**Verizon Communications (NYSE: VZ) Common-Size and Trend Analysis**

**Individual Research Project: Part I**

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**Introduction**

This paper will provide a comprehensive financial analysis of Verizon Communications (NYSE: VZ), with a centralized focus on its income statement trends and common-size metrics within the last two to three years. The common-size analysis will include reviewing key financial metrics such as Net Income, Sales, Gross Profit, Cost of Goods Sold (COGS), Operating Income, Interest expense, and Income tax. The trend analysis will include Net Income, Cost of Goods Sold (COGS), Sales, and Total Liabilities (or Assets) growth rates. Key results will be displayed with data visualizations and tables to further support the financial trends observed from Verizon Communications. A specific recommendation will be given to support Verizon’s long-term financial stability as a Fortune 500 company, based on the analysis of its recent trends and common-size metrics.

**Company Overview**

Verizon Communications (VZ) is a leading American telecommunications company that works to provide reliable internet services to millions of customers. The company is currently listed on the New York Stock Exchange and the NASDAQ, ranking 31st on the Fortune 500 list while serving over 150+ countries worldwide (Verizon, 2025). The organization is comprised of three key divisions: (1) Verizon Consumer Group, (2) Verizon Business Group, and (3) Global Networks and Technology (Verizon, 2025). These divisions help Verizon to maintain its position as a global leader in wireless communications (i.e., 4G to 5G Wireless Network), broadband services (i.e., Fios), and enterprise solutions (i.e., network, core, and advanced communications services).

**Common-Size Analysis: Verizon’s Income Statement (2023 - 2024)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **2023** | **2023**  ***(% of Revenue)*** | **2024** | **2024**  ***(% of Revenue)*** |
| **Sales/Revenue** | **$ 133.97 B** | **100.00 %** | **$ 134.79 B** | **100.00 %** |
| **Cost of Goods Sold (COGS)**  ***(Including Depreciation and Amortization)*** | **$ 72.51 B** | **54.12 %** | **$ 71.99 B** | **53.41%** |
| **Gross Income** | **$ 61.46 B** | **45.87 %** | **$ 62.8 B** | **46.59 %** |
| **Interest Expense** | **$ 5.53 B** | **4.13 %** | **$ 6.65 B** | **4.93 %** |
| **Income Tax** | **$ 4.89 B** | **3.65 %** | **$ 5.03 B** | **3.73 %** |
| **Net Income** | **$ 11.61 B** | **8.67 %** | **$ 17.51 B** | **12.99 %** |

MarketWatch. (2025). Financials. *‘Verizon Communications Inc.’* <https://www.marketwatch.com/investing/stock/vz/financials>

***(Note: All values are rounded to two decimal places. Item dollar amounts are represented in billions.)***

The first table above provides a two-year common-size analysis of Verizon’s Income statement 10-K filing in 2023 and 2024. Additional columns highlight each financial as a percentage of the company’s total revenue. It provides a well-rounded perspective on the company’s revenue, cost management, and stability for investors. Verizon’s total revenue had a minor increase from $133.97 billion in 2023 to $134.79 billion in 2024, representing a steady year-over-year growth (MarketWatch, 2025). When reviewing the company’s Cost of Goods Sold (COGS), including Depreciation and Amortization, there was a slight decline from $72.51 billion (2023) to $71.99 billion (2024) (MarketWatch, 2025). Furthermore, the slight decrease in Verizon’s Cost of Goods Sold (COGS) represents greater operational efficiency and cost management improvements. This directly caused an increase in its Gross Income as a percentage of revenue from 45.87% in 2023 to 46.59% in 2024. The improvement in Verizon’s Cost of Goods Sold (COGS) and its Gross Income provides a positive outlook towards its management of expenses and its overall profitability to investors.

Verizon’s Interest Expense significantly grew from $5.53 billion in 2023 to $6.65 billion in 2024, which can be interpreted as a key financial area of concern (MarketWatch, 2025). Moreover, it can signal that there are higher borrowing costs due to inflationary trends and rising interest rates within the United States market. Income tax also experienced a small increase from $4.89 billion in 2023 to $5.03 billion in 2024, showing some stability in company tax strategies (MarketWatch, 2025). The increase in Income Tax occurred due to an increase in revenue between the 2023 and 2024 earnings reports. Although both Interest Expense and Income Tax showed minor increases, Verizon had stronger cost management in its Income Statement for 2024.

Net Income, also referred to as the bottom line of performance, indicated stronger profitability and operational performance for Verizon from 2023 to 2024. The company’s Net Income in 2023 was $11.61 billion, with 8.67% of revenue (MarketWatch, 2025). In 2024, Verizon’s Net Income rose to $17.51 billion, or 12.99% of revenue (MarketWatch, 2025). This represented a 4.32% increase in Net Income, reflecting better cost control and higher returns from investments in its products and services, which include its enterprise solutions, 5G network, and consumer line. For shareholders and analysts, this upward trend in Net Income is a definite indicator of Verizon’s ability to generate value from its operations. Overall, the Income Statement percentages highlight Verizon’s strong but stable profits amidst greater economic challenges in rising interest rates. Healthy financial performance will largely depend on the company’s approach towards controlling debts, interest payments in respect to revenues, and its competitive edge in the telecommunications market.

**Trend Analysis: Financial Growth Trends for Verizon (2022 - 2024)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **2022** | **2023** | **2024** |
| Sales Growth Rate | **2.41 %** | **-2.09 %** | **0.61 %** |
| COGS Growth Rate | **5.14 %** | **-4.88 %** | **-0.72 %** |
| Net Income Growth Rate | **-3.67 %** | **-45.36 %** | **50.73%** |
| Total Liabilities / Assets Growth Rate | **78.11 %** | **77.30 %** | **75.65 %** |

MarketWatch. (2025). Financials. *‘Verizon Communications Inc.’* <https://www.marketwatch.com/investing/stock/vz/financials>

The second table above provides a three-year financial trend analysis for Verizon from 2022 to 2024. The table outlines the year-over-year growth rates for Sales, Cost of Goods Sold (COGS), Net Income, and the Total Liabilities-to-Assets ratio. These growth trends help illustrate the company’s financial stability and efficiency over time, as well as its ability to manage costs, maintain profitability, and control its capital structure. Verizon’s Sales Growth Rate increased by 2.41% in 2022 but declined by -2.09% in 2023, before recovering with a 0.61% increase in 2024 (MarketWatch, 2025). This reflects a fluctuating revenue performance over the three-year period, which may have been caused by inflationary pressures, competitive pricing, or slowing consumer demand after the COVID-19 pandemic. Despite these factors, the slight rebound in 2024 indicates some recovery in top-line performance, potentially driven by improvements in its business segment or increased 5G wireless network adoption.

**Graph A (left): Cost of Goods Sold Growth Rate (2022 - 2024). Graph B (right): Net Income Growth Rate (2022 - 2024).**

A graph of two people

Description automatically generated with medium confidence

MarketWatch. (2025). Financials. *‘Verizon Communications Inc.’* <https://www.marketwatch.com/investing/stock/vz/financials>

The Cost of Goods Sold (COGS) trend in ‘Graph A’ shows similar volatility. COGS rose by 5.14% in 2022, suggesting a rise in operational expenses. However, it declined by -4.88% in 2023 and by a smaller -0.72% in 2024, reflecting cost-saving efforts by the company (MarketWatch, 2025). This demonstrates Verizon’s greater improvements in cost efficiency, which is consistent with its increase in gross income and profitability. Furthermore, Net Income Growth has displayed the most dramatic shift in ‘Graph B’, declining by -3.67% in 2022 and -45.36% in 2023 before recovering with a 50.73% increase in 2024 (MarketWatch, 2025). The steep Net Income decline in 2023 may have been influenced by rising interest expenses or one-time financial charges. However, the strong recovery in 2024 highlights the company’s ability to regain profitability through better financial planning and cost control. This trend is consistent with the common-size analysis, which showed a significant increase in net income as a percentage of revenue, from 8.67% in 2023 to 12.99% in 2024. The trend signals stronger bottom-line performance despite modest changes in revenue. The Total Liabilities-to-Assets Growth Rate decreased slightly from 78.11% in 2022 to 77.30% in 2023, reaching 75.65% in 2024 (MarketWatch, 2025). While Verizon has had larger interest payments for its debts, the small year-over-year reductions show that the company is actively working to improve its balance sheet in the long term. Overall, this trend is important because it reflects the company’s efforts to manage financial risk effectively and reduce dependence on external financing while maintaining its operational efficiency. However, it also supports the earlier concern noted in the common-size analysis section, with its interest expenses increasing by 0.80% from 2023 to 2024, likely as a result of prior debt obligations.

When comparing these financial trends to the company’s common-size income statement, several key areas can be noted. Verizon’s revenue growth is slow but stable, while the company continues to demonstrate better cost control and operational efficiency. The upward trend in net income growth, after a steep decline, shows the company’s capacity to recover under economic and inflationary pressures from rising interest rates. In addition, its efforts to manage liabilities suggest a strategized focus on long-term revenue stability. These financial trends reveal that Verizon is gradually improving its profitability and operational strength, despite some Interest Expense challenges. Overall, Verizon’s financial health is improving, but its long-term stability will depend heavily on its ability to grow revenues while managing its interest-bearing liabilities and remaining competitive within the telecommunications sector.

**Future Company Recommendations**

Based on the common-size and trend analysis sections of this paper, it is recommended that Verizon Communications continues to pursue operational efficiency while addressing its long-term financial sustainability. Verizon’s recent financial performance shows signs of moderate strength with some slight concerns about debt-related Interest Expenses. Despite the company’s stagnant revenue growth, it reduced its Cost of Goods Sold (COGS) and increased Gross and Net Income values within its Income Statement. This improvement shows greater efforts to reduce costs without compromising its revenues, which further suggests that Verizon’s executive leadership is focused on maximizing profitability from its existing operations. However, the rise in interest expenses from $5.53 billion to $6.65 billion, alongside an elevated Liabilities-to-Assets ratio (75.65% in 2024), suggests that Verizon’s long-term financial health could be impacted if debt levels are not strategically managed in the future.

Verizon can be considered financially stable over the next several years if it continues to implement disciplined cost controls and debt management strategies. The company’s swift recovery in Net Income growth (+50.73% in 2024) and improved Gross Income rates are positive indicators that profitability can be maintained even without strong revenue growth. However, it is important to consider that the stagnant growth in sales, fluctuating market demand, and macroeconomic factors like inflation and interest rate volatility remain critical risks that need to be addressed. To strengthen its financial position, Verizon should first consider reducing its long-term debts. This would help to mitigate future interest burdens and reduce financial leverage, while also improving its flexibility for future investments. The company can further diversify its revenue streams beyond consumer wireless, such as business 5G solutions, cloud storage services, and partnerships with enterprise clients to continue supporting its earnings. Furthermore, Verizon should continue investing in high-return infrastructure projects (i.e., 5G Wireless) while reducing non-essential spending as needed. Moreover, providing transparent guidance on debt reduction plans, investment priorities, and new business strategies will strengthen investor confidence and attract long-term capital. Overall, Verizon shows resilience in its financial performance and can remain sustainable if it addresses its rising interest expense and expands its revenue potential. With the right strategic focus, the company can work to build its long-term financial strength and competitiveness in the highly competitive telecommunications landscape.

**Reflection Statement**

Through this assignment, I was able to gain a deeper understanding of how to analyze a company’s financial health and overall performance using Verizon Communications’ Income Statement. I also learned how to interpret key financial ratios, track changes over the course of several years, and interpret what those changes mean for a company’s overall performance and stability. This research paper helped me see the importance of looking beyond just the numbers and focusing on how financial and business components relate to one another. In the workplace, I can apply these skills to assess the financial performance of any organization, make informed recommendations, and contribute to strategic planning and decision-making in finance-related roles.

**References**

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