



# Comcast Corporation (CMCSA)

Updated November 2<sup>nd</sup>, 2024 by Kay Ng

## Key Metrics

<b>Current Price:</b>	\$44	<b>5 Year CAGR Estimate:</b>	12.6%	<b>Market Cap:</b>	\$167B
<b>Fair Value Price:</b>	\$50	<b>5 Year Growth Estimate:</b>	7.5%	<b>Ex-Dividend Date:</b>	01/08/25
<b>% Fair Value:</b>	88%	<b>5 Year Valuation Multiple Estimate:</b>	2.7%	<b>Dividend Payment Date:</b>	01/29/25
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$71	<b>Years Of Dividend Growth:</b>	16
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	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 Q3 2024 results on Oct. 31<sup>st</sup>, 2024. For the quarter, the company's revenue rose 6.5% to \$32.1 billion year over year. Adjusted EBITDA (a cash flow proxy) was down 2.3% to \$9.7 billion. However, it was able to increase adjusted earnings-per-share (EPS) by 3.3% to \$1.12. And Comcast generated free cash flow (FCF) of \$3.4 billion.

The Connectivity & Platforms segment's revenues were down 0.4% to \$20.3 billion. The segment experienced adjusted EBITDA growing marginally by 0.7% to \$8.3 billion, helped by margins expansion of 0.5% to 40.9%. The Content & Experiences segment saw revenue grow 19% to \$12.6 billion, while its adjusted EBITDA fell 8.7% to \$1.8 billion. Within this segment, Media saw a 36% jump in revenue to \$8.2 billion. This revenue rose 5% to \$6.3 billion, excluding impacts from the Olympics. This segment can also experience lumpy results from the Studios and Theme Parks operations. This quarter, Studios saw a 12% jump in revenue to \$2.8 billion and a 9% increase in adjusted EBITDA to \$468 million, helped by the release of *Despicable Me 4* which grossed nearly \$1 billion in the worldwide box office. Also, there was lower attendance at its theme parks as well with revenue declining 5% to \$2.3 billion and adjusted EBITDA falling 14% to \$847 million. During Q3 2024, Comcast repurchased \$2 billion worth of common stock at ~\$40.08 per share.

The year-to-date results provide a bigger picture. Revenue rose 1.7% year over year to \$91.8 billion, operating income fell 2.8% to \$18.3 billion, and net income fell 6.4% to \$11.2 billion. Diluted EPS was flat at \$2.90, helped by share buybacks. Year to date, Comcast repurchased \$6.6 billion worth of common stock at ~\$40.67 per share. To reflect the latest updates, we have reduced our 2024 EPS estimate to \$4.14.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$1.47	\$1.63	\$1.74	\$2.06	\$2.55	\$3.13	\$2.61	\$3.23	\$3.64	\$3.98	<b>\$4.14</b>	<b>\$5.94</b>
<b>DPS</b>	\$0.45	\$0.50	\$0.55	\$0.61	\$0.76	\$0.84	\$0.92	\$1.00	\$1.06	\$1.16	<b>\$1.24</b>	<b>\$1.74</b>
<b>Shares<sup>1</sup></b>	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	4.29	4.04	<b>3.82</b>	<b>3.55</b>

Comcast generates substantial 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 May 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 growth of 7.5% and DPS of 7.0% per year through 2029. Higher growth is possible should we see interest rates decline.

<sup>1</sup>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	<b>10.5</b>	<b>12.0</b>
Avg. Yld.	3.7%	3.3%	3.1%	3.1%	2.9%	3.1%	2.2%	1.8%	2.6%	2.8%	<b>2.8%</b>	<b>2.4%</b>

CMCSA stock trades at 10.5 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 that Comcast stock trades at a slight discount today.

## 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%	<b>30%</b>	<b>29%</b>

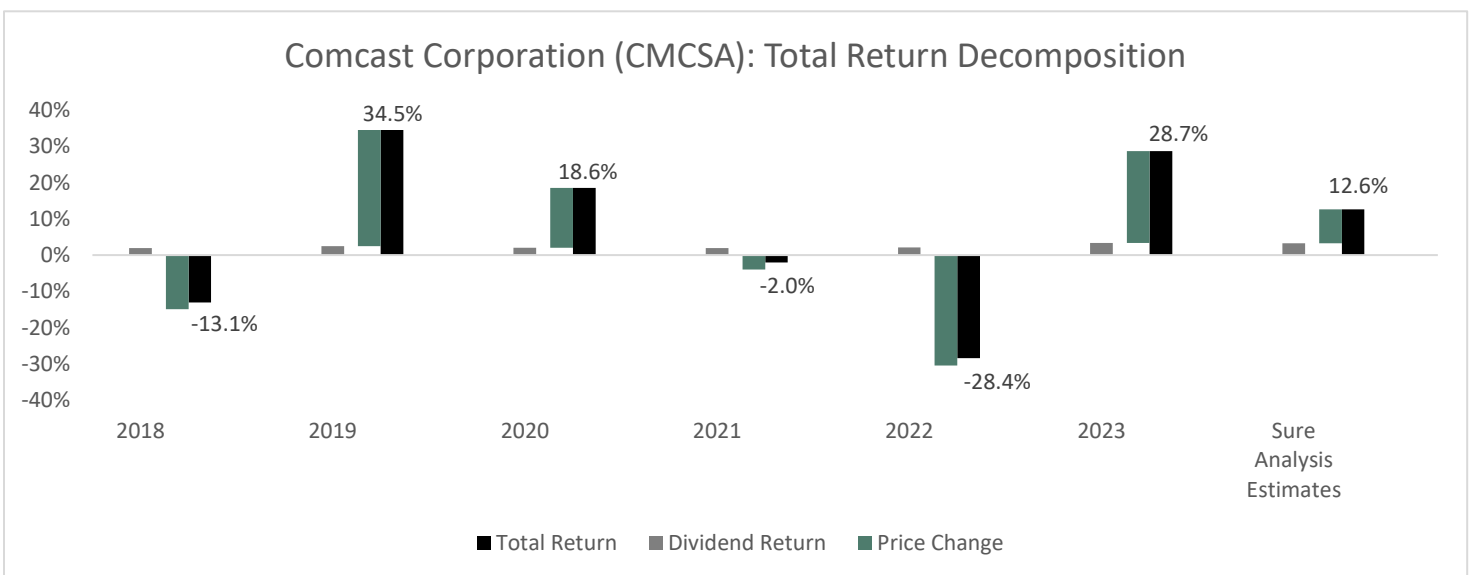
Comcast has had 16 consecutive years of dividend increases through two recessions. Its 15-year compounded dividend growth rate was 18%. This fast dividend growth was made possible through solid earnings growth and the firm's safe dividend payout ratio. Its dividend is well-covered by earnings and cash 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, its consolidated business has been resilient with continued profitability and cash flow generation. Comcast's balance sheet remains solid with a consolidated net leverage ratio of 2.4x at the end of Q3 2024, up slightly from 2.3x 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 7.5% per year, which is good growth. Adding a dividend yield of 2.8% and a valuation expansion of 2.7%, and we think Comcast can deliver total returns of 12.6% per year through 2029. Sure Dividend rates Comcast shares 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
<b>Revenue</b>	68,775	74,510	80,736	85,029	94,507	108,942	103,564	116,385	121,427	121,570
<b>Gross Profit</b>	47,863	51,960	56,388	59,674	64,815	74,502	70,443	77,935	83,214	84,810
<b>Gross Margin</b>	69.6%	69.7%	69.8%	70.2%	68.6%	68.4%	68.0%	67.0%	68.5%	69.8%
<b>SG&amp;A Exp.</b>			30,130	31,970	35,130	40,420	39,850	43,310	46,770	47,160
<b>D&amp;A Exp.</b>	8,019	8,680	9,426	9,688	10,676	12,953	13,100	13,804	13,821	14,340
<b>Operating Profit</b>	14,904	15,998	16,831	18,018	19,009	21,125	17,493	20,817	22,624	23,310
<b>Operating Margin</b>	21.7%	21.5%	20.8%	21.2%	20.1%	19.4%	16.9%	17.9%	18.6%	19.2%
<b>Net Profit</b>	8,380	8,163	8,678	22,735	11,731	13,057	10,534	14,159	5,370	15,390
<b>Net Margin</b>	12.2%	11.0%	10.7%	26.7%	12.4%	12.0%	10.2%	12.2%	4.4%	12.7%
<b>Free Cash Flow</b>	8,403	9,616	9,004	10,106	12,588	13,269	13,103	17,089	12,646	12,960
<b>Income Tax</b>	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
<b>Total Assets (\$B)</b>	159.2	166.6	180.5	187.5	251.7	263.4	273.9	275.9	257.2	264.8
<b>Cash &amp; Equivalents</b>	3,910	2,295	3,301	3,428	3814	5,500	11,740	8,711	4,749	6,215
<b>Accounts Receivable</b>	6,321	6,896	7,955	8,834	11,104	11,292	11,466	12,008	12,671	13,810
<b>Goodwill (\$B)</b>	109.4	115.1	119.9	121.4	171.7	173.2	178.8	175.9	159.7	159.4
<b>Total Liabilities (\$B)</b>	106.1	112.6	124.3	118.0	179.2	179.5	182.1	178.4	175.2	181.3
<b>Accounts Payable</b>	5,638	6,215	6,915	6,908	8,494	10,826	11,364	12,455	12,544	12,440
<b>Long-Term Debt (\$B)</b>	48.0	52.6	61.0	64.6	111.7	102.2	103.8	94.9	94.8	97.1
<b>Shareholder's Equity</b>	52,711	52,269	53,943	68,616	71,613	82,726	90,323	96,092	80,943	82,700
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	5.3%	5.0%	5.0%	12.4%	5.3%	5.1%	3.9%	5.2%	2.0%	5.9%
<b>Return on Equity</b>	16.2%	15.6%	16.3%	37.1%	16.7%	16.9%	12.2%	15.2%	6.1%	18.8%
<b>ROIC</b>	8.4%	7.9%	7.8%	18.1%	7.4%	7.1%	5.5%	7.3%	2.9%	8.5%
<b>Shares Out.</b>	5.06	4.88	4.75	4.64	4.60	4.62	4.64	4.61	4.43	4.15
<b>Revenue/Share</b>	13.13	14.80	16.56	17.77	20.37	23.63	22.40	25.01	27.41	29.31
<b>FCF/Share</b>	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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