

Verizon Communications Inc.

**4Q Heads Up: VZ reporting Tuesday BMO;
Call @ 8:30am**

Maintain Rating: NEUTRAL | PO: 41.00 USD | Price: 39.33 USD

All eyes on the 2024 financial outlook

We expect Verizon to share full year 2024 guidance for key metrics including service revenue growth, adj. EBITDA, and free cash flow. We will look for color on free cash flow drivers, particularly comments on cash taxes and interest expense in addition to working capital due to their likely outsize impact in the coming year. While VZ is maneuvering to improve Consumer subscriber volumes, service revenue growth right now is dependent more on the 'p' vs. the 'q', supported by another recent round of price hikes (\$4/mo) on legacy phone plans. We expect VZ to discuss its 2024 capital allocation priorities with a focus on the dividend, debt paydown, and how falling capex will support FCF. We maintain our Neutral rating on an attractive dividend yield in the absence of material near-term upside catalysts. [Exhibit 1](#) on Page 2 of our report has our latest model estimates and growth expectations for 4Q and the year vs. consensus.

Conference Call Info

Tuesday, January 23rd, at 8:30 a.m. (ET) via Webcast.

22 January 2024

Equity

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Stock Data

Price	39.33 USD
Price Objective	41.00 USD
Date Established	22-Mar-2023
Investment Opinion	B-2-7
52-Week Range	30.14 USD - 42.00 USD
Mrkt Val (mn) / Shares Out (mn)	165,461 USD / 4,207.0
Free Float	100.0%
Average Daily Value (mn)	870.03 USD
BofA Ticker / Exchange	VZ / NYS
Bloomberg / Reuters	VZ US / VZ.N
ROE (2023E)	21.3%
Net Dbt to Eqty (Dec-2022A)	160.1%
ESGMeter™	High

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BMO: Before market open

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 22 January 2024 05:00AM EST

Exhibit 1: 4Q and FY-23 estimates table

Our key estimates vs the Street for 4Q and FY-23

	4Q23	4Q23	Growth	2023	2023	Growth
	Cons	BofA	y/y	Cons	BofA	y/y
Consolidated Revenue	34,615	34,681	-1.6%	133,459	133,525	-2.4%
EBITDA	11,765	11,626	-1.0%	47,799	47,795	-0.2%
EPS	1.08	1.05	-12.0%	4.69	4.68	-9.6%
Free Cash Flow	3,395	3,473	108.4%	18,256	18,107	28.8%
Consumer						
Revenue	26,325	26,316	-1.7%	100,997	100,988	-2.4%
Service revenue	18,973	19,020	3.1%	74,920	74,967	2.5%
EBITDA	10,402	10,314	1.7%	42,111	42,023	1.1%
Post-paid phone net adds	104	124	202.4%	(346)	(326)	-50.2%
Post-paid phone churn	0.87	0.89	3.5%	0.83%	0.83%	2.3%
Business						
Revenue	7,715	7,782	-1.5%	30,219	30,286	-2.5%
EBITDA	1,614	1,615	-4.1%	6,552	6,562	-5.5%
Post-paid phone net adds	134	136	-22.9%	551	567	-33.8%
Post-paid phone churn	1.08	1.08	1.9%	1.12%	1.11%	3.9%
Wireless						
Service revenue	19,448	19,436	-26.5%	76,780	76,768	3.2%
Post-paid phone net adds	249	260	19.6%	230	241	19.7%
Post-paid phone churn	0.90	0.93	3.2%	0.88%	0.89%	2.8%
Post-paid net adds	1,114	1,584	200.5%	2,705	3,154	92.9%
Pre-paid net adds	(96)	(113)	-35.6%	(1,072)	(975)	119.0%

Source: Visible Alpha; BofA Global Research

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Price objective basis & risk**Verizon Communications Inc. (VZ)**

Our \$41 price objective is based on a target multiple of 9.0x. The target multiple is at a discount to the historical average multiple of 11.4x over the last decade and the more recent average of 10.4x over the past 5-years. The discounted multiple is justified as VZ must adjust its value proposition to account for the improved network quality and coverage of its competitors.

Downside risks to our price objective are rising competitive pressure in wireless and corresponding margin pressure, higher inflation-related costs, litigation risk, and negative economic impacts on the Business segment.

Upside risks are faster-than-expected traction with VZ's new price plan, expense reduction, emergence of 5G killer-apps, and a re-rating of risk in the market.

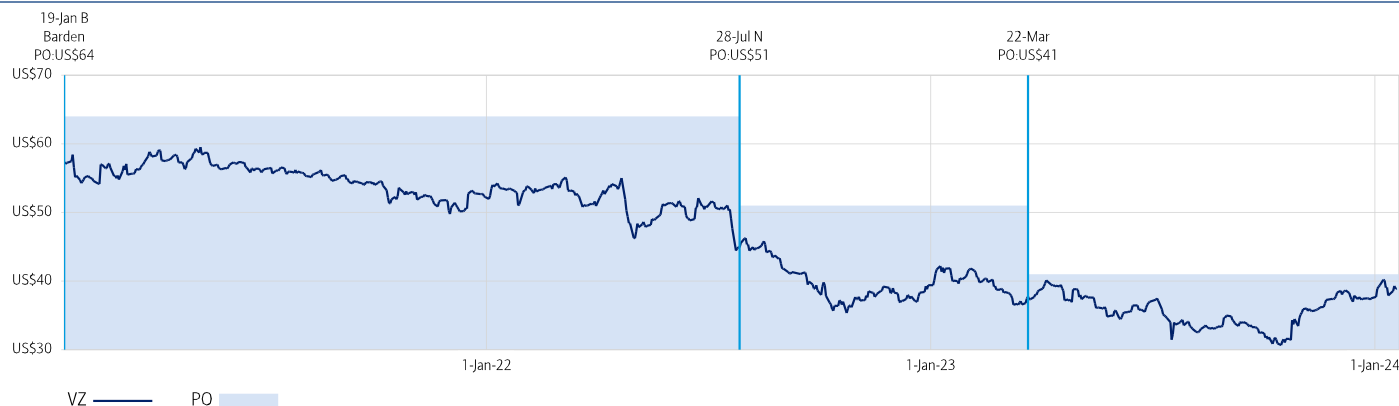
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Verizon Comm (VZ) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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