

Comcast Corporation (CMCSA)

\$44.00 (As of 01/27/20)

Price Target (6-12 Months): **\$46.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/26/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: A

Momentum: F

Summary

Comcast's fourth-quarter 2019 results were driven by Cable's solid performance. The segment benefited from an expanding residential high-speed Internet customer base and business services user base. The company's results also reflected the growing popularity of Xfinity products. Moreover, expansion in the wireless user base drove results. Further, Theme Parks revenues grew in the reported quarter. Sky's top-line growth benefited from higher Direct-to-consumer and Content revenues. However, weakness in Broadcast television and Filmed Entertainment segments negatively impacted NBCUniversal revenues. The company continued to lose video subscribers due to cord-cutting. Moreover, the balance sheet remains significantly leveraged, which is a concern. Shares have underperformed the industry in the past year.

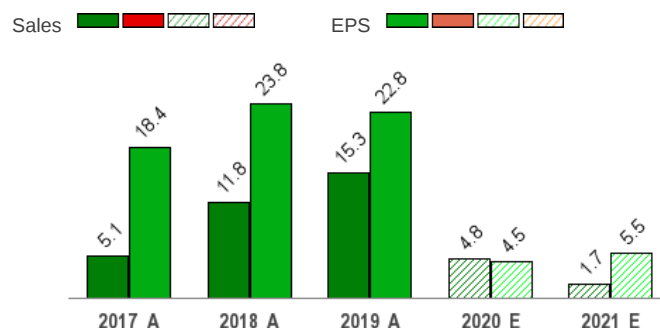
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$47.74 - \$35.25
20 Day Average Volume (sh)	19,468,154
Market Cap	\$200.2 B
YTD Price Change	-2.2%
Beta	1.05
Dividend / Div Yld	\$0.92 / 1.9%
Industry	Cable Television
Zacks Industry Rank	Top 16% (42 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.3%
Last Sales Surprise	0.7%
EPS F1 Est- 4 week change	-1.2%
Expected Report Date	04/23/2020
Earnings ESP	-2.4%
P/E TTM	14.1
P/E F1	13.5
PEG F1	1.1
P/S TTM	1.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	28,757 E	29,028 E	29,025 E	30,132 E	116,139 E
2020	27,418 E	27,861 E	29,183 E	29,613 E	114,188 E
2019	26,859 A	26,858 A	26,827 A	28,398 A	108,942 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.80 E	\$0.85 E	\$0.90 E	\$0.85 E	\$3.45 E
2020	\$0.76 E	\$0.81 E	\$0.86 E	\$0.83 E	\$3.27 E
2019	\$0.76 A	\$0.78 A	\$0.79 A	\$0.79 A	\$3.13 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/27/2020. The reports text is as of 01/28/2020.

Overview

Based in Philadelphia, PA, Comcast Corporation is a global media and technology company with three primary businesses: Comcast Cable, NBCUniversal and Sky.

Comcast reported revenues of \$108.94 billion in 2019. The company reports in three revenue generating segments:

Cable Communications (53.3% of total revenues): It consists of the operations of Comcast Cable. This segment offers high-speed Internet, video, voice, and security and automation services in the United States individually and as bundled services at a discounted rate over its cable distribution system to residential and business customers.

Cable Communications generates revenues primarily from residential and business customers that subscribe to Comcast's cable services and from the sale of advertising. The company also offers a wireless phone service (Xfinity Mobile brand) as a component of its bundled services, which is reported in Corporate and Other.

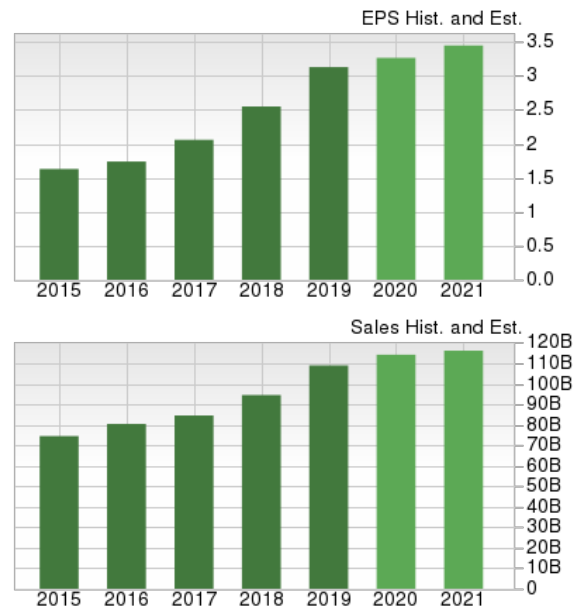
NBC Universal Segment (31.2% of total revenues): This segment comprises four reportable segments – Cable Networks, Broadcast Television, Filmed Entertainment and Theme Parks.

Cable Networks consists primarily of Comcast's national cable networks. Broadcast Television comprises NBC and Telemundo broadcast networks.

Filmed Entertainment consists primarily of the operations of Universal Pictures. Films are also produced under the Illumination, DreamWorks Animation and Focus Features brands.

Comcast has theme parks in Orlando, Florida; Hollywood, California; and Osaka, Japan.

Sky (17.6% of total revenues): Acquired in 2018, Sky includes a direct-to-consumer business that provides video, high-speed Internet, voice and wireless phone services, and a content business. The business, one of Europe's leading entertainment companies, also operates the Sky News broadcast network and Sky Sports networks. Sky has 23.99 million customers.



Reasons To Buy:

- ▲ Comcast offers 1 Gbps high-speed Internet services across its network, which supports high-bandwidth applications, be it gaming and/or Internet TV. Upgrading to DOCSIS 3.1 has enabled the company to compete against AT&T's Fiber-to-the-Home (FTTH) program. Moreover, strong adoption of xFi is a key catalyst. For 2019, Comcast added 1.4 million net broadband customers with increasing ARPU and solid margins. Further, the Flex is allowing broadband customers to enjoy the most popular streaming apps on X1 platform, without requiring a linear content subscription. These factors are expected to boost growth prospects for the Cable Communications segment.
- ▲ In an attempt to stay competitive, Comcast has ventured into the U.S. wireless industry with the nationwide rollout of its wireless services under the Xfinity Mobile brand. Based on a Mobile Virtual Network Operator (MVNO) agreement with Verizon, Xfinity Mobile uses Verizon's 4G LTE wireless network. Xfinity Mobile is expected to be the nation's first wireless service combining the nation's largest and most reliable 4G LTE network with 19 million Xfinity Wi-Fi hotspots to deliver a great wireless experience, which is cost effective. Comcast claims that customers can save up to 30% on their monthly wireless bills with Xfinity Mobile service.
- ▲ Sky's acquisition helps Comcast to expand in Europe and diversifies its top-line source as the North-American pay-TV market saturates. Sky reaches almost 24 million customers and its streaming service Now TV has almost 2 million users. Notably, Sky added 394K customer relationships in 2019, driven by popular sports and entertainment offerings. Notably, Sky has the rights to show 128 English Premier League soccer matches for three seasons, from 2019 to 2020. Its original content Chernobyl has been a major hit and received 10 Emmy awards. The launch of Sky Studio and Comcast's plans to double investment in local regional content in Europe are expected to drive Sky's top line and expand user base in the long haul.
- ▲ Comcast has gained the rights to offer online TV services nationwide from several unnamed cable networks. The cable MSO reportedly got the rights using the 'most favored nation' clauses in its contracts. This allows Comcast to sell its video services for the first time outside its regional territories to new cities like New York and Los Angeles. Moreover, the company is set to launch Peacock, its streaming platform, in April 2020. It is focused on expanding its streaming content portfolio and is pulling in shows like *The Office* from Netflix. Comcast is leveraging Sky's Now TV model to launch the Peacock service. Despite stiff competition in the streaming space, Comcast is well poised to grow, owing to its vast library of IP and new productions.
- ▲ Theme Parks also present significant growth opportunities for Comcast. The company has theme parks in Orlando, Hollywood, and Osaka, Japan. It is also set to open new parks — Nintendo World in Japan in 2020 and Universal Beijing in 2021.

Roll-out of the DOCSIS 3.1 technology and Xfinity Mobile, the Sky acquisition, launch of Xfinity Flex and NBCUniversal's upcoming streaming service are key catalysts.

Reasons To Sell:

- ▼ The internal dynamics of the U.S. pay-TV industry has been gradually shifting from cable TV operators to large telecom operators and low-cost over-the-top service providers. Online video streaming service providers such as Netflix, Hulu.com, YouTube etc., have become a severe threat to cable TV operators because of their extremely cheap source of TV programming and solid content. Moreover, the U.S. pay-TV industry is affected by the ongoing massive consolidation between telecom and cable-TV operators. The multi-channel video market in the U.S. is almost saturated. This doesn't bode well for Comcast, as cord cutting and intensifying competition has severely hurt its business.
- ▼ The industry-wide trend of declining profitability of residential video services due to increasing programming costs and retransmission fees has made it difficult for traditional companies like Comcast to survive. Moreover, residential voice services have witnessed significant decline in revenues due to increasing usage of wireless voice services. This also doesn't bode well for the company.
- ▼ We view Comcast's high debt level as a potential hazard. The Sky acquisition further increases indebtedness, which adds to the risk of investing in the company. As of Dec 31, 2019, the company had a total debt was \$102.22 billion.

Comcast continues to suffer from video and voice customer loss due to cord-cutting and stiff competition from Netflix, Hulu and YouTube. The company's high debt level is also a concern.

Last Earnings Report

Comcast Q4 Earnings Beat Estimates, Revenues Up Y/Y

Comcast reported fourth-quarter 2019 adjusted earnings of 79 cents per share that beat the Zacks Consensus Estimate by 5.3% and increased 9.7% year over year.

Consolidated revenues grew 2% year over year to \$28.40 billion and beat the Zacks Consensus Estimate of \$28.19 billion.

However, revenues on a pro-forma basis (considering the Sky transaction on Jan 1, 2017) were flat year over year.

Quarter Ending **12/2019**

Report Date	Jan 23, 2020
Sales Surprise	0.73%
EPS Surprise	5.33%
Quarterly EPS	0.79
Annual EPS (TTM)	3.12

Cable Communication Revenue Details

Revenues climbed 2.6% from the year-ago quarter to \$14.77 billion. Total Customer Relationships increased 372K to 31.5 million.

High-speed Internet revenues grew 8.8% year over year to \$4.79 billion, primarily driven by increased residential high-speed Internet customers and rate adjustments. Total high-speed Internet customer net additions were 442K.

Business Services revenues were up 8.8% to \$2 billion, driven by customer base expansion.

Wireless revenues jumped 39.4% to \$372 million, supported by an increase in the number of customer lines. Comcast added 261K wireless lines in the reported quarter.

Advertising revenues declined 19.1% to \$699 million, primarily due to lower political advertising revenues. Excluding political revenues, advertising revenues were flat.

Voice revenues were \$944 million, down 3.6% year over year due to a declining number of residential voice customers.

Video revenues dropped 1.2% to \$5.51 billion, reflecting a decline in the residential video customer count.

Total video customer net losses were 149K, while total voice customer net losses were 2K.

Other revenues decreased 2.3% from the year-ago quarter to \$455 million. Total security and automation customer net additions were 10K in the reported quarter.

NBCUniversal Revenues Decline Y/Y

Revenues declined 2.6% year over year to \$9.15 billion.

Cable Networks' revenues increased 1.2% from the year-ago quarter to \$2.93 billion, primarily due to higher content licensing & other revenues (up 3.4%) and advertising revenues (up 2%). Distribution revenues were flat year over year.

Broadcast Television revenues increased 2.1% from the year-ago quarter to \$3.16 billion, thanks to higher content licensing revenues (up 5.8%) and distribution & other revenues (up 9.9%), partially offset by lower advertising revenues (down 1.5%).

Filmed Entertainment revenues decreased 21% from the year-ago quarter to \$1.56 billion. Theatrical revenues declined 59.1% from the year-ago quarter.

Theme Parks revenues were \$1.56 billion, up 3.2% year over year on higher guest spending.

Sky Revenue Details

Sky's pro-forma revenues increased 0.4% year over year to \$5.04 billion. At constant currency (cc), revenues increased 1.4%.

Direct-to-consumer revenues were up 1.1% (up 2.3% at cc) from the year-ago quarter to \$4.02 billion.

Content revenues rose 2.1% (up 2.7% at cc) to \$371 million, benefiting from higher monetization of its slate of original programming and the wholesaling of sports programming.

Advertising revenues deteriorated 5.1% (down 4.1% at cc) from the year-ago quarter to \$647 million, primarily due to the impact of a change in legislation related to gambling advertisements in the U.K. and Italy along with overall market weakness.

Pro-forma Total Customer Relationships increased 77K to 24 million in the reported quarter.

Operating Details

Consolidated programming & production costs increased 0.5% from the year-ago quarter to \$9.30 billion. As a percentage of revenues, programming & production costs shrank 50 basis points (bps) on a year-over-year basis to 32.7%.

Consolidated adjusted EBITDA grew 3% from the year-ago quarter to \$8.44 billion. Pro-forma (including Sky operations) adjusted EBITDA increased 2.1%.

Segment-wise, Cable Communications' adjusted EBITDA rose 5.4% from the year-ago quarter to \$5.88 billion. Cable Communications operating

expenses increased 0.8% year over year on higher non-programming costs.

Cable Communications results include a loss of \$116 million from the wireless business compared with a loss of \$191 million in the year-ago quarter.

NBCUniversal's adjusted EBITDA decreased 4.7% from the year-ago quarter to \$2.02 billion, reflecting a decline in Cable Networks, Filmed Entertainment and Theme Parks adjusted EBITDA.

Sky's adjusted EBITDA on a pro-forma basis was unchanged (up 0.4% at cc) at \$765 million. Notably, Sky's operating costs and expenses rose 0.4% (up 1.6% at cc) to \$4.28 billion.

Consolidated operating income grew 16.2% year over year to \$5.25 billion. Moreover, operating margin expanded 230 bps from the year-ago quarter to 18.5%.

Cash Flow & Liquidity

As of Dec 31, 2019, cash and cash equivalents were \$5.50 billion, up from \$3.51 billion as of Sep 30.

Moreover, as of Dec 31, consolidated total debt was \$102.22 billion, up from \$100.89 billion as of Sep 30.

In fourth-quarter 2019, Comcast generated \$6.24 billion of cash from operations compared with \$5.19 billion in the previous quarter.

Capital expenditures were down 2.5% to \$3.1 billion. NBCUniversal's capital expenditures rose 7.6% to \$641 million. Sky reported capital expenditures of \$228 million. However, Cable Communications' capital expenditures decreased 7.8% to \$2.1 billion.

Free cash flow was \$2.48 billion in the reported quarter, up from \$2.1 billion generated in the previous quarter.

Dividends paid out in the fourth quarter were worth \$957 million. Comcast also increased its dividend by 10% to 92 cents per share on an annualized basis for 2020.

Recent News

On Jan 27, Comcast announced the completion of the acquisition of Dublin, Ireland-based Blueface — a global technology provider and leader in unified communications solutions. Moreover, the company announced plans to open new Xfinity stores in Coon Rapids, Brooklyn Center, Maple Grove, Blaine, Vadnais Heights and West St. Paul by the end of 2020.

On Jan 23, Comcast announced that it is increasing dividend by 10% to 92 cents per share, which is payable on Apr 22, 2020, to shareholders of record as of Apr 1.

On Jan 16, Comcast division NBCUniversal unveiled Peacock, a free premium ad-supported streaming service with subscription tiers offering more than 600 movies and 400 series, as well as live and on-demand content across news, sports, late night and reality.

On Jan 14, Comcast division NBCUniversal announced the launch of SportsTech, a global accelerator for sports technology startups. SportsTech will feature partnership of three sports brands — NBC Sports, Sky Sports and Golf Channel — alongside NASCAR and two U.S. Olympic sports organizations, U.S. Ski & Snowboard and USA Swimming.

On Jan 8, Comcast and ViacomCBS renewed their content carriage agreement that includes continued retransmission consent of 23 CBS-owned television stations in 15 major markets across the country.

On Jan 6, Comcast announced that xFi Advanced Security, a feature that automatically protects devices from online threats, will be included free for customers who lease an xFi gateway. The company also announced its next-generation xFi Advanced Gateway, the first device capable of delivering true multi-gigabit speeds. The device will be rolled out to customers in the coming months.

On Dec 23, Comcast's division NBCUniversal and Lionsgate's Starz announced a long-term agreement for the continued carriage of the Starz networks on Xfinity TV. The companies also inked a new content deal.

On Dec 16, Comcast announced that NBCUniversal CEO Steve Burke will retire on Aug 14, 2020, following the Summer Olympics in Tokyo. Effective Jan 1, 2020, Jeff Shell will become CEO of NBCUniversal, reporting to Burke, who will become the chairman.

On Dec 11, Comcast announced a partnership with wearable technology startup NuEyes to bring the Xfinity Stream entertainment viewing experience to visually impaired customers through NuEyes virtual reality technology.

Valuation

Comcast shares are down 0.6% in the six-months period but up 22% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are up 6.7% and 2.1% in the six-months period, respectively. Over the past year, the Zacks sub-industry and the sector are up 31.3% and 15.3%, respectively.

The S&P 500 index is up 7.8% in the six-months period and 22.1% in the past year.

The stock is currently trading at 13.41X forward 12-month earnings, which compares to 18.66X for the Zacks sub-industry, 20.05X for the Zacks sector and 19.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.32X and as low as 11.94X, with a 5-year median of 16.46X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$46 price target reflects 14.02X forward 12-month earnings.

The table below shows summary valuation data for CMCSA

Valuation Multiples - CMCSA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.41	18.66	20.05	18.94
	5-Year High	20.32	29.11	23.35	19.34
	5-Year Low	11.94	15.93	16.16	15.18
	5-Year Median	16.46	22.52	20.07	17.45
P/S F12M	Current	1.75	2.05	2.29	3.52
	5-Year High	2.28	2.59	3.19	3.52
	5-Year Low	1.44	1.61	1.81	2.54
	5-Year Median	1.88	2.14	2.54	3
EV/EBITDA TTM	Current	8.66	10.81	12.6	12.25
	5-Year High	17.6	19.42	17.76	12.86
	5-Year Low	7.45	8.52	11.07	8.48
	5-Year Median	9.06	10.64	12.41	10.68

As of 1/27/2020

Industry Analysis Zacks Industry Rank: Top 16% (42 out of 255)



Top Peers

Cable One, Inc. (CABO)	Outperform
DISH Network Corporation (DISH)	Outperform
Charter Communications, Inc. (CHTR)	Neutral
The Walt Disney Company (DIS)	Neutral
Discovery, Inc. (DISCA)	Neutral
Liberty Global PLC (LBTYA)	Neutral
Rogers Communication, Inc. (RCI)	Neutral
Shaw Communications Inc. (SJR)	Neutral

Industry Comparison Industry: Cable Television				Industry Peers		
	CMCSA Neutral	X Industry	S&P 500	CABO Outperform	CHTR Neutral	DISH Outperform
VGM Score	B	-	-	D	C	D
Market Cap	200.17 B	11.52 B	23.86 B	9.75 B	108.27 B	18.12 B
# of Analysts	14	4	13	4	12	5
Dividend Yield	1.91%	0.00%	1.81%	0.53%	0.00%	0.00%
Value Score	B	-	-	F	C	B
Cash/Price	0.03	0.02	0.04	0.01	0.00	0.09
EV/EBITDA	8.62	10.14	13.94	22.94	11.53	10.14
PEG Ratio	1.14	2.23	2.00	NA	0.98	NA
Price/Book (P/B)	2.39	2.41	3.25	12.57	2.67	1.78
Price/Cash Flow (P/CF)	7.31	7.36	13.46	26.55	9.84	7.52
P/E (F1)	13.54	19.78	18.67	41.19	37.10	17.75
Price/Sales (P/S)	1.84	2.27	2.62	8.71	2.39	1.41
Earnings Yield	7.43%	2.70%	5.35%	2.43%	2.70%	5.63%
Debt/Equity	1.23	1.28	0.72	1.65	1.76	1.28
Cash Flow (\$/share)	6.02	2.72	6.92	64.29	51.24	4.89
Growth Score	A	-	-	B	D	D
Hist. EPS Growth (3-5 yrs)	16.77%	7.04%	10.68%	16.80%	139.60%	2.81%
Proj. EPS Growth (F1/F0)	4.34%	31.62%	7.51%	31.62%	97.33%	-17.14%
Curr. Cash Flow Growth	21.54%	10.96%	13.40%	18.69%	3.53%	8.12%
Hist. Cash Flow Growth (3-5 yrs)	11.76%	7.25%	8.78%	9.76%	47.02%	3.68%
Current Ratio	0.84	1.26	1.22	1.28	0.28	0.60
Debt/Capital	55.43%	59.72%	42.92%	62.26%	63.79%	57.18%
Net Margin	11.98%	13.22%	11.39%	14.92%	2.76%	10.47%
Return on Equity	18.25%	0.38%	17.19%	22.55%	2.91%	14.55%
Sales/Assets	0.42	0.35	0.54	0.44	0.31	0.41
Proj. Sales Growth (F1/F0)	4.82%	3.57%	4.09%	9.56%	5.64%	-3.02%
Momentum Score	F	-	-	D	C	D
Daily Price Chg	-1.32%	0.00%	-1.40%	-1.75%	-0.12%	0.03%
1 Week Price Chg	-6.13%	-0.08%	-1.09%	6.54%	0.39%	-0.14%
4 Week Price Chg	-2.61%	1.17%	-0.25%	14.25%	4.35%	3.86%
12 Week Price Chg	0.25%	5.07%	3.64%	28.53%	6.46%	5.12%
52 Week Price Chg	24.40%	4.01%	18.08%	96.69%	73.31%	21.29%
20 Day Average Volume	19,468,154	331,016	1,615,215	28,720	1,080,641	1,922,322
(F1) EPS Est 1 week change	-1.06%	0.00%	0.00%	0.00%	0.27%	-0.21%
(F1) EPS Est 4 week change	-1.21%	0.00%	0.00%	0.54%	-0.31%	3.24%
(F1) EPS Est 12 week change	-4.47%	-3.49%	-0.17%	12.30%	1.39%	20.44%
(Q1) EPS Est Mthly Chg	-5.42%	-1.87%	0.00%	0.00%	-1.87%	-7.88%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	A
Momentum Score	F
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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