COMPANY PROFILE

Comcast Corporation

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TABLE OF CONTENTS

COMPANY OVERVIEW

Comcast Corporation (Comcast) is a media and technology company principally involved in the operation of cable systems through Comcast Cable and in the development, production and distribution of entertainment, news, sports, filmed entertainment and other content through NBCUniversal. The company's key services include cable communications; advertising; cable networks; regional sports and news networks; content licensing; broadcasting; films; motion pictures; distribution; theme parks; video services; high-speed internet services; voice services. Comcast offers its services directly to residential and business customers through its customer service call centers, retail stores and customer service centers, websites, door-to-door selling, telemarketing, third-party outlets, and through advertising via direct mail, television and the Internet. The company primarily operates in the US, Europe and Asia. Comcast is headquartered in Philadelphia, Pennsylvania, the US.

The company reported revenues of (US Dollars) US$84,526 million for the fiscal year ended December 2017 (FY2017), an increase of 5.1% over FY2016. In FY2017, the company's operating margin was 21.2%, compared to an operating margin of 20.9% in FY2016. In FY2017, the company recorded a net margin of 26.9%, compared to a net margin of 10.8% in FY2016.

KEY FACTS

Head Office	Comcast Corporation 1 Comcast Center Philadelphia Pennsylvania Philadelphia Pennsylvania USA
Phone	1 215 2861700
Fax	
Web Address	corporate.comcast.com
Revenue / turnover (USD Mn)	84,526.0
Financial Year End	December
Employees	164,000
NASDAQ Ticker	CMCSA

SWOT ANALYSIS

Comcast Corporation (Comcast) is a media and technology company principally involved in the operation of cable systems through Comcast Cable and in the development, production and distribution of entertainment, news, sports, filmed entertainment and other content through NBCUniversal. Extensive customer reach, vertically integrated operations and improved financial performance are the key strengths for the company, whereas legal proceedings and increasing debt remain the area of concern for Comcast. In the future intense competition, stringent regulatory environment and changes in consumer behavior could affect the company's operating performance. However, strong outlook for the US broadcasting and cable television market, positive outlook for cloud computing market and strategic partnerships provide growth opportunities to the company.

Strength	**Weakness**
Extensive customer reach Vertically integrated operations Financial performance	Increasing debt Legal proceedings
Opportunity	**Threat**
Strong outlook for the US broadcasting and cable television market Positive outlook for cloud computing market Strategic partnerships	Intense competition Changes in consumer behavior Stringent regulatory environment

Strength

Extensive customer reach

Comcast is one of the leading providers of entertainment, information and communications products and services. The company operates vast entertainment networks, covering a broad spectrum of audience in its markets. Its cable communications segment has an extensive customer reach. As of December 2017, Comcast's cable systems had 29.3 million total customers which include 27.2 million residential customers and 2.2 million business customers. It served 22.4 million video customers, 25.9 million high-speed internet customers and 11.6 million voice customers. The company's offerings passed over 57 million homes and businesses in FY2017. The company's large customer base provides a lucrative base for Comcast to cross sell its products, including bundled services. Similarly, the company's cable networks segment consists of a diversified portfolio of national cable networks that provide a variety of entertainment, news and information, and sports content. The company's USA Network served approximately 91 million subscribers in FY2017, while Syfy, E! and MSNBC had approximately 89 million subscribers each; and CNBC and Bravo had 87 million subscribers each. In addition, Golf Channel and Oxygen had 74 million and 73 million, respectively. NBC Sports Network had 84 million, Universal Kids had 58 million, CNBC World had 34 million, and The Olympic Channel had 25 million subscribers as of

December 2017 respectively. Its news networks and regional sports together serve more than 28 million households across the US, which includes Boston, Chicago, Portland, Sacramento, Baltimore, Washington, Philadelphia and San Francisco. Moreover, Comcast's NBC affiliated local television stations reached approximately 32 million television households, representing approximately 29% of overall television households in the US in FY2017. Comcast's extensive customer reach provides non-replicable competitive advantage for the company. Additionally, the companies which have high reach enjoy higher pricing for the advertisement sales on the channel. Accordingly, the company's large subscriber base and reach provide stability to the company's market position and operations.

Vertically integrated operations

The company has an integrated media and entertainment business. The company's Cable Communications Business segment provides video, high-speed internet and voice services (cable services) to residential customers as well as to business customers. Additionally, the company operates Cable Networks which includes national cable networks, regional sports and news networks, various international cable networks, and cable television studio production operations. Further, the company's Broadcast Television Business segment operates the NBC and Telemundo broadcast networks, which together serve audiences and advertisers in all 50 states in the US. The segment also includes the company owned NBC and Telemundo local broadcast television stations; the NBC Universo national cable network, broadcast television studio production operations, and related digital media properties. Comcast's Filmed Entertainment Business segment produces, acquires, markets and distributes filmed entertainment worldwide, and also develops, produces and licenses live stage plays. The company's films are produced primarily under the Universal Pictures, DreamWorks Animation, Illumination and Focus Features names. Comcast's Theme Parks Business segment consists primarily of its Universal theme parks in Orlando, Florida; Hollywood, California; and Osaka, Japan. Vertically integrated operations therefore equip the company with several competitive advantages.

Financial performance

The company’s financial performance improved in FY2017. Strong financial performance enables the company in providing higher returns to its shareholders, thereby attracts further investments. It also enhances the company’s ability to allocate adequate funds for its future growth prospects and expansion plans. In FY2017, Comcast reported revenue of US$84,526 million as compared to US$80,403 million in FY2016, an annual growth of 5.1%. The growth in revenue was primarily attributed to growth in its cable communications segment driven by revenue from residential high-speed internet and video services and business services, and growth in its NBCUniversal segments driven by filmed entertainment and theme parks. In FY2017, the company’s operating margin was 21.2% as compared to 20.9% in FY2016. Improving operating performance indicates the company’s focus towards efficient cost management. Comcast’s operating cost as a percentage of sales declined from 79.1% in FY2016 to 78.7% in FY2017. Similarly, the company’s net profit margin grew from 10.8% in FY2016 to 26.9% in FY2017. Comcast’s return on equity grew from 16.1% in FY2016 to 33.1% in FY2017.

Weakness

Increasing debt

Increasing debt could have a major impact on the operational performance of the company, as major portion of its earnings would be diverted to servicing its debt obligations. This could concern the investors as well and make it difficult for the company to raise funds on favorable terms of market. The company recorded total debt of US$64,556 million in FY2017, as compared to US$61,046 million in FY2016. If it fails to comply with any of the debt service requirements, the debt could become due and payable prior to its scheduled maturity. Such huge debt increases the debt servicing obligations of the company and affects its cash flow. It could limit ability to raise debt in future and pursue other strategic opportunities. It would also increase the company’s vulnerability to adverse economic and industry conditions.

Legal proceedings

The company has been involved in several legal proceedings which could result in penalties. In January 2018, a law suit was filed by Tivo Corp against Comcast Corporation. The law suit was filed in Boston and Los Angeles with the allegation that Comcast is using patented interactive programming technology without authorization. The suit states that Comcast’s X1 video recording system violates its patents by describing functionality such as restarting live programming in progress and pausing and resuming shows on a variety of devices. In January 2017, a law suit was retained by Washington state judge against Comcast Corporation which was filed by Washington state’s Attorney General. The suit accused Comcast of deceiving nearly 1.2 million subscribers by violating the US consumer protection Act. The legal suit claimed Comcast of misrepresenting its Service Protection Plan. As per the plan the company declared not to charge its customers for technician calls for the broken Comcast equipment. But the company charged its customers improper service call fees through its Comcast Guarantee scheme. Due to this legal suit company could be levied a potential penalty of US$3.6 billion. The company may face similar claims of liability at additional sites in the future. Although, Comcast maintains reserves to cover the costs for claims and lawsuits, some of the litigation would impact the company's brand image, reputation and significant outflow of cash.

Opportunity

Strong outlook for the US broadcasting and cable television market

The US broadcasting and cable television market has seen good growth and is expected to continue to grow at a stable rate in the forecast period. According to MarketLine, the US broadcasting and cable television market generated total revenues of US$182.1 billion in 2017. Furthermore, the market is expected to reach US$194.4 billion by 2022, growing at a CAGR of 1.3% during 2017-2022. The US accounts for 40.4% of the global broadcasting & cable tv market value. Comcast is the leading broadcasting and cable television company in the US. The company's cable networks segment consists of a diversified portfolio of national cable networks that provide a variety of entertainment, news and information, and sports content. The company's regional sports and news networks serve more than 28 million households across the US, including key markets such as Baltimore/Washington, Boston, Chicago, Philadelphia, Portland, Sacramento and San Francisco. The company's broadcast television segment operates the NBC and Telemundo broadcast television networks, which together serve audiences and advertisers in all 50 states in the US. In FY2017, NBC affiliated local television stations collectively reached 32 million television households, representing approximately 29% of overall television households in the US. The company is well positioned to benefit from the strong outlook for the US broadcasting and cable television market.

Positive outlook for cloud computing market

Cloud-based operations enable enterprises to scale their operations instantly, handle demand fluctuations, and access systems and services over a variety of devices at a lower cost. According to MarketLine, the global cloud computing market is expected to grow at a CAGR of 28.3% during 2017-22 to reach US$64,929.9 mllion by 2022 from US$18,687.2 million in 2017. Software-as-a-Service (SaaS) is the largest cloud computing solution among enterprises with 53.2% of the sector's total value. The US accounts for 58.3% of the global cloud computing sector value. Comcast offers cloud based software solutions to its business customers that provide file sharing, online backup and web conferencing, among other features. The company also provides cloud-enabled video platform, 'X1 platform' and cloud DVR technology to its video customers.

Strategic partnerships

Strategic alliances enhance the company's technical capabilities and help strengthen its market position. In January 2018, the company subsidiary NBC Universal entered into a partnership with UNION to elevate startups through LIFT labs. In November 2017, the company secured a contract from Taco Bell to provide managed services, including guest Wi-Fi at more than 6,200 Taco Bell company and franchise locations across the US. In September 2017, the company entered into partnership with LG Electronics USA to offer Cloud DVR Programming the company's Xfinity TV app on LG 4K Ultra HD Smart TVs. In March, 2017 the company entered into partnership with Crius Energy, LLC an integrated energy platform service provider in the US. This partnership could allow the company to provide home energy solution for electricity, natural gas and solar energy sectors. The platform could allow the company to offer a wide range of energy products to their customer base.

Threat

Intense competition

The company has been facing intense competition from several emerging players that provide a range of communications products and services and entertainment, news and information products and services. Technology changes that influence the consumer behavior have further intensified the competitive environment. Comcast so far enjoyed a monopoly as the sole cable and internet service provider in several markets it operates in. Google Fiber is emerging as a significant threat to the company. Google launched high-speed internet and video services in a limited number of areas. Google's emerging presence in areas will be a threat to the company's high-speed Internet and video services. In addition, some local municipalities are launching their own fiber-based high-speed Internet services. The company also faces competition from wireless companies, which are offering internet services using a variety of network types, including 3G and 4G wireless high speed internet networks and Wi-Fi networks. Similarly, the company faces competition in the wireless business. The company's competitors own wireless facilities and may expand their service offerings to include bundled wireless offerings. This might have an adverse impact on the company's competitive position, business and results of operations. Moreover, each of NBCUniversal's businesses faces increasing competition from providers of similar types of content, as well as from other forms of entertainment and recreational activities. NBCUniversal must compete to obtain talent, programming and other resources required in operating these businesses. The emerging competition from new players will have an adverse impact on the company's market share and pricing strategy. These factors will adversely impact the growth and profitability at the company.

Changes in consumer behavior

The company operates in a highly competitive, consumer-driven and rapidly changing environment. New technologies, particularly alternative methods for the distribution, sale and viewing of content, have been developed that further increase the number of competitors that Comcast's businesses face and that drive changes in consumer behavior. These technologies may affect demand for the company's products and services as the number of entertainment choices available to consumers continue to increase and evolve. Comcast's failure to effectively anticipate or adapt to emerging technologies or changes in consumer behavior could have an adverse effect on its businesses. Newer services and technologies that may compete with Comcast's video services include digital distribution services and devices that offer internet video streaming and downloading of movies, television shows and other video programming that can be viewed on television sets and computers, as well as other devices such as smartphones and tablets. Some of these services charge a nominal or no fee for access to their content, which could adversely affect demand for its video services, including for premium networks and DVR, on demand and streaming services. In addition, consumers are increasingly interested in accessing information, entertainment and communications services anywhere and anytime; newer services in wireless internet technology such as 4G wireless broadband services and Wi-Fi networks, and devices such as wireless data cards, tablets, smartphones and mobile wireless routers that connect to such devices, may compete with Comcast's high-speed internet services. The company's voice services are facing increased competition from wireless and internet-based phone services as more people choose to replace their traditional wireline phone service with these phone services. The success of any of these ongoing and future developments may have an adverse impact on the company's cable communications' competitive position, business and results of operations. New technologies have increased the number of entertainment choices available to consumers and intensified the challenges posed by audience fragmentation. Some of these newer technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis or to fast-forward or skip advertisements within programming, which also may adversely impact the advertising revenue Comcast receives. The changing consumer behavior may impact the demand for its business, thus adversely affecting the company's business.

Stringent regulatory environment

The company is subject to regulation by federal, state and local governments, which extensively regulate the video services industry and may increase the regulation of the internet service and VoIP digital phone service industries. Comcast's businesses, including NBCUniversal's businesses, are subject to regulation by federal, state, local and foreign authorities under applicable laws and regulations, as well as under agreements it enters into with franchising authorities. The Communications Act of 1934, as amended (the "Communications Act"), and Federal Communications Commission (FCC) regulations and policies impact significant aspects of the company's businesses. Furthermore, the company's businesses are subject to compliance with the terms of the FCC Order approving the NBCUniversal transaction (the NBCUniversal Order) and a consent decree entered into between the company, the Department of Justice (DOJ) and five states (the NBCUniversal Consent Decree), which contain conditions and commitments of varying duration, ranging from three to seven years after 2011. Further, in 2015, the FCC adopted new open internet regulations that reclassify broadband internet service as a "telecommunications service," making it subject to common carriage regulations under Title II of the Communications Act. Failure to comply with the laws and regulations applicable to Comcast's businesses may result in administrative enforcement actions, fines and civil and criminal liability. Also, regulation continues to present significant risks to the company's businesses which may affect its operating performance.