



Comcast Corporation (CMCSA)

Updated August 4th, 2022 by Kay Ng

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|----------|
| Current Price: | \$39 | 5 Year CAGR Estimate: | 16.7% | Market Cap: | \$172B |
| Fair Value Price: | \$50 | 5 Year Growth Estimate: | 9.0% | Ex-Dividend Date: | 10/04/22 |
| % Fair Value: | 78% | 5 Year Valuation Multiple Estimate: | 5.2% | Dividend Payment Date: | 10/26/22 |
| Dividend Yield: | 2.8% | 5 Year Price Target | \$77 | Years Of Dividend Growth: | 14 |
| Dividend Risk Score: | B | Retirement Suitability Score: | B | Rating: | 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 Q2 2022 results on 07/28/22. For the quarter, the company's revenues climbed 5.1% to \$30.0 billion, adjusted EBITDA (a cash flow proxy) rose 10.1% to 9.8 billion, adjusted earnings-per-share (EPS) climbed 20.2% to \$1.01, and it generated free cash flow (FCF) of \$3,170 million.

The Cable segment saw net losses of 28K in customer relationships, including flat broadband customers versus the prior quarter. But net adds was 591K over the last 12 months. Comcast believes this is "temporary pressure [due to the current] macroeconomic environment." The good thing is that for this business segment, management achieved its highest adjusted EBITDA margin on record, which helped adjusted EBITDA growth of 5.3% to \$7.4 billion. NBCUniversal delivered strong results – revenue growth of 18.7% and adjusted EBITDA growth of 19.5% -- driven by its Theme Parks that covered the adjusted EBITDA reductions in Media and Studios. Sky's revenue dipped 3.5%, but adjusted EBITDA jumped 70.7%, reflecting "strong growth in the U.K. and improved results in Germany and Italy."

The results in the first half of the year (H1) provide a bigger picture. Revenues climbed 9.5% to \$61.0 billion, adjusted EBITDA rose 9.4% to 19.0 billion, adjusted EPS climbed 16.3% to \$1.86, and it generated FCF of \$7,930 million. During H1, the company returned \$8.4 billion of capital via \$2.4 billion in dividends and \$6.0 billion in stock buybacks. (Comcast began buying back its common stock again in Q2 2021 since the 2020 pandemic.)

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

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 | \$3.58 | \$5.51 |
| 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 |
| Shares¹ | 5.26 | 5.19 | 5.06 | 4.88 | 4.75 | 4.64 | 4.60 | 4.62 | 4.64 | 4.61 | 4.48 | 4.16 |

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 Q2 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

¹Shares in billions.

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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%. 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 | 10.9 | 14.0 |
| Avg. Yld. | 4.1% | 4.1% | 3.7% | 3.3% | 3.1% | 3.1% | 2.9% | 3.1% | 2.2% | 1.8% | 2.8% | 2.2% |

CMCSA stock is valued at 10.9 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 target a more conservative P/E of 14. Therefore, we believe stable dividend stock is undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

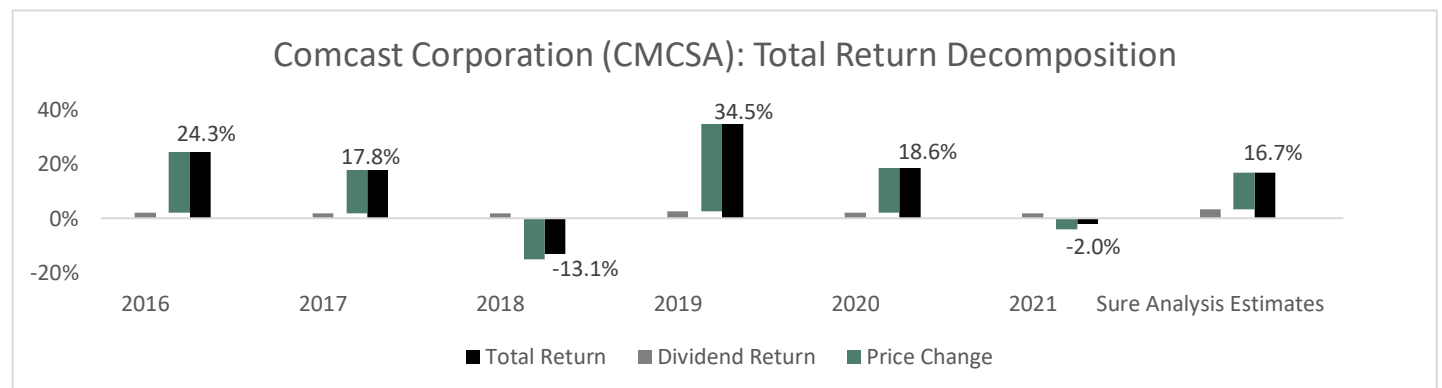
| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---------------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 29% | 30% | 31% | 31% | 32% | 30% | 30% | 27% | 35% | 31% | 30% | 30% |

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 Q2 2022, down from 2.6 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 2.8% and a valuation expansion that would add returns of 5.2%, we think Comcast can deliver total returns of 16.7% 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 | 7,617 | 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 | 8,163 | 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 | 3,814 | 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.

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