



Comcast Corporation (CMCSA)

Updated Jul 27th, 2023 by Kay Ng

Key Metrics

Current Price:	\$45	5 Year CAGR Estimate:	9.8%	Market Cap:	\$189B
Fair Value Price:	\$44	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	10/04/23
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.5%	Dividend Payment Date¹:	10/26/23
Dividend Yield:	2.6%	5 Year Price Target	\$65	Years Of Dividend Growth:	15
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

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 and is headquartered in Philadelphia, PA.

Comcast reported its Q2 2023 results on 7/27/23. For the quarter, the company's revenues climbed 1.7% to \$30.5 billion, adjusted EBITDA (a cash flow proxy) rose 4.2% to 10.2 billion, adjusted earnings-per-share (EPS) climbed 11.9% to \$1.13. And it generated free cash flow (FCF) of \$3.4 billion.

The Connectivity & Platforms segment's revenues marginally rose by 0.1% to \$20.4 billion and adjusted EBITDA growth of 4.4% to \$8.3 billion. Within the segment, *Residential Connectivity & Platforms* saw a marginal decline of 0.5% in revenue to \$18.1 billion and adjusted EBITDA growth of 4.3% to \$7.0 billion, while *Business Services Connectivity* witnessed revenue growth of 4.0% to \$2.3 billion and adjusted EBITDA growth of 4.7% to \$1.3 billion year over year. The Content & Experiences segment saw revenue growth of 4.0% to \$10.9 billion and its adjusted EBITDA jumped 7.5% to \$2.2 billion – these results were driven by *Theme Parks*. Within the segment, *Media* revenue was essentially flat at \$6.2 billion and adjusted EBITDA fell 18% to \$1.2 billion. Peacock, Comcast's video streaming service, witnessed paid subscribers almost doubling to 24 million. Peacock's strong results were offset by Comcast's linear networks. Studios generated revenue of \$3.1 billion (a marginal decline of 0.9%) and adjusted EBITDA swung to positive to \$255 million. In the theatres, *The Super Mario Bros. Movie* and *Fast X* were a success. *Theme Parks* continued to rebound with a revenue jump of 22% to \$2.2 billion and adjusted EBITDA jump of 32% to \$833 million.

During Q2 2023, Comcast repurchased \$2.0 billion worth of common stock at ~\$39.60 per share. We continue to believe that Comcast will remain a healthy solid dividend-paying company as it continues to generate substantial FCF. We maintain our 2023 EPS estimate at \$3.68.

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 2.1 times at the end of Q2 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 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

¹ Projected dividend dates; Shares in billions.

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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	12.3	12.0
Avg. Yld.	4.1%	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	2.6%	2.6%	2.6%

CMCSA stock trades at 12.3 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. We would be able to set a higher target P/E when interest rates started declining.

Safety, Quality, Competitive Advantage, & Recession Resiliency

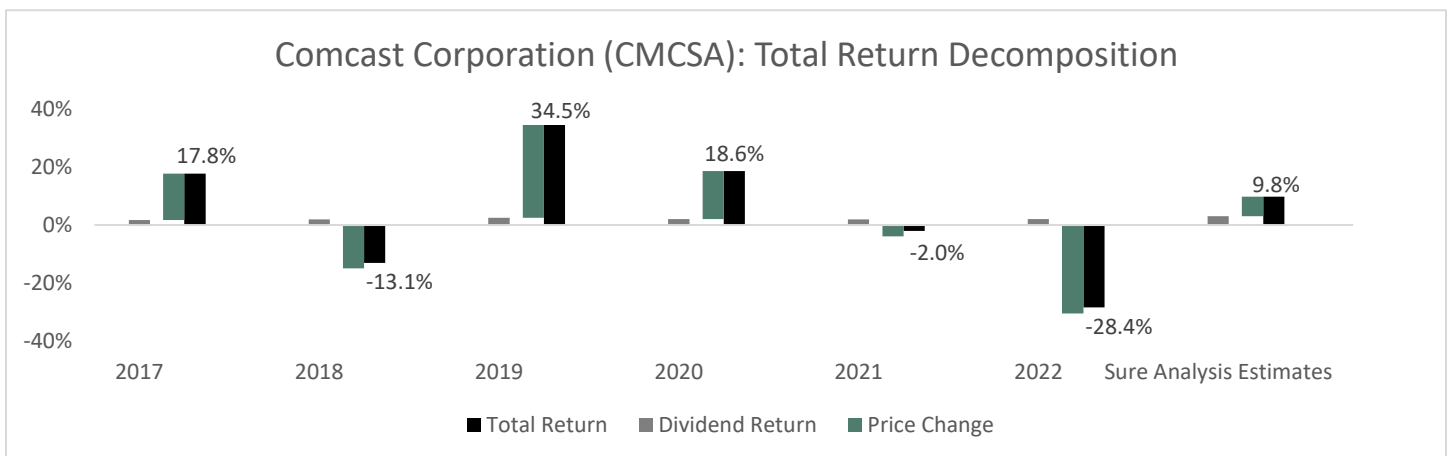
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	30%	31%	31%	32%	30%	30%	27%	35%	31%	29%	32%	32%

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 Q2 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 2.6% and a valuation compression of 0.5%, we think Comcast can deliver total returns of 9.8% per year through 2028. Sure Dividend rates the dividend stock as a hold.

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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