Krause Fund Research
Fall 2025

Communications

Recommendation: BUY

Verizon Communications Inc.

Analysts

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Ticker: VZ
Exchange: NYSE
Sector: Communications
Industry: Telecommunications
Current Price: $41.38
Target Price Range: $52 - $57
Upside: 25-37%

Investment Thesis

Verizon remains a cornerstone of U.S. telecommunications, distinguished by its premium network quality, strong brand recognition, and consistent dividend policy. Despite slow revenue growth and heavy leverage, VZ's strategic focus on reliable nationwide coverage positions it as a stable, income-oriented investment. We recommend a **BUY** rating, with a target price range of **$52–$57**, reflecting a potential upside of **25–37%** from the current price of $41.38.

Drivers of Thesis
- VZ's premium network quality & reliability fortify their position in the U.S. Telecom market, especially in rural and suburban areas
- With a stable dividend yield of 6.7% and 19 years of dividend growth, VZ offers consistent returns with appealing income strength
- VZ's operational scale & brand recognition provides resilience in a mature and slow growth industry, maintaining over 145 million subscribers and being synonymous with reliability

Risks of Thesis
- VZ carries $136 billion in debt with $21 billion due in the 2025, constraining flexibility for growth in a capital-intensive industry
- Revenue growth is projected to stagnate after 2026 due to competitive pricing pressure and cost-sensitive business clients
- Price wars with AT&T and T-Mobile could erode margins and subscriber growth as the market continues to mature

Financial Highlights

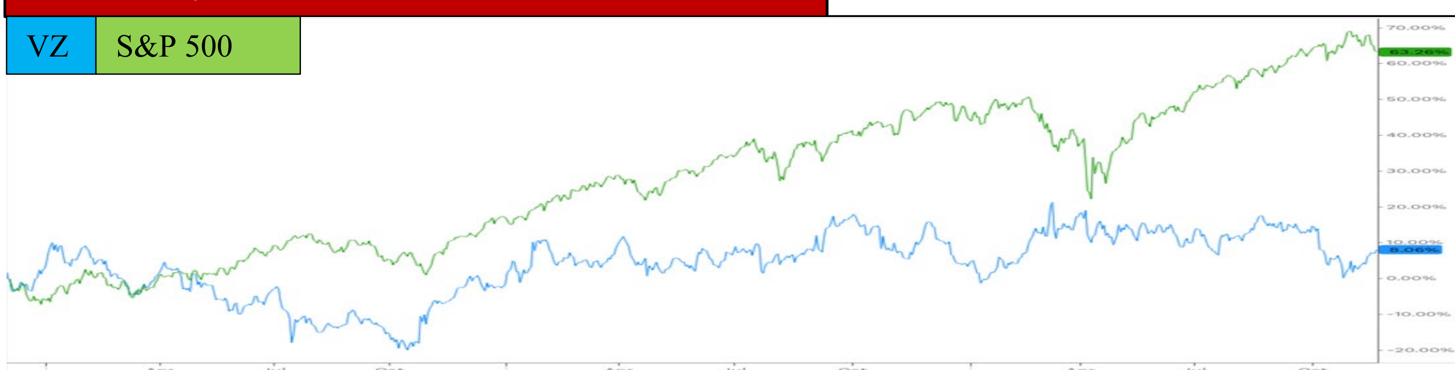
Model Price Projections
DCF: $56
DDM: $55
Relative Valuation (P/E): $39

Price Data
Current Price: $41.38
52-Week Range: $37.59-$47.36
YTD Performance: +3.00%

Key Statistics
Revenue: $134.7 Million
P/E Ratio: 8.83
Dividend Yield: 6.7%
Market Capitalization: 174.62B
Beta: 0.41
WACC: 5.31%

Financial Ratios
Op. Profit Margin: 21.28%
Profit Margin: 13.32%
ROIC: 7.59%
ROE: 19.14%
Payout Ratio: 64.7%
Quick Ratio: 0.59

3yr VZ Performance vs. S&P 500 [4]



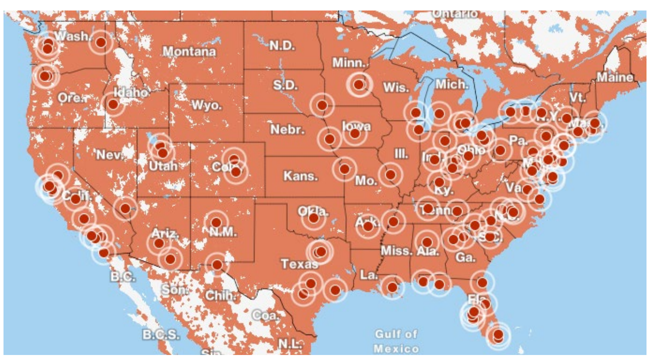
Company Analysis

Company Description

Verizon is one of the leaders in the U.S. wireless telecommunications market. VZ offers a multitude of services including wireless and wireline service, broadband, Fios, data networking, IoT, cloud and enterprise solutions. VZ's operations are centered almost entirely in the United States. The company's scale and brand recognition make it a cornerstone of U.S. connectivity, relied on by millions of customers every day.

VZ strategically positions itself in the ultra-competitive telecom industry by providing a premium network and maintaining consistent network reliability. VZ demonstrates strength in rural and suburban areas. Their business model is centered around keeping churn percentage low by offering value add services. Continued investments in 5G infrastructure aim to sustain their leadership in network quality and maintain competitive advantages they currently hold over peers in the telecommunications industry.

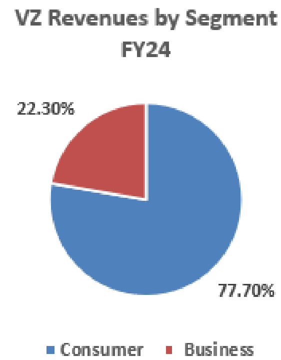
Verizon 4G/5G Coverage Map [23]



Red dot denotes 5G Ultra-Wideband capable city

Revenue Analysis and Decomposition

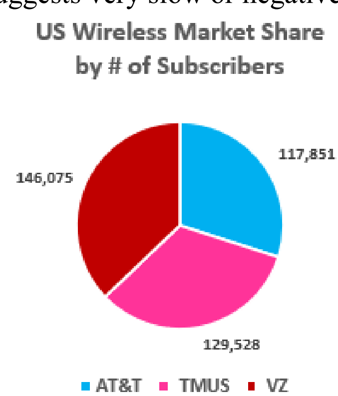
Verizon generates revenue across two main segments, Consumer and Business. In the 2024 financial year, VZ generated $134,788 million in total revenue [25]. The Consumer segment was the largest segment, generating $102,904 million from service, equipment and other revenues. The Business segment generated a total of $29,531 million from enterprise, public sector, wholesale, business and other revenues. VZ's revenue has been rather invariable over the past 10 years but has seen most of its growth come from the consumer segment. We foresee VZ's revenue mix continuing to remain heavily weighted towards the consumer side, with a slight drop in business revenues led by losses in enterprise and public sector revenues.



Consumer Segment

The consumer segment is essential to VZ's business operations and has become a household name being known for having the highest quality wireless connection in the United States. We project this segment to grow very slowly over the next two years from $102,904 to $103,689 in 2026 before contracting to $102,001 in the terminal year of 2029. We expect this to be driven by the continued additions of subscribers offset by continuous price wars with AT&T and T-Mobile.

We expect consumer revenues to continue to be heavily reliant on postpaid wireless, which helps to limit churn but constrains pricing flexibility. We expect wireless equipment revenues to continue to contract by 4% annually as upgrade cycles become longer due to technological advances in mobile devices. The consumer segment is the backbone of VZ's business but the lack of new subscribers available for revenue expansion and competitive pressure suggests very slow or negative growth.



[19] [2]

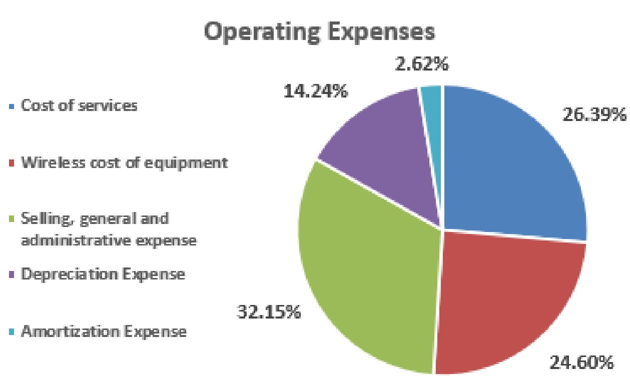
Business Segment

VZ's business segment has experienced a contraction over the past 5 years, as large enterprises and the public sector have opted to use T-Mobile and AT&T, more cost-effective carriers. We expect business revenues to continue to slide from $29,531 in 2024 to $28,600 in 2029. VZ and their leadership will have to make big changes if they want to see significant growth in this area as many business clients have enacted cost cutting policies due to tariffs and inflation having adverse effects on their operations.

VZ's enterprise offerings face challenges from shifting demand toward lower-cost solutions. This will limit pricing power in traditional wireline and networking services. 5G enterprise applications and IoT connectivity present long-term opportunities for growth but also bring high risk given the fierce competition and cautious spending environment. Additionally, VZ and the telecom industry have shown very little momentum in monetizing the 5G they invested in so heavily which suggests a negative outlook on the opportunity to significantly grow the business segment. The business segment is likely to remain a drag on growth unless VZ can differentiate through innovation and stronger value propositions for cost-sensitive clients.

Expense Analysis

The majority of Verizon's expenses stem from its operational activity as it maintains and delivers services nationwide. Most of VZ's operating expenses fell under cost of services, cost of equipment and selling, general, and administrative (SG&A) expenses. Cost of services was $27,997 million in 2024. This includes labor, materials, and transportation to support the services they provide. These expenses also cover technical support required to maintain VZ's network quality. SG&A expenses totaled $34,113 million in 2024, driven by administrative support costs, marketing, customer service, and regulatory compliance costs. This category also includes indirect labor and IT costs that support VZ's scale and customer retention.



VZ's wireless cost of equipment expense of $26,100 million in 2024 reflects the cost of subsidizing smartphones and other connected devices, which are often sold below cost to attract and retain subscribers. The remaining operating expenses came from depreciation and amortization, which were $15,112 and $2,780 million respectively. Depreciation expense reflects the capital-intensive nature of VZ's business and includes investments in spectrum, fiber, physical and infrastructure. Amortization expense is primary related to amortizing customer lists and internal use software over their useful lives.

We expect VZ's expenses to continue to be relatively steady over the next 5 years, correlated to the increase/decrease in revenues. VZ recently announced the layoff of over 15,000 employees and the conversion of over 200 stores to franchises. Because of this recent news we foresee this having a slight decrease in the percentage of revenue that SG&A makes up, contracting from $34,113 million in 2024 to $32,973 million in 2029. We do expect the Cost of Services however to increase from $27,997 million to $29,788 million over this 5-year period as VZ spends more on maintaining its aging network infrastructure and inflation and tariffs affect the costs of maintenance and expansion. Depreciation expense is expected to increase from $15,112 million in 2024 to $17,584 million in 2029 due to the aging of VZ's capital assets. We expect amortization expense to remain unchanged over the next 5 years, as VZ has amortized assets at an average cost of $2,501 million per year over the last 5 years.

Profitability Analysis

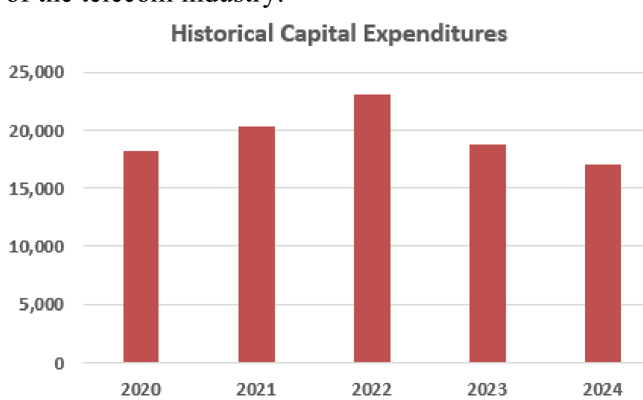
VZ's profit margins have a positive outlook given the sizeable amount of revenue that they consistently generate each year. In 2023, margins dipped significantly due to the one-time goodwill adjustment to the Verizon Business Group, totaling

$5,841 million. VZ has performed well within the last year when it comes to hitting or beating its earnings targets slightly. Most recently, VZ hit its 3rd quarter EPS target of $1.17, in Q2 VZ beat its EPS target of $1.17 by only 1¢ but raised guidance for the FY2025. Management reiterated its guidance for the FY2025 in Q3 with targets set at earnings growth of 1-3% YOY which would put EPS expectations at $4.19-$4.27 for 2025. We forecast EPS at $3.66 for 2025 but expect the target to be met by other non-operating income which we have chosen not to forecast as we do not have sufficient information to make a reasonable forecast.

Capital Expenditures

Capital expenditures remain a critical part of VZ's operating strategy, supporting network reliability and growth. In 2024, the company spent $17,090 million on capital investments which is consistent with prior years. This CapEx was directed toward maintaining and expanding wireless and wireline infrastructure. This was largely focused on 5G deployment, spectrum utilization, and fiber deployment.

Verizon's management has guided 2025 capital spending to remain in line with 2024 levels, with the majority allocated to replacement and maintenance of existing infrastructure and a smaller portion toward growth initiatives such as enterprise 5G and edge computing. Based on historical trends, we expect annual capex to average around $19 billion through 2029, reflecting the capital-intensive nature of the telecom industry.



Capital Structure

VZ has had difficulty maintaining a consistent capital structure, often having trouble with being overleveraged and having large debt burdens plaguing the balance sheet. At year-end 2024, Verizon reported total debt of approximately $136 billion, with a maturity profile that includes significant obligations in the short term. The next notable maturities. While this profile provides some refinancing flexibility, the scale of upcoming maturities underscores the importance of disciplined capital management. We have forecasted short term debt on the balance sheet to be refinanced based on the 3rd quarter 10-Q and expect refinancing to have a positive effect on the gradual payment schedule of debt maturing within the next 5 years. Listed below is the debt maturity schedule in the 2024 10-K.

Year	Total debt due
2025E	$21,709
2026E	$7,823
2027E	$9,158
2028E	$11,592
2029E	$8,673

Verizon ended 2024 with net leverage around 3.09x EBITDA, above the levels of many peers and reflecting the capital-intensive nature of the telecom industry. We have forecasted this to decrease to 2.83x EBITDA as VZ generates stable cash flows to repay its large debt load. VZ currently holds a BBB+ credit rating from S&P Ratings [17], reflecting its elevated leverage but stable outlook. AT&T is rated slightly lower at BBB with a stable outlook, while T-Mobile carries a BBB rating with a positive outlook. This positioning suggests that while VZ benefits from slightly stronger ratings than AT&T, its higher leverage leaves less flexibility than T-Mobile, whose improving outlook highlights a more favorable trajectory in terms of balance sheet strength and refinancing capacity.

Company	Debt Rating (S&P)
VZ	BBB+
AT&T	BBB
TMUS	BBB

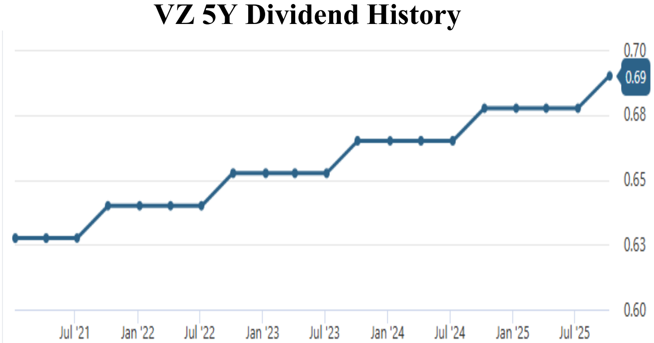
Verizon is positioned to need to refinance their debt that is maturing within the next year. Although its elevated leverage constrains flexibility for investments to drive growth compared to its peers. VZ holds an advantage of already having its network built out significantly with coverage reaching over 99% of the U.S. population. VZ's ability to refinance at competitive rates and sustain investment in 5G and fiber will be critical to balancing shareholder returns with long-term financial stability. [3]

Payout Policy

VZ has historically emphasized a stable dividend as its primary method of returning value to shareholders. In 2024, the company paid an annual dividend of $2.685 per share, which represents a yield of 6.7%, the highest among large-cap telecom peers. This dividend has consistently shown management's commitment to providing consistent income to shareholders, even amid elevated leverage and heavy capital investment requirements.

The dividend has been maintained and modestly increased over time which has shown VZ's positioning as a mature, income-oriented company that is favored by dividend focused investors. Management has reiterated its guidance to sustain the dividend at current levels, with incremental growth tied to earnings expansion. VZ just announced an annual increase in their dividend for the 19th straight year Looking ahead, we expect Verizon's payout policy to remain dividend-centric, supported by strong cash flows. We expect the dividend to grow to $2.77 by 2029 and foresee a continued steadily growing dividend in addition to deleveraging over time. We do not anticipate significant share repurchases as a form of payout policy as they continue to prioritize dividends as their preferred way of distributing returns to shareholders.

VZ 5Y Dividend History



SWOT Analysis

Strengths

VZ's biggest strength is its reputation for premium network quality and reliability, especially in rural and suburban markets where competitors have struggled in the past. The company's scale and brand recognition are the most significant in the industry, serving over 145 million total subscribers. A major growth catalyst is the pending acquisition of Frontier, which will add a significant number of fiber subscribers and expand VZ's reach strengthening its position in home broadband. Additionally, Verizon maintains a stable dividend policy with a yield of around 6.7% and holds a BBB+ credit rating which points to the strength it has in relative financial stability despite high leverage.

Weaknesses

Despite its strong network, VZ faces slow revenue growth, we project consumer segment growth to stagnate beyond 2026 and business revenues continuing to decline due to competitive pricing pressure. The company's heavy debt burden limits flexibility for aggressive growth initiatives. Its enterprise segment underperforms as cost-sensitive clients have migrated to lower-cost carriers, and its capital-intensive model requires annual capex of roughly $17 billion, constraining free cash flow. Additionally, VZ's operations are almost entirely U.S. based which reduces the opportunity for global diversification compared to peers.

Opportunities

VZ has multiple opportunities to leverage its fiber and broadband expansion to capture demand for high-speed home internet and monetize its 5G Ultra-Wideband network through enterprise applications, IoT, and edge computing. Fixed Wireless Access (FWA) adoption continues to grow which VZ could take advantage of. Integration of AI for network optimization and customer service automation has the potential to reduce costs and improve customer experience. Anticipated interest rate cuts could make refinancing debt that is coming due within the next year more attractive and enable more aggressive investment in projects that could lead to growth.

Threats

VZ faces intense competition from AT&T and T-Mobile, with ongoing price wars that could influence margins and subscriber growth. Regulatory changes could increase churn and reduce advantageous customer lock-in opportunities. Tech disruption from cable ISPs and emerging satellite-to-phone connectivity like SpaceX may erode Verizon's broadband and rural coverage advantage. Economic effects, including slowing GDP growth and rising unemployment, could dampen consumer spending on premium priced plans which could increase churn and hurt revenues. Finally, VZ's large near-term debt maturities combined with high leverage pose refinancing challenges if credit markets tighten, and interest rates rise.

Industry Analysis

Telecom Industry

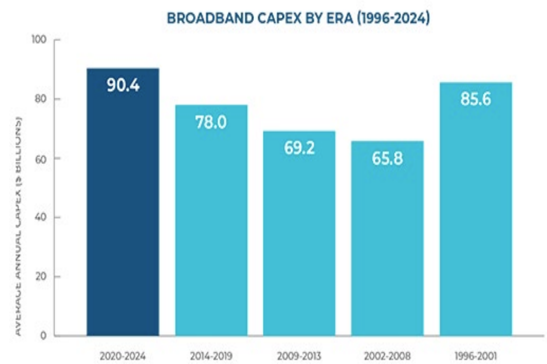
The U.S. wireless telecom industry delivers nationwide connectivity through prepaid /postpaid mobile plans, data services, IoT connections, and increasingly broadband and home internet. Product lines include wireless voice, Wireless data services, mobile dispatch, and international calling. The market is dominated by three national carriers T-Mobile, AT&T, and VZ who compete on network quality, pricing, and bundled offerings. AT&T differentiates through their fiber network. VZ differentiates through quality and rural/suburban coverage, while T-Mobile has expanded rapidly using fixe 5G as their driver of growth. Core segments include wireless, enterprise connectivity/IoT, and tower or network leasing. High barriers to entry, expensive spectrum, heavy capex, and strict regulation which leads to limit competition with EchoStar/Boost being the only emerging fourth player.

Technological Changes

U.S. wireless carriers are in the middle of a long 5G build-out. 5G already accounts for around 71% of mobile subscriptions in North America, and its share of global mobile data traffic is projected to reach about 80% by 2030. Operators are using AI for traffic optimization, anomaly detection, automated self-healing networks, and agentic chat/call bots that handle billing questions, upgrades, and tech support. Fixed wireless access has become an opportunity to extend broadband without laying fiber, and private 5G networks for enterprises and IoT are a fast-growing niche. 5G's share of cellular revenue is expected to nearly double between 2025 and 2030.

Government or Regulatory Changes

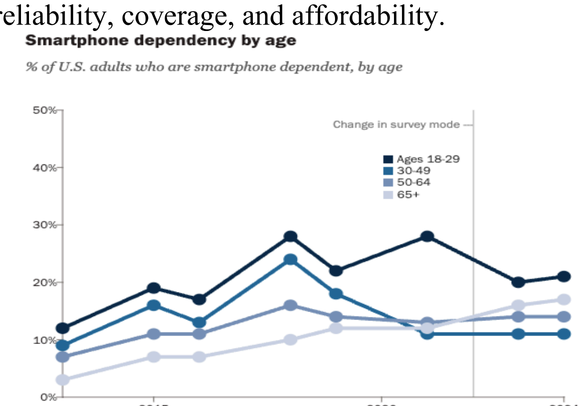
Government policy continues to play a major role in shaping network investment, which is reflected in broadband capital spending trends. As shown in the chart, average annual U.S. broadband CapEx has reached its highest level on record around $90.4B in the 2020-2024 era, surpassing even the early 2000s build-out cycle. This surge is linked to federal programs and broader national expansion initiatives that push carriers to upgrade infrastructure, extend coverage to rural markets, and modernize networks for 5G and fiber. At the same time, regulators have tightened scrutiny around network security, foreign-owned telecom assets, and spectrum management. Policies that increase compliance requirements but help maintain trust and resilient networks. Government actions around tariffs, especially restrictions on Chinese-made telecom equipment have also raised deployment costs, contributing to the higher CapEx levels shown in the graph. Altogether, the regulatory environment has created both pressure and incentive, carriers must invest heavily to meet federal standards and qualify for subsidies, but these same programs have accelerated the largest wave of broadband investment in decades.



[21]

Social and Demographic Changes

Social and demographic trends continued to support long-term wireless demand. Smartphone penetration in the U.S. is now near universal, including strong adoption among older adults. The graph from Pew Research data showing smartphone ownership rising steadily across every age demographic. Younger users rely heavily on mobile streaming, social apps, and gaming driving higher data consumption and more premium data plans. Meanwhile, remote and hybrid work models have permanently increased dependence on mobile hotspots, home broadband, and reliable nationwide coverage. Lower-income and rural households are also more likely to be "mobile-only", meaning their primary internet access comes from a wireless plan rather than home broadband. It increases the social importance of wireless networks and keeps pressure on carriers to invest in reliability, coverage, and affordability.



[12]

M&A Activity

VZ announced in September 2024 that it would acquire Frontier Communications in a transaction valued at approximately $20 billion, expanding its fiber footprint across 25 states and Washington, D.C. The deal adds 2.2 million fiber subscribers to VZ's base and extends its reach to 25 million premises nationwide. Management highlighted that the acquisition is expected to be accretive to both revenue and EBITDA, with projected annual run-rate cost synergies of at least $500 million. Verizon financed the purchase in part through a bond totaling $9.6 billion while agreeing to absorb Frontier $10 billion dollars in debt. The transaction is an example of VZ's strategic focus on fiber expansion to complement its wireless leadership and strengthen its competitive positioning against AT&T and T-Mobile. The transaction is pending approval by regulators in California with delays stemming from certain DEI policies that VZ got rid of to gain FCC approval under the new administration.[24]

Deal	Year	Size/Status
T-Mobile acquires Sprint	2020	$26.5 Billion Completed
Verizon acquires TracFone	2021	$6.9 Billion Completed
AT&T divests WarnerMedia	2021	$43 Billion Completed
Verizon acquires Frontier	2024	$20 Billion Pending
T-Mobile acquires US Cellular wireless operations	2024	$4.4 Billion Pending

[4]

M&A activity in the telecom sector has been substantial over the past 5 years, particularly in fiber and broadband consolidation. Since 2020, Verizon has pursued acquisitions to bolster its infrastructure, including the 2021 purchase of TracFone Wireless for $6.9 billion, which expanded its prepaid and value-segment offerings. The Frontier deal represents Verizon's largest move since TracFone, signaling a shift toward fiber assets to support converged services. Across the industry, AT&T has gone through divestitures and fiber deals, while T-Mobile has focused on spectrum acquisitions and smaller deals to enhance its 5G coverage after the large merger with Sprint that positioned T-Mobile as the third national carrier. Overall, telecom M&A has increasingly centered on fiber build-outs, spectrum, and customer base expansion, reflecting the industry's push to scale networks and monetize the 5G investments that many in the industry have struggled with.

Economic Change

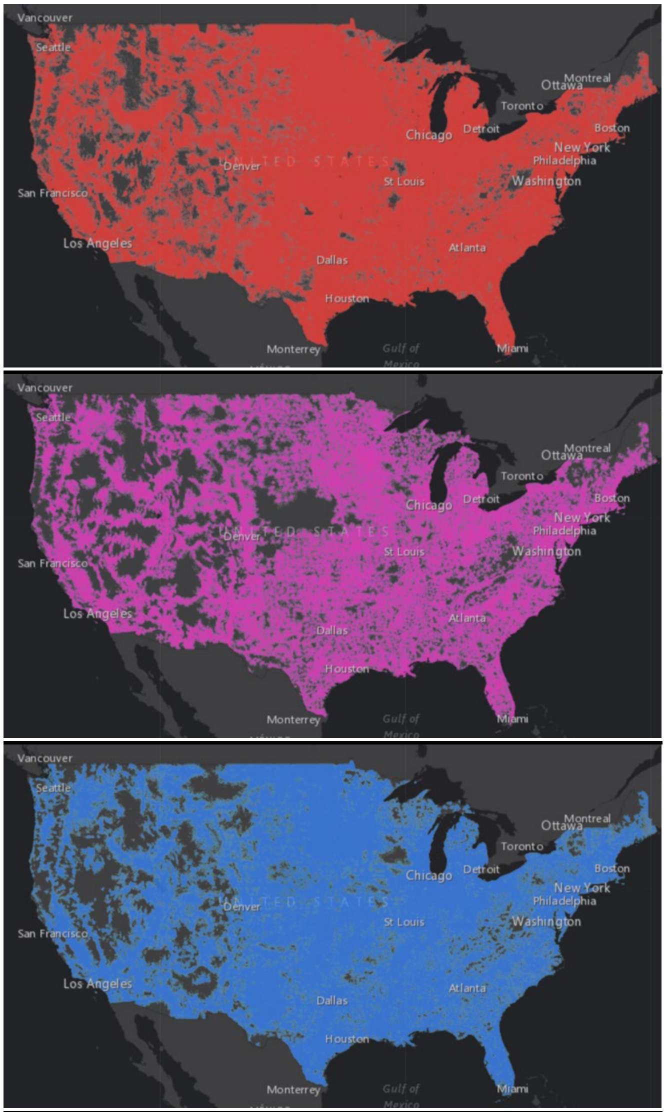
Economically, the wireless telecom industry is operating in a mature, slow-growth environment, but with extremely high capital needs. Revenue growth across the major carrier has hovered in the low single digits, while annual broadband capex remains elevated. Approaching $90B per years, as shown in the broadband CapEx graph mentioned in the government or regulatory changes section. Higher equipment cost, supply-chain constraints, and tariffs on telecom hardware have raised the cost of network deployment, contributing to the CapEx spike seen in the 2020-2024 period. At the same time, high interest rates have weighed on heavily leveraged carries like AT&T and VZ. A potential rate-cut cycle offers financial relief by lowering refinancing costs and freeing up cash flow for network expansion spectrum purchases, and debt reduction. The economic story is therefore a balance between slow revenue growth, high investment, and improving long-term economics as carriers shift toward monetizing 5G, enterprise solutions, and AI-enabled services.

Competition and Peer Comparisons

Financial Metrics

Telecom industry is characterized by mature growth, high capital intensity, and significant leverage, which is reflected in how T-Mobile, AT&T and VZ compare on valuation and capital structure. T-Mobile trades at a premium P/E ratio (~20.7x) relative to AT&T (~13x) and VZ (~9x), It reflects stronger growth expectations and investor confidence in its expanding postpaid and broadband customer base. AT&T exhibits the lowest price-to-book and price-to-sale ratios while VZ generates the highest annual revenue but carries the highest debt-to-equity ratio (~1.21x), highlighting the capital-intensive nature of maintaining nationwide 5G and fiber networks. P/E ratio, price-to-book ratios, and debt-to-equity ratios across the three carriers clearly illustrate how T-Mobile commands a growth premium, whereas AT&T and VZ offer more defensive dividend-focus investment profiles. These metrics underscore the importance of balancing growth, profitability, and leverage when evaluating these competitors in a saturated and highly capital-intensive market. [18]

U.S. Telecom Coverage Maps

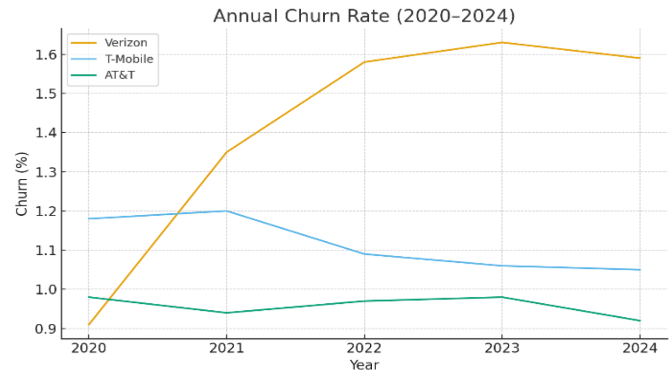


[22]

As demonstrated in the maps seen above, VZ holds an advantage over T-Mobile having the largest coverage area geographically. AT&T cover a similar amount of land in the U.S., but VZ is recognized as having better coverage in rural and suburban areas while AT&T holds the advantage over VZ in more urban areas. While T-Mobile doesn't cover nearly as much of the U.S. as VZ and AT&T, they still hold an advantage in having the strongest 5G network, covering over 90% of the US population. [11]

Operating Metrics

For the operating metrics, the subscriber growth, churn, average revenue per user (ARPU), and capital expenditures are the critical differentiators among the national carriers. In recent quarters, T-Mobile led with the largest net additions to postpaid phone and broadband FWA subscribers, reflecting strong market share gains, while AT&T showed moderate growth and VZ lagged in net additions. Churn rates were lowest at T-Mobile, indicating superior customer retention. ARPU pressures affect all carriers, driving bundling strategies and premium offerings. [1]



[4]

Market Structure & Competitive Positioning

The U.S. wireless market is tightly concentrated among three national carriers: T-Mobile, VZ, and AT&T. As of late 2024 the market shares approximate 35% for T-Mobile, 34% for VZ, and 27% for AT&T. This structure implies high entry-barriers caused by spectrum allocation, and nationwide network infrastructure. New wireless entrants or regional carriers face difficulty gaining scale or cost parity. The tight three-player dynamic also means competitive moves (pricing, bundling, network rollout) tend to ripple quickly across the group rather than being isolated. In this competitive positioning, T-Mobile is seen as the growth disruptor with growing share and aggressive marketing, VZ is historically dominant with a strong brand name and network quality, and AT&T is seen as the balanced player with a combination of wireless, fixed broadband, and bundled offerings. Each carrier's positioning shares how they compete, T-Mobile pushes growth, VZ emphasizes reliability and scale, AT&T looks to convergence and bundling. [14]

Industry Drivers Going Forward

The telecom industry is poised to grow and evolved under several key catalysts. First, rising data consumption and broadband demand continue to drive infrastructure investment. The entire U.S telecom market size was estimated to be about $344.45 billion in 2025, and it is projected to have a compound annual growth rate around 3.86% through 2030. Second is the adoption of mid-band and high band 5G, fixed wireless access, edge computing, and private 5G networks for enterprise are reshaping the competitive terrain. Third, infrastructure investment will increasingly be guided by metrics such as Communication Infrastructure Index, which tracks innovation and network quality as key differentiators. Finally, convergence between wireless, home internet, IoT and cloud services in accelerating, which drives the telecom operator becoming broader digital infrastructure firms rather than only mobile-service providers.

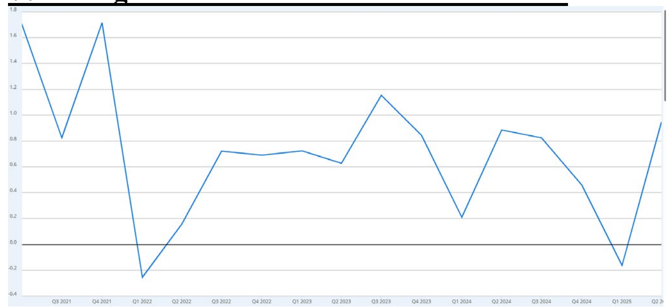
Economic Analysis

Real GDP

In the United States, roughly 70% of the Real Gross Domestic Product (GDP) is driven by consumer spending. This places a major factor within the Communications Sector, as higher GDP means a greater demand for goods and services, an expanding economy, increase in business investments, etc. Real GDP plays a major role within the telecommunications sector because when GDP is increasing, revenues around are higher including advertising and technological advancements. Within this industry, a lagging GDP can show that consumers will have a tighter budget, spending less on certain services like media, entertainment and other premium services like VZ compared to low-cost carriers.

Over recent history, real GDP has been slowly increasing. Within the last year, real GDP increased by 3.3%. The majority of this has been driven by the decreases in imports which ultimately lead to an increase in consumer spending. We expect real GPD growth around 1.5%-2.5% in the short-term period due to the recent growth rebound in Q2 of 2025. High interest rates, inflation pressures, majority caused by tariffs, and weakening indicators in the labor markets are expected to slow momentum in GDP growth. For long term real GDP, we expect there to be a 1.2%-2% growth rate. The slowing labor force growth, elevated interest rates and policy uncertainty for trades and tariffs will likely influence how fast the economy will grow. Even though inflation is expected to gradually come down, which could help real incomes and consumer spending somewhat, we do not expect that it will be enough to return to high-growth periods.

% Change in Real GDP 4-1-2021 to 4-1-2025



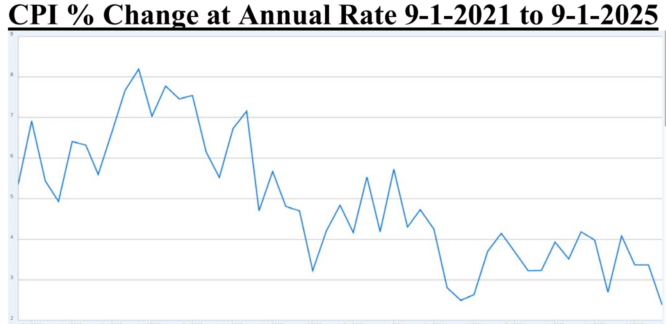
[6]

We expect the real GDP growth that we have seen right now to have a positive impact on telecom industry with increasing demands for goods and services which will lead to an increase in purchasing power. As time goes on, companies will be able to expand their infrastructure, and higher consumption will also increase companies' revenue to spend on more premium priced services.

Inflation

Throughout the telecom industry, inflation is known to play as a major factor in how companies can perform. Within the telecom industry, inflation impacts interest rates. When inflation is high, interest rates rise and vice versa. Lower inflation benefits companies in several ways, rising cash flows and lower interest rates can lead to businesses within this sector paying debts quicker, and increasing their output on products. While higher inflation raises interest rates and tightens the budgets of both consumers and business. Thus, leading to increased borrowing costs and negative impacts on both the bottom and top line.

CPI % Change at Annual Rate 9-1-2021 to 9-1-2025



[6]

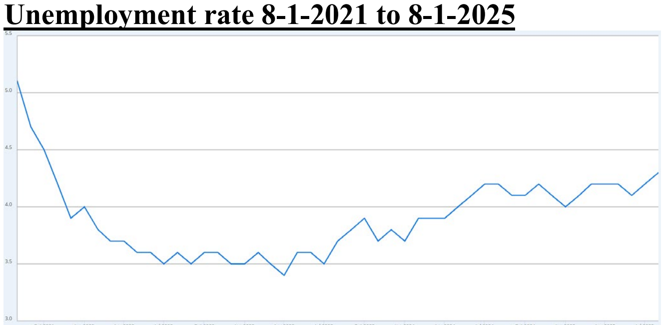
This graph provides the last four years of inflation from September 2021 to September 2025. Inflation has been moderately steady for the last two years; we think this is the result of consumer demand remaining stable, a tighter labor market, and elevated consumer liquidity. Although inflation has been somewhat stable for the last 1.5 years, we expect inflation to increase by 2.9% YOY over the next 6 months due to uncertainty around the effects of tariffs and the fed's focus shifting towards the job market. We expect inflation to increase by 2.6% YOY over the next 2 years due to the easing of the effects of tariffs and a continuation of the deterioration of the job market which will lead to decreased interest rates.

We expect the inflationary outlook to have a positive impact on the telecom industry because slowing inflation will lead to lower interest rates and the increased opportunity for companies in the telecom industry to refinance debt and grow through investment in infrastructure.

Employment/Unemployment

The employment rate in the telecom industry plays a big role in the industry's overall performance, affecting each company's earnings, total work output, as well as their ability to invest back into the industry and chance for growth and innovation. The employment levels and rates within the telecom sector have direct impact on companies like VZ's operational output and customer satisfaction. Higher employment rates can boost productivity and quality, which overall strengthens the company's position in a competitive way. All these factors have large impacts on market trends, company revenue growth, and overall company profitability. The unemployment rate rose from 4.2% to 4.3% in August 2025 compared to the previous month, aligning with the highest proportion of joblessness since 2021.[20]

Unemployment rate 8-1-2021 to 8-1-2025



[6]

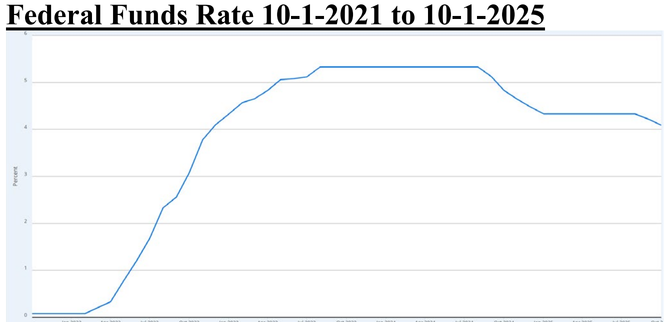
Over the past three years, the unemployment rate has been on a steady increase. There are a handful of reasons such as the implementation of AI, a rise in long term unemployment, and higher interest rates which leads to less expansion and less openings for companies to hire new employees.

Over the next six months, we anticipate unemployment to stay around its current level of 4.3%, this is being driven by market conditions softening over the next few months due to a case for a federal reserve interest rate cut over the next few months. Over the next 2 years, we anticipate that the unemployment rate will continue to grow to 5.0% We anticipate this being driven by the increased demand for AI automation and infrastructure, replacing entry level and easily replicable jobs. As the market shrinks, more people will be in search of jobs with very little openings making the labor market very competitive.

Interest Rates

Interest rates are a headline topic when it comes to the potential output and performance for companies within the telecom industry. The higher the interest rates, the harder it is for company to quickly build on technological advancements due to the high costs that come with building new networks and replacing aging infrastructure. Rising rates not only hurt businesses but also can have a major effect on consumer spending and demand. With higher rates, consumer spending will be lower, affecting profitability for companies. The graph below shows the inflation rates over the last 10-year period.

Federal Funds Rate 10-1-2021 to 10-1-2025



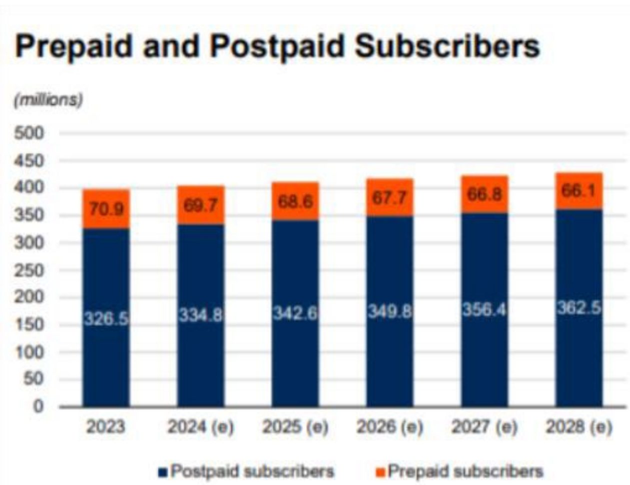
[6]

Interest rates have been relatively high for the past 4 years for a handful of reasons like high inflation rates, high borrowing costs, and lower profitability. Relating the interest rates to the communication sector, lower rates allow companies to take on more debt and increase the borrowing. Effecting specifically, companies in the telecom sector which take on large amounts of debt to expand. [7]

We forecast the Federal Reserve to decrease interest rates by an additional 50 basis points, reaching a target range of 3.25%-3.50% over the next 6 months. This forecast is based on signs of a weakening labor market, the highest unemployment rate since 2021, and political pressure from the Trump administration to ease rates. Looking further ahead, we forecast rates to decline to 2.00%-2.25% over the next 2-3 years as the Federal Reserve prioritizes the unemployment side of its dual mandate. With an easing of interest rates over the next 2-3 years we forecast companies within the communication sector to borrow more money and refinance debt as the cost of borrowing will be lower.

Consumer Confidence

Consumer confidence and demand is crucial for the telecommunications induction because they rely on subscriber growth, device upgrade, and service adoption. High confidence pushes consumers to commit to postpaid plans, upgrade, and purchase premium plans, while low confidence slows upgrades and increases sensitivity to prices. Telecom is capital intensive; steady demand helps companies keep predictable revenue streams. Below are graphs showing the difference in Prepaid vs. Postpaid subscribers in 2023 and projections for the next 4 years.



[13]

Consumer demand will continue to stay stable with little or no change, as subscriber counts will slightly increase. Equipment revenue will weaken slightly as we expect a decline in 2025. In 2025, the average data usage will slightly grow from 19 to 20.2 GB. In the next 6-12 months there is a 2.1% industry revenue growth rate expected, with a little pressure from ARPU declines and promotional activity. In the next 3-5 years U.S. consumers are expected to remain confident in maintaining digital connectivity, with wireless subscribers expected to grow by 7.8%, which is produced by the 13.5% increase in postpaid accounts. Despite steady growth, the post pad ARPU is projected to fall by 14%, reflecting the price sensitivity and restrained discretionary spending. Overall, the communication sector can expect stable usage growth, however revenue expansion will depend on certain factors. We expect consumer demand to remain steady over the next 6 months. Which is driven by the continuation of postpaid plans and rising reliance on connectivity in the country. We expect over the next couple of year the demand to grow slightly. I believe this is driven through data consumption, IoT adoption, and the reliance on communication and connectivity. However, we believe ARPU pressure will limit revenue growth without new

We expect consumer confidence will have a positive impact on the telecommunications industry with stable subscriber growth and the rise of data usage. We expect a moderate effect on internet service, as consumer engagement increases and reliance will continue to drive revenue.

Valuation

Revenue Growth

We project Verizon's total revenue to decline modestly at a CAGR of –0.27% from $134,788 million in 2024 to $132,954 million in 2029. The consumer segment will remain the backbone of operations, continuing to generate the majority of revenues. However, growth in this area is expected to stagnate due to limited new subscriber opportunities and ongoing pricing pressure from AT&T and T-Mobile.

We anticipate the pending Frontier acquisition will be approved and provide a positive long-term effect, particularly by expanding Verizon's fiber footprint. While we do not have sufficient information to fully forecast the impacts, we believe this deal could help diversify revenues and potentially bolster the business segment through enhanced broadband offerings. Overall, Verizon's revenue outlook remains stable but subdued, with consumer services carrying the largest weight and business revenues continuing to contract.

Operating Expenses

Verizon's operating expenses are expected to remain relatively steady, with announced layoffs of 15,000 employees and conversion of 200 stores to franchises already baked into our forecast. We project cost of services to rise gradually over the next five years as inflation and tariffs increase maintenance and infrastructure costs. SG&A expenses should decline slightly as a percentage of revenues due to restructuring and efficiency gains, while equipment costs are expected to continue trending downward as upgrade cycles lengthen. Overall, Verizon's expense profile will remain capital-intensive, but cost discipline should provide modest relief in the face of stagnant top-line growth.

We forecast Verizon’s net margins to stabilize around 11–12% and operating margins to hover around 20% by 2029. Margin expansion will be supported by cost efficiencies from restructuring, lower SG&A, and steady churn management. However, competitive pricing wars, particularly Verizon’s policy of matching AT&T and T-Mobile, could weigh on profitability if aggressive promotions like this continue.

Dividend yield remains a cornerstone of Verizon’s value proposition to shareholders. With a current yield near 6.7%, management has demonstrated consistent commitment to payout stability, increasing the dividend for 19 consecutive years. We expect dividends to continue growing modestly, reaching approximately $2.77 per share by 2029, reinforcing Verizon’s appeal to income-focused investors.

While monetization of 5G remains elusive, Verizon’s strong network reliability and scale should sustain margins in the near term. Longer-term profitability will hinge on successful integration of fiber assets from Frontier and the ability to differentiate enterprise offerings in a cost-sensitive market.

DCF

Our discounted cash flow and economic profit valuation model reach a fair value of **$56 per share** which implies an upside of about 36%. Our main assumptions in our DCF and EP models are a 0.5% growth of NOPLAT, a WACC of 5.31%, and a beta of 0.41 (3y weekly raw beta). We estimate a 0.5% growth of NOPLAT because of Verizon’s stagnant revenue outlook, with consumer revenues plateauing and business revenues continuing to contract. This modest growth assumption reflects the limited expansion opportunities in the U.S. wireless market, offset slightly by the potential benefits of the Frontier acquisition, which could enhance fiber penetration and diversify revenue streams.

We consider the DCF approach equally as fitting as the DDM for Verizon, as it captures the company’s ability to generate consistent cash flows despite heavy capital intensity and elevated leverage. The DCF framework better reflects Verizon’s long-term trajectory, balancing stable cash generation, disciplined payout policy, and refinancing challenges against the upside potential from fiber expansion and potential 5G monetization.

DDM

Our Dividend Discount Model (DDM) estimates a fair value of $55.56 per share, closely aligned with our DCF valuation and reinforcing our conviction in Verizon’s upside potential. The DDM is built on a cost of equity of 6.42%, a terminal EPS growth rate of 0.5%, and a terminal P/E multiple of 16.25, consistent with our valuation and assumptions used throughout the DCF and EP models. We project EPS to grow modestly from $3.66 in 2025 to $3.95 in 2029, reflecting stable earnings supported by disciplined cost management and a resilient consumer base.

We view the DDM as particularly appropriate for Verizon given its strong dividend history, with 19 consecutive annual increases and a current yield of approximately 6.7%, one of the highest among large-cap peers. The model captures the value of Verizon’s predictability in growing its dividend stream and stable core business, which remains central to its shareholder return strategy. While the company faces limited top-line growth, its commitment to sustaining and gradually increasing dividends makes the DDM a reliable valuation tool.

Together, our DCF and DDM models provide a balanced view of Verizon’s intrinsic value, with the DDM emphasizing income stability and the DCF capturing long-term cash generation. This dual-framework approach reflects Verizon’s positioning as a mature, income-oriented telecom leader with modest growth prospects and consistent shareholder returns.

Relative Valuation

We do not incorporate the relative P/E model into our valuation framework for Verizon, despite its implied fair value estimates ranging from **$35.88 to $39.76**. While peer multiples offer a quick benchmark, we find this approach inefficient and less reliable given the structural and strategic differences between Verizon and comparable firms. Companies like T-Mobile, Charter and others operate with fundamentally different growth profiles, capital structures, and reinvestment priorities, making direct P/E comparisons misleading. Moreover, the relative model fails to capture Verizon’s core strengths—namely, its stable cash flows, disciplined dividend policy, and income-oriented investor base. These characteristics are better reflected through our DCF and DDM models, which allow for firm-specific assumptions around payout sustainability, refinancing risk, and long-term fiber expansion. As such, we exclude the relative P/E model from our final valuation and rely on intrinsic methods that more accurately reflect Verizon’s positioning and shareholder value proposition.

Sensitivity Analysis

Beta vs. Equity Risk Premium

The Beta and the Equity Risk Premium (ERP) table capture market volatility and expected investor returns. Lower Beta or ERP reduces perceived risk, raising the stock's intrinsic value, while higher values increase risk and lower valuation. This demonstrates that even modest shifts in these market risk assumptions can have a noticeable effect on the valuation and highlight the importance of carefully assessing the cost of equity in DCF or other valuation models.

Beta (columns); Equity Risk Premium (rows)

57.01	0.26	0.31	0.36	0.41	0.46	0.51	0.56
4.40%	56.42	56.52	56.63	56.63	56.85	56.96	57.07
4.60%	56.44	56.56	56.67	56.67	56.90	57.01	57.12
4.80%	56.47	56.59	56.70	56.70	56.94	57.06	57.18
5.00%	56.49	56.62	56.74	56.74	56.99	57.11	57.23
5.20%	56.52	56.65	56.78	56.78	57.03	57.16	57.29
5.40%	56.54	56.68	56.81	56.81	57.08	57.21	57.34
5.60%	56.57	56.71	56.85	56.85	57.12	57.26	57.40

WACC vs. Pre-Tax Cost of Debt

The WACC and Pre-Tax Cost of debt table shows a clear gradient: as financing costs rise (moving right/up), intrinsic value declines, emphasizing the impact of capital structure and borrowing costs on valuation. This sensitivity highlights the importance of managing debt efficiently and optimizing capital costs, especially given Verizon's capital-intensive investments in network infrastructure.

WACC (columns); Pre-Tax Cost of Debt (rows)

57.01	4.85%	4.95%	5.05%	5.15%	5.25%	5.35%	5.45%
4.90%	66.79	64.23	61.79	59.45	57.20	55.05	52.99
5.10%	67.14	64.57	62.12	59.77	57.53	55.37	53.30
5.30%	67.56	64.99	62.53	60.18	57.92	55.77	53.69
5.50%	67.98	65.40	62.94	60.58	58.32	56.16	54.08
5.70%	68.40	65.82	63.35	60.99	58.72	56.55	54.47
5.90%	68.82	66.23	63.76	61.39	59.12	56.95	54.86
6.10%	69.24	66.65	64.17	61.79	59.52	57.34	55.25

Cost of Equity vs. CV Growth of NOPLAT

The Cost of Equity and CV Growth of NOPLAT table shows a clear trend, as cost of equity or operational volatility decreases, intrinsic value rises, illustrating the impact of risk and performance assumptions on valuation. This underscores the importance of accurately estimating both expected equity returns and the variability of operating profits when performing DCF or other intrinsic value models.

Cost of Equity (columns); CV Growth NOPLAT (rows)

57.01	5.87%	5.97%	6.07%	6.17%	6.27%	6.37%	6.47%
-0.80%	52.02	52.06	52.11	52.15	52.20	52.24	52.29
-0.70%	52.31	52.35	52.40	52.44	52.49	52.54	52.58
-0.60%	52.61	52.66	52.70	52.75	52.79	52.84	52.88
-0.50%	52.92	52.97	53.01	53.06	53.10	53.15	53.20
-0.40%	53.24	53.29	53.34	53.38	53.43	53.47	53.52
-0.30%	53.58	53.62	53.67	53.72	53.76	53.81	53.86
-0.20%	53.92	53.97	54.02	54.06	54.11	54.16	54.20

Marginal Tax Rates vs. Inflation

The Marginal Tax Rates and Inflation table shows a clear gradient: intrinsic value declines as tax and inflation assumptions rise. This demonstrates the importance of controlling costs and financing efficiently in a capital-intensive industry and highlights how macroeconomic variables can influence Verizon's valuation in DCF and related models.

Inflation (columns); Marginal Tax Rate (rows)

57.01	1.40%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
20.20%	60.68	60.68	60.68	60.68	60.68	60.68	60.68
21.20%	59.43	59.43	59.43	59.43	59.43	59.43	59.43
22.20%	58.22	58.22	58.22	58.22	58.22	58.22	58.22
23.20%	57.01	57.01	57.01	57.01	57.01	57.01	57.01
24.20%	55.80	55.80	55.80	55.80	55.80	55.80	55.80
25.20%	54.59	54.59	54.59	54.59	54.59	54.59	54.59
26.20%	53.38	53.38	53.38	53.38	53.38	53.38	53.38

SGA% Sales vs. Risk Free Rate

The SGA% of Sales and Risk-Free Rate table demonstrates the trends of efficient management of SG&A and a lower discount rate significantly enhance valuation. This underscores that both operational cost control and macroeconomic factors play a major role in determining Verizon's intrinsic stock value in DCF and related models.

SGA% of Slaes (columns); Risk Free Rate (rows)

57.01	21.80%	22.80%	23.80%	24.80%	25.80%	26.80%	27.80%
1.06%	69.66	64.77	59.91	55.59	51.38	47.17	42.96
2.06%	70.28	65.35	60.44	56.06	51.82	47.58	43.34
3.06%	70.90	65.92	60.97	56.54	52.27	47.99	43.72
4.06%	71.52	66.50	61.50	57.01	52.71	48.40	44.10
5.06%	72.13	67.07	62.03	57.49	53.15	48.81	44.48
6.06%	72.75	67.64	62.56	57.96	53.59	49.22	44.85
7.06%	73.36	68.22	63.08	58.43	54.03	49.63	45.23

COR% of Sales vs. A/R% of Sales

The COR% of Sales and A/R% of Sales table shows a clear gradient, which improvements in cost control and asset turnover positively impact valuation. This emphasizes the importance of managing both production costs and receivables efficiently, as small percentage changes in these operational metrics can meaningfully affect Verizon's estimated intrinsic value.

COR % Sales (columns); A/R % of Sales (rows)

57.01	76.55%	77.55%	78.55%	79.55%	80.55%	81.55%	82.55%
17.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
17.50%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
18.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
18.50%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
19.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
19.50%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
20.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07

Conclusion

In conclusion, we are recommending a **BUY** rating for Verizon. The strong combination of premium network quality, stable dividend yield, and VZ's operational scale will continue to help VZ's performance grow. VZ's strong brand recognition will continue to let them maintain their ever-steady reputation as a dividend oriented stock within a competitive telecommunications sector.

Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties with an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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Verizon Communications

Revenue Decomposition

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Consumer Segment										
Service	64,884	67,723	73,139	74,874	76,880	78,418	79,202	79,598	79,996	79,596
Growth Rate	-0.76%	4.38%	8.00%	2.37%	2.68%	2.00%	1.00%	0.50%	0.50%	-0.50%
Wireless Equipment	15,492	19,781	23,168	20,645	19,598	18,814	18,062	17,339	16,645	15,980
Growth Rate	-14.16%	27.69%	17.12%	-10.89%	-5.07%	-4.00%	-4.00%	-4.00%	-4.00%	-4.00%
Fees to recover regulatory and industry obligations	7,916	7,568	6,996	5,898	6,213	6,213	6,213	6,213	6,213	6,213
Growth Rate	7.20%	-4.40%	-7.56%	-15.69%	5.34%	0.00%	0.00%	0.00%	0.00%	0.00%
Intersegment Revenues	241	228	203	209	213	213	213	213	213	213
Growth Rate	0.42%	-5.39%	-10.96%	2.96%	1.91%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Consumer Revenues	**88,533**	**95,300**	**103,506**	**101,626**	**102,904**	**103,658**	**103,689**	**103,363**	**103,067**	**102,001**
Growth Rate	-2.77%	7.64%	8.61%	-1.82%	1.26%	0.73%	0.03%	-0.31%	-0.29%	-1.03%
Business Segment										
Enterprise and Public Sector	16,767	16,542	15,692	15,076	14,218	13,791	13,378	12,976	12,587	12,209
Growth Rate	0.18%	-1.34%	-5.14%	-3.93%	-5.69%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%
Business Markets and Other	11,112	11,751	12,753	12,697	13,081	13,473	13,878	14,155	14,438	14,655
Growth Rate	-2.93%	5.75%	8.53%	-0.44%	3.02%	3.00%	3.00%	2.00%	2.00%	1.50%
Wholesale	3,013	2,680	2,584	2,313	2,196	2,086	1,982	1,883	1,789	1,699
Growth Rate	-5.78%	-11.05%	-3.58%	-10.49%	-5.06%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
Intersegment Revenues	70	69	43	36	36	36	36	36	36	36
Growth Rate	14.75%	-1.43%	-37.68%	-16.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Business Revenues	**30,962**	**31,042**	**31,072**	**30,122**	**29,531**	**29,387**	**29,273**	**29,050**	**28,850**	**28,600**
Growth Rate	-1.53%	0.26%	0.10%	-3.06%	-1.96%	-0.49%	-0.39%	-0.76%	-0.69%	-0.87%
Corporate and Other Eliminations	**8,797**	**7,271**	**2,257**	**2,226**	**2,353**	**2,353**	**2,353**	**2,353**	**2,353**	**2,353**
Growth Rate	-6.11%	-17.35%	-68.96%	-1.37%	5.71%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Operating Revenues	**128,292**	**133,613**	**136,835**	**133,974**	**134,788**	**135,398**	**135,316**	**134,766**	**134,270**	**132,954**
Growth Rate	-2.71%	4.15%	2.41%	-2.09%	0.61%	0.45%	-0.06%	-0.41%	-0.37%	-0.98%
Key Performance Indicators										
Consumer Subscribers	94,373	115,395	114,520	114,972	115,256	116,178	117,107	117,576	118,046	118,518
Growth Rate	-0.18%	22.28%	-0.76%	0.39%	0.25%	0.80%	0.80%	0.40%	0.40%	0.40%
Revenue Per Consumer Subscriber Per Year	$ 0.94	$ 0.83	$ 0.90	$ 0.88	$ 0.89	$ 0.89	$ 0.88	$ 0.88	$ 0.87	$ 0.87
Growth Rate	-2.59%	-11.97%	9.44%	-2.20%	1.01%	-0.30%	-0.60%	-0.60%	-0.60%	-0.60%
Business Subscribers	26,507	27,411	28,733	29,779	30,819	32,052	33,334	34,667	36,054	37,496
Growth Rate	5.40%	3.41%	4.82%	3.64%	3.49%	4.00%	4.00%	4.00%	4.00%	4.00%
Revenue Per Business Subscriber Per Year	$ 1.17	$ 1.13	$ 1.08	$ 1.01	$ 0.96	$ 0.92	$ 0.87	$ 0.83	$ 0.80	$ 0.76
Growth Rate	-6.58%	-3.05%	-4.51%	-6.46%	-5.27%	-4.50%	-4.50%	-4.50%	-4.50%	-4.50%

Verizon Communications

Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Operating Revenues										
Service revenues and other	109,872	110,449	109,625	109,652	111,571	112,144	112,919	113,191	113,483	112,922
Wireless equipment revenues	18,420	23,164	27,210	24,322	23,217	23,253	22,396	21,575	20,787	20,032
Total operating revenues	**128,292**	**133,613**	**136,835**	**133,974**	**134,788**	**135,398**	**135,316**	**134,766**	**134,270**	**132,954**
Operating Expenses										
Cost of services	31,401	31,234	28,637	28,100	27,997	29,009	29,498	29,859	29,936	29,788
Wireless cost of equipment	19,800	25,067	30,496	26,787	26,100	25,939	24,983	24,067	23,188	22,346
Selling, general and administrative expense	31,573	28,658	30,136	32,745	34,113	33,579	33,558	33,422	33,299	32,973
Depreciation Expense	14,275	14,119	14,592	14,937	15,112	16,808	16,993	17,232	17,521	17,854
Amortization Expense	2,445	2,087	2,507	2,687	2,780	2,501	2,501	2,501	2,501	2,501
Verizon Business Group goodwill impairment	-	-	-	5,841	-	-	-	-	-	-
Total operating expenses	**99,494**	**101,165**	**106,368**	**111,097**	**106,102**	**107,546**	**107,534**	**107,082**	**106,446**	**105,462**
Operating income	**28,798**	**32,448**	**30,467**	**22,877**	**28,686**	**27,851**	**27,782**	**27,684**	**27,825**	**27,492**
Equity in earnings (losses) of unconsolidated businesses	(45)	145	44	(53)	(53)	31	32	34	35	36
Interest Income	65	48	146	352	336	170	210	33	(20)	13
Other Income (Expense)	(604)	264	1,227	(667)	659	-	-	-	-	-
Interest expense	(4,247)	(3,485)	(3,613)	(5,524)	(6,649)	(7,921)	(7,975)	(7,547)	(7,566)	(7,497)
Income before provision for income taxes	**23,967**	**29,420**	**28,271**	**16,987**	**22,979**	**20,132**	**20,049**	**20,203**	**20,273**	**20,045**
Provision for income taxes	(5,619)	(6,802)	(6,523)	(4,892)	(5,030)	(4,671)	(4,651)	(4,687)	(4,703)	(4,650)
Net Income	**18,348**	**22,618**	**21,748**	**12,095**	**17,949**	**15,461**	**15,397**	**15,516**	**15,570**	**15,395**
Net income attributable to noncontrolling interests	547	553	492	481	443	419	418	421	422	418
Net income attributable to Verizon	17,801	22,065	21,256	11,614	17,506	15,042	14,980	15,095	15,148	14,977
Net Income	**18,348**	**22,618**	**21,748**	**12,095**	**17,949**	**15,461**	**15,397**	**15,516**	**15,570**	**15,395**
Basic Earnings Per Common Share	**$ 4.30**	**$ 5.32**	**$ 5.06**	**$ 2.76**	**$ 4.15**	**$ 3.66**	**$ 3.65**	**$ 3.67**	**$ 3.69**	**$ 3.65**
Total Shares Outstanding	4,142	4,150	4,204	4,215	4,223	4,223	4,223	4,223	4,223	4,223
Weighted Average Shares Outstanding (in millions)	4,140	4,148	4,202	4,211	4,218	4,223	4,223	4,223	4,223	4,223
Annual Dividends per Share	$2.485	$2.535	$2.585	$2.635	$2.685	$2.725	$2.766	$2.808	$2.850	$2.893

Verizon Communications

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024
Net income (loss)	**18348**	**22618**	**21748**	**12095**	**17949**
Depreciation and amortization expense	16,720	16,206	17,099	17,624	17,892
Employee retirement benefits	840	(3,391)	(2,046)	1,205	(52)
Deferred income taxes	1,553	4,264	2,973	2,388	815
Provision for expected credit losses	1,380	789	1,611	2,214	2,338
Equity in losses / earnings of unconsolidated businesses, net of dividends received	91	36	(10)	84	75
Accounts receivable	189	(1,592)	(1,978)	(2,198)	(2,565)
Inventories	(369)	(905)	627	287	(196)
Prepaid expenses and other	1,202	150	928	(435)	(626)
Accounts payable and accrued liabilities	(966)	1,457	(33)	2,079	1,109
Other operation activities, net	2,780	(93)	(3,778)	(3,710)	173
Oath goodwill impairment	-	-	-	5,841	-
Net cash flows from investing activities	**41768**	**39539**	**37141**	**37475**	**36912**
Capital expenditures including capitalized software	(18,192)	(20,286)	(23,087)	(18,767)	(17,090)
Acquisitions of investments and businesses, net of cash acquired	(520)	(4,065)	248	(30)	-
Acquisitions of wireless licenses	(3,896)	(47,596)	(3,653)	(5,796)	(900)
Proceeds from dispositions of businesses	-	4,122	33	-	-
Other investing activities, net	(904)	672	(2,203)	1,161	(684)
Net cash flows from investing activities	**(23512)**	**(67153)**	**(28662)**	**(23432)**	**(18674)**
Proceeds from long-term borrowings	25,822	33,034	7,074	2,018	3,146
Proceeds from asset-backed long-term borrowings	5,635	8,383	10,732	6,594	12,422
Repayments of long-term borrowings and capital lease obligations	(9,775)	(14,063)	(8,616)	(6,181)	(11,854)
Repayments of asset-backed long-term borrowings	(7,413)	(4,800)	(4,948)	(4,443)	(8,490)
Dividends paid	(10,232)	(10,445)	(10,805)	(11,025)	(11,249)
Other financing activities, net	(2,712)	(3,832)	(1,966)	(1,620)	(1,075)
Net cash flows from financing activities	**1325**	**8277**	**(8529)**	**(14657)**	**(17100)**
Increase (decrease) in cash and cash equivalents	19,581	(19,337)	(50)	(614)	1,138
Cash and cash equivalents, beginning of period	3,917	23,498	4,161	4,111	3,497
Cash and cash equivalents, end of period	**23498**	**4161**	**4111**	**3497**	**4635**

Verizon Communications

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
Net Income	**15461**	**15397**	**15516**	**15570**	**15395**
adjustments:					
Depreciation & Amoritization	16808	16993	17232	17521	17854
Deferred Taxes	951	951	951	951	951
Accounts receivable, net	(118)	16	106	96	255
Inventories	(60)	174	65	(22)	12
Prepaid expenses and other	355	5	31	28	74
Accounts payable & accured liabilities	216	325	(340)	(95)	(235)
Current operating leases liabilities	48	63	76	87	98
Other current liabilities	(1793)	334	182	67	(415)
Cash Flow From Operating Activities	**31868**	**34257**	**33820**	**34203**	**33989**
Property, plant & equipment, gross	(18000)	(18540)	(19096)	(19669)	(20259)
Investments in unconsolidated business	(31)	(32)	(34)	(35)	(36)
Wireless licenses	(783)	(787)	(4745)	(815)	(819)
Other intangible assets, net	817	757	701	650	602
Operating leases right-of -use assets	(269)	(349)	(420)	(484)	(542)
Other assets	(18)	428	411	394	378
Cash From Investing Activities	**(18284)**	**(18523)**	**(23183)**	**(19959)**	**(20676)**
Long-term debt	4619	(3779)	1834	745	792
Employee bebefit ibligations	(1200)	(1080)	(972)	(875)	(787)
Other liabilities	(1206)	(11)	(74)	(66)	(176)
Deferred compensation - employee stock ownership pla	0	0	0	0	0
Noncontrolling interests	0	0	0	0	0
Puchase of common stock	0	0	0	0	0
Dividends Paid	(11452)	(11509)	(11567)	(11625)	(11683)
Debt maturing within one year	(3633)	(4000)	(1500)	(2000)	(1500)
Non-current operating leases liabilities	254	285	343	395	442
Cash From Financing Activities	**(12618)**	**(20094)**	**(11936)**	**(13425)**	**(12912)**
Change in Cash	**966**	**(4359)**	**(1299)**	**819**	**400**
Cash at the Beginning of the Year	4194	5160	801	(498)	321
Cash at the End of the Year	**5160**	**801**	**(498)**	**321**	**721**

Verizon Communications

Common Size Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Operating Revenues										
Service revenues and other	85.64%	82.66%	80.11%	81.85%	82.78%	82.83%	83.45%	83.99%	84.52%	84.93%
Wireless equipment revenues	14.36%	17.34%	19.89%	18.15%	17.22%	17.17%	16.55%	16.01%	15.48%	15.07%
Total operating revenues	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Operating Expenses										
Cost of services	24.48%	23.38%	20.93%	20.97%	20.77%	21.42%	21.80%	22.16%	22.30%	22.40%
Wireless cost of equipment	15.43%	18.76%	22.29%	19.99%	19.36%	19.16%	18.46%	17.86%	17.27%	16.81%
Selling, general and administrative expense	24.61%	21.45%	22.02%	24.44%	25.31%	24.80%	24.80%	24.80%	24.80%	24.80%
Depreciation Expense	11.13%	10.57%	10.66%	11.15%	11.21%	12.41%	12.56%	12.79%	13.05%	13.43%
Amortization Expense	1.91%	1.56%	1.83%	2.01%	2.06%	1.85%	1.85%	1.86%	1.86%	1.88%
Verizon Business Group goodwill impairment	0.00%	0.00%	0.00%	4.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating expenses	**77.55%**	**75.71%**	**77.73%**	**82.92%**	**78.72%**	**79.43%**	**79.47%**	**79.46%**	**79.28%**	**79.32%**
Operating income	**22.45%**	**24.29%**	**22.27%**	**17.08%**	**21.28%**	**20.57%**	**20.53%**	**20.54%**	**20.72%**	**20.68%**
Equity in earnings (losses) of unconsolidated businesses	-0.04%	0.11%	0.03%	-0.04%	-0.04%	0.02%	0.02%	0.02%	0.03%	0.03%
Interest Income	0.05%	0.04%	0.11%	0.26%	0.25%	0.13%	0.15%	0.02%	-0.02%	0.01%
Other Income (Expense)	-0.47%	0.20%	0.90%	-0.50%	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense	-3.31%	-2.61%	-2.64%	-4.12%	-4.93%	-5.85%	-5.89%	-5.60%	-5.63%	-5.64%
Income before provision for income taxes	**18.68%**	**22.02%**	**20.66%**	**12.68%**	**17.05%**	**14.87%**	**14.82%**	**14.99%**	**15.10%**	**15.08%**
Provision for income taxes	-4.38%	-5.09%	-4.77%	-3.65%	-3.73%	-3.45%	-3.44%	-3.48%	-3.50%	-3.50%
Net Income	**14.30%**	**16.93%**	**15.89%**	**9.03%**	**13.32%**	**11.42%**	**11.38%**	**11.51%**	**11.60%**	**11.58%**

Verizon Communications
Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and cash equivalents	22,171	2,921	2,605	2,065	4,194	5,160	801	(498)	321	721
Accounts receivable, net of allowances	23,917	23,846	24,506	25,085	26,109	26,227	26,211	26,105	26,009	25,754
Inventories	1,796	3,055	2,388	2,057	2,247	2,307	2,134	2,068	2,091	2,079
Prepaid expenses and other	6,710	6,906	8,358	7,607	7,973	7,618	7,613	7,582	7,554	7,480
Total current assets	**54,594**	**36,728**	**37,857**	**36,814**	**40,523**	**41,312**	**36,759**	**35,257**	**35,974**	**36,034**
Plant, property and equipment	94,833	99,696	107,434	108,310	108,522	109,714	111,261	113,125	115,273	117,678
Investments in unconsolidated businesses	589	1,061	1,071	953	842	873	905	939	974	1,010
Wireless licenses	96,097	147,619	149,796	155,667	156,613	157,396	158,183	162,929	163,743	164,562
Goodwill	24,773	28,603	28,671	22,843	22,841	22,841	22,841	22,841	22,841	22,841
Other intangible assets, net	9,413	11,677	11,461	11,057	11,129	10,312	9,555	8,854	8,204	7,601
Operating lease right-of-use assets	22,531	27,883	26,130	24,726	24,472	24,741	25,090	25,510	25,994	26,537
Other assets	10,879	13,329	17,260	19,885	19,769	19,787	19,359	18,948	18,554	18,176
Total non-current assets	**259,115**	**329,868**	**341,823**	**343,441**	**344,188**	**345,664**	**347,194**	**353,145**	**355,583**	**358,405**
Total assets	**316,481**	**366,596**	**379,680**	**380,255**	**384,711**	**386,976**	**383,953**	**388,402**	**391,557**	**394,439**
Debt maturing within one year	5,889	7,443	9,963	12,973	22,633	19,000	15,000	13,500	11,500	10,000
Accounts payable and accrued liabilities	20,658	24,833	23,977	23,453	23,374	23,590	23,915	23,575	23,480	23,245
Current operating lease liabilities	3,485	3,859	4,134	4,266	4,415	4,463	4,526	4,602	4,690	4,788
Other Current Liabilities	9,628	11,025	12,097	12,531	14,349	12,556	12,890	13,071	13,138	12,724
Total current liabilities	**39,660**	**47,160**	**50,171**	**53,223**	**64,771**	**59,609**	**56,331**	**54,749**	**52,808**	**50,757**
Long-term debt	123,173	143,425	140,676	137,701	121,381	126,000	122,221	124,055	124,800	125,592
Employee benefit obligations	18,657	15,410	12,974	13,189	11,997	10,797	9,718	8,746	7,871	7,084
Deferred income taxes	35,711	40,685	43,441	45,781	46,732	47,683	48,634	49,585	50,536	51,487
Non-current operating lease liabilities	18,000	23,203	21,558	20,002	19,928	20,182	20,466	20,809	21,204	21,647
Other liabilities	12,008	13,513	18,397	16,560	19,327	18,121	18,110	18,037	17,970	17,794
Total long-term liabilities	**207,549**	**236,236**	**237,046**	**233,233**	**219,365**	**222,783**	**219,150**	**221,232**	**222,382**	**223,604**
Total Liability	**247,209**	**283,396**	**287,217**	**286,456**	**284,136**	**282,392**	**275,481**	**275,981**	**275,191**	**274,361**
Common Equity	13,833	14,290	13,849	14,060	13,895	13,895	13,895	13,895	13,895	13,895
Retained Earnings	60,464	71,993	82,380	82,915	89,110	93,119	97,007	100,956	104,901	108,613
Accumulated other comprehensive income (loss)	(71)	(927)	(1,865)	(1,380)	(923)	(923)	(923)	(923)	(923)	(923)
Common stock in treasury, at cost	(6,719)	(4,104)	(4,013)	(3,821)	(3,583)	(3,583)	(3,583)	(3,583)	(3,583)	(3,583)
Deferred compensation - employee stock ownership plans and othe	335	538	793	656	738	738	738	738	738	738
Noncontrolling interests	1,430	1,410	1,319	1,369	1,338	1,338	1,338	1,338	1,338	1,338
Total equity	**69,272**	**83,200**	**92,463**	**93,799**	**100,575**	**104,584**	**108,472**	**112,421**	**116,366**	**120,078**

Verizon Communications

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Cash and cash equivalents	7.01%	0.80%	0.69%	0.54%	1.09%	1.33%	0.21%	-0.13%	0.08%	0.18%
Accounts receivable, net of allowances	7.56%	6.50%	6.45%	6.60%	6.79%	6.78%	6.83%	6.72%	6.64%	6.53%
Inventories	0.57%	0.83%	0.63%	0.54%	0.58%	0.60%	0.56%	0.53%	0.53%	0.53%
Prepaid expenses and other	2.12%	1.88%	2.20%	2.00%	2.07%	1.97%	1.98%	1.95%	1.93%	1.90%
Total current assets	**17.25%**	**10.02%**	**9.97%**	**9.68%**	**10.53%**	**10.68%**	**9.57%**	**9.08%**	**9.19%**	**9.14%**
Plant, property and equipment	29.96%	27.20%	28.30%	28.48%	28.21%	28.35%	28.98%	29.13%	29.44%	29.83%
Investments in unconsolidated businesses	0.19%	0.29%	0.28%	0.25%	0.22%	0.23%	0.24%	0.24%	0.25%	0.26%
Wireless licenses	30.36%	40.27%	39.45%	40.94%	40.71%	40.67%	41.20%	41.95%	41.82%	41.72%
Goodwill	7.83%	7.80%	7.55%	6.01%	5.94%	5.90%	5.95%	5.88%	5.83%	5.79%
Other intangible assets, net	2.97%	3.19%	3.02%	2.91%	2.89%	2.66%	2.49%	2.28%	2.10%	1.93%
Operating lease right-of-use assets	7.12%	7.61%	6.88%	6.50%	6.36%	6.39%	6.53%	6.57%	6.64%	6.73%
Other assets	3.44%	3.64%	4.55%	5.23%	5.14%	5.11%	5.04%	4.88%	4.74%	4.61%
Total non-current assets	**81.87%**	**89.98%**	**90.03%**	**90.32%**	**89.47%**	**89.32%**	**90.43%**	**90.92%**	**90.81%**	**90.86%**
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Debt maturing within one year	2.38%	2.63%	3.47%	4.53%	7.97%	6.73%	5.45%	4.89%	4.18%	3.64%
Accounts payable and accrued liabilities	8.36%	8.76%	8.35%	8.19%	8.23%	8.35%	8.68%	8.54%	8.53%	8.47%
Current operating lease liabilities	1.41%	1.36%	1.44%	1.49%	1.55%	1.58%	1.64%	1.67%	1.70%	1.74%
Other	3.89%	3.89%	4.21%	4.37%	5.05%	4.45%	4.68%	4.74%	4.77%	4.64%
Total current liabilities	**16.04%**	**16.64%**	**17.47%**	**18.58%**	**22.80%**	**21.11%**	**20.45%**	**19.84%**	**19.19%**	**18.50%**
Long-term debt	49.83%	50.61%	48.98%	48.07%	42.72%	44.62%	44.37%	44.95%	45.35%	45.78%
Employee benefit obligations	7.55%	5.44%	4.52%	4.60%	4.22%	3.82%	3.53%	3.17%	2.86%	2.58%
Deferred income taxes	14.45%	14.36%	15.12%	15.98%	16.45%	16.89%	17.65%	17.97%	18.36%	18.77%
Non-current operating lease liabilities	7.28%	8.19%	7.51%	6.98%	7.01%	7.15%	7.43%	7.54%	7.71%	7.89%
Other liabilities	4.86%	4.77%	6.41%	5.78%	6.80%	6.42%	6.57%	6.54%	6.53%	6.49%
Total long-term liabilities	**83.96%**	**83.36%**	**82.53%**	**81.42%**	**77.20%**	**78.89%**	**79.55%**	**80.16%**	**80.81%**	**81.50%**
Total Liability	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Common Equity	19.97%	17.18%	14.98%	14.99%	13.82%	13.29%	12.81%	12.36%	11.94%	11.57%
Reinvested earnings / accumulated deficit	87.28%	86.53%	89.10%	88.40%	88.60%	89.04%	89.43%	89.80%	90.15%	90.45%
Accumulated other comprehensive income / loss	-0.10%	-1.11%	-2.02%	-1.47%	-0.92%	-0.88%	-0.85%	-0.82%	-0.79%	-0.77%
Common stock in treasury, at cost	-9.70%	-4.93%	-4.34%	-4.07%	-3.56%	-3.43%	-3.30%	-3.19%	-3.08%	-2.98%
Deferred compensation - employee stock ownership plans and other	0.48%	0.65%	0.86%	0.70%	0.73%	0.71%	0.68%	0.66%	0.63%	0.61%
Noncontrolling interests	2.06%	1.69%	1.43%	1.46%	1.33%	1.28%	1.23%	1.19%	1.15%	1.11%
Total equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Verizon Communications

Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Total Operating Revenues	128,292	133,613	136,835	133,974	134,788	135,398	135,316	134,766	134,270	132,954
-Cost of Services	(31,401)	(31,234)	(28,637)	(28,100)	(27,997)	(29,009)	(29,498)	(29,859)	(29,936)	(29,788)
-Wireless Cost of Equipment	(19,800)	(25,067)	(30,496)	(26,787)	(26,100)	(25,939)	(24,983)	(24,067)	(23,188)	(22,346)
-Selling General and Administrative E	(31,573)	(28,658)	(30,136)	(32,745)	(34,113)	(33,579)	(33,558)	(33,422)	(33,299)	(32,973)
-Depreciation Expense	(14,275)	(14,119)	(14,592)	(14,937)	(15,112)	(16,808)	(16,993)	(17,232)	(17,521)	(17,854)
-Amortization Expense	(2,445)	(2,087)	(2,507)	(2,687)	(2,780)	(2,501)	(2,501)	(2,501)	(2,501)	(2,501)
+Implied Interest on Operating Lease	1,248	1,239	1,534	1,437	1,360	1,346	1,361	1,380	1,403	1,430
EBITA	**30,046**	**33,687**	**32,001**	**30,155**	**30,046**	**28,908**	**29,142**	**29,064**	**29,228**	**28,922**
Provision for income taxes	5,619	6,802	6,523	4,892	5,030	4,671	4,651	4,687	4,703	4,650
+Tax Shield on Goodwill Impairment	-	-	-	1,449	-	-	-	-	-	-
+Tax Shield on Interest Expense	1,024	847	885	1,370	1,543	1,838	1,850	1,751	1,755	1,739
-Tax Shield on Interest Income	(16)	(12)	(36)	(87)	(78)	(40)	(49)	(8)	5	(3)
+/-Tax Shield on Equity in earnings (l	11	(35)	(11)	13	12	(7)	(7)	(8)	(8)	(8)
+/- Tax Shield on other Income (Expe	146	(64)	(301)	165	(153)	-	-	-	-	-
+Tax Shield on Operating Leases	301	301	376	356	316	312	316	320	326	332
Total Adjusted Taxes	**7,084**	**7,839**	**7,437**	**8,158**	**6,670**	**6,774**	**6,761**	**6,743**	**6,781**	**6,710**
Plus: Change in Deferred Taxes	1,008	4,974	2,756	2,340	951	951	951	951	951	951
NOPLAT	**23,970**	**30,822**	**27,320**	**24,337**	**24,327**	**23,085**	**23,332**	**23,272**	**23,398**	**23,163**
Operating Current Assets										
Normal/Actual Cash	2,566	2,672	2,605	2,065	2,696	2,708	801	(498)	321	721
Accounts receivable, net of allowanc	23,917	23,846	24,506	25,085	26,109	26,227	26,211	26,105	26,009	25,754
Inventories	1,796	3,055	2,388	2,057	2,247	2,307	2,134	2,068	2,091	2,079
Prepaid expenses and other	6,710	6,906	8,358	7,607	7,973	7,618	7,613	7,582	7,554	7,480
Total Operating Current Assets	**34,989**	**36,479**	**37,857**	**36,814**	**39,025**	**38,860**	**36,759**	**35,257**	**35,974**	**36,034**
Operating Current Liabilities										
Accounts payable and accrued liabili	20,658	24,833	23,977	23,453	23,374	23,590	23,915	23,575	23,480	23,245
Other Current Liabilities	9,628	11,025	12,097	12,531	14,349	12,556	12,890	13,071	13,138	12,724
Total Operating Current Libailities	**30,286**	**35,858**	**36,074**	**35,984**	**37,723**	**36,145**	**36,804**	**36,646**	**36,619**	**35,969**
Net Operating Working Capital	**4,703**	**621**	**1,783**	**830**	**1,302**	**2,715**	**(46)**	**(1,389)**	**(644)**	**64**
Operating Long Term Assets										
Net PPE	94,833	99,696	107,434	108,310	108,522	109,714	111,261	113,125	115,273	117,678
Wireless Liscenses	96,097	147,619	149,796	155,667	156,613	157,396	158,183	162,929	163,743	164,562
Other intangible assets, net	9,413	11,677	11,461	11,057	11,129	10,312	9,555	8,854	8,204	7,601
Operating lease right-of-use assets	22,531	27,883	26,130	24,726	24,472	24,741	25,090	25,510	25,994	26,537
Other assets	10,879	13,329	17,260	19,885	19,769	19,787	19,359	18,948	18,554	18,176
Total Operating Long Term Assets	**233,753**	**300,204**	**312,081**	**319,645**	**320,505**	**321,950**	**323,447**	**329,365**	**331,768**	**334,555**
Invested Capital	**238,456**	**300,825**	**313,864**	**320,475**	**321,807**	**324,664**	**323,402**	**327,975**	**331,124**	**334,619**
Free Cash Flow (FCF):										
NOPLAT	23,970	30,822	27,320	24,337	24,327	23,085	23,332	23,272	23,398	23,163
Change in IC	2,462	62,369	13,039	6,611	1,332	2,858	(1,263)	4,574	3,148	3,495
FCF	**21,508**	**(31,547)**	**14,281**	**17,726**	**22,996**	**20,227**	**24,595**	**18,699**	**20,249**	**19,668**
Return on Invested Capital (ROIC):										
NOPLAT	23970	30822	27320	24337	24327	23085	23332	23272	23398	23163
Beginning IC	$ 235,993	$ 238,456	$ 300,825	$ 313,864	$ 320,475	$ 321,807	$ 324,664	$ 323,402	$ 327,975	$ 331,124
ROIC	**10.16%**	**12.93%**	**9.08%**	**7.75%**	**7.59%**	**7.17%**	**7.19%**	**7.20%**	**7.13%**	**7.00%**
Economic Profit (EP):										
Beginning IC	235,993	238,456	300,825	313,864	320,475	321,807	324,664	323,402	327,975	331,124
x (ROIC - WACC)	4.85%	7.62%	3.77%	2.44%	2.28%	1.86%	1.88%	1.89%	1.82%	1.69%
EP	**$ 11,439**	**$ 18,160**	**$ 11,346**	**$ 7,671**	**$ 7,310**	**$ 5,997**	**$ 6,093**	**$ 6,100**	**$ 5,982**	**$ 5,581**

Verizon Communications

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.06%	*10-year Tresaury Bond as of 10/28/2025*
Beta	0.41	*3y Weekly Raw Beta*
Equity Risk Premium	5.75%	Bloomberg
Cost of Equity	**6.42%**	
Cost of Debt:		
Risk-Free Rate	4.06%	*10-year Tresaury Bond as of 10/28/2025*
Implied Default Premium	1.44%	
Pre-Tax Cost of Debt	5.50%	*YTM on VZ 30-Year Corporate Bond*
Marginal Tax Rate	23.20%	*2024 Marginal Tax Rate*
After-Tax Cost of Debt	**4.22%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	4,223	
Current Stock Price	$39.23	
MV of Equity	**165,668.29**	49.60%
Market Value of Debt:		
Short-Term Debt	22,633	
Long-Term Debt	121,381	
PV of Operating Leases	24,343	
MV of Total Debt	**168,357.00**	50.40%
Market Value of the Firm	**334,025.29**	100.00%

Estimated WACC	**5.31%**

Verizon Communications

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	0.50%
CV Year ROIC	7.00%
WACC	5.31%
Cost of Equity	6.42%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E
DCF Model:					
Free Cash Flow (FCF)	20227	24595	18699	20249	19668
Continuing Value (CV)					447144
PV of FCF	19207	22177	16010	16464	363554
Value of Operating Assets:	437413				
Non-Operating Adjustments					
Excess Cash	1498				
Investments in unconsolidated businesses	842				
Debt					
Short Term Debt	22633				
Long Term Debt	121381				
Leases					
PV of Operating Leases	24343				
Other Liabilities (Lease to Vertical Bridge REIT)	17141				
Other Claims					
Employee Benefit Obligations	11997				
Non Controlling Interest	1338				
Value of Equity	**240920**				
Shares Outstanding	**4223**				
Intrinsic Value of Last FYE	$ 57.05				
Implied Price as of Today	**$ 57.01**				
EP Model:					
Economic Profit (EP)	5997.1	6092.7	6099.8	5982.3	5580.5
Continuing Value (CV)					116019.7
PV of EP	5694.7	5493.8	5222.8	4863.9	94330.7
Total PV of EP	115606				
Invested Capital (last FYE)	321807				
Value of Operating Assets:	437413				
Non-Operating Adjustments					
Excess Cash	1498				
Investments in unconsolidated businesses	842				
Debt					
Long-term debt	121381				
Short Term Debt	22633				
Leases					
PV of Operating Leases	24343				
Other Liabilities (Lease to Vertical Bridge REIT)	17141				
Other Claims					
Employee Benefit Obligations	11997				
Non Controlling Interest	1338				
Value of Equity	**240920**				
Shares Outstanding	**4223**				
Intrinsic Value of Last FYE	$ 57.05				
Implied Price as of Today	**$ 57.01**				

Verizon Communications

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E
EPS	$ 3.66	$ 3.65	$ 3.67	$ 3.69	$ 3.65
Key Assumptions					
CV growth of EPS	0.50%				
CV Year ROE	13.02%				
Cost of Equity	6.42%				
Future Cash Flows					
P/E Multiple (CV Year)					16.25
EPS (CV Year)					$ 3.65
Future Stock Price					$ 59.24
Dividends Per Share	$ 2.71	$ 2.73	$ 2.74	$ 2.75	$ 2.77
Discounted Cash Flows	$ 2.55	$ 2.41	$ 2.27	$ 2.15	$ 46.19
Intrinsic Value as of Last FYE	$ 55.56				
Implied Price as of Today	**$ 55.53**				

Verizon Communications

Relative Valuation Models

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	EV	EBITDA	EV EBITDA
T	AT&T Inc.	$24.50	$2.06	$2.25	11.89	10.89	307150	44300	6.93
TMUS	T-Mobile US, INC	$203.20	$10.56	$11.65	19.24	17.44	359000	32560	11.03
CMCSA	Comcast Corporation	$26.82	$4.39	$4.60	6.11	5.83	234700	38030	6.17
CHTR	Charter Communications	$222.20	$35.90	$42.69	6.19	5.20	144250	22090	6.53
				Average	10.86	9.84			7.67
VZ	Verizon Communications	$41.38	$ 3.66	$ 3.65	11.3	11.3	329831	50190	6.57

Implied Relative Value:

P/E (EPS25)	$ 39.76
P/E (EPS26)	$ 35.88
P/E (Average)	**$ 37.82**
EV/EBITDA	$ 50.37

Verizon Communications

Sensitivity Tables

Beta

Equity Risk Premium

57.01	0.26	0.31	0.36	0.41	0.46	0.51	0.56
4.40%	56.42	56.52	56.63	56.63	56.85	56.96	57.07
4.60%	56.44	56.56	56.67	56.67	56.90	57.01	57.12
4.80%	56.47	56.59	56.70	56.70	56.94	57.06	57.18
5.00%	56.49	56.62	56.74	56.74	56.99	57.11	57.23
5.20%	56.52	56.65	56.78	56.78	57.03	57.16	57.29
5.40%	56.54	56.68	56.81	56.81	57.08	57.21	57.34
5.60%	56.57	56.71	56.85	56.85	57.12	57.26	57.40

Inflation

Marginal Tax Rate

57.01	1.40%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
20.20%	60.68	60.68	60.68	60.68	60.68	60.68	60.68
21.20%	59.43	59.43	59.43	59.43	59.43	59.43	59.43
22.20%	58.22	58.22	58.22	58.22	58.22	58.22	58.22
23.20%	57.01	57.01	57.01	57.01	57.01	57.01	57.01
24.20%	55.80	55.80	55.80	55.80	55.80	55.80	55.80
25.20%	54.59	54.59	54.59	54.59	54.59	54.59	54.59
26.20%	53.38	53.38	53.38	53.38	53.38	53.38	53.38

WACC

Pre-Tax Cost of Debt

57.01	4.85%	4.95%	5.05%	5.15%	5.25%	5.35%	5.45%
4.90%	66.79	64.23	61.79	59.45	57.20	55.05	52.99
5.10%	67.14	64.57	62.12	59.77	57.53	55.37	53.30
5.30%	67.56	64.99	62.53	60.18	57.92	55.77	53.69
5.50%	67.98	65.40	62.94	60.58	58.32	56.16	54.08
5.70%	68.40	65.82	63.35	60.99	58.72	56.55	54.47
5.90%	68.82	66.23	63.76	61.39	59.12	56.95	54.86
6.10%	69.24	66.65	64.17	61.79	59.52	57.34	55.25

SGA% of Slaes

Risk Free Rate

57.01	21.80%	22.80%	23.80%	24.80%	25.80%	26.80%	27.80%
1.06%	69.66	64.77	59.91	55.59	51.38	47.17	42.96
2.06%	70.28	65.35	60.44	56.06	51.82	47.58	43.34
3.06%	70.90	65.92	60.97	56.54	52.27	47.99	43.72
4.06%	71.52	66.50	61.50	57.01	52.71	48.40	44.10
5.06%	72.13	67.07	62.03	57.49	53.15	48.81	44.48
6.06%	72.75	67.64	62.56	57.96	53.59	49.22	44.85
7.06%	73.36	68.22	63.08	58.43	54.03	49.63	45.23

Cost of Equity

CV Growth NOPLAT

57.01	5.87%	5.97%	6.07%	6.17%	6.27%	6.37%	6.47%
-0.80%	52.02	52.06	52.11	52.15	52.20	52.24	52.29
-0.70%	52.31	52.35	52.40	52.44	52.49	52.54	52.58
-0.60%	52.61	52.66	52.70	52.75	52.79	52.84	52.88
-0.50%	52.92	52.97	53.01	53.06	53.10	53.15	53.20
-0.40%	53.24	53.29	53.34	53.38	53.43	53.47	53.52
-0.30%	53.58	53.62	53.67	53.72	53.76	53.81	53.86
-0.20%	53.92	53.97	54.02	54.06	54.11	54.16	54.20

COR % Sales

A/R % of Sales

57.01	76.55%	77.55%	78.55%	79.55%	80.55%	81.55%	82.55%
17.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
17.50%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
18.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
18.50%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
19.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
19.50%	56.26	56.38	56.72	57.05	57.39	57.73	58.07
20.00%	56.26	56.38	56.72	57.05	57.39	57.73	58.07