

Verizon Communications Inc - Financial and Strategic Analysis Review

Publication Date: Sep-2023

Reference Code: GDTC34019FSA

Company Snapshot

Key Information

Verizon Communications Inc, Key Information	
Web Address	www.verizon.com
Financial year-end	December
Number of Employees	1,17,100
NYSE	VZ
Source : GlobalData	

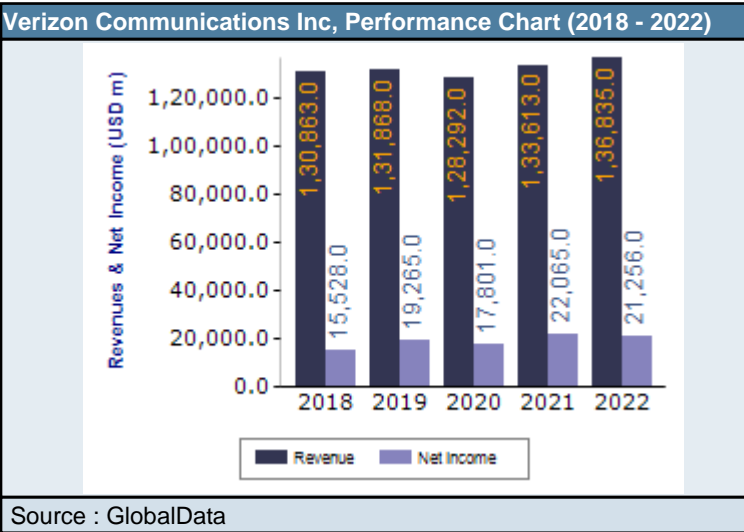
Key Ratios

Verizon Communications Inc, Key Ratios	
P/E	6.41
EV/EBITDA	6.29
Return on Equity (%)	23.32
Debt/Equity	1.65
Operating profit margin (%)	22.58
Dividend Yield	7.93
Note: Above ratios are based on share price as of 28-Sep-2023	
Source : GlobalData	

Share Data

Verizon Communications Inc, Share Data	
Price (USD) as on 28-Sep-2023	32.55
EPS (USD)	5.03.00
Book value per share (USD)	21.70
Shares Outstanding (in million)	4,204
Source : GlobalData	

Performance Chart



Company Overview

Verizon Communications Inc (Verizon) provides communications, technology, information and entertainment products and services to businesses, consumers and government entities. The company offers voice, data and video services and solutions through its wireless and wireline networks. It offers wireless and wireline communications services and products such as corporate networking solutions, data center and cloud services, security and managed network services, and local and long-distance voice services. The company also offers network access to deliver IoT services and products.

SWOT Analysis

Verizon Communications Inc, SWOT Analysis	
Strengths	Weaknesses
Service Coverage	Profitability
Network Infrastructure	Low Liquidity
R&D	
Opportunities	Threats
Focus on 5G Technology	Intense Competition
Contracts and Agreements	Foreign Exchange Risks
Launch of New Products	Stringent Regulations
Source : GlobalData	

Financial Performance

The company reported revenues of (US Dollars) US\$136,835 million for the fiscal year ended December 2022 (FY2022), an increase of 2.4% over FY2021. In FY2022, the company's operating margin was 22.6%, compared to an operating margin of 23.4% in FY2021. In FY2022, the company recorded a net margin of 15.5%, compared to a net margin of 16.5% in FY2021.

The company reported revenues of US\$32,596 million for the second quarter ended June 2023, a decrease of 1% over the previous quarter.

Key Information

Verizon Communications Inc, Key Information			
Corporate Address	1095 Avenue of The Americas, New York City, NY, 10036, United States	Ticker Symbol, Stock Exchange	VZ [New York Stock Exchange]
Telephone	+1 212 3951000	No. of Employees	1,17,100 (Estimated)
Fax		Fiscal Year End	December
URL	www.verizon.com	Revenue (in USD Million)	₹ 1,36,835.0
Industry	Energy and Utilities, Technology, Media & Telecom		
Locations	Australia, Austria, Belgium, Canada, Czech Republic, France, India, Ireland, Italy, Singapore, Spain, Sweden, United Kingdom, United States		
Source : GlobalData			

Company Overview

Verizon Communications Inc (Verizon) provides communications, technology, information and entertainment products and services to businesses, consumers and government entities. The company offers voice, data and video services and solutions through its wireless and wireline networks. It offers wireless and wireline communications services and products such as corporate networking solutions, data center and cloud services, security and managed network services, and local and long-distance voice services. The company also offers network access to deliver IoT services and products. Verizon serves small and medium businesses, global enterprise, public sector, and wholesale customers. It has business presence in the Americas, Europe, the Middle East, Africa and Asia-Pacific. Verizon is headquartered in New York, the US.

Verizon Communications Inc - SWOT Analysis

SWOT Analysis - Overview

Verizon Communications Inc (Verizon) is a provider of communications, information and entertainment products and services to consumers, businesses and governmental agencies. Service coverage, network infrastructure and R&D are the company's major strengths, even as profitability and low liquidity remain causes for concern. Focus on 5G wireless technology, global internet access market, contracts and agreements and launch of new products are likely to offer growth opportunities to the company. However, intense competition, foreign exchange risks and stringent regulations could affect its business operations.

Verizon Communications Inc - Strengths

Strength - Service Coverage

Verizon is one of the largest providers of information, technology, communications, and entertainment products and services to government entities, businesses and consumers. It owns and operates one of the largest fiber networks in the world, providing connectivity to business customers in over 180 countries. The company's global IP network comprises long-haul, metro and submarine assets that enable and facilitate international operations. As of December 2022, the company's consumer segment had 115 million wireless retail connections, 8 million wireline broadband connections and 3 million Fios video connections, while business segment had 29 million wireless retail postpaid connections and one million wireline broadband connections.

Strength - Network Infrastructure

The company focuses on making significant capital investments essentially to acquire wireless spectrum, put the spectrum into service, and provide additional capacity for growth in networks. Verizon's innovative network infrastructure enables it to serve a wide range of customers. Its 4G LTE network covers 328 million people with Rural America partners. The company also aims at building and operating a 4G LTE network using carrier's network assets and its core 4G LTE equipment and 700 MHz C Block and Advanced Wireless Services (AWS) spectrum.

Strength - R&D

Verizon's R&D arm strives to upgrade network architecture and technologies to extend its leadership in both fourth generation (4G) and fifth generation (5G) wireless networks. The company's Intelligent Edge Network design harnesses common infrastructure in the core and provides flexibility in meeting customer requirements through cost efficient techniques. It invests in wireless networks, high-speed fiber and other advanced technologies to build reliable network infrastructure. The company also operates Innovation Labs with onsite lab environments and mobile testing platforms to accelerate solution development and offer deep engineering solutions. Its Innovation Labs are located in Los Angeles, Boston, and San Francisco.

Verizon Communications Inc - Weaknesses

Weakness - Profitability

Declining profitability decreases the company's ability to provide higher returns to its shareholders. The company's operating margin decreased from 23.4% in FY2021 to 22.5% in FY2022. A decline in operating performance indicates lack of efficiency in cost management. Its operating cost as a percentage of sales increased from 76.5% in FY2021 to 77.4% in FY2022. The company's net profit margin decreased from 16.5% in FY2021 to 15.5% in FY2022. In FY2022, Verizon also reported a decline in the return on equity (ROE), which fell to 23.3% from 26.9% in FY2021.

Weakness - Low Liquidity

Low liquidity may place Verizon at a disadvantage, while it strives to capture any potential growth opportunities arising in the market. At the end of FY2022, the current ratio of the company was 0.7 as compared to 0.8 in FY2021. This was due to a 6.4% increase in its current liabilities, which increased from US\$47,160 million in FY2021 to US\$50,171 million in FY2022, resulted from increase in accounts payable. The company's current ratio was below that of its competitors such as Microsoft Corp and ViaSat Inc, which reported current ratio of 1.8 and 1.5, respectively.

Verizon Communications Inc - Opportunities

Opportunity - Focus on 5G Technology

The adoption of mobile 5G services is expected to be augmented by the increasing demand for mobile data connectivity at higher speeds, mainly owing to the demand for mobile video services, communication services and the development of the IoT industry. According to in-house research, the global mobile 5G subscriptions are expected to reach 2.7 billion by 2025, which is equivalent to 26.3% of the total global mobile subscriptions. Region wise, Asia-Pacific (APAC) will account for the largest share of worldwide mobile 5G connections with 63% at the end of 2025, followed by Europe (16.6%), North America (12.2%), Africa and the Middle East (5.7%) and Latin America (3.4%). The increasing demand for bandwidth and the robust

network infrastructure necessitated by social isolation measures also reveal the need for new 5G-supported industry applications in areas such as industry automation, telemedicine, transport and education. The developments pushed a number of governments and operators worldwide to accelerate the roll out of 5G services. In June 2023, the company launched its 5G Ultra Wideband network in multiple cities across Indianaz. With Verizon's 5G Ultra Wideband, users may now perform tasks on their mobile device that previously required a home internet connection. This includes everything from streaming HD movies and downloading large documents to playing console-caliber video games and participating in video chats, video conferencing, and FaceTime calls with crystal-clear audio and video. In September 2022, the company's Verizon Business and Visionable expanded their connected healthcare partnership. The partnership would enable both companies to work on a range of connected healthcare solutions, by using Visionable's patented technology powered by Verizon's 5G Ultra-Wideband and 5G Edge network in the US. The partnership is a part of the company's strategy to explore how 5G can transform and disrupt every industry, and is expected to support its growing private networks, mobile edge compute and business solutions.

Opportunity - Contracts and Agreements

The company continues to enter into contracts and agreements as a major part of growth strategy. In May 2023, the company entered into an agreement with Vertical Bridge to build cell towers across the US to expand Verizon's 4G and 5G Ultra Wideband services. The additional towers will improve the US's overall communications network fulfill the need for new locations where towers are still needed to improve wireless performance. In March 2023, Verizon Business entered into an agreement with Sparq Live Ltd to provide professional-grade hybrid and virtual event experiences through the BlueJeans video collaboration and live streaming platform. The partnership offers highly produced, broadcast-quality event experience to the customers of Sparq Live across Europe. The combined and expanded capabilities of Verizon and Sparq Live, could enable the company to provide a full-service solution for demanding event requirements across Europe. In February 2023, the company's Verizon Business and KPMG LLP collaborated to deliver 5G solutions to help transform the healthcare and life sciences sectors. The collaboration focuses on providing 5G solutions to enable secure, seamless and reliable communications across healthcare industry and enhance the business operations. It plans to deliver advanced solutions that will help in maximizing the value of end-to-end digital enterprise. In November 2022, the company's Verizon Business announced a global Network-as-a-Service (NaaS) partnership with Wipro Ltd to enhance the network modernization and cloud transformation journey for businesses. The partnership enables Wipro to transform its customers from the manual processes of delivering hardware, software, and services to a self-healing, automated and highly secure network service environment.

Opportunity - Launch of New Products

The company focuses on expansion through the launch of new products. In June 2023, Verizon Business announced the launch of Connected Car by Verizon in-car connectivity service for select BMW models. It offers voice, data, unlimited Wi-Fi hotspot connectivity and additional features for US\$20 per month. As a result, BMW drivers and passengers can enjoy infotainment, music, mobile hotspot and more powered by the Verizon network. In March 2023, the company announced an Edge Discovery and Quality of Service (QoS) API proof of concept with Amazon Web Services. Developers and businesses can create and deploy a wide range of latency-sensitive applications using Verizon 5G Edge and AWS Wavelength for use cases such as IoT, robotics, computer vision, immersive AR/VR gaming, improved sports and stadium experiences, video distribution, and connected and autonomous vehicles. In October 2022, the company launched two easy-to-use home technologies: Home Awareness and Device Identification. The new home solutions bring enhanced visibility and sense of security into the homes. The Home Awareness technology uses WiFi sensing technology to detect motion and report the activity in the connected home using My Fios App. The Device Identification technology provides the customers visibility of their homes and helps manage certain details on the devices network.

Opportunity - Global Internet Access Market

The company stands to benefit from the growing global internet access market. According to in-house research, the global internet access market is forecasted to reach US\$345.3 billion by the end of 2025 from US\$278 billion in 2020, at a CAGR of 4.4% during 2020-2025. The Fiber Optic segment is expected to be the major contributor with a market share of 51.5%, followed by the Cable segment with 26.7%, XDSL with 18.6%, Fixed Wireless Access segment by 0.9%, and Other with 2.2%. Asia-Pacific dominated the market with a share of 41.6%, followed by the US (23.8%), Europe (23.1%), Middle East (1.5%), and Rest of the World (9.9%). The company offers internet access devices and services. The company offers internet access services by using fiber-optic, copper or wireless technology. In June 2023, Verizon Business launched Verizon Business Internet Portal. It allows customers to view and manage their fixed wireless connections, router configurations, and native security features via one easy-to-use cloud-based dashboard, accessible from virtually anywhere and at no additional charge to fixed wireless plans.

Verizon Communications Inc - Threats

Threat - Intense Competition

Verizon operates in a highly competitive telecommunication services market. Current and potential competitors include

voice and data service providers such as wireless companies, traditional telephone companies, cable companies, internet service providers, software and application providers, and other non-traditional companies. Its major competitors include AT&T Inc, T-Mobile USA Inc, BT Group Plc, Meta Platforms Inc, Frontier Communications Parent Inc, Microsoft Corporation, Alphabet Inc and Apple Inc. Verizon expects competition to intensify due to increasing wireless market penetration, the frequent introduction of new products and services, new market entrants, the development and deployment of new technologies, and the availability of additional spectrum, both licensed and unlicensed, and regulatory changes. In February 2023, the Frontier Communications Parent Inc entered into an agreement with AT&T Inc to enable AT&T to deploy wireless infrastructure in Frontier central offices and connect to Frontier's blazing-fast fiber network. In January 2023, Microsoft Corp entered into a partnership with Tech Mahindra Ltd to enable cloud-powered 5G core network modernization for telecom operators globally.

Threat - Foreign Exchange Risks

Verizon operates in 180 countries and is exposed to the fluctuations in foreign exchange rates. The company reports financials in the US dollar and its revenue is exposed to the volatility of the US dollar against other functional currencies such as Swiss Franc, Canadian Dollar British Pound, Australian Dollar and Euro. The major elements exposed to exchange rate risks include the company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. In FY2022, the company registered loss of US\$153 million from foreign currency translation adjustments compared to US\$141 million in FY2021. To minimize risks from currency fluctuations, the company could involve in foreign exchange hedging by entering into foreign exchange forward contracts. However, there could be no assurance that such hedging or measures would limit the impact of movements in exchange rates on the company's results of operations.

Threat - Stringent Regulations

Verizon provides communications, information and entertainment products and services. Its cable system operations are regulated by the federal government, state governments and local governments. Its business gets impacted by the changing regulations. The Federal Communications Commission (FCC) has been taking several steps to transfer the maximum benefit of upgrading technologies to customers. The FCC has also imposed certain regulations on wireless carriers, including construction and geographic coverage requirements, technical operating standards, provision of enhanced 911 services, roaming obligations and requirements for wireless tower and antenna facilities. It has to abide by General Data Protection Regulations (GDPR), which levy penalties of up to 4% of the total company and its subsidiaries in case of data breach of customers. Verizon could also be subject to a new privacy law, which is scheduled to be effective in California in 2020. FCC has regulated that the companies in the US must offer at least four Mbps download and one Mbps upload broadband service level to all supported areas by the price-cap carriers. Such regulation is expected to increase the price war among major operators in the country.

NOTE: The above strategic analysis is based on in-house research and reflects the publishers opinion only