



# Investment Research Summary

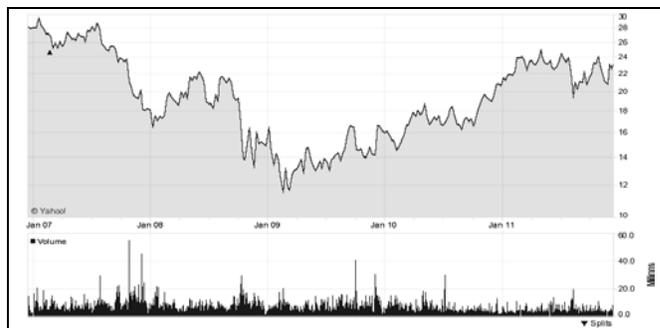
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# Comcast Corporation

|   |                                 |
|---|---------------------------------|
| <b>Symbol:</b>                            | <b>CMCSK/CMCSA</b>              |
| <b>Exchange:</b>                          | <b>Nasdaq</b>                   |
| <b>Current Price:</b>                     | <b>\$22.99</b>                  |
| <b>Current Yield:</b>                     | <b>2.0%</b>                     |
| <b>Current Dividend:</b>                  | <b>\$0.45</b>                   |
| <b>Shares Outstanding (MM):</b>           | <b>2,761</b>                    |
| <b>Major Shareholders:</b>                | <b>Brian Roberts 33% voting</b> |
| <b>Average Daily Trading Volume (MM):</b> | <b>4.7</b>                      |
| <b>52-Week Price Range:</b>               | <b>\$24.98-\$19.36</b>          |
| <b>Price/Earnings Ratio:</b>              | <b>16.5x</b>                    |
| <b>Stated Book Value Per Share:</b>       | <b>\$16.91</b>                  |



## Balance Sheet Data

| (in millions)                                    | 9/30/2011         | 2011              | 2009              |
|--|-------------------|-------------------|-------------------|
| Cash   | \$ 1,806          | \$ 5,984          | \$ 671            |
| Current Assets                                   | 8,582             | 8,886             | 3,223             |
| <b>TOTAL ASSETS</b>                              | <b>\$ 156,827</b> | <b>\$ 118,534</b> | <b>\$ 112,733</b> |
| Current Liabilities                              | \$ 14,146         | \$ 8,234          | \$ 7,249          |
| Long Term Debt                                   | 40,970            | 31,415            | 29,096            |
| Shareholders Equity                              | 46,683            | 44,354            | 42,721            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b> | <b>\$ 156,827</b> | <b>\$ 118,534</b> | <b>\$ 112,733</b> |

## Catalysts/Highlights

- Continued growth in the Company's non-video cable business including the higher margin broadband and small/medium size business service
- Ongoing value creation from the well-timed acquisition of NBC Universal
- Balance sheet optimization with the potential for a meaningful boost to the Company's dividend and share repurchase program

## P&L Analysis

| Fiscal Year Ending  | (\$ in millions except per share items) |             |             |             |
|---------------------|---|-------------|-------------|-------------|
| December 31         | 2010                                    | 2009        | 2008        | 2007        |
| Revenues            | 37,937                                  | 35,756      | 34,423      | 31,060      |
| Net Income          | 3,635                                   | 3,638       | 2,547       | 2,587       |
| Earnings Per Share  | 1.29                                    | 1.26        | 0.86        | 0.83        |
| Dividends Per Share | 0.378                                   | 0.297       | 0.25        | NA          |
| Price Range         | 21.17-14.28                             | 17.35-10.33 | 22.52-12.10 | 30.18-17.37 |

## INVESTMENT RATIONALE

With uncertainties associated with Comcast's purchase of a controlling stake in NBC Universal now removed (the deal closed on January 28, 2011), we believe that investors can now focus on the Company's attractive investment merits including its robust free cash flow generation, multi decade low valuation, attractive growth opportunities and improving fundamentals at the recently acquired NBCU business. NBCU's cable networks (USA, Bravo, etc.) account for ~85% of NBCU's EBITDA, boast an enviable dual revenue stream (advertising and affiliate fees), have minimal capital requirements, generate outsized profitability (+40% EBITDA margins), and throw off a significant amount of free cash flow. Importantly, NBCU was acquired at a favorable price and on attractive terms, with Comcast's Brian Roberts taking a page out of media mogul Dr. John Malone's playbook. This was no Mickey Mouse deal! Comcast's biggest challenge going forward may be deciding whether to forgo an attractive carried interest (pursuant to the terms of the NBCU transaction) by purchasing GE's NBCU stake early with its excess capital (Comcast's leverage has migrated to the lower end of its targeted range) or to boost dividends and share buybacks - a high class problem. Our bet - Comcast significantly increases its already robust dividend (2.0% yield) and announces a massive share repurchase in the not too distant future.

Despite misguided concerns among investors that the cable distribution business is dying, Comcast's core cable operations have posted solid results through the first nine months of 2011 with revenues up 6% and EBITDA advancing by 7%. During 3Q11, Comcast experienced a 13% increase in net subscriber additions for its products (video, data, voice), representing the fourth consecutive quarter of YoY total customer growth. In our view, there are multiple items that could continue to drive growth and boost profitability. While the Company's video distribution business has matured, initiatives such as TV Everywhere are aimed at preserving, if not growing, future video revenue. Comcast's operating strategy of providing consumers the ability to access content on multiple devices (tablets, mobile, etc.) could not only help increase customer loyalty, but has the potential to generate additional high margin revenue streams. Comcast's broadband business continues to demonstrate good growth with revenue up 10% YTD in 2011 as new broadband customer net additions (823,000 YTD 9/30/11 vs. 723,000) remain strong. Comcast has now deployed DOCSIS 3.0 (provides for faster broadband speeds, among other benefits) across its entire footprint, which should continue to aid broadband results for the foreseeable future given consumers' insatiable demand for ever increasing broadband speeds. Recall, Comcast's broadband business boasts significantly higher margins than video reflecting the absence of programming expenses. The Company's Business Services offering (voice and data) targeted to small to medium sized enterprises continues to gain traction and is growing at ~40%-50% rate each quarter with an annual run rate of revenues of nearly \$2 billion. To date, the Company has focused its offering on small business, but now has its sights set on medium sized companies. Finally, interactive advertising and a recent entrance into the residential home security business could provide additional future growth opportunities.

In December, Comcast entered into an agreement to sell its wireless spectrum to Verizon. As part of the agreement, Verizon will soon be marketing the services of Comcast's cable business. In our view, this move by FiOS suggests that the Company is raising the white flag on its lofty ambitions to compete with cable video/broadband distributors by focusing on its wireless business that offers it more attractive returns. Comcast's spectrum sale further bolsters the Company's balance sheet and should help accelerate returns to shareholders as Comcast is expected to receive \$2.3 billion, approximately 52% more than it paid for the spectrum in 2007.

Comcast continues to return a large amount of its excess capital to shareholders in the form of dividends and repurchases. Through the first 9 months of 2011 Comcast has deployed \$1.65 billion to repurchase 73.4 million shares at an average price of \$22.48 a share. These repurchases follow on the heels of \$4.8 billion of shares purchased over the past three years at an average cost of \$18.25 a share. Meanwhile the Company has nearly doubled its dividend over the past three years with the current yield standing at 2.0%. We would not be surprised if these returns to shareholders accelerated given the solid recurring revenue streams at both Comcast's Cable and NBCU coupled with low consolidated leverage (debt/EBITDA of ~2.2), which stands at the low end of the Company's targeted level. In our view, there is a disconnect between Comcast's robust fundamentals and the Company's current valuation (Comcast's cable business trades at an implied value of just 5.0-5.5x EBITDA). Applying what we view as conservative multiples to the Company's cable distribution business (6.5x) and NBCU (10x) our estimate of the Company's intrinsic value is \$36 a share, representing 55% upside from current levels.