

Comcast Corp

Broadband beats, severance impacts
EBITDA

Maintain Rating: BUY | PO: 55.00 USD | Price: 43.80 USD

Comcast reported better broadband sub results

Comcast reported mixed financial and operating results which were paced by a 3.1% Y/Y gain (vs. 3.7% est.) in Connectivity & Platforms (C&P) EBITDA, while Content & Experiences (C&E) EBITDA grew 2.2% (vs. 2.9% est.) as results were better than forecast at Media and Studios but missed overall due to Eliminations and Other. The lower than forecast EBITDA would have been well ahead of our estimate had Comcast not taken a \$527mn severance charge. Ex-severance in 4Q23, consolidated EBITDA would have beat our estimate and grown 6.7%. Ex-severance in both periods (CMCSA took a \$638mn charge in 4Q22), EBITDA would have declined 1.2% overall. Broadband sub results was better than forecast (with broadband losses of -34k vs. -71k est.) as was Broadband ARPU growth of 3.9% (vs. 3.7% est.). Wireless net adds of 310k were below our 340k forecast. Comcast also has raised its share buyback authorization to \$15bn (we estimate there was \$5bn remaining on the old authorization) and increased its dividend by 6.9%.

Consolidated revenue and EPS beat, EBITDA and FCF miss

Comcast's consolidated revenue grew 2.3% (vs. 1.5% est.) and consolidated EBITDA increased 0.2% (vs. 3.4% est.) driven by Residential Connectivity & Platforms EBITDA increase of 3.1% (vs. 3.7% est.), Business Services EBITDA growth of 2.2% (vs. 3.6% est.) and 2.2% growth in Content & Experiences EBITDA (vs. 2.9% est.). Consolidated capex of \$3.3bn was below our \$3.5bn estimate as capex was lower at both C&E and C&P. Despite lower capex, FCF of \$1.7bn was below our \$2n estimate. Adj. EPS grew 2.3% to \$0.84 and was above our estimate of \$0.77. Comcast repurchased \$3.5bn in stock in the Q (vs. \$3.5bn est.).

C&P: broadband sub results better than forecast

At C&P, Comcast reported broadband net loss of 34k, better than our -71k forecast. Video sub net losses were -389k (vs. -440k est.). Xfinity Mobile reported lower than forecast net adds of 310k (vs. 340k est.). Programming expenses declined 1% Y/Y vs. our 0.4% Y/Y growth projection. Business Services revenue growth of 5.9% was above our 4.3% growth projection, while Business Services EBITDA grew 2.2% (vs. 3.6% est.). C&P advertising declined 13.6% in the Q which better than our projection of -15%.

C&E: Studios provide strength, Peacock losses better

C&E results were mixed vs. our projections as revenue grew 5.7% (vs. 2.9% est.) and EBITDA increased 2.2% Y/Y (vs. 2.9% est.). Media EBITDA declined 50% (vs. -52% est.). Studios EBITDA was \$343mn (vs. \$219mn est.). Theme Park revenue grew a robust 11.5% (vs. 12% est.) and drove \$872mn in EBITDA which was in-line with our \$876mn estimate. Peacock generated revenue of \$1.03mn (vs. \$1bn est.) and a loss of \$826mn (vs. \$872mn est.), while paid Peacock subs grew to 31mn (vs. 31.5mn estimate).

Reiterate Buy and \$55 PO

Results were mixed as CMCSA reported better than projected broadband results with net losses and ARPU better than our estimates, while wireless net adds were lower than forecast. Financials were mixed with top-line ahead, while EBITDA and FCF missed.

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Stock Data

Price	43.80 USD
Price Objective	55.00 USD
Date Established	28-Jul-2023
Investment Opinion	B-1-7
52-Week Range	34.63 USD - 47.46 USD
Mrkt Val (mn) / Shares Out (mn)	203,363 USD / 4,643.0
Free Float	99.3%
Average Daily Value (mn)	780.11 USD
BofA Ticker / Exchange	CMCSA / NAS
Bloomberg / Reuters	CMCSA US / CMCSA.OQ
ROE (2023E)	21.9%
Net Dbt to Eqty (Dec-2022A)	111.3%
ESGMeter™	High

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Exhibit 1: Comcast 4Q23 results summary

Comcast reported better than projected broadband results, while financials were mixed

CMCSA				Old		
	4Q22A	4Q23A	Y/Y%	4Q23A	Y/Y%	Var
Connectivity and Platforms						
Domestic Broadband Residential Net Adds	(23)	(31)	34.8%	(70)	204.3%	39
Domestic Broadband Business Services Net Adds	-	(3)	NA	(1)	NA	(2)
Domestic Broadband Total Net Adds	(23)	(34)	47.8%	(71)	208.7%	37
Domestic Wireless Net Adds	365	310	-15.1%	340	-6.8%	(30)
International Connectivity CR Net Adds	55	(111)	301.8%	55	0.0%	(166)
Domestic Video Net Adds	(440)	(389)	11.6%	(440)	0.0%	51
Domestic Voice Net Adds	(287)	(296)	-3.1%	(327)	-13.9%	31
Domestic Broadband Revenue	6,177	6,403	3.7%	6,391	3.5%	12
Domestic Wireless Revenue	883	1,020	15.5%	1,000	13.3%	20
International Connectivity Revenue	953	1,197	25.6%	1,181	24.0%	16
Residential Connectivity Revenue	8,013	8,620	7.6%	8,573	7.0%	47
Video Revenue	7,273	6,903	-5.1%	6,987	-3.9%	(84)
Advertising Revenue	1,283	1,109	-13.6%	1,089	-15.2%	20
Other Residential Connectivity & Platforms Revenue	1,512	1,426	-5.7%	1,358	-10.2%	68
Residential Connectivity & Platforms Revenue	18,081	18,058	-0.1%	18,007	-0.4%	51
Business Services Connectivity Revenue	2,230	2,361	5.9%	2,326	4.3%	35
Total Connectivity & Platforms Revenue	20,311	20,419	0.5%	20,332	0.1%	87
Residential Connectivity & Platforms EBITDA	6,073	6,276	3.3%	6,295	3.7%	(19)
Business Services EBITDA	1,276	1,304	2.2%	1,322	3.6%	(18)
Connectivity & Platforms Programming Expense	4,473	4,429	-1.0%	4,492	0.4%	(63)
Connectivity & Platforms Non-Programming Exp.	8,489	8,411	-0.9%	8,223	-3.1%	188
Connectivity & Platforms EBITDA	7,349	7,579	3.1%	7,617	3.7%	(38)
Connectivity & Platforms Margin	36.2%	37.1%	93.5 bps	37.5%	128.2 bps	-34.7 bps
Content and Experiences						
Peacock Paid Subscribers	21,000	31,000	47.6%	31,500	50.0%	(500)
Peacock Revenue	660	1,033	56.5%	1,012	53.4%	21
Peacock EBITDA	(978)	(826)	15.5%	(872)	10.9%	46
Domestic Advertising Revenue	2,829	2,635	-6.9%	2,487	-12.1%	148
Domestic Distribution Revenue	2,532	2,747	8.5%	2,627	3.8%	120
International Networks Revenue	893	1,047	17.2%	1,013	13.5%	34
Other Revenue	514	550	7.0%	504	-2.0%	46
Media Revenue	6,768	6,979	3.1%	6,631	-2.0%	348
Content Licensing Revenue	2,382	2,375	-0.3%	2,144	-10.0%	231
Theatrical Revenue	216	343	58.8%	233	8.0%	110
Other Revenue	339	345	1.8%	373	10.0%	(28)
Total Studios Revenue	2,937	3,063	4.3%	2,750	-6.4%	313
Theme Parks Revenue	2,114	2,371	12.2%	2,368	12.0%	3
Headquarters and Other	29	19	-34.5%	25	-15.0%	(6)
Eliminations	(968)	(933)	-3.6%	(581)	-40.0%	(352)
Total Content & Experiences Revenue	10,880	11,499	5.7%	11,192	2.9%	307
Media EBITDA	218	109	-50.0%	105	-51.7%	4
Studios EBITDA	168	307	82.8%	219	30.4%	88
Theme Parks EBITDA	782	872	11.5%	876	12.0%	(4)
Total Content & Experiences EBITDA	912	932	2.2%	938	2.9%	(6)
Total Content & Experience Margin	8.4%	8.1%	-27.7 bps	8.4%	0.3 bps	-28.0 bps
Consolidated Comcast						
Consolidated Revenue	30,552	31,252	2.3%	31,002	1.5%	250
Consolidated EBITDA	8,000	8,012	0.2%	8,273	3.4%	(261)
Consolidated EBITDA Margin	26.2%	25.6%	-54.8 bps	26.7%	50.0 bps	-104.8 bps
Adjusted EPS	\$0.82	\$0.84	2.3%	\$0.77	-6.5%	\$0.07
Connectivity & Platforms Capex	2,568	2,069	-19.4%	2,208	-14.0%	(139)
Content & Experiences Capex	936	1,203	28.5%	1,217	30.0%	(14)
Total Capex	3,563	3,319	-6.8%	3,475	-2.5%	(156)
FCF	1,329	1,708	28.5%	2,054	54.6%	(346)

Source: BofA Global Research estimates, company report

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Price objective basis & risk

Comcast Corp (CMCSA)

Our price objective for Comcast is \$55, based on our discounted cash flow analysis. Our discount cash flow framework utilizes a WACC of 7%, a perpetual growth rate of 1.5% and implies a terminal multiple of 8.2x.

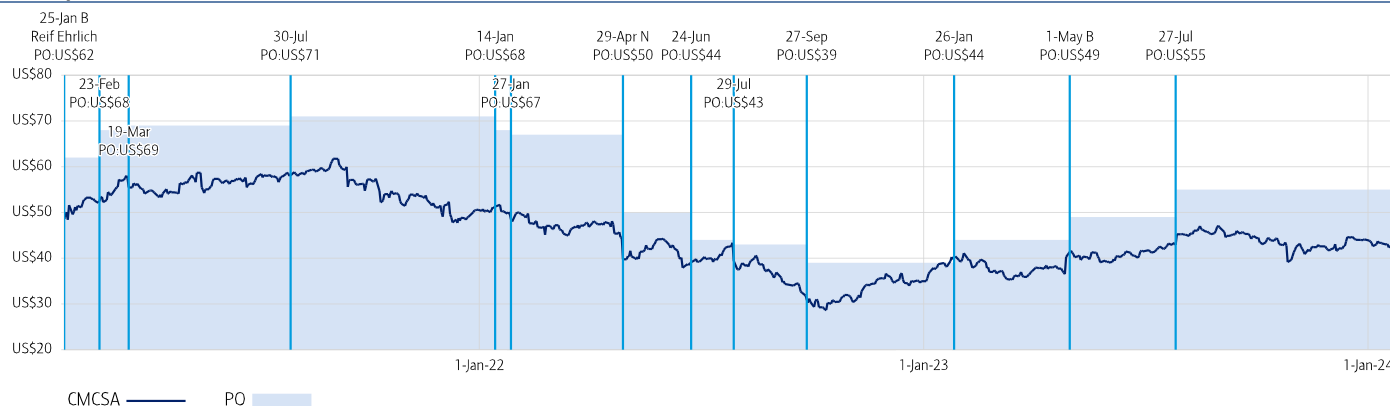
Downside risks to our price objective are reduced high speed internet and small to medium business share gains, a re-emergent COVID crisis which would negatively impact NBCU and SKY operations and lead to lower revenue and EBITDA growth. Significantly increased investment in Peacock which still fails to establish it as one of the leading streaming services. Failure to grow higher-margin data and business services products could lead to overall margin compression and slower growth. Increased regulation also remains a risk. Upside risks to our price objective are better than expected resiliency in the broadband business, higher than projected capital returns and significantly faster than projected wireless growth.



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Comcast Corp (CMCSA) Price Chart



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Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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