

Company Report – Research Update

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Verizon Communications Inc. (VZ-US)

Diversified Telecommunication

- We reiterate our Neutral rating on VZ as the long-term opportunity of 5G, along with online content delivery, online advertising, and mobile video continue to be offset by its ongoing difficulty in a competitive and saturated wireless market.
- Business Performance trends remain mixed as VZ continues to struggle in a competitive and saturated market.
- VZ continues to invest in upgrading and expanding its network and the upcoming rollout of its high-speed 5G service.
- VZ will launch its commercial 5G smartphone network later this year.
- VZ's strong cash flow continues to fund ongoing capital investment, strategic acquisitions, and enhance shareholder returns through ongoing dividend increases.

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Company Note
Verizon Communications Inc. (VZ-US)

Diversified Telecommunication

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Research Action:

Reiterate rating

Rating: Neutral

Prior Rating: Neutral

Price 06/26/2019: \$56.99

52 Week High / \$61.58

Low: \$48.84

Key Data: (TTM as of Mar-19)
Excess Cash per Share: -\$0.55

Annual Dividend: \$2.41

Dividend Yield: 4.23%

Avg. Volume (30 Day): 14.3M

Shares Outstanding: 4,135.7M

Float: 4,132.6M

Short Interest: 28.0M

SI % / Float 0.68%

Equity MV: \$235,694.1M

Sales TTM: \$131,219.0M

Beta: 0.70

EBITDAR: \$49,138.8M

NOPAT: \$22,520.0M

Total Invested Capital: \$247,207.2M

Return on Capital: 9.67%

Cost of Capital: 4.44%

Economic Profit: \$12,192.1M

Market Value Added: \$147,518.0M

Current Operations Value: \$507,594.8M

Future Growth Value: (\$112,869.7)M

- We reiterate our Neutral rating on VZ as the long-term opportunity of 5G, along with online content delivery, online advertising, and mobile video continue to be offset by its ongoing difficulty in a competitive and saturated wireless market.** Longer-term, VZ is well-positioned to benefit from the upcoming 5G boom, and could have a first-mover advantage with its initial launch of 5G commercial smartphones in 2019. VZ's increasing focus on content delivery, mobile video, and online advertising will also provide additional benefits. However, increasing competition continues to pressure margins, and the ongoing softness in Wireline revenue and ongoing secular pressures from legacy technologies continue to offset other growth drivers. We believe opportunity does exist at some point, as Verizon's growth-driving initiatives in wireless and content should begin to drive positive Business Performance trends. While we see little opportunity for near-term outperformance, VZ's above-market dividend yield and future growth potential could provide a positive investment opportunity as positive trends begin to gain momentum. We do believe VZ's current above the average S&P 500 dividend yield, and potential size advantage in the nationwide ramp-up of 5G high-speed connectivity, could provide an attractive investment opportunity at some point in the near future but we still prefer AT&T (T-US, Buy Rated) at this time.
- Business Performance trends remain mixed as VZ continues to struggle in a competitive and saturated market.** For the 12 months ending March 2019, Net Sales Revenue increased by 2.52% Y/Y from \$127.99 billion to \$131.22 billion. We forecast a further increase of 1.0% to \$132.44 billion over the NTM. Economic Operating Cash Flow (EBITDAR) increased 0.53% Y/Y from \$48.88 billion to \$49.14 billion over the LTM. We forecast a further increase of 2.0% to \$49.14 billion over the NTM. Net Operating Profit After Tax (NOPAT) declined 40% Y/Y from \$37.66 billion to \$22.52 billion over the LTM. We forecast a slight increase of 0.21% to \$22.57 billion over the NTM. Return on Capital (ROC) declined from 17.93% to 9.67% over the LTM. We forecast a further decline to 9.06% over the NTM. Economic Profit declined 53% Y/Y from \$25.93 billion to \$12.19 billion over the LTM. We forecast an increase of 1.6% to \$12.38 billion over the NTM. As 5G starts to drive accelerating Wireless revenue growth and Business Performance trends start to show positive momentum, we will become more optimistic about VZ's investment opportunity.

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- **VZ continues to invest in upgrading and expanding its network and the upcoming rollout of its high-speed 5G service.** VZ spends an average of close to \$20 billion a year improving its network including adding more fiber-optic cable, as well as improving its current 4G service and preparing for the ramp-up of its high-speed 5G service. The VZ Verizon Intelligent Edge Network is its value-added capability to distribute voice and data on a collection of assets including 4G LTE, fiber, 5G and SDN (Software-Defined Network). The 2017 acquisition of XO Communications for \$1.8 billion further expanded VZ's fiber-based connectivity. In addition to heavy amounts of capital investment to continually enhance its network capabilities, VZ continues to focus on cost reduction with the goal of reducing recurring expenses by \$10 billion by 2021.
- **VZ will launch its commercial 5G smartphone network later this year.** Over the past few years, VZ has made ongoing investments in 5G technology to gain a first-mover advantage in the rollout of a nationwide high-speed 5G network for communications and data that will also eventually be the backbone of connectivity for the growing Internet of things (IoT). 5G connectivity is over 400 times faster than current 4G, which will be a significant game changer in communications capabilities and data connectivity.
- **VZ's strong cash flow continues to fund ongoing capital investment, strategic acquisitions, and enhance shareholder returns through ongoing dividend increases.** VZ has averaged just over \$50 billion in Economic Operating Cash Flow (EBITDAR) per year which continues to fund ongoing capital investments, and it continues to make strategic acquisitions to increase its product and service offerings.

Investment Thesis

VZ is the leading and largest telecom service provider in a very crowded and very competitive global telecom industry and is continually challenged both on service and pricing by both large global and smaller upstart competitors. Intense competition, together with the ongoing need for investment in new product offerings, new technologies, and additional spectrum, make growth and significant market outperformance harder to achieve. We do believe VZ's current above the average S&P 500 dividend yield, and potential size advantage in the nationwide ramp-up of 5G high-speed connectivity, could provide an attractive investment opportunity at some point in the near future but we still prefer AT&T (T-US, Buy Rated) at this time.

Company Overview

Verizon Communications Inc. (VZ-US) is an integrated telecommunications service provider offering wireline voice and data services, wireless services, and Internet services. Verizon is the number one wireless phone service provider in the U.S. with close to 120 million subscribers. Verizon Wireless provides wireless voice and data services, and equipment sales to consumers, businesses and government customers. Verizon provides Wireline services to almost 20 million customers offering local telephone, long distance, Internet access, and digital TV services to both residential, commercial, and wholesale customers. Verizon also offers a wide range of telecom services including managed networks and IT services that include data center-hosted cloud services to enterprise and government clients in over 150 countries. Verizon also provides content along with video and advertising service capabilities through its acquisitions of AOL and a number of online publications including Engadget, Huffington Post, and TechCrunch.

Verizon Communications was originally created through the merger of Bell Atlantic and GTE Corp. Verizon expanded its service offerings through the acquisition of MCI Corp, a leader in long-distance and data networking. Verizon surpassed AT&T as the largest wireless service provider in North America with the acquisition of Alltel Wireless Corp. in 2009. Verizon now operates one of the most extensive wireless networks in the U.S. and is the largest 4G LTE covering more than 98% of the U.S. population. Verizon is currently in the process of rolling out its high-speed nationwide 5G network. Verizon highlights that its wireless communication advantage is based on the speed, reliability, and broad coverage of it of its network.

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Verizon operates and reports revenue by two Business Segments:

Wireless: (76% of revenue) provides wireless communication and data services through Verizon Wireless, a wholly-owned subsidiary of Verizon Communications.

Wireline: (24% of revenue) provides voice & data, video communication services along with broadband video and data, corporate networking services, data center, and cloud services, security and managed network services, along with local and long-distance voice services. The Wireline division also includes Verizon's FiOS service which offers high-speed Internet and TV service.

Verizon reports revenue in only one Geographic Segment: United States (100% of revenue).



Company Report – Research Update

Verizon Communications Inc. (VZ-US)

Diversified Telecommunication

Financial Data

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	03/31/2014	03/31/2015	03/31/2016	03/31/2017	03/31/2018	03/31/2019	03/31/2020	Average	Average	Trend
Net Sales Revenue	\$121,948.0	\$128,245.0	\$131,807.0	\$123,623.0	\$127,992.0	\$131,219.0	\$132,435.7	\$128,577.2	\$127,611.3	\$131,827.3
Sales Growth	4.21%	5.16%	2.78%	-6.21%	3.53%	2.52%	0.93%	1.56%	-0.05%	1.72%
Sales Growth Trend	4.27%	4.78%	3.73%	-2.61%	-0.36%	2.93%	1.56%	1.69%	-0.02%	2.25%
Economic Operating Cash Flow (EBITDAR)	\$35,105.2	\$46,568.3	\$49,987.4	\$46,915.7	\$48,879.2	\$49,138.8	\$50,143.6	\$48,297.9	\$48,311.2	\$49,641.2
EBITDAR Margin	28.79%	36.31%	37.92%	37.95%	38.19%	37.45%	37.86%	37.56%	37.86%	37.66%
EBITDAR Growth	12.58%	32.65%	7.34%	-6.14%	4.19%	0.53%	2.04%	7.71%	-0.48%	1.29%
Net Operating Profit Before Tax (NOPBT)	\$15,880.2	\$27,483.3	\$30,342.4	\$27,345.7	\$27,460.2	\$27,728.8	\$28,564.8	\$28,072.1	\$27,511.6	\$28,146.8
NOPBT Margin	13.02%	21.43%	23.02%	22.12%	21.45%	21.13%	21.57%	21.83%	21.57%	21.35%
NOPBT Growth	30.88%	73.07%	10.40%	-9.88%	0.42%	0.98%	3.02%	15.00%	-2.83%	2.00%
Cash Operating Income Tax	\$3,036.3	\$8,577.9	\$10,013.0	\$9,024.1	\$0.0	\$5,208.8	\$5,998.6	\$6,564.7	\$4,744.3	\$5,603.7
Economic Tax Effective Rate	19.12%	31.21%	33.00%	33.00%	0.00%	18.78%	21.00%	23.20%	17.26%	19.89%
Net Operating Profit After Tax (NOPAT)	\$12,843.8	\$18,905.4	\$20,329.4	\$18,321.6	\$37,657.2	\$22,520.0	\$22,566.2	\$23,546.7	\$26,166.3	\$22,543.1
NOPAT Margin	10.53%	14.74%	15.42%	14.82%	29.42%	17.16%	17.04%	18.31%	20.47%	17.10%
NOPAT Growth	1.49%	47.19%	7.53%	-9.88%	105.53%	-40.20%	0.21%	22.04%	18.49%	-20.00%
Cash & Equivalents	\$4,428.0	\$5,848.0	\$6,774.0	\$4,864.0	\$3,250.0	\$4,288.0	\$4,355.1	\$5,004.8	\$4,134.0	\$4,321.5
Total Assets	\$221,562.0	\$235,790.0	\$244,587.0	\$246,731.0	\$264,516.0	\$283,947.0	\$288,390.3	\$255,114.2	\$265,064.7	\$286,168.6
Non - Interest Bearing Liabilities (NIBLs)	\$97,942.0	\$111,643.0	\$114,604.0	\$105,148.0	\$93,114.0	\$90,860.0	\$92,281.8	\$103,073.8	\$96,374.0	\$91,570.9
Net Assets	\$122,480.0	\$122,727.0	\$128,521.0	\$140,039.0	\$169,838.0	\$191,483.0	\$194,479.4	\$150,521.6	\$167,120.0	\$192,981.2
Economic Asset Adjustments	\$51,647.5	\$54,649.3	\$62,139.7	\$61,581.3	\$48,533.2	\$55,724.2	\$56,596.2	\$56,525.5	\$55,279.6	\$56,160.2
Net Operating Assets	\$174,127.5	\$177,376.3	\$190,660.7	\$201,620.3	\$218,371.2	\$247,207.2	\$251,075.5	\$207,047.1	\$222,399.6	\$249,141.4
Debt & Debt Equivalents	\$120,473.5	\$126,250.3	\$126,451.7	\$132,614.3	\$136,335.2	\$159,031.2	\$161,519.7	\$136,136.5	\$142,660.2	\$160,275.5
Equity & Equivalents	\$12,711.0	\$9,339.0	\$18,641.0	\$23,493.0	\$50,781.0	\$55,856.0	\$56,730.0	\$31,622.0	\$43,376.7	\$56,293.0
Total Capital - Financing Sources	\$133,184.5	\$135,589.3	\$145,092.7	\$156,107.3	\$187,116.2	\$214,887.2	\$218,249.8	\$167,758.5	\$186,036.9	\$216,568.5
Capital Adjustments	\$40,943.0	\$41,787.0	\$45,568.0	\$45,513.0	\$31,255.0	\$32,320.0	\$32,825.7	\$39,288.6	\$36,362.7	\$32,572.9
Net Capital Financing Sources	\$174,127.5	\$177,376.3	\$190,660.7	\$201,620.3	\$218,371.2	\$247,207.2	\$251,075.5	\$207,047.1	\$222,399.6	\$249,141.4
Net Working Capital	\$3,238.4	\$786.3	(\$1,787.7)	\$6,926.2	\$8,718.6	\$8,063.0	\$8,189.1	\$4,541.3	\$7,902.6	\$8,126.0
Cost of Net Working Capital	\$194.8	\$89.1	(\$19.0)	\$110.6	\$436.8	\$372.3	\$378.1	\$197.9	\$306.5	\$375.2
% of Revenue	0.16%	0.07%	-0.01%	0.09%	0.34%	0.28%	0.29%	0.15%	0.24%	0.28%
Operational Capital	\$102,998.9	\$95,290.5	\$97,795.1	\$108,207.4	\$113,918.8	\$142,421.1	\$144,649.8	\$111,526.6	\$121,515.8	\$143,535.5
Cost of Operational Capital	\$4,861.5	\$4,389.4	\$3,671.2	\$4,433.2	\$6,201.5	\$5,686.4	\$5,775.4	\$4,876.3	\$5,440.4	\$5,730.9
% of Revenue	3.99%	3.42%	2.79%	3.59%	4.85%	4.33%	4.36%	3.79%	4.25%	4.35%
Productive Capital	\$206,197.9	\$200,065.5	\$218,205.1	\$232,503.4	\$246,730.8	\$270,901.1	\$275,140.2	\$233,681.2	\$250,045.1	\$273,020.7
Cost of Productive Capital	\$9,783.5	\$8,993.1	\$7,952.7	\$9,699.3	\$13,379.7	\$11,482.7	\$11,662.4	\$10,301.5	\$11,520.5	\$11,572.5
% of Revenue	8.02%	7.01%	6.03%	7.85%	10.45%	8.75%	8.81%	8.02%	9.02%	8.78%
Total Operating Capital	\$175,796.9	\$177,940.5	\$190,477.1	\$202,937.4	\$221,520.8	\$249,480.1	\$253,384.0	\$208,471.2	\$224,646.1	\$251,432.1
Cost of Total Operating Capital	\$6,959.6	\$7,830.4	\$7,004.8	\$8,466.3	\$11,850.4	\$10,448.3	\$10,611.8	\$9,120.0	\$10,255.0	\$10,530.0
% of Revenue	5.71%	6.11%	5.31%	6.85%	9.26%	7.96%	8.01%	7.10%	8.02%	7.99%
Non - Operating Capital	(\$1,669.4)	(\$564.3)	\$183.7	(\$1,317.2)	(\$3,149.6)	(\$2,273.0)	(\$2,308.5)	(\$1,424.1)	(\$2,246.6)	(\$2,290.7)
Cost of Non - Operating Capital	(\$12.8)	(\$49.4)	(\$7.2)	(\$24.4)	(\$124.7)	(\$120.3)	(\$122.2)	(\$65.2)	(\$89.8)	(\$121.2)
% of Revenue	-0.01%	-0.04%	-0.01%	-0.02%	-0.10%	-0.09%	-0.09%	-0.05%	-0.07%	-0.09%
Total Capital	\$174,127.5	\$177,376.3	\$190,660.7	\$201,620.3	\$218,371.2	\$247,207.2	\$251,075.5	\$207,047.1	\$222,399.6	\$249,141.4
Cost of Total Capital	\$6,946.7	\$7,781.0	\$6,997.6	\$8,441.9	\$11,725.7	\$10,328.0	\$10,489.6	\$9,054.8	\$10,165.2	\$10,408.8
% of Revenue	5.70%	6.07%	5.31%	6.83%	9.16%	7.87%	7.92%	7.05%	7.95%	7.90%
Cost of Capital (WACC)	4.71%	4.43%	3.80%	4.30%	5.58%	4.44%	4.44%	4.51%	4.77%	4.44%
Capital Structure										
Debt & Debt Equivalents	\$120,473.5	\$126,250.3	\$126,451.7	\$132,614.3	\$136,335.2	\$159,031.2	\$161,519.7	\$136,136.5	\$142,660.2	\$160,275.5
Debt & Debt Equivalents % of Market Value	37.95%	38.90%	36.45%	40.01%	40.85%	39.44%	39.44%	39.12%	40.06%	39.44%
Preferred Equity	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Preferred Equity % of Market Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Market Value of Common Equity	\$196,987.4	\$198,336.8	\$220,445.7	\$198,869.2	\$197,399.2	\$244,206.9	\$248,028.3	\$211,851.6	\$213,491.8	\$246,117.6
Common Equity % of Market Value	62.05%	61.10%	63.55%	59.99%	59.15%	60.56%	60.56%	60.88%	59.94%	60.56%
Total Economic Market Value (MV)	\$317,460.8	\$324,587.1	\$346,897.4	\$331,483.5	\$333,734.5	\$403,238.1	\$409,548.0	\$347,988.1	\$356,152.0	\$406,393.1
Total %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Excess Cash	(\$1,669.4)	(\$564.3)	\$183.7	(\$1,317.2)	(\$3,149.6)	(\$2,273.0)	(\$2,308.5)	(\$1,424.1)	(\$2,246.6)	(\$2,290.7)
Economic Enterprise Value	\$319,130.2	\$325,151.3	\$346,713.8	\$332,800.7	\$336,884.1	\$405,511.0	\$411,856.5	\$349,412.2	\$358,398.6	\$408,683.8
Average Capital	\$147,347.0	\$175,751.9	\$184,018.5	\$196,140.5	\$209,995.8	\$232,789.2	\$249,141.4	\$199,739.2	\$212,975.2	\$240,965.3
Capital Δ	\$53,560.9	\$3,248.8	\$13,284.5	\$10,959.5	\$16,750.9	\$28,836.0	\$3,868.3	\$14,615.9	\$18,848.8	\$16,352.2

Source: Company Data, Financial statements and Tigress Research

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Verizon Communications Inc. (VZ-US)

Diversified Telecommunication

Financial Analysis

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	03/31/2014	03/31/2015	03/31/2016	03/31/2017	03/31/2018	03/31/2019	03/31/2020	Average	Average	Trend
Return on Market Value (NOPAT / MV)	4.05%	5.82%	5.86%	5.53%	11.28%	5.58%	5.67%	6.82%	7.47%	5.63%
Return on Enterprise Value (NOPAT / EV)	4.02%	5.81%	5.86%	5.51%	11.18%	5.55%	5.64%	6.78%	7.41%	5.60%
Return on Capital (NOPAT / Average Capital)	8.72%	10.76%	11.05%	9.34%	17.93%	9.67%	9.06%	11.75%	12.32%	9.37%
Cost of Capital (WACC)	4.71%	4.43%	3.80%	4.30%	5.58%	4.44%	4.44%	4.51%	4.77%	4.44%
Economic Return Spread	4.00%	6.33%	7.24%	5.04%	12.35%	5.24%	5.32%	7.24%	7.54%	5.28%
Capital Charge	\$6,946.7	\$7,781.0	\$6,997.6	\$8,441.9	\$11,725.7	\$10,328.0	\$10,489.6	\$9,054.8	\$10,165.2	\$10,408.8
Economic Profit (EP)	\$5,897.1	\$11,124.4	\$13,331.8	\$9,879.7	\$25,931.5	\$12,192.1	\$12,382.9	\$14,491.9	\$16,001.1	\$12,287.5
Economic Profit Improvement (EPI)	(\$450.3)	\$5,227.3	\$2,207.4	(\$3,452.1)	\$16,051.8	(\$13,739.4)	\$190.8	\$1,259.0	(\$379.9)	(\$6,774.3)
EP Growth	-7.09%	88.64%	19.84%	-25.89%	162.47%	-52.98%	1.56%	38.42%	27.87%	-25.71%
Economic Profit Margin on Sales	4.84%	8.67%	10.11%	7.99%	20.26%	9.29%	9.35%	11.27%	12.51%	9.32%
GAAP Earnings Per Share	\$2.06	\$2.80	\$3.26	\$2.42	\$6.35	\$2.85	\$3.00	\$3.56	\$3.91	\$2.98
GAAP Earnings Per Share	\$4.48	\$2.40	\$4.41	\$3.01	\$7.64	\$3.88	\$4.77	\$4.27	\$4.84	\$4.32
Excess Cash Per Share	(\$0.49)	(\$0.14)	\$0.05	(\$0.32)	(\$0.77)	(\$0.55)	(\$0.56)	(\$0.35)	(\$0.55)	(\$0.55)
Performance Drivers										
Sales Growth	4.21%	5.16%	2.78%	-6.21%	3.53%	2.52%	0.93%	1.56%	-0.05%	1.72%
Sales Growth Trend (ROC Sales Growth)	4.27%	4.78%	3.73%	-2.61%	-0.36%	2.93%	1.56%	1.69%	-0.02%	2.25%
EBITDAR Margin	28.79%	36.31%	37.92%	37.95%	38.19%	37.45%	37.86%	37.56%	37.86%	37.66%
EBITDAR Growth	12.58%	32.65%	7.34%	-6.14%	4.19%	0.53%	2.04%	7.71%	-0.48%	1.29%
NOPBT Margin	13.02%	21.43%	23.02%	22.12%	21.45%	21.13%	21.57%	21.83%	21.57%	21.35%
NOPBT Growth	30.88%	73.07%	10.40%	-9.88%	0.42%	0.98%	3.02%	15.00%	-2.83%	2.00%
NOPAT Margin	10.53%	14.74%	15.42%	14.82%	29.42%	17.16%	17.04%	18.31%	20.47%	17.10%
NOPAT Growth	1.49%	47.19%	7.53%	-9.88%	105.53%	-40.20%	0.21%	22.04%	18.49%	-20.00%
Economic Profit Margin on Sales (EP / Sales)	4.84%	8.67%	10.11%	7.99%	20.26%	9.29%	9.35%	11.27%	12.51%	9.32%
Economic Profit Growth	-7.09%	88.64%	19.84%	-25.89%	162.47%	-52.98%	1.56%	38.42%	27.87%	-25.71%
Economic Return Spread (ROC-WACC)	4.00%	6.33%	7.24%	5.04%	12.35%	5.24%	4.62%	7.24%	7.54%	4.93%
Economic Return Ratio (ROC / WACC)	184.89%	242.97%	290.52%	217.03%	321.15%	218.05%	204.16%	257.94%	252.08%	211.10%
Economic Profit Momentum (ΔEP/Capital)	-0.26%	2.95%	1.16%	-1.71%	7.35%	-5.56%	0.08%	0.84%	0.03%	-2.74%
Economic Profit Momentum Margin (ΔEP/Sales)	-0.37%	4.08%	1.67%	-2.79%	12.54%	-10.47%	0.14%	1.01%	-0.24%	-5.16%
Capital Growth	44.42%	1.87%	7.49%	5.75%	8.31%	13.21%	1.56%	7.32%	9.09%	7.38%
Capital Turns	0.70X	0.72X	0.69X	0.61X	0.59X	0.53X	0.53X	0.63X	0.58X	0.53X
EVC Acceleration Margin	-0.38%	4.29%	1.72%	-2.62%	12.98%	-10.73%	0.15%	0.95%	-0.30%	-5.31%
EVC Acceleration Spread	-0.37%	3.55%	1.26%	-1.88%	8.18%	-6.54%	0.08%	0.51%	-0.19%	-3.18%
Risk Factors										
Free Cash Flow (NOPAT - Δ Capital)	(\$40,717.1)	\$15,656.6	\$7,044.9	\$7,362.1	\$20,906.2	(\$6,315.9)	\$18,697.9	\$8,930.8	\$7,317.5	\$6,191.0
Free Cash Flow Rate (FCF / Capital)	-23.38%	8.83%	3.70%	3.65%	9.57%	-2.55%	7.45%	4.64%	3.56%	2.45%
Free Cash Flow Yield (FCF / MV)	-12.83%	4.82%	2.03%	2.22%	6.26%	-1.57%	4.57%	2.75%	2.31%	1.50%
Total Debt / Total Capital	69.19%	71.18%	66.32%	65.77%	62.43%	64.33%	64.33%	66.01%	64.18%	64.33%
Total Debt / EBITDAR	343.18%	271.11%	252.97%	282.67%	278.92%	323.64%	322.11%	281.86%	295.07%	322.88%
Excess Cash	(\$1,669.4)	(\$564.3)	\$183.7	(\$1,317.2)	(\$3,149.6)	(\$2,273.0)	\$0.0	(\$1,424.1)	(\$2,246.6)	(\$1,136.5)
Financial Leverage (Total Debt - Excess Cash) /	38.47%	39.07%	36.40%	40.40%	41.80%	40.00%	39.44%	39.53%	40.73%	39.72%
Pension Leverage (Net Pension Liability / MV)	0.40%	0.44%	0.37%	1.03%	0.96%	0.75%	0.00%	0.71%	0.91%	0.38%
Equity Risk Index (S&P 500 = 1.00)	0.63	0.62	0.68	0.71	0.71	0.70	0.70	0.68	0.70	0.70
Stock Price Volatility	2.13	2.08	2.28	2.21	2.79	2.92	2.92	2.46	2.64	2.92
Sales Index (NL Sales)	11.71	11.76	11.79	11.72	11.76	11.78	11.79	11.76	11.76	11.79
Market Value Index (NL Market Value)	12.67	12.69	12.76	12.71	12.72	12.91	12.92	12.76	12.78	12.92
Size Index (NL Sales: MV)	12.19	12.23	12.27	12.22	12.24	12.35	12.36	12.26	12.27	12.35
Beta	0.45	0.43	0.52	0.56	0.57	0.55	0.55	0.52	0.56	0.55
TFP Adjusted Beta	0.63	0.62	0.68	0.71	0.71	0.70	0.70	0.68	0.70	0.70
Stock Price Volatility	2.13	2.08	2.28	2.21	2.79	2.92	2.92	2.46	2.64	2.92
Valuation Measures										
Total Economic Market Value (MV)	\$317,460.8	\$324,587.1	\$346,897.4	\$331,483.5	\$333,734.5	\$403,238.1	\$409,548.0	\$347,988.1	\$356,152.0	\$406,393.1
Economic Enterprise Value	\$319,130.2	\$325,151.3	\$346,713.8	\$332,800.7	\$336,884.1	\$405,511.0	\$411,856.5	\$349,412.2	\$358,398.6	\$408,683.8
Equity Market Value	\$196,987.4	\$198,336.8	\$220,445.7	\$198,869.2	\$197,399.2	\$244,206.9	\$248,028.3	\$211,851.6	\$213,491.8	\$246,117.6
Total Capital	\$174,127.5	\$177,376.3	\$190,660.7	\$201,620.3	\$218,371.2	\$247,207.2	\$251,075.5	\$207,047.1	\$222,399.6	\$249,141.4
Market Value Created MVC (MV - Capital)	\$143,333.4	\$147,210.8	\$156,236.7	\$129,863.2	\$115,363.2	\$156,030.9	\$158,472.5	\$140,941.0	\$133,752.5	\$157,251.7
MVC Margin (MVC / Sales)	117.54%	114.79%	118.53%	105.05%	90.13%	118.91%	119.66%	109.62%	104.81%	119.29%
MVC Spread (MVC / Capital)	82.32%	82.99%	81.94%	64.41%	52.83%	63.12%	63.12%	68.07%	60.14%	63.12%
Current EVC Value (EP / WACC)	\$125,084.3	\$251,272.4	\$350,591.4	\$229,546.1	\$464,407.8	\$274,805.6	\$279,105.8	\$321,266.7	\$335,115.1	\$276,955.7
Current Operations Value COV	\$272,431.3	\$427,024.2	\$534,609.9	\$425,686.6	\$674,403.6	\$507,594.8	\$528,247.2	\$521,005.9	\$548,090.3	\$517,921.0
Current Operations Value Per Share	\$95.06	\$107.45	\$130.87	\$104.33	\$165.13	\$122.96	\$129.78	\$128.00	\$133.77	\$126.35
Future Growth Value (MVC - EVA Value)	\$45,029.5	(\$102,437.1)	(\$187,712.5)	(\$94,203.1)	(\$340,669.1)	(\$104,356.7)	(\$118,699.2)	(\$173,017.8)	(\$191,938.3)	(\$111,528.0)
Future Growth Value Reliance (FGV / MV)	14.18%	-31.56%	-54.11%	-28.42%	-102.08%	-25.88%	-28.98%	-49.72%	-53.89%	-27.44%
Share Price	\$47.57	\$48.63	\$54.08	\$48.75	\$47.82	\$59.13	\$59.13	\$51.68	\$51.90	\$59.13
Dividend Yield	4.43%	4.48%	4.15%	4.71%	4.91%	4.05%				
Total Shareholder Return (TTM)	1.21%	6.71%	15.36%	-5.14%	3.00%	27.71%	0.00%	-12.60%	0.42%	13.93%
MV to IC Ratio	1.82X	1.83X	1.82X	1.64X	1.53X	1.63X	1.63X	1.68X	1.60X	1.63X
EV / EBITDAR Multiple	9.09X	6.98X	6.94X	7.09X	6.89X	8.25X	8.21X	7.23X	7.42X	8.23X
EV / NOPBIT Multiple	20.10X	11.83X	11.43X	12.17X	12.27X	14.62X	14.42X	12.45X	13.03X	14.52X
EV / NOPAT Multiple	24.85X	17.20X	17.05X	18.16X	8.95X	18.10X	18.25X	14.84X	13.70X	18.13X
EV / EP Multiple	54.12X	29.23X	26.01X	33.69X	12.99X	33.26X	33.26X	24.11X	22.40X	33.26X
Future Growth Value (% of MV)	14.18%	-31.56%	-54.11%	-28.42%	-102.08%	-25.88%	-28.98%	-49.72%	-53.89%	-27.44%
Current Operations Value (% of MV)	85.82%	131.56%	154.11%	128.42%	202.08%	125.88%	128.98%	149.72%	153.89%	127.44%
Market Value (COV + FGV %)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Basic Shares Outstanding	2,866.0	3,974.0	4,085.0	4,080.0	4,084.0	4,128.0	4,070.2	4,070.2	4,097.3	4,099.1

Source: Company Data, Financial statements and Tigress Research

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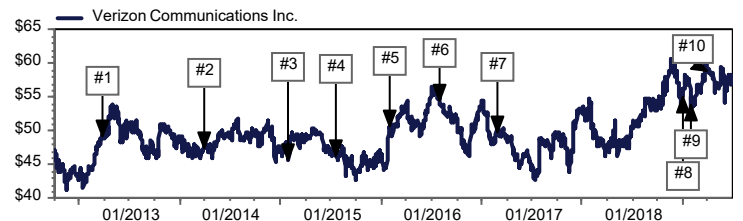
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Verizon Communications Inc. (VZ-US)
Diversified Telecommunication
Ratings History

Verizon Communications Inc. (VZ-US)				
Item #	Date	Research Action	Rating	Price
#10	04/01/2019	Reiterate Rating	Neutral	\$59.09
#9	01/30/2019	Reiterate Rating	Neutral	\$54.00
#8	12/28/2018	Reiterate Rating	Neutral	\$55.27
#7	02/27/2017	Reiterate Rating	Neutral	\$49.94
#6	08/01/2016	Reiterate Rating	Neutral	\$54.50
#5	02/03/2016	Reiterate Rating	Neutral	\$50.62
#4	07/22/2015	Reiterate Rating	Neutral	\$46.45
#3	01/30/2015	Reiterate Rating	Neutral	\$45.71
#2	03/31/2014	Reiterate Rating	Neutral	\$47.57
#1	03/25/2013	Initiation of Coverage	Neutral	\$49.16


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We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies, and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

Business Performance: Measuring economic profitability, growth and operating efficiency.

Risk: Measuring business sustainability, volatility, strength, and consistency.

Valuation: Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk, and value into relative market and industry investment recommendations.

Glossary of Key Terms and Measures

Excess Cash per Share:	Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.
EBITDAR:	Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.
NOPAT:	Net Operating Profit after Tax represents a company's after-tax cash operating profit excluding financing costs.
Total Invested Capital:	Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of the company.
Return on Capital:	Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.
Cost of Capital:	Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.
Economic Profit:	Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.
Current Operations Value:	Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.
Future Growth Value:	Future Growth Value is the portion of market value based on un-earned Economic Profit

For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.

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Rating:	Meaning:
Strong Buy:	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.
Buy:	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.
Neutral:	Expect little or no outperformance opportunity over the next 12 months.
Underperform:	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.
Sell:	Expect price decline or significant relative market and industry underperformance over the next 12 months.
Not Rated	No Current Research Rating

Rating Distribution (06/26/2019)

	Companies Under Coverage		Relationship Companies Under Coverage*	
	#	%	#	%
Strong Buy:	16	14%	1	15%
Buy:	54	45%	5	70%
Neutral:	44	37%	1	15%
Underperform:	5	4%	0	0%
Sell:	0	0%	0	0%
Not Rated	NA	NA	65	NA
Total	119	100%	72	100%

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Company:	Disclosure:
AT&T Inc. (T-US)	14
Verizon Communications Inc. (VZ-US)	14

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