

**verizon**

## Buy Pitch

By Mike Di Spigno, Dylan Marsella, Matt Borowski, Carlos Ruano  
11/11/2019

# Table of Contents

- Investment Recommendation/Outlook
- Investment Thesis
- Company Overview
- Cord Cutting
- Risks/Catalysts
- Valuation
- Price Target



# Investment Recommendation/Outlook

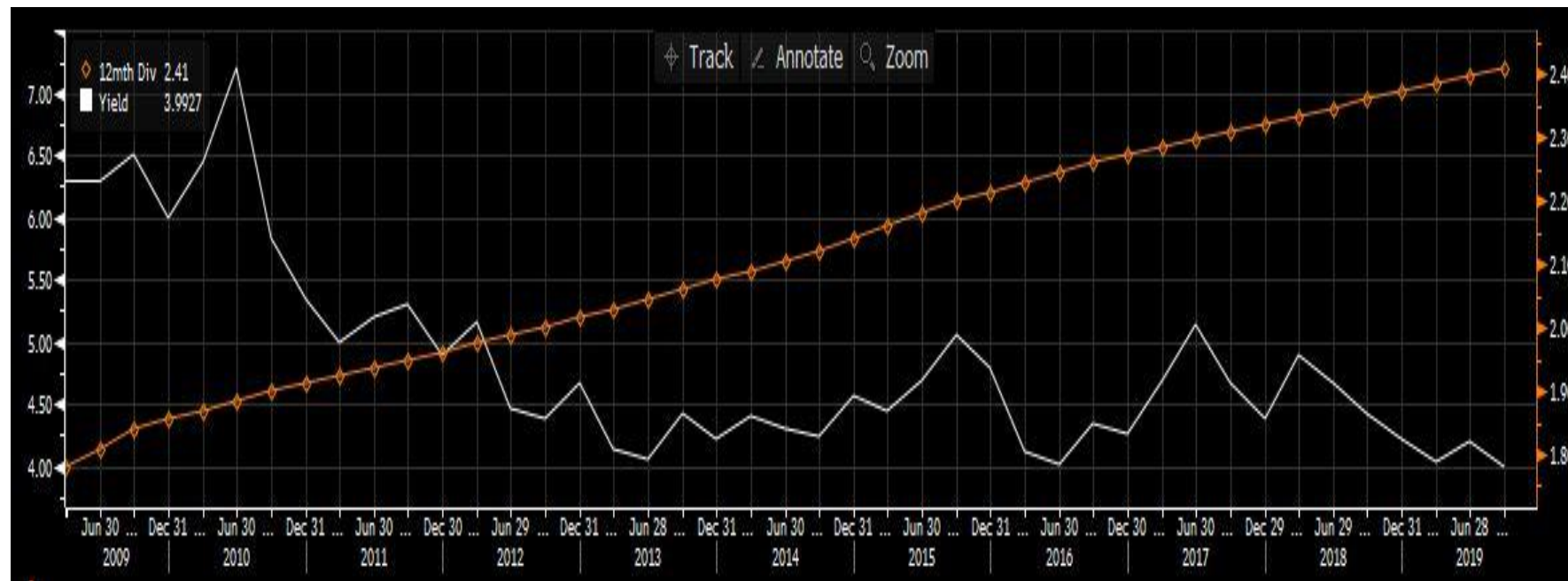
Buy of VZ	
# of VZ Shares to purchase	232
Investment Amount	\$ 13,804
% of Portfolio	3.5%

# of Shares	232
Purchase Price	\$ 59.50
Cost Basis	\$13,804.00
2 Year Price Target	71.22
Yr. 2 Market Value	\$16,523.04
Trade Profit	\$ 2,719.04
Dividend Payouts	\$ 1,172.00
Total Profit	\$ 3,891.04
2 Year Return	28.2%



# Investment Thesis

- Dividend Return:



Dividend Returns		
Y1	Q1	0.615
	Q2	0.6275
	Q3	0.6275
	Q4	0.6275
Y2	Q1	0.6275
	Q2	0.6425
	Q3	0.6425
	Q4	0.6425
Y3	Q1	0.6425
	Q2	0.6575
	Q3	0.6575
	Q4	0.6575
Total Div/Share		\$ 7.67
Shares Owned		232
Total Dividend Inflow		\$1,778.86



# Investment Thesis

- Ultra Wideband 5G
  - First movers in 5G technology, significantly ahead of competition
- 5G is a technical powerhouse
- In home 5G internet
  - Available in 4 cities
- 85% of their revenue comes from their wireless segment
  - Cord Cutting could actually be a positive
  - Especially compared to competition
- Pricing Power

# Hans Vestberg

- Started with Verizon as their CTO in 2017
- August 1, 2018 he became CEO
- Previously was the CEO of Swedish Telecom. Company Ericsson
  - Previous president of Swedish Olympic committee and chairman of the Swedish Handball Federation
- Plans to save Verizon \$10B in cost cutting initiatives by 2021

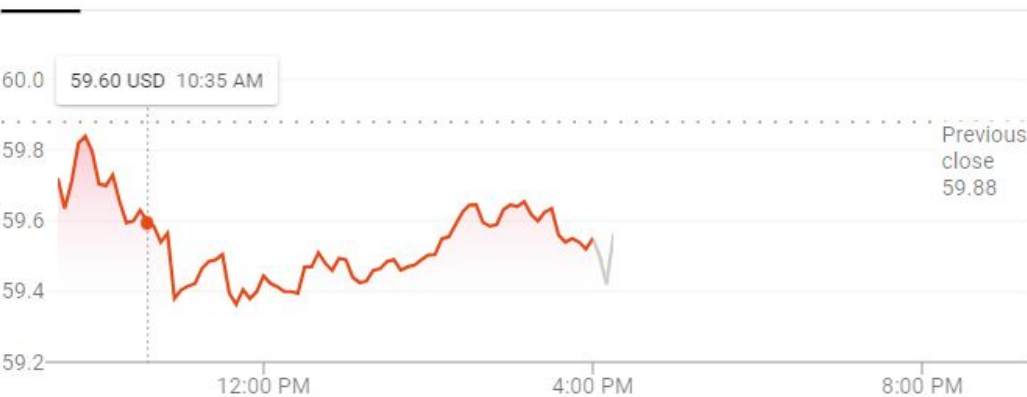


# Company Overview

Market Summary > Verizon Communications Inc.  
NYSE: VZ [+ Follow](#)

59.50 USD -0.38 (0.63%) ↓  
Closed: Nov 5, 4:05 PM EST · Disclaimer  
After hours 59.42 -0.080 (0.13%)

1 day 5 days 1 month 6 months YTD 1 year 5 years Max



Open	59.70	Div yield	4.13%
High	59.87	Prev close	59.88
Low	59.35	52-wk high	61.58
Mkt cap	246.08B	52-wk low	52.28
P/E ratio	15.29		



Verizon Communications Inc. (Verizon or the Company) is a holding company that, acting through its subsidiaries, is one of the world’s leading providers of communications, information and entertainment products and services to consumers, businesses and governmental agencies. With a presence around the world, we offer voice, data and video services and solutions on our networks that are designed to meet customers’ demand for mobility, reliable network connectivity, security and control. Formerly known as Bell Atlantic Corporation (Bell Atlantic), we were incorporated in 1983 under the laws of the State of Delaware. We began doing business as Verizon on June 30, 2000 following our merger with GTE Corporation. We have a highly diverse workforce of approximately 144,500 employees.

## Two Reportable Segments:

- Wireless:** Wireless’ communications products and services include wireless voice and data services and equipment sales, which are provided to consumer, business and government customers across the United States (U.S.).
- Wireline:** Wireline’s communications products and enhanced services include video and data services, corporate networking solutions, security and managed network services and local and long distance voice services. We provide these products and services to consumers in the U.S., as well as to carriers, businesses and government customers both in the U.S. and around the world.

# Cord Cutting

- A revolution has begun. Fed up with high prices, endless fees and taxes, and programming packages with 40 channels you don't want for every one that you do, cable and satellite customers across the U.S. are kicking service providers to the curb by cutting the cord and sourcing their TV programming elsewhere.
- <https://www.westmonroepartners.com/Insights/Newsletters/Cord-Cutting-Statistics>





# Risks and Catalysts

## Risks

- Competition
- Significant Debt
- 5G
  - Value to Consumer

## Catalysts

- 5G growth: M2M; B2B; C2C
- Margin Expansion
- Disney+ promotional package.

Though these risks cannot be taken lightly, we feel that with our investment thesis and the catalysts to the stock price, the upside potential outweighs the downside risk.



# Valuation

Price/Earnings		
AT&T	16.64	33%
T-Mobile	18.12	17%
Sprint	21.44	17%
Telus	17.41	33%
Competitor Multiple	17.9	100%
Competitor Multiple	17.9	25%
Current P/E	11.7	38%
Forward P/E	12.2	38%
5 Yr. Average		
5 Yr. Projected		
Forecast	13.4	100%
Future EPS	4.92	
Value	66.2	

Price/Cash Flow		
AT&T	5.83	25%
T-Mobile	6.52	25%
Sprint	2.54	25%
Telus	7.03	25%
Competitor Multiple	5.48	100%
Competitor Multiple	5.48	25%
Current P/CF	7.11	75%
5 Yr. Average		
5 Yr. Projected		
Forecast	6.70	100%
Cash Flow Per Share	9.77	
Value	\$ 65.48	



# Valuation

EV/EBITDA		
Current EV/EBITDA		8.23
EV	\$	376,752,400,000.00
EBITDA	\$	51,250,000,000.00
EBITDA Growth		3%
2 Yr. EBITDA	\$	54,325,000,000.00
EV/EBITDA		1.06
EV	\$	447,094,750,000.00
Minority Interest	\$	1,391,000,000.00
Preferred Equity	\$	-
(Cash & Equivalents)	\$	(3,020,000,000.00)
Total Debt	\$	130,772,000,000.00
Market Cap	\$	317,951,750,000.00
Share Price	\$	76.95

Shares Outstanding
4,132,000,000



# Scenario Analysis

EV/EBITDA		
Current EV/EBITDA		8.23
EV	\$ 376,752,400,000.00	
EBITDA	\$ 51,250,000,000.00	
EBITDA Growth		4.5%
2 Yr. EBITDA	\$ 55,862,500,000.00	
EV/EBITDA		1.09
EV	\$ 459,748,375,000.00	
Minority Interest	\$ 1,391,000,000.00	
Preferred Equity	\$ -	
(Cash & Equivalents)	\$ (3,020,000,000.00)	Shares Outstanding
Total Debt	\$ 130,772,000,000.00	4,132,000,000
Market Cap	\$ 330,605,375,000.00	
Share Price	\$ 80.01	

EV/EBITDA		
Current EV/EBITDA		8.23
EV	\$ 376,752,400,000.00	
EBITDA	\$ 51,250,000,000.00	
EBITDA Growth		1.5%
2 Yr. EBITDA	\$ 52,787,500,000.00	
EV/EBITDA		1.03
EV	\$ 434,441,125,000.00	
Minority Interest	\$ 1,391,000,000.00	
Preferred Equity	\$ -	
(Cash & Equivalents)	\$ (3,020,000,000.00)	Shares Outstanding
Total Debt	\$ 130,772,000,000.00	4,132,000,000
Market Cap	\$ 305,298,125,000.00	
Share Price	\$ 73.89	

# Price Target

Metric			Weighting
P/CF	\$	65.48	50%
EV/EBITDA	\$	76.95	50%
			100%
Price Target	\$	71.22	
Current Price	\$	59.50	
Potential Upside		20%	

With the current investment thesis, valuation, and the foreseen catalysts for VZ we believe that this price target is achievable within a 2 year investment horizon.