

## The Krause Fund

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# Verizon Communications (VZ)

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Communication Services – Telecommunications Service Industry

Stock Rating

BUY/HOLD

### Investment Thesis

We give Verizon Communications Inc. (VZ) a **BUY** rating with a price target range of **\$50.35-53.66**, implying 9-16% upside from the current share price of \$45.98. Verizon has made consistent efforts to improve shareholder value, such as new initiatives to increase their subscriber monetization, consistent and increasing dividend yields, and the expansion of their FWA and Fios networks. Our DCF model yields a price of \$53.66, and our peer relative valuation yields \$50.33, both above the current stock price of \$45.98.

### Drivers of Thesis

**Wireless Subscriber Monetization:** VZ has adopted a new approach to subscriber monetization, focusing on bundling a customer's wireless, home internet, and streaming services into one plan. The primary driver of this is Average Revenue Per User (ARPU), which we forecast to increase by ~1% year over year. Given VZ's high fixed-cost structure, any growth in this area flows directly to EBITDA.

**Dividends:** VZ has a history of over 20 years of dividend increases, sitting at around 6.1% yield as of 2025. Providing investors with consistent income and downside protection is an attractive feature of the security.

**Fixed Wireless Access and Fios Expansion:** VZ has begun deploying its 5G network to provide home internet to customers and expanding its fiber network. With 5.1 million subscribers in 2025, this figure is expected to increase to roughly 8 million in 2028 in the coming years. This service allows VZ to utilize their infrastructure to generate more revenue with minimal additional costs, increasing ARPU.

### Risks to Thesis

**U.S. Market Saturation:** The saturated U.S market will make it difficult for VZ to add new connections, meaning carriers must compete for each other's customers rather than acquire new ones. This incentivizes carriers to slash prices, threatening the growth of Average Revenue per Connection.

**Competitive Pressure:** T-Mobile has invested heavily in network infrastructure, closing the gap in network quality while undercutting Verizon on price. This makes it difficult for VZ, as they must choose between lowering prices or accepting churn.

**Leverage Risk:** Verizon enters 2026 carrying ~\$139 billion in long term debt and will add around ~\$10 billion more after acquiring Frontier in January. With interest expenses forecasted to rise in the coming years, this leverage could lower VZ's free-cash-flow, threatening dividend yield.

### Target Price

\$50.35-53.66

Krause Fund DCF

\$53.66

Economic Profit

\$53.66

Relative Multiple P/E

\$50.35

### Price Data

Current Price

\$45.98

52wk Range

\$38.39 - \$51.68

Consensus 1yr Target

\$51.58

### Key Statistics

Market Cap (B)

\$193.93

Shares Outstanding (M)

4,252.76

Institutional Ownership

63%

Beta

0.49

Dividend Yield

6.12%

Est. 5yr Growth

2.75%

Price/Earnings (TTM)

11.33

Price/Earnings (FY1)

9.41

Price/Sales (TTM)

1.42

Price/Book (mrq)

1.85

### Profitability

Operating Margin

20.99%

Profit Margin

12.43%

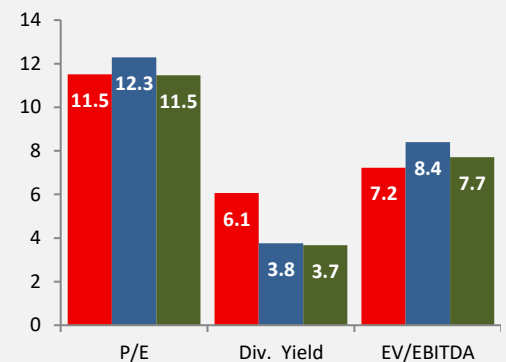
Return on Assets

5.01%

Return on Equity

17.07%

■ VZ ■ Industry ■ Peer Group



### Earnings Estimates

Year	2023	2024	2025	2026E	2027E	2028E
EPS	\$2.75	\$4.14	\$4.06	\$4.10	\$4.20	\$4.34
Cons. Est.				\$4.79	\$5.17	\$5.60
Growth		50.55%	-1.93%	1.03%	2.49%	3.22%

### 12 Month Performance vs S&P 500 [9]



VZ: 13.63% S&P 500: 34.99%

Important disclosures appear on the last page of this report.

## COMPANY DESCRIPTION

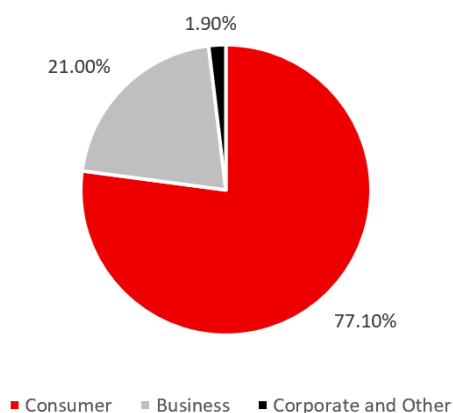
Verizon Communications Inc. (VZ) is a global leader in communications, technology, and information services providing coverage for consumers and businesses around the world. They offer a wide range of telecommunications services such as 4G, 5G, LTE, FWA, Fiber Optics, IoT, and advanced corporate solutions.

Through continuous and heavy investment in their network infrastructure, Verizon boasts the most expansive and reliable network in the United States. Their customer-centric approach involves bundling services such as streaming, mobile, and home internet services to retain customers in their ecosystem. This network infrastructure and approach have allowed them to build a loyal and growing customer base, providing them with strong and consistent revenues which are primarily generated through high-margin monthly subscription fees. VZ aims to continue to invest in their 5G infrastructure to remain an industry leader.

Verizon has long been regarded as a reliable, dividend-paying stock. The company has consistently grown its dividend over the years, which is supported by the stable cash-flows generated from its wireless business. At a 6.12% dividend yield, VZ offers one of the higher dividend yields among S&P 500 companies, reflecting its commitment to dividend growth and underscoring management's confidence in sustaining its free cash flow.

Verizon's revenues are divided into two primary segments: Consumer and Business.

VZ Revenue by Segment FY2025



## Consumer Segment

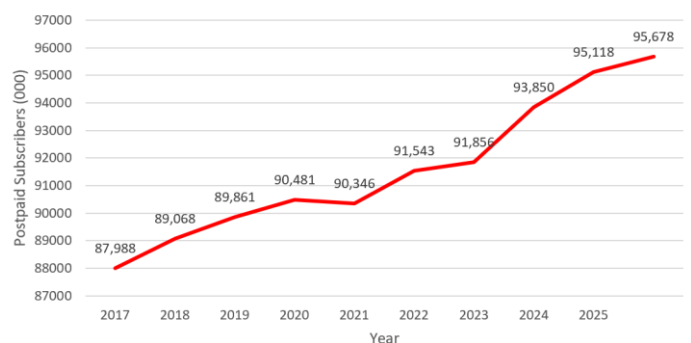
The consumer segment is the primary driver of Verizon's revenues, making up 77.1% of total revenue, or \$106.8 billion [2]. The segment generates revenue through two primary categories: wireless services, wireless equipment. The consumer segment also generates revenue through Verizon Fios, their high-speed fiber optic network, that we project to grow by around 0.5% per year over the next ten years.

### Wireless Services

Verizon's wireless services revenues are comprised of two different types of customers and payment structures. Prepaid customers pay at the beginning of the month with no credit check, and they can cancel at any time. These customers pay a lower monthly fee resulting in lower average revenue per account. As of 2025, VZ has around 20 million prepaid subscribers, around 17% of their total subscriber base [2]. Their prepaid customer base has declined by around 3 million since 2021, after the acquisition of TracPhone that year added 20 million customers [2]. We project this figure to decline by around 1% per year over the next ten years as Verizon attempts to migrate these customers to postpaid subscriptions and the effects of the TracPhone acquisition wear off.

Postpaid customers, who pay at the end of the billing cycle following a credit check, represent Verizon's 'high-quality revenue' stream. Making up 83% of subscribers (95.5 million total) [2], these customers exhibit low churn, high-margins, and are often tied to 3-year device financing agreements, which ensure predictable and consistent cash flows. This segment is Verizon's primary revenue driver, and the most important for forecasting their future revenues.

Postpaid Subscriber Growth 2016-2025

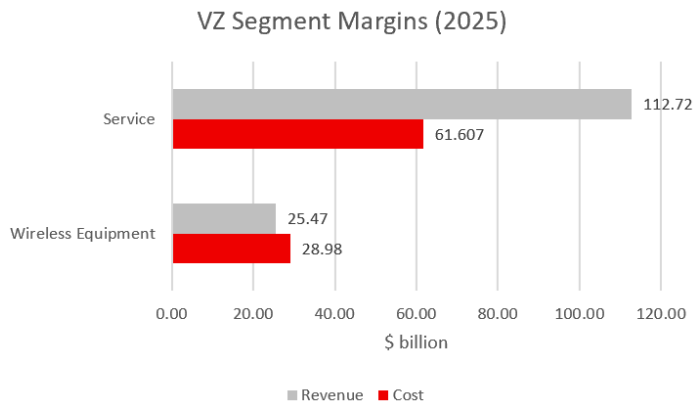


As shown by the chart above, Verizon's postpaid subscriber base has steadily grown over the last ten years.

Based on this fact, we can reasonably assume that VZ’s postpaid connections will continue to grow at around 1-2% per year over the next ten years. This growth will be driven by continued demand for premium connectivity and Verizon’s ability to retain its existing base through price-lock guarantees and customizable service plans. Postpaid connections also include Fixed Wireless Access (FWA), which was launched by VZ in 2018 and allows Verizon to leverage its high-speed 5G network to power home internet services. Verizon expects this portion of postpaid connections to grow from 5 million in 2025 to 8-9 million in 2028. The expansion of this segment is critical for sustainable postpaid subscriber growth and helps increase ARPU due to minimal costs associated with FWA. However, growth will remain modest in other subsegments of postpaid connections given the saturation of the U.S wireless market. Intense competition from T-Mobile and AT&T will also make it difficult for Verizon to acquire new postpaid connections or poach them from competitors.

### Wireless Equipment

While wireless service revenue provides Verizon with high-margin annuities, wireless equipment revenue is the primary driver of customer acquisition and retention. Through the sale of smartphones, tablets, and wearables, this subset of the consumer segment generated \$25.47 billion (18.4%) in 2025 [2].



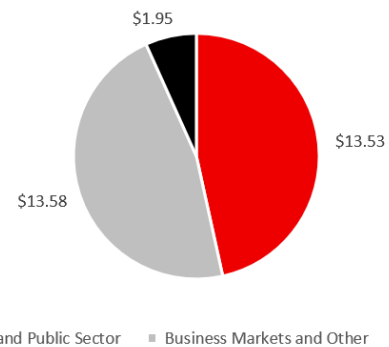
As illustrated by the chart above, this segment is very low margin, as Verizon utilizes many discounts and promotions to motivate customers to commit to long-term device financing agreements. This revenue stream has grown around 9.5% year over year, as customers transition to higher quality, more expensive 5G devices. We project this segment to grow at a modest 1.5% per year over the next

ten years, due to the increasing lifespan of new cell phone technology which lowers upgrade rates.

### Business Segment

Verizon’s Business segment serves a diverse portfolio of companies including Small & Medium Businesses, Global Enterprise, Public Sector, and Wholesale, generating \$29.07 billion in 2025, accounting for 21% of revenue [2]. The following chart shows a breakdown of how each subsegment contributes to Verizon’s business revenues.

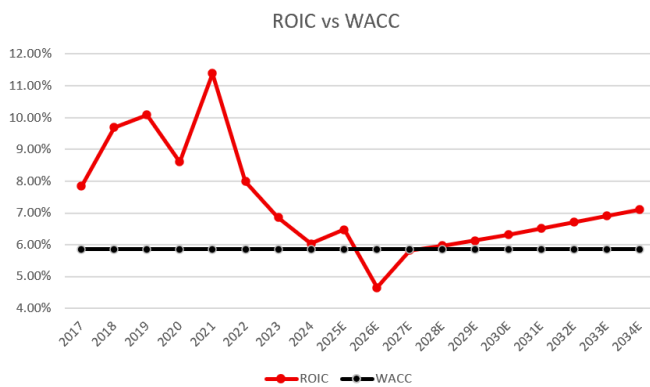
Business Revenues by Segment in Billions (2025)



After a prolonged decline driven by the erosion of legacy wireline services, we project this segment to shift towards a modest growth of ~1% annually. This recovery can be attributed to three factors, the migration of high-cost wireline services to 5G solutions, the expansion of Verizon’s fiber network through the Frontier acquisition, and advanced, enterprise-specific solutions such as services for businesses using AI and cloud platforms. These initiatives are expected to help improve margins by eliminating high-cost wireline infrastructure which will improve revenues in the long run.

### ROIC & Value Creation Analysis

Fundamentally, Verizon is a high-margin, low-turnover business. Their historical NOPAT margins remain strong at around 14-15%, underscoring Verizon’s ability to maintain premium pricing while also retaining their customer base.



As illustrated in the figure above, from 2021-2022 there is a sharp decline in VZ’s ROIC, from 11.39% to 7.99%. This decline was driven by a massive \$53 billion investment into 5G infrastructure and rollout, and NOPLAT did not grow fast enough to offset this investment. The decline from 6.48% in 2025 to 4.7% in 2026E reflects a transitional phase for VZ as legacy wireline services are replaced with 5G. This figure, however, conservatively excludes Verizon’s targeted \$5 billion in OpEx savings [7], representing potential upside for this number. Looking forward, we predict ROIC will slowly start to recover towards the value creation threshold, increasing from 4.7% in 2026 to 7.15% in 2034. Based on our estimated WACC of 5.94%, Verizon will be slightly destroying value in the near term; however, it is expected to cross the value creation threshold as 5G infrastructure investments begin generating returns.

## Cost Structure Analysis

Verizon’s cost structure assumptions in the model are consistent with its historical performance and industry peers, reflecting the company’s position as a mature, capital-intensive telecom operator with limited flexibility for large growth. Operating expenses are forecasted to remain relatively stable, fluctuating between \$106B and 108B between 2025FY and 2028FY. This is largely in line as a percentage of sales and reflects the reality that Verizon’s cost structure is largely fixed, driven by network maintenance, spectrum amortization, and customer retention costs limiting significant operating leverage. Overall, the forecast implies that Verizon’s margins will remain stable rather than expanding, with no significant gross or operating margin fluctuation over the projection period. This reflects a business model where operating

leverage is muted due to low growth, high fixed costs, and continuous reinvestment requirements.

## Invested Capital Analysis

Verizon’s invested capital is primarily driven by fixed and intangible capital, while working capital plays a minimal role and is often a net source of funding. Working capital is relatively low and frequently negative, as large balances in accounts payable and accrued liabilities exceed operating current assets such as receivables and inventory. For example, current assets in 2025 were approximately \$40 Billion while current liabilities were approximately \$43 Billion. This may be reflected by the subscription-based nature of the business, where customer payments and supplier financing reduce the need for internal working capital investment.

In contrast, Verizon is highly fixed capital-intensive with approximately \$143 Billion in 2025. This comes from significant investments in property, plant, and equipment and leased infrastructure required to maintain and expand its wireless and broadband networks. These assets form the physical backbone of Verizon’s operations and require continuous capital expenditures.

Additionally, Verizon is heavily intangible capital-driven with approximately \$190 Billion in 2025. This may be primarily due to its substantial investment in wireless spectrum licenses. These licenses are essential resources acquired through government auctions and function as a critical input for permitting the use of specific radio frequency bands for wireless communication.

## MARKETS AND COMPETITION

### Market Overview

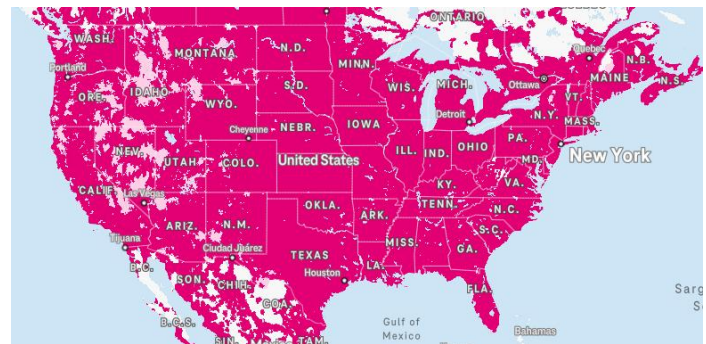
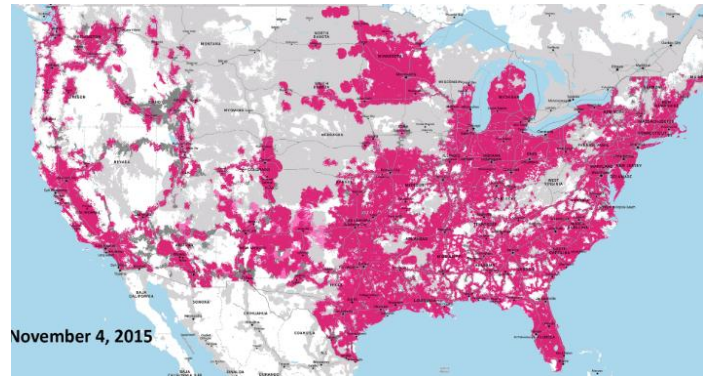
Since the telecom industry has almost fully matured, companies are moving away from aggressive infrastructure investment and focusing on effectively monetizing their services and retaining customers while converting them to higher margin plans with bundled services. Telecom itself has a high barrier to entry due to infrastructure costs, which means major players such as Verizon, AT&T, and T-Mobile have oligarchical control of the industry, with each differentiating themselves in their own way.

The U.S. wireless market is an oligopoly dominated by 3 major players: Verizon, T-Mobile, and AT&T. These carriers control ~95% of the postpaid wireless market. Within this structure, Verizon positions itself as the premium carrier, relying on network quality and reliability rather than price. Alternatively, T-Mobile differentiates through their pricing, with monthly subscription costs coming in consistently lower than VZ. As T-Mobile continues to close the network quality gap while keeping prices down, they are proving to be a threat to Verizon’s market share. AT&T sits right between these two companies but employs a similar strategy to Verizon. This industry is in the late-maturity stage, as cell phones have become a necessity within society. This directly impacts our revenue forecast of ~1% annual growth of ARPU, as Verizon must look to increase revenues outside of the growth of their subscriber base.

After these industry giants raced to develop their 5G infrastructure, their focus has now shifted to effective pricing and customer retention. They are beginning to invest in fiber infrastructure, such as Verizon acquiring Frontier for \$20 billion [6], to encourage their customers to bundle their wireless, home internet, and streaming services. Since the market is mostly saturated (nearly everyone has a phone), this is a strategy for companies to increase prices and margins in a justified way. This strategy also helps reduce churn, as Verizon sees a 40% reduction in churn with customers who bundle multiple services versus those who only have a phone line [1]. This new trend could prove to be an advantage for Verizon, as their reliable network and premium pricing put them in a position to profit.

### Competition With T-Mobile

T-Mobile represents the most significant threat to Verizon’s postpaid business and to our ARPU forecast. Following its \$26 billion merger with Sprint in 2020, T-Mobile began aggressive investment in their network infrastructure and has effectively closed the quality gap with Verizon.



[8]

As shown in the maps above, T-Mobile has had unprecedented growth in their coverage over the last 10 years. Along with this, they added approximately 13 million postpaid connections in 2025, showing their ability to grow their subscriber base across all segments, including the premium tier that has been historically dominated by Verizon. This sustained growth is disruptive to VZ’s business model, combining premium network quality with below-market pricing which forces VZ to choose between lowering prices and compressing margins, or accepting higher churn levels. As shown in our model, Verizon has chosen the latter, prioritizing ARPU growth over sales volume. The risk to this strategy is that as T-Mobile’s network expands and the gap in quality shrinks, Verizon’s premium pricing becomes increasingly difficult to defend.

### Thesis and Forecast Implications

The industry dynamics described above directly shape the assumptions of our model and reinforce our BUY/HOLD recommendation. In a market where infrastructure investments are slowing and customer retention becomes

increasingly important; we believe Verizon is positioned well to thrive in the next era of the telecom industry.

Central to this theory is our projected ARPU growth of ~1% per year. We believe that Verizon’s subscriber monetization strategies, such as bundling, will allow them to gradually upsell their customer base through wireless, fiber, streaming, and FWA offerings. The Frontier acquisition has accelerated this strategy by expanding Verizon’s fiber footprint, and FWA’s projected 3-4 million subscriber growth by 2028 provide the resources and growth in customer base needed to sustain this ARPU increase.

On the cost side, the maturation of the industry supports our assumption of decreased SG&A costs. We forecast SG&A to improve from ~24.5% of revenue in 2025 to ~23.4% of revenue in 2026. This modest improvement is driven by further saturation and maturation of the industry, which will slow down promotional costs and device subsidies. Also, Verizon’s targeted \$5 billion reduction in OpEx spending represents additional upside to this figure that is not included in our model.

The primary risk to our model is T-Mobile’s competitive aggression. If they can continue to increase their share in the postpaid market while maintaining lower prices, the ARPU assumption could stall as Verizon adjusts their prices to compete. This is the most important factor to monitor and reflects our conservative valuation of \$53.26. Overall, the industry structure supports the view that Verizon is a durable business, generates consistent cash flows, and is trading below intrinsic value. This makes for an attractive defensive opportunity for investors.

## Peer Comparison

In the highly saturated U.S. wireless communications market, firms gain a competitive advantage by maintaining premium pricing while optimizing massive capital investments. The following table shows a comparison between Verizon, AT&T, and T-Mobile.

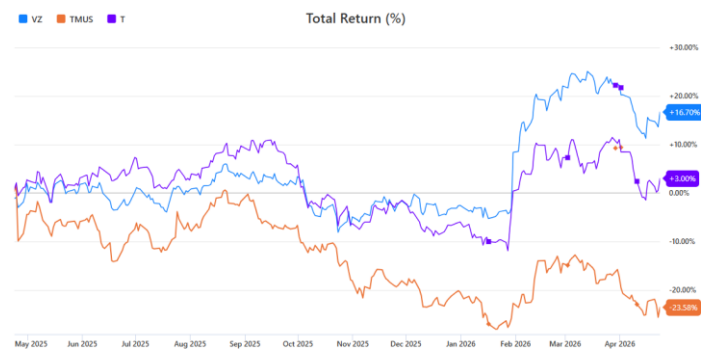
Metric	Verizon	AT&T	T-Mobile
Gross Margin	45.64	42.93	47.74
Operating Margin	22.75	20.39	21.23
ROIC	6.82	8.84	6.49
P/E	11.45	8.63	20.42
Net Postpaid Adds 2025 (000)	728	1,679	7,798

## Data Sourced from FactSet and company 10-K reports

Verizon sits competitively in the middle of its peer group across most key metrics. On gross margin, VZ trails T-Mobile by ~2%, but comfortably leads AT&T by ~3%, but the more telling figure is operating margin in which Verizon leads both competitors. T-Mobile generates a superior gross margin, but converts less of it to operating income, reflecting its heavy investment in customer acquisition and lower subscription prices. T-Mobile’s large gains in its subscriber base have largely increased due to sales promotions, whereas Verizon’s gains and higher operating margin reflect its heavy investment in network quality that is now mostly complete. AT&T’s inferior margins in both categories show that the company still must invest in their network, as it is lagging.

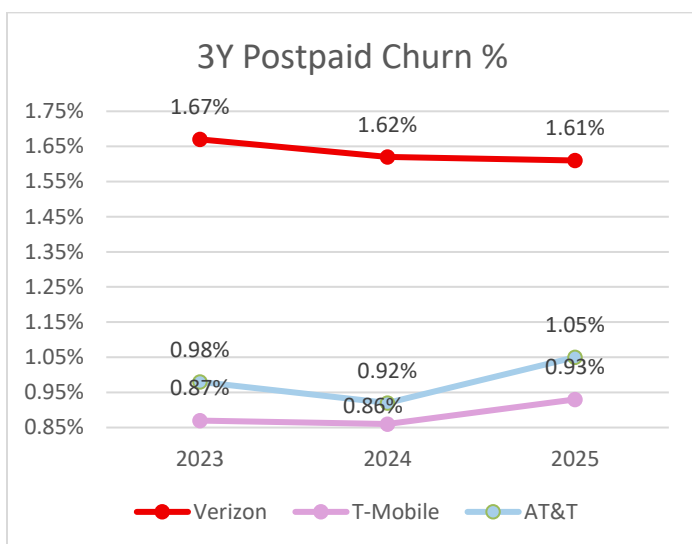
The ROIC comparison appears to be counterintuitive to the previous point, as AT&T’s ROIC leads both Verizon and T-Mobile by over 2%. This can be explained by AT&T’s recent sale of their WarnerMedia and DirectTV brands [11]. These sales lowered their overall invested capital, which in turn increased ROIC. Verizon’s relatively lower ROIC once again reflects its massive investment in C-Band and 5G Infrastructure, which has inflated its invested capital base.

T-Mobile drastically outperformed Verizon and AT&T in the postpaid market. Arguably the most important operational metric, they added over 10x the amount of Verizon and around 5x the amount of AT&T. T-Mobile’s number is inflated, however, as their acquisition of US Cellular added around 3.2 million postpaid customers. Stripping out this contribution, T-Mobile still comfortably leads the industry with around 4.5 million postpaid additions, significantly outpacing Verizon and AT&T. For Verizon, their 2026 guidance of ~1 million postpaid additions will play a key role in measuring the success of their network convergence and subscriber monetization strategy.



[12]

The total return chart above illustrates a meaningful difference in the way these competitors are priced. Verizon's 16.7% return, driven by Q4 earnings and the Frontier acquisition, suggests the market is putting value into VZ's strategic moves to improve margins. AT&T's modest 3% return aligns with its history as an income stock, rather than a high-growth equity. T-Mobile's negative 23.58% return is the most telling data point, as they lead the peer group in gross margin, subscriber growth, and P/E. This tells us that the market is questioning whether T-Mobile's unprecedented growth in the postpaid market can be justified as the U.S. market saturates. This directly supports our model's assumptions that Verizon is undervalued by 9-16%.



[2][3][4]

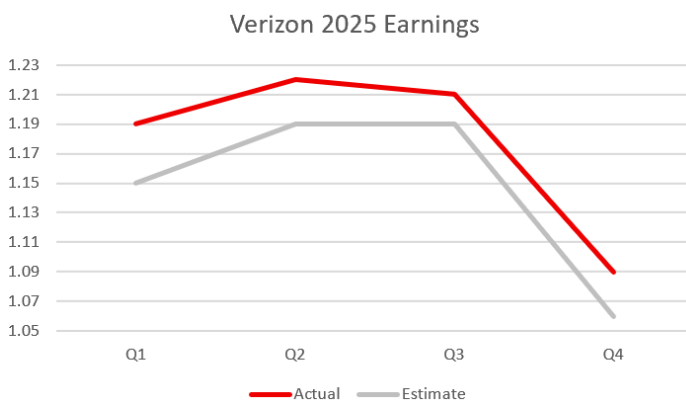
The 3Y Postpaid Churn chart illustrates the root cause of Verizon's struggles in the postpaid market. Their churn rate of 1.61% in 2025 is nearly double T-Mobile at 0.93% and significantly higher than AT&T's 1.05%. In their Q4 earnings report, Verizon's CEO stated that every basis point of churn is approximately 90,000 net additions [10], meaning that VZ's churn disadvantage of 68 basis points costs it roughly 6 million subscribers in value annually. What makes this chart particularly worrisome is the trend, as T-Mobile and AT&T's churn has remained mostly stable, Verizon's is struggling to fall from its high rates—even after efforts from leadership to reduce the figure. This can be explained by Verizon's business structure, as their premium pricing but lack of perceived value can be dissatisfying for customers. The network convergence

strategy is directly targeted at this problem, as leadership has frequently stated that bundled services can help reduce churn. We believe that this strategy can be effective, as we forecast Verizon's subscriber base to consistently grow throughout our forecast.

## RECENT DEVELOPMENTS

### Recent Earnings (2025 Q4/Annual)

Verizon most recently reported their Q4 and Annual 2025 earnings on January 30, 2026, outlining recent highlights and future guidance. Q4 was an overall success for the company, as they added over 1 million new connections. 616,000 of these connections were postpaid (the best postpaid quarter in five years), which was driven by holiday seasonality. They also announced a full year GAAP EPS of \$4.06, a decrease of 1.93% from 2024. Given this, their adjusted EPS came in at \$4.71, a 2.6% increase from 2024. This difference was driven by one-time charges from the Frontier acquisition and restructuring charges, as VZ laid off 13,000 employees.



As shown by the chart above, Verizon beat analyst EPS estimates in 2025 throughout the year, beating full year EPS by around \$0.12. We forecast earnings to increase slightly by around \$0.01 in 2026, driven by Verizon's expected postpaid subscriber growth, our forecasted ARPU increases, and new revenue streams from the Frontier acquisition.

For Verizon's 2026 guidance, they expect 750k-1 million postpaid net additions, but relatively flat overall revenue growth. This is reflected conservatively in our model, as overall revenue decreases from ~\$138b to ~\$136b in 2026. Management also suggests that adjusted EPS will increase by around 4-5%, which is slightly inconsistent with our model. This inconsistency is caused by the fact that our model does not fully capture the Frontier acquisition and

projected OpEx savings. We chose to exclude these factors in our model because we lack sufficient information on where these savings will come from and how the acquisition will impact EBITDA.

## Frontier Acquisition

The most consequential development for Verizon is the closing of its \$20 billion acquisition of Frontier Communications in January 2026, which added over 9 million fiber passings to its Fios network, increasing its fiber footprint by around 30%. This is a significant expansion and allows Verizon to further develop its capabilities in terms of bundling services. Verizon has identified that bundling fiber and wireless services reduces churn by around 40% versus standard home internet [1], which is critical for managing the aggressive nature of T-Mobile.

Although the amount was not disclosed in the agreement, this deal will add significant leverage to Verizon's balance sheet. To offset this, Verizon estimates that it will achieve around \$1 billion in cost savings by 2028 once the Frontier network is fully integrated [10]. Management has also increased their goal of 35 million fiber passings to around 50 million, underscoring their commitment to network convergence and subscriber monetization.

## RISKS

### U.S. Market Saturation

The largest risk to our investment thesis is the nature of the wireless market itself. With smartphones becoming a necessity in society, the market is nearly 100% saturated and every net add for Verizon comes at the expense of a competitor, and vice versa. This dynamic effectively creates a price war between companies, as they are incentivized to poach each other's customers through promotions, device subsidies, and discounts, which suppress ARPU. It will be difficult for Verizon to effectively manage their overall subscriber base while maintaining a high ARPU margin, as it is difficult to do both simultaneously in a saturated market.

### Competitive Pressure from T-Mobile

The competitive threat from T-Mobile represents the most significant risk to this thesis. T-Mobile's aggressive expansion following its merger with Sprint in 2020, has

closed the network quality gap that historically justified Verizon's price premium. This is a critical development because Verizon's pricing power has been anchored in the perception that it has a superior network, which is slowly diminishing in the eyes of consumers.

T-Mobile has also shown that it is able to outpace Verizon's net additions in the postpaid market, as its organic additions outpaced Verizon by roughly 4-5x, even excluding their US Cellular acquisition. This reflects a shift in consumer preferences toward value-based pricing, which VZ has struggled to compete with. Verizon's convergence and bundling strategies are largely a defensive move to mitigate this development, rather than a proactive offensive strategy. This creates a risk that by the time this strategy is scaled effectively, T-Mobile will have already captured a disproportionate share of the postpaid market which will make it hard for Verizon to reclaim lost ground.

### Leverage Risk

Entering 2026 with ~\$139 billion in long-term debt, and adding approximately \$10 billion more after the Frontier acquisition, Verizon carries one of the largest debt loads in the S&P 500. With a forecasted interest expense of ~\$8.2 billion, the company's free cash flow is incredibly sensitive to any reduction in operating performance. If subscriber growth disappoints, or if their projected \$5 billion in OpEx savings fails to materialize, Verizon must choose between debt repayment, further infrastructure investment, or dividend maintenance. Verizon's dividend has been steadily raised for 20 years, so any signal that the dividend is at risk would result in a significant devaluation of their stock. Overall, Verizon's elevated leverage leaves little margin for error if their operating revenue falls flat or declines.

### Debt Maturity Analysis

Verizon's debt maturity schedule consists of limited near-term obligations and the majority of debt due beyond 2030. Upcoming maturities of \$1.1B in 2026 and \$3.0B in 2027 are minimal relative to the company's projected cash flow generation.

Based on our model, Verizon generates approximately \$29B - \$35B in operating cash flow annually, which

comfortably covers near-term maturities and suggests no immediate liquidity risk.

However, as maturities increase to 8-13B annually from 2028-2030 and over \$120B thereafter, Verizon does not generate sufficient excess cash to fully repay its long-term debt obligations. As a result, the company will rely on ongoing refinancing, which is typical for capital-intensive telecom businesses.

Therefore, Verizon's primary financial risk is not its ability to meet near-term obligations, but rather its long-term dependence on capital markets, exposing it to interest rate risk and potential increases in financing costs.

#### Five-Year Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$mil)
2026		\$1,087.2
2027		2,986.3
2028		8,314.4
2029		9,515.5
2030		13,082.5
Thereafter		119,735.1
<b>Total</b>		<b>154,721.0</b>

Source: FactSet LT Debt by Maturity Summary

## VALUATION

Verizon's valuation is based on a conservative set of assumptions that reflects its position as a mature capital-intensive telecom operator. Revenue is projected to grow modestly from approximately \$134.8B in 2024 to \$138.1B by 2027, implying a 1.0-1.2% annual growth rate in the near term. The growth is primarily driven by a stabilization in wireless equipment revenue rising from \$25.4B in 2025FY to \$25.5B in 2026FY. The core service revenue also remains relatively flat at around \$112B in 2025FY to \$110B in 2026FY, reflecting ongoing pricing pressure and market saturation in the U.S wireless industry. As a result, the model assumes that growth is primarily driven more by pricing mix, premium plan adoption, and 5G monetization rather than subscriber expansion. Operating expenses are forecasted to remain relatively stable, fluctuating between \$106B and 108B between 2025FY and 2028FY. This reflects the reality that Verizon's cost structure is largely fixed, driven by network maintenance, spectrum amortization, and customer retention costs limiting significant operating leverage. Therefore, profitability remains stable, with EBIT

increasing modestly from \$29.26B in 2025 to \$29.27B in 2026. This implies that operating margins are in the 21-22% range throughout the forecast period. Additionally, capital expenditures also have a 9-year historical average reflecting a constant capex of \$18.3B which is reflecting a transition from peak 5G investment towards a maintenance phase, though still reflecting the ongoing capital required to sustain network quality and competitiveness. The key revenue driver in the model is postpaid ARPU growth, currently assumed at ~1% annually. This figure is derived from Verizon's 2025 reported average monthly revenue per account of \$147.31, and reflects our view that Verizon is constrained by the saturation of the U.S wireless market and the increasing reliance on improved subscriber monetization. The recent acquisition of Frontier Communications also provides additional upside to the growth of this figure.

Our EPS estimates of \$4.10 in 2026, \$4.20 in 2027, and \$4.34 are conservatively below the street consensus of \$4.79 in 2026, \$5.17 in 2027, and \$5.60 in 2028. This is primarily due to our treatment of the Frontier acquisition. Given the limited availability of integration data at the time of this analysis, we were unable to reliably model the revenue uplift from Frontier's ~7.2 million fiber passings, the associated cost synergies, or the incremental depreciation and amortization burden from the acquired asset base. As a result, we have taken a conservative stance in our valuation, and excluded speculated upside associated with the acquisition. Should acquisition meet the targets laid out by management, intrinsic value could be pushed to upwards of \$60, consistent with our beta sensitivity table.

Our WACC of 5.94%, derived from a beta of 0.49, risk-free rate of 4.34%, and equity risk premium of 5.00%, is the single most powerful sensitivity variable in the model. The WACC and beta sensitivity table confirms this, moving from 5.64% to 6.24% compresses the implied price from roughly \$59.62 to \$48.43, a range of over \$11, while holding WACC constant and varying beta across the full 0.34-0.64 range produces ~\$0.25 price difference within any given row. At our base case WACC of 5.94%, the model implies a price of approximately \$53.56-\$53.81, closely corroborating our DCF price of \$53.66 and providing confidence in the output. Critically, even in the most adverse scenario tested, a WACC of 6.24%, the implied floor of ~\$48.32 remains above the current share price of \$47.01, suggesting limited downside under reasonable assumptions. We put greater confidence in the DCF over

relative valuation of \$50.35, as the peer-implied prices using P/E multiples from AT&T and T-Mobile produce a wide range, reflecting how poorly earnings multiples translate across firms with different leverage profiles and growth trajectories.

Overall, the model reflects a business that is not driven by high growth or margin expansion, but rather by stable cash flows, recurring revenue, and infrastructure durability. The valuation remains sensitive to several key assumptions, such as Verizon's reported monthly revenue per postpaid account growth rate as well as tweaks to the beta input. Ultimately our valuation of \$53.66 stems from the DCF model.

## KEYS TO MONITOR

### Bull Case

The most significant catalyst is the Frontier acquisition, which adds around 7.2 million fiber passings to their Fios network. Verizon is also forecasting an increase of roughly 3 million FWA connections over the next 3 years, which will be the key to increasing their postpaid subscriber base.

The core bull case also relies on Verizon's ability to convert its network infrastructure into improved customer monetization and ARPU. Our model assumes an annual increase of ~1%, which is a conservative estimate of the potential growth of this figure and any extra increases could drive the implied price of the DCF model even higher. Analysts should monitor the quarterly changes of this figure, as sustained growth only furthers the bull case.

Verizon's estimated \$5 billion in OpEx savings would also allow VZ increased flexibility in their debt management. Every deleveraging step taken allows the company reduce equity risk, which compresses WACC and drives the DCF price well above \$59 as shown in the sensitivity tables.

### Bear Case

The primary bear case is T-Mobile's continuous postpaid share gains. T-Mobile has consistently outpaced Verizon in net postpaid additions, and if this trend accelerates, service revenue could decline rather than stabilize, invalidating the flat-to-modest growth assumption underpinning the entire model. Analysts should monitor quarterly additions of postpaid subscribers relative to T-

Mobile, as the revenue growth may need to be reassessed if growth slows

A further structural risk is U.S. wireless market saturation. With domestic penetration effectively at or above 100%, subscriber growth is no longer a meaningful revenue driver. This matters because our entire valuation is anchored to ARPU growth rather than volume, and saturation intensifies the promotional pricing competition that most directly threatens that assumption. If competitive pressure from T-Mobile forces Verizon to defend its postpaid base through deeper discounts, ARPU growth could stall at or below our 0.5% base case rather than inflecting toward the 1.0–1.5% range that supports our price target. Analysts should monitor postpaid phone churn quarterly — a sustained move above 1.0% would signal Verizon is losing the retention battle, ARPU assumptions would need revision, and suggests the DCF price would fall toward the \$48–\$50 range, prompting a reassessment of the Buy rating.

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Verizon Communications Inc. (VZ)

Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<b>Total assets</b>	379.68	380.26	384.71	404.26	409.67	416.90	424.54	432.60	441.05	449.90	459.14	468.79	478.85
<b>Total current assets</b>	37.86	36.81	40.52	56.92	60.35	65.39	70.70	78.57	86.75	95.25	104.08	113.25	122.78
Cash and cash equivalents	2.61	2.07	4.19	19.05	26.49	31.14	36.03	43.50	51.27	59.37	67.80	76.59	85.75
Accounts receivable, net of allowances	24.51	25.09	26.11	27.10	24.98	25.27	25.57	25.88	26.18	26.47	26.76	27.04	27.32
Inventories	2.39	2.06	2.25	2.44	1.95	1.97	1.99	2.02	2.04	2.06	2.09	2.11	2.13
<b>Prepaid expenses and other</b>	8.36	7.61	7.97	8.34	6.93	7.01	7.10	7.18	7.26	7.35	7.43	7.51	7.58
<b>Net PPE</b>	107.43	108.31	108.52	109.47	108.65	107.98	107.43	106.98	106.60	106.29	106.03	105.82	105.65
Investments in unconsolidated businesses	1.07	0.95	0.84	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79
Wireless licenses	149.80	155.67	156.61	157.04	157.04	157.04	157.04	157.04	157.04	157.04	157.04	157.04	157.04
Goodwill	28.67	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84
Other intangible assets, net	11.46	11.06	11.13	10.46	10.46	10.46	10.46	10.46	10.46	10.46	10.46	10.46	10.46
Operating lease right-of-use assets	26.13	24.73	24.47	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50	23.50
<b>Other assets</b>	17.26	19.89	19.77	23.25	26.04	28.90	31.79	32.43	33.08	33.74	34.41	35.10	35.80
<b>Total liabilities and equity</b>	379.68	380.26	384.71	404.26	409.67	416.90	424.54	432.60	441.05	449.90	459.14	468.79	478.85
<b>Total current liabilities</b>	50.17	53.22	64.77	62.37	61.71	62.85	64.01	65.20	66.39	67.60	68.81	70.03	71.25
Debt maturing within one year	9.96	12.97	22.63	18.62	18.62	18.62	18.62	18.62	18.62	18.62	18.62	18.62	18.62
Accounts payable and accrued liabilities	23.98	23.45	23.37	24.98	23.36	23.64	23.92	24.20	24.48	24.76	25.03	25.29	25.56
Current operating lease liabilities	4.13	4.27	4.42	4.54	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>Other</b>	12.10	12.53	14.35	14.23	14.73	15.59	16.48	17.38	18.29	19.22	20.16	21.12	22.08
<b>Total long-term liabilities</b>	237.05	233.23	219.37	236.15	236.17	235.89	235.66	235.47	235.32	235.19	235.08	235.00	234.92
Long-term debt	140.68	137.70	121.38	139.53	139.53	139.53	139.53	139.53	139.53	139.53	139.53	139.53	139.53
Employee benefit obligations	12.97	13.19	12.00	11.10	16.82	16.82	16.82	16.82	16.82	16.82	16.82	16.82	16.82
Deferred income taxes	43.44	45.78	46.73	48.72	44.97	44.69	44.46	44.27	44.11	43.99	43.88	43.79	43.72
Non-current operating lease liabilities	21.56	20.00	19.93	18.95	20.01	20.01	20.01	20.01	20.01	20.01	20.01	20.01	20.01
<b>Other liabilities</b>	18.40	16.56	19.33	17.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85
<b>Total equity</b>	92.46	93.80	100.58	105.74	111.79	118.16	124.87	131.93	139.34	147.11	155.25	163.77	172.68

Verizon Communications Inc. (VZ)  
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<b>Total assets</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Total current assets</b>	9.68%	10.53%	14.08%	14.73%	15.69%	16.65%	18.16%	19.67%	21.17%	22.67%	24.16%	25.64%
Cash and cash equivalents	0.54%	1.09%	4.71%	6.47%	7.47%	8.49%	10.06%	11.63%	13.20%	14.77%	16.34%	17.91%
Accounts receivable, net of allowances	6.60%	6.79%	6.70%	6.10%	6.06%	6.02%	5.98%	5.93%	5.88%	5.83%	5.77%	5.71%
Inventories	0.54%	0.58%	0.60%	0.48%	0.47%	0.47%	0.47%	0.46%	0.46%	0.45%	0.45%	0.44%
<b>Prepaid expenses and other</b>	2.00%	2.07%	2.06%	1.69%	1.68%	1.67%	1.66%	1.65%	1.63%	1.62%	1.60%	1.58%
Plant, property and equipment	84.18%	86.14%	83.61%	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-55.70%	-57.94%	-56.53%	-	-	-	-	-	-	-	-	-
<b>Net PPE</b>	28.48%	28.21%	27.08%	26.52%	25.90%	25.31%	24.73%	24.17%	23.63%	23.09%	22.57%	22.06%
Investments in unconsolidated businesses	0.25%	0.22%	0.19%	0.19%	0.19%	0.18%	0.18%	0.18%	0.17%	0.17%	0.17%	0.16%
Wireless licenses	40.94%	40.71%	38.85%	38.33%	37.67%	36.99%	36.30%	35.61%	34.91%	34.20%	33.50%	32.79%
Goodwill	6.01%	5.94%	5.65%	5.58%	5.48%	5.38%	5.28%	5.18%	5.08%	4.97%	4.87%	4.77%
Other intangible assets, net	2.91%	2.89%	2.59%	2.55%	2.51%	2.46%	2.42%	2.37%	2.32%	2.28%	2.23%	2.18%
Operating lease right-of-use assets	6.50%	6.36%	5.81%	5.74%	5.64%	5.53%	5.43%	5.33%	5.22%	5.12%	5.01%	4.91%
<b>Other assets</b>	5.23%	5.14%	5.75%	6.36%	6.93%	7.49%	7.50%	7.50%	7.50%	7.50%	7.49%	7.48%
Other assets excluding deposit for wireless licenses	5.23%	5.14%	5.75%	-	-	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Total current liabilities</b>	14.00%	16.84%	15.43%	15.06%	15.08%	15.08%	15.07%	15.05%	15.02%	14.99%	14.94%	14.88%
Debt maturing within one year	3.41%	5.88%	4.61%	4.54%	4.47%	4.39%	4.30%	4.22%	4.14%	4.05%	3.97%	3.89%
Accounts payable and accrued liabilities	6.17%	6.08%	6.18%	5.70%	5.67%	5.63%	5.59%	5.55%	5.50%	5.45%	5.40%	5.34%
Current operating lease liabilities	1.12%	1.15%	1.12%	1.22%	1.20%	1.18%	1.16%	1.13%	1.11%	1.09%	1.07%	1.04%
<b>Other</b>	3.30%	3.73%	3.52%	3.60%	3.74%	3.88%	4.02%	4.15%	4.27%	4.39%	4.50%	4.61%
<b>Total long-term liabilities</b>	61.34%	57.02%	58.41%	57.65%	56.58%	55.51%	54.43%	53.35%	52.28%	51.20%	50.13%	49.06%
Long-term debt	36.21%	31.55%	34.52%	34.06%	33.47%	32.87%	32.25%	31.64%	31.01%	30.39%	29.76%	29.14%
Employee benefit obligations	3.47%	3.12%	2.75%	4.10%	4.03%	3.96%	3.89%	3.81%	3.74%	3.66%	3.59%	3.51%
Deferred income taxes	12.04%	12.15%	12.05%	10.98%	10.72%	10.47%	10.23%	10.00%	9.78%	9.56%	9.34%	9.13%
Non-current operating lease liabilities	5.26%	5.18%	4.69%	4.88%	4.80%	4.71%	4.62%	4.54%	4.45%	4.36%	4.27%	4.18%
<b>Other liabilities</b>	4.35%	5.02%	4.42%	3.63%	3.56%	3.50%	3.43%	3.37%	3.30%	3.23%	3.17%	3.10%
<b>Total equity</b>	24.67%	26.14%	26.16%	27.29%	28.34%	29.41%	30.50%	31.59%	32.70%	33.81%	34.93%	36.06%

Verizon Communications Inc. (VZ)  
Income Statement

<b>Fiscal Years Ending Dec. 31</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>	<b>2033E</b>	<b>2034E</b>
<b>Total operating revenues</b>	\$ 133.97	\$ 134.79	\$ 138.19	\$ 136.41	\$ 138.03	\$ 139.66	\$ 141.32	\$ 142.95	\$ 144.56	\$ 146.14	\$ 147.69	\$ 149.22
Service revenues and other	\$ 109.65	\$ 111.57	\$ 112.72	\$ 110.89	\$ 112.14	\$ 113.46	\$ 114.83	\$ 116.22	\$ 117.63	\$ 119.07	\$ 120.53	\$ 122.00
<b>Wireless equipment revenues</b>	\$ 24.32	\$ 23.22	\$ 25.47	\$ 25.52	\$ 25.88	\$ 26.20	\$ 26.49	\$ 26.73	\$ 26.92	\$ 27.07	\$ 27.17	\$ 27.22
<b>Total operating expenses</b>	\$ (111.10)	\$ (106.10)	\$ (108.93)	\$ (106.99)	\$ (107.94)	\$ (108.89)	\$ (109.84)	\$ (110.75)	\$ (111.63)	\$ (112.46)	\$ (113.25)	\$ (113.99)
<b>Cost of services and sales</b>	\$ (54.89)	\$ (54.10)	\$ (56.77)	\$ (55.96)	\$ (56.68)	\$ (57.36)	\$ (58.02)	\$ (58.63)	\$ (59.20)	\$ (59.72)	\$ (60.19)	\$ (60.60)
Cost of services	\$ (28.10)	\$ (28.00)	\$ (27.79)	\$ (27.39)	\$ (27.70)	\$ (28.02)	\$ (28.36)	\$ (28.71)	\$ (29.06)	\$ (29.41)	\$ (29.77)	\$ (30.13)
Wireless cost of equipment	\$ (26.79)	\$ (26.10)	\$ (28.98)	\$ (28.57)	\$ (28.98)	\$ (29.34)	\$ (29.65)	\$ (29.92)	\$ (30.14)	\$ (30.31)	\$ (30.42)	\$ (30.47)
Selling, general and administrative expense	\$ (32.75)	\$ (34.11)	\$ (33.82)	\$ (31.88)	\$ (32.26)	\$ (32.64)	\$ (33.03)	\$ (33.41)	\$ (33.79)	\$ (34.16)	\$ (34.52)	\$ (34.88)
Depreciation and amortization expense	\$ (17.62)	\$ (17.89)	\$ (18.35)	\$ (19.15)	\$ (19.00)	\$ (18.89)	\$ (18.79)	\$ (18.71)	\$ (18.64)	\$ (18.59)	\$ (18.55)	\$ (18.51)
Oath goodwill impairment	\$ (5.84)	\$ -										
Sales of businesses, net												
Operating income / loss	\$ 22.88	\$ 28.69	\$ 29.26	\$ 29.42	\$ 30.09	\$ 30.77	\$ 31.48	\$ 32.20	\$ 32.93	\$ 33.68	\$ 34.44	\$ 35.23
Equity in losses / earnings of unconsolidated businesses	\$ (0.05)	\$ (0.05)	\$ -									
Other income / expense, net	\$ (0.31)	\$ 1.00	\$ 0.11									
Interest expense	\$ (5.52)	\$ (6.65)	\$ (6.69)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)
Minority interest												
Income / loss before provision / benefit for income taxes	\$ 16.99	\$ 22.98	\$ 22.67	\$ 21.18	\$ 21.85	\$ 22.53	\$ 23.24	\$ 23.96	\$ 24.69	\$ 25.44	\$ 26.20	\$ 26.99
Provision / benefit for income taxes	\$ (4.89)	\$ (5.03)	\$ (5.06)	\$ (3.40)	\$ (3.51)	\$ (3.62)	\$ (3.73)	\$ (3.85)	\$ (3.97)	\$ (4.09)	\$ (4.21)	\$ (4.34)
Income from discontinued operations, net of tax												
Extraordinary item, net of tax												
Cumulative effect of accounting change, net of tax												
Net Income	\$ 12.10	\$ 17.95	\$ 17.61	\$ 17.78	\$ 18.34	\$ 18.91	\$ 19.51	\$ 20.11	\$ 20.72	\$ 21.35	\$ 21.99	\$ 22.65
Net income attributable to noncontrolling interests	\$ (0.48)	\$ (0.44)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)	\$ (0.43)
Net income / loss attributable to Verizon	\$ 11.61	\$ 17.51	\$ 17.17	\$ 17.34	\$ 17.90	\$ 18.48	\$ 19.07	\$ 19.67	\$ 20.29	\$ 20.92	\$ 21.56	\$ 22.22
<b>Per share</b>												
<b>Basic</b>	\$ 2.76	\$ 4.15	\$ 4.06	\$ 4.10	\$ 4.24	\$ 4.37	\$ 4.51	\$ 4.66	\$ 4.80	\$ 4.95	\$ 5.10	\$ 5.26
<b>Diluted</b>	\$ 2.75	\$ 4.14	\$ 4.06	\$ 4.10	\$ 4.23	\$ 4.37	\$ 4.51	\$ 4.65	\$ 4.80	\$ 4.94	\$ 5.10	\$ 5.25
<b>Weighted average shares</b>												
Basic (M)	\$ 4,211.00	\$ 4,218.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00	\$ 4,226.00
Diluted (M)	\$ 4,215.00	\$ 4,223.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00	\$ 4,231.00
Diluted EPS Growth	-45.65%	50.55%	-1.93%	0.96%	3.22%	3.21%	3.22%	3.16%	3.12%	3.09%	3.07%	3.07%

Verizon Communications Inc. (VZ)  
Common Size Income Statement

Fiscal Years Ending Dec. 31	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<b>Total operating revenues</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Service revenues and other	81.85%	82.78%	81.57%	81.29%	81.25%	81.24%	81.26%	81.30%	81.38%	81.48%	81.60%	81.76%
<b>Wireless equipment revenues</b>	18.15%	17.22%	18.43%	18.71%	18.75%	18.76%	18.74%	18.70%	18.62%	18.52%	18.40%	18.24%
<b>Total operating expenses</b>	-82.92%	-78.72%	-78.83%	-78.43%	-78.20%	-77.97%	-77.72%	-77.48%	-77.22%	-76.96%	-76.68%	-76.39%
<b>Cost of services and sales</b>	-40.97%	-40.13%	-41.08%	-41.03%	-41.06%	-41.07%	-41.06%	-41.01%	-40.95%	-40.86%	-40.75%	-40.61%
Cost of services	-20.97%	-20.77%	-20.11%	-20.08%	-20.07%	-20.07%	-20.07%	-20.08%	-20.10%	-20.12%	-20.16%	-20.20%
Wireless cost of equipment	-19.99%	-19.36%	-20.97%	-20.95%	-20.99%	-21.01%	-20.98%	-20.93%	-20.85%	-20.74%	-20.60%	-20.42%
Selling, general and administrative expense	-24.44%	-25.31%	-24.47%	-23.37%	-23.37%	-23.37%	-23.37%	-23.37%	-23.37%	-23.37%	-23.37%	-23.37%
Depreciation and amortization expense	-13.15%	-13.27%	-13.28%	-14.04%	-13.77%	-13.52%	-13.30%	-13.09%	-12.90%	-12.72%	-12.56%	-12.40%
Oath goodwill impairment	-4.36%	-	-	-	-	-	-	-	-	-	-	-
Operating income / loss	17.08%	21.28%	21.17%	21.57%	21.80%	22.03%	22.28%	22.52%	22.78%	23.04%	23.32%	23.61%
Equity in losses / earnings of unconsolidated businesses	-0.04%	-0.04%	-	-	-	-	-	-	-	-	-	-
Other income / expense, net	-0.23%	0.74%	0.08%	-	-	-	-	-	-	-	-	-
Interest expense	-4.12%	-4.93%	-4.84%	-6.04%	-5.97%	-5.90%	-5.83%	-5.76%	-5.70%	-5.64%	-5.58%	-5.52%
Income / loss before provision / benefit for income taxes	12.68%	17.05%	16.41%	15.53%	15.83%	16.13%	16.45%	16.76%	17.08%	17.41%	17.74%	18.09%
Provision / benefit for income taxes	-3.65%	-3.73%	-3.66%	-2.50%	-2.54%	-2.59%	-2.64%	-2.69%	-2.74%	-2.80%	-2.85%	-2.91%
Net Income	9.03%	13.32%	12.74%	13.03%	13.28%	13.54%	13.80%	14.07%	14.33%	14.61%	14.89%	15.18%
Net income attributable to noncontrolling interests	-0.36%	-0.33%	-0.31%	-0.32%	-0.31%	-0.31%	-0.31%	-0.30%	-0.30%	-0.30%	-0.29%	-0.29%
Net income / loss attributable to Verizon	8.67%	12.99%	12.43%	12.71%	12.97%	13.23%	13.50%	13.76%	14.03%	14.31%	14.60%	14.89%
<b>Per share</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Basic</b>	2.06%	3.08%	2.94%	3.01%	3.07%	3.13%	3.19%	3.26%	3.32%	3.39%	3.45%	3.52%
<b>Diluted</b>	2.05%	3.07%	2.94%	3.00%	3.07%	3.13%	3.19%	3.25%	3.32%	3.38%	3.45%	3.52%

Verizon Communications Inc. (VZ)  
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Operating Activities</b>										
<b>Net Income / Starting Line</b>	\$ 13.61	\$ 30.55	\$ 16.04	\$ 19.79	\$ 18.35	\$ 22.62	\$ 21.75	\$ 12.10	\$ 17.95	\$ 17.61
Depreciation, Depletion & Amortization	\$ 15.93	\$ 16.95	\$ 17.40	\$ 16.68	\$ 16.72	\$ 16.21	\$ 17.10	\$ 17.62	\$ 17.89	\$ 18.35
<b>Depreciation and Depletion</b>	\$ 14.23	\$ 14.74	\$ 15.19	\$ 14.37	\$ 14.28	\$ 14.12	\$ 14.59	\$ 14.94	\$ 15.11	
Amortization of Intangible Assets	\$ 1.70	\$ 2.21	\$ 2.22	\$ 2.31	\$ 2.45	\$ 2.09	\$ 2.51	\$ 2.69	\$ 2.78	
Deferred Taxes & Investment Tax Credit	\$ (1.06)	\$ (14.46)	\$ 0.39	\$ 1.23	\$ 1.55	\$ 4.26	\$ 2.97	\$ 2.39	\$ 0.82	\$ 2.34
Deferred Taxes	\$ (1.06)	\$ (14.46)	\$ 0.39	\$ 1.23	\$ 1.55	\$ 4.26	\$ 2.97	\$ 2.39	\$ 0.82	\$ 2.34
Other Funds	\$ 4.26	\$ (2.79)	\$ 1.69	\$ 1.66	\$ 2.31	\$ (2.57)	\$ (0.45)	\$ 9.35	\$ 2.36	\$ 1.16
Funds from Operations	\$ 32.74	\$ 30.25	\$ 35.52	\$ 39.36	\$ 38.93	\$ 40.52	\$ 41.38	\$ 41.45	\$ 39.02	\$ 39.46
Changes in Working Capital	\$ (10.02)	\$ (4.95)	\$ (1.18)	\$ (3.61)	\$ 2.84	\$ (0.98)	\$ (4.23)	\$ (3.98)	\$ (2.11)	\$ (2.32)
Receivables	\$ (5.07)	\$ (5.44)	\$ (2.67)	\$ (1.47)	\$ 0.19	\$ (1.59)	\$ (1.98)	\$ (2.20)	\$ (2.57)	
Inventories	\$ 0.06	\$ 0.17	\$ (0.32)	\$ (0.08)	\$ (0.37)	\$ (0.91)	\$ 0.63	\$ 0.29	\$ (0.20)	
Accounts Payable	\$ (1.08)	\$ (0.34)	\$ 1.78	\$ (2.36)	\$ (0.97)	\$ 1.46	\$ (0.03)	\$ 2.08	\$ 1.11	
Other Assets/Liabilities	\$ (3.94)	\$ 0.66	\$ 0.04	\$ 0.29	\$ 3.98	\$ 0.06	\$ (2.85)	\$ (4.15)	\$ (0.45)	
<b>Net Operating Cash Flow</b>	\$ 22.72	\$ 25.31	\$ 34.34	\$ 35.75	\$ 41.77	\$ 39.54	\$ 37.14	\$ 37.48	\$ 36.91	\$ 37.14
Investing Activities										
Capital Expenditures	\$ (17.59)	\$ (17.83)	\$ (18.09)	\$ (18.84)	\$ (20.32)	\$ (67.88)	\$ (26.74)	\$ (24.56)	\$ (17.99)	\$ (17.46)
Capital Expenditures (Fixed Assets)	\$ (17.06)	\$ (17.25)	\$ (16.66)	\$ (17.94)	\$ (18.19)	\$ (20.29)	\$ (23.09)	\$ (18.77)	\$ (17.09)	\$ (17.01)
Capital Expenditures (Other Assets)	\$ (0.53)	\$ (0.58)	\$ (1.43)	\$ (0.90)	\$ (2.13)	\$ (47.60)	\$ (3.65)	\$ (5.80)	\$ (0.90)	\$ (0.45)
Net Assets from Acquisitions	\$ (3.77)	\$ (5.93)	\$ (0.23)	\$ (0.03)	\$ (0.52)	\$ (4.07)	\$ 0.25	\$ (0.03)	\$ -	
Sale of Fixed Assets & Businesses	\$ 9.88	\$ 3.61	\$ -	\$ 0.03	\$ -	\$ 4.12	\$ 0.03	\$ -	\$ -	
<b>Other Funds</b>	\$ 0.49	\$ 0.77	\$ 0.38	\$ 1.26	\$ (2.67)	\$ 0.67	\$ (2.20)	\$ 1.16	\$ (0.68)	\$ 0.80
Other Uses	\$ -	\$ -	\$ -	\$ -	\$ (2.67)	\$ -	\$ (2.27)	\$ -	\$ (0.71)	
Other Sources	\$ 0.49	\$ 0.77	\$ 0.38	\$ 1.26	\$ -	\$ 0.67	\$ 0.06	\$ 1.16	\$ 0.03	\$ 0.80
Net Investing Cash Flow	\$ (10.98)	\$ (19.37)	\$ (17.93)	\$ (17.58)	\$ (23.51)	\$ (67.15)	\$ (28.66)	\$ (23.43)	\$ (18.67)	\$ (16.66)
<b>Financing Activities</b>										
<b>Cash Dividends Paid</b>	\$ (9.26)	\$ (9.47)	\$ (9.77)	\$ (10.02)	\$ (10.23)	\$ (10.45)	\$ (10.81)	\$ (11.03)	\$ (11.25)	\$ (11.48)
Common Dividends	\$ (9.26)	\$ (9.47)	\$ (9.77)	\$ (10.02)	\$ (10.23)	\$ (10.45)	\$ (10.81)	\$ (11.03)	\$ (11.25)	\$ (11.48)
<b>Change in Capital Stock</b>	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of Common & Preferred Stock	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Sale of Stock	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance/Reduction of Debt, Net	\$ (1.36)	\$ 7.59	\$ (3.78)	\$ (5.23)	\$ 14.27	\$ 22.55	\$ 4.35	\$ (2.16)	\$ (4.78)	\$ 7.82
<b>Change in Current Debt</b>	\$ (0.15)	\$ (0.17)	\$ -	\$ -	\$ -	\$ -	\$ 0.11	\$ (0.15)	\$ -	
Change in Long-Term Debt	\$ (1.21)	\$ 7.76	\$ (3.78)	\$ (5.23)	\$ 14.27	\$ 22.55	\$ 4.24	\$ (2.01)	\$ (4.78)	\$ 7.82
Issuance of Long-Term Debt	\$ 17.95	\$ 32.00	\$ 10.78	\$ 18.66	\$ 31.46	\$ 41.42	\$ 17.81	\$ 8.61	\$ 15.57	\$ 27.61
Reduction in Long-Term Debt	\$ (19.16)	\$ (24.24)	\$ (14.56)	\$ (23.89)	\$ (17.19)	\$ (18.86)	\$ (13.56)	\$ (10.62)	\$ (20.34)	\$ (19.79)
Other Funds	\$ (2.71)	\$ (4.85)	\$ (1.82)	\$ (2.92)	\$ (2.71)	\$ (3.83)	\$ (2.07)	\$ (1.47)	\$ (1.08)	\$ (1.95)
Other Uses	\$ (2.71)	\$ (4.85)	\$ (1.82)	\$ (2.92)	\$ (2.71)	\$ (3.83)	\$ (2.07)	\$ (1.47)	\$ (1.08)	\$ (1.95)
<b>Net Financing Cash Flow</b>	\$ (13.32)	\$ (6.73)	\$ (15.38)	\$ (18.16)	\$ 1.33	\$ 8.28	\$ (8.53)	\$ (14.66)	\$ (17.10)	\$ (5.61)
<b>All Activities</b>										
Net Change in Cash	\$ (1.59)	\$ (0.80)	\$ 1.03	\$ 0.00	\$ 19.58	\$ (19.34)	\$ (0.05)	\$ (0.61)	\$ 1.14	\$ 14.86
Free Cash Flow	\$ 5.66	\$ 8.06	\$ 17.68	\$ 17.81	\$ 23.58	\$ 19.25	\$ 14.05	\$ 18.71	\$ 19.82	\$ 20.13
<b>Free Cash Flow per Share</b>	\$ 1.38	\$ 1.97	\$ 4.28	\$ 4.30	\$ 5.69	\$ 4.64	\$ 3.34	\$ 4.44	\$ 4.69	\$ 4.76
Free Cash Flow Yield (%)	\$ 2.59	\$ 3.72	\$ 7.61	\$ 7.01	\$ 9.69	\$ 8.93	\$ 8.48	\$ 11.77	\$ 11.74	\$ 11.68

All figures in billions of U.S. Dollar except per share items.

**Verizon Communications Inc. (VZ)**

*Forecasted Cash Flow Statement*

<b>Fiscal Years Ending Dec. 31</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>2032E</b>	<b>2033E</b>	<b>2034E</b>
Net income	\$ 17.78	\$ 18.34	\$ 18.91	\$ 19.51	\$ 20.11	\$ 20.72	\$ 21.35	\$ 21.99	\$ 22.65
D&A	\$ 19.15	\$ 19.00	\$ 18.89	\$ 18.79	\$ 18.71	\$ 18.64	\$ 18.59	\$ 18.55	\$ 18.51
Change in Accounts Receivable	\$ 2.12	\$ (0.30)	\$ (0.30)	\$ (0.30)	\$ (0.30)	\$ (0.29)	\$ (0.29)	\$ (0.28)	\$ (0.28)
Change in Inventory	\$ 0.49	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Change in Prepaid expense	\$ 1.40	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ (0.08)	\$ (0.08)
Change in accounts payable and accrued liabilities	\$ (1.62)	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.27	\$ 0.27	\$ 0.26
Change in current operating lease liabilities	\$ 0.46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Other Current Liabilities (net)	\$ 0.50	\$ 0.86	\$ 0.88	\$ 0.90	\$ 0.92	\$ 0.93	\$ 0.94	\$ 0.95	\$ 0.96
Change in Employee benefit obligations	\$ 5.72	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Deferred income taxes	\$ (3.75)	\$ (0.28)	\$ (0.23)	\$ (0.19)	\$ (0.16)	\$ (0.13)	\$ (0.11)	\$ (0.09)	\$ (0.07)
Change in Non - current operating lease liabilities	\$ 1.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in other non-current liabilities	\$ (3.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash from operating activities	\$ 40.30	\$ 37.80	\$ 38.33	\$ 38.88	\$ 39.45	\$ 40.04	\$ 40.65	\$ 41.28	\$ 41.94
Other assets	\$ (2.79)	\$ (2.86)	\$ (2.89)	\$ (0.64)	\$ (0.65)	\$ (0.66)	\$ (0.67)	\$ (0.69)	\$ (0.70)
Investments in unconsolidated businesses	-	-	-	-	-	-	-	-	-
Capital Expenditures	\$ (18.33)	\$ (18.33)	\$ (18.33)	\$ (18.33)	\$ (18.33)	\$ (18.33)	\$ (18.33)	\$ (18.33)	\$ (18.33)
Net change in Investing Activities	\$ (21.12)	\$ (21.20)	\$ (21.22)	\$ (18.97)	\$ (18.98)	\$ (19.00)	\$ (19.01)	\$ (19.02)	\$ (19.04)
Proceeds from and repayments and repurchases of long term borrowings	-	-	-	-	-	-	-	-	-
Dividends Paid	\$ (11.73)	\$ (11.96)	\$ (12.20)	\$ (12.45)	\$ (12.70)	\$ (12.95)	\$ (13.21)	\$ (13.47)	\$ (13.74)
Net change in financing activities	(11.73)	(11.96)	(12.20)	(12.45)	(12.70)	(12.95)	(13.21)	(13.47)	(13.74)
Change in cash	\$ 7.45	\$ 4.64	\$ 4.90	\$ 7.46	\$ 7.77	\$ 8.10	\$ 8.43	\$ 8.79	\$ 9.16
Beginning Cash	19.05	26.49	31.14	36.03	43.50	51.27	59.37	67.80	76.59
<b>Ending Cash</b>	\$ 26.49	\$ 31.14	\$ 36.03	\$ 43.50	\$ 51.27	\$ 59.37	\$ 67.80	\$ 76.59	\$ 85.75

Verizon Communications Inc. (VZ)  
Value Driver Estimation

Fiscal Years Ending Dec. 31	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<b>NOPLAT:</b>												
Service Revenues and Other	\$ 109.65	\$ 111.57	\$ 112.72	\$ 110.89	\$ 112.14	\$ 113.46	\$ 114.83	\$ 116.22	\$ 117.63	\$ 119.07	\$ 120.53	\$ 122.00
Wireless Equipment Revenues	\$ 24.32	\$ 23.22	\$ 25.47	\$ 25.52	\$ 25.88	\$ 26.20	\$ 26.49	\$ 26.73	\$ 26.92	\$ 27.07	\$ 27.17	\$ 27.22
<b>Total Revenue</b>	<b>\$ 133.97</b>	<b>\$ 134.79</b>	<b>\$ 138.19</b>	<b>\$ 136.41</b>	<b>\$ 138.03</b>	<b>\$ 139.66</b>	<b>\$ 141.32</b>	<b>\$ 142.95</b>	<b>\$ 144.56</b>	<b>\$ 146.14</b>	<b>\$ 147.69</b>	<b>\$ 149.22</b>
Cost of Services	\$ (28.10)	\$ (28.00)	\$ (27.79)	\$ (27.39)	\$ (27.70)	\$ (28.02)	\$ (28.36)	\$ (28.71)	\$ (29.06)	\$ (29.41)	\$ (29.77)	\$ (30.13)
Wireless Cost of Equipment	\$ (26.79)	\$ (26.10)	\$ (28.98)	\$ (28.57)	\$ (28.98)	\$ (29.34)	\$ (29.65)	\$ (29.92)	\$ (30.14)	\$ (30.31)	\$ (30.42)	\$ (30.47)
Selling General and Admin Expense	\$ (32.75)	\$ (34.11)	\$ (33.82)	\$ (31.88)	\$ (32.26)	\$ (32.64)	\$ (33.03)	\$ (33.41)	\$ (33.79)	\$ (34.16)	\$ (34.52)	\$ (34.88)
Depreciation and Amortization	\$ (17.62)	\$ (17.89)	\$ (18.35)	\$ (19.15)	\$ (19.00)	\$ (18.89)	\$ (18.79)	\$ (18.71)	\$ (18.64)	\$ (18.59)	\$ (18.55)	\$ (18.51)
<b>Less: Total Operating Expense</b>	<b>\$ (105.26)</b>	<b>\$ (106.10)</b>	<b>\$ (108.93)</b>	<b>\$ (106.99)</b>	<b>\$ (107.94)</b>	<b>\$ (108.89)</b>	<b>\$ (109.84)</b>	<b>\$ (110.75)</b>	<b>\$ (111.63)</b>	<b>\$ (112.46)</b>	<b>\$ (113.25)</b>	<b>\$ (113.99)</b>
<b>Operating EBIT</b>	<b>\$ 28.72</b>	<b>\$ 28.69</b>	<b>\$ 29.26</b>	<b>\$ 29.42</b>	<b>\$ 30.09</b>	<b>\$ 30.77</b>	<b>\$ 31.48</b>	<b>\$ 32.20</b>	<b>\$ 32.93</b>	<b>\$ 33.68</b>	<b>\$ 34.44</b>	<b>\$ 35.23</b>
Add back implied interest in operating lease rent expense	\$ 1.26	\$ 1.21	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23	\$ 1.23
<b>Operating EBIT, adjusted for operating leases</b>	<b>\$ 29.98</b>	<b>\$ 29.89</b>	<b>\$ 30.49</b>	<b>\$ 30.65</b>	<b>\$ 31.32</b>	<b>\$ 32.00</b>	<b>\$ 32.71</b>	<b>\$ 33.43</b>	<b>\$ 34.16</b>	<b>\$ 34.91</b>	<b>\$ 35.68</b>	<b>\$ 36.46</b>
Provision / benefit for income taxes	\$ (4.89)	\$ (5.03)	\$ (5.06)	\$ (3.40)	\$ (3.51)	\$ (3.62)	\$ (3.73)	\$ (3.85)	\$ (3.97)	\$ (4.09)	\$ (4.21)	\$ (4.34)
Equity in losses / earnings of unconsolidated businesses	\$ (0.01)	\$ (0.01)	\$ -									
Other income / expense, net	\$ (0.07)	\$ 0.22	\$ 0.02									
Interest Expense	\$ (5.52)	\$ (6.65)	\$ (6.69)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)	\$ (8.24)
Total Adjusted Taxes	\$ (10.50)	\$ (11.47)	\$ (11.73)	\$ (11.64)	\$ (11.75)	\$ (11.86)	\$ (11.97)	\$ (12.09)	\$ (12.21)	\$ (12.33)	\$ (12.45)	\$ (12.58)
Change in Deferred Taxes	\$ 2.34	\$ 0.95	\$ 1.99	\$ (3.75)	\$ (0.28)	\$ (0.23)	\$ (0.19)	\$ (0.16)	\$ (0.13)	\$ (0.11)	\$ (0.09)	\$ (0.07)
<b>NOPLAT</b>	<b>\$ 21.82</b>	<b>\$ 19.37</b>	<b>\$ 20.74</b>	<b>\$ 15.26</b>	<b>\$ 19.29</b>	<b>\$ 19.92</b>	<b>\$ 20.55</b>	<b>\$ 21.19</b>	<b>\$ 21.83</b>	<b>\$ 22.48</b>	<b>\$ 23.14</b>	<b>\$ 23.81</b>
NOPLAT Margin	16.29%	14.37%	15.01%	11.19%	13.98%	14.26%	14.54%	14.82%	15.10%	15.38%	15.67%	15.96%
<b>Invested Capital (IC):</b>												
<i>Plus: Operating Current Assets (CA):</i>												
Cash and cash equivalents	2.07	2.70	2.76	2.73	2.76	2.79	2.83	2.86	2.89	2.92	2.95	2.98
Accounts receivable, net of allowances	25.09	26.11	27.10	24.98	25.27	25.57	25.88	26.18	26.47	26.76	27.04	27.32
Inventories	2.06	2.25	2.44	1.95	1.97	1.99	2.02	2.04	2.06	2.09	2.11	2.13
Prepaid expenses and other	7.61	7.97	8.34	6.93	7.01	7.10	7.18	7.26	7.35	7.43	7.51	7.58
<i>Less: Non Interest-Bearing Current Liabilities (CL):</i>												
Accounts payable and accrued liabilities	23.45	23.37	24.98	23.36	23.64	23.92	24.20	24.48	24.76	25.03	25.29	25.56
Current operating lease liabilities	4.27	4.42	4.54	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Other Current Liabilities	12.53	14.35	14.23	14.73	15.59	16.48	17.38	18.29	19.22	20.16	21.12	22.08
<b>Total Operating Working Capital</b>	<b>(3.44)</b>	<b>(3.11)</b>	<b>(3.11)</b>	<b>(6.50)</b>	<b>(7.21)</b>	<b>(7.94)</b>	<b>(8.68)</b>	<b>(9.44)</b>	<b>(10.21)</b>	<b>(11.00)</b>	<b>(11.80)</b>	<b>(12.61)</b>
Other Assets	19.89	19.77	23.25	26.04	28.90	31.79	32.43	33.08	33.74	34.41	35.10	35.80
Other Liabilities	16.56	19.33	17.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85
Net Fixed Capital	3.33	0.44	5.40	11.19	14.05	16.94	17.58	18.22	18.89	19.56	20.25	20.95
Plant, property and equipment, net of accumulated depreciation	108.31	108.52	109.47	108.65	107.98	107.43	106.98	106.60	106.29	106.03	105.82	105.65
Operating lease right-of-use assets	23.13	23.67	23.11	23.42	23.83	24.27	24.73	25.21	25.72	26.25	26.80	27.37
<b>Total Fixed Capital</b>	<b>134.77</b>	<b>132.63</b>	<b>137.98</b>	<b>143.26</b>	<b>145.87</b>	<b>148.64</b>	<b>149.28</b>	<b>150.04</b>	<b>150.89</b>	<b>151.84</b>	<b>152.87</b>	<b>153.97</b>
Wireless licenses	155.67	156.61	157.04	157.04	157.04	157.04	157.04	157.04	157.04	157.04	157.04	157.04
Goodwill	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84	22.84
Other intangible assets, net	11.06	11.13	10.46	10.46	10.46	10.46	10.46	10.46	10.46	10.46	10.46	10.46
Goodwill impairment												
<b>Total Intangible Capital</b>	<b>189.57</b>	<b>190.58</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>	<b>190.34</b>
<b>Total Invested Capital</b>	<b>320.90</b>	<b>320.10</b>	<b>325.20</b>	<b>327.09</b>	<b>328.99</b>	<b>331.04</b>	<b>330.94</b>	<b>330.94</b>	<b>331.02</b>	<b>331.18</b>	<b>331.41</b>	<b>331.70</b>
<b>Free Cash Flow (FCF):</b>												
NOPLAT	\$ 21.82	\$ 19.37	\$ 20.74	\$ 15.26	\$ 19.29	\$ 19.92	\$ 20.55	\$ 21.19	\$ 21.83	\$ 22.48	\$ 23.14	\$ 23.81
Change in IC	\$ 2.84	\$ (0.80)	\$ 5.10	\$ 1.89	\$ 1.90	\$ 2.05	\$ (0.10)	\$ (0.00)	\$ 0.08	\$ 0.16	\$ 0.23	\$ 0.29
<b>FCF</b>	<b>\$ 18.98</b>	<b>\$ 20.17</b>	<b>\$ 15.64</b>	<b>\$ 13.37</b>	<b>\$ 17.39</b>	<b>\$ 17.87</b>	<b>\$ 20.65</b>	<b>\$ 21.19</b>	<b>\$ 21.74</b>	<b>\$ 22.32</b>	<b>\$ 22.91</b>	<b>\$ 23.53</b>
<b>Return on Invested Capital (ROIC):</b>												
NOPLAT	\$ 21.82	\$ 19.37	\$ 20.74	\$ 15.26	\$ 19.29	\$ 19.92	\$ 20.55	\$ 21.19	\$ 21.83	\$ 22.48	\$ 23.14	\$ 23.81
Beginning IC	\$ 318.05	\$ 320.90	\$ 320.10	\$ 325.20	\$ 327.09	\$ 328.99	\$ 331.04	\$ 330.94	\$ 330.94	\$ 331.02	\$ 331.18	\$ 331.41
<b>ROIC</b>	<b>6.86%</b>	<b>6.04%</b>	<b>6.48%</b>	<b>4.69%</b>	<b>5.90%</b>	<b>6.05%</b>	<b>6.21%</b>	<b>6.40%</b>	<b>6.60%</b>	<b>6.79%</b>	<b>6.99%</b>	<b>7.19%</b>
<b>Economic Profit (EP):</b>												
Beginning IC	318.05	320.90	320.10	325.20	327.09	328.99	331.04	330.94	330.94	331.02	331.18	331.41
x (ROIC - WACC)	0.92%	0.09%	0.54%	-1.25%	-0.04%	0.11%	0.27%	0.46%	0.65%	0.85%	1.04%	1.24%
<b>EP</b>	<b>\$ 2.92</b>	<b>\$ 0.30</b>	<b>\$ 1.72</b>	<b>\$ (4.06)</b>	<b>\$ (0.14)</b>	<b>\$ 0.37</b>	<b>\$ 0.88</b>	<b>\$ 1.52</b>	<b>\$ 2.16</b>	<b>\$ 2.81</b>	<b>\$ 3.46</b>	<b>\$ 4.12</b>

**Verizon Communications Inc. (VZ)**

*Weighted Average Cost of Capital (WACC) Estimation*

**Cost of Equity:**

Risk-Free Rate	4.34%
Beta	0.49
Equity Risk Premium	5.00%
<b>Cost of Equity</b>	<b>6.79%</b>

*ASSUMPTIONS:*

*10Y Treasury Yield  
3Y Monthly  
Kroll ERP Estimate as of March 2026*

**Cost of Debt:**

Risk-Free Rate	4.34%
Implied Default Premium	2.16%
Pre-Tax Cost of Debt	6.50%
Marginal Tax Rate	22%
<b>After-Tax Cost of Debt</b>	<b>5.07%</b>

*10Y Treasury Yield*

*YTM on 30Y Verizon Corporate Bond*

**Market Value of Common Equity:**

Total Shares Outstanding	4,502,917,657
Current Stock Price	\$46.27
<b>MV of Equity</b>	<b>208,350,000,000.00</b>

**MV Weights**

50.76%

**Market Value of Debt:**

Short-Term Debt	24,981,000,000.00
Current Portion of LTD	18,618,000,000.00
Long-Term Debt	139,532,000,000.00
PV of Operating Leases	18,951,000,004.54
<b>MV of Total Debt</b>	<b>202,082,000,004.54</b>

49.24%

**Market Value of the Firm**

**410,432,000,004.54**

100.00%

**Estimated WACC**

**5.94%**

## Verizon Communications Inc. (VZ)

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

### Key Inputs:

CV Growth of NOPLAT	1.00%
CV Year ROIC	7.19%
WACC	5.94%
Cost of Equity	6.79%

Fiscal Years Ending Dec. 31	2026	2027	2028	2029	2030	2031	2032	2033	2034
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### DCF Model:

Free Cash Flow (FCF)	13.4	17.4	17.9	20.7	21.2	21.7	22.3	22.9	23.5
Continuing Value (CV)									414.85
PV of FCF	12.6	15.5	15.0	16.4	15.9	15.4	14.9	14.4	261.4

Value of Operating Assets:	381.6
Non-Operating Adjustments	
Cash and Cash equivalents	26.5
Debt	\$ (158.15)
<b>Value of Operating lease liabilities</b>	<b>\$ (25.01)</b>
Value of Equity	224.9
Shares Outstanding	4.2
Intrinsic Value of Last FYE	\$ 53.55
<b>Implied Price as of Today</b>	<b>\$ 53.66</b>

### EP Model:

Economic Profit (EP)	-4.1	-0.1	0.4	0.9	1.5	2.2	2.8	3.5	4.1
Continuing Value (CV)									83.4
PV of EP	-3.8	-0.1	0.3	0.7	1.1	1.5	1.9	2.2	52.6

Total PV of EP	56.4
Invested Capital (last FYE)	325.2
Value of Operating Assets:	381.6
Non-Operating Adjustments	
Cash and cash equivalents	26.5
Value of debt	-158.2
<b>Value of operating lease liabilities</b>	<b>-25.0</b>
Value of Equity	224.9
Shares Outstanding	4.2
Intrinsic Value of Last FYE	\$ 53.55
<b>Implied Price as of Today</b>	<b>\$ 53.66</b>

## Verizon Communications Inc. (VZ)

### Relative Valuation Models

Ticker	Company	Price	EPS		P/E 26	P/E 27
			2026E	2027E		
T	AT&T	\$26.51	\$2.28	\$2.51	11.56	10.45
TMUS	T-Mobile	\$194.07	\$10.35	\$13.36	18.75	14.53
CMCSA	Comcast	\$31.64	\$2.96	\$3.24	9.04	8.21
			Average		<b>13.12</b>	<b>11.06</b>
VZ	Verizon Communication	\$45.98	\$4.10	\$4.24	9.38	8.77

### Implied Relative Value:

P/E (EPS26)	\$ 53.83
P/E (EPS27)	\$ 46.87
P/E Average	\$ 50.35

**Verizon Communications Inc. (VZ)**

*Sensitivity Tables*

Cost of Equity

CV Growth of NOPLA

53.66	4.00%	5.00%	6.00%	6.79%	7.79%	8.79%	9.79%
0.25%	51.56	51.72	51.88	52.00	52.16	52.32	52.47
0.75%	52.60	52.76	52.93	53.05	53.21	53.37	53.53
0.75%	52.60	52.76	52.93	53.05	53.21	53.37	53.53
1.00%	53.20	53.36	53.53	53.66	53.82	53.98	54.14
1.25%	53.86	54.03	54.19	54.32	54.49	54.65	54.81
1.50%	54.60	54.77	54.94	55.07	55.23	55.40	55.56
1.75%	55.43	55.60	55.77	55.90	56.07	56.24	56.40

Beta

CV Growth NOPLAT

53.66	0.34	0.39	0.44	0.49	0.54	0.59	0.64
0.25%	58.60	56.30	54.10	52.00	49.99	48.07	46.23
0.75%	60.22	57.71	55.32	53.05	50.89	48.82	46.85
1.25%	62.23	59.45	56.81	54.32	51.96	49.72	47.59
1.75%	64.76	61.62	58.67	55.90	53.29	50.82	48.49
2.25%	68.05	64.43	61.05	57.90	54.96	52.21	49.62
2.75%	72.52	68.19	64.21	60.53	57.14	53.99	51.06
3.25%	78.92	73.49	68.59	64.14	60.09	56.38	52.97

WACC

CV Year ROIC

53.66	5.64%	5.74%	5.84%	5.94%	6.04%	6.14%	6.24%
4.19%	51.76	49.93	48.16	46.47	44.85	43.29	41.78
5.19%	55.39	53.45	51.59	49.81	48.09	46.44	44.86
6.19%	57.85	55.84	53.91	52.06	50.29	48.58	46.94
7.19%	59.62	57.56	55.59	53.69	51.87	50.12	48.44
8.19%	60.96	58.87	56.85	54.92	53.07	51.29	49.57
9.19%	62.01	59.88	57.84	55.89	54.01	52.20	50.46
10.19%	62.86	60.70	58.64	56.66	54.76	52.93	51.17

		Beta						
		0.34	0.39	0.44	0.49	0.54	0.59	0.64
Equity Risk Premium	53.66							
	4.00%	65.00	62.71	60.52	58.43	56.42	54.50	52.65
	4.50%	63.05	60.58	58.23	55.98	53.84	51.80	49.84
	4.75%	62.10	59.54	57.12	54.80	52.60	50.50	48.50
	5.00%	61.17	58.53	56.03	53.66	51.40	49.25	47.20
	5.25%	60.26	57.54	54.97	52.54	50.22	48.03	45.94
	5.50%	59.36	56.57	53.93	51.44	49.08	46.84	44.71
	5.75%	58.48	55.62	52.92	50.37	47.97	45.69	43.52

		Beta						
		0.34	0.39	0.44	0.49	0.54	0.59	0.64
WACC	53.66							
	5.64%	59.48	59.53	59.57	59.62	59.66	59.71	59.75
	5.74%	57.43	57.47	57.51	57.56	57.60	57.64	57.69
	5.84%	55.45	55.50	55.54	55.58	55.62	55.66	55.71
	5.94%	53.56	53.60	53.65	53.69	53.73	53.77	53.81
	6.04%	51.75	51.79	51.83	51.87	51.90	51.94	51.98
	6.14%	50.00	50.04	50.08	50.12	50.15	50.19	50.23
	6.24%	48.32	48.36	48.40	48.43	48.47	48.50	48.54

**Verizon Communications Inc. (VZ)**  
*Present Value of Operating Lease Obligations*

<b>Fiscal Years Ending Dec. 31</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Year 1	2822.0	3290.0	4043.0	4099.0	4327.0	4383.0	4591.0	4763.0	5013.0	5272.0
Year 2	2443.5	2864.5	3475.0	3563.5	3742.5	4169.0	4318.0	4416.0	4685.0	4983.0
Year 3	2443.5	2864.5	3475.0	3563.5	3742.5	3908.0	3929.0	4065.0	4392.0	3580.0
Year 4	1721.0	2126.5	2696.5	2742.5	2606.0	3521.0	3571.0	3744.0	3004.0	3087.0
Year 5	1721.0	2117.5	2696.5	2742.5	2606.0	3173.0	3253.0	2406.0	2505.0	2512.0
Thereafter	6724.0	7462.0	10207.0	9257.0	7970.0	12335.0	10160.0	9008.0	9451.0	8735.0
<b>Total Minimum Payments</b>	<b>17875.0</b>	<b>20725.0</b>	<b>26593.0</b>	<b>25968.0</b>	<b>24994.0</b>	<b>31489.0</b>	<b>29822.0</b>	<b>28402.0</b>	<b>29050.0</b>	<b>28169.0</b>
Less: Cumulative Interest	3535.4	4005.6	5312.4	4994.0	4556.0	6401.2	5641.1	5269.3	5382.6	5059.1
<b>PV of Minimum Payments</b>	<b>14339.6</b>	<b>16719.4</b>	<b>21280.6</b>	<b>20974.0</b>	<b>20438.0</b>	<b>25087.8</b>	<b>24180.9</b>	<b>23132.7</b>	<b>23667.4</b>	<b>23109.9</b>
<b>Implied Interest in Year 1 Payment</b>		<b>747.1</b>	<b>871.1</b>	<b>1108.7</b>	<b>1092.7</b>	<b>1064.8</b>	<b>1307.1</b>	<b>1259.8</b>	<b>1205.2</b>	<b>1233.1</b>
Pre-Tax Cost of Debt	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%	5.21%
Years Implied by Year 6 Payment	3.9	3.5	3.8	3.4	3.1	3.9	3.1	3.7	3.8	3.5
Expected Obligation in Year 6 & Beyond	1721	2117.5	2696.5	2742.5	2606	3173	3253	2406	2505	2512
<b>Present Value of Lease Payments</b>										
PV of Year 1	2682.3	3127.1	3842.8	3896.0	4112.7	4166.0	4363.7	4527.1	4764.8	5010.9
PV of Year 2	2207.5	2587.8	3139.4	3219.3	3381.0	3766.3	3900.9	3989.5	4232.5	4501.7
PV of Year 3	2098.2	2459.7	2983.9	3059.9	3213.6	3355.7	3373.7	3490.5	3771.3	3074.1
PV of Year 4	1404.6	1735.6	2200.8	2238.3	2126.9	2873.7	2914.5	3055.7	2451.7	2519.5
PV of Year 5	1335.0	1642.6	2091.8	2127.5	2021.6	2461.4	2523.5	1866.4	1943.2	1948.7
PV of 6 & beyond	4612.0	5166.7	7022.0	6433.0	5582.2	8464.7	7104.7	6203.4	6503.9	6055.0
<b>Capitalized PV of Payments</b>	<b>14339.6</b>	<b>16719.4</b>	<b>21280.6</b>	<b>20974.0</b>	<b>20438.0</b>	<b>25087.8</b>	<b>24180.9</b>	<b>23132.7</b>	<b>23667.4</b>	<b>23109.9</b>