

Verizon Communications Inc (NYSE: VZ)

Long Recommendation



Entry Price: \$44.00

Blended Target Price: \$58.04

31.9% Upside | 14.7% 3-Year IRR

Eagle Fund Spring 2026 Competition

Team: Can You Hear Me Now?

Dario, Sandro, Denis, Ashley, Emalee, Sergio, Camille

America's Largest Fiber & Wireless Network



With 115M+ wireless connections and an expanded fiber footprint, VZ is the backbone of U.S. connectivity

Business Background

- Founded in 2000 through the merger of Bell Atlantic Corp and GTE Corp, **Verizon Communications Inc.** is an integrated telecommunications business serving more than **147 million** wireless retail connections and **11 million** broadband connections.
- Verizon discloses two segments, **Consumer** and **Business**, the former making up ~77% of consolidated operating revenue with **\$106.8 billion** reported in FY2025.

Revenue Segments & Products

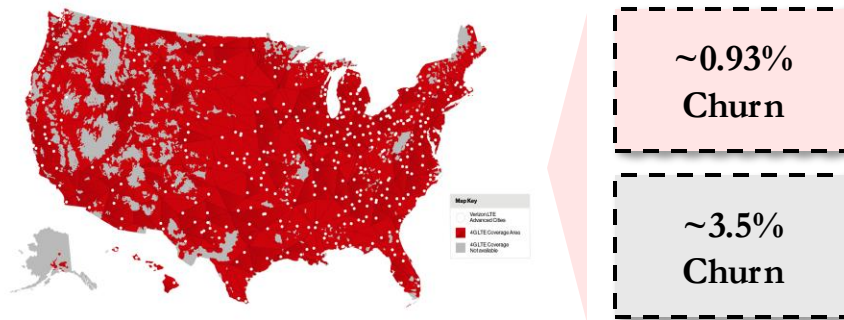
1) Consumer Wireline + Wireless (77% of Revenue)

- Postpaid lines (contract-based, premium benefits)
- Prepaid lines (lower prices, less benefits, higher churn)
- FWA (high-margin, 4G LTE/5G-based internet access)
- FTTH/Fios (cable-based high-speed fiber network)
- DSL/Other (being phased out, traditional dial-up)

2) Business, Wholesale, & Other (23% of Revenue)

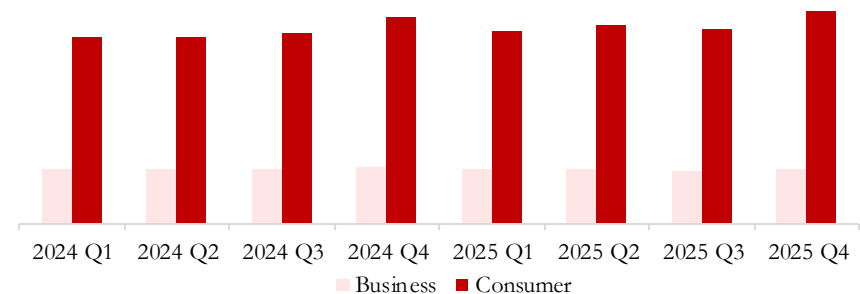
- Enterprise & Public (agencies and large businesses)
- Business Markets (indexed to SMBs, contract-based)
- Wholesale (leases of network space to MNVOs)

Extensive 4G LTE Coverage



Revenue Advances at Steady CAGR

Q4 sees spike in adds from iPhone cycle



$$\text{Annual Segment Revenue} = (\text{Beginning Connections} + \text{Gross Adds} - \text{Churn}) \times \text{ARPA} \times 12$$

Telecom: A Very Expensive Game to Play

The telecom space is characterized by extremely high barriers to entry and the occasional pricing war

The “Big Three”

1) The **three incumbent firms** in the telecom space (VZ, T, TMUS) control ~96% of existing market share due to:

1) The cost of telecom

infrastructure creates a strong barrier to entry.

2) Spectrum licenses

(electromagnetic frequencies) are a **cornered asset** auctioned off by the FCC, largely to incumbent firms.

High-Band
>24 GHz

Mid-Band
1-6 GHz

Low-Band
1> GHz

How Spectrum is Auctioned Off

Form 175 Application

Upfront “Buy-In”

SMR Round 1

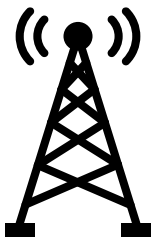
Price Increment

Close

1) Spectrum is a finite natural resource.

- Incumbents have the advantage due to “jump” and “warehouse” bidding
- The most valuable frequencies are ~2.5-4 GHz

Lifecycle of a New Cell Tower



- A “search ring” is identified
- A 20-30-year ground lease is signed
- The tower must **be cleared** with local municipalities
- **Civil works** are completed and **backhaul** is finished
- MIMO, RRHs, and BBUs are installed, tower “goes hot”

Towers are like apartments, carriers buy space on them

Telecom Strategies are Changing

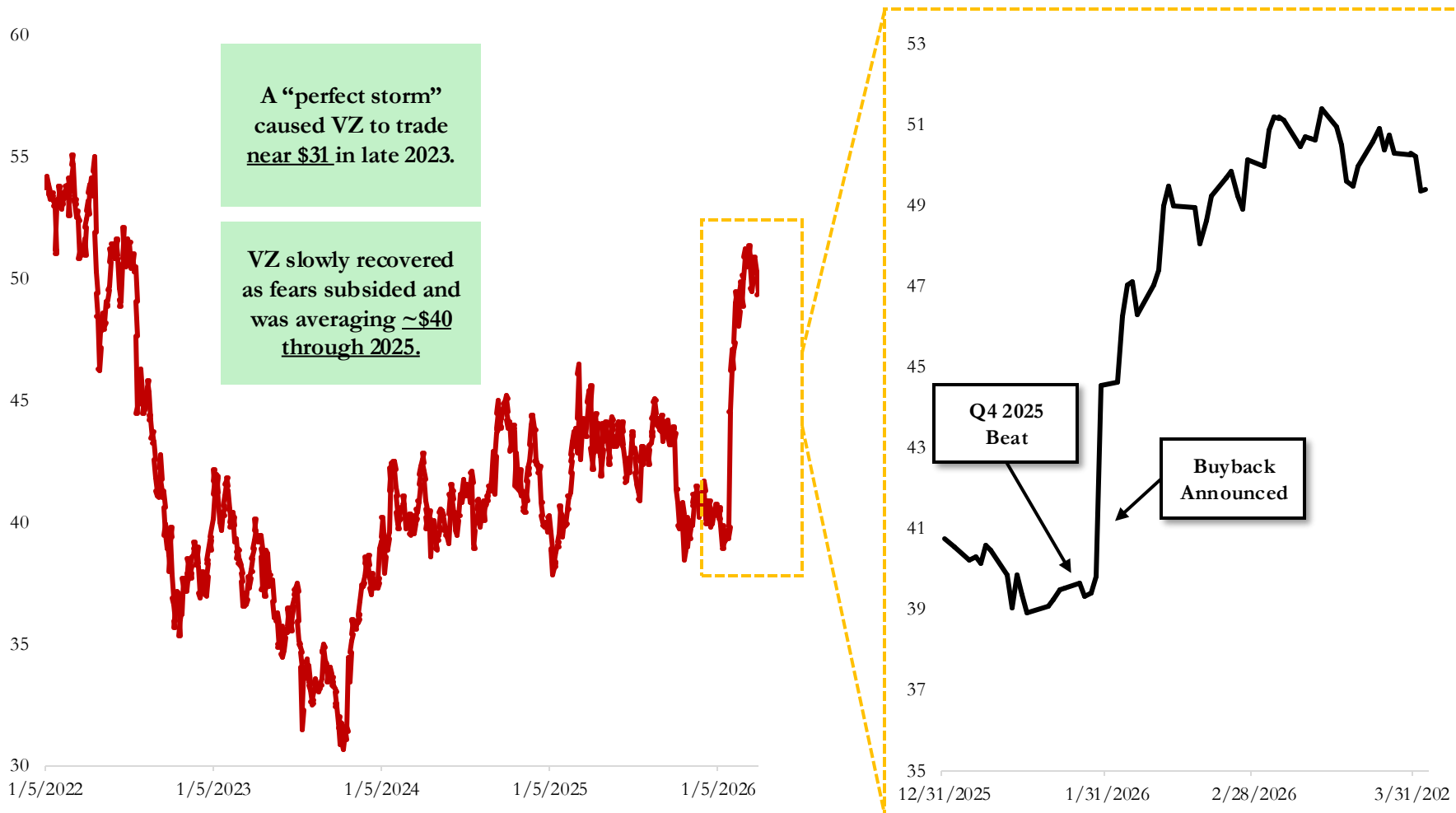
1) Throughout the last few years, carriers have switched their playbook:

- 1) The **fiber market is consolidating** with large carriers trying to increase their passings
- 2) FWA (fixed wireless access) is capturing ~10% of new broadband subs in some regions
- 3) Carriers are incentivizing premium lines with bundles, especially **wireless + FWA** and **DIY perks**

The market is pivoting towards higher-margin products

Beaten-Down By The Perfect Storm

A combination of regulatory issues and intense competition has ravaged Verizon stock over the last 4 years



We see short-term fundamental momentum as sell-side revisions are being raised aggressively

The Pricing War is Largely in the Rearview Mirror

Triangulation of 1P research reveals the ending of heated competition currently unmodeled by Street

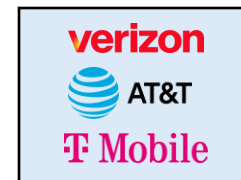
Upsell of Premium & Bundled Lines

- 1 Our team visited a **total of 6** VZ, T, and TMUS locations across **three counties** (Lee, Collier, and Palm Beach) and **two coasts** to **observe pricing strategies** and talk to sales representatives
- 2 We largely found that **convergence** (FWA + premium line) and **customizable premium lines with added perks** were being upsold to customers at **higher-than-historical rates**

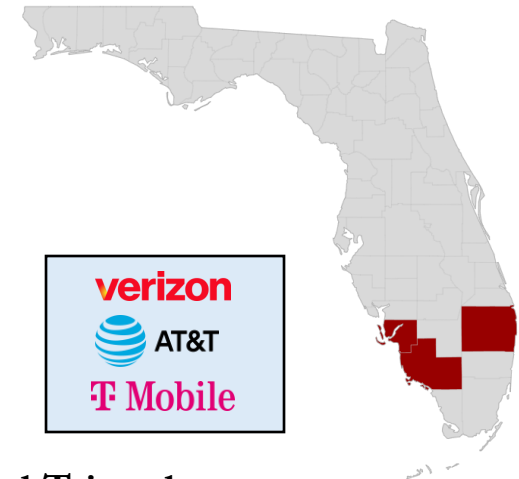
"We've been pushing **some** **promos** but migrating to **premium lines only.**"
- VZ Sales Rep, PBC

"We definitely incentivize switching, **but mainly to Go5G Plus/Next**"
- T-Mobile Rep, Collier

"Wireless + Internet has been **huge** for us. **Gets a lot of customers in the store.**"
- AT&T Rep, Lee



Store Visit Map



Scrapper Data Shows The Beginning of a Rational Triopoly

Wayback Machine Scrape

Average price lock **+1.2 yrs.**

Average premium line **+\$8.5 / month**

- We built a **Claude Code** scraper which analyzed 5 years of **Wayback Machine** data on **The Big 3**
- Over **2Q23-4Q25**, it shows marketing shifting to **premium + FWA upsell**

Trailing 2Y Earnings Call Sentiment Analysis

1) Changing tone from management on pricing strategies:

"We continue to remain disciplined and not pursue **low-margin wireless business** or overpay for volumes. – Skiadas VZ 4Q25

"People are **moving up even within premium to more premium** because they want more of what T-Mobile has to offer." – Sievert TMUS 2Q25

We're not out there giving away free lines. ... **We are bringing in paying customers.**" – Stankey T 2Q25

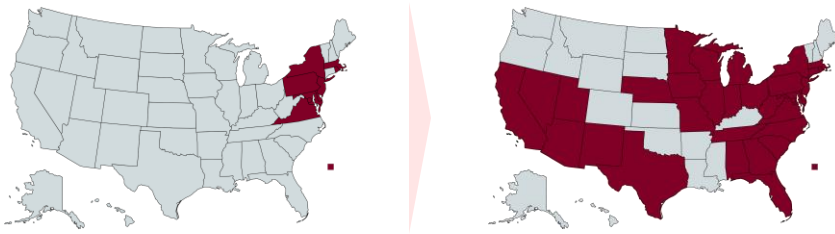
Street Sees Near-Term Headwinds, We See a Reborn VZ



With headwinds behind them, Verizon is undergoing a transformation that will vastly improve its business

Frontier is a Game-Changer

- VZ closed their acquisition of Frontier in January 2026 in a ~\$20 billion all-cash acquisition including debt
- Expected \$500mm in annual run-rate cost savings



Street is Anchored to the Past

“Postpaid Phone ARPU and ARPA were lower than expected, which we attribute to higher promotion amortization and retention discounts/price adjustments.”



“We question Verizon's growth algorithm as the company 1) comps prior year price increases, 2) faces promo amortization headwinds, and 3) laps strong consumer net add improvements.”

J.P.Morgan

“Verizon results and guidance this quarter are likely to be viewed as a barometer for competitive intensity this year in wireless, and on that front, results are likely to enhance these competitive concerns further.”



Convergence Strategy

Higher Margins, Better Lock-In, Lower Churn

- The Big 3 (specifically Verizon) have been focusing on **phone + internet** bundles to increase **lock-in** and **reduce churn**
- VZ has an advantage due to Frontier + 4G LTE cov.

Mgmt. Guidance:
40% Churn Reduction

Modeling Standpoint:
5bps = 90k Net Adds

The “Dan Plan” Creates a Focused VZ

1) VZ's New CEO, Dan Schulman Is the Right Choice

- Launched Virgin Mobile USA and sold it to Sprint
- Scaled Priceline's annual rev from \$20mm to \$1bn
- Tripled PayPal's revenue through market expansion

2) How will Schulman's Magic Work on Verizon?

- VZ will stop empty price increases, focusing on value
- Massive \$5 billion cost savings plan, reinvested into CE
- Streamlining myPlan to curated, high-value bundles
- Pushing convergence + targeting 40-50m fiber passings
- Turning 2026 into a transition year with high targets

The 5G C-Band Buildout is Over, Verizon's Restructuring, Acquisitions, and New Products Help it Cool Down for 6G

5-Year DCF Yields a Blended Price Target of \$58.04

Based on our understanding of key tailwinds and risks, we built a 3-case DCF with weighted price targets

DCF Analysis (Base Case)

(\$ in millions)	2025A	2026E	2027E	2028E	2029E	2030E
EBITDA	47,608	48,084	48,565	48,808	49,052	49,297
% YoY Growth	-	1.0%	1.0%	0.5%	0.5%	0.5%
(-) D&A	18,349	18,032	18,212	18,303	18,394	18,486
EBIT	29,259	30,053	30,353	30,505	30,657	30,811
% YoY Growth						
(-) Taxes	22.3%	25.0%	25.0%	25.0%	25.0%	25.0%
NOPAT	22,734	22,539	22,765	22,879	22,993	23,108
(+) D&A	18,349	18,032	18,212	18,303	18,394	18,486
(-) CapEx	17,011	16,829	16,998	17,083	17,168	17,254
(-) Changes in NWC	474	481	486	488	491	493
Unlevered Free Cash Flow	23,598	23,261	23,493	23,611	23,729	23,847
Mid-Year Convention		0.5	1.5	2.5	3.5	4.5
PV of UFCF		22,435	21,078	19,706	18,422	17,223

\$	56.43	0.75%	1.00%	1.25%	1.50%	1.75%
8.85%		\$37.68	\$39.33	\$41.08	\$42.96	\$44.96
8.35%		\$42.14	\$44.05	\$46.09	\$48.28	\$50.63
7.85%		\$47.24	\$49.46	\$51.85	\$54.43	\$57.22
7.50%		\$51.25	\$53.74	\$56.43	\$59.35	\$62.52
7.15%		\$55.70	\$58.51	\$61.56	\$64.88	\$68.51
6.80%		\$60.67	\$63.86	\$67.33	\$71.14	\$75.32
6.45%		\$66.24	\$69.89	\$73.88	\$78.28	\$83.15

Case Breakdown

Base Case (55%)

- 1 Frontier synergies on track
- 2 5G C-Band CapEx rolls off
- 3 Leverage trends to target

Implied Share Price: \$56.43 **+28.3%**

Bull Case (25%)

- 1 Frontier synergies pass target
- 2 FWA adds beyond guidance
- 3 Faster deleveraging aids BS

Implied Share Price: \$80.36 **+82.6%**

Bear Case (20%)

- 1 Frontier integration stalls
- 2 Flat-negative EBITDA growth
- 3 Refinancing at elevated rates

Implied Share Price: \$34.55 **(21.5%)**

Risks & Mitigants



While VZ faces headwinds from its balance sheet and higher churn vs. peers, we see a path to improvement

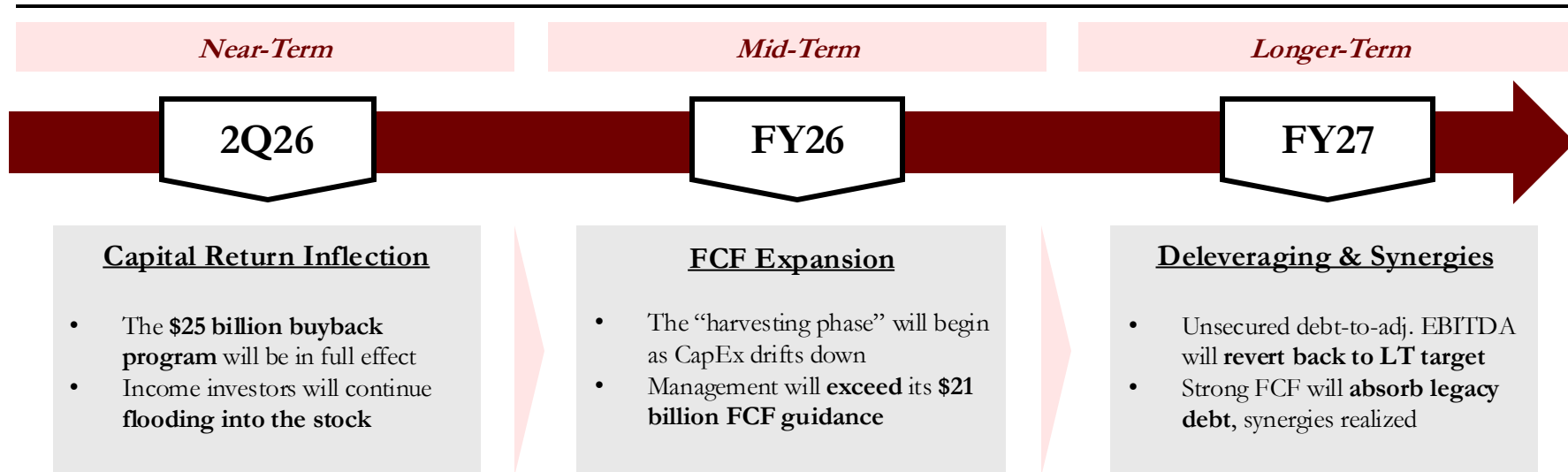
	Key Risk(s)	Mitigant(s)
1 Debt Load	- Verizon carries a highly leveraged balance sheet due to massive CapEx for C-Band auctions and 5G build-out - A higher rate environment would threaten debt servicing costs and pressure FCF	- Peak CapEx is largely behind us as C-Band buildout is over - Management is highly disciplined and is aiming to cut costs through synergies and a restructuring
2 Pricing Power	- ARPU/ARPA metrics have been falling over the last few quarters - Postpaid net adds missed last quarter and churn has been on the uptrend during the near-term	- Our store visits & alt data confirm that aggressive share-stealing has cooled down - VZ's convergence & myPlan models will lower churn and increase lock-in
3 Execution Risk	- FTTH total passing targets are too high and will be constrained by supply chain issues or labor shortages - Incumbents will start aggressive promos	- Management has a proven track record, consistently meeting or exceeding fiber build targets - Fiber is structurally superior to legacy cable (symmetrical U/D speeds)

Risks center around the viability of VZ's growth and leverage, which we believe are real but overblown

What You Need To Believe

Underwriting conservative assumptions, we still see high upside with a host of meaningful hard catalysts

Catalyst Path



One-Foot-Bar Expectations

- We make money on this trade on **conservative assumptions** (flat EBITDA growth, 1% TGR)
- The Street is **overly-anchored** to past headwinds and is pricing in **nightmare bear case assumptions**
- Consensus EBITDA CAGR is **-1.1%**, using consensus WACC we still get **30+%** blended upside

What Are You Buying?

- ✓ The **largest integrated telecommunications business** in the United States
- ✓ A **first-mover in convergence strategies** with dialed-in management and a **proven track record**
- ✓ The **largest 4G LTE network** and **strongest rural coverage**

At an entry price of \$44, we believe that Verizon is an investment fit for the Eagle Fund and its framework.

Q&A

Thank you! Any questions?

Entry Price: \$44.00

Blended Target Price: \$58.04

31.9% Upside | 14.7% 3-Year IRR

Appendix

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Blended Target Price: \$58.04
31.9% Upside | 14.7% 3-Year IRR

Sensitivities & Case Weightings



\$ 56.43	0.75%	1.00%	1.25%	1.50%	1.75%
8.85%	\$37.68	\$39.33	\$41.08	\$42.96	\$44.96
8.35%	\$42.14	\$44.05	\$46.09	\$48.28	\$50.63
7.85%	\$47.24	\$49.46	\$51.85	\$54.43	\$57.22
7.50%	\$51.25	\$53.74	\$56.43	\$59.35	\$62.52
7.15%	\$55.70	\$58.51	\$61.56	\$64.88	\$68.51
6.80%	\$60.67	\$63.86	\$67.33	\$71.14	\$75.32
6.45%	\$66.24	\$69.89	\$73.88	\$78.28	\$83.15

Case Weightings			
Case	Share Price	% Upside	Probability
Base	\$ 56.43	28.3%	55%
Bear	\$ 34.55	(21.5%)	20%
Bull	\$ 80.36	82.6%	25%
Blended	\$ 58.04	31.9%	

28.3%	0.75%	1.00%	1.25%	1.50%	1.75%
8.85%	(14.36%)	(10.62%)	(6.63%)	(2.37%)	2.19%
8.35%	(4.22%)	0.11%	4.75%	9.72%	15.07%
7.85%	7.35%	12.41%	17.84%	23.71%	30.06%
7.50%	16.47%	22.14%	28.26%	34.89%	42.10%
7.15%	26.59%	32.98%	39.91%	47.45%	55.70%
6.80%	37.88%	45.13%	53.03%	61.68%	71.18%
6.45%	50.55%	58.83%	67.91%	77.91%	88.97%

DCF Drivers	2026E	2027E	2028E	2029E	2030E
EBITDA Growth %	1.0%	1.0%	0.5%	0.5%	0.5%
Base	1.0%	1.0%	0.5%	0.5%	0.5%
Bear	-	-	(0.5%)	(0.5%)	(0.5%)
Bull	2.0%	2.0%	1.0%	1.0%	1.0%
Cash Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%
Base	25.0%	25.0%	25.0%	25.0%	25.0%
Bear	26.0%	26.0%	26.0%	26.0%	26.0%
Bull	24.0%	24.0%	24.0%	24.0%	24.0%
D&A % of EBITDA	37.5%	37.5%	37.5%	37.5%	37.5%
Base	37.5%	37.5%	37.5%	37.5%	37.5%
Bear	39.0%	39.0%	39.0%	40.0%	40.0%
Bull	36.0%	36.0%	36.0%	36.0%	36.0%
CapEx	35.0%	35.0%	35.0%	35.0%	35.0%
Base	35.0%	35.0%	35.0%	35.0%	35.0%
Bear	38.0%	38.0%	38.0%	38.0%	38.0%
Bull	33.5%	33.5%	33.5%	33.5%	33.5%
Change in NWC	1.0%	1.0%	1.0%	1.0%	1.0%
Base	1.0%	1.0%	1.0%	1.0%	1.0%
Bear	1.2%	1.2%	1.2%	1.2%	1.2%
Bull	0.6%	0.6%	0.6%	0.6%	0.6%
WACC	7.5%				
Base	7.5%				
Bear	8.5%				
Bull	6.8%				
TGR	1.3%				
Base	1.3%				
Bear	1.0%				
Bull	1.5%				

Management Team



CEO



Dan Schulman

Prev: CEO & President at PayPal, CEO of Priceline Group, President of Enterprise Growth at American Express

Extensive TMT experience, spent 18 years at AT&T, founding CEO of Virgin Mobile USA

Education: B.A. in Economics from Middlebury and an MBA from Stern

CFO



Tony Skiadas

Company Lifer: Began his career at Bell Atlantic Mobile (VZ predecessor) in 1996

Served as **SVP and Controller** from 2013-2023

Education: B.S. in Accounting from the University of Delaware and an MBA from Seton Hall University. CPA Charter holder

Head of Networks



Joe Russo

Company Lifer: Started off as an intern at Bell Atlantic in 1995. Leader in Core Engineering, Consumer Customer Service, and Northeast Field Ops

Network Ops: Played a pivotal role in Fios rollout and oversees 5G upgrades

Education: B.A. from James Madison University and an MBA from Pace

Reverse DCF



Case **1**

WACC: **7.5%**
TGR: **1.25%**

Imp. CAGR
(1.1%)

(\$ in millions)	2025A	2026E	2027E	2028E	2029E	2030E
EBITDA	47,608	47,098	46,593	46,093	45,599	45,110
% YoY Growth	-	(1.1%)	(1.1%)	(1.1%)	(1.1%)	(1.1%)
(-) D&A	18,349	17,662	17,472	17,285	17,100	16,916
EBIT	29,259	29,436	29,120	28,808	28,499	28,194
% YoY Growth						
(-) Taxes	22.3%	25.0%	25.0%	25.0%	25.0%	25.0%
NOPAT	22,734	22,077	21,840	21,606	21,374	21,145
(+) D&A	18,349	17,662	17,472	17,285	17,100	16,916
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(-) Changes in NWC	474	471	466	461	456	451
Unlevered Free Cash Flow	23,598	22,783	22,539	22,297	22,058	21,822
Mid-Year Convention		0.5	1.5	2.5	3.5	4.5
PV of UFCF		21,974	20,222	18,610	17,126	15,760

Share Price Calculation	
Terminal Value	353,515
PV of TV	255,311
Stage 1 CFs	93,691
Implied EV	349,002
(-) Debt	158,150
(+) Cash	19,050
Implied Equity Value	209,902
FDSO	4,231
Implied Share Price	\$ 49.61
Entry Price	\$ 44.00
<i>Implied Upside</i>	<i>12.8%</i>

Case Weightings			
Case	Share Price	% Upside	Probability
Base	\$ 56.43	28.3%	55%
Bear	\$ 34.55	(21.5%)	20%
Bull	\$ 80.36	82.6%	25%
Blended	\$ 58.04	31.9%	

Debt Schedule



Verizon Communications Inc. (NYSE: VZ)

Model Schedules

(Amounts in USD millions except per-share amounts)

Case

1

Year	Maturities
2026	17,267
2027	9,569
2028	13,032
2029	8,115
2030	11,081
Thereafter	96,753
Total	155,817

Debt Schedule	2026E	2027E	2028E	2029E	2030E
Beginning Balance	155,817	154,954	154,475	153,563	152,914
(+) New Issuances	16,404	9,091	12,120	7,466	9,973
(-) Maturities	(17,267)	(9,569)	(13,032)	(8,115)	(11,081)
(-) Paydown	-	-	-	-	-
Ending Balance	154,954	154,475	153,563	152,914	151,806
Average Balance	155,385	154,714	154,019	153,238	152,360
Blended Rate on Existing	4.50%	4.50%	4.50%	4.50%	4.50%
Interest Expense	6,992	6,962	6,931	6,896	6,856