

COMCAST CORP
Form 10-Q
May 01, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2013

OR

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission File Number 001-32871

COMCAST CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of

incorporation or organization)

27-0000798
(I.R.S. Employer

Identification No.)

One Comcast Center, Philadelphia, PA
(Address of principal executive offices)

19103-2838
(Zip Code)

Registrant's telephone number, including area code: (215) 286-1700

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of March 31, 2013, there were 2,129,486,037 shares of our Class A common stock, 494,484,616 shares of our Class A Special common stock and 9,444,375 shares of our Class B common stock outstanding.

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This Quarterly Report on Form 10-Q is for the three months ended March 31, 2013. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. The Securities and Exchange Commission (SEC) allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Quarterly Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Quarterly Report. Throughout this Quarterly Report, we refer to Comcast Corporation as Comcast; Comcast and its consolidated subsidiaries, including NBCUniversal Media, LLC (NBCUniversal), as we, us and our; Comcast Cable Communications, LLC and its subsidiaries as Comcast Cable; Comcast Holdings Corporation as Comcast Holdings; and NBCUniversal, LLC as NBCUniversal Holdings.

You should carefully review the information contained in this Quarterly Report and particularly consider any risk factors set forth in this Quarterly Report and in other reports or documents that we file from time to time with the SEC. In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify these so-called forward-looking statements by words such as may, will, should, expects, believes, estimates, potential, or continue, or the negative of those words, and other comparable words. You should be aware that these statements are only our predictions. In evaluating these statements, you should specifically consider various factors, including the risks outlined below and in other reports we file with the SEC. Actual events or our actual results may differ materially from any of our forward-looking statements. We undertake no obligation to update any forward-looking statements.

Our businesses may be affected by, among other things, the following:

our businesses currently face a wide range of competition, and our businesses and results of operations could be adversely affected if we do not compete effectively

changes in consumer behavior driven by new technologies may adversely affect our businesses

programming expenses for our video services are increasing, which could adversely affect our businesses

we are subject to regulation by federal, state, local and foreign authorities, which may impose additional costs and restrictions on our businesses

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weak economic conditions may have a negative impact on our businesses

a decline in advertising expenditures or changes in advertising markets could negatively impact our businesses

NBCUniversal's success depends on consumer acceptance of its content, which is difficult to predict, and its businesses may be adversely affected if its content fails to achieve sufficient consumer acceptance or our costs to acquire content increase

the loss of NBCUniversal's programming distribution agreements, or the renewal of these agreements on less favorable terms, could adversely affect its businesses

our businesses depend on keeping pace with technological developments

we rely on network and information systems and other technologies, as well as key properties, and a disruption, cyber attack, failure or destruction of such networks, systems, technologies or properties may disrupt our businesses

our businesses depend on using and protecting certain intellectual property rights and on not infringing the intellectual property rights of others

we may be unable to obtain necessary hardware, software and operational support

labor disputes, whether involving employees or sports organizations, may disrupt our operations and adversely affect our businesses

the loss of key management personnel or popular on-air and creative talent could have an adverse effect on our businesses

sales of DVDs have been declining

we face risks arising from the outcome of various litigation matters

we face risks relating to doing business internationally that could adversely affect our businesses

acquisitions and other strategic transactions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction

our Class B common stock has substantial voting rights and separate approval rights over several potentially material transactions, and our Chairman and CEO has considerable influence over our company through his beneficial ownership of our Class B common stock

Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****Condensed Consolidated Balance Sheet****(Unaudited)**

(in millions, except share data)	March 31, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,839	\$ 10,951
Investments	2,841	1,464
Receivables, net	5,063	5,521
Programming rights	901	909
Other current assets	1,139	1,146
Total current assets	11,783	19,991
Film and television costs	4,653	5,054
Investments	5,433	6,325
Property and equipment, net of accumulated depreciation of \$40,277 and \$39,425	28,219	27,232
Franchise rights	59,364	59,364
Goodwill	26,996	26,985
Other intangible assets, net of accumulated amortization of \$7,965 and \$7,662	17,584	17,840
Other noncurrent assets, net	2,332	2,180
Total assets	\$ 156,364	\$ 164,971
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses related to trade creditors	\$ 5,750	\$ 6,206
Accrued participations and residuals	1,469	1,350
Deferred revenue	903	851
Accrued expenses and other current liabilities	7,719	5,931
Current portion of long-term debt	2,177	2,376
Total current liabilities	18,018	16,714
Long-term debt, less current portion	45,049	38,082
Deferred income taxes	31,152	30,110
Other noncurrent liabilities	12,640	13,271
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests and redeemable subsidiary preferred stock	854	16,998
Equity:		
Preferred stock authorized, 20,000,000 shares; issued, zero		
Class A common stock, \$0.01 par value authorized, 7,500,000,000 shares; issued, 2,494,946,787 and 2,487,739,385; outstanding, 2,129,486,037 and 2,122,278,635	25	25
Class A Special common stock, \$0.01 par value authorized, 7,500,000,000 shares; issued, 565,419,380 and 578,704,227; outstanding, 494,484,616 and 507,769,463	6	6
Class B common stock, \$0.01 par value authorized, 75,000,000 shares; issued and outstanding, 9,444,375		
Additional paid-in capital	38,957	40,547
Retained earnings	16,730	16,280
Treasury stock, 365,460,750 Class A common shares and 70,934,764 Class A Special common shares	(7,517)	(7,517)
Accumulated other comprehensive income (loss)	(11)	15
Total Comcast Corporation shareholders equity	48,190	49,356
Noncontrolling interests	461	440
Total equity	48,651	49,796
Total liabilities and equity	\$ 156,364	\$ 164,971

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See accompanying notes to condensed consolidated financial statements.

Table of Contents**Condensed Consolidated Statement of Income****(Unaudited)**

	Three Months Ended March 31	
(in millions, except per share data)	2013	2012
Revenue	\$ 15,310	\$ 14,878
Costs and Expenses:		
Programming and production	4,663	4,737
Other operating and administrative	4,466	4,244
Advertising, marketing and promotion	1,147	1,209
Depreciation	1,566	1,529
Amortization	401	401
	12,243	12,120
Operating income	3,067	2,758
Other Income (Expense):		
Interest expense	(653)	(640)
Investment income (loss), net	72	92
Equity in net income (losses) of investees, net	11	3
Other income (expense), net	73	(16)
	(497)	(561)
Income before income taxes	2,570	2,197
Income tax expense	(925)	(750)
Net income	1,645	1,447
Net (income) loss attributable to noncontrolling interests and redeemable subsidiary preferred stock	(208)	(223)
Net income attributable to Comcast Corporation	\$ 1,437	\$ 1,224
Basic earnings per common share attributable to Comcast Corporation shareholders	\$ 0.55	\$ 0.45
Diluted earnings per common share attributable to Comcast Corporation shareholders	\$ 0.54	\$ 0.45
Dividends declared per common share attributable to Comcast Corporation shareholders	\$ 0.195	\$ 0.1625

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	Three Months Ended March 31	
(in millions)	2013	2012
Net income	\$ 1,645	\$ 1,447
Unrealized gains (losses) on marketable securities, net of deferred taxes of \$(12) and \$	20	
Deferred gains (losses) on cash flow hedges, net of deferred taxes of \$21 and \$(11)	(36)	20
Amounts reclassified to net income:		
Realized (gains) losses on marketable securities, net of deferred taxes of \$12 and \$	(23)	
Realized (gains) losses on cash flow hedges, net of deferred taxes of \$(27) and \$9	46	(16)
Employee benefit obligations, net of deferred taxes of \$(1) and \$	1	(2)
Currency translation adjustments, net of deferred taxes of \$5 and \$	(17)	2
Comprehensive income	1,636	1,451
Net (income) loss attributable to noncontrolling interests and redeemable subsidiary preferred stock	(208)	(223)
Other comprehensive (income) loss attributable to noncontrolling interests	9	
Comprehensive income attributable to Comcast Corporation	\$ 1,437	\$ 1,228

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Condensed Consolidated Statement of Cash Flows****(Unaudited)**

	Three Months Ended	
	March 31	
(in millions)	2013	2012
Net cash provided by (used in) operating activities	\$ 4,369	\$ 4,393
Investing Activities		
Capital expenditures	(1,361)	(1,174)
Cash paid for intangible assets	(182)	(184)
Acquisition of 30 Rockefeller Plaza properties	(1,311)	
Proceeds from sales of businesses and investments	74	35
Return of capital from investees	16	
Purchases of investments	(88)	(62)
Other	89	36
Net cash provided by (used in) investing activities	(2,763)	(1,349)
Financing Activities		
Proceeds from (repayments of) short-term borrowings, net	491	(407)
Proceeds from borrowings	2,933	
Repurchases and repayments of debt	(1,811)	(1,125)
Repurchases and retirements of common stock	(500)	(750)
Dividends paid	(429)	(304)
Issuances of common stock	13	150
Purchase of NBCUniversal noncontrolling common equity interest	(10,747)	
Distributions to noncontrolling interests	(49)	(58)
Settlement of Station Venture liability	(602)	
Other	(17)	37
Net cash provided by (used in) financing activities	(10,718)	(2,457)
Increase (decrease) in cash and cash equivalents	(9,112)	587
Cash and cash equivalents, beginning of period	10,951	1,620
Cash and cash equivalents, end of period	\$ 1,839	\$ 2,207

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Condensed Consolidated Statement of Changes in Equity****(Unaudited)**

	Redeemable Noncontrolling Interests and Redeemable Subsidiary Preferred	Common Stock						Treasury	Accumulated Other Comprehensive	Non-	
(in millions)	Stock	A	A Special	B	Additional Paid-In Capital	Retained Earnings	Stock at Cost	Income (Loss)	controlling Interests	Total Equity	
Balance, January 1, 2012	\$ 16,014	\$ 25	\$ 7	\$	\$ 40,940	\$ 13,971	\$ (7,517)	\$ (152)	\$ 381	\$ 47,655	
Stock compensation plans					224	(82)				142	
Repurchases and retirements of common stock			(1)		(292)	(457)				(750)	
Employee stock purchase plans					19					19	
Dividends declared						(439)				(439)	
Other comprehensive income (loss)								4		4	
Contributions from (distributions to) noncontrolling interests, net	(8)								(39)	(39)	
Purchase of subsidiary shares from noncontrolling interests	(44)				2					2	
Other									(24)	(24)	
Net income (loss)	196					1,224			27	1,251	
Balance, March 31, 2012	\$ 16,158	\$ 25	\$ 6	\$	\$ 40,893	\$ 14,217	\$ (7,517)	\$ (148)	\$ 345	\$ 47,821	
Balance, January 1, 2013	\$ 16,998	\$ 25	\$ 6	\$	\$ 40,547	\$ 16,280	\$ (7,517)	\$ 15	\$ 440	\$ 49,796	
Stock compensation plans					146	(125)				21	
Repurchases and retirements of common stock					(152)	(348)				(500)	
Employee stock purchase plans					22					22	
Dividends declared						(514)				(514)	
Other comprehensive income (loss)	(9)										
Purchase of NBCUniversal noncontrolling common equity interest	(17,006)				(1,482)			(26)		(1,508)	
Redeemable subsidiary preferred stock	725										
Contributions from (distributions to) noncontrolling interests, net	(9)								(31)	(31)	
Other	(4)				(124)				3	(121)	
Net income (loss)	159					1,437			49	1,486	
Balance, March 31, 2013	\$ 854	\$ 25	\$ 6	\$	\$ 38,957	\$ 16,730	\$ (7,517)	\$ (11)	\$ 461	\$ 48,651	

See accompanying notes to condensed consolidated financial statements.

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We have prepared these unaudited condensed consolidated financial statements based on Securities and Exchange Commission (SEC) rules that permit reduced disclosure for interim periods. These financial statements include all adjustments that are necessary for a fair presentation of our consolidated results of operations, financial condition and cash flows for the periods shown, including normal, recurring accruals and other items. The consolidated results of operations for the interim periods presented are not necessarily indicative of results for the full year.

The year-end condensed consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States (GAAP). For a more complete discussion of our accounting policies and certain other information, refer to our consolidated financial statements included in our 2012 Annual Report on Form 10-K.

Reclassifications have been made to our condensed consolidated financial statements for the prior year to conform to classifications used in the current period.

Note 2: Earnings Per Share**Computation of Diluted EPS**

	2013			Three Months Ended March 31 2012		
	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount	Net Income Attributable to Comcast Corporation	Shares	Per Share Amount
(in millions, except per share data)						
Basic EPS attributable to Comcast Corporation shareholders	\$ 1,437	2,634	\$ 0.55	\$ 1,224	2,708	\$ 0.45
Effect of dilutive securities:						
Assumed exercise or issuance of shares relating to stock plans		41			36	
Diluted EPS attributable to Comcast Corporation shareholders	\$ 1,437	2,675	\$ 0.54	\$ 1,224	2,744	\$ 0.45

Our potentially dilutive securities include potential common shares related to our stock options and our restricted share units (RSUs). Diluted earnings per common share attributable to Comcast Corporation shareholders (diluted EPS) considers the impact of potentially dilutive securities using the treasury stock method. Diluted EPS excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our Class A common stock or our Class A Special common stock, as applicable.

Diluted EPS for the three months ended March 31, 2013 and 2012 excludes 2 million and 26 million, respectively, of potential common shares related to our share-based compensation plans, because the inclusion of the potential common shares would have had an antidilutive effect.

Note 3: Significant Transactions

On March 19, 2013, we acquired GE 's 49% common equity interest in NBCUniversal Holdings for approximately \$16.7 billion (the Redemption Transaction). In addition to this transaction, NBCUniversal purchased from GE certain properties it occupies at 30 Rockefeller Plaza in New York City and CNBC 's headquarters in Englewood Cliffs, New Jersey for approximately \$1.4 billion.

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The total consideration for these transactions consisted of \$11.4 billion of cash on hand; \$4 billion of senior debt securities issued by NBCUniversal Enterprise, Inc. (NBCUniversal Enterprise), a holding company whose principal assets are its interests in NBCUniversal Holdings; \$750 million of cash funded through our commercial paper program; \$1.25 billion of borrowings under NBCUniversal Enterprise's credit facility, which has replaced NBCUniversal's credit facility; and \$725 million aggregate liquidation preference of Series A cumulative preferred stock of NBCUniversal Enterprise. See Note 6 for additional information on NBCUniversal Enterprise's senior debt securities and credit facility.

Following the close of the Redemption Transaction, we control and consolidate NBCUniversal Enterprise and own all of its capital stock other than its preferred stock. NBCUniversal Enterprise's senior debt securities and credit facility are guaranteed by us and four of our wholly owned cable holding company subsidiaries, but are not guaranteed by NBCUniversal. In March 2013, NBCUniversal became a part of our existing cross-guarantee structure. See Note 14 for additional information on our guarantor structure.

After the close of the transaction, GE sold the interests in NBCUniversal Enterprise's senior debt securities and preferred stock it acquired in the Redemption Transaction to unaffiliated third parties. The preferred stock pays dividends at a fixed rate of 5.25% and the holders have the right to cause NBCUniversal Enterprise to redeem their shares at a price equal to the liquidation preference plus accrued but unpaid dividends for a thirty day period beginning on March 19, 2020 and thereafter on every third anniversary of such date (each such date, a put date). Shares of preferred stock can be called for redemption by NBCUniversal Enterprise at a price equal to the liquidation preference plus accrued but unpaid dividends one year following each put date applicable to such shares. Because certain of these redemption provisions are outside of our control, the NBCUniversal Enterprise preferred stock is presented outside of equity under the caption redeemable noncontrolling interests and redeemable subsidiary preferred stock in our condensed consolidated balance sheet. Its initial value was based on the liquidation preference of the preferred stock and is adjusted for accrued but unpaid dividends.

We recognized an increase to our deferred tax liabilities of \$1.5 billion primarily due to the increase in our financial reporting basis in the consolidated net assets of NBCUniversal Holdings in excess of the tax basis following the Redemption Transaction. In addition, our condensed consolidated balance sheet now includes certain tax liabilities of NBCUniversal Enterprise related to periods prior to our acquisition of the common stock of NBCUniversal Enterprise, for which we have been indemnified by GE and have recorded a related indemnification asset. We also expect to realize additional tax benefits in the future as a result of the Redemption Transaction, which are expected to increase the amounts we have agreed to share with GE. Our expected future payments to GE are accounted for as contingent consideration. See Note 7 for additional information on the fair value of this contingent consideration as of March 31, 2013.

Because we have maintained control of NBCUniversal Holdings, the difference between the consideration transferred and the recorded value of GE's 49% redeemable noncontrolling common equity interest, and the related tax impacts, were recorded to additional paid-in capital.

Note 4: Film and Television Costs

(in millions)	March 31, 2013	December 31, 2012
Film Costs:		
Released, less amortization	\$ 1,362	\$ 1,472
Completed, not released	151	99
In production and in development	849	1,048
	2,362	2,619
Television Costs:		
Released, less amortization	1,065	1,124
In production and in development	320	334
	1,385	1,458
Programming rights, less amortization	1,807	1,886
	5,554	5,963
Less: Current portion of programming rights	901	909
Film and television costs	\$ 4,653	\$ 5,054

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Note 5: Investments

(in millions)	March 31, 2013	December 31, 2012
Fair Value Method	\$ 4,939	\$ 4,493
Equity Method:		
The Weather Channel	474	471
Other	714	693
	1,188	1,164
Cost Method:		