

ModernGraham Valuation



Company Name:

Verizon
Communications Inc.

Company Ticker VZ

Date of Analysis

7/28/2016

Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$225,706,013,402	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.61	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	80.73%	Pass
6. Moderate PEmg Ratio	PEmg < 20	17.02	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	11.65	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.61	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-6.85	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.22
MG Growth Estimate	15.00%
MG Value	\$124.10
MG Value based on 3% Growth	\$46.74
MG Value based on 0% Growth	\$27.40
Market Implied Growth Rate	4.26%

MG Opinion

Current Price	\$54.86
% of Intrinsic Value	44.21%
Opinion	Undervalued
MG Grade	C

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$46.95
Graham Number	\$18.03
PEmg	17.02
Current Ratio	0.61
PB Ratio	11.65
Current Dividend	\$2.26
Dividend Yield	4.12%
Number of Consecutive Years of Dividend Growth	10

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.06	Next Fiscal Year Estimate	\$3.22
Dec2015	\$4.37	Dec2015	\$3.00
Dec2014	\$2.42	Dec2014	\$2.11
Dec2013	\$4.00	Dec2013	\$1.79
Dec2012	\$0.31	Dec2012	\$0.83
Dec2011	\$0.85	Dec2011	\$1.21
Dec2010	\$0.90	Dec2010	\$1.49
Dec2009	\$1.29	Dec2009	\$1.87
Dec2008	\$2.26	Dec2008	\$2.22
Dec2007	\$1.90	Dec2007	\$2.17
Dec2006	\$2.12	Dec2006	\$2.22
Dec2005	\$2.65	Dec2005	\$2.06
Dec2004	\$2.79	Dec2004	\$1.83
Dec2003	\$1.11	Dec2003	\$1.55
Dec2002	\$1.49	Dec2002	\$1.87
Dec2001	\$0.14	Dec2001	\$2.08
Dec2000	\$4.31	Dec2000	\$2.86
Dec1999	\$2.65	Balance Sheet Information	
Dec1998	\$1.86	6/1/2016	
Dec1997	\$1.56	Total Current Assets	\$20,844,000,000
Dec1996	\$1.98	Total Current Liabilities	\$34,408,000,000
		Long-Term Debt	\$92,922,000,000
		Total Assets	\$231,870,000,000
		Intangible Assets	\$119,797,000,000
		Total Liabilities	\$212,626,000,000
		Shares Outstanding (Diluted Average)	4,085,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company

- [23 Companies in the Spotlight This Week – 3/9/15](#)
- [Verizon Communications Annual Valuation – 2015 \\$VZ](#)
- [5 Most Overvalued Dow Components – February 2015](#)
- [5 Most Overvalued Dow Components – January 2015](#)
- [5 Most Overvalued Dow Components – December 2014](#)

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- [Harris Corporation Valuation – February 2016 \\$HRS](#)
- [CenturyLink Inc Valuation – February 2016 \\$CTL](#)
- [Frontier Communications Corp Valuation – November 2015 Update \\$FTR](#)
- [Harris Corporation Analysis – September 2015 Update \\$HRS](#)
- [Arris Group Inc. Analysis – Initial Coverage \\$ARRS](#)
- [Level 3 Communications Inc. Analysis – Initial Coverage \\$LVLT](#)
- [Windstream Holdings Analysis – 2015 Update \\$WIN](#)
- [Harris Corporation Analysis – June 2015 Update \\$HRS](#)
- [Harris Corporation Quarterly Valuation – March 2015 \\$HRS](#)