



Comcast Corporation (CMCSA)

Updated October 29th, 2022 by Kay Ng

Key Metrics

Current Price:	\$32	5 Year CAGR Estimate:	17.0%	Market Cap:	\$141B
Fair Value Price:	\$43	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	01/03/23
% Fair Value:	74%	5 Year Valuation Multiple Estimate:	6.1%	Dividend Payment Date:	01/25/23
Dividend Yield:	3.4%	5 Year Price Target	\$63	Years Of Dividend Growth:	14
Dividend Risk Score:	B	Retirement Suitability Score:	A	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 Q3 2022 results on 10/27/22. For the quarter, the company's revenues dropped 1.5% to \$29.8 billion, adjusted EBITDA (a cash flow proxy) rose 5.9% to 9.5 billion, adjusted earnings-per-share (EPS) climbed 10.3% to \$0.96, and it generated free cash flow (FCF) of \$3,387 million. The stock has sold off in the near term probably because it reported diluted loss per share of \$1.05 for the quarter primarily due to an impairment charge at Sky. The Cable segment saw net adds of 315K customer relationships over the last 12 months. At least this business segment witnessed adjusted EBITDA growth of 5.4% to \$7.5 billion with the help of the adjusted EBITDA margin improving 1.20% year over year. NBCUniversal delivered good results – despite revenue declined 4.3% to \$9.6 billion, adjusted EBITDA growth was 24.6% to \$1,681 million -- driven by growth in its Studios and Theme Parks businesses that covered the reductions in Media. Sky's revenue dipped marginally by 0.2% and adjusted EBITDA dropped 15.5%.

The results year to date provide a bigger picture. Revenues climbed 5.6% to \$90.9 billion, adjusted EBITDA rose 8.2% to \$28.5 billion, adjusted EPS climbed 14.2% to \$2.82, and it generated FCF of \$11.3 billion. In this period, the company returned \$13.1 billion of capital via \$3.6 billion in dividends and \$9.5 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 based on adjusted EPS.

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	\$5.26
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	4.38	4.06

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 2.1 times at the end of Q3 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

¹ Shares in billions.

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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 growth of 8% per year through 2027, and a dividend growth rate of about 9%.

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	8.9	12.0
Avg. Yld.	4.1%	4.1%	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	3.4%	2.6%

CMCSA stock is valued at 8.9 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 12. Therefore, we believe the stable dividend stock is undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

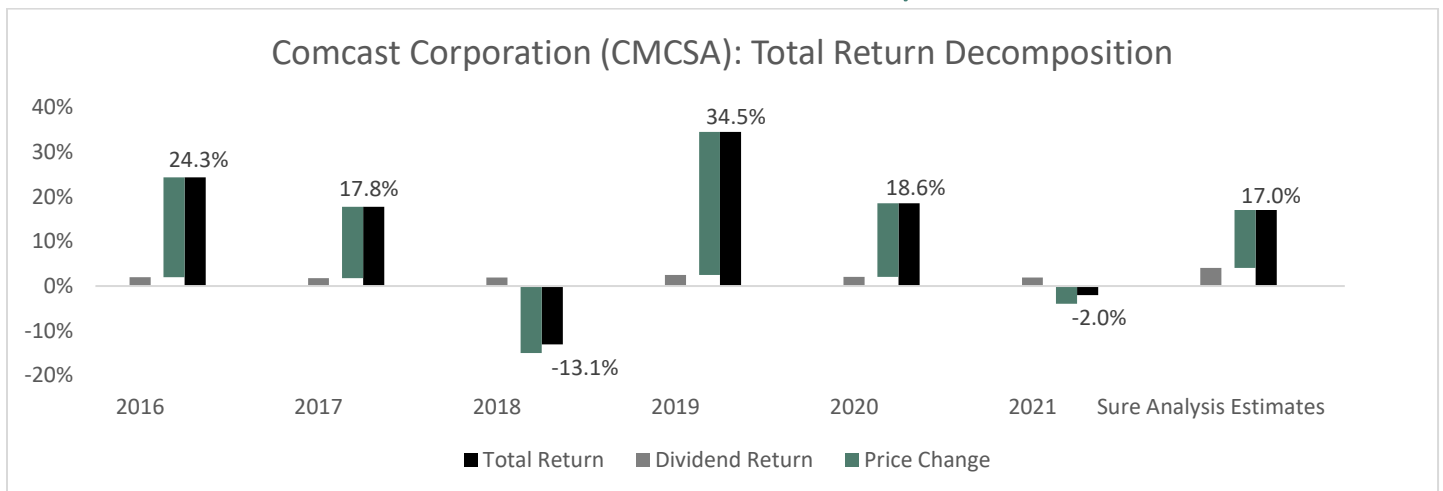
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	29%	30%	31%	31%	32%	30%	30%	27%	35%	31%	30%	32%

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 Q3 2022, down from 2.4 times a year ago.

Final Thoughts & Recommendation

Comcast is temporarily set back by an impairment charge at Sky. We expect EPS growth to be 8% per year, which is good growth. Adding a dividend yield of 3.4% and a valuation expansion that would add returns of 6.1%, we think Comcast can deliver total returns of 17.0% 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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