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PRESENTATION

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

Good morning. Welcome to day 2 of our Media and Telecom Conference. I'm Jessica Reif Ehrlich, media, entertainment and cable analyst at BofA Securities, and I'm thrilled to welcome Mike Cavanagh, CFO of Comcast, to start our day. Mike, welcome.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Jessica, thanks for having me. Great to be here. Hi, everybody. Good morning.

QUESTIONS AND ANSWERS

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

It's so exciting to have you. So let's just start big picture and then we'll dive into each of the divisions. You've performed so well throughout the crisis. There was strong execution at Cable at NBCU. You had a management change at Sky, not to mention the restructuring of NBCUniversal. And it seems like the company has emerged in a much stronger position in a post-COVID world. Can you just give us your priorities for Comcast as you look out for the next, let's say, 3 to 5 years?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. I mean, I thank you for those comments. I mean, we feel really good. And I feel great about the hand we have. I wouldn't trade it for anybody else's. When you really zoom out, I think most importantly, I think we've got an unbelievable collection of people at all levels of this company. And when you combine that with the legacy of this place having a culture that's all about thinking about and investing in the long term and benefiting from the connections we have across our various businesses that I think allows us to attract that great talent and then grab insights across the place, and you combine all that with an operating excellence, I think, in each of our businesses, if you had to go pound for pound, we've got really good DNA in terms of taking the next hill. So I think that's a pretty unique collection of capabilities when you combine it.

And I know we'll talk about capital allocation in a minute. But I put all that together saying, we are a company that's in a really good place on that front, which I think is often overlooked how important ingredients like that are. When you then just put the businesses together, I think we really are blessed with a Cable business, residential broadband, both in the U.S. and the U.K. We've got commercial services business in the Cable side and we're starting in the U.K. We've got an unbelievable parks business, 1 of 2 great ones in the world. We've got one of the best studios, which is -- all our businesses that I think are ones that we are in strong existing positions in markets that are big, where we can invest in them for growth and drive good margins in those businesses. So I think that's an overwhelming part of our company is that collection of businesses.

And then you've got the Media side, where obviously there's a lot going on in the space around streaming. And we've talked about it repeatedly that we're going to play our own hand, do it our way. But I think the collection of assets we have in terms of IP and people, the ability to produce things like excellent sports and news, whether it be the Olympics or Sunday Night Football, best program in television, those are assets, when combined with our footprint in English language with Sky, the technology assets we have in Cable, I think give us a path of our own on the streaming side, which we're working our way through and we'll do it patiently and carefully. And I'm sure we'll get into all that, but we're excited about that as well.

And together in all that, we have our Hulu stake, which is growing in value as well. So I think that -- I think playing that hand out and doing as we have been doing through the crisis, and thanks for the compliments, of just one foot in front of the other, executing kind of good, clear-headed business decisions day in and day out with one eye on the road right ahead of us and one eye on the future, I think, is a formula that we'll keep executing against, and be happy to go deeper on all that.

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

Okay. Great. Before we go to the divisions, let's talk about capital spending, investment spending. Obviously, you have very healthy free cash flow, and we project that to probably get stronger. Your leverage ratio should reach a target of 2.5x sometime next year. Can you talk about how you prioritize investments between the three divisions, Cable, NBCU and Sky, and weigh investments for those assets against other potential uses of shareholder capital, whether it's returning capital to shareholders or potentially M&A?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure, yes, sure. Maybe I'll start backwards on this one. So I think I've been pretty vocal that I think in terms of the collection of businesses we have and consistent with the answer to your opening question, the bar is really high for us to pursue sort of outright acquisitions of any material size. I think we've got a great hand to play with what we have. That doesn't mean we're not going to be -- we never say never. It's our job to kind of look at everything and evaluate what makes sense. But it's a moment in time where the bar is really high.

That said, and you've seen us do the following things, two examples, we're wide open for tuck-in acquisitions, smaller acquisitions that are consistent with the priorities we have on our existing business. So I think we'll talk about business services a little later on, but we just announced an acquisition, a $1.2 billion acquisition of the company, Masergy, that's going to accelerate our road map in mid- and enterprise-sized business services, which we think is a very exciting place. And I think we did a very smart acquisition to accelerate our plans in that space. So that's one example of how we'll be using capital in sort of an inorganic way.

And then another one is our announcement of SkyShowtime with ViacomCBS, a 50-50 venture to pursue streaming, an SVOD service in 20 markets in Europe that are outside the Sky footprint today. So I think those are kind of two examples of we'll always be looking in trying to create value inorganically. It's what everybody should want us to do. And that happens at the business at the corporate level, but the bar for something big, that's outright acquisition is pretty high. And I don't see the need for it, given where we're positioned.

When it comes to capital allocation, return on capital, I think the methodology that we've talked about is pretty consistent. As you know, we want to have a strong balance sheet, and so we are getting to our -- in 2022, sometime, we'll be at our 2.5x or so leverage, which is about where we -- roughly where we need to be to meet the commitments we have to the rating agencies to get back to our single A -- the zone that our single A calls for. And with that in sight and really the holdback of being there sooner is simply the impact of COVID on some of our businesses that we now have seen the signs of those businesses coming back, whether it be parks or otherwise.

And rather than wait for the 12 months for trailing earnings to give us the leverage ratio we want, we, as you know, started this past quarter with -- started in June with buyback at the historical level of about $5 billion annualized. And we'll stay there until we get to -- that will be sort of the level we operate at on the buyback side until we get back to the 2.5 sometime next year. And then from there, we'll talk about it when we get there. But I think it's something like 13 years of increasing our dividend. And when you really look at the long arc of this company, it's been successfully able to return substantial amounts of our cash flows to shareholders.

But the most -- I'd hate to say the most important, but I think it's extremely important that we allocate capital into our businesses to allow them to thrive, compete, grow. And the way you asked the question, a former colleague of mine would talk about this concept of which would you rather -- business would you rather give capital to. And I think it's a false narrative. You shouldn't own businesses if you have to -- it's like children, you can't -- you'd have to feed all of them. You can't choose which ones you most want to feed, you shouldn't be in a collection of businesses. And so I think the good news is that for all the items I talked about earlier on in this call, we are in the natural flow of giving those businesses what they can put to use for high ROI growth initiatives and still get our balance sheet where we want it to be strength-wise and put ourselves on a path to ample shareholder return.

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

Great. So let's go into the businesses. And of course, let's start with the biggest one, Cable. Your business has been the story over the last year or so. And it's actually incredible that you've maintained this momentum into 2021, following with how amazing it was last year in COVID. So let's just talk about that. Like what's contributed to your success? How do you plan to navigate an environment that's just getting -- or it seems to be getting more competitive?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Well, I think on the competition front, we'll get to that in a second. But I think we've been mindful that competition is coming in one of our best and favorite businesses frankly for quite some time. So I think the points I'll tick through are not going to be ones that are foreign or even new but just continuations of a strategy to stay ahead of competition, stay ahead of consumer expectations. But like you say, we are really proud of the performance of the broadband business and the Cable business broadly through the last 2 years through COVID and feel really well positioned as we look to the future.

But you're right, COVID has been a big disruption to the business. I mean, it's really disrupted the patterns of our customers in terms of move patterns, seasonal activity, back-to-school and the like. And especially with the Delta wave that we've been facing, especially in the last couple of months, we're not settled down post the kind of disruptions caused by COVID. So what we're seeing in the most recent past, like the tail end of August, is a little bit of a slowdown in the net adds in the Cable business.

So in the third quarter, I think we'll trend in line for third quarter net adds with historical averages for third quarter, but we'll be behind the third quarter 2019, which was a record third quarter. But when you put the second and third quarter together of this year, where we kind of saw the flip side of it in the second quarter, we expect to be about 10% better combined for over the trailing 6 months versus 2019. And we continue to see ourselves ahead of 2019 for the full year. And sooner or later, we're going to see COVID get behind us and see this quarterly volatility that we see as just COVID-driven fall away and which gets us to really what happens after COVID, which hopefully is 2022 and beyond. And I think that will be the case.

And I think there, it's the three big things that we've been talking about, strengthening our network just because no particular trigger other than this is such an important business with such great ROIs in it that we want to stay ahead. So we'll do that. In terms of network, I'll talk about the bias to innovate around broadband and then improve the product and the bundling. And then finally, to expand the footprint, those are the three areas that we're focused on.

And in terms of sort of the network itself, as you know, we're at 1.2 speeds, up and down speeds everywhere in the footprint are available, having gone to DOCSIS 3.1. And we are continuing at the capital intensity that we recorded in 2020, which was a record of around 11%. We're going to step on the gas a little bit, as Dave talked about in the last call, and continue to invest in the network on the path to DOCSIS 4.0, which will give us multi-gig speeds up and down. Again, no trigger other than that's the path we want to get our business on. And with the success of trialing 4.0 technologies in the last bunch of months, we really see that, that's a -- it's for real, and we want to get ourselves on the path to doing that.

In terms of product and differentiation and innovation, you know what we're doing with xFi in terms of grade control in the home around WiFi, hotspots out of the home, so sort of best WiFi and continuing to invest in the routers and equipment around that and the software around controlling that. I think the -- giving Flex, totally new product, which is now in the hands of something like 3-plus million customers that are broadband-only customers in the cord-cutting world, those customers are experiencing active users there, 10% to 15% lower churn than the alternative. So I think that's just another product example we're leaning in and innovating around and benefiting from the X1 investment we made makes complete sense. And then finally, on the product side in broadband, it's stabling Xfinity Mobile, which had its best quarter last quarter, and we'll talk about it a little more later. All those things together, I think, make our product competitively very, very strong.

And then finally, getting to the buildout, we're not going to miss an opportunity to do new builds in our footprint. So over the last several years, we added something like 2.5 million new passings, just making sure as residential and business footprint in our areas expanded that we were there with new plans. And likewise, our investment in business services, we talked about earlier, where we do hyperbuilds, is another great investment that extends our footprint and obviously doing a little bit more around all the edges geographically and a little more rural, are all part of those -- that expansion of footprint. So those three areas, the strong network, innovation and bundling together with expanding are the sort of path -- why we have such confidence in the long-term trajectory of growth and profitability in the broadband business.

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

Wow, you covered a lot of ground. So I mean, let's try and back up on some of this. So on this investing in the network, and then just maybe some of it's clarifying what you just said, but on DOCSIS 4.0, are you moving the whole network to DOCSIS 4.0?

Michael J. Cavanagh - *Comcast Corporation - CFO*

In due course. I mean, I think in the near term, what's kind of great about our network is its flexibility. I mean, already, as I said, we're giving capabilities that are way beyond customers' existing expectations. So where we sit is we want to -- we're going to deploy more node splits, more fiber in the network, deeper in the network and a variety. But our base case is to do what's called sort of mid-splits, which is least disruptive to our customers, leaves the equipment in their home unimpacted but starts to improve our ability to -- it's basically spending on a path to DOCSIS 4.0, which eventually is across the whole system.

But along the way, we pick up the benefit of a better customer experience, ability to give people more upstream and downstream speeds in the near term and spend our capital in a way that's nonredundant. It's same capital what we have to spend in the future when we want to get to 4.0. But for a business as important as this, I hope everybody listening would agree that putting our business on a path to staying ahead of all the competition that people can say we ought to be worried about, I mean, we keep our eye on it all. We're very confident in what we have, but we're not going to rest on our laurels.

It's continue investing in a great network has given us the business we have, and we continue to think that, that's the right path. And I think it's just so efficient, what we have. So the idea that roughly -- there's always going to be some choppiness in Cable capital spend quarter-to-quarter, year-to-year. But generally, the level that we've achieved of around 11%, which was the record low of 2020, I think we'll stay around that level for a couple of years as we do all this. And once we get to 4.0, on the other side of that, you start to see then future of continued return to capital intensity declines.

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

Right. And then moving on to wireless, which has been a steady business and you reached profitability, is the aim of the business to run it profitably? Or is it more important to gain market share and make the broadband customers stickier, lower broadband churn? Like how do you weigh those two strategies?

Michael J. Cavanagh - *Comcast Corporation - CFO*

All of the above. I mean, I think it is, in our case, and I think we believed this at the beginning, and I believe it even more today, it is -- it turned profitable last quarter and -- but it's growing, right? So the thing I'd point out and I look at internally is what if we had a stable number of customers, how much money would the business be making versus what we report. Because what we report as the segment is burdened by acquisition costs and ramping the business to higher loans. So when you think about what are we trying to optimize, I'm not trying to optimize today nor Dave Watson or the team. The goal is not to optimize the profitability of the wireless business unto itself anytime soon.

We want to keep growing that business. And we're pleased with the efforts that we've made. The big changes that Dave talked about in the last couple of quarterly calls of fully integrating what had been a start-up effort into the Cable operations from sales channels to field management and bundling, it's front and center today in a way that it wasn't in some 2019, even 2020. But now it's such an important complementary product to broadband and it's proven. And now -- so it's integrated. We've got our Verizon MVNO also fixed and set up for allowing us to continue to grow the business. And as you know, now we've kind of launched a unlimited 4 lines for $30 bucket or offering, which I think is now really allowing us to go after the marketplace.

So I think the -- we have 2 million homes of our 34 million customer relationships that have wireless, and we want that to continue to grow. And one day, one can look through the underlying profitability of our wireless segment and think, "Wow, that's an incredibly valuable business," kind of like the business services business. But it's very much side-by-side with the already incredibly valuable broadband business we have. So I think it's -- as long as it's also lowering churn, which I think when we see attachment of wireless, Net Promoter Scores are higher, churn is lower for -- versus broadband-only customers, so I think we can win two ways.

We can win by improving the characteristics in lifetime customer profitability through lower churn and we can improve lifetime customer profitability by having a stand-alone profit of the wireless business on a customer view. The overall business, I think I'd rather see us continue to be burdened by having ramping acquisition costs because I'd like to see that $2 million much, much, much higher. Where -- what the ceiling is, I don't really know. But we've got a lot of runway, and it's such a natural combination of broadband together with wireless. So we're excited there.

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

I mean, there's a long runway for growth here. How should we think about your deployment of 600 megahertz of the CBRS spectrum? And can you talk about the spending -- the capital spending associated with this?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, we've put together a collection of spectrum which, as we said in a couple of the auctions that have happened since I've been here, that we're opportunistic. We take paddles in these auctions with a view that if we think that price is sensible and a good value, it's an asset worth having, whether we deploy it ever or don't. But what we have is spectrum that covers about 80% of our footprint that would give us the ability in the densest of locations to deploy that spectrum in a way that would give us the ability to offload from the MVNO service.

That said, the MVNO service is excellent. Our partner has been great. We know through testing that we have the ability to offload, were it ever to make sense. But I think there's going to be forces at work that continue to bring -- I think, bring the -- keep the pricing of buying wholesale in line with what we likely could do by offloading. And if that proves not to be true, then we can selectively offload. But I think that there's -- time needs to pass before you see us actively doing anything on that front, given the dynamics that we're faced with today. But it's excellent option value for us.

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

Great. And then moving on to SMB, which you highlighted earlier on, can you talk about the recovery that you're seeing and what you see as longer-term opportunity, particularly on the enterprise side?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, when you -- pre COVID, obviously, we were -- had done a fabulous job taking a business that didn't exist a decade ago basically to a fantastic multibillion-dollar revenue business, which is now a $9 billion annual revenue business in total with very strong margins. In the last couple of years leading into COVID, we were obviously focused on moving up from small business to mid- and enterprise-sized. And the view of the -- which continues to be the approach was to build off of our excellent connectivity products and expand what we're capable of doing in terms of enhanced network services, security, SD-WAN, network management and the like.

And that was the road map that allowed us to penetrate the mid-market and begin to penetrate the enterprise-sized, especially where the sort of branch network of a fast food chain or a bank or what have you had local needs that were very similar to the businesses we're already serving. And so rolling into COVID, everything slowed down a little bit. I'd say small business is kind of leading out in terms of the pace at which we're getting back to sales and activity levels, small business back first. I think the kind of lead times for mid and enterprise are coming back but not -- hadn't yet gotten back to where a small business is.

But on the kind of interesting commentary on that is obviously businesses of all sorts found how important connectivity services are through COVID. And I don't think that's going to change. And so I think the evolution of our toolkit for businesses of all size gives us an ability, whether it's small, medium or large, to do more in a way that is sort of leading edge and efficient from our side and for the customers. And so we're just feeling good about the segment. It's as promising as it ever was. And again, the Masergy acquisition that we did in the last month or so is just testament to what we think the opportunity is. They're a sort of solutions provider to enterprise-sized and a 20-year track record, excellent skill at putting together not just domestic solutions but global solutions, largely for customers.

And I remember this from my kind of banking days, there's a lot of U.S. companies that do business outside the country. So you need to be able to give them solutions that may be domestic-dominated but have integration of international capability sets. And I think Masergy opens the door to us being competitive in spaces that we weren't previously. Separately, I should also mention that recently in business services, we've got significant multimillion-dollar wins, a slew of them in the public segment -- government entities of various sorts that we're starting to penetrate as well. So future looks good in the business services segment.

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

Yes. One last Cable question, then we have to get on to NBCU. You've been so focused on managing the non-programming expenses. Is there any opportunity to further improve that? And what's the outlook for long-term margin expansion?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Sure. Well, there's -- I'd put it in there's expenses when you want to see more of, frankly, so let's not get too excited about lowering expenses. I mean, we spend money to deploy Flex, to grow wireless, to invest in growth, right? So I think that's -- we're not going to throw a throttle on that just to -- we're very mindful that there's healthy expenses, and we want to continue to feed the businesses what they need to grow in growth areas. So put that aside, I don't think it changes the overall narrative that we're in the business of growing EBITDA and improving margins.

And so on that score, I think the rhythm of the business that Dave Watson and team has is to continue to make the business more efficient in the same ways that we've been doing, more self-install, more digital in terms of the interfaces with the customer on the sales side as well as the service side, a whole bunch of tools we've talked about repeatedly. And I think that continues to see -- I was looking at 5-year numbers for decline in customer calls into agents and truck rolls and the like.

And all of that, even last quarter, second quarter versus a year ago second quarter continues to show a strong improvement. And it's not as diminished as what you -- as what the 5-year improvement has been. So I think we're showing continued opportunity, and we still have tremendous levels of interaction. So I think the opportunity to continue to drive cost efficiency while improving customer experience is a kind of virtuous cycle that the Cable team is on for a while now and continues to be on.

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

Great. Okay. So let's shift gears to NBCU. We have so much to cover with all of those divisions and we have to touch on Peacock, not to mention Sky. So let's just get into it. The Theme Parks business was profitable last quarter despite a number of difficulties and continued Beijing preopening costs. Can you talk about what you've seen in the third quarter at your various parks? And it seems like you've had a lot of challenges, a lot of weather issues in Florida, not to mention the Delta variant becoming so much bigger than any of us thought.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Yes. Well, I won't -- nothing really to say about the third quarter in particular. But let me just do a walk-around the business. So in the domestic parks, demand has been strong. We're pleased with what we're seeing, goes to the long-term narrative and long-term expectations. This is a -- we're very fortunate to have the position we have in the parks business. And it's a long-term grower that we're going to invest behind. And importantly, as we're in the days coming out of COVID, seeing everything that supports that idea. So domestic demand is strong, per caps in the parks, really strong.

I think the negative in the U.S. parks business is that we are -- international travel which, over the long term, has historically and in the future will be important to the profit trajectory of those businesses, profit levels of those businesses, is basically 0 at this stage. So I think very strong domestic demand, together with strong per cap spending, together with and in part due to people coming out of COVID and the very strong safety protocols that we have, that's the U.S. parks story. But like I said, we want international travel to return, which is going to -- we're waiting on COVID to improve, Delta to get behind us and the like.

In Japan, Japan park is operating, it's open. It's had weather, together with COVID ups and downs in Japan with restrictions, ebbing and flowing a little bit. Park has been open for a while now but at capacity constraints. And we need that to continue to see progress in terms of the battle for COVID there and getting less restrictions for Japan to return to its 2019 pre-COVID profit levels. And then on top of that, we're very excited that we've got the Nintendo. They're open, which is great. But again, we need COVID to lift.

And so when you put it all together, I think we're very confident that the sort of legacy set of parks we have are going to be getting back to their historical levels as soon as COVID gets behind and probably then some. And we're lucky to have invested in each of our existing parks. So like I said, Nintendo and Osaka coming to U.S. parks and other places, VelociCoaster in Orlando and other attractions in the other parks. So we're set up to draw customers in, and so feel good about what we have in the sort of existing parks.

Beijing opens September 20. It's going to be a fantastic, most technologically advanced park, very excited about that. Like I said, we'll have preopening costs leading up to that in the third quarter and then we'll be open for part of this quarter and then fully open for the fourth quarter, so quite excited about that. We'll talk more about that on the earnings call. And as you know, we've got Epic in Florida restarted. So that will be a multiyear project. But again, when it opens, it will be the most fantastic park in the world certainly in our portfolio. So we feel really good about the parks business.

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

And then just to follow up on Epic, can you talk a little bit about how the investment spend on Epic ramps up? And do you have an expected opening date yet?

Michael J. Cavanagh - *Comcast Corporation - CFO*

No, I think several -- it's going to take several years. I mean, there's -- obviously, construction of everything these days is still COVID-challenged. But it's a multiyear project. This year is de minimis in terms of its impact on -- or modest in terms of its impact on CapEx and then the full cost to build is spread over 3, 4 years from there.

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

Great. Okay. And then on NBCU, this was historically one of the strongest of upfronts, if not one of the -- was the strongest or one of the strongest. And so that starts in Q4 and the first 3 quarters of next year. On the flip side, we know that the Olympics in Japan, where the rates were pretty challenged unfortunately, a series of events that hurt you. But could you talk about the size of the make-goods that were acquired? Were they all satisfied in the third quarter?

Michael J. Cavanagh - *Comcast Corporation - CFO*

On make-goods, to get to the punchline, we didn't -- no make-wholes were created in the Olympics. So we did a -- while you're right, we had a lot of challenges thrown our way from no spectators to COVID challenges and the like. And that affected ratings, linear ratings as was well reported. The fact that we had 1.2 billion minutes of viewing across all platforms, digital, social, linear. And Linda Yaccarino and team in terms of -- with Peacock and other digital platforms, were able to use that, among other tools, to satisfy the expectations and the commitments we made to advertisers during the Olympics within the Olympics, which we feel good about, obviously, particularly in light of the challenges that COVID presented for those games.

And you're right, these upfronts were excellent for us, double-digit growth in dollars and volumes. And I think the ability to, One Platform, bring our various digital properties, very strong interest in Peacock as part of the overall package of Olympics and then coming out of the -- getting into the fall season with great results on our first couple of games in football. And we've got a Super Bowl coming up. We've got Beijing Olympics coming up. So still COVID to deal with in some of these things, but the kind of backdrop feels good.

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

Is there any change in how you'll approach the Winter Olympics in Beijing?

Michael J. Cavanagh - *Comcast Corporation - CFO*

No. The team, obviously, with COVID and with time zone challenges, will walk away and learn some lessons. But historically, the profit implications for us of a winter games is obviously at a lower level than the -- than summer games typically are. So we're going to have our -- we'll talk more as it comes. But I think we'll -- we feel fine about the Beijing Olympics coming up and we'll -- but I do think that there'll be -- it will have its share of COVID-related issues that we'll have to deal with.

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

Great. And now with regards to Peacock, so NBCU content and distribution businesses have been restructured and then there's been so many announcements. But in July, you agreed to make Peacock the exclusive streaming home of NBCU's content brands, Universal, DreamWorks, Illumination, et cetera, after the theatrical run. So the film is going to, I guess, Peacock first for 4 months then Amazon and Netflix and then back to Peacock for the last 12 months. Can you just talk about the rationale for -- behind these deals, the pros and cons and why you chose Amazon and Netflix as partners?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Well, so I mean, I think it speaks to the point I made earlier that our road to streaming is going to be our own road. We'll do what makes sense to us. And I think for us, the power of our studios is incredible, the kind of the IP, the ability to create great content. We start with that, that's incredibly important to continue to feed that asset that we have. And so you see that in the fact that it's so much in demand. So when you combine that also with Jeff and Donna Langley, the team being kind of innovators in terms of advancing changes in windows, which I think increases the value of that asset by getting it more availability to consumers in different ways that increases overall demand.

So I think it started with bringing Trolls to PVOD during the height of COVID, not to say we are firm believers that theatrical is really important, but innovation around windowing is sort of going to be part of what makes us successful over time, we believe. So in terms of the Pay-One window, which you're talking about, after it's in theatrical, we took the traditional 18-month Pay-One window and split it between ourselves, 4 months to Peacock to begin with and then to others later on. I think the important point that Jeff made is that the money we received from third parties for that 18-month window, despite the fact that we're keeping the first 4 months of that window, is actually higher than what it had been prior to this new deal that we did.

And so I think that gives us the chance to use that powerful content to help drive Peacock, while at the same time, doing what we said all along, which is that we're not going to -- we're fine, and I think it's healthy for the system to serve other platforms as well and let content find its most high level of monetization. And we think it's a long-term opportunity for us for the most part, and I think very much in these deals, keep the asset for the long term in our own library is giving us lots of optionality for down the road. So I think we served a lot of our different strategic purposes in the rewindowing that we did.

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

Great. I'm going to try to sneak two more questions in. First, how has your strategy changed since that Peacock Analyst Day with the Pay-One window, the NFL, Day and Date movie releases and then the Exorcist announcement?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Yes. And then Halloween. So I mean, I think your question was the answer. I mean, we're -- on the back of seeing the success, we're really pleased with what we're seeing. We're learning as we go. It all started with Hulu would have been a path for us, had that stayed as a sort of communal effort across the industry, but that's changed. So we're starting from scratch.

But I think for a year or so out of the gates in COVID with all the issues we've had and the inability to create original content, we're pleased with what we're seeing in Peacock. And I think it's allowed us to inform -- so as we go, we always said it was going to be iterative. And so I think you enumerated a lot of the decisions that we've made that are success-based, and obviously each and every one made with a view that they are good investments for the long term even though they ramp up the kind of net investment that we're making.

And we'll talk about -- I mean, my view is on this, because it's going to be so iterative, we're just going to be talking about this on a quarterly basis, which we did last quarter, what decisions we're making, why we're making them, what our kind of investment run rate is and what's going on in the revenue side. And so more to come in the quarterly call in a few weeks.

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

Great. And then the last one I'll squeeze in, but you announced Peacock will launch to 20 million Sky households in late in '21, so later this year. Then you announced, that you alluded to earlier, is the SkyShowtime deal, a 50-50 partnership with ViacomCBS for mostly Eastern Europe, but I guess a little bit of Western. Can you just update us on your latest international strategy for Peacock?

Michael J. Cavanagh - *Comcast Corporation - CFO*

Well, I think that's emblematic. I mean, it's very important that we get the benefit for Peacock of the customer base we have in the Comcast Cable business, where you've seen tremendous support and differentiation of what our Xfinity and Flex platforms can do for any streaming service. And certainly, we saw the benefit of it with Peacock here. We think the same benefit will accrue to Peacock branding-wise, exhibition of content, more advertising minutes by integrating it at no additional cost to the 20 million -- no additional customer acquisition costs to the 20 million Sky customers.

And then I think the rationale for ourselves and ViacomCBS of throwing in together for all those other markets in Europe just speaks to there are other ways -- there are ways that we think through partnerships and leveraging our own assets across the whole company, together with partnering with others, is a way that we can get at sort of international brand and technology scaling.

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

I can't believe we're not even going to get to Sky. But I mean, you just -- you covered some of it. Thank you so much for your time.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Thank you, Jessica. Appreciate it. Thank you, everybody.

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

And then I guess, Dave Barden will be on with AT&T. I'll be back with Viacom at 11:15. Thank you.

Michael J. Cavanagh - *Comcast Corporation - CFO*

Great. Thanks, everybody. Take care. Bye-bye.
