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CMCSA - Q2 2017 Comcast Corp Earnings Call

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OVERVIEW:

Co. reported 2Q17 consolidated revenue growth of 9.8% and EPS of $0.52.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's Second Quarter 2017 Earnings Conference Call. (Operator Instructions)

I will now turn the call over to Senior Vice President, Investor Relations, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason S. Armstrong - *Comcast Corporation - SVP, IR*

Thank you, operator, and welcome, everyone. Joining me on this morning's call are Brian Roberts, Mike Cavanagh, Steve Burke and Dave Watson. Brian and Mike will make formal remarks, and Steve and Dave will also be available for Q&A.

As always, let me now refer you to Slide #2, which contains our safe harbor disclaimer, and remind you this conference call may include forward-looking statements subject to certain risks and uncertainties. In addition, in this call, we will refer to certain non-GAAP financial measures. Please refer to our 8-K for the reconciliation of non-GAAP financial measures to GAAP.

With that, let me turn the call to Brian Roberts for his comments. Brian?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Thank you, Jason, and good morning, everyone. We had an excellent second quarter with revenue and EBITDA both increasing by 10%. This is a great result and is due to the broad-based momentum across all our businesses and gives us the best first half EBITDA growth in 6 years. NBCUniversal's results stood out with EBITDA increasing by over 20% for the second consecutive quarter, reflecting strong contributions from all parts.

So let me break this down by business, starting with Theme Parks, which had another outstanding quarter of double-digit EBITDA growth. This quarter included the opening of our exciting new water theme park, Volcano Bay in Orlando. And speaking from personal experience, it is truly extraordinary, from the use of innovative wearable technology to the amazing attractions, including a thrilling 125-foot drop down a slide from the top of the volcano.

In Japan, our timing was really good, and we couldn't be more pleased with our acquisition of the remaining 49% of Universal Studios Japan, where the recent launch of Minion Park has significantly exceeded our early expectations. The region holds tremendous potential for us, and Mike Cavanagh and I, along with Tom Williams, who heads the park business, just returned from a trip to China, and we are as enthusiastic as ever about bringing a spectacular theme park to Beijing.

In film, we continue to see success with theatrical releases after setting a new record for the biggest-ever worldwide opening, Fate of The Furious went on to become just the sixth film in history to cross $1 billion at the international box office and Universal's third-highest grossing movie ever. And Chris Meledandri's creative ability is on full display again with Despicable Me 3. The film's performance has been fantastic both domestically and internationally since its release at the end of June and was the largest-ever debut for an animated movie in China.

These incredible results are a tribute to the management team's wonderful execution of our franchise-focused strategy, along with global marketing and distribution efforts.

In our TV businesses, our strategy to market and monetize NBCUniversal's unified portfolio of networks under one umbrella is working really well. On the distribution side, affiliate fees and retransmission fees continue to fuel good momentum. Our upfront performance proves that advertiser demand for high-quality TV content is really solid. During the upfront, we achieved high single-digit growth in CPMs, demonstrating the power of the big events we air across NBC Broadcast, Telemundo and our Cable Networks. We think we had the most successful upfront of any one in the industry.

During the second quarter, NBC Broadcast gained share from its peers helped by summer hits, including World of Dance, the #1 new entertainment series. NBC remains on track to win the 52-week season for the fourth consecutive year and by a substantial margin.

At Cable Networks, MSNBC is a real bright spot with ratings in prime increasing nearly 80% year-over-year in the second quarter.

Now turning to Cable Communications. Our team's performance has been a model of consistency for us and the second quarter was no different. Our results again demonstrated our balanced approach of driving profitable growth as we generated a healthy 5.4% increase in EBITDA, while also adding 114,000 net new customer relationships.

Since taking the reins in April, Dave Watson has done a terrific job and the transition has been seamless. We are confident our team has the right strategy focusing on improving service with strong EBITDA growth and customer momentum.

We are investing in innovation, differentiating our products and customer segmentation, highlighted by offerings like the X1 platform and our recently launched xFi experience for in-home broadband as well as our ongoing rollout of DOCSIS 3.1 to enable gigabit speeds across our footprint.

In addition, a relentless focus on customer service is translating into a better experience for our customers and reduced costs as we get it right the first time and move more and more interactions to digital. In the second quarter, we reduced customer calls handled by our agents by over 3 million year-over-year. We also increased the percentage of customer interactions completed digitally by double digits year-over-year.

As we look beyond the second quarter, we see so many opportunities for continued growth in our cable business with significant runway ahead in Broadband, robust growth in business services, attractive opportunities driven by our differentiated approach to video and upside in newer offerings alike XFINITY Home, all these services enabled by an ever-increasing digital service experience.

We are also excited about the prospects for XFINITY Mobile, which we launched to customers in the middle of the second quarter. While it's still early days, the customer feedback confirms our belief that we have an attractive proposition in the market. Our differentiated offerings are resonating, including our By the Gig data option and the ability for customers to mix and match and easily switch between 2 plans as well as the inclusion of 5 lines and our convenient digital experience.

So all in all, a great first half of the year with a fantastic group of businesses that are executing extremely well. I'm proud of what we accomplished, including our 10% EBITDA growth, and we have a strong foundation to build on for the remainder of the year and beyond.

Mike, over to you.

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Thanks, Brian, and good morning, everybody. Let's start on Slide 4. So as Brian just said, we delivered very strong second quarter results. On a consolidated basis, revenue increased 9.8%, adjusted EBITDA grew 10%, earnings per share increased to 26.8% to $0.52 a share and we generated $2.2 billion in free cash flow during the quarter.

Now let's go deeper into the businesses starting with Cable Communications on Slide 5. Cable Communications' revenues increased 5.5% to $13.1 billion, driven by growth in residential high-speed Internet and video as well as business services. In our residential business, we added 77,000 net new customer relationships in the quarter, a 6.4% increase over last year with both video and high-speed data churn remaining at the lowest levels in over 10 years. We are pleased with these results and our ability to weather the more competitive environment this quarter. There have been several new entrants in the over-the-top video space, prompting existing competitors to respond with aggressive price points that have cut across multiple products.

We continue to believe in our ability to compete effectively. First, we have innovative products, including best-in-class broadband and a great video experience with X1. Second, we successfully bundle our services together, with 70% of our residential customer base taking at least 2 products. In addition, we focus on market segmentation, packaging our products to be competitive to multiple customer segments. And importantly, we are making continuous improvements to our customer service.

High-speed Internet continues to be the largest contributor to overall cable revenue growth. Revenue increased 9.2% to $3.7 billion in the quarter driven by an increase in our residential customer base and rate adjustments. We added 140,000 residential high-speed Internet customers in the quarter, and we remain focused on adding value and further enhancing our competitive differentiation through improvement to capacity, coverage and capabilities. We consistently increase our speeds and nearly 55% of our residential customers take speeds of 100 megabits per second or higher. We are offering gigabit speeds with our deployment of DOCSIS 3.1 and plan to have this technology available to the majority of our homes passed by year-end.

And in addition, we recently launched xFi, a new home WiFi platform that gives customers the fastest speeds, the best WiFi coverage and ultimate control in their homes, making WiFi an even better experience. As Brian mentioned, we have a long runway for growth in adding broadband customers.

Video revenue increased 3.9% to $5.8 billion in the quarter, primarily due to rate adjustments as well as customers subscribing to additional services. We had 45,000 residential video customer net losses in the quarter, reflecting both typical second quarter seasonality as well as the competitive dynamics I mentioned earlier. We continue to drive X1 deeper into our base ending the quarter with 55% of our residential video customers having X1 compared to about 40% a year ago.

Business services delivered another strong quarter of double-digit growth as revenue increased 12.6% to $1.5 billion during the quarter, primarily driven by customer growth. We added 37,000 business customer relationships. And in terms of individual products, we added 11,000 video customers, 35,000 high-speed Internet customers and 27,000 voice customers in the quarter. In addition, we increased revenue per business customer relationship by 4%, which reflects good momentum in our Ethernet and advanced voice services.

Turning to Slide 6. Second quarter Cable Communications' EBITDA increased 5.4% to $5.3 billion, resulting in a margin of 40.5%, down 10 basis points compared to the second quarter of 2016. Programming expenses increased 12% during the quarter and on a year-to-date basis, reflecting the timing of contract renewals. Nonprogram expenses increased 1.4% this quarter as we benefit from the investments we have made in customer experience initiatives as well as overall disciplined cost management. Notably, customer service expenses declined 1.1% this quarter, even as we grew our customer relationships by 3.2%.

Despite the higher rate of programming expense growth, our year-to-date EBITDA margin of 40.4% has improved by 10 basis points compared to the same period in 2016. The improvement was driven by growth in higher-margin services, such as high-speed Internet and business services as well as the lower rate of growth in nonprogramming expenses. As we look forward, we now expect the full year 2017 EBITDA margin to be flat compared to 2016, which was 40.2%. The improvement relative to our original guidance from earlier this year is equally split between programming and nonprogramming expenses.

Now let's move on to NBCUniversal's results. On Slide 7, you can see NBCUniversal's revenues increased 17% and EBITDA increased 23% in the quarter. These strong results were driven by a successful box office, healthy growth in retrans and affiliate fees as well as continued strong growth at Theme Parks.

Cable Networks delivered another quarter of strong growth with revenue increasing 5.1% and EBITDA up 11.7% to $1.1 billion. While advertising revenue was down 1% this quarter, distribution revenue increased 8.1%, driving double-digit EBITDA growth. Recall, we have successfully renewed a number of our distribution agreements and this should continue to contribute to healthy EBITDA growth for the remainder of the year.

Broadcast Television also delivered a solid quarter with revenue increasing 5.3% and EBITDA growth of 5.5% to $416 million. This growth was primarily driven by higher retransmission consent fees, which increased nearly 65% to $363 million. Partially offsetting this growth was a modest 1% decline in advertising revenue, which reflected ratings pressure during the quarter as well as higher programming expenses and increased marketing investments.

Film had a phenomenal quarter with revenue increasing 60% and EBITDA growing by $229 million to $285 million. Theatrical revenue increased by $540 million to $837 million, driven by the strong box office performance of Fate of the Furious, which more than offset the underperformance of The Mummy. Home entertainment revenue increased 43% due to the continued success of earlier titles, including Fifty Shades Darker and Sing. Last, content licensing revenue grew 14%, reflecting the inclusion of DreamWorks.

Theme Parks continued its momentum with revenue growth of 15.6% and EBITDA up a very healthy 17.3% to $551 million in the second quarter. These results reflect higher attendance and per capita spending as well as a favorable comparison from the timing of spring break vacations. As a reminder, spring break and Easter holiday occurred in the second quarter this year but occurred during the first quarter last year, creating a favorable comparison this quarter. However, even if we adjust for this timing, EBITDA would've still grown double digits this quarter as we continue to benefit from Harry Potter in Hollywood as well as our launches of new attractions Brian mentioned, Volcano Bay in Orlando and Minion Park in Japan.

Now let's move to Slide 8 to review our consolidated and segment capital expenditures. Consolidated CapEx increased 2.5% to $2.3 billion in the second quarter. At Cable Communications, capital expenditures increased 4% to $2 billion for the quarter, resulting in capital intensity of 14.9%. For the full year, we continue to expect capital intensity to remain flat to 2016 at approximately 15% of total Cable Communications revenue. For the quarter, the increase in spending reflects a higher level of investment in scalable infrastructure to increase network capacity and increase investment in line extensions, partially offset by decreased spending on customer premise equipment.

At NBCUniversal, second quarter capital expenditures decreased 6.1% to $338 million, reflecting our continued investment in Theme Parks, more than offset by the timing of spending on real estate and at our headquarters. For the full year, we continue to expect NBCUniversal's capital expenditures to increase approximately 10% versus 2016.

And now finishing up on Slide 9. As I mentioned earlier, we generated $2.2 billion in free cash flow on the quarter and $5.3 billion on a year-to-date basis. Our return of capital to shareholders in the second quarter included dividend payments totaling $747 million, up 11.6% and share repurchases of $1.4 billion. We continue to expect to repurchase a total of $5 billion of our common shares this year.

In terms of leverage, we ended the quarter at 2.2x net leverage.

During the quarter, we completed our acquisition of the remaining 49% stake in Universal Studios Japan for $2.3 billion.

Subsequent to the end of the quarter, we received proceeds of $482 million in connection with our previously announced relinquishments of FCC licenses for spectrum in the New York, Philadelphia and Chicago designated market areas.

So that concludes our summary of the quarter. We are clearly very pleased with our continued strong performance as well as our momentum. Now I'll turn it back to Jason to lead the Q&A.

Jason S. Armstrong - *Comcast Corporation - SVP, IR*

Thank you, Mike. Regina, let's open up the call for Q&A, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Ben Swinburne with Morgan Stanley.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

I want to ask you about sort of the 2 of the big debates out there, one is on the runway for broadband and the other on the sort of pay TV ecosystem. Brian, you specifically said in your prepared remarks you see a significant runway for the data business. And I'd love to hear from you and from Dave what gives you confidence in that. How do you think about driving market share gains further from here? Any comment on the response to xFi and just other things you're doing around the products beyond speed to continue to push your advantage in the marketplace and grow that business over time? And then on the video side, maybe from Steve, how are you -- what are you seeing on the subscriber front for your Cable net as you see these new entrants come in the market? Obviously, there's been a lot of pressure for the overall industry, but curious how you're thinking about the impact of these emerging streaming bundles on your business?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Okay. Well, thank you, and good morning. So first big comment would be that we're performing well in broadband. If you look at us versus all the competitors that have reported, you're going to see growth, continued growth, and we expect that to continue for rest of the year and hopefully for years to come, and that's why I think we make that statement. I think our product is better. And so what Dave is doing, and I'll let him talk about it, is we are taking some of that same innovation, as you alluded to, that we brought to video, which is why our video results have been pretty strong the last several years compared to again the marketplace. It's that innovation and that culture of every month the product gets better. So we have a whole team of people who are trying to be more than just we're getting faster and better. But again, Dave, why don't you jump in and

Steve can talk about the video. But again, I think company-wide, yes, I think we're executing better than maybe a lot of people believe these businesses can do, and that's why I think we think it's going to continue for the future. It's great momentum.

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Yes, Ben. So as Brian said, there is significant runway ahead in broadband. And the key to me when you look at this is the upside of the opportunity. We're sitting at 45% penetration right now. So there is growth just there. The overall market is growing with only 75% of households subscribing to Internet access. And -- so mostly, from our position, it's the innovation that Brian is talking about. We like our formula. We deliver very fast, reliable service. And the focus, the shift that we've had around innovation is around WiFi in the home. Key for us is staying ahead of competition with speeds, capacity, coverage and capability. And xFi is a good example of that. I think we deliver on all these points. With xFi, you get fantastic wireless gateways. We're just introducing a new advanced wireless gateway that can get you up to 1 gig WiFi speed. So it delivers great coverage in the home. And it gives for the first time, one of the pain points for customers, the ability to connect just an ever-increasing amount of wireless devices in the home and let you simply and easily manage all of that within your home. So I think when you add it all up, we like our position. There could be continued innovative focus around the broadband category, but we have good momentum.

Stephen B. Burke - *Comcast Corporation - Senior EVP & CEO, NBCUniversal*

So the over-the-top services that have been launched so far doing about as we expected they would do and that is -- they are not all that material to our business. They've all launched, they have subscribers. We have deals in place with all of them, they are actually very favorable. So if from a NBCUniversal point of view someone goes to an over-the-top provider, it's actually slightly better. But it's a very tough business. And as we've said before, we are skeptical that it's going to be a very large business or profitable business for the people that are in it and they are off to a relatively slow start. In terms of overall subscriber trends, they are about the same as they have been. No speed up or slow down in the modest subscriber losses that we've seen over the last few years.

Operator

Your next question comes from the line of Craig Moffett with Moffett Nathanson.

Craig Eder Moffett - *MoffettNathanson LLC - Co-Founder, Partner and Senior Research Analyst*

Brian, I guess, the obvious question that seems to be on everyone's lips is it seems like every day that goes by there is another round of speculation about who -- with whom you might partner next? Or who you might buy or merge with and that sort of thing? I wonder if you could just sort of step back and strategically talk about the assets you have and where, if anywhere, you think you might look next to add to the portfolio?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

Thank you and thanks for posting that question in a broad way, which makes -- in my opinion, I thought we are really clear last quarter. So I guess, a chance to be even more clear. While -- yes, we always look at the world around us and we do our jobs frankly in looking at opportunities. We love our business. I mean, look at this quarter, 10% cash flow growth, 10% revenue growth. Every one of the business is performing well. So I don't see anybody quite doing that, frankly, in our space quarter-after-quarter, by the way, not just one movie. And I think, I've said, and I think we've said in multiple forums, that we really feel we are not missing anything. And so just to specifically talk about wireless, which I think was embedded in your question, no disrespect to wireless, it's a tough business. And our strategy of MVNO, we really like what we are doing. And just it's very, very early with XFINITY mobile. And our early employee results and our first set of customers really improves a lot of the things we hope it would improve. It will be a long road and -- but I don't see something happening in that industry that we envy their -- the position that we don't have today. So while we continue to focus on what we've got, if you look at the mix of content, it's not just content for content sake, I think putting an incredible team on the field and having NBC be in first place to have Telemundo really just surging, the big year we're going to have in sports with all the big events. And cable, Dave just talked about it, it's fantastic strategy. I think we have a really special company, and I wouldn't want to do anything to change that.

Operator

Your next question comes from the line of Marci Ryvicker with Wells Fargo.

Marci Lynn Ryvicker - *Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst*

Two questions first on the cable side. We've seen the subscriber results from AT&T and Verizon. And I think FiOS and your subs were better than expected. So I guess the question is at what point do you feel that you have to respond to this, whether it be promotions or lower overall pricing? And then second on the NBCU side, Steve, as you said, the upfront was really successful. Do you think this represents true underlying demand? Or do you think it's just ad dollars being pulled forward so there might be less demand in scatter?

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Let me start, Marci, this is Dave. So we go through competitive cycles with all sorts of providers, not the least of which the telephone companies. So we're very accustomed to moments where they discount a bit more. Our focus is to stay disciplined around delivering the best products. We put them in packages that work for customers. And so whether it's X1, just talked about broadband, those are the keys. We always compete. And we always segment. We always go after different market segments and making sure we are competitive for each of those. So we do tweak our go-to-market approaches. We've been doing that for a long time. So I don't see anything materially different in our approach, stay very focused on delivering the best products in the marketplace and being competitive.

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

I just want to add one other thing. David's been doing this for us for 20 years now or more and has seen it all. And what I like about his leadership is the mix and Neil before him in -- you'll see a lot of results today, we got a busy day for the analysts and our sympathies go out to you for all the companies reporting on the same day. I don't know that you'll see subscriber results and revenue growth and cash flow and it's that balance that is the way Dave's leadership and the team he's got is trying to run the company. And I think that's what we're going to try to do in the future.

Stephen B. Burke - *Comcast Corporation - Senior EVP & CEO, NBCUniversal*

So regarding the upfront, it was a -- I think it was a pretty good upfront for the television business in general. It was a particularly good upfront for us. We went into the upfront with NBC ahead. If you take out the Super Bowl at Fox, we were 20% ahead in terms of prime-time ratings of anybody else. Brian mentioned Telemundo but we also had a strength at MSNBC, cable strength sports. And our approach to ad sales -- starting 5 years ago, we put all of ad sales under Linda Yaccarino and Linda and her team sell the entire portfolio together, which since we're the biggest provider of television advertising, we tend to go first. We've gone first the last few years in the upfront. And that yielded, I think, a greater result than was the typical result. We -- our upfront volume was up about 8%, which represents about $400 million and that doesn't include the Olympics and the Super Bowl where we sold some ads on top of that 8% increase. We think we led the market in terms of broadcast by a few points and cable was at the high end of the range. We've been talking over the last 6 years or so about a monetization gap. We think every year we are chipping away at that and we've closed a lot of the monetization gap. In terms of did we pull demand forward? I don't think so. I think the demand really for the last 2 or 3 years has been remarkably consistent throughout the year and the percentage that went in the upfront, I don't see any major sign that, that percentage is higher or lower than it has been traditionally. And all the signs we see more recently than the upfront point to continued strength in the advertising market. And we are doing well in terms of our advanced sales on the Super Bowl and the Olympics and everything else. So I think we feel pretty confident.

Operator

Your next question comes from the line of Jessica Reif Cohen with Bank of America Merrill Lynch.

Jessica Jean Reif Cohen - *BofA Merrill Lynch, Research Division - MD in Equity Research*

Two sets of questions. First for Brian or Dave, the competitive landscape is changing pretty rapidly as companies from multiple industries are trying to emulate you or parts of you, whether it's the fan companies, the telcos and they are all good companies. So can you talk about what you are doing to enhance the customer experience over the next few years to protect and grow your business. You sort of answered it on broadband, so if you could take a video perspective? And for Steve, kind of just an advertising question. The market overall seems fairly stable despite ratings issues, whether that's sort of measurement or fragmentation. Can you talk about what NBC is doing to position your company over the next 2 years to enhance the advertising platform?

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

So Jessica, Dave. So let me start with video. It is, as you said, it's a very competitive environment, lots of new entrants coming in and doing different things. The key is, we really like our position overall. We got this terrific platform, X1, with unbelievable functionality of voice remote and the complete, the overall level of choices that we deliver, the amount of -- the breadth of content on-demand, live, DVR and new entrants that are now part of X1, like Netflix all seamlessly integrated. So in addition, as I mentioned before, we're going to compete vigorously for -- across the board for every segment. And so we do break it down, whether it's students, whether it's millennials, and so we are seeing really good benefits. And I think while they're sampling, you see new entrants come in. For us, we're going to stay very focused on our strengths. And one of the things too that we are rolling out is, and we've talked about before, is Instant TV. Instant TV, again, we're launching this. We've been testing it for a while. We'll launch it more broadly the second half of the year. And again, this is an in-home Title VI cable service. We have a managed network without a set-top box. So it's ideal for certain segments and millennials in the test markets, very good response. So we'll continue to roll that out. There is lot of appeal, different price points that we're testing around that. But our key is to leverage our strength in X1 in video but also compete for every segment.

Stephen B. Burke - *Comcast Corporation - Senior EVP & CEO, NBCUniversal*

So in terms of ratings and what's going on in the video landscaping, it is a very interesting time to be in the television business. You -- I think you have to assume that ratings are going to -- linear ratings are going to continue to decline. I'm not sure if the decline is going to speed up or slow down, I think the safest thing is to assume it's going to continue. But overall, video consumption, if you include consumption on the Internet, I think most people think it's as high as it's ever been and -- the first part of our challenge is to make sure that we monetize better, that we get ratings and then monetization at a better rate than we currently do with consumption on the Internet. The second thing is to try to get more of Internet functionality targetability and data into our traditional television advertising, and I think we've been a leader in that. We have a lot of data-enhanced products and ways to position our television advertising with some of our digital assets and the partnerships we have. We're a shareholder in BuzzFeed and Vox and Snap and we're doing a lot of selling with Apple and AOL and others so that when Linda Yaccarino goes to market, we can offer television products, which are data enhanced and then bundles, which include television and traditional digital advertising. So it's certainly more challenging. There are more variables to play with. But I like our hand. And we, I think, have been as aggressive as anybody in trying to make sure that we are continually evolving and giving advertisers what they want, which is the tremendous reach of television still the best way to reach a very large market. But some of the targeting that people have started to realize is attractive because of the Internet.

Operator

Your next question comes from the line of Phil Cusick with JPMorgan.

Philip A. Cusick - *JP Morgan Chase & Co, Research Division - MD and Senior Analyst*

I wonder if you can dig more into the cable margin guide increase. How should we think about programming in the second half and 2018 if you can versus the 12% in the first half? What is the pace of renewals look like in the second half versus the first? And then second, in terms of nonprogramming OpEx trends, are there cost-cutting efforts happening there? Or is it really declines driven by a shift in customer activity from those call centers to digital? And what does the runway look like there?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Phil, it's Mike. I'll start and Dave can finish. So for 2017, as we started the year, we expected programming to be up 13% programming cost. We came in, in the first half of the year around 12%, and I would -- wouldn't expect it to be much different in the second half. In terms of nonprogramming costs, you saw the great results in the first half of the year, and we think those trends are steady. So we're just revising today the guidance for the full year this year, and we expect to be flat to 2016. As you know, we don't go into a multiyear guidance. But I think what Dave and I have both said previously is that we're going to continue to drive growth in our high-margin businesses, high-speed data and business services, which are obviously margin positive. We do expect programming costs, as we've said, to come down into the high single digits in years after 2017. And then finally, on the nonprogramming cost side, a lot of the efforts that Dave and Neil have been putting in over multiple years into customer service in particular are paying dividends in terms of reduced truck rolls, lower calls on top of higher satisfaction. And that's been a tailwind to nonprogramming expenses. And Dave can comment further, but we're going to continue to execute against those kind of trends. But again, we don't go beyond the year we're in, in terms of guidance, so I'll leave it there.

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

So as Mike just said, it starts with us looking at high-margin businesses. So -- he said that well, very focused on broadband commercial. But the key driver, I think, to your question, Phil, is that the rate of growth for nonprogramming expenses is trending lower in 2017 and certainly continued trending from last year. So this is a combination of things. We've always been very focused on cost management. But the key thing that we are looking at is getting yield from our customer experience investments. And we made those investments. We like the results. And we believe, very strongly, that this is going to yield a better customer experience also. So it's often the case that if you do a good job and you're taking transactions out, you're going to get a lower cost of delivering service. So I think we are getting out ahead of a lot of customer service issues. We've got a ways to go, but we are really pleased with our progress. So this comes in, you look at call volumes coming out, truck rolls and so contact rates, all of these things are really trending in the right direction. So I like our momentum there. We're going to stay very focused on taking transactions out, but at the same time, this is going to be good for the customer.

Operator

Your next question comes from the line of John Hodulik with UBS.

John Christopher Hodulik - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group, and Telco and Pay TV Analyst*

Maybe a couple of follow-up questions for Dave. First, on the competitive front. Have the -- the competitive efforts you've seen from the traditional guys, has that continued here into the third quarter? And maybe can you give us a sense for maybe where it's coming from? Is it the telcos? Or is it the satellite guys? And then on instant -- the new Instant TV product, I think we heard or you guys have talked about a third quarter launch, but could you give us some more color on sort of the breadth of launch, how you guys are going to promote it, maybe anything you can tell us about what's in that package or the pricing around it?

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Yes. Sure, John. So on the telcos side, it's mostly in terms of the shift, there's, again, this competitive cycle, it's the telephone companies being a little bit more aggressive on discounting. And again, we compete, we take it all seriously. We look at everything and don't take it for granted. So we do compete. But the adjustments we make are modest in nature, very targeted. And so we like again our position as I talked about before. And you connect that and sometimes you have a lot of new entrants coming in, so lot of sampling on the new folks over-the-top. But again, I talked about our video and broadband momentum. On Instant TV, this is a program that we've been looking at to go after, primarily the segments that -- like millennials. This is not something that we'll do broad-based in terms of our approach to the market. This is going to be very targeted, primarily digital in nature and how we do it. We love our full video positioning with X1. So we'll continue to compete aggressively with that. But Instant TV gives us one more part of the portfolio to be able to go after different segments with. So it will be fully launched towards the end of Q3 and will be part of our go-to-market approach.

Operator

Your next question comes from the line of Bryan Kraft with Deutsche Bank.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Senior Analyst*

Mike, I had, I guess, a housekeeping question first then I have one for Steve. The NBCU headquarters, other elimination OCF number was noticeably higher this quarter than it's been in the past. So just wanted to see if you can give us some color on that. Is it a new run rate more or less? Or is there something anomalous in the second quarter? And then Steve, you had mentioned a moment ago the digital investments that you've made in Snap, BuzzFeed and Vox. I was wondering if you could maybe elaborate on just how you're leveraging those investments at NBCU and how they fit into the broader strategy?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Thanks, Bryan, it's Mike. So -- there's just some one-time choppiness in that number. We can deal with -- give you more color offline if you like, but nothing that would affect the go-forward trends that you've seen before this quarter.

Stephen B. Burke - *Comcast Corporation - Senior EVP & CEO, NBCUniversal*

So when we make these digital investments, we actually call them beacon investments because we like to think that by investing in BuzzFeed or Vox or Snap, we are telling our employees and their employees that we really want to work together. So it's not a -- it's not a passive or inactive process. So when we make the investment, we would sit down with the management teams of the various companies and try to identify half-dozen projects to work on. And in each of those 3 companies, we've had very material projects succeed in the marketplace. Our most recent investment was Snapchat. And we have a show called The Rundown, which is produced by E!, which is getting 5 to 10 million daily users which makes real money. We just launched a second product based on an NBC News, a 24-hour-a-day NBC News product, very unique, launched, I believe it was last week. It's called Stay Tuned, and it's off to a very, very strong start. And we've done similar things with BuzzFeed and Vox. And a big part of our job, I think, as the company gets more digital DNA into our company is to find digital investments with companies that we can learn from and get into business with as opposed to just making an investment. So I think Vox, BuzzFeed and Snap are 3 great companies. We've learned a lot from them and we're better off for having made those investments.

Operator

Your next question comes from the line of Brett Feldman with Goldman Sachs.

Brett Feldman - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I realize it's still early days here with XFINITY Mobile, but I'll throw a couple of questions out and see what you're willing to share. In terms of acquiring customers, what's working? Are you mostly leveraging interactions you would otherwise have on a normal basis? Is some of your outbound causing people to come to you? Where are they coming from? Which plans are most successful? And then the last one would be, is it hurting any of your other businesses, for example, is it actually cannibalizing residential voice? So a lot in there but whatever you can do to help us gain some insight as to kind of what's working early on would be great.

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

You got it. So a couple of -- it's way early as Brian said, but a couple of observations. First off, it's operationally scaling well. Again, very early, but we are pleased with just, in general, as we have rolled this out across the footprint. One thing that maybe what you're -- in terms of where the customers or how they're onboarding, about half of the customers are going through our digital channel, which is terrific. So Greg Butz and his team have really done a terrific job and I think speaks to just how easy this experience is for customers. And not only is it easy to onboard, but as Brian said, it's really easy to manage your service on an ongoing basis, where one of the only ones that you can go back and forth literally with a click of a button and you can change your By the Gig to unlimited and back and forth. So it's a really extraordinary digital experience. And so we are pleased with that. The other observation early on is that there's real value By the Gig. We have -- most of our customers are taking By the Gig versus unlimited. So yes, we can do both. And the partnership of Verizon is going well. And so early response too from customers extremely positive. They like the service. They like the value. They like just how easy this is. And so in regards to -- I think, it's quite frankly, there's an opportunity to go the other way, especially as we leverage our existing retail capabilities and digital capabilities. I think mobile is an opportunity to expand consideration for other products. And while there may be some -- a little bit of focus whether it's packaging around wireline voice, I think it gives us an opportunity to talk about everything that we do. So we're really encouraged about our early-stage retail launches where we see that happening. So real pleased with the early results.

Operator

Your next question comes from the line of Kannan Venkateshwar with Barclays.

Kannan Venkateshwar - *Barclays PLC, Research Division - Director*

Just one question for me, which is on the CapEx line. We've seen scalable infrastructure and line extensions growth -- grow quite substantially over the last year or so. Could you just talk about what's exactly in that line? And is this driven by fiber? Or is there some other focus in those lines right now?

Michael J. Cavanagh - *Comcast Corporation - Senior EVP & CFO*

Kannan, It's Mike. So I'll start again on X1. So scalable infrastructure, think about us adding capacity and speed to our network generally in things like Cloud DVRs and alike as we see greater usage of our network. We are investing to keep the experience ahead of our customer expectations. And so that's what you would see in those -- in that CapEx line. And we've said repeatedly we want to continue to invest in that broadband network for the future we see for the business. In terms of line extensions, that's connecting more addresses to our networks. And so that's largely led by business services. And pushing the business services is obviously a high-growth business, some of the hyperbuilds we talk about, that's -- the growth in line extensions is driven by that.

Operator

Your next question comes from the line of Mike McCormack with Jefferies.

Michael L. McCormack - *Jefferies LLC, Research Division - Equity Analyst*

Dave, maybe just a comment on the commercial opportunity and what you're seeing as far as moving upstream into maybe bigger enterprises. And then also a comment perhaps on 5G, what you're seeing out there as far as whether it's a risk or opportunity for you guys?

David N. Watson - *Comcast Corporation - Senior EVP & President, CEO, Comcast Cable*

Sure. So I think it's -- the larger business services opportunity is enterprise. It's upside for us. Currently we're -- within in our footprint, we're at less than 5% of the overall revenue opportunity. So what we're seeing, I think, is solid cooperation with the cable operators and really helping large businesses that have local offices throughout the country. So I think it's a -- so far, we are real pleased with our progress. A lot of very -- the premier accounts that have jumped onboard. Again, early innings on this one, too, but we are pleased, and I think there is upside there. On 5G, yes, we are testing it. We are looking at it. I've commented before that it's something that I think will evolve and take a while. It's not something that will be immediate. But we'll look at as closely as everybody else from our vantage point. There's work to do there, but we'll stay very close to that. I continue to believe that it's an opportunity for the mobile providers to enhance their mobile data service. But in regards to any other implications, way too early.

Operator

Our final question comes from the line of Vijay Jayant with Evercore ISI.

Vijay A. Jayant - *Evercore ISI, Research Division - Senior MD, Head of Media & Entertainment & Cable & Satellite Research & Fundamental Research Analyst*

Brian, you've been talking about innovation and differentiation in the marketplace that Comcast is trying to lead on. We are pretty close to the end of the consent decree on NBC. And obviously, you've had some synergies over the asset. Can you just talk about what that end could do in sort of leapfrogging that innovation and differentiation?

Brian L. Roberts - *Comcast Corporation - Chairman & CEO*

So let me just start by saying that I'm very pleased of the organization for we complied and in many cases exceeded all the requirements that were placed on us. And I think it will be less of an administrative burden for sure when the consent decree ends, but we have a great momentum, and I think, hopefully, we'll look forward, we won't look back. I don't have a specific answer for you probably today, in that regard. But I do think we've executed really well in the past. So I don't want to say anymore about the consent degree as we get toward the end of it. But I will say that the 2 companies work really well together. And one of the themes that this will probably allow that to even continue and maybe increase in the future is just how well the culture of the company is Comcast, NBCUniversal, I'm really pleased and proud of that. And I think that the results that we just talked about the last hour, I think, demonstrate that. So onward we go, we'll see you next quarter. Thank you all very much.

Jason S. Armstrong - *Comcast Corporation - SVP, IR*

Okay, thank you. Regina, back to you.

Operator

There will be a replay available of today's call starting at 12:00 p.m. Eastern Time. It will run through Thursday, August 3, at midnight Eastern Time. The dial-in number is (855) 859-2056 and the conference ID number is 39307493. A recording of the conference call will also be available on the company's website beginning at 12:30 p.m. Eastern Time today. This concludes today's teleconference. Thank you for participating. You may all disconnect.