



# Comcast Corporation (CMCSA)

Updated May 3<sup>rd</sup>, 2022 by Kay Ng

## Key Metrics

<b>Current Price:</b>	\$40	<b>5 Year CAGR Estimate:</b>	15.8%	<b>Market Cap:</b>	\$181B
<b>Fair Value Price:</b>	\$50	<b>5 Year Growth Estimate:</b>	9.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	07/06/21
<b>% Fair Value:</b>	81%	<b>5 Year Valuation Multiple Estimate:</b>	4.4%	<b>Dividend Payment Date<sup>1</sup>:</b>	07/28/21
<b>Dividend Yield:</b>	2.7%	<b>5 Year Price Target</b>	\$77	<b>Years Of Dividend Growth:</b>	14
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## 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 Q1 2022 results on 04/28/22. For the quarter, the company's revenues climbed 14.0% to \$31.0 billion, adjusted EBITDA (a cash flow proxy) rose 8.8% to 9.2 billion, adjusted earnings-per-share (EPS) climbed 13.2% to \$0.86, and it generated free cash flow (FCF) of \$4,760 million. During the quarter, the company returned \$4.2 billion of capital via \$1.2 billion in dividends and \$3.0 billion in stock buybacks. (Comcast began buying back its common stock again in Q2 2021 since the 2020 pandemic.)

Comcast's Cable customer relationships boosted by 2.7% to 34.4M. The company experienced net additions of 194K Cable Communications customer relations and had broadband customer net additions of 262K as well as added 318K wireless lines (the best quarter since launch of Xfinity Mobile in 2017). Its Cable segment experienced stable adjusted EBITDA growth of 6.5%. NBCUniversal revenue and adjusted EBITDA jumped 46.6% to \$10.3 billion and 7.4% to \$1.6 billion, respectively, thanks to strong rebound in revenues for this segment and "exceptional demand" at its theme parks. The Sky segment saw revenue decline 0.5% marginally and adjusted EBITDA growth of 71.2%. The jump in the latter is due to strong performance in the U.K. and lower sports programming costs.

We continue to believe that Comcast will remain a healthy solid dividend-paying company as it continues to generate substantial FCF. We updated our 2022 EPS estimate to \$3.58.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$1.14	\$1.28	\$1.47	\$1.63	\$1.74	\$2.06	\$2.55	\$3.13	\$2.61	\$3.23	<b>\$3.58</b>	<b>\$5.51</b>
<b>DPS</b>	\$0.33	\$0.39	\$0.45	\$0.50	\$0.55	\$0.61	\$0.76	\$0.84	\$0.92	\$1.00	<b>\$1.08</b>	<b>\$1.66</b>
<b>Shares<sup>1</sup></b>	5.26	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	<b>4.54</b>	<b>4.21</b>

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 1.9 times at the end of Q1 2022. Simultaneously, Comcast generates tons of cash flow. From 2018 to 2020, it allocated about 48% of its operating cash flow for capital spending for the long-term growth of the business, which left ample free cash flow to cover the dividend. Capital spending was 41% of operating cash flow in 2021. Additionally, 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

<sup>1</sup> Projected dividend dates; Shares in billions.

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five years saw a CAGR of 11.9%. 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	11.3	14.0
Avg. Yld.	4.1%	4.1%	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	2.7%	2.2%

CMCSA stock is valued at 11.3 times 2022 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 stable dividend stock is undervalued.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

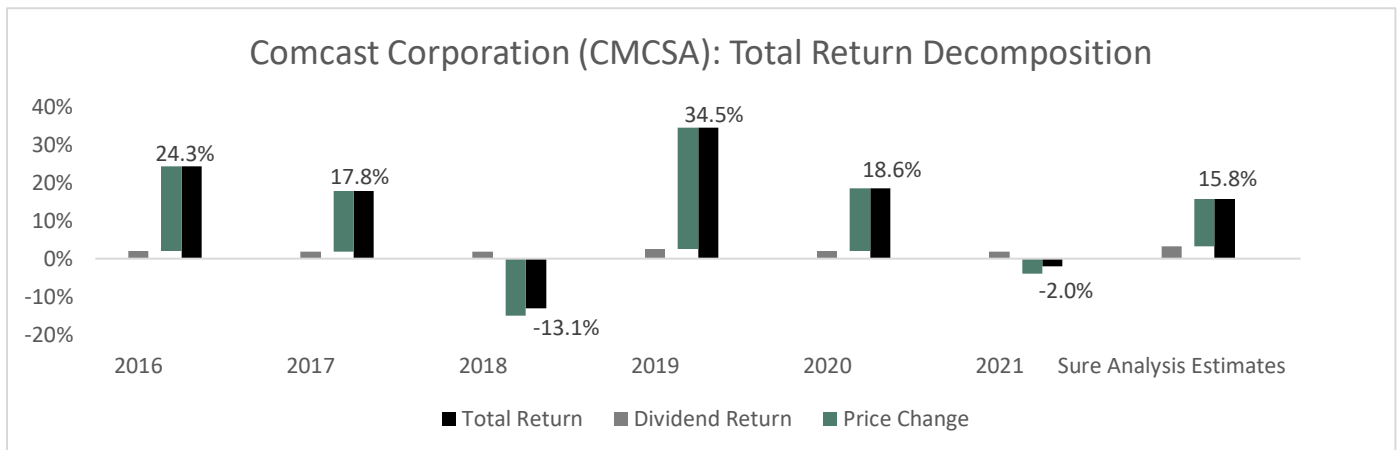
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	30%	31%	31%	32%	30%	30%	27%	35%	31%	30%	30%

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 2.3 times in at the end of Q1 2022, down from 2.7 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 2.7% and a valuation expansion that would add returns of 4.4%, we think Comcast can deliver total returns of 15.8% 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
<b>Revenue</b>	62,570	64,657	68,775	74,510	80,736	85,029	94,507	108,942	103,564	116,385
<b>Gross Profit</b>	42,641	44,987	47,863	51,960	56,388	59,674	64,815	74,502	70,443	77,935
<b>Gross Margin</b>	68.1%	69.6%	69.6%	69.7%	69.8%	70.2%	68.6%	68.4%	68.0%	67.0%
<b>SG&amp;A Exp.</b>	4,831	4,978	5,101	5,957	6,291	6,519	7,036	7,617	6,741	7,695
<b>D&amp;A Exp.</b>	7,798	7,871	8,019	8,680	9,426	9,688	10,676	12,953	13,100	13,804
<b>Operating Profit</b>	12,179	13,563	14,904	15,998	16,831	18,018	19,009	21,125	17,493	20,817
<b>Operating Margin</b>	19.5%	21.0%	21.7%	21.5%	20.8%	21.2%	20.1%	19.4%	16.9%	17.9%
<b>Net Profit</b>	6,203	6,816	8,380	8,163	8,678	22,735	11,731	13,057	10,534	14,159
<b>Net Margin</b>	9.9%	10.5%	12.2%	11.0%	10.7%	26.7%	12.4%	12.0%	10.2%	12.2%
<b>Free Cash Flow</b>	8,217	6,555	8,403	9,616	9,004	10,106	12,588	13,269	13,103	17,089
<b>Income Tax</b>	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
<b>Total Assets (\$B)</b>	165.0	158.8	159.2	166.6	180.5	187.5	251.7	263.4	273.9	275.9
<b>Cash &amp; Equivalents</b>	10,951	1,718	3,910	2,295	3,301	3,428	3,814	5,500	11,740	8,711
<b>Accounts Receivable</b>	5,521	6,376	6,321	6,896	7,955	8,834	11,104	11,292	11,466	12,008
<b>Goodwill (\$B)</b>	109.2	108.8	109.4	115.1	119.9	121.4	171.7	173.2	178.8	175.9
<b>Total Liabilities (\$B)</b>	115.2	107.8	106.1	112.6	124.3	118.0	179.2	179.5	182.1	178.4
<b>Accounts Payable</b>	6,206	5,528	5,638	6,215	6,915	6,908	8,494	10,826	11,364	12,455
<b>Long-Term Debt (\$B)</b>	40.5	47.9	48.0	52.6	61.0	64.6	111.7	102.2	103.8	94.9
<b>Shareholder's Equity</b>	49,356	50,694	52,711	52,269	53,943	68,616	71,613	82,726	90,323	96,092
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	3.8%	4.2%	5.3%	5.0%	5.0%	12.4%	5.3%	5.1%	3.9%	5.2%
<b>Return on Equity</b>	12.8%	13.6%	16.2%	15.6%	16.3%	37.1%	16.7%	16.9%	12.2%	15.2%
<b>ROIC</b>	7.0%	7.2%	8.4%	7.9%	7.8%	18.1%	7.4%	7.1%	5.5%	7.3%
<b>Shares Out.</b>	5.26	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61
<b>Revenue/Share</b>	11.51	12.13	13.13	14.80	16.56	17.77	20.37	23.63	22.40	25.01
<b>FCF/Share</b>	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.

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