



Bloomsburg Investment Group

Equity Analysis
Verizon Communications Inc. (VZ)

Analyst:
Eric Horowitz, Class of 2016
Michael Mintzer, Class of 2018

Bloomsburg Investment Group Opinion:

According to our analysis of Verizon Communications Inc., we consider it a hold. Verizon is the market leader in United States telecommunications. Verizon's 4G LTE network is the largest and fastest in the United States. Verizon's network, as of 2016, covers 98% of the United States. Verizon has the second largest market cap in the industry at 190.34 billion. Verizon pays a very strong dividend of 4.9%. Verizon has also made some acquisitions deals involving Yahoo! and AOL to help drive new revenue streams in internet advertising.

Corporate Summary:

Verizon Communications Incorporated provides communications products and services to consumers around the globe. It is made up of two business segments: Verizon Wireless and Verizon Wireline (FiOS). Verizon Wireless offers voice, text, and data plans for mobile devices such as basic phones, smartphones, laptops, and tablets. It also offers various data services, location-based services, and broadband services. Verizon Wireline (FiOS) utilizes its fiberoptic network to offer video, data, and voice services. Additionally, Verizon offers FiOS Quantum TV in New York and New Jersey. Verizon began its existence as the Bell Atlantic Corporation in 1983 and had its name changed to Verizon Communications. Incorporated in June of 2000.

Corporate Details:

Name	Verizon Communications Inc
Ticker	VZ
Domicile	United States
Sector	Communication Services
Industry	Telecom Services
Exchange	NEW YORK STOCK EXCHANGE, INC.
Last Close	50.96
Price 52 Wk High	56.95
Price 52 Wk Low	43.79
Latest Dividend	0.58
Dividend Yield % TTM	4.46
Beta 5 Yr (Mo-End)	0.38
Avg Daily Volume (3 Mo)	14,069,342.43
Shares Outstanding (mil)	4,076.63
Number of Analysts	6



Verizon Communications Inc

VZ

Financial Summary, Year End 2013 (in millions)

Market Capitalization	207,745.27
Total Revenue	131,620.00
Gross Profit	79,063.00
Operating Income	33,060.00
Net Income Cont Ops	18,375.00
Net Income	17,879.00
Current Assets	22,355.00
Cash	4,820.00
Total Assets	244,175.00
Current Liabilities	35,052.00
Long-term Liabilities	192,695.00
Total Liabilities	227,747.00
Total Equity	16,428.00
Operating Cash Flow	38,930.00
Investing Cash Flow	-30,043.00
Financing Cash Flow	-15,015.00
Change In Cash	-6,128.00
EBITDA	49,177.00
Enterprise Value	307,895.27
Capital Expenditure	-27,717.00
P/E Ratio Forward	12.61
PEG Ratio	4.20
Dividend Yield % TTM	4.46

Financial Highlights

VZ has the second largest market capitalization in the industry at \$190 billion. VZ pays the second highest dividend in the industry 4.9%. VZ has the highest EPS in the industry at 3.43.

VZ has the second highest current ratio in the industry at .64. AT&T has the highest at .75. VZ has a very high ROA% of 7.5 almost double AT&T's which is 3.82.

In June 2016, Verizon settled its strike dispute which helped its stock price. Verizon also acquired Telogis which specialize in fleet logistics systems. This should help them compete in car software like competitor AT&T.

Investment Growth

Time Period: 1/1/1900 to 10/31/2016



◊ Verizon Communications Inc
◊ S&P 500 TR USD

◊ AT&T Inc

◊ Sprint Corp

11/30/2016

Verizon Communications Inc

US Dollar

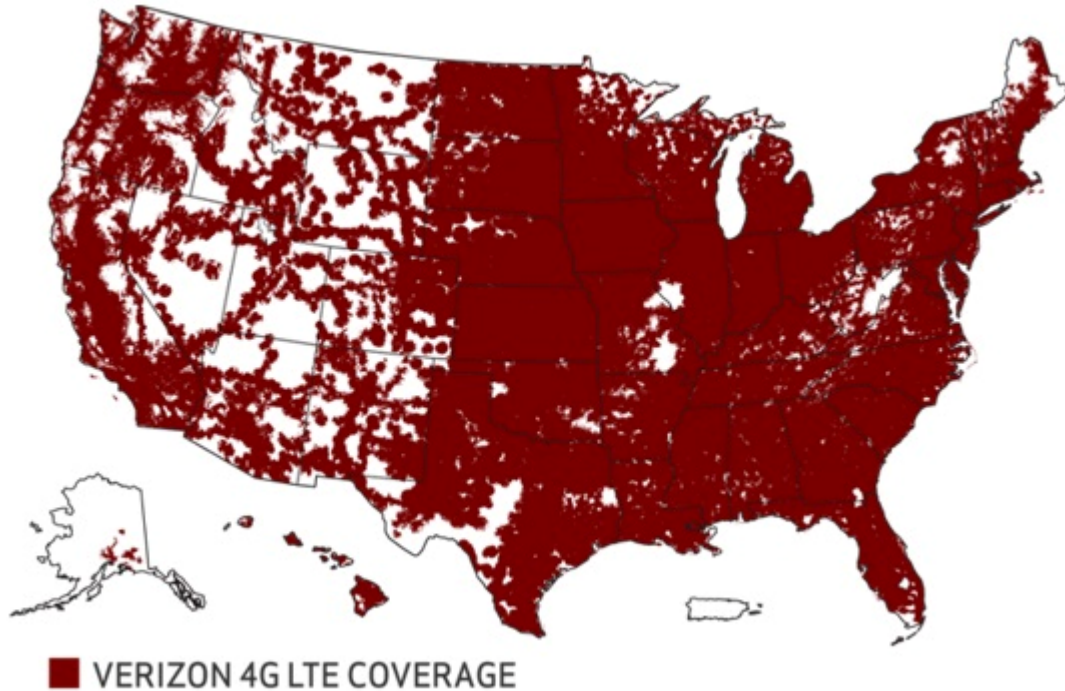
Page 2 of 7

Source: Morningstar Direct



Verizon Communications Inc

VZ



Strike Dispute

- Communications Workers of America launched a strike against Verizon where almost 40,000 workers picketed.
- The striking workers were customer service, phone line repairs, new equipment installations, Internet services, and other various business activities.
- Verizon agreed to add 1,300 more jobs in these fields to help end the strike.

Purchase of Yahoo!

- Verizon purchased the core website of Yahoo! for 4.83 billion dollars.
- Verizon is looking to boost its media and advertising operations.
- Verizon is betting that it can revamp Yahoo! to help make it more profitable.

2016 Annual Data Breach Investigation Report

- Verizon launched its 9th annual Data Breach Investigation Report.
- It concluded that no one is safe from a cyber attack and the need for cyber security is growing everyday.
- The main hackers were external sources looking for financial gains.

LTE Advanced Launch

- Verizon launched its LTE Advanced Technology
- This technology will increase wireless speeds by 50% to 461 million U.S. cities.



Verizon Communications Inc

VZ

Industry Environment:

The telecommunication industry is facing problems gathering new users because the new user base is shrinking. Verizon and AT&T are acquiring new companies to help generate new revenue streams. Verizon purchased AOL and Yahoo! to help increase revenue through internet websites and web advertising. AT&T purchased Direct TV and recently reached a deal to acquire Time Warner (TMX). Sprint and T-mobile are also increasing in size by capturing user base from AT&T and Verizon.

Competitor Comparison

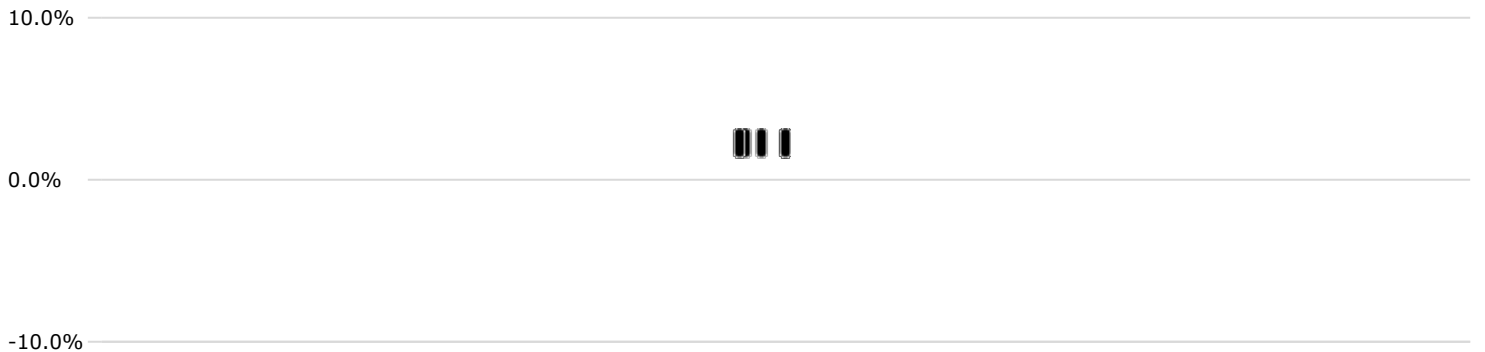
	Revenue (mil)	Revenue % Chg	Gross Profit (mil)	Gross Margin %	Net Income (mil)	Net Income % Chg	Net Margin %	Market Cap (mil) (Daily)	Current Ratio	Receivable Turnover
Verizon Communications Inc	131,620.00	3.57	79,063.00	60.07	17,879.00	85.76	13.58	207,745.27	0.64	9.59
AT&T Inc	146,801.00	10.84	79,755.00	54.33	13,345.00	107.16	9.09	242,446.68	0.75	9.45
Sprint Corp	32,180.00	-6.81	16,946.00	52.66	-1,995.00		-6.20	31,850.19	0.57	29.59

Competitor Comparison (Cont.)

	Asset Turnover	ROA %	Total Debt to Total Equity	ROE %	Beta 5 Yr	P/E Ratio Forward	PEG Ratio	P/B Ratio Current	Dividend Yield % TTM	Free Cash Flow / Sales % TTM
Verizon Communications Inc	0.55	7.50	6.68	124.48	0.38	12.61	4.20	10.15	4.46	8.57
AT&T Inc	0.42	3.82	1.03	12.57	0.35	13.23	2.76	1.96	4.86	9.96
Sprint Corp	0.40	-2.47	1.72	-9.62	0.81	-64.94		1.64		

Investment Growth

Time Period: 1/1/1900 to 10/31/2016



• Verizon Communications Inc
• S&P 500 TR USD

• AT&T Inc

• Sprint Corp



Verizon Communications Inc

VZ

Strengths:

Verizon is the largest wireless carrier in the United States. They provide services like FIOS (Digital TV), mobile/home telephone, and wireless network.

Verizon Communications has the largest and fastest LTE in the U.S.

Verizon has one of the strongest brand recognition in the industry.

Verizon pays a very strong dividend.

Telecommunications sector is a generally safe sector without a ton of fluctuation.

Verizon is adding new services for streaming on mobile phones without using date. You can stream NFL games through the NFL app.

Opportunities:

Verizon is expanding into internet advertising and web based revenue.

Verizon is also expanding into cloud computing for enterprises which could be another source of revenue.

Verizon is constantly looking to improve the speed and reliability of their network.

Weaknesses:

Verizon is increasing its debt to help create future revenue bases. Verizon's ratios say that the company will tend to perform well in an upbeat market, but in a downward market, Verizon will struggle.

Verizon's purchases of AOL and Yahoo! are a gamble because both websites seemed to be a lost cause before being purchased.

Threats:

Verizon faces a very competitive market with AT&T, T-mobile, and Sprint. Verizon is losing market share to Sprint and T-mobile.

The telecommunication sector as a whole is struggling to find new revenue streams because user base has hit its peak.



Verizon Communications Inc

VZ

Valuation: Discount Cash Flow Model (DCF)

Using the DCF model, we received a value of 53.54. This is compared to 46.18. We estimated that capital expenditures were calculated because of continued investment in wireless networks and fiber optics. Also their M and A activity contributed to our growth estimates. We also estimate that dividends will increase at a fairly steady rate.

Valuation: Discount Dividend Model (DDM)

Our DDM model gave us a valuation of \$9.66. This can be attributed to a lack of

Valuation: Multiple Valuation



Verizon Communications Inc

VZ

Bloomsburg Investment Group Disclaimer

This report was developed by student members of the Bloomsburg Investment Group (BIG). The purpose of the report is to provide research analysis of securities to potential and existing donors of The BIG Fund. The report is designed to exemplify the abilities of our members through investment research and analysis. Analysts of the Bloomsburg Investment Group and The BIG Fund are not registered brokers, investment advisors, or licensed financial professionals. The generated opinion of our analysts is not an offer or solicitation to buy or sell any security, and due diligence is recommended before making any financial transaction. Information included in this report was compiled from different public sources. Not all relevant data was included into the report, and accuracy is not guaranteed. Students, faculty, and staff of Bloomsburg University may have a financial interest in any company listed in this report.

Sources Cited

<http://bgr.com/2015/03/23/lte-coverage-map-united-states/>

<http://www.digitaltrends.com/mobile/verizon-strike-action-2016-news/>

<http://money.cnn.com/2016/05/27/investing/verizon-strike-deal/>

<http://www.kiplinger.com/slideshow/investing/T052-S015-the-7-best-dividend-stocks-to-buy-for-2017/index.html?rid=SYN-yahoo&rpageid=15763&yptr=yahoo>

<http://www.forbes.com/sites/dougnewcomb/2016/06/30/verizon-acquisition-of-telogis-expands-companys-connected-car-footprint/#a24f618178f4>

<https://techcrunch.com/2016/07/25/verizon-buys-yahoo-for-4-83-billion/>

<https://www.tripwire.com/state-of-security/security-data-protection/cyber-security/takeaways-from-the-2016-verizon-data-breach-investigations-report/>

<http://www.verizon.com/about/our-company/history-and-timeline>

Yahoo Finance

Capital IQ