Comcast Corporation (CMCSA)

Updated January 31st, 2022 by Kay Ng

Key Metrics

Current Price:	$50	**5 Year CAGR Estimate:**	11.2%	**Market Cap:**	$228B
Fair Value Price:	$51	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	04/05/22
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.3%	**Dividend Payment Date:**	04/27/22
Dividend Yield:	2.2%	**5 Year Price Target**	$78	**Years Of Dividend Growth:**	14
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Last Dividend Increase:**	8.0%

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.

Comcast reported its Q4 and full-year 2021 results on 01/27/22. For the quarter, the company's revenues climbed 9.5% to $30.3 billion, adjusted EBITDA rose 17.0% to 8.4 billion, adjusted earnings-per-share (EPS) climbed 37.5% to $0.77, and it generated free cash flow (FCF) of $3,784 million. Comcast's Cable customer relationships boosted by 3.3% to 34.2M. The company experienced net additions of 169K Cable Communications customer relations and had broadband customer net additions of 212K as well as added 312K wireless lines (the best quarter since launch Xfinity Mobile in 2017). For the full year, the company posted record numbers: revenues climbed 12.4% to $116 billion, adjusted EBITDA rose 12.6% to 34.7 billion, adjusted EPS climbed 23.8% to $3.23, and its FCF rose 28.7% to $17 billion. For the year, it experienced net additions of 1.1M Cable Communications customer relations and had broadband customer net additions of 1.3M. It ended the year with 4.0M total wireless lines. NBCUniversal revenue and adjusted EBITDA rebounded with jumps of 26.1% to $34.3 billion and 6.0% to almost $5.7 billion, respectively**.** The Sky segment saw revenue growth of 9.1% (3.1% if constant currency) and adjusted EBITDA growth of 20.8% (10.2% if constant currency). Comcast further instilled investor confidence by raising its quarterly dividend by 8.0%. We continue to believe that Comcast will remain a healthy solid dividend-paying company as it continues to generate substantial FCF. We initiated our 2022 EPS estimate to $3.62.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.14	$1.28	$1.47	$1.63	$1.74	$2.06	$2.55	$3.13	$2.61	$3.23	***$3.62***	***$5.57***
DPS	$0.33	$0.39	$0.45	$0.50	$0.55	$0.61	$0.76	$0.84	$0.92	$1.00	***$1.08***	***$1.66***
Shares[1]	5.26	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	***4.54***	***4.21***

Comcast Chairman, CEO, and President Brian L. Roberts noted in the Q4 2021 earnings call, "We believe that the broadband market conditions in 2022 will continue to be impacted by COVID." COVID will also continue to be a dampener on results at Comcast's theme parks. Increasing competition may pressure on margins and rising interest rates can dampen growth as the company largely finances from debt with its debt-to-equity ratio at 1.8 times at the end of 2021. However, management sees organic growth opportunities across its businesses, including increasing the capacity of its U.S. broadband network, producing more premium content that can increase engagement at its Peacock streaming service, and building its new theme park, Epic Universe, which is scheduled to open in the summer of 2025 in Orlando. Comcast has had a compelling earnings-growth history that was helped by share repurchases. From 2012 to 2021, its EPS increased at a compound annual growth rate (CAGR) of 12.3%. The past five years saw a CAGR of 11.9%.

[1] Shares in billions.

Disclosure: Kay Ng owns CMCSA shares.

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Comcast resumed share buybacks in late Q2 2021 after normalizing from COVID impacts. We estimate EPS will grow by about 9% per year through 2027, and that the dividend growth will align with its EPS growth as well.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	14.1	16.9	18.2	17.8	28.1	40.6	21.2	19.9	16.9	18.8	***13.8***	***14.0***
Avg. Yld.	4.1%	4.1%	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	***2.2%***	***2.1%***

CMCSA stock is valued at 13.8 times 2021 estimated earnings -- lower than its average P/E of 21.3 from 2012-2021. Because of increasing competition and rising interest rates, we are conservatively reducing its target P/E to 14. Therefore, we believe the stable dividend stock is fairly valued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

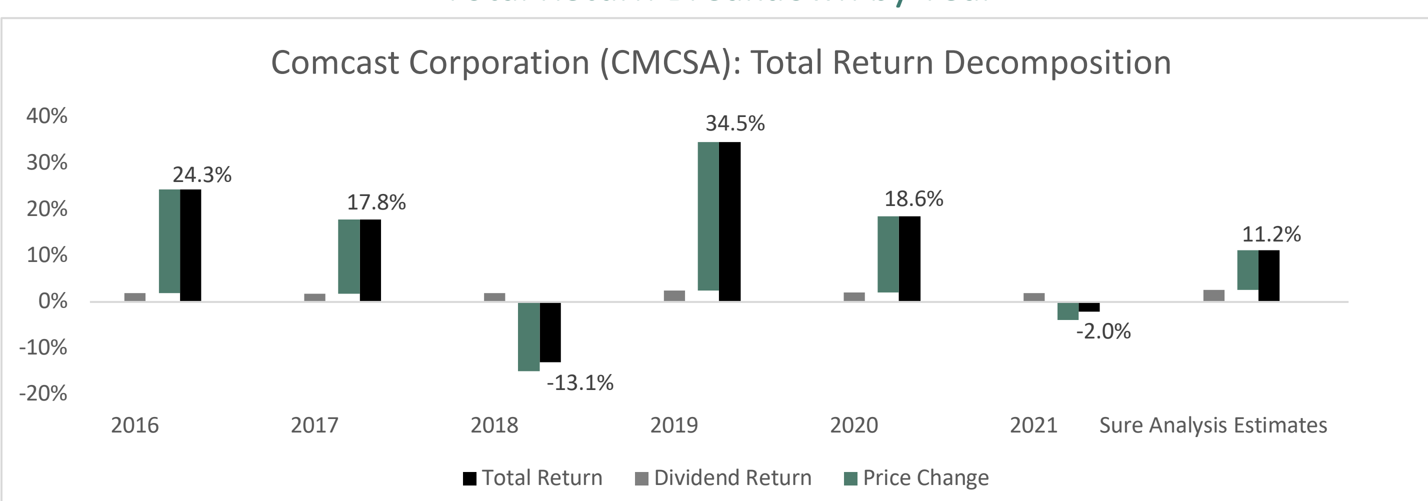
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	30%	31%	31%	32%	30%	30%	27%	35%	31%	***30%***	***30%***

Comcast has had 14 consecutive dividend increases. The fast dividend growth was possible through solid earnings growth and a safe 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. Comcast's earnings experienced a swifter recovery in 2021 than we thought. Additionally, its balance sheet remains strong with a consolidated net leverage ratio of 2.4 times in Q4 2021, down from 2.9 times a year ago.

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 9% per year, which is still good growth. Adding a dividend yield of 2.2% and a valuation expansion that would add returns of 0.3%, we think Comcast can deliver total returns of 11.2% per year through 2027. Sure Dividend rates the dividend stock as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	62,570	64,657	68,775	74,510	80,736	85,029	94,507	108,942	103,564	116,385
Gross Profit	42,641	44,987	47,863	51,960	56,388	59,674	64,815	74,502	70,443	77,935
Gross Margin	68.1%	69.6%	69.6%	69.7%	69.8%	70.2%	68.6%	68.4%	68.0%	67.0%
SG&A Exp.	4,831	4,978	5,101	5,957	6,291	6,519	7,036	7617	6,741	7,695
D&A Exp.	7,798	7,871	8,019	8,680	9,426	9,688	10,676	12,953	13,100	13,804
Operating Profit	12,179	13,563	14,904	15,998	16,831	18,018	19,009	21,125	17,493	20,817
Operating Margin	19.5%	21.0%	21.7%	21.5%	20.8%	21.2%	20.1%	19.4%	16.9%	17.9%
Net Profit	6,203	6,816	8,380	8163	8,678	22,735	11,731	13,057	10,534	14,159
Net Margin	9.9%	10.5%	12.2%	11.0%	10.7%	26.7%	12.4%	12.0%	10.2%	12.2%
Free Cash Flow	8,217	6,555	8,403	9,616	9,004	10,106	12,588	13,269	13,103	17,089
Income Tax	3,744	3,980	3,873	4,959	5,298	-7,569	3,380	3,673	3,364	5,259

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets ($B)	165.0	158.8	159.2	166.6	180.5	187.5	251.7	263.4	273.9	275.9
Cash & Equivalents	10,951	1,718	3,910	2,295	3,301	3,428	3814	5,500	11,740	8,711
Accounts Receivable	5,521	6,376	6,321	6,896	7,955	8,834	11,104	11,292	11,466	12,008
Goodwill ($B)	109.2	108.8	109.4	115.1	119.9	121.4	171.7	173.2	178.8	175.9
Total Liabilities ($B)	115.2	107.8	106.1	112.6	124.3	118.0	179.2	179.5	182.1	178.4
Accounts Payable	6,206	5,528	5,638	6,215	6,915	6,908	8,494	10,826	11,364	12,455
Long-Term Debt ($B)	40.5	47.9	48.0	52.6	61.0	64.6	111.7	102.2	103.8	94.9
Shareholder’s Equity	49,356	50,694	52,711	52,269	53,943	68,616	71,613	82,726	90,323	96,092
LTD/E Ratio	0.82	0.94	0.91	1.01	1.13	0.94	1.56	1.24	1.15	0.99

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	3.8%	4.2%	5.3%	5.0%	5.0%	12.4%	5.3%	5.1%	3.9%	5.2%
Return on Equity	12.8%	13.6%	16.2%	15.6%	16.3%	37.1%	16.7%	16.9%	12.2%	15.2%
ROIC	7.0%	7.2%	8.4%	7.9%	7.8%	18.1%	7.4%	7.1%	5.5%	7.3%
Shares Out.	5.26	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61
Revenue/Share	11.51	12.13	13.13	14.80	16.56	17.77	20.37	23.63	22.40	25.01
FCF/Share	1.51	1.23	1.60	1.91	1.85	2.11	2.71	2.88	2.83	3.67

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