Comcast Corporation (CMCSA)

Updated August 24th, 2019 by Kay Ng

Key Metrics

Current Price:	$42	**5 Year CAGR Estimate:**	14.9%	**Volatility Percentile:**	33.8%
Fair Value Price:	$49	**5 Year Growth Estimate:**	10.0%	**Momentum Percentile:**	84.2%
% Fair Value:	87%	**5 Year Valuation Multiple Estimate:**	2.9%	**Growth Percentile:**	92.1%
Dividend Yield:	2.0%	**5 Year Price Target**	$79	**Valuation Percentile:**	66.6%
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Total Return Percentile:**	76.0%

Overview & Current Events

Comcast is a media, entertainment and communications company. Its business units include Cable Communications (High-speed Internet, Video, Business Services, Voice, Advertising, Wireless), NBCUniversal (Cable Networks, Theme Parks, Broadcast TV, Filmed Entertainment), and Sky, a leading entertainment company in Europe that provides Video, High-speed internet, Voice, and Wireless Phone Services directly to consumers. Comcast was founded in 1963, is headquartered in Philadelphia, PA, and has a market cap of $193 billion.

Comcast reported its second-quarter earnings results on July 25. The company reported revenues of $26.9 billion for the quarter, which represents an increase of 24% year over year ("YOY"). This tremendous top line growth was possible due to the closing of the acquisition of Sky during late 2018, which impacted Comcast's results positively. Underlying organic revenue performance has been robust, as Cable Communications revenues rose 3.9% year over year, to $14.5 billion. NBCUniversal revenue was roughly flat with the strongest growth of 7.5% coming from Theme Parks, stable growth of 2.5% for Cable Networks (when adjusted for one-time impacts from the Olympics in the comparable quarter in the prior year), but a drag of 15% from Filmed Entertainment. Sky revenue saw stable growth of 2.4% YOY.

Comcast's compelling revenue growth helped drive adjusted earnings-per-share growth of 13% to $0.78 for the quarter, while adjusted EBITDA rose by a highly attractive pace of 17.5% YOY. Comcast continued to generate strong cash flows; free cash generation totaled $4.2 billion during the quarter.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	$0.63	$0.65	$0.79	$1.14	$1.28	$1.47	$1.63	$1.74	$2.06	$2.55	***$2.80***	***$4.50***
DPS	$0.15	$0.19	$0.23	$0.33	$0.39	$0.45	$0.50	$0.55	$0.61	$0.76	***$0.84***	***$1.35***
Shares[1]	5.68	5.55	5.41	5.26	5.19	5.06	4.88	4.75	4.64	4.60	***4.55***	***4.40***

Comcast has a very compelling earnings growth history. From 2009 to 2018, its earnings-per-share grew every year. Annual growth averaged 17% over those nine years. Over the last five years, its growth has slowed down a bit, averaging 14.8% annually since 2013, which has still been a very compelling - and consistent - rate of earnings growth. We estimate earnings growth of about 10% per year through 2024.

There are several drivers for Comcast's earnings growth. The first one is ongoing revenue growth, driven primarily by Cable revenues. Cable revenues grew by 3.9% during Q2, primarily due to a higher customer count and rate adjustments. Cable revenues have grown by mid-single digits for the last ten quarters, and it seems reasonable to assume that growth will continue going forward. The Video segment is battling against the impact of cord-cutting, but so far higher revenues in the high-speed internet business more than offset this headwind.

Apart from revenue growth, Comcast's earnings were driven by margin increases. In Q2, the company's EBITDA margin increased by 1.3% to 40.5% against Q2 2018. Furthermore, the company's share count will likely continue to decline, which will be a positive for Comcast's EPS, although Comcast plans to focus on deleveraging for some time following the takeover of Sky.

1. Shares in billions.
Disclosure: Kay Ng owns shares of CMCSA.

Comcast Corporation (CMCSA)

Updated August 24th, 2019 by Kay Ng

Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	11.8	14.3	14.9	14.0	16.9	18.2	18.1	18.2	18.6	13.3	***15.2***	***17.5***
Avg. Yld.	2.0%	2.1%	1.9%	2.0%	1.8%	1.7%	1.7%	1.7%	1.6%	2.1%	***2.0%***	***1.7%***

Comcast's shares are currently valued at roughly fifteen times this year's estimated earnings, which is a moderate discount from our fair value estimate. We believe the company is worth a higher multiple based on its stability and persistence to grow earnings and cash flow.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	23.8%	29.2%	29.1%	28.9%	30.5%	30.6%	30.7%	31.6%	29.6%	29.8%	***30.0%***	***30.0%***

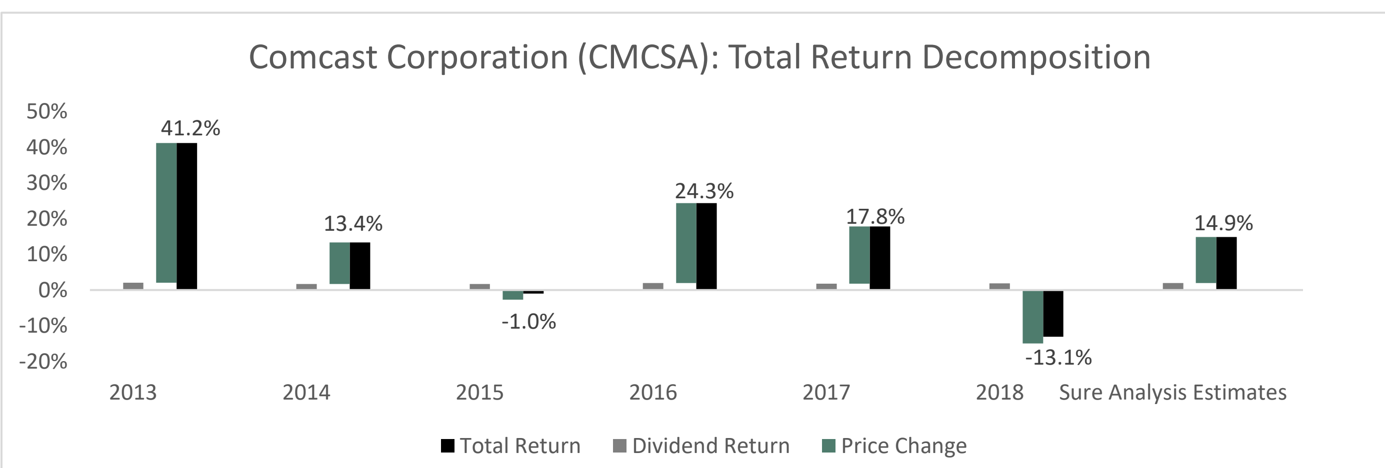
Comcast has raised its dividend for 10 years in a row, and its dividend growth rate was compelling throughout the decade. The fast dividend growth was possible through a combination of solid earnings growth and a rising dividend payout ratio. Comcast's dividend payout ratio is still quite low, and we believe that the dividend looks very safe for the foreseeable future, as it is well-covered by both earnings and cash flows.

Comcast is one of the largest players in the entertainment industry. New market entrants would have to spend many billions of dollars to establish themselves as a cable player or major entertainment network. As a result, competitive pressures are not very high. The whole cable industry is impacted by the nationwide cord-cutting trend, though, as some customers are ditching traditional pay-TV entirely. Comcast has so far been able to withstand this trend through growth from its other businesses. During the last financial crisis, Comcast grew its earnings-per-share, largely because the demand for its services is not cyclical.

Final Thoughts & Recommendation

Comcast has been a high-quality growth company over the last decade, having produced a highly compelling earnings growth rate and raising its dividend at a fast pace on top of that. The company should be able to weather the cord-cutting trend, and we earnings growth to slow to 10% per year, which is still compelling. Adding in a dividend yield of 2% and valuation expansion of 2.9%, we think Comcast can deliver total returns of 14.9% per year through 2024. Sure Dividend rates the stock as a buy for conservative investors seeking relatively high dividend growth.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.]

1. Shares in billions.

Disclosure: Kay Ng owns shares of CMCSA.

Comcast Corporation (CMCSA)

Updated August 24th, 2019 by Kay Ng

Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	35756	37937	55842	62570	64657	68775	74510	80403	84526	94507
Gross Profit	21376	29400	39246	42641	44987	47863	51960	55940	59142	64815
Gross Margin	59.8%	77.5%	70.3%	68.1%	69.6%	69.6%	69.7%	69.6%	70.0%	68.6%
SG&A Exp.	7662	14804	20889	22664	23553	24940	27282	29523	31330	35130
D&A Exp.	6500	6803	14423	7798	7871	8019	8680	9558	9825	10676
Operating Profit	7214	7980	10721	12179	13563	14904	15998	16859	17987	19009
Op. Margin	20.2%	21.0%	19.2%	19.5%	21.0%	21.7%	21.5%	21.0%	21.3%	20.1%
Net Profit	3638	3635	4160	6203	6816	8380	8163	8695	22714	11731
Net Margin	10.2%	9.6%	7.4%	9.9%	10.5%	12.2%	11.0%	10.8%	26.9%	12.4%
Free Cash Flow	4642	5682	8084	8217	6555	8403	9616	9004	10106	12588
Income Tax	1478	2436	3050	3744	3980	3873	4959	5308	-7578	3380

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets ($B)	112.73	118.53	157.82	164.97	158.81	159.19	166.57	180.50	186.95	251.68
Cash & Equivalents	671	5984	1620	10951	1718	3910	2295	3301	3428	3814
Acc. Receivable	1711	1855	4652	5521	6376	6321	6896	7955	8546	11104
Goodwill/Int. ($B)	78.49	78.00	109.64	109.24	108.79	109.39	115.11	119.87	122.00	171.71
Total Liab. ($B)	69.76	73.96	110.16	115.18	107.76	106.12	112.60	124.33	117.50	179.18
Accounts Payable	N/A	N/A	5705	6206	5528	5638	6215	6915	6926	8494
Long-Term Debt	29096	31415	39309	40458	47847	48081	52621	61046	64556	111743
Total Equity	42721	44354	47274	49356	50694	52711	52269	53943	68606	71613
D/E Ratio	0.68	0.71	0.83	0.82	0.94	0.91	1.01	1.13	0.94	1.56

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	3.2%	3.1%	3.0%	3.8%	4.2%	5.3%	5.0%	5.0%	12.4%	5.3%
Return on Equity	8.7%	8.3%	9.1%	12.8%	13.6%	16.2%	15.6%	16.4%	37.1%	16.7%
ROIC	5.0%	4.9%	5.1%	7.0%	7.2%	8.4%	7.9%	7.8%	18.1%	7.4%
Shares Out.	5.68	5.55	5.41	5.26	5.19	5.06	4.88	4.75	4.64	4.60
Revenue/Share	6.20	6.73	10.05	11.51	12.13	13.13	14.80	16.49	17.66	20.37
FCF/Share	0.80	1.01	1.46	1.51	1.23	1.60	1.91	1.85	2.11	2.71

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.