Comcast Corporation (CMCSA)

Updated January 28th, 2023 by Kay Ng

Key Metrics

Current Price:	$40	**5 Year CAGR Estimate:**	13.5%	**Market Cap:**	$171B
Fair Value Price:	$46	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	04/04/23
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Dividend Payment Date:**	04/26/23
Dividend Yield:	2.9%	**5 Year Price Target**	$67	**Years Of Dividend Growth:**	15
Dividend Risk Score:	A	**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 Q4 2022 results on 1/26/23. For the quarter, the company's revenues marginally increased by 0.7% to $30.6 billion, adjusted EBITDA (a cash flow proxy) fell 4.9% to 8.0 billion, adjusted earnings-per-share (EPS) climbed 6.5% to $0.82, and it generated free cash flow (FCF) of $1.3 billion. The results for the full year provide a bigger picture. Revenues climbed 4.3% to $121.4 billion, adjusted EBITDA rose 5.0% to $36.5 billion, adjusted EPS climbed 12.7% to $3.64, and it generated FCF of $12.6 billion. The NBCUniversal segment increased revenue and adjusted EBITDA by 14.2% to $39.2 billion and $6.0 billion, respectively. Studios saw revenue and adjusted EBITDA growth of 23% and 6.6% to $11.6 billion and $942 million, respectively. Theme Parks also saw a rebound from pandemic re-openings with revenue growth of 49% to $7.5 billion. In 2022, the company returned $17.7 billion of capital via $4.7 billion in dividends and $13.0 billion in stock buybacks. Comcast also increased its dividend by 7.4% for an annualized payout of $1.16 per share. The stock has been in a downtrend since September 2021. It reported EPS (not adjusted) of $1.21 (down 60%) for the year primarily due to an impairment charge at Sky. Also, due to unexpected impacts from Hurricane Ian, the Cable segment lost customer relationships in Q4, resulting in net additions of only 75K for the year (versus $1.1M in 2021).

We continue to believe that Comcast will remain a healthy solid dividend-paying company as it continues to generate substantial FCF. We initiate a new 2023 EPS estimate of $3.82 based on adjusted EPS.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$1.28	$1.47	$1.63	$1.74	$2.06	$2.55	$3.13	$2.61	$3.23	$3.64	***$3.82***	***$5.61***
DPS	$0.39	$0.45	$0.50	$0.55	$0.61	$0.76	$0.84	$0.92	$1.00	$1.06	***$1.16***	***$1.70***
Shares[1]	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	4.29	***4.20***	***3.89***

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 2.15 times at the end of 2022. Simultaneously, Comcast generates tons of cash flow. From 2019 to 2021, it allocated about 45% 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 40% of operating cash flow in 2022. Comcast is transitioning to 10G and also investing in Xfinity Mobile, Peacock (its streaming service), and its theme parks. It's 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 2013 to 2022, its EPS increased at a compound annual growth rate (CAGR) of 12.3%. The past five years saw a CAGR of 8.4%. Comcast resumed share buybacks in late Q2 2021 after normalizing from COVID impacts. We estimate EPS and DPS growth of 8% per year through 2028.

[1] Shares in billions.

Disclosure: Kay Ng owns CMCSA shares.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.9	18.2	17.8	28.1	40.6	21.2	19.9	16.9	18.8	11.5	***10.4***	***12.0***
Avg. Yld.	4.1%	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	2.6%	***2.9%***	***2.5%***

CMCSA stock is valued at 10.4 times our 2023 estimated earnings -- lower than its average P/E of 21 from 2013-2022. Because of increasing competition and rising interest rates, we target a more conservative P/E of 12. So, we believe the dividend stock is slightly undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

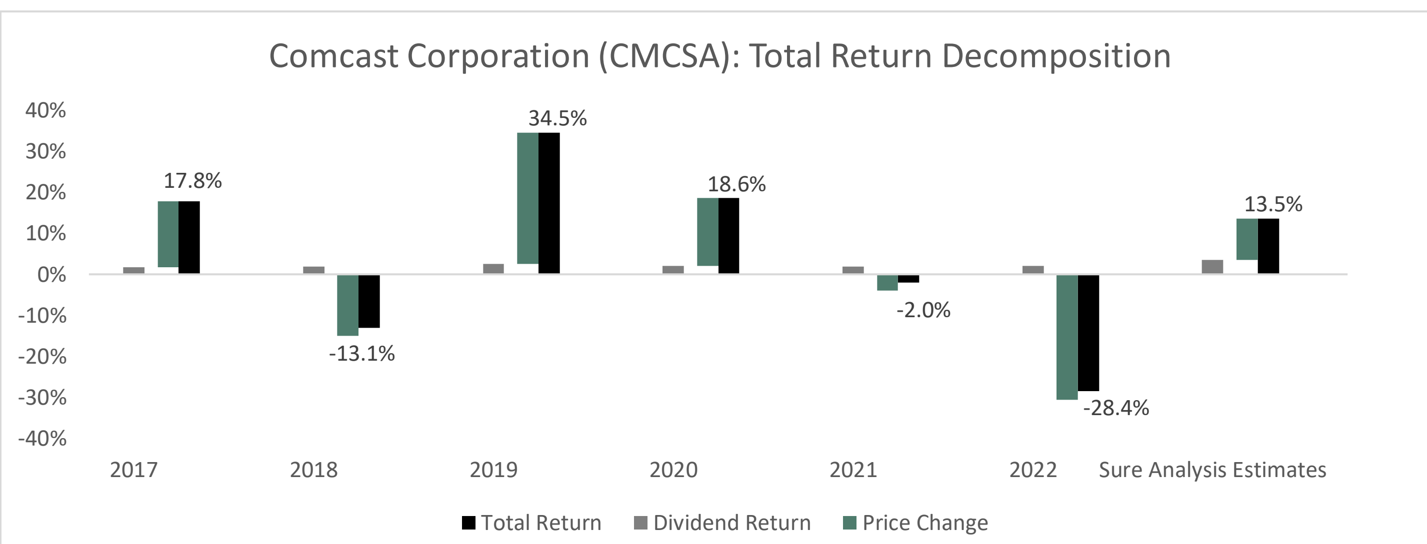
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	30%	31%	31%	32%	30%	30%	27%	35%	31%	29%	***30%***	***30%***

Comcast has had 15 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 GAAP earnings were cut drastically by the Sky impairment charge and Hurricane Ian, but the business durability remains intact. Additionally, its balance sheet remains strong with a consolidated net leverage ratio of 2.4 times at the end of Q4 2022 – same as a year ago.

Final Thoughts & Recommendation

Comcast is temporarily set back by an impairment charge at Sky and Hurricane Ian. We expect EPS growth to be 8% per year, which is good growth. Adding a dividend yield of 2.9% and a valuation expansion that would add returns of 3.0%, we think Comcast can deliver total returns of 13.5% per year through 2028. Sure Dividend rates the dividend stock as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	64,657	68,775	74,510	80,736	85,029	94,507	108,942	103,564	116,385	121,427
Gross Profit	44,987	47,863	51,960	56,388	59,674	64,815	74,502	70,443	77,935	83,214
Gross Margin	69.6%	69.6%	69.7%	69.8%	70.2%	68.6%	68.4%	68.0%	67.0%	68.5%
SG&A Exp.	4,978	5,101	5,957	6,291	6,519	7,036	7617	6,741	7,695	8,506
D&A Exp.	7,871	8,019	8,680	9,426	9,688	10,676	12,953	13,100	13,804	13,821
Operating Profit	13,563	14,904	15,998	16,831	18,018	19,009	21,125	17,493	20,817	22,624
Operating Margin	21.0%	21.7%	21.5%	20.8%	21.2%	20.1%	19.4%	16.9%	17.9%	18.6%
Net Profit	6,816	8,380	8163	8,678	22,735	11,731	13,057	10,534	14,159	5,370
Net Margin	10.5%	12.2%	11.0%	10.7%	26.7%	12.4%	12.0%	10.2%	12.2%	4.4%
Free Cash Flow	6,555	8,403	9,616	9,004	10,106	12,588	13,269	13,103	17,089	12,646
Income Tax	3,980	3,873	4,959	5,298	-7,569	3,380	3,673	3,364	5,259	4,359

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets ($B)	158.8	159.2	166.6	180.5	187.5	251.7	263.4	273.9	275.9	257.2
Cash & Equivalents	1,718	3,910	2,295	3,301	3,428	3814	5,500	11,740	8,711	4,749
Accounts Receivable	6,376	6,321	6,896	7,955	8,834	11,104	11,292	11,466	12,008	12,671
Goodwill ($B)	108.8	109.4	115.1	119.9	121.4	171.7	173.2	178.8	175.9	159.7
Total Liabilities ($B)	107.8	106.1	112.6	124.3	118.0	179.2	179.5	182.1	178.4	175.2
Accounts Payable	5,528	5,638	6,215	6,915	6,908	8,494	10,826	11,364	12,455	12,544
Long-Term Debt ($B)	47.9	48.0	52.6	61.0	64.6	111.7	102.2	103.8	94.9	94.8
Shareholder's Equity	50,694	52,711	52,269	53,943	68,616	71,613	82,726	90,323	96,092	80,943
LTD/E Ratio	0.94	0.91	1.01	1.13	0.94	1.56	1.24	1.15	0.99	1.17

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.2%	5.3%	5.0%	5.0%	12.4%	5.3%	5.1%	3.9%	5.2%	2.0%
Return on Equity	13.6%	16.2%	15.6%	16.3%	37.1%	16.7%	16.9%	12.2%	15.2%	6.1%
ROIC	7.2%	8.4%	7.9%	7.8%	18.1%	7.4%	7.1%	5.5%	7.3%	2.9%
Shares Out.	5.19	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	4.43
Revenue/Share	12.13	13.13	14.80	16.56	17.77	20.37	23.63	22.40	25.01	27.41
FCF/Share	1.23	1.60	1.91	1.85	2.11	2.71	2.88	2.83	3.67	2.85

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