

Verizon Wireless (NYSE: VZ)

Sector: Telecommunications

Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	Dividend Yield	Beta
\$69.34	\$50.43	\$56.95	\$43.79	14.25	\$205.57B	4.60%	0.81

Business Description

Verizon is a leader in the wireless service industry and is poised to be an emerging player in the digital media and advertising space. Verizon has two main business segments: Wireless (responsible for 70% of revenue) and Wireline (responsible for 30% of revenue). Wireless provides Wi-Fi, 3G, and 4G data networks to consumers. Wireline provides broadband internet, landline services, and Verizon Fios TV. Verizon is also expanding into the online advertising sector with the purchase of AOL and pending acquisition of Yahoo.

Industry Trends

The wireless service industry is projected to grow at a rate of 3% per year with global 5G network growth projected to reach \$247 billion by 2025. The onset of new technology requiring wireless data and mobile connectivity will cause telecommunications companies to increase their bandwidth speed and reliability of their data networks. Telecom companies are also heavily involved in the acquisition of digital media providers such as Verizon purchasing AOL and AT&T announcing the acquisition of Time Warner. These companies are looking to expand away from the wireline service and more towards the online advertising revenue.

Investment Thesis

Verizon is a leader in the wireless service industry and is poised to be an emerging player in the digital media and advertising space. Verizon has a high free cash flow yield and a strong dividend which has grown consistently for the past decade, making it both a safe income oriented investment and an undervalued company with high upside potential.

Valuation Assumptions

WACC: 5.1%
Terminal FCF Growth Rate: 2.0%
Shares Outstanding Growth Rate 0%
Estimated EPS: 4.39; Avg P/E: 14.9

Key Financials

ROA: 6.1%
ROE: 94.2%
Profit Margin: 13.6%
Interest Coverage Ratio 6.11

Corporate Social Responsibility

ESG Disclosure Score: 32.10 (Industry Avg. 31.24)
Sustainalytics ESG Score: 68.75 (Industry Avg. 70.76)
Percent Women Directors: 30.8% (Industry Avg. 19.2%)
Percent Women Employees: 35.7% (Industry Avg. 37%)
Average Comp Awarded Per Executive: \$9.6M (Industry Avg. \$6.2M)

5-Year Stock Performance



Competitive Analysis

Verizon competes with other wireless service providers such as AT&T, T-Mobile, and Sprint. They are also expanding into the online advertising sector where they will compete with cable and television providers such as Comcast and Time Warner as well as digital streaming services such as Google, Twitter, and Facebook.

Competitive Advantages

Verizon has a number of competitive advantages compared to other telecom companies. They have the largest market share in the telecom industry with over 31%. Additionally, Verizon has the highest customer loyalty rating in the industry at 99.4% which ensures customers are not switching from the company when they get a new wireless contract. Verizon is also the first telecom company to drastically expand into the online advertisement market which has created a variety of new growth opportunities to increase revenue. They also have a strong dividend yield of 4.6% which is higher than many of their competitors.

Risks

Some analysts believe that Verizon is overvalued in the market due to its high dividend yield and project that the company's share price will eventually fall. Additionally, increasing data coverage in the telecom industry is also especially challenging as it requires a large amount of infrastructure and capital to expand into new locations. The wireline industry consisting of landlines and broadband internet is currently profitable but will eventually decline and be replaced by a pure wireless network. Finally, Verizon is expanding to the online advertising world where it will face new competitors and business strategies that it has never previously competed with.

Business Model:

VERIZON COMMUNICATIONS INC		FIG1BGG000HS7715
BI Company Primer BICO »		Classification Telecom Carriers
Verizon Communications Inc. is an integrated telecommunications company that provides wire line voice and data services, wireless services, internet services, and published directory information. The Company also provides network services for the federal government including business phone lines, data services, telecommunications equipment, and payphones.		
Price Chart GP »		Estimates EE »
Date 07:30 (C) 10/20/16		13 Corporate Info
P/E 12.73		14 www.verizon.com
Est P/E 12/16 12.82		15 New York, NY, United States
T12M EPS (USD) 3.92		16 Empls 162,700 (06/30/16)
Est EPS 3.90		17 Management MGMT »
Est PEG 2.45		18 Lowell C McAdam
12 Dividend DVD »		19 Chairman/CEO
Px/Chg 1D (USD) 49.93/- .52%		20 James J Gerace "Jim"
52 Wk H (07/05/16) 56.95		21 Chief Communications Officer
52 Wk L (01/20/16) 43.79		22 Ivana Kirkbride
YTD Change/% 3.71/8.03%		23 Chief Content Ofcr:Go90
Mkt Cap (USD) 203,529.8M		24 5Y Net Growth 2.98%
Shrs Out/Float 4,076.3M/4,060.2M		25 Cash 10/05/16 0.5775
SI/% of Float 37.0M/0.91%		26 12M Tot Ret 18.18%
Days to Cover 2.7		27 Beta vs SPX 0.81
		28 Depository Receipts
		29 Active Receipts 6

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Sources: Bloomberg, Yahoo! Finance

