Comcast Corporation (CMCSA)

Updated February 18th, 2021 by Kay Ng

Key Metrics

Current Price:	$53	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$240.8 B
Fair Value Price:	$51	**5 Year Growth Estimate:**	10.0 %	**Ex-Dividend Date:**	04/06/21
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.7%	**Dividend Payment Date:**	04/28/21
Dividend Yield:	1.9%	**5 Year Price Target**	$82	**Years Of Dividend Growth:**	13
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	8.7%

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.

Comcast reported its Q4 and full-year 2020 results on 01/28/21. For the quarter, the company's revenues declined 2.4% to $27.7 billion, adjusted EBITDA declined 14.8% to $7.2 billion, adjusted earnings-per-share (EPS) declined 29.1% to $0.56, and free cash flow (FCF) declined 31.6% to $1.7 billion year over year ("YOY"). Comcast's Cable customer relationships boosted by 5.1% to 33.1M. The company experienced record Q4 net additions of 455K Cable Communications customer relations. It also added 538K High-Speed Internet customers – the best quarterly results in its history and 2.0M net adds in 2020 – the best year on record. It also added 246K wireless lines, ending the year with 2.8M total lines. COVID-19 hit the NBCUniversal and Sky segments. NBCUniversal revenue was down 18.1% to $7.5 billion, while its adjusted EBITDA fell 20.7% to below $1.6 billion. Particularly hit hard was the Broadcast TV and Theme Parks operations. Sky's revenue was stable, but its adjusted EBITDA fell 82.3% to $139 million. The full year results show a bigger picture. Comcast is generally pretty resilient against economic downturns. The company's revenues declined 4.9% to $103.6 billion, adjusted EBITDA declined 10.0% to $30.8 billion, adjusted EPS declined 16.6% to $2.61, and FCF declined 0.9% to $13.3 billion YOY. As a testament of the company's strength as a dividend company, Comcast increased its dividend by 8.7% in January 2021 to an annualized payout of $1.00 per share. We continue to believe that the company will survive and remain as a healthy solid dividend-paying company as it continues to generate substantial FCF. We give an initial 2021 EPS estimate of $2.82.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	$0.79	$1.14	$1.28	$1.47	$1.63	$1.74	$2.06	$2.55	$3.13	$2.61	***$2.82***	***$4.35***
DPS	$0.23	$0.33	$0.39	$0.45	$0.50	$0.55	$0.61	$0.76	$0.84	$0.92	***$1.00***	***$1.61***
Shares[1]	5.41	5.26	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	***4.59***	***4.21***

Comcast's top and bottom lines are expected to somewhat rebound in 2021 from the COVID-19 impacts. Over the next five years, as the economy normalizes, we see several drivers for the company's earnings growth. The first one is ongoing revenue growth, driven primarily by Cable Communications revenues, which grew 3.4% in 2020, primarily due to greater demand in high-speed internet. This revenue has grown by single digits for most quarters on a YOY basis, and it seems reasonable to assume that growth will continue in most cases going forward. The Video operation 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 its core business. In 2020, its Cable Communications EBITDA margin increased from 40.1% to $42.1% against 2019. Comcast has a very compelling earnings growth history, which was helped by share repurchases. From 2011 to 2020, its EPS increased at a compound

1. Shares in billions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

annual growth rate (CAGR) of 14.2%. The past five years saw a CAGR of 9.9% due to the meaningful earnings cut last year. The near- to medium-term impact from COVID-19 could put share buybacks on hold even in 2021 as the company prioritizes dividend growth over buybacks. We estimate EPS will grow by about 10% per year through 2026, partly to make up lost ground from earnings drawdown during the pandemic period.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	12.2	14.1	16.9	18.2	17.8	28.1	40.6	21.2	19.9	16.9	***18.7***	***18.0***
Avg. Yld.	4.3%	4.1%	4.1%	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	***1.9%***	***1.8%***

CMCSA stock is valued at 18.7 times 2021 estimated earnings -- lower than its average P/E of 20.6 from 2011-2020. Because we estimate earnings will grow about 10% through 2026 from a recovering and expanding economy, we believe a long-term multiple of close to 18 is more reasonable. The shares are considered fairly valued at the recent quotation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

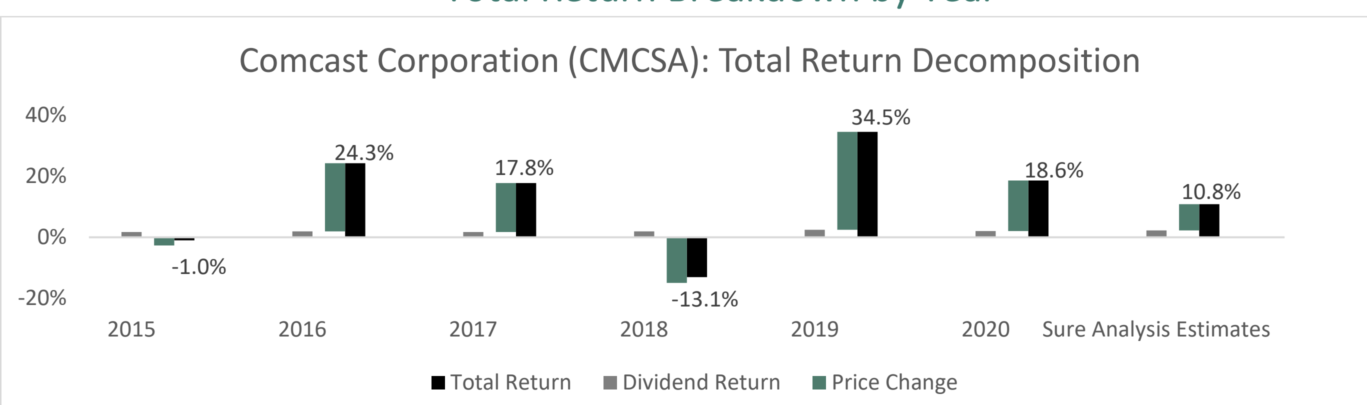
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	29%	29%	30%	31%	31%	32%	30%	30%	27%	35%	***35%***	***32%***

Comcast has had 13 consecutive dividend increases. The fast dividend growth was possible through solid earnings growth and a rising dividend payout ratio. Its dividend is well-covered by 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 as a key cable player or entertainment network. So, competitive pressures are not very high. The 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. We expect Comcast's earnings will experience a steady recovery starting in 2021. Despite a drop in 2020 adjusted EBITDA, Comcast's balance sheet remains strong with a consolidated net leverage ratio of 2.9 times in Q4 2020 up from 2.8 times YOY.

Final Thoughts & Recommendation

Comcast is a quality company, having produced compelling earnings growth and raising its dividend at a fast pace over the last decade. We expect EPS growth to be 10% per year, which is still good growth. Adding in a dividend yield of 1.9% and valuation contraction of 0.7%, we think Comcast can deliver total returns of 10.8% per year through 2025. Sure Dividend rates the stock as a buy, especially on dips, for investors seeking stable growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	55842	62570	64657	68775	55842	80736	85029	94507	108942	103564
Gross Profit	39246	42641	44987	47863	39246	56388	59674	64815	74502	70443
Gross Margin	70.3%	68.1%	69.6%	69.6%	70.3%	69.8%	70.2%	68.6%	68.4%	68.0%
SG&A Exp.	20889	22664	23553	24940	20889	30131	31968	35130	40424	39850
D&A Exp.	14423	7798	7871	8019	14423	9426	9688	10676	12953	13100
Operating Profit	10721	12179	13563	14904	10721	16831	18018	19009	21125	17493
Operating Margin	19.2%	19.5%	21.0%	21.7%	19.2%	20.8%	21.2%	20.1%	19.4%	16.9%
Net Profit	4160	6203	6816	8380	4160	8678	22735	11731	13057	10534
Net Margin	7.4%	9.9%	10.5%	12.2%	7.4%	10.7%	26.7%	12.4%	12.0%	10.2%
Free Cash Flow	8084	8217	6555	8403	8084	9004	10106	12588	13269	13103
Income Tax	3050	3744	3980	3873	4959	5298	-7569	3380	3673	3364

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets ($B)	157.8	165.0	158.8	159.2	166.6	180.5	187.5	251.7	263.4	273.9
Cash & Equivalents	1,620	10,951	1,718	3,910	2,295	3,301	3,428	3,814	5,500	11,740
Acc. Receivable	4,652	5,521	6,376	6,321	6,896	7,955	8,834	11,104	11,292	11,466
Goodwill ($B)	109.6	109.2	108.9	109.4	115.1	119.9	121.4	171.7	173.2	178.8
Total Liab ($B)	110.2	115.2	107.8	106.1	112.6	124.3	118.0	179.2	179.5	182.1
Accounts Payable	5,705	6,206	5,528	5,638	6,215	6,915	6,908	8,494	10,826	11,364
LT Debt ($B)	39.3	40.5	47.8	48.1	52.6	61.0	64.6	111.7	102.2	103.8
Total Equity	47274	49356	50694	52711	52269	53943	68616	71613	82726	90323
D/E Ratio	0.83	0.82	0.94	0.91	1.01	1.13	0.94	1.56	1.24	1.15

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	3.0%	3.8%	4.2%	5.3%	5.0%	5.0%	12.4%	5.3%	5.1%	3.9%
Return on Equity	9.1%	12.8%	13.6%	16.2%	15.6%	16.3%	37.1%	16.7%	16.9%	12.2%
ROIC	5.1%	7.0%	7.2%	8.4%	7.9%	7.8%	18.1%	7.4%	7.1%	5.5%
Shares Out.	5.41	5.26	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64
Revenue/Share	10.05	11.51	12.13	13.13	14.80	16.56	17.77	20.37	23.63	22.40
FCF/Share	1.46	1.51	1.23	1.60	1.91	1.85	2.11	2.71	2.88	2.83

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