

FINAL TRANSCRIPT

Thomson StreetEventsSM

CMCSA - Comcast Corporation at Deutsche Bank Securities Inc. Media and Telecom Conference

Event Date/Time: Mar. 07. 2011 / 2:40PM GMT



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PRESENTATION

Doug Mitchelson - Deutsche Bank - Analyst

So very pleased to have here today President of Comcast Cable, Neil Smit. As we were just talking about for the last year and however many months, I think we have all [obsessed] with the NBCU deal, the dynamics around it. Neil came in just over a year ago and has been very quietly able to get in and do his job without a lot of stuff being thrown his way by Wall Street and by guys like me, and I think it is a good time to refocus on cable execution which is still 80% of the Company.

So very excited, Neil, that you were able to make it down and thanks for coming.

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Thanks for having me, Doug.

Doug Mitchelson - Deutsche Bank - Analyst

Just to start, at risk of making this sort of a one question keynote presentation, what are you working on in 2011? Where are the execution priorities? What do you have to get right this year?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Well, I think I'm focused on four different priorities. The first is really driving profitable growth, so we want to drive HSD share which we're doing well. We're going to compete better on the video side. Business services has been a great growth area for us. We're up about 53% there in 2010.

So -- and we're really focused on retention. We don't want to chase [connects]. We want to make sure we're getting the great customers and keeping them with us.

The second priority is really compete better with superior products, and we've done a nice job over the last two years laying the -- putting the platforms in place. We put in all digital, DOCSIS 3.0. We're at 85% of our footprint and it's really enabled us to deliver better products.

So with DOCSIS, we have 105 meg speeds over 40% of our footprint. And almost all our footprint, 40 million, households we've got 50 meg and above.

On the video side we're delivering 25,000 VOD choices, a great number of multilingual choices for the customer. And on the voice side it's been a great product for us -- up 12% in Q4, so it really continues to tie down the bundle.

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The third priority is customer experience. I really want to try and transform the customer experience. I think it is around two different areas. One is convenience. So people can now self schedule install appointments, and that is a big benefit. They can pay their bills online. We are doing a lot of work on self install kits, so we could make it better and more convenient for the customer.

The second thing is reliability. And I think on the reliability front we're testing more of our set top boxes upfront and we're really reducing the number of set-top box failures. We're driving more first call resolutions; they get it right the first time, and so our repeat service calls are down about 15% this year. And that is good for both the business and the customer.

And then finally is an area that I call OneComcast. And while I was out traveling and visiting all of the systems, you find that any particular metric you've got people performing really well in one area and really poorly in another area of the country and sort of leveraging best practices. And at the two big initiatives there are getting the first 120 days right, and getting the -- any sort of escalation, getting that right the first time.

So it has been a busy year, but I've been really pleased with the team and the execution.

Doug Mitchelson - Deutsche Bank - Analyst

Why don't we hit a little bit on each one of those and then we will dig into other areas of the business.

We started off just talking about profitable growth, which is a pretty sort of broad overarching comment about how you approach acquiring pricing and cost. There's a lot wrapped up in profitable growth. But when you think about the drivers of your business, which areas are you the most excited about?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Well, I'm very excited about HSD. In Q4 and for most of the year, we grew at 106% index. And the industry was about 80%, so we're gaining share there.

I think it would be a really better product. We're doubling the speed for many of our customers. We're offering them more value and DOCSIS 3.0 really offers us a lot more [take] capacity there.

I think the second area is Business Services. As I mentioned, we grew 53% on the year for 2010. And we're entering now into the mid-market sector, so PRI we've got in 90% of our footprint, Metro-E is about 50%. So we're really showing good growth opportunity there. I think the revenues coming now will be material in 2011, 2012.

I think the third area is advanced advertising. We now have 20 million set top boxes EBIF enabled, which really helps us deliver a number of things. But we've done a lot of work with requests for information, telescoping and we're doing a lot of tests now with advertisers and have seen very encouraging results. So I think those are the three really encouraging growth areas of the business.

Doug Mitchelson - Deutsche Bank - Analyst

When you talked also, you mentioned retention [or] profitable growth. But really it sort of underlies everything you're doing, right?

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Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Yes, I think that's right. We hadn't really focused on retention as a channel where we can target and manage the customers the same way, with the same size we would on the acquisition size. We're getting much more scientific about who we're keeping and what their customer lifetime value is.

I think the other thing is it's combined with the service aspect of the business. We really want to drive better service and so the customers stay longer. We have upped our credit screening filters and it really enabled us to get better customers and drive down churn, which is a costly part of the business.

Doug Mitchelson - Deutsche Bank - Analyst

Is all the IT already in place? Do you have all of the measurement tools that you need to try to make these decisions at this point?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Yes, I think we do. We're getting better at the metrics, but it's not really an IT capability. We have plenty of reports, probably more than we can digest. But I think it's understanding what the information is and how we analyze and interpret it.

Doug Mitchelson - Deutsche Bank - Analyst

On the product innovation side, now that the platform is in place, what would you think or what would you say are sort of the most important initiatives underway right now?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I think video is really the battleground and the area where we see the most opportunity for innovation. So you have seen we rolled out the iPad application and five months after iPad launched, and that has seen really great results -- 1.3 million downloads. Interestingly, the people who use that also buy more VOD because they can discover the content better and easier, so you see the multi-platform benefits of it.

I think we put out new guides. We've recently been rolling out a new guide in our SA markets and VOD views are up 64%. So, a lot of the innovation is making the user interface and the experience better so the customer is able to discover all the great content we have.

I think on the data side it will be speed-related. That is where a lot of the focus will be and we feel we could compete very well there.

Doug Mitchelson - Deutsche Bank - Analyst

We'll get back to the video stuff but I just want to make sure we hit all the execution priorities up top here. On the customer experience you talked about convenience and reliability. How far along are you improving each of these?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I don't think you are ever done with the customer experience. I think it's a journey and I think there's always room for improvement.

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We have made significant improvement in a number of the key metrics, such as repeats and service calls and things like that. But I think a lot of the focus will be on looking at things from the customer perspective, so we organize around the customer experience and we put someone in charge of looking at things from the customer view, not from the various functional views. So you don't have someone just working on call centers or dispatch or service calls. They look across the business make that better.

I think what we're finding is that we're -- where customers are having to contact us too many times in the first 90 days. We're communicating too much with them. And there's really room for improvement there as we look at things more from a customer perspective.

Doug Mitchelson - *Deutsche Bank - Analyst*

So how easy or hard have you found it? It's only been a little over year. There's a lot of changes already taking place.

Has this been something that the organization has been quick to adapt to? Is this something that you feel is going to take a multi-year period [and slowly] work with the system? How quickly are things changing?

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

Yes, I've been really pleased with the organization's response time.

And I think it's a matter of saying, listen, things work really well in this market. So you have markets who are half the repeat rate of other markets, and you just point to them and say these guys are doing it really well. Why don't you get out there and talk to those folks and see what, process-wise, they're doing?

And the organization has responded very quickly and very well. I think the size of our organization -- it takes time to instill all of these practices, but I feel very good with the progress we have made.

Doug Mitchelson - *Deutsche Bank - Analyst*

When you look at the 4Q results, which I think for those in this room that own Comcast stock they were pretty excited about that, would you say that a lot of what you've been working on here with these four execution priorities helped deliver better results in the fourth quarter? Were there other factors that were involved?

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

Well, first, I think we were very pleased with the fourth-quarter results on both the sub metrics as well as the financial metrics. I think on the sub side, there is one thing that [wasn't] market related phenomenon and that is finishing off the digital transition.

So about half of our subs that -- our basic video subs left us in the second and third quarter. They were B1 subs or basic subs, so half the sub video [sites] we lost were that category of subscriber and that we attribute to the digital transition. That was a big factor.

That being said, I think the financial metrics -- we grew, if you count video, HSD and voice we grew 43% from Q4 2009. So we put on a lot of subs -- 414,000. And I think our rate, our ARPU was up 11%, so we managed rate very well and so revenue was up 7%. Profit up 9%, and we feel good about the numbers.



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I think a lot of it was just basic block and tackle execution. We marketed better. I think Xfinity, we're seeing good results on the brand name.

So about 40% of the non-customers we have, we have 43% higher consideration for the brand of the existing customers. They -- if you look at the category of technologically advanced, that grew 43% so we're seeing better sticking of the brand. We're marketing better and were executing better.

Doug Mitchelson - Deutsche Bank - Analyst

Is there more to go on marketing?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I'm sorry?

Doug Mitchelson - Deutsche Bank - Analyst

Is there more to go on marketing? So you have been marketing on Xfinity. Is that something that increases in intensity? It is something that stays relatively steady and over time the message spreads?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

You know, I think marketing as a percent of revenue will stay about the same. But I think one of the things we're doing is, we're doing more marketing on product differentiation. So I think that we were probably under index there and over index on just pure acquisition marketing and offer related, and so I think that is positive.

We've got a great product. We should be talking about it. And some of the recent commercials we launched at the Academy Awards were very well received. And it was about let's have fun with entertainment and let's drive the experience, and now we'll be marketing more toward talking about what specifically these product attributes deliver.

Doug Mitchelson - Deutsche Bank - Analyst

As you can imagine, a lot of us are trying to figure out how much of the fourth-quarter momentum can sustain into 2011. A lot of other pay TV companies have talked about an increase in sort of the competitive environment, competitive intensity. Have you seen that? What would you say -- how would you categorize the competitive environment right now?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I don't think it has changed dramatically. I think there is always promotional activity, but I think the destination pricing is very similar to what it was.

I think we're competing very well on the video front. We're bringing more value to our products on the HSD front, more speed. Our Triple Play percentages are up again, which -- and when you get into Triple Play it is about 40% less churn. So I think we're competing very well and we will continue to do so.

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Doug Mitchelson - Deutsche Bank - Analyst

On the -- before we sort of leave the four 2011 initiatives, the profitable growth side, part of that is also managing costs, managing margins. Is there more areas where there is room for further cost efficiency?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Yes. I think via OneComcast, which is more standardization, you get a few things. One is, if there are fewer mutations of variables that you have to launch products through, and you can also begin to consolidate things like call centers. So I think is there some efficiency there.

I think the other thing is if you execute well and customer experience and you get things right the first time, it is fewer truck rolls. That is cost. I think just pure execution will be an area where we can drive more efficiencies.

Our margin was up year over year in 2010 and I think a lot of that is due to better product mix (technical difficulty) if you get higher margin products like HSD in the mix. I think a lot of it was due to better execution.

Doug Mitchelson - Deutsche Bank - Analyst

Very good. We had a section sort of where the greatest growth opportunities for Comcast cable and obviously we have touched on some of them already, just going through the execution priorities. They're not just 2011 execution priorities, but obviously some of these carry on. So we will dig into a few more in detail.

You said [you're excited] about high-speed data and you have a product advantage. It's being used more by your customers. How much -- I understand that there is some regulatory limitations for a period of time.

How much pricing power is there in high-speed data? First, do you believe there is pricing power in high-speed data, and then how much do you think there is?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Well, I think we're interested in delivering more value to customers. So as I've mentioned we've doubled the speeds to a number of our customer -- our tiers for free. We -- our ARPU is up about 3.9% in Q4, 3.6% on the year. So we have had some ability to price in there, again, while we're delivering more value.

I think we're going to continue to focus on speed and offering more in-home services such as home networking.

Doug Mitchelson - Deutsche Bank - Analyst

When you think about voice, over time there has been a lot of speculation that voice ultimately is just an application (inaudible) over broadband. And so how does pricing for voice over time change as a result of that, if at all?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Our ARPU was down slightly for voice, but it was more than made up for in volume. As I mentioned, we were up about 12% in voice in Q4, so we have seen good revenue growth there.

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I think it is a great product in that it ties down the Triple Play and brings a lot of value to the overall equation. So will there be other services we can attach to voice? Possibly and we're working on those right now.

Doug Mitchelson - *Deutsche Bank - Analyst*

And then also on voice, on the Business Services side you mentioned that was a great area of growth. Obviously 53% is a growth rate that we like.

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

We do too.

Doug Mitchelson - *Deutsche Bank - Analyst*

Not as easy to keep as you scale that business, even though you are investing in medium-size as you have talked about. Is that -- a few years in for Comcast on this, I mean is this a point where you could size for us what's the five-year opportunity for small and medium size enterprise?

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

Well I think the small and medium-size business is probably a \$2 billion to \$3 billion business over time. And that is at a 20% marketshare of a \$10 billion to \$15 billion segment, so we see that as the opportunity there. The midsize business, which is 20 to 250 employees, we see as about the same size opportunity over time.

And then you've got cell backhaul, which is a great business. We see that as about a \$1 billion opportunity. And our cell towers that we contracted with in 2010, we're up about 80%. So we see the need for capacity and that has been a great add-on service and a way to leverage our backhaul.

Doug Mitchelson - *Deutsche Bank - Analyst*

And the margins on this business should be pretty good. I mean potentially additive at least in line on a gross basis with what your business looks like today, right? This is a huge opportunity. I mean execution on this is obviously one of the top priorities.

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

Yes, absolutely, and Bill Stemper, who runs that business has done a great job in executing there. The margins are at or slightly above our residential business right now and are growing as we scale the business. So it has been a very good business for us.

You know, a lot of it right now is building the capacity -- both the sales force and the back-office systems -- so we can deliver on that growth. And as we have entered the mid-market that has been the real challenge is getting all the infrastructure in place.

Doug Mitchelson - *Deutsche Bank - Analyst*

That's the only land mine at this point? You have all the internal capabilities you need to operate this business? The network is in great shape? Nothing else that is going to stop a small to medium-sized business from continuing to do well?

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Neil Smit - Comcast Corporation - President, Comcast Cable Communications

No, not at all. It has been a high-growth business. We have invested more CapEx, so our CapEx has in the last two years -- so since 2008 -- kind of doubled there. It has gone from about \$230 million to \$500 million. But we have seen great growth in returns in the business as well. So you have seen the business growth to accompany that.

Doug Mitchelson - Deutsche Bank - Analyst

You mentioned interactive advertising. And certainly that is one that always seem sort of [you would say] T+3. It always seems like it is three years away from whatever year you want to talk about it. What do you think about interactive advertising? When does the wave actually crash on the beach?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Well, we have seen growth right now. We're doing -- with Canoe, they've got three networks up and running, more to come. As I mentioned we have 20 million set-top boxes with EBIF capable, so they were doing work with advertisers now, request for information.

We had a great sale with a packaged goods company where their buys were up over 30% on the RFI for a coupon. We see telescoping has been a great opportunity with programmers. We have done some telescoping and various remind/record campaigns.

So I think it is happening now. And the nice thing is we've got the platform again in place that we can deliver on it. Our sales force is very excited about the opportunity this year in that.

Doug Mitchelson - Deutsche Bank - Analyst

When I think about sort of the greatest opportunities for cable, one thing I think about is the transition to an all-IP network over time. Is it too early to be talking about a transition to an all-IP network, potentially sort of years away? Or is it something that actually you guys are thinking about today and planning for today?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Well I think one of the things a lot of folks don't realize with IP is currently our VOD and all our national linear content are delivered over IP technology. We just convert it to MPEG at the -- what is called the regional level or DMA level, so it is compatible with our set-top boxes. So a lot of that infrastructure has been built.

In addition, in the backend side we've done a lot of work with Web services architecture so we can deliver on the backend systems the integration, so I don't think it is a major capital investment to extend IP end-to-end. We've done some work on that and we understand what it would involve, and so I think IP is coming.

It will speed up the pace of innovation and I think it will speed up -- it will reduce the CapEx intensity going forward. So I think it is in the process of happening right now. And a lot is the key infrastructure has been put in place across our backbone.

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Doug Mitchelson - Deutsche Bank - Analyst

Where the capital efficiency going? It seems we had Glenn Britt here this morning saying he could see getting out of set-top box business over time, just delivering IP signal straight to IP devices in the home. It would take a long period of time, but something that he is happy to do -- so, less set-top boxes being shipped.

What other things are you working on, on the capital efficiency side? And ultimately where is capital efficiency for cable going?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Well, I think we have shown that CapEx as a percent of revenue can and is coming down. So in 2007 we were about 20% of revenue, 2010 we were 13% of revenue. I think this year 2011 it will again come down as a percent of revenue.

I think -- and that is in the environment where we invested \$1 billion between 2008 and 2010 on rolling out DOCSIS, rolling out all digital. As I mentioned, we doubled the investment to \$500 million in Business Services, so it is still coming down in that environment where we're investing in the new platforms and new businesses.

Set-top boxes have come down in pricing. I think there is going to be -- set-top boxes are going to be there for a while. And we're able to deliver great services in our existing set-top box environment.

The iPad, for example, the iPad acts as a remote. You can play now, you can scan through different programs and screen and filter and it is a great user experience. So I think we can do that with the existing set-top box capability and I think there will be more of that to come.

Doug Mitchelson - Deutsche Bank - Analyst

I'm just curious any thoughts on porting content out of the DVR something DirecTV might launch this summer? As a customer, as a DVR user I would love to be able to take my DVR content with me on the go when I'm on the plane. Is that something you guys are thinking about?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Yes, it is in our product plans. I think, however, that if you look at what the customer has in terms of choices today, so we've got 25,000 VOD choices, you can remotely program your DVR. You can go multi-room DVR. You have 150,000 choices on XfinityTV.com.

So there's a lot available today. So we're looking at that capability. But I think a lot of the functionality currently exists for the customer.

Doug Mitchelson - Deutsche Bank - Analyst

And then is part of that product map also -- Cablevision pretty successfully has launched the RS-DVR. Is that something where you see capital efficiency, good for the consumer, fewer truck rolls, more reliable service?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I think it is a great opportunity. We are currently investigating that and I think we're very conscious of the content owners and the content rights. And we will continue on both that and the DVR -- porting the DVR content.

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So we are carefully balancing that and we will do, at the end of the day, what is best for the customer.

Doug Mitchelson - *Deutsche Bank - Analyst*

So we're moving on to the challenges part of the conversation. On the programming costs is one of the first things that come to mind.

Now you have a boss who also owns -- a programming entity that runs lots of affiliate fee revenue growth. So organizationally, might be a little bit of a different emphasis on where programming costs might grow over time. And how are you dealing with it on the cable side?

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

What is really nice is Steve and I have known each other for quite a while and work very well together. Steve is very focused on NBC and I'm very focused on the cable side, so there is clear delineation of responsibility. I think there are real synergies between the business, but the business case wasn't built on the need to deliver synergies.

I think on the programming side we're up about 5.6% last year. What we're looking for in the programming agreements is more flexibility. And an example of that would be a Turner deal we did last quarter where we got VOD rights, online rights including streaming. So we were across more platforms. We have more flexibility and more value for the customer.

So I think programming is ever a challenge. We spent about \$7 billion on programming a year. We're always very aggressive.

Oftentimes we're not in the public arena where we are doing our negotiations. But we're the biggest buyer of content. We believe (inaudible) we get the best price for content and we will continue to focus on that.

Doug Mitchelson - *Deutsche Bank - Analyst*

We just had [Les, who was] interested in getting billions of dollars for [re-trends] for all of the networks. When you think about that, programming costs incurred over time, do you think it just sustains at that sort of existing level for a while as all the broadcast networks eventually get paid up to a fair price?

Neil Smit - *Comcast Corporation - President, Comcast Cable Communications*

I think the cost of programming will increase at a higher rate than the video revenue. So that is an issue for us. However, would say because we're in multiple lines of business we're able to maintain -- we have been able to maintain for a number of years our margin at a little over 40%. So that is the good news.

I think programming costs in 2011 may go up slightly as a percentage increase. We have some sports contracts that are coming due, but we will continue to be aggressive on the programming front. And it is an issue for everyone in the industry and we haven't had an issue where we have had a re-trends battle that has resulted in a stalemate over where the consumer has had to [face] the impact.

Doug Mitchelson - *Deutsche Bank - Analyst*

Do you think if you added more scale, whether it was the sort of just nationally or even within local markets, would that help you at all in your programming negotiations?

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Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I don't think so. We feel right now that we're getting the best rates because of our scale. I think there may be opportunities for swaps over time, where you get a little bit better amortization from a marketing perspective or from an operational perspective. But right now we feel good about the scale we have and we're focused on execution.

Doug Mitchelson - Deutsche Bank - Analyst

Any updates you could give us on cord cutting? Are you seeing customers churn off video to use online video instead?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

We really have not seen that phenomenon. And we look at it closely. That being said, we don't have our heads in the sand.

I think that if you look at some of the, for example, the Forrester Research that came out recently, 50% of the people who are watching online video are watching user generated video. Almost 70% of the people who are watching TV online are watching episodes to catch up on episodes they miss.

We've rolled out the iPad where you can watch content on the iPad. We have really built up and beefed up our XfinityTV.com. We've got 150,000 choices there.

And our VOD is more popular than ever. We've got 19 billion views so far and growing 350 million a month; 25,000 choices, 11,000 movies, so we continue to beef that up via our library infrastructure. So we've been very encouraged by the content that we do have and we've been able to innovate on recently.

That being said, we will keep a close tab on it. I think a lot of -- what Netflix has done well I think is the user interface and we spent a lot of time focusing and improving on our user interface. But I think they offer a very thin sliver of content -- library content. What we offer is current content and a lot of great movies.

Doug Mitchelson - Deutsche Bank - Analyst

It's interesting. I think a lot of us are trying to compare what do you offer, what does Netflix offer, what does Amazon at least to start offering, Hulu and others, and get a sense of where the real value is for the consumer.

When you look at Netflix which has a big market cap, so the market is saying there's an opportunity for these old TV shows, old movies without ads at a reasonable price, do you look at that and say -- given our scale and programming spend we're just to get those rights and subsume the market. We'll just give it to our customers and they will be happier with us.

Or, do you look at it and say that is a really interesting niche that we haven't played in -- older content without advertising. And maybe we should offer that, too, or maybe we should approach that market in a different way. How are you thinking about that?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I think we're monitoring the market and the development. I think, as you mentioned, they do offer library content but no current content. I think people are -- if you look at TV viewing habits, they want to watch current content. They want to watch great movies which we get via our premium partners HBO, Showtime, Starz.



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We could offer that content. We could buy the content. But I think it's an area where we feel we can compete in generally in the business very well.

We've got a great broadband pipe, and oh, by the way, a lot of video -- more video consumption has helped drive our HSD revenue and subs up dramatically. We've got a lot of engineers; we have over 1000 engineers and developers on the web side. And we've got great video content, great relationships with our video partners.

And I think TV everywhere is something that is really growing at a great rate. We see that as great value to both the programmers and the distributors.

Doug Mitchelson - Deutsche Bank - Analyst

Are you getting the rights sort of as fast as you would like? Is it taking as much time as you expect? I mean every content provider and every pay-TV provider sort of looks at the rights differently; not so easy to create a market standard, right?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

No, I think it's a very nascent business and I think it's evolving. Everyone is trying to figure out what the business model is.

That being said, we have had great conversations with our programming partners and we have been able to work a lot of interesting tests and opportunities together. I do think that is one of the opportunities that bringing NBC to the equation offers to our broad business -- the ability to innovate and test new ideas that deliver, at the end of the day, more value to the customer.

Doug Mitchelson - Deutsche Bank - Analyst

One of the things we talked about, you mentioned that you think set-top boxes will be around for a while. And sort of implicit in that is controlling the user experience, or at least the user going through you before they buy services or watch video services. Are you nervous at all about consumers going out and getting down boxes, putting them on TV sets and now going through a user interface that doesn't belong to you?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

You know, I think that is one of the reasons why we focus so much on the user interface. I think some of those boxes deliver a good user interface and user experience.

I'm not sure customers want another device in the house. I think they want a great user interface and user experience. So we spent time on the iPad guide, which is not using our hardware. It's something they already have in their house and it is very easy to launch because it goes across EBIF.

We spent time on XfinityTV.com user interface. It's much better interface and we're seeing a lot more across platform VOD buys and content viewing. We've improved both our Motorola and our SA guides, which has showed great uplift in VOD.

So I think it is a matter of focusing -- understanding what the core value proposition is of those devices, which I believe is a user interface, and focusing down on that in a big way.

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Doug Mitchelson - Deutsche Bank - Analyst

So shifting to wireless, obviously the cable companies have invested in Clearwire hoping it gets built out nicely, but don't own a scaled wireless network. A few years ago I think investors were pretty focused on this as a major issue for the industry, less so now.

Has strategic planning for management followed sort of the investor concern level? Do you guys look at wireless as less necessary than you used to?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Yes. I think wireless is there to stay and I think as you see the mobile apps, they are increasing. I think the way we think of wireless is that we go from kind of the house inside out. So inside the house we feel very good about our home networking solutions.

And I think home networking is growing, WiFi in the house is growing. We have seen great consumption there. We're doing a lot more apps. So our wireless apps -- we launched the iPad equivalent on Android recently, so we're using apps as a way to enter into the wireless market and it's been very strong growth there.

We've done -- we've built out WiFi in the metro Philly area. It cost about \$20 million to \$25 million to build it out. We're not as dense as I would like to be, but at \$4500 an access point we think it is a scalable solution for us. I think WiFi is there to stay.

And we've got the -- on the national level the Clearwire spectrum. We own AWS spectrum and [BO] Spectrum Company. We will continue to see. But I think they're going to coexist together.

I think wireless and the fixed broadband business will continue to coexist. And we will look for something that makes sense for us as we go forward. But I think WiFi is a big part of it.

Doug Mitchelson - Deutsche Bank - Analyst

So when you think about marketing your products and services, you don't think that having that wireless piece of the bundle is something -- at least in the near-term -- is going to restrict your ability to grow? You think about the competition and what they're selling, not worried about the Quad Play versus the Triple Play?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

We have not seen Quad Play drive a lot of growth yet. However, I think that what we can offer -- wireless type functionality via our apps right now. And we can deliver great in home and near home user experience via WiFi.

So I think we will continue to monitor, but we do have via Clearwire and our Spectrum opportunities to go on a broader base should we so [like].

Doug Mitchelson - Deutsche Bank - Analyst

So while we're queuing up for questions here, I'm going to sort of ask one of my favorite questions about the capacity to local. Last mile pipe is always sort of difficult to get to, especially since you have flexibility in terms of how much you can allocate to broadband.

But if video usage did spike, if those of us who think that over the top cord cutting is going to happen very slowly, rather than very rapidly, were wrong, and you had 1 million or 2 million people over the course of the next 12 months cut the cord and start

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using online video. What happens with that last mile pipe if you have a spike in video usage? At what point do you [run the] capacity?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

We have been in an environment where broadband consumption has gone up 30% to 45% a year for a number of years, and I think we have demonstrated we can absorb that. Our going all-digital freed up about 50 to 60 channels. DOCSIS 3.0, we bonded four channels to deliver the speeds we're able to deliver now.

I think what has happened is video has taken the place of other capacity-absorbing technologies or applications, peer-to-peer for example. So we're seeing one supplant the other.

We feel good about our ability to continue to increase capacity. We could do more analog reclaim in our all-digital systems. We could do more node splitting. We could do more channel bonding. So we feel very good about our ability to absorb the increased consumption of the business.

Doug Mitchelson - Deutsche Bank - Analyst

One thing Glenn Britt said this morning is he implied that they were going to shift over time to consumption-based billing. Any thoughts for Comcast in that regard?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

We don't have any plans right now to do consumption-based billing. That being said, we put the infrastructure in place for both a consumer convenience perspective so they -- we have metered the system now so they can understand what they're using and what they're absorbing. We're not billing for it, but we have built out the billing infrastructure as well.

So we have no plans now, but we built out the infrastructure should that time come. And we will continue to do what is best for the customer.

Doug Mitchelson - Deutsche Bank - Analyst

Any questions for Neil from the audience?

QUESTIONS AND ANSWERS

Unidentified Audience Member

You have sustained video competition (inaudible) (multiple speakers) (inaudible - microphone inaccessible) and you're trying to get Xfinity (inaudible) differentiate your products and let the customer understand it. What does this all mean for your reliance on the normal Comcast 4.5% to 5% video price increases? Are you going to -- is it your philosophy, now that you're in charge, to take your foot off the pedal a little bit on price increase?

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Neil Smit - Comcast Corporation - President, Comcast Cable Communications

The way I look at price increases, at the end of the day we have to deliver more value to the customers, point one. And point two is I think we're being much more targeted in how we're doing price increases. It's not one-size-fits-all. It is different segments, depending on what their current package is and what sort of value we're delivering.

I think we're delivering more VOD, we're delivering more HD, we're delivering more ethnic programming. We're delivering just a better experience via the applications and things. So I look at it as we've got to deliver value to the customer. We have to differentiate our product and we also have to be thoughtful about where we're doing price increases and with whom.

Unidentified Audience Member

I wanted to address the Netflix question I heard this morning from several of you. So you talked about Netflix having the advantage in user interface. You talked a lot about what you're doing with your iPad app. You talked about what consumers want is new content.

Where I really think Netflix differentiates is in the deep library content, which provides tremendous entertainment value. So, for example, this year I watched both Dexter and the Sopranos through Netflix. I couldn't get that content on my cable system.

To me, it was new. It provided incredible entertainment value to me and my wife. Why shouldn't I be able to get that content -- I had to watch it on DVD, because it was not available on streaming. Why shouldn't I be able to get that content on your platform through your partnerships with either a Showtime or HBO? And just remove that advantage that Netflix has? Thanks.

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I think that is something that we're discussing with the programmers. The deep library -- there is a price for it and there is a value the consumer derives from it.

I think we believe and we're getting all of the current content and some missed episode content. So, some back content within the current season.

I think the question is -- what is the right value proposition? What is the cost of that deep library content? It has clearly gone up, which you know is a question on the business model going forward. But we have great partnerships, as I mentioned, and we can have those conversations with our programmers.

Doug Mitchelson - Deutsche Bank - Analyst

I think in the case of the premiums you probably now have those rights.

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

Yes. In the case of the premiums, we do. On the iPad we put \$3000 of content, all the premium shows. And we've got more movies than Netflix does and better movies, I believe.

So it is an ongoing conversation. I think the business model is still evolving. Some customers -- and we understand what the consumption consumers have on different types of content and we will continue to assess that.

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Doug Mitchelson - Deutsche Bank - Analyst

Any more questions for Neil? So I will finish with a couple of my own. Neil, so NBCU is now closed all of a few weeks. Even though you said the deal wasn't predicated on synergies, what synergies do you see for you?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I think there are content synergies for the distribution side of the business which are really around more content around -- across more platforms. So more VOD, more day and date, more streaming. So I think that is a real opportunity for the distribution side of the business.

I think distribution opportunities for content is around things like promotion. So last year we did a promotion around The Pacific, for example, when that came out. And we saw double the ratings where we promoted it than on non-Comcast systems. So I think there's a lot of opportunities around promotions of movies and things like that.

But as I mentioned, I think it is really around execution and the business doesn't solely depend on synergies. And the great thing is that we're in a wonderful position to be able to test and learn and drive more value at the end of the day to the customer.

Doug Mitchelson - Deutsche Bank - Analyst

Okay. So for the final question, a bit of an unfair question; I asked Glen as well. You look at video sub losses, I don't think anybody in the cable industry likes to lose anything. You talked about improving the product, customer service.

I think certainly, you know, I'm sure you believe this and we've heard Brian talk about having the best product that is out there. So is there a goal out there? Is there a timeframe you can give us where you would say Comcast shouldn't be losing video subs anymore?

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

I hate losing subs. I mean I just think it is something that we should always be achieving to improve on. I can't give you a timeframe but I can tell you that Q4 year-over-year we lost fewer subs than we did in Q4 2009. And we're going to continue to deliver a better product to the customer. And I would like to see that number go away, that loss.

Doug Mitchelson - Deutsche Bank - Analyst

Neil, thank you very much for coming.

Neil Smit - Comcast Corporation - President, Comcast Cable Communications

My pleasure.

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