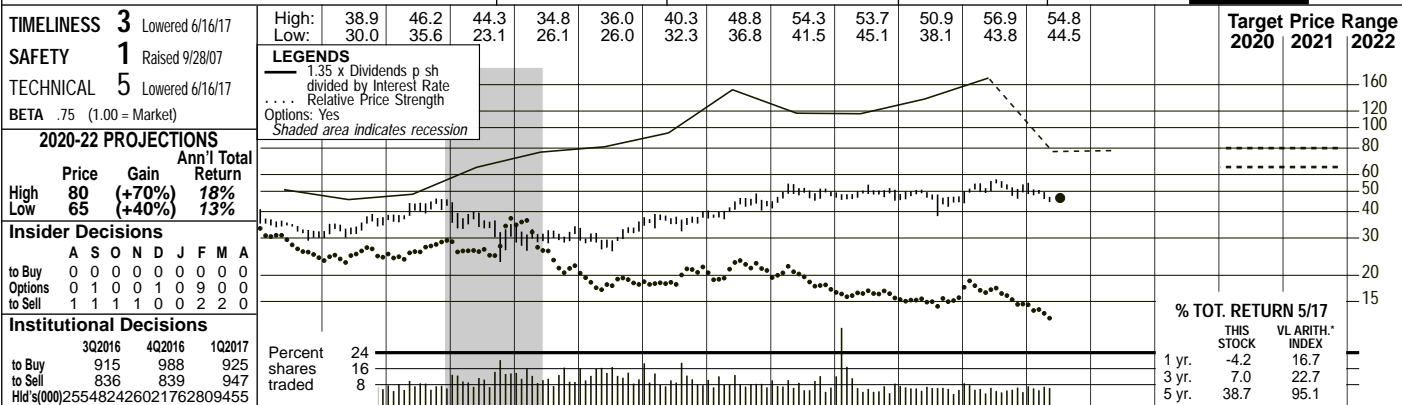


# VERIZON NYSE-VZ

RECENT PRICE **46.44** P/E RATIO **12.4** (Trailing: 12.4 Median: 14.0) RELATIVE P/E RATIO **0.63** DIV'D YLD **5.0%** VALUE LINE



2001	2002	2003	2004	2005	2006 <sup>E</sup>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
24.73	24.63	24.46	25.73	25.59	30.29	32.56	34.27	38.02	37.68	39.10	40.53	29.11	30.58	32.31	30.90	<b>30.25</b>	<b>30.95</b>	Revenues per sh	<b>32.40</b>
8.11	7.93	7.55	7.64	7.24	7.07	7.40	7.65	8.12	8.01	7.96	7.85	6.79	7.19	7.94	7.79	<b>5.80</b>	<b>5.85</b>	"Cash Flow" per sh	<b>6.05</b>
3.00	3.05	2.62	2.59	2.56	2.54	2.34	2.54	2.40	2.21	2.15	2.32	4.00	3.35	3.99	3.87	<b>3.75</b>	<b>3.80</b>	Earnings per sh (A)	<b>4.25</b>
1.54	1.54	1.54	1.54	1.62	1.62	1.65	1.78	1.87	1.93	1.96	2.02	2.08	2.16	2.23	2.29	<b>2.32</b>	<b>2.36</b>	Div'ds Decl'd per sh (B)	<b>2.48</b>
6.39	4.36	4.29	4.79	5.24	5.88	6.11	6.07	6.01	5.82	5.73	5.66	4.01	4.14	4.36	4.18	<b>4.20</b>	<b>4.25</b>	Cap'l Spending per sh	<b>4.45</b>
11.98	11.88	12.08	13.56	13.56	16.68	17.62	14.68	14.67	13.64	12.69	11.60	9.38	2.96	4.03	5.53	<b>4.00</b>	<b>4.25</b>	Book Value per sh	<b>6.00</b>
2717.2	2745.8	2769.4	2770.0	2926.8	2909.9	2871.0	2840.6	2835.7	2828.1	2835.5	2858.3	4141.1	4155.4	4073.2	4076.7	<b>4050.0</b>	<b>4000.0</b>	Common Shs Outst'g (C)	<b>3950.0</b>
17.3	13.0	13.7	14.8	13.2	13.4	17.6	13.7	12.7	13.8	17.1	18.1	12.2	14.5	11.8	13.3	<b>17.5</b>	<b>17.5</b>	Avg Ann'l P/E Ratio	<b>17.5</b>
.89	.71	.78	.78	.70	.72	.93	.82	.85	.88	1.07	1.15	.69	.76	.59	.71	<b>4.7%</b>	<b>4.5%</b>	Relative P/E Ratio	<b>1.10</b>
3.0%	3.9%	4.3%	4.0%	4.8%	4.8%	4.0%	5.1%	6.1%	6.3%	5.3%	4.8%	4.3%	4.4%	4.7%	4.5%	<b>4.7%</b>	<b>4.5%</b>	Avg Ann'l Div'd Yield	<b>3.3%</b>

2001	2002	2003	2004	2005	2006 <sup>E</sup>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
93469	97354	107808	106565	110875	115846	120550	127079	131620	125980	<b>122550</b>	<b>123775</b>	Revenues (\$mill)	<b>127900</b>						
6854.0	7235.0	6805.0	6256.6	6086.8	5970.4	11497	13337	16324	15809	<b>13500</b>	<b>13550</b>	Net Profit (\$mill)	<b>16800</b>						
35.6%	34.4%	33.1%	19.5%	2.7%	--	19.6%	29.9%	34.6%	33.7%	<b>34.0%</b>	<b>34.0%</b>	Income Tax Rate	<b>35.0%</b>						
7.3%	7.4%	6.3%	5.9%	5.5%	5.2%	9.5%	10.5%	12.4%	12.5%	<b>11.0%</b>	<b>12.6%</b>	Net Profit Margin	<b>13.1%</b>						
25.4%	37.3%	39.5%	34.2%	36.9%	35.8%	48.4%	89.0%	85.3%	81.4%	<b>81.0%</b>	<b>80.0%</b>	Long-Term Debt Ratio	<b>80.0%</b>						
45.5%	33.1%	29.8%	29.2%	26.4%	24.9%	21.0%	9.9%	13.5%	17.4%	<b>19.0%</b>	<b>20.0%</b>	Common Equity Ratio	<b>20.0%</b>						
111072	125864	139418	132164	136211	133151	185074	124212	121547	129465	<b>121000</b>	<b>121500</b>	Total Capital (\$mill)	<b>125500</b>						
85294	86546	91466	87711	88434	88642	88956	89947	83541	84751	<b>85500</b>	<b>86000</b>	Net Plant (\$mill)	<b>91000</b>						
8.8%	8.3%	7.2%	7.6%	7.2%	7.5%	9.0%	11.0%	13.7%	12.4%	<b>11.5%</b>	<b>12.4%</b>	Return on Total Cap'l	<b>14.0%</b>						
13.6%	17.3%	16.4%	16.2%	16.9%	18.0%	29.6%	108.4%	99.4%	70.2%	<b>NMF</b>	<b>NMF</b>	Return on Shr. Equity	<b>13.0%</b>						
13.6%	17.3%	16.4%	16.2%	16.9%	18.0%	29.6%	108.4%	99.4%	70.2%	<b>NMF</b>	<b>NMF</b>	Return on Com Equity	<b>13.0%</b>						
4.1%	5.4%	3.7%	2.2%	1.5%	2.2%	14.3%	45.0%	47.4%	29.1%	<b>48.0%</b>	<b>48.0%</b>	Retained to Com Eq	<b>45.0%</b>						
70%	69%	77%	87%	91%	88%	52%	59%	52%	59%	<b>68%</b>	<b>59%</b>	All Div'ds to Net Prof	<b>58%</b>						

**CAPITAL STRUCTURE as of 3/31/17**  
 Total Debt \$116546 mill. Due in 5 Yrs \$32097mill.  
 LT Debt \$112839 mill. LT Interest \$1805 mill.  
 Incl. \$950.0 mill. capitalized leases.  
 (Total interest coverage: 7.1x)  
 (82% of Total Cap'l.)  
 Leases, Uncapitalized Annual rentals \$2822 mill.  
 Pension Assets-12/16 \$14663 mill.  
 Oblig. \$21112 mill.  
 Pfd Stock None  
 Common Stock 4,079,369,367 shs.  
 MARKET CAP: \$189 billion (Large Cap)

**CURRENT POSITION**

(\$MILL.)	2015	2016	3/31/17
Cash Assets	4470	2880	4307
Other	17810	23515	22851
Current Assets	22280	26395	27158
Accts Payable	19362	19593	14826
Debt Due	6489	2645	3707
Other	9201	8102	8131
Current Liab.	35052	30340	26664

**BUSINESS:** Verizon Communications was created by the merger of Bell Atlantic and GTE in June of 2000. It is a diversified telecom company with a network that covers a population of about 298 million and provides service to nearly 98.2 million. Acquired MCI, 1/06; Alltel, 1/09; Verizon Wireless, 2/14. Also the largest provider of print and on-line directory information. Has a wireline presence in 28 states & Washington, D.C.; a wireless presence in 50 states & D.C.; operations in 19 countries. 2016 revenue breakdown: wireline (includes telecom & business), 29%; domestic wireless, 71%. Has approximately 160,900 employees. Chairman and CEO: Lowell McAdam, Inc.: Delaware. Addr.: 1095 Avenue of the Americas, NY, NY 10036. Tel.: 212-395-1000. Internet: www.verizon.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22
of change (per sh)			
Revenues	1.5%	-4.0%	2.0%
"Cash Flow"	0.5%	-1.0%	NMF
Earnings	4.0%	10.5%	3.0%
Dividends	3.5%	3.0%	2.0%
Book Value	-12.0%	-21.0%	5.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	30818	31483	31586	33192	127079
2015	31984	32224	33158	34254	131620
2016	32171	30532	30937	32340	125980
2017	29814	29936	30600	32200	122550
2018	30115	30235	30905	32520	123775

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.84	.91	.89	.71	3.35
2015	1.02	1.04	1.04	.89	3.99
2016	1.06	.94	1.01	.86	3.87
2017	.95	.96	.96	.88	3.75
2018	.96	.97	.97	.90	3.80

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.515	.515	.515	.53	2.08
2014	.53	.53	.53	.55	2.16
2015	.55	.55	.565	.565	2.23
2016	.565	.565	.58	.58	2.29
2017	.58	.58			

**Verizon prospects for this year and next have recently taken a turn for the worse.** The company posted first-quarter earnings of \$0.95 a share, six cents below our estimate and 11 cents off the year-earlier result, on a 7.3% revenue decline. Truth be told, this underwhelming performance comes as no huge surprise. To wit, in our March review, we warned that the outlook for the next couple of years was rather underwhelming, due to the combined effects of the April 1, 2016 sale of Verizon's high-margined wireline operations in California, Florida, and Texas to Frontier Communications; the ongoing shift of wireless customers to device payment plans; and the ramping up of its new business model. In the March quarter, VZ Wireless posted a 5.1% drop in revenues, due to more customers continuing to choose unsubsidized device payment plans, decreased overage revenues, lower postpaid customers, and continued promotional activity. As a result, we have pared \$0.15 and \$0.10 from our 2017 and 2018 earnings calls, which now stand at \$3.75 and \$3.80, respectively.

**The company is certainly active on the acquisition front.** Verizon closed on the purchase of XO Communications during the first quarter, and the sale of its data centers to Equinix ought to be completed by the end of June. Lastly, the \$4.48 billion acquisition of Yahoo! is also slated to be completed in the second quarter, after the purchase price was pared by \$350 million, given recent data breaches at Yahoo!.

**Verizon's finances are definitely in sound shape.** The company finished the March quarter with \$4.307 billion in cash on hand (up from \$2.880 billion at the end of last year) and long-term debt of \$112.8 billion. Going forward, we look for Verizon to boost its dividend payout and make additional acquisitions, as management is committed to improving VZ's strategic capabilities and upping its spectrum assets. **This blue-chip equity holds investment appeal.** At the recent quotation, the issue's capital-appreciation potential is well above that of the average equity under our review. What's more, the 5% dividend yield will likely put a smile on the face of any income-seeking investor.

**Kenneth A. Nugent** June 16, 2017

(A) Based diluted shares. Excl. n/r gains (losses): '01, (\$2.86); '02, (\$1.56); '03, (\$1.51); '04, \$0.08; '06, (\$0.42). Next earnings report July 27th. (B) Div'd paid in early Feb., May, Aug. & Nov. (C) Div'd reinv. plan avail. (D) Incl. financial subsidiary. (E) '06 MCI pro forma.

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Company's Financial Strength A++  
 Stock's Price Stability 100  
 Price Growth Persistence 45  
 Earnings Predictability 65

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