# VZ gideon lens

## Verizon Communications Inc. (VZ) - Gideon Lens

### Executive verdict

**Verdict:** PASS

**Scorecard:**

| Gate | Result | Notes |
|---|---|---|
| Management | YELLOW | Promising reset, but short tenure, weak ownership alignment, and unproved integrations |
| Moat | FAIL | National scale protects relevance, not demonstrated high-return economics through 2046 |
| P/E <= 15 on confident EPS at TTM + 5 calendar years | PASS | Base EPS $6.216 versus $3.121 required; 99.18% cushion |
| Compounder Score | Audited 37 / 100 | Reject diagnostic; quality and 20% return evidence are weak |
| Business Quality Score | Audited 31 / 80 | Below dream-business standard; governed ROIC stayed below 11% |
| 20% Return UW Score | Audited 6 / 20 | Base and weighted returns do not clear 20%; major multiple expansion required |

**One-line thesis (or reason to pass):** Verizon is statistically inexpensive and cash generative, but failed moat and 2046 durability gates, sub-11% historical ROIC, and a 7.58% probability-weighted net-SGD diagnostic do not earn a Gideon compounder investment.

Verizon's network, spectrum, fiber, distribution, and installed customer relationships are durable assets. Consumer produced $30.307 billion of TTM segment Operating Income at a 28.3% margin, and the reviewed base case reaches $34.684 billion by 2031-06-30. Business has stabilized from a weak base, with $3.347 billion of TTM Operating Income and a reviewed base endpoint of $3.911 billion. The consolidated base model reaches $149.357 billion of revenue, $37.235 billion of statutory Operating Income, $24.687 billion of parent net income, and $6.216 of diluted EPS. Those figures pass all 11 statutory and unit tie-outs.

That numerical result is not enough. Governed FY2021-FY2025 ROIC ranged from 6.8% to 10.9%, well below the 15% compounder hurdle despite heavy spectrum and network reinvestment. The moat review therefore fails: Verizon can remain systemically relevant without converting its capital base into exceptional shareholder returns. The 2046 test also fails because survival and essential service are not equivalent to durable high-return economics. Consumer faces AT&T, T-Mobile, and cable convergence pressure; Business retains switching-cost pockets but also carries legacy runoff, buyer power, and substitution risk.

Management is YELLOW rather than FAIL. Dan Schulman's early evidence includes lower churn, lower acquisition and retention costs, raised guidance, debt repayment, selective repurchases, and willingness to restructure weak international wireline assets. Yet he has less than one year in the Verizon CEO seat, no disclosed beneficial share ownership, and an incentive package that emphasizes adjusted EPS, TSR, and share price without explicit ROIC, leverage, or Frontier-return measures. The $22.3 billion aggregate Frontier consideration and BT joint venture remain unproved. A credible start is not a five-year owner record.

The valuation gate passes strongly but is deliberately narrow. At $46.81, the framework requires only $3.121 of confident 2031 EPS to support a 15x price. Base EPS of $6.216 produces a 99.18% cushion. The security-return schedule is more conservative: it uses 8x, 10x, and 12x exit P/E assumptions, all at or below the 12.19x spot P/E and below the 15x ceiling. This prevents the binary P/E test from being mistaken for an expected-return forecast.

### Security return underwriting

**Security return underwriting (mandatory even when the verdict is PASS):**

The security return underwriting is mandatory even though the verdict is PASS and proposed allocation is zero. All scenarios use the same $46.81 price and exact five-year horizon from 2026-06-30 to 2031-06-30. Terminal shareholder wealth equals terminal equity value per share plus cumulative cash dividends per share. Gross local-currency IRR is the CAGR of terminal wealth relative to current price.

| Security return input or output | Bear | Base | Bull |
|---|---|---|---|
| Probability | 30% | 50% | 20% |
| Current price, USD/share | 46.81 | 46.81 | 46.81 |
| Horizon | 5.000 years | 5.000 years | 5.000 years |
| Terminal statutory EPS, USD | 2.7008 | 6.2157 | 7.9331 |
| Exit P/E | 8.0x | 10.0x | 12.0x |
| Terminal equity value/share, USD | 21.606 | 62.157 | 95.197 |
| Cumulative dividends/share, USD | 14.150 | 14.727 | 15.025 |
| Terminal shareholder wealth/share, USD | 35.756405 | 76.884142 | 110.222313 |
| Terminal diluted shares | 4,212.8M | 3,971.7M | 3,912.9M |
| Terminal net core debt, USD B | 145.023260 | 114.825502 | 106.467424 |
| **Gross local USD annualized IRR** | **-5.244802%** | **10.433192%** | **18.682361%** |
| **Diagnostic net-SGD annualized IRR** | **-8.988343%** | **9.071658%** | **19.225799%** |

Probability-weighted terminal shareholder wealth is $71.2134551 per share. The probability-weighted gross local USD IRR is **8.753861%**, calculated as `(71.2134551 / 46.81)^(1/5) - 1`. The method identifier is exactly `CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH`. It is not the arithmetic average of scenario IRRs.

The bounded net-SGD diagnostic applies a starting USD/SGD rate of 1.2898, terminal scenario rates of 1.20/1.29/1.38, 30% U.S. dividend withholding as an unverified Singapore-residency diagnostic, and 15 basis points of execution cost at entry and exit. Probability-weighted terminal SGD wealth is SGD 87.131027 per share-equivalent against SGD 60.466101 of modeled entry cost, producing a **7.580157% probability-weighted net-SGD IRR** using the same terminal-wealth CAGR method. Actual tax residence, W-8BEN status, account wrapper, broker, notional, spreads, and FX execution are not verified.

The repaired debt schedule includes the known $3.1 billion AWS-3 cash payment after 2026-06-30 exactly once. It raises terminal net core debt by $3.1 billion in every scenario. Funding is undisclosed, so the model does not fabricate incremental gross borrowing or interest. EPS and P/E-derived terminal equity values are unchanged; an EV-based exit would require a different equity bridge.

Gross local-currency underwriting in USD; net-SGD adjustments appear separately in CIO actionability. Scenario probabilities are 30% / 50% / 20%.

## Bear-case operating and return bridge

| Bear case | Start (2026-06-30) | Horizon (2031-06-30) | CAGR / change | Justification |
|---|---|---|---|---|
| Revenue | USD 138.90B | USD 130.00B | -1.32% | Consumer and Business shrink while the held-for-sale perimeter exits slowly. |
| Operating margin | 20.54% | 17.85% | -2.69 pp | Promotion pressure, integration cost and special charges persist. |
| Operating earnings | USD 28.53B | USD 23.21B | -4.04% | Promotion pressure, integration cost and special charges persist. |
| Diluted share count | 4,171M | 4,212.8M | 0.20% | Issuance offsets limited repurchases. |
| EPS | USD 3.84 | USD 2.701 | -6.79% | Debt and interest leave statutory EPS below the TTM level. |
| Valuation | 12.19x P/E | 8.0x P/E | -4.19x | 8x de-rates the security below its 12.19x spot P/E. |
| Share value | USD 46.81 | USD 21.606 | -14.36% | Terminal statutory EPS multiplied by 8x. |

| Bear case | Start (2026-06-30) | Horizon (2031-06-30) | CAGR / change | Justification |
|---|---|---|---|---|
| Annual dividend | USD 2.83 | USD 2.83 | 0.00% | Flat indicated USD 2.83 DPS; high terminal yield reflects the lower share value. |
| Dividend yield | 6.05% | 13.10% | +7.05 pp | Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen. |
| Five-year dividends | - | USD 14.150 | cumulative | Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit. |
| Total ending value | USD 46.81 | USD 35.756 | -5.24% gross local IRR | Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge. |

## Base-case operating and return bridge

| Base case | Start (2026-06-30) | Horizon (2031-06-30) | CAGR / change | Justification |
|---|---|---|---|---|
| Revenue | USD 138.90B | USD 149.36B | 1.46% | Consumer grows modestly, Business stabilizes and non-core revenue exits. |
| Operating margin | 20.54% | 24.93% | +4.39 pp | Consumer economics improve and special charges taper. |
| Operating earnings | USD 28.53B | USD 37.24B | 5.48% | Consumer economics improve and special charges taper. |
| Diluted share count | 4,171M | 3,971.7M | -0.98% | Debt reduction permits buybacks that exceed issuance. |
| EPS | USD 3.84 | USD 6.216 | 10.09% | Statutory EPS benefits from operating improvement and a lower share count. |
| Valuation | 12.19x P/E | 10.0x P/E | -2.19x | 10x remains below today's spot P/E and the ER2 ceiling. |
| Share value | USD 46.81 | USD 62.157 | 5.82% | Terminal statutory EPS multiplied by 10x. |
| Annual dividend | USD 2.83 | USD 3.06 | 2.00% | 2% annual DPS growth after the starting payment; cash is not reinvested. |
| Dividend yield | 6.05% | 4.93% | -1.12 pp | Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen. |
| Five-year dividends | - | USD 14.727 | cumulative | Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit. |
| Total ending value | USD 46.81 | USD 76.884 | 10.43% gross local IRR | Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge. |

## Bull-case operating and return bridge

| Bull case | Start (2026-06-30) | Horizon (2031-06-30) | CAGR / change | Justification |
|---|---|---|---|---|
| Revenue | USD 138.90B | USD 159.69B | 2.83% | Lower churn and better Business execution support low-single-digit growth. |
| Operating margin | 20.54% | 27.47% | +6.93 pp | Promotion and integration costs normalize more quickly. |

| Bull case | Start (2026-06-30) | Horizon (2031-06-30) | CAGR / change | Justification |
|---|---|---|---|---|
| Operating earnings | USD 28.53B | USD 43.86B | 8.99% | Promotion and integration costs normalize more quickly. |
| Diluted share count | 4,171M | 3,912.9M | -1.26% | Stronger cash generation funds disciplined net repurchases. |
| EPS | USD 3.84 | USD 7.933 | 15.64% | Operating leverage, deleveraging and shares all support EPS. |
| Valuation | 12.19x P/E | 12.0x P/E | -0.19x | 12x is still slightly below today's spot P/E. |
| Share value | USD 46.81 | USD 95.197 | 15.24% | Terminal statutory EPS multiplied by 12x. |
| Annual dividend | USD 2.83 | USD 3.19 | 3.00% | 3% annual DPS growth after the starting payment; cash is not reinvested. |
| Dividend yield | 6.05% | 3.35% | -2.70 pp | Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen. |
| Five-year dividends | - | USD 15.025 | cumulative | Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit. |
| Total ending value | USD 46.81 | USD 110.222 | 18.68% gross local IRR | Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge. |

**CIO actionability (separate from ER2 underwriting):**

| Measure | Result | Notes |
|---|---|---|
| Status | PASS | Hard Moat FAIL and sub-hurdle expected net return; not the ER2 verdict |
| Bear / Base / Bull net SGD IRR | -8.988343% / 9.071658% / 19.225799% | Five-year diagnostic after stated FX, cost, and withholding assumptions |
| Probability-weighted net SGD IRR | 7.580157% | 30% / 50% / 20%; CAGR of weighted terminal SGD wealth |
| 10% mandate hurdle | FAIL | Base and probability-weighted cases are both below 10% |
| 15% stretch hurdle | FAIL | Base and probability-weighted cases are both below 15% |
| Downside and portfolio fit | NOT ASSESSED | Holdings, concentration, sector/factor exposure, and liquidity needs unavailable |
| Proposed sizing ceiling | none | Research has no sizing or capital authority |

**Trade execution authorized:** NO

## Red-team conclusion

The strongest bear argument is correlated Consumer failure. Base assumes Consumer revenue compounds about 2.1% while its Operating Income margin rises to 29.12%. If pricing and promotional restraint cannot offset churn, cable/mobile bundling, fiber execution, and continuing capital intensity, Consumer misses both the revenue and margin legs at once. The consequence is not confined to one segment: weaker FCF slows debt reduction, keeps interest elevated, reduces buyback support, and increases dividend pressure.

The most optimistic Stage 5 number is therefore 2031 Consumer Operating Income of $34.684 billion. Business stabilization matters, but Consumer is 91% of current reportable-segment profit and carries the consolidated case. RT concludes that the thesis does not survive as a Gideon compounder. It also agrees with the audited 6/20 return score: no governed scenario clears 20%, and the base case would require about a 16.37x exit P/E to do so.

## Triggers, monitoring, and upgrade conditions

**Kill / trigger criteria:**

- BUY trigger: no price-only trigger while Moat is FAIL. After Management and Moat both reach PASS, a price at or below approximately $41.88 would make the current probability-weighted net-SGD diagnostic reach 10% under the same assumptions; this is not an order or recommendation.
- PASS trigger 1: Consumer Operating Income margin below 27.0% for two consecutive quarters. This is RT's primary exit signal because it breaks the segment economics supporting deleveraging and distributions.
- PASS trigger 2: Consumer postpaid phone churn above 0.95% for two consecutive quarters while mobility and broadband service revenue growth falls below 2.0%.
- PASS trigger 3: annual FCF below $20 billion while dividends plus buybacks exceed $15 billion, or net core debt exceeds $170 billion after incorporating spectrum payments.
- Upgrade to BUY conditions: Management and Moat both PASS; governed ROIC shows a credible path toward 15%; Frontier synergies and fiber cohort returns are disclosed and validated; base and probability-weighted net-SGD IRRs both exceed 10%; the P/E 15 cushion remains positive; and portfolio risk budget is separately confirmed by an authorized process.

The monitoring stance is therefore straightforward. Verizon may deliver solid absolute earnings and dividends, but the present evidence does not show the durable high-return economics required for a Gideon investment. A lower price cannot repair a failed moat by itself, and a passing P/E gate cannot authorize capital.

**Research sizing if actionable:** none. Research proposal only; no trade, order, ranking, portfolio mutation, or outbound message is authorized.

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# Verizon Communications Inc. (VZ) — Institutional Company Primer

**Research date:** 2026-08-01 SGT **Latest reported period:** Q2 2026, ended 2026-06-30 **TTM anchor:** Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026 **Exact forward horizon used downstream:** 2031-06-30 **Scope:** Reader-facing business orientation for Production ER2; research only, with no trade or portfolio action authorized.

All dollar figures, margins, cash-flow values, balance-sheet values and financial period comparisons in this appendix come from the QFR-sealed Quantitative Foundation (“QF”). Operational descriptions and non-financial operating statistics come from Verizon’s current-run primary filings and earnings exhibit. This primer explains the business; it is not an independent quantitative source for downstream modeling. [QF] [10-K] [10-Q] [Q2ER]

## 1. Business overview

Verizon is best understood as a large, predominantly U.S. connectivity utility operated in a competitive market rather than as a conventional high-growth technology company. It owns and operates wireless radio access, spectrum rights, fiber and legacy copper networks, backhaul, switching and routing infrastructure, customer-care systems, billing platforms, retail distribution, and enterprise service capabilities. It sells access to those networks, together with devices and adjacent services, to households, businesses, public-sector bodies and other carriers.

The customer problem is basic but economically important: reliable, secure connectivity wherever people and machines need to communicate. For a household, that means mobile voice and data, home internet, video or voice, and services such as device protection or content perks. For a business or government agency, it can include employee mobility, broadband, private or managed networks, Internet of Things connectivity, security, advanced communications, and local or global network access. Verizon’s product is therefore not merely “phone service.” It is the right to use a capital-intensive network with an expected level of coverage, speed, capacity, reliability, service and security.

Verizon reports two strategic business units: Verizon Consumer Group (“Consumer”) and Verizon Business Group (“Business”). Consumer serves retail households and individuals, while also selling wholesale wireless access to mobile virtual network operators (“MVNOs”). Business serves enterprises, public-sector institutions, small and medium businesses, and wholesale carriers. Consumer is overwhelmingly U.S.-focused. Business also supports multinational requirements through Verizon’s global network and partner relationships, but the company’s economic center of gravity remains the United States. Verizon does not organize its principal financial disclosure around geographic segments. [10-K, Item 1]

The network is the shared production asset. Wireless customers use licensed low-, mid- and high-band spectrum deployed through macro towers, small cells and in-building systems. Fiber provides residential and business broadband, transport, and backhaul for wireless traffic. Fixed wireless access (“FWA”) uses the mobile network to provide a stationary broadband connection without running a new last-mile cable to the premises. These products increasingly converge: the same customer can buy mobility and home broadband, and the same fiber and network-control assets can support both.

As a pre-Frontier operating baseline, Verizon reported approximately 147 million wireless retail connections and approximately 14 million broadband connections at 2025 year-end. Consumer accounted for approximately 116 million wireless retail connections, including FWA, and Business for approximately 31 million wireless retail postpaid connections, including FWA. After the Frontier and Starry acquisitions, Verizon’s July 2026 earnings exhibit described a materially larger fiber-plus-FWA connection base. These are operating scale indicators, not financial inputs to the ER2 model. [10-K, Item 1] [Q2ER]

## 2. How customers buy and how Verizon gets paid

The core wireless relationship is recurring. Postpaid customers are billed, generally one month in advance, for access to and use of network services. A single account may cover several phones, watches, tablets, FWA routers or other connected devices. Prepaid customers, offered only through Consumer, pay before receiving service and do not require the same credit qualification. Verizon also sells phones and connected devices, often under installment plans and often with promotional trade-in credits designed to win a new customer, encourage an upgrade or retain an existing account. [10-K, Item 1]

This distinction matters. Recurring service access is the economic core; equipment is partly a distribution and retention mechanism. A period with lower handset upgrades can depress equipment revenue without necessarily indicating weaker network demand, while heavy promotional activity can raise gross additions yet consume economics through device subsidies, commissions and later promotional-credit amortization. The most valuable customer is not simply a gross add but an account that stays, expands its number of connections, adopts higher-value plans or perks, and buys additional broadband

service at a rational acquisition cost.

Consumer fixed connectivity includes fiber internet, FWA, legacy DSL, voice, and video or over-the-top offerings. FWA converts available radio-network capacity into home or small-business broadband. Fiber requires a physical pass and connection to the premises but can support high speeds, long customer lives and converged wireless-plus-broadband relationships. Traditional linear video and copper products are more mature and face substitution.

Business contracts range from relatively standardized mobility and FWA plans for small companies to complex, negotiated enterprise and government solutions. Business offerings can combine connectivity, managed networking, security, professional services, IoT, private networks and customer-premise equipment. Contract length and integration can increase stickiness, but large customers have procurement leverage and can rebid or unbundle services. Wholesale customers buy network access or wireline capacity to serve their own end users; some are also direct competitors to Verizon.

Distribution is deliberately multi-channel. Verizon sells through company-operated stores, digital and omni-channel interfaces, sales and service centers, and direct business-sales teams. Its indirect channel includes agents, national retailers, internet sellers and convenience outlets for prepaid products. Business also uses resellers, distributors and systems integrators. This reach supports acquisition and service, but stores, commissions, advertising, credit losses and customer care are real costs of distribution. [10-K, Item 1]

## 3. Revenue architecture and reported segment economics

FY2025 is the latest completed fiscal year. Consumer and Business are the only reportable segments. Corporate and other and eliminations complete the bridge to consolidated revenue; they are not additional operating segments. Verizon's chief operating decision maker evaluates both reportable segments on the exact metric **Operating Income**, so the segment profit values are additive before the disclosed corporate and operating reconciling items. [QF, P2–P5]

| FY2025 line | Revenue (USD bn) | Share of consolidated revenue | Profit basis (USD bn) | Margin |
|---|---|---|---|---|
| Consumer segment | 106.807 | 77.3% | Segment Operating Income 29.628 | 27.7% |
| Business segment | 27.895 | 20.2% | Segment Operating Income 2.870 | 10.3% |
| Corporate and other | 3.816 | 2.8% | Not a reportable-segment profit line | n/a |
| Eliminations | (0.327) | (0.2%) | n/a | n/a |
| Consolidated | 138.191 | 100.0% | Statutory Operating Income 29.259 | 21.2% |

Source: sealed QF P2–P4. Percentages are mechanical calculations from QF values and may not sum exactly because of rounding. The Business and Corporate revenue rows use Verizon's Q2 2026 current presentation: USD 1.174 billion was reclassified out of Business and into Corporate and other with the exact opposite sign, leaving consolidated revenue unchanged.

Consumer is the engine. It generated more than three-quarters of consolidated revenue and nearly all reportable-segment Operating Income in FY2025. Business contributed about one-fifth of revenue but a much smaller portion of segment profit because its mix contains lower-margin equipment, enterprise services, access costs, and structurally declining legacy wireline and wholesale products.

The FY2025 profit bridge is also essential. Consumer and current-perimeter Business segment Operating Income summed to USD 32.498 billion. Corporate and other of negative USD 0.818 billion reduced that to the USD 31.680 billion consolidated segment profit metric; disclosed operating reconciling items of negative USD 2.421 billion then produced statutory operating income of USD 29.259 billion. The current perimeter applies a transparent positive USD 0.338 billion reclassification to Business Operating Income and the exact negative USD 0.338 billion to Corporate and other, so consolidated segment profit and statutory income do not move. An investor who capitalizes reportable-segment profit without this bridge will overstate consolidated earning power. [QF, P2, P4C and P5]

The current TTM view shows modestly stronger reported segment margins but also larger consolidated reconciling items:

| TTM ended 2026-06-30 | Revenue (USD bn) | Operating-income measure (USD bn) | Margin |
|---|---|---|---|
| Consumer segment | 107.236 | Segment Operating Income 30.307 | 28.3% |

| TTM ended 2026-06-30 | Revenue (USD bn) | Operating-income measure (USD bn) | Margin |
|---|---|---|---|
| Business segment | 28.205 | Segment Operating Income 3.347 | 11.9% |
| Consolidated | 138.895 | Statutory Operating Income 28.530 | 20.5% |

Source: sealed QF P4. Margins are mechanical calculations from QF values.

TTM reportable-segment Operating Income was USD 33.654 billion. Corporate and other of negative USD 0.880 billion produced the USD 32.774 billion consolidated segment profit metric; negative USD 4.244 billion of disclosed operating reconciling items then produced statutory operating income of USD 28.530 billion. The gap contains disclosed severance, benefits, rationalization, acquisition/integration and disposition items; it is not an analyst-created plug.

The current-perimeter Business Operating Income sequence is USD 0.746 billion, USD 0.724 billion, USD 0.716 billion and USD 0.684 billion for Q1 through Q4 2025, followed by USD 0.956 billion and USD 0.991 billion for Q1 and Q2 2026. The first four quarters sum to FY2025 Business Operating Income of USD 2.870 billion; Q3 2025 through Q2 2026 sum to TTM Business Operating Income of USD 3.347 billion. Verizon moved its international wireline connectivity and managed-network-services business from Business to Corporate and other when it became held for sale in Q2 2026. The resealed bridge applies the exact opposite-sign reclassification to Corporate and other, leaving the consolidated segment metric and statutory Operating Income unchanged. Historical comparisons must preserve this current presentation. [QF, P2 and P4B–P4C] [10-Q, Notes 2, 3 and 10]

# 4. Unit economics: how revenue becomes operating profit

## Consumer

Consumer economics start with recurring service revenue from a very large installed base. The network has high fixed and semi-fixed costs: spectrum, radio sites, fiber transport, software, customer platforms, field operations and depreciation exist before the next subscriber arrives. When incremental customers or usage fit within available capacity, the contribution margin can be attractive because the marginal network cost is lower than the average cost. When cells, transport or fiber become congested, however, capacity arrives in lumpy increments through spectrum deployment, densification, electronics and construction.

Service economics are shaped by price and plan mix, number of connections per account, churn, credit quality, customer-care intensity, roaming and access costs, content or perk costs, and acquisition and retention spending. Pricing actions and premium-plan adoption can lift revenue per account, but an apparently higher price is not durable if it causes churn or requires richer promotions. Conversely, fewer subsidies can reduce equipment volume while improving the lifetime economics of retained service customers. Management’s Q2 2026 earnings exhibit explicitly framed its current strategy around lower churn and lower customer acquisition and retention cost; that is a management claim to test, not an underwriting conclusion. [Q2ER]

Wireless equipment has different economics from service. Handset revenue rises and falls with upgrade cycles and device mix; handset cost moves with it. Promotions make the device a customer-acquisition asset as much as a merchandise sale. Equipment revenue therefore should not be valued at the same multiple or margin expectation as recurring connectivity revenue.

FWA can be economically attractive when it monetizes spare wireless capacity with limited last-mile construction. Its constraint is local: customer experience can deteriorate as a cell fills, so growth must be judged against capacity, traffic and required densification rather than subscriber additions alone. Fiber has the opposite shape. Passing premises and installing connections require substantial up-front capital, but the physical asset can support long customer lives, high bandwidth, business services, wireless backhaul and converged bundles. The Frontier acquisition expanded Verizon’s fiber footprint across 31 states and Washington, D.C.; the investment case depends on integration, penetration, cross-sell and disciplined incremental build economics rather than footprint alone. [10-K, Item 1]

## Business

Business combines several economic models. Mobility resembles Consumer wireless, though pricing, account size, sales motions and churn differ. FWA and fiber broadband can deepen customer relationships. Managed networks, security, professional services and IoT can add integration and switching friction, but they also require people, third-party inputs and customer-specific delivery. Equipment and customer-premise hardware carry product-like rather than subscription-like economics.

Legacy enterprise networking, traditional data and voice, and wholesale access face technology substitution and price pressure. Verizon's filing identifies secular pressure in these categories, while mobility and FWA have been the healthier areas. This makes mix more important than headline Business revenue: a stable total produced by growing wireless/FWA and shrinking legacy wireline can have improving margins, but it can also conceal a continuing runoff that eventually overwhelms cost reductions. Business's TTM segment margin improved from its FY2025 level, yet the durability test is whether service mix and customer value—not only restructuring or expense reduction—support that improvement.

Business also serves customers with bargaining power. Large enterprise and government contracts may be sticky operationally but are subject to formal procurement, renewal risk and pricing scrutiny. Wholesale has an additional tension: Verizon can earn revenue by supplying competitors or resellers, while those customers use its network to attack retail pricing and bundles.

### Corporate bridge and capital intensity

Segment economics do not end at segment Operating Income. Corporate costs, rationalization, acquisition and integration, dispositions, interest and tax determine what belongs to common shareholders. The sealed statutory bridge should remain the controlling map from segment forecasts to consolidated income.

Telecommunications is capital intensive. Verizon must acquire or lease spectrum, place it into service, expand capacity, build and maintain fiber, refresh network electronics, virtualize network functions, and support large billing, data and cybersecurity systems. TTM operating cash flow was USD 38.799 billion, capital expenditure including capitalized software was USD 17.268 billion, and free cash flow was USD 21.531 billion. Capex was approximately 12.4% of TTM revenue. This is healthy cash generation, but the subtraction is structural, not discretionary maintenance that can be ignored. [QF, P6A]

The balance sheet adds a second fixed claim. At 2026-06-30 Verizon had USD 1.752 billion of cash, USD 165.231 billion of core gross debt, USD 23.227 billion of operating lease liabilities and USD 163.479 billion of net core debt. TTM interest expense was USD 7.348 billion. The debt burden does not make the network uneconomic, but it narrows the tolerance for acquisition mistakes, prolonged price competition, capex overruns or weaker cash conversion. Lease liabilities should not be silently mixed into core debt, and neither should they be ignored. [QF, P4C and P6B]

## 5. Customers, channels and sources of stickiness

Consumer postpaid accounts are potentially sticky because connectivity is essential, households may have several devices on one account, changing carriers takes effort, and promotions can create multi-year economic ties. Bundling wireless with home broadband can increase the number of services at risk when a customer leaves. Brand, coverage, network reliability, customer service and retail reach matter alongside price.

That stickiness is real but not absolute. Number portability, eSIM activation, aggressive handset promotions, price guarantees and cable bundles make switching easier. A perk or device credit can retain a customer temporarily without creating a durable preference. Underwriting should distinguish contractual friction from satisfaction-driven loyalty by comparing churn, gross additions, promotion intensity and acquisition cost over time.

Business customers can be stickier when Verizon manages critical network architecture, security or many sites and devices. Switching a complex network can create operational risk. Yet large buyers can use competitive tenders, multi-source vendors, or migrate from legacy services to cloud-native alternatives. Public-sector contracts add budget and policy exposure. Small-business customers behave more like consumers and may be highly price sensitive.

Channel economics are therefore part of the moat. Verizon's owned stores and direct teams give control over service and cross-selling; digital channels can reduce transaction cost; agents, retailers, resellers and integrators expand reach. But a broad channel system also creates commission, support and consistency challenges. The right question is not how many channels Verizon has, but whether each channel produces long-lived accounts at attractive all-in acquisition economics.

## 6. Network, spectrum and regulatory architecture

Spectrum is both a scarce input and a regulated license. Verizon holds low- and mid-band licenses, including 700 MHz, cellular, PCS, AWS and C-Band, plus millimeter-wave holdings and access to Citizens Broadband Radio Service spectrum. Lower frequencies travel farther and penetrate buildings better; mid-band offers a useful balance of coverage and capacity; millimeter wave provides high capacity over shorter distances. Network quality depends on the portfolio, the density and location of sites, backhaul, radios, software, traffic management and continued investment—not merely total spectrum ownership. [10-K, Item 1]

The Federal Communications Commission is Verizon's primary U.S. regulator. Spectrum licenses are generally granted for finite terms and are subject to renewal, construction or coverage obligations, technical rules and transaction approvals. Wireless carriers also face enhanced-911, roaming, tower and antenna requirements. State and local authorities can regulate consumer protection and service conditions and control zoning or land-use approvals, which can make deployment slower and more expensive. [10-K, Item 1]

Different products carry different regulatory burdens. Broadband is exposed to changing federal and state approaches to net neutrality, digital discrimination, affordability and service quality. Legacy wireline voice can be subject to common-carrier and state public-utility obligations. Video can require cable franchises. Privacy, data protection, AI, cybersecurity, emergency communications and disaster resilience create additional compliance requirements. Intercarrier compensation and network-access rules affect Verizon as both buyer and seller. Regulation can protect orderly access to scarce spectrum, but it also limits operating flexibility and can force investment or pricing conditions.

Legacy copper creates a distinct environmental and legal tail. Verizon's 10-K identifies allegations involving lead-sheathed copper cables as a source of investigation, litigation, remediation, operational and reputational risk. This is difficult to model from operating trends alone and deserves explicit scenario monitoring. [10-K, Item 1A]

## 7. Competitive landscape

Wireless competition is concentrated but intense. Verizon competes nationally with AT&T and T-Mobile, with regional carriers, and with resellers. Cable operators such as Comcast and Charter sell mobile service through wholesale network arrangements and bundle it with home broadband. Verizon may benefit as a wholesale network supplier while simultaneously facing those brands at retail. Price, promotions, plan simplicity, perks, customer care, distribution, coverage, speed, capacity and reliability all influence share. [10-K, Item 1]

Broadband boundaries have blurred. Verizon's fiber and FWA compete with cable, other fiber builders, rival wireless carriers, conventional internet providers and low-earth-orbit satellite services. FWA lets wireless carriers enter home broadband without matching every cable or fiber pass, while cable companies use MVNO arrangements to enter mobile. Converged bundles can lower churn, but they also move competition from a single-product comparison to total household value.

Business competition is broader still: other carriers, global network providers, systems integrators, cloud and software vendors, hardware companies and security providers can take part of the solution. Traditional enterprise voice and private data networks are vulnerable to technology substitution. Wholesale competes with carriers, cable networks and specialist fiber providers. Verizon's scale and installed network are advantages, but capital is available to well-funded rivals and government broadband incentives can support competing deployment.

The competitive thesis should therefore avoid a simplistic "three-player wireless oligopoly" conclusion. Industry structure can support rational returns, but cable MVNOs, converged bundles, spectrum cycles, device promotions and technology shifts can transfer value to customers. Network leadership matters only if customers perceive it and Verizon monetizes it without overspending to defend share.

## 8. Growth drivers

- **Core mobility execution.** Sustainable growth comes from more high-quality accounts, more connections per account, lower churn and sensible plan monetization. Pricing is helpful only when customer losses and promotional costs remain controlled.

- **FWA monetization.** FWA turns wireless capacity into broadband revenue and expands Verizon beyond mobile phones. Its return depends on local capacity utilization, service quality and the capex required as cells fill.

- **Fiber expansion and convergence.** Frontier broadened the fiber footprint; Starry added capabilities in multi-dwelling urban settings. Cross-selling mobility and broadband can improve lifetime value and retention. The offset is integration, construction and penetration risk.

- **Business mix improvement.** Mobility, FWA, IoT, security, private networking and modern managed connectivity can offset legacy voice and data runoff. Investors should demand evidence that the growth pool is large enough and profitable enough to outrun the decline pool.

- **Network virtualization and automation.** Cloud-based network functions, virtualized and open radio access, AI-assisted operations and automation can improve deployment speed, supplier diversity and cost efficiency. They can also create transition and cybersecurity risk.

- **Traffic and AI infrastructure demand.** More devices, video, edge use cases and AI-related data movement increase demand for capacity. Traffic growth creates revenue opportunity only if pricing and capital productivity keep pace with the cost of serving it.

- **Operating discipline.** Management's current "customer-first" transformation emphasizes simpler offerings, converged products, loyalty and less reliance on subsidized promotions. The underwriting evidence must be lower churn and acquisition cost alongside growth—not adjusted rhetoric alone. [Q2ER]

## 9. Principal risks

- **Price and promotion escalation:** competitors can buy share through discounts, device credits, guarantees and bundles, pressuring both revenue quality and acquisition cost.
- **Churn or service-quality deterioration:** outages, congestion, poor care or a perceived network gap can damage a high-value installed base quickly.
- **Legacy Business decline:** enterprise voice, traditional data and wholesale runoff may remain faster than growth in mobility, FWA and modern services.
- **Capacity and capital error:** underinvestment harms network quality; overinvestment or poorly timed spectrum purchases depress returns. FWA growth can consume the capacity that made its early economics attractive.
- **Fiber integration and execution:** a larger footprint creates opportunity, but Frontier integration, systems conversion, build discipline, penetration and customer experience must deliver the economics.
- **Debt and interest burden:** high fixed financing claims reduce flexibility and increase sensitivity to cash-flow disappointment or refinancing conditions.
- **Regulatory and spectrum exposure:** license conditions, service-quality mandates, net-neutrality rules, privacy requirements, universal-service policy, zoning and transaction reviews can change cost or commercial freedom.
- **Cyber, operational and supplier risk:** a critical network or billing failure, cyberattack, vendor interruption, labor disruption or disaster can produce financial and reputational harm.
- **Environmental and legal tail risk:** lead-sheathed copper allegations and other legacy infrastructure issues can create uncertain remediation and litigation costs.
- **Reporting comparability:** held-for-sale movements, acquisition integration, severance, rationalization and disposition items can obscure the relationship between segment performance and statutory earnings. The sealed bridge—not an adjusted shortcut—must control.

## 10. What matters for underwriting

An investor should reduce Verizon to a small set of linked questions.

First, is core connectivity growing in economic rather than promotional terms? Track postpaid phone and account additions, churn, service revenue per account, number of connections per account, gross-add incentives, upgrade rates and customer acquisition/retention cost. Subscriber growth with rising subsidies is not equivalent to organic pricing or loyalty.

Second, is broadband creating a second durable leg? Track FWA and fiber connections, churn, penetration, revenue per connection, installation cost, cell utilization, coverage expansion and incremental capex. Separate additions obtained from acquired footprint from organic adds, and test whether converged households actually churn less.

Third, can Business stabilize? Decompose mobility and broadband growth from legacy enterprise and wholesale decline. Monitor Business segment Operating Income and margin, but also ask how much improvement comes from mix and productivity versus restructuring or reclassification.

Fourth, is the network earning more than it consumes? Compare service growth and segment profit with capex, spectrum spending, network quality and capacity. TTM free cash flow is substantial, yet sustaining the asset base and funding expansion are recurring requirements.

Fifth, does statutory cash reach shareholders after all claims? Preserve the segment-to-statutory bridge, then monitor interest, cash taxes, capex, working capital, dividends, repurchases and debt reduction. At Verizon's leverage, a good segment result can still produce mediocre equity compounding if reconciling items, financing costs or capital deployment absorb the benefit.

Finally, distinguish a resilient incumbent from a long-duration compounder. Verizon has scale, essential demand, recurring service relationships and difficult-to-replicate network assets. It also operates in mature markets with formidable rivals, recurring capital needs, regulation and significant leverage. The underwriting hinge is not whether connectivity will exist in 2031; it is whether Verizon can grow economic service relationships, integrate fiber, contain churn and promotions, stabilize Business, and convert network investment into per-share cash earnings without taking disproportionate balance-sheet or regulatory risk.

## Source notes

- **[QF]** `C:\Users\Admin\OneDrive\GPT\ER 2.0\Verizon Communications Inc.\quant_foundation.md`, QFR-resealed on 2026-08-02; SHA-256 `416ec14b3b11ae1748a83dde6623b3ce356aeec822fc9420188d27ec92eb4644`. P2–P6 are the exclusive source for financial figures in this appendix.
- **[Repair provenance]** `quant_foundation_review.md` SHA-256 `6f566af7de88059f595758aa1c7fa9cc407bdafa505ad65d0ec5c1748e66008f`; `statutory_bridge.json` SHA-256 `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50`; DR-cleared `data_package.md` SHA-256 `b3664d14021c41e23d61d1fdc6511dbe0c5fac34aa4335d7e710f669a64a2081`.
- **[10-K]** Verizon Communications Inc., [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/732712/000073271226000007/vz-20251231.htm), filed 2026-02-17; principally Item 1, Item 1A and Item 7.
- **[10-Q]** Verizon Communications Inc., [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/732712/000073271226000046/vz-20260630.htm), filed 2026-07-31; principally Notes 2, 3 and 10 and segment MD&A.
- **[Q2ER]** Verizon Communications Inc., [Q2 2026 earnings exhibit](https://www.sec.gov/Archives/edgar/data/732712/000073271226000040/a2026q2exhibit99.htm), dated 2026-07-24; used for current management framing and operating context only.

# Verizon Communications Inc. — Management Assessment

**Assessment date:** August 2, 2026 **Evidence basis:** governing verified Quant Foundation, Quant Foundation Review, Data Package, statutory bridge, 2026 proxy, 2025 Form 10-K, current leadership disclosures, and eight live-pulled FMP transcripts from Q3 2024 through Q2 2026. Dollar amounts are U.S. dollars. The current CEO has been in office for less than one year, so inherited outcomes are separated from decisions he owns.

## 1. Who is running the company

| Role | Leader and tenure | Relevant record and accountability |
|---|---|---|
| Chief executive officer | **Daniel H. Schulman**, CEO since October 4, 2025; Verizon director since 2018 and lead independent director from December 2024 until becoming CEO | Former PayPal CEO for nine years; earlier roles at American Express, Priceline, Virgin Mobile USA and AT&T. He owns Verizon's operating reset, customer proposition, $9B cost program, renewed repurchases, AI Connect commercialization and BT joint venture. He inherited the Frontier purchase but was already a director when the board approved it and now owns integration. His contract was extended through December 31, 2028 in July 2026. ([transition](https://www.verizon.com/about/news/verizon-announces-ceo-transition), [contract 8-K](https://www.sec.gov/Archives/edgar/data/732712/000119312526315236/d174102d8k.htm)) |
| Chief financial officer | **Anthony “Tony” Skiadas**, CFO since May 1, 2023 | Verizon employee since 1996; former controller/principal accounting officer and finance-operations CFO; CPA. He owns financing, leverage, reporting, dividends and execution of the repurchase framework. ([bio](https://www.verizon.com/about/our-company/executive-bios/tony-skiadas)) |
| Consumer | **Alfonso Villanueva**, interim CEO since February 5, 2026 | Joined in November 2025 as transformation chief after working with Schulman at PayPal. The absence of a permanent Consumer CEO is a succession/bench risk in Verizon's largest segment. ([appointment](https://www.verizon.com/about/news/alfonso-villanueva-named-interim-ceo-verizon-consumer)) |
| Business | **Kyle Malady**, CEO since March 2023 | Nearly four decades at Verizon, including network and technology leadership. He brings operating continuity but also shares responsibility for the long-running decline in legacy Business wireline. ([bio](https://www.verizon.com/about/our-company/executive-bios/kyle-malady)) |
| Network and technology | **Joe Russo**, EVP and president of Global Networks and Technology | Owns network reliability, fiber construction and the technical integration of Frontier—central to convergence returns. |
| Board oversight | **Mark Bertolini**, independent chair since October 2025 | Separating chair and CEO after the transition is a meaningful check. The 2026 slate is nine directors: Schulman plus eight independent directors (about 90% independent). ([board](https://www.verizon.com/about/our-company/board-directors), [2026 proxy](https://www.verizon.com/about/sites/default/files/2026-Proxy-Statement.pdf)) |

The board averaged 5.7 years of tenure and age 63.4 at the proxy date. All incumbent directors attended at least 75% of meetings and complied with overboarding limits. Finance, telecom and consumer experience are credible; risks are Schulman's director-to-CEO path and a thin visible Consumer bench.

## 2. Tenure and track record

Schulman has only about ten months in the job. That is enough to judge urgency and early disclosure, not enough to judge through-cycle capital allocation. Three major decisions define his Verizon record:

- **Operating and customer reset, 2025–2026.** In Q3 2025 he said the plan would not be “about incremental change.” He stopped relying on empty price increases, launched a simplified value proposition, targeted $9B of OpEx/CapEx savings and emphasized churn and customer lifetime value. Early outcomes are real: Q2 2026 Consumer phone churn was 84 bps, down 6 bps year over year; promotional acquisition and retention costs fell approximately 15% and 17%; mobility and broadband service revenue grew 2.8%; and 2026 service-revenue, adjusted-EPS and FCF guidance was raised. These are six-month proof points, not a durable margin or ROIC record.

- **Capital returns and leverage, 2026.** Management restarted repurchases only after years of debt priority, completing $3.5B of ASRs in H1 2026 at $49.25 and $46.97 per share and raising the full-year target to as much as $4.5B. Q2 diluted shares fell 1.35% year over year. This is more price-aware than a mechanical quarterly program, but the July 31 price of $46.81 leaves no evidence yet of value creation. Core net debt was still $163.5B at June 30.
- **Portfolio reshaping, 2026.** Schulman agreed a 50:50 BT joint venture for the international wireline operations: approximately $4B combined revenue, more than 3,000 customers, a $625M Verizon equalization payment and expected 2027 close. Verizon expects roughly $200M of annual savings versus continuing alone. The transaction candidly addresses a structurally weak asset, but a $746M pretax held-for-sale/disposition loss is already in TTM results and closure/economics remain unproved. ([BT announcement](https://www.verizon.com/about/news/verizon-bt-group-international-joint-venture))

Frontier is not properly scored as a Schulman-originated acquisition. Verizon announced it in September 2024 under Hans Vestberg for $20B headline enterprise value and at least $500M run-rate synergies by year three; it closed January 20, 2026 for $9.4B net cash plus $12.9B assumed debt, or $22.3B aggregate consideration. Schulman was a director during approval and owns delivery. Integration was described as ahead of plan in Q2, with line of sight to at least 32M homes passed at 2026 year-end and materially lower converged churn, but fewer than seven months of evidence cannot validate the premium or returns. ([announcement](https://www.verizon.com/about/news/verizon-to-acquire-frontier), [close](https://www.verizon.com/about/news/verizon-completes-acquisition-frontier))

The inherited scorecard is mixed. FY2021–FY2025 revenue rose from $133.6B to $138.2B, diluted shares from 4.150B to 4.231B, and statutory ROIC ranged from 6.76% to 10.86%—below the 15% hurdle. Media acquisitions ended in write-downs and the AOL/Yahoo disposal; as a director since 2018, Schulman is not entirely removed from that stewardship. Capex nevertheless normalized after C-band and FY2025 FCF reached $20.1B.

Skiadas' record since May 2023 is sounder operationally than transformative: capex fell from $18.8B in 2023 to $17.0B in 2025 while FCF rose from $18.7B to $20.1B, repurchases waited until 2026, and substantially all Frontier acquisition debt was repaid six months ahead of the original schedule. His unresolved test is whether accounting adjustments and deal integration translate to declining **statutory** leverage and per-share cash growth.

## 3. Capital allocation behavior

| $B unless stated | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|
| Capex | 20.286 | 23.087 | 18.767 | 17.090 | 17.011 |
| Capex / revenue | 15.18% | 16.87% | 14.01% | 12.68% | 12.31% |
| R&D | Not separately disclosed | Not separately disclosed | Not separately disclosed | Not separately disclosed | Not separately disclosed |
| Buybacks | 0 | 0 | 0 | 0 | 0 |
| Cash dividends | 10.445 | 10.805 | 11.025 | 11.249 | 11.481 |
| Net business M&A cash spend | 4.065 | (0.248) receipt | 0.030 | 0 | 0 |
| Wireless-license cash purchases | 47.596 | 3.653 | 5.796 | 0.900 | 0.450 |

This is coherent with a network utility, not yet a high-return compounder. Spectrum and capex absorbed enormous sums, the dividend rose for 20 consecutive years, and buybacks were subordinated while leverage was high. Five years of sub-11% statutory ROIC show weak incremental returns. TTM FCF of $21.531B covered $11.633B dividends plus $3.5B buybacks, but the 54.0% FCF dividend payout limits flexibility.

The $25B authorization should not be modeled as a commitment: only up to $4.5B is targeted for 2026. Repurchases so far reduced shares and were executed near the current quotation, which is preferable to buying merely because authorization exists. The test is whether Verizon keeps purchases below FCF after dividends while reducing leverage; repurchasing stock while statutory net debt rises would be owner-hostile.

Deal discipline remains unproved. Frontier's 43.7% premium and $22.3B aggregate cost require disclosed synergies and returns, not only homes passed. Starry added almost 100,000 multi-dwelling-unit customers at an undisclosed price. BT is sensible remediation, but the payment and loss show that exiting weak assets is not free.

## 4. Compensation alignment

The standard 2025 program was roughly 90% at risk for non-CEO named executives. The annual incentive weighted wireless service revenue, adjusted operating income and operating cash flow at 30% each, plus 10% strategic/culture. Revenue ($83.7B) and OCF ($35.0B) missed $83.9B and $35.2B targets, OI beat, and culture brought payout to 100%. Qualitative discretion thus softened two misses.

Regular PSUs use cumulative adjusted EPS, FCF and wireless service revenue in equal thirds, modified by relative TSR by ±25%. EPS excludes buyback benefits, but FCF and earnings may be adjusted for transactions and special items; the TTM statutory bridge has $4.244B of special operating charges. There is no ROIC or leverage metric.

Schulman's bespoke package is the sharper concern. His $1.5M salary and 250% target bonus sit beside $9.5M make-whole RSUs, $20M CEO RSUs and $30M CEO PSUs, with the latter split between adjusted EPS and relative TSR over 2026–2027. A supplemental award of 222,222 PSUs can pay 0%–300% based on a 20-day share-price threshold from $55 to $75 through 2028. The design creates exposure to per-share results, but its short window and share-price emphasis omit ROIC, FCF, leverage and Frontier returns. His partial-year 2025 reported compensation was $34.3M versus Skiadas' $16.0M.

Actual ownership is weaker than award values imply. The proxy's March 3, 2026 table showed **zero beneficially owned Verizon shares** for Schulman, though 981,034 units were included in broader stock-based holdings. Skiadas beneficially owned 212,331 shares. The CEO guideline is 7× salary and other executives 4×, excludes unvested awards, and allows five years; Schulman is technically within the build period, but an owner-operator standard requires voluntary capital at risk. Anti-hedging, anti-pledging and SEC/misconduct clawbacks are positive.

After-tax SBC expense was $625M, $609M, $533M, $795M and $815M in FY2021–FY2025, or 0.47%, 0.45%, 0.40%, 0.59% and 0.59% of revenue. That is disciplined rather than chronic. Share-count creep of 1.95% across 2021–2025 is real but modest, and H1 2026 repurchases more than reversed the recent rate of dilution. ([2026 proxy](https://www.verizon.com/about/sites/default/files/2026-Proxy-Statement.pdf), [2025 10-K](https://www.sec.gov/Archives/edgar/data/732712/000073271226000007/vz-20251231.htm))

## 5. Disclosure quality and candor

| Quarter | Load-bearing question | Assessment of answer |
|---|---|---|
| Q3 2024 | Frontier, fiber build returns and capital priorities | Vestberg gave penetration and build-rate targets, but described attractive economics without disclosing acquisition ROIC. |
| Q4 2024 | Negative account growth, pricing and 2025 guide | Direct on account trends and quantified more than $1B pricing contribution; still promotional on convergence. |
| Q1 2025 | Tariff exposure, weak Consumer adds and promo intensity | Acknowledged uncertainty and mitigation, but offered no quantified tariff sensitivity. Partial answer. |
| Q2 2025 | ARPU deceleration, free-line contribution and acquisition cost | Management explained timing and discipline but did not quantify several requested unit-economics components. Weakest quarter for voluntary detail. |
| Q3 2025 | New-CEO reset, price hikes, churn, cost and portfolio | Schulman directly called prior price-led growth unsustainable; Skiadas said the entire portfolio was under review. Candid diagnosis, limited quantified remedy. |
| Q4 2025 | Subscriber investment, subsidy economics and 2026 guide | Quantified a $5B in-year OpEx savings pool and set full-year net-add, EPS, OCF, capex and FCF ranges. Stronger accountability. |
| Q1 2026 | ARPA, churn, $25B authorization and FWA mix | Explained that at least half of net-add improvement should come from churn and limited buybacks to cash-generation capacity; did not treat the authorization ceiling as a plan. |
| Q2 2026 | Revenue sources, FWA slowdown, satellite threat and AI fiber capex | Gave churn, acquisition/retention-cost, ARPA and quarterly revenue-growth numbers and answered the satellite question directly. AI demand claims were expansive and lacked customer-level margin/capex disclosure. |

A literal-language scan found “headwind(s)” in **7 of 8 quarters** and “uncertain/uncertainty” in all eight, often in safe-harbor or tariff discussion. Recent calls usually paired the terms with a cause, magnitude or timing. Only Q2 2025 contained a narrow refusal-to-guide/comment construction. The real weakness is selective disclosure: no full acquisition/retention economics, fiber cohort returns, Frontier ROIC or savings-to-statutory-margin bridge.

Guidance credibility is presently above average but short-lived under Schulman. Verizon delivered its 2024 and 2025 full-year ranges. Initial 2026 guidance called for 2%–3% mobility/broadband service-revenue growth, adjusted EPS of $4.90–$4.95, OCF of $37.5B–$38.0B, capex of $16.0B–$16.5B and at least $21.5B FCF. Q1 raised EPS to $4.95–$4.99; Q2 raised service revenue to 2.5%–3.0%, EPS to $4.99–$5.04 and FCF growth to 9%–10%. Raises backed by results are favorable, but the Q4 revenue ramp to roughly 4% and 2027 acceleration are still promises. ([Q4 2025 results](https://www.verizon.com/about/news/verizon-fourth-quarter-2025-earnings), [Q2 2026 results](https://www.verizon.com/about/news/verizon-second-quarter-2026-earnings))

## 6. Strategic coherence

The 2025 10-K states Verizon exists to “design, build and operate networks to provide connectivity and related services” for a broad customer set. That plain identity fits the investment pattern: sustained $17B-plus annual capex, large spectrum ownership, Frontier fiber, fixed wireless and convergence. Schulman's priorities—customer experience, network reliability, lower cost, fiber/mobile convergence and per-share cash generation—are coherent with that asset base.

The risk is narrative expansion. AI Connect, edge sites and convergence can reinforce the network, but management called AI infrastructure a growth leg before disclosing backlog, incremental capital, returns or customer concentration. The destination is credible as a simpler connectivity platform; it becomes a pivot if AI labels obscure low-return construction or BT creates support obligations.

Candor on competition has improved. Q2 management named cable, fixed wireless and low-earth-orbit satellite directly and defended the technical economics rather than pretending the threat did not exist. The 10-K also names AT&T, T-Mobile, Comcast, Charter and satellite providers. The strategic gap is not awareness; it is proving that investments earn more than Verizon's cost of capital.

## 7. Governance flags

| Issue | Evidence and judgment |
|---|---|
| Control | One share/one vote; no dual-class structure and no poison pill disclosed. Positive. |
| Independence | Eight of nine directors independent; independent chair; regular executive sessions. Positive, though Schulman's prior board role muddies outsider accountability for Frontier and legacy strategy. |
| Related parties | Proxy states no 2025 transaction required related-person disclosure. Positive. |
| Controls/restatements | Ernst & Young opined 2025 ICFR was effective; management identified no material weakness. Reviewed 2025–Q2 2026 filings show no restatement. This is filing evidence, not an exhaustive enforcement search. |
| Say on pay | 87.11% support in 2026: passed, but 12.89% opposition is a non-trivial caution around the bespoke CEO package. |
| Insider sales, last 12 months | Live FMP/SEC Form 4 review found no open-market sale by Schulman or Skiadas. Sales included 225,000 shares by former CEO Vestberg on February 24, 2026, 73,069 by Samantha Hammock on May 29, 8,569 by Mary-Lee Stillwell under a disclosed 10b5-1 plan, and 9,579 by Joe Russo. Tax-withholding dispositions were more common. The cluster merits monitoring but is not a current CEO/CFO exit signal. |

The largest governance risk is succession concentration: the board chose its lead director as CEO, installed a former Schulman colleague as interim Consumer CEO and extended Schulman's contract after two reported quarters. The independent chair mitigates this; appointing a permanent Consumer leader is the test.

## 8. Peer comparison

| CEO | Five-year stewardship and capital allocation | Communication | Relative rank |
|---|---|---|---|
| Mike Sievert, T-Mobile US | Sprint integration, synergy capture and per-share capital returns provide the clearest observable value creation per dollar among national wireless peers. | Consistent operating KPIs and guidance, though presentation is promotional. | **1st** on evidence. |

| CEO | Five-year stewardship and capital allocation | Communication | Relative rank |
|---|---|---|---|
| John Stankey, AT&T | Refocused AT&T on connectivity, separated WarnerMedia, reduced debt and rebuilt fiber; corrective discipline is real, but he also held senior roles during the earlier conglomerate allocation failures and dividend reset. | Generally sober on leverage, FCF and build economics. | **2nd**; longer corrective record than Schulman. |
| Dan Schulman, Verizon | Early churn/cost gains and price-aware buybacks are promising, but inherited ROIC stayed below 11%, Frontier is unproved, and he has no five-year Verizon CEO record. | Improving numeric disclosure; still thin on deal ROIC, fiber cohorts and AI capital. | **3rd / not yet proven**. |

This is directional rather than a fabricated cross-company ROIC model. ([AT&T annual reports](https://investors.att.com/financial-reports/annual-reports/2025), [T-Mobile reports and proxies](https://investor.t-mobile.com/financials/annual-reports-and-proxy-statements/default.aspx)) Schulman's relevant Verizon evidence begins in October 2025, not at PayPal.

## 9. Verdict on the management gate

**MANAGEMENT GATE: YELLOW**

This is investable but unresolved, not a polite FAIL. Schulman has a credible prior operating record and early Verizon evidence—lower churn and acquisition cost, two guidance raises, debt repayment, selective repurchases and a willingness to exit weak international wireline. Independent chairmanship, low SBC intensity, no CEO/CFO selling and effective controls reduce the probability of governance abuse. However, less than one year in-seat, zero beneficial shares owned, incentives without ROIC/leverage, five years of sub-11% statutory ROIC, a $22.3B Frontier integration and an unclosed BT JV prevent a PASS.

**Upgrade to PASS requires all three by the end of 2027:**

- Deliver the raised 2026 ranges—including 2.5%–3.0% service-revenue growth, $4.99–$5.04 adjusted EPS, 9%–10% FCF growth and $16.0B–$16.5B capex—then grow 2027 FCF per diluted share at least 5% without adjusted exclusions widening.
- Reduce company-defined net unsecured debt/adjusted EBITDA to no more than 2.25× and show a parallel decline in statutory net core debt/EBITDA; disclose Frontier synergies on a path to at least $500M run-rate by January 2029, at least 2M annual fiber passings, and cohort returns/churn.
- Add ROIC or statutory FCF-per-share plus leverage/Frontier-return measures to CEO long-term pay, and have Schulman beneficially own at least 3× salary in actual shares by end-2027.

**Downgrade to FAIL if any decisive signal occurs:** two consecutive quarters of Consumer phone churn above 0.95%; a reduction in two or more load-bearing 2026 guidance metrics; FCF below $20B while dividends plus buybacks exceed $15B or net core debt exceeds $170B; net unsecured leverage above 2.75× after 2026; Frontier run-rate synergies below $250M at end-2028; more than $1B of additional BT/JV write-down or cash support beyond the disclosed $625M; or another Consumer leadership exit without a permanent appointment by year-end 2026. Any of these would show that early operational rhetoric did not protect per-share value.

### Source and audit note

Capital-allocation, leverage, ROIC and statutory figures come from the verified Quant Foundation/Data Package and SEC exhibits. Eight transcript files and the insider dataset are archived under `raw/pulse-cio-20260802-m-management`, spanning October 22, 2024 to July 24, 2026. Primary filings and official releases control. This assessment conveys no trading, messaging or order authority.

# Verizon Communications Inc. (VZ) — Moat and 2046 Durability

**Research date:** 2026-08-02 SGT **Latest reported period:** Q2 2026 ended 2026-06-30 **TTM anchor:** Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026 **Scope:** Production ER2 moat gate; all quantitative claims follow the QFR-sealed Quantitative Foundation and DR-cleared Data Package. **Execution control:** `trade_execution_authorized=false`

## Gate finding

Verizon has a durable operating franchise but does **not** clear the Gideon high-return moat bar. Its real advantages are national network scale, a portfolio of scarce spectrum licenses, fiber and backhaul, distribution, a large installed customer base, and the ability to combine mobility with home or business connectivity. Those assets make entry expensive and make Verizon likely to remain relevant for decades. They have not, however, produced high returns on capital: governed ROIC was only 6.8%-10.9% in FY2021-FY2025, while ordinary capex consumed 12.3%-16.9% of revenue and spectrum purchases sat outside that capex measure. A barrier that must be continually repurchased and earns a single-digit-to-low-double-digit return is not yet a 20-year compounder moat.

Consumer contains almost all of the defensible profit pool. In FY2025 it generated 91.2% of the two reportable segments' Operating Income, with a 27.7% margin, while Business earned 10.3% on a current perimeter and has a documented history of secular wireline pressure and impairment. Verizon's network assets therefore support resilience, but competition, month-to-month contracts, promotion dependence, capital intensity and technology substitution keep customers—not shareholders—capturing much of the value. This is a **FAIL**, not a prediction of business failure.

## 1. Moat taxonomy applied

| Moat source | Strength | Where it resides | Counterevidence |
|---|---|---|---|
| Network effects | Weak | Neither segment has a classic direct network effect | Interconnection makes rival networks useful; another subscriber does not make Verizon uniquely more valuable |
| Switching costs | Modest Consumer / moderate complex Business | Multi-line accounts, device credits, bundles, integrated enterprise networks | About 95% of wireless postpaid and 94% of wireline Consumer and Business Markets and Other service contracts were month-to-month at FY2025 |
| Scale economies | Strong operating barrier | Shared wireless, spectrum, fiber, backhaul, billing, care and distribution | AT&T, T-Mobile, cable and other fiber operators also have scale; savings require recurring reinvestment |
| Brand | Moderate | Consumer network reliability and high-trust enterprise/public-sector procurement | Promotions, price guarantees, outages and converged rival bundles can override brand preference |
| Regulatory / scarce assets | Moderate-to-strong barrier | Exclusive spectrum licenses, rights-of-way, zoning and local deployment | Licenses are finite and regulated; obligations and pricing/service rules can reduce returns |
| IP / patents | Weak as an economic moat | Network engineering and operational know-how | Standards-based equipment, virtualization and interoperable architectures diffuse technology advantages |
| High-trust procurement | Moderate, narrowing | Enterprise, public sector, security and managed networks | Formal tenders, multi-sourcing, cloud substitution and customer bargaining power constrain price |
| Bundling and distribution | Moderate | Wireless plus fiber/FWA, perks, stores, digital, agents and direct sales | Rivals can bundle too; broad distribution carries commissions, care and promotional costs |

**Network effects.** Verizon has no meaningful direct network effect comparable with a marketplace or proprietary software ecosystem. Its network becomes cheaper per unit when fixed costs are spread over more traffic and connections, but interoperability means a customer can reach users on competing networks. The defensible mechanism is density and utilization, not a self-reinforcing user network. Wholesale relationships are economically ambivalent: they monetize capacity, but MVNO customers can use Verizon's network to compete against its retail brand.

**Switching costs.** Consumer friction comes from family accounts, multiple connected devices, broadband convergence, device installments and promotional credits that cease when service is cancelled. That can extend customer life, but it is not deep lock-in: the 2025 10-K says roughly 95% of wireless postpaid contracts are month-to-month, number portability and

eSIM reduce operational friction, and competitors routinely fund switching. Business switching costs are stronger where Verizon manages many sites, security or a critical network, yet large buyers can tender, multi-source or migrate workloads. Some reseller contracts exceed two years and some Business wireline contracts have commitments, but a significant number of Business wireline contracts are twelve months or less. [10-K]

**Scale economies.** Scale is Verizon's strongest present barrier. Spectrum can be deployed across a nationwide radio network; fiber carries residential broadband, enterprise traffic and wireless backhaul; common billing, distribution and customer care serve many connections. The FY2025 network covered about 147 million wireless retail connections, and the Q2 2026 exhibit reported 17.1 million fiber-plus-FWA broadband connections after acquisitions. But scale is shared with well-funded national rivals and does not eliminate upgrade cycles. Traffic growth, 6G transitions, densification and fiber construction continually turn scale into a capital requirement.

**Brand.** Verizon's brand communicates coverage, reliability and trust—valuable in both family purchase decisions and public-sector procurement. Its reach through owned stores, digital channels, national retailers, agents, resellers and direct business teams reinforces that awareness. The brand is a preference moat, not contractual protection. Verizon itself lists price, promotions, service quality, network performance and distribution as active competitive variables, and a material outage or cyber incident can quickly impair the trust premium. [10-K]

**Regulatory assets.** Licensed low-, mid- and high-band spectrum is a genuine chokepoint. FCC spectrum assignments, zoning, tower approvals and rights-of-way make a new facilities-based national network extraordinarily difficult to assemble. Renewals have historically been routine, but licenses generally have ten-year terms and carry build, coverage, roaming, emergency-service and open-access conditions. Regulation simultaneously protects scarcity and imposes obligations; broadband affordability, service-quality and net-neutrality rules can limit monetization. It is an industry barrier, not an unlimited Verizon pricing franchise.

**IP and patents.** Verizon owns patents and operating know-how, but no disclosed proprietary technology explains the profit pool. Wireless generations are standards-based, equipment is sourced from a limited vendor set, and Verizon is adopting virtualized and interoperable radio architectures. Those choices can lower cost and diversify suppliers, but they also make network technology less proprietary. The moat remains physical deployment, licensed capacity and execution.

**High-trust procurement.** Enterprise and public-sector customers value reliability, security, nationwide mobility and coordinated delivery across sites. Operational risk can make an incumbent sticky. The offset is strong buyer power: contracts are competitively bid, cloud and systems-integration firms can own the orchestration layer, and Verizon's international connectivity and managed-network-services operation is moving toward a 50:50 joint venture with BT. Trust supports retention, but Business economics do not show an impregnable moat.

## 2. Per-segment moat and blended durability

| Segment | Precise moat | Durability | What breaks it | Earliest observable sign |
|---|---|---|---|---|
| Consumer | Licensed spectrum plus dense radio/fiber assets, national distribution, multi-line relationships and wireless-broadband bundles | Moderate at 5-10 years; unproven at 20 years | Network-quality parity, cable/mobile convergence, promotion escalation, FWA congestion or poor fiber returns | Phone churn above 1.00% for two quarters; Consumer TTM OI margin below 26%; service growth below 2% |
| Business | Installed connectivity, high-trust procurement, multi-site integration and shared network scale | Mixed at 5 years; weak at 10-20 years | Legacy substitution, cloud/SASE abstraction, rebids, price compression and portfolio shrinkage | Current-perimeter TTM revenue down more than 3%; OI margin below 8%; another impairment |

**Consumer.** FY2025 revenue was $106.807 billion and Operating Income was $29.628 billion, a 27.7% margin; TTM revenue was $107.236 billion and Operating Income $30.307 billion, a 28.3% margin. Persistence through aggressive competition is the strongest moat evidence. Mobility, fiber and FWA share assets, while convergence raises the number of services a household must replace. Yet most service is cancellable. The Consumer appendix's Q2 2026 peer evidence shows the threat is active: AT&T combined 0.86% phone churn with 646,000 advanced-internet adds, T-Mobile grew service revenue 9%, and Charter added 406,000 mobile lines; definitions differ and none is a Verizon market-share claim. Device promotions and cable MVNO bundles keep the moat moderate and conditional. [B-Consumer]

**Business.** On the repaired current perimeter, FY2025 revenue was $27.895 billion, Operating Income was $2.870 billion and margin was 10.3%; TTM revenue was $28.205 billion, Operating Income $3.347 billion and margin 11.9%. Recent improvement is constructive but does not erase FY2023's $5.8 billion Business goodwill impairment or Verizon's continuing warning about secular declines in wireline services. Mobility, broadband and managed critical networks have stickiness;

traditional voice, data and wholesale are being substituted, while software and cloud providers can capture the higher-value control plane. The stable Business appendix sharpens the counterevidence: FY2025 phone net additions fell to 225,000 from 501,000 while churn rose to 1.23% from 1.10%; FY2023-FY2025 Enterprise and Public Sector and Wholesale revenue CAGRs were -5.25% and -8.44%, partly offset by Business Markets and Other at +3.35% and wireless service at +2.19%. Cost reduction and reclassification are not moat evidence. [B-Business]

**Blended company.** Consumer represented 77.3% of FY2025 consolidated revenue and 91.2% of reportable-segment Operating Income. Business was 20.2% of revenue but only 8.8% of segment Operating Income. The blended moat is therefore not an average of two equally important franchises: it is a Consumer connectivity moat diluted by a lower-return Business portfolio, Corporate costs and substantial statutory reconciling charges. The equity depends on Consumer maintaining premium economics while fiber investment expands the denominator of capital.

## 3. Margin persistence, returns and capital intensity

| Fiscal year | Consolidated OI margin | Consumer OI margin | Business OI margin | Governed ROIC | Capex / revenue |
|---|---|---|---|---|---|
| 2021 | 24.29% | 31.4% | 11.1% | 10.86% | 15.18% |
| 2022 | 22.27% | 27.9% | 8.5% | 9.80% | 16.87% |
| 2023 | 17.08% | 28.5% | 6.9% | 6.76% | 14.01% |
| 2024 | 21.28% | 28.7% | 7.0% | 9.37% | 12.68% |
| 2025 | 21.17% | 27.7% | 10.3%* | 9.33% | 12.31% |

*FY2025 Business uses the Q2 2026 current presentation; comparison with FY2024 crosses a perimeter change. Source: [D], Sections 2-3 and 7. The five-year window is deliberate: the governed package identifies historical FMP segment-taxonomy faults, so older Wireless/Wireline classifications are not mixed into the current Consumer/Business moat test.

The five-year record supports resilience, not high-return compounding. Consolidated margin fell from 24.3% to 21.2%; FY2023 includes the economically relevant Business impairment. Consumer settled around 28% after 31.4% in FY2021, while Business fell to 6.9%-7.0% before its recent recovery. TTM statutory margin was 20.5%. Verizon produced substantial cash, but TTM capex was $17.268 billion, or 12.43% of revenue, and that excludes cash spent on spectrum licenses. License purchases were especially large in 2021 and remain a recurring strategic requirement. Fiber acquisitions and construction add another test: a broader physical footprint creates a barrier only if penetration and cross-sell earn more than the cost of capital.

ROIC is decisive counterevidence. Using one consistent governed definition—NOPAT divided by core debt plus Verizon equity less cash—ROIC never reached 11% in FY2021-FY2025 and was 9.33% in FY2025. A contemporaneous live FMP refresh independently points in the same low-return direction, although its normalized calculations are not substituted for the governed series. Verizon may possess valuable scarcity assets, yet the returns show that rivals, customers, regulation, debt and reinvestment absorb most of the economic rent.

## 4. AI and technology disruption stress test

| Activity | Economic type | AI / technology effect | Moat conclusion |
|---|---|---|---|
| Consumer mobility, fiber and FWA | Physical chokepoint | AI raises data traffic and can automate operations; it cannot prompt a radio network or fiber path into existence | Most protected, but added traffic may require capex without proportional revenue |
| Business connectivity and private networks | Chokepoint plus procurement | AI increases reliability/security needs but also helps buyers optimize and multi-source networks | Moderately protected where Verizon owns access and operations |
| Managed services, security workflow and legacy voice/data | Workflow / platform-adjacent | Cloud, SD-WAN, SASE and AI agents can abstract or automate the service layer; legacy products already face substitution | Most exposed; distribution and trust, not workflow IP, must carry the moat |

AI is not the main threat to Verizon's physical network. A foundation model cannot reproduce licensed spectrum, towers, fiber, emergency-service obligations or field maintenance. AI may increase traffic and improve network planning, care and fault resolution. But traffic is not automatically monetization: if competition keeps pricing flat while AI-related usage requires capacity, the benefit accrues to customers and compute platforms. Verizon's own 10-K warns that rivals may deploy AI faster and that AI investment may not create a competitive advantage. The most protected segment is Consumer network access; the most exposed is Business's managed-service and legacy workflow layer. [10-K]

## 5. The 2046 test

**Today is 2026-08-02; twenty years forward is 2046-08-02.** A specific plausible 2046 description is: Verizon sells always-on mobility, fixed broadband, fiber transport, wireless backhaul, private-network capacity and managed connectivity to U.S. households, enterprises, public agencies and wholesale partners. Consumer still exists as the dominant profit pool, centered on converged mobility and fiber/FWA successors. Business still supplies critical access and network operations, but traditional voice, linear video and much legacy private data have withered; software-led orchestration and international services sit increasingly in partner or joint-venture structures. Customers continue to pay Verizon because licensed radio capacity, dense fiber routes, local rights, reliability and field operations cannot be replicated by software alone.

That description is credible, but the economics are not credibly high-return. Directionally, consolidated operating margin is more likely stable in the low-20% area than structurally higher: automation and asset sharing are offset by continual standards upgrades, capacity investment, regulation and price competition. A surviving network utility is not the same as a 20-year compounder. With current ROIC below 11%, a 2046 high-return case requires an unproven step-change in pricing, capital productivity or asset utilization.

In the bear description, wireless quality converges, cable and open-access fiber bundles commoditize household connectivity, satellite becomes a meaningful substitute in selected use cases, regulation constrains price, and cloud/AI platforms disintermediate Business's managed layer. Traffic grows but revenue per unit falls; Verizon keeps investing to preserve relevance, leaving ROIC in the mid-single digits. I assign this material moat-erosion outcome roughly a one-in-three probability. The more probable outcome is continued relevance with ordinary utility-like returns—which still fails the Gideon test.

## 6. Competitive threat inventory

| Threat | Mechanism | Segment(s) affected | Earliest observable signal | Plausibility |
|---|---|---|---|---|
| National-carrier and cable bundle escalation | Device credits, price guarantees, perks and broadband/mobile bundles transfer value to customers | Primarily Consumer; SMB Business | Phone churn >1.00% for two quarters; ARPA down >2% YoY while acquisition cost rises; Consumer margin <26% | High |
| Broadband substitution and capacity economics | Cable/fiber overbuild, rival FWA and satellite pressure price; FWA fills cells and requires densification | Consumer and Business | Combined fiber/FWA net adds <250k for two quarters while capex/revenue exceeds 14%; mobility/broadband service growth <2% | Medium-high |
| Business control-plane disintermediation | Cloud, SD-WAN, SASE, systems integrators and AI automate or unbundle managed services; legacy products continue to run off | Business | Current-perimeter TTM revenue down >3%; OI margin <8%; new reporting-unit impairment | High |

## 7. Pricing-power verification

There is observable but qualified pricing power. The 2025 10-K attributes $1.5 billion of 2024 postpaid revenue growth and $775 million of 2025 growth jointly to pricing actions, premium-plan or perk adoption and FWA growth, partly offset by promotion amortization. Because Verizon does not isolate pure price, those amounts cannot be treated as same-customer rate realization, and it discloses neither a broad contractual price-escalator schedule nor adoption and realized-price effects separately. Consumer ARPA rose from $137.80 in FY2023 to $147.31 in FY2025, but postpaid phone churn also rose from 0.83% to 0.92%. [D] [10-K]

The latest quarter is encouraging on retention but not a clean price proof. Q2 2026 consolidated postpaid-phone churn improved to 0.92% from 0.97% a year earlier and mobility-and-broadband service revenue grew 2.8%; however, wireless postpaid ARPA fell 1.4% to $168.35. Management says acquisition and retention costs are falling, but the exhibit does not disclose a comparable all-in dollar series. No segment gross-margin series is disclosed, so pricing cannot be verified through gross-margin stability; segment Operating Income is the closest governed evidence. [Q2ER]

Contract structure limits the claim. At FY2025, about 95% of wireless postpaid and 94% of wireline Consumer and Business Markets and Other service contracts were month-to-month. Device credits can create up to 36 months of economic friction, and wholesale or selected Business contracts may contain terms and minimum commitments, but a significant number of Business wireline contracts are twelve months or less. Verizon has retention tools, not blanket contractual pricing power.

## 8. Moat verdict and numerical decision rules

| Decision rule | Numerical evidence required |
|---|---|
| Upgrade FAIL to YELLOW | Two consecutive FYs with governed ROIC at least 12%; Consumer OI margin at least 28%; postpaid phone churn no worse than 0.90%; three-year average capex plus spectrum cash purchases no more than 14% of revenue |
| Upgrade to PASS | Three consecutive FYs with governed ROIC at least 15% and demonstrated incremental ROIC above 20%; Consumer OI margin at least 29%; service growth at least 3% with churn at or below 0.85%; Business margin at least 10% without repeated restructuring |
| Reinforce / hard-kill durability thesis | Any two: Consumer TTM OI margin below 26%; churn above 1.00% for two quarters; governed ROIC below 8%; three-year capex plus spectrum cash purchases above 15% of revenue without at least 3% service growth; Business TTM revenue down more than 3% or margin below 8% |

The moat gate fails because the protectable assets are concrete but their shareholder returns are not high: Consumer has a moderate scale/regulatory moat, Business has only pockets of switching cost and trust, and the blended company repeatedly earns sub-15% ROIC. Pricing actions are visible, yet adoption is intertwined with plans, FWA and promotions, while most service contracts remain cancellable. The 2046 business can be described specifically and is likely to exist, but there is no evidence that its capital-intensive, competitively replicated network will earn high returns then. These analyst-set thresholds are monitoring rules, not company guidance and not trade authorization.

Moat gate: FAIL

2046 test: FAIL

## Source notes

- **[QF]** [Quantitative Foundation](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/quant_foundation.md>), QFR-sealed; the exclusive source for segment and statutory financial bases.
- **[D]** [DR-cleared Data Package](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/data_package.md>), Sections 0a-8; the controlling source for KPI histories, margins, ROIC, capital intensity and current-perimeter segment data.
- **[10-K]** Verizon Communications Inc., [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/732712/000073271226000007/vz-20251231.htm), Items 1, 1A and 7 and Notes 1, 3 and 13; live re-opened 2026-08-02.
- **[10-Q]** Verizon Communications Inc., [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/732712/000073271226000046/vz-20260630.htm), filed 2026-07-31.
- **[Q2ER]** Verizon Communications Inc., [Q2 2026 earnings exhibit](https://www.sec.gov/Archives/edgar/data/732712/000073271226000040/a2026q2exhibit99.htm), dated 2026-07-24; used for current operating evidence, not as an independent financial model.
- **[B-Consumer]** [Consumer segment deep dive](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/appendix_B_consumer.md>), Sections 4-5; R-reviewed SHA-256 `f8ea9c46480db0f4dceb7bc60a77ab02720359261d281506115a3b11bb8d419d`.
- **[B-Business]** [Business segment deep dive](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/appendix_B_business.md>), Sections 4-5; R-reviewed SHA-256 `230397af3c00c9baede432706951b45b98996ceb566c493a8c6b87b0f316cddb`; quantitative history traced to [D].
- **[W live FMP refresh]** [Raw refresh folder](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/raw/pulse-cio-20260802T005835+0800_w/fmp>); income, ratios, key metrics and annual segment endpoints were fetched live and copied byte-identically, non-overwriting, to the required investing data warehouse. Governed official figures control every discrepancy.

# Verizon Consumer Group — Segment Deep Dive

**Company:** Verizon Communications Inc. (VZ) **Presentation:** Current Q2 2026 presentation **Information cutoff:** 2026-08-01 SGT **TTM anchor:** Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026, ended 2026-06-30 **Exact forecast horizon:** 2031-06-30, five calendar years after the TTM anchor **Reporting currency:** USD; tables use billions unless otherwise stated **Common segment profit metric:** issuer-disclosed **Operating Income Sealed statutory bridge SHA-256:** `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50` **Execution control:** `trade_execution_authorized=false`

This appendix analyzes one reportable segment only: Verizon Consumer Group. Verizon's own historical dollars, operating statistics, growth rates, management quotations, and accounting classifications come exclusively from the QFR- and DR-cleared `data_package.md` and the hash-sealed `statutory_bridge.json`. External primary sources are used only to test competitive conditions and forward assumptions. The forecast does not allocate Business, Corporate and other, special charges, interest, tax, or noncontrolling interests into Consumer. It is research, not a trade, sizing recommendation, or portfolio action.

## 0. Segment boundary and taxonomy note

Verizon Consumer Group is one of Verizon's two reportable segments and provides consumer-focused wireless and wireline communications services and products, including mobility, fixed wireless access, and Fios or fiber broadband. The reportable-segment boundary is stable across FY2021-FY2025 and remains intact in 2026, but the product taxonomy is not fully stable. In FY2025 reporting, recurring device-protection and insurance-plan revenue moved from Other into wireless service revenue and 2023-2024 comparatives were recast; a second-number offering was removed from phone metrics. Beginning Q1 2026, Verizon replaced the older presentation with Mobility and broadband service revenue, Wireless equipment revenue, and Other revenue. The new combined service line must not be spliced to the old wireless-service series. Frontier and Starry also enlarged the 2026 fiber footprint and customer base, so the Q2 2026 step-up in fiber statistics is not purely organic. The Q2 2026 held-for-sale reclassification moved international wireline connectivity and managed network services from Business to Corporate and other; it did not change Consumer's perimeter or the definition of Operating Income. [data_package §0a, comparability boundary; §1, taxonomy bullets]

The modeling consequence is strict. FY2023-FY2025 product dollars are used as a clean historical window under the latest recast annual presentation. TTM Consumer revenue and Operating Income are used as the financial forecast base. Because Verizon does not disclose a comparable Consumer-only TTM split for the current service, equipment, and other categories, the model constrains the TTM total using FY2025's disclosed mix rather than pretending that model allocations are reported subsegment dollars. All consolidated 2026 subscriber, churn, ARPA, fiber, and FWA statistics remain consolidated unless Verizon explicitly identifies them as Consumer.

## 1. What this segment actually is

Consumer sells essential connectivity to individuals and households. Its economic center is recurring wireless service: customers pay monthly for network access across phones, watches, tablets, hotspots, and other connections, normally through postpaid family or multi-line accounts. Consumer also houses Verizon's prepaid offerings and wholesale wireless arrangements with mobile virtual network operators. Equipment sales—principally phones and connected devices—support acquisition, retention, and upgrades but are not the core recurring economic stream. A high-volume handset quarter can lift reported revenue while adding little Operating Income, and a low-upgrade quarter can depress revenue while improving mix if Verizon avoids uneconomic subsidies.

The fixed-connectivity side includes Fios or fiber internet, fixed wireless access, legacy broadband and voice, and related home services. FWA uses available mobile-network capacity to supply stationary broadband through a gateway, avoiding a new wired drop in many locations. Fiber requires capital to pass premises and connect customers, but it can support high speeds, long customer lives, wireless backhaul, and a converged household relationship. Verizon's January 2026 Frontier acquisition expanded the combined footprint to almost 30 million fiber passings; management later described line of sight to at least 32 million homes passed by the end of 2026 and a longer-run ambition of 40 million to 50 million passings. The acquisition creates opportunity, but passings are not revenue and acquired customers are not organic net additions. Penetration, installation cost, retention, and cross-sell determine the return. [data_package §6, Consumer guidance; §9, Frontier]

Pricing is account- and bundle-based rather than a single commodity price. Revenue per account depends on the number and type of connections, plan tier, rate actions, perks, device-protection products, promotional credits, and whether the household also buys broadband. The go-to-market system spans owned stores, digital channels, call centers, agents, national retailers, and prepaid distribution. That reach is an advantage, but commissions, advertising, handset credits, bad debt, customer service, and retail overhead are real costs. The relevant unit is therefore a retained, expanding household relationship—not a gross add purchased at any price.

Consumer's wholesale role creates a strategic tension. Wholesale traffic can monetize network capacity, but cable companies and other resellers can use that access to bundle low-priced mobile service with broadband and compete for the same household. Verizon can earn wholesale revenue and lose retail pricing power at the same time. A sound forecast must therefore require service-revenue and Operating Income evidence, not treat every connection as equally valuable.

## 2. Current economics

The sealed TTM base is **$107.236B of revenue**, **$30.307B of issuer-disclosed Operating Income**, and a **28.262% Operating Income margin**. FY2025 revenue was $106.807B, Operating Income was $29.628B, and margin was 27.7%. Consumer produced 91.2% of the two reportable segments' FY2025 Operating Income before Corporate and other and special-item bridges, making it Verizon's decisive earnings engine. [data_package §3, Consumer table and following paragraph; §3a, TTM bridge]

Recent quarters show why revenue and profit must be read together. Q2 2026 Consumer revenue fell 1.5% year over year to $26.242B, yet Operating Income reached $8.032B and margin rose to 30.6%. The data package attributes the revenue decline principally to a nearly 20% consolidated equipment-revenue fall, more than $1.2B, as upgrades slowed and Verizon reduced device subsidies. The previous three quarters produced revenue of $26.105B, $28.436B, and $26.453B, with margins of 29.4%, 24.3%, and 29.2%, respectively. Seasonality—especially equipment-heavy holiday quarters—makes one quarter's segment margin a poor terminal anchor; the TTM margin is the appropriate base. [data_package §5, Consumer quarterly table and interpretation]

FY2025's disclosed revenue mix was Service $80.912B, Wireless equipment $21.779B, and Other $4.116B, exactly summing to Consumer revenue of $106.807B. Those buckets represented 75.755%, 20.391%, and 3.854% of revenue, respectively. Within Service, Verizon disclosed wireless service revenue of $69.382B and legacy Fios revenue of $11.678B. Those memo lines do not exhaust or perfectly equal Service; the $0.148B difference reflects other service components and rounding. The model does not create an undisclosed fiber-only revenue series or force the two memo lines to equal the broader Service category. [data_package §4, Consumer rows]

Operating statistics support a price-volume interpretation but carry important boundary warnings. Consumer postpaid phone net additions improved from negative 132,000 in FY2023 to 82,000 in FY2024 and 137,000 in FY2025. Consumer postpaid phone churn moved from 0.83% in FY2023 and FY2024 to 0.92% in FY2025. Consumer postpaid ARPA increased from $137.80 in FY2023 to $144.00 in FY2024 and $147.31 in FY2025. That is evidence of monetization, but the simultaneous churn increase shows that rate and mix gains were not free. Q2 2026 wireless ARPA of $168.35, postpaid phone churn of 0.92%, and 184,000 phone net adds are consolidated statistics and are not assigned mechanically to Consumer. [data_package §0a, KPI inventory; §5, consolidated KPI table]

Broadband is the second growth axis. Consolidated FWA connections rose from approximately 3.067 million in FY2023 to 4.568 million in FY2024 and 5.727 million in FY2025, reaching 6.208 million at Q2 2026. Fiber or legacy Fios connections increased from 7.361 million to 7.536 million and 7.741 million over FY2023-FY2025, then stepped to a consolidated 10.913 million at Q2 2026 after Frontier. Q2 brought 193,000 FWA and 155,000 fiber or wireline net additions. These statistics demonstrate demand and footprint, but the acquired perimeter and consolidated presentation prevent a clean Consumer-only organic bridge. [DATA GAP: SEGMENT KPI ALLOCATION — Verizon does not disclose a complete current Consumer-only 2026 connection, churn, ARPA, fiber, or FWA schedule. Consolidated values are used only as directional operating evidence.] [data_package §0a and §5]

Capital intensity cannot be assigned precisely to Consumer. Verizon disclosed TTM consolidated capex including capitalized software of $17.268B, 12.43% of revenue, while segment capex and invested capital are not disclosed. H1 2026 capex was $8.210B, and full-year guidance was $16.0B-$16.5B. Spectrum cash purchases are separate from that capex definition: Verizon spent $1.155B on wireless licenses in H1 2026 and paid approximately $3.1B after quarter-end for AWS-3 licenses. No portion is fabricated as Consumer capex. [data_package §7; §9, AWS-3]

### 2a. Accounting boundary and explicit statutory reconciliation

The common segment profit basis is issuer-disclosed **Operating Income**. It is additive across Consumer and Business, but it is not identical to statutory consolidated Operating Income because Corporate and other and disclosed operating adjustments sit between the segment sum and the statutory subtotal. B forecasts Consumer on the sealed metric only. S must separately project the other segment and every bridge line; none may be pushed into Consumer to manufacture a margin.

The following table preserves the exact bridge labels, signs, and current Q2 2026 presentation from the cleared data package. Values are USD millions.

| Bridge line | Classification | FY2025 | TTM ended 2026-06-30 |
|---|---|---|---|
| Verizon Consumer Group | Segment Operating Income | 29,628 | 30,307 |
| Verizon Business Group | Segment Operating Income | 2,870 | 3,347 |
| Sum of reportable segment profit | Segment profit subtotal | 32,498 | 33,654 |
| Corporate and other, current Q2 2026 presentation; exact opposite-sign held-for-sale reclassification | Corporate and unallocated | (818) | (880) |
| Consolidated segment profit metric | Subtotal | 31,680 | 32,774 |
| Severance charges | Operating | (1,715) | (2,112) |
| Other components of net periodic pension and benefit charges | Operating | (32) | (58) |
| Asset and business rationalization | Operating | (583) | (583) |
| Acquisition and integration related charges | Operating | (91) | (487) |
| Asset rationalization, H1 2026 | Operating | n/a | (258) |
| Loss on disposition of business | Operating | n/a | (746) |
| Statutory operating income | Statutory subtotal | 29,259 | 28,530 |
| Equity in earnings of unconsolidated businesses | Other non-operating | 0 | 46 |
| Other income, net | Other non-operating | 107 | 420 |
| Interest expense | Interest | (6,694) | (7,348) |
| Pretax income | Statutory subtotal | 22,672 | 21,648 |
| Provision for income taxes | Tax | (5,064) | (5,049) |
| Net income attributable to noncontrolling interests | Noncontrolling interests | (434) | (427) |
| Net income attributable to Verizon | Statutory subtotal | 17,174 | 16,172 |

Source: `data_package.md` §3a, reproducing `statutory_bridge.json`. All five residuals—segment sum, corporate bridge, operating-income bridge, pretax bridge, and net-income bridge—are zero for both periods. `STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`. The exact on-disk bridge validates at SHA-256 `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50`.

# 3. Unit economics

## Recurring service

Service is the high-quality revenue pool because it is recurring and rests on an installed account base. Monthly service revenue is primarily a function of accounts, connections per account, ARPA, and churn. Price increases, premium-plan migration, perks, device protection, and broadband cross-sell can lift ARPA. Volume can rise through gross additions, lower cancellations, extra devices, prepaid growth, FWA, and fiber. The cost side includes network operations, roaming and access, content or perk economics, billing, care, commissions, bad debt, and depreciation. Much of the radio, spectrum, transport, software, and support base is fixed or semi-fixed, so additional traffic and customers can carry attractive incremental economics until local capacity is exhausted.

Churn has nonlinear value. A small monthly change compounds across a very large base and affects both lost recurring revenue and the marketing or device cost required to replace customers. Management's statement that at least half of net additions should come from churn improvement is economically superior to a plan based entirely on paid gross additions, but it remains an objective. The operating proof is lower churn together with stable or rising ARPA and less promotional

amortization. If churn falls only because Verizon grants richer credits, the accounting may show delayed rather than improved acquisition economics.

Pricing power is therefore conditional, not absolute. Consumer ARPA grew in 2023-2025, but churn also rose to 0.92% in FY2025. The base case assumes Verizon can sustain low-single-digit service growth through price, mix, broadband, and modest account improvement without returning to subsidy-led share buying. The bear case assumes competitors force Verizon to choose between churn and price realization. The bull case requires both: ARPA and service growth above the historical rate with improving retention and rational promotions.

### Equipment and promotions

Wireless equipment is economically different from service. Device revenue follows launch timing, upgrade rates, product mix, and gross-add activity; device cost moves with volume, while promotional credits may be recognized over a customer relationship. Equipment can have low or negative direct margin but create lifetime service value. The correct test is not maximizing device sales. It is whether an incremental credit wins or retains a service relationship whose discounted contribution exceeds the all-in acquisition and retention cost.

FY2025 equipment revenue rose 11.1%, then consolidated Q2 2026 equipment revenue fell 19.7% as upgrades slowed and Verizon reduced subsidies. That reversal is a warning against extrapolating either period. The base model lets equipment contract slightly over five years while service grows and Consumer margin expands modestly. A falling equipment line is not automatically a bear signal if service revenue, churn, and Operating Income improve. It becomes a bear signal when lower equipment reflects weak gross additions or when Verizon must restore subsidies without recovering service growth.

### FWA and fiber

FWA monetizes radio capacity without building a wire to each premise, giving it favorable early incremental economics. Its constraint is local congestion: once a cell fills, another FWA customer can require spectrum deployment, radios, backhaul, or densification. The average national connection count does not reveal those local capacity limits. Monitors must combine net additions with service quality, mobility performance, capex, and any management commentary about available capacity.

Fiber has a front-loaded cost structure. Passing a home, installing a drop, activating electronics, and integrating billing precede revenue. Once built and penetrated, the asset can support high bandwidth, long lives, business use, and wireless backhaul. Convergence can lower household churn and improve acquisition efficiency, but only if systems and service quality work together. Frontier adds footprint and scale but also integration complexity. Acquisition and integration charges remain separate bridge items under the sealed accounting contract; the segment margin gets only realized operating economics, not the elimination of those statutory costs by relabeling.

The investment return depends on four variables: cost per passing, penetration, revenue per connected premise, and retention. Management's at-least-two-million annual build pace and 32-million 2026 passings checkpoint must be funded. A bull case cannot simultaneously assume aggressive fiber expansion, falling capex, and immediate margin expansion without evidence of productivity. A bear case can arise from either overbuilding weak markets or underinvesting and damaging customer experience.

### Cost and reinvestment architecture

Consumer's disclosed Operating Income already includes depreciation attributable to its operating assets. It does not include the corporate and special-item bridge lines above. Over time, fiber and spectrum deployment increase the depreciable asset base and can pressure Operating Income before mature penetration supplies enough revenue. Automation, digital service, simpler plans, fewer store transactions, procurement, network virtualization, lower churn, and reduced promotional intensity can offset that pressure.

Because Verizon does not disclose complete segment capex, segment assets, or invested capital, this appendix does not calculate Consumer ROIC or a Consumer capex-to-revenue ratio. The relevant constraint remains consolidated: TTM capex was $17.268B, full-year 2026 guidance is $16.0B-$16.5B, and spectrum purchases sit outside the capex line. The base case assumes Verizon funds network quality and the disclosed fiber pace within a disciplined corporate program. The bull case requires verified unit-cost or integration gains. The bear case includes either higher required spend or weaker network outcomes; it does not obtain margin protection by starving the network.

## 4. Competitive dynamics

Consumer faces four direct competitive groups: national mobile network operators, cable MVNOs, fixed-broadband operators, and alternative broadband providers. AT&T and T-Mobile are the most important national wireless competitors. Cable operators including Charter and Comcast bundle mobile with home broadband and Wi-Fi. Fiber builders and cable compete with Verizon's fixed footprint; AT&T and T-Mobile also use fixed wireless, while satellite is an alternative in some less dense markets.

T-Mobile's Q2 2026 results show the pressure from a scaled wireless rival. It reported postpaid ARPA of $152.91, up 2% year over year, postpaid account churn of 0.99%, and service revenue of $19.0B, up 9%. The reported service growth includes acquisition effects and T-Mobile's metric is not directly comparable with Verizon Consumer, but the combination of account growth, ARPA growth, and network-performance marketing means Verizon cannot rely on a permanent quality premium. T-Mobile also guided to about $10B of 2026 cash purchases of property and equipment, demonstrating the continuing reinvestment capacity behind its challenge. [T-Mobile Q2 2026 official release](https://www.t-mobile.com/news/business/t-mobile-q2-2026-earnings)

AT&T's Q2 2026 evidence is more directly relevant to convergence. It reported 432,000 postpaid phone net additions at 0.86% phone churn, 646,000 advanced-connectivity internet net additions, 38.6 million fiber locations, and a 42.5% convergence rate among advanced-home-internet households. AT&T expects more than 60 million fiber locations by end-2030 and guides to low-single-digit service growth, mid-single-digit advanced-connectivity service growth, and $23B-$24B of annual capital investment in 2026-2028. Metric definitions and segment boundaries differ, but the strategic implication is clear: Verizon's fiber expansion is not occurring into an uncontested market, and AT&T can use a large fiber footprint to support wireless retention. [AT&T Q2 2026 official release](https://about.att.com/story/2026/2q-earnings.html)

Cable is a price and bundle threat even when it buys wholesale network access. Charter added 406,000 Spectrum Mobile lines in Q2 2026, reaching 12.5 million, while mobile service revenue grew 18.9%. It simultaneously lost 172,000 Internet customers and promoted a $1,000 first-year savings guarantee for customers moving multiple mobile lines from Verizon, AT&T, or T-Mobile. The guarantee is a Charter marketing claim, not proof of universal savings, but line growth shows that the bundle is gaining adoption. [Charter Q2 2026 official release](https://ir.charter.com/news-releases/news-release-details/charter-announces-second-quarter-2026-results)

Comcast makes the price umbrella tangible. Its April 2026 Xfinity Mobile Select and Plus plans were advertised at $30 and $45 per line per month, respectively; eligible Xfinity Internet customers could receive a free Select line, and the launch described WiFi PowerBoost across more than 23 million hotspots. That existing broadband billing relationship and Wi-Fi layer can lower distribution or traffic economics and make the mobile offer a retention tool for broadband rather than a stand-alone margin-maximization product. Verizon can respond with network quality, perks, customer service, and convergence, but matching a subsidized bundle can reduce retail pricing power. [Comcast April 2026 official plan release](https://corporate.comcast.com/press/releases/xfinity-mobile-launches-mobile-plus-select-plans)

These competitors constrain each model driver:

- **Volume:** T-Mobile and AT&T can capture postpaid accounts; cable can acquire value-sensitive multi-line households. Verizon's base case needs churn improvement rather than only gross-add spending.
- **Price:** ARPA can rise through mix and perks, but competitor guarantees, bundled discounts, and price plans limit untested rate increases.
- **Broadband:** AT&T fiber, cable networks, T-Mobile home internet, and satellite compete for the second household relationship. FWA also competes for capacity with mobility.
- **Cost:** All three national networks and large cable operators can fund technology and marketing. Scale is a barrier to entry, not a guarantee of excess returns among incumbents.
- **Wholesale:** MVNO revenue helps monetize Verizon's network but can finance a retail substitute. The model therefore does not award a blanket moat premium to wholesale volume.

The industry remains concentrated, but concentration alone is insufficient evidence of pricing power. Switching is easier with number portability, eSIM, digital activation, handset credits, and contract buyouts. Network performance is observable and rivals continuously invest. Sustainable pricing power exists when Verizon holds churn, grows service revenue, and reduces acquisition cost concurrently. That three-variable test is the core competitive monitor.

## 5. Moat at the segment level

Consumer has a real but moderate moat. The strongest protection comes from scarce licensed spectrum, a nationwide radio and transport network, a large installed account base, brand and distribution, network operating know-how, and a growing fiber or FWA bundle. A new entrant cannot quickly reproduce coverage, spectrum depth, tower access, backhaul, billing, care, and regulatory compliance. Multi-line accounts and device credits create friction; broadband convergence can raise the number of services a household risks disrupting by switching.

The moat is less durable than the physical scale suggests. AT&T and T-Mobile already possess national networks and comparable operating capabilities. Cable can rent a national wireless network while contributing its own broadband, Wi-Fi, billing, and customer relationship. Industry standards make devices interoperable, portability protects phone numbers, and eSIM reduces activation friction. Customers experience the service directly; a coverage or care disadvantage can erode brand value faster than physical assets erode.

Verizon's fiber expansion can deepen the moat where it creates dense, reliable, converged relationships. Fiber also supports wireless backhaul and gives Verizon more control over end-to-end quality. Yet footprint alone is not protection. AT&T's large and expanding fiber program and cable's entrenched household reach mean Verizon must win penetration and service perception. Frontier integration can strengthen the moat if systems, network quality, and cross-sell improve; it can weaken it if customer experience deteriorates.

The installed base is valuable because service is essential and churn is low in absolute monthly terms. But low churn is an outcome, not an unchangeable asset. FY2025 Consumer churn at 0.92% was above 0.83% in FY2023 and FY2024. The correct moat test is whether Verizon can keep churn low while maintaining ARPA and reducing promotional cost. Loyalty bought with escalating device credits is not durable economic protection.

Over five to ten years, the segment moat should be rated **moderate and conditional**. The network and spectrum barriers are durable. The excess-return component is vulnerable to rival capex, cable bundles, promotion cycles, customer-service execution, and the capital required to keep performance competitive. The base case assumes the moat preserves a high-20s Operating Income margin, not that it enables monopoly pricing. The bull case requires evidence that convergence and operating simplification improve retention and capital productivity. The bear case assumes physical barriers remain but economic rents shrink.

## 6. Historical growth rates

All values below are reproduced from the data package; none is back-solved. The window contains three annual observations, so the CAGR spans two year-to-year intervals. Wireless service and Fios are memo components within Service and are not added again in the segment rollup.

| Product or sub-segment | FY2023 revenue | FY2024 revenue | FY2025 revenue | FY2023-FY2025 CAGR | Most recent YoY | Data package cite |
|---|---|---|---|---|---|---|
| Consumer segment total | $101.626B [§3, Consumer Revenue row] | $102.904B [§3, Consumer Revenue row] | $106.807B [§3, Consumer Revenue row] | 2.52% [§3, Consumer Revenue row] | 3.79% [§3, Consumer YoY row] | `data_package` §3, Verizon Consumer Group table |
| Service | $77.336B [§4, Consumer Service row] | $79.458B [§4, Consumer Service row] | $80.912B [§4, Consumer Service row] | 2.29% [§4, Consumer Service row] | 1.83% [§4, Consumer Service row] | `data_package` §4, Consumer Service row |
| Wireless service, memo within Service | $65.820B [§4, Consumer Wireless service row] | $67.951B [§4, Consumer Wireless service row] | $69.382B [§4, Consumer Wireless service row] | 2.67% [§4, Consumer Wireless service row] | 2.11% [§4, Consumer Wireless service row] | `data_package` §4, Consumer Wireless service row |
| Fios revenue, memo within Service | $11.614B [§4, Consumer Fios row] | $11.647B [§4, Consumer Fios row] | $11.678B [§4, Consumer Fios row] | 0.28% [§4, Consumer Fios row] | 0.27% [§4, Consumer Fios row] | `data_package` §4, Consumer Fios revenue row |
| Wireless equipment | $20.645B [§4, Consumer Equipment row] | $19.598B [§4, Consumer Equipment row] | $21.779B [§4, Consumer Equipment row] | 2.71% [§4, Consumer Equipment row] | 11.13% [§4, Consumer Equipment row] | `data_package` §4, Consumer Wireless equipment row |
| Other | $3.645B [§4, Consumer Other row] | $3.848B [§4, Consumer Other row] | $4.116B [§4, Consumer Other row] | 6.27% [§4, Consumer Other row] | 6.96% [§4, Consumer Other row] | `data_package` §4, Consumer Other row |

Internal arithmetic checks pass within 2% for every row. Illustratively, $102.904B × 1.03793 = $106.807B for the segment; $79.458B × 1.01830 = $80.912B for Service; $67.951B × 1.02106 = $69.382B for wireless service; $11.647B × 1.00266 = $11.678B for Fios; $19.598B × 1.11129 = $21.779B for equipment; and $3.848B × 1.06965 = $4.116B for Other. The primary product buckets also tie exactly in each year: Service + Equipment + Other equals $101.626B, $102.904B, and $106.807B. No estimated historical row requires a back-solve tie-out.

The five-year segment history adds perspective. Revenue increased from $95.300B in FY2021 to $106.807B in FY2025, but the path included an 8.6% jump in FY2022, a 1.8% decline in FY2023, 1.3% growth in FY2024, and 3.8% growth in FY2025.

Operating Income moved from $29.955B to $28.846B, $29.011B, $29.484B, and $29.628B over the same years. Margin fell from 31.4% in FY2021 to 27.9% in FY2022, then held between 27.7% and 28.7% through FY2025 before reaching 28.3% on the TTM base. [data_package §3, Consumer table]

## 7. Management guidance

The data package's four same-run live transcripts are the exclusive source for Verizon quotations. Each short excerpt below is reproduced from `data_package.md` §6 and interpreted against the model.

| Period and speaker | Verbatim excerpt from data package | Data package row | Model interpretation |
|---|---|---|---|
| Q3 2025, Dan Schulman | “Our plan will not be about incremental change.” | §6, Consumer bullet 1 | Transformation may alter promotion, cost, and channel structures; scenarios cannot extrapolate the old run rate unchanged. |
| Q4 2025, Dan Schulman | “get to at least 40 million or 50 million fiber passings.” | §6, Consumer bullet 2 | Strategic range, not a dated annual forecast; footprint must be converted into penetration and returns. |
| Q4 2025, Tony Skiadas | “continue the fiber build pace at least 2 million prems passed” | §6, Consumer bullet 3 | Near-term reinvestment floor; the margin case must fund the build. |
| Q1 2026, Dan Schulman | “at least as, if not more than half of our net adds” | §6, Consumer bullet 4 | At least half of net adds should come from churn improvement, lowering reliance on acquisition spend. |
| Q1 2026, Tony Skiadas | “we do expect improvements in ARPA” | §6, Consumer bullet 5 | Supports price and mix, but only if churn and promotional economics remain controlled. |
| Q2 2026, Tony Skiadas | “the third quarter would be approaching 3% and Q4 growing around 4%” | §6, Consumer bullet 6 | Near-term mobility and broadband service-revenue ramp anchors the first forecast year. |
| Q2 2026, Dan Schulman | “line of sight to at least 32 million homes passed” | §6, Consumer bullet 7 | End-2026 fiber-footprint checkpoint; passings are not revenue and must be paired with adds and penetration. |

The official Q2 2026 release raised full-year guidance to 2.5%-3.0% mobility and broadband service-revenue growth, retail postpaid phone net additions in the upper half of 750,000-1.0 million, and capex of $16.0B-$16.5B. Wireless service revenue was expected to be approximately flat as Verizon shifts toward volume-based growth. These are consolidated or company-level guides, not Consumer-only forecasts. The base case uses them as near-term directional anchors but fades growth toward a mature-market rate. [data_package §6, guidance paragraph]

The 2022 Investor Day target of 4% service and other revenue growth in 2024 and beyond and capital intensity below 12% is stale. The CEO, portfolio, taxonomy, and 2026 guidance have changed. It is historical strategy evidence, not a forecast anchor. [data_package §6, Investor Day paragraph]

## 8. Forward growth assumptions

### 8a. Product-base constraint and data gap

[DATA GAP: CURRENT PRODUCT MIX — Verizon does not disclose a Consumer-only TTM split under the comparable Service, Wireless equipment, and Other categories after the Q1 2026 taxonomy change. The model therefore applies FY2025's verified disclosed mix—75.755% Service, 20.391% Equipment, and 3.854% Other—to the sealed $107.236B TTM segment total. This yields model-allocation bases of $81.237B, $21.866B, and $4.133B. They are transparent analyst constraints, not reported TTM subsegment dollars, and must not be reused as historical disclosure.]

This constrained base preserves the reported segment total exactly and avoids inventing a fiber-only dollar line. Product growth assumptions then compound for exactly five calendar years to 2031-06-30. The Service line uses broadband connections, ARPA, churn, and management's mobility-and-broadband guide as drivers without assigning consolidated KPI levels to Consumer.

### 8b. Base case

| Product | Historical CAGR | Latest disclosed trend | Management FY+1 anchor | Base CAGR TTM to 2031-06-30 | Concise justification |
|---|---|---|---|---|---|
| Service | 2.29% | FY2025 +1.83% | Mobility and broadband 2.5%-3.0%; Q3 near 3%, Q4 around 4% | 2.80% | Fiber and FWA plus ARPA and churn gains lift growth, then mature-market saturation fades it. |
| Wireless equipment | 2.71% | FY2025 +11.13%; Q2 2026 consolidated -19.7% | No product guide | -0.53% | Lower subsidies and a normalized replacement cycle offset premium-device mix; service economics matter more than volume. |
| Other | 6.27% | FY2025 +6.96% | No product guide | 2.00% | Perks and adjacent services grow, but the small historical line is not extrapolated at 6% indefinitely. |
| Consumer total | 2.52% | FY2025 +3.79% | No segment-revenue guide | 2.12% | Revenue-weighted result; service mix increases as equipment normalizes. |

The base Service path is 3.5%, 3.0%, 2.8%, 2.5%, and 2.2% for the five years ending each June. This explicitly turns the second-half 2026 management ramp into a gradual fade, rather than assuming 4% forever. It requires ARPA improvement, stable account volumes, continued broadband adds, and churn around or below the current consolidated 0.92% without a promotion reset. Equipment falls 5% in the first forecast year, then grows 0%, 1%, 1%, and 0.5%, a normalization after the Q2 2026 decline rather than a permanent collapse.

## 8c. Bull case

| Product | Historical CAGR | Latest disclosed trend | Management FY+1 anchor | Bull CAGR TTM to 2031-06-30 | Concise justification |
|---|---|---|---|---|---|
| Service | 2.29% | FY2025 +1.83% | Mobility and broadband 2.5%-3.0%; H2 ramp | 4.00% | Faster fiber penetration, FWA capacity, convergence, ARPA, and churn gains sustain above-history growth. |
| Wireless equipment | 2.71% | FY2025 +11.13%; Q2 2026 consolidated -19.7% | No product guide | 1.00% | A rational upgrade cycle resumes without subsidy-led share buying. |
| Other | 6.27% | FY2025 +6.96% | No product guide | 4.00% | Adjacent services and protection recover part of historical growth with no invented new product. |
| Consumer total | 2.52% | FY2025 +3.79% | No segment-revenue guide | 3.42% | Service-led mix and successful convergence produce a result above the historical segment CAGR. |

The bull Service path is 4.5%, 4.2%, 4.0%, 3.8%, and 3.5%. That outcome requires Verizon to meet the 32-million-passings checkpoint, sustain at least the disclosed build pace, integrate Frontier without service disruption, and convert footprint into retained relationships. It also requires evidence that Consumer can withstand T-Mobile, AT&T, and cable offers while improving ARPA. The bull case is not simply more passings; it is profitable penetration and lower acquisition cost.

## 8d. Bear case

| Product | Historical CAGR | Latest disclosed trend | Management FY+1 anchor | Bear CAGR TTM to 2031-06-30 | Concise justification |
|---|---|---|---|---|---|
| Service | 2.29% | FY2025 +1.83% | Mobility and broadband 2.5%-3.0% | 0.00% | Price competition, churn, legacy pressure, and FWA capacity offset fiber and nominal ARPA. |
| Wireless equipment | 2.71% | FY2025 +11.13%; Q2 2026 consolidated -19.7% | No product guide | -5.07% | Weak upgrades persist; renewed promotions fail to restore enough high-value growth. |
| Other | 6.27% | FY2025 +6.96% | No product guide | -1.00% | Protection and adjacent-service mix weaken amid price-sensitive plan migration. |
| Consumer total | 2.52% | FY2025 +3.79% | No segment-revenue guide | -0.99% | Flat service cannot offset shrinking equipment and Other. |

The bear Service path is 1.0%, 0.5%, 0%, negative 0.5%, and negative 1.0%. This is slower than the base because it assumes Verizon's near-term guide proves temporary: cable bundles and national rivals pressure price, churn worsens, fiber penetration lags, and FWA capacity or quality limits additions. Equipment falls 12%, 5%, 3%, 3%, and 2%. The scenario does not count equipment weakness twice: the larger economic damage comes from lower service growth and margin, not from attaching a high margin to missing handset sales.

### 8e. Exact five-year revenue path

| Case | TTM 2026-06-30 | 2027-06-30 | 2028-06-30 | 2029-06-30 | 2030-06-30 | 2031-06-30 |
|---|---|---|---|---|---|---|
| Bear revenue | $107.236B | $105.383B | $104.790B | $104.201B | $103.217B | $102.012B |
| Base revenue | $107.236B | $109.069B | $111.675B | $114.394B | $116.917B | $119.120B |
| Bull revenue | $107.236B | $111.276B | $115.234B | $119.174B | $123.081B | $126.842B |

The table compounds from the TTM endpoint for exactly five years. Interim cells aggregate the unrounded constrained product bases and annual paths stated above; displayed rates are rounded, while the final cells preserve the governed scenario endpoints, so recomputing the horizon from displayed rates alone can differ by at most $0.003B. It does not use FY2025 as the forecast base or stretch the horizon to a sixth fiscal period.

## 9. Forward Operating Income margin assumptions and reinvestment

The current margin on the exact sealed basis is 28.262%. Verizon does not disclose Operating Income by Consumer product, so product margins below are forecast mechanics, not issuer-reported results. Their sole purpose is to calculate a revenue-weighted segment Operating Income margin; they must not be presented as historical product profitability.

| Case | Service 2031 revenue | Service OI margin | Equipment 2031 revenue | Equipment OI margin | Other 2031 revenue | Other OI margin | Blended Consumer OI margin |
|---|---|---|---|---|---|---|---|
| Bear | $81.227B | 31.0% | $16.856B | -2.0% | $3.930B | 10.0% | 24.74% |
| Base | $93.261B | 36.0% | $21.297B | 2.0% | $4.563B | 15.0% | 29.12% |
| Bull | $98.835B | 38.0% | $22.980B | 4.0% | $5.027B | 17.0% | 31.01% |

**Base margin mechanism.** The 29.12% result is 86 basis points above the TTM base. Service mix rises as equipment normalizes; lower subsidy intensity, churn-led net additions, digital care, simplified plans, and partial Frontier operating benefits provide leverage. The case still allows depreciation and network operating cost from fiber and capacity investment. It does not assume elimination of acquisition, integration, severance, or disposition charges inside Consumer; those remain separate statutory bridge lines.

**Bull margin mechanism.** The 31.01% result is 275 basis points above TTM but remains below Consumer's 31.4% FY2021 margin. The increase requires more than revenue growth: convergence must lower churn and acquisition cost, fiber penetration must rise fast enough to absorb fixed costs, device promotions must remain rational, and automation or integration savings must exceed incremental depreciation. A margin above 31% without those measurable mechanisms would be unsupported.

**Bear margin mechanism.** The 24.74% result is 352 basis points below TTM. Service pricing and promotional pressure reduce contribution, slower fiber penetration leaves fixed costs underabsorbed, FWA capacity needs more spend, and churn raises retention expense. Equipment carries a modest loss. This is not a bankruptcy case; it is an economically plausible erosion of rents despite continued essential connectivity demand.

The implied product Operating Income arithmetic is explicit. Bear Service contributes $25.180B, Equipment negative $0.337B, and Other $0.393B, totaling $25.236B. Base contributions are $33.574B, $0.426B, and $0.684B, totaling $34.684B. Bull contributions are $37.557B, $0.919B, and $0.855B, totaling $39.331B. Each total divided by its case revenue produces the blended margin above.

### Reinvestment and capex implications

The base case is not compatible with indiscriminate capex cuts. Verizon must support mobility quality, FWA capacity, at least two million annual fiber premises passed in the near term, integration, and the 32-million 2026 checkpoint. Consolidated 2026 capex guidance of $16.0B-$16.5B and separate spectrum cash outlays are the only sourced dollar anchors. [DATA GAP: SEGMENT CAPEX — no Consumer capex or invested-capital series is disclosed; this appendix makes no dollar allocation.]

The bull case can produce margin expansion with a stable or gradually more productive capital program, but it cannot assume that fiber build and capacity are free. Evidence should include lower cost per passing or install, higher penetration, reduced churn among converged households, and stable network quality. The bear case can involve higher effective capital intensity, whether through added densification and integration spend or through weak revenue that makes the same dollars heavier. Cutting spend enough to preserve short-term Operating Income while losing network quality is not a valid bear mitigation; it moves damage into later years.

Spectrum accounting also matters. License purchases are operating-asset investment but sit outside Verizon's capex and FCF subtraction. A model that compares Consumer margin with capex while ignoring wireless-license cash outlays would overstate capital productivity. S should retain spectrum, debt, interest, and statutory bridge treatment at the consolidated level.

# 10. Segment rollup

## 10a. Bottom-up revenue and Operating Income

| Case | Service revenue | Equipment revenue | Other revenue | Revenue sum | Weighted OI margin | Consumer Operating Income |
|---|---|---|---|---|---|---|
| Bear | $81.227B | $16.856B | $3.930B | $102.012B | 24.74% | $25.236B |
| Base | $93.261B | $21.297B | $4.563B | $119.120B | 29.12% | $34.684B |
| Bull | $98.835B | $22.980B | $5.027B | $126.842B | 31.01% | $39.331B |

Revenue ties within rounding: Bear $81.227B + $16.856B + $3.930B = $102.013B versus $102.012B on unrounded arithmetic; Base $93.261B + $21.297B + $4.563B = $119.121B versus $119.120B; Bull $98.835B + $22.980B + $5.027B = $126.842B. All differences are at most $0.001B and arise only from displayed three-decimal rounding. Unrounded model sums reconcile exactly.

Operating Income also ties. The bear $25.236B divided by $102.012B equals 24.74%; base $34.684B divided by $119.120B equals 29.12%; bull $39.331B divided by $126.842B equals 31.01%. From the $30.307B TTM base, implied Operating Income CAGRs are negative 3.60%, positive 2.74%, and positive 5.35%, respectively.

## 10b. Scenario interpretation and bridge boundary

The **bear** case says the physical network remains essential but the economic moat weakens. Service revenue is flat over five years, equipment shrinks, and margin falls below the post-FY2022 range. The output is not caused by an invented corporate charge; it is Consumer Operating Income deterioration on the issuer's exact metric.

The **base** case says Verizon converts a near-term service ramp into durable low-single-digit growth, integrates the fiber footprint, and takes limited cost and mix leverage. It does not return to FY2021 margin, and its 2.12% revenue CAGR remains below the near-term service guide because equipment is normalized and mature-market service growth fades.

The **bull** case says convergence creates an observable retention and lifetime-value advantage. Service grows about 4%, margin returns near the earlier peak, and equipment remains rational. It is demanding because AT&T, T-Mobile, and cable are investing and bundling simultaneously.

With probabilities of 30% Bear, 50% Base, and 20% Bull, probability-weighted 2031 Consumer revenue is $115.532B and probability-weighted Consumer Operating Income is $32.779B, a 28.37% ratio. That is an expected-value diagnostic, not a fourth scenario and not a substitute for S's consolidated scenario construction.

Most importantly, these figures stop at Consumer Operating Income. They do not equal consolidated statutory Operating Income or net income. S must add the separately modeled Business segment, project Corporate and other and every operating bridge line once, then carry the below-line, tax, and NCI schedules. The sealed reconciliation cannot be replaced by applying a consolidated tax rate directly to Consumer profit.

# 11. Key risks, wildcards, and monitors

| Risk or wildcard | Primary case | Why it matters | Measurable monitor |
|---|---|---|---|
| Service-growth miss | Bear | Service is three-quarters of revenue and the main margin pool. | Mobility and broadband service growth below 2% or a cut to the 2.5%-3.0% guide. |

| Risk or wildcard | Primary case | Why it matters | Measurable monitor |
|---|---|---|---|
| Churn and promotion spiral | Bear | Higher cancellations raise replacement cost and can force richer device credits. | Postpaid phone churn above 1.0% for two quarters while ARPA or service growth weakens. |
| T-Mobile and AT&T share gains | Bear | National rivals can pair network claims with ARPA, phone additions, and fiber. | Verizon net adds trail both rivals while Consumer rolling margin falls below 27%. |
| Cable mobile bundle | Bear | Mobile can be priced as a broadband-retention tool rather than stand-alone profit. | Charter or Comcast line additions accelerate and Verizon gross adds require richer guarantees or credits. |
| FWA capacity saturation | Bear | Early incremental economics deteriorate when cells require added capacity. | FWA adds decelerate with rising capex, congestion commentary, or mobility quality deterioration. |
| Frontier integration | Bear and Bull | Systems, service, and installation execution determine fiber penetration and cross-sell. | Missed 32M passings checkpoint, weak fiber adds, higher integration charges, or service disruptions. |
| Convergence works | Bull | Lower churn and higher lifetime value can create the strongest segment-level moat. | Converged household disclosure rises with lower churn and lower acquisition or retention cost. |
| ARPA improvement | Base and Bull | Price and mix are necessary in a mature phone market. | ARPA rises while churn is stable or lower; growth driven by paid plan mix rather than temporary fees. |
| Equipment-cycle noise | All | Device revenue can obscure service economics and segment mix. | Read equipment revenue with upgrades, subsidies, service adds, and Operating Income—not alone. |
| Fiber build economics | Base and Bull | Passings create value only with rational cost, penetration, and retention. | At least 2M annual passings funded within guidance, improving penetration, and stable cost per build or install. |
| Capex or spectrum undercount | Bear | Segment economics can look better if required investment is excluded. | Consolidated capex, separate license purchases, network quality, and depreciation all tracked together. |
| Legacy and product taxonomy | All | Splicing old wireless service to mobility and broadband can create false growth. | Keep Q1 2026 boundary; require comparable-period disclosures before using current-line growth. |
| Statutory bridge expansion | Bear | Segment strength can fail to reach shareholders if corporate and special items persist. | Corporate and other, severance, integration, rationalization, disposition, and interest versus cleared schedules. |
| Regulatory or network event | Bear | Spectrum, privacy, outages, and legacy infrastructure can damage economics and trust. | FCC actions, major outage duration, security incidents, remediation accruals, and customer credits. |

Three monitoring combinations matter more than any one KPI. First, **pricing quality** requires ARPA up, churn stable or down, and promotion cost controlled. Second, **broadband quality** requires fiber and FWA adds, rising penetration, and capital or capacity discipline. Third, **margin quality** requires Consumer Operating Income growth after depreciation while statutory bridge charges and cash investment are visible outside the segment.

A practical downgrade trigger is rolling Consumer revenue below $105B with rolling Operating Income margin below 27%, combined with postpaid phone churn above 1.0% or a service-growth guide cut. A bull-validation trigger is service growth at or above 4% for four comparable quarters, Consumer rolling margin at or above 30%, churn below 0.90%, and evidence that fiber convergence rather than promotions drove the improvement. These are analytical monitoring conditions, not trading instructions.

## Segment scenario summary

| Case | Segment TTM+5y Revenue | Exact profit metric | Segment TTM+5y Profit Margin | Segment TTM+5y Profit | Probability |
|---|---|---|---|---|---|
| Bear | $102.012B | Operating Income | 24.74% | $25.236B | 30% |
| Base | $119.120B | Operating Income | 29.12% | $34.684B | 50% |
| Bull | $126.842B | Operating Income | 31.01% | $39.331B | 20% |

The controlling conclusion is narrow: Verizon Consumer Group can plausibly grow Operating Income at about 2.7% annually in the base case, but the outcome depends on service growth, churn, broadband integration, and reinvestment quality rather

than simple subscriber or footprint expansion. The segment possesses durable physical barriers and a large recurring base, yet competitors are sufficiently scaled and converged that economic rents must be re-earned. The forecast preserves the exact issuer-disclosed Operating Income basis and the explicit statutory bridge, uses no fabricated historical subsegment dollars, and leaves all undisclosed capital and KPI allocations transparent.

# Verizon Business Group — Segment Deep Dive

**Company:** Verizon Communications Inc. (VZ) **Segment:** Verizon Business Group **Information cutoff:** 2026-08-01 SGT **Forecast anchor:** TTM ended 2026-06-30 **Exact forecast horizon:** 2031-06-30, five calendar years after the TTM end **Reporting currency:** USD billions unless stated otherwise **Exact common segment profit metric:** issuer-disclosed Operating Income **Sealed statutory bridge SHA-256:** `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50` **Execution control:** `trade_execution_authorized=false`

This appendix uses the cleared `data_package.md` and the sealed `statutory_bridge.json` as the exclusive sources for Verizon historical dollars, growth rates, management quotations, and accounting classifications. Appendix A is orientation only and is not a quantitative source. External primary sources are used only for competitive and transaction context. The current-perimeter model deliberately does **not** fabricate standalone revenue for IoT, private networks, security, or managed services. Where Verizon does not disclose a current-perimeter dollar split, the segment total is the finest financial forecast line and product observations are non-additive driver checks.

`STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`

## 0. Segment boundary and taxonomy note

Verizon Business is one of Verizon's two reportable segments. It serves small and medium businesses, large enterprises, public-sector organizations, and wholesale customers with mobility, fixed wireless access, fiber and other wireline connectivity, IoT connectivity, advanced communications, corporate networking, voice, security, and managed network services. The reportable-segment name and the CODM profit metric, Operating Income, are stable, but the sub-taxonomy and economic perimeter are not. In 2023 Verizon reorganized Business customer groups into Enterprise and Public Sector, Business Markets and Other, and Wholesale. In 2025 it recast certain wireless-service classifications. Beginning in Q1 2026 it introduced a combined mobility-and-broadband service presentation. Most importantly, in Q2 2026 Verizon classified its international wireline connectivity and managed network services assets as held for sale, moved them from Business to Corporate and other, and recast prior periods. [data_package §1, Reporting structure and taxonomy]

The controlling boundary for this appendix is therefore the **Q2 2026 current presentation**. FY2025 Business revenue of $27.895B and Operating Income of $2.870B are the sum of Verizon's six-quarter recast schedule, not FMP's retained pre-reclassification FY2025 revenue of $29.069B or the originally filed Business profit. The TTM forecast base is Q3 2025 plus Q4 2025 plus Q1 2026 plus Q2 2026 on that same current perimeter: revenue $28.205B and Operating Income $3.347B. [data_package §1, Q2 2026 perimeter note; §3, Business rows; §5, Business quarterly schedule] Historical customer-group and product dollars from the 2025 Form 10-K remain useful as directional mix evidence, but they reflect the filed FY2025 perimeter and cannot be summed into, or mechanically allocated across, the recast Business base. This separation is the central taxonomy control in the model.

The held-for-sale move is not a forecasted 2027 disposal step inside Business. It has already been reflected in the historical base. The associated international operations now sit in Corporate and other, and the proposed BT joint venture is consequently an S-stage corporate/below-line issue rather than another Business revenue haircut. Applying a second subtraction would double count the transaction.

## 1. What this segment actually is

Verizon Business sells connectivity and related operating services to organizations rather than households. Its customers range from a local shop buying a few phone lines and fixed wireless broadband to a multinational or government agency buying thousands of mobile connections, site connectivity, managed wide-area networking, security, unified communications, IoT links, and professional support. The customer's purchase is rarely a single technology. It is an expected service level across locations, users, devices, clouds, and applications, supported by billing, provisioning, security, and service operations.

The mobility model resembles consumer postpaid wireless but has different buying dynamics. Business accounts may contain many employee devices, tablets, wearables, routers, vehicle or asset connections, and backup links. Small-business offers can be standardized and sold through stores, digital channels, agents, or inside sales. Enterprise and public-sector contracts are more often negotiated, competitively bid, and supported by direct account teams, solution engineers, channel partners, and systems integrators. Pricing may be per line, device, account, usage tier, site, bandwidth level, managed endpoint, or contracted solution. Equipment sales and promotional credits help acquire and retain mobility accounts, but the recurring service relationship is economically more important than the handset transaction.

Wireline and broadband economics span several generations. Fiber, Ethernet, software-defined networking, internet access, FWA, and cloud connectivity are the healthier demand pools. Legacy private line, traditional data, and voice products face migration to internet-based, cloud-managed, and wireless substitutes. Wholesale customers buy network access or transport to serve their own users. Those customers can be valuable users of spare or scaled network capacity, but they are sophisticated buyers and sometimes compete against Verizon in retail markets.

The segment also markets IoT, private networking, security, managed services, and advanced communications. These offerings may deepen the customer relationship because they become embedded in operations. They can also add delivery labor, third-party software or hardware, integration cost, and service-level obligations. Verizon does not disclose comparable recurring standalone dollars for those categories. This appendix treats them as qualitative mix and retention drivers; it does not create a dollar base, an ARR proxy, or an implied share of Business revenue.

Customer needs differ by cohort. Small companies emphasize price, simplicity, reliable coverage, easy deployment, and one bill. Large enterprises emphasize coverage, security, device administration, cloud and branch integration, resilience, and contract performance. Public-sector customers add procurement rules, budget cycles, security standards, emergency-service requirements, and political accountability. Wholesale customers emphasize price, capacity, reach, quality, and interconnection. These distinct purchasing processes explain why a single segment-wide market-share percentage would be misleading: Verizon competes in mobility, broadband, enterprise networks, legacy access, wholesale, security, and managed services, each with a different denominator. Neither the cleared filing set nor the FMP pulls supplies a defensible common market denominator, so none is invented here.

## 2. Current economics: FY2025 and TTM current-perimeter bridge

The latest completed fiscal-year and TTM economics are source-bound below. Total operating expenses are revenue less Operating Income; they are not an alternative profit metric. The TTM margin is the correct forecast anchor.

| Current-perimeter period | Revenue | Total operating expenses | Operating Income | Operating Income margin | Source |
|---|---|---|---|---|---|
| FY2025 | $27.895B | $25.025B | $2.870B | 10.29% | data_package §3 Business table; §3a FY2025 bridge |
| H1 2025 | $13.975B | $12.505B | $1.470B | 10.52% | data_package §3; Q2 2026 current presentation |
| H1 2026 | $14.285B | $12.338B | $1.947B | 13.63% | data_package §3; Q2 2026 current presentation |
| TTM ended 2026-06-30 | $28.205B | $24.858B | $3.347B | 11.87% | data_package §3a TTM bridge; §5 quarterly schedule |

H1 2026 revenue grew 2.22% on the recast comparator, while Operating Income grew 32.45% and margin expanded by 311 basis points. The recent quarterly sequence also improved: Q3 2025 revenue/OI/margin were $6.843B/$0.716B/10.5%; Q4 were $7.077B/$0.684B/9.7%; Q1 2026 were $7.130B/$0.956B/13.4%; and Q2 were $7.155B/$0.991B/13.9%. [data_package §5, Verizon Business Group table] This is meaningful evidence that the cleaner perimeter and cost actions have improved current profitability. It is not proof that a mid-teens margin is durable: two strong quarters can reflect cost timing, lower depreciation, restructuring, mix, or a favorable comparison as well as permanent unit-economic improvement.

The statutory boundary is equally important. FY2025 Consumer Operating Income of $29.628B plus Business Operating Income of $2.870B produced $32.498B of reportable-segment Operating Income. Corporate and other of negative $0.818B and $2.421B of disclosed operating adjustments reduced that to statutory Operating Income of $29.259B. On the TTM basis, Consumer $30.307B plus Business $3.347B produced $33.654B; Corporate and other of negative $0.880B and $4.244B of operating adjustments reduced that to statutory Operating Income of $28.530B. [data_package §3a, FY2025 and TTM bridges] This appendix forecasts Business Operating Income only. It does not allocate corporate costs, severance, rationalization, acquisition costs, or disposition losses into Business; S must forecast those separately from the cleared bridge.

Capital intensity is material but not disclosed by segment. Verizon does not publish a complete recurring Business capex, asset, depreciation, or invested-capital schedule. Segment ROIC would therefore be false precision. At the consolidated level, TTM capex including capitalized software was $17.268B, or 12.43% of revenue. [data_package §7, TTM 2026-06-30 capex row] Business uses the shared nationwide mobility network, fiber, transport, customer systems, and spectrum, so its apparent segment margin is not evidence of low capital needs. The appropriate unit-economic test is whether Business contributes enough service growth and Operating Income to support its share of network and customer-serving costs while consolidated capex remains adequate.

Product and customer evidence shows a mixed engine. On the filed FY2025 perimeter, Enterprise and Public Sector revenue declined from $15.076B in FY2023 to $13.534B in FY2025; Wholesale declined from $2.331B to $1.954B. Business Markets and Other rose from $12.715B to $13.581B, and wireless service rose from $13.714B to $14.321B. Fios revenue was roughly flat at $1.235B, $1.252B, and $1.244B. [data_package §4, Business rows] These categories overlap and are not current-perimeter building blocks. They nevertheless identify the economic struggle: mobility and smaller-business growth must outrun enterprise legacy and wholesale contraction.

Customer KPIs reinforce the caution. Business postpaid phone net additions declined from 856,000 in FY2022 to 562,000 in FY2023, 501,000 in FY2024, and 225,000 in FY2025. Business postpaid phone churn rose from 1.07% in FY2022 to 1.13% in FY2023, improved to 1.10% in FY2024, then worsened to 1.23% in FY2025. [data_package §0a, KPI-family table] The 2026 company disclosures moved primarily to consolidated KPIs, so the model does not allocate the strong consolidated H1 net additions or Q2 0.92% churn to Business. The absence of segment-specific 2026 KPIs is a monitoring limitation, not permission to assume that Consumer's improvement occurred equally in Business.

## 3. Unit economics

Business revenue becomes profit through five interacting layers: recurring mobility, broadband and modern connectivity, legacy runoff, equipment, delivery and sales cost, and shared network economics. Mobility service generally offers the strongest recurring characteristics. Revenue depends on paid connections, account size, churn, pricing, plan and device mix, roaming, and the number of non-phone endpoints. The contribution from an incremental connection can be attractive when network capacity already exists, but service economics weaken if new volume requires heavy subsidies, dedicated support, or capacity investment. Business customers negotiate harder than households, and large renewals can reset price across thousands of lines at once.

Equipment is economically different. A device sale carries hardware cost and can be close to a distribution mechanism. Upgrade timing can move revenue sharply without changing service demand. Promotional credits, commissions, bad debt, and support costs determine whether an apparent customer win creates value. That is why the base case does not treat total revenue acceleration alone as sufficient; it requires stable or improving churn and Operating Income.

FWA can monetize available radio capacity and provide fast deployment to small sites, branches, temporary locations, or backup connections. Its early incremental economics can be attractive because Verizon avoids a new wired last mile. The constraint is localized capacity. If a cell fills, Verizon may need spectrum deployment, densification, radios, transport, or traffic management. T-Mobile's April 2026 launch of a managed business broadband product combining 5G and satellite, with a 99.99% uptime guarantee, shows that resilience and deployment simplicity are becoming product features rather than Verizon-only advantages. [T-Mobile SuperBroadband](https://www.t-mobile.com/news/business/business-internet-with-superbroadband)

Fiber and advanced networking can be sticky because the service is physically connected to a location and integrated with routing, security, cloud, and applications. Yet construction, installation, access charges, and customer-specific engineering consume capital and labor. Legacy services exhibit the opposite pattern: a declining base may initially remain profitable, but fixed network and support costs do not fall as quickly as revenue. Eventually each lost circuit raises the unit cost of what remains. Cost takeout can delay that squeeze; it cannot eliminate it unless Verizon retires systems, consolidates facilities, migrates customers, and removes the associated expense.

Managed services, security, and professional support can increase switching costs, but their margin depends on delivery design. Proprietary automation and shared platforms can scale. Bespoke labor, third-party licenses, customer-premise equipment, and strict service-level commitments can make revenue less profitable than it appears. Because standalone dollars and margins are not disclosed, the model gives these products no invented premium margin. Their success must appear in the disclosed total through better growth, retention, and Operating Income.

Sales and service costs also differ by customer group. Small-business acquisition can resemble consumer channels and be promotion-sensitive. Enterprise and public-sector sales involve long cycles, solution design, procurement, and implementation. Large contracts can be sticky after deployment, but buyers can multi-source and use formal tenders to extract concessions. Wholesale purchasers have especially strong information and bargaining power. Business Markets and Other growth is therefore useful, but it must be tested against churn, credit, support, and acquisition costs.

The H1 2026 expense result is encouraging: revenue increased $0.310B year over year while Operating Income increased $0.477B, implying operating expense declined $0.167B. [data_package §3, Business H1 rows; §5, Business quarterly schedule] That is positive incremental economics, but a margin expansion larger than the revenue increase cannot recur

indefinitely. The base case assumes only another 113 basis points of margin expansion over five years from the TTM level. The bull case requires real mix and platform leverage. The bear case assumes legacy deleverage and competition reverse part of the recent improvement.

## 4. Competitive dynamics

The direct national mobility competitors are AT&T and T-Mobile. AT&T combines business mobility, FirstNet-related public-sector positioning, fiber, advanced connectivity, and legacy access. T-Mobile is deliberately expanding in SMB, enterprise, and government and appointed a dedicated Chief Enterprise Officer in July 2026. Its business offers combine network slicing, built-in security, and satellite coverage, turning network technology into a differentiated enterprise proposition rather than competing only on price. [T-Mobile enterprise leadership announcement](https://www.t-mobile.com/news/business/t-mobile-appoints-chris-sambar-chief-enterprise-officer) [T-Mobile SuperMobile](https://www.t-mobile.com/news/business/best-network-now-powers-supermobile)

AT&T's Q2 2026 disclosure is a useful comparable because it makes the transition explicit. Its Business wireless service revenue grew 5.5% year over year and fiber and advanced connectivity grew 10.0%, while transitional and other service declined 16.6%. Total Business revenue grew only 1.4%. AT&T also reported 724,000 Business Fiber connections and 660,000 Business Fixed Wireless connections at June 2026. [AT&T Q2 2026 financial schedule, pages 6 and 9](https://investors.att.com/~/media/Files/A/ATT-IR-V2/financial-reports/quarterly-earnings/2026/2Q-2026/2Q26_ATT_Financial_and_Operational_Schedules_and_Non_GAAP_Reconciliations.pdf) These figures are not a like-for-like market-share denominator for Verizon; they show that a scaled competitor is growing the same pools Verizon needs.

Lumen is a more direct enterprise wireline and wholesale comparator. In Q1 2026 Lumen reported strategic Business revenue up 9% and legacy revenue down 14%, leaving total Business revenue down 3%; Wholesale was down 8%. [Lumen Q1 2026 earnings release](https://ir.lumen.com/news/news-details/2026/Lumen-Technologies-Reports-Solid-First-Quarter-2026-Results/default.aspx) This is the clearest external warning against extrapolating gross modern-product growth into total-segment growth. A large decline pool can overwhelm a healthy growth pool, and network providers must remove costs at the same speed.

Business broadband also competes with cable operators, regional fiber providers, fixed wireless from other carriers, and satellite-linked products. Enterprise networks face Lumen, Comcast Business, Charter Enterprise, Zayo and other fiber providers, plus global carriers after Verizon's international assets leave the segment. At the solution layer, Cisco, cloud providers, systems integrators, SASE/security vendors, and communications-software platforms can capture customer ownership and reduce the carrier to transport. In private networks and IoT, equipment vendors and integrators can lead the design while sourcing connectivity from multiple operators.

Pricing power is therefore uneven. Verizon has more power where coverage, resilience, security, integration, or switching risk is critical and where it can bundle mobility with broadband and managed functions. It has less power in commodity bandwidth, legacy circuits, wholesale, standardized voice, or highly contested mobile contracts. Enterprise contracts may be sticky operationally but are often rebid. Public-sector contracts may value reliability and compliance but impose procurement discipline. Small businesses may value a single provider but are sensitive to price and service quality.

There is no defensible segment-wide market-share statistic. The correct evidence is behavioral: customer additions and churn, renewal rates if disclosed, service growth, win/loss commentary, and margin after acquisition and delivery cost. Verizon's FY2025 Business phone net-add slowdown and churn increase show that scale alone did not guarantee retention. The Q1/Q2 2026 revenue and margin improvement shows execution can change. Both belong in the thesis.

## 5. Moat at the segment level

Verizon Business has a **narrow, conditional moat**, not a broad license to compound. Its strongest assets are the nationwide wireless network and spectrum position, extensive fiber and transport infrastructure, a large installed business account base, direct enterprise and public-sector selling capabilities, billing and device-management systems, security and compliance experience, and the ability to offer mobility and fixed connectivity together. Replacing those physical and operating assets at national scale is costly and slow.

Customer integration adds switching friction. Moving thousands of lines, sites, routers, security policies, IoT devices, and support workflows creates execution risk. A public agency or large enterprise may prefer a proven carrier for mission-critical service. Multi-product accounts can be harder to displace than a single circuit. These advantages can protect retention and give Verizon an opportunity to sell additional services.

The moat is limited by buyer power and interoperability. Mobile numbers can port, eSIM simplifies activation, enterprise networks can multi-source, software-defined architectures separate control from transport, and cloud/SASE vendors can own the policy layer. Competitive networks are already built. AT&T is growing business wireless, fiber, and advanced connectivity; T-Mobile is investing in enterprise leadership, slicing, security, satellite, and managed broadband; Lumen is emphasizing strategic networking and AI connectivity. Verizon's scale is therefore an entry barrier against a new nationwide carrier, but not against the rivals already inside the market.

Legacy wireline is not a moat merely because it is difficult to replicate. An asset can be scarce and still decline as customers adopt superior substitutes. Wholesale relationships can monetize infrastructure but often confer bargaining power on customers. Managed services can be sticky, yet custom delivery can suppress margins. Security and private networking can deepen an account, but the absence of separately disclosed revenue, retention, or margins prevents an assumption that they already form a material high-return franchise.

Durability over five to ten years depends on three tests. First, Business mobility must sustain positive service growth without elevated churn or promotion. Second, FWA, fiber, and modern connectivity must outrun legacy enterprise and wholesale runoff. Third, margin must improve because the mix and delivery platform are structurally better, not because costs were temporarily cut or a weak business was reclassified. The base case grants modest success; the bull case requires all three. The bear case is the outcome if network parity, software abstraction, buyer power, and legacy deleverage dominate.

## 6. Historical growth rates

Source keys in the table are exact data-package rows: `DP3-BREV` = §3 Verizon Business Group revenue row; `DP3-BOI` = §3 Verizon Business Group Operating Income row; `DP4-EPS` = §4 Enterprise and Public Sector row; `DP4-BMO` = §4 Business Markets and Other row; `DP4-WHOLE` = §4 Wholesale row; `DP4-WS` = §4 Business wireless service row; and `DP4-FIOS` = §4 Business Fios row. CAGRs use the two-year span between three annual observations.

| Product / sub-segment | FY2023 revenue | FY2024 revenue | FY2025 revenue | Three-observation CAGR | Most recent YoY | Data-package cite |
|---|---|---|---|---|---|---|
| Verizon Business total | $30.122B [DP3-BREV] | $29.531B [DP3-BREV] | $27.895B [DP3-BREV] | n/c: Q2 2026 perimeter break | n/c: Q2 2026 perimeter break | data_package §3, Business revenue row |
| Enterprise and Public Sector | $15.076B [DP4-EPS] | $14.218B [DP4-EPS] | $13.534B [DP4-EPS] | -5.25% [calc DP4-EPS] | -4.81% [calc DP4-EPS] | data_package §4, Enterprise and Public Sector row |
| Business Markets and Other | $12.715B [DP4-BMO] | $13.099B [DP4-BMO] | $13.581B [DP4-BMO] | 3.35% [calc DP4-BMO] | 3.68% [calc DP4-BMO] | data_package §4, Business Markets and Other row |
| Wholesale | $2.331B [DP4-WHOLE] | $2.214B [DP4-WHOLE] | $1.954B [DP4-WHOLE] | -8.44% [calc DP4-WHOLE] | -11.74% [calc DP4-WHOLE] | data_package §4, Wholesale row |
| Wireless service, overlapping product view | $13.714B [DP4-WS] | $14.122B [DP4-WS] | $14.321B [DP4-WS] | 2.19% [calc DP4-WS] | 1.41% [calc DP4-WS] | data_package §4, Business wireless-service row |
| Fios, overlapping product view | $1.235B [DP4-FIOS] | $1.252B [DP4-FIOS] | $1.244B [DP4-FIOS] | 0.36% [calc DP4-FIOS] | -0.64% [calc DP4-FIOS] | data_package §4, Business Fios row |

The Business total table crosses a perimeter boundary only in FY2025, so no FY2023-FY2025 total CAGR is shown. On the last fully comparable pre-reclassification sequence, FY2022 revenue of $31.072B to FY2024 revenue of $29.531B equates to a two-year CAGR of negative 2.51%; the arithmetic is `$29.531B / $31.072B`, raised to one-half, less one. [data_package §3, Business revenue row] This is context, not the TTM forecast base.

The disclosed customer-group arithmetic ties on the filed perimeter: FY2023 $15.076B + $12.715B + $2.331B = $30.122B; FY2024 $14.218B + $13.099B + $2.214B = $29.531B; FY2025 $13.534B + $13.581B + $1.954B = $29.069B. The last total is the pre-reclassification filed amount and deliberately does not equal the current-presentation $27.895B. No $1.174B held-for-sale difference is allocated among customer groups because Verizon did not disclose that allocation in the cleared package. [data_package §1, perimeter reconciliation; §4, Business customer-group rows]

Operating Income history shows both deterioration and recovery: FY2021 $3.437B at 11.1%, FY2022 $2.631B at 8.5%, FY2023 $2.066B at 6.9%, FY2024 $2.058B at 7.0%, and current-presentation FY2025 $2.870B at 10.3%. [data_package §3, Business Operating Income and margin rows] The historical row is not smoothed across perimeters. The TTM current-presentation result of $3.347B at 11.87% is the only forward anchor.

## 7. Management guidance

Business-specific guidance is sparse, and 2026 operating KPIs are primarily consolidated. That limits false precision and should raise the burden of proof on a bullish Business forecast.

- **Q3 2025, CFO Tony Skiadas, portfolio review:** “everything is on the table for us.” [data_package §6, Business, cash flow and portfolio, first row] The later held-for-sale classification and BT agreement validate the need to model the current perimeter explicitly. The quote is not a growth target.
- **Q3 2025, CFO Tony Skiadas, cash flow:** “expect free cash flow growth to 2026 year-over-year.” [data_package §6, Business, cash flow and portfolio, second row] This is consolidated and was superseded by later quantitative guidance. It does not establish Business profit growth.
- **Q1 2026, CFO Tony Skiadas, pricing/mix:** “we do expect improvements in ARPA.” [data_package §6, Consumer, mobility and broadband] ARPA is a consolidated/customer-economics signal; the model does not assign a segment-specific uplift without disclosure.
- **Q2 2026, CFO Tony Skiadas, service growth:** “the third quarter would be approaching 3% and Q4 growing around 4%.” [data_package §6, Consumer, mobility and broadband] The surrounding topic is consolidated mobility and broadband service revenue. It supports a healthy near-term industry demand signal but not a 3%-4% Business total assumption.
- **Official Q2 2026 guidance:** mobility and broadband service revenue growth of 2.5%-3.0%, wireless service revenue approximately flat, capex of $16.0-$16.5B, and higher cash-flow guidance. [data_package §6, guidance paragraph] These are consolidated anchors. Business total includes equipment, legacy, wholesale, and other products, so the base case remains below the consolidated service guide.
- **Q3 2025, CEO Dan Schulman:** “Our plan will not be about incremental change.” [data_package §6, first management quote] This frames restructuring and portfolio risk. It is not modeled as a guaranteed efficiency gain.

The base case therefore uses actual current-perimeter H1 growth and margin, but it does not copy consolidated subscriber, churn, ARPA, FWA, or service guidance into Business. A future restoration of segment-specific KPI disclosure would materially improve forecast confidence.

## 8. Forward growth assumptions

The financially modeled line is current-perimeter Business total revenue. The other rows are overlapping customer-group or product indicators and cannot be summed. Their scenario rates are analytical tests of what must be true; they are not standalone dollar forecasts. Modern services have no disclosed dollar base and receive no fabricated CAGR.

### Base case growth assumptions

| Product / driver | Historical CAGR | Latest disclosed growth | Management FY+1 guide | Base CAGR TTM to TTM+5y | Justification |
|---|---|---|---|---|---|
| Current-perimeter Business total | -2.51% on comparable FY2022-FY2024 | H1 2026 +2.22%; Q2 +2.6% | No segment-total guide | 1.30% | Cleaner perimeter, mobility/BMO and broadband offset legacy/wholesale; below consolidated service guide |
| Enterprise and Public Sector indicator | -5.25% | FY2025 -4.81% | None | -2.5% directional | Domestic mobility and modern networking slow the decline, but procurement and legacy migration persist |
| Business Markets and Other indicator | 3.35% | FY2025 +3.68% | None | 3.0% directional | SMB mobility and FWA remain growth engines, moderated by competition and saturation |
| Wholesale indicator | -8.44% | FY2025 -11.74% | None | -7.0% directional | Pricing and traffic migration continue; no evidence supports stabilization |
| Wireless-service indicator | 2.19% | FY2025 +1.41% | Consolidated wireless approximately flat in 2026 | 2.0% directional | Connections and price/mix grow modestly, with churn and T-Mobile/AT&T competition limiting upside |
| Fios indicator | 0.36% | FY2025 -0.64% | No Business-specific guide | 0.5% directional | Mature footprint; modest pricing and convergence, no assumed Frontier allocation to Business |

| Product / driver | Historical CAGR | Latest disclosed growth | Management FY+1 guide | Base CAGR TTM to TTM+5y | Justification |
|---|---|---|---|---|---|
| IoT/private network/security/managed services | Not separately disclosed | Not separately disclosed | Strategic commentary only | Not separately modeled | Must support the total through retention or mix; no standalone dollars or CAGR invented |

## Bull case growth assumptions

| Product / driver | Historical CAGR | Latest disclosed growth | Management FY+1 guide | Bull CAGR TTM to TTM+5y | Justification |
|---|---|---|---|---|---|
| Current-perimeter Business total | -2.51% on comparable FY2022-FY2024 | H1 2026 +2.22%; Q2 +2.6% | No segment-total guide | 3.00% | Requires four-quarter growth above 3%, mobility retention improvement and narrower legacy/wholesale decline without promotion damage |
| Enterprise and Public Sector indicator | -5.25% | FY2025 -4.81% | None | 0.0% directional | Portfolio cleanup and domestic wins fully offset legacy declines by the horizon |
| Business Markets and Other indicator | 3.35% | FY2025 +3.68% | None | 5.0% directional | Strong SMB convergence, FWA penetration and lower churn sustain above-history growth |
| Wholesale indicator | -8.44% | FY2025 -11.74% | None | -3.0% directional | Network/AI traffic and disciplined contracts slow, but do not reverse, structural pressure |
| Wireless-service indicator | 2.19% | FY2025 +1.41% | Consolidated wireless approximately flat in 2026 | 4.0% directional | Account growth, lower churn, premium mix and connected devices compound without subsidy escalation |
| Fios indicator | 0.36% | FY2025 -0.64% | No Business-specific guide | 2.0% directional | Fiber cross-sell and pricing improve on a mature base |
| IoT/private network/security/managed services | Not separately disclosed | Not separately disclosed | Strategic commentary only | Not separately modeled | Successful products raise total mix and retention, but no standalone dollars are created |

## Bear case growth assumptions

| Product / driver | Historical CAGR | Latest disclosed growth | Management FY+1 guide | Bear CAGR TTM to TTM+5y | Justification |
|---|---|---|---|---|---|
| Current-perimeter Business total | -2.51% on comparable FY2022-FY2024 | H1 2026 +2.22%; Q2 +2.6% | No segment-total guide | -1.99% | Recent growth fades; legacy/wholesale decline, mobility churn and price pressure dominate |
| Enterprise and Public Sector indicator | -5.25% | FY2025 -4.81% | None | -6.0% directional | Contract losses and cloud/network substitution keep decline near or worse than history |
| Business Markets and Other indicator | 3.35% | FY2025 +3.68% | None | 0.0% directional | T-Mobile, AT&T and cable/FWA offers absorb the growth pool |
| Wholesale indicator | -8.44% | FY2025 -11.74% | None | -12.0% directional | Pricing and customer migration remain close to the latest decline rate |
| Wireless-service indicator | 2.19% | FY2025 +1.41% | Consolidated wireless approximately flat in 2026 | 0.0% directional | Churn and concessions offset line and pricing growth |
| Fios indicator | 0.36% | FY2025 -0.64% | No Business-specific guide | -2.0% directional | Mature lines fall and convergence fails to improve retention |
| IoT/private network/security/managed services | Not separately disclosed | Not separately disclosed | Strategic commentary only | Not separately modeled | Adoption fails to offset commoditization; no standalone loss pool is invented |

The total trajectory is deliberately explicit rather than a single endpoint leap. Base growth begins at 1.5% in the first twelve months, then runs 1.2%, 1.2%, 1.3%, and 1.3%. Bull growth accelerates from 2.5% to 2.8%, 3.0%, 3.2%, and 3.5%. Bear growth is -0.5%, -1.5%, -2.0%, -2.5%, and -3.4%. The bear path shows deterioration rather than assuming an immediate cliff; the bull path requires sustained proof rather than giving full credit in year one.

## 9. Forward Operating Income margin assumptions

| Case | TTM Operating Income margin | 2031-06-30 margin | Change | Explicit mechanism |
|---|---|---|---|---|
| Bear | 11.87% | 8.50% | -337 bps | Legacy and wholesale revenue fall faster than fixed costs; mobility pricing/churn worsens; savings fail to keep pace |
| Base | 11.87% | 13.00% | +113 bps | Modest mix shift to mobility/broadband, platform simplification, lower legacy cost and disciplined acquisition; no corporate items allocated |
| Bull | 11.87% | 15.50% | +363 bps | Requires four quarters at or above 14% first, plus strong service mix, lower churn and verified retirement of legacy cost platforms |

The base margin is only slightly below Q2 2026's 13.9% quarterly margin and above the 11.87% TTM average. It assumes the first-half improvement is partly durable but does not extrapolate H1's 311-basis-point year-over-year jump. The bull margin requires the current quarterly economics to become a floor and then improve further. That is possible only if revenue quality and cost removal reinforce each other. The bear margin remains above the FY2023-FY2024 trough near 7%, reflecting the cleaner current perimeter, but gives back most of the recent improvement.

No product-level margin is published on the current perimeter. A revenue-weighted product margin cannot be computed without inventing revenue and margins for overlapping customer/product views. The total-segment margin is therefore the only compliant profit forecast. Corporate and other, severance, rationalization, acquisition/integration charges, the loss on disposition, interest, tax, and future JV equity income are excluded from Business Operating Income and remain S-stage lines.

## 10. Segment rollup and scenario forecasts

### 10.1 Bear trajectory

| Period end | Revenue | YoY growth | Operating Income margin | Operating Income |
|---|---|---|---|---|
| TTM 2026-06-30 anchor | $28.205B | n/a | 11.87% | $3.347B |
| 2027-06-30 | $28.064B | -0.5% | 10.8% | $3.031B |
| 2028-06-30 | $27.643B | -1.5% | 10.2% | $2.820B |
| 2029-06-30 | $27.090B | -2.0% | 9.6% | $2.601B |
| 2030-06-30 | $26.413B | -2.5% | 9.0% | $2.377B |
| 2031-06-30 | $25.515B | -3.4% | 8.5% | $2.169B |

### 10.2 Base trajectory

| Period end | Revenue | YoY growth | Operating Income margin | Operating Income |
|---|---|---|---|---|
| TTM 2026-06-30 anchor | $28.205B | n/a | 11.87% | $3.347B |
| 2027-06-30 | $28.628B | 1.5% | 12.0% | $3.435B |
| 2028-06-30 | $28.972B | 1.2% | 12.3% | $3.564B |
| 2029-06-30 | $29.319B | 1.2% | 12.5% | $3.665B |
| 2030-06-30 | $29.700B | 1.3% | 12.8% | $3.802B |
| 2031-06-30 | $30.087B | 1.3% | 13.0% | $3.911B |

### 10.3 Bull trajectory

| Period end | Revenue | YoY growth | Operating Income margin | Operating Income |
|---|---|---|---|---|
| TTM 2026-06-30 anchor | $28.205B | n/a | 11.87% | $3.347B |
| 2027-06-30 | $28.910B | 2.5% | 12.6% | $3.643B |

| Period end | Revenue | YoY growth | Operating Income margin | Operating Income |
|---|---|---|---|---|
| 2028-06-30 | $29.720B | 2.8% | 13.3% | $3.953B |
| 2029-06-30 | $30.611B | 3.0% | 14.0% | $4.286B |
| 2030-06-30 | $31.591B | 3.2% | 14.8% | $4.675B |
| 2031-06-30 | $32.696B | 3.5% | 15.5% | $5.068B |

The five-year revenue CAGRs are negative 1.985%, positive 1.300%, and positive 2.999% for bear, base, and bull. Operating Income CAGRs from $3.347B are negative 8.312%, positive 3.165%, and positive 8.651%. Every annual Operating Income equals that row's revenue multiplied by its stated margin, subject only to displayed rounding. Because the current-perimeter total is the finest disclosed additive line, each scenario's rollup is one financial line and ties exactly; no undisclosed product plug is used.

### 10.4 Disposition and BT joint-venture implications

The Q2 2026 held-for-sale classification already removed international wireline connectivity and managed network services from Business and placed them in Corporate and other. Current-presentation FY2025 Business revenue is $1.174B below the FMP/pre-reclassification figure, while the related Business Operating Income move is exactly offset in Corporate and other inside the sealed bridge. [quant_foundation P1C, P2, P4B-1; data_package §3a] The forecast begins after that reclassification.

Verizon and BT plan a 50:50 joint venture focused on multinational connectivity, expected to close in 2027. The parties state that the venture would serve more than 3,000 customers in more than 180 countries and represent about $4B of **combined** annual revenue; Verizon agreed to a $625M equalization payment. [Verizon-BT announcement](https://www.verizon.com/about/news/verizon-bt-group-international-joint-venture) Those are venture-level/composite facts, not Verizon Business standalone dollars. The model neither adds half of $4B to Business nor subtracts Verizon's undisclosed contribution from the current Business base.

After closing, any equity-method contribution should be modeled in the sealed bridge's “Equity in earnings of unconsolidated businesses” line by S, not as Business Operating Income, unless Verizon changes its reportable presentation and reseals the bridge. Commercial relationships between Verizon's domestic business and the JV may preserve multinational customer access, but synergies, transfer pricing, stranded costs, and JV profitability are not disclosed. The bear case captures commercial disruption through weaker Business growth, while S should separately scenario the JV and corporate costs. A delayed or failed close would keep held-for-sale operations in Corporate and other longer; it still would not put them back into this Business model without a new issuer presentation.

## 11. Key risks, wildcards, and monitors

**Legacy decline overwhelms growth [bear].** Enterprise and Public Sector and Wholesale have been declining while Business Markets and wireless service grow. AT&T and Lumen show that modern categories can post high-single- or double-digit growth while transitional/legacy pools fall in the mid-teens. Monitor disclosed Business total growth, any restored customer-group data, wholesale trends, and the pace of legacy platform retirement.

**Mobility churn and pricing [bear/base].** FY2025 Business phone net adds fell to 225,000 and churn rose to 1.23%. Monitor segment-specific churn and net additions if disclosure returns, wireless service growth, promotional intensity, device-credit amortization, and large-account wins/losses. A return to negative service growth with churn above the FY2025 level would invalidate the base margin path.

**T-Mobile and AT&T enterprise expansion [bear].** T-Mobile is investing in enterprise leadership, network slicing, security, satellite, and managed broadband. AT&T is growing business wireless, fiber, and advanced connectivity. Monitor competitive product launches, public-sector awards, network-quality comparisons, pricing, and Verizon renewal commentary.

**FWA capacity and fiber execution [all cases].** FWA is attractive when spare capacity exists but may require capital as cells fill. Fiber can be sticky but construction and installation are capital intensive. Monitor Business-specific broadband connections if disclosed, service quality, net adds, churn, passings, penetration, and consolidated capex. Do not allocate Consumer/Frontier growth to Business without evidence.

**Cost removal is temporary rather than structural [bear].** H1 2026 Operating Income grew far faster than revenue. Monitor segment expenses, quarterly margin, headcount or platform actions, network retirement, and whether savings persist after restructuring. Two consecutive quarters below 10% margin on the current perimeter would be a clear bear signal.

**Modern-services narrative lacks financial proof [base/bull].** IoT, private networks, security, and managed services may increase stickiness, but Verizon does not disclose standalone dollars or margins. Monitor new disclosure, recurring revenue, bookings, customer counts, attach rates, or retention evidence. Until then, these offerings cannot justify a sum-of-parts premium or a product-level forecast.

**BT JV and stranded costs [bear/base].** Closing could create scale and preserve multinational coverage, but the economics, Verizon contribution, and cost-sharing are not disclosed. Monitor regulatory approval, 2027 close timing, the $625M payment, equity-accounting guidance, stranded Corporate costs, commercial agreements, and customer attrition. Never double count the already-recast Business perimeter.

**Public-sector procurement and security events [bear].** A major outage, cyber incident, compliance failure, or loss of a government contract can damage both economics and reputation. Monitor material incidents, service credits, public-sector awards, regulatory actions, and network resilience.

**Wholesale and software abstraction [bear].** Customers can buy transport from several providers while using cloud, SD-WAN, SASE, or communications software for control. Monitor wholesale revenue, pricing, traffic commitments, and whether Verizon remains the primary customer interface or becomes a commodity access provider.

**Accounting comparability [all cases].** Reclassifications can create apparent growth or margin steps. Every future period must be mapped to the Q2 2026 current perimeter or a newly recast issuer schedule. Monitor segment-note changes, held-for-sale accounting, Corporate and other, and the exact Operating Income bridge before comparing results.

### Monitoring dashboard and thesis thresholds

| Monitor | Base-compatible signal | Bear trigger | Bull confirmation |
|---|---|---|---|
| Current-perimeter Business revenue | 0.5%-2.0% sustained growth | Two consecutive quarters below -2% | Sustained growth above 3% without equipment distortion |
| Business Operating Income margin | 11.5%-13.5% through transition | Two quarters below 10% | Four quarters at or above 14% with service growth |
| Business mobility retention | Stable/improving from FY2025 | Churn remains above 1.23% with slowing adds | Churn below 1.10% with positive quality adds |
| Legacy/wholesale mix | Decline moderated by growth pools | Decline accelerates near low double digits with no offset | Enterprise stabilizes and wholesale decline narrows |
| Cost quality | Expense falls through platform retirement | Margin depends on recurring severance/reclassification | Savings persist after special actions end |
| Modern services | Better disclosure or clear retention evidence | Narrative expands without total growth/profit | Quantified recurring contribution and attach/retention proof |
| BT JV | 2027 close with clear accounting and limited stranded cost | Delay, customer losses, write-downs, or stranded expense | Profitable equity contribution plus domestic cross-sell |

## Segment summary

| Case | Segment TTM+5y Revenue | Exact profit metric | Segment TTM+5y Profit Margin | Segment TTM+5y Profit | Probability |
|---|---|---|---|---|---|
| Bear | $25.515B | Operating Income | 8.5% | $2.169B | 30% |
| Base | $30.087B | Operating Income | 13.0% | $3.911B | 50% |
| Bull | $32.696B | Operating Income | 15.5% | $5.068B | 20% |

The 30% / 50% / 20% weights are intentionally asymmetric. Base receives 50% because the current perimeter has delivered two quarters of positive revenue growth and 13%+ margin but lacks segment-specific 2026 customer KPIs or guidance. Bear receives more weight than bull because the comparable FY2022-FY2024 total declined 2.51% annually, FY2025 phone churn worsened to 1.23%, and the disclosed enterprise and wholesale pools were still shrinking. Bull receives only 20% because it requires four-quarter evidence above 3% revenue growth and 14% margin, improving Business retention, and verified legacy cost retirement; no weight is supported by invented IoT, private-network, security, or managed-services dollars.

The base case is stabilization, not a compounder claim. It assumes a cleaned-up domestic-focused perimeter, modest service growth, continued legacy runoff, and enough cost/mix progress to lift Operating Income at 3.2% annually. The bear case reflects the historical risk that decline pools and buyer power outrun cost removal. The bull case requires sustained revenue acceleration, structurally lower churn, successful modern-product mix, and margin above any recent full-year Business result. The probability weights are segment-scenario weights for synthesis, not trade authorization.

`B_SEGMENT_STATUS: COMPLETE — READY FOR R REVIEW`

No trade, order, position sizing, ranking, portfolio mutation, or external message was authorized or performed. `trade_execution_authorized=false`.

# Verizon Communications Inc. (VZ) — Synthesis and Valuation

**Production ER2 stage:** S, combined earnings model **Model date:** 2026-08-02 SGT **Forecast anchor:** TTM ended 2026-06-30 **Exact valuation horizon:** 2031-06-30, exactly 5.0 calendar years after the TTM anchor **All monetary amounts:** USD billions except per-share data, share counts, percentages, and where explicitly stated otherwise **Trade execution authorized:** false

`trade_execution_authorized=false`

This appendix mechanically consolidates the two R-reviewed segment forecasts through the QFR-sealed statutory bridge. It does not discover a new accounting classification, allocate Corporate and other into a segment, or use a balancing plug. The Consumer and Business endpoints are reproduced from their reviewed appendices. The Corporate and other line and every special operating adjustment retain the classifications established by `statutory_bridge.json`. The below-line model then carries equity-method income, other income, interest, tax, and noncontrolling interests to statutory net income and diluted EPS. Cash flow, capital expenditure, dividends, repurchases, outside-FCF cash uses, and net core debt are modeled separately so that an earnings result cannot be mistaken for distributable shareholder wealth.

The result is not a Gideon-quality compounder conclusion. The management gate is YELLOW, the moat gate is FAIL, the 2046 durability test is FAIL, and five years of historical statutory ROIC remained below 11%. The numerical P/E 15 gate nevertheless asks a narrower question: whether the current USD 46.81 price is no more than 15 times the confident 2031-06-30 base EPS. That gate is answered solely by the reconciled base model after all 11 tie-outs pass.

## 1. Anchors, packet integrity, and statutory clearance

- Today: 2026-08-02 SGT.
- Fiscal year convention: Verizon's fiscal year ends December 31.
- Most recently reported quarter: Q2 2026 ended 2026-06-30.
- TTM quarters: Q3 2025, Q4 2025, Q1 2026, and Q2 2026, four non-overlapping quarters.
- Latest completed FY used only for historical tie-out: FY2025 ended 2025-12-31.
- TTM forecast base: 2026-06-30.
- Horizon: 2031-06-30, exactly five calendar years after the TTM end; no row compounds from FY2025 and no row uses a sixth fiscal period.
- Valuation price: USD 46.81 per listed Verizon common share, XNYS:VZ, last completed raw exchange close on 2026-07-31.
- Quote source: Financial Modeling Prep historical-price EOD response archived in the QF raw folder; raw-source SHA-256 `462ffc0f4661a196cd222e82b5fc0bc2b73e717ce644a3df78e1391ea729019c`.
- QFR-sealed quote-packet SHA-256: `6cd17129cda062b5d163c13d56fe6ca6ef9a2232381bd8bf7d9c38f49010b390`.
- Quote-packet actionability expiry: 2026-08-04 04:00 SGT. The packet validator was rerun at 2026-08-02 02:13:43 SGT and returned `QUOTE_PACKET_VALID` with the same hash.
- Reporting and quote currency: USD and USD; sealed FX factor is 1.0 USD quote currency per USD reporting currency.
- Financial and listed unit: one Verizon common financial share equals one listed VZ common share. Depositary ratio, class factor, and financial-shares-per-listed-unit factor are all 1.0.
- Split bridge: 4,171M Q2 2026 diluted financial shares multiplied by the sealed 1.0 split factor equals 4,171M quote-basis diluted financial shares; divided by the 1.0 listed-unit factor, this equals 4,171M listed-unit equivalents. No intervening split is recorded between 2026-06-30 and 2026-07-31.
- Historical statutory-bridge SHA-256: `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50`. The validator returned `STATUTORY_BRIDGE_VALID` with exact hash equality.

- Durable upstream gates: QFR states `QUANT FOUNDATION VERIFIED — CLEARED FOR WAVE 1`; DR states `DATA PACKAGE VERIFIED — CLEARED FOR WAVE 2` and verifies the statutory bridge for forecasting; the Consumer and Business post-review hashes exactly match the R records in `gate_manifest.json`.

The packet price is a research anchor, not a trade instruction. The unit bridge is identity arithmetic, but it is still reproduced because attaching USD to issuer EPS without checking the security unit would violate the valuation contract.

## 2. Segment-level forward assumptions reproduced from reviewed appendices

The exact common segment profit metric is issuer-disclosed **Operating Income**. Consumer product detail is an analytical allocation constrained to the reported segment total; Business has one modeled total because its disclosed product/customer views overlap and the held-for-sale perimeter is not allocated among them.

| Segment | Exact profit metric | TTM revenue | Bear 2031 revenue | Base 2031 revenue | Bull 2031 revenue | Bear margin | Base margin | Bull margin |
|---|---|---|---|---|---|---|---|---|
| Verizon Consumer Group | Operating Income | 107.236 | 102.012 | 119.120 | 126.842 | 24.74% | 29.12% | 31.01% |
| Verizon Business Group | Operating Income | 28.205 | 25.515 | 30.087 | 32.696 | 8.50% | 13.00% | 15.50% |

Sources: R-reviewed `appendix_B_consumer.md` sections 8 through 10, SHA-256 `f8ea9c46480db0f4dceb7bc60a77ab02720359261d281506115a3b11bb8d419d`; R-reviewed `appendix_B_business.md` sections 8 through 10, SHA-256 `230397af3c00c9baede432706951b45b98996ceb566c493a8c6b87b0f316cddb`.

Consumer's reviewed revenue paths are 102.012, 119.120, and 126.842 in bear, base, and bull, with Operating Income of 25.236, 34.684, and 39.331. Business's reviewed endpoints are 25.515, 30.087, and 32.696 of revenue with Operating Income of 2.169, 3.911, and 5.068. These endpoints are not changed in S. Consumer's base assumes service-led low-single-digit growth and only 86 basis points of margin improvement from the TTM level; Business's base assumes current-perimeter stabilization rather than a new high-growth business. The 30% bear, 50% base, and 20% bull probabilities are also reproduced from both reviewed appendices. Bear receives more probability than bull because historical Business decline, low group ROIC, and moat erosion remain credible even after recent operating improvement.

## 3. Combined revenue build

The TTM historical identity is `Consumer 107.236 + Business 28.205 + Corporate and other 3.779 - eliminations 0.325 = consolidated revenue 138.895`. Corporate and other contains the current-presentation held-for-sale perimeter rather than a third reportable segment. The Verizon-BT joint venture is expected to close in 2027, but neither the close date nor Verizon's contributed revenue was disclosed precisely enough to manufacture a clean annual disposition. The base schedule therefore deconsolidates most of the line over two forecast periods, the bull schedule closes faster, and the bear schedule retains more revenue because the transaction is delayed or disrupted. Eliminations fade only as that perimeter exits. This is an explicit scenario treatment, not a hidden plug.

| Horizon line | Bear | Base | Bull |
|---|---|---|---|
| Consumer 2031 revenue | 102.012 | 119.120 | 126.842 |
| Business 2031 revenue | 25.515 | 30.087 | 32.696 |
| Sum of reportable segments | 127.527 | 149.207 | 159.538 |
| Corporate and other revenue | 2.800 | 0.200 | 0.200 |
| Eliminations | -0.325 | -0.050 | -0.050 |
| **Combined 2031 revenue** | **130.002** | **149.357** | **159.688** |
| TTM to 2031 CAGR over 5.0 years | -1.315% | 1.463% | 2.829% |

| Case and line | 2027-06-30 | 2028-06-30 | 2029-06-30 | 2030-06-30 | 2031-06-30 |
|---|---|---|---|---|---|
| Bear Consumer revenue | 105.383 | 104.790 | 104.201 | 103.217 | 102.012 |
| Bear Business revenue | 28.064 | 27.643 | 27.090 | 26.413 | 25.515 |
| Bear Corporate and other revenue | 3.700 | 3.500 | 3.200 | 3.000 | 2.800 |
| Bear eliminations | -0.325 | -0.325 | -0.325 | -0.325 | -0.325 |

| Case and line | 2027-06-30 | 2028-06-30 | 2029-06-30 | 2030-06-30 | 2031-06-30 |
|---|---|---|---|---|---|
| **Bear consolidated revenue** | **136.822** | **135.608** | **134.166** | **132.305** | **130.002** |
| Base Consumer revenue | 109.069 | 111.675 | 114.394 | 116.917 | 119.120 |
| Base Business revenue | 28.628 | 28.972 | 29.319 | 29.700 | 30.087 |
| Base Corporate and other revenue | 2.800 | 1.000 | 0.500 | 0.300 | 0.200 |
| Base eliminations | -0.250 | -0.100 | -0.050 | -0.050 | -0.050 |
| **Base consolidated revenue** | **140.247** | **141.547** | **144.163** | **146.867** | **149.357** |
| Bull Consumer revenue | 111.276 | 115.234 | 119.174 | 123.081 | 126.842 |
| Bull Business revenue | 28.910 | 29.720 | 30.611 | 31.591 | 32.696 |
| Bull Corporate and other revenue | 2.000 | 0.300 | 0.200 | 0.200 | 0.200 |
| Bull eliminations | -0.200 | -0.050 | -0.050 | -0.050 | -0.050 |
| **Bull consolidated revenue** | **141.986** | **145.204** | **149.935** | **154.822** | **159.688** |

The corporate-revenue line affects consolidated revenue but does not alter either reviewed segment endpoint. Post-close JV earnings, if any, belong below Operating Income in the sealed equity-in-earnings line. That separation prevents the same economics from appearing in both Business revenue and equity-method income.

## 4. Combined Operating Income build and special operating adjustments

The TTM statutory identity is `Consumer OI 30.307 + Business OI 3.347 - Corporate and other 0.880 - special operating adjustments 4.244 = statutory OI 28.530`. The FY2025 check is `29.628 + 2.870 - 0.818 - 2.421 = 29.259`. S projects each already-classified operating line separately. Corporate and other remains negative in all scenarios because the transaction does not prove that stranded central costs disappear. Special charges taper in base and bull as disclosed transformation and integration programs mature, but base still carries 0.810 of annual charges at the horizon. Bear retains 2.950 because recurring restructuring and integration friction are economically plausible.

| 2031 Operating Income line | Bear | Base | Bull |
|---|---|---|---|
| Consumer Operating Income | 25.236 | 34.684 | 39.331 |
| Business Operating Income | 2.169 | 3.911 | 5.068 |
| Sum of segment Operating Income | 27.405 | 38.595 | 44.399 |
| Corporate and other | -1.250 | -0.550 | -0.350 |
| Consolidated segment-profit metric | 26.155 | 38.045 | 44.049 |
| Special operating adjustments | -2.950 | -0.810 | -0.190 |
| **Statutory Operating Income** | **23.205** | **37.235** | **43.859** |
| Statutory OI margin | 17.85% | 24.93% | 27.47% |

### 4a. Bear special-operating-adjustment schedule

| Sealed bridge line | TTM 2026 | 2027-06-30 | 2028-06-30 | 2029-06-30 | 2030-06-30 | 2031-06-30 |
|---|---|---|---|---|---|---|
| Severance charges | -2.112 | -2.000 | -1.800 | -1.600 | -1.400 | -1.200 |
| Other pension and benefit charges | -0.058 | -0.100 | -0.100 | -0.120 | -0.120 | -0.150 |
| Asset and business rationalization | -0.583 | -0.500 | -0.500 | -0.450 | -0.400 | -0.350 |
| Acquisition and integration charges | -0.487 | -0.800 | -1.000 | -1.000 | -0.900 | -0.750 |
| Asset rationalization | -0.258 | -0.300 | -0.350 | -0.350 | -0.300 | -0.250 |
| Loss on disposition | -0.746 | -0.500 | -0.750 | -0.500 | -0.250 | -0.250 |
| **Total special operating adjustments** | **-4.244** | **-4.200** | **-4.500** | **-4.020** | **-3.370** | **-2.950** |

### 4b. Base special-operating-adjustment schedule

| Sealed bridge line | TTM 2026 | 2027-06-30 | 2028-06-30 | 2029-06-30 | 2030-06-30 | 2031-06-30 |
|---|---|---|---|---|---|---|
| Severance charges | -2.112 | -1.500 | -1.100 | -0.800 | -0.600 | -0.400 |
| Other pension and benefit charges | -0.058 | -0.060 | -0.060 | -0.060 | -0.060 | -0.060 |
| Asset and business rationalization | -0.583 | -0.400 | -0.300 | -0.200 | -0.150 | -0.100 |
| Acquisition and integration charges | -0.487 | -0.900 | -0.750 | -0.550 | -0.350 | -0.200 |
| Asset rationalization | -0.258 | -0.250 | -0.200 | -0.150 | -0.100 | -0.050 |
| Loss on disposition | -0.746 | -0.100 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total special operating adjustments** | **-4.244** | **-3.210** | **-2.410** | **-1.760** | **-1.260** | **-0.810** |

### 4c. Bull special-operating-adjustment schedule

| Sealed bridge line | TTM 2026 | 2027-06-30 | 2028-06-30 | 2029-06-30 | 2030-06-30 | 2031-06-30 |
|---|---|---|---|---|---|---|
| Severance charges | -2.112 | -1.200 | -0.700 | -0.400 | -0.200 | -0.100 |
| Other pension and benefit charges | -0.058 | -0.040 | -0.040 | -0.040 | -0.040 | -0.040 |
| Asset and business rationalization | -0.583 | -0.250 | -0.100 | 0.000 | 0.000 | 0.000 |
| Acquisition and integration charges | -0.487 | -0.700 | -0.400 | -0.200 | -0.100 | -0.050 |
| Asset rationalization | -0.258 | -0.150 | -0.050 | 0.000 | 0.000 | 0.000 |
| Loss on disposition | -0.746 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total special operating adjustments** | **-4.244** | **-2.340** | **-1.290** | **-0.640** | **-0.340** | **-0.190** |

The bull taper is not evidence that charges are non-economic; it is the favorable case in which disclosed programs finish. The P/E gate uses base, where charges persist. None of the schedules adds back charges to present an adjusted EPS.

## 5. Net income and EPS build

The interest schedule is derived from the pre-AWS-3 scenario gross-debt path using explicit effective rates: 4.6% rising to 5.2% in bear, 4.5% easing to 4.3% in base, and 4.4% easing to 4.0% in bull. RT subsequently identified the known USD 3.1B July 2026 AWS-3 license payment. The data package discloses the cash payment but not whether it was funded with cash, current operating cash generation, or incremental gross borrowing. The repair therefore raises net core debt by the full USD 3.1B through lower modeled debt reduction, but does not fabricate new gross debt or incremental interest. The displayed interest, pretax income, net income, and EPS paths remain unchanged. If a later filing identifies debt financing, the interest schedule must be resealed then. Equity-method income remains small because BT JV profitability is undisclosed. Other income is zero in bear, 0.200 annually in base, and 0.400 in bull versus the sourced TTM 0.420. Tax is 25%, 23%, and 22%, respectively, compared with the 23.32% TTM effective rate. NCI remains separately deducted and is not hidden inside tax.

| 2031 net-income line | Bear | Base | Bull |
|---|---|---|---|
| Statutory Operating Income | 23.205 | 37.235 | 43.859 |
| Equity in earnings of unconsolidated businesses | 0.000 | 0.250 | 0.500 |
| Other income, net | 0.000 | 0.200 | 0.400 |
| Interest expense | -7.434 | -5.079 | -4.449 |
| Pretax income | 15.771 | 32.606 | 40.310 |
| Tax rate | 25.0% | 23.0% | 22.0% |
| Provision for income taxes | -3.943 | -7.499 | -8.868 |
| Net income attributable to NCI | -0.450 | -0.420 | -0.400 |
| **Net income attributable to Verizon** | **11.378** | **24.687** | **31.042** |
| Quote-basis diluted financial shares | 4,212.8M | 3,971.7M | 3,912.9M |
| Reporting-currency EPS per financial share | 2.701 | 6.216 | 7.933 |

| 2031 net-income line | Bear | Base | Bull |
|---|---|---|---|
| Financial shares per listed unit | 1.000 | 1.000 | 1.000 |
| FX quote currency per reporting currency | 1.000 | 1.000 | 1.000 |
| **USD EPS per listed VZ share** | **2.701** | **6.216** | **7.933** |

The unit formula is `EPS_REPORTING_PER_QUOTE_BASIS_FINANCIAL_SHARE = net income in USD millions / quote-basis diluted financial shares in millions`. The security conversion is `EPS_USD_PER_LISTED_UNIT = reporting EPS per financial share × 1.0 financial shares per listed unit × 1.0 USD quote per USD reporting currency`.

## 5a. Annual statutory earnings model — bear

| Date | Revenue | Consumer OI | Business OI | Corporate OI | Special adjustments | Statutory OI | Interest | Pretax | Tax | NCI | Net income | Shares M | EPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2027-06-30 | 136.822 | 28.980 | 3.031 | -1.000 | -4.200 | 26.811 | -7.355 | 19.407 | -4.852 | -0.430 | 14.125 | 4,179.9 | 3.379 |
| 2028-06-30 | 135.608 | 28.084 | 2.820 | -1.100 | -4.500 | 25.304 | -7.381 | 17.822 | -4.456 | -0.440 | 12.927 | 4,188.3 | 3.086 |
| 2029-06-30 | 134.166 | 27.196 | 2.601 | -1.150 | -4.020 | 24.627 | -7.460 | 17.068 | -4.267 | -0.450 | 12.351 | 4,196.4 | 2.943 |
| 2030-06-30 | 132.305 | 26.217 | 2.377 | -1.200 | -3.370 | 24.024 | -7.424 | 16.550 | -4.138 | -0.450 | 11.963 | 4,204.5 | 2.845 |
| 2031-06-30 | 130.002 | 25.236 | 2.169 | -1.250 | -2.950 | 23.205 | -7.434 | 15.771 | -3.943 | -0.450 | 11.378 | 4,212.8 | 2.701 |

Bear equity-method income is -0.050, -0.100, -0.100, -0.050, and 0.000; other income is zero each year. These two lines plus interest reproduce each displayed pretax amount.

## 5b. Annual statutory earnings model — base

| Date | Revenue | Consumer OI | Business OI | Corporate OI | Special adjustments | Statutory OI | Interest | Pretax | Tax | NCI | Net income | Shares M | EPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2027-06-30 | 140.247 | 30.976 | 3.435 | -0.850 | -3.210 | 30.351 | -7.190 | 23.410 | -5.384 | -0.430 | 17.596 | 4,126.5 | 4.264 |
| 2028-06-30 | 141.547 | 31.939 | 3.564 | -0.750 | -2.410 | 32.343 | -6.813 | 25.830 | -5.941 | -0.430 | 19.459 | 4,084.5 | 4.764 |
| 2029-06-30 | 144.163 | 32.945 | 3.665 | -0.650 | -1.760 | 34.200 | -6.223 | 28.328 | -6.515 | -0.420 | 21.392 | 4,044.8 | 5.289 |
| 2030-06-30 | 146.867 | 33.906 | 3.802 | -0.600 | -1.260 | 35.848 | -5.735 | 30.513 | -7.018 | -0.420 | 23.075 | 4,007.3 | 5.758 |
| 2031-06-30 | 149.357 | 34.684 | 3.911 | -0.550 | -0.810 | 37.235 | -5.079 | 32.606 | -7.499 | -0.420 | 24.687 | 3,971.7 | 6.216 |

Base equity-method income rises from 0.050 to 0.250 and other income is 0.200 annually. For example, 2031 pretax income is `37.235 + 0.250 + 0.200 - 5.079 = 32.606`; net income is `32.606 - 7.499 - 0.420 = 24.687`; EPS is `24,686.660 / 3,971.681 = 6.216`.

## 5c. Annual statutory earnings model — bull

| Date | Revenue | Consumer OI | Business OI | Corporate OI | Special adjustments | Statutory OI | Interest | Pretax | Tax | NCI | Net income | Shares M | EPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2027-06-30 | 141.986 | 32.047 | 3.643 | -0.750 | -2.340 | 32.600 | -7.019 | 26.081 | -5.738 | -0.420 | 19.924 | 4,107.0 | 4.851 |
| 2028-06-30 | 145.204 | 33.764 | 3.953 | -0.550 | -1.290 | 35.877 | -6.467 | 30.010 | -6.602 | -0.410 | 22.998 | 4,050.3 | 5.678 |
| 2029-06-30 | 149.935 | 35.633 | 4.286 | -0.450 | -0.640 | 38.829 | -5.843 | 33.686 | -7.411 | -0.400 | 25.875 | 3,999.6 | 6.469 |
| 2030-06-30 | 154.822 | 37.540 | 4.675 | -0.400 | -0.340 | 41.475 | -5.169 | 37.106 | -8.163 | -0.400 | 28.543 | 3,954.1 | 7.219 |
| 2031-06-30 | 159.688 | 39.331 | 5.068 | -0.350 | -0.190 | 43.859 | -4.449 | 40.310 | -8.868 | -0.400 | 31.042 | 3,912.9 | 7.933 |

Bull equity-method income rises from 0.100 to 0.500 and other income remains 0.400 annually. The scenario requires segment results, cost completion, and debt reduction to reinforce one another; it is not used as the confident P/E gate case.

## 6. Share count path

The path begins with the packet's 4,171M quote-basis diluted shares, not the 4,155M period-end basic count and not the 4,212.7M TTM weighted-average estimate. The controlling cash-flow tables did not separately disclose TTM SBC, so no FMP zero is used. Forward issuance is instead bounded by the sourced FY2025 after-tax SBC of 0.815 and the observed 2021-2025 diluted-share creep of roughly 20M per year. Scenario issuance is 20M, 18M, and 16M annually. Repurchases are 0.5, 3.0, and 4.0 per year, all below the 25.0 authorization ceiling and, in base and bull, at or below the official 2026 target of up to 4.5. Authorization is not treated as a commitment.

| Case and date | Starting shares M | Buyback cash | Average price | Shares retired M | Issuance M | Ending shares M |
|---|---|---|---|---|---|---|
| Bear 2027 | 4,171.0 | 0.500 | 45 | 11.1 | 20.0 | 4,179.9 |
| Bear 2028 | 4,179.9 | 0.500 | 43 | 11.6 | 20.0 | 4,188.3 |
| Bear 2029 | 4,188.3 | 0.500 | 42 | 11.9 | 20.0 | 4,196.4 |
| Bear 2030 | 4,196.4 | 0.500 | 42 | 11.9 | 20.0 | 4,204.5 |
| Bear 2031 | 4,204.5 | 0.500 | 43 | 11.6 | 20.0 | 4,212.8 |
| Base 2027 | 4,171.0 | 3.000 | 48 | 62.5 | 18.0 | 4,126.5 |
| Base 2028 | 4,126.5 | 3.000 | 50 | 60.0 | 18.0 | 4,084.5 |
| Base 2029 | 4,084.5 | 3.000 | 52 | 57.7 | 18.0 | 4,044.8 |
| Base 2030 | 4,044.8 | 3.000 | 54 | 55.6 | 18.0 | 4,007.3 |
| Base 2031 | 4,007.3 | 3.000 | 56 | 53.6 | 18.0 | 3,971.7 |
| Bull 2027 | 4,171.0 | 4.000 | 50 | 80.0 | 16.0 | 4,107.0 |
| Bull 2028 | 4,107.0 | 4.000 | 55 | 72.7 | 16.0 | 4,050.3 |
| Bull 2029 | 4,050.3 | 4.000 | 60 | 66.7 | 16.0 | 3,999.6 |
| Bull 2030 | 3,999.6 | 4.000 | 65 | 61.5 | 16.0 | 3,954.1 |
| Bull 2031 | 3,954.1 | 4.000 | 70 | 57.1 | 16.0 | 3,912.9 |

For every row, `shares retired = buyback cash × 1,000 / average price`, and `ending shares = starting shares - retired shares + issuance`. The five-year sums reproduce the horizon share counts exactly before display rounding. Repurchases are funded only after dividends and disclosed outside-FCF cash uses in the debt schedule; the model does not preserve EPS by assuming buybacks that cash flow cannot support.

## 7. P/E 15 test

Required EPS at USD 46.81 is `46.81 / 15 = USD 3.1207` per listed share. Cushion is `(EPS × 15 - 46.81) / 46.81`. Base is the confident case and therefore controls the binary result.

| Case | 2031 EPS per listed share | EPS × 15 | Quote-packet price | Implied price / EPS | Cushion | Pass? |
|---|---|---|---|---|---|---|
| Bear | 2.701 | 40.515 | 46.81 | 17.33x | -13.45% | FAIL |
| Base | 6.216 | 93.235 | 46.81 | 7.53x | 99.18% | PASS |
| Bull | 7.933 | 118.997 | 46.81 | 5.90x | 154.21% | PASS |

**P/E 15 gate: PASS.** The base case clears because confident 2031 EPS of USD 6.216 is almost twice the required USD 3.121. This does not turn Verizon into a quality compounder: the P/E gate is a price discipline, while moat, 2046 durability, returns on capital, and management remain separate hard underwriting considerations.

## 8. Reflexivity check against reported financials

The forecast is anchored to two exact historical identities rather than an adjusted starting point.

| Historical bridge | FY2025 | TTM 2026-06-30 | Source-bound arithmetic |
|---|---|---|---|
| Consumer Operating Income | 29.628 | 30.307 | Sealed segment-profit line |
| Business Operating Income | 2.870 | 3.347 | Sealed segment-profit line |

| Historical bridge | FY2025 | TTM 2026-06-30 | Source-bound arithmetic |
|---|---|---|---|
| Sum of segment Operating Income | 32.498 | 33.654 | Consumer plus Business |
| Corporate and other | -0.818 | -0.880 | Sealed corporate/unallocated line |
| Special operating adjustments | -2.421 | -4.244 | Sum of every sealed operating adjustment |
| **Statutory Operating Income** | **29.259** | **28.530** | Exact zero-residual bridge |

The TTM revenue check is equally exact: reportable segments of 135.441 plus Corporate and other revenue of 3.779 and eliminations of negative 0.325 equal 138.895. The percentage residual is 0.000%, comfortably inside the 2% reflexivity limit. The TTM profit residual is also zero, as is the FY2025 profit residual. No forward line is scaled to force these results; they are the preserved QFR and DR anchors.

First-forward-year recency also passes. Bear revenue of 136.822 is 1.49% below TTM and statutory OI of 26.811 is 6.03% below TTM. Base revenue of 140.247 is 0.97% above TTM and statutory OI of 30.351 is 6.38% above TTM. Bull revenue of 141.986 is 2.23% above TTM and statutory OI of 32.600 is 14.27% above TTM; the OI step exceeds 10%, but the reviewed segment appendices quantify the support: Business's current-perimeter H1 Operating Income rose 32.45%, Q1 and Q2 margins reached 13.4% and 13.9%, and Consumer's bull case requires lower churn and promotion cost. The bull is therefore explicitly evidenced rather than silently accepted, and it does not control the gate.

## 9. Latest interim bridge reconciliation

**NOT TRIGGERED — four non-overlapping quarters used for the consolidated TTM.** The quarters are Q3 2025, Q4 2025, Q1 2026, and Q2 2026. Reported quarterly revenue sums to 138.895, statutory Operating Income to 28.530, pretax income to 21.648, and parent net income to 16.172. The share calculation is a weighted-period reconstruction rather than a sum of quarterly shares: `(4,231 × 365 - 4,227 × 181 + 4,190 × 181) / 365 = 4,212.65M` for TTM historical EPS.

The segment bridge uses the equivalent disclosed current-perimeter construction `FY2025 - H1 2025 + H1 2026`, with identical six-month comparison windows. Consumer revenue is `106.807 - 52.266 + 52.695 = 107.236`; Business revenue is `27.895 - 13.975 + 14.285 = 28.205`; Consumer OI is `29.628 - 15.067 + 15.746 = 30.307`; Business OI is `2.870 - 1.470 + 1.947 = 3.347`. These calculations do not overlap the four-quarter consolidated construction and reconcile to the same TTM endpoint.

## 10. Sensitivity — variables that matter most

The sensitivities hold all other base variables constant, including the debt path and special-charge schedule. They are diagnostics around the reconciled base, not alternative valuation cases.

| Sensitivity | Down case 2031 EPS | Base 2031 EPS | Up case 2031 EPS | Interpretation |
|---|---|---|---|---|
| Consumer revenue CAGR minus or plus 200 bps | 5.583 | 6.216 | 6.900 | Consumer growth is the largest operating driver because of scale and a 29.12% horizon margin |
| Business margin minus or plus 200 bps | 6.099 | 6.216 | 6.332 | Business margin matters, but the segment is too small to control the gate alone |
| Diluted shares plus or minus 5% | 5.920 | 6.216 | 6.543 | Repurchase discipline can move EPS, but it cannot rescue weak statutory profit |
| Tax rate plus or minus 300 bps | 5.969 | 6.216 | 6.462 | Tax is material but secondary to Consumer economics and the special-charge path |

Consumer's exact base CAGR is 2.124%. Reducing it to 0.124% produces 107.904 of horizon revenue; increasing it to 4.124% produces 131.250. At the same 29.12% margin and 23% tax rate, the EPS range is 5.583 to 6.900. Share count is the next-largest mechanical driver among the requested tests. The more important qualitative risk is not a single tax or repurchase assumption but a joint failure of service growth, churn, promotion discipline, and special-charge normalization.

## 11. Combined earnings summary

| Case | Revenue | Statutory OI | OI margin | Net income | EPS per listed share | Probability | EPS × 15 | Versus USD 46.81 |
|---|---|---|---|---|---|---|---|---|
| Bear | 130.002 | 23.205 | 17.85% | 11.378 | 2.701 | 30% | 40.512 | -13.45% |
| Base | 149.357 | 37.235 | 24.93% | 24.687 | 6.216 | 50% | 93.235 | +99.18% |
| Bull | 159.688 | 43.859 | 27.47% | 31.042 | 7.933 | 20% | 118.997 | +154.21% |
| Probability-weighted diagnostic | 145.617 | 34.351 | 23.59% | 21.965 | 5.505 | 100% | 82.571 | +76.39% |

The probability-weighted EPS row is the arithmetic expectation of scenario EPS and is not a fourth operating scenario. Security return weighting is performed on terminal shareholder wealth, not on EPS and never by averaging scenario IRRs.

## 12. Cash flow, capex, dividends, and net core debt

The historical cash anchor is official TTM operating cash flow of 38.799, capex including capitalized software of 17.268, and FCF of 21.531. The Q2 2026 guide for full-year capex is 16.0 to 16.5 and for FCF growth is 9% to 10%. Base starts at 16.5 of capex and later rises to 17.25 to fund network quality and fiber; bull capex rises to 18.0 rather than treating growth as free; bear reaches 18.5 as weak revenue makes required integration and capacity spend more burdensome.

Because the controlling cash-flow package does not disaggregate every forward depreciation, deferred-tax, working-capital, and other noncash item, the model shows an explicit aggregate `NI-to-OCF cash bridge = OCF - net income`. This is not an operating-income plug and never changes statutory earnings. It simply preserves the sourced distinction between accrual earnings and cash flow. Starting net core debt is the filed 2026-06-30 amount of 163.479.

Outside-FCF uses include recurring spectrum cash of 1.0 in bear and 0.75 in base and bull, plus the disclosed 0.625 BT JV equalization payment in the assumed closing year. Bear delays that payment to 2028; base and bull place it in 2027. The repaired schedule also includes Verizon's approximately USD 3.1B cash payment after 2026-06-30 for 82 AWS-3 licenses valued at approximately USD 3.2B, exactly as disclosed in `data_package.md` line 370. The full 3.1 is added to the year ending 2027-06-30 in all scenarios. Debt change is `FCF - cash dividends - buybacks - outside-FCF uses`. Positive residuals reduce net core debt.

**RT resolution note — AWS-3 cash use:** The earlier S draft omitted this source-bound payment. The correction increases 2027 outside-FCF uses by 3.1 in bear, base, and bull, reduces 2027 debt reduction by 3.1, and carries 3.1 of additional net core debt through every later year. The funding source is not disclosed, so the model treats the payment conservatively as lower cash available for debt reduction while leaving gross borrowing and interest unchanged. This preserves source discipline: it records the certain cash/debt consequence without inventing a financing instrument. Buybacks remain fully funded after dividends and all repaired outside-FCF uses in every case.

### 12a. Bear cash and debt schedule

| Date | OCF | NI-to-OCF bridge | Capex | FCF | DPS | Dividend cash | Buybacks | Outside-FCF uses | Debt reduction | Net core debt |
|---|---|---|---|---|---|---|---|---|---|---|
| 2027-06-30 | 38.000 | 23.875 | 17.500 | 20.500 | 2.830 | 11.817 | 0.500 | 4.100 | 4.083 | 159.396 |
| 2028-06-30 | 37.000 | 24.073 | 18.000 | 19.000 | 2.830 | 11.841 | 0.500 | 1.625 | 5.034 | 154.361 |
| 2029-06-30 | 36.000 | 23.649 | 18.500 | 17.500 | 2.830 | 11.864 | 0.500 | 1.000 | 4.136 | 150.226 |
| 2030-06-30 | 35.000 | 23.037 | 18.500 | 16.500 | 2.830 | 11.887 | 0.500 | 1.000 | 3.113 | 147.113 |
| 2031-06-30 | 34.000 | 22.622 | 18.500 | 15.500 | 2.830 | 11.910 | 0.500 | 1.000 | 2.090 | 145.023 |

### 12b. Base cash and debt schedule

| Date | OCF | NI-to-OCF bridge | Capex | FCF | DPS | Dividend cash | Buybacks | Outside-FCF uses | Debt reduction | Net core debt |
|---|---|---|---|---|---|---|---|---|---|---|
| 2027-06-30 | 40.000 | 22.404 | 16.500 | 23.500 | 2.830 | 11.741 | 3.000 | 4.475 | 4.284 | 159.195 |
| 2028-06-30 | 41.500 | 22.041 | 16.500 | 25.000 | 2.887 | 11.851 | 3.000 | 0.750 | 9.399 | 149.796 |
| 2029-06-30 | 43.000 | 21.608 | 16.750 | 26.250 | 2.944 | 11.968 | 3.000 | 0.750 | 10.532 | 139.264 |
| 2030-06-30 | 44.500 | 21.425 | 17.000 | 27.500 | 3.003 | 12.091 | 3.000 | 0.750 | 11.659 | 127.605 |
| 2031-06-30 | 46.000 | 21.313 | 17.250 | 28.750 | 3.063 | 12.221 | 3.000 | 0.750 | 12.779 | 114.826 |

### 12c. Bull cash and debt schedule

| Date | OCF | NI-to-OCF bridge | Capex | FCF | DPS | Dividend cash | Buybacks | Outside-FCF uses | Debt reduction | Net core debt |
|---|---|---|---|---|---|---|---|---|---|---|
| 2027-06-30 | 41.000 | 21.076 | 16.000 | 25.000 | 2.830 | 11.713 | 4.000 | 4.475 | 4.812 | 158.667 |
| 2028-06-30 | 43.500 | 20.502 | 16.500 | 27.000 | 2.915 | 11.889 | 4.000 | 0.750 | 10.361 | 148.306 |
| 2029-06-30 | 46.000 | 20.125 | 17.000 | 29.000 | 3.002 | 12.084 | 4.000 | 0.750 | 12.166 | 136.140 |
| 2030-06-30 | 48.500 | 19.957 | 17.500 | 31.000 | 3.092 | 12.298 | 4.000 | 0.750 | 13.952 | 122.188 |
| 2031-06-30 | 51.000 | 19.958 | 18.000 | 33.000 | 3.185 | 12.529 | 4.000 | 0.750 | 15.721 | 106.467 |

Dividends are flat at USD 2.83 in bear, grow 2% annually after the first payment in base, and grow 3% in bull. These paths produce cumulative five-year cash distributions of USD 14.150, USD 14.727, and USD 15.025 per share. The bear does not assume a cut, but its freeze and minimal buyback recognize the pressure of falling FCF. The base keeps dividends and buybacks below FCF every year while debt falls. The bull is not allowed to divert all excess cash into repurchases; substantial deleveraging remains part of the favorable case.

## 13. Security return underwriting input schedule

This schedule is designed for independent CS and CSA recomputation. Every scenario uses the identical 2026-06-30 to 2031-06-30 five-year economic horizon and the exact USD 46.81 quote-packet price. Terminal valuation uses P/E because statutory EPS is fully reconciled. Terminal net core debt and diluted shares are still shown so that the balance-sheet and per-share claims remain auditable.

The exit P/E range is source-bound and conservative. The data package reports a current spot P/E of 12.19x on TTM GAAP EPS, while the ER2 valuation ceiling is 15x. Exit multiples are 8x bear, 10x base, and 12x bull. Even bull is below the observed 12.19x spot multiple and well below 15x; no return requires multiple expansion. Terminal equity value per share is `terminal statutory EPS × exit P/E`.

| Input or output | Bear | Base | Bull |
|---|---|---|---|
| Scenario probability | 30% | 50% | 20% |
| Start date | 2026-06-30 | 2026-06-30 | 2026-06-30 |
| Terminal date | 2031-06-30 | 2031-06-30 | 2031-06-30 |
| Horizon years | 5.000 | 5.000 | 5.000 |
| Current price per share | 46.81 | 46.81 | 46.81 |
| Terminal statutory EPS | 2.7008 | 6.2157 | 7.9331 |
| Exit P/E | 8.0x | 10.0x | 12.0x |
| Terminal equity value per share | 21.606 | 62.157 | 95.197 |
| Terminal diluted shares | 4,212.8M | 3,971.7M | 3,912.9M |
| Terminal net core debt | 145.023 | 114.826 | 106.467 |
| Dividend-growth assumption | 0.0% | 2.0% | 3.0% |
| Cumulative dividends per share | 14.150 | 14.727 | 15.025 |
| **Terminal shareholder wealth per share** | **35.756** | **76.884** | **110.222** |
| **Gross local USD annualized IRR** | **-5.245%** | **10.433%** | **18.682%** |

Scenario formula: `gross USD IRR = ((terminal equity value per share + cumulative dividends per share) / 46.81)^(1 / 5) - 1`.

The AWS-3 repair changes terminal net core debt but does not change EPS or terminal equity value per share. The exit method is P/E on reconciled statutory EPS, not an enterprise-value method, and no incremental interest is modeled without evidence of new gross borrowing. Share count, distributions, terminal shareholder wealth, and gross USD IRRs therefore remain exactly unchanged. If the terminal method were EV-based, the additional 3.1 of net debt would reduce terminal equity value dollar-for-dollar; this appendix does not mix that hypothetical method into the governed P/E schedule.

The probabilities sum to `30% + 50% + 20% = 100%`. Probability-weighted terminal shareholder wealth is `0.30 × 35.756405 + 0.50 × 76.884142 + 0.20 × 110.222313 = USD 71.213455 per share`. The required method is:

```
method = CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH
```

`probability-weighted gross USD IRR = (71.213455 / 46.81)^(1 / 5) - 1 = 8.753861%`.

This is not the arithmetic average of -5.245%, 10.433%, and 18.682%. The expected return is below the owner's 10% to 15% net-SGD target before tax, cost, and FX translation, even though the base gross USD scenario reaches the low end of that range.

## 14. Net-SGD diagnostic and actionability boundary

Net-SGD is assessed only as a bounded diagnostic, not as CIO actionability. The starting FX is 1.2898 SGD per USD, the latest Federal Reserve H.10 Singapore-dollar observation available before the information cutoff, dated 2026-07-24. The [Federal Reserve H.10 table](https://www.federalreserve.gov/releases/h10/hist/dat00_si.htm) identifies the units as SGD per USD. Terminal FX stresses are 1.20 bear, 1.29 base, and 1.38 bull. They are explicit paired scenarios, not point forecasts.

For tax, the [IRS nonresident-alien withholding page](https://www.irs.gov/individuals/international-taxpayers/federal-income-tax-withholding-and-reporting-on-other-kinds-of-us-source-income-paid-to-nonresident-aliens) states that U.S.-source dividends paid to a nonresident alien are generally subject to 30% withholding absent a lower treaty rate. The [IRS treaty list](https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z) does not list Singapore. This appendix therefore applies 30% dividend withholding only as a diagnostic assumption. The investor's actual residence, beneficial-owner status, account wrapper, W-8BEN status, and eligibility are not independently established.

Transaction-cost evidence is also bounded. [IBKR's U.S. stock schedule](https://www.interactivebrokers.com/en/pricing/commissions-stocks.php) lists fixed pricing of USD 0.005 per share with a USD 1 minimum, while [IBKR's spot-currency schedule](https://www.interactivebrokers.com/en/pricing/commissions-spot-currencies.php) lists 0.20 basis point with a USD 2 minimum at the first tier. Actual order size and broker are unknown, so the diagnostic uses a more conservative scale-free 15 basis points at entry and 15 basis points at exit for combined equity and FX execution. It does not claim that these are the user's actual costs.

All dividends are assumed to remain in USD after 30% withholding and convert with terminal proceeds. Entry SGD cost is `46.81 × 1.2898 × 1.0015 = SGD 60.4661`. Terminal net-SGD wealth is `(terminal share value + 70% of cumulative dividends) × terminal USD/SGD × 0.9985`.

| Net-SGD diagnostic | Bear | Base | Bull |
|---|---|---|---|
| Starting USD/SGD | 1.2898 | 1.2898 | 1.2898 |
| Terminal USD/SGD assumption | 1.20 | 1.29 | 1.38 |
| Net USD wealth after 30% dividend withholding | 31.511 | 72.466 | 105.715 |
| Terminal SGD wealth after exit cost | 37.757 | 93.341 | 145.668 |
| **Diagnostic net-SGD IRR** | **-8.988%** | **9.072%** | **19.226%** |

Probability-weighted terminal SGD wealth is `0.30 × 37.756966 + 0.50 × 93.340805 + 0.20 × 145.667673 = SGD 87.131027`. Its annualized return is `(87.131027 / 60.466101)^(1 / 5) - 1 = 7.580157%`, again using `CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH` rather than an average of IRRs.

These net-SGD diagnostics are also unchanged by the AWS-3 repair. They use the same P/E-derived terminal share values and dividend paths as the gross USD schedule; terminal net debt is a required disclosed input but is not subtracted a second time from an already equity-level P/E value.

**CIO actionability: NOT_ASSESSED.** The diagnostic is arithmetically complete, but personal tax status, actual brokerage/account wrapper, order notional, portfolio concentration, sector and factor exposure, existing holdings, and liquidity needs are not verified. Portfolio fit and sizing are therefore NOT_ASSESSED. This limitation does not affect the mandatory finite gross USD IRRs. Trade execution authorized remains false.

## 15. Tie-out checks

- **PASS — reported-financial and statutory-bridge tie-out.** TTM revenue is `107.236 + 28.205 + 3.779 - 0.325 = 138.895`. TTM statutory OI is `30.307 + 3.347 - 0.880 - 4.244 = 28.530`. FY2025 statutory OI is `29.628 + 2.870 - 0.818 - 2.421 = 29.259`. Residuals are zero. Sources: `quant_foundation.md` P4, `data_package.md` sections 2 and 3a, and sealed `statutory_bridge.json`.

- **PASS — NI, shares, listed unit, and FX equal EPS.** Bear is `11,377.997 / 4,212.824 × 1.0 × 1.0 = 2.7008`. Base is `24,686.660 / 3,971.681 × 1.0 × 1.0 = 6.2157`. Bull is `31,041.708 / 3,912.925 × 1.0 × 1.0 = 7.9331`. Source: section 5 and sealed quote packet.

- **PASS — segment sum at horizon.** Before named Corporate revenue and eliminations, the reportable-segment revenue sums are 127.527, 149.207, and 159.538. Adding the explicitly named Corporate and elimination lines produces 130.002, 149.357, and 159.688 exactly before rounding. Source: sections 2 and 3.

- **PASS — product-to-segment rollup.** Consumer displayed product revenue sums differ from reviewed scenario totals by at most 0.001 because of three-decimal display rounding and tie exactly on unrounded arithmetic. Business is NOT TRIGGERED for a product sum because its disclosed product and customer views overlap; its one current-perimeter financial line equals segment revenue exactly. Source: R-reviewed Consumer section 10 and Business sections 8 through 10.

- **PASS — weighted margin check.** Consumer bear contributions of 25.180, negative 0.337, and 0.393 total 25.236; base contributions of 33.574, 0.426, and 0.684 total 34.684; bull contributions of 37.557, 0.919, and 0.855 total 39.331. Dividing by reviewed revenue reproduces 24.74%, 29.12%, and 31.01%. Business is NOT TRIGGERED because no additive product-margin model is disclosed or fabricated. Source: R-reviewed Consumer sections 9 and 10 and Business section 9.

- **PASS — share count, security-unit path, and buyback funding.** `4,171M × 1.0 split factor / 1.0 listed-unit factor = 4,171M` starting listed-equivalent units. Each annual row satisfies `start - buyback cash × 1,000 / average price + issuance = end`. Five-year endings are 4,212.824M, 3,971.681M, and 3,912.925M. After the AWS-3 repair, 2027 residual debt reduction remains positive at 4.083, 4.284, and 4.812 in bear, base, and bull after FCF, dividends, buybacks, and all outside-FCF uses. No repurchase is funded by an arithmetic deficit. Source: quote packet and sections 6 and 12.

- **PASS — growth plausibility.** Consumer base revenue CAGR of 2.124% is below 1.2 times its 2.52% disclosed historical CAGR. Business base CAGR of 1.30% exceeds its negative comparable FY2022-FY2024 history, but the reviewed appendix explicitly justifies the inflection with current-perimeter H1 2026 growth of 2.22%, Q2 growth of 2.6%, and two quarters of 13% or better margin. Bull remains only 20% probable. Source: reviewed segment appendices sections 6 through 10.

- **PASS — historical and forecast arithmetic.** Consumer endpoints reproduce the reviewed five-year paths from the 107.236 TTM base, and Business endpoints reproduce CAGRs of negative 1.985%, positive 1.300%, and positive 2.999% from 28.205. Every annual Business OI equals revenue times its disclosed annual margin within display rounding. Consumer final product sums and weighted margins reconcile as shown in checks 4 and 5. N is exactly five years. Source: reviewed segment appendix section 10 tables.

- **PASS — recency anchor.** First-forward-year revenue moves by negative 1.49%, positive 0.97%, and positive 2.23% in bear, base, and bull from TTM, all within 10%. Bear and base OI moves are also within 10%. Bull OI rises 14.27%, but the reviewed appendices provide quantified primary-source evidence for the allowed step change; bull does not control the confident gate. Source: data package section 5 and segment appendix forward tables.

- **PASS — period and horizon integrity.** Consolidated TTM uses four non-overlapping quarters. Segment TTM uses like-for-like FY-minus-H1-plus-H1 arithmetic. Every forecast date advances from 2026-06-30 to 2031-06-30 in five one-year intervals. No row begins at FY2025 or compounds for six periods. Source: section 9, QF P4, and the Stage 0 record in `gate_manifest.json`.

- **PASS — valuation, unit bridge, packet hashes, probability arithmetic, and RT cash-use repair.** Quote hash `6cd171...b390` and statutory hash `8ab826...5f50` were recomputed and validator-matched. Listing, price, split, shares, class, depositary, and FX factors reproduce the packet. Scenario EPS times 15 equals 40.512, 93.235, and

118.997. Probabilities total 100%. Probability-weighted EPS is `0.30 × 2.7008 + 0.50 × 6.2157 + 0.20 × 7.9331 = 5.5047`. Cushions use only USD 46.81 per the same listed share. The 3.1 AWS-3 outflow appears once in 2027 cash uses, increases each terminal net-debt value by 3.1, and is not double-counted in capex, FCF, statutory EPS, or distributions. Base controls the P/E 15 result. Source: sections 1, 7, 11, 12, and 13.

## 16. Synthesis conclusion

The base model reaches 149.357 of revenue, 37.235 of statutory Operating Income, 24.687 of parent net income, and USD 6.216 of diluted EPS at 2031-06-30. Required EPS at P/E 15 is only USD 3.121, so the binary valuation gate passes with a 99.18% cushion. The AWS-3 repair raises terminal net core debt to 145.023, 114.826, and 106.467 in bear, base, and bull, but leaves statutory EPS unchanged because the cash funding source is undisclosed and no incremental gross borrowing or interest is fabricated. Because terminal valuation is EPS times P/E rather than EV-based, terminal equity per share and all return calculations also remain unchanged. The security-return result is much less exuberant than the P/E ceiling because the return schedule uses a 10x base exit P/E rather than 15x. Base gross USD IRR is 10.433%, while probability-weighted gross USD IRR is 8.754%. The bounded net-SGD diagnostic remains 7.580% probability-weighted after the stated FX, cost, and withholding assumptions.

The economic conclusion is therefore disciplined: Verizon may be statistically inexpensive on a five-year earnings basis, but its expected return does not independently clear the owner's net-SGD target and its moat and 2046 durability gates fail. A low multiple cannot substitute for high returns on capital, durable pricing power, or a management record that has not yet been established. No order, ranking, sizing proposal, portfolio mutation, or outbound message is authorized.

`SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED`

# Verizon Communications Inc. (VZ) - Diagnostic Compounder Score

**Analysis date:** 2026-08-02 SGT **Listing:** XNYS:VZ common share **Reporting / quote currency:** USD / USD **Price anchor:** USD 46.81, last completed exchange close on 2026-07-31 **Forecast anchor / horizon:** 2026-06-30 to 2031-06-30, exactly 5.000 years **Production stage:** CS, CompounderScorer **Trade execution authorized:** false

`trade_execution_authorized=false`

This score is a diagnostic application of the ER2 CompounderScorer rubric. It is not a fourth ER2 gate, does not determine the final ER2 BUY/WATCH/PASS verdict, and conveys no order, message, ranking, sizing, or portfolio authority. The controlling repaired synthesis is the exact file with SHA-256 `52cc936bf53158a91a215c439036bc8964999621fab1578aa45318c92354682b`.

## 1. Executive Verdict

**Compounder Score: 39 / 100. Business Quality Score: 31 / 80. Valuation / 20% Return Underwriting Score: 8 / 20. Score-implied classification: Reject.**

Verizon is a cash-generative, systemically relevant connectivity franchise, but the evidence does not support the high-ROIIC, long-run compounder profile this rubric is designed to find. The governed five-year statutory ROIC series is 10.86%, 9.80%, 6.76%, 9.37%, and 9.33%. Its median is 9.37%, and no year reaches 11%. NOPAT declined between FY2021 and FY2025 even as the governed invested-capital denominator increased. A strict three- or five-year ROIIC cannot be manufactured because complete net-capex, working-capital, capitalized-R&D, growth-opex, disposal, and acquisition-inclusive schedules are not disclosed in the governed package. The available endpoint diagnostic is negative, so missing precision cannot be used to award ROIIC points.

The qualitative gates reinforce the numerical diagnosis. Management is YELLOW: Dan Schulman's first ten months show better churn, cost control, guidance, debt repayment, and selective buybacks, but do not establish a through-cycle capital-allocation record. The Frontier transaction carries USD 22.3B of aggregate consideration and has not yet proved its return. The moat gate is FAIL and the 2046 test is FAIL. Verizon's spectrum, network, fiber, distribution, and trust are genuine barriers, yet scaled rivals possess similar assets, most consumer contracts are month-to-month, Business contains structurally declining services, and continuing reinvestment absorbs much of the economic rent.

Price is the strongest part of the case, but it does not cure quality. The governed P/E 15 gate passes: base terminal EPS of USD 6.2157 is comfortably above the USD 3.1207 required at the current price. The security-return model applies a more conservative 10x base exit P/E and produces only a 10.433192% gross USD base IRR. Probability-weighted gross USD IRR is 8.753861%, correctly calculated as the CAGR of probability-weighted terminal shareholder wealth. The diagnostic probability-weighted net-SGD result is 7.580157%. Neither clears a 20% hurdle. The score therefore remains Reject even though the stock is statistically inexpensive and distributes substantial cash.

## 2. Data Source Map

The scoring uses the already governed ER2 evidence chain. It does not replace official values with vendor-normalized metrics, and it does not re-fetch or mutate the sealed price packet.

| Evidence need | Controlling evidence | Period / treatment | Confidence |
|---|---|---|---|
| Price, listing, currency, share-unit bridge | `quote_packet.json`, SHA-256 `6cd17129cda062b5d163c13d56fe6ca6ef9a2232381bd8bf7d9c38f49010b390` | XNYS:VZ; USD 46.81 close on 2026-07-31; one financial share per listed share | High |
| Income statement and statutory earnings | `quant_foundation.md`, SHA-256 `416ec14b3b11ae1748a83dde6623b3ce356aeec822fc9420188d27ec92eb4644`; SEC filings controlled vendor conflicts | FY2021-FY2025 plus TTM 2026-06-30 | High |
| Balance sheet, debt, liquidity, enterprise value | `data_package.md`, SHA-256 `b3664d14021c41e23d61d1fdc6511dbe0c5fac34aa4335d7e710f669a64a2081` | FY2025 and 2026-06-30; mixed-date valuation proxies clearly labeled | High |
| Cash flow, capex, dividends, repurchases | Quantitative Foundation P6 and Data Package section 7 | FY2021-FY2025, H1 2026, and TTM | High |
| Diluted shares and per-share bridge | Sealed quote packet, Q2 2026 Form 10-Q, and synthesis share schedule | 4,171M starting diluted shares; scenario paths explicit | High |

| Evidence need | Controlling evidence | Period / treatment | Confidence |
|---|---|---|---|
| SBC and dilution | `appendix_management.md`, SHA-256 `94e605351a5760100e641e6f1259c70c3836ceb823f37ebe281f3888086e2f61`; 2026 proxy and 2025 Form 10-K | FY2021-FY2025 SBC; H1 2026 repurchases | High |
| Segment economics | R-reviewed Consumer and Business appendices, hashes `f8ea9c46480db0f4dceb7bc60a77ab02720359261d281506115a3b11bb8d419d` and `230397af3c00c9baede432706951b45b98996ceb566c493a8c6b87b0f316cddb` | Current-presentation FY2025 and TTM; 2031 scenarios | High |
| Statutory segment-profit bridge | `statutory_bridge.json`, SHA-256 `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50` | FY2025 and TTM; zero residuals | High |
| Management, capital allocation, incentives, governance | Management appendix; eight transcripts; 2026 proxy; SEC filings | Q3 2024-Q2 2026 and current leadership record | Medium-High |
| Moat, pricing, disruption, 2046 durability | `appendix_moat.md`, SHA-256 `a33275cd0b787c66013935e5a8c490030f5c63b12606568e1449732cc6307549`; reviewed segment appendices | Current operating evidence and explicit 2046 test | Medium-High |
| Market opportunity / TAM | Fiber passings, mobility and broadband disclosures in governed appendices | No independent all-in TAM is available; no management TAM is capitalized as fact | Medium-Low |
| Competitors and industry structure | Primary peer releases cited in the segment and moat appendices | AT&T, T-Mobile, cable, fiber, satellite, cloud / SASE context | Medium |
| Forecast, valuation, returns | `appendix_synthesis.md`, exact SHA-256 `52cc936bf53158a91a215c439036bc8964999621fab1578aa45318c92354682b` | Repaired 11/11 tie-outs; bear/base/bull and security wealth schedules | High |

The complete source inventory is preserved in `source_manifest.json`, SHA-256 `e5e8d71e8b321ee23361cf1e340135973eb59346b6e5b7f4b7f0890addd4780b`. Source confidence for the overall score is **Medium**: historical statements, price, returns, and statutory reconciliation are high-confidence, but strict ROIIC, segment invested capital, complete segment capex, R&D, cohort returns, Frontier ROIC, and a ten-year normalized series are unavailable.

# 3. Key Financial and Quality Metrics

## 3.1 Company and valuation identity

| Item | Value | Calculation / qualification |
|---|---|---|
| Current price | USD 46.81 | Sealed XNYS close |
| Diluted underwriting shares | 4,171M | Q2 2026 quote-basis diluted shares |
| Diluted equity-value proxy | USD 195.24B | 46.81 multiplied by 4.171B |
| Net core debt | USD 163.479B | Q2 2026 core debt less cash |
| Diluted enterprise-value proxy | USD 358.72B | Equity-value proxy plus net core debt |
| TTM revenue | USD 138.895B | Four non-overlapping quarters |
| TTM statutory Operating Income | USD 28.530B | Sealed bridge |
| TTM normalized NOPAT diagnostic | USD 21.877B | 28.530 multiplied by one minus 23.32% TTM effective tax rate |
| TTM free cash flow | USD 21.531B | Official OCF less official capex |
| EV / NOPAT | 16.40x | Diluted EV proxy divided by TTM NOPAT diagnostic |
| EV / EBIT | 12.57x | Diluted EV proxy divided by TTM statutory OI |
| EV / FCF | 16.66x | Diluted EV proxy divided by TTM FCF |
| FCF yield | 11.07% | Data Package basic-share market-cap proxy basis |
| Indicated dividend yield | 6.05% | USD 2.83 annualized DPS divided by USD 46.81 |
| Net core debt / statutory EBITDA | 2.92x | FY2025 filed basis |

### 3.2 Multi-period quality metrics

The five-observation column covers FY2021-FY2025; its CAGR spans four elapsed years. The three-year CAGR spans FY2022-FY2025. This prevents false precision about an unavailable ten-year cleaned history.

| Metric | Latest 1 year | 3-year span / window | Five observations | 10-year |
|---|---|---|---|---|
| Revenue growth / CAGR | 2.52% | 0.33% | 0.85% | Insufficient governed history |
| NOPAT growth / CAGR | 1.41% | -1.02% | -2.31% | Insufficient governed history |
| FCF growth / CAGR | 1.53% | 12.72% | 1.11% | Insufficient governed history |
| Governed ROIC | 9.33% | Median 9.33% for FY2023-FY2025 | Median 9.37% | Insufficient governed history |
| Strict ROIIC | Insufficient evidence | Insufficient evidence | Insufficient evidence | Insufficient evidence |
| FCF / NOPAT conversion | 88.57% | 95.50% aggregate | 83.75% aggregate | Insufficient governed history |
| Operating margin | 21.17% | 17.08%-21.17% | 17.08%-24.29% | Insufficient governed history |
| Diluted-share growth / CAGR | 0.19% | 0.21% | 0.48% | Insufficient governed history |
| SBC / revenue | 0.59% | 0.53%-0.59% | 0.40%-0.59% | Insufficient governed history |
| SBC / FCF | 4.05% | Approximately 2.8%-4.1% | Approximately 2.8%-4.1% | Insufficient governed history |
| Net debt / EBITDA | 2.92x | Not consistently rebuilt | 2.92x latest | Insufficient governed history |
| FCF yield | 11.07% spot | Not applicable | Not applicable | Not applicable |
| Dividend yield | 6.05% indicated | Not applicable | Not applicable | Not applicable |
| TTM gross buyback yield | 1.80% | H1 2026 repurchases annual-window numerator | Not a proven long-run rate | Not applicable |

The three-year FCF CAGR is flattered by the FY2022 trough. The five-observation CAGR of only 1.11% is a better long-run warning. Five-year aggregate CFO / net income is 2.10x, FCF / net income is 1.03x, and CFO / NOPAT is 1.71x. Cash conversion is genuine; it is not evidence of high incremental returns.

### 3.3 ROIC variants and accounting-artifact check

| FY2025 ROIC view | Result | Interpretation |
|---|---|---|
| Governed simple ROIC | 9.33% | NOPAT / core debt plus Verizon equity less cash |
| Including operating-lease liabilities | 8.51% | Adds USD 23.493B leases to invested capital; lower, not higher |
| Excluding goodwill only | 10.30% | Still below the 15% quality hurdle |
| Excluding all goodwill, licenses, and other intangibles | 42.70% | Rejected as non-economic: licensed spectrum and acquired assets are required operating capital |

Verizon's ROIC is not artificially high because invested capital is tiny. The opposite is true: the denominator properly reflects a very large network, spectrum, and acquisition capital base. Removing required spectrum would manufacture a software-like return from a telecom asset base and therefore receives no scoring credit.

## 4. Rubric Scorecard

| Category | Score | Maximum | Diagnostic conclusion |
|---|---|---|---|
| 1. Incremental Returns on Capital | 7 | 25 | Low governed ROIC; strict ROIIC unavailable and endpoint diagnostics negative |
| 2. Reinvestment Runway | 6 | 20 | Connectivity runway exists, but mature growth and low returns limit value creation |
| 3. Durability of Moat | 7 | 15 | Physical barriers are real; high-return durability and 2046 test fail |
| 4. Accounting Honesty and Financial Quality | 8 | 10 | Strong cash conversion and clean controls, offset by leverage and recurring charges |

| Category | Score | Maximum | Diagnostic conclusion |
|---|---|---|---|
| 5. Capital Allocation Discipline | 3 | 10 | Early improvement; legacy write-offs and unproved Frontier returns dominate |
| **Business Quality Score** | **31** | **80** | **Below the 65 / 80 investable-quality threshold** |
| 6. Price and 20% Return Underwriting | 8 | 20 | Cheap on P/E 15, but base and expected IRRs are far below 20% |
| **Compounder Score** | **39** | **100** | **Reject under this diagnostic rubric** |

## 4.1 Subcriterion scoring

| Criterion | Score | Maximum | Evidence-based reason |
|---|---|---|---|
| 1A. Normalized ROIC is high | 1 | 5 | Five-observation median is 9.37%, below 10% |
| 1B. ROIIC is high | 0 | 8 | Strict denominator is unavailable; negative endpoint diagnostics prohibit an evidence-free award |
| 1C. ROIIC is not deteriorating sharply | 0 | 3 | NOPAT fell while invested capital rose; no durable improvement series |
| 1D. Unit economics support returns | 1 | 3 | Consumer margins are strong, but consolidated capital intensity prevents high returns |
| 1E. Cash conversion is real | 3 | 3 | Five-observation aggregate FCF / NOPAT is 83.75% |
| 1F. ROIC is not an accounting artifact | 2 | 3 | Low return survives goodwill and lease checks; complete adjusted history is unavailable |
| 2A. Large remaining market opportunity | 2 | 5 | Fiber, convergence, FWA, and connectivity demand exist in a mature U.S. market |
| 2B. Proven ability to reinvest at scale | 1 | 5 | Scale is proven; value-accretive returns on that spend are not |
| 2C. Organic growth opportunity | 1 | 4 | Base consolidated revenue CAGR is only 1.463% |
| 2D. Repeatable expansion playbook | 1 | 3 | Fiber / convergence playbook has promising KPIs but limited seasoned evidence |
| 2E. Market structure supports long growth | 1 | 2 | Oligopoly supports relevance, while cable, fiber, and satellite constrain rents |
| 2F. Growth does not require ROIC collapse | 0 | 1 | Current ROIC is already below the quality hurdle and growth-capital returns are undisclosed |
| 3A. Clear source of advantage | 3 | 4 | Spectrum, dense network, fiber, distribution, and trust are concrete |
| 3B. Pricing power | 1 | 3 | Pricing is bundled with perks, plans, promotions, and FWA; ARPA evidence is mixed |
| 3C. Competitive evidence | 1 | 3 | Franchise persists, but scaled rivals actively contest network and bundle economics |
| 3D. Customer stickiness | 1 | 2 | Multi-line and device-credit friction exists; roughly 95% of wireless postpaid contracts are month-to-month |
| 3E. Resilience through stress | 1 | 2 | FCF persisted, but Business impairments and margin pressure are economically relevant |
| 3F. Low disruption risk | 0 | 1 | Physical access is protected; Business workflow and control-plane value are exposed |
| 4A. Clean revenue and earnings quality | 1 | 2 | Statutory bridge is clean, but recurring special charges and vendor classification defects require care |

| Criterion | Score | Maximum | Evidence-based reason |
|---|---|---|---|
| 4B. Cash flow supports earnings | 2 | 2 | Aggregate FCF / net income is 1.03x and CFO / net income is 2.10x |
| 4C. Conservative SBC and dilution | 2 | 2 | FY2025 SBC is 0.59% of revenue; long-run share creep is modest |
| 4D. Balance-sheet strength | 1 | 2 | Cash generation is substantial, but net debt is USD 163.479B and tangible book is negative |
| 4E. Transparent disclosures | 1 | 1 | Segment and statutory data reconcile; missing cohort and segment-capital data are plainly identified |
| 4F. No governance / accounting red flags | 1 | 1 | Effective controls, no restatement, independent chair, and no material related-party flag |
| 5A. Rational reinvestment priority | 1 | 2 | Network investment is coherent; realized returns remain low |
| 5B. Acquisition discipline | 0 | 2 | Legacy media write-offs and unproved Frontier / Starry returns |
| 5C. Buyback discipline | 1 | 2 | Repurchases restarted within cash capacity, but value creation is not yet established |
| 5D. Incentive alignment | 1 | 2 | Per-share and FCF exposure exists, but ROIC, leverage, and Frontier returns are absent |
| 5E. Owner mentality | 0 | 1 | CEO had zero beneficially owned shares at the proxy measurement date |
| 5F. Evidence from past decisions | 0 | 1 | Historical allocation did not produce hurdle ROIC |
| 6A. Base-case IRR at least 20% | 2 | 6 | Base gross USD IRR is 10.433192% |
| 6B. Conservative exit multiple | 2 | 4 | Base uses 10x versus 12.19x spot, but still does not clear 20% |
| 6C. Bear case acceptable | 0 | 3 | Bear gross USD IRR is -5.244802% |
| 6D. Reverse-DCF hurdle beatable | 0 | 3 | Flat-multiple framework requires about 20% NOPAT CAGR; base modeled NOPAT CAGR is 5.56% |
| 6E. Multiple does not price perfection | 2 | 2 | P/E 15 gate passes; spot P/E is 12.19x and FCF yield is 11.07% |
| 6F. Cash returns help | 2 | 2 | 6.05% indicated dividend yield materially supports terminal wealth |

## 5. ROIIC and Reinvestment Analysis

The evidence does not support a rubric-compliant numerical three- or five-year ROIIC. Verizon does not disclose complete segment capex, invested capital, depreciation, working-capital reinvestment, or R&D. The consolidated package also cannot cleanly split maintenance from growth capex, capitalize R&D, or assign spectrum and acquisition spend to annual NOPAT cohorts. A precise ROIIC percentage would therefore be false precision.

Two non-rubric endpoint diagnostics show the direction. From FY2021 to FY2025, NOPAT declined from USD 24.946B to USD 22.724B while governed invested capital rose from USD 229.737B to USD 243.562B. The ratio of delta NOPAT to delta invested capital is negative 16.07%. From FY2022 to FY2025, NOPAT declined USD 0.713B while invested capital rose USD 4.384B, a negative 16.26% endpoint ratio. These are not substitutes for cumulative-reinvestment ROIIC; they are guardrails against awarding points when the disclosed outcomes move in the wrong direction.

The cash-deployment evidence is equally sobering. FY2021-FY2025 capex totals roughly USD 96.2B, while wireless-license purchases total roughly USD 58.4B and business M&A cash spend is additional. Depreciation and disposals must be netted for strict reinvestment, so these gross amounts cannot be inserted into the ROIIC formula. They nonetheless show why spectrum cannot be excluded from invested capital. Frontier adds USD 22.3B of aggregate consideration in 2026 and is not yet seasoned enough for acquisition-inclusive ROIIC. Accordingly, 1B scores zero, 1C scores zero, and the strict ROIIC fields remain null in JSON.

The reverse-DCF diagnostic reinforces the gap. With current EV / NOPAT near 16.40x, earning 20% annually through enterprise value alone requires roughly 20% NOPAT CAGR if that multiple is unchanged. At 15x, 12x, and 10x exit EV / NOPAT, the required CAGRs rise to about 22.16%, 27.73%, and 32.48%. By contrast, the synthesis base case implies about 5.56% NOPAT CAGR from the TTM diagnostic to 2031. Dividends and deleveraging improve shareholder returns, but they cannot convert that operating path into a 20% base IRR.

## 6. Runway Analysis

Verizon has a long operating runway in the literal sense: households, enterprises, public agencies, and networks will still need connectivity. Frontier expands fiber reach, FWA and fiber broaden broadband distribution, and network density can support convergence. AI may increase traffic and demand for reliable access. Those facts justify runway points.

They do not establish a large high-return reinvestment runway. The base synthesis grows consolidated revenue from USD 138.895B to USD 149.357B, only 1.463% annually. Consumer drives almost all profit and requires continuing network, spectrum, promotion, and fiber investment. Business has stabilized on its current perimeter, but legacy voice, data, wholesale, and managed-network services remain exposed to substitution and buyer power. The BT joint venture is partly an admission that international wireline economics were not adequate as a wholly owned operation.

The test is value creation per dollar, not homes passed or traffic carried. Management has not disclosed fiber cohort returns, full acquisition / retention economics, Frontier ROIC, or an AI-capital return schedule. The score therefore gives credit for addressable demand and a plausible operating playbook, but little credit for proven high-return reinvestment at scale.

## 7. Moat Analysis

The moat can be explained in one paragraph. Verizon owns scarce licensed spectrum, a dense nationwide radio and fiber network, backhaul, local rights, a broad distribution system, and a trusted brand. Those assets are expensive to reproduce and support multi-line and converged customer relationships. However, AT&T and T-Mobile possess comparable national scale, cable operators bundle mobile and broadband, fiber overbuilders and satellite attack selected access markets, most Verizon service contracts remain cancellable, and cloud / SASE platforms can abstract the higher-value Business layer. The assets protect continued relevance more reliably than excess returns.

That distinction controls scoring. The Moat appendix's FAIL and 2046 FAIL are not ignored merely because Verizon is likely to survive. Consumer's TTM margin of about 28.3% is strong evidence of franchise resilience, but consolidated ROIC stayed below 11%, Business suffered a USD 5.8B goodwill impairment in FY2023, and ongoing capacity and standards upgrades continually consume capital. Pricing actions are visible, yet disclosed revenue gains combine price, plan mix, perks, promotions, and FWA. Q2 2026 postpaid ARPA fell even as churn improved. The evidence supports a moderate physical barrier, not a high-return twenty-year moat.

## 8. Accounting and Capital Allocation Analysis

Financial quality is the best business-quality category. QFR and DR sealed a zero-residual statutory bridge. Official filings override material FMP classification errors. Cash conversion is healthy: five-observation aggregate FCF / NOPAT is 83.75%, FCF / net income is 1.03x, and TTM FCF is USD 21.531B. SBC is small at 0.59% of FY2025 revenue and about 4.05% of FCF. Share-count growth from FY2021 to FY2025 was only 0.48% annually, and H1 2026 repurchases reduced the current share base.

The deductions are economic, not allegations of accounting misconduct. TTM special operating charges total USD 4.244B, and the base case still carries USD 0.810B at the horizon. Net core debt is USD 163.479B. FY2025 tangible book value is negative after goodwill, licenses, and other intangibles. These characteristics require a conservative balance-sheet score even though liquidity and cash flow are adequate.

Capital allocation remains unresolved. Management sensibly deferred buybacks during the heavy leverage period and now caps them below available FCF after dividends. Schulman's early operating reset and BT remediation are constructive. But historical spectrum and network outlays did not generate hurdle ROIC, legacy media acquisitions ended in write-downs and disposal, Frontier returns are undisclosed, and the CEO incentive design omits ROIC and leverage. Management YELLOW is therefore reflected as partial, not full, credit.

## 9. 20% Return Underwriting

### 9.1 Gross local-USD return bridge

All scenario values below are reproduced from, then independently recalculated against, the hash-bound synthesis. Terminal equity value is terminal statutory EPS multiplied by exit P/E. Terminal shareholder wealth is terminal equity value plus cumulative dividends. All IRRs are finite.

| Input / output | Bear | Base | Bull |
|---|---|---|---|
| Probability | 30% | 50% | 20% |
| Current price | 46.81 | 46.81 | 46.81 |
| Start date | 2026-06-30 | 2026-06-30 | 2026-06-30 |
| Terminal date | 2031-06-30 | 2031-06-30 | 2031-06-30 |
| Horizon years | 5.000 | 5.000 | 5.000 |
| Terminal statutory EPS | 2.7008 | 6.2157 | 7.9331 |
| Exit P/E | 8.0x | 10.0x | 12.0x |
| Terminal equity value / share | 21.606 | 62.157 | 95.197 |
| Terminal diluted shares | 4,212.8M | 3,971.7M | 3,912.9M |
| Terminal net core debt | USD 145.023260B | USD 114.825502B | USD 106.467424B |
| Cumulative dividends / share | 14.150 | 14.727 | 15.025 |
| Terminal shareholder wealth / share | 35.756405 | 76.884142 | 110.222313 |
| **Gross local USD annualized IRR** | **-5.244802%** | **10.433192%** | **18.682361%** |

Independent formulas:

- Bear: `(35.756405 / 46.81)^(1 / 5.000) - 1 = -5.244802%`.
- Base: `(76.884142 / 46.81)^(1 / 5.000) - 1 = 10.433192%`.
- Bull: `(110.222313 / 46.81)^(1 / 5.000) - 1 = 18.682361%`.
- Expected terminal wealth: `30% x 35.756405 + 50% x 76.884142 + 20% x 110.222313 = USD 71.2134551`.
- Probability-weighted gross USD IRR: `(71.2134551 / 46.81)^(1 / 5.000) - 1 = 8.753861%`.

The method identifier is exactly `CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH`. The arithmetic probability-weighted average of scenario IRRs would be 7.379627%; that number is shown only to demonstrate the prohibited shortcut and is not used anywhere in the score or JSON.

The repaired debt schedule records Verizon's disclosed one-time USD 3.1B cash payment after 2026-06-30 for 82 AWS-3 licenses. It raises every terminal net-core-debt outcome by USD 3.1B, producing the exact bear / base / bull balances of USD 145.023260B, USD 114.825502B, and USD 106.467424B. The funding source was not disclosed. The model therefore conservatively reduces cash available for debt repayment and does not invent incremental gross borrowing or interest expense. Because the governed terminal method is statutory EPS multiplied by exit P/E, not enterprise value less net debt, this cash-use correction does not change statutory EPS, exit P/E, terminal equity value per share, diluted shares, dividends, or terminal shareholder wealth. CS independently rechecked those identities and all gross USD and net-SGD IRRs remain unchanged. Net debt is disclosed as an audit input and is not subtracted a second time from an already equity-level P/E value.

The maximum purchase price for a 20% base-case IRR is `76.884142 / 1.20^5 = USD 30.898012`. On probability-weighted wealth it is USD 28.619090. Even the bull terminal wealth supports only USD 44.295876 at a 20% hurdle, below the current USD 46.81. Conversely, reaching 20% from the current price in base would require terminal wealth of about USD 116.46, well above the modeled USD 76.88.

## 9.2 Diagnostic net-SGD return bridge

This is a bounded diagnostic, not a CIO actionability assessment. Assumptions are: starting FX of 1.2898 SGD per USD; terminal FX of 1.20 / 1.29 / 1.38 in bear / base / bull; 30% U.S. dividend withholding; 15 basis points of entry cost and 15 basis points of exit cost; dividends remain in USD until conversion with terminal proceeds. Personal residence, beneficial-owner status, W-8BEN status, tax wrapper, actual broker, order size, and portfolio facts are unverified.

Entry wealth is `46.81 x 1.2898 x 1.0015 = SGD 60.466101` per share. The calculations use the synthesis's unrounded terminal components; recomputing from displayed three-decimal equity values can create immaterial

sub-basis-point differences.

| Diagnostic input / output | Bear | Base | Bull |
|---|---|---|---|
| Terminal SGD wealth after withholding and exit cost | 37.756966 | 93.340805 | 145.667673 |
| **Diagnostic net-SGD IRR** | **-8.988343%** | **9.071658%** | **19.225799%** |

Probability-weighted terminal SGD wealth is `30% x 37.756966 + 50% x 93.340805 + 20% x 145.667673 = SGD 87.131027`. Its CAGR is `(87.131027 / 60.466101)^(1 / 5.000) - 1 = 7.580157%`, again using `CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH` rather than an average of scenario IRRs.

Portfolio fit, concentration, sector / factor exposure, liquidity needs, existing holdings, and sizing remain **NOT_ASSESSED**. Trade execution authorized is false.

## 10. Hard Veto Checklist

| Hard-veto test | Result | Reason |
|---|---|---|
| 1. ROIIC below cost of capital with no credible path | FAIL | Strict ROIIC is unavailable, governed ROIC is sub-11%, and endpoint diagnostics are negative |
| 2. High ROIC caused by tiny / negative invested capital | PASS | Reported ROIC is low on a large economic capital base |
| 3. Growth requires persistent external financing | WATCH | FCF is strong, but debt and the Frontier funding burden are substantial |
| 4. Material share growth without per-share value | PASS | FY2021-FY2025 share CAGR is only 0.48%; H1 2026 repurchases reduced shares |
| 5. Large acquisitions without disclosed returns | FAIL | Frontier ROIC and cohort returns are not disclosed; legacy media allocation destroyed value |
| 6. FCF structurally lags earnings | PASS | Multi-year FCF conversion supports earnings |
| 7. Regulation, leverage, or disruption can permanently impair equity | WATCH | Physical franchise is resilient, but leverage, regulation, and Business substitution are material |
| 8. 20% case requires multiple expansion | FAIL | Base at 10x earns 10.43%; a 20% base outcome requires much better economics or a higher terminal multiple |
| 9. Flawless execution required to justify today's price at target return | FAIL | P/E 15 passes, but today's price does not support the rubric's 20% return without an outcome beyond base |
| 10. Moat cannot be explained precisely | PASS | The physical moat is explainable, though it fails the high-return durability bar |
| 11. Accounting / governance issues impair trust | PASS | Effective controls and clean statutory reconciliation; no decisive trust red flag |
| 12. Balance-sheet risk could wipe out equity in downturn | WATCH | Stable cash flow reduces wipeout risk, but USD 163.5B net core debt warrants monitoring |

The presence of hard vetoes means the classification remains Reject even if arithmetic scoring were moderately more generous. This is exactly why the favorable P/E 15 result cannot override business-quality evidence.

## 11. Final Decision

**Score-implied classification: Reject.** This means Verizon does not qualify as a high-ROIIC compounder at the current evidence set and price under a 20% return rubric. It does not mean the business is insolvent, the dividend is necessarily unsafe, or the P/E 15 calculation failed. It means the combination of low historical ROIC, unavailable / adverse ROIIC evidence, failed moat and 2046 gates, an unseasoned management record, and sub-hurdle expected returns is insufficient.

Evidence that could improve the diagnostic includes three consecutive fiscal years of governed ROIC at least 15%; demonstrated incremental ROIC above 20%; Frontier synergy and cohort-return disclosure; Consumer margin at least 29% with service growth at least 3% and phone churn at or below 0.85%; Business margin above 10% without repeated restructuring; statutory FCF per share growth while net core debt / EBITDA falls; and explicit ROIC / leverage measures in long-term compensation. A lower price alone could improve the return score, but it would not repair Moat FAIL or turn sub-hurdle ROIC into a quality pass.

Compounder Score note: 39/100 - Reject; favorable P/E and cash yield do not offset low ROIC, failed moat durability, hard vetoes, and an 8.75% probability-weighted gross USD IRR.

Business Quality Score note: 31/80 - cash conversion and physical barriers are real, but five-year median ROIC is 9.37%, strict ROIIC is unsupported, Management is YELLOW, and Moat / 2046 are FAIL.

20% Return UW Score note: 8/20 - base gross USD IRR is 10.433192%, bear is -5.244802%, and probability-weighted gross USD IRR is 8.753861%; the 20% hurdle does not clear.

This diagnostic makes no final ER2 verdict. CIO actionability, portfolio fit, and sizing are NOT_ASSESSED. No order, trade, broker action, portfolio mutation, outbound message, ranking, or sizing proposal is authorized.

## 12. Machine-Readable JSON

The complete machine-readable score is stored in `compounder_score.json`. It includes the full score tree, threshold tests, hard-veto statuses, exact scenario return bridge, gross local-USD and diagnostic net-SGD calculations, governed input hashes, data gaps, and explicit authority flags. Percent fields are stored as percentage points, not decimal fractions. Unknown strict ROIIC and reinvestment-rate fields are `null`, never zero.

# Verizon Communications Inc. (VZ) - Scoring Audit

**Analysis date:** 2026-08-02 **Role:** CSA / Scoring Auditor **Scope:** Independent diagnostic audit of the hash-bound CompounderScorer artifacts against the governed ER2 evidence chain. This audit controls only the Stage 7 diagnostic score rows. It does not make or revise the final ER2 verdict, and it cannot override Management YELLOW, Moat FAIL, the 2046 FAIL, or the separate P/E 15 gate.

The audited result is **37/100 = 31/80 Business Quality + 6/20 Valuation / 20% Return Underwriting, Reject**. The original 39/100 arithmetic was internally consistent, but the original 6B score retained two points even though a 20% base return requires major terminal multiple expansion. All core historical, scenario, terminal-wealth, gross-USD, and diagnostic net-SGD calculations otherwise clear independent recomputation.

This same-worker dependency repair binds the audit to repaired S SHA-256 **52cc936bf53158a91a215c439036bc8964999621fab1578aa45318c92354682b**, repaired CS Markdown SHA-256 **3220c7730c401757f0849b1f623628fdfedd62c50d0a7bbe976f5baeffaba311**, and repaired CS JSON SHA-256 **844ba724b3fd3d78631b40841dba5c52daead1395da08ffbc22056925ae34f9f**. All other governed source hashes remain unchanged and match disk.

## 1. Original vs Audited Scores

| Item | Original | Audited | Notes |
|---|---|---|---|
| Business Quality Score / 80 | 31 | 31 | Original score is already capped for low ROIC, missing strict ROIIC, acquisition uncertainty, Management YELLOW, Moat FAIL, and 2046 FAIL |
| Valuation / 20% Return UW Score / 20 | 8 | 6 | 6B falls from 2 to 0 because the 20% base case needs about 16.37x exit P/E |
| Total Score / 100 | 39 | 37 | Score sum verified |
| Classification | Reject | Reject | Below 70, 20% hurdle fails, and audited hard vetoes remain |

The original Markdown and JSON agree on 31/80, 8/20, 39/100, Reject, and all scenario returns. They also agree on a USD 30.898012 maximum base-case purchase price for a 20% IRR, USD 28.619090 on probability-weighted wealth, and probabilities of 30% bear / 50% base / 20% bull. The original CS files remain unchanged because the CSA contract publishes audited corrections in the separate audit artifacts.

## 2. Score Reductions and Reasons

Only one numerical reduction is required. Category 6B, Conservative exit multiple, is reduced from 2/4 to 0/4. The governed base model uses a conservative 10x exit P/E and produces 10.433192%, not 20%. To earn 20% from USD 46.81 over five years, base terminal shareholder wealth must be USD 116.478259 per share. After the governed USD 14.727 cumulative dividends, the required terminal equity value is about USD 101.751 per share. Dividing by base terminal EPS of approximately USD 6.2157 requires a **16.37x exit P/E**. That is 63.7% above the base 10x assumption, 34.3% above the 12.19x spot P/E, and above the ER2 15x ceiling. This is major, not mild, terminal expansion. The CSA cap therefore requires 6B to be zero.

All Business Quality points are preserved. This is not generosity: the original scorer already applied the important caps. Strict 3-year, 5-year, and acquisition-inclusive ROIIC are null, so 1B is zero. The adverse endpoint diagnostics leave 1C at zero. Frontier and legacy media outcomes leave 5B at zero. FCF conversion is tested over five observations, SBC is treated as a real cost, diluted shares are modeled in each return scenario, and qualitative runway/moat points remain well below 60% of their maxima where evidence is mixed.

| Category | Original | Audited | Audit conclusion |
|---|---|---|---|
| 1. Incremental Returns on Capital | 7/25 | 7/25 | Low ROIC and missing strict ROIIC are already penalized |
| 2. Reinvestment Runway | 6/20 | 6/20 | Long connectivity runway does not prove high-return reinvestment |
| 3. Durability of Moat | 7/15 | 7/15 | Physical barriers are real, but Moat and 2046 remain FAIL |

| Category | Original | Audited | Audit conclusion |
|---|---|---|---|
| 4. Accounting and Financial Quality | 8/10 | 8/10 | Five-year cash conversion, low SBC, and clean controls support the score |
| 5. Capital Allocation | 3/10 | 3/10 | Frontier returns, legacy allocation, and incentives remain unresolved |
| 6. Price and 20% Underwriting | 8/20 | 6/20 | 6B is removed for major required terminal expansion |

## Evidence status by every rubric subcategory

| Subcategory | Status | Audited points | Treatment |
|---|---|---|---|
| 1A Normalized ROIC | Supported | 1/5 | Five-observation median is 9.37%, matching the rubric's below-10% band |
| 1B ROIIC | Missing data | 0/8 | Required cumulative-reinvestment denominator is unavailable |
| 1C ROIIC trend | Missing data | 0/3 | No valid 3-year and 5-year ROIIC series; endpoint direction is adverse |
| 1D Unit economics | Partly supported | 1/3 | Consumer economics are strong, but segment capital and cohort returns are absent |
| 1E Cash conversion | Supported | 3/3 | Five-observation aggregate FCF / NOPAT is 83.752721% |
| 1F Not an accounting artifact | Partly supported | 2/3 | Goodwill and lease variants are tested; R&D and full adjusted history are missing |
| 2A Market opportunity | Partly supported | 2/5 | Fiber, FWA, and convergence exist in a mature, contested U.S. market |
| 2B Reinvestment at scale | Partly supported | 1/5 | Spend and scale are proven; value-accretive returns are not |
| 2C Organic opportunity | Supported | 1/4 | Base consolidated revenue CAGR is only about 1.46% |
| 2D Repeatable playbook | Partly supported | 1/3 | Fiber/convergence KPIs are promising but not seasoned return evidence |
| 2E Market structure | Supported | 1/2 | Oligopoly supports relevance while cable, fiber, and satellite constrain rents |
| 2F Growth without ROIC collapse | Missing data | 0/1 | Current ROIC is low and marginal capital returns are undisclosed |
| 3A Clear advantage | Supported | 3/4 | Spectrum, network density, fiber, distribution, and trust are concrete barriers |
| 3B Pricing power | Partly supported | 1/3 | Price, plans, perks, promotions, FWA, and ARPA effects cannot be isolated |
| 3C Competitive evidence | Supported | 1/3 | Persistent franchise evidence is offset by scaled peer competition |
| 3D Customer stickiness | Supported | 1/2 | Bundling and device credits help, but about 95% of wireless postpaid is month-to-month |
| 3E Stress resilience | Supported | 1/2 | Cash flow persisted; Business impairment and margin pressure remain material |
| 3F Low disruption risk | Supported | 0/1 | Physical access is durable, while Business workflow/control-plane exposure is real |
| 4A Clean earnings quality | Supported | 1/2 | Statutory bridge is clean; recurring special charges and vendor defects reduce credit |
| 4B Cash flow supports earnings | Supported | 2/2 | Five-year CFO / NI is 2.100139x and FCF / NI is 1.026201x |
| 4C SBC and dilution | Supported | 2/2 | FY2025 SBC is 0.59% of revenue; share CAGR is 0.484420%; dilution is modeled |

| Subcategory | Status | Audited points | Treatment |
|---|---|---|---|
| 4D Balance sheet | Supported | 1/2 | Cash generation is strong, but USD 163.479B net core debt is material |
| 4E Disclosure | Partly supported | 1/1 | Filed/statutory disclosure reconciles; decision-critical cohort data are explicitly absent |
| 4F Governance/accounting flags | Supported | 1/1 | Effective controls and no decisive restatement or related-party flag |
| 5A Reinvestment priority | Partly supported | 1/2 | Network priority is coherent; realized return evidence is weak |
| 5B Acquisition discipline | Supported | 0/2 | Frontier returns are undisclosed and legacy media allocation destroyed value |
| 5C Buyback discipline | Partly supported | 1/2 | Repurchases are cash-bounded, but per-share value creation is not seasoned |
| 5D Incentive alignment | Partly supported | 1/2 | EPS/FCF exposure exists; ROIC, leverage, and Frontier-return metrics do not |
| 5E Owner mentality | Supported | 0/1 | CEO beneficial ownership was zero at the proxy measurement date |
| 5F Past decisions | Supported | 0/1 | Historical capital allocation did not produce hurdle ROIC |
| 6A Base IRR | Supported | 2/6 | Base gross USD IRR is 10.433192%, inside the rubric's 10%-15% band |
| 6B Conservative exit | Calculation error | 0/4 | A 20% base return needs 16.37x P/E, a major expansion |
| 6C Bear acceptable | Supported | 0/3 | Bear gross USD IRR is -5.244802% |
| 6D Reverse DCF | Supported | 0/3 | Flat EV/NOPAT needs about 20% NOPAT CAGR versus 5.56% base modeled |
| 6E Price not perfection | Supported | 2/2 | Spot P/E is 12.19x, P/E 15 gate passes, and FCF yield is about 11.07% |
| 6F Cash returns | Supported | 2/2 | The 6.05% indicated dividend yield materially supports terminal wealth |

## 3. Unsupported Claims

The evidence does not support retaining two points in 6B. A modeled 10x exit is conservative, but the subcategory is part of 20% underwriting; the relevant question is what exit multiple is required to clear 20%. That answer is about 16.37x.

Three original hard-veto labels also require semantic calibration. First, missing strict ROIIC plus negative endpoint diagnostics do not prove the full compound statement “ROIIC below cost of capital with no credible path to improvement”; that item is audited to Insufficient Evidence, with adverse direction. Second, a one-time Frontier financing burden does not establish that ordinary growth requires persistent external financing; strong FCF supports Pass. Third, USD 163.479B of net core debt deserves monitoring, but 2.92x statutory net debt / EBITDA and resilient FCF do not support a balance-sheet wipeout veto; that item is Pass.

No score is being added because of those status calibrations. Hard vetoes 5, 8, and 9 still fail, and the score remains far below 70.

## 4. Calculation Errors

The calculation break is scoring interpretation, not return arithmetic. Independent recomputation produced:

| Calculation | Audited result | Conclusion |
|---|---|---|
| FY2025 governed NOPAT | USD 22.724B | Filed OI and normalized tax calculation ties |
| TTM normalized NOPAT | USD 21.876804B | USD 28.530B times one minus 23.32% |
| Five-observation median ROIC | 9.37% | Ties |
| FY2025 ROIC including leases | 8.5091% | Ties |
| FY2025 ROIC excluding goodwill | 10.2954% | Ties |

| Calculation | Audited result | Conclusion |
|---|---|---|
| Five-observation aggregate FCF / NOPAT | 83.752721% | Ties |
| FY2021-FY2025 diluted-share CAGR | 0.484420% | Ties |
| FY2025 SBC / revenue; SBC / FCF | 0.589763%; 4.049488% | Ties |
| Current EV / TTM NOPAT | 16.3973x | Ties |
| Reverse DCF required NOPAT CAGR at flat multiple | 20.0000% | Ties |
| Reverse DCF required NOPAT CAGR at 12x exit | 27.7319% | Ties |

Strict 3-year, 5-year, organic, and acquisition-inclusive ROIIC remain null. The FY2021-FY2025 and FY2022-FY2025 delta-NOPAT / delta-capital figures of about -16.07% and -16.26% are correctly labeled directional endpoint diagnostics, not valid ROIIC substitutes.

## Owner return mandate audit

| Input / output | Bear | Base | Bull |
|---|---|---|---|
| Probability | 30% | 50% | 20% |
| Current price | USD 46.81 | USD 46.81 | USD 46.81 |
| Horizon | 5.000 years | 5.000 years | 5.000 years |
| Terminal statutory EPS | 2.7008 | 6.2157 | 7.9331 |
| Exit P/E | 8.0x | 10.0x | 12.0x |
| Terminal equity value / share | 21.606 | 62.157 | 95.197 |
| Terminal diluted shares | 4,212.8M | 3,971.7M | 3,912.9M |
| Terminal net core debt | USD 145.023260B | USD 114.825502B | USD 106.467424B |
| Cumulative dividends / share | 14.150 | 14.727 | 15.025 |
| Terminal shareholder wealth / share | 35.756405 | 76.884142 | 110.222313 |
| **Gross local USD IRR** | **-5.244802%** | **10.433192%** | **18.682361%** |

Terminal shares reproduce the annual issuance/repurchase recurrences. Terminal net core debt reproduces starting USD 163.479B less each scenario's five annual debt reductions after the repaired AWS-3 cash use. Dividend sums reproduce flat USD 2.83 bear DPS, 2% base growth, and 3% bull growth. Terminal equity per share reproduces terminal EPS times exit P/E; terminal wealth then adds cumulative dividends.

The RT-driven repair records Verizon's disclosed one-time **USD 3.1B AWS-3 cash payment** in the year ending 2027-06-30 as an outside-FCF use in all scenarios. It reduces cash available for debt repayment by USD 3.1B and raises every terminal net-core-debt balance by exactly USD 3.1B. Independent recurrence from the USD 163.479B starting balance, scenario FCF, average-share dividend cash, buybacks, and outside-FCF uses produces **USD 145.023260B / USD 114.825502B / USD 106.467424B** for bear/base/bull. The funding source is undisclosed, so S and CS correctly do not invent incremental gross borrowing or interest expense. The governed exit method is **terminal statutory EPS times exit P/E**, not enterprise value less net debt; therefore net debt is disclosed but is not subtracted a second time. EPS, exit P/E, terminal equity value per share, diluted shares, dividends, terminal wealth, and all gross USD and diagnostic net-SGD IRRs remain unchanged and finite.

Expected terminal USD shareholder wealth is exactly:

0.30 x 35.756405 + 0.50 x 76.884142 + 0.20 x 110.222313 = **USD 71.2134551**.

The audited probability-weighted gross USD IRR is:

(71.2134551 / 46.81)^(1 / 5) - 1 = **8.753861%**.

The method is exactly **CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH**. The prohibited probability-weighted average of scenario IRRs is about 7.379627% and is not used.

The bounded net-SGD diagnostic also ties. Starting cost is SGD 60.466101 per share. Terminal SGD wealth is 37.756966 / 93.340805 / 145.667673, producing bear/base/bull IRRs of **-8.988343% / 9.071658% / 19.225799%**. Probability-weighted terminal SGD wealth is SGD 87.131027 and its wealth CAGR is **7.580157%**, again using **CAGR_OF_PROBABILITY_WEIGHTED_TERMINAL_WEALTH**.

## 5. Missing Data

The most important missing evidence is a rubric-compliant cumulative-reinvestment bridge for strict 3-year, 5-year, organic, and acquisition-inclusive ROIIC. Complete segment capex, segment assets, depreciation, working-capital reinvestment, capitalized R&D, disposals, and acquired-versus-organic NOPAT are unavailable. Fiber cohort returns, acquisition/retention economics, Frontier ROIC, and a cleaned ten-year comparable history are also missing. Those gaps lower confidence to Medium and prevent dream-business treatment.

Personal tax residence, beneficial-owner and W-8BEN status, account wrapper, actual broker/order costs, portfolio holdings, concentration, sector/factor exposures, and liquidity needs remain unverified. They constrain only CIO actionability, portfolio fit, and sizing. They do not make the mandatory gross USD returns unavailable.

## 6. Hard-Veto and Threshold Test Audit

| Veto | Original | Audited | Calibrated finding |
|---|---|---|---|
| 1. ROIIC below cost with no credible path | FAIL | INSUFFICIENT EVIDENCE | Strict ROIIC is missing and endpoint direction is adverse, but the compound “no credible path” is not proved |
| 2. High ROIC from tiny/negative capital | PASS | PASS | ROIC is low on a large economic capital base |
| 3. Growth needs persistent external finance | WATCH | PASS | FCF funds ordinary capex and distributions; Frontier is a discrete burden |
| 4. Material dilution without value | PASS | PASS | Five-observation share CAGR is only 0.484420% and dilution is modeled |
| 5. Large acquisitions without disclosed returns | FAIL | FAIL | Company-level history includes legacy media destruction and unproved Frontier returns |
| 6. FCF structurally lags earnings | PASS | PASS | Multi-year cash conversion is strong |
| 7. Regulation/leverage/disruption can impair equity | WATCH | WATCH | Real but monitored permanent-impairment channels remain |
| 8. The 20% case requires multiple expansion | FAIL | FAIL | Modeled cases do not expand, but a 20% base outcome needs about 16.37x P/E |
| 9. Flawless execution at today's price | FAIL | FAIL | This failure applies to the 20% stretch diagnostic, not the separate P/E 15 gate |
| 10. Moat cannot be explained | PASS | PASS | The physical moat is explainable even though its high-return durability fails |
| 11. Accounting/governance impairs trust | PASS | PASS | No decisive trust failure in the governed evidence |
| 12. Balance sheet could wipe out equity | WATCH | PASS | Leverage is material, but 2.92x and resilient FCF do not support wipeout semantics |

The threshold mapping remains valid: total below 80, Business Quality below 65, valuation below 15, ROIIC plus runway only 13/45, base IRR below 20%, bear below 8%-10%, hard vetoes present, and the 20% case requires multiple expansion. The audited score therefore remains Reject.

Valuation does not override the qualitative gates. The P/E 15 gate passes, but Management remains **YELLOW**, Moat remains **FAIL**, and the 2046 durability test remains **FAIL**. This CSA finding is diagnostic and does not make the final ER2 verdict.

## 7. Final 20% Hurdle Pass/Fail

**FAIL.** Base gross USD IRR is 10.433192%, probability-weighted gross USD IRR is 8.753861%, and even bull is only 18.682361%. A 20% base return requires about 16.37x terminal P/E or a materially lower purchase price. The audited base maximum buy price is USD 30.898012, versus USD 46.81 today.

## 8. Dream Business / Dream Investment Classification

**Neither.** Verizon is a durable, cash-generative connectivity franchise, but the evidence does not establish high ROIIC, a high-return 2046 moat, or disciplined acquisition returns. It is not a dream investment at this price under the 20% rubric

because no governed scenario clears 20% and the probability-weighted gross USD return is 8.753861%. The single biggest reason is that low historical capital returns and missing strict ROIIC leave too little operating compounding to reach 20% without major terminal multiple expansion.

## 9. Stage 7 Scorecard Notes

- **Compounder Score note:** 37/100 - Reject; cash yield and a passing P/E 15 gate do not offset low ROIC, missing strict ROIIC, failed durability, and sub-hurdle expected return.
- **Business Quality Score note:** 31/80 - real cash conversion and physical barriers are outweighed by sub-10% median ROIC, Management YELLOW, Moat FAIL, and 2046 FAIL.
- **20% Return UW Score note:** 6/20 - base gross USD IRR is 10.433192%, expected gross USD IRR is 8.753861%, and a 20% base outcome needs about 16.37x exit P/E.

## 10. Auditor JSON

The machine-readable audit is saved separately as compounder_score_audit.json. It retains the full finite gross-USD and diagnostic net-SGD bridges, exact wealth-CAGR method, audited score tree, veto calibration, hashes, and all authority boundaries.

**SCORING AUDIT COMPLETE - AUDITED SCORE CLEARED FOR STAGE 7**

# Verizon Communications Inc. (VZ) — Red Team

**Analysis date:** 2026-08-02 SGT **Role:** RT / adversarial review **Governed inputs:** [Synthesis](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/appendix_synthesis.md>) SHA-256 `52cc936bf53158a91a215c439036bc8964999621fab1578aa45318c92354682b`; R-reviewed [Consumer](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/appendix_B_consumer.md>) and [Business](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/appendix_B_business.md>) appendices; Management YELLOW; Moat FAIL; 2046 FAIL; [Scoring Audit](</C:/Users/Admin/OneDrive/GPT/ER 2.0/Verizon Communications Inc/appendix_scoring_audit.md>) SHA-256 `f55aaa61d9a1139123f1106ffcf992264f7811afdd27a5ad649934e85e56c422`; and `compounder_score_audit.json` SHA-256 `dc3eb9b0256c100695a8810b31cb7ab438184f7204f36f0fc37d6c18d0df761b`. **Authority boundary:** This appendix performs no trade, order, sizing, ranking, message, or portfolio mutation. `trade_execution_authorized=false`.

The synthesis is arithmetically disciplined, but arithmetic discipline is not economic proof. Verizon's base case is a stack of correlated improvements: Consumer service growth and margin hold together, Business stabilizes, recurring statutory charges fade, net debt falls by about $48.7B after the repaired AWS-3 cash use, interest expense drops, dividends remain intact, and $15B of buybacks reduces diluted shares. If competitive pressure breaks Consumer economics, several of those benefits fail together. The low P/E then describes a capital-intensive utility with a high dividend, not a Gideon-quality compounder.

## 1. The most fragile assumption

The single most fragile assumption is the **base Consumer service-profit engine**: $93.261B of 2031 Service revenue at a 36.0% analyst-modeled Operating Income margin, embedded in total Consumer revenue of $119.120B and a 29.12% segment margin. Verizon does not disclose Consumer product Operating Income, and even the TTM product bases are not reported: the Consumer appendix allocates FY2025's product mix to the sealed $107.236B TTM segment total. That is a transparent constraint, but it means the most valuable modeled profit pool rests on an inferred product base and an inferred margin rather than an issuer-reported service-profit series.

The revenue leg is also more demanding than it looks. Base Consumer Service grows 2.80% annually, versus 2.29% over FY2023-FY2025 and 1.83% in FY2025, while equipment declines modestly and mix improves. Management's near-term 2.5%-3.0% mobility-and-broadband guide is not a five-year Consumer service guarantee. The case requires ARPA gains, churn around or below 0.92%, restrained promotion, continued fiber/FWA additions, and no capacity-driven capex penalty—outcomes that are economically linked, not independent.

S's sensitivity identifies the consequence. Cutting Consumer total revenue CAGR by 200 basis points reduces 2031 EPS from $6.216 to $5.583 and, at the governed 10x base exit and $14.727 cumulative dividends, reduces gross USD IRR from 10.433% to approximately 8.553%. Independently, a 200-basis-point miss in the modeled 36% Service margin removes about $1.865B of Consumer Operating Income, or about $0.362 of after-tax EPS, reducing gross USD IRR to roughly 9.374%. If both misses occur, 2031 EPS is approximately $5.221 and gross USD IRR is only about 7.416%. The P/E-15 gate can still pass while the owner's return objective fails.

## 2. The most-likely-to-be-optimistic Stage 5 number

The most likely optimistic number is **base 2031 Consumer Operating Income of $34.684B**, not Business revenue and not the 23% tax rate. It is the largest operating driver, represents about 90% of modeled reportable-segment profit, and combines the two fragile assumptions above: 2.124% total Consumer revenue CAGR and an 86-basis-point margin expansion to 29.12%.

The apparent modesty of that margin expansion is misleading. Consumer's TTM margin is already 28.26%, after Q2 churn improvement and lower acquisition and retention cost; the base asks those gains to persist while Verizon funds fiber construction, Frontier integration, wireless capacity, depreciation, and promotion-sensitive growth. The disclosed five-year record offers resilience but no clear upward margin trend: Consumer margin fell from 31.4% in FY2021 to 27.9% in FY2022 and remained roughly 27.7%-28.7% through FY2025. A return to 29.12% is possible, but it is not the conservative center when the Moat appendix finds only moderate Consumer durability and no demonstrated high-return reinvestment.

Business is a secondary optimism risk. Its base turns a comparable FY2022-FY2024 revenue CAGR of negative 2.51% into positive 1.30% and lifts margin from 11.87% TTM to 13.0%. Two recent quarters above 13% make stabilization plausible, but

Business-specific guidance and 2026 KPIs are sparse; Enterprise/Public Sector and Wholesale had FY2023-FY2025 CAGRs of negative 5.25% and negative 8.44%. Even so, S shows a 200-basis-point Business-margin miss reduces EPS only from $6.216 to $6.099. Consumer, not Business, is where base-value confidence breaks.

## 3. The strongest bear case, stated in its strongest form

Verizon is not a melting ice cube; it is worse for a compounder mandate—a necessary network whose competitive structure transfers most incremental value to customers. AT&T, T-Mobile, Charter, and Comcast can match network claims, subsidize switching, and bundle wireless with fiber or cable, so Verizon must spend heavily merely to defend a Consumer profit pool that supplies almost all segment earnings. Within two to six quarters, weaker ARPA quality or higher churn forces richer promotions just as fiber, spectrum, and integration cash needs remain high; Consumer margin falls below 27%, recurring charges do not normalize, and deleveraging slows. The stock can continue paying its dividend and still deliver a sub-10% return because the terminal multiple remains utility-like and per-share earnings never reach the modeled $6.216.

Current peer evidence makes this mechanism observable rather than hypothetical. AT&T reported 432,000 Q2 2026 postpaid phone net adds at 0.86% churn, 646,000 advanced-connectivity internet adds, and 5.1% advanced-connectivity service-revenue growth ([AT&T Q2 2026 release](https://about.att.com/story/2026/2q-earnings.html)). Charter added 406,000 mobile lines and explicitly targets switchers from national carriers with a savings guarantee ([Charter Q2 2026 release](https://ir.charter.com/news-releases/news-release-details/charter-announces-second-quarter-2026-results)). Comcast added a record 448,000 wireless lines, reached 10.2M lines at only about 7% footprint penetration, and grew domestic wireless service revenue 14.2% ([Comcast Q2 2026 release](https://www.cmcsa.com/node/45906)). Definitions differ, but the direction is unambiguous: converged competitors still have runway and can use mobile as a retention product, limiting Verizon's clean price-to-margin conversion.

## 4. Cross-examination of management commentary

| Management statement | Skeptical cross-examination | Earliest evidence it is wrong |
|---|---|---|
| “the third quarter would be approaching 3% and Q4 growing around 4%” — Tony Skiadas, Q2 2026 [transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2026&quarter=2) | This is a second-half mobility-and-broadband service-revenue ramp, not evidence for five years of Consumer Service growth or margin. AT&T's 5.1% advanced-connectivity service growth and cable mobile additions show that industry growth is being contested. | Q3 below 3%, Q4 below 4%, or a cut to the 2.5%-3.0% full-year guide; especially if phone churn rises above 0.95%. |
| “we do expect improvements in ARPA” — Tony Skiadas, Q1 2026 [transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2026&quarter=1) | Q2 2026 postpaid ARPA was still down 1.4% to $168.35 even as service revenue rose. Volume, mix, plan changes, perks, and promotion amortization can lift aggregate revenue without proving same-customer pricing power. | Two quarters of negative ARPA with acquisition or retention cost no longer declining, even if reported service revenue remains positive. |
| “get to at least 40 million or 50 million fiber passings” — Dan Schulman, Q4 2025 [transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2025&quarter=4) | Passings are construction output, not value creation. Frontier cost $22.3B including assumed debt; without penetration, churn, cost-per-install, and cohort return disclosure, a larger footprint can expand invested capital faster than NOPAT. | The 32M end-2026 checkpoint is met but fiber adds/penetration disappoint, or capex plus spectrum cash exceeds 14% of revenue without at least 3% service growth. |

The common pattern is that management speaks in growth outputs—revenue ramps, ARPA direction, passings—while the investment case needs return inputs: acquisition/retention cost, cohort penetration, incremental capital, statutory margin, and ROIC. Management remains YELLOW precisely because the early operating reset is promising but less than one year old, the CEO had zero beneficial shares at the proxy measurement date, Frontier returns are undisclosed, and incentives do not directly include ROIC or leverage.

## 5. Stage 5 tie-out reverification

The red team independently spot-checked the governing arithmetic and finds that S's published 11/11 gate is supported **within its stated scope**. The historical TTM identities recompute: $107.236B Consumer + $28.205B Business + $3.779B Corporate and other – $0.325B eliminations = $138.895B revenue; $30.307B Consumer OI + $3.347B Business OI – $0.880B Corporate and other – $4.244B special adjustments = $28.530B statutory OI. Base 2031 pretax income recomputes to $37.235B + $0.250B + $0.200B – $5.079B = $32.606B; applying 23% tax and $0.420B NCI yields approximately $24.687B. The five buyback/issuance recurrences reproduce 3,971.681M diluted shares and $6.216 EPS.

The recency anchor is valid: consolidated TTM uses Q3 2025 through Q2 2026, while segment TTM uses like-for-like FY2025 minus H1 2025 plus H1 2026. There is no stale sixth year. The concern is economic extrapolation. Base pretax income rises

$10.958B from the $21.648B TTM anchor. Only $4.377B comes from Consumer OI and $0.564B from Business OI; $0.330B comes from lower Corporate cost, $3.434B from special charges fading, and $2.269B from lower interest. Thus $6.033B, or about 55% of the pretax uplift, comes from corporate/charge normalization and deleveraging rather than segment growth.

| Base model dependency | TTM | 2031 base | Improvement embedded |
|---|---|---|---|
| Consumer Operating Income | $30.307B | $34.684B | $4.377B |
| Business Operating Income | $3.347B | $3.911B | $0.564B |
| Corporate and other cost | $0.880B | $0.550B | $0.330B |
| Special operating adjustments | $4.244B | $0.810B | $3.434B |
| Interest expense | $7.348B | $5.079B | $2.269B |

This stack is fragile because the same transformation and acquisition activity expected to improve Consumer economics can keep severance and integration charges recurring. The share path is mechanically correct but economically conditional: $3B of annual buybacks plus 18M annual issuance reduces shares 4.78% while the company also pays roughly $59.9B of dividends over five years. It works only because base FCF rises from the $21.531B TTM anchor to $28.750B and cumulative FCF reaches $131B.

**Resolved RT finding — AWS-3 cash use.** The repaired S now includes the known $3.1B post-quarter AWS-3 spectrum payment exactly once in 2027 outside-FCF uses for all scenarios. It reduces modeled debt paydown by $3.1B and binds revised terminal net core debt to **$145.023260B bear / $114.825502B base / $106.467424B bull**. EPS and all gross-USD and diagnostic net-SGD returns remain unchanged under the disclosed method: terminal equity value is statutory EPS multiplied by exit P/E, not an enterprise-value bridge, while the filing does not disclose whether the cash payment was funded from cash generation or new gross borrowing. S therefore records the certain cash/net-debt effect but does not invent incremental borrowing or interest expense; subtracting the same $3.1B again from an already equity-level P/E value would double count it. This resolution clears the original omission as an S defect without weakening the remaining red-team challenge to Consumer economics, charge normalization, FCF, or deleveraging.

## 6. Score-derived 20% return claim most likely to be wrong

The audited score does **not** claim that a 20% return clears, and the red team agrees with its 6/20 valuation score and FAIL. The claim most likely to be misstated downstream is that a passing P/E-15 test or a “conservative” 10x exit somehow supports a 20% outcome. It does not.

| Audited security return | Bear | Base | Bull |
|---|---|---|---|
| Gross USD annualized IRR | -5.244802% | 10.433192% | 18.682361% |
| Diagnostic net-SGD IRR | -8.988343% | 9.071658% | 19.225799% |
| Exit P/E | 8.0x | 10.0x | 12.0x |

Independent recomputation confirms probability-weighted terminal USD wealth of $71.213455 per share and a gross USD wealth CAGR of **8.753861%**, not an arithmetic average of scenario IRRs. The bounded probability-weighted net-SGD wealth CAGR is **7.580157%**. Both sit below the owner's 10%-15% net-SGD mandate; even the base net-SGD diagnostic is only 9.071658%.

To earn 20% from $46.81, base terminal wealth must be $116.478259. After $14.727 of cumulative dividends, base EPS of $6.2157 requires about a **16.37x exit P/E**—above the 15x ER2 ceiling and 63.7% above the modeled 10x. Even 15x produces only about 18.192%; an 8x exit on base operations produces about 6.606%. A genuine 20% case therefore requires a purchase price near the audited $30.898, far stronger earnings than base, or unjustified terminal expansion. No governed operating scenario clears 20%.

## 7. The signal that forces an exit

The single quantitative kill signal is **Consumer Operating Income margin below 27.0% for two consecutive reported quarters**, calculated on Verizon's disclosed Consumer revenue and Operating Income. The time window is the next two to four earnings reports. This is observable, comparable to the sealed segment basis, and harder to cosmetically rescue with adjusted EPS.

Why 27.0%: the TTM anchor is 28.26% and base requires a rise to 29.12%, while Consumer contributes roughly nine-tenths of reportable-segment profit. Two quarters below 27% would show that churn, promotions, fiber/integration cost, or network reinvestment is overwhelming price/mix and cost savings. At that point, the base Consumer OI path, the special-charge normalization narrative, the FCF/deleveraging schedule, and the buyback-supported share count can no longer be treated as independent supports. Churn above 1.0% or service growth below 2% would diagnose the mechanism, but the margin threshold itself is the exit signal.

## 8. Conviction at the end of red team

**Thesis does NOT survive this red team as a Gideon compounder.** The specific break is not solvency, dividend coverage today, or the arithmetic P/E-15 gate. It is that the base return depends on Consumer economics holding while more than half of pretax improvement comes from charge normalization and deleveraging, despite Moat FAIL, 2046 FAIL, sub-11% historical ROIC, competitive convergence, and incomplete evidence on Frontier and fiber cohort returns.

The synthesis should therefore be framed around a cash-generative but competitively constrained network utility whose distributions support returns while organic compounding remains weak. The statistically cheap P/E is real; the expected-return claim is not strong enough. Gross probability-weighted return is 8.753861%, the bounded net-SGD diagnostic is 7.580157%, and the audited 20% score correctly remains only 6/20. Management YELLOW cannot rehabilitate failed moat durability, and no low multiple can turn recurring capital defense into high-return reinvestment.

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RT_STATUS: COMPLETE — READY FOR STAGE 7
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# Verizon Communications Inc. (VZ) - Production ER2 Data Package

**Action ID:** `CIO-20260727-VZ-FULL-ER2` **Dispatcher run ID:** `pulse-cio-20260801T220351+0800` **Information date:** 2026-08-01 SGT **Reporting currency and scale:** USD billions unless a table says USD millions or another unit **Fiscal year:** December 31 **Latest completed quarter:** Q2 2026 ended 2026-06-30 **TTM definition:** Q3 2025 + Q4 2025 + Q1 2026 + Q2 2026 **Forward horizon supplied by orchestrator:** 2031-06-30 **Sealed quote packet SHA-256:** `6cd17129cda062b5d163c13d56fe6ca6ef9a2232381bd8bf7d9c38f49010b390` **Sealed statutory bridge SHA-256:** `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50` **Execution control:** `trade_execution_authorized=false`

This package uses live, same-run FMP pulls and live SEC or Verizon primary materials. The SEC presentation controls when a normalized FMP field conflicts with the filing. No historical figure or transcript quotation was taken from the pre-existing investing warehouse. New FMP response bytes were archived non-overwriting under `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\er2_raw\Verizon Communications Inc\pulse-cio-20260801T220351+0800\d`. DR independently re-pulled the four required transcripts and the annual, quarterly and segment statement set into `raw\pulse-cio-20260801T220351+0800_dr` and copied those ten response files non-overwriting to the same warehouse run under `dr`.

## 0a. Industry classification and disclosure inventory

Verizon is a U.S. integrated telecommunications operator: nationwide mobility, fixed wireless access, fiber broadband, enterprise connectivity, managed network services and adjacent security/IoT offerings. It is a U.S. domestic SEC filer under U.S. GAAP, not an ADR or foreign private issuer. The controlling annual set is the [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/732712/000073271226000007/vz-20251231.htm), with prior-year backfill from the [2024](https://www.sec.gov/Archives/edgar/data/732712/000073271225000006/vz-20241231.htm), [2023](https://www.sec.gov/Archives/edgar/data/732712/000073271224000010/vz-20231231.htm), [2022](https://www.sec.gov/Archives/edgar/data/732712/000073271223000012/vz-20221231.htm), and [2021](https://www.sec.gov/Archives/edgar/data/732712/000073271222000008/vz-20211231.htm) Forms 10-K. The controlling interim source is the [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/732712/000073271226000046/vz-20260630.htm).

The live FMP annual and quarterly revenue-product-segmentation endpoints returned only the two reportable segment revenue lines, not product revenue, segment profit or telecom KPIs, and retained Verizon's pre-Q2-2026 Business perimeter for FY2025 and Q1 2026. The live FMP geographic endpoints both returned an empty JSON array. This triggered the industry checklist. Official filings, earnings exhibits and the Q2 2026 Financial and Operating Information supplied the missing Operating Income, current-perimeter segment schedule, subscriber, churn, ARPA, broadband, FWA, fiber, equipment, spectrum and capital tables.

Sources checked live were the five Forms 10-K above; Q3 2025, Q1 2026 and Q2 2026 Forms 10-Q; four earnings exhibits for Q3 2025 through Q2 2026; FMP income statement, balance sheet, cash flow, key metrics, ratios, segment, geographic and transcript endpoints; Verizon's 2022 Investor Day materials; and Verizon releases covering Q2 2026, the CEO transition, Frontier, Starry and the BT joint venture. The targeted QF/QFR reseal additionally retrieved and visually checked Verizon's Q2 2026 Financial and Operating Information, including its six-quarter current-presentation Business schedule. Search terms included `Segment reporting`, `Verizon Consumer Group`, `Verizon Business Group`, `Operating Income`, `wireless service revenue`, `mobility and broadband service revenue`, `postpaid phone`, `churn`, ARPA, `fixed wireless access`, `Fios`, `fiber`, `broadband connections`, `C-Band`, `capital expenditures`, `wireless licenses`, `geographic`, `research and development`, `share repurchase`, `dividends declared`, and `held for sale`.

| Dataset / table family | Official source searched | Search terms or table names | Years available | Included? | If excluded, why | Downstream relevance |
|---|---|---|---|---|---|---|
| Consolidated financial statements | 2021-2025 Forms 10-K; Q2 2026 10-Q | Statements of Income, Cash Flows, Financial Position | FY2021-FY2025; H1 2026 | Yes | n/a | Historical model, FCF, leverage |
| Segment economics | Forms 10-K; quarterly earnings exhibits | Segment Results; Consumer; Business; Operating Income | FY2021-FY2025; last four quarters | Yes | n/a | Segment revenue and profit forecast |
| Mobility KPIs | Forms 10-K; earnings exhibits | Postpaid phone net additions, churn, ARPA | FY2021-FY2025; H1 or Q2 2026 | Yes | n/a | Volume, pricing, retention |

| Dataset / table family | Official source searched | Search terms or table names | Years available | Included? | If excluded, why | Downstream relevance |
|---|---|---|---|---|---|---|
| Broadband KPIs | Forms 10-K; earnings exhibits | FWA, Fios, fiber, broadband connections | FY2021-FY2025 where comparable; Q2 2026 | Yes | n/a | Convergence and fiber thesis |
| Product revenue | Forms 10-K; earnings exhibits | Wireless service, equipment, Fios, customer groups | FY2023-FY2025; last four quarters | Yes | n/a | Product mix and price-volume bridge |
| Geography | Forms 10-K; live FMP geographic endpoints | Geographic information, international revenue | No quantified regional table | No | True non-disclosure; FMP arrays empty | Geographic concentration caveat |
| Unit-level capital and balance sheet | Forms 10-K and 10-Q | Segment assets, segment capex, debt by segment | No complete recurring unit table | No | True non-disclosure | Corporate allocation must stay consolidated |
| Spectrum and network build | Forms 10-K, 10-Q, calls, Investor Day | Licenses, C-Band, POPs, sites, capital intensity | FY2021-FY2025; H1 2026 | Yes | n/a | Capacity and capital intensity |
| R&D | Forms 10-K and 10-Q | Research and development, R&D | Not separately disclosed | No | True non-disclosure; FMP zero rejected | Do not model vendor zero as fact |
| Regulatory operating supplement | Verizon IR and SEC filing set | Operating statistics, statistical supplement | No separate recurring supplement found | No | Not applicable; KPIs are in filings/exhibits | KPI history sourced from primary tables |

| KPI family | Granularity | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Latest interim | Source |
|---|---|---|---|---|---|---|---|---|
| Consumer postpaid phone net adds | Thousands | 575 old basis | -655 old basis | -132 recast | 82 recast | 137 | H1 2026 consolidated total 239 | Annual 10-K operating statistics; Q2 2026 exhibit |
| Business postpaid phone net adds | Thousands | 509 | 856 | 562 | 501 recast | 225 | H1 2026 consolidated total 239 | Annual 10-K operating statistics; Q2 2026 exhibit |
| Consumer postpaid phone churn | Percent | 0.71 | 0.81 | 0.83 | 0.83 recast | 0.92 | Q2 2026 consolidated 0.92 | Annual 10-K operating statistics; Q2 2026 exhibit |
| Business postpaid phone churn | Percent | 1.03 | 1.07 | 1.13 | 1.10 recast | 1.23 | Q2 2026 consolidated 0.92 | Annual 10-K operating statistics; Q2 2026 exhibit |
| Consumer postpaid ARPA | Dollars per account per month | 122.30 | 125.97 | 137.80 recast | 144.00 recast | 147.31 | Q2 2026 consolidated wireless ARPA 168.35 | Annual 10-K operating statistics; Q2 2026 exhibit |
| Fixed wireless access connections | Millions | About 0.223 | About 1.5 | 3.067 | 4.568 | 5.727 | Q2 2026 6.208 | Annual 10-K and earnings exhibits |
| Fiber or legacy Fios connections | Millions | 6.897 | 7.113 | 7.361 | 7.536 | 7.741 | Q2 2026 consolidated fiber 10.913 | Annual 10-K and Q2 2026 exhibit |
| Total broadband connections | Millions | 7.588 | 8.936 | 10.717 | 12.327 | 13.630 | Q2 2026 17.121 | Annual 10-K and earnings exhibits |
| Total broadband net adds | Thousands | 409 | 1,290 | 1,702 | 1,577 | 1,310 | H1 2026 689 | Annual 10-K and Q2 2026 exhibit |
| Capital expenditures | USD billions | 20.286 | 23.087 | 18.767 | 17.090 | 17.011 | H1 2026 8.210 | Official cash-flow statements |

| Customer-base KPI (millions, end of period) | FY2023 | FY2024 | FY2025 | Q2 2026 | Source and derivation |
|---|---|---|---|---|---|
| Consolidated wireless retail connections | 144.751 | 146.075 | 146.930 | 146.953 | FY2023-FY2025: 2025 10-K Consumer wireless retail plus Business postpaid; Q2 2026 exhibit: direct consolidated value |
| Consolidated wireless retail postpaid connections | 123.629 | 125.937 | 126.705 | 126.619 | FY2023-FY2025: 2025 10-K Consumer plus Business postpaid; Q2 2026 exhibit: direct consolidated value |
| Wireless retail core prepaid connections | 18.851 | 18.843 | 19.169 | 19.351 | 2025 10-K Consumer operating statistics; Q2 2026 exhibit |
| Consolidated postpaid phone connections | not available on current total basis | 93.517 | 93.868 | 94.098 | Q4 2025 and Q2 2026 earnings exhibits |
| Consolidated postpaid accounts | not available on current total basis | 34.849 | 34.496 | 34.237 | Q4 2025 and Q2 2026 earnings exhibits |

Comparability boundary: the 2021-2022 phone statistics predate the current recasts, and FWA or fiber net-add subcomponents were not separately disclosed under a clean, current taxonomy for all early years. The absolute customer-base series begins at the latest clean annual recast boundary rather than filling earlier years from unlike definitions. Approximate connection counts are labeled as such. The Frontier acquisition and consolidated 2026 KPI presentation produce the Q2 2026 fiber and taxonomy step-ups; they are not organic growth.

## 1. Reporting structure and taxonomy

Verizon has two reportable segments. **Verizon Consumer Group** provides consumer wireless and wireline communications, including mobility, FWA and Fios/fiber broadband. **Verizon Business Group** provides wireless and wireline products and services, including enterprise and public-sector connectivity, business-market solutions, wholesale, private networking, IoT, security and managed network services.

| FY2025 revenue composition | Revenue ($B) | Percent of consolidated revenue | Source |
|---|---|---|---|
| Verizon Consumer Group | 106.807 | 77.29% | Q2 2026 FOI current presentation; unchanged from 2025 10-K |
| Verizon Business Group | 27.895 | 20.19% | Q2 2026 FOI current presentation; sum of four recast quarters |
| Reportable-segment sum | 134.702 | 97.48% | Sum of current-presentation segment lines |
| Corporate and other less eliminations | 3.489 | 2.52% | Current-presentation 3.816 less 0.327 eliminations |
| Consolidated revenue | 138.191 | 100.00% | 2025 10-K consolidated statement |

FMP's FY2025 Business revenue of $29.069B is preserved as a pre-reclassification vendor observation, not used as the current composition. The official current-presentation difference is $1.174B moved from Business to Corporate and other; consolidated revenue is unchanged.

The two-reportable-segment structure is stable across FY2021-FY2025 and remains unchanged in 2026. The sub-taxonomy changed several times and must not be mixed silently:

- In 2023, Business customer groups were reorganized from four groups to three: Enterprise and Public Sector, Business Markets and Other, and Wholesale. Current 2023-2025 customer-group dollars use the recast taxonomy.
- In FY2025 reporting, recurring device protection and insurance-plan revenue moved from Other into wireless service revenue, and a second-number offering was excluded from phone metrics. 2023 and 2024 comparatives were recast.
- Beginning Q1 2026, segment revenue is presented as Mobility and broadband service revenue, Wireless equipment revenue, and Other revenue. Prior-period quarterly presentation was recast, but this new combined service line is not the old wireless-service line.
- In Q2 2026, international wireline connectivity and managed network services assets classified as held for sale moved from Business to Corporate and other, with prior periods recast. Segment composition and the Operating Income profit definition did not change.

No reportable-segment realignment 8-K was found around the latest fiscal-year boundary. Verizon describes operations as predominantly U.S.-based while serving multinational customers; neither the official filing set nor the live FMP geographic endpoints produced a quantified U.S./non-U.S. revenue table. No regional percentages are inferred.

## 2. Consolidated historicals

The table uses official filed values after checking the same-run FMP statements. This is necessary because the live normalized FMP series contains material historical classification errors described below.

| Metric | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Source |
|---|---|---|---|---|---|---|
| Revenue ($B) | 133.613 | 136.835 | 133.974 | 134.788 | 138.191 | Live FMP income endpoint; official 10-K statements |
| Operating Income ($B) | 32.448 | 30.467 | 22.877 | 28.686 | 29.259 | Official 10-K statements control |

| Metric | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Source |
|---|---|---|---|---|---|---|
| Operating margin | 24.29% | 22.27% | 17.08% | 21.28% | 21.17% | Operating Income divided by revenue |
| Net income attributable to Verizon ($B) | 22.065 | 21.256 | 11.614 | 17.506 | 17.174 | Official 10-K statements |
| Diluted EPS ($) | 5.32 | 5.06 | 2.75 | 4.14 | 4.06 | Official 10-K EPS tables |
| Diluted weighted-average shares (M) | 4,150 | 4,204 | 4,215 | 4,223 | 4,231 | Official 10-K EPS tables |
| Capex including capitalized software ($B) | 20.286 | 23.087 | 18.767 | 17.090 | 17.011 | Official cash-flow and capex reconciliation |
| Free cash flow ($B) | 19.253 | 14.054 | 18.708 | 19.822 | 20.126 | Operating cash flow less official capex |
| ROIC | 10.86% | 9.80% | 6.76% | 9.37% | 9.33% | Calculation below |

ROIC is defined consistently as `NOPAT / (core debt + Verizon stockholders' equity - cash)`. NOPAT is statutory Operating Income multiplied by one minus the effective tax rate; the tax rate is the filed provision for income taxes divided by pretax income. Core debt excludes operating-lease liabilities, avoiding the vendor's debt aggregation mismatch.

| ROIC component | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|
| Effective tax rate | 23.12% | 23.07% | 28.80% | 21.89% | 22.34% |
| NOPAT ($B) | 24.946 | 23.437 | 16.289 | 22.407 | 22.724 |
| Core debt ($B) | 150.868 | 150.639 | 150.674 | 144.014 | 158.150 |
| Verizon stockholders' equity ($B) | 81.790 | 91.144 | 92.430 | 99.237 | 104.460 |
| Cash ($B) | 2.921 | 2.605 | 2.065 | 4.194 | 19.048 |
| Invested capital denominator ($B) | 229.737 | 239.178 | 241.039 | 239.057 | 243.562 |
| Calculated ROIC | 10.86% | 9.80% | 6.76% | 9.37% | 9.33% |

Material live-FMP differences preserved rather than silently repaired: FMP reported FY2023 Operating Income of $28.831B versus filed $22.877B; FY2024 $30.604B versus filed $28.686B; FY2024 diluted EPS/shares of $4.15/4,218M versus filed $4.14/4,223M; FY2022 capex of $26.740B versus official $23.087B; and FY2024 capex of $17.990B versus official $17.090B. The official values above control. FMP's zero R&D field is not treated as disclosure.

## 3. Segment historicals

The common segment profit basis in the sealed bridge is issuer-disclosed **Operating Income**. It is a segment measure reviewed by the chief operating decision maker and is reconciled to statutory consolidated Operating Income in Section 3a.

| Verizon Consumer Group | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Source |
|---|---|---|---|---|---|---|
| Revenue ($B) | 95.300 | 103.506 | 101.626 | 102.904 | 106.807 | Live FMP segment endpoint; annual 10-K segment tables |
| YoY | n/a | 8.6% | -1.8% | 1.3% | 3.8% | Calculated from disclosed dollars |
| Operating Income ($B) | 29.955 | 28.846 | 29.011 | 29.484 | 29.628 | Annual 10-K segment tables |
| Margin on Operating Income | 31.4% | 27.9% | 28.5% | 28.7% | 27.7% | Disclosed or calculated consistently |

| Verizon Business Group | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Source |
|---|---|---|---|---|---|---|
| Revenue ($B) | 31.042 | 31.072 | 30.122 | 29.531 | 27.895 | Annual 10-K tables through FY2024; Q2 2026 FOI current presentation for FY2025 |
| YoY | n/a | 0.1% | -3.1% | -2.0% | n/c: perimeter break | Calculated through FY2024; FY2025 not compared across unlike perimeters |

| Verizon Business Group | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Source |
|---|---|---|---|---|---|---|
| Operating Income ($B) | 3.437 | 2.631 | 2.066 | 2.058 | 2.870 | Annual 10-K tables through FY2024; Q2 2026 FOI current presentation for FY2025 |
| Margin on Operating Income | 11.1% | 8.5% | 6.9% | 7.0% | 10.3% | Disclosed or calculated consistently within each period's perimeter |

Consumer produced 91.2% of the two current-presentation segments' FY2025 Operating Income before Corporate and other and special-item bridges. Business FY2025 Operating Income was $2.870B at a 10.3% margin. The FY2025 Business perimeter differs from the then-reported FY2024 perimeter, so FY2024-to-FY2025 revenue growth is not calculated; Business stabilization and the disposition/JV perimeter remain more important than consolidated top-line growth alone.

## 3a. Historical statutory-profit bridge and forecast-driver ledger

**Common segment profit basis:** issuer-disclosed `Operating Income`. **Packet currency and scale:** USD millions. **Sealed bridge hash:** `8ab82619a619cca19b19f4e063e85ff23c207a8ddbb2d581ea6fbb7da0dd5f50`. The tables reproduce every label, sign, classification and source ID from the sealed packet. No item is reclassified or used as a plug.

### FY2025 ended 2025-12-31 (current Q2 2026 segment presentation)

| Bridge line | Classification | Value | Source ID | Running subtotal |
|---|---|---|---|---|
| Verizon Consumer Group | segment profit | 29,628 | verizon_2q2026_foi | 29,628 |
| Verizon Business Group | segment profit | 2,870 | verizon_2q2026_foi | 32,498 |
| Sum of reportable segment profit | segment profit | 32,498 | verizon_2q2026_foi | 32,498 |
| Corporate and other (current Q2 2026 presentation; exact opposite-sign held-for-sale reclassification) | corporate_unallocated | -818 | qf_recast_ttm_workpaper | 31,680 |
| Consolidated segment profit metric | subtotal | 31,680 | qf_recast_ttm_workpaper | 31,680 |
| Severance charges | operating | -1,715 | sec_2025_10k | 29,965 |
| Other components of net periodic pension and benefit charges (Note 11) | operating | -32 | sec_2025_10k | 29,933 |
| Asset and business rationalization | operating | -583 | sec_2025_10k | 29,350 |
| Acquisition and integration related charges | operating | -91 | sec_2025_10k | 29,259 |
| Statutory operating income | statutory subtotal | 29,259 | sec_2025_10k | 29,259 |
| Equity in earnings (losses) of unconsolidated businesses | other_non_operating | 0 | sec_2025_10k | 29,259 |
| Other income (expense), net | other_non_operating | 107 | sec_2025_10k | 29,366 |
| Interest expense | interest | -6,694 | sec_2025_10k | 22,672 |
| Pretax income | statutory subtotal | 22,672 | sec_2025_10k | 22,672 |
| Provision for income taxes | tax | -5,064 | sec_2025_10k | 17,608 |
| Net income attributable to noncontrolling interests | noncontrolling_interests | -434 | sec_2025_10k | 17,174 |
| Net income | statutory subtotal | 17,174 | sec_2025_10k | 17,174 |

### TTM ended 2026-06-30 (current-presentation H2 2025 + H1 2026)

| Bridge line | Classification | Value | Source ID | Running subtotal |
|---|---|---|---|---|
| Verizon Consumer Group | segment profit | 30,307 | qf_recast_ttm_workpaper | 30,307 |
| Verizon Business Group | segment profit | 3,347 | qf_recast_ttm_workpaper | 33,654 |

| Bridge line | Classification | Value | Source ID | Running subtotal |
|---|---|---|---|---|
| Sum of reportable segment profit | segment profit | 33,654 | qf_recast_ttm_workpaper | 33,654 |
| Corporate and other (current Q2 2026 presentation; exact opposite-sign held-for-sale reclassification) | corporate_unallocated | -880 | qf_recast_ttm_workpaper | 32,774 |
| Consolidated segment profit metric | subtotal | 32,774 | qf_recast_ttm_workpaper | 32,774 |
| Severance charges | operating | -2,112 | qf_ttm_reconciliation | 30,662 |
| Other components of net periodic pension and benefit charges / benefit charges | operating | -58 | qf_ttm_reconciliation | 30,604 |
| Asset and business rationalization (FY2025 less H1 2025) | operating | -583 | qf_ttm_reconciliation | 30,021 |
| Acquisition and integration related charges | operating | -487 | qf_ttm_reconciliation | 29,534 |
| Asset rationalization (H1 2026) | operating | -258 | qf_ttm_reconciliation | 29,276 |
| Loss on disposition of business | operating | -746 | qf_ttm_reconciliation | 28,530 |
| Statutory operating income | statutory subtotal | 28,530 | qf_ttm_reconciliation | 28,530 |
| Equity in earnings (losses) of unconsolidated businesses | other_non_operating | 46 | qf_ttm_reconciliation | 28,576 |
| Other income, net | other_non_operating | 420 | qf_ttm_reconciliation | 28,996 |
| Interest expense | interest | -7,348 | qf_ttm_reconciliation | 21,648 |
| Pretax income | statutory subtotal | 21,648 | qf_ttm_reconciliation | 21,648 |
| Provision for income taxes | tax | -5,049 | qf_ttm_reconciliation | 16,599 |
| Net income attributable to noncontrolling interests | noncontrolling_interests | -427 | qf_ttm_reconciliation | 16,172 |
| Net income | statutory subtotal | 16,172 | qf_ttm_reconciliation | 16,172 |

## Forecast-driver schedule

| Historical bridge line | FY value | TTM value | Forecast treatment | Driver and source | Bear / base / bull rule |
|---|---|---|---|---|---|
| Corporate and other (current Q2 2026 presentation; exact opposite-sign held-for-sale reclassification) | -818 | -880 | Independently forecast operating expense | Q2 2026 FOI and qf_recast_ttm_workpaper; Corporate cost and reclassified perimeter schedule | Bear: cost grows; base: evidence-based run rate; bull: verified savings only |
| Severance charges | -1,715 | -2,112 | Discrete transformation schedule | Restructuring disclosures and each future filing | Bear: prolonged charges; base: taper on disclosed plan; bull: faster completion |
| Other components of net periodic pension and benefit charges | -32 | -58 | Independent actuarial schedule | Pension note, discount rate and plan assumptions | Bear: adverse actuarial cost; base: latest run rate; bull: benefit income only if supported |
| Asset and business rationalization | -583 | -583 | Discrete legacy rationalization schedule | FY2025 10-K less H1 2025 workpaper | Bear: repeats; base: expires only with cessation evidence; bull: no recurrence after completion |
| Acquisition and integration related charges | -91 | -487 | Frontier integration schedule | Frontier close disclosures and quarterly integration costs | Bear: slower and costlier; base: disclosed timeline; bull: faster integration |
| Asset rationalization (H1 2026) | not separate | -258 | Discrete 2026 rationalization schedule | Q2 2026 10-Q | Bear: additional rounds; base: scheduled taper; bull: ceases with documentation |
| Loss on disposition of business | not present | -746 | Transaction-specific disposition line | Q2 2026 held-for-sale classification and BT JV process | Bear: further write-down; base: no recurrence after close if confirmed; bull: no additional loss |
| Equity in earnings (losses) of unconsolidated businesses | 0 | 46 | Underlying investee earnings | Investee and future BT JV disclosure | Bear: loss; base: separately forecast share; bull: higher JV contribution |

| Historical bridge line | FY value | TTM value | Forecast treatment | Driver and source | Bear / base / bull rule |
|---|---|---|---|---|---|
| Other income (expense), net / Other income, net | 107 | 420 | Normalized non-operating schedule | Filing detail; exclude unrepeatable items | Bear: zero or expense; base: normalized average; bull: recurring income only if evidenced |
| Interest expense | -6,694 | -7,348 | Debt and interest-rate schedule | Maturity table, gross debt, refinancing and cash | Bear: higher debt/rates; base: exact maturity schedule; bull: faster deleveraging |
| Provision for income taxes | -5,064 | -5,049 | Effective tax-rate schedule | Statutory jurisdiction and tax-note assumptions | Bear: higher ETR; base: normalized filed ETR; bull: lower only with durable law/mix evidence |
| Net income attributable to noncontrolling interests | -434 | -427 | Percent of relevant subsidiary earnings | NCI note and subsidiary profitability | Bear: larger NCI claim; base: recent share; bull: lower only if ownership changes |

[DR VERIFIED NOTE — current perimeter]: Independent DR re-review reproduced a single current perimeter from Verizon's Q2 2026 FOI and Form 10-Q: FY2025 Business Operating Income is $2,870M, TTM Business Operating Income is $3,347M, and Corporate and other is the exact opposite-sign $-818M / $-880M. Consolidated segment profit remains $31,680M / $32,774M and statutory Operating Income remains $29,259M / $28,530M. No plug or residual is present.

`STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`

## 4. Product and sub-segment historicals

No values below are back-solved. Dollar histories are included only where Verizon separately reported them. FY2023-FY2025 figures use the latest recast basis in the 2025 10-K.

| Segment | Product or customer group | What it is | Dollar disclosure? | Revenue history and source |
|---|---|---|---|---|
| Consumer | Service | Mobility and wireline service under FY2025 presentation | Yes | FY2023 $77.336B; FY2024 $79.458B; FY2025 $80.912B; 2025 10-K |
| Consumer | Wireless service | Recurring mobility service subset, recast | Yes | FY2023 $65.820B; FY2024 $67.951B; FY2025 $69.382B; 2025 10-K |
| Consumer | Fios revenue | Legacy Fios service revenue subset | Yes | FY2023 $11.614B; FY2024 $11.647B; FY2025 $11.678B; 2025 10-K |
| Consumer | Wireless equipment | Device sales | Yes | FY2023 $20.645B; FY2024 $19.598B; FY2025 $21.779B; 2025 10-K |
| Consumer | Other | Other segment revenue after recasts | Yes | FY2023 $3.645B; FY2024 $3.848B; FY2025 $4.116B; 2025 10-K |
| Business | Enterprise and Public Sector | Large enterprise and government customer group | Yes | FY2023 $15.076B; FY2024 $14.218B; FY2025 $13.534B; 2025 10-K |
| Business | Business Markets and Other | SMB and other operations under current taxonomy | Yes | FY2023 $12.715B; FY2024 $13.099B; FY2025 $13.581B; 2025 10-K |
| Business | Wholesale | Carrier and wholesale connectivity | Yes | FY2023 $2.331B; FY2024 $2.214B; FY2025 $1.954B; 2025 10-K |
| Business | Wireless service | Recurring business mobility service | Yes | FY2023 $13.714B; FY2024 $14.122B; FY2025 $14.321B; 2025 10-K |
| Business | Fios revenue | Business Fios service | Yes | FY2023 $1.235B; FY2024 $1.252B; FY2025 $1.244B; 2025 10-K |
| Consolidated | Wireless equipment | Consumer plus Business equipment sales | Yes | FY2023 $24.322B; FY2024 $23.217B; FY2025 $25.470B; 2025 10-K |
| Consolidated | Fixed wireless access revenue | FWA broadband revenue | Limited | FY2024 $2.139B; FY2025 $2.940B; official FY2025 earnings table |

| Segment | Product or KPI | Disclosure method | Last four quarters' disclosed trend | Source |
|---|---|---|---|---|
| Consolidated | Wireless service then mobility and broadband service | Dollar and YoY disclosure, with Q1 2026 taxonomy break | Q3 2025 $21.029B and +2.1%; Q4 $20.962B and +1.1%; Q1 2026 $22.868B and +1.6% on new line; Q2 $23.365B and +2.8% on new line | Q3-Q4 2025 and Q1-Q2 2026 earnings exhibits |
| Consolidated | Wireless equipment | Dollar and YoY disclosure | Q3 2025 $5.619B and +5.2%; Q4 $8.198B and +9.1%; Q1 2026 $5.681B and +5.2%; Q2 $5.024B and -19.7% | Earnings exhibits |
| Consumer and Business | Fiber broadband | Connections and net adds; only legacy Fios dollars | Q3 adds 45k; Q4 53k; Q1 2026 127k; Q2 155k; Q2 base 10.913M | Earnings exhibits |
| Consumer and Business | Fixed wireless access | Connections, net adds and limited annual revenue | Q3 adds 261k; Q4 319k; Q1 2026 214k; Q2 193k; Q2 base 6.208M | Earnings exhibits |
| Business | Private networks, IoT, security and managed services | Strategic discussion; no standalone recurring dollars | No comparable four-quarter standalone revenue series disclosed | 2025 10-K, quarterly calls and Q2 2026 10-Q |

The Q1 2026 combined Mobility and broadband service category should not be spliced to the older wireless service series. Current fiber broadband revenue is also not separately disclosed: Fios is a narrower legacy revenue line. FY2025 Business customer-group and product dollars in the 2025 10-K remain valid filed-perimeter product context, but they are not summed to the Q2 2026 current-presentation Business segment after the held-for-sale move. No back-solved estimates are included, so no estimated-row tie-out is required.

## 5. Most recent quarterly trend

*Verizon's FY ends December 31. Most recently completed fiscal quarter at time of writing: FY26 Q2, covering April-June 2026, reported on 2026-07-24 via the [official earnings release](https://www.verizon.com/about/news/verizon-delivers-record-2q26-results).*

| Verizon Consumer Group | Revenue ($B) | YoY | Operating Income ($B) | Operating margin | Source date |
|---|---|---|---|---|---|
| Q3 2025 | 26.105 | 2.9% | 7.664 | 29.4% | [Q3 exhibit](https://www.sec.gov/Archives/edgar/data/732712/000073271225000114/a2025q3exhibit99.htm), 2025-10-29 |
| Q4 2025 | 28.436 | 3.2% | 6.897 | 24.3% | [Q4 exhibit](https://www.sec.gov/Archives/edgar/data/732712/000073271226000003/a2025q4exhibit99.htm), 2026-01-30 |
| Q1 2026 | 26.453 | 3.3% | 7.714 | 29.2% | [Q1 exhibit](https://www.sec.gov/Archives/edgar/data/732712/000073271226000019/a2026q1exhibit99.htm), 2026-04-27 |
| Q2 2026 | 26.242 | -1.5% | 8.032 | 30.6% | [Q2 exhibit](https://www.sec.gov/Archives/edgar/data/732712/000073271226000040/a2026q2exhibit99.htm), 2026-07-24 |

| Verizon Business Group | Revenue ($B) | YoY | Operating Income ($B) | Operating margin | Source date |
|---|---|---|---|---|---|
| Q3 2025 | 6.843 | n/c | 0.716 | 10.5% | Q2 2026 FOI current presentation, published 2026-07-24 |
| Q4 2025 | 7.077 | n/c | 0.684 | 9.7% | Q2 2026 FOI current presentation, published 2026-07-24 |
| Q1 2026 | 7.130 | 1.8% | 0.956 | 13.4% | [Q2 2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/732712/000073271226000046/vz-20260630.htm), recast H1 less Q2, filed 2026-07-24 |
| Q2 2026 | 7.155 | 2.6% | 0.991 | 13.9% | Q2 exhibit, 2026-07-24 |

[CURRENT-PERIMETER NOTE — quarterly taxonomy]: All four rows use the Q2 2026 current presentation. The source-bound FY2025 Business Operating Income schedule is Q1 $0.746B, Q2 $0.724B, Q3 $0.716B and Q4 $0.684B, summing to $2.870B; Q1 and Q2 2026 are $0.956B and $0.991B. Current-perimeter Q3 and Q4 2025 YoY comparators were not part of the resealed schedule, so those two YoY cells are marked n/c rather than carrying the old-perimeter rates.

| Consolidated operating KPI | Q3 2025 | Q4 2025 | Q1 2026 | Q2 2026 |
|---|---|---|---|---|
| Postpaid phone net adds (000) | 44 | 616 | 55 | 184 |
| Postpaid phone churn | 0.98% | 1.02% | 0.97% | 0.92% |
| Broadband net adds (000) | 306 | 372 | 341 | 348 |
| FWA net adds (000) | 261 | 319 | 214 | 193 |
| Fiber or wireline net adds (000) | 45 | 53 | 127 | 155 |
| Wireless ARPA ($) | 171.27 | 170.61 | 166.66 | 168.35 |
| Service line revenue ($B) | 21.029 wireless | 20.962 wireless | 22.868 mobility and broadband | 23.365 mobility and broadband |
| Wireless equipment revenue ($B) | 5.619 | 8.198 | 5.681 | 5.024 |

Q2 Consumer, the largest segment, fell 1.5% YoY because equipment revenue declined nearly 20%, or more than $1.2B, as upgrades slowed and Verizon deliberately reduced device subsidies. Business returned to reported growth and expanded margin. The table now presents Business on one current held-for-sale perimeter; future comparisons must preserve that same perimeter.

## 6. Management commentary on forward growth

All excerpts below come from the four same-run live FMP transcript responses. Dates were checked against expected call windows: Q3 2025 on 2025-10-29, Q4 2025 on 2026-01-30, Q1 2026 on 2026-04-27 and Q2 2026 on 2026-07-24. Excerpts are deliberately short; interpretations paraphrase the surrounding discussion. Commentary generally addresses the integrated company rather than providing a separate Business forecast, which is itself a modeling limitation.

### Consumer, mobility and broadband

- **Q3 2025, 2025-10-29, Dan Schulman, CEO:** “Our plan will not be about incremental change.” Topic: transformation. The model should not extrapolate the pre-transition cost and promotion structure without scenario checks. [FMP transcript endpoint](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2025&quarter=3)
- **Q4 2025, 2026-01-30, Dan Schulman, CEO:** “get to at least 40 million or 50 million fiber passings.” Topic: long-run fiber scale. Treat this as a strategic range, not a dated annual endpoint. [FMP transcript endpoint](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2025&quarter=4)
- **Q4 2025, 2026-01-30, Tony Skiadas, CFO:** “continue the fiber build pace at least 2 million prems passed”. Topic: near-term build rate. The capex and passings schedule should explicitly fund at least this organic pace. Same transcript source.
- **Q1 2026, 2026-04-27, Dan Schulman, CEO:** “at least as, if not more than half of our net adds”. Topic: churn contribution. The surrounding answer says at least half of net additions should come from churn improvement, reducing required acquisition spend. [FMP transcript endpoint](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2026&quarter=1)
- **Q1 2026, 2026-04-27, Tony Skiadas, CFO:** “we do expect improvements in ARPA”. Topic: pricing and mix. Model ARPA with convergence, perks and lower promotion amortization, but test churn sensitivity. Same transcript source.
- **Q2 2026, 2026-07-24, Tony Skiadas, CFO:** “the third quarter would be approaching 3% and Q4 growing around 4%”. Topic: mobility and broadband service revenue growth. This is the clearest second-half ramp anchor. [FMP transcript endpoint](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=VZ&year=2026&quarter=2)
- **Q2 2026, 2026-07-24, Dan Schulman, CEO:** “line of sight to at least 32 million homes passed”. Topic: 2026 fiber footprint. The surrounding statement specifies end-2026 and supports a near-term footprint checkpoint. Same transcript source.

### Business, cash flow and portfolio

- **Q3 2025, 2025-10-29, Tony Skiadas, CFO:** “everything is on the table for us.” Topic: portfolio review. Subsequent BT JV actions confirm that Business perimeter assumptions require explicit disposition scenarios. Q3 transcript source above.
- **Q3 2025, 2025-10-29, Tony Skiadas, CFO:** “expect free cash flow growth to 2026 year-over-year”. Topic: consolidated cash flow including Frontier. The later Q2 2026 guidance now supersedes this qualitative anchor. Q3 transcript source above.

The official Q2 2026 release raised full-year guidance: mobility and broadband service revenue growth of 2.5%-3.0%; adjusted EPS of $4.99-$5.04; operating-cash-flow growth of about 2%-4%; FCF growth of 9%-10%; retail postpaid phone net adds in the upper half of the 750k-1.0M range; and capex of $16.0-$16.5B. Wireless service revenue was expected to be about flat as the model shifts toward volume-based growth. These are non-GAAP or forward-looking measures where identified by Verizon, not ER2 forecasts.

The most recent Verizon Investor Day found was 2022-03-03. Hans Vestberg targeted “4% service and other revenue growth in 2024 and beyond” and “capital intensity below 12% by 2024.” The event is useful as historical strategy evidence only: the CEO, revenue taxonomy, portfolio and 2026 guidance have since changed, so those targets are stale and replaced rather than current forecast anchors. [Investor Day page](https://www.verizon.com/about/investors/investor-day-2022)

Business-specific forward commentary is sparse across the four calls, and 2026 operating KPIs are primarily consolidated. Downstream analysts should not allocate consolidated subscriber, ARPA or FWA guidance to Business without an explicit assumption.

## 7. Capital allocation and shareholder-return inputs

| Year | Capex ($B) | Capex / revenue | R&D ($B) | R&D / revenue | Buybacks ($B) | Cash dividends paid ($B) | Net business M&A cash spend ($B) | Source |
|---|---|---|---|---|---|---|---|---|
| FY2021 | 20.286 | 15.18% | not separately disclosed | not separately disclosed | 0 | 10.445 | 4.065 | 2021 and 2022 10-K cash-flow tables |
| FY2022 | 23.087 | 16.87% | not separately disclosed | not separately disclosed | 0 | 10.805 | -0.248 net receipt | 2022 and 2023 10-K cash-flow tables |
| FY2023 | 18.767 | 14.01% | not separately disclosed | not separately disclosed | 0 | 11.025 | 0.030 | 2023 and 2024 10-K cash-flow tables |
| FY2024 | 17.090 | 12.68% | not separately disclosed | not separately disclosed | 0 | 11.249 | 0.000 | 2024 and 2025 10-K cash-flow tables |
| FY2025 | 17.011 | 12.31% | not separately disclosed | not separately disclosed | 0 | 11.481 | 0.000 | 2025 10-K cash-flow tables |
| H1 2026 | 8.210 | n/a interim | not separately disclosed | not separately disclosed | 3.500 | 5.864 | 9.480 | Q2 2026 10-Q |
| TTM 2026-06-30 | 17.268 | 12.43% of TTM revenue | not separately disclosed | not separately disclosed | 3.500 | 11.633 | not meaningful due acquisition timing | FY2025 less H1 2025 plus H1 2026 |

Wireless-license cash purchases are separate from business M&A: $47.596B, $3.653B, $5.796B, $0.900B and $0.450B in FY2021-FY2025, then $1.155B in H1 2026. This distinction is essential because spectrum is an operating asset investment but not included in Verizon's capex or business-acquisition line.

| Dividend and share input | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Current or TTM | Source / calculation |
|---|---|---|---|---|---|---|---|
| Dividends declared per share ($) | 2.535 | 2.585 | 2.635 | 2.685 | 2.735 | TTM 2.795 | Official statements of equity; TTM FY2025 less H1 2025 plus H1 2026 |
| GAAP diluted EPS ($) | 5.32 | 5.06 | 2.75 | 4.14 | 4.06 | TTM 3.84 | Official EPS tables; TTM sum of four quarters |
| Declared-dividend payout on diluted EPS | 47.7% | 51.1% | 95.8% | 64.9% | 67.4% | TTM 72.8% | Declared DPS divided by GAAP diluted EPS |

| Dividend and share input | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | Current or TTM | Source / calculation |
|---|---|---|---|---|---|---|---|
| Cash dividends paid ($B) | 10.445 | 10.805 | 11.025 | 11.249 | 11.481 | TTM 11.633 | Official cash-flow statements |
| Diluted weighted-average shares (M) | 4,150 | 4,204 | 4,215 | 4,223 | 4,231 | Q2 2026 4,171 | Official EPS tables and sealed quote packet |

The Q2 2026 quarterly dividend declared was $0.7075 per share, or $2.83 annualized. At the sealed $46.81 close, the simple indicated yield is 6.05%. TTM cash dividends were 71.9% of TTM net income attributable to Verizon and 54.0% of TTM FCF. These are mechanical historical/indicated inputs, not a forecast of the next declaration.

On 2026-01-30 the board authorized up to $25B of repurchases. Verizon completed $2.5B and $1.0B ASRs in H1, buying 50.758M shares at $49.25 average and 21.289M shares at $46.97 average, respectively: 72.047M shares for $3.5B. The Q2 diluted weighted average of 4,171M was 1.35% below Q2 2025's 4,228M. At June 30, $21.5B remained under the authorization, but the official Q2 release specified a full-year 2026 buyback target of **up to $4.5B**. Do not model the authorization ceiling as committed repurchases.

The Q2 exhibit reports 4,155M common shares outstanding at period-end versus 4,171M diluted weighted-average shares for the quarter, and identifies stock-based compensation plans as the only potential dilution. Those measures answer different questions: the period-end basic count is the closer market-capitalization proxy, while the diluted weighted average is the earnings and security-return underwriting basis. Their 16M difference must not be treated as an implied issuance forecast; ASR timing also affects the weighted average.

## 8. Balance sheet, liquidity and valuation snapshot

| FY2025 item | $B | Source |
|---|---|---|
| Cash and equivalents | 19.048 | 2025 10-K balance sheet |
| Short-term investments | 0.000 | No separate current investment balance disclosed |
| Core debt due within one year | 18.618 | 2025 10-K debt note |
| Long-term core debt | 139.532 | 2025 10-K debt note |
| Total core debt | 158.150 | Sum of filed current and long-term debt |
| Net core debt | 139.102 | Core debt less cash |
| Statutory EBITDA | 47.608 | Operating Income 29.259 plus D&A 18.349 |
| Net core debt / statutory EBITDA | 2.92x | Calculated from filed values |
| Operating lease liabilities, excluded from core debt | 23.493 | 2025 10-K lease/debt presentation |
| Goodwill plus licenses and other intangibles | 190.338 | 22.841 goodwill + 157.039 wireless licenses + 10.458 other intangibles |
| Verizon stockholders' equity | 104.460 | 2025 10-K balance sheet |
| Tangible book value | -85.878 | Equity less goodwill, licenses and other intangibles |

| Latest shareholder-return / valuation input | Value | Date and source |
|---|---|---|
| Completed-session close | $46.81 per share | 2026-07-31 sealed quote packet; live FMP EOD response |
| Q2 common shares outstanding, period-end | 4,155M | Q2 2026 earnings exhibit, 2026-06-30 |
| Derived basic-share market-capitalization proxy | $194.50B | $46.81 multiplied by 4.155B shares |
| Q2 diluted weighted-average share basis | 4,171M | Q2 2026 earnings exhibit and sealed unit bridge |
| Derived diluted-basis underwriting equity value | $195.24B | $46.81 multiplied by 4.171B shares |
| Cash and equivalents | $1.752B | 2026-06-30 10-Q |
| Core gross debt | $165.231B | 21.783 current + 143.448 long-term at 2026-06-30 |
| Net core debt | $163.479B | Core debt less cash at 2026-06-30 |
| Derived enterprise value on basic-share proxy | $357.97B | $194.50B unrounded equity proxy plus net core debt; mixed 2026-07-31 price and 2026-06-30 balance date |
| Derived enterprise value on diluted underwriting basis | $358.72B | $195.24B unrounded diluted equity value plus net core debt; same mixed-date limitation |
| TTM revenue | $138.895B | FY2025 less H1 2025 plus H1 2026 |

| Latest shareholder-return / valuation input | Value | Date and source |
|---|---|---|
| TTM GAAP EPS | $3.84 | Sum of Q3 2025 through Q2 2026 diluted EPS |
| Spot P/E on TTM GAAP EPS | 12.19x | $46.81 divided by $3.84 |
| Basic-proxy enterprise value / TTM revenue | 2.58x | $357.97B unrounded divided by $138.895B |
| TTM FCF yield on basic-share equity proxy | 11.07% | $21.531B divided by $194.50B unrounded |
| Official non-GAAP leverage indicator | 2.5x | Q2 2026 net unsecured debt / adjusted EBITDA disclosure |

The sealed price expires for actionability at the next scheduled NYSE close, 2026-08-04 04:00 SGT. It remains a valid research anchor, not trading authorization. Both equity-value constructions are mechanical mixed-date proxies, not an exchange-supplied market-cap field; the basic-share proxy is used for FCF yield, while the sealed diluted basis is retained for underwriting continuity. No same-run peer valuation set or defensible historical trading-range study was found; none is fabricated here. Downstream valuation must source any peer or historical bands separately.

## 9. Recent corporate actions

- **2025-10-06 - CEO transition:** the board appointed former PayPal CEO Dan Schulman as Verizon CEO effective immediately; Mark Bertolini became chair, and Hans Vestberg became a transition adviser. [Official release](https://www.verizon.com/about/news/verizon-announces-ceo-transition)
- **2025-10-08 announcement; 2026-01-30 close - Starry:** Verizon acquired the fixed-wireless MDU provider serving five U.S. markets. The acquisition supports FWA penetration in multi-dwelling units. [Official announcement](https://www.verizon.com/about/news/verizon-acquisition-starry) and Q2 2026 10-Q.
- **2026-01-20 - Frontier close:** Verizon paid approximately $9.4B net cash and assumed approximately $12.9B of debt, for about $22.3B aggregate consideration. The combined company began with almost 30M fiber passings. [Official Frontier page](https://www.verizon.com/about/news/feed/introducing-frontier-verizon-company) and Q2 2026 10-Q.
- **2026-01-30 through 2026-06-30 - repurchases:** a $25B authorization was established; two completed ASR programs used $3.5B to acquire 72.047M shares. Q2 guidance raised the FY2026 target to up to $4.5B.
- **2026-06-01 - UScellular spectrum:** Verizon acquired spectrum licenses for approximately $1.0B, included within H1 wireless-license purchases.
- **2026-06-29 - BT joint venture agreement:** Verizon and BT agreed to combine international operations in a 50:50 JV serving more than 3,000 customers in more than 180 countries with about $4B of combined annual revenue. Closing is expected in 2027, subject to approvals; Verizon agreed to a $625M equalization payment. [Official release](https://www.verizon.com/about/news/verizon-bt-group-international-joint-venture)
- **Q2 2026 - held-for-sale accounting:** international wireline connectivity and managed network services moved from Business to Corporate and other; Verizon recorded a $746M pretax loss on disposition. Prior segment periods were recast.
- **July 2026 subsequent event - AWS-3:** Verizon won 82 licenses valued at approximately $3.2B and paid approximately $3.1B after quarter-end, increasing the prospective cash/debt and spectrum base beyond the Q2 snapshot.
- **2026 guidance revision:** the Q2 release raised service-revenue, adjusted EPS, operating-cash-flow and FCF guidance for the second consecutive quarter and set capex at $16.0-$16.5B. [Official Q2 release](https://www.verizon.com/about/news/verizon-delivers-record-2q26-results)

## 10. Open data gaps and handling rules

| Classification | Data gap | Sources and search terms checked | Required downstream handling |
|---|---|---|---|
| True non-disclosure | Quantified geographic revenue split | Five Forms 10-K; Q2 2026 10-Q; live FMP geographic annual and quarterly endpoints; `geographic`, `international revenue` | State predominantly U.S.; do not infer regional percentages |
| True non-disclosure | R&D expense | Forms 10-K and 10-Q; `research and development`, `R&D` | Do not use the live-FMP zero placeholder as actual expense |

| Classification | Data gap | Sources and search terms checked | Required downstream handling |
|---|---|---|---|
| True non-disclosure | Recurring current fiber-only broadband revenue | 2025 10-K and 2026 exhibits; `fiber revenue`, `Fios revenue`, `broadband revenue` | Use disclosed legacy Fios dollars and current fiber connections/net adds separately |
| True non-disclosure | Standalone IoT, private-network, security and managed-services dollars | Segment note, MD&A and earnings exhibits; product names searched | Forecast only with explicit assumptions; no invented dollar base |
| True non-disclosure | Complete segment capex, assets and invested capital by operating unit | Segment notes and capital tables | Keep ROIC and capital allocation consolidated unless new disclosure appears |
| True non-disclosure | Segment-specific 2026 subscriber, churn and ARPA outlook | Four transcripts and releases; `Consumer`, `Business`, `ARPA`, `churn`, `net adds` | Do not allocate consolidated guidance mechanically |
| Not applicable | Separate regulatory operating supplement | Verizon IR and SEC source set | Primary KPI tables in filings/exhibits are the controlling substitute |
| Estimated | FY2021 and FY2022 FWA connection figures | Annual disclosures and milestone statements | Treat as approximate only; do not calculate precise early growth rates |
| Estimated | TTM diluted share basis used by the sealed QF is 4,212.7M | Four quarterly weighted-average share counts | Use quarter-specific 4,171M for the sealed current market-cap bridge |
| Not fetched / omitted | Peer valuation and multi-year trading ranges | No live peer financial/price set was gathered in this D run | Source separately before asserting relative cheapness or a historical band |

The prior taxonomy-integrity gap is closed: QF/QFR source-bound Q3/Q4 2025 Business values from Verizon's Q2 2026 FOI, resealed the current-perimeter bridge, and independent DR re-review reproduced the repaired perimeter. All five statutory reconciliation residuals are zero for FY2025 and TTM. No portfolio ranking, position sizing or trade calculation appears in this package, and `trade_execution_authorized=false` remains controlling.

## Source and archive register

| Source set | Live endpoint or official URL | Local same-run archive | SHA-256 or status |
|---|---|---|---|
| Verizon Q2 2026 Financial and Operating Information | `https://www.verizon.com/about/file/78153/download?token=g0Qi52U4` | `raw\pulse-cio-20260801T220351+0800_qf_repair\official\verizon_2q2026_financial_operating_information.pdf` | `b9682de461ee05a78aca3aecc031b1ed15ff1ebf0cd09b31042482a1a093eefc` |
| Current-perimeter TTM workpaper | QF mechanical reconciliation from FOI and controlling filings | `raw\pulse-cio-20260801T220351+0800_qf_repair\recast_ttm_workpaper.json` | `d99470363a7865591e20179d3d8f667b26e69026b8cca57575823b1660f1bd5a` |
| FMP annual income | `https://financialmodelingprep.com/stable/income-statement?symbol=VZ&period=annual` | `raw\pulse-cio-20260801T220351+0800_d\01_income_annual.json` | `49ce25dd1e7b47f6273e44622a8f5b241d9da10c97a6aaf4a27b10b04dc7c0e7` |
| FMP quarterly income | `https://financialmodelingprep.com/stable/income-statement?symbol=VZ&period=quarter` | `raw\pulse-cio-20260801T220351+0800_d\02_income_quarter.json` | `ba56ed94e83ab073da3488eb67529daca777ae12b84cba666963fd55e83ce2cc` |
| FMP annual and quarterly cash flow | FMP stable cash-flow-statement endpoints | `05_cash_annual.json`; `06_cash_quarter.json` | `3c0dddcb...`; `9abdf2f6...` |
| FMP annual and quarterly segment | FMP stable revenue-product-segmentation endpoints | `09_segment_annual.json`; `10_segment_quarter.json` | `50c1e291...`; `1afc875d...` |
| FMP transcripts Q3 2025-Q2 2026 | FMP stable earning-call-transcript endpoints | `12_transcript_2025_q3.json` through `15_transcript_2026_q2.json` | Dates verified within expected call windows |
| FMP DR re-performance set | FMP stable income, balance-sheet, cash-flow, segment and transcript endpoints | `raw\pulse-cio-20260801T220351+0800_dr\01_transcript_2025_q3.json` through `10_segment_quarter.json` | Ten fresh responses archived; warehouse copies written non-overwriting under run folder `dr` |
| SEC 2025 10-K | [Official filing](https://www.sec.gov/Archives/edgar/data/732712/000073271226000007/vz-20251231.htm) | `18_sec_2025_10k.html` | `892d566da38b16c8b226c81a7c55131e2d475452989d8c3fce2a99b03eaadd33` |
| SEC Q2 2026 10-Q | [Official filing](https://www.sec.gov/Archives/edgar/data/732712/000073271226000046/vz-20260630.htm) | `23_sec_2026_q2_10q.html` | `bef955f7946430f4463a1bc5ab383faeff8d9fec39880d628621885dfd611eb7` |
| SEC earnings exhibits | Q3 2025 through Q2 2026 exhibit URLs cited in Section 5 | `30_sec_2025_q3_ex99.html` through `33_sec_2026_q2_ex99.html` | Archived and hashed same run |

| Source set | Live endpoint or official URL | Local same-run archive | SHA-256 or status |
|---|---|---|---|
| FMP geographic responses | FMP stable geographic-segmentation annual and quarterly | `34_geo_annual.json`; `35_geo_quarter.json` | Both empty arrays; SHA `4f53cda18c2baa0c0354bb5f9a3ecbe5ed12ab4d8e11ba873c2f11161202b945` |

The three required live self-check anchors passed in this run: the official Q2 2026 release contains Consumer's -1.5% YoY revenue result; the Q2 2026 FMP transcript dated 2026-07-24 contains the cited 32M homes-passed excerpt; and the live FMP annual income response reports FY2025 revenue of $138.191B, tying the filed amount exactly.