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? **PM:** Dario Benes
Sandro, Denis, Ashley, Emalee, Sergio, Camille

America's Largest Fiber & Wireless Network

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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)

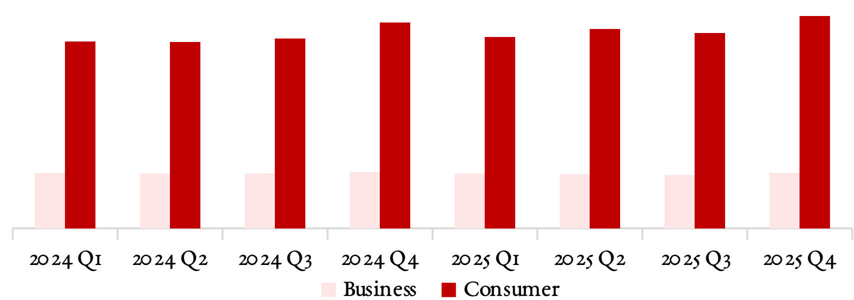
Extensive 4G LTE Coverage

~0.93% Churn

~3.5% Churn

Revenue Advances at Steady CAGR

Q4 sees spike in adds from iPhone cycle



Annual Segment Revenue = (Beginning Connections + Gross Adds − Churn) × ARPA × 12

Sources: Bloomberg, IR Website, Quartr, 4Q25 10-K, Barron's

Telecom: A Very Expensive Game to Play

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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. <u>**The cost of telecom infrastructure**</u> creates a strong barrier to entry.
2. <u>**Spectrum licenses**</u> (electromagnetic frequencies) are a **cornered asset** auctioned off by the FCC, largely to incumbent firms.

<u>**High-Band**</u> >24 GHz
<u>**Mid-Band**</u> 1-6 GHz
<u>**Low-Band**</u> 1> GHz

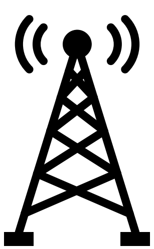
How Spectrum is Auctioned Off

- **Form 175 Application**
- **Upfront "Buy-In"**
- **SMR Round 1**
- **Price Increment**
- **Close**

<u>**1) Spectrum is a finite natural resource.**</u>

- 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

<u>**1) Throughout the last few years, carriers have switched their playbook**</u>:

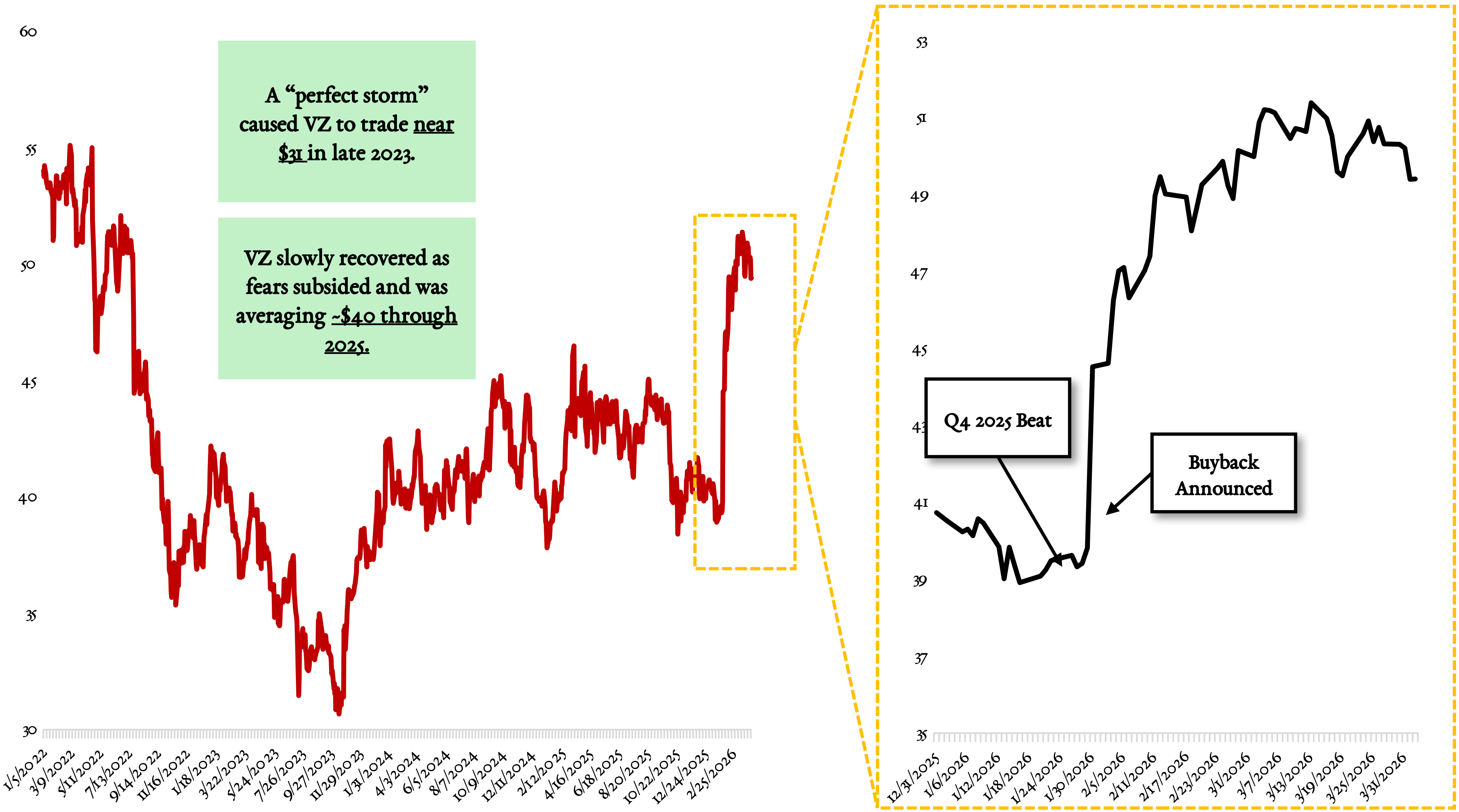
1. The **fiber market is consolidating** with large carriers trying to increase their passings
2. FWA (fixed wireless access) is capturing **~10%** of new broadband subs in some regions
3. Carriers are incentivizing premium lines with bundles, especially **wireless + FWA** and **DIY perks**

The market is pivoting towards higher-margin products

Sources: Sector Reports, 4Q25 10-K, Bloomberg

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

Sources: WSJ, Barron's, Bloomberg

The Pricing War is Largely in the Rearview Mirror

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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**

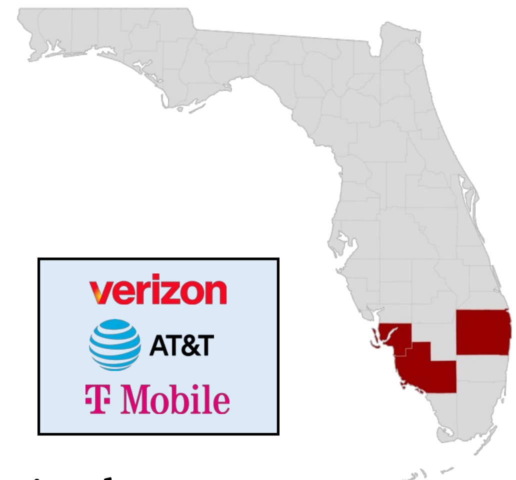
"We've been pushing **some promos** but migrating to **premium lines only.**"
- VZ Sales Rep, PBC

"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

Lee, Collier, & PB County



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AT&T
T Mobile

Scraper 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**

Sources: Proprietary 1P Research, 4Q23-4Q25 Reports

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

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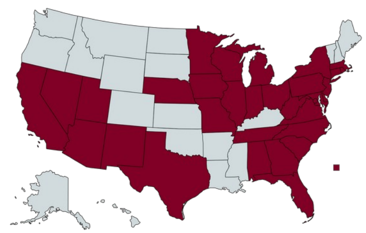
With headwinds behind them, Verizon is undergoing a transformation that will vastly improve its business

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



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.

<u>Mgmt. Guidance:</u>
40% Churn Reduction

<u>Modeling Standpoint:</u>
5bps = 90k Net Adds

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."

BARCLAYS

The "Dan Plan" Creates a Focused VZ

<u>1) VZ's New CEO, Dan Schulman Is the Right Choice</u>

- 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

<u>2) How will Schulman's Magic Work on Verizon?</u>

- 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

Sources: SS Notes, IR Website, Bloomberg, 4Q25 Earnings Call

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

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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%)

Sources: Pitch Team Model

Risks & Mitigants

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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

Sources: Company Filings, Bloomberg, Pitch Team Model

What You Need To Believe

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

Catalyst Path

Near-Term	*Mid-Term*	*Longer-Term*
2Q26	FY26	FY27

Capital Return Inflection

- The **$25 billion buyback program** will be in full effect
- Income investors will continue **flooding into the stock**

FCF Expansion

- The "harvesting phase" will begin as CapEx drifts down
- Management will **exceed** its **$21 billion FCF guidance**

Deleveraging & Synergies

- Unsecured debt-to-adj. EBITDA will **revert back to LT target**
- Strong FCF will **absorb legacy debt**, synergies realized

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.

Sources: Pitch Team Research

Q&A

<u>Thank you! Any questions?</u>

Entry Price: $44.00
Blended Target Price: $58.04
31.9% Upside | *14.7%* 3-Year IRR

Appendix

Entry Price: $44.00
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

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%*

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%***	

Sources: Pitch Team Research

DCF Drivers

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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%*				

Sources: Pitch Team Research

Management Team

CEO	CFO	Head of Networks
		
Dan Schulman	**Tony Skiadas**	**Joe Russo**
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	**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	**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

Sources: Verizon IR Website

Reverse DCF

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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
(-) CapEx	17,011	16,484	16,307	16,133	15,960	15,788
(-) 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
Implied Upside		*12.8%*

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%***	

Sources: Pitch Team Research

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**

Sources: Pitch Team Research