it goes back to the strength of balance sheet, strength of cash flow, we won't be cutting muscle. We're focused on in tougher times trimming some fat, but it will be very, very long-term minded in how we think about investment priorities, which are substantial to drive future growth.

And so fortunately, we're in a position where we don't have to sacrifice that. That doesn't mean there won't be tactical adjustments and belt tightening, but I'll throw it over to Dave.

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

Thanks, Mike. Doug, so on looking forward, certainly where we're at right now, I think, points towards the game plan. We had -- in broadband alone, we had really healthy ARPU growth, 3.6%, half being rate-driven, the other half just how we manage tier mix.

So I think there's -- you look at the overall strength of total relationships, 32 million broadband relationships that we have and the ability to manage through that and focusing on the strengths of the network, the strengths of the product. We'll continue to do that.

We have a lot of levers that we'll focus on. And again, we talked about promotional intensity, but we're going to put customers in the right segment. We always segment the marketplace. We'll continue to do that.

And so you also look at multiple growth areas that we have in Cable where business services, Brian talked about that, is a growth opportunity. Mobile is a growth opportunity. The platform even for video, I feel, is a growth opportunity.

So we will consistently manage and be competitive with the broadband relationships. But I think we'll continue to focus on our network and the product advantages that we have. And that will help us focus on the pricing approach that we have in the marketplace.

Operator

Our next question comes from Jessica Reif Ehrlich from BofA Securities.

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

I just wanted to drill down, if possible, on advertising. Jeff, I'm not sure what choppy means. Could you give us any color on kind of magnitude up or down in scatter, outlook for political? And then on Cable, if anyone can comment what's going on in advertising there.

But more importantly, Peacock came out of the gate with a differentiated strategy on AVOD, and now you're seeing a slew of other companies following. Obviously, inventory will go up, but is that positive or negative? Meaning will more advertisers come in? And if they do, are you taking share from digital? Or is it a share shift from linear? Just any color you can give us on AVOD would be great.

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

Yes, Jessica, thanks. So what I mean by choppy is that there is -- it's not a broad decline or increase. So if you look at our business, first of all, in the quarter, as Mike said in the opening, if you take out the NHL playoffs from last year, we were actually up in the quarter, which I think is better than some of the other companies that have reported so far. So up year-on-year is a pretty good thing.

And if you look at kind of what we're seeing in the scatter market, what we saw in the upfront, you have things like auto, which is down, but that's related to the fact that -- you saw in GM's earnings yesterday is you just don't have a lot of cars on lots. Therefore, they're not advertising. So that's why their advertising's down there. And then pharma in the upfront was up significantly as you have a backlog of drugs that weren't approved in the last couple of years by the FDA are expected to be approved.

So what I mean by choppy is just segment by segment, different things are going on, both up and down. And there's no kind of macro overall ups and downs.

On Peacock, look, we had the benefit of studying the market before we came in. And we think we picked the right business strategy, which is kind of an extension of our existing business, not a new business based on dual revenue stream of subscription and advertising. And I think everybody kind of moving in that direction is the validation of that business model.

And as far as advertising in general, our business, linear and Peacock, we're one of the largest advertisers out there, over $10 billion of advertising. So people coming in at the levels they are coming in, we don't expect it to have any material impact on what we sell and how we do it. If anything, our scale gives us an increasing advantage.

And then you mentioned political in the next door. We do -- we don't want to count our chickens before they hatch, but we expect a pretty strong political kind of season coming up. And I think our company, speaking now broadly, the entire company, not just our linear businesses, but our local TV stations and Dave's business and Cable, we're kind of uniquely positioned and now with Peacock to take advantage of whatever a candidate wants to advertise and where. So we expect some pretty strong results from Peacock in the coming fall in addition to the advertising across our whole company.

I don't know, Dave, if you want to add anything?

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

No, I totally agree with that.

Operator

Our next question comes from Brett Feldman from Goldman Sachs.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I'm going to follow up on one of the questions that was asked earlier. You always kind of get these questions around capital allocation and M&A. And it seems like those discussions always seem to focus on what you may or may not want to do in the media space.

But you still generate the large majority of your earnings and cash flow out of your Cable Communications segment, and a harder backdrop may make asset values in that sector come down. We've already seen that.

What is your appetite for maybe increasing your discretionary capital into telecom? Meaning would you be interested in buying more cable assets if they were available or fiber assets if they were available or things that would support your mobile business from an infrastructure standpoint? I just feel like it's been a while since we've taken your temperature on whether that could be something you'd be interested in doing opportunistically.

And then just a question on the parks. Obviously, the strength in per caps was an important part of what contributed to the outstanding financial performance in the quarter. But beginning of 2Q and the end of 2Q, I think, were very different economic environments. So I'm just curious whether you've seen any notable shifts in spending patterns at the parks in the more recent weeks.

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

Yes. Mike, you may want to jump in on this or Dave. This is Brian. The -- absolutely like the communications business that we're in, that's certainly my roots in life. And the most recent acquisition we made, we call these kind of tuck-in acquisitions, would be Masergy. And that's in the business services group, and it's off to a really good start and allows us, just like you said, more capabilities.

I think that's probably more what our focus is, how do we look for new revenue sources and new growth avenues and through people who've either started a company or built a company have something that we can then scale faster. And that's been a good pattern. So Dave's team looks at that all the time, Mike and the business development team. So you guys want to add to that? I think it's pretty...

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Nothing -- it's all inbounds. I think as Brian said, the bar is always high. But I think we look at smaller stuff like Masergy and even smaller, and there's a steady diet of trying to add capability, innovation and scale it up across the whole footprint of Cable.

And a lot of it is inclusive of, remember, the road map for tech, video aggregation, broadband and the like is shared with Sky. And so when we look at that question, we're really looking across both of those businesses together.

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

Two things. One, just following on Masergy, it is a great example. It's an opportunity to grow. It's one of our most important areas, mid-market and enterprise as an example of making the right kind of bet on that. And it's off to a really good start.

The teams are working really well together, Masergy, our business services teams, and doing exactly what we'd hoped for in the early days of integration.

Second point is AppCo, the joint venture with Charter. Another great example of an opportunity to grow. And having a scaled platform like that, investing in that future, I think, is the right kind of bet to make. We'll continue to look for those opportunities.

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

Yes. But just following up on the -- Brett, the last thing you said, the per cap. So I think one of the surprises coming out of the pandemic for us has been the strength of per cap spending. Normally, people who come in from international spend more on Harry Potter wands and so forth than people domestically. And we've seen domestic per cap speed just tremendous coming out of the pandemic. And we've seen no weakness in that coming out of the quarter into the next quarter.

Operator

Our next question comes from Jonathan Chaplin from New Street.

Jonathan Chaplin - *New Street Research LLP - US Team Head of Communications Services*

So you've been willing to run leverage higher than 2.4x in the past. It feels like at this point, the market isn't giving you full credit for the strength that you see longer term in the Cable business and in this combination of assets. And I'm wondering if now is a great time to sort of take advantage of that. Would the reason for not pushing leverage higher and buying back more of your stock just be the macro environment? Is that what's sort of holding you back on leverage is macro uncertainty?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

More or less, yes, Jonathan. It's Mike. So I mean, I think we think about long-term cycles that are around our businesses and the economy. And I mean, it's been our view that having a strong balance sheet defined by the leverage or the ratings we've chosen to seek is the right way to run the balance sheet.

And I think Brian talked about and others have observed that together with the ability to invest heavily in our businesses, maintain a strong balance sheet, return lots of capital to shareholders and keep driving future growth by investing back in the businesses is a formula that in times like these with uncertain markets, I think there's a lot of companies out there that wish they had those characteristics. So it's not lost on us.

But nonetheless, we've been active in capital return, $6 billion of buybacks in the year-to-date, 14th year in a row of raising the dividend. That's on the back of really strong financials in the first half of the year.

And I think, hopefully, the takeaway from this call is our feeling comes through that we feel very good about the EBITDA strength coming into the second half of the year. So -- but that's how we think about it. We wouldn't -- I wouldn't be reacting to change our leverage and balance sheet design because it's really designed to take us through many different kinds of cycles.

Operator

And that last question will come from John Hodulik from UBS.

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

Just following up on some of the commentary on high-speed data competition, maybe for Dave. Can you give us a sense on what the fiber overlap is these days and maybe how that's changed over the last 12 months?

And then on the ARPU, I thought there was some good commentary about rate and tier mix. Are you seeing any -- I mean, I know, Dave, you said you wouldn't chase rate to reaccelerate growth on the sub side. But do you still think you have the same pricing power that you've had, given the changes in competition? That's A.

And then B, on the tier mix, have you seen any -- especially given the pressure that the consumer is seeing, have you seen any change in trends in terms of up-tiering and potential signs that consumers may look to save money on broadband and down tier?

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

Yes. So John, on the overall approach towards the marketplace and pricing, really, we've always segmented the marketplace. So we've done that over a long period of time. So there's not a dramatic shift in the current environment.

There certainly is with mobile substitution. I think that skews more lower end, and so -- but we've always participated and had great programs like Internet Essentials, and so we don't see a real shift. We've always gone in and out in terms of our approaches towards offers and have different competitive answers.

And when you look at the fiber, we've gone -- we're at 40%. That's where we are at right now. It's been the steady build that surged early on. We're quite used to it and compete very aggressively against all of the fiber group and don't really see a change.

You look at the telco results, not -- it speaks for themselves. So we're -- that competitive area, we've had a consistent approach and won't change our aggressiveness, which has always been segment-based, best network, best products and let that be the main driver of our competitive playbook.

Marci Ryvicker - *Comcast Corporation - EVP of IR*

Thanks, John. That will end our call, and thank you, everyone, for joining us.

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

Thanks, everybody.

Operator

We have no further questions at this time. There will be a replay available of today's call starting at 11:30 a.m. Eastern Time. It will run through Thursday, August 4 at 11 a.m. Eastern Time. The dial-in number is (719) 457-0820, and the conference ID number is 1292809. A recording of the conference call will also be available on the company's website beginning at 11:30 a.m. Eastern Time today.

That concludes today's teleconference. Thank you for your participation. You may now disconnect.
