TITAN CAPITAL MANAGEMENT RESEARCH REPORT FOR: **TCM ALL WEATHER PORTFOLIO**

Analysts: German Romero, Tyler Peyatt Date: December 4, 2022

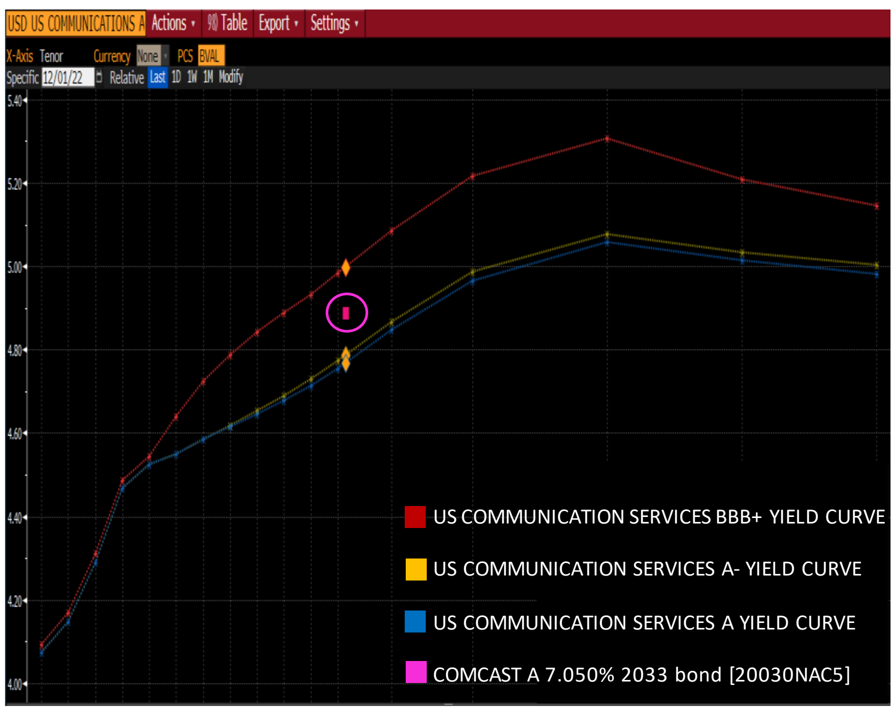
COMPANY/TICKER: **COMCAST A 7.050% 03/15/2033** **Bond** **BUY**

EXECUTIVE SUMMARY

The TCM All Weather Portfolio team recommends a 3.5% buy of: COMCAST A 7.050% 2033 bond [20030NAC5]. This Comcast bond is non-callable, rated S&P/Moody's A-/A3 and offers a competitive yield-to-maturity of 5.06% (147 bps OAS) with an above-index duration of 7.42 years (115%). Using our future cash flow forecast, Comcast should bring in more revenue than necessary to cover coupon payments and bond maturities for the next 5 years based on: 1) The expansion of sales in high-speed internet services outweighing the loss of revenue derived from cable video services; 2) the user growth of Peacock, NBC Universal's television and movie streaming platform; 3) the continued success of Comcast's legacy media operations in both television and movie distribution; and 4) Comcast's debt maturity schedule placing the majority of Comcast's maturing debt beyond the bond's 2033 maturity date.

Key uncertainties include changes in customer behavior and the highly regulated industry it is a part of. The environment Comcast operates in is a rapidly changing, customer-driven one. The development of new technologies allows media to be distributed in a variety of ways that gives way for new competitors. Beyond this, the industry suffers from heavy regulation from federal, state, and local governments.

Cusip:	20030NAC5
Price @ 12/1/2022:	114.92
Coupon:	7.900 %
YTM:	5.06%
YTW:	5.06%
OAS (LIBOR):	147 bps
Duration:	7.42 yrs.
Credit Rating:	A-
Seniority:	Senior Unsecured
Callable Date/Price:	Non-Callable
Make whole call:	N/A
Offered Amt.:	$750MM
Amt. Outstanding:	$750MM



COMPANY OVERVIEW

Comcast Corp. is a media, entertainment, and communications company, which engages in the provision of video, Internet, and phone services. It operates primarily through the following 3 segments: (1) Cable Communications (52.8% of total revenue), which provides video, Internet, voice, and security and automation services under the Xfinity brand; (2) Media Operations (18.7% of total revenue), that consists of national cable networks, regional sports, news networks, international cable networks, including NBC and Telemundo broadcast networks; as well as the production, acquisition, marketing, and distribution of filmed entertainment; and (3) the Sky segment (16.6% of total revenue), consisting of the operations of Sky, one of Europe's entertainment companies, which primarily includes a direct-to-consumer business, providing video, high-speed internet, voice and wireless phone services, and a content business, operating entertainment networks, the Sky News broadcast network and Sky Sports networks.

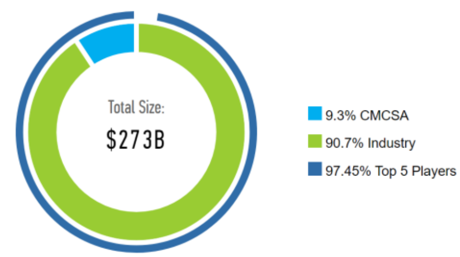
Comcast is currently headquartered in Philadelphia, Pennsylvania with broadcast stations and regional affiliates across the nation in most urban zones. Comcast controls approximately 35% of the household cable market share in the US and maintains a 9.3% control of revenue share in the Multi-Type US Wireless Services sector. Comcast is connected to the US economy, deriving 78.1% of their revenue from the US Market.

Top 5 by Revenue in Multi-Type United States Wireless Services

	% of Revenue	Revenue	Market Value (M)	1 Yr Pr Trend
Comcast Corp.	**21.79**	**25,359**	**176,530**	
Verizon Communications, Inc.	71.33	95,300	189,617	
AT&T, Inc.	46.19	77,998	130,192	
Deutsche Telekom AG	46.34	59,594	95,445	
America Movil SAB de CV	17.42	7,347	61,914	
Telephone & Data Systems, Inc.	51.88	2,764	1,827	

Showing up to 6 of 25 companies | Values in USD
Values are estimated based on FactSet's Revere Industry Classification System

Revenue Share in Multi-Type United States Wireless Services



Values are estimated based on FactSet's Revere Industry Classification System

Comcast's historical financials show steady revenue growth, except in 2020 with the Covid-19 shutdowns and a return to pre-pandemic growth numbers in 2021, high levels of interest coverage, and a Total Debt/EBITDA ratio that is falling faster than its revenue grows, signifying a reduction in total debt and/or improvement in operating margin.

Source: FactSet Fundamentals

Condensed Financial Data

	DEC '21	DEC '20	DEC '19	DEC '18	DEC '17	DEC '16	5-yr. Avg.
Revenue	$112,084	$100,384	$105,917	$91,289	$79,628	$73,906	$93,868
Growth	*11.66%*	*-5.22%*	*16.02%*	*14.64%*	*7.74%*		*8.97%*
Operating Margin	17.89%	17.12%	19.56%	20.11%	20.67%	21.04%	19.40%
Growth	*4.50%*	*-12.48%*	*-2.76%*	*-2.70%*	*-1.77%*		*-3.04%*
EBIT / Int. Expense	5.11x	4.19x	4.72x	5.37x	5.70x	5.67x	5.13x

Capital Structure		
Fully Diluted Market Cap.	176,246	*67.0%*
+ Long-term Debt	89,746	*34.1%*
+ Short-term Debt	2,083	*0.8%*
- In-the-Money Convertible Debt	-	
- Cash & Equivalents	-6,847	*-2.6%*
+ Preferred Stock	-	
- In-the-Money Convertible Pfd.	-	
- Investments in Unconsol. Subs	0	*0.0%*
+ Non-Controlling Interest	1,645	*0.6%*
+ Pension Liabilities	-	
Enterprise Value	**$262,873**	*100%*

APPENDIX

FUTURE CASH FLOWS FORECAST

CASH FLOW FORECAST | **Comcast Corporation Class A (CMCSA)**

Alternative Data Source from 10-K and 10-Q Reports at https://www.sec.gov/edgar/searchedgar/companysearch.html

Balance Sheet data does not include the last 12 months column (LTM), as the Income Statement does.

Shaded cells in Column B are using the last fiscal year from Column C instead unless the company has just reported their fiscal year end.

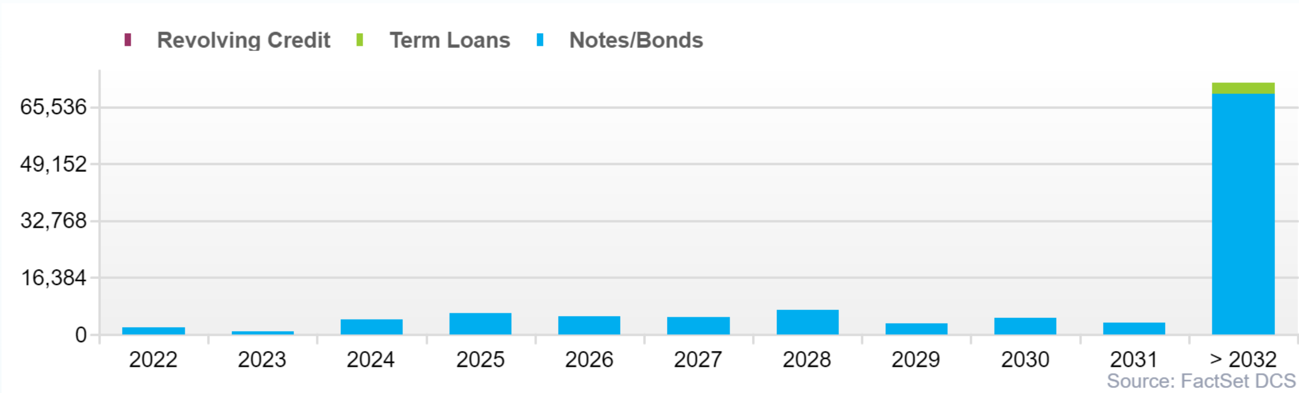
Historical Financials (in millions)	**SEP '22 (LTM*)**	**DEC '21**	**DEC '20**	**DEC '19**	**DEC '18**	**DEC '17**		
Total Revenue or Sales (IS)	$121,211	$116,385	$103,564	$108,942	$94,507	$85,029		
Operating Income or EBIT (IS)	$22,915	$20,817	$17,726	$21,305	$19,007	$17,576		
Interest Expense (IS)	$3,915	$4,077	$4,228	$4,511	$3,542	$3,086		
Provision for Income Tax (IS)	$4,468	$5,260	$3,364	$3,673	$3,380	-$7,569		
Pre-tax Income (IS)	$9,499	$19,093	$14,065	$16,996	$15,242	$15,353		
Depr., Amort., and Depletion (CF)	$13,931	$13,804	$13,100	$12,953	$11,017	$10,130		
Purchase/Sale of PPE: Net (CAPEX) (CF)	-$13,119	-$12,057	-$12,093	-$12,482	-$11,852	-$13,119		
Cash Eq. and ST Investments (BS)	$8,767	$8,767	$11,754	$5,542	$3,860	$3,488		
Total Current Assets (BS)	$24,807	$24,807	$26,741	$25,392	$21,848	$16,343		
Total Current Liabilities (BS)	$29,348	$29,348	$28,796	$30,292	$27,603	$21,993		
Short-term Debt (BS)	$2,898	$2,898	$3,864	$5,167	$4,398	$5,134		
Long-term Debt (BS)	$104,361	$104,361	$109,522	$104,412	$107,345	$59,422		
Dividends per Share (Key Items)	$1.00	$0.92	$0.84	$0.76	$0.63	$0.55		
Diluted Common Shares Outstanding (Key It	4,654	4,624	4,610	4,640	4,786	4,876	-0.9%	Annualized 5-yr. change in shares
Earnings per Share (diluted) (Key Items)	$3.04	$2.28	$2.83	$2.53	$4.75	$1.79	11.3%	Annualized 5-yr. EPS growth

Historical Metrics	**SEP '22 (LTM*)**	**DEC '21**	**DEC '20**	**DEC '19**	**DEC '18**	**DEC '17**	Average %	Adjusted %	Rationale for adjusted ratios, if any
Revenue Growth Rate	4.15%	12.38%	-4.94%	15.27%	11.15%	5.76%	7.3%		See growth rate forecast below
Industry growth rate (for reference)	8.08%	-0.35%	15.28%	7.78%	22.25%	18.47%	11.9%		
EBIT-to-Sales Ratio (profit margin)	18.91%	17.89%	17.12%	19.56%	20.11%	20.67%	19.0%		See growth rate forecast below
Interest Expense-to-Sales Ratio	3.23%	3.50%	4.08%	4.14%	3.75%	3.63%	3.7%		enter rationale if not using the average ratio
Tax Rate (Income Tax / Pre-tax Income)	47.04%	27.55%	23.92%	21.61%	22.18%	-49.30%	15.5%		
PP&E-to-Sales Ratio	10.82%	10.36%	11.68%	11.46%	12.54%	15.43%	12.0%		See growth rate forecast below
Depreciation-to-Sales Ratio	11.49%	11.86%	12.65%	11.89%	11.66%	11.91%	11.9%		enter rationale if not using the average ratio
NWC-to-Sales Ratio	-3.75%	-3.90%	-1.98%	-4.50%	-6.09%	-6.64%	-4.5%		See growth rate forecast below
Common Stock Dividend Payout Ratio	32.87%	40.38%	29.66%	30.04%	13.26%	30.81%	29.5%		enter rationale if not using the average ratio

BASE CASE Projected Cash Flows	**2022**	**2023**	**2024**	**2025**	**2026**		Annualized trailing 5-yr. revenue growth for the industry >
BASE CASE Revenue Growth (see avg. H26) >	3.0%	1.0%	2.0%	3.0%	5.0%	2.8%	< Annualized avg TCM forecast revenue gro 10.3%
Total Revenue	**$122,120.1**	**$123,341.3**	**$125,808.1**	**$129,582.4**	**$136,061.5**	enter rationale	
Average Analyst Forecast Sales	$121,407	$120,271	$123,673	$124,534	$129,530		
Growth (%)	0.16%	-0.94%	2.83%	0.70%	4.01%	1.3%	< Annualized average analyst Net Income growth estimates
BASE CASE EBIT Profit Margin (see avg. H28)>	12.5%	25.0%	15.0%	12.0%	20.0%	16.8%	< Annualized average TCM forecast EBIT growth
Earnings Before Interest and Taxes (EBIT)	$15,265.0	$30,835.3	$18,871.2	$15,549.9	$27,212.3	enter rationale	
Less: Tax	-$2,365.8	-$4,779.0	-$2,924.7	-$2,410.0	-$4,217.5		
Net Operating Profit After Tax (NOPAT)	$12,899.2	$26,056.4	$15,946.5	$13,139.9	$22,994.8		
Less: Interest	-$4,545.6	-$4,591.0	-$4,682.9	-$4,823.4	-$5,064.5		
Net Income	**$8,353.6**	**$21,465.3**	**$11,263.6**	**$8,316.6**	**$17,930.3**		
Average Analyst Forecast Net Income	$5,832.5	$14,405.5	$15,365.9	$15,699.4	$17,803.0		
Growth (%)	7.91%	146.99%	6.67%	2.17%	13.40%	26.9%	< Annualized average analyst Net Income growth estimates
Change to shares: buybacks (-), new issues (+) >	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.93%	< Historical annualized 5-yr. change in # of shares (for reference)
Forecast Earnings per Share	**$1.81**	**$4.70**	**$2.49**	**$1.85**	**$4.04**	enter rationale if changing growth rates	
Growth (%)	-40.4%	159.4%	-47.0%	-25.5%	117.6%	5.8%	< Annualized average TCM EPS growth forecast
Average Analyst Forecast Earnings per Share	$3.61	$3.76	$4.26	$4.78	$5.87		
Growth (%)	18.6%	4.3%	13.1%	12.4%	22.7%	14.0%	< Annualized average analyst EPS growth estimates
EPS Forecast too far from average analyst ^			^ EPS Forecast far from average analyst				
Plus: Depeciation	$14,545.3	$14,690.7	$14,984.5	$15,434.1	$16,205.8		
CapEx % of Sales Forecast (see avg. H31)>	12.0%	12.0%	12.0%	12.0%	12.0%	enter rationale if changing growth rates	
Less: Capital Expenditures	-$14,712.8	-$14,859.9	-$15,157.1	-$15,611.8	-$16,392.4		
NWC % of Sales Forecast (see avg. H33) >	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	enter rationale if changing growth rates	
Net Working Capital	(4,575.1)	(4,620.8)	(4,713.2)	(4,854.6)	(5,097.4)		
Less: Increase in Net Working Capital	(34.1)	(45.8)	(92.4)	(141.4)	(242.7)		
Free Cash Flow	**$8,220.1**	**$21,341.8**	**$11,183.4**	**$8,280.2**	**$17,986.4**		
Growth (%)	-58.8%	159.6%	-47.6%	-26.0%	117.2%	-2.1%	< Annualized average TCM EPS growth forecast
Average Analyst Forecast Free Cash Flow	$14,059.0	$14,238.7	$15,321.0	$15,563.0	$17,681.2		
Growth (%)	-29.61%	1.28%	7.60%	1.58%	13.61%	-2.4%	< Annualized average analyst EPS growth estimates
Debt maturities:	$832.7	$4,250.0	$5,978.2	$4,822.7	$4,777.3		
Cash flow sufficient?	Yes	Yes	Yes	Yes	Yes		

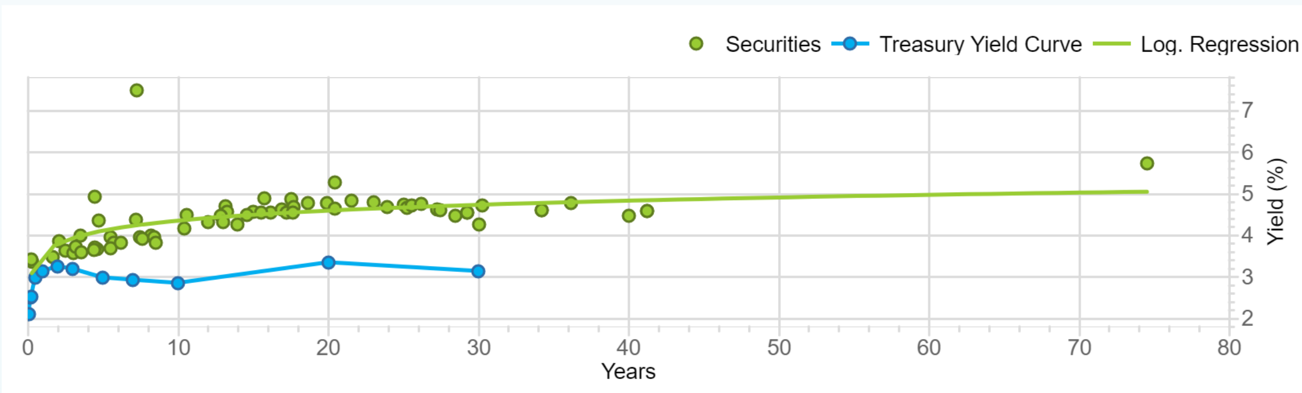
LT Debt by Maturity Summary

Maturity Type: Aggregate



Issuer Credit Curve

USD Yield to Maturity



Source: FactSet DCS

Product Segments (M)

	Dec '17	Dec '18	Dec '19	Dec '20	Dec '21	Dec '22E	Dec '23E	Dec '24E	Dec '25E
Sales	84,526	94,507	108,942	103,564	116,385	121,833	122,648	126,156	128,636
Cable	52,519	55,143	58,082	60,051	64,328	66,521	66,921	67,768	68,368
- Video	23,129	22,455	22,270	21,937	22,079	21,407	20,040	18,744	17,205
- High Speed Internet	14,769	17,144	18,752	20,599	22,979	24,467	25,553	26,360	27,126
Operating Income	17,987	19,009	21,125	17,493	20,817	23,136	23,779	25,145	26,005
Cable	-	13,812	15,272	17,517	20,287	21,755	22,262	22,876	23,264
NBC Universal	-	6,648	6,643	3,991	3,207	3,426	3,534	3,930	4,276
- Media	-	-	-	-	3,538	2,591	2,178	2,492	2,767
EBITDA	28,062	30,165	34,258	30,826	34,707	37,051	37,719	39,272	40,574
Cable	21,170	22,447	23,266	25,270	28,097	29,504	29,976	31,165	31,794
- Video	-	-	-	-	-	-	-	-	-
- Advertising	-	-	-	-	-	-	-	-	-
Net Adds (thousands)	884	880	501	290	-891	-1,476	-1,305	-2,356	-2,346
Cable	-	878	-	-	-	-	-	-	-
- Video	-151	-370	-732	-1,408	-1,669	-1,877	-1,687	-1,619	-1,529
- High Speed Internet	1,168	1,353	1,406	1,971	1,327	477	716	407	421