PARTICIPANTS

Corporate Participants

Michael J. Angelakis – Vice Chairman & Chief Financial Officer

Other Participants

Benjamin Swinburne – Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Okay, good morning. I'm Ben Swinburne, Morgan Stanley's Media Analyst. And I'll get my legal obligations out of the way. Please note that important disclosures, including my personal holdings disclosures and Morgan Stanley disclosures, all appear as a handout available in the registration area and on the Morgan Stanley public website. I'm sure you will run to see what I own as soon as this is over.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Absolutely. And mimic your portfolio.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Right. We're really excited to have back this year Michael Angelakis, the Chief Financial Officer at Comcast, a role he has held since 2007 and is also now Vice Chairman for the last year or so, and before he was at Comcast, was at Providence Equity Partners.

For those in the room and given we're in the Bay Area, I'd be shocked if you didn't know this, but Comcast is the largest pay-TV operator in United States with 22 million video customers, 19 million broadband subscribers and will very soon be the 100% owner of NBCUniversal, one of the world's leading media and entertainment companies.

Michael, thanks for being back.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Thanks for inviting me. Happy to be back.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

So, big picture question to lead us off. When you look across your asset portfolio, cable and media, where are the biggest opportunities to drive the business kind of over the next two, three, four years?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

So when you think about the biggest opportunities, that's the critical question of how do we think about the growth, is what you're really saying, in our businesses.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Yeah.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

And I think if you just backup a little bit, at a relatively high level one of our key goals for 2013, and I think longer than that, is to continue to build on the operating momentum that we actually have achieved over the last few years. I think we actually have momentum in some of our businesses and I think our goal is to continue and build upon that momentum.

I think a second sort of higher level view is, as a company one thing that we are very focused on is how do we leverage, whether it's our network or our customer relationships or our businesses, to develop new revenue streams in new businesses. And we've done that quite a few times. And I think a key component though is how the lens that we look at it is really a lens that is focused on sort of sustainable, profitable growth.

And that's kind of the high-level view of how we're sort of looking at the business.

Now, if you want, we can spend some time kind to diving into the businesses because we have, I think, lots of terrific organic opportunities. I mean, we could spend the next 30 minutes just on this topic because it really is the critical topic of how do we grow the business, how do we generate profitable growth, what are our priorities. And if you want, let's just whip through it.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Yeah, go ahead.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

I think we've got a terrific Broadband business. Our high-speed data business has I think a superior product and superior reputation. I think the numbers speak for themselves. And we're penetrated roughly 36% in our market. We added about 1.2 million customers last year of high-speed data, and that's literally like the seventh or ninth year in a row that we've added more than 1 million customers. So, that is just a great product. We're very proud of that product. We've invested very heavily in that product, and I think we'll continue to have sort of product superiority and look to grow that business.

Our Comcast Business Services is one of those entities that we actually have leveraged our network and our relationships. And about five years ago we started that business. That now is a $2.6 billion run rate business with accretive margins kind of in the 50s and top-line growth in kind of the 30s. And our market share still is quite low and I think we have real opportunity to continue to grow that business.

A lot of people kind of think the Video business is mature. And it is a mature business, but we've made lots of investment in that business, we've made lots of improvements and progress. When I was here last year with you, I think we demoed the X1 platform.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

That's right.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

And now that platform is out in eight markets. They'll be nationwide in our footprint by the end of this year. And we really made lots of efforts to try to grow that business. And even though it's a mature business, we grew our revenues in 2012 by sort of 2.5%, which is almost double what we had before, and we're very eager to try to continue to grow that business.

Then we have other businesses, like our Voice business, which people don't really think that much about, but we have 10 million voice customers and that number grew by 600,000 last year. And we're going to continue to grow that business and we're only penetrated at 19%. And then we have new businesses like XFINITY Home and Interactive Advertising, which are new areas within our sort of Cable business that we're looking forward to.

So, I think in our Cable side of the business, we have lots of organic opportunities and we're really excited about them. And NBCUniversal as well, we look at our cable programming side and what we think is what we call a monetization gap, and we look at the network in terms of what we think we can do with ratings and retransmission consent. And if you want, we can dive into this a little bit more. And then we look at Parks, which has just been a terrific performer, and we're going to invest more in Parks. And then even though the Film business had some challenges, we think we can improve on that.

So when you look at our company and the different segments that we operate in, we clearly have plans of ways that we think we can execute for growth, and going back to that principle of we're really focused on profitable, sustainable growth.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Great. Well, that's a great overview, and we'll touch on a lot of those as we move through the questions.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

I figured we would.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

But I want to come back to the most recent news around NBC and the decision to buy out the rest of GE ahead of the original timeframe. How as the CFO of Comcast did you sort of approach that and the board think about pulling the trigger early? Why did it make sense from your perspective?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

So we closed on NBC in January of 2011. So, we've actually been managing NBCUniversal now for two years. And I think when you're inside the company, you own 51%, you're managing all these businesses sort of day to day, I think we have a very good understanding of what we think the growth potential and the trajectory of the businesses are, where we think there is real opportunities and, frankly, where we think there's some challenges. So from a strategic sense and from an investment sense, I think we crossed that bridge a while ago that we are very comfortable with where we think NBCUniversal is going as a company and how it adds to our cable distribution business a technology and content platform. We're really excited about that.

Then it moves to a bit more of an investment thesis or a financial. And really, we've just accelerated the payments that ultimately we were going to do to General Electric. And I feel we were compensated for those. It was a good yield for GE. They got quite a bit of cash, or they will later next month; they got quite a bit of cash on an accelerated fashion. And I think we accelerated, in a way – we got compensated. And all the work that we'll do in the future will accrue to our shareholders 100%.

And I think we were fortunate to be able to finance it, in a way, too, where we had sold some assets last year and we had done some bond issuance, so we actually had quite a bit of resources in order to pay for it.

So I think all of it came together quite nicely and, as a CFO, I feel very comfortable with the deal. And it really was a matter of when, not if. And I feel we got an attractive price. So we'll try to close it all next month.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And you've been issuing debt almost below the Treasury. Given the sequester coming up, you might be a better credit.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

No comment...

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

I want to ask about capital allocation and returning capital to shareholders as well, because you have been telling us over the last few years to think about NBC and Cable cash as separate pools.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And think about the leverage differently. So now once this deal closes, you're one company. How should the market think about your leverage views and capital returns to shareholders over the next couple of years?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

So we actually do try to separate the discussion a little bit. I know you probably don't particularly like that, but we do. When we close the transaction, Comcast as a company with one balance sheet – and you're right, historically for the last two years, we've been managing two balance sheets: one we own 100% of, one we own 51% of. When we close the transaction, we'll own 100% and we'll have about $48.4 billion worth of debt. And that puts us in sort of the top five of borrowers in the country. And our view is, given the magnitude of that balance sheet, and given who we're in company with in that size, both in terms of peers and competitors, we felt, over time – and I really want to make sure, over time, and this is going to take years, we're going to modestly delever that.

And we reset a target on our earnings call a couple of weeks ago that our leverage target's going to be below 2x, sort of 1.5x to 2x. But we are very aware it's going to take us some years to get there. And I think once we get there, we'll feel very comfortable that kind of the evolution of a company of our size, that's kind of where we should be.

But you are very focused obviously on return of capital and we are as well. And on that same earnings call we announced that we were going to be increasing our dividend by 20% and that we were going to institute a buyback plan; in addition to the $16.7 billion that we're paying for NBC's stock, we're doing $2 billion of Comcast stock.

And our view is that we're going to continue to be, I think, modestly aggressive with how we deal with return of capital. It's certainly viewed as a percentage of free cash flow for us; that's one of the key metrics. And our dividend now is around 25% of our free cash flow. And I think as we grow free cash flow, I think you will see the return of capital continue to expand. And really, if you look at our history since 2008 or so when we instituted the dividend, the dividend has grown rather nicely and we've continued to buy back.

So, you actually have to look a little bit back where we've actually been able to really invest in the business, which I think is a critical point, been able to play a lot of offense, been able to sort of strengthen our balance sheet and been able to strategically do NBCUniversal and we've also been able to return a lot of capital to shareholders over that roughly five or six-year period.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Got it. That's helpful. Thank you. So, shifting gears a bit to the consumer and convergence, one of the themes yesterday at the conference in listening to some Netflix and News Corp. and Discovery and others, was just how consumer behavior is changing, and the video experience in particular in the Unites States and really globally.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Comcast has been on the forefront of that. How has the impact of – how has the proliferation of connected devices in the home, which is still happening but has certainly started with tablets and other connected devices that are good for viewing video, impacting the business and how you think about product development and what you're doing? You mentioned X1 and some of the other things. How is all this impacting Comcast's business and your outlook for video?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

So, I kind of chuckle because when you talk about connected devices, for the most part what you're talking about is a Wi-Fi service connected to a broadband network or a straight broadband network. So I know we're going to talk about the Video business, but the reality is, all those devices, all the utilization of that content on whether it's an iPad or a tablet or an iPhone or an Android, for the most part is being delivered over a Wi-Fi connection which ultimately connects into a broadband. And in the house, we're obviously doing a very good job of deploying lots of Wi-Fi in the home and obviously our broadband product is doing really well. So for those devices and those services to actually function really well where the experience for the customer is good, we actually have pretty high optimism that our broadband product is a terrific product for that.

But let's shift now to what I think you're really looking at, is how is our video experience consistent with that. And we have absolutely been the leader in developing everything from VOD, if you want to go back a few years, where now we have 36,000 video-on-demand choices, we do 400 million views a month. Our closest competitor I think has less than half of our video choices. And we're continuing to add on that. And we clearly have the broadest current rolling five series, a whole variety of VOD content that is really quite breathtaking in terms of what's available.

Then we have TV Everywhere. And you mentioned Fox. We secured a deal recently with Fox. And we did Disney last year, we did A&E last year, Scripps last year, AMC last year. So, now we actually have I think the largest collection of rights for TV Everywhere both in the home, out of the home, whether it's online or so forth.

And our goal is really simple, is we want to sort of surround our customers with services that if they want to choose, they'll have a great experience, and that when it comes to video, they can access it anywhere, anytime. And we're developing applications. We're developing – people can utilize their iPad. I'm here in San Francisco, I live in Philadelphia. I was watching my iPad this morning on certain services of things. We actually have 16,000 hours that we can download – that you can actually access through your iPad. We now have Download 2go. We have a whole variety of services and apps. I can literally pick up my iPhone and change my channel at home from here or I can – and I can do it actually by voice command or I can do it by hitting a button.

So, we are really trying to create a connected home with our video service and obviously our broadband and Wi-Fi service. And I think you're going to continue to see us innovate and try to make sure we have leadership in that product.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Got it. Let's dive into the Cable business in a little more specifics, touch on some of the points you made in your opening remarks. You've been growing quite a bit faster than the rest of the industry in the U.S. and the operational outperformance has been significant. Can you talk about the drivers there and what you and Neil and the team have put in place to help kind of continue to keep the sustainable, profitable growth, as you laid out, going?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. You got to take your hats off to Neil and the whole Cable team. They've done a terrific job of everything from setting the foundation of technology, to how we market, to how we support that service.
And really actually have to even start with the XFINITY brand. And the XFINITY brand was deployed maybe three or four years ago, was market by market.

And when a market became XFINITY, a whole variety of things happen, which I know you and I have gone over before. And what happened is, we went all digital. And that was the all-digital part. We launched a lot more on our VOD platform. We launched a lot more from an online perspective. We launched DOCSIS 3.0. So, we launched more channels. We launched more high def.

So literally, I think when we win XFINITY, from a product perspective, we transform the product and I would even say we kind of leapfrog some of our competition. We even upgraded some of our UI; that helped from a navigation and sort of a guide standpoint.

And we completed that XFINITY deployment it feels like two years ago.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Yes.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

And then we've enhanced the product in terms of those platforms. And I think the team is just pushing more on enhancing the product and having a best-in-class, kind of world-class experience, supporting it with more customer service, supporting it with more innovation. And I think next is sort of X1 for us, and that is really just a little bit of a different experience that I think will be better received by our customers.

So we're – I think the team is doing a terrific job and very focused on what are the innovations we need to do, how are we thinking about marketing, how are we thinking about branding. The XFINITY brand has been very well received. We've closed a lot of sort of perception gaps that we might have had. We're clearly far more recognized by both customers and non-customers in being more technology-savvy. Non-customers have a higher propensity to sort of buy our product. And I think we've actually lapped a couple of competitors with regards to our XFINITY brand.

So, it's a lot of little things that are sort of easy to say but hard to do, but I think the team has just been laser-focused on how do we execute.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Is scale a particular key focus there?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Can you talk a little bit about how that benefits and helps you sustain this growth rate?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Well, I think scale is critically important for us. And let's just talk about X1. X1 is a major investment, hundreds of millions of dollars of investment, moving as much of the intelligence as we can into the cloud. So we have now a thousand software engineers working on a variety of different products on the sort of cable side of the world. I think that we are uniquely positioned to make those kinds of investments and efforts, and whether it's in engineers or whether it's in platforms, and we really do look at X1 as a platform. So, scale certainly helps in terms of we have the resources to invest and then we have the scale to amortize that investment over lots of different customers.

Same thing in Business Services. We've just launched a thing called Upware last week, which is sort of an ASP model, where our Business Services customers can go online and subscribe to different commercial services, kind of like an app store. And again, we can amortize that whole product and that effort over many, many, many business customers. And I think we really couldn't do that if we were – didn't have the scale we have today.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Taking that point on scale and maybe clumsily segueing into programming costs, I wanted to ask you about that piece of the Cable business. And particularly for Comcast, you talked about low double-digit programming costs guidance for 2013, and I know that TV Everywhere is a big part of that. But can you just talk about that piece of the P&L and how you see that trending over the longer term? And what are the drivers of that kind of growth?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. You know, I don't want to talk too much about longer term because we really don't know.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Yeah.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

But number one, no mistake, increasing programming cost is a challenge. And we're trying to really get two things at once. We are trying to control the growth of that cost. At the same time, we're trying to access many, many more rights. So, as I said earlier, we have the most comprehensive set of rights I think of any company, and that does come with a cost.

So, we have made the conscious decision that we want those rights. We want to utilize those rights. We want to build value in different platforms and be kind of innovated with those rights. And we're willing to absorb some costs in order to do that.

So, listen, I don't know where long-term programming costs are going. I'm not sure anybody really does. But we've said on our earnings call, as you mention, that next year we'll have sort of low double digits...

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

This year...

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

This year. Sorry, 2013. But we think we can actually manage through that and that we'll keep margins stable. And I think you will see us continue to sort of develop, whether it's TV Everywhere or Download 2go or it's things with our partnership with Verizon Wireless, pretty innovative uses for that content.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Got it. One of the other big topics coming out of earnings beyond the NBC transaction is also capital spending.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And you spent a lot of time on the earnings call talking about your outlook for spending, which is for higher intensity, at least in 2013. Can you talk a little bit about where that money is going and how as the CFO you think about the return on those investments?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah, I mean, I think that's an important discussion because no one takes lightly the increase in capital spending. These are after-tax dollars, well aware of it, and I think we feel we are uniquely positioned to take advantage of areas that position us differently, have really high returns.

And frankly, some of the areas that we will be spending that capital in didn't exist two years ago. So, one of them is XFINITY Home. And I don't know if anybody here has that product yet. But we literally sort of grew that product organically. We invested in a – actually a startup out here, our venture capital, and we literally grew that business into a test mode. And last year, we sort of deployed it sparingly, and in 2013, we are now deployed it nationwide. And we're going to invest in that product and we think it's a terrific product. It's a whole management security type product. We think it works really well where it leverages our network, it leverages our customer relationships.

And in the early days of how this product has developed, I think all the telltale signs are actually quite positive. Three-quarters of those customers take all four services, about one out of five of those customers have never had a relationship with Comcast. Just those two data points alone sort of go, that's pretty interesting.

So, the business model for XFINITY Home over a five-year period is very attractive, really great IRRs, all, for the most part, success-based, and we're going to monitor it really carefully. And then you get the added benefit of you're attracting some new customers and then some of those folks are actually bundling in.

So, that's one area that, frankly, 24 months ago there was no such thing as XFINITY Home. And we're really excited about it. And as a CFO, one of my goals is to really look at whether that business plan hunts; whether we think we want to support it financially.

And I think that you got to understand, we could actually reduce capital.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Sure.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

But it's not the right thing for the business. And we don't take lightly increasing capital. We think it's good for the company over the short, medium and long term.

Another area that we're investing in is related to our Broadband business. And I can't say enough about our Broadband business. And you should write more about our Broadband business. But...

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

I'll get on that as soon as we're done.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Okay, great. But now we're deploying wireless gateways in homes that have 200 megabits of throughput and we'll – obviously it's another piece of CPE, but we'll be charging for that. And we think it puts us at a different level compared to – on par with our best broadband, now we'll have best Wi-Fi in the home, and that's very attractive both strategically and economically.

We have a whole variety of areas that we're focused on with regards to how we think about our Video business with X1. And X1 is really important for us as well. And we'll be spending more deploying that and so forth.

So the last one, which is hard to argue, is Business Services.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Right.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Business Services has just great accretive margins, great line of sight. And what I mean by that is we have great clarity into how that money is spent. It's all, again, most of it's success-based in how the returns are and contractual and we've really increased our spending in Business Services over the last few years because that business has performed so well.

So when you think about those four areas, you kind of look at it, as someone in my shoes, and go, this is great for the business. These are high-returning, high-growth, risk-adjusted returns that are great for shareholders of our company; and that's the reason why we increased CapEx.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

That makes sense. I just want to touch on two of the points you made in there. One on X1, or set-tops in general, and also then go to commercial.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

On the set-top front, how important is it for the company to move towards the next-generation set-top? Maybe you want to talk about the guide and UI work and also IP long term. Are those things that you think are important from an infrastructure perspective?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah, I'm not an engineer, but I spend enough time with our folks, and it feels to me like the trend is in our favor. And the primary reason for that is, it's clear to me when I talk to our technology and engineering folks that most of the intelligence is going to be moving to the cloud. And that is something that we are doing relatively aggressively, and X1 is sort of the first element of that platform.

So, over time we will deploy maybe media gateways with smaller sort of peripheral boxes that we think ultimately could bring CPE-type costs down. And we are looking at a variety of different infrastructures or architectures. They are mostly IP-based. And we think overall the CPE is probably a bit lower than what we are doing today. If you look at a home today compared to what a home could look like in several years, and if it was more IP based, that cost per home for infrastructure could be less.

But it's complicated. And the best way I can think about it is I think the trend is in our favor. And I love the idea we're moving things to the cloud, because the ability to continue with that innovation trend is so much easier to do than when you have sort of an isolated home today that isn't quite connected to the cloud.

So, I think our people are very focused on how we think about the architecture and the technology cycle, and I think it's a new positive development for us.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And on the commercial business, you mentioned the $2.6 billion run rate.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And 30%...

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Swapping topics now, right?

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Right. To the – well, yeah, to commercial, which you mentioned you're happy spending that money.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Can you talk a little bit about the...

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

As a shareholder you should be happy. I don't know if you're shareholder or not...

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Check my personal holdings; I cannot own any stocks I cover.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Okay. Okay. Well, our shareholders should be very happy we're spending that money.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Right. Can you just talk a little bit about the addressable market for that business and sort of where – customer segmentation you are today?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. So let's spend a few minutes on Business Services. It's a big opportunity for our company and we're very focused on it and, frankly, we're spending a lot of capital on it.

So, we now have what I would call the small part of our commercial side. And that small part, for those of you who don't know, is defined as companies with less than 20 employees. And these are small enterprises; they may be small restaurants, they may be a small doctor's office or a hair salon or – they're very small businesses. And we've been – we put all the infrastructure in place, new sales force, really provisioning how we measure, how we IT, how we service, years ago to go after that business. And that business today is roughly $2.2 billion of the $2.6 billion. It's growing sort of 30%-ish on the top line and it has margins that are very accretive, sort of begin with a five.

So we look at this and say momentum is going great. Critically important is we have a better product than our competition. We're looking at putting, using some of the examples, a TV in the private office as well as in a waiting room or in a restaurant, we're putting high-speed data where they would have historically an ISDN or a DSL line, we're putting in multiple megabit product. And we're also putting in sort of an IP phone, which is a far more flexible phone than some of the switch they've had historically. And we do that on a very value-creative way for the customer.

So, that business is doing incredibly well, very high returns, and literally our goal for that business is continue the momentum.

About two years ago or so, when we knew that the small side of the business was sort of on track, we said let's go after the medium-size business, and that is companies that are above 20 employees but sort of less than, say, 250 employees.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Okay.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

It's that medium-size business. They may have an office manager. They may have an IT person that's really helping them with their IT needs. We hired a completely different sales force, a little bit more sophisticated, a little bit more – a different sales cycle. We put in all those building blocks over the last two years. We deployed Metro Ethernet now throughout our entire footprint. And that business really has just started over the last six or 12 months or so and that business is now – boy, that business is just under sort of $400 million run rate. So, when you add the two, it's about $2.6 billion. And that business is growing in the 50s in terms of top line.

And we look at that and say this is a terrific business, great returns. Again, we have a terrific, differentiated product. We're coming in there with Metro Ethernet, we're competing with T1s. And it's just sort of a product differentiation that we're really happy with.
So, that business has just started. Combined, that $2.6 billion, we think the addressable market in our territory, probably somewhere between $25 billion and $30 billion; that's how much dollars are in our territory.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Just for those two...?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Just for those two combined. And combined we're at about $2.6 billion. So when we think about – go back to your first question...

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Yeah.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

And you say what do you think some of the growth areas are, this is an important growth area for the company. And you really sort of – you see the progress we've made over the last four years or so and you really can sort of see the progress that our team will make going forward.

So, we're very bullish on that business.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Great. Let's segue over to the content side of the portfolio, to NBCUniversal. And you mentioned in your upfront remarks about monetization gap.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Why don't we start with that because it is sort of a portfolio-wide, or nearly portfolio-wide, point on NBC. Can you tell us just where we are on that, on closing that gap in terms of how big the opportunity is?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. I mean, we've got – this is going to take years.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Yeah.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

So, a number of opportunities that we have at NBCUniversal are not – there's not a silver bullet and it's not going to happen quickly. It's going to take some time. And that – I would probably combine in this discussion retransmission consent along with what we call the monetization gap on cable programming.

So I would say we are underweight what we think our channels or our franchises deliver and, frankly, we're behind. We are behind some of our peers, our competitors, from the Foxes of the world, who I know you spoke to you yesterday, or the CBSs, who have done a great job, we are behind those folks. And in order for us to catch up on the broadcast side, we have to go through contract cycles. And it's going to take us time to go through those contract cycles. And we are about a quarter of the way through, but we've got years to go. But the quarter that we have done, we feel very comfortable about what the monetization is of that quarter, that that will lead as contracts come up to more. So that's more on the retransmission consent.

On the cable side, our franchises are fantastic. USA has been the number one cable channel for like five years, and we think it's undermonetized both from a CPM perspective and from the affiliate perspective. So again, as we look at MSNBC, Bravo, USA, CNBC, Syfy, these are really popular, great channels, we're going to look to get better CPMs as we improve ratings and also better affiliate fees as new contracts come up which we think are commensurate with the value these franchises are delivering.

So, there is a lot of work to do there, but you have pretty good line of sight.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Sure.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

And we think we're optimistic about trying to close that gap. But I want to make sure that – it's going to take us time to get that gap.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Sure. On the retrans front, other than timing, is there really – is there any reason why NBC can't monetize the way the other broadcast networks do long term?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

No. And I think we talked about this on our call. In 2011, the amount of retransmission consent dollars we got was miniscule.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Right.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

In 2012, I think we said it was around $40 million. And in 2013, our hope it's going to be around $200 million. That's pretty nice growth. Now, I have heard that another company thinks that in 2013 they're generating $500 million.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

They happen to be speaking next.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

They will.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Perfect segue.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

And to me, I don't really see a huge delta; they just are in a different period of their renewals.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Right. Sure. You and I have talked about the Olympics as well over the past few years.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And you made a decision to sign a long-term contract after the GE deal was – the initial transaction was announced. Now that you've gone through London and the games this past summer and you look out to the remainder of that contract, how do you feel about the long-term commitment the company's made to spend money on those rights, which are obviously substantial?

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. I got to tell you, I feel quite good about it. I think that, to be honest with you, within NBCUniversal when we took it over, one of the loss areas within the company was the Olympics. And we literally studied it for about a year before – even before we closed, sort of June of – I'm trying to think of the date – 2010, and June of 2011, we really studied the Olympics and came up with the conclusion that we really needed to go long and, frankly, we needed to be as moderate as we can about sort of the escalator in those rights.

And if you look at what London costs from a rights perspective compared to what the rights look like over the next eight years, it's sort of a very low single-digit escalator. So, we feel really good about that.

Now go to London, because London was very helpful, a great data point. In London, we sort of changed how we were going to monetize it from an advertising standpoint, from a multiplatform standpoint. We thought we would benchmark against Athens, which is a similar time zone as London was. China was the high watermark, which was the previous Olympics. And the reason why China was the high watermark is the time zone allowed for live programming versus something that would have been done differently. I think we beat China sort of 16 out of 17 nights. So, we blew away Athens and even beat China. And we feel really good that the Olympics is in a great place both managerial and from a brand standpoint.

Now we go to Sochi, and we knew Sochi was – I think we're being pretty conservative of what our projections were for Sochi.

So longwinded way of answering your question, I think the Olympics will be profitable for us. I think we're very comfortable with the long-term approach that we have taken. The Games are just irreplaceable as content. We just think that they are a fantastic brand and piece of content for NBC, and I'm delighted we actually did the agreement.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Certainly can't hurt your retransmission fee negotiations.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

From your lips to... I didn't say it.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Let me ask one more question, touching on the Theme Park business, which is another place you're spending some capital.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

And then we'll open it up to the audience to see if there's any questions; and to ask if you can just wait for a microphone before you ask your question to Michael.

The Theme Park business is an area you're spending more capital on this year. I know, in the grand scheme of Comcast, not a huge impact to the financials. But can you talk about that business? It's a little more capital intensive than most of the media properties and why you're excited about spending that money.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Yeah. I mean, I would argue – and I think our Theme Park folks have done a phenomenal job of managing that business. I think over the longer period, historically, I'm not sure it's been invested in enough. We were very fortunate, and I want to make sure that point is made, that Harry Potter was invested in and built prior to us really coming in and owning that asset. And Harry Potter has just reset the entire bar in Orlando. And also King Kong in Los Angeles and the Hollywood attraction in Los Angeles. And we've looked at it and said this business has more than doubled in operating cash flow in a period of roughly three years.

So you think about that business, that business between Hollywood and Orlando has more than doubled in operating cash flow, where now the parks generate over $900 million of operating cash flow. There is a lot of free cash flow these parks generate.

And we're pretty disciplined in how we think about new attractions and how they're timed. And our team I think has just a terrific thought process of we're going to do Harry Potter in Los Angeles, we're going to do Despicable Me and Transformers in Orlando and we have some other attractions in Orlando as well.

So I think that these are spread out over time, and the customer satisfaction of Harry Potter and the Transformer ride and King Kong attraction is literally off the charts. So, we're going to – I think it's pretty modestly investing in these businesses given how much operating cash flow they're actually generating.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

Sure. Got it. Okay, let's see if we have any questions from the audience for Michael.

QUESTION AND ANSWER SECTION

<Q – Ben Swinburne – Morgan Stanley & Co. LLC>: Here's one. By the lights there. They're brutal. [ph] Brendan (37:19) right there.

<Q>: On the NBC Universal Cable nets, you mentioned kind of the opportunity to reprice those more towards market. And you mentioned on the broadcast side that you've gotten through 25%. I wonder if you could just talk, over the next two, three, four years, how much you have coming up on the NBC Cable nets.

And also, we kind of would love your perspective on how much is this next round of negotiation going to be about absolute pricing versus getting a lot of those channels to be coterminous, because I think with a lot of the MVPDs, a lot of them are.

<A – Michael Angelakis – Comcast Corp.>: Okay. For the most part, retransmission consent and our cable programming are on the same cycle. So when I mentioned 25% – and that's why I kind of try to blend into that discussion together, is pretty much in 2012 we've renewed 25% of the MVPD base, and that includes both for our cable programming and, for the most part, our retransmission consent.

There's two parts to retransmission consent, which I'm sure you know, both of reverse comp on the affiliate side and in retransmission consent itself. And we've made progress on both those.

It's going to take us four, five years to get through the whole 100%. So we have about 75% to go. And I think our view is there is a market. The people who will speak to us next have determined the market, NBC's determined the market, Fox has determined the market. Comcast Cable has agreed to what certain terms are. So I think I'm pretty comfortable of how retransmission consent will grow to the benefit of NBCUniversal.

And coterminous, I'm not overly worried about that. I think our franchises are real strong. And I think even Comcast, we've actually tended to do things a little bit more now where things are sort of all coming up at the same time and let's just have one sort of large negotiation. I think that trend will continue.

Benjamin Swinburne, Analyst, Morgan Stanley & Co. LLC

All right. Well, with that, we're out of time. Michael, thank you so much.

Michael J. Angelakis, Vice Chairman & Chief Financial Officer

Great. Good to see you.