

Comcast 50th Anniversary Special Report

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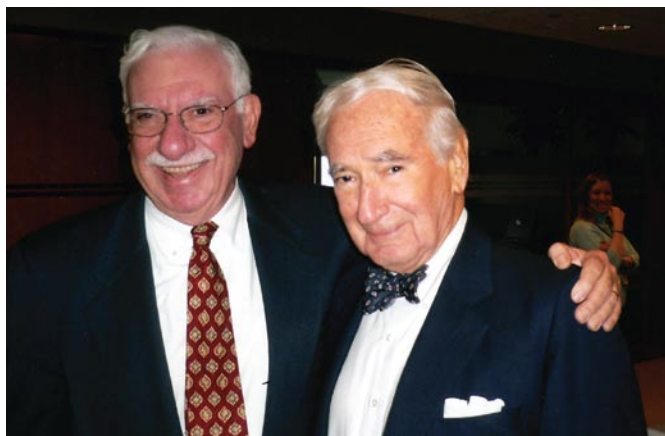
Comcast Turns 50

Comcast evp *David Cohen* fondly remembers sharing the elevator with company founder *Ralph Roberts* about 10 years ago. Every few floors the doors would open and employees would get on and say, "Hello, Mr Roberts" or "How are you, Mr Roberts?." The greetings continued as the elevator made its way to the bottom of Comcast's old HQ in Philly.

"We walked out into the lobby, and there were a few hundred people milling around. It was around lunchtime. And they're coming up and saying hi or waving and smiling," Cohen recounted. "We walk out of the security area, and he looks back at all these people and says, 'You know, David, there was a time when I knew the name of everyone in this company, and I knew them.' I said, 'Ralph, what's important is, they all know you.'"

It has been 50 years since Roberts started Comcast, and while the company bears zero likeness to the 1200-sub cable system in Tupelo, MS, that he bought in 1963, countless Comcasters say the same spirit is alive and well. "One of the glues is that everyone knows Ralph," Cohen explained. Some of that is imparted through professional development courses called, "The Spirit of Comcast." And much of it is through leaders who have been at the company for decades.

Today, Comcast is the largest MVPD in the US, and its businesses run the gamut from cable channels, theme parks, a Big Four broadcast net and on and on. But its roots were much more humble. In the early days, Roberts was joined by *Julian Brodsky* and the late *Dan Aaron*.



Comcast founders Julian Brodsky and Ralph Roberts

How modest were those early days? On his first day of work, Brodsky brought a card table from home to serve as a desk in the 700 square feet of space they had in Philadelphia. The Tupelo operation, American Cable Systems, had about a dozen employees.

"Our only hope was to continue to grow... We had no grand strategy. We were just opportunistic. We tried to create opportunities, and we took opportunities as we found them," said Brodsky, who was so impressed with Roberts that he quit his job as a CPA to several cable clients to join him in the venture. They bought up more systems. But opportunities didn't just include cable, with Comcast in the supermarket merchandising business and a provider of background music for retail outlets when it went public in 1972. In the '80s, Comcast became a significant cellular operator.

Not every acquisition panned out. In 1985, Comcast teamed with **Merrill Lynch** and went after **Storer Comm**

CONGRATULATIONS



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50TH ANNIVERSARY

WE CELEBRATE YOUR INNOVATIVE SPIRIT AND
COMMITMENT TO THE COMMUNITIES YOU SERVE.

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high praise.



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Accenture congratulates Comcast on 50 years of visionary leadership, groundbreaking achievements and business success. We applaud their commitment to delivering innovation and their dedication to enriching lives through the power of information. We look forward to what's next as they continue to reimagine the future of media and technology.

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and lost out to **KKR**. “We failed, but we got a reputation for being innovative and able to do large deals,” Brodsky recalled. Within a month after negotiations ended, the then-top 2 cable ops, **TCI** and **Time Inc**, approached Comcast, then a top 15 or 20 operator, to partner and buy **Group W Cable**. When the deal closed in '86, Comcast more than doubled its size by adding 1.2mln customers with its 26% interest in Group W. (By the way, Comcast eventually bought 50% of Storer in '88.)

Another upset was Comcast's bid for **MediaOne**, with **AT&T** significantly outbidding the company. In the end, it all worked out, with Comcast acquiring AT&T Broadband (and thus MediaOne) in a \$47.5bln merger in '02. “I've always felt that the extremely high cash price that AT&T paid for MediaOne... contributed to our ability years later to buy AT&T Broadband,” Brodsky said.

What were Roberts, Brodsky and Aaron like together? Brodsky points to a metaphor Aaron, a former newspaper man, delivered at his retirement dinner and that centered on the 3 driving a car: “There was this maniac Julian with his foot on the gas, trying to go a million miles an hour. And there was Dan terrified and pumping the brakes as hard as [he] could to slow him down. And there was ole Ralph calmly steering the car with his hands on the wheel.”

It was hard to always stay calm. Comcast chmn/CEO **Brian Roberts** remembers that AT&T Broadband purchase as the scariest moment in his history with the company. “Within 90 days of signing the largest acquisition agreement in the company's history, which required us to borrow \$17 billion... Enron and WorldCom exploded, the markets crashed and credit ratings were downgraded. All of this happened between signing and closing,” he said. “There was a moment where I thought, ‘was this a good idea?’ But within 18 months of deal close, we increased operating cash flow by 50%. We thought it would take 36 months, but it took only 18 months because we acted quickly... That deal changed the company forever. It made us the largest cable company in America, and set us on the path to acquire **NBCUniversal**, and whatever comes next.” (Read more from our conversation with Roberts on Page 5)

Comcast evp/CFO **Cathy Avgiris** joined the company back in 1992, 2 years after a 31-year-old Brian Roberts was elected president. “It's amazing how much the company has changed, but changed without really sacrificing its core value system,” she said. “I've always called Comcast a very large family business. The executives were very involved, whether they knew your name or didn't.”



David Cohen, Brian Roberts and Ralph Roberts during the construction of the Comcast Center, which was completed in 2008.

The NBCU transaction, which closed in 2011, created yet another new Comcast. “We made a big bet at really the low point of the financial crisis in 2008-2009. NBCUniversal's operating cash flow is now up over 50 percent since we bought it, so I think our timing was good,” Roberts said. “Hopefully, we will have many more years of opportunity and growth that wouldn't have been possible had we not done the transaction.” With

any change comes some growing pains, particularly in terms of positions with this year full of NBCU restructurings. “It can be a difficult time for employees when you do a large acquisition. It's not always comfortable, but moving with speed and a sense of purpose and a willingness to change and course correct has worked for us,” Roberts said.

The Road Ahead

Talk to any of the managers at Comcast, and they'll tell you that this 50th anniversary isn't about looking back. Yes, there will be cake and celebrating. Execs will even make breakfast for employees at Comcast Center this week. But Comcast will use this milestone to talk about its next 50 years.

“There is this incredibly deep appreciation for our founders and where we've come from,” said Comcast Cable evp/COO **Dave Watson**. “We never take for granted that we have... a long-term owner that's showed a commitment to invest in people and infrastructure along the way. Culturally, it's not us to look back too much. We like to look forward and think about what's next. I think we're using this as a launch pad to look at the basics of innovation, the customer experience and growth.”

That includes the X2 platform, WiFi, home security and more. Comcast Labs is located on the 35th floor of the

Comcast Center. It houses everything the product development team is working on as well as what's recently launched. A little slice of that has been taken to call centers so frontline agents can see it firsthand. It's all part of the company's mantra to be futurists.

"We're using this anniversary to focus on what's next—what's next in terms of technological innovation, what's next in terms of ways people watch television, what's next in delivering content to people in an anywhere anytime envi-

ronment on the device they want to use, and in producing and creating content that people want to see," Cohen said. "From a business perspective, we want to continue to grow the business, diversify the business and make sure we remain a technology and innovation leader in our space."

Back in Comcast's early years, the company's name was often confused with satellite communications company Comsat. Both were started in 1963. Only one still stands, and no one's uncertain of its name these days.

COMCAST TIMELINE

A look at some key events in Comcast's 50-year history.



Early Tupelo Community Antenna Inc Truck from 1963.

1963 – Ralph Roberts founds Comcast with the purchase of American Cable Systems, a 1200-sub system in Tupelo, MS. He is joined by Dan Aaron and Julian Brodsky.

1969 – American Cable Systems is renamed Comcast and incorporated in PA.

1972 – Comcast's first public stock offering.

1974 – Comcast-Spectacor purchases the Philadelphia Flyers.

1984 – Brian Roberts becomes gm of Trenton system.

1986 – Comcast acquires a 26% interest in Group W Cable, adding 1.2mln subs.

1988 – Comcast purchases 50% of Storer Comm. Comcast enters the cellular biz with acquisition of Cellular Network Corp. Brian Roberts elected to Comcast Corp board.

1990 – Brian Roberts elected pres, Comcast Corp at 31 years old.

1994 – Comcast acquires Maclean Hunter's US cable ops, making it the 3rd largest cable operator with approx 3.3mln subs. Comcast becomes an original investor in Golf Channel.

1995 – Comcast acquires EW Scripps cable systems and grows to 4.3mln. It also increases its stake in QVC to 57.5%.

1996 – Comcast launches first broadband product, Comcast@Home.

1997 – Microsoft invests \$1bln in Comcast. Comcast launches digital TV and Comcast SportsNet Philly. It also acquires controlling interest in E!

1998 – Steve Burke is named pres, Comcast Cable. Comcast acquires Jones Intercable, Prime Comm and launches Style.

1999 – Comcast Cellular is sold to SBC. After MediaOne merger is terminated, Comcast and AT&T agree to system swaps. Brodsky forms Comcast Interactive Capital Group.

2000 – Comcast acquires Lenfest and completes systems swaps with Adelphia and AT&T Broadband.

2002 – Brian Roberts named CEO. Comcast and AT&T Broadband complete their \$47.5bln merger. Comcast launches Comcast High Speed Internet.

2003 – Comcast launches VOD.

2004 – Brian Roberts named chmn.

2005 – Comcast launches digital voice and acquires Susquehanna.

2007 – Acquires Patriot Media, Fandango.

2008 – Comcast and Insight complete agreement to divide Insight Midwest partnership.

2011 – Comcast and GE complete their NBCU transaction, with Burke becoming CEO of NBCU.

2013 – Comcast acquires GE's 49% common equity stake in NBCU jv for \$16.blm.

Source: Comcast

A Conversation with Brian Roberts

What is it like to be CEO of a company celebrating its 50th year in existence?



Brian Roberts

It's going to sound hokey, but it's a real pinch yourself moment. The fact that my father started a company 50 years ago that is not only growing, but is entering perhaps its most exciting phase, is something none of us could have imagined. It's an honor and a privilege to be CEO. At the same time, I try not to spend too much time looking back, because while we celebrate,

there are a whole lot of people who are working and moving forward. There is no time to rest.

For some companies 50 years may sound like you're a dinosaur, especially compared to college dropouts starting companies in their parents' garage... how do you keep Comcast fresh and exciting when you have such a long history? Do they contradict one another?

There is a bias right now that new is better. So, you have to reinvent yourself. I like to think of us as a "50-year-old start-up." That's the way you have to act. Consumers want the best and they're entitled to have it. You need to exceed expectations every day.

In 1974, you had your first internship at Comcast working on store promotions. Can you talk about that time?

The most memorable moment happened on my very first day. I went to the office to process my paperwork, and the controller closed the door, looked at me and said, "I don't give a damn whose son you are, if you're working for this company, you're going to work." That may have been the best thing anyone ever did for me. It taught me that I would

have to work really hard to prove that I deserved the job.

How do you keep the culture that your father helped create when the company has gotten so big that you can't know every employee?

We spend a lot of time educating our people about our company and culture, especially when they first join. We also have something called "The Spirit of Comcast." Every few months, new managers come to Philadelphia to hear from leaders across the company. My dad or I will speak—Julian Brodsky, Steve Burke, David Cohen, Cathy Avgiris, Michael Angelakis, Marlene Dooner, Neil Smit, Dave Watson, D'Arcy Rudnay—people who have been with Comcast a long time. We talk about the company, our vision, our past and take questions. We have "Spirit of NBCUniversal" at 30 Rock now as well. Part of my job, maybe the most important part of my job, is to continue to define, refine and articulate the Comcast culture. We've acquired a lot of businesses that have their own cultures, but we try to meld them together into something that makes Comcast NBCUniversal one of the finest companies to work for.

Is there a moment you're especially proud of?

I'd say Bill Gates' investment in 1997 was singularly important in that it made people realize how crucial fiber optic deployment, and 2-way broadband, really was. Initially, Wall Street was not in love with the capital spending required to build our broadband network. But when Bill Gates came in, all of a sudden the questions went from "why are you doing this?" to "how fast are you going to be in broadband?"

I would say another proud moment was the acquisition of NBCUniversal in 2009.



Does anybody even know Obamas last name?

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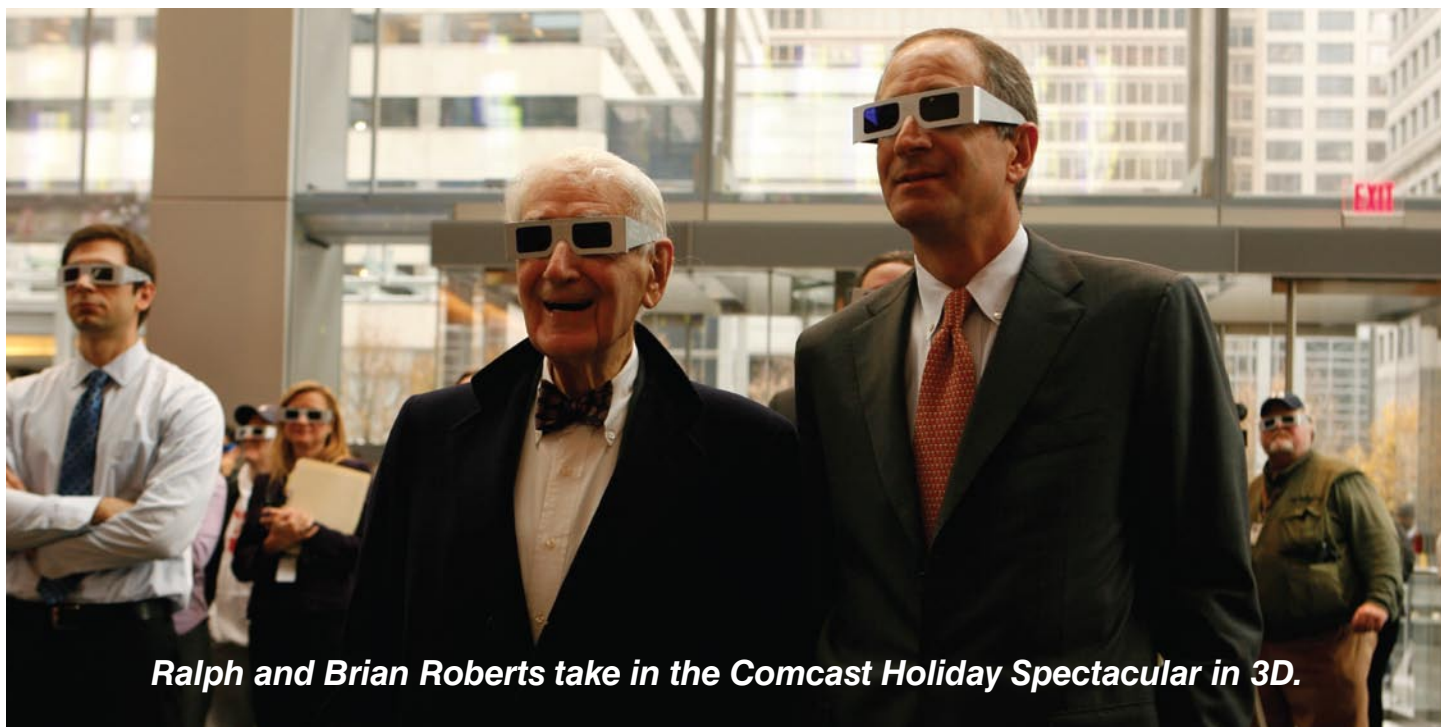
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A NEW NETWORK.



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Ralph and Brian Roberts take in the Comcast Holiday Spectacular in 3D.

Was Disney sort of a practice round for NBCU?

(Laughs.) No. They're different businesses, but I think there are certain philosophies that we've tried to maintain with any acquisition. Most important is: whatever decisions you're going to make, try to make them quickly. The top priority is to give people certainty. It can be a difficult time for employees when you do a large acquisition. It's not always comfortable, but moving with speed and a sense of purpose and a willingness to change and course correct has worked for us. I'm not sure we've done it perfectly in all cases, but this company was built on acquisitions. It isn't unique to NBCUniversal or AT&T, it goes back to Storer and Maclean Hunter, or my dad in Tupelo in 1963. It's an industry built by deals—how well you go from your model to reality is where I think we've tried to excel.

What are the biggest evolutions for cable, and what worries you most on the horizon?

If you were to coin one phrase that has defined the evolution of the cable business for the last 50 years it would be choice. By that I mean, it used to be 3 channels of television, then we went to 10, 50, 500 channels, then we went to On Demand. Now we've got the Internet and streaming video. As I look to the next 50 years, I think that in addition to choice, people want control, mobility and personalization. You have to figure out how to meet those demands, and make that work for you. Our "See It" announcement with Twitter is a

great example. We are embracing social media, and we have really smart people trying to figure out how to connect social media with live television viewing. I think our mandate is to be innovative and to experiment, and hopefully "See It" will be successful."

Comcast has its feet on either side of the programmer-distributor fence. Given the tensions between the two, is there a role Comcast can play?

Absolutely. The Twitter deal is a great example, with both sides of the company doing a deal with Twitter. My view for how to balance all the different business realities is to try to appreciate the fact that there are some differences, but at the same time embrace the change that is happening and find a way to know what's right for the consumer. If it's right for the consumer, let's find a way to get there and not get hung up.

Can you share a little about the connection of working with your father?

Comcast Center is a vertical campus. The best place to congregate is in the middle, where everyone eats lunch. When we were building the Comcast Center, I told my dad I'd like to name it Ralph's Café. My dad said, "I don't really know if that's a good idea." I told him, "Trust me." Ralph's Café is the heart and soul of the campus. It's where people go and are happy, and whenever my dad is in the office he wants to have lunch there. Every time I walk through, I smile and think of my dad—we're all here because of him, so it's perfect that it's called Ralph's.