

US EQUITY RESEARCH

28 Jul 2025

Verizon Communications

Attractive 6.6% dividend yield in FY25F with earnings growth after bottoming out in FY24

Company Overview

Verizon Communications Inc. (VZ) is a leading U.S. telecommunications provider, offering wireline voice, data, wireless, and Internet services. It serves over 144.8mn wireless retail connections and provides local and long-distance telephone, Internet, and digital TV services. VZ also offers managed networks, IT, and cloud services to enterprise and government clients.

Investment Overview

Verizon Communications Inc. (VZ) is the market leader in the U.S. Communication Services market. VZ serves over 146mn wireless retail connections as of 1Q25 and offers data, video, and voice services and solutions. VZ is the leader in the Communication Services Industry with ~23% market share in 1Q25, followed by AT&T at ~21% and T-Mobile at ~14%. Consensus projects a revenue CAGR of 2.4% for VZ's consumer segment over FY24-FY26F whereas the business segment is expected to record a decline in revenue.

VZ is closing its gap with T-Mobile for 5G coverage in the US using C-band spectrum. Since unveiling its 5G Ultra-Wideband network, which uses the C-Band in mid-January 2022, VZ has reduced the 5G coverage gap with T-Mobile in the US. As of 1Q25, VZ is on track to deploy C-band to 80%-90% of the planned sites by year-end. Although VZ's 5G network covers only 9% of the US compared to T-Mobile's 36%, VZ is expanding its 5G FWA subscribers to close the gap. In 1Q25, VZ had a 5G subscriber base of 4.8mn (in comparison to T-Mobile's 6.85mn) and targets to reach 8-9mn by FY28. VZ holds the most C-band spectrum holdings of 158MHz as of June 2024 (AT&T 79MHz and T-Mobile 27MHz). According to OpenSignal, VZ's 5G network quality is above AT&T and T-Mobile.

Earnings bottomed out in FY24 due to rising average revenue per user (ARPU) and sharply declining wireless subscribers. After earnings bottomed out in FY24, the consensus expects a 2.7% y/y growth in FY25F, followed by a CAGR of 4.4% over FY25F-27F. VZ also announced partnerships with streaming services such as Disney+ and Netflix to attract customers. Improvement in ARPU is expected from the new premium plans and bundled offerings, coupled with much slower wireless subscriber decline.

BUY VZ with a TP of USD52 for ~26% upside potential and 6.6% yield. Our TP for VZ is based on the PE of 11x 12m forward earnings of USD20.1bn. The target PE is at a discount of 30% from its peer average PE of 16x, as VZ's earnings bottomed out in FY24 and consensus expects VZ to register an earnings CAGR of 4.4% over FY25F-FY27F compared to the peer average of 10.3% over the same period. VZ is currently trading at 9.1x 12m forward PE. In FY22 VZ saw its capex peaking at USD23bn due to its heavy spending on acquiring C-Band spectrum. Street expects a DPS of USD2.73 in FY25F, translating to a dividend yield of 6.6% higher than the last 5-year average of 5.1%.

Risks

(1) Aggressive competition from players like AT&T and T-Mobile could impact market share and pricing power in the near term. (2) Declining revenue growth in the Business segment is another key risk for VZ and the consensus projects the segment revenue to decline by 1.1% during FY24-FY26F.

Analyst

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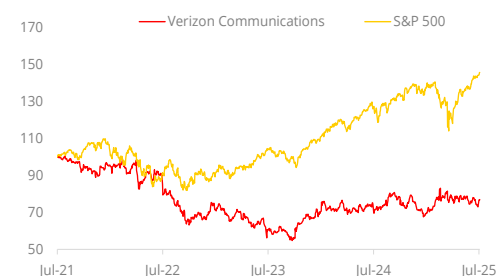
Key Financial Data

Bloomberg Ticker	VZ US
Sector	Communication Services
Share Price (USD)	43.08
DBS Rating	BUY
12-mth Target Price (USD)	52.0
Market Cap (USDbn)	181.6
Volume (mn shares)	20.4
Free float (%)	91.5
Dividend yield (%)	6.3
Net Debt to Equity (%)	163.2
Fwd. P/E (x)	9.2
P/Book (x)	1.8
ROE (%)	18.3

Closing Price as of 24 Jul 2025

Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

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Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	136,835	133,974	134,788	138,350	141,568
% y/y	2.4	(2.1)	0.6	2.6	2.3
Gross Profit	77,702	79,087	80,691	80,024	81,653
% y/y	0.5	1.8	2.0	1.6	1.6
EBITDA	47,870	47,789	48,791	50,305	51,887
% y/y	(1.1)	(0.2)	2.1	3.1	3.1
Net Profit	21,761	19,865	19,381	19,850	20,587
% y/y	(4.6)	(8.7)	(2.4)	2.5	3.7
FCF	14,054	18,708	19,822	20,184	20,498
% y/y	(27.0)	33.1	6.0	0.9	1.6
CAPEX	23,087	18,767	17,090	17,980	18,642
% y/y	13.8	(18.7)	(8.9)	5.2	3.7
EBITDA Margin %	35.0	35.7	36.2	36.4	36.7
Net Margin %	15.9	14.8	14.4	14.3	14.5
ROA (%)	5.8	5.2	5.1	5.1	5.2
ROE (%)	24.8	21.3	19.9	18.9	18.2
Tax Rate %	23.4	22.5	22.5	22.7	22.9

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	7.8	13.7	9.6	9.4	8.9
P/B (x)	1.8	1.7	1.7	1.7	1.6
Dividend Yield (%)	6.6	7.0	6.7	6.3	6.5
EV/EBITDA (x)	6.5	6.3	6.5	6.5	6.3
FCF Yield %	8.5	11.8	11.7	11.1	11.3

Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	162.9	160.6	143.2	131.1	120.8
Net Debt / Equity	1.6	1.6	1.4	1.3	1.2
Debt / Assets	39.7	39.6	37.4	36.8	35.7
Net Debt / Assets	0.4	0.4	0.4	0.4	0.3
EBITDA / Int Exp	13.2	8.7	7.3	7.7	7.9
ST Debt / Total Debt	0.1	0.1	0.2	0.2	0.2
Debt / EBITDA	3.1	3.2	3.0	2.8	2.7
[Cash + CFO] / ST Debt	2.8	2.3	1.5	1.8	1.9
Receivables Days	65.4	68.3	70.7	71.0	70.5
Days Payable	64.0	63.9	63.3	58.5	57.2
Inventory Days	6.4	5.6	6.1	6.0	5.8

Source: Visible Alpha

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