

Company: Verizon Communications	Ticker: VZ Price: \$38.16	Industry: Telecommunications Sub Industry:	
Target Price: \$45.86 Stop Loss: 25% 52 Week High/Low: \$55.51/\$34.55	TTM P/E: 7.47x Forward P/E: 7.72x EPS: \$4.63 LTM	Beta: 0.95 Credit Rating: Baa1 (Moody's) Rating Outlook: Stable	Market Cap: \$162.07B Avg. Vol. (90 Days): 22.93MM Div. Yield: 6.66% annual

Company Background:
Verizon Communications (VZ) is a holding company that, acting through its subsidiaries, is the world's leading providers of communications, technology, information and entertainment products and services to consumers, businesses and government entities. With a presence around the world, the company offers data, video and voice services and solutions on our networks and platforms that are designed to meet customers' demand for mobility, reliable network connectivity, security and control. Verizon had gross revenues of ~ 110.5 billion in 2021 with approximately 71% coming from Verizon Consumer Group and 29% from Verizon Business Group. Verizon has consistently increasing revenues and has seen growth in their consumer group sector.
Industry Outlook:
Companies operating within the telecommunications industry are facing pressure in the process of transitioning to 5G networking. Despite these pressures, the industry is expected to continue growing with an estimated CAGR of 3.67% and the continued evolution of 5G provides the potential a larger range of device connectivity and market size. Additionally, 5G's connectivity with cloud computing will allow for industry growth alongside the growth of the cloud computing industry.
Investment Thesis:
Verizon Communications is a leader in the telecommunications industry, who is currently working to expand their 5G and fiber optic networks. Our investment thesis for Verizon relies on three main arguments that will provide growth opportunities and value creation for Verizon. <ol style="list-style-type: none"> 1. Leader in the telecommunications industry, room for market growth 2. Partnerships that increase product offerings of Verizon and existence of Verizon's services in other products 3. Commitment to returning shareholder value; high dividend yield and growing
Investment Risks:
<ul style="list-style-type: none"> - There is intense competition in the industry and the industry is undergoing an evolution from 4G to 5G. There is a possibility that Verizon is unable to transition with the same effectiveness as their competitors - Verizon's products and services are reliant on physical infrastructure which is expensive and can be impacted from natural disasters - The investment in infrastructure is expensive so debt levels are high industry wide. Continued federal funds rate raises could slow the growth opportunities of the industry
Takeaway's from last quarter investor call transcript:
<ul style="list-style-type: none"> - +4% Y/Y Total Revenue Growth - Consumer Revenue +10.8% Y/Y - Business Revenue +1.9% Y/Y - On track to cover 200 million C-Band POPs within 1Q 2023 - Increased dividend for 16th consecutive year - Strong broadband momentum with 377K net adds

See below for financial performance, DCF, and Relative Valuation

4-Year Financial Performance:					Discounted Cash Flow Valuation:	
	2018	2019	2020	2021		
Revenue	\$130,863	\$131,868	\$128,292	\$133,613		
EBITDA	\$49,140	\$46,619	\$47,359	\$45,301		
NOPLAT	\$28,153	\$26,992	\$25,020	\$22,293		
Revenue Growth	3.83%	0.77%	-2.71%	4.15%		
EBITDA Margin	37.55%	35.35%	36.92%	33.90%		
FCF	\$27,408	\$30,977	\$23,681	\$17,511		

Terminal Value Assumptions	
WACC	9.00%
Perpetual Growth Rate	1.50%
Terminal Value	\$ 400,957
PV of Terminal Value	\$ 219,337
PV of Cash Flows	\$ 122,475
Enterprise Value	\$ 341,812
Total Debt (-)	\$ 150,868
Cash (+)	\$ 2,082
Equity Value	\$ 193,026
Shares Outstanding	\$ 4,200
Implied Share Price	\$ 45.96

Relative Valuation:												Return %	
		Financial Metrics			Valuation Metrics					Operational Metrics			
Company	Ticker	Market Cap (\$B)	Net Debt	Enterprise Value	EV/EBITDA	EV/Sales	P/E	P/FCF	Dividend Yield	ROE	ROIC		
Verizon	VZ	162.07	171.96	332.74	6.83	2.4529	7.47	11.29	6.6645	23.45%	9.13%		
AT&T	T	136.59	153.54	280.42	6.81	2.0211	6.47	10.26	7.0535	13.86%	3.79%		
T-Mobile USA	TMUS	182.6	107.28	275	11.9	3.434	24.99	27.97	0	2.22%	2.39%		

Rate of Return	
Target Price Upside	20%
Internal Rate of Return (IRI)	12%

Market Value vs Intrinsic Value	
Market Value	38.29
Upside	7.57
Intrinsic Value	45.86

ESG	
Score	VS Peers
Environmental	3.9 Low
Social	8.9 Average
Governance	5.7 Average