



Comcast Corporation (CMCSA)

Updated January 29th, 2024 by Kay Ng

Key Metrics

Current Price:	\$46	5 Year CAGR Estimate:	12.5%	Market Cap:	\$186B
Fair Value Price:	\$51	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	04/02/24
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date:	04/24/24
Dividend Yield:	2.7%	5 Year Price Target	\$75	Years Of Dividend Growth:	16
Dividend Risk Score:	A	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 and is headquartered in Philadelphia, PA.

Comcast reported its Q4 2023 results on 01/25/24. For the quarter, the company's revenues climbed 2.3% to \$31.3 billion, adjusted EBITDA (a cash flow proxy) was essentially flat, rising 0.1% to \$8.0 billion, adjusted earnings-per-share (EPS) climbed 2.4% to \$0.84. And it generated free cash flow (FCF) of \$1.7 billion.

The Connectivity & Platforms segment's revenues rose by 0.5% to \$20.4 billion and adjusted EBITDA growth was 3.1% to \$7.6 billion with the help of adjusted EBITDA margin expansion of 1.3% to 37.1%. The Content & Experiences segment saw revenue growth of 5.7% to \$11.5 billion, and its adjusted EBITDA rose 2.3% to \$932 million. During Q4 2023, Comcast repurchased \$3.5 billion worth of common stock at ~\$42.74 per share.

For the full year, revenue was essentially flat, rising 0.1% to \$121.6 billion, adjusted EBITDA rose 3.2% to \$37.6 billion, FCF rose 2.5% to \$13 billion, while adjusted EPS rose 9.3% to \$3.98. In 2023, Comcast bought back \$11 billion worth of shares at ~\$41.92 per share. The company started a new \$15 billion share repurchase program. Comcast also increased its dividend by 6.9%, equating to an annual payout of \$1.24. We believe Comcast will remain a healthy solid dividend-paying company and initiated our 2024 EPS estimate at \$4.26.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.47	\$1.63	\$1.74	\$2.06	\$2.55	\$3.13	\$2.61	\$3.23	\$3.64	\$3.98	\$4.26	\$6.26
DPS	\$0.45	\$0.50	\$0.55	\$0.61	\$0.76	\$0.84	\$0.92	\$1.00	\$1.06	\$1.16	\$1.24	\$1.82
Shares¹	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	4.29	4.04	3.90	3.62

Comcast generates tons of cash flow. From 2020 to 2022, it allocated almost 47% of its operating cash flow for capital spending in the long-term growth of the business, which left ample free cash flow to cover the dividend. Capital spending was 43% of operating cash flow in 2023. For example, Comcast is building a new theme park, Epic Universe, which is scheduled to open in the summer of 2025 in Orlando, Florida.

From 2014 to 2023, Comcast increased its EPS at a compound annual growth rate (CAGR) of 11.7%. The past five years saw a CAGR of 6.4%. Comcast resumed share buybacks in late Q2 2021 after the business recovered from negative COVID impacts. We estimate EPS and DPS growth of 8.0% per year through 2029 with a rebound in growth thanks to the possibility of lower interest rates.

¹ Shares in billions.

Disclosure: Kay Ng owns CMCSA shares.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	18.2	17.8	28.1	40.6	21.2	19.9	16.9	18.8	11.5	10.9	10.8	12.0
Avg. Yld.	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	2.6%	2.8%	2.7%	2.4%

CMCSA stock trades at 10.8 times our 2024 estimated earnings -- lower than its average P/E of 15.6 from 2019-2023.

Because of increasing competition and higher interest rates, we target a more conservative P/E of 12. So, we believe the dividend stock is slightly undervalued. We would be able to target a higher target P/E in an interest rate-cutting cycle.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	31%	31%	32%	30%	30%	27%	35%	31%	29%	29%	29%	29%

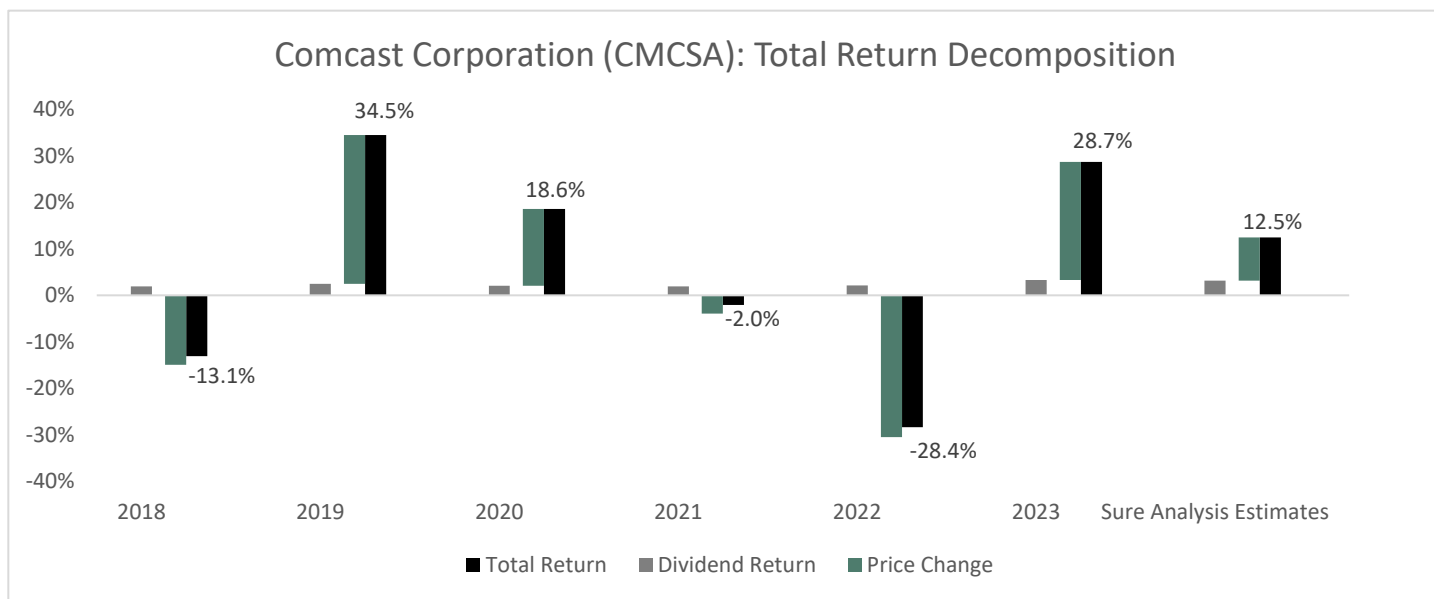
Comcast has had 16 consecutive dividend increases. This fast dividend growth was made possible through solid earnings growth and with a safe dividend payout ratio. Its dividend is well-covered by earnings and cash flows. Comcast is one of the largest players in the entertainment industry.

New market entrants would have to spend many billions of dollars to establish themselves as a key cable player or entertainment network. So, competitive pressures are modest. The cable industry is impacted by the nationwide cord-cutting trend, though, as some customers are ditching traditional pay-TV entirely. So far, Comcast has been able to withstand this trend through growth from its other businesses. Its balance sheet remains solid with a consolidated net leverage ratio of 2.3x at the end of 2023, which was a slight improvement from 2.4x 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 2.7% and a valuation expansion of 2.1%, we think Comcast can deliver total returns of 12.5% per year through 2029. Sure Dividend rates Comcast as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	68,775	74,510	80,736	85,029	94,507	108,942	103,564	116,385	121,427	121,570
Gross Profit	47,863	51,960	56,388	59,674	64,815	74,502	70,443	77,935	83,214	84,810
Gross Margin	69.6%	69.7%	69.8%	70.2%	68.6%	68.4%	68.0%	67.0%	68.5%	69.8%
SG&A Exp.			30,130	31,970	35,130	40,420	39,850	43,310	46,770	47,160
D&A Exp.	8,019	8,680	9,426	9,688	10,676	12,953	13,100	13,804	13,821	14,340
Operating Profit	14,904	15,998	16,831	18,018	19,009	21,125	17,493	20,817	22,624	23,310
Operating Margin	21.7%	21.5%	20.8%	21.2%	20.1%	19.4%	16.9%	17.9%	18.6%	19.2%
Net Profit	8,380	8163	8,678	22,735	11,731	13,057	10,534	14,159	5,370	15,390
Net Margin	12.2%	11.0%	10.7%	26.7%	12.4%	12.0%	10.2%	12.2%	4.4%	12.7%
Free Cash Flow	8,403	9,616	9,004	10,106	12,588	13,269	13,103	17,089	12,646	12,960
Income Tax	3,873	4,959	5,298	-7,569	3,380	3,673	3,364	5,259	4,359	5,371

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	159.2	166.6	180.5	187.5	251.7	263.4	273.9	275.9	257.2	264.8
Cash & Equivalents	3,910	2,295	3,301	3,428	3814	5,500	11,740	8,711	4,749	6,215
Accounts Receivable	6,321	6,896	7,955	8,834	11,104	11,292	11,466	12,008	12,671	13,810
Goodwill (\$B)	109.4	115.1	119.9	121.4	171.7	173.2	178.8	175.9	159.7	159.4
Total Liabilities (\$B)	106.1	112.6	124.3	118.0	179.2	179.5	182.1	178.4	175.2	181.3
Accounts Payable	5,638	6,215	6,915	6,908	8,494	10,826	11,364	12,455	12,544	12,440
Long-Term Debt (\$B)	48.0	52.6	61.0	64.6	111.7	102.2	103.8	94.9	94.8	97.1
Shareholder's Equity	52,711	52,269	53,943	68,616	71,613	82,726	90,323	96,092	80,943	82,700
LTD/E Ratio	0.91	1.01	1.13	0.94	1.56	1.24	1.15	0.99	1.17	1.17

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.3%	5.0%	5.0%	12.4%	5.3%	5.1%	3.9%	5.2%	2.0%	5.9%
Return on Equity	16.2%	15.6%	16.3%	37.1%	16.7%	16.9%	12.2%	15.2%	6.1%	18.8%
ROIC	8.4%	7.9%	7.8%	18.1%	7.4%	7.1%	5.5%	7.3%	2.9%	8.5%
Shares Out.	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	4.43	4.15
Revenue/Share	13.13	14.80	16.56	17.77	20.37	23.63	22.40	25.01	27.41	29.31
FCF/Share	1.60	1.91	1.85	2.11	2.71	2.88	2.83	3.67	2.85	3.13

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

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