

VERIZON COMMUNICATIONS



US92343V1044 | VZ | USA

Analysis of 29-Jul-2020

Closing Price of 28-Jul-2020

USD 57.48

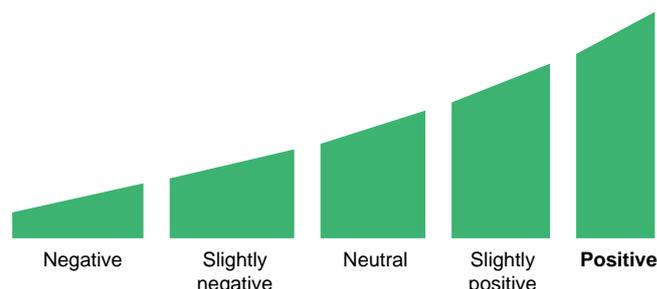
VERIZON COMMUNICATIONS active in the sector Integrated Telecommunications, belongs to the industry group Telecommunications.

Its market capitalization of USD 237.85 bn. ranks it among large-cap stocks and # 1 in the world, in its group.

During the last 12 months this stock has reached a high of USD 62.07 and a low of USD 49.99; its current price of USD 57.48 places it 7.4% under its 52 week high and 15.0% over its 52 week low.

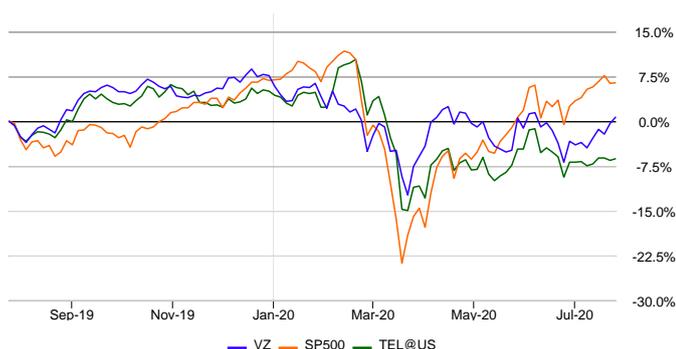
Performance since July 26, 2019: VERIZON COMMUNICATIONS: 0.7%, Telecommunications: -6.3%, SP500: 6.4%

Global Evaluation



Company Name	Price	Perf YtD	Mkt Cap in \$bn	Stars	Sensitivity	LT P/E	LT Growth	Div	4wk Rel Perf	Global Evaluation
VERIZON COMMUNICATIONS	57.48	-6.4%	237.85	★★★★★		11.4	6.7%	4.4%	1.2%	
Telecommunications (US)	40.00	-10.7%	677.60	★★★★☆		11.8	10.5%	4.1%	-3.2%	
SP500	3,218.00	-0.4%	28,212.20	★★★★★		17.4	19.3%	1.8%	7.0%	

Comparison July 26, 2019 - July 28, 2020



The four-week relative performance against the reference index SP500 is 1.2%. The technical trend is also positive, which validates this overperformance and confirms the investors' interest in this stock. The four-week relative performance of its reference group Telecommunications is negative.

Dividend

The 12-month indicated dividend yield is 4.4%. This estimated dividend represents 50.0% of the estimated earnings. Consequently, the dividend is covered, but not strongly, and reasonably likely to prove sustainable.

Summary of the Fundamental and Technical Analysis

1. The positive earnings revisions trend is in line with the positive climate of the sector.
2. In terms of valuation, the stock has very good potential.
3. The positive technical trend in a declining environment confirms the investors show a certain interest in the stock.
4. The stock showed a four weeks relative overperformance in a negative environment Telecommunications.

Fundamental and Technical Analysis

Price Level Analysis ★

In order to assess whether VERIZON COMMUNICATIONS is currently fairly priced, we can combine Peter Lynch's broadly accepted methodology, comparing the projected earnings growth and dividends to the estimated PE ratio, with historic multiples. Based on this,

- VERIZON COMMUNICATIONS appears fundamentally very undervalued compared to its theoretical fair price.
- its valuation is comparable to the American Telecommunications aggregate. The fundamental price potential for VERIZON COMMUNICATIONS looks good, and in line with the average of its industry group.

Earnings Revisions ★

VERIZON COMMUNICATIONS is strongly followed by financial analysts, as over the last three months an average of 23 analysts provided earnings estimate forecasts up until the year 2022.

Currently, these analysts are positively revising their earnings growth estimates by 6.9% compared with seven weeks ago. This positive pressure on the growth expectations has been apparent since June 16, 2020 when the stock closed at the price of USD 56.92 and confirms the positive technical trend.

The positioning of VERIZON COMMUNICATIONS vs. its reference sector Telecommunications accentuates that the clearly positive trend of earnings revisions fits in the general context because its environment is also being positively revised.

Technical Trend and relative Performance ★★

The stock has been in a medium-term up trend, which started on July 24, 2020, at a price of USD 56.85. Its adjusted technical reverse point is USD 54.59, or 5.0% under the current price.

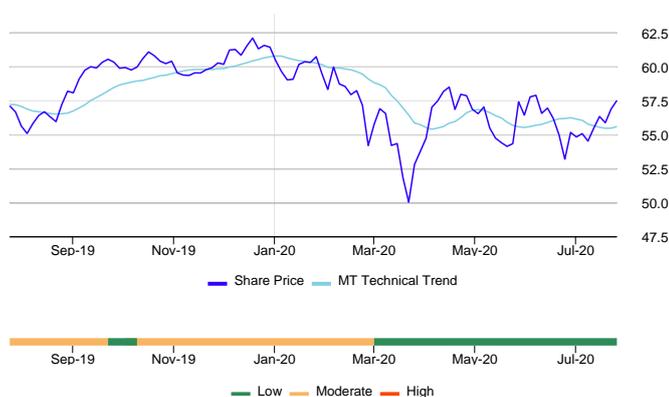
Checklist

Global Evaluation		Upgrade from slightly positive to positive the 28-Jul-2020.
Interest	★★★★★	Very strong interest since 28-Jul-2020.
Earnings Rev Trend	★	Analysts positive since 16-Jun-2020
Valuation Rating	★	Strongly undervalued
MT Tech Trend	★	Trend positive since 24-Jul-2020
4wk Rel Perf	★	vs. SP500
Sensitivity		Decrease from moderate to low the 03-Mar-2020.

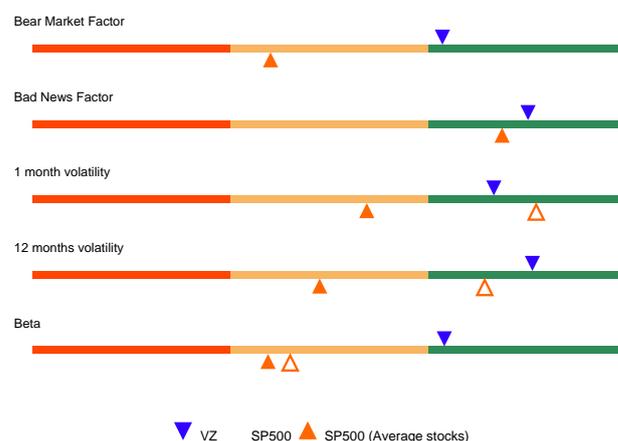
VERIZON COMMUNICATIONS - Sector and/or Group Comparison

Company Name	Symbol	Market	Price	Perf YTD	Mkt Cap in \$bn	Stars	Sensitivity	LT P/E	LT Growth	Div	Global Evaluation
VERIZON COMMUNICATIONS	VZ	US	57.48	-6.4%	237.85	★★★★★		11.4	6.7%	4.4%	
AT&T	T	US	29.69	-24.0%	211.54	★★★★★		9.2	4.8%	6.7%	
ALTICE USA INC	ATUS	US	24.26	-11.3%	14.40	★★★★★		14.0	41.2%	0.0%	
CENTURYLINK	CTL	US	9.89	-25.1%	10.85	★★★★★		7.7	4.1%	10.5%	
NIPPON TELG. & TEL.	9432	JP	2,545.50	-7.7%	94.59	★★★★★		9.2	7.7%	4.1%	
DEUTSCHE TELEKOM	DTE	DE	14.72	0.7%	82.21	★★★★★		10.6	11.8%	4.4%	
SAUDI TELECOM	STC	SA	97.20	-4.5%	51.83	★★★★★		17.2	9.5%	4.0%	
EMIRATES TELECOM.	ETISALAT	AE	16.90	3.3%	40.01	★★★★★		16.4	8.8%	5.2%	
BCE	BCE	CA	56.26	-6.5%	37.98	★★★★★		16.9	10.6%	5.9%	
ORANGE	ORA	FR	10.43	-20.5%	32.54	★★★★★		8.5	7.7%	6.6%	
SINGAPORE TELECOM	ST	SG	2.51	-25.5%	29.74	★★★★★		11.7	12.1%	5.1%	

Price & Sensitivity Evolution



Sensitivity Profile



Sensitivity Analysis

Beta, Correlation and Volatility

Beta is often used as a measure of sensitivity. Where a Beta is greater than 100, the stock is more volatile and therefore more sensitive. A Beta of 0.41 indicates that for 1% of index variation, VERIZON COMMUNICATIONS varies on average by 0.41%. But a Beta analysis coupled with the correlation gives a more relevant assessment.

Correlation is the degree of similarity in which a stock fluctuates in relation to its reference index. VERIZON COMMUNICATIONS has a correlation rate of 0.55. This indicates that 55% of the stock's movements are explained by index variations. VERIZON COMMUNICATIONS is fairly correlated to SP500.

The volatility is also used as a sensitivity factor. The 1 month annualized volatility of VERIZON COMMUNICATIONS is : 12.1%, that of the index SP500 is 8.2% and that of the world aggregate for the group Telecommunications is 7.5%. By comparison, the average volatility of the stocks that make up the reference index is clearly higher at 25.3%.

Sensitivity to Bear Markets

The Bear Market Factor measures the behavior of a stock in declining markets. VERIZON COMMUNICATIONS has a tendency to mitigate drops of the SP500 by on average -1.25%. The sensitivity to bear markets is hence below average.

Sensitivity to Bad News

The Bad News Factor measures negative swings of a stock in rising markets. In the case of specific pressure, VERIZON COMMUNICATIONS is only moderately sanctioned by the market in most of the times. When the stock goes down in a rising environment, its average deviation is -2.16%.

Summary of the Sensitivity Analysis

By comparing with other stocks, the sensitivity of VERIZON COMMUNICATIONS on bear markets and bad news has been rather low and this since March 3, 2020.

Conclusion

At the analysis date of July 28, 2020, the impression that the fundamental and technical elements (valuation, earnings revisions, group benchmarking, technical factors) give is positive. Moreover, the combination of the different criteria of sensitivity appreciation leads to a qualification of low sensitive.

By combining the positive fundamental and technical analysis, with the low sensitivity, the general evaluation seems positive.

Key Figures

Annualized estimate for current year to	2022
Estimated PE (LT PE) for 2022	11.4
Projected earnings growth (LT Growth)	6.7%
Dividend (Ex Date: 09-Jul-2020)	USD 0.61
Number of analysts	23
First analysis date	02-Jan-2002

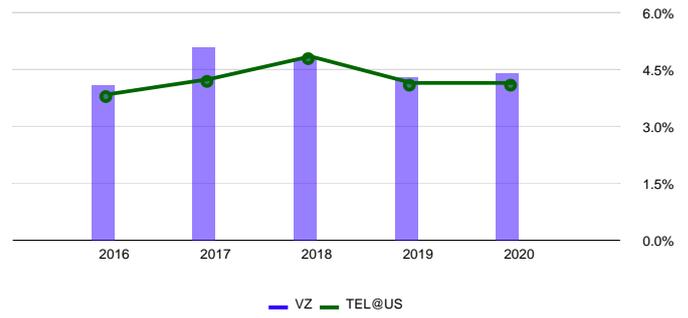
VERIZON COMMUNICATIONS - 5 Year History

Price Changes July 28, 2015 - July 28, 2020



The volatility channel shows a stock's average fluctuations over the last 5 years. During this period, the high of USD 62.07 was reached on December 2019 and the low of USD 42.84 in the month of October 2015. The price development is generally in the volatility channel whose upper and lower limits are presented here. Crossing one of these limits is an exceptional situation accompanied by strong increases in short-term volatility.

Expected Dividend Yield 2016 - 2020



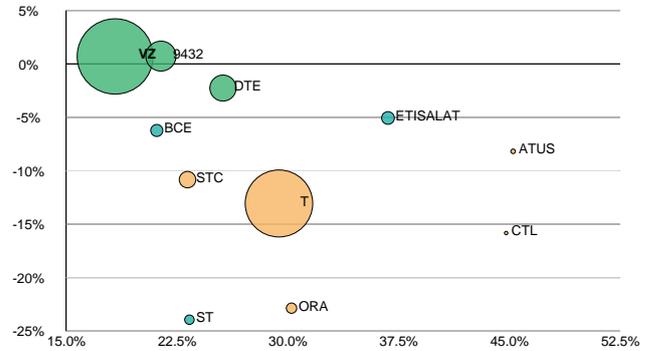
The 12-month indicative dividend yield is 4.4%, more than the 4.1% average of VERIZON COMMUNICATIONS's industry group. Reminder, this estimated dividend represents 50.0% of the estimated earnings. It is thus reasonably covered by profits and its payment looks sustainable. The last estimation of the expected dividend is close to the historical average of 4.5%.

Comparative LTPE July 28, 2015 - July 28, 2020



The forward PE of VERIZON COMMUNICATIONS is close to that of its group Telecommunications, as it currently stands at 11.39 and the group's forward PE is 11.75. This indicates the stock's valuation is not far from that of its industry group. Historically speaking, this stock is also currently trading at a discount, because its median is 11.71.

Performance vs Volatility



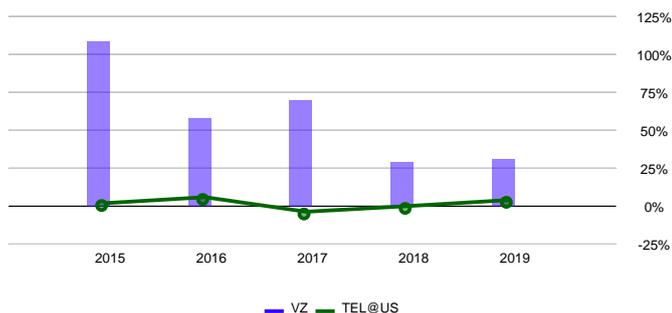
The vertical axis measures the performance since July 26, 2019 of the 10 stocks presented in the table on page 2, while the horizontal axis measures the 12 month annualized volatility. The bubbles are sized according to market capitalization, and their colors indicate the overall rating (Global Valuation).

Comparison July 28, 2015 - July 28, 2020



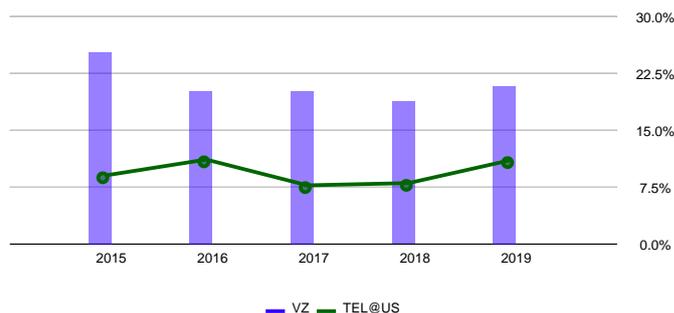
On a 5 year moving average, the performance of the stock VERIZON COMMUNICATIONS is 25.3%, vs. 53.8% for the SP500 and -5.3% for the group Telecommunications (TEL@US).

Return on Equity 😞



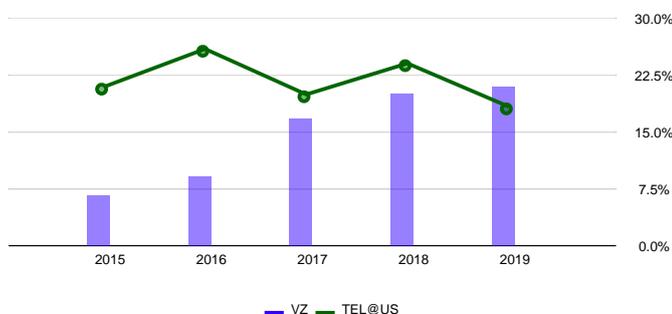
The return on equity, or ratio between profits and available equity, varies greatly from industry to industry. The historical average return on equity of VERIZON COMMUNICATIONS is 60%. This is above the industry average of 0%, indicating an efficient use of shareholder capital. The last publicized return on equity of 31% is below the long term average of 60%.

Earnings Before Interest & Taxes 😊



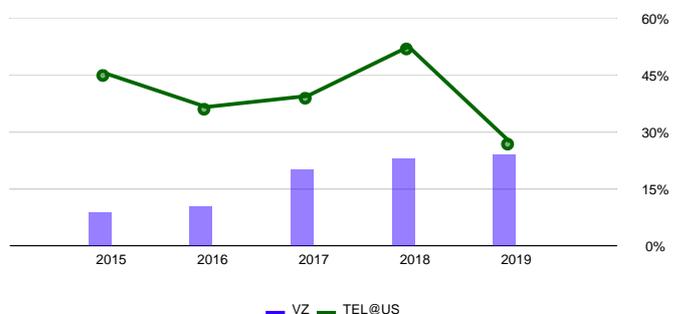
The average historical operating margin (EBIT) of VERIZON COMMUNICATIONS has been at 21%. This is above the industry average. The competitors achieved an on average EBIT margin of 9%. The last reported 21% are near the historical average of 21%.

Equity on Assets 😞



The graph shows the share of own funds in relation to the total assets. The higher the value, the more conservative the company's finances. VERIZON COMMUNICATIONS has an average equity ratio of 15%, which is below the industry average of 22%. The current capital share of 21% is above the historical average of 15%.

Book Value / Price 😞



The book value of the company is shown in relation to the stock's value. The larger the ratio, the more asset value is obtained relative to the market price. The average value of VERIZON COMMUNICATIONS is with 17% below the industry average of 40%. With 24% the current value is above the historical average of 17%.

Balance Sheet

	2017	2018	2019	
	31-Dec	31-Dec	31-Dec	
	USD	USD	USD	
Currency 'mio				
Cash & Short Term Invest	2,772	3,792	3,815	1%
Receivables	23,493	25,859	26,277	9%
Inventories	1,034	1,336	1,422	0%
Total Current Assets	29,913	34,636	37,473	13%
Properties & Equipment	88,568	89,286	114,609	39%
Intangible	127,836	128,519	128,946	44%
Total Assets	257,143	264,829	291,727	100%
Account Payable	7,063	7,232	7,725	3%
Short Term Debt	3,453	7,190	10,777	4%
Total Current Liabilities	33,037	37,930	44,868	15%
Long Term Debt	113,642	105,873	100,712	35%
Total Liabilities	257,143	264,829	291,727	100%

Key Figures

Book Value	10.56	12.86	14.84
Shares Outstanding ('000)	4,079,476	4,132,033	4,135,828
NB of Employees	155,400	144,500	135,000

Annual Statement

	2017	2018	2019	
	31-Dec	31-Dec	31-Dec	
	USD	USD	USD	
Currency 'mio				
Total Revenue	126,034	130,863	131,868	100%
Cost	51,385	55,205	54,726	42%
Gross Income	57,919	58,278	60,460	46%
General Cost & Administration	29,592	28,248	29,692	23%
Amortization	16,730	17,380	16,682	13%
Operating Income	28,327	30,030	30,768	23%
Research & Development	-	-	-	
Net Income Before Extra Items	13,301	15,528	19,265	15%
Net Income Before Taxes	25,404	24,642	27,516	21%
Dividend	9,525	9,853	10,070	8%
Net Income	13,301	15,528	19,265	15%

Ratios

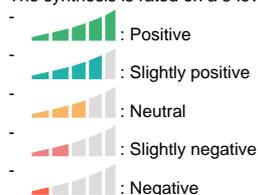
Current Ratio	0.9	0.9	0.8
Long Term Debt	44.2%	40.0%	34.5%
Revenues on Assets	49.0%	49.4%	45.2%
Cash Flow on Revenues	23.8%	25.1%	27.3%

Glossary - Equities

Global Evaluation

The rating results from several factors : fundamental and technical analysis, measure of sensitivity and benchmark trend.

The synthesis is rated on a 5 level scale:



The synthesis for the Indices and Industries is rated on a 3 level scale: Positive, Neutral and Negative.

Number of Stocks

The number of stocks in the index that can be analyzed.

Mkt Cap in \$bn

This number represents the Market Capitalization in USD bn. It is calculated by multiplying a firm's share price by the number of outstanding shares. For reasons of comparison, all results are in USD.

Valuation Rating

Our Valuation Rating indicates if a stock is "expensive" or "cheap" relative to its growth potential. This is used to determine whether or not the investor is paying a premium for anticipated growth.

To estimate a stock's value relative to its current price, our Valuation Rating combines:

- stock price
- projected earnings
- projected earnings growth
- dividends

We establish our rating by combining these elements.

There are five ratings, ranging from strongly undervalued 🟢🟢 to strongly overvalued 🔴🔴.

Stars

theScreener.com's star rating system is designed to enable you to identify high-quality stocks quickly and easily.

In this easy-to-use rating system, stars are earned for each element specified below:

- Earnings Rev Trend 🟢 = ★★★★★
- Valuation Rating 🟢, 🟢🟢, 🟢🟢🟢 = ★★★★★
- MT Tech Trend 🟢 = ★★★★★
- 4 week Relative Performance > 1% = ★★★★★

Therefore, a stock can earn a maximum of four stars.

The lowest rating a stock can have is no stars.

Once a stock has earned a star, it will keep it until:

- Earnings Rev Trend becomes negative 🔴
- Valuation Rating becomes negative 🔴, 🔴🔴
- MT Tech Trend becomes negative 🔴
- 4 week Relative Performance drops below -1% (<-1%)

Div

This is the dividend in % for the next 12 months.

Even if the same number is shown, the dividend value can appear in one of four colors, depending on the earnings coverage:

- 0%, no dividend
- 4%, the dividends are covered (between 0% and 40% of earnings)
- 4%, the dividends represent between 40% and 70% of earnings
- 4%, the dividends are higher than 70% of earnings, which implies that the dividend coverage is not guaranteed.

Earnings Rev. Trend

The symbol 🟢 shows that compared with their earnings revisions of seven weeks ago, the analysts have now raised their estimates (7wk EPS Rev; > 1%); the symbol 🔴 indicates that compared with their earnings revisions of seven weeks ago, the analysts have now lowered their estimates (7wk EPS Rev < -1%).

When the earnings revisions (7wk EPS Rev) fall between +1% and -1%, the trend is considered to be neutral 🟡.

The symbol 🟢 indicates that the last significant revisions have been trending positive.

The symbol 🔴 indicates that the last significant revisions have been negative.

7wk EPS Rev

This is an abbreviation for 7 week Earnings Per Share Revision. This column indicates the value of these revised earnings. A figure of 2.8 signifies that compared with seven weeks

ago, the analysts have now revised and raised their estimates by 2.8%. On the contrary, a negative number means that the earnings would have been revised lower.

G/PE Ratio

In order to establish our Valuation Rating, we calculate the estimated growth of future earnings (LT Growth) plus dividend in %, divided by the estimated future PE ratio (Long Term P/E).

LT PE

This is the relationship between the price (P) and the estimated long-term future earnings.

LT Growth

This is the estimated annual growth rate of future earnings, normally projected over the next two to three years.

MT Tech Trend

The MT Tech Trend indicates the current trend, positive 🟢 or negative 🔴, and the Tech Reverse indicates up to which price this trend will remain valid.

When a price falls to 1.75% above or below the Tech Reverse, the MT Tech Trend is considered neutral 🟡.

Once the price breaks out of the +1.75% neutral zone, the MT Tech Trend will change to positive.

The symbol 🟢 indicates that the previous MT Tech Trend was positive.

The symbol 🔴 indicates that the previous MT Tech Trend was negative.

4wk (Rel) Perf.

This figure measures the performance of a stock relative to its national or regional index (compared to four weeks ago). As for an Index, it measures the net performance over 4 weeks.

Bad News Factor

To determine the "Bad News Factor" we analyze a stock's declines in rising markets. In this purely objective analysis, the actual reasons for a stock's behavior are not important. If a stock price falls while its relative index goes up, it can be assumed that the stock's performance has been affected by bad news - hence the name, "Bad News Factor".

Here a stock's movements are measured on a bi-weekly basis, during a sliding 52 week period. Every time a stock drops while its reference index rises, the difference is calculated in %, integrated into a yearly average and expressed in basis points.

The higher the "Bad News Factor," the more a stock has proven to be sensitive to bad news. The lower the "Bad News Factor," the less the stock has proven to be sensitive to bad news.

Bear Market Factor

To determine the "Bear Market Factor" we analyze a stock's price movements in declining markets.

This is the analysis of the movements, in a bi-weekly intervals, during a sliding 52 week period. The higher the "Bear Market Factor," the greater the probability a stock would drop when its relative index drops.

A "Bear Market Factor" that is strongly negative means the stock has been more resistant to losses in declining markets.

Sensitivity

Stock price developments are generally volatile and contain high risks that can result in a total loss. Based on a their historical behaviour, stocks are classified by sensitivity level. These sensitivity levels have to be considered solely in relative historical comparison to other stocks. Please note that even "Low Sensitivity" stocks are equities and therefore high risk investments that can lose up to all of their value, and that past performance is no indication of current or future performance.

"Sensitivity" is determined by measuring the "Bear Market Factor" and the "Bad News Factor" against its benchmark.

There are three grades of sensitivity levels:

- Low Sensitivity: The sensitivity indicators fall below the world reference average.
- Moderate Sensitivity: The sensitivity indicators are situated higher than the world reference average, but lower than standard deviation.
- High Sensitivity: The sensitivity indicators are at levels higher than standard deviation.

Volatility 12 M

Volatility measures the magnitude of upwards and downwards movements of a stock or index. The volatility 12 M shows the average volatility over the last 12 months.

% of Stocks in Uptrend

This is the percentage of stocks in a given list that have a positive Medium Term Technical Trend. If, for example, the aggregate of Technology / World, (which is made up of 458 stocks) has 8% "of stocks in Uptrend," it means that 38 of the stocks within that aggregate have a positive Medium Term Technical Trend.

Beta

Beta is often used as a measure of sensitivity. Where a Beta is greater than 100, the stock is more volatile than its reference index.

Correlation

Correlation is the degree of similarity in which a stock fluctuates in relation to its reference index.

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More information: www.thescreener.com/en/wc/methodology.htm

Earnings forecasts provided by REFINITIV.