Comcast (CMCSA)

Thesis and analysis — October 12, 2026

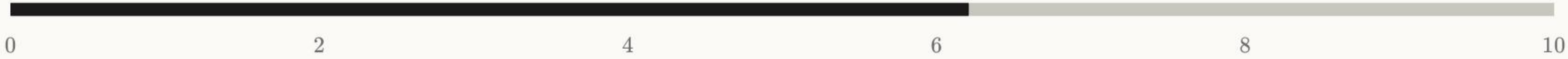
The thesis

HOLD

A statistically cheap, heavily cash-generative connectivity-and-media business (normalized about 6.6 times operating profit, about 4.4 times earnings, about $18 billion of free cash flow) whose broadband core is in slow structural decline; an adjusted-present-value appraisal of its own cash flows is worth about $31 a share against about $21 price, but a hold rather than an add because the value leans on the free-cash-flow story, new capital earns below the cost of capital, and the position already sits above its target weight.

The score

6.2 / 10 — hold signal



Lifting it: Price, Return on capital (ROIC)

Holding it down: Return on capital (ROIC), Balance sheet and debt

The key numbers

EV / EBIT, normalized	6.7×
P / E, normalized	4.5×
ROIC, normalized	49%
Operating margin, average	19.9%
Marginal return on capital	2%

normalized FY2019-FY2025

What one share is worth



Filings and accounting quality

Accounting quality is high and the statements reconcile; the only earnings-normalization items are the FY2022 Sky impairment and the below-operating investment swings.

- Audited by Deloitte, unqualified opinion, no material weakness; 7 annual + 21 quarterly reports confirmed on EDGAR FY2019-FY2025.
- Unusual items inside operating income are 0 in FY2019–21 and FY2023–25; FY2022 carries an 8,583M Sky goodwill+intangible impairment, added back in normalization.
- Acquisition-related intangible amortization separately disclosed and excluded from maintenance capex under the new rule.

Balance sheet

A heavily geared balance sheet; not an asset play — the value is in the cash flows, not the net assets.

- Net debt $89.4B = 3.6× normalized EBIT; interest coverage 4.7×; investment grade.
- Net cash (cash $9.5B − total debt $93.0B) = −$83.5B vs $73.3B market cap, and current assets $29.6B are below current liabilities $33.5B alone — no asset-play floor.
- Tangible capital $60.7B, invested capital $188.8B (goodwill-heavy from NBCU/Sky); net PP&E $65.7B.

Cash flow statement

Under the new capex rule, capex = PP&E + cash paid for intangibles, and maintenance capex = the plant's depreciation (D&A less acquisition amortization); free cash flow is unchanged because the intangibles were already in capex.

- Total capex FY2025 $14.4B (PP&E 11.75 + intangibles 2.66), FY2024 $15.1B, FY2023 $15.5B.
- Maintenance capex rises to $12.91B FY2025 (D&A 16.21 − acquired amort 3.30), $12.10B FY2024, $12.04B FY2023 — vs the old $11.75B / $11.14B overrides; growth capex $1.5B FY2025.
- Free cash flow unchanged: FY2025 $17.95B = OCF 33.64 − SBC 1.29 − capex 14.41; reported FCF/adjusted-EBIT 0.75; normalized FCF $13.98B.

Income statement

Normalized earnings are modestly lower under the new rule but the stock is still very cheap on them; earning power is flat, not growing.

- Normalized EBIT $25.0B (was $25.5B), net income $15.7B, EPS $4.23; EV/EBIT 6.60, P/E 4.42, P/FCF 4.74.
- Reported FY2025 adjusted EBIT $24.0B (was $25.1B) after the higher $12.9B maintenance capex; reported operating margin 16.7%, normalized 20.2% (stable).
- Sales +2.1% a year FY2019-FY2025; normalized EBIT ~flat (+0.7% a year); recent margin trend narrowing.

Debt tables

The debt is heavy but cheap and long-dated, comfortably serviced by the cash flows.

- Long-term debt (incl. current maturities) $93.0B at about 4.7% average cost; net debt $89.4B = 3.6× normalized EBIT; interest coverage 4.7×.
- EV uses long-term debt incl. current portion, not short-term/bank borrowings (which finance working capital); no captive finance arm, so all debt stays in EV with no finance-profit split.

Commitments and contingencies

The largest off-balance-sheet obligation is sports-rights programming — a growing, multi-decade cost commitment that is the main pressure on media margins; nothing in commitments threatens solvency.

- Programming & production obligations are dominated by multiyear sports rights (NBA, NFL, Olympics, English Premier League); the NBA deal began Q4 2025, adding cost. about 36% of programming cash payments are due after five years.
- The Versant separation reduced programming/sports-rights obligations by $5.9B ($1.5B within 12 months) and transferred NASCAR and WWE SmackDown rights away.

Market and segment analysis

One dominant, high-margin connectivity segment funds a set of lower-margin and growing businesses; the marginal return on new capital is near zero.

- Residential Connectivity & Platforms 54.7% of revenue at a 23.8% margin; Business Services Connectivity 35.6% margin and Theme Parks 21.6% are the growth/high-margin engines; Media (7.3%) and Studios (7.0%) are low-margin and secularly challenged.
- Residential revenue is shrinking (−$1.24B FY2023→FY2025) while Media, Business Services and Theme Parks grew; group revenue roughly flat.
- Marginal return on capital built segment-by-segment about 1.6% pre-tax (about 1.3% after tax): sales barely grew while Epic Universe capital was added, so new capital earns far below the about 9.7% cost of capital.

Leases and real estate analysis

Leases and owned real estate are not a swing factor; depreciation is adequate, so earning power is not overstated.

- Operating-lease expense about $1.2B/yr = about 1% of revenue, about 7% of run-rate FCF — immaterial; capitalizing it adds little to the about $99B debt.
- Owned real estate — Universal Orlando (now including Epic Universe land/attractions, opened May 2025), Universal Hollywood, plus headends and network plant — is carried at cost less depreciation; market value likely exceeds book, a modest hidden asset, but it is not separately disclosed so it is not quantified (no invented figure).
- Depreciation: FY2025 PP&E capex $11.75B > PP&E depreciation $9.33B → not under-depreciated; D&A's $6.88B amortization includes about $3.3B of acquired-intangible amortization that requires no reinvestment, which is why the earning-power (EBITDA − maintenance capex) basis is legitimate.

Depreciation analysis

The capex rule's effect sits entirely in the depreciation split: maintenance capex = the plant's depreciation (D&A less acquisition amortization).

- FY2025 D&A $16.21B = plant/software depreciation $12.91B + NBCU/Sky acquisition amortization $3.30B, so maintenance capex = $12.91B (FY2024 $12.10B, FY2023 $12.04B).
- Depreciation stands as the measure of wear (cable-plant replacement cost is at least historical cost, so not overstated); only the acquisition amortization, which needs no reinvestment, is excluded.
- Maintenance capex $12.91B vs the old $11.75B; total capex (PP&E + intangibles) $14.41B still exceeds it, so EV/EBIT and ROIC use EBITDA − maintenance capex (adjusted EBIT $23.97B).

Business quality and moat

A genuinely wide moat in broadband, but one eroding at the edge, bolted to no-moat media — net a narrow-moat group.

- Last-mile network economics drive Residential Connectivity margins of 23.8% and Business Services of 35.6%, with normalized ROIC tangible 50.3% / invested 13.7% and operating margin 20.2%.
- The moat is being tested: Q2 2026 −167k broadband subscribers and broadband revenue ~−5.5% as fixed wireless and fiber overbuild encroach; Media and Studios (7% margins) have no durable advantage and are in secular decline.

Management and governance

Capital allocation is disciplined and shareholder-friendly, under family control, with the spin as the one large pending decision.

- FY2025: about $12B returned ($7.16B buybacks + $4.89B dividends) against $17.9B free cash flow, the balance to net debt reduction (−$2.25B); dividend $1.32/share, 20+ years of increases.
- Roberts-family dual-class control (Class B about 33% of the vote); allocation sensible and reporting candid, but years of value-neutral reinvestment; NBCUniversal+Sky tax-free spin targeted mid-2027 — the key catalyst and the key execution risk.

Valuation

On a two-stage adjusted-present-value of its own cash flows, Comcast is worth about $31 a share probability-weighted and $29 excluding the bull case, against about $21 price — a real but moderate margin of safety, unchanged by the new capex rule.

- Scenarios (per share): worst $10 (12%), bear $28.28 (14%), base $34.05 (50%), bull $36 (24%); probability-weighted $30.84, value without the bull case $29.19.
- Margin of safety about 41% on the value excluding the bull case; buy below $20, trim above $34; discount rate 9.7% (US 10-yr 5.24% + about 4.5% premium).

Risk and margin of safety

The margin of safety is real but the downside tail is fat and geared by leverage — enough cushion to hold, not to add.

- Worst case $10 is about 52% below the $20.66 price (12% probability); bear $28.28 is +37%; the levered equity makes the tail fat.
- Net debt 3.6× normalized EBIT gears the equity to any cash-flow miss; new capital earns about 5.6% after tax below the 9.7% cost, so growth adds no value; media decline, sports-rights inflation and spin execution are the other risks.
- Margin of safety about 41% on the value excluding the bull case ($29.19 vs $20.66); buy below $20, trim above $34.

Decision, sizing and portfolio fit

Hold: keep CMCSA at its current 11.97% weight and let it drift toward the 11% target (no sized trade today); the score and margin of safety justify holding, not adding.

- Current weight 11.97% of the portfolio (CAD 148,899, #3 of 9), about 1 point above the 11% target; the decision is hold, so the weight goes from 11.97% toward 11% only through drift/other inflows, not a forced sale.
- Adding is ruled out: it would push an already-overweight, leverage-geared, structurally-declining name higher and deepen correlated media/telecom exposure (alongside SIRI 7.31%); public equities are already 73% of the book, so no room to grow the sleeve.
- Score about 6.2/10 = HOLD (buy $\geq$7.0, sell $\leq$4.0); price $20.66 above the $20 buy-below, below the $34 trim-above; about 6% dividend collected while waiting on the mid-2027 spin.

Monitoring and selling

Hold and monitor the broadband trajectory; the sell discipline is tied to structural decline and leverage, not price alone.

- Trim above $34 (base value); the about 6% dividend is collected while holding.
- Sell regardless of price on: two or more consecutive quarters of accelerating domestic broadband subscriber losses with falling broadband revenue (Q2 2026 -167k is the first warning); net leverage materially above about 3.3× or buybacks funded with new debt; the NBCU+Sky spin abandoned or made value-destructive; loss of investment-grade rating.
- Watch the about 14% cash margin holding and the marginal return on new capital - a durable turn up there would move the hold to an add.

The decision

HOLD

The decision: hold. Buy below $20.00. Trim above $34.00. Target weight 11.0 percent of the portfolio. What would change our mind: Two or more consecutive quarters of accelerating domestic broadband losses with falling broadband revenue (structural, not cyclical); the NBCUniversal+Sky spin abandoned or made value-destructive; or net leverage pushed materially above about 3.3×.