



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

VZ - NYSE (Price as of 1/23/18)	\$53.23
Price Target	NA
52-Week Range	\$54.60 - \$42.80
Shares Outstanding (mm)	4,087.0
Market Cap. (\$mm)	\$217,551
3-Mo. Average Daily Volume	17,257,000
Institutional Ownership	65.0%
Debt/Total Capital (12/17)	88.0%
ROE	15.8%
Book Value/Share	\$6.57
Price/Book Value	8.1x
Dividend Yield	4.4%
LTM EBITDA Margin	26.4%

EPS FY 12/31

	Prior 2016	Actual 2017	Prior 2018E	Curr. 2018E
1Q			--	
2Q			--	
3Q			--	
4Q			--	
Year	\$3.87	\$3.74	\$3.82	\$4.50
P/E	13.8x	14.2x		11.8x

Revenue (\$mm)

	Prior 2016	Actual 2017	Prior 2018E	Curr. 2018E
1Q			--	--
2Q			--	--
3Q			--	--
4Q			--	--
Year	\$125,980	\$126,034	--	\$128,075

Company Description: Verizon Communications is a leader in delivering broadband and other wireline and wireless communications services to mass market, business, government and wholesale customers. Verizon owns 100% of Verizon Wireless, which serves over 116 million customers nationwide and is the nation's largest wireless provider. VZ also continues to deploy a fiber-optic network consumers can utilize for communications, information, and entertainment.

Verizon Communications

VZ -- NYSE -- Neutral -- 2

Company reports solid fourth quarter results; introduces 2018 guidance

Investment Highlights

- **Verizon reported fourth quarter adjusted earnings of \$0.86 per share, flat with the fourth quarter of 2016.** Earnings were slightly below consensus expectations of \$0.88 per share. However, revenue of \$33.9 billion exceeded expectations of \$33.2 billion. Both wireless service and wireless equipment rose during the fourth quarter. For the year, Verizon earned \$3.74 per share versus \$3.87 per share in 2016. Total revenue rose slightly in 2017 to \$126 billion due to acquisitions. Total adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) in 2017 was \$38.6 billion compared to \$39.0 billion in 2016.
- **Wireless customer growth better than expected.** Verizon added 1.2 million retail postpaid connections in the fourth quarter and 2.1 million customers for the year. This was encouraging and well above the consensus expectations of 700,000. Net phone additions totaled 431,000 in the quarter. Importantly, total wireless revenues of \$23.8 billion rose 1.7%, and represented the first year-over-year wireless growth in two years.
- **Management introduces 2018 guidance and updates tax reform impact.** Verizon expects both 2018 revenue and earnings will grow by a low-single-digit rate. The expected savings from tax reform are anticipated to generate a net \$3.5 billion to \$4.0 billion uplift to cash flow from operations in 2018. This is expected to result in an increase in earnings by \$0.55 to \$0.65 per share this year. As a result, we are increasing our 2018 EPS estimate to \$4.50 per share, up from \$3.82, previously.
- **We regard Verizon as a high quality telecom holding.** Our Neutral rating has proven too conservative as the stock has rallied nicely since late last year. Despite the stock's advance, we continue to believe Verizon remains suitable for income oriented investors (4.4% dividend yield) seeking modest capital appreciation.

Note Important Disclosures on Pages 2 - 3.
Note Analyst Certification on Page 2.

Suitability

We assign a 2 suitability rating to Verizon. While the company operates in a very competitive industry, it generally generates consistent earnings. In addition, its lucrative wireless business generates large cash flows which support the dividend. Dividends have been increased for 11 consecutive years. We believe Verizon is most suitable for conservative income oriented investors seeking modest capital appreciation.

Risks

There are a variety of factors that could impact Verizon's stock price. These include the ongoing effects of slow economic growth, sustained intense competition from T-Mobile, AT&T and Sprint, access line losses and the resulting pressure on Verizon's wireline business. These factors could potentially adversely impact margins and profitability levels. In addition, the wireless industry is becoming increasingly mature, with slower growth rates. There is also the potential of new acquisitions, which could prove either dilutive or provide integration challenges. Higher interest rates and inflation could also potentially impact performance negatively. Along with economic concerns, Verizon is also subject to possible new regulations or legislation.

Additional information is available upon request.

Prices of other stocks mentioned: T-Mobile (TMUS-\$64.53), AT&T (T-\$37.19) and Sprint (S-\$5.30).

Analyst Certification

I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

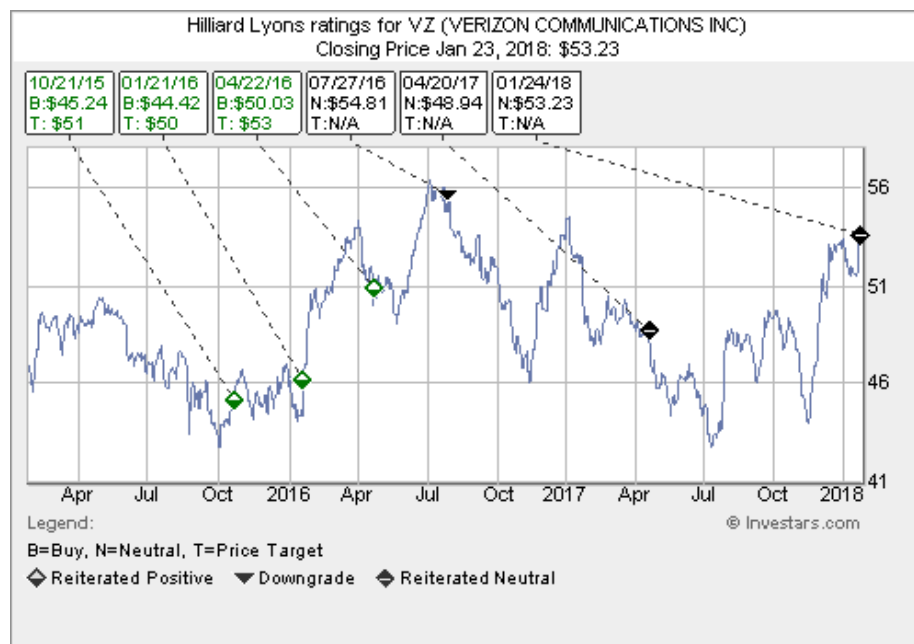
Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings reflect a two to three year time period.

Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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