

Verizon Communications Ticker: VZ Sector: Telecommunications	Intrinsic Value: \$89.40 Current Price: \$51.24 Buy: \$75.99 Sell: \$102.81	TTM P/E: 66.80 Forward P/E: 14.57 Beta: 0.65	Market Cap: \$146.69 Bil Dividend Yield: 4.20%
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Industry Trends:

The Wireless Telecommunications Carriers industry is well positioned for future growth. Over the five years to 2018, the number of wireless subscribers is expected to continue increasing. As a result, revenue is projected to grow at an average annual rate of 6.6% over the next five years, reaching \$266.1 billion in 2018.

Investment Thesis:

Buy recommendation is based on the Expanding demand for wireless data services is anticipated to offset declining demand for voice-only services, particularly as more broadband-enabled mobile devices like tablet computers and e-readers achieve wider penetration.

Business Summary:

New York-based Verizon Communications Inc. (VZ) provides communication, information and entertainment products and services to customers, businesses and governmental agencies across the United States. Operating in two segments, the company offers wireless voice and data services and equipment through Verizon Wireless (VW). Voice, internet access, broadband video and data, internet protocol network services, network access, long distance and other services are offered through Wireline

Competitive Analysis:

The US Wireless Telecommunications Carriers industry is the most competitive in the telecommunications sector. One indication of the level of competition is the churn rate, which refers to the number of customers an industry player loses over a given period of time. Most players experience a high monthly churn rate due to the industry's high level of competition. Within the industry, competition is based on price, services offered, value-added product innovation and geographic coverage

Pros:

Verizon is clear leader in the industry with coverage of more than 95% of U.S population.

Continues to add millions of new subscribers each year and it's customers are the most loyal in the business

Acquiring 100% of Verizon wireless will enable it to better create packages of services for larger business customers across U.S

Risk Factors:

Cost of maintaining network quality is very high, around 13% of revenue

Verizon Wireless will need all the spectrum it holds, if not more, to meet data growth.

Total Return Estimates:

Key Valuation Assumptions:

Est. Revenue Growth	3%
WACC	5.77%
Expected Inflation	3%
Terminal Growth Rate	1%
10 yr. Risk Free Rate	2.82%
Equity Risk Premium	5.90%
Tax Rate	35%

Key Financial Data:

Est. 2013 EPS	\$2.80
Est. 2014 EPS	\$3.25
3-5 Yr. Est. EPS Growth	.5%
PEG	1.77
Credit Quality	Baa1
ROE	15.09%
ROA	4.31%
Price /Book	4.29
Price/Cash Flow	6.5
Debt/Equity	6.91
Current Ratio	2.43
Quick Ratio	2.39

CSR Scores vs. Industry Average:

Human Rights:	1/0
Business Ethics Policy:	1/1
ESG Disclosure:	37.04/30.02
Equal Opportunity:	1/1
Emission Reduction:	1/1
Environmental Disclosure Score:	26.02/38.72

Verizon Communications Inc. Com



Direct Competitor Comparison

	VZ	T	S	PVT1
Market Cap:	145.33B	187.03B	25.33B	N/A
Employees:	183,400	241,810	39,000	34,518 ¹
Qtrly Rev Growth (yoy):	0.04	0.02	0.00	N/A
Revenue (ttm):	119.53B	128.17B	35.44B	19.16B ¹
Gross Margin (ttm):	0.62	0.56	0.42	N/A
EBITDA (ttm):	34.08B	28.44B	5.30B	N/A
Operating Margin (ttm):	0.15	0.10	0.02	N/A
Net Income (ttm):	2.20B	7.48B	-4.33B	N/A
EPS (ttm):	0.77	1.36	-1.44	N/A
P/E (ttm):	66.03	25.89	N/A	N/A
PEG (5 yr expected):	1.77	2.20	N/A	N/A
P/S (ttm):	1.21	1.44	0.72	N/A