THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CMCSA - Q3 2014 Comcast Corp Earnings Call

EVENT DATE/TIME: OCTOBER 23, 2014 / 12:30PM GMT

OVERVIEW:

Co. reported YTD consolidated revenue of $51b and EPS of $2.46. 3Q14 consolidated revenue was $16.8b and EPS was $0.99.

CORPORATE PARTICIPANTS

Jason Armstrong *Comcast Corporation - SVP of IR*

Brian Roberts *Comcast Corporation - Chairman & CEO*

Michael Angelakis *Comcast Corporation - Vice Chairman & CFO*

Neil Smit *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Steve Burke *Comcast Corporation - EVP, also CEO of NBCU*

CONFERENCE CALL PARTICIPANTS

Ben Swinburne *Morgan Stanley - Analyst*

Craig Moffett *MoffettNathanson - Analyst*

Jessica Reif Cohen *BofA Merrill Lynch - Analyst*

John Hodulik *UBS - Analyst*

Phil Cusick *JPMorgan - Analyst*

Vijay Jayant *ISI Group - Analyst*

Brett Feldman *Goldman Sachs - Analyst*

Marci Ryvicker *Wells Fargo Securities - Analyst*

Jason Bazinet *Citi - Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's third-quarter 2014 earnings conference call. (Operator Instructions). Please note that this conference call is being recorded. I will now turn the call over to Senior Vice President Investor Relations, Mr. Jason Armstrong. Please go ahead, Mr. Armstrong.

Jason Armstrong - *Comcast Corporation - SVP of IR*

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

As always let me know before you to slide 2, which contains our Safe Harbor disclaimer, and remind you that 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 Roberts - *Comcast Corporation - Chairman & CEO*

Thanks, Jason, and good morning, everyone. Our third-quarter results continue our optimism and momentum in 2014. Our businesses are well-positioned and producing strong financial results. During the third quarter we grew operating cash flow by 7% and increased free cash flow to $2.5 billion. And year to date operating cash flow has increased more than 8%.

There were several significant achievements across the Company. In Cable we generated solid revenue and operating cash flow growth, each of which was over 5%. Highlights include a notable improvement relative to the prior year in both broadband and video subscriber results.

In fact, our video subscriber result was the best for a third quarter in seven years and our 315,000 broadband net adds was the best third-quarter result in five years. Additionally, strong growth in business services allowed us to surpass a $4 billion annualized revenue run rate in that segment.

At NBCUniversal operating cash flow increased over 13% thanks to a continued turnaround in broadcast, the opening of The Wizarding World of Harry Potter - Diagon Alley in our Orlando theme park, and good successes in film along with consistently strong cash flow production from our Cable Networks.

As we look at our key initiatives that will drive future growth there were a number of exciting developments in this quarter. Starting with NBCUniversal, our third-quarter results are a great example of how the investments we've made in the businesses are paying off and positioning us well for the future.

In Broadcast, NBC continued its momentum throughout the summer ending the full 2013/2014 season ranked number one among adults 18 to 49, which was the first full season win we've had in 10 years. Now the new fall season has just begun and NBC is off to another strong start, ranked number one in the same demo through the first several weeks of the season. The team has done a great job making NBC vital and profitable once again.

In film Lucy was a worldwide success in the third quarter. In fact, while 2014 included a smaller slate at Universal, we've had some great successes as five films so far this year achieved the number one slot at the domestic box office and we continue to invest for an exciting slate in 2015.

With our Cable Networks, ratings have been under pressure industry wide as the market continues to be very competitive with more original programming and time shifted viewing than ever before. However, Cable Networks continue to contribute very strong cash flow at NBCUniversal and we have a diverse portfolio of channels with entertainment, sports and news.

USA was number one cable network in the third quarter and is on track to be the most watched cable network for the ninth consecutive year in total viewers. Bravo and SyFy are now top 10 networks as well. And CNBC is the fastest-growing network in prime time among adults 18 to 49 and 25 to 54.

As we have said before, our Cable Networks are generally under monetized compared to our peers, which gives us a strong relative position for future growth.

In Parks, as I mentioned, we opened a new Harry Potter attraction in Orlando which, combined with added hotel capacity, led to record summer attendance and a record Labor Day. The new attraction is off to an amazing start, driving double-digit per capita growth and a significant lift in premium park-to-park ticket sales.

Even more encouraging, our guest satisfaction has been overwhelmingly positive with scores well above 90%. Our confidence in the Parks has led us to a recent announcement in which we agreed to form a partnership in China where over several years we will be developing a park in Beijing. Expect more on this in the future.

So Steve Burke and the team at NBCUniversal have made great progress so far in 2014.

Turning to Cable Communications, Neil Smit and the team once again delivered strong results. In an environment with plenty of room for distraction they clearly remain focused and are executing at a very high level.

Consumers viewing and consumption patterns and the competitive landscape are evolving at a very rapid pace, as evidenced by the recent announcements over the past week. We understand content companies' attempts to look for new ways to grow their businesses. We believe we have been a leader in working with content owners with our development of TV Everywhere, X1, Cloud DVR, light packaging and streaming amongst other things.

With our breadth of content rights both in and out of the home and on mobile devices, along with our investment in new platforms and user interfaces, Comcast Cable is uniquely positioned to continue to innovate and lead this evolution.

A good example of this is our new XFINITY on campus product we launched during the third quarter to six schools with several others currently in trials. The service lets college students what live TV and On Demand content on their IP enabled devices including laptops, tablets and smartphones while on campus. With this younger generation more and more viewing is happening away from the traditional TV set and we have evolved our products and services to better engage with them.

At the same time we continue to aggressively deploy our X1 and Cloud DVR technologies in our broader subscriber base. We believe our X1 operating platform offers customers an unrivaled experience. We recently surpassed 5 million X1 boxes deployed, a significant achievement in such a short timeframe. Now we are rapidly rolling out Cloud DVR which allows customers to stream and download DVR recordings out of the home to any device as well as stream live TV to any device in the home.

In Wi-Fi we continue to extend our reach. The scale of our efforts in Wi-Fi is attracting new partners and further enhancing this reach and hence the value that we provide to Comcast subscribers. We recently announced an agreement with Liberty Global where subscribers of the two companies will gain access to each other's Wi-Fi networks.

For Comcast customers the deal provides access to more than 2.5 million Wi-Fi access points in various countries in Europe. This is a terrific new benefit that we are excited to provide our customers with additional reach and capabilities in the years ahead.

Finally I want to spend a minute on our overall customer experience. Our customers deserve the best experience every time they interact with us. What we have made progress, we need to do a better job in ensuring consistent excellence in our interactions, from the moment a customer orders new service to the installation to the way we communicate and respond to any issues.

Over the last few years we've been incredibly focused on product innovation and delivering great content and technology experiences. So now it is time to leverage those capabilities to deliver truly exceptional customer service.

The way we interact with our customers on the phone, online, in their homes is just as important to our success as any other products that we provide. Put simply, customer service should be our best product. That is why I'm really pleased with our recent appointment of Charlie Herrin to lead our customer experience initiatives.

For those who have not had the opportunity to meet him, Charlie in his most recent role led the design team behind the development of X1 and he spearheaded the Company's initiative to deliver a consistent user experience across platforms.

Charlie and his team received a 2011 Emmy award for outstanding achievement for the XFINITY TV iPad app, a 2013 Emmy award for the X1 user interface. We're all excited for Charlie in his new role and are committed to improving in this critical area.

Let me conclude with some brief comments on our pending acquisition of Time Warner Cable.

This is an important and exciting time as we focus on gaining regulatory approval for our transaction. We are very encouraged by the recent shareholder approvals on each side of this transaction as both our and Time Warner Cable shareholders voted overwhelmingly in favor of the merger.

Shareholders see it the same way we do, that it is an opportunity to give customers access to higher broadband speeds, a more extensive content lineup and what we believe is the industry's best operating platform in X1 and in the process create more value.

As I mentioned earlier, there is a lot going on with a lot of opportunity for distraction. But our teams on both sides of the business remain focused and are executing at a very high level and I believe it is evident in these results. So let me now pass this to Michael to cover the third-quarter results in greater detail.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

Good morning, and thank you, Brian. Let me begin by briefly reviewing our third-quarter consolidated financial results starting on slide 4. Overall we are very pleased with the third-quarter performance which reflects consistent execution and sustainable profitable growth.

For the third quarter consolidated revenue increased 4% to $16.8 billion and operating cash flow increased 7% to $5.7 billion, reflecting healthy organic growth in our Cable business and an exceptional performance at NBCUniversal.

These results include $77 million of Time Warner Cable and Charter transaction-related costs during the third quarter of 2014, which is a similar amount to the $74 million of costs associated with the termination of a pension plan in the third quarter of last year. Excluding both of these items operating cash flow growth would remain at 7%.

Year to date consolidated revenue increased 6.9% to $51 billion and consolidated operating cash flow increased 8% to $17 billion. However, for comparability purposes, if we exclude $1.1 billion of revenue related to the Olympics in the first quarter, $138 million of year-to-date transaction-related costs, and the pension termination cost in 2013, our consolidated revenue increased 4.6% and our consolidated operating cash flow increased 8.3%.

Earnings per share for the third quarter increased 52.3% to $0.99 per share versus $0.65 per share in the prior year. However, when you exclude favorable tax adjustments and the transaction-related costs I just mentioned, our normalized EPS increased 12.3% to $0.73 per share.

Year to date earnings per share increased 33.7% to $2.46 per share versus $1.84 per share in the prior year. Again, excluding the tax adjustments gains on sales and acquisition-related items our normalized year-to-date earnings per share increased 19.9% to $2.17.

Free cash flow for the quarter increased 26.7% to $2.5 billion and free cash flow per share increased 28.4% to $0.95 per share. This growth was primarily driven by increases in consolidated operating cash flow, improvements in working capital and lower cash taxes which are partially offset by increased capital expenditures.

For the first nine months of this year we generated $6.5 billion of free cash flow, a decrease of 8.2% over the same period in 2013. Year to date free cash flow per share has declined 6.8% to $2.46 per share.

Now let's review the results of our businesses in more detail starting with Cable Communications on slide 5.

Our Cable Communications business continues to execute well, delivering solid financial and customer growth in the third quarter. Cable Communications revenue increased 5.2% to $11 billion driven by continued strength in high-speed Internet and business services, as well as higher advertising revenue due to political spending.

Total revenue per customer relationship increased 4.2% to $137 per month, reflecting rate adjustments, a higher contribution from business services and increasing number of customers taking multiple products. At the end of the quarter 69% of our customers subscribed to two or more products and 36% subscribed to three products compared to 34% in the third quarter of last year.

In addition to solid financial growth we continue to deliver strong customer metrics. We increased total customer relationships by 82,000 in the third quarter, more than three times the net additions versus last year's third quarter.

Our X1, TV Everywhere and on-demand platforms are clearly best-in-class. While X1 is still a relatively small portion of our overall video base its contribution is having a positive impact. Our X1 net adds continue to accelerate and accounted for more than one-third of our video connects in the quarter.

We once again reduced our video customer losses. In the third quarter we lost 81,000 video customers, a 36% improvement from last year's third quarter and the best third-quarter customer result for video in the past seven years.

High-speed Internet also delivered impressive subscriber results. We added 315,000 new customers during the quarter, an increase of 6% year over year and the best third-quarter results in five years as we continue to differentiate our product with speed enhancements and the fastest in-home Wi-Fi with our advanced wireless gateway. Over 50% of our high-speed data customers now have one of those new wireless gateways.

We also continued to grow our voice customer base this quarter, albeit at a slower rate than last year, adding 68,000 new customers in the quarter. This slow down in net additions was the result of a focus on double play during the back to school season as well as X1 availability that was more focused on triple play customers last year making for a difficult comparison.

As we review the product categories in more detail, video revenue increased 1% reflecting modest rate adjustments and an increasing number of customers taking advanced services, partially offset by a decline in pay-per-view revenue due to the results of events compared to last year's third quarter.

High-speed Internet revenue increased 9.6% during the quarter making it, again, the largest contributor to cable revenue growth driven by continued growth in our customer base, rate adjustments and an increasing number of customers taking higher-speed services.

At the end of the quarter 50% of our residential high-speed customers now receive speeds of 50 megabits or greater as we continue to increase the speeds included in some of our bundled plans.

With regard to voice, revenue decreased 0.5% for the third quarter as the growth in customer base was offset by a modest decline in ARPU.

Moving on to business services, third-quarter revenue increased 21% to $1 billion and was again the second largest contributor to cable revenue growth in the quarter. This rate of growth is especially impressive given that business services is now a $4 billion run rate business.

The majority of that revenue is generated by small businesses with less than 20 employees, but the contribution from midsize businesses is rapidly increasing and accounted for close to 40% of business services revenue growth in the quarter.

Cable advertising revenue increased 12.3%, primarily reflecting an increase in political revenue for November's midterm elections. Excluding the impact of political, our core cable advertising increased 3.1%. We expect advertising growth to remain strong in the fourth quarter, again driven by political revenue given the upcoming elections.

Please refer to slide 6. Third-quarter Cable Communications operating cash flow increased 5.1% to $4.5 billion resulting in a stable margin of 40.4% compared to 40.5% in the third quarter of 2013. Included in these results is a legal settlement that negatively impacted operating cash flow and reduced this growth rate by 40 basis points.

This is a strong financial performance as we effectively managed higher programming costs, an increasing advertising marketing and promotional expenses, and absorbed additional expenses to support the deployment of X1, Cloud DVR and wireless gateways across our footprint, as well as the continued expansion of Business Services and Xfinity Home.

Programming expenses increased 7.1% in the third quarter, slightly below our original estimates, but nonetheless reflecting increases in retransmission consent fees, higher sports programming costs and step ups related to certain long-term agreements.

We are pleased with the management of these costs year to date. And while we expect fourth-quarter programming expense growth to accelerate, we continue to expect our full-year program expenses to increase slightly lower than the 9% to 10% we had forecast at the beginning of the year.

In addition, advertising, marketing and promotion expenses increased 9.1% for the third quarter reflecting higher overall media spend and continued investment to more effectively target customers and enhance our competitive position in both our residential and commercial businesses.

We continue to express modest expense growth in our customer service and technical operations as we rapidly deploy X1, Cloud DVR, wireless gateways and Xfinity Home across our base. And as Brian said earlier, we are not only focused on offering the best most innovative products, but we want to support them with a superior customer experience.

We are effectively offsetting these increased expenses with an improving product mix as we add more high-speed data and business services customers and upgrade existing customers to higher levels of services such as HD DVRs and faster Internet speeds as well as we implement modest rate adjustments.

Overall our cable group's third-quarter and year-to-date results clearly demonstrate that we are executing well and competing effectively with our innovative products and services that provide a great value to our customers. We are focused on improving the customer experience, having best-in-class innovative products and continuing to deliver strong financial and customer results.

Now let's move onto NBCUniversal's results which are highlighted on slide 7.

NBCUniversal has also executed very well, delivering double-digit operating cash flow growth in both the third quarter and on a year-to-date basis. In the third quarter revenue increased 1.2% and operating cash flow grew 13.3% driven by strong results at broadcast television and theme parks.

Now let's review the individual business segments. For the third quarter Cable Networks generated revenue of $2.3 billion, an increase of just under 1%, driven by a 5.1% increase in distribution revenue. If we adjust for the closure of the Style Network distribution revenue would have increased 7%.

This revenue increase was partially offset by a 4.6% decline in advertising revenue as increases in price and volume were offset by a decline in ratings. When adjusted for the closure of Style and the movement of Fandango from the Cable Networks to our film group, advertising revenue would have declined 1%.

Cable Networks operating cash flow increased 1.8% to $868 million reflecting higher revenue and relatively flat overall expenses. As higher sports programming costs, including our relationship with the Philadelphia Phillies and the launch of English Premier League on NBC Sports Network were offset by decreases in marketing and other operating expenses.

With regard to our Broadcast Television segment, third-quarter revenue increased 7.7% to $1.8 billion driven by advertising revenue growth of 4.4%, increased retransmission consent fees and higher content licensing revenue. The growth in advertising reflects the rating success of our prime time summer lineup on NBC as well as our continued strong performance in late night. As a result we finished the summer ranked number one, extending our number one status for the entire year.

With the first few weeks of the fall broadcast season now behind us we are all off to a strong start and optimistic about our 2014 and 2015 schedule. Broadcast's third-quarter operating cash flow increased $108 million to $142 million reflecting higher revenue and a slight increase in programming expenses.

Moving to Film Entertainment, as expected third-quarter revenue declined $213 million or 15.2% to $1.2 billion reflecting a decline in theatrical revenue primarily due to the strong box office performance, Despicable Me 2, in the third quarter of 2013. This was partially offset by an increase in content licensing revenue due to a larger number of strong titles compared to the prior year.

Third-quarter operating cash flow decreased 20% to $151 million as the lower revenue was partially offset by a decrease in the amortization of film costs and reduced advertising, marketing and promotion expense due to a smaller film slate.

Our theme parks had a remarkable third quarter as revenue grew 18.7% to $786 million reflecting higher guest attendance and per capita spending driven by the successful opening of Orlando's Harry Potter Diagon Alley on July 8. We are off to a strong start with record attendance levels, per capita increases, the significant lift in park-to-park ticket sales.

In Hollywood the April opening of the Despicable Me ride continues to drive strong attendance and also per capita increases. Third-quarter operating cash flow increased 16.9% to $402 million reflecting higher revenue and an increase in operating costs to support the new attractions.

Let's move to slide 8 to review our consolidated and segment capital expenditures.

In the third quarter capital expenditures continued to track our plan and increased 13% to $2 billion compared to the third quarter of 2013 driven primarily by increased investments at cable and a modest increase in NBCUniversal.

At Cable Communications third-quarter capital expenditures increased $212 million or 14.8% to $1.6 billion, equal to 14.9% of cable revenue versus 13.6% in the third quarter of last year. The increase primarily reflects additional investment as we launch our cloud-based initiatives, higher spending on CPE as we continue to deploy the X1 platform in Cloud DVR as well as our continued investment in network infrastructure to increase our network capacity.

Year to date Cable Communications capital expenditures have increased 13.7% to $4.3 billion representing 13% of cable revenue.

We continue to be very pleased with our X1 rollout. We accelerated our X1 net additions in the third quarter compared to the second quarter and recently hit the milestone of having 5 million X1 boxes deployed to our customers.

As the deployment expands the customer benefits have continued. More customers are subscribing to DVRs and taking additional outlets. There's an increased Video on Demand usage and we continue to see reduced churn levels among these customers.

As originally planned, we anticipate that cable CapEx spending will accelerate in the fourth quarter and as a result we continue to expect that full-year cable capital intensity will increase to approximately 14% of Cable revenue compared to 12.9% in 2013.

Third-quarter capital expenditures at NBCUniversal increased only $11 million to $295 million primarily reflecting increased investments in theme parks as we continue investing in new attractions, including the completion of Harry Potter in Orlando and the ongoing development of Harry Potter as well as the Fast and Furious attraction in Hollywood.

Year to date NBCUniversal CapEx has increased $77 million to $884 million. We continue to expect that NBCUniversal's 2014 capital expenditures will remain relatively stable compared to 2013's level.

Please refer to slide 9. As I mentioned earlier, we generated consolidated free cash flow of $2.5 billion in the third quarter, an increase of 26.7%, as growth in consolidated operating cash flow, improvements in working capital and lower cash taxes were partially offset by higher capital expenditures.

For the first nine months of the year we generated $6.5 billion in free cash flow, a decrease of 8.2% over the first nine months of 2013. And year to date free cash flow per share has decreased 6.8% to $2.46 per share, primarily reflecting increased working capital in the first six months of the year as we increased our production spending in preparation for a larger 2015 film slate.

We are executing on our 2014 financial plan and year to date we have increased our return of capital to shareholders by 33% to $3.9 billion including share repurchases totaling $2.3 billion and dividend payments totaling $1.7 billion.

Now turning to our acquisition of Time Warner Cable and our related transactions with Charter. We received overwhelming support from our shareholders this month with more than 99% of the votes cast approving our merger with Time Warner cable. We also have strong momentum at the state and local level, having received consent for more than 90% of the 2,500 plus franchising authorities covering more than 7,800 franchise areas and communities.

We remain very focused on regulatory approvals as well as the integration planning. We continue to expect the merger to close in early 2015. As we have mentioned before, we plan to repurchase an additional $2.5 billion of stock before we close the deal. And we anticipate that the additional share repurchase will be split between the fourth quarter of 2014 and the close of the deal in early 2015.

Overall we are very pleased with the operational and financial progress we have made during our first nine months of 2014 and we are focused on continuing this momentum. We believe our strong focus on execution will continue to generate profitable organic growth and continue to yield positive results.

We are progressing with the integration planning of the Time Warner Cable merger and charter divestitures. We remain very excited about the opportunities these transactions bring to Comcast and the value they create for our customers and our shareholders. Now let me turn the call over to Jason for Q&A.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Thanks, Michael. Regina, let's open up the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Ben Swinburne, Morgan Stanley.

Ben Swinburne - *Morgan Stanley - Analyst*

I have two questions, although they are related. Brian, there was obviously a lot of focus on Time Warner's announcement last week about an HBO over the top launch. And I don't know if you want to comment on that specifically.

And if not, maybe just broadly philosophically -- how do you and how does Comcast look at the idea of bringing product to market for your consumers that moves the content distribution model outside of what we historically think of as the TV bundle into a maybe more either Internet bundled service or even a direct-to-consumer model? Is that something you think makes sense for the industry for Comcast and its customers? Do you view that as being a less elegant solution than X1?

And then I had sort of a question on the same lines for Steve around time shifting and streaming. It seems like we are seeing an acceleration in behavioral shift. Do you have a sense, Steve, how much leakage in viewership you are seeing in comparing Nielsen ratings to what is actually happening at the customer level, particularly at your Cable Networks? And how do you fix that problem over time?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Okay, Ben, thank you. I think I will start, maybe give Neil a chance to talk a little bit about your first question then we will kick it over to Steve.

Ben Swinburne - *Morgan Stanley - Analyst*

Sure.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I'm going to defer to talk about any of the specific announcements, but, as I said earlier, I do think all companies are trying to figure out how to reach all customers, potential customers and do what is right for their company in their mind. But I do think our existing business model is very strong this quarter.

Last quarter and probably future quarters will show that many people want these bundles. But we are experimenting with products like -- and rolling out Internet Plus where we offer one of our best broadband speeds along with a smaller television package along with HBO. We have a campus product that is very exciting where really you don't get a box, it is simply a streaming product right from the get-go.

So I think our -- both our innovation department, our network and our existing relationships and our relationship with content companies. You put that all together and that puts us in a great position to try to reach many consumers and work with each company to try to find the best answer with their content. Neil?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Yes, I think clearly there is some shifting in the ecosystem and we are focused on targeting every customer segment. As Brian mentioned, we were the first to introduce HBO Plus -- or Internet Plus product targeted at the millennials together with HBO. We have a great working relationship with them and I expect that to continue. The X1 product actually is driving more linear viewing and we think that also targets everyone, not just the millennial group.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCU*

So, Ben, at the beginning of your question you mentioned that the HBO product was an over the top product, I actually don't think it is. And I don't think the CBS product is over the top either.

If you define over the top sort of coming over the top of the existing distributors and going direct and bypassing existing distributors, I think both HBO and CBS are trying to add to their existing ecosystem. And if you think about it, HBO probably has the most elegant, economically attractive sort of business model of anybody who has ever been in the television business.

And it's going to be very interesting and I think challenging for them to go and try to attract new customers into that ecosystem without cannibalizing existing customers. The existing customers that are sold through cable and satellite are extremely high margin. So even if they sell at $15 a sub, they've got to be very -- when they go directly to consumers via the Internet, they have got to be very careful with cannibalization.

It will be interesting to see how that works. But I don't think they are saying we are going over the top of the existing ecosystem. I mean, Time Warner was the company that really created TV Everywhere. I think CBS is the same thing. CBS is not, I don't think, trying to get their existing ecosystem to move over to a new model, they are trying to reach millennials or new customers.

And I think that is what we're all trying to do and that leads into the second part of your question about time shifting and leakage. I think the fact of the matter is people have more options to watch quality professionally produced video than ever before and they're using those options, whether it is DVR, Netflix, Hulu, or a variety of other ways to consume this content.

A lot of those options are not properly measured; some of those options are not measured at all. And so what you are seeing I think is a pressure on traditional ratings in both broadcast, which has been going on for a while, but now cable. I think some of that is going to get better. I think there will be business models that evolve.

Some of that we've addressed by selling to Hulu and Netflix and Amazon and we make hundreds of millions of dollars doing that. But I think it is going to be more and more challenging.

There was a great article a few months ago that said there were 88 new television shows launched during the summer. And this is in a business that 20 years ago nobody launched a new television show during the summer. So that competition combined with new technology is making it harder and harder to deliver the kind of ratings that we have all been used to.

Ben Swinburne - *Morgan Stanley - Analyst*

Thanks a lot.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

Hey, Ben, it's Michael. The only thing I would add is I really want to emphasize the value of our product. If you really look at the last 12 months, we have lost about 155,000 video customers. And we've been over built by an additional 2.2 million overbuilt homes. And we have also increased our bundles by over 200 basis points year over year. So the value of our products we think are pretty compelling and I think the numbers are showing that for us.

Ben Swinburne - *Morgan Stanley - Analyst*

Yes, thank you very much.

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *MoffettNathanson - Analyst*

Two questions, I guess both for Neil probably. Neil, first, you have probably heard a lot of people now more openly speculating about a Wi-Fi first retail offering in wireless. Can you just update us on your thinking about that?

And then second, if I could just follow-up to the comment that Michael just made about the overbuilt and get the relatively small video losses. Can you expand on that a little bit? Does that imply that you are actually gaining share in the places where you are just competing against satellite at this point?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Sure, Craig. On the Wi-Fi first front, we continue to extend our Wi-Fi network both in-home and out of home. We have a total of about 5 million hotspots, the majority of those are in home, but we think it is a very powerful asset going forward.

We are not -- we haven't clearly identified how to best monetize that asset. But the in-home Wi-Fi usage, about half our HSD customers have our high-end routers with the highest in-home speeds and they are hanging more devices off them every day. I think there are going to be more connected devices coming and Wi-Fi will be an important aspect of the subscription value.

With regards to the video business, I think there were a number of good things that happened this quarter. One is we targeted effectively. What really drove the video number was churn reduction. I think we are getting better customers, we are screening them better. And I think also we are bundling better. As Michael said, we went up 200 basis points on double and triple play churn bundles.

So the video business is strong. X1 continues to pull well, it was about 20% of our triple plays now and about 75% of the triple play net adds this quarter. So, and all the metrics around X1 seem to be holding. The churn -- voluntary churn reduction is down about 20%, the DVR purchases are up, the transactional VOD is up 20%. So it continues to perform very well.

Craig Moffett - *MoffettNathanson - Analyst*

Should we assume that most of your losses at this point are to telco TV or -- and net you're roughly breakeven or are you better than that against satellite at this point?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

I think it depends on the market, but we are performing well, we feel, against both the telcos and satellite players.

Craig Moffett - *MoffettNathanson - Analyst*

Great. Thank you.

Operator

Jessica Reif Cohen, Bank of America-Merrill Lynch.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

Also two questions, one NBC, one cable. On NBCU I was hoping Steve would comment on this big contrast between the broadcast and cable advertising growth. Is this all ratings in your view? You mentioned the measurement issues. When does that actually get resolved, the measurement devices and non-linear viewing?

How much would you attribute to programmatic buying, some of which obviously will come back into television. And any commentary you can give in terms of share shift within media. If some of the money is actually going to digital properties are you seeing it in your digital properties? That is the NBC question.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCU*

That was actually seven questions, but I will try to answer them all as one. I think some of it is measurement. Nielsen did a -- sort of put in broadband homes into the denominator and appears to be taking them out now. And there is some sort of pure math measurement.

I think there is also sort of a feeling that it is increasingly difficult to -- particularly when you are looking at demo ratings 18 to 49, it is increasingly difficult to get measurement and upscale, young homes. So I think there's always a question about that.

But I think the fact of the matter is the next 5 or 10 years in basic entertainment cable as it relates to ratings are going to be much more difficult than the last 5 to 10 years.

And there is a side of that that is technology and there is a side of that that is a lot of new shows and the ability to have your acquired programming, your repeat programming, which many of these cable networks were built on. When it you can get those episodes and other places I think those are going to be tougher businesses than they have been.

We don't see -- the advertising number, as it relates to cable, was primarily driven by ratings, not by CPMs. I do think you are seeing kind of a resurgence of the advertising business as NBC resurges. So that explains some of the change there.

But our big cable channels, particularly when sold as a portfolio, are very attractive and very powerful. I just think it is unreasonable to assume that the ratings for those businesses are going to grow if you look over a 5 or 10 year period.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

And the digital shift?

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCU*

There is clearly a shift to digital. You can't talk to a marketer or an advertising agency that isn't talking about shifting dollars to digital. I do think to the degree the upfront was a little slower for some people we actually had a very good upfront, but for some people it was not so good. And the question is, is it tentativeness on the part of advertisers or a shift to digital?

I am in the camp that says it was more tentativeness in keeping flexibility. The fact of the matter is digital can't deliver the same kind of emotional attitude adjusting advertising that a 30 second television spot can. And I think a lot of advertisers intellectually want to get the target ability and data-driven side of digital, but they also realize when they have a big product to get out into the market that they need television.

So I think clearly there is a shift to digital, but I think the market is likely to be quite strong. And the question we always get asked is how is scatter? Scatter is just fine. It is steady and for us, because we've had a performance at NBC and sell as a portfolio, we are seeing very, very fine attractive steady trends in the scatter market.

Jessica Reif Cohen - *BofA Merrill Lynch - Analyst*

Great. And then on the cable question, it's just I guess a follow-up on some of the XFINITY comments. You mentioned 5 million set-top boxes now. Can you talk about where you might be a year from now? And what are you seeing in terms of usage? You said linear viewing is up, what do you think overall usage? And is there a difference in ARPU? You already said churn is lower, 20% better. But what other statistics are you finding from XFINITY?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

What we have said publicly is that we will have the X1 boxes to the majority of our customers within three years. And I think we are right on track.

In terms of the performance, the X1 customers do have a higher ARPU and they have a higher ARPU for three reasons. One is the VOD buys are greater, 20% higher. Two is they get almost 2 times the number of DVRs than the average customer. And three is they have more additional outlets, they are getting -- they want to use the system where it is getting more usage.

We are seeing more viewing both on linear and on On Demand. And I think that is just because we're making it easier to discover and find the content. I think that we are going to continue to see good results, we continue to refine the product and I haven't seen any slowdown in the performance metrics.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

The only thing I would add is when you look at the triple play, sort of the customer lifetime value of an X1 triple play, obviously given what Neil just said in the low -- in the reduced churn, we do have a pretty darn good return on that investment of X1 and we have an improvement in the CLV.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

We have opened up the availability from both -- from triple play and now double-play customers and in retention. So there is a wider audience who has it available.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

Just to state the obvious, we are very pleased with how stable it is, we are doing something that has never been done before, nobody else is doing this I don't think anywhere in the world right now. And it is scaling, we are growing, we have accelerated already and if we can continue to do things it is a game changer.

And to the extent that we can speed up in ways -- I think it is our goal, but we also want to deliver a great experience with it. And it is a complicated process to get it into the home working perfectly, but once it is there it is fantastic.

Operator

John Hodulik, UBS.

John Hodulik - *UBS - Analyst*

I want to focus a little bit more on the lower video churn. First, is that being driven by just increased acceleration or penetration of X1 or are there other factors that are driving that down?

And then as you look forward towards the completion of the transactions, move churn has always been a factor in the sub trends. I mean how would the better clustering that comes from the deal and the swaps affect that factor? I mean can we expect sort of another step down in terms of video churn aside from the X1 issues?

And then, Neil, you talked a little bit about the pull through effects on DVR. But what about broadband? I mean, as we see better churn and better video trends is that going to have a -- do you have a higher attachment rate for broadband with X1 that should help make those trends continue as we have seen recently? Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Okay, you have a number of questions in there.

John Hodulik - *UBS - Analyst*

Yes.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

The video churn was driven -- the churn reduction I should say was driven by a few factors. One is X1, it just has a lower churn profile than the business as usual boxes. Second is we are bundling more so we have 68% in a bundle. And then triple play at 36% reduces the overall churn significantly. And three is I think that some of the new features we are adding in like electronic sell-through where you own the asset and it reduces churn, it holds you into the system, it is very sticky.

So I think there are a few reasons there. And I think we have tightened up the credit policies, we are targeting customers better, we are being more effective in our marketing.

Concerning the X1 and its relation to broadband pull through, I think generally speaking if you have got better products and you put them together we've got the best broadband product, the best Wi-Fi product and the best video product. I think no matter how you mix them you are going to get greater pull through. And we have been creatively bundling a number of different offers going after different segments and it has been working.

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

And I will just comment on the move churn. Of course one of the benefits of the transaction is more territory, which would hopefully reduce move churn and what we call those jump balls and we've looked at that. That is simply a benefit of the transaction ultimately will show up in our revenue synergies which we are optimistic on.

John Hodulik - *UBS - Analyst*

Okay.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

One thing I just want to say maybe kind of relates to the deal in general, but to that point are what are some of the benefits of the transaction. Remember obviously there is no overlap so we are not reducing any competition as we have made the case. But products like X1, faster broadband, faster Wi-Fi, now a cloud -- we haven't talked about Cloud DVR and streaming in-home where you don't need a device like the campus product, we have more On Demand.

So for those of you in New York or in LA on the call, we have been really looking forward to bringing this suite of products as fast as possible. We are doing a lot of work to try to have an integration plan to hit the ground as fast as humanly possible. The business service side being able to have more markets.

And Charlie Herrin, one of the first things he is working on in his new job in customer experience is that move churn question, which is to when you are on the phone wants to take you all the way to completion for the move so we can reduce the friction in the system for people who are moving.

So we are anxious to bring this we think better suite of products to these new markets along with things like Internet Essentials and offering the whole array of benefits that we have listed in the transaction. But I think it is the better products and we are working hard to have a plan to do that as quickly as possible after close.

John Hodulik - *UBS - Analyst*

Brian, you guys have a -- you guys have said that you will have excellent penetration to the majority of your sort of Comcast legacy subs in three years. Considering the platform is already set and it is stable, can you do better than that in terms of the new markets once the deal is closed?

Brian Roberts - *Comcast Corporation - Chairman & CEO*

That is the stuff we are working on right now. And everybody we -- I am not ready to answer that question right this minute, but Neil has set a very high bar for the team internally to say that is the game changer. How fast can we get this suite of products to all the markets that are Time Warner Cable, but let's just -- you are in a New York, in New York.

And that's -- we have to learn a lot about how it operates in New York. We are doing that planning now, but we believe we have good roadmaps to have a satisfactory answer to that question. But we are working on it as a huge opportunity with this transaction to bring better products to consumers that we don't offer any products to right now.

John Hodulik - *UBS - Analyst*

Great, thanks, guys.

Operator

Phil Cusick, JPMorgan.

Phil Cusick - *JPMorgan - Analyst*

Neil, speaking of drawing more customers into the video ecosystem, can you talk about the success of your on-campus efforts? And the big mix shift this quarter is the double play from triple play. Is that a back-to-school issue or do you think there is some secular sign of a downshift and voice penetration rate? Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

No, I will answer them in reverse. The double play was more a result of -- the double play focus was more a result of the back-to-school which is such a big part of our third-quarter net adds. The students are less focused on fixed line phone and go with wireless alternative.

The other thing that happened, last year in the third quarter we launched X1 and it was available only to triple play customer. So that drove a lot of phone units during that quarter, so the comp was [a bit] difficult. Concerning the -- repeat your other question?

Phil Cusick - *JPMorgan - Analyst*

Just trying to think about drawing more customers to the ecosystem. As you think about back-to-school you have been putting and some skinnier video packages. Is that starting to draw more people in who might otherwise have just gone to broadband?

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

The skinnier packages -- we look at the audience that we want to target and that aren't responding to certain offers. And we're always testing offers to find out which package draws the best.

The XFINITY campus product that you mentioned, what was great about that is we went to campuses, in many of those campuses we offer business services too, whether it is Ethernet or whatever. So students wanted to watch television but they wanted to watch it in their dorms on their laptops.

So we came up with a streaming solution where we plug into the University network, it is not seasonal because it is a bulk deal and we are getting standing ovations at these universities. We have got six universities we are currently providing the service to and a number of others in roll out mode now. So I think it is a great new product, it is a way of targeting an audience and getting millennials used to watching all the great content that is being produced right now in a way that is convenient to them.

Phil Cusick - *JPMorgan - Analyst*

That is great. Thanks, Neil.

Operator

Vijay Jayant, ISI Group.

Vijay Jayant - *ISI Group - Analyst*

I just want to follow up on the prior question by Neil. It seems that the skinny video packages are having some traction. But I understand that there is some limitations on how pervasive that can be given your contracts the widely distributed content providers.

So can you talk about where you are on that lifecycle and how much flexibility you still have? And once you do hit that what can you do next to still keep those customers within the ecosystem? Thanks.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

Well, we don't disclose our programming contract and the penetration requirements. But we manage within the realm of those contracts and the offers and we manage that and control that very closely.

What was interesting is this Q3 if you take Internet Plus and Blast Plus, which were the two lean products we had last year and you were to compare Internet Plus and Blast Plus to this third-quarter we actually sold fewer Internet Plus and Blast Plus net adds this quarter than last year. So the mix was a little bit different. And our ARPU was and revenue were a little bit soft in video because we took fewer rate increases this year than the year before.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

So let me just say that when you are talking about confidentiality of the programming contracts, Neil, let me just use that as a moment to just clarify what I believe happened yesterday with the FCC.

It is that issue of confidentiality of programming agreements that the FCC and the programmers are debating. And so there is a procedural issue on how to go forward and that is between them. And I don't believe, and we don't believe it is any -- the stoppage to respond to that doesn't reflect any substantive concerns with our transaction.

So we are not particularly concerned about that development because we believe the FCC is still doing -- continuing with the staff that is working on that substantive review. And even if the clock stopped, and this has happened in other transactions as well, but this particular dispute over programming contracts is kind of new. So we continue to believe that the review will get completed, as we previously said, and hopefully close sometime early in 2015.

Operator

Brett Feldman, Goldman Sachs.

Brett Feldman - *Goldman Sachs - Analyst*

A point of clarification, you mentioned the pacing of the additional share repurchase program. I am just curious, is that at all sensitive to the actual pace of the approval process? For example, does it matter that the FCC has paused there shot clock?

And then I want to go back to talk about churn. All the things you highlighted, whether it is X1 or increased triple play, those things seem like they're going to continue. And so it would seem that churn is likely to continue to migrate lower going forward.

Do you think it is reasonable for us to anticipate that as a result of that your video trends will continue to improve on a year-over-year basis, or is there an offsetting factor we need to be taking into account?

Michael Angelakis - *Comcast Corporation - Vice Chairman & CFO*

Okay, I will take the buyback one obviously. Our view on buyback is really simple, it is not necessarily correlated to the shot clock or pacing. Our intention is to do the $2.5 billion of additional buyback that we has always mentioned and split it evenly $1.25 billion in the fourth quarter of this year and $1.25 billion in the early parts of the first quarter of 2015. So, we are putting a finer point on that.

With regards to churn, and I will let Neil take it, but I think the goal has always been just to continue to improve. And I think we have improved about 14 of the last 16 quarters with regards to video.

Neil Smit - *Comcast Corporation - EVP, also President & CEO of Comcast Cable*

I think that is right, it has been a pretty steady trend. And we think it is because we are putting out better product and I think we are always managing the balance between units and rate and trying to balance out that equation. And looking for new segments and bringing new products to market and opening up new channels such as the campus channel.

Brett Feldman - *Goldman Sachs - Analyst*

Okay, great. Thanks for taking the question.

Operator

Marci Ryvicker, Wells Fargo.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

I have two questions, one regulatory for whoever wants to take it, and then one for Steve. So on the regulatory front, can you just talk about what is going on in DC? Your thoughts on the potential for Title II either to be at the last mile or at the interconnect?

And then secondly for Steve, were you surprised by the HBO or the CBS announcements? Or is this something that you either had a feeling was coming or they gave you a heads up for? Thanks.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

I think in terms of the DC question, this is Brian. We have been pretty consistent and we're still in the same place, which is we think that broadband innovation and investment are critical to not just our Company but to the nation's infrastructure.

And that the best way to have a strong and robust investment cycle, as well as real protections for consumers, is with Section 706 that there is a deal consensus among all the Internet service providers and I think the Internet community in general that strong rules, having an open and free Internet are important and we support that initiative.

But we don't want to have a rule set that creates uncertainty and lingering doubt, which we believe Title II does. So that is our position. I think that is the position of a number of companies. And we have been hopeful that that is how it will resolve itself.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCU*

Regarding HBO and CBS selling directly, I was surprised, I was surprised by both of them for different reasons. CBS I was surprised because they've been such a defender of retransmission consent in the traditional ecosystem and been so successful in the broadcast business. And HBO, because I think it is going to be such a challenge for them to not cannibalize what is already a really, really good business.

That having been said, we are so early on in the transition to more Internet television that I think you're going to see a lot of surprising things. And it is surprising to me that we are making hundreds of millions of dollars from Hulu and Netflix and Amazon, businesses that we didn't even think about five years ago.

So I think we all ought to be prepared to be surprised every once in a while but also put everything in perspective and really look at what people's real motivations are and the challenges. I don't think disturbing directly to consumers via the Internet is an easy thing to do. And I think it is a voyage that if you're successful like Netflix can be a way to create a lot of value, but it is not an easy thing to do.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

And one other thing I guess just to add on the -- back on the regulatory is the interconnection question, if there is one, is being looked at separately by the FCC. And we think that that's -- we've supported that and welcomed that review.

We are very hopeful that that will show that it is our motivation and our practice is to be completely transparent and have great products for consumers and for companies who want to reach those consumers.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

Thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Regina, just given the time we will take one last question, please.

Operator

Jason Bazinet, Citi.

Jason Bazinet - *Citi - Analyst*

I just had a question for Mr. Burke. Given the changes that are going on in the video ecosystem and some of the trends you alluded to going forward for Cable Networks, what adjustments, if any, do you think investors should anticipate regarding your Cable Net portfolio? Thanks.

Steve Burke - *Comcast Corporation - EVP, also CEO of NBCU*

Well, I think we are always making adjustments and trying to look at new things. If you take USA, for example, we're going to be investing more in original programming. We are not going to put a number on that because a lot of it is show dependent. But investing in original programming.

We're going to try to make that program -- we are changing the lens on that programming. If you went back five years or so USA was in the business of creating Bluesky procedurals and we are much more interested in serialized slightly edgier content. I think you could see us taking some of our existing sports that are on other channels and putting them on USA.

So there will be a whole variety of changes and hopefully those changes result in a hit and our ability to outperform the rest of the sector. I do think that the point we are trying to make is that the sector is unlikely to have ratings performance over the next 5 or 10 years that is as good as it was over the last 5 or 10 simply because it is more competitive and there is more technological change out there.

Brian Roberts - *Comcast Corporation - Chairman & CEO*

So let me just end the call by saying thanks for, as always, the good questions and interest in the Company. I think we had a really strong third quarter, I think it reflects the quality of the underlying businesses. The teams are executing well, they are staying focused which is, as we talked about, really at a very complicated time.

A lot of momentum at NBCUniversal and in Cable we talked a lot about the innovation and what that is doing to our results. So I am pretty -- really pleased with the team there and what is happening in the trends.

And the positioning of X1 and ability to take it in the home on other devices, out of the home with TV Everywhere, Cloud DVR now working, Wi-Fi getting faster and better, bringing that to the Time Warner markets, the transaction review. We have now submitted everything that has been required. A lot of those local franchises have been approved. There is -- it is an exciting time for the Company and an exciting time for the industry. So good quarter, everybody. Thank you.

Jason Armstrong - *Comcast Corporation - SVP of IR*

Regina, we will turn it back to you. Thank you.

Operator

There will be a replay available of today's call starting at 12:30 PM Eastern Standard Time. It will run through Thursday, October 30 at midnight Eastern Standard Time. The dial-in number is 855-859-2056 and the conference ID number is 3387049. A recording of the conference call will also be available on the Company's website beginning at 12:30 PM today. This concludes today's teleconference. Thank you for participating. You may all disconnect.