Olympics, operating cash flow declined by $25 million reflecting higher programming and marketing costs related to the early start of our fall broadcast season and news coverage related to the elections.

Moving onto Film Entertainment, third quarter revenue increased 24% to $1.4 billion, reflecting higher theatrical revenue and strong box office performance of Ted and The Bourne Legacy as well as increased home entertainment revenue due to the higher number of titles released on DVD. Third quarter Film operating cash flow increased 31% to $72 million.

Switching to our theme park segment, we had another solid quarter as theme parks generated revenue of $614 million, a nearly 6% increase driven by consistent performance at the Orlando park and strong growth at the Hollywood park fueled by the success of the new Transformers attraction. Third quarter operating cash flow for the park segment increased just over 11% to $316 million.

Please refer to slide 10 so we can review our 2012 financial strategy. As I mentioned earlier, we generated consolidated free cash flow of $1.5 billion in the third quarter, an increases of 9% compared to last year and free cash flow per share increased 12% to $0.56 per share. For the first nine months of the year, we generated $6.1 billion of free cash flow, an increase of 19% over the first nine months of 2011 and year-to-date free cash flow per share increased 22% to $2.24 per share. For year-to-date 2012, Comcast Cable accounted for $4.6 billion, or 76%, of total free cash flow and NBCUniversal contributed $1.5 billion, or 24% of consolidated free cash flow.

We continue to execute on our financial plan for 2012. Year to date we have returned $3.4 billion of capital to shareholders, a 35% increases which includes share repurchases totaling $2.3 billion and dividend payments totaling $1.2 billion. Also during the quarter, we completed the sale of two non-operating investments as we continue to simplify our balance sheet. We recently received $2.3 billion in pre-tax proceeds from our share of Spectrum Co. sales of wireless spectrum licenses and $3 billion in pre-tax proceeds on the sale of NBCUniversal's interest in A&E Television Networks.

As you know, we manage Comcast Cable and NBCUniversal as two separate pools of cash flow generation and funding capacity. Accordingly, NBCUniversal's proceeds from A&E will remain at NBCUniversal to build capacity to fund future equity redemptions by GE while Spectrum Co. proceeds will be part of our 2013 evaluation of capital allocation and return of capital. Our return of capital planned for 2013 will be reviewed by management and our board in the next few months, and we'll provide an update for 2013 year-end earnings call in February.

Overall, we are very pleased with the operational and financial progress we have made during the first nine months of this year. We believe the investments we have made, along with a strong focus on execution will continue to generate organic growth and yield positive results.

Now let me turn the call over to Marlene for Q&A.

Marlene S. Dooner, Senior Vice President-Investor Relations

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Jessica Reif Cohen with Bank of America Merrill Lynch.

<Q – Jessica Reif Cohen – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Thank you. I have two questions. The first one is, you guys are in a very unique position to answer this question, but where do you think viewers are going besides NBC? You really should have the data, given your set top boxes. Are they going to Cable On Demand, TV Everywhere, iPads and what are you doing about the measurement system?

<A – Stephen Burke – Comcast Corp.>: Okay, Jessica. We spend a lot of time talking about that. I think the fact is that people are watching more video today than they ever have. The challenge for a company that's in the television business is that much of that viewing is in places that is neither measured nor monetized. Obviously, SVOD has an impact. Internet streaming has an impact. All the variety of things that have happened due to technology have given people so many more options for viewing that they're viewing more, but they're viewing far too often, in my opinion, in places that are neither measured nor currently monetized, so one of our challenges over time is to make sure that that changes so that the ecosystem continues to remain healthy.

<Q – Jessica Reif Cohen – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay, and I guess the second question is more general for both sides. You know, given the really fabulous performance on both sides of the house, can you just outline – I mean, you have executed so well. What are the next few priorities for each side?

<A – Neil Smit – Comcast Corp.>: Jessica, I think on our side, it's, you know, heads down execution. We continue to roll out X1. We have it in four markets now. We'll be rolling out to two other markets and major markets in the next couple of weeks. I think on the marketing side, it's continuing to refine our targeting of high value subscribers, and I think on the operations side, it's really to, you know, execute well on our service delivery. We're taking truck rolls out. We're taking noise out of the system. I think the division presidents have been doing a great job of that, and finally, it's the continue to accelerate our new businesses. Business services has been growing at 34%. We're getting into the mid-market now. XFINITY Home, the home security and automation product is rolled out across all our markets now and, we're going to continue to accelerate on the new business side.

<A – Stephen Burke – Comcast Corp.>: In terms of NBCUniversal, obviously, we're doing better but we still have a lot of businesses that are underperforming by my standards, by the standards that we all have for them. Broadcast, I think, is our biggest opportunity, and the fact that NBC has been number one for the first four weeks of the season in demo is a very positive start for the season for us and we want to continue that, but I think broadcast profitability could be dramatically higher than it is currently and hopefully, we're going in the right direction on that, and then I think monetization across the company and in terms of affiliate fees, advertising, CPMs, we have a lot of upside and you know, we've only been together with NBCUniversal now for 18, 20 months and we feel like we're on the right path, but there's a long, long way to go.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Jessica. Operator, let's go to the next question, please.

Operator: Our next question comes from the line of Jason Armstrong with Goldman Sachs.

<Q – Jason Armstrong – Goldman Sachs & Co.>: Thanks, good morning. Maybe I'll ask the obligatory video subscriber question. If you continue this pace of year-over-year improvement in video subs, it would suggest you could actually add video subscribers in the fourth quarter. Is there any reason for us to not expect that, or would you express any sort of caution around that statement?

Second question, we saw Time Warner Cable recently tweak some modem fees. That was sort of the most recent pricing lever we have seen in the industry. What are the key levers that give you room to raise pricing across the different cable product categories? Thanks.

<A – Neil Smit – Comcast Corp.>: Jason, on the video side, I think we're executing well on both the product side, the marketing side and the service side. We've rolled out new video services, X1 going out, and rolling out over the various markets, as I mentioned. I think we've got a really nice balance between rate and volume. Our video rate was up 5% and our volume was, we reduced losses by about 29% so I think we have struck a nice balance there. I think, you know, on the HSD side, we took equipment charges – we had equipment charges last year and we've been driving ARPU up for at least eight sequential quarters, it's been, and I think we struck a nice balance there. What drives the rate increases right now is primarily speed, but we are driving additional services like at home security and whatnot. Whether we get to video increases in the fourth quarter, I think we just have our heads down and we're focusing on execution and block and tackle things.

<Q – Jason Armstrong – Goldman Sachs & Co.>: And Neil...

<A – Marlene Dooner – Comcast Corp.>: Operator – sorry, go ahead.

<Q – Jason Armstrong – Goldman Sachs & Co.>: Just had a quick follow-up to that. Last year in the first quarter, there was a chance that we may go positive. We didn't because there were large – or price hikes implemented across a wider portion of base than I think people expected. Is there anything in fourth quarter, whether it's price hikes or other sorts of activity that would tell you fourth quarter may have more video headwinds than we otherwise would have expected?

<A – Michael Angelakis – Comcast Corp.>: Hey, Jason, it's Michael. There's really not any abnormal expectations in the fourth quarter, but I think as Neil said, the team is really trying to make progress every day and execute and I think we have done that over the last eight quarter in a row, so we'll see how the fourth quarter comes up. We're optimistic, but we've got, you know, a lot of days left in the fourth quarter.

<Q – Jason Armstrong – Goldman Sachs & Co.>: Okay, thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Jason. Operator, let's go to the next question, please.

Operator: Our next question is from the line of Doug Mitchelson with Deutsche Bank.

<Q – Douglas Mitchelson – Deutsche Bank Securities, Inc.>: Oh, thanks. One for Michael and one for Neil. Question for Neil, I think along with Apple this was about the only conference call in TMT [Technology, Media & Telecommunications] so far that has not mentioned macro issues and many businesses showed weakening during the quarter. How much of the 3Q sub improvements in video and data were driven by gross add improvements versus churn improvements and is there any favorable or unfavorable market momentum, macro or competitive, worth noting?

And for Michael, I think Comcast is in an unusual stretch where you are incented to raise your gross debt leverage maybe even to the very high end of your target range given the very low cost of debt in the new issue market but you are already in a $9 billion cash position, so I know you are asked this every quarter, but how do you think about the level of gross debt and gross debt leverage the company carries relative to the attractiveness of the debt markets right now? Thanks.

<A – Neil Smit – Comcast Corp.>: Hi, Doug. It's Neil. On the video side, I wouldn't say there are any unusual circumstances that would affect the video momentum going forward in the fourth quarter. The competitive market seems, you know, there's no major change there. I think we're executing well and we struck a nice balance between rate and volume.

<Q – Douglas Mitchelson – Deutsche Bank Securities, Inc.>: And there's nothing in terms of housing or in terms of the overall macro environment that you would call out?

<A – Neil Smit – Comcast Corp.>: No. I think the housing is neither headwind nor a tailwind. We haven't seen material changes we have seen slight housing improvements in some of our markets, but overall, nothing unusual there.

<A – Michael Angelakis – Comcast Corp.>: I'll take the second question, Doug, regarding sort of cash balance and debt. Actually, after the third quarter, we actually did another bond issuance for NBCUniversal of approximately $2 billion and that cash has gone and is sitting on the NBCUniversal balance sheet so as we sit here today, you know, our debt is above $41 billion give or take and our cash balance is approximately $11 billion. So we have taken advantage both on the Comcast side as well as on the NBC side of what we consider to be, you know, historically low interest rates and have issued, you know, two sets of bonds, $2.25 billion on the Comcast side and $2 billion on the NBCUniversal side. So we feel, you know, we feel pretty good in terms of where we are and our gross target has really not changed between 2 and 2.5 times and we obviously look at, you know, total debt as well and that's where the balance is.

<Q – Douglas Mitchelson – Deutsche Bank Securities, Inc.>: I guess what I was getting to, Michael, is this sort of a historic opportunity to take leverage up to an unusual level given the attractiveness of the new issuance market and given that you're such a big company and such a big issuer, it's obviously a very interesting question for you?

<A – Michael Angelakis – Comcast Corp.>: You do have to pay debt back. I think from our standpoint, the way we look at it, is we have roughly $11 billion of debt in cash. $6 billion or of that – actually a little bit more than $6 is at NBCUniversal and really that cash is going to be utilized eventually for equity redemption.

On the Comcast side we do have more than $4 billion or so of which some of that is the Spectrum Co. proceeds and some of them is the recent bond issuance. We have some maturities coming up at the end of this year and in the fourth quarter, but I think we feel pretty good that we've been opportunistic in terms of how we've accessed the capital markets and we will continue to do so when we think rates are exceedingly attractive.

<Q – Douglas Mitchelson – Deutsche Bank Securities, Inc.>: Thanks so much.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Doug. Operator, let's go to the next question, please.

Operator: Our next question is from the line of Craig Moffett with Sanford Bernstein.

<Q – Craig Moffett – Sanford C. Bernstein & Co. LLC>: Good morning. Two quick questions if I could. Michael, first, let's just continue on with that same thought. Given the cash balance at NBC, can you talk about how your thinking has evolved with respect to the timing of the equity redemption?

And then Neil and/or Steve, if you could just comment on the political ad environment for the fourth quarter and how we can expect to see that roll through the Cable business, in particular, but also at NBC?

<A – Michael Angelakis – Comcast Corp.>: Okay. Why don't I take the first one in terms of the cash balance? We feel very good that we've built up the liquidity and flexibility at NBCUniversal with regards to its cash balance and you know, 2014 will be here before we know it and we'll evaluate it at that point in time. As Steve said, we are approximately 20 months into managing and owning NBCUniversal and we have about – a little bit more than that before we have to make a decision with regard to July of 2014. So we clearly have some runway to evaluate it. We really like the structure we have. We have a very good partnership with GE and it's working out well. We have a lot of faith in the team and how NBCUniversal is performing, so we feel good that we're building up the financial flexibility and that we have the runway to make a decision in 2014.

<A – Neil Smit – Comcast Corp.>: On the political side, we had a strong quarter in Q3. And I think that continues into Q4. But the core business was also very healthy. Without political and the extra broadcast week, we were still up 6%. Auto seems strong and so I think the team's executing very well there and political remains strong going into Q4.

<Q – Craig Moffett – Sanford C. Bernstein & Co. LLC>: Would you expect...?

<A – Stephen Burke – Comcast Corp.>: At Universal, as you know, most of the political spending is local. There was a little bit of national and then the local is very specific. Unfortunately, we don't own a television station in Ohio. Most of our owned station markets did not have a lot of political because they were not battleground states.

<Q – Craig Moffett – Sanford C. Bernstein & Co. LLC>: Would you expect that the fourth quarter benefit would be larger than the third quarter benefit, though, and if so, how much?

<A – Neil Smit – Comcast Corp.>: Yes, I would expect it to be higher than the third quarter, but I wouldn't venture to say how much.

<Q – Craig Moffett – Sanford C. Bernstein & Co. LLC>: Thanks.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Craig. Thank you. Operator, let's go to the next question, please.

Operator: Our next question is from the line of Jason Bazinet with Citi.

<Q – Jason Bazinet – Citigroup Global Markets (United States)>: Just have a question for Mr. Burke. Given the trajectory of what's going on with cable network ratings on the linear side, do you mind just elaborating on your posture as we move into 2013 as it relates to generating SVOD revenues from your content? Is that something you think you will increases, stay flat or you'll continue to pursue it and figure ways to monetize your content?

<A – Stephen Burke – Comcast Corp.>: Well, I think you – as viewership trends have changed, you've got to adjust the way you monetize your eyeballs and I think one of the new major areas for any cable channel or broadcast channel to monetize their content is SVOD. In a way, it's a new form of the traditional syndication model where at a certain point after the shows have aired in their primary run on a broadcast or cable channel, they're then sold into another market and SVOD has emerged as a major revenue source and our belief is that revenue source will continue.

It might change. Different companies might do different things and new entrants might come into the market or leave the market, but it's clearly there and something that you need to pay attention to and monetize. The same thing's happening with the internet and electronic sell-through. You know, I think both the television and the movie business, there are more different ways to monetize your content today than ever but in some ways, it's more complicated than ever because viewers are watching more different screens.

<Q – Jason Bazinet – Citigroup Global Markets (United States)>: You feel like the aggregate tradeoff today is still positive for you in terms of net gain on the SVOD side and the erosion on the linear side?

<A – Stephen Burke – Comcast Corp.>: I think so. I think so.

<Q – Jason Bazinet – Citigroup Global Markets (United States)>: Okay.

<A – Stephen Burke – Comcast Corp.>: We'll see. There's a chance that it will be lumpy. There will be new technologies that emerge, you know, and there will be times when those technologies allow us to monetize in a way that's greater than we have historically and there may be other times that are less. I think in general, these new technologies will be great, realizing the real base of our Cable business is the affiliate fees we get from the MVPD community and advertising.

<Q – Jason Bazinet – Citigroup Global Markets (United States)>: Thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Jason. Operator, let's go to the next question please.

Operator: Our next question comes from the line of Marci Ryvicker with Wells Fargo.

<Q – Marci Ryvicker – Wells Fargo Advisors LLC>: Thanks, two questions. The first, Comcast has signed a bunch of programming agreements, I'm thinking of Disney and Scripps and I think there's some discussion of News Corp either now or coming soon. It might be early, but it could be really helpful if you could talk about your expectations for next year either in terms of total programming expense on the P&L, or programming expense growth per sub.

And then second question is any more color X1, how this is trending, the number of boxes, the response from Boston? That would be really helpful.

<A – Michael Angelakis – Comcast Corp.>: Why don't I take the programming question? I think the team has done a great job this year with our programming increases. They're certainly a bit lower than we had forecasted. However, you know, that being said, we do expect a bit in the fourth quarter, that number to increase a bit. As we think about 2013, I think you are going to see some continued pressure. We do have lumpy contracts that come up and so forth. I don't want to get into too much detail but I can just tell you, I think the team has really done a great job. We have a lot more rights over many different platforms and I think that probably in the fourth quarter and a bit into 2013, we will see some additional pressure on programming, and I think we will be able to manage through that.

Neil?

<A – Neil Smit – Comcast Corp.>: On the X1 product, we've rolled it out in four markets today, and we're going out to two more major markets in the next couple weeks, as I mentioned earlier. We have got very positive feedback so far where we've rolled it out and I think the important thing to remember with the X1 is it's more than just a guide. It's the IP delivered video platform. It enables us to adjust the product and upgrade different services in a very short timeframe and so it takes time to prep the markets and roll them out and train the service technicians, but we're very encouraged by the initial rollout of the product.

<Q – Marci Ryvicker – Wells Fargo Advisors LLC>: Thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Marci. Let's go to the next question please, operator.

Operator: Our next question comes from the line of Ben Swinburne with Morgan Stanley.

<Q – Benjamin Swinburne – Morgan Stanley & Co. LLC>: Thank you, good morning. Steve, any more color on the flat ad sales at the cable nets [networks] this quarter? You mentioned ratings but I didn't know if the Olympics – or how you guys are allocating Olympic revenue might have hit that and if there's any comment on how Q4 looks?

And then I have a bigger question for Brian. I think I asked this a couple years ago and it didn't sound like you guys were that excited about this opportunity but if you look at what Amazon was talking about last night and how much success they are having with Prime Video and what you can do on the technology front going out of market, I'm just wondering if Comcast NBC combined thinks there's an opportunity to develop customer relationships outside of your historical cable footprint? It just seems like with your scale, it doesn't have to be necessarily a full-blown video business but something that could actually expand your addressable market beyond your 50 million homes.

<A – Stephen Burke – Comcast Corp.>: In terms of cable advertising, as an accounting matter, some of the Olympics advertising that was on our cable channels was actually reflected with the Olympics in the broadcast segment and that depressed our advertising a little bit and then the quarter was not our strongest quarter in terms of cable ad sales.

<A – Brian Roberts – Comcast Corp.>: On the other question you asked, I think we're very focused right now. We have just got so many business opportunities that are businesses we know and we think can perform better. Steve's talked about a few and Neil's got a really good momentum and plan and we don't see the profitability or the logic to not want to extend the relationships in the markets we serve. Out of the markets we don't serve, it's not clear what the business opportunity for us is. Certainly from a content company, you just heard Steve's answer on there are new businesses that emerge and we always want to take advantage of that by selling and partnering with those companies. We're pretty focused. I think we like the trajectory we're on and the results, I think, speak for themselves.

<Q – Benjamin Swinburne – Morgan Stanley & Co. LLC>: Thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, Ben. Operator, let's have the next question, please.

Operator: Our next question is from the line of James Ratcliffe of Barclays.

<Q – James Ratcliffe – Barclays Capital, Inc.>: Good morning, thanks for taking the question. Two if I could. First of all, can you walk us through what the impact if the hockey lockout goes on, where we would see that in the numbers either both on the NBCU and on the Cable side and if – [indiscernible] (48:23) loan to the NHL and the contract would be treated?

And secondly, on the business services side has there been any change in your strategy toward CapEx and your willingness to build out the locations with less certainty about the revenues given that you have a larger base and hence more knowledge about it? Thanks.

<A – Michael Angelakis – Comcast Corp.>: Why don't I take the hockey one? You know, we have a lot of businesses that are related to hockey, whether it's NBC Sports Network or whether it's the Regional Sports Network or obviously Comcast Spectacor, and net net, it's immaterial to the whole company in terms a lockout, but I can tell you we are pretty disappointed with regard to the lockout. I don't think we should say a heck of a lot more, James. I think that we're just hopeful that the ownership and the players can get together and get on with the season. So from a corporate standpoint, the impact is immaterial. We're hopeful that both sides will come to a resolution and go back and play the game.

I think Neil has the second question.

<A – Neil Smit – Comcast Corp.>: Yeah, James, on the business services side, our philosophy in terms of build out of our network addressed to opportunities hasn't really changed that much. We're seeing strong growth on the small business side which is about 85% of our revenue and on the mid-sized market, it's about 15% and growing off a smaller base. We extend our network where we see the opportunities and it's a great ROI so far and we'll continue to invest in that business.

<A – Michael Angelakis – Comcast Corp.>: And I think, James, if you look at our trending schedule on business services, you can see that the capital expenditures dedicated to business services has been increasing. That's both to feed the middle sized business where we are doing extension. If you look at how it was two years ago, it's up roughly 50% over 24 months and that reflects pretty good investment. The team does a good job on being disciplined with those investments.

<Q – James Ratcliffe – Barclays Capital, Inc.>: Thank you.

<A – Marlene Dooner – Comcast Corp.>: Thanks, James. Let's go to the next question, please.

Operator: Our next question will come from the line of Stefan Anninger with Credit Suisse.

<Q – Stefan Anninger – Credit Suisse (United States)>: Good morning. Thanks for taking my question. One of the elements of the NBCU opportunity that excites investors is the retrans opportunity. It's something you discussed a bit in the past, but was wondering if you'd be willing to update us on your thinking there now, where you stand with respect to discussions with cable operators and DVS and telcos that offer video? On that note, is reverse compensation something that you would consider asking for in the future? Thanks

<A – Stephen Burke – Comcast Corp.>: Well, I think in fairly rapid fashion over the last two or three years, the industry has settled in on – it's not really a rate card, but I think there's a general agreement as to what the right kind of structure for retransmission consent is and that's across the four networks and with the major distributors and we will participate according to those kind of sort of established structures. What we have to do is wait for our existing affiliation agreements to expire and negotiate new ones.

We have about 25% of our sub base up in this calendar year, calendar 2012, and we've had a number of discussions ongoing and some of those have been concluded at this point, at least in handshake fashion, and we're getting what we think is a fair price for retransmission consent. We've also done a lot of deals with our broadcast affiliates, in which we share in the retransmission consent fees that they negotiate, and we believe that those agreements are similar to the kind of agreements that ABC, CBS and Fox are negotiating as well. So obviously retransmission consent is a major positive for all broadcast businesses including NBC and I think we're right on – right on schedule, right on where we thought we'd be in terms of getting those deals done.

<Q – Stefan Anninger – Credit Suisse (United States)>: Great, thank you.

<A – Marlene Dooner – Comcast Corp.>: Thank you, Stefan. Operator, we're going to now take the final question and then we're going to come back to Brian for a short statement that he wants to make.

Operator: Our final question will come from the line of John Hodulik with UBS.

<Q – John Hodulik – UBS Securities LLC>: Thanks. Guys, can you give us a quick update on where we are in the Wi-Fi build-out and the wireless strategy now that you closed the Spectrum deal – the Spectrum Co. deal is closed and maybe how long we need to wait until we can expect to see some products from the JV there? Thanks.

<A – Neil Smit – Comcast Corp.>: Hi, John. On the Wi-Fi side, we continue to build out markets gradually. We've implemented a number of rollouts in cities where we have hot spots, going through based on usage, we roll out the product. We're also establishing in home and small business hot spots.

Concerning the Verizon partnership, we've been really working on the infrastructure. We're launching stores. We've got about 550 stores launched and we're working with agents as well. We've developed a point of system – sales product that will work well for their in store agents and we're developing products together that we think will be very exciting for consumers. So more to come on that front, but overall, we're very pleased with the partnership.

<A – Brian Roberts – Comcast Corp.>: Okay. Well, thank you all for the call. I just wanted to end on a really sad, tragic note. Many of you may have heard or read about the awful murder of two young children by their nanny yesterday in Manhattan. The father of the children was part of our CNBC family. So I just want to say on behalf of all of us at CNBC and Comcast and NBCUniversal and many others around the nation how touched and saddened we are by this unspeakable act and we will do everything we can to support the family in their awful time.

Thank you all and we'll go back to our jobs, but have them in our thoughts and prayers.

<A – Marlene Dooner – Comcast Corp.>: Thank you all for joining us this morning.

Operator: There will be a replay available of today's call starting at 12:30 p.m. Eastern Standard Time. It will run through Friday, November 2 at midnight Eastern Time. The dial in number is 855-859-2056, and the conference ID number is 36800409. A recording of the conference call will also be available on the company's website beginning at 12:30 p.m. today this concludes today's teleconference. Thank you for participating. You may all disconnect.

Attachment 28

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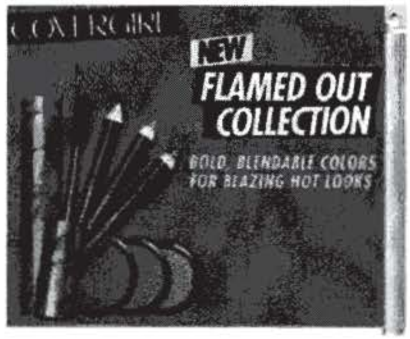
Comcast Corporation's CEO Discusses Q4 2012 Results - Earnings Call Transcript

February 13, 2013 10:28 AM



Executives

Marlene Dooner – SVP, Investor Relations

Brian Roberts – Chairman & CEO

Michael Angelakis – CFO

Neil Smit – EVP, Comcast Corporation, President & CEO, Comcast Cable Communications

Steve Burke – EVP, Comcast Corporation & CEO, NBCUniveral

Analysts

Jason Bazinet - Citi Investment Research

Jessica Reif Cohen – Bank of America Merrill Lynch

Jason Armstrong – Goldman Sachs

Doug Mitchelson - Deutsche Bank

John Hodulik – UBS

Marci Ryvicker – Wells Fargo

Ben Swinburne - Morgan Stanley

Michael [Sena] - Credit Suisse

Brian Kraft - Evercore Partners

Operator

Good morning, ladies and gentlemen, and welcome to Comcast's fourth quarter and full-year 2012 earnings conference call. At this time, all participants are in a listen-only mode.

Please note that this conference call is being recorded. I will now turn the call over to Senior Vice President Investor Relations, Ms. Marlene Dooner. Please go ahead, Ms. Dooner.

Marlene Dooner

Thank you, operator, and welcome, everyone. Joining me on this morning's call are Brian Roberts, Michael Angelakis, Steve Burke and Neil Smit.

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We have a full agenda this morning. Brian and Michael will make formal remarks on both our earnings results and our announced early acquisition of GE's 49% common equity interest in NBCUniversal. Following their remarks, Steve and Neil will also be available for Q&A.

As you review our materials, please refer to our trending schedules, which are available on our investor relations website for performer results covering the past 12 quarters as well as detailed information for our business segments and other consolidated metrics.

As always, let me refer you to Slide number 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

Thanks, Marlene, and good morning, everyone. This is a really special moment for our company with a number of exciting developments to tell you about today.

We are reporting strong results for the fourth quarter and the full-year 2012, accelerating the acquisition of GE's equity interest in NBC's Universal and demonstrating confidence and optimism in the future of all our businesses by increasing our dividend 20%, announcing our plan to repurchase $2 billion of our stock during 2013.

Let me begin with our strong financial results for both the fourth quarter and the full year which highlight our momentum and how we're benefitting from scale and from our focus on operational excellence.

These results demonstrate that our investments for growth and strategic differentiation, particularly in programming, technology and in new products, are helping us lead in innovation and strengthening our position in the market. Michael will discuss the results in more detail but I want to provide a few highlights.

Let me start with cable, which capped accelerating performance throughout the year with a strong fourth quarter.

Every part of the cable business showed strength with revenue increases in all our residential products, business services and in advertising. High speed internet led the way in both revenue and subscriber growth. We added 1.2 million HIS customers in 2012, a 6% increase for the seventh year in a row of more than 1 million customer additions.

In video, we extended the trend of improving subscriber and revenue results. The fourth quarter was the ninth quarter in a row of year-over-year improvement in video subscribers and we expect that excluding the impact of Hurricane Sandy we added subscribers in the fourth quarter.

Just as important, video revenue growth of 2.9% in the fourth quarter was the highest in four years.

Our triple play offering is driving a rebound in voice with strong customer growth in the fourth quarter and we reached a milestone of 10 million voice customers early this new year.

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Last but certainly not least, business services was again the second largest contributor to cable's growth as it continues to expand its services to small businesses and its presence in the mid-size market.

So it's been a fantastic 2012 for cable and a great fourth quarter. The XFINITY brand is taking hold and we're making steady headway in customer service and the cable team is delivering consistent and first rate operating performance. Neil Smit is doing a fabulous job and so is his team.

Similarly, at NBCUniversal, Steve Burke and the NBCUniversal folks have had a very successful year. NBCUniversal's 2012 results highlight in particular the improving performance of our broadcast businesses.

NBC"s primetime performance this fall has been improving. While we recognize it's early in the turnaround, this is driving a big swing in momentum which should continue to help the network.

Our cable networks continue to drive NBC Universal's profitability and there were some real highlights there too. USA remained the highest-rated cable entertainment network for the seventh year in a row, Bravo had its seventh consecutive best year ever, and we also completed rebrands at E! and Style, and in terms of rating, Golf, Mundos, and MSNBC were three of the five fastest-growing channels on television all of last year. NBC Universal's 2012 results also included stronger box office performance in film and outstanding results at the theme parks.

So let me talk about now our future, since we're excited about our businesses and are going to continue to invest to reinforce our differentiation and to drive growth. High-speed internet and business services continue to be the drivers for cable, and in 2013, we are investing to increase the speed once again of our high -speed internet services and to expand the deployment of wireless gateways that deliver the fastest in-home service and power the growing number of wirelessly connected devices in our customers' homes.

We are also extending our network to business-rich areas to continue to gain share in small businesses and medium-sized businesses and to expand our Metro E products. Our Xfinity Home service has exciting growth potential too. It is now available across the entire footprint, and while it's still early and the numbers are relatively small, Xfinity Home is attracting new customers and working well as the fourth product in some of the bundles. 76% of our Xfinity home customers are Quad Play, 22% are new to Comcast, and of those, 73% come in buying all four products.

In 2012, we rolled out our first X1 service, our cloud-based, interactive guide and user interface, in six markets. This year, we will expand the rollout of X1 to the majority of our footprint, and you'll also begin to see X1 more as a platform as we enable cloud-delivered applications to our customers.

At NBC Universal, the Universal theme parks have been a real standout, and we see great potential in the years ahead. And so we're investing in new attractions to continue to transform our parks into more must-visit destinations. The new "Transformers" ride was an enormous success at Universal Studios Hollywood this past year, and we'll be opening in Orlando in 2013. And we're expanding the hugely successful "Harry Potter" attraction, including working on bringing it to Hollywood.

Now let's discuss the announcements we made last night regarding our acquisition of GE's existing 49% equity interest in NBC Universal. Two years in, the strategic rationale for bringing together our content and distribution businesses and the opportunities for growth and value-creation available at NBC Universal are even stronger and better than we first anticipated. We've been hard at work inside these businesses for the last two years, and now have the knowledge and confidence to accelerate the buyout of GE.

In effect, we're buying stock in our own company, and investing in businesses that we know well. Our programming investments are beginning to pay off, driving strong early results at NBC broadcast network and a turnaround in ratings and financial performance at our local stations.

We also successfully integrated the Comcast cable channels and regional sports networks and we're investing across our cable networks to strengthen the brands and to reinforce the value. As a result, we are beginning to see improved affiliate fees for the cable channels and the benefits of retransmission consent fees for NBC and Telemundo. We have achieved strong growth across the theme parks, and we're also reinvigorating our franchises in the film business.

Finally, we've demonstrated real value when we bring together our content and distribution businesses to support important initiatives for the whole company. We call that project "Symphony," and whether you look at the success of "The Lorax" or "The Voice," or in particular last year's Olympics, many of these successes were amplified because of our Symphony approach.

So we're really pleased with the transition, have a great management team in place, and strong momentum, and we're bullish about NBC Universal's future.

This is also a good time to complete the acquisition since we are able to fund it through a combination of cash from operations, proceeds from the sale of non-strategic assets plus attractively priced public debt and seller financing from General Electric.

We now have a simplified structure and balance sheet and our goal is to continue to strengthen this balance sheet and achieve even stronger credit ratings over time while we continue to provide a sustainable return of capital to shareholders.

I believe we are uniquely positioned with great businesses and real opportunities for growth and aim to continue to strengthen our company. As we start 2013, we have real momentum and we're maintaining our focus on execution and disciplined investment to build in each and every one of these exciting businesses.

Let me now pass it to Michael to cover the results and the transaction in greater detail.

Michael Angelakis

Good morning and thank you, Brian. There is quite a bit to review today, including the NBCUniversal transaction and our 2013 financial strategy but I think most important is our strong operational performance and positive momentum in the fourth quarter and for all of 2012.

As Brian mentioned, we are very pleased with our results on Slide 4, which reflect sustainable and profitable growth and the fundamental strength of our businesses.

For the full year, consolidated revenue increased 12% to $62.6 billion and operating cash flow increased 9% to $20 billion, reflecting strong organic growth in both our cable communications and NBCUniversal businesses.

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Free cash flow for the full year, which excludes the impact of the economic stimulus, increased 13% to $7.9 billion primarily reflecting growth in operating cash flow and improvements in working capital partially offset by higher cash taxes and capital expenditures.

Free cash flow per share increased 16% to $2.92 per share in 2012. For the year, our cable free cash flow generated $6.2 billion or 78% of the total while NBCUniversal contributed $1.7 billion or 22% of consolidated free cash flow.

Earnings per share grew 52% to $2.28 per share for the full year from $1.50 per share in 2011. Excluding gains from the SpectrumCo and A&E transactions, an income tax benefit resulting from a state tax law change in 2012, an NBCUniversal transaction and related costs and other non-recurring items in 2011, our adjusted earnings per share increased 22% to $1.93 per share.

Now, let's review the Pro Forma results of our cable communications and NBCUniversal businesses on Slide 5.

As you know, we believe the Pro Forma presentation provides a more meaningful comparison of the operating performances and businesses. The Pro Forma results are only necessary for the full year and are presented as if NBCUniversal and the Universal Orlando transactions were both effective on January 1, 2010.

For the fourth quarter of 2012, consolidated revenue increased 6% to $15.9 billion and consolidated operating cash flow increased 7% to $5.3 billion. Fourth quarter results reflect cable communication's revenue increase of 7% to $10.1 billion driven by growth in hi-speed internet, business services, video and advertising. Cable operating cash flow also increased 7% to $4.2 billion.

At NBCUniversal, fourth quarter revenue increased 5% to $6 billion and operating cash flow increased 11% to $1.2 billion driven by strong results at our broadcast business.

For the full year of 2012, consolidated Pro Forma revenue increased 8.5% to $62.6 billion reflecting the inclusion of $1.2 billion of revenue generated by the Olympics and $259 million of revenue from the Super Bowl.

Excluding the Super Bowl and the Olympics, full-year consolidated Pro Forma revenue increased 6%.

Consolidated Pro Forma operating cash flow increased 7% to $20 billion including $120 million of operating cash flow from the Olympics. Excluding the Olympics, the full-year consolidated operating cash flow increased 6%.

Cable communications revenue increased 6% to $39.6 billion for the full year and represented 63% of our consolidated revenue while cable operating cash flow grew 6% to $16.3 billion and represented 81% of consolidated operating cash flow.

For the full year, NBCUniversal revenue increased 13% to $23.8 billion and operating cash flow increased 9% to $4.1 billion. Again, excluding the results of the Super Bowl and the Olympics, NBCUniversal revenue and operating cash flow increased 6% respectively. Please refer to Slide 6 and we will review cable communication's results in a bit more detail.

For 2012, cable communications reported another year of strong financial results in customer growth with substantial year-over-year improvements reflecting growth in our residential businesses, continued strength in our business services and increased advertising revenue driven by political.

Contributing to cable's growth are rate adjustments, new customer additions and an increasing number of customers taking multiple products.

At the end of the fourth quarter, 75% of our video customers took at least two products and 40% took all three services compared to 37% in the fourth quarter of last year. As a result, total revenue per video customer increased 9% to $154 per month in the fourth quarter.

We continued to experience real strength in our customer metrics. In the fourth quarter we added 503,000 total video, hi-speed internet and voice customers, an 8% increase in net customer additions over last year's fourth quarter.

For the year, we added 1.5 million total customers, a 5% increase in net customer additions compared to 2011.

In the fourth quarter, even with the negative impact of Candy, we reduced video losses by 60% reporting a loss of only 7000 video customers compared to the 17,000 video customer losses in last year's fourth quarter.

And for the full year, we reduced video losses by more than 25% over 2011 as we continue to execute with improved products and customer support.

Video revenue increased 3% for the fourth quarter and 2.5% for the full year reflecting rate adjustments and a higher number of customers taking advanced services.

In addition to our improved video results, our hi-speed internet business performed well as we added 341,000 new customers in the fourth quarter and 1.2 million customers during the year.

Hi-speed internet revenue was, again, the largest contributor to cable revenue growth as revenue increased 9% for both the fourth quarter and for the full year, reflecting rate adjustments, continued growth in our customer base and 29% of our customers now receiving higher tier services.

With regard to voice, revenue increased 1% in the fourth quarter and 1.5% for the full year reflecting continued growth in our customer base. We added 168,000 voice customers, a 15% increase in the fourth quarter and 613,000 customers in the full year.

Our voice penetration is now with 19% of homes past and our customer results improved throughout 2012 as we increased the number of triple play customers.

The momentum in business services continues with revenue increased 32% in the fourth quarter and 34% for the full year for total revenue of $2.4 billion 2012.

The small end of the market or businesses with less than 20 employees continues to be the primary driver of growth and accounted for 85% of business services revenue in 2012.

The mid-size business is established and growing rapidly and now represents almost 15% of this group's revenue. As I mentioned, cable advertising also performed well in the fourth quarter with revenue increasing 19% and full-year revenue increasing 14%, including political revenue of $131 million in the fourth quarter and $239 million in the full year. Please move to Slide 7.

In the fourth quarter, cable communication's operating cash flow increased 7% to $4.2 billion and full-year operating cash flow increased 6% to $16.3 billion resulting in stable margins for the quarter and the year.

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During 2012, total expenses in cable increased 6%, driven primarily by three pressures, two of which we control and have positive ROIs. First, we are absorbing expenses as we offer and expand new products like XFINITY Home and Signature Support.

Secondly, we have been increasing our sales and marketing spend in media, direct sales and new marketing channels to more effectively target customers and enhance our competitive positioning in both our residential and commercial segments. These increased marketing efforts have had a positive impact on our core customer metrics. Finally, programming expenses increased 7% in 2012, reflecting higher rates and an increase in the amount of content we provide to consumers across multiple platforms.

As we look to 2013, we expect programming expenses to increase at low double digit rates, driven by several factors including the continued expansion of rights to multiple platforms, additional channel launches, continuing increase in sports cost, meaningful increases for retransmission consent fees, and step-ups for recently completed long term agreements.

We have appropriately planned for these programming expense increases, and are confident we can effectively offset these costs through modest rate adjustments, further efficiencies, and improving product mix, as well as increasing the number of customers upgrading to higher tiers of service. As a result, we expect to maintain relatively stable margins.

In addition, we remain very focused and believe we can continue to gain further efficiencies in our customer service and technical operations. In 2012, we reduced our activity levels by more than 4.5 million truck rolls and by 16 million agent calls handled in our call centers, even as we added 1.5 million total new customers.

Our service is improving, and customers continue to elect self-installations, which accounted for 36% of our total installations at year end 2012, compared to 21% at year end 2011. In addition, we now have 27% of our customers managing their accounts online.

All these improvements reflect the innovative efforts we are making to increase customer satisfaction by giving our customers more choice and control, which results in lower activity levels for our cable operations.

Overall, our Xfinity brand is building momentum, and cable's performance in 2012 clearly demonstrates that we are executing well and competing effectively with our improved products and services. Please refer to slide 8 so that we can review our pro forma results for the segments of NBC Universal.

For the fourth quarter, NBC Universal's revenue increased 5% and operating cash flow increased 11% as it was a strong fourth quarter that ended a solid performance in 2012. For the full year 2012, NBC Universal revenue increased 13%, and operating cash flow increased 9%.

These strong results was primarily driven by the success of the Super Bowl and the Olympics during the year. Excluding any impact from these two events, NBC Universal revenue and operating cash flow each increased 6%, which was driven by strong results at broadcast television and theme parks, as well as solid results at filmed entertainment and cable networks.

As we review the pro forma results of the individual segments in 2012, cable networks generated revenue of $8.8 billion, an increase of 3%, driven by a 5%

increase in distribution revenue and a 2% increase in advertising revenue, as weaker ratings were more than offset by higher pricing.

In the fourth quarter, distribution revenue increased 2.5%, but was negatively impacted by the NHL lockout. Cable networks operating cash flow declined 1% to $3.3 billion, primarily reflecting higher programming and production costs, due to our continued investment in increased original programming. In addition, we experienced higher sports programming costs, mostly driven by more NBA games in 2012 compared to 2011, due to the lockout.

With regard to our broadcast segment, full year revenue increased 27% to $8.2 billion, reflecting the inclusion of $1.2 billion of revenue generated by the Olympics and $259 million of revenue from the Super Bowl. Excluding the impact of both the Olympics and Super Bowl, broadcast revenue increased 5%, reflecting the strong primetime ratings at the NBC broadcast network and over $100 million of political revenue at the owned local stations. This was partially offset by lower content licensing revenue from a library content agreement signed in 2011.

Full year 2012 broadcast operating cash flow increased by $246 million to $369 million, and excluding the Olympics, operating cash flow more than doubled, increasing by $126 million to $249 million, reflecting higher revenue and a slight increase in programming costs.

Moving to filmed entertainment, 2012 revenue increased 12% to $5.2 billion driven by higher theatrical revenue from the strong box office performance of Ted, The Lorax and Les Miserable, as well as higher home entertainment and content licensing revenue.

Film operating cash flow increased $55 million to $79 million reflecting the performance of the film slate partially offset by an increase in the amortization of film costs.

Switching to our theme park segment, 2012 was a terrific year. Full-year revenue increased 5% to $2.1 billion and operating cash flow increased 10% to $953 million. These solid results were driven by increased attendance and per capita spending at our parks which are continuing to benefit from the success of the Wizarding World of Harry Potter attraction in Orlando and the new Transformers attraction in Hollywood.

Let's move on to Slide 9 to review our consolidated capital expenditures. We strongly believe that operational excellence, strategic differentiation and attractive capital investment drive profitable growth and shareholder value.

Therefore, we have a disciplined and balanced capital allocation strategy that is returns focused as we invest in our core businesses while maintaining a strong balance sheet and providing consistent and sustainable return of capital to shareholders.

Our first priority is to generate strong returns by investing in our businesses. In both cable and NBCUniversal, we are continuing to reinvest to strengthen our competitive position and to support attractive organic growth opportunities.

For 2012, consolidated capital expenditures increased almost 8% to $5.7 billion compared to $5.3 billion in 2011. At cable communications, full-year capital expenditures increased 2% to $4.9 billion equal to 12.4% of cable revenue versus 12.9% in 2011.

The increase in capital expenditures reflects the continued expansion of business services and investment in network infrastructure to ensure our product leadership.

Our capital investment plan is focused on strategic areas of growth that yield strong risk-adjusted returns. Our investments in our network and in CPE to support strategic initiatives like all digital and (DOXIS) 3.0 and in new businesses like business services have yielded strong returns, enhanced our competitive advantage and contributed to a strong financial performance.

At NBCUniversal, we have a similar approach. NBCUniversal's capital expenditures for 2012 increased $329 million to $763 million driven by increased investments in parks and facilities.

The higher facilities investment reflects the consolidation of operations and improvements made in our New York area and LA properties. At parks, we have increased our investment in new attractions at both Orlando and Hollywood as we opened Despicable Me in Orlando and Transformers in Hollywood with great results.

We will moderately increase our 2013 investment in attractive growth areas for cable and NBCUniversal. We plan to continue to increase hi-speed internet speeds, deploying new wireless gateways to deliver the fastest in-home WiFi, invest more aggressively in the midmarket with (MetroE), expand the rollout of X1 across our footprint and accelerate the expansion of XFINITY Home.

As a result of these investments, our 2013 cable capital expenditures will increase by approximately 10% with capital intensity increasing slightly or equal to 2011 levels.

We are excited about these initiatives to accelerate our product offerings, drive future growth and provide attractive returns.

At NBCUniversal, our 2013 capital investment plan will increase by approximately 25% primarily driven by our theme parks investment in new attractions including Transformers and other attractions in Orlando and Harry Potter and Despicable Me in Hollywood.

Investments in our theme parks over the last few years can actually reset the level of their performance generating strong returns and dramatically expanding the potential of our theme park business. Please refer to Slide 10.

As we balance our capital allocation priorities, our acquisition of GE's remaining 49% common equity interest in NBCUniversal also demonstrates our disciplined investment approach.

We're buying stock and investing in businesses that we own and where we believe we have significant and attractive opportunities to build shareholder value.

As the slide outlines, we agreed to an accelerated acquisition of GE's 49% common equity interest in NBC Universal for $16.7 billion. We are also purchasing NBC Universal's 30 Rockefeller Center and Englewood Cliffs facilities for $1.4 billion, which we consider strategic facilities given the amount of infrastructure and capital investment that has been made in both of these properties.

The transaction values NBC Universal at approximately $39 billion of enterprise value. We believe this value's NBC at approximately 9 times operating cash flow, exclusive of tax benefits, and in line with comparable media peers as attractive to

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shareholders relative to the business's trajectory and our estimates of value under the originally contemplated redemption structure.

The transaction yields some meaningful tax benefits to Comcast, and generates strong returns, yielding double digit cash on cash IRRs and is immediately accretive to EPS. In addition, we have conservatively planned for this event, as NBC Universal and Comcast have built significant financial capacity to fund part of this transaction.

We will utilize $11.4 billion of existing cash on hand, which was generated primarily from operations, the sale of our A&E and Spectrum Co. assets and the issuance of $7.5 billion of long-dated senior notes since July of 2012.

We will borrow $2 billion additional debt under our credit facilities, and will issue to GE $4 billion seller notes and $725 million of subsidiary preferred shares. In addition, GE has made additional long term advertising commitments to NBC Universal.

Based on this transaction, and on a pro forma basis, we will have consolidated debt of approximately $48 billion, and a debt to operating cash flow leverage ratio of 2.4x. We view our strong balance sheet as an important strategic asset, and we plan to moderately delever over the next few years, with the medium-term goal to further strengthen our credit ratings.

Given the magnitude of our balance sheet, we believe a new medium-term leverage target of between 1.5-2x provides the appropriate financial flexibility and liquidity to support our balance sheet and our long term operating and strategic plans. Please refer to slide 11.

Within the context of the NBC Universal transaction, which is an indirect stock buyback, and our long term leverage target, we remain committed to deliver a consistent and sustainable return of capital to shareholders, through a combination of dividends and buybacks.

Today, we have announced a 20% increase in our dividend, to $0.78 on an annual basis, and plan to repurchase $2 billion of our stock in 2013. The newly announced dividend represents 32% of our last 12 months net income, and raises our current dividend yield to approximately 2%, which we believe is attractive and in line with the S&P 500.

Since the initiation of our dividend in 2008, and to our return of capital commitments in 2013, we will have returned $19 billion to shareholders, including $7 billion in dividends and repurchasing $12 billion in shares. We strongly believe we can continue to balance investing in our business and returning meaningful amounts of capital to shareholders, even as we strengthen our balance sheet.

So as we conclude 2012, the company is performing well, with a real focus on innovation and execution. In addition, we are pleased with the start in 2013 and hope to build on cable communications and NBC Universal's momentum. We are also very pleased that this momentum, our financial strength, and our confidence in the business is allowing us to invest for profitable growth and to provide a meaningful return of capital to shareholders.

Now let me turn the call to Marlene for Q&A.

Question-and-Answer Session

Marlene Donner

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

Operator

[Operator instructions.] Our first question will come from the line of Jason Bazinet with Citi Investment Research. Please go ahead.

Jason Bazinet - Citi Investment Research

I just had two questions for Mr. Angelakis. I'm sure there's a lot of moving parts to the economic stimulus, and I don't know if there's any changes with the full redemption of the NBC-U stake, but would you mind just outlining anything that you can on cash taxes for the next few years, on a percentage basis? And then secondly, if you had to quantify what sort of assets there are, sort of on the NPV basis, are there any guideposts you can give us in terms of what folks should be thinking about for their evaluation?

Michael Angelakis

Is your second question, Jason, regarding to the tax benefits we're receiving as part of the transaction on an NPB basis? I just want to make sure I clarify the question.

Jason Bazinet - Citi

Correct.

Michael Angelakis

So when we announced the transaction, the first part of the transaction back in December of '09, we articulated that we thought the NPB benefit of the taxes was approximately $1.5 billion.

We've been fortunate in terms of how we structured it and other benefits where now we estimated that the NPB of those tax benefits is approximately $2.2 billion, so they've gone up nicely over the last several years.

We expect to receive those benefits over really the next 10 to 15 years, which is several hundred million dollars a year of benefits to Comcast, so we're really pleased with how this has been structured.

With regards to cash taxes, they do move around a little bit related to gains and other kinds of things. We don't anticipate any meaningful changes and I think you'll see that our effective tax rate on our P&L will probably hover around 38%, 39% as we go forward.

Operator

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

Jessica Reif Cohen – Bank of America Merrill Lynch

I had a question for Neil and Steve if each of you could just talk about the big three drivers for your divisions for the year ahead.

Neil Smit

I think the big drivers for our business are, number one, executing the growth our business, our hi-speed business and business services. Those are our drivers of our profitability and revenue and I think we're very focused on those.

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Number two is grow continuing to the improvement on our video business. We've seen, as you know, about nine quarters of improving results in video and I'd like to continue that trend.

And number three is just executing well on some of the efficiencies we're finding in the business, reducing truck rolls, improving the call center performance and just overall improvement on the execution side of the business.

Steve Burke

And Jessica, on the NBCUniversal side, I would say if I had to pick three the first would be what I call the monetization gap or the entitlement gap. I think our affiliate fees are not what they should be both in terms of the cable channels and retransmission consent.

And on the advertising side, our CPMs are lower than some of the other people in the business who have lower ratings than we do.

Secondly, I would say that the broadcast business continues to seem like a big opportunity to us, whether it's the NBC network, our local stations or (Telemundo). I think all three of those represent a big opportunity.

And finally, theme parks, which is a business that we have come to really appreciate over time. We're doing quite well in the theme park business and I think that growth will continue.

Operator

Your next question comes from the line of Jason Armstrong – Goldman Sachs.

Jason Armstrong – Goldman Sachs

First, maybe a question on content cost growth that you talked about in double digit range. Where are we in the process of content step ups and authentication rights? I guess what's included here is presumably box and I know ESPN at the beginning of the year. Does this represent the later stages of the process and content cost? Can you start to moderate – or growth and content cost and start to moderate after this year or are we still in middle stages of this process?

And then just related to that cable margin, you talked about stable cable margins in 2013 despite the content cost growth. I guess in order for that to be the case, it looks like you probably have to accelerate revenue growth in cable. Is that the right assumption?

Michael Angelakis

So on the cable margin, we've done a great job over the few years keeping a relatively stable margin. When you look at really the revenues of our cable business right now, roughly half of the revenues are the video side and the other half are other services, which from a product pick standpoint have better margins and are higher growth.

So a combination of increasing product mix and adjustments that will have on the pricing on our video side, some efficiencies that we're confident we'll be able to access, which actually help the customers and help our efficiencies, we think as we look to '13 we'll be able to keep pretty stable margins.

On the content side, in terms of where we are – and the Fox deal was announced yesterday – I'll let Neil answer that.

Neil Smit

On the content side, our programming costs, as you know, growing from about 7% this year to low double digits is what we're projecting. With that, we're extending the terms. We're getting more programming content. We're getting it across more platforms in and out of house, and I think what we're doing now is figuring out how to leverage that content so we deliver more value to the customers, and that comes in the form of X1. And X1 improves the ability to discover that content, and it also acts as a platform so that we can deliver more cloud services and applications going forward.

So we've got the most on demand. We have the 80 authenticated networks on our online service. What's driving the growth is a mixture of things. One is we had a couple of step-ups this year. We had sports [call] continuing to grow. We have retrans fees coming in. And we're just growing the overall content. I think we planned for, and anticipated, these increases, and as Michael said, we're able to offset that with the efficiencies in the business and moderate rate increases.

I think that the content, along with better marketing and execution, is delivering results. We saw 27% reduction in video losses this year, and we've also seen improved revenue growth. Last year it was 1.3% for '11, and this year it was 2.5%. And that's $490 million worth of growth. So I think we can manage the programming increases. We're going to continue to deliver great product, and I think that's our plan. We want to drive share growth.

Brian Roberts

I just want to add one last point. Each of these agreements, including the Fox agreement and the Disney agreement that Neil alluded to before, we've signed long term agreements. We always have some agreement coming up, but now with the majority of our relationships for the next several years, there's always a few here and there. And then there's new things that get created, and we're always finding new ways to deliver content to consumers, so it's an ongoing dialog. That being said, we did plan for this and expected this for 2013.

Operator

Our next question will come from the line of Doug Mitchelson with Deutsche Bank. Please go ahead.

Doug Mitchelson - Deutsche Bank

One for Michael, one for Brian. I guess I'll just ask them both up front, if that's all right. Michael, the NBC price was cheaper than I expected. I understand quite well the pricing mechanism from the original deal for GE's exit in '14 and '17. But I would think GE would have held out for a nice premium to exit this early. I mean, the price was right in line with Time Warner. Viacom's trailing 9.5x multiple. I think NBC, which [unintelligible] for something like 12x forward in this market. Did Comcast provide any additional benefits to GE that convinced them to be so reasonable here on price and timing?

And then for Brian, perhaps this is revisionist history, but I feel like you've had a very clear vision for the past couple of decades. So, in the 90s, you were building scale and a very strong belief in video on demand, and last decade, you were building out the pipes and building out a broadband and technology platform, and buying content. Is the Comcast you were hoping to build now built? What's the vision as you look forward the next five to ten years?

Michael Angelakis

Why don't I take the price? Listen, for NBC, for GE, I think it's a very good deal for them as well. I think that they were expecting to receive half of the value of their ownership in 2014, almost two years from now. That would have been closer to the end of 2014. Then they really had to wait until the early part of 2018 to receive the other half.

So I think from their standpoint they're going to receive a lot of cash, which we know they're going to deploy to other services. And from our standpoint, I think it was an advantage to accelerate that, and I think we received a very fair price. So we're quite pleased with the price, and how we've structured the transaction as well. So I'll pass it over to Brian for the answer to the second part of the question.

Brian Roberts

I appreciate what you said. Not sure you ever have a perfect vision for a company at any one moment in time, but we have believed that the scale in cable was going to make a difference, and it's really starting to pay dividends. You're seeing it in the innovation, the service, and frankly just the results that Neil and the team have done.

I think for content, we have always thought, for many years, that it's a great business on a standalone basis. It's created a lot of wealth over a long period of time and we think we'll find ways to do so in the future.

Having both in one company makes us a really special company and I think now we need to execute and continue to find ways to have the two work together and apart and it's a very special day for the company and I think employees and that place where people want to come to work will be the last – my next goal would be to make it – continue to make it absolute home for where a young person coming out of school or somebody with their career says this is a company at the cross hairs of media and technology and all parts of this company make it where I want to spend my career.

Operator

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

John Hodulik – UBS

First, a clarification and then a quick follow-up. On the clarification, the CapEx guide on the cable side says 10% growth in CapEx equates to about 12.9% of sales. Is it right to think that that suggests you're going to see cable revenue growth of close to or around 6% '13 or am I looking at that the right way?

And then in terms of CapEx, you've got a meaningful step up here '13 versus '12. Is this the right level, maybe for Michael, that you're investing in? Should we think of that from a dollar standpoint as a good level going forward or is 2013 sort of an outsized year?

Michael Angelakis

I think on your first question we're not providing guidance. Your math is directionally correct, so let's just leave it at that.

With regards to the 2013, we are actually excited about investing in the areas that we are articulated, both on the Comcast cable side and on the NBCUniversal side. So we do look at intensity in terms of 12.4% of cable CapEx in 2012 and we articulated around 12.9% in 2013.

And really the difference is we are investing in high growth, high opportunity areas in both parts of the business. So we've got X1, Comcast Business Services, hi-speed Engine Net, Wireless Gateways, a whole variety of areas, XFINITY Home that we think are transforming the product set that we have on the cable side.

Neil's team has done an amazing job of how we deploy that, so those are all primarily variable type costs of how we successfully deploy really new products that we've invested in.

Now on the NBCUniversal side, as Steve mentioned, theme parks has been terrific, really have reset the bar and the majority of those dollars are going into new attractions at the theme parks which really are, again, high growth, high opportunity dollars.

So we're really – we're not looking at multiple-year plans but for 2013 we wanted to step on the peddle in areas where we think there's some high growth, high opportunity areas for the company.

Operator

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

Marci Ryvicker – Wells Fargo

I have two questions. One, related to NBC and the transaction, can you help us with the accretion math? We're hearing anywhere from $0.05 accretion to $0.30. So any guidance on how to think about that would be helpful.

And then with regard to the programming cost guidance, can you just confirm that this is a P&L basis and not a (per sub) basis and does the incremental expense at all incorporate an assumption of positive video adds for any period of time in 2013?

Michael Angelakis

Let's be really clear about the accretion. So on free cash flow there's really no accretion because we've been consolidating 100% of NBCUniversal's free cash flow since we've controlled 51%.

So on free cash flow, what the impacts will be, as we just talked about, we'll have a little bit higher CapEx, going to have a little bit higher interest expense related to the dollars that we're borrowing to complete the transaction but we're also going to have operating cash flow growth and we feel that we'll be able to keep relatively stable free cash flow for 2013, which the transaction itself isn't creating any kind of accretion.

On the P&L side, we are going to see EPS accretion. So we're going to pay a bit more in taxes because now we'll pay 100% of the taxes related to NBCUniversal. We're also going to eliminate the non-controlling interest which is in our P&L.

And net-net that's about a positive $550 million, which is about $0.19 to $0.20 of EPS accretion. So that's a number that we think is immediately accretive on our P&L related to the transaction.

With regard to the second point on programming cost, it is all in with regards to the P&L. So we look at our total dollars of programming to spend increasing in the low double-digits for 2013. We're not providing any kind of view on what subscribers will do. Obviously we're making progress, and I think that's the key part, is making progress with quality type customers.

Operator