

## Verizon (VZ)

### Overview & Current Events

Verizon is the largest wireless carrier in the United States based on its ~44% market share. Verizon is the 16<sup>th</sup> largest corporation (based on market cap of \$207 billion) publicly traded in the United States.

Verizon posted favorable full year results (1/21/16). The company saw adjusted earnings-per-share grow 19.1% in 2015 versus 2014. For the year, EBITDA margins grew 1.3 percentage points to 35.4% and revenue grew 2.6%. Rising margins combined with rising revenue shows that Verizon's competitive advantage is strengthening.

**Next Dividend Record Date:** Early April, 2016

**Next Earnings Release:** Late April, 2016

### Competitive Advantage & Recession Performance

Verizon and AT&T together control over 80% of the wireless market in the United States. The telecommunications market has high barriers to entry which inhibit competition due to the large up-front costs of building a network. Additionally, spectrum auctions prohibit competition. Verizon spent \$10 billion in the latest spectrum auction (which raised \$44 billion total for the US government).

Verizon performs well during recessions. The company's wireless network provides a vital service that its customers (in general) do not cut back on – even during difficult economic times. Verizon does carry a large debt load of around \$1.1 billion, but its consistent stable cash flows make the company's large debt burden sustainable.

### Growth Prospects, Valuation, & Catalyst

I expect Verizon to generate earnings-per-share growth of around 6% a year going forward. The company's wireless service business continues to grow organically. Verizon recently acquired AOL to build a digital and video growth platform centered on mobile users which will be monetized through advertising. Verizon offers investors total returns of around 10.4% a year from its large dividend yield of 4.4% and expected 6% earnings-per-share growth rates.

Verizon is currently trading for a price-to-earnings ratio of just 12.8. The company's average price-to-earnings ratio over the last decade is 14.6. Verizon shares are currently trading for ~\$51 a share. Based on its historical average price-to-earnings ratio and current earnings-per-share, Verizon stock should be trading for around \$58 a share.

**Maximum Drawdown (starting in year 2000):** -55% in July of 2002

<b>DRIP Available:</b>	Yes, with fees
<b>Dividend Yield:</b>	4.4%
<b>10 Year EPS Growth Rate:</b>	5.0%
<b>10 Year Dividend Growth Rate:</b>	5.0%
<b>Most Recent Dividend Increase:</b>	2.7%
<b>Dividend History:</b>	32 consecutive years without a reduction

