

COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

VZ - NYSE (Price as of 4/25/18)	\$50.10
Price Target	NA
52-Week Range	\$42.80 - \$54.77
Shares Outstanding (mm)	4,107.0
Market Cap. (\$mm)	\$205,760
3-Mo. Average Daily Volume	16,651,000
Institutional Ownership	65.0%
Debt/Total Capital	88.0%
ROE	15.8%
Book Value/Share	\$6.57
Price/Book Value	8.1x
Dividend Yield	4.7%
LTM EBITDA Margin	26.4%

EPS FY 12/31

	2017	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q				--	
2Q				--	
3Q				--	
4Q				--	
Year	\$3.74	\$4.50	\$4.55		\$4.70
P/E	13.4x		11.0x		10.7x

Revenue (\$mm)

	2017	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q				--	--
2Q				--	--
3Q				--	--
4Q				--	--
Year	\$126,034		\$129,350	--	\$130,525

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 first quarter results; reaffirms 2018 guidance

Investment Highlights

- **Verizon reported first quarter adjusted earnings of \$1.17 per share versus \$0.95 per share in last year's first quarter.** Earnings were modestly above the consensus estimate of \$1.11 per share. VZ's first quarter earnings included approximately \$0.21 per share due to tax reform and accounting changes for revenue recognition. Excluding several extraneous factors, revenue rose 3.2% in the first quarter to \$29.9 billion. The primary factor for the increased revenue was solid performance in the wireless business with improved service revenue results. Consolidated adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) rose \$500 million to \$11.7 billion.
- **Wireless outperforms expectations.** Total revenues rose 4.7% to \$21.9 billion and was above the consensus estimate of \$21.2 billion. In addition, adjusted wireless EBITDA was \$10.48 billion versus an expectation of \$9.9 billion. First quarter segment EBITDA margin was 47.8% compared to 45.1% in 2017's first quarter. The company reported a net increase of 260,000 retail postpaid connections in the first quarter, consisting of net phone losses of 24,000 and tablet losses of 75,000, offset by 359,000 other connected devices gains, primarily wearables. While the company lost postpaid wireless customers, the 24,000 figure was considerably better than the expectation of 75,000 postpaid wireless customers.
- **Management reaffirms 2018 guidance.** 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.
- **We continue to regard Verizon as a high quality telecom holding.** Moreover, we are encouraged by the positive first quarter results, especially the revenue growth in wireless, which has been a challenge in recent years. With an improving fundamental outlook and 4.7% dividend yield, we would maintain positions in the stock.

**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 typically 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-\$63.93), AT&T (T-\$35.20) and Sprint (S-\$6.02).

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.

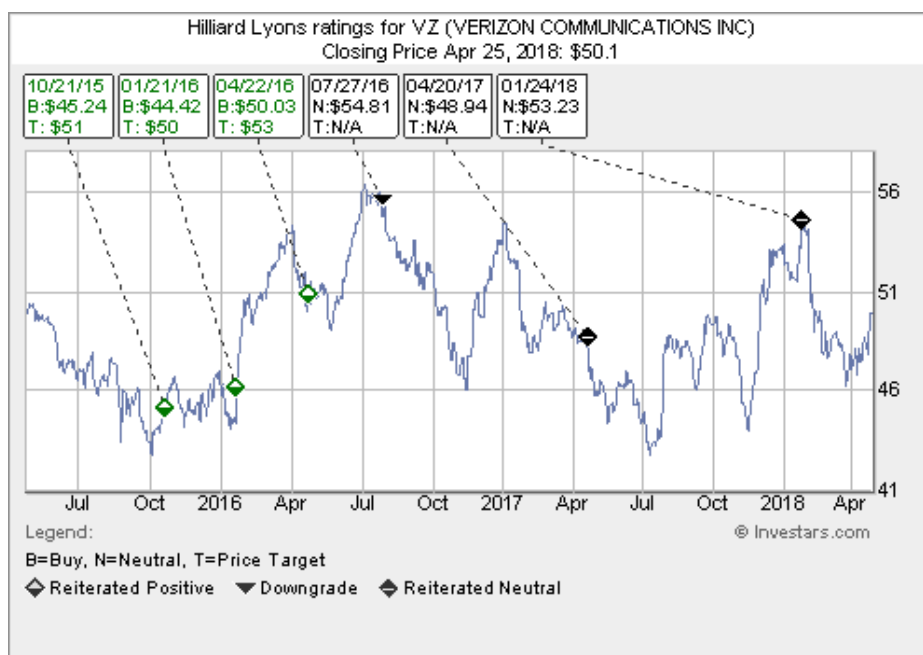
Suitability Ratings

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.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of	% of		
Rating	Stocks Covered	Stocks Covered	Banking	No Banking
Buy	38	34%	11%	89%
Hold/Neutral	71	63%	8%	92%
Sell	3	3%	0%	100%

As of 4 April 2018

Other Disclosures

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