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PRESENTATION

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

We're about to start our media part of the day with Jason Armstrong, Executive Vice President and Deputy CFO and Treasurer of Comcast. Did I miss any titles?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

You got it.

QUESTIONS AND ANSWERS

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

Got it all. So welcome. Really great to have you here. Comcast has a number of different areas of business, including, obviously, Cable, NBCU and Sky. Can you talk a little bit about how the businesses fit together? What strategic advantages are gained from having them all part of the larger Comcast?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. Well, Jessica, thanks for having us here. It's actually great to be back in person this year. I think Comcast, in terms of strategic is, I'd say, a scaled and integrated content and distribution company, with leadership starting from Brian, Mike, Dave, Jeff, Dana, that's really focused on innovation and collaboration for the purpose of the total business, not just individual business units. So I think that's where we start at the core.

But the scale part, we've got scale in content, we've got scale in distribution, we've got scale in advertising, we've got scale in tech platforms. So to hit those sort of one-by-one, scale and distribution, we've got 60 million global customer relationships in high-value markets, strong consumer wallet share, with customers paying us an average of $120 in ARPU a month. So significant scale and distribution.

We've got scale in content. We spend $20 billion a year between NBCU and Sky in content production. And we hit 700 million -- if you think about sort of the scale and the reach that we have between NBCU and Sky, it's 700 million people globally. So we've got extensive reach and scale on the content side. And then there's advertising, which sort of sits in between. But if you look at what we have in advertising, I'd say we have one of the, if not the sort of foremost brands out there in premium, long-form, advertising, married with ad tech capabilities that sit in other parts of the organization.

Very recent example, when the largest SVOD company globally went out and said, we need to have advertising capabilities and are we going to build them in-house, or are we going to go externally, ultimately went externally, and I think the press reporting on it was that it was down to 3 companies. It was Microsoft and Google and Comcast.

And if you think about what Comcast brought to the table, I would say we were at or near the top of the pecking order in terms of the capability set. We may not have been willing to write the biggest guarantee around it, but in terms of capability set, the sales prowess we have on the ad sales and distribution side and the ad tech capabilities that come out of Cable, Sky and sort of what we have sitting in the center of the business, put us right there. And I think that was a great sort of cross-company moment to be that far into the mix on something that was that relevant.

And then finally, there's the global technology platform. And that increasingly is a hub-and-spoke model where we've got scale in global technology that sort of sits at the core of our business. And then the spoke model is how do you go serve different markets and constituents, whether it's OS systems, whether it's Flex, X1, Sky Q, Sky Glass, whatever fits per market, but around a common technology platform that can be leveraged and give us scale advantages.

And so you put this all together, last quarter was a good example, year-over-year, we grew revenue 5%; we grew EBITDA 10%; we grew earnings per share 20%. So as I think about the algorithm for Comcast, I'd say good revenue growth, really good operating efficiency and operating leverage that translated into 10% EBITDA growth.

And then with the balance sheet where we want it to be and the opportunity to return a lot of capital to shareholders which we're doing, there's the opportunity to sort of infuse financial leverage in the system as well and accelerate earnings per share growth. I would say, really good outlook for the businesses in total. We've got growth at scale, and we've got businesses that are working really well together.

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

Right. Is it important to keep them all together? Do you feel like you need to keep them all under 1 umbrella?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Well, I think for those reasons, the starting point is we'd like to keep them together because there are obvious benefits to having them together. And it transcends scale. It's a culture that sort of starts with innovation and collaboration where it's the benefit of the sort of total company comes first and foremost.

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

Right. Before we go into the individual drivers for the divisions, can we just talk a second about investment spending and how you prioritize between the different units? How do you weigh the level of investment for these assets against potential other uses of capital, whether it's M&A or something else?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Well, I think that the starting point here is we're not capital constrained, and that's a very nice place to be. That is not true of everyone out there in our peer set. We have a very strong balance sheet that's exactly where we want it to be. We have very strong free cash flow production. And so that allows us to go invest in a lot of different parts of the business and not have to sacrifice 1 part for the other. Instead, we can say if they are high returning, high potential projects, we're going to go fund them and make sure we have a number of growth runners.

So if you look across the business, I would tell you, priorities are, make sure our broadband network, we're going to continue to invest in it. We can talk about this over the course of this session. We're making substantial investments in the broadband network. We actually had an announcement out today about real sort of concrete steps we're taking in a timeline around mid-splits, and ultimately, DOCSIS 4.0 when we get there, which I think is sooner rather than later.

We're investing pretty substantially in business services, and that's more around where do we find capabilities that can augment what we're doing and how we serve the market, realizing we've got a scaled business that we've made our way into in the SMB space, and we're now tackling mid- and large-size enterprises. We did an acquisition last year that brought us a lot of capabilities in a specific segment, in particular, that was SD-WAN. But we're in a unique opportunity where we can buy capabilities and then go extend them across a base that's large and growing in business services. So we'll continue to do that.

Then there's wireless where we'd say we want to accelerate growth. I think that's what you've seen from us. And there's opportunities to be more aggressive in wireless and drive even more growth and accelerated growth over time. All at the same time, we're engaged a streaming pivot, and that's NBC from linear to streaming and the investments required in that. There's obviously some dilutions upfront. We're sort of in the middle of that now, but we're funding it to get to the other side with a very strong outlook, we think, for Peacock.

And then there's Theme Parks. And Theme Parks, we've got a great outlook as well. I know you've done a lot of work on Theme Parks and sort of share our view on Theme Parks, which is we're very bullish on parks. And we've got a lot of attractions that we've either put in place the last couple of years that a lot of customers haven't experienced. And that's still something that's ahead of them or attractions that are sort of in the pipeline right now for '23, '24 and '25, that will be significant and significant growth drivers.

So I think we've got a lot of investments in the system. But at the same time, we're returning a lot of capital to shareholders. I think if you look historically and took sort of our peak capital allocation numbers on buyback, we are run rate double that at this point this year. So unlike anything we've seen historically with Comcast, and we're happy to be there.

We did $3 billion in buybacks in the first quarter. We did $3 billion in the second quarter, puts us on a run rate for $12 million for the year, plus a buyback or a dividend of $4.5 billion, and you're talking about return of capital back to shareholders in the form of buybacks and dividends that's approaching $17 billion against a market cap where the implied yield back to the shareholder would imply over 10% right now. So very healthy returns back to shareholders, while at the same time, we've got a number of growth runners in our business.

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

Great. So let's go into the specific divisions and start with broadband. I mean this last quarter was the first time ever that you guys reported no growth. And the trend in the third quarter which is the slowest part of the quarter, always seasonally is the slowest part continued that trend with a loss. So now we're kind of in the back-to-school period, September has always been a critical month. But what can you tell us? Can you give us any update on what's going on in the third quarter?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. We've still got a few weeks left to go in the third quarter. So I won't pre-announced subs today because there's still some time ahead of us. And also, that's not generally our practice. Marci would probably kill me, she's in the front row here. But, I would tell you, it's competitive. It's the same trends that were in place in the second quarter have continued into the third quarter, and that's -- there's a combination of macroeconomic environment, which has suppressed move activity, which moves are positive for us.

And there's a competitive environment, which we can get into. That's created a more challenging environment. You saw that, in part, in the first quarter. You definitely saw that in the second quarter. And so when we talked about the third quarter on our July earnings call, we gave an outlook that said, hey, to date in July, which we were at the end of July at that point, we said we had lost 30,000 subs in July, but we expected back-to-school to be a tailwind in August and September. And as I sit here right now, the outlook that we gave is kind of exactly what's played out. We had a little bit of a headwind, obviously, that we were working against in July, and we've made some progress in August and September.

So I think, as we step back, though, we'd say, more importantly, let's diagnose sort of really, really the environment right now and then ultimately how you attack this and win over time. I think right now, as I said, move activity is suppressed. Historically, jump balls have actually been a positive thing to the cable business. We tend to take disproportionate share. I think our view is that's still true today. It is more competitive, but it's still true that jump balls are a good thing for us.

And on the competitive side, there's sort of 2 impacts. There's fiber, which is very much a known quantity, and we've competed against fiber for a very long time. And then there's fixed wireless. So to take both of those, on fiber, we've been competing against fiber for 2 decades. And fiber has gone from 0% to 40% sort of across our footprint in a fairly linear fashion. And in that time frame, we've become America's #1 broadband provider, 32 million subs. I would tell you in the last couple of years through the pandemic, we added 3 million subscribers in an environment where fiber was actually picking up in terms of the presence in the markets that served against us.

So I think we feel very good. Dave and team have had a terrific playbook to go against fiber. And that continues, and I think that will continue in the foreseeable future and feel good there.

Fixed wireless is newer, right? It's new, it's national. It's a gross add equals a net add because there's not really any churn in the system yet, although there will be. But when you step back and say, okay, longer term, how do we compete, how do we win? And unpack those 2, fiber is the real long-term competitor. And it always has been. Our view hasn't changed. It's a very viable competitor.

Fixed wireless is clearly having its moment right now. But when you think about the product offering and long-term competitive advantages that either we'd have or fixed wireless we have, I think we feel great about our positioning. I do think this is a moment in time, I think, for customers that tend to be switchers that are willing to tolerate lower speeds, higher latency, not as good coverage in the household because that's not where the focus is really been, whereas our networks are strong into a point in the household and then even stronger as we distribute within the household. We spent decades evolving our WiFi architecture in the house.

So I think you take any one of those factors and then you say, is this really what fixed wireless companies -- what do they show up to do every day? They're wireless companies. That's where their EBITDA stream is. That's the priority traffic on their network. And so if you're willing to tolerate sitting behind all that wireless traffic as it gets more and more congested and your experience degrades, that may be who you are as a fixed wireless customer. I think we step back and say, competitively, we feel very good about competing against that.

And longer term, if you think about it, any secular trend out there, whether it's AR, VR, Metaverse, low latency gaming, the move from linear to streaming, every one of those is -- those are bandwidth hogs. That's going to continue to move up usage profiles across the network. Those are all trends that work in our favor. And so I think we feel very good about the long-term outlook and how we compete. But near term, it is competitive. And I think that's reflected in what we said in the second quarter earnings call, it's reflected in what we saw in the second quarter and the outlook we gave for the third quarter, and that's -- we'd probably reiterate that today.

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

Right. And then just to go back to something you started with, the mid-splits and moving to DOCSIS 4.0. Can you just talk a little bit about those investments and initiatives and how it will improve your network, over what period of time? How much do you need to invest?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. I think we're -- we put out a release this morning that's a lot more granular than we have been on our path. And I think it's important, particularly given the competitive environment. We said we've got -- if you think about our network, we have a deeply deployed fiber network with DOCSIS technologies sort of going into -- the last mile into the home. And what that provides us and gives us confidence in is these are low cost to upgrade. These are relatively future-proof technologies. There's a pipeline on DOCSIS that would say mid-splits and then DOCSIS 4.0 right behind it, gives us sort of an ultimate end goal of multi-gig symmetrical across our base.

And today, we gave a little bit more clarity on mid-splits. We're actually in the market right now on mid-splits. We expect to have 20% of our base equipped by the end of the year. That's going to mean multi-gig download speeds, and it's going to mean 5x to 10x improvement in upload speeds.

So it will be 20% of our base, that's about 34 markets by the end of the year. And then we'll be substantially through our footprint by the end of 2025.

And then DOCSIS 4.0 leverages and sits on top of that and is right behind it. So new news today is second half of 2023, we're going to be in the market with DOCSIS 4.0 and rolling out different geographies. And that is a technology that's going to allow us to have multi-gig symmetric in the market, which can effectively compete against anything.

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

And then can you say anything about the investment that you'll need to do that?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. I think we've got a very capital-efficient upgrade strategy. And I think we've driven capital intensity down to 11%, plus or minus, in the Cable business through some great work from the Cable team. And if people are worried about sort of a big investment cycle coming with this, I would probably put the rest that worry. I don't think that's actually what this is. This is sort of the next natural evolution of the network. And it's a continuation of a lot of the hard work that's been done already. We've been splitting nodes for a long period of time. We've been upgrading DOCSIS cycles for a long period of time. This is just the next iteration of that.

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

So on the Cable side, you've benefited over the years from new use cases for the cable plants. I mean, cable TV, then you went to broadband, then VoIP, then gained share on commercial, then more recently, wireless. So -- partially utilizing Verizon's network. But where do you see the main driver of cable like over the near term -- the medium term, let's say?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. I think it's a great question. I maybe -- if you go back and look at the last year and unpack where our revenue growth in Cable has come from, I would say there's sort of 4 main drivers. And the way we report, anybody could unpack this. And the drivers are residential broadband volume, #1; residential broadband ARPU growth, #2. These aren't in any particular order, but just stepping through them, business services; and wireless. And they were all roughly equal contributors to year-over-year growth if you look at the most recent quarter, which gives you a good sense as to sort of LTM pacing.

So unpack each one of those, broadband volumes, I think the market is right to sort of challenge that for now. In the near term, it is going to be more difficult to grow broadband subs given the competitive and macro environment. That's exactly what we're in right now in any material way, right, that would really move the needle on that.

The other 3 though, broadband ARPU, I think we've got great strategies. We've got elasticity. It would tell us we can continue to move broadband ARPU up. And our strategy, that would say, you don't chase disruption at the low end or value-conscious end of the base and disrupt the whole base by doing it. And I think we've got a very good history of doing that.

We were looking at some data the other day, that the last time we were in a cycle like this was actually 2017, and our largest competitor in the market who you've had here at your conference decided to take pricing down and get really aggressive. Through that time frame, our ARPU growth was stable and our subs rebounded the very next year, it was very temporary. I think that's the way you treat this. And I think our ability to grow ARPU, we're confident in the ability to continue to grow ARPU.

And you get to business services. And as you said, this is -- it's a business that grew out of nowhere. It's a business that is now $10 billion, high margins and great outlook ahead. We are a $10 billion business, but against, we think, an addressable market in our footprint of $50 billion plus, and we're just scratching the surface on some other areas of the business, including mid- and large-sized business.

So great outlook there. And then opportunity in wireless to potentially accelerate growth as well. We've got a great hand to play. I really like our hand in convergence, if you think about the broadband and wireless portfolio together. But you add all this up, and it would tell you, we've got great growth runners in Cable, and we still absolutely have an ability to continue to grow that business.

And then you come down to EBITDA and net cash flow, and you'd say it's probably a continuation of what we've seen. We've done an incredible job. The cable finance team has sub 40% margins to now 45% plus margins in the cable business, industry-leading. And you'd say everything that we just talked about in terms of where the growth drivers are, these are all margin-accretive businesses.

So yes, there's -- it starts at revenue and the ability to continue to grow that, but then also can you go demonstrate some operating leverage and grow EBITDA at a more rapid clip because you've got margin expansion in the system. That's been the formula to date, that there's no reason why that shouldn't be the formula going forward.

So I think we feel really good about the growth prospects in Cable. I think you're right to point out, okay, what's the next thing? I think we go back to those 4 and say, there's still opportunities in each one of those 4. There's near-term opportunities in 3 of the 4, and on the fourth, we're optimistic that we'll go back to broadband subscriber growth through a number of different measures over time.

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

So let's go into the business services side of it. So you have $10 billion out of a $50 billion or so market. What are you doing to maintain that momentum? And I guess, it's now a year since you acquired Masergy -- I never can say this, Masergy?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Masergy.

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

Masergy. How else can you improve the capabilities of business services and drive enhanced value for your business customers? And is this an area where like you expect to do more tuck-ins?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

I think it's an area where we would welcome more tuck-ins, especially if they look like the prior tuck-ins we've had, where it's not us- the focus probably isn't on acquiring large subscriber bases, instead, it's specific technologies that are either we don't have or that are better than the current evolution of what we have in the system. And we can go take what we acquire and distribute it across a very large base as a scaled provider in business services.

So I think if you step through each one of the segments, you're right, small and medium-sized business, which makes up the vast majority of kind of what we do in business services, we are, all of a sudden, the leader in the market. After -- 10 years ago, we were nowhere, and now we're, I would tell you, we have market-leading share and continue to add products and capabilities, whether it's being able to bundle wireless into that market or advanced security features. There's a number of different things we can do to sort of expand what we do in that segment. And we can continue to grow that segment as well in terms of volumes.

As you move up into midsized and enterprise, there was always a question over time. And to your last question, where does the future growth come from? I think the same would have been said 5 or 6 years ago, when we looked at business services, I think the easy pushback would have been, okay, well, small business leverages your existing infrastructure. It very much looks like your residential business and so a very natural entry point.

But by the way, midsize and enterprise are going to be completely different animals because that's a sales force and that's different capabilities than you have right now. And we've built our way into that business pretty nicely. And now we're at a point where you have enough scale on mid and enterprise that you could buy additional capabilities, acquire your way into additional capabilities as available just like the deal you mentioned and be able to go spread that across the base and be more relevant to customers than you were in the past. So I think we feel great about the outlook for business services growth.

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

Great. Let's shift gears and get to NBCU. There's a lot to talk about here. So let's start with the kind of the more traditional and we'll get to Peacock, of course. So Theme Parks, which is an area I've always loved, can you give us an update on the trends you've seen so far in the third quarter at all of your parks? And at domestic, well, let's talk about- just go around the globe first.

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. We share your view on Theme Parks. And you can tell that by the amount of capital we're putting into Theme Parks right now. So stepping around the globe. Current trends and then the outlook. I think our domestic parks, as we said in the second quarter, we had a record quarter for parks overall. And that was largely led by domestic, Orlando and Hollywood parks. And as we sit here today, same trends still apply. Attendance is strong, but international is still lacking. And so that's an additional future driver.

There was some concern at some point, that the gas prices limit sort of domestic travel and attendance. I don't think we've seen that. So attendance trends have been strong. Per cap trends have been strong. So the message on the domestic parks is business as usual from what we saw in the second quarter, which is pretty great. They've come back really well.

Our international parks, ton of potential. I think there are still some COVID restrictions to varying degrees in those markets, whether it's actual social distancing in China or more cultural in Japan. But nonetheless, still some restrictions in place that's limited how quickly they'll come back, just like we saw in the second quarter. But if you step back and think about those parks, Beijing is a brand new park with a ton of potential and a lot of room to run.

And Japan, we've -- during the pandemic, we launched Super Nintendo World. So most of our constituents over there that would normally go to the park that haven't yet are going to come back to effectively a brand-new land within the park. That's super exciting and it's a great IP.

So I think we're very optimistic about the future of the Parks business. And then when we look at the trajectory from here, Nintendo World in Hollywood, Donkey Kong in Japan and then the one I'm personally most excited about is Epic Universe in sort of the year after that, a brand new park in Orlando, and it's going to be fantastic sort of on its own. But what that does to the Orlando market for us with now sort of 4 different parks, it turns it into potentially a week-long destination, which is a game changer that relates to international visitation per caps and how we think about our hotels. So I think we're incredibly optimistic about the Parks business.

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

So I was going to -- well, I'll ask you. But on the domestic parks, international, what percent typically is international visitation of the total and particularly in Florida? And are they coming back up? Are you seeing signs that they're coming back?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. Real rough numbers. Roughly 1/3 in normal times. I would tell you, we're not all the way back there. And that, I think, actually provides the next level of opportunity, and those are customers tend to come into the parks, stay at the hotel, spend more in the parks. That's an additional wave you still have yet to go. Despite that, and I think as we said, we set a record in Orlando in the second quarter for profitability.

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

Right, right. But that's -- I mean, international attendance at some point, I think will come back. And then you just mentioned per caps have been very strong. It seems like they are above pre-pandemic levels, you as well as Disney. Are you seeing, given the macro environment, are you seeing any pullback from consumers at all? And is there anything that you can do to sustain kind of this like extremely high level of per-cap spending?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

I think we're -- so the answer on the first one is no, not really seeing anything. I think absolutely right to ask the question because we're asking the question internally. It's almost like you expect, given the pressure that consumers potentially under with gas prices that maybe there'd be some impact, but yet to see anything, which I think is good news, but right to keep asking the question.

It's not totally out of bounds that, that would happen at some point. But haven't seen it to date. And I think the ability to sustain this, it's -- are we making this an attraction that is driving demand -- incremental attendance demand but also people that want to stay in the parks longer and spend more? I think everything we're doing on the investing side and refreshing attractions and augmenting the parks would tell you the experience level would dictate hopefully, that we can continue to sustain this and people are going to be willing to spend more on the parks.

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

Right. And then, I guess, last thing on the Theme Parks, is there any color that you can give on Epic as you seem very excited about it?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Very excited. No, I think what we've said is we've given you sort of, to some extent, the investment profile around it and launch a few years out. It's well into construction at this point. Has some fantastic IP. A number of us were sort of out there recently and I think it's going to be an amazing addition to what we have in Orlando.

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

So moving on to like just the content side of your business. Can you just talk about your plans for content production, how much you're spending? Is there kind of increases do you expect where you're going to put that content across your various platforms, and how you're thinking about -- if you've changed your thinking at all about licensing to third parties?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. It's a broad question. I would tell you, we spend $20 million a year in content as this kind of set up front. So we're at scale in content production. I think, keys for us are make sure you're a home for great talent and top talent out there, which I think the team has been incredibly successful at and then make sure you've got sort of the broadest way to distribute such that you're not cutting yourself off from end markets.

And so I think our content now and in the future will cut across linear where you still have massive reach. And we're incredibly relevant and linear. I think we'll sustain that over time and have the right content production sort of devoted to linear, but at the same time, we're following eyeballs, and we're following consumers.

And in the move to streaming, I think we've got sort of 2 parts in streaming. We've got our hand in streaming that we own and control, which is Peacock. It's a great distribution outlet. And it's a way to reach customers that aren't in linear, but a way that we control and can sort of control the experience and control the content that goes into it, gives us a path on the evolution.

But then there's also -- to be fair, there's, as you mentioned, there's third-party sales. And it is an incredibly robust market for third-party sales. I mean the demand for content has never been higher. And if you look at our studio and the quality of production, it means we're in demand, right? So there's a lot of places to sell our content. Third party is going to play a role. I would tell you, we're going to prioritize Peacock because, obviously, we want to drive growth in Peacock and that's important to us.

But then we're also going to play a strong role in linear as well. There's a ton of cash that comes out of the linear business. And while ratings and distribution have -- and the overall subscriber picture have been what they've been in the last couple of years, and I wouldn't forecast a change in that, it's still an incredibly important part of the business to program appropriately and make sure we're generating the right EBITDA and cash flow coming out of that.

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

Right. Just there's too many parts of this -- not too many, but there are so many parts. I'm just going to keep moving. So the theatrical business has gone through incredible change in the last few years. I mean not just coming out of the pandemic and everything else meant, but also windowing strategies seem to have changed. Do you think that the theatrical business is more or less risky now than it was pre-pandemic?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

I'd say on balance, it's less risky, and it's a better business. And I think that's a result of there's more options, there's more places to distribute content. And if you have high-quality content, which we do, you've got incredible options. And the flexibility you have within windows, I would tell you, theatrical is important to us. It may not be important in the context of historically 90 days and traditional theatrical, but it's incredibly important to us.

We had 2 films this summer, which the box office, obviously really came back this summer. We had 2 out of the top 5 in global box office. So Jurassic and then Minions. But I think importantly, on the back of that, you get different windowing opportunities that sort of look different than they historically have. And if you look at what we just did with our Pay-One deal, Jeff and his team, our architect, I thought did a really interesting framework around that, where it comes into Peacock for the first 4 months, then it's between Amazon and Netflix for 10 months and then it comes back on the Peacock of the tailwind.

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

It's really creative.

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Very creative. And the benefit of that is you can go do it all over again in a few years. So you can adjust. If there's a more accretive window to sell into, you constantly get the opportunity that. And so I would tell you, for those reasons, I think your question around, is it more or less risky? I think it's probably less risky.

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

Interesting. So moving on to Peacock. In the second quarter, Peacock didn't gain any premium subs, which was a bit surprising, but you didn't have a lot of content to be fair. You really didn't. There was lack of sports, and it was just -- it was a tough content quarter.

But it looks like kind of going into second half, the content does pick up. You've got NFL starting, I guess, this week, Premier League, you've got World Cup, you've got the rights coming back from Hulu next day broadcast. I think there's more original programming as well. You've got the Pay-One windows, as you just mentioned, for Universal. So can you give us any insight into what you're seeing at Peacock, at least through the third quarter, and what you're envisioning for the full year?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Sure. I think we're bullish on Peacock. And I think as we laid out at the beginning of the year, the trajectory through the year has followed sort of what we expected. And this is going to follow key content launches and sort of what you have in the market. So in the first quarter, we had an exceptional quarter, right? Olympics, Super Bowl, Marry Me was successful, Bel Air was successful. So we had a lot of different things hit in the first quarter, added 4 million-plus subs on the paid side.

And then second quarter and third quarter without a ton of content launch were more retention quarters, make sure you can hold on to the subscribers you just generated in the first quarter, which ebbs and flows like traditional streaming businesses. As we get into the fourth quarter and actually there's elements to this, as you mentioned, that will show up late third quarter as well, we've got a lot coming.

So the quarters we were most excited about at the beginning of the year, we sort of said we've got these bookends of first quarter, which should be very strong, and fourth quarter, which should be very strong. And then in the middle of 2Q and 3Q, where there's not a ton of new stuff launching, but you're right, the pipeline is Pay-One window, which actually we just -- we already put a film into the Pay-One -- there's a film that's already hit there, it's Jurassic that was out last week on Peacock. I think that's been very successful out of the gates. We've got English Premier League. We've got, you're right, football coming back actually tonight's opening night. So super excited about that. And then we've got Hulu CLA content coming back in the next several weeks as well.

So that's a lot coming our way. And I think if you'd step back and say, okay, Peacock, it's been in the market 2 years. We launched it middle of 2020, and it was supposed to have sort of an immediate tailwind because we timed it with the Summer Olympics for 2020, while the Summer Olympics for 2020 didn't happen, so that was delayed by a year. But I think for context, we're 2 years in on Peacock, which is not that long of a time frame and are well along to where we thought we'd be and ultimately have a trajectory here with a lot more content coming into the mix. I think we're optimistic about what we'll see in the back half of the year.

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

Right. And when you launched Peacock, it really was unique. You were the first ones to come out with an AVOD strategy. Everybody else kind of is on the other side with SVOD. And now everyone's coming to your side, including Netflix and Disney Plus. How do you think the proliferation of AVOD services impacts the Peacock strategy? How does it impact like CPMs? Like there's a lot of inventory that will be available on streaming.

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Well, I think when we launched Peacock, we thought we had a fairly unique strategy that was the right strategy because we saw demand in the market for limited ad load, almost a paid AVOD service that's sort of sat in the middle of ad-lite and then full SVOD, where there would be substantial demand. And then we looked at the capabilities across the company and said, where do you have distinct advantages?

We've got sales force at scale. That's an incredible sales force on the ad sales side. And technologies in different parts of the business, an ad tech stack, that would tell you, we can do very well in that business. The natural capabilities we have as a company that leverage all the company resources could position us very well. And we think that consumer demand is going to be there.

And I think 2 years later, there's proof that the consumer demand is there. So you're right. You got more people coming our way all of a sudden because that's a way to expand the addressable market. But we've got a leadership position, we've got a really strong capability set that leverages exactly what we thought we had 2 years ago, and it's off the ground and running really well.

And we're approaching scale already. If you look at the most recent upfronts, we did, in totality, and we sell via One Platform. So it's a total solution to the advertisers, we did $7 billion in the upfronts, and I think are largely viewed to have led the upfronts, but $1 billion of that was Peacock.

So to be at year 2 and have $1 billion in upfront commitments around Peacock tells you, hopefully, we've got a leadership position here. We know there's competition coming our way. There's going to be more and more companies sort of doing this, but we're out ahead with a really good team.

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

So what is the long-term goal with Peacock? And how should we think about streaming -- like your streaming aspirations on a global basis?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. I think, long-term goal of Peacock, it's an extension of our overall business. If you think about linear in the path on linear, this is a way to recapture some of what's lost on linear and have a role to play ultimately in streaming. And I think, to be fair, we're right in this interim period where what you see now, you see subscriber growth, you see success on the AVOD side. But you see a lot of cost to support it, to be fair. We've got between platform, technology costs and then unique and proprietary content to go launch Peacock. We're in a dilution phase that we've given some clarity on when we'll come out of this, when we sort of peak dilution, how we come out of it.

And we're on that journey now. But the goal is you come out the other side, and this is an accretive business, and it sort of rounds out the video portfolio and makes up for what's happening in the linear base, which is still important to us but is shrinking and you can make up for on the streaming side and have your own product out there. It's not to say we won't do third-party sales because that can be accretive to us as well. But I think that's the domestic strategy.

And then international, I think we're probably going to have a little bit different strategy than others. I don't -- as you've seen from us so far, this is not a one-size-fits-all, you go launch every market. That's just not in our view, an accretive way to go launch a global AVOD platform. Instead, if you think about what's relevant in any given market, it's some combination of technology. It's for the platform you can provide, your brand presence in the market, your reputation and then ultimately, the content you have sitting behind the offering.

I think on technology, given the comments earlier, we've got the global tech platform that sort of sits at the center of the company. We are incredibly well positioned in any market to go launch a global technology platform and do that at scale.

On content, we are incredibly well positioned on global content, but there's a whole different animal in launching country-by-country where you need localized content. I think that's where we're going to be a little bit more careful.

And then brand, we've got opportunities across the company. So if you look at how we've chosen to do this so far, we had opportunities in Europe. We have one of the best brand names in Europe. Sky helped us launch in 3 geographies where Sky is core, but then Sky's products sort of transcend in those 3 markets, and Sky has a very big brand name across Europe. And so the concept there was partner with Showtime, Paramount Showtime, and go launch a product together, leveraging the Sky brand name. So I think we'll have unique and tailored strategies that sort of work for us, but it probably won't look like the others.

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

So we don't have a lot of time left. So at least we have to touch on your third unit, Sky. Can you talk about the impact of what seems to be a really difficult economic environment, particularly in the U.K.? But across Europe - obviously inflation, recession, Ukraine, etc.- but how does that impact the timing and the aim of doubling Sky EBITDA?

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Yes. I think as you step back and think about Europe versus U.S. at this point, no doubt, the economic picture and the pressure the consumer is going to be under in Europe is worse than what we see in the U.S. And it's not to say it won't -- we won't see an impact in the U.S., we very well may over time. But in Europe, just given their reliance on energy, how big a share of the consumer wallet that is, and then ultimately, what that's poised to look like, especially over the winter season, that is a really tough headwind.

So I think that's what Sky is looking at right now, saying that -- so I think the macro picture is a little bit worse there than it is in the U.S. But I think if you step back and say, let's look at the Sky businesses and if we're only going to get 1 question on Sky, it's a good chance to sort of talk about Sky holistically, Sky's business is sort of, yes, U.K. and then it's Continental businesses.

And the U.K. business having spent some time over there is an exceptional business. It's a top brand name overall in the market. It's a business where they've had a real foothold in both premium and streaming TV, and they've transcended that into -- they're the #2 broadband provider in the market. They're the #3 wireless provider. There's another -- there's product pipeline sort of beyond that, where they can go leverage the brand and the consumer presence to really drive growth in the U.K. business.

Europe, Continental Europe looked a little bit different. And I think when we went in there, the things we've done in the last couple of years is we've aggressively reset the sports rights portfolio. And that was something we had to do. The sports rights had gotten to a point where the consumer sort of addressable market in either Italy or Germany couldn't accommodate the sports rights anymore.

And so we trimmed that portfolio. We've gotten -- as a result, the business is on much more healthy footing. And then you'd you step back and say, we have a great brand presence in those markets. And in Italy, the same formula we took to the U.K. where we took premium video and said, how can you take this brand and leverage other products? And we're just starting to get into broadband and we've got other opportunities over time. So hopeful Italy, over time, can look more like the U.K. market and the type of brand presence and the margin profile that they have.

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

Anything on Germany or that's...

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

I think Germany, we reset the Bundesliga sports rights to put that on better footing. And maybe less of an opportunity if you think about broadband or your ability to work your way into the market via other products. But Germany, at the same time, premium versus NOW TV and how they target, there's been a big effort to go figure that out and rebrand. And I think they've had some success, and time will tell.

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

Right. Great. We're out of time, but thank you so much, Jason.

Jason S. Armstrong - *Comcast Corporation - Executive VP, Deputy CFO & Treasurer*

Thanks, Jessica.