

# Special Report: Unique Investment Opportunities in the Current Market

## VALUE LINE INVESTMENT EDUCATION



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The Most Trusted Name In Investment Research®

# HOME DEPOT NYSE:HD

RECENT PRICE **303.89** P/E RATIO **18.5** (Trailing: 19.3; Median: 21.0) RELATIVE P/E RATIO **1.09** DIV'D YLD **2.6%** VALUE LINE **1141**

**TIMELINESS** 4 Raised 6/10/22

**SAFETY** 1 Raised 10/5/07

**TECHNICAL** 4 Lowered 6/10/22

BETA 1.00 (1.00 = Market)

**18-Month Target Price Range**

Low-High Midpoint (% to Mid)

\$278-\$490 \$384 (25%)

**2025-27 PROJECTIONS**

Price	Gain	Ann'l Total
High 460	(+50%)	73%
Low 380	(+25%)	8%

**Institutional Decisions**

3Q2021	4Q2021	1Q2022
To Buy 1345	1577	1520
To Sell 1208	1326	1463
Hlds(000) 735346	728454	710791

**LEGENDS**

- 115.5 x "Cash Flow" p sh
- Relative Price Strength
- Options: Yes
- Shaded area indicates recession

**% TOT. RETURN 4/22**

STOCK	VL ARITH*	INDEX
1 yr.	-6.5	-7.2
3 yr.	56.0	37.2
5 yr.	113.2	58.7

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
46.11	45.77	42.03	38.84	41.90	45.80	50.37	57.11	63.64	70.70	78.63	87.14	97.92	102.34	122.66	146.05	<b>154.95</b>	<b>163.25</b>	<b>163.25</b>	Sales per sh <sup>A</sup>	<b>195.65</b>
3.82	3.50	2.81	2.66	3.07	3.55	4.21	5.08	5.96	6.82	8.07	9.19	11.92	12.29	13.92	18.18	<b>19.25</b>	<b>20.30</b>	<b>20.30</b>	"Cash Flow" per sh	<b>24.30</b>
2.79	2.27	1.78	1.66	2.03	2.47	3.10	3.76	4.56	5.34	6.45	7.46	9.89	10.25	11.94	15.53	<b>16.45</b>	<b>17.30</b>	<b>17.30</b>	Earnings per sh <sup>AB</sup>	<b>21.00</b>
.68	.90	.90	.95	1.04	1.04	1.16	1.56	1.88	2.36	2.76	3.56	4.12	5.44	6.00	6.60	<b>7.60</b>	<b>8.40</b>	<b>8.40</b>	Div'ds Decl'd per sh <sup>C</sup>	<b>10.60</b>
12.71	10.48	10.48	11.42	11.64	11.64	11.98	9.07	7.13	5.04	3.60	1.26	d1.70	d2.89	3.06	d1.64	<b>d3.00</b>	<b>d4.60</b>	<b>d4.60</b>	Book Value per sh <sup>E</sup>	<b>d7.60</b>
1970.0	1690.0	1696.0	1698.0	1623.0	1537.0	1484.0	1380.0	1307.0	1252.0	1203.0	1158.0	1105.0	1077.0	1077.0	1035.0	<b>1005.0</b>	<b>980.00</b>	<b>980.00</b>	Common Shs Outstg <sup>D</sup>	<b>920.00</b>
13.7	15.4	14.3	15.3	15.6	15.0	17.9	20.2	19.1	22.1	20.3	21.6	18.9	20.6	21.1	21.6	<b>21.1</b>	<b>21.6</b>	<b>21.6</b>	Avg Ann'l P/E Ratio	<b>20.0</b>
.74	.82	.86	1.02	.99	.94	1.14	1.13	1.01	1.11	1.07	1.09	1.02	1.10	1.08	1.18	<b>1.08</b>	<b>1.18</b>	<b>1.18</b>	Relative P/E Ratio	<b>1.10</b>
1.8%	2.6%	3.5%	3.5%	3.0%	2.8%	2.1%	2.1%	2.2%	2.0%	2.1%	2.2%	2.2%	2.6%	2.4%	2.0%	<b>2.4%</b>	<b>2.0%</b>	<b>2.0%</b>	Avg Ann'l Div'd Yield	<b>2.5%</b>

**CAPITAL STRUCTURE as of 5/1/22**

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Debt \$41621 mill. Due in 5 Yrs \$8882 mill.	74754	78812	83176	88519	94595	100904	108203	110225	132110
LT Debt \$39158 mill. LT Interest \$1350 mill.	34.6%	34.8%	34.8%	34.2%	34.2%	34.0%	34.3%	34.1%	34.0%
(Total interest coverage: 17.1x. LT int earned: 17.1x)	12.7%	13.7%	14.6%	15.1%	16.0%	16.5%	16.3%	16.2%	15.4%
	2256	2263	2269	2274	2278	2284	2287	2291	2296
Leases, Uncapitalized Annual rentals \$1005 mill.	4680.0	5385.0	6139.0	6848.0	7957.0	8832.0	11305	11242	12866
No Defined Benefit Pension Plan	36.5%	36.4%	36.4%	36.4%	36.3%	36.1%	23.6%	23.6%	24.2%
Pfd Stock None	6.3%	6.8%	7.4%	7.7%	8.4%	8.8%	10.4%	10.2%	9.7%
Common Stock 1,027,754,946 shs. as of 5/1/22	3910.0	4530.0	4033.0	4467.0	3591.0	2739.0	1813.0	1435.0	5311.0
MARKET CAP: \$312 billion (Large Cap)	9475.0	14691	16869	20888	22349	24267	26807	28670	35822
	17777	12522	9322.0	6316.0	4333.0	1454.0	d1878	d3116	3299.0
	18.3%	21.0%	25.0%	26.8%	31.6%	36.4%	47.5%	46.3%	34.6%
	26.3%	43.0%	65.9%	108.4%	NMF	NMF	--	--	NMF
	16.5%	25.1%	38.7%	60.4%	NMF	NMF	--	--	NMF
	37%	42%	41%	44%	43%	48%	42%	53%	43%

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '19-'21 or change (per sh)

	10 Yrs.	5 Yrs.	Est'd '19-'21
Sales	11.5%	11.5%	8.0%
"Cash Flow"	17.0%	16.5%	8.5%
Earnings	20.0%	18.0%	9.0%
Dividends	20.0%	21.0%	10.0%
Book Value	--	--	NMF

**QUARTERLY SALES (\$ mill.) <sup>A</sup>**

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2019	26381	30839	27223	25782	110225
2020	28260	38053	33536	32261	132110
2021	37500	41118	36820	35719	151157
2022	38908	<b>43200</b>	<b>37800</b>	<b>35792</b>	<b>155700</b>
2023	<b>39000</b>	<b>44800</b>	<b>38750</b>	<b>37450</b>	<b>160000</b>

**EARNINGS PER SHARE <sup>A, B</sup>**

Fiscal Year Begins	Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2019	2.27	3.17	2.53	2.28	10.25
2020	2.08	4.02	3.18	2.65	11.94
2021	3.86	4.53	3.92	3.21	15.53
2022	4.09	<b>4.95</b>	<b>4.10</b>	<b>3.31</b>	<b>16.45</b>
2023	<b>4.00</b>	<b>5.30</b>	<b>4.45</b>	<b>3.55</b>	<b>17.30</b>

**QUARTERLY DIVIDENDS PAID <sup>C</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	1.03	1.03	1.03	1.03	4.12
2019	1.36	1.36	1.36	1.36	5.44
2020	1.50	1.50	1.50	1.50	6.00
2021	1.65	1.65	1.65	1.65	6.60
2022	1.90				

**BUSINESS:** The Home Depot, Inc. operates a chain of 2,316 retail building supply/home improvement "warehouse" stores across the U.S. and in Canada and Mexico (as of 5/1/22). Acquired Hughes Supply in 1/06. Average store size: roughly 104,000 sq. ft. indoor plus 24,000 sq. ft. garden center. Items stocked: about 35,000. Product lines include building materials; lumber; floor/wall coverings; plumbing, heating, & electrical; paint & furniture; seasonal and specialty items; hardware & tools. Has about 490,600 employees. Off. & dir. own less than 1.0% of common stock; The Vanguard Group, 9.0% (4/22 Proxy). Chairman: Craig Menear. CEO: Ted Decker, Inc.: DE. Addr.: 2455 Paces Ferry Road, Atlanta, Georgia 30339. Telephone: 770-433-8211. Internet: www.homedepot.com.

**The Home Depot put together another strong quarterly performance in the April period.** The top line rose 3.8% from a year earlier, to \$38.908 billion, despite a difficult comparison (a year ago, results were aided by government stimulus checks). Our call was \$36.500 billion. Comparable-store sales were up 2.2%, with stores in the United States notching a 1.7% advance. Spring's late arrival to many parts of the country weighed on results (seasonal items comped down double digits), but weakness here was offset by strength in other categories, including plumbing, building materials, millwork, and paint. Tepid demand for seasonal items also pulled down comparable transactions, which fell 8.4%. However, inflation in several product categories pushed the average ticket 11.2% higher. Sales to professionals were also robust. On the profitability front, the gross margin fell 20 basis points from a year earlier, due to volatile lumber prices and supply-chain investments. The operating margin fell by the same amount. Higher interest expenses also hurt. All told, earnings per share came in at \$4.09, nicely ahead of our \$3.65 forecast and up 6% year to year.

**We look for another round of strong results in the fiscal second quarter (years end on January 31st).** The arrival of warmer weather brought with it an increase in demand for seasonal and outdoor items, so we look for the lost sales in the April term to be largely recouped. Indeed, management noted that it was "encouraged" by sales trends in the first two weeks of the current quarter. It also raised full-year guidance and now looks for sales and comp growth to be roughly 3%, with more strength in the first half of the fiscal year than the second. This likely reflects the negative impact of rising borrowing costs and inflationary pressures on consumers, as well as a gradual reversion to pre-pandemic spending patterns (a larger share of wallet going to travel, entertainment, etc.). Combined with modest operating margin expansion, the bottom line should increase by a mid-single-digit percentage (our call is for 6% growth).

**Home Depot stock is untimely (4), but still has appeal for conservative income seekers, in our view.**  
Matthew E. Spencer, CFA June 17, 2022

**Company's Financial Strength** A++  
**Stock's Price Stability** 90  
**Price Growth Persistence** 95  
**Earnings Predictability** 100

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(A) Fiscal year ends Sunday closest to January 31st of the following year. (B) Diluted earnings. Excludes nonrecurring gains/(losses): '07, (\$0.10); '08, (\$0.44); '09, (\$0.09); '10, (\$0.02); '12, (\$0.10); '14, \$0.15; '15, \$0.12; '17, (\$0.17); '18, (\$0.16). Totals may not sum due to rounding. Next earnings report due mid-August. (C) Dividends historically paid in March, June, Sept., and Dec. Div'd reinvest. plan avail. (D) In millions, adjusted for stock splits. (E) Includes intangibles. At 1/30/22: \$7.449 bill. (\$7.20/share).

Figures in bold italics are analyst estimates

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# How to Find a Growth Stock

Growth investors typically look to the future of a company when selecting an equity for their portfolios. Although the past is important for background, it matters only to the extent that it helps identify those companies that have shown the most progress over time and that possibly have additional room for growth.

*The Value Line Investment Survey*<sup>®</sup> makes finding growth-oriented stocks easy. In fact, in each week's *Summary & Index*, we publish a screen entitled "Highest Growth Stocks" (page 39). To be included, a company's annual growth of sales, cash flow, earnings, dividends and book value must together have averaged 9% or more over the past 10 years and be expected to average at least 9% in the coming three to five years. *Note: Using the Value Line Sample Report, these figures can be found within the 3- to 5-year Projections, Annual Rates box, and Statistical Array, which are labeled 8, 15, and 18, respectively.*

This screen typically yields about 100 results. The stocks that are listed are all included in *The Value Line Investment Survey*, which provides complete coverage and analysis on approximately 90% of the total market capitalization of all stocks traded on U.S. exchanges.

With 100 results, more specific criteria are needed to reduce that list to a more manageable level. That is where Value Line's proprietary Ranking System can help. The Value Line Timeliness rank, a computer generated metric, predicts the relative price performance of a stock for the year ahead on an easy-to-understand scale from 1 (Highest) to 5 (Lowest). Components used in the calculation of a rank include both corporate accounting data and technical indicators (such as volatility of stock price movement and trending or momentum in the stock trading).

A quick way to narrow down the list of suitable investments is to focus on those stocks with Timeliness ranks of 1 (Highest) or 2 (Above Average). Although the historical performance of such selections has been impressive, there is no guarantee that stocks ranked 1 or 2 will outperform the market every year. On the Sample Report, a stock's Timeliness rank can be found at the top left corner (Item 1).

Once the list has been narrowed by selecting stocks ranked 1 and 2 for Timeliness, growth investors ought to take a look at each stock's Safety™ rank (Item 1). This is a measurement of potential risk associated with individual common stocks. It is computed by combining the Price Stability score and the company's Financial Strength rating, which can be found in the Ratings box at the bottom right of each Value Line report (Item 11). Safety ranks range from 1 (Highest) to 5 (Lowest). Conservative investors should try to limit their purchases to equities ranked 1 (Highest) and 2 (Above Average) for Safety, while stocks receiving a rank of 3 (Average) or lower are appropriate for more aggressive accounts.

The Safety rank is an especially useful tool for eliminating unnecessary risks. As to risk, examining the Capital Structure box (Item 17) to ensure that there isn't too much debt on the balance sheet of a company is important, as well.

Value Line then recommends that growth-oriented investors evaluate the 18-Month Target Price Range. As the name suggests, it seeks to predict a stock's price over an 18-month horizon (from today) in terms of a range. In addition to the high and low values of the range, the percentage difference between the current stock price and the midpoint of the range is provided. The percentage may be thought of as the most likely potential profit. The larger the percentage, the greater the possible price appreciation. The quantitative formula behind the 18-month range includes a number of variables, such as analyst estimates, earnings, cash flow, and relative price.

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Another key component is the Projections box (Item 19). This shows the 3- to 5-year projected high and low price range, the cumulative percentage gain that would result compared with recent share price levels, and the annualized total return, which takes into account share-price gains and dividend payments expected over that timeframe. Value Line analysts create the projected price range, which is shown visually by the dotted lines to the far right of the Graph (Item 7), by first multiplying the 3- to 5-year projected earnings per share by the projected average annual price/earnings multiple. This single point is then projected into a range based on the company's Safety rank. A long range projection is difficult, but a stock's projection relative to others is a useful guide for the growth investor. Note that stocks with better Safety ranks (i.e., 1 or 2) exhibit narrower projected price target ranges.

The percentage gains are then compared to the Value Line median appreciation potential (commonly referred to as the VLMAP) for all the companies we follow (found on the front cover of each week's *Summary & Index*). Clearly, selecting stocks with higher appreciation potential than the Value Line median is preferable for growth investors.

In addition to the numerical data, an investor can gain further insight into the prospects of a company by reading the analyst commentary (Item 10). There, you will find a succinct discussion of what has happened recently at the company, what is likely to happen over the near term, what might transpire over the long term, and how those factors may affect the stock.

For those growth investors who want even more direction, we suggest a thorough look at each week's *Selection & Opinion*. Within this 12 page document, we provide four actively managed 20-stock Model Portfolios. Growth investors may wish to focus on Model Portfolios I and III.

Although stock selection is a highly individual process, the above methodology is a good general guide for investors to use in their search for growth stocks. Note, however, that no company will be a perfect candidate, so some flexibility is necessary in the selection process.

On the following page, we provide a growth stock that illustrates the methodology described above.



# Growth Stock

## Visa Inc. (V)

VISA INC. NYSE-V		RECENT PRICE	214.27	P/E RATIO	27.5 (Trailing: 33.5 Median: 27.0)	RELATIVE P/E RATIO	1.72	DIV'D YLD	0.8%	VALUE LINE								
<b>TIMELINESS</b> 1	Raised 5/21/21	High: 25.9	38.1	55.7	67.3	81.0	84.0	114.9	151.6	189.9	220.4	252.7	235.9		Target	Price Range		
<b>SAFETY</b> 1	Raised 5/16/14	Low: 16.9	24.6	38.5	48.7	60.0	66.1	78.5	111.0	127.9	133.9	190.1	185.9		2025	2026	2027	
<b>TECHNICAL</b> 4	Lowered 7/22/22	<b>LEGENDS</b> --- 24.0 x "Cash Flow" p sh - - - Relative Price Strength 4-for-1 split 3/15 Options: Yes Shaded area indicates recession																
<b>BETA</b> 1.05	(1.00 = Market)																	
<b>18-Month Target Price Range</b>																		
Low-High	Midpoint (% to Mid)																	
\$178-\$347	\$263 (25%)																	
<b>2025-27 PROJECTIONS</b>																		
High	Price	Gain	Ann'l Total															
Low	285	(+35%)	8%															
<b>Institutional Decisions</b>																		
to Buy	302/21	402/21	102/22															
to Sell	114/8	123/8	135/9															
Hlds(000)	15729777	15499351	1543450															
		Percent	75															
		shares	50															
		traded	25															
													% TOT. RETURN 6/22					
													THIS STOCK					
													1 yr.	-15.2	-16.9			
													3 yr.	15.4	29.2			
													5 yr.	116.5	45.4			
													VL ARITH. INDEX					
													1	15.2	16.9			
													3	15.4	29.2			
													5	116.5	45.4			
													© VALUE LINE PUB. LLC					
													25-27					
<b>Visa Inc. is the result of the merger of Visa USA, Visa International, Visa Canada, and Invoat.</b>		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023					
		3.84	4.49	5.03	6.27	7.07	8.84	10.18	11.64	11.27	12.48	15.35	17.70	Revenues per sh <sup>A</sup>	22.50			
		1.67	2.05	2.33	3.13	3.45	4.28	5.39	6.45	6.00	6.79	7.85	9.17	"Cash Flow" per sh	11.90			
		1.55	1.90	2.27	2.62	2.84	3.48	4.42	5.32	5.04	5.91	7.40	8.60	Earnings per sh <sup>ABD</sup>	11.25			
		22	33	42	50	59	69	88	1.05	1.22	1.34	1.55	1.75	Div's Decl'd per sh <sup>E</sup>	2.35			
		14	18	22	19	25	34	35	38	38	36	.40	.40	Cap'l Spending per sh	.50			
		10.19	10.24	10.86	13.47	12.75	13.12	14.09	14.80	16.05	17.86	19.75	20.90	Book Value per sh <sup>C</sup>	28.00			
		2712.0	2624.0	2524.0	2215.0	2133.0	2076.0	2025.0	1974.0	1939.0	1932.0	1880.0	1830.0	Common Shs Outst'g	1800.0			
		18.2	21.8	23.3	25.3	27.2	25.9	28.4	29.2	38.3	37.5	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	28.0			
		1.16	1.22	1.23	1.27	1.43	1.30	1.53	1.56	1.96	2.08			Relative P/E Ratio	1.55			
		8%	8%	8%	8%	8%	8%	7%	7%	7%	6%			Avg Ann'l Div'd Yield	8%			
<b>CAPITAL STRUCTURE as of 6/30/22</b>		10421	11778	12702	13880	15082	18358	20609	22977	21846	24105	28900	32400	Revenues (\$mill) <sup>A</sup>	40500			
Tot. Debt \$23.8 bill. Due in 5 yrs. \$9.1 bill.		63.1%	64.8%	64.0%	68.9%	69.8%	70.2%	66.5%	68.1%	68.0%	68.9%	68.0%	68.0%	Operating Margin	68.0%			
LT Debt \$20.5 bill. LT Interest \$540.0 mill. (37% of Cap'l)		333.0	397.0	435.0	494.0	502.0	566.0	613.0	656.0	767.0	804.0	890	945	Depreciation (\$mill)	1190			
		4203.0	4980.0	5438.0	6438.0	6862.0	8335.0	10301	12080	10866	12311	13900	15740	Net Profit (\$mill) <sup>AB</sup>	20250			
<b>Leases. Uncapitalized Annual rentals \$108 mill. No Defined Benefits Plan</b>		33.4%	31.4%	29.6%	29.3%	29.1%	29.9%	19.6%	18.8%	21.2%	23.4%	21.0%	21.0%	Income Tax Rate	21.0%			
		40.3%	42.3%	42.8%	46.4%	45.5%	45.4%	50.0%	52.6%	49.7%	51.1%	48.1%	48.6%	Net Profit Margin	50.0%			
<b>Pfd. Stock \$2.9 bill. Pfd. Div'd Nil</b>		3832.0	3487.0	3556.0	5518.0	6267.0	9029.0	6911.0	7555.0	13135	11868	12250	12750	Working Cap'l (\$mill)	16000			
		27630	26870	27413	29842	32912	32780	34006	34684	36210	37589	40000	42500	Long-Term Debt (\$mill)	31500			
<b>Common Stock 1892.0 million shares (Includes 1637.0 mill. class-A shares; 245.0 mill. class-B shares; 10.0 mill. class-C shares)</b>		15.2%	18.5%	19.8%	21.6%	20.8%	25.4%	30.3%	34.8%	30.0%	32.8%	35.0%	37.0%	Return on Total Cap'l	24.0%			
		13.1%	15.3%	16.2%	17.6%	20.3%	24.8%	29.4%	33.6%	26.4%	23.5%	29.5%	31.5%	Return on Shr. Equity	38.0%			
<b>MARKET CAP: \$405 billion (Large Cap)</b>		14%	17%	18%	18%	20%	19%	19%	19%	25%	23%	21%	20%	Retained to Com Eq	30.0%			
														All Div's to Net Prof	21%			
<b>CURRENT POSITION (MILL.)</b>		2020	2021	6/30/22														
Cash Assets		16299	16487	14047														
Receivables		1618	1968	2021														
Other		9738	9152	12903														
Current Assets		27645	27607	28971														
Accts Payable		174	266	228														
Debt Due		2999	999	3249														
Other		11337	14474	16832														
Current Liab.		14510	15739	20309														
<b>ANNUAL RATES of change (per sh)</b>		Past 10 Yrs.	Past 5 Yrs.	Est'd '19-'21 to '25-'27														
Revenues		16.5%	16.0%	11.5%														
"Cash Flow"		21.5%	19.0%	11.0%														
Earnings		20.5%	16.5%	13.5%														
Dividends		28.5%	20.5%	12.0%														
Book Value		7.0%	5.5%	9.5%														
<b>QUARTERLY REVENUES (\$ mill.)<sup>AD</sup></b>		Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year											
2019		5506	5494	5840	6137	22977												
2020		6054	5854	4837	5101	21846												
2021		5687	5729	6130	6559	24105												
2022		7059	7189	7275	7377	28900												
2023		7940	7700	7950	8810	32400												
<b>EARNINGS PER SHARE<sup>ABD</sup></b>		Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year											
2019		1.30	1.31	1.37	1.34	5.32												
2020		1.46	1.38	1.07	1.12	5.04												
2021		1.42	1.38	1.49	1.62	5.91												
2022		1.81	1.79	1.98	1.82	7.40												
2023		2.20	2.10	2.05	2.25	8.60												
<b>QUARTERLY DIVIDENDS PAID<sup>E</sup></b>		Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year											
2018		.21	.21	.21	.25	.88												
2019		.25	.25	.25	.30	1.05												
2020		.30	.30	.30	.32	1.22												
2021		.32	.32	.32	.375	1.34												
2022		.375	.375															
													Company's Financial Strength	A++				
													Stock's Price Stability	90				
													Price Growth Persistence	100				
													Earnings Predictability	90				
													<b>To subscribe call 1-800-VALUELINE</b>					

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# How to Find a Value Stock

For those commencing a search for value stocks, we suggest first examining the “Widest Discounts from Book Value” screen that is included in each week’s *Summary & Index* (page 34). This list includes stocks whose ratios of recent price to book value per share are lowest. Book value is common shareholders’ equity determined on a per-share basis. It includes both tangible assets, like receivables and inventory, as well as intangibles, like the value of patents and brand names, better known as goodwill. Any significant amount of intangibles will normally be indicated in the Footnotes section of the Value Line report (Item 12). If all assets could be liquidated at the value stated on the company’s books, all liabilities (such as accounts payable, taxes, and long-term debt) paid, and all preferred stockholders compensated, the book value is what would be left for common shareholders.

Some value investors will typically seek out stocks that trade at or below book value. To get a rough estimate of how investors were valuing the company at its highest and lowest price points, one need only compare the stock’s book value per share found in the Statistical Array (Item 18) in those years to the appropriate high or low annual prices found at the top of the graph (Item 6). The resulting ratios can be used to create a price range around book value per share for the “best” and “worst” case. This range can then be applied to the current book value per share to give an idea of the current valuation of the equity.

Note that it isn’t often that shares of a company in good financial shape, with good future prospects, will trade below book value. In fact, stocks are often “cheapest” when there is reason to be concerned about the future. And while book value provides some comfort as to what a company is worth, few want to own stock in companies on their way to bankruptcy because of a faltering business. This is why considering the future performance of a company is so important.

Revenue and earnings trends should not be ignored. If a Value Line analyst expects performance to fall off, an equity may appear “cheap” for a good reason. But if business trends are positive, then the stock may warrant further consideration. For a broader perspective, another place to look is Value Line’s Annual Rates box (Item 15). This shows growth projections for sales, cash flow, and earnings, among other items, for the coming three to five years. Clearly, the higher the percentages the better. But, for a value investor, it is important that projected numbers are at least on par with historical trends. Companies with projected slowdowns in growth or negative trends are likely to be laggards in the market.

While the 3- to 5-year projected book value per share (within Item 8) can give an idea of what price range the company might trade within over the longer term, a more useful comparison for value investors would be comparing the recent share price (Item 4) to the projected range (Items 7 and 19). This might paint a more accurate picture than looking at current price to book value alone.

Another method of valuation used is based on the price of an equity and the 3- to 5-year earnings of the company. This considers the earnings projections of Value Line analysts (within Item 8), the Quarterly Sales and Earnings Per Share (Item 14), and the historical premium (price-to-earnings or P/E ratio) investors are willing to pay for those earnings (Item 5). Calculating a P/E is simple math. It involves dividing the share price by a company’s earnings per share. The logic is that investors are willing to pay the resulting multiple for each dollar the company earns. A company’s Average Annual P/E is available in the Statistical Array (historical and projected P/Es are shown in Items 18 and 8, respectively), displayed for each year.

Comparing a stock’s P/E ratio to that of the broader market or of its peers can be especially helpful. The median of estimated price/earnings ratios for all stocks with earnings

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can be found on the front cover of each week's *Summary & Index*. A P/E of 10 might not imply undervaluation if the broader market's P/E is 9, but it might do so if the broader market's P/E is 19. Thus, as with book value, it is important to look more at the context of a company's performance and P/E valuation, considering how the current P/E relates to the historical trend, targeting those companies trading at P/E ratios at the low end of their historical range.

If the current P/E is near a historical low, it is important to take extra care. A company-specific problem may be driving the share price lower, so it may make sense to hold off on the investment or pass on that equity altogether. To gain a better understanding of what is going on at a specific company, consulting the analyst commentary (Item 10) is an important step.

Among the 3- to 5-year projections made by Value Line analysts is a projected P/E multiple for each company, three to five years out (Item 8), basing the estimate on historical P/E levels and expected financial results. Multiplying the projected earnings by the projected P/E creates a long-term price target.

Value Line analysts also create a 3- to 5-year projected Target Price Range by using a proprietary model based on a company's Safety rank (Item 1). The better the Safety rank the narrower the projected range around the target price. This range is visually represented on the Graph (Item 7) by the horizontal dotted lines and in number form in the Projections Box to the left of the Graph (Item 19).

An additional method of valuation featured in the Value Line report is based on the solid (not dashed) Cash Flow Line (Item 3), which appears on the Graph. This line is created by multiplying a company's Cash Flow Per Share by a value that allows for a "best fit" with the company's pricing information. It is a rough gauge of how the market has valued the company's cash generating ability over the longer term. The multiple used is displayed in the Graph Legend (Item 2).

The line relies heavily on the analyst's perspective of the company's valuation, as it uses estimates. However, it can reveal interesting relationships between price and valuation. For example, there are times when a company's shares will trade materially below the cash flow line. It is preferable to find companies where the cash flow line is stable, as a cash flow line that is falling suggests that there may be problems.

Although stock selection is a highly individual process, we've chosen a value-oriented issue that illustrates the methodology described herein.

Value Stock

# General Motors Company (GM)

GENERAL MOTORS NYSE-GM		RECENT PRICE	38.45	P/E RATIO	5.9	(Trailing: 6.4 Median: 7.5)	RELATIVE P/E RATIO	0.36	DIV'D YLD	Nil	VALUE LINE									
<b>TIMELINESS</b> 1	Raised 3/4/22	High: 39.5	28.9	41.8	41.1	39.0	37.7	46.8	45.5	41.9	46.7	65.2	67.2	Target 2025	Price Range 2026	2027				
<b>SAFETY</b> 3	New 2/25/11	Low: 19.0	18.7	26.2	28.8	24.6	26.7	31.9	30.6	32.2	14.3	40.0	37.3	128						
<b>TECHNICAL</b> 4	Lowered 4/29/22	<b>LEGENDS</b> --- 3.5 x "Cash Flow" p sh --- Relative Price Strength Options: Yes Shaded area indicates recession										96	80	64	48	40	32	24	16	12
<b>BETA</b> 1.30	(1.00 = Market)	<b>18-Month Target Price Range</b> Low-High Midpoint (% to Mid) \$35-\$91 \$63 (65%)																		
<b>2025-27 PROJECTIONS</b> High Price 95 (+145%) Ann'l Total Return 27% Low Price 69 (+90%) Ann'l Total Return 17%																				
<b>U.S. Institutional Decisions</b> 2020 2021 4Q21 Percent 45 to Buy 709 655 816 shares 30 to Sell 490 554 494 traded 15 Hld's(000) 116181111696181193510																				
Nearly a year and a half after emerging from one of the largest bankruptcy restructurings ever, shares of General Motors were sold in the world's largest IPO on November 18, 2010. A total of 550 million shares, including an over-allotment option, were sold in the IPO. 413 million of which had been owned by the U.S. Treasury, 102 million from the UAW trust, and 35 million from the Canadian government's stake. The stock was priced at \$33 a share. Another \$4.6 billion in preferred shares were also sold.																				
<b>CAPITAL STRUCTURE as of 3/31/22</b> Total Debt \$109.8 bill. Due in 5 Yrs \$85.6 bill. LT Debt \$76.8 bill. LT Interest \$2.2 bill. (53% of Total cap'l) Pension Assets 12/21 \$73.4 bill. Oblig. \$78.5 bill. Leases, Uncapitalized Annual rentals \$243 mill.																				
<b>Common Stock 1,453,021,337 shares (As of 1/18/22)</b> MARKET CAP: \$55.9 billion (Large Cap)																				
<b>CURRENT POSITION (MILL.)</b> 2020 2021 3/31/22 Cash Assets 29038 28676 26256 Receivables 8035 7394 11946 Inventory 10235 12988 14838 Other 33616 33045 35554 Current Assets 80924 82103 88594 Accs Payable 19928 20391 25240 Debt Due 36913 33720 33037 Other 23069 20297 21278 Current Liab. 79910 74408 79555																				
<b>ANNUAL RATES (change per sh)</b> Past 10 Yrs. Past 5 Yrs. to '25-'21 Revenues -- -2.5% 7.5% "Cash Flow" 5.5% 6.5% 7.5% Earnings 4.5% 2.5% 11.0% Dividends -- -14.5% 14.0% Book Value 7.0% 5.5% 13.0%																				
<b>QUARTERLY REVENUES (\$ mill.)</b> Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2019 34878 36060 35473 30826 137237 2020 32709 16778 35480 37518 122485 2021 32474 34167 26779 33584 127004 2022 35979 36750 38500 39771 151000 2023 39500 39225 40275 41000 160000																				
<b>EARNINGS PER SHARE ^</b> Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2019 1.41 1.64 1.72 .05 4.82 2020 .17 d.56 2.79 1.93 4.33 2021 2.03 1.90 1.62 1.16 6.70 2022 1.35 1.65 1.70 1.85 6.55 2023 1.40 1.70 1.75 1.90 6.75																				
<b>QUARTERLY DIVIDENDS PAID ^</b> Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 2018 .38 .38 .38 .38 1.52 2019 .38 .38 .38 .38 1.52 2020 .38 -- -- -- .38 2021 -- -- -- -- -- 2022 -- -- -- -- --																				
<b>BUSINESS:</b> General Motors Company is the nation's largest automobile manufacturer, sales represented 14.4% of United States car and truck market in 2021. Including strategic partnerships, GM manufactures vehicles in over 30 countries, with sales in over 120 nations. About 18% of revenues were generated outside of North America in 2021. Operations considered "Old GM" include four major U.S. brands: Buick, Cadillac, Chevrolet, and GMC. Has about 157,000 employees. Operates OnStar subsidiary. BlackRock owns 8.1% of stock, The Vanguard Group 7.0%, Capital Research, 6.5%, officers & directors, less than 1% (4/22 Proxy). Chief Executive Officer: Mary T. Bana. Address: 300 Renaissance Center, Detroit, MI 48265. Tel.: 313-556-5000. Internet: www.gm.com.																				
<b>General Motors' first-quarter performance was a bit mixed.</b> On the positive side, the company reported sequential top- and bottom-line improvement. Also, sales were up 11% year over year thanks to increased pricing, lower incentive spending, and a focus on high-demand, higher-margin products. However, total vehicle sales were down 18% compared to the previous year quarter, to 1.427 million units, due to the ongoing microchip shortage. Meanwhile, increased commodity and logistics cost inflation, along with increased investments, resulted in reported earnings falling well short of the 2021 quarter tally.																				
<b>However, demand remains strong.</b> Notably, GM has more than 70,000 reservations for its Hummer EV (electric vehicle), which began production late last year. Meanwhile, it expects record U.S. sales for the Bolt EV and Bolt EUV this year, and its redesigned Chevrolet and GMC light-duty pickups, which are launching now, should also see brisk sales.																				
<b>GM is accelerating its transformation toward electrification.</b> Through mid-2023, it plans to rapidly scale production of six vehicles powered by its Ultium battery platform. These include the GMC Hummer and the Cadillac LYRIQ which began production in March. Meanwhile, the company has over 140,000 reservations for its Silverado EV, which it will start building in early 2023. For North America, it plans to build a total of 400,000 EVs between 2022-2023, with a goal of one million units of EV capacity in the region by the end of 2025.																				
<b>Earnings comparisons should improve in the second half.</b> To be sure, the semiconductor supply shortage will likely linger into 2023. Also, management looks for commodity and logistics costs to present a \$5 billion headwind this year. However, pricing actions, along with management's goal of 25% to 30% wholesale volume growth, should build earnings momentum heading into next year.																				
<b>These shares have wide upside potential.</b> Like its peers, though, GM stock has taken an outside hit in recent months as the threat of a potential recession looms. Thus, the shares are best suited to more intrepid accounts at this time.																				
Mario Ferro May 13, 2022																				
<b>(A)</b> Diluted earnings. Excludes nonrecurring gain/(loss). '12, (9c); '13, (76c); '14, (81.40); '15, (89c); '17, (\$6.35); '18, (96c); '19, (25c). Discontinued operations: '17, (\$2.58); '18, (5c). <b>(B)</b> Next earnings report due late July. Quarterly totals may not sum due to rounding. (B) In millions. (C) Long-term debt includes GM Financial securitized notes payable. (D) Based on preferred dividends before 2014. <b>(E)</b> Dividends historically paid late March, June, Sep., and Dec. Suspended 3/20.																				
<b>Company's Financial Strength</b> Stock's Price Stability B+ Price Growth Persistence 50 Earnings Predictability 35 40																				
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# How to Find an Income Stock

The first issue that needs to be assessed is the relative importance of current income and dividend growth. Often there is a tradeoff between the two—companies that pay growing dividends often have lower yields than those that pay a large, but rarely raised, dividend. Although current income and dividend growth investors have different goals in mind when selecting a stock, many of their concerns will be similar. In fact, many of the measures they examine will be the same.

Using *The Value Line Investment Survey* to find income stocks is quick and easy. First, each week's *Summary & Index* includes a couple of screens to help the dividend-seeking investor get started. The "Highest Dividend Yielding Stocks" and "Highest Dividend Yielding Non-Utility Stocks" screens can be found on pages 32 and 38, respectively.

Using those lists, a potential investor will then want to focus on a company's financial position. Clearly, it takes a certain amount of stability to pay consistent dividends. Value Line provides numerous measures of financial muscle, but one of the easiest to use is the proprietary Financial Strength rating (within Item 11). Conservative investors should try to limit their purchases to companies with Financial Strengths preferably in the A range, but no lower than B+ (Average). They should also look for a Safety rank of 1, 2, or 3 (Item 1).

The Price Stability of a stock (within Item 11) is a relative score based on the standard deviation of weekly percent changes in the price of a stock over the past five years. The scores go from 100 for the most stable to 5 for the least stable, in increments of five. Although the stock price of an investment may not be the most important component to consider for a dividend investor, one would want to avoid capital losses, as they would offset the income received from the investment.

Income-oriented investors should also focus on the Capital Structure (Item 17) and Current Position (Item 16) boxes. These boxes provide key data about a company's finances, including cash assets, debt, and interest expense amounts. The proportion of long-term debt to total capitalization is provided in most cases (except for some industries such as utilities, which show it in the statistical array). For an income-oriented investor, a lower number here is better.

That said, a high level of debt isn't necessarily a reason to avoid a dividend-paying stock. True, low levels of debt clearly allow more confidence in a company's ability to pay dividends in both good times and bad, but some companies, such as utilities, can better handle high levels of debt because of recurring, and sometimes regulated, revenue streams. Also, industries that require large capital outlays, for such things as factories, may have few companies with low levels of debt. The Statistical Array (Item 18) provides additional data for comparison purposes.

The market capitalization of a stock (total value of the outstanding shares based on the market price per share) is another factor to note. Although small companies should not necessarily be dismissed, keep in mind that smaller dividend-paying companies are likely to have a heightened level of risk associated with their distributions.

Going back to the Ratings box (Item 11), one should also consider Price Growth Persistence and Earnings Predictability. Although not directly related to a company's ability to pay dividends, these measures can help subscribers find companies that won't keep them up at night. Both of these ratings range from 100 (Highest) to 5 (Lowest). Price Growth Persistence is a measurement of the historical tendency of a stock to show constant price growth, compared to the average stock. Earnings Predictability is a measure of the reliability of earnings, based upon the stability of year-to-year comparisons. Clearly, the higher the scores, the better.

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It is also relevant to examine both the Business Description (Item 9) and the Analyst Commentary (Item 10), to gain a better understanding of a particular company's operations and prospects.

At this point, you should have a list of companies that have solid finances and reasonable prospects for the future. This is where those seeking high levels of current income diverge from those seeking a growing stream of income.

Those seeking a high level of current income typically look for stocks with high dividend yields. Determining what dividend level best suits one's investment objective is essential, though. For example, dividend yields around 4% are fairly attractive. But as the figure approaches 7% (or above), the investor may wish to ask why the yield is so high. Market conditions also play a role, as a deep bear market can lift yields.

Examining the Statistical Array (Item 18) is especially helpful here, paying special attention to actual dividends paid each year and the consistency of the distributions over time. The average annual dividend yield for each year gives a sense of the range in which it has trended.\* A stock yielding 5% today that has historically traded at yields of 7% may be less desirable than a company that yields 5% today but has historically yielded 2.5%. The objective is to ensure that one doesn't overpay for yield.

The 3- to 5-year projected average annual dividend yield (within Item 8) can provide additional insight, giving guidance as to the current pricing of the shares and the analyst's expectations for the future of the dividend. The "all dividends to net profits" figures are worth a glance, too. It is preferable to find companies whose earnings handily cover dividend payments. A 50% payout ratio, or lower, is usually ideal. However, some companies can handle higher percentages, such as utilities, and for others, such as Real Estate Investment Trusts (REITs), earnings are not a meaningful measure, making the payout ratio less useful to investors. In the end, remember that dividends are paid out of cash flow—not earnings. So, checking the dividends per share figure against cash flow per share (please see Items 8 and 13) would be wise.

Next review the Annual Rates box (Item 15). This box shows Value Line's projections of growth for dividends, sales, cash flow, and earnings, among other items, for the coming three to five years. Clearly, companies with higher percentages are preferred, though for income investors, making sure the projected numbers are on par with, or better than, historical trends is of greater concern. Note that for those seeking current income, minimal dividend growth might be acceptable, with the caveat that dividend growth below the rate of inflation will erode your purchasing power over time. That's fine if one expects capital appreciation to make up for that shortfall, but, often, stagnant dividends lead to stagnant share prices.

For those seeking growth of dividends, the expected yield level is likely to be much lower. In fact, when it comes to dividend growth, yields as low as 1% (or even less) can often be acceptable. But, here, the decision process starts with the dividend growth rate.

Dividend growth on par with the historical inflation rate of about 3% but well above the current median should be the absolute minimum level for dividend growth investors. An income growth investor ought to also look to the Annual Rates box for historical trends and projected 3- to 5-year growth rates, targeting companies with increasing growth rates. Many devoted dividend growth investors swear by our *Value Line Select*®: *Dividend Income & Growth* monthly reports.

For those income investors who want even more direction, we suggest a thorough look at each week's *Selection & Opinion*. Within this 12-page document, we provide four actively managed 20-stock Model Portfolios. We recommend that income investors focus on Model Portfolios II and IV. To qualify for purchase in Portfolio II, a stock must have a yield that is in the top half of the Value Line Universe, a Timeliness rank of at least 3 (Average), and a Safety rank of 3 (Average) or better. To be a candidate for Portfolio IV, a stock must have a yield that is at least 1% above the median of the Value Line universe, a Timeliness rank of at least 3, and a Financial Strength rating of at least B+ (Average).

Although stock selection preferences are unique to each investor, we've chosen an income-oriented issue that illustrates the methodology described herein.

\*Sometimes a falling yield is a sign of better earnings and a rising stock price.

# Income Stock

## Verizon Communications Inc. (VZ)

VERIZON NYSE-VZ		RECENT PRICE	51.40	P/E RATIO	9.5	(Trailing: 9.4 Median: 13.0)	RELATIVE P/E RATIO	0.57	DIV'D YLD	5.1%	VALUE LINE								
<b>TIMELINESS</b> 3	Raised 10/1/21	High:	40.3	48.8	54.3	53.7	50.9	56.9	54.8	61.6	62.2	61.9	59.8	55.5	Target	Price	Range		
<b>SAFETY</b> 1	Raised 9/28/07	Low:	32.3	36.8	41.5	45.1	38.1	43.8	42.8	46.1	52.3	48.8	49.7	45.5	2025	2026	2027		
<b>TECHNICAL</b> 4	Lowered 6/3/22	<b>LEGENDS</b> - - - 1.35 x Dividends p sh divided by Interest Rate . . . . Relative Price Strength Options: Yes Shaded area indicates recession																	
<b>BETA</b> .60	(1.00 = Market)	<b>18-Month Target Price Range</b> Low-High Midpoint (% to Mid) \$48-\$71 \$60 (15%)																	
<b>2025-27 PROJECTIONS</b> Price High 115 Low 90 Gain (+125%) Ann'l Total Return 25% (79%)																			
<b>Institutional Decisions</b> 3Q2021 4Q2021 1Q2022 to Buy 1430 1454 1740 to Sell 1164 1357 1092 Hirs(000)264846026593182605876 Percent shares traded 24 16 8																			
<b>2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023</b>																			
30.29	32.56	34.27	38.02	37.68	39.10	40.53	29.11	30.58	32.31	30.90	30.89	31.67	31.88	31.00	31.83	32.60	33.90	Revenues per sh	36.50
7.07	7.40	7.65	8.12	8.01	7.96	7.85	6.79	7.19	7.94	7.79	7.91	8.88	8.85	8.94	9.15	9.25	9.25	"Cash Flow" per sh	9.25
2.54	2.34	2.54	2.40	2.21	2.15	2.32	4.00	3.35	3.99	3.87	3.74	4.71	4.81	4.90	5.40	5.40	5.55	Earnings per sh (A)	5.85
1.62	1.65	1.78	1.87	1.93	1.96	2.02	2.08	2.16	2.23	2.29	2.37	2.42	2.47	2.52	2.56	2.64	2.64	Divs Decl'd per sh (B)	2.88
5.88	6.11	6.07	6.01	5.82	5.73	5.66	4.01	4.14	4.36	4.18	4.23	4.03	4.34	4.40	4.40	4.45	4.45	Cap'l Spending per sh	4.40
16.68	17.62	14.68	14.67	13.64	12.69	11.60	9.38	2.96	4.03	5.53	10.95	12.86	14.84	16.39	15.55	15.85	16.00	Book Value per sh	13.85
2909.9	2871.0	2840.6	2835.7	2828.1	2835.5	2858.3	4141.1	4155.4	4073.2	4076.7	4079.5	4132.0	4135.8	4138.1	4197.8	4200.0	4100.0	Common Shs Outst'g (C)	4000.0
13.4	17.6	13.7	12.7	13.8	17.1	18.1	12.2	14.5	11.8	13.3	12.9	11.1	12.1	11.8	10.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	17.5
.72	.93	.82	.85	.88	1.07	1.15	.69	.76	.59	.70	.65	.60	.64	.61	.55			Relative P/E Ratio	.95
4.8%	4.0%	5.1%	6.1%	6.3%	5.3%	4.8%	4.3%	4.4%	4.7%	4.5%	4.7%	4.5%	4.2%	4.3%	4.5%			Avg Ann'l Div'd Yield	2.8%
<b>CAPITAL STRUCTURE as of 3/31/22</b> Total Debt \$153382 mill. Due in 5 Yrs \$38509 mill. LT Debt \$139961 mill. LT Interest \$3920 mill. Incl. \$373.0 mill. capitalized leases. (Total interest coverage: 7.1x) (62% of Total Cap'l)																			
<b>Leases, Uncapitalized Annual rentals \$4383 mill.</b> <b>Pension Assets-12/21 \$20.1 bill.</b> <b>Oblig. \$20.2 bill.</b>																			
<b>Pfd Stock None</b>																			
<b>Common Stock 4,199,643,701 shs.</b> <b>MARKET CAP: \$216 billion (Large Cap)</b>																			
<b>CURRENT POSITION</b>																			
	2020	2021	3/31/22																
Cash Assets	22171	2921	1661																
Other	32423	33807	21954																
Current Assets	54594	36728	23615																
Accs Payable	20658	24833	18169																
Debt Due	5889	7443	13421																
Other	13113	14884	14995																
Current Liab.	39660	47160	46585																
<b>ANNUAL RATES</b>																			
	Past	Past	Est'd '18-'20																
of change (per sh)	10 Yrs.	5 Yrs.	to '25-'27																
Revenues	-1.5%	0.5%	2.0%																
"Cash Flow"	1.0%	4.0%	.5%																
Earnings	7.5%	5.0%	3.0%																
Dividends	2.5%	2.5%	2.5%																
Book Value	.5%	22.0%	Nil																
<b>QUARTERLY REVENUES (\$ mill)</b>																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year														
2019	32128	32071	32894	34775	131868														
2020	31610	30447	31543	34692	128292														
2021	32867	33764	32915	34067	133613														
2022	33554	34006	33900	35540	137000														
2023	34050	34500	34400	36050	139000														
<b>EARNINGS PER SHARE (A)</b>																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year														
2019	1.20	1.23	1.25	1.13	4.81														
2020	1.26	1.18	1.25	1.21	4.90														
2021	1.31	1.37	1.41	1.31	5.40														
2022	1.35	1.35	1.38	1.32	5.40														
2023	1.37	1.40	1.44	1.34	5.55														
<b>QUARTERLY DIVIDENDS PAID (B)</b>																			
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year														
2018	.59	.59	.59	.6025	2.37														
2019	.6025	.6025	.6025	.615	2.42														
2020	.615	.615	.615	.6275	2.47														
2021	.6275	.6275	.6275	.64	2.52														
2022	.64	.64																	
<b>BUSINESS:</b> Verizon Communications was created by the merger of Bell Atlantic and GTE in June of 2000. It is a diversified telecom company with a network that covers a population of about 298 million and provides service to nearly 98.2 million. Acquired MCI, 1/06; Alltel, 1/09; Verizon Wireless, 2/14. Also the largest provider of print and on-line directory information. Has a wireline presence in 28 states & Washington, D.C.; a wireless presence in 50 states & D.C.; operations in 19 countries. 2021 revenue breakdown: Consumer Group, 71%; Business Group, 23%; corporate, 6%. Has about 118,400 employees. Chairman: Lowell McAdam; CEO: Hans Vestberg, Inc., Delaware. Address: 1095 Avenue of the Americas, NY, NY 10036. Telephone: 212-395-1000. Internet: www.verizon.com.																			
<b>Our near-term outlook for Verizon has moderated a bit of late.</b> This telecommunications giant posted first-quarter earnings of \$1.35 a share, in line with our estimate and 3% higher than the year-ago figure, on a 2% top-line advance. Consumer revenue for the quarter grew 10.9% year over year, driven by the first full quarter of TracFone integration, higher equipment revenue, and strong core wireless service revenue growth. Conversely, Verizon Business revenues dropped 0.9%, as ongoing legacy wireline declines continue to offset Wireless revenue growth. And management has tempered its outlook for the balance of 2022, given the expenses of the ongoing launch of C-Band and the expansion of its 5G Ultra Wideband network (more below). All told, we have pared a dime and a nickel from our earnings estimates for this year and next, which now stand at \$5.40 and \$5.55 a share, respectively.																			
<b>The company is in sound financial shape.</b> Verizon ended the March quarter with \$1.66 billion in cash on its ledger (down from \$10.2 billion a year ago), and long-term debt of \$140.0 billion (down																			
<b>Management has earmarked approximately \$16.5 billion to \$17.5 billion for 2022 capital expenditures.</b> These funds will be used to continue the build out of OneFiber and Verizon's investment to support traffic growth on its 4G LTE network, while expanding the reach and capacity of its 5G Ultra Wideband network. Additional expenditures related to the deployment of the company's C-Band 5G network are expected to be in the range of \$5 billion to \$6 billion.																			
<b>At the recent quotation, this blue-chip stock offers alluring capital appreciation potential through 2025-2027.</b> In addition, income-seeking accounts will find the equity's dividend yield to their liking, as it is more than double that of the Value Line median.																			
<b>Kenneth A. Nugent June 10, 2022</b>																			
<b>Company's Financial Strength</b> A++ <b>Stock's Price Stability</b> 100 <b>Price Growth Persistence</b> 25 <b>Earnings Predictability</b> 100																			
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