

## — PARTICIPANTS

### Corporate Participants

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**Michael J. Angelakis** – Vice Chairman & Chief Financial Officer

### Other Participants

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**Jason S. Armstrong** – Analyst, Goldman Sachs & Co.

## — MANAGEMENT DISCUSSION SECTION

### Jason S. Armstrong, Analyst, Goldman Sachs & Co.

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Okay, we're ready for our next session. We're really pleased to have Michael Angelakis, the Chief Financial Officer of Comcast, joining us this morning. So, Michael, welcome.

### Michael J. Angelakis, Vice Chairman & Chief Financial Officer

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Thank you. Happy to be here.

### Jason S. Armstrong, Analyst, Goldman Sachs & Co.

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Maybe I'll start off and I'm going to focus most of the questions on cable. I know [ph] Steve (00:20) was at a conference last week and really covered in detail [ph] NBC (00:23). I'll have a few questions at the end, but I'll focus mostly on cable. In terms of the operating trajectory, we've had very strong results over the past several quarters and what people sort of got used to in this business is improvements in the operating metric trend rates on a year-over-year basis. It's sort of eliminating the seasonality, you've seen sort of better trend rates in video and data; really sort of a sweet spot for the business. Is that sort of what we should think about going forward? Or is there anything you can see that would throw a wrench in that type of trajectory?

### Michael J. Angelakis, Vice Chairman & Chief Financial Officer

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Well, I mean, one thing we really laser-focus on is what I would call sustainable, profitable growth. So, as a company, we are really focused on how do we continue to balance what I would call ARPU growth as well as unit growth. And if you – who's counting, but over the last seven quarters on the video side we've had year-over-year improvements, the last seven quarters. The last 12 quarters, we've had high-speed data year-over-year improvements in our – in terms of taking market share each of those quarters.

So we feel that we're pretty well positioned to try to sustain that kind of performance. And you've got to sort of say why, and it's a little bit of a complicated question because you've got to go back a couple years and really look at the investments we've made from a platform perspective. We have made a lot of investments in DOCSIS 3.0, which has really been powering our high-speed broadband business. We've made lots of investments in our all-digital plan, which is basically complete, where now we're all digital and that's provided a lot of new bandwidth and new services. We have really added a ton of content, whether it's VOD or SVOD. We've improved our [ph] guides

(02:08); we've improved our CDN. So there has really been a transformation in our view of the XFINITY product.

The XFINITY brand is a relatively new brand. I think it represents better, higher quality technology leadership and we feel pretty good that the video product is in a very good place. We think it's a - basically best-in-class video product and getting better. And we're launching - we launched this summer our new navigation tool called X1, which we launched in a couple markets. So from the video product it has really been block and tackle, invest in our platform and transform the product. From the high-speed data side, I think it's been pretty clear we have a superior product there with more speeds and we've doubled speeds and done a lot to really increase how that product performs.

Voice, we're going to be adding more and more features to. And then you sort of wrap all that up with improved customer service and I think that gets us to our goal, which is really sort of sustainable, profitable growth. So, touch wood, we feel pretty good at the progress we've made. I think the team has done a great job and we also have business services and advertising, which obviously have helped fuel the company, but so far so good.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Well, plenty of things to talk about...

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

There's a lot in there.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

... follow up on. Maybe if I could just sort of touch on the competitive environment right now and specifically, we've had - I think DIRECTV has talked about increased early quarter turnaround, Viacom, may be slowing, NFL take rates. You know Verizon, last quarter, reset the bar in terms of expectations on FiOS, reset downwards. I think more recently, they reset even further downwards. Are you seeing these show up as sort of incremental tailwinds in the business?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

I wouldn't call them tailwinds but - you have to actually look at each and every product really. And I think from the video perspective, I think the ability to have a vastly improved product than what we had say four, five years ago, married with terrific customer service, which is improving, is really helping and I think the results speak for that.

On high-speed data service, I think it's a little bit of a different story and the goal there is different. It is, we do have a superior product and I think the marketplace itself, in terms of how broadband is being utilized, has helped powering that product. So we feel pretty good about that. So from a competitive standpoint, if you really look at our, let's say, three core residential products, video, high-speed data, and voice and then you even look at our business services products, I really think we have developed over the last, I don't know, five years, a real best-in-class suite of services and we're competing effectively.

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We'll talk about this, I'm sure, we're spending a little bit more on marketing to drive those products but it's pretty important to us to maintain that leadership on how those products are perceived in the market and to drive them into homes and businesses and clearly we're holding our own on that.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

If we wrap this together and think about the revenue trajectory of the business, in cable segment revenue growth we've seen an acceleration up to 6% last quarter. Given what you're talking about on volumes and continued sort of year-over-year improvements in the trend rates, the type of share gains you've had relative to telco would suggest a pricing leverage as well. You sort of wrap the volume and pricing components together should suggest to me that there's the potential for further acceleration in the business off of already relatively strong rates [ph] – relative to (05:36) the industry, is that something you'd agree with?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

I think it's a real balance. I think we have to just level set debt. It's really our goal to grow ARPU and units and there's a balance between those two. If you do look at the cable business, our Comcast Cable business, and you extrapolate advertising and you look over the last eight quarters, our revenue growth has been pretty consistent. It has been between 5.5% and 5.8% of revenue growth each and every quarter for approximately eight quarters. So we love that consistency over a meaningful period of time.

What has been the variable of reporting sort of a little bit up or a little bit down has been really advertising. So you have good quarters of advertising. We'll have a good third quarter in advertising and fourth quarter due to political that comes every two years. And then a year from now we have comps related to that. But we really do try to look at the ex-advertising performance on the revenue side of the business and it's been very steady. And that's one thing we look at quite carefully.

So I don't know about accelerating but I think we're really focused on trying to maintain that stability and that consistency in our revenue growth and we're achieving it through a whole variety of things, including unit growth and including some rate adjustments and including business services and high-speed data unit growth; so it has been a combination. But I think we're doing just fine and you've really got to look at that ex advertising and get a better perspective on how the businesses is doing.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Got you. If you look at the operating metrics in the business, especially relative to peers and the type of success you had widening the gap, why not take this and almost export the formula to a greater extent than you had, not internationally but domestic in looking at other potential deals? I know you've got sort of a strict return threshold. It just seems like the gap of operational outperformance you could introduce into another assets might lend them to be more accretive than people would think.

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

I think there's a couple of parts to that question honestly. One is, where do we think within our cable business is the largest opportunity for us? And if you look at our video business we have 42% of the homes passed. If you look at our high-speed data business, we have 36% of the homes

passed. Our voice is 18%. And business services, which I'm sure we'll talk about, is approximately 10%. XFINITY Home, which is our new product, is a relatively new product and that's embryonic in terms of where that penetration is. All that rides over our network, which we've made massive investment in related to that platform.

So the highest ROI for us is really to focus on our network and the [ph] passings that are (08:24) by our network. We'd love to move that 42% up. We'd love to move that 36% up or the 18% or the 10% what we're doing with new services. That is clearly where our priority is with regards to how we're managing the business.

To [ph] the extent it is – you know, you (08:41) call it exporting, we are going to put those through a pretty strict financial operational filter, and lately there has been some cable sales that I think the private market value is a disconnect with the public market value. I think you've certainly recognized that. And we look at that and say, 'that's a disconnect.' And we have real organic opportunities within our footprint. We want to continue to build that gap you mentioned compared to our competitors and to the extent that something arrives that is within our thresholds of sort of operational financial execution risk, we'll take a hard look at it. But right now, there is just that private-public market gap that we'd frankly rather buy back stock.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

If we could shift gears, talk about the economy, which obviously from your viewpoint is more sort of consumer facing, how would the model change if housing became more of a tailwind? And maybe layered onto that, what are the types of things you look at most closely to determine when it would be more of a tailwind? Is it occupancy rates, employment trends?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

It's all the above. We look at – you know we've got a dashboard of everything from unemployment; vacancy rates; obviously, housing growth; housing sales, because it gives you some flavor. So we spend a lot of time just looking at what are the macroeconomic factors but also sort of boil them down to what's happening within markets that we have.

It would be somewhat exciting if we had housing growth in our business. I think we would capture a disproportionate share of that growth given everything we just talked about with the quality of our products. So that would be, I think, a positive thing for our company. We're not seeing that, it's been relatively stable. I think that's the best news I can probably say on the consumer side.

We're concerned about the continuing unemployment and lack of housing growth and some of the issues that are confronting sort of the economy, but that's a little bit out of our control macro side and we're just trying to execute within the parameters of the economy. But I think it would be exciting for us to have some tailwind, as you said, from housing growth.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

And as you kind of wrap economy and operational together, I think people got excited for a quarter this year about the potential to go back in the positive territory in video net ads. I think you're probably more appropriately focused on when you can do that on a year-over-year basis as opposed to just doing that for one particular quarter where you go negative the next quarter. Is there a line of sight to that happening? And if so, would you need economic to be more of a tailwind as part of that?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

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I don't know the answer to that to be honest with you. I think that the goal of our team is just to make progress every single day on that kind of issue, but also make progress in a very balanced financial way. So you go back to the first conversation we had was you really need that balance between ARPU growth and unit growth because you really don't want to sacrifice quality of customer or customer lifetime value which is a metric we use to sort of just push one side of the equation which is subscribers.

You want that balance of getting good quality subscribers as well as ARPU growth. So listen, I'm confident we're going to continue to make progress. But I just can't tell you when I think we will breakthrough that barrier. I'm not sure we need housing growth to be specific to your question. I think we have really good products. We've got to do a better job of executing those products and marketing those products to households. But I think we're going to be pretty disciplined in how balance those two major metrics.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

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Great. On terms of the products, one of the flagship new products, your user interface out there, X1. I know it's early, have you seen any sort of anecdotal evidence around that changing consumer behavior?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

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I just think it's too early to be honest with you. I have it in my home. It's the only guide I now utilize in my home on multiple TVs. We launched it in Boston this summer. We launched it in Atlanta just 30, 45 days ago. Our plan is to roll it out into five more markets this year and we're going through now what we think the roll-out schedule will be for 2013, but I just think it's too early to give you sort of precise data. I think maybe in the beginning of the year when we've rolled out into a bit more markets and it's sort of matured in some of the existing markets, we can provide some data, but it's an important effort for us.

It's all – for those who you don't know, it's a cloud-based user interface that we developed. It has sort of all apps involved. We've got Twitter and Facebook and Pandora and it has, I would say, the art that you see sort of in the [ph] Apple-esque or Google (13:30) world and I can tell we use it pretty ubiquitously, it's all IP-fed and really all the intelligence tends to be in the cloud which allows us to innovate faster compared to the legacy boxes that we have.

So hopefully, in the next, I don't know, six months or so, we'll provide you with some more data but we're pretty excited about it and the product, this constant innovation on that product which is exciting for us internally.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

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And I'm sure a large part of this is getting ahead of one of the key debates in the industry right now which is people look at the risk factors, there's conversations around Google Fiber initiative but then there's conversations on the ecosystem, the platforms, whether it's the boxes, user interface and obviously there's been a decent amount of noise around that.

As you look at the perspectives on user interface and people tend to tie it into Apple, quite frankly, there is a range of companies that fit into that, there are fairly polarized views in cable and Time Warner Cable sort of has one perspective that they would be willing to see it over time. You've taken the perspective of invest heavily, get ahead of this with X1. Why is that the right strategy over time?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**


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I don't think we can depend on anybody else in providing great experience to our customers. So I think we are a leader in this business, both technology-wise and innovation-wise and I think we will – our goal is to provide a great customer experience and I don't think that puts us in an opposite view of working with partners.

I think that we work with a lot of partners. We just have a joint venture with Verizon Wireless. As I mentioned, we have relationships with Facebook and Twitter and Pandora. We have a relationship with Microsoft on the Xbox side. So we actually have – we have Google Apps and Apple apps, so we actually have lots of partnerships. But I think your question is, are we going to try to provide to our customers the best video experience? I think the answer is absolutely. That's an important goal for us to do that.

Now to the extent that a partner or somebody comes in with an interesting opportunity that can build upon that experience, we're open to those discussions and it's really got to be a bit of a win-win-win or win for the customer who obviously need to accept that product, a win for us who made big investments in our platform, and obviously a win for whoever that ultimate partner would be. So I really don't think that we have a difference of opinion compared to some of our peers.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**


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Interesting. Okay. Maybe shifting gears to broadband. If you look at the past several quarters, cable taking majority share relative to telco, but what we've seen in the industry is cable producing ARPU growth of 2% to 3% in broadband, and a lot of people would look at that and say better product has led to majority share but that's not translating into pricing leverage, which I'm sure you disagree with. But as you think about the formula, which way do we move from here? Is there a way to exercise pricing leverage to a greater extent?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**


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I think that we have actually exercised some pricing leverage. We've increased the cost of the service by roughly \$4 to \$5 per customer per month over the last few years. So if you really look at our ARPU's come, say, three years ago to where they are today, there probably is a \$4 give or take gap. We've also added during that period of time 3.5 million high speed data customers.

So in high speed data, it's a little bit different because the goals are to increase penetration of the product. So your analysis or others are probably that broadband penetration could be in the high-60s, low-70s. Where is that going to go? Is it going to go to 80, 85, sort of where multichannel video is? I see no reason why it shouldn't. So we want to garner a disproportionate amount of share of that increased penetration. That's sort of goal number one.

Goal number two is take share from what we think are inferior products. We think we have a better product. And you mentioned, we are taking share from our competitors and that's based on us having a better product. So the second is take share.

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And third is grow ARPU. And our top line revenue in that has been hovering between sort of very high-single-digits and low-double-digit revenue in that particular product base, and we think that's pretty nice growth and we'd like to continue to see that kind of growth going forward.

We're also increasing speed and doing a lot of things from a feature set that we think is going to continue to sort of separate us from the competition. So we want to have a superior product and continue to penetrate the market, and I think that is in balance with ARPU growth. So we're pretty happy with how that product has performed.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

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Okay. You mentioned business services earlier; it's obviously been a big success story for cable in general and Comcast specifically. Help us think through penetration rates at this point...

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

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Sure.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

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...and what you think the longer term opportunity is.

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

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It's an enormous opportunity for our company. If you think about the addressable market and how – let's just take one step back, sorry. The way we define business services is really in two segments. We have a small business, which is really enterprises with less than 20 employees, and then we have a medium segment, which is basically employees with above 20 but, say, under 200 or 250 employees.

We started several years ago with just the small side and that small side now is primarily a \$2.3 billion business. We're growing at 30% to 40% top line with accretive operating cash flow margins in meaningful free cash flow. So that is a terrific business with great momentum with a product set that is clearly superior because we can go into those small businesses and offer multiple telephone line, high speed data service, television to a doctor's office that really is just a superior set of services compared to who our competition is and we can do it for probably a lower value. We think that business has a lot of legs left. We think the addressable market for that business alone is probably \$10 billion to \$15 billion, so we have, give or take, a 15% penetration just on the small side.

The medium side which really we've just started on is continuing to grow really nicely. We look at that opportunity as between \$10 billion and \$15 billion as well and the numbers are very small today because we started that later. But that again has some similar characteristics where we have Metro E in all of our markets. We made big investments in the platform in 2011 and 2010. We've hired hundreds of people, different salespeople, different provisioning.

So we look at business services say we think there is a \$20 billion to \$30 billion addressable market. And we have about \$2.3 billion of run rate revenue growing very nicely. So in the enterprise side, we probably have 10% to 12% market share and we think that number can continue to go up – grow nicely given what our product suite is. And we've invested a lot of capital and a lot of OpEx

just sort of garner that and so far it's been tremendously successful. The team has done a great job.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

And as you think about the next layers of growth and your ability to – can you penetrate at the same rate and sustain healthy growth? And what type of margin characteristics would come along? Is it the low-hanging fruit is gone and now it gets more difficult from here?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

I think it's all boils down to execution. And we've had this conversation internally it's – in a very simple fashion, it's boots on the street. So we have people who are going into small office parks where there's lots of doctors and dentists and small lawyers and small professional offices who really, I'm not going to say ignored but have not really seen sales representatives from competing services. And we can go in there and make a sale for a TV in a private office or in a waiting office and multiple telephone lines and typically they have a DSL or a service and we provide a 10 megabit service and that's in the small side.

When we go into a little bit more larger enterprise and we're deploying Metro Ethernet for 10 gigs, really big numbers. And really what they're working off is, is in one or two T1 lines. So the difference between the product set is large. So I think it's a – it's a boots on the street, make the sale and I think our team has done a great job of putting the building blocks together from a sales force perspective, a provisioning perspective and an addressable market perspective. And our hope is that growth rates that we're experiencing now we can continue, it's all organic growth.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Maybe we could switch gears and think through the cost side on the cable distribution business. You've had a number of content deals signed recently. The duration of those deals I think has surprised people in terms of how long they are which gives you a ton of protection over the next several years. Are you at a point where you've got enough of those deals sort of in the rearview mirror where you have better visibility into content cost and we get any sort of visibility into them coming down over time?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Yes and no. So we have good visibility. The actual programming costs coming down, I don't think we're going to see. I think – but I think it's a combination of reasons. One is, yes, there is sort of core inflation in some of the programming side, some led by sports, some led by others but also some of it is us asking for more rights. So when we go and sit down with a programmer five years ago, it was can we have the linear feed, and maybe that's 10 years ago and then five years ago, so we have the linear feed and some VOD.

Today, the discussion is a vastly different discussion. It's, can we have the linear feed, can we have VOD, can we have SVOD, can we have in-home, out-of-home, tablet, smartphone, wireless, it just goes on and on and on. And I think that that makes for more complicated discussions that take longer to get done and also does provide some inflation in our programming cost.

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So listen, it's a challenge we are trying to work through. I think we've done a fairly good job of getting all those rights, providing those rights on lots of platforms in being a leader in that space and maintaining a pretty healthy margin, but it's a real challenge for our cable side to maintain those costs and provide that breadth of programming to our customers.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

As it relates to securing additional rights across other platforms, et cetera, is there a way to, maybe an analogy of baseball, what inning are we in terms of securing this and how much further we have to go until you're really comfortable with the platform?

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Yeah. I think we've done a pretty good job, and other people may disagree and I know some of the people – maybe you – come to this conference may disagree, but the reality is TV Everywhere is relatively new. We have continued to increase the number of choices on TV Everywhere. We have several – 5 million people, give or take, utilizing our TV Everywhere service and the authentication works pretty well. We have lots of people utilize it from an Olympics standpoint and we're continuing to add more and more and more programming to it.

On the TV sort of – TV online side, we literally have several hundred thousand choices. On the iPad side, we have 8,000 hours, so people can sort of walk around and take their iPad and watch 8,000 hours of programming. Those numbers are only going to increase and compared to where they were 24 months ago to where they are today, it's vastly different. So we're seeing more TV Everywhere use, we're big proponents of it. I think the Olympics was a little bit of a game changer in terms of how many people utilized it and how the authentication worked. So listen, I think we're pretty positive about it and we're working with all the programmers to get more and more rights on it.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

And if you sort of package together the revenue commentary, the cost commentary, margins in the Cable business sort of on pace to be relatively flat this year, at least trending that way. You had about 70 bps of expansion in 2011. As you think through the moving parts of the business, strong broadband growth, business services, additional layers at what seem to be attractive margins.

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Yeah.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Is that a formula from here for margin expansion of the business?

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

If you look over the last several years, our margins have been very stable. And I think that just to be honest; we don't manage every 10 basis points. It's really not the way we think about managing the business. We really think about it, and you sort of said it, what's the ROI at investment, what's the sustainable profitable growth of that investment and really that's I think what drives our decision making more than 10 bps up or down.

And we've had – we have some good guys, we have some bad guys that sort of impact our margin. The bad guy that we just talked about is increasing programming cost and that's putting compression on our video gross margin, no doubt about it. And we're trying to deal with that and that's a challenge we're trying to deal with. But clearly, it is one of the key components of sort of compressing video margins.

We have a couple of other areas that are impacting our margins negatively, but those are proactive choices that we're making. One is on the marketing side. You've seen we've expended a little bit more on marketing this year. We have new services, more services, new brands, more direct sales folks, and I think all those efforts are increasing a bit our marketing expenditures, and we look at that and say, high ROI really relates to sustained profitability. We should spend those kinds of dollars.

Then we look at new services. So if you think about the medium size of that business element that I talked about where XFINITY Home, which is a new business, or Signature Support or some of the other areas that we're investing in, we are expending OpEx in order to see new businesses that we think in the future will be very profitable and we're following those business plans.

Those three elements clearly have a bit of compression on margin, and we monitor them and make sure that they're sort of meeting the kind of guidelines we want them to meet. The good guys we have are really around our product mix. So our business services and high speed data and voice, they're all accretive to the core margin and we're selling more of those services as we go forward, which obviously helps.

The other good guy is really efficiencies we're taking out of the system. So we are looking at how do we sort of reduce cost, how do we do something better with less cost, and that sort of a continuous effort that we have, but also when I mention take activity out, in the last two years, we've taken 8 million truck rolls out of our activity levels. More people are doing self-service, more people are doing self-install kits. We are trying to increase the customer satisfaction by putting them more in control and taking our activity levels out of the service. So I think all that results in a relatively stable margin and we feel pretty good, but we're going to have those puts and takes as we go forward.

**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Great. On the capital spending side, that's been a good story in the last few years with the mining cap on...

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Great story. Good – no, better than good.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

...it's a very good story that people broadly embraced. As you think about people are always worried about the next cycle. I think you've been fairly clear that this is a business from here that should still be a declining capital-intensity business. What could throw a wrench on that? I mean X1 and the push next year, is there any sort of equipment cycle we should be worried about that's a little bit of a blip?

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

I don't think so and if you really look at CapEx as a percentage of revenue, in 1997, we were roughly 20%. In this year, we're in the sort of 11%, 12% range, so that's a pretty large decrease in percentage, on absolute dollars that's also a pretty reasonable decrease. Really important though is we're playing offense with our capital dollars. So we're not playing defense.

We've done everything we just talked about. We've done the X1calibur, we've done All Digital, DOCSIS 3.0, business services, small, medium, XFINITY Home, a whole variety of initiatives that we've invested in from a CapEx standpoint, that we think a high ROI, really attractive, providing seeds of growth for the future but at the same bringing intensity down.

When we look at the landscape whether it's X1, we really don't see any material change in that. We think we're coming to sort of a cruising altitude of where we think CapEx will be because we continue to want an increase in business services in that middle side. And I think that business will continue to develop. But I think that the team really has done a great job of bringing down intensity, bringing down absolute dollars and playing a lot of offense to really be a technology leader in how we deal with that.

And I think we're hitting that point of cruising altitude where I think from a dollar standpoint, we're going to spend pretty much give or take the same amount. We really don't see a cycle that changes the trajectory of where we are today.

**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Okay. I've got a couple of questions on capital allocation and then I'll open it up to the audience. I guess first is, share buyback and dividend decisions are annual decisions...

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Yeah.

**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

...presumably have taken place several months from now. And your concept is then you've been reluctant to take on leverage to fund share buybacks, instead it's been a certain percentage of Cable free cash flow, a very high percentage. But you've maintained a leverage target at 2 turns and I think what a lot of investors wrestle with is at the rate you're growing Cable EBITDA and a reluctance to take on leverage to fund a buyback, sticking to 2 turns, those two things are sort of inconsistent. So how do we think about the trajectory from here especially as we reach kind of a tipping point on this metric?

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Well, I think a couple of things. One is we do try to separate to some degree leverage from return on capital. So I understand your point and I think that we will at some point have to buy back GE and take – probably take on a little bit of leverage to do that. How much? I don't know today but there'll be some increase in leverage to be able to do that.

But really the key for us on return on capital has been creating two separate pools of capital, one at NBCUniversal where the majority of that cash ultimately used for GE redemption and then the Cable free cash flow and really returning the vast majority of that and we're approximating 90% to 100% of that free cash flow going back in the form of both dividends and buybacks.

So listen, we've done a nice job I think of managing our capital structure. We've had some recent sales of assets both in terms of SpectrumCo asset and in terms of A&E; A&E is – those proceeds are going over to – have gone over to NBCUniversal and the SpectrumCo proceeds, we will look at as how we think about our 2013 financial strategy. So we like providing a lot of free cash flow back to our shareholders in the form of dividends and buyback. We also like having a pretty conservative balance sheet.

Frankly, we think it's a real asset in today's world that that balance sheet and given the size of it is really an asset for our shareholders. So one thing we are starting to do, we usually start it right about now, is look at return on capital for what 2013 looks like and we sit down with our Board and senior management really go through it all.

And, listen, I think we've done a good job of increasing the dividend. We started it in 2008 at \$0.25 per share; it's now \$0.65 per share, so it's about 2.5 times of increase. Since that time, we have increased – we've delivered back to shareholders about \$15 billion of capital, about one-third dividends, two-thirds has been in buybacks and one of our goals there is also to provide a sustainable increase in return on capital to our shareholders and maintain a strong balance sheet. And I think we can – I said this before, I think we can walk and chew gum at the same time.

**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

You mentioned SpectrumCo which kind of opens the door to that question; you said potentially part of the 2013 discussion. You have postponed any sort of real articulation in the market of what you do with the proceeds based on the deal closing. And now we have obviously – we're on the path to a closing. We're on the path of getting the cash. Can you be a little bit more specific in...

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

Yeah, yeah, we just got the cash so that's a good thing. We just got the cash on SpectrumCo which is about \$2.3 billion pre-tax. We have to pay taxes on it. And that's on the – sort of the Comcast side of the balance sheet. We just got the cash also on the A&E side, which is about \$3 billion of pre-tax cash, which we need to pay some taxes on.

On the NBC side, that really helps provide a lot of financial flexibility and when the time comes for the GE redemption, I think it's just in even better shape to make that happen. And on the Comcast side, the proceeds we just got, we're starting to sit down internally and with our Board as to how we want to think about our 2013 return of capital, both in terms of dividend and buyback and stay tuned, we'll provide that information in the next few months.

**Comcast Corp.**

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Okay. Relative to the dividend, I think the magnitude of the hike this year surprised people positively and I think it was sort of a – I'm sure there was a lot of different layers to it, but one of the things was pushing above this S&P yield threshold. It's meaningful for a lot of investors.

With the performance in the stock this year, you're sort of – this becomes a little bit of an issue again. I'm wondering is this part of how you think about dividend decisions for next year?

**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

You know, we do a pretty exhaustive review on the return of capital. It literally starts after Labor Day and goes right through towards the end of the year with lots of sort of proof points in between. And we look at dividend and buyback. We really look at everything from dividend yields on the S&P to dividend yields on our peers and ones with our credit ratings, ones with our sized companies. We really try to cut it every which way just to sort of triangulate and make sure what the ultimate decision is makes sense.

And clearly, an important factor is what is our payout ratio related to free cash flow and related to net income? And we compare all those metrics across many different sort of industry groups that we have something in common with.

We also look at our buyback in terms of how much capital do we think we have to return and leverage does play a little bit of a role in that. But again, we try to disconnect it. So, we will spend the next 90 days or so going through all that again and we did increase the dividend to make sure it did have a sort of S&P type yield and I think we'll evaluate that again.

Now, there is tax policy, which I think we need to have a discussion on and see where that comes out and we will sit with some of our large shareholders and have that discussion. But all things being equal, we've had a really nice increase in our dividend over the last four years or so and I hope we can continue that nicely and continue to return strong amounts of capital back to shareholders.

**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Great. We've got few a minutes left so let me see if there is any questions from the audience. If you have a question, just raise your hand. There's one over here. Just wait a second for a mic.

## QUESTION AND ANSWER SECTION

**<Q>**: Couple of years ago, Comcast made some major investments in deep packet inspection, and I wondered if you were still interested in this as a way of determining returns? And also, if you could address web neutrality?

**<A – Michael Angelakis – Comcast Corp.>**: I couldn't understand the question. Could you repeat it?

**<Q – Jason Armstrong – Goldman Sachs & Co.>**: The first question was investing in deep packet inspection. Second question was related to net neutrality.

**<A – Michael Angelakis – Comcast Corp.>**: Okay so, on deep packet inspection, honestly, I think that I'm probably the wrong person to answer that. I think we have a lot of folks who are very knowledgeable on it. And the last thing I'm going to do is put my foot in it. So, I think that – on – when it comes to that kind of topic, we'll be happy to tee you up with one of our technology folks. I'm sorry, the second question was on...

**<Q – Jason Armstrong – Goldman Sachs & Co.>**: It was on net neutrality.

**<A – Michael Angelakis – Comcast Corp.>**: On net – net neutrality is pretty easy for us. We signed a consent decree as part of the NBC Universal transaction that supported the FCC's position on net neutrality, which we were in favor in. We really wanted certainty with regards to how our broadband business would operate and when we signed the consent decree, which has several years left to it, we could feel we have some certainty on how our broadband business – how we can operate our broadband business. So, listen – the principles of net neutrality that we signed up for, we're in favor of.

**<Q – Jason Armstrong – Goldman Sachs & Co.>**: Maybe if I could wrap up with one last question on – on the NBC, you said – you talked about A&E and cash coming in and this sort of contributing to the war chest you have to take out the rest of the GE stake. You know, this comes up on every conference call, where it seems like the [ph] cell site (39:12) community is pushing to see if you can take this out, what the prospects are and people are – seem to be pushing in that direction. When I talk to a number of your investors, it – actually I would tell you the picture is a little bit more mixed and there are a fair amount of them that sort of say, we don't understand why there's an incentive to take the full thing out. If this business is still in an investing phase, why wouldn't you split the bill with GE for a little bit longer? Thoughts on that?

**<A – Michael Angelakis – Comcast Corp.>**: Yeah. I mean hear that. I think that the transaction – for those of you who don't know, it was very carefully structured, where in 2014 General Electric has the ability to go to NBC Universal and require a redemption of 24.5% of the company, which is half of what GE owns. When that occurs our ownership goes up to 68% and their ownership goes up to 32%.

Also at that point in time, we have the ability, Comcast, to buy the remaining 32% that GE has. And when you look at the valuation, any value that accretes above what was done in December of 2009, Comcast has a bit of a – like a carried interest of 50% of that incremental growth.

So, it's going to be a very interesting question for us in December of – I'm sorry in July of 2014, roughly two years from now. More time than we've owned it. We've owned it for 19 months and we have more than – about two years to sort of make this decision.

**Comcast Corp.**

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It's going to be an interesting decision for us to have a view on what we think the value of the asset is at that point in time and what it looks like going forward? What the value of "our carried interest" is at that point and what it could accrete to going forward.

So, the key for us is to make sure we have the financial flexibility to make sure we want to do that and we can do that. But at this point, we've only really been managing it, owning it for 19 months. And I think the team has done a terrific job of getting their feet on the ground and making lots of changes in creating some momentum, but I just think it's premature to have that discussion. And I think the real dilemma will come in July of 2014.

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**Jason S. Armstrong, Analyst, Goldman Sachs & Co.**

Great. Michael, thanks a lot for joining us.

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**Michael J. Angelakis, Vice Chairman & Chief Financial Officer**

A pleasure, Jason.

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