

Corporate Credit > U.S. Investment Grade



Verizon Communications Inc. (VZ)

Updated: Nov. 1, 2015

Trade Idea:

- ▶ Buy Verizon intermediate dated bonds.

Investment Rationale:

- ▶ As investors search for yield, Verizon spreads continue to look cheap versus the IG Index and TMT peers. We believe that there may be some room to run in 2015 after expected heavy issuance from AT&T and Verizon.
- ▶ VZ increased leverage to the Upper-2x area in 2013 to buy the remaining 45% of Verizon Wireless that it did not own. The company suffered modest downgrades as a result. We viewed the deal favorably. We believe that VZ has the ability and willingness to regain Low-Single A ratings over the intermediate term.
- ▶ While competitive intensity will likely increase in the U.S. wireless industry, VZ should continue to maintain its dominant position due to its strong wireless network and spectrum position. VZ has close to 100 million retail postpaid connections. Additional diversity comes through its FiOS video/broadband offering and enterprise strategic services. Legacy wireline revenues continue to shrink as a percent of total revenues.
- ▶ VZ should continue to generate solid FCF over the intermediate term.

Recommendation(s):

View	Trade Horizon	Ticker	CPN	Maturity	Ratings		CCY	Issue Size	Yield	Spread			Cash Price	ISIN
					S&P	Moody's				Entry	Target	Loss		
Outperform	3/6/12	VZ	3.50	11/1/2024	BBB+	Baa1	USD	2,500	3.50	142	125	185	\$100.0	US92343 VCR33