



Comcast Corporation (CMCSA)

Updated May 1st, 2023 by Kay Ng

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|---|----------|
| Current Price: | \$42 | 5 Year CAGR Estimate: | 11.6% | Market Cap: | \$174B |
| Fair Value Price: | \$44 | 5 Year Growth Estimate: | 8.0% | Ex-Dividend Date¹: | 07/05/23 |
| % Fair Value: | 94% | 5 Year Valuation Multiple Estimate: | 1.2% | Dividend Payment Date¹: | 07/27/23 |
| Dividend Yield: | 2.8% | 5 Year Price Target | \$65 | Years Of Dividend Growth: | 15 |
| Dividend Risk Score: | B | Retirement Suitability Score: | B | Rating: | Buy |

Overview & Current Events

Comcast is a media, entertainment and communications company. As of Q1 2023, Comcast began reporting in 2 key business segments: Connectivity & Platforms (Residential Connectivity & Platforms and Business Services Connectivity), and Content & Experiences (Media, Studios, Theme Parks). Comcast was founded in 1963, is headquartered in Philadelphia, PA.

Comcast reported its Q1 2023 results on 4/27/23. For the quarter, the company's revenues declined by 4.3% to \$29.6 billion, adjusted EBITDA (a cash flow proxy) rose 2.9% to 9.4 billion, adjusted earnings-per-share (EPS) climbed 7.0% to \$0.92, and it generated free cash flow (FCF) of \$3.8 billion. The revenue decline was due to the Beijing Olympics and the NFL's Super Bowl in Q1 2022 as well as the negative impact of foreign currency.

The Connectivity & Platforms segment saw revenues marginally decline by 0.1% to \$20.2 billion and adjusted EBITDA growth of 3.9% to \$8.1 billion. Within the segment, *Residential Connectivity & Platforms* saw a marginal decline of 0.7% in revenue to \$17,869 million and adjusted EBITDA growth of 3.2% to \$6,762 million, while *Business Services Connectivity* witnessed revenue growth of 5.2% to \$2,283 million and adjusted EBITDA growth of 7.9% to \$1,332 million year over year. The Content & Experiences segment saw a revenue drop of 9.5% to \$10.3 billion and its adjusted EBITDA fell 1.0% to \$1.6 billion. Within the segment, *Media* revenue fell 20.7% to \$6,152 million and adjusted EBITDA fell 25.5% to \$880 million. This revenue would have declined only 2% excluding the Beijing Olympics and the NFL's Super Bowl results in Q1 2022. Peacock, Comcast's video streaming service, saw revenue rise 45% to \$685 million. Studios saw revenue growth of 1.7% to \$2,956 million and adjusted EBITDA growth of 13.3% to \$277 million. In the theatres, *Puss in Boots: The Last Wish*, *M3GAN*, and *Cocaine Bear* helped contribute to revenue of \$319 million. Management noted *The Super Mario Bros. Movie* is fueling a strong start to Q2. *Theme Parks* saw a rebound from post COVID restrictions in Japan and Beijing with a revenue jump of 24.9% to \$1,949 million and adjusted EBITDA jump of 46% to \$658 million.

During Q1 2023, Comcast repurchased \$2.0 billion worth of common stock at ~\$38.10 per share. We continue to believe that Comcast will remain a healthy solid dividend-paying company as it continues to generate substantial FCF. We update our 2023 EPS estimate to \$3.68 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 | \$3.68 | \$5.41 |
| 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 |
| Shares¹ | 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 2.14 times at the end of Q1 2023. 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

¹ Projected dividend dates; Shares in billions.

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service), and its theme parks. It's building a 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.

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 | 11.3 | 12.0 |
| Avg. Yld. | 4.1% | 3.7% | 3.3% | 3.1% | 3.1% | 2.9% | 3.1% | 2.2% | 1.8% | 2.6% | 2.8% | 2.6% |

CMCSA stock is valued at 11.3 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 fairly valued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

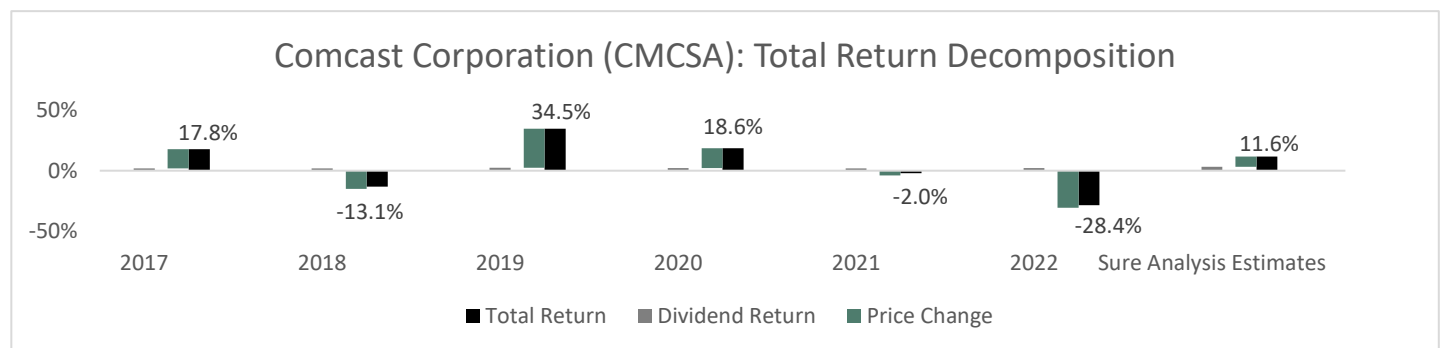
| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 30% | 31% | 31% | 32% | 30% | 30% | 27% | 35% | 31% | 29% | 32% | 32% |

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 Q1 2023, up from 2.3 times a year ago.

Final Thoughts & Recommendation

Comcast is leveraged but has an A-grade balance sheet and is able to manage its debt. We expect EPS growth to be 8% per year, which is good growth. Adding a dividend yield of 2.8% and a valuation expansion that would add returns of 1.2%, we think Comcast can deliver total returns of 11.6% 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 | 7,617 | 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 | 8,163 | 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 | 3,814 | 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.

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