Verizon Communications

Scale without acceleration keeps Verizon in Hold territory

23 Jun 2026

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

Market Stagnation vs. Surface-Level Leadership Verizon Communications Inc. (VZ) remains the largest US telecom player with 146mn+ retail connections, but its scale limits high-growth potential. While 1Q26 marked a competitive turnaround with 55,000 postpaid phone net adds, its first positive Q1 since 2013, and a raised full-year adjusted EPS guidance of USD4.95–4.99, market stagnation persists. Aggressive peer expansion continues to pressure VZ's ~23% market share. With wireless service revenue growth projected to be roughly flat for FY26, structural headwinds continue to limit meaningful upside potential.

The Costly Catch-Up in 5G and Broadband Verizon's C-band rollout and Frontier fiber integration support strong network performance, yet a capital-intensive defense strategy limits upside. In 1Q26, broadband additions reached 341,000 including 214,000 Fixed Wireless Access (FWA) subscribers, pushing total connections to 16.8 million. However, defending market share demands sustained high spending, with FY26 capital expenditures projected at USD16.0–16.5 billion. This heavy investment cycle mostly counteracts T-Mobile's footprint lead, confirming a costly catch-up phase rather than true market leadership.

Transition bottlenecks and execution risks. Verizon's post-FY24 earnings recovery remains constrained by structural transitions. Bundling strategies like myPlan stabilize Average Revenue Per User (ARPU), but 1Q26 wireless service revenue growth remained flat at 1.4% year-over-year. Expansion depends more heavily on ongoing cost cuts and complex Frontier fiber integration than core organic momentum. Elevated execution risks and intensifying broadband competition limit any near-term upside.

HOLD VZ with a TP of USD49 (previously USD52) and ~6% dividend yield. Our TP is based on 10x 12-month forward earnings of USD21.1bn, a ~35% discount (previously 30%) to the peer average of 15x, reflecting lower ~4% earnings CAGR vs. peers' ~7% over FY25-27F. VZ trades at ~9.6x 12-month forward PE. FY26F DPS of USD2.83 implies a 5.8% yield, above the 5-year average of 5.1%.

Risks

Despite the USD25bn buyback and convergence strategy, execution risks remain high amid strong competition from T-Mobile. Frontier integration adds pressure, and without sustained revenue growth, the story remains reliant on cost efficiencies.

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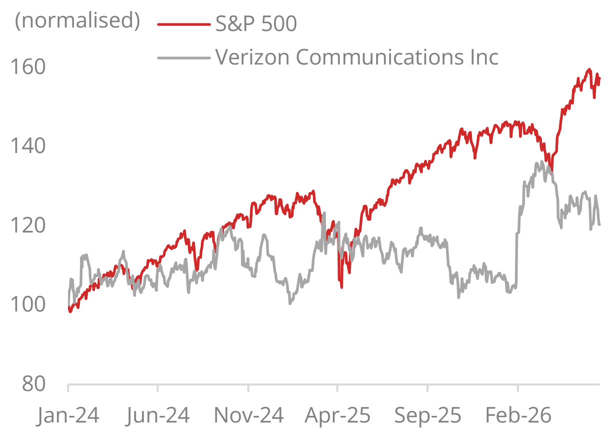
Key Financial Data

Bloomberg Ticker	VZ US
Sector	Communication Services
Share Price (USD)	45.37
DBS Rating	HOLD
12-mth Target Price (USD)	49.0
Market Cap (USDb)	189.4
Volume (m shares)	66.3
Free float (%)	91.1
Dividend yield (%)	6.1
Net Debt to Equity (%)	153.8
Fwd. P/E (x)	9.1
P/Book (x)	1.8
ROE (%)	17.0

Closing Price as of 18 Jun 2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

Financial Summary (USDmn)

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	133,974	134,788	138,192	142,926	145,025
% y/y	*(2.1)*	*0.6*	*2.5*	*3.4*	*1.5*
Gross Profit	79,087	80,691	81,427	84,109	85,516
% y/y	*1.8*	*2.0*	*0.9*	*3.3*	*1.7*
EBITDA	47,789	48,791	49,997	53,514	55,111
% y/y	*(0.2)*	*2.1*	*2.5*	*7.1*	*3.0*
Net Profit	19,865	19,381	19,914	20,804	21,560
% y/y	*(8.7)*	*(2.4)*	*2.8*	*4.5*	*3.6*
FCF	18,708	19,822	20,126	21,786	22,979
% y/y	*33.1*	*6.0*	*1.5*	*7.0*	*5.4*
CAPEX	18,767	17,090	17,011	16,351	16,540
% y/y	*(18.7)*	*(8.9)*	*(0.5)*	*(3.9)*	*1.3*
EBITDA Margin (%)	35.7	36.2	36.2	37.4	38.0
Net Margin (%)	14.8	14.4	14.4	14.5	14.8
ROA (%)	5.2	5.1	5.1	5.0	5.1
ROE (%)	21.3	19.9	19.3	19.1	18.9
Tax Rate (%)	22.2	22.2	22.1	22.7	22.7

Source: Company, DBS

Valuation Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
P/E (x)	16.4	10.9	11.2	9.4	8.8
P/B (x)	2.1	1.9	1.8	1.7	1.6
Dividend Yield (%)	5.8	5.9	6.0	6.2	6.3
EV/EBITDA (x)	6.3	6.5	6.2	6.6	6.4
FCF Yield (%)	9.8	10.3	10.5	11.5	12.3
Dividend Per Share (DPS)	2.6	2.7	2.7	2.8	2.9

Source: Company, DBS

Credit & Cashflow Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (%)	160.6	143.2	149.6	148.9	142.1
Net Debt / Equity (x)	1.6	1.4	1.3	1.4	1.3
Debt / Assets (%)	39.6	37.4	39.1	39.4	38.4
Net Debt / Assets (x)	0.4	0.4	0.3	0.4	0.4
EBITDA / Int Exp (%)	8.7	7.3	7.5	6.9	7.3
ST Debt / Total Debt (x)	0.1	0.2	0.1	0.2	0.2
Debt / EBITDA (x)	3.2	3.0	3.2	3.1	2.9
[Cash + CFO] / ST Debt (%)	2.3	1.5	2.4	1.7	1.7
Receivables Days	68.3	70.7	71.6	71.9	72.5
Days Payable	63.9	63.3	66.0	60.6	58.5
Inventory Days	5.6	6.1	6.4	6.5	6.3

Source: Company, DBS

Target Price & Ratings History

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	18 Jul'25	40.95	52.00	BUY
2	06 Apr'26	49.40	52.00	HOLD

Source: DBS
Analyst: Sachin Mittal

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**Share price appreciation + dividends*

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