



Verizon Communications (VZ)

Updated January 24th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$40	5 Year CAGR Estimate:	12.4%	Market Cap:	\$167 B
Fair Value Price:	\$51	5 Year Growth Estimate:	2.5%	Ex-Dividend Date:	01/10/25
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.8%	Dividend Payment Date:	02/03/25
Dividend Yield:	6.8%	5 Year Price Target	\$57	Years Of Dividend Growth:	20
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

Verizon Communications was created by a merger between Bell Atlantic Corp and GTE Corp in June 2000. Verizon is one of the largest wireless carriers in the country. Wireless contributes three-quarters of all revenues, and broadband and cable services account for about a quarter of sales. The company's network covers ~300 million people and 98% of the U.S.

On September 14, 2024, Verizon announced that it was increasing its quarterly dividend 1.9% to \$0.6775 for the November 1st, 2024 payment, extending the company's dividend growth streak to 20 consecutive years.

On January 24th, 2025, Verizon announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 1.7% to \$35.7 billion, which beat estimates by \$360 million. Adjusted earnings-per-share of \$1.10 compared favorably to \$1.08 in the prior year and was in-line with expectations. For the year, grew 0.6% to \$134.8 billion while adjusted earnings-per-share \$4.59 compared to \$4.71 in 2023.

For the quarter, Verizon had postpaid phone net additions of 568K, which was better than the 449K net additions the company had in the same period last year. Retail postpaid net additions totaled 426K. Wireless retail postpaid phone churn rate remains low at 0.89%. Wireless revenue grew 3.1% to \$20.0 billion while the Consumer segment increased 2.2% to \$27.6 billion. Broadband totaled 408K net new customers during the period, the 10th consecutive quarter of at least 375K net adds. This included 373K fixed wireless net additions. The total fixed wireless customer base is more than 4.6 million. Verizon aims to have 8 to 9 million fixed wireless subscribers by 2028. Fios additions totaled 51K. Business revenue decreased 1.5% to \$7.5 billion as gains in wireless service revenue were once again more than offset by weakness for wireline revenue. Free cash flow totaled \$19.8 billion in 2024, up from \$18.7 billion in the prior year.

Verizon provided guidance for 2025 as well, with the company expecting wireless service revenue to grow 2% to 2.8% for the year. The company is expected to earn \$4.60 in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.99	\$3.87	\$3.75	\$4.71	\$4.81	\$4.90	\$5.39	\$5.18	\$4.71	\$4.59	\$4.60	\$5.20
DPS	\$2.23	\$2.29	\$2.32	\$2.37	\$2.46	\$2.47	\$2.52	\$2.57	\$2.62	\$2.67	\$2.71	\$2.99
Shares¹	4073	4077	4080	4050	4025	4141	4169	4207	4214	4222	4222	4210

Verizon has seen its earnings-per-share grow at a rate of 1.6% per year for the past 10 years. We have reaffirmed our forward growth rate of 2.5%. Applying our expected earnings growth rate to the company's guidance for 2024 means that shares of Verizon could earn \$5.20 per share by 2030.

¹ Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.8	13.3	12.3	13.1	12.8	11.5	9.6	7.7	8.0	8.7	8.7	11.0
Avg. Yld.	4.7%	4.5%	4.8%	4.1%	4.0%	4.2%	4.8%	6.6%	6.9%	6.7%	6.8%	5.2%

Shares of Verizon have declined \$3, or 7.5%, since our October 24th, 2024 report. Based off the current share price and earnings guidance for 2025, Verizon has a forward P/E of 8.7. We reaffirm our target P/E of 11.0. This brings the target valuation more in-line with peers as well. If shares were to return to this ratio by 2030, then multiple expansion could add 4.8% to total annual returns over this period. With a dividend yield of 6.8%, Verizon's stock offers investors a yield that is about five times the average yield of the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	56%	59%	61%	50%	51%	50%	47%	50%	56%	58%	59%	57%

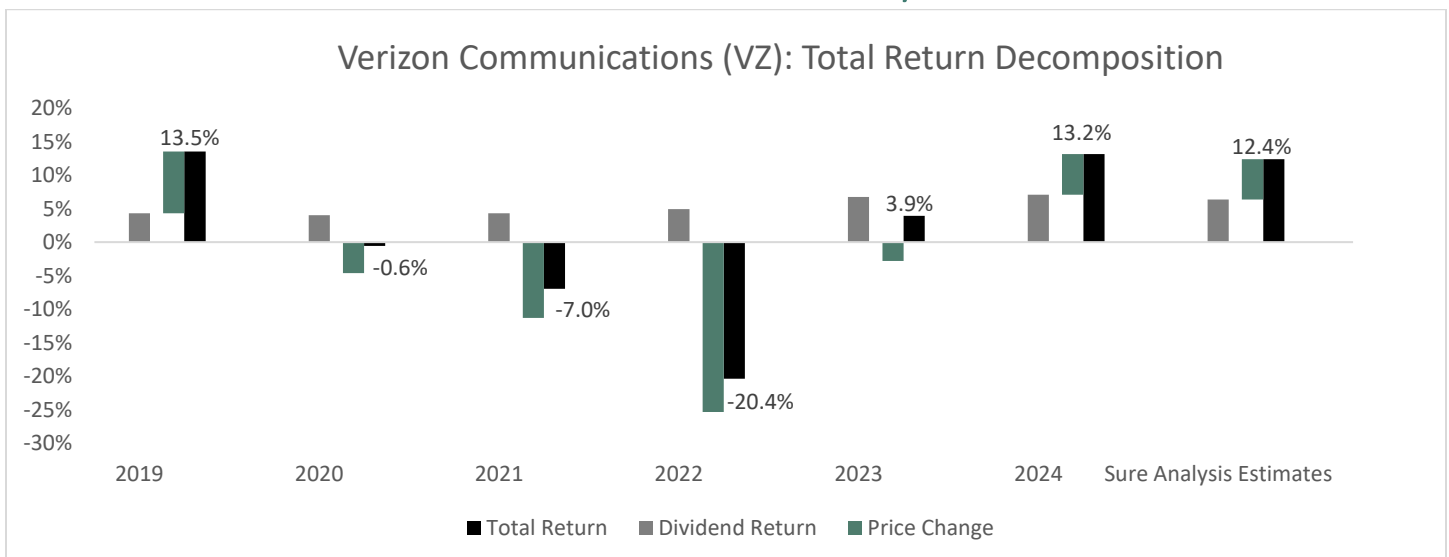
While investors are not likely to see a sizeable pickup in earnings growth, Verizon offers a very high and stable dividend yield. While the current net debt level is still high, it has been reduced recently.

One of Verizon's key competitive advantages is that is often considered the best wireless carrier in the U.S. This is evidenced by the company's wireless net additions and very low churn rate. This reliable service allows Verizon to maintain its customer base as well as give the company an opportunity to move customers to higher-priced plans. Verizon's 5G service coverage area gives it an advantage over other carriers. Another advantage for Verizon is the stock's ability to withstand a downturn in the market.

Final Thoughts & Recommendation

After fourth quarter earnings results, Verizon Communications is expected to return 12.4% annually through 2030, up from our prior estimates of 10.7%. Our projected return stems from a 2.5% earnings growth rate, a starting yield of 6.8%, and a mid-single-digit contribution from multiple expansion. Verizon saw another strong quarter of postpaid phone and broadband net adds. In addition, the dividend yield remains generous and appears safe. We have reaffirmed our 2030 price target of \$57 due to earnings estimates for the year. We maintain our buy rating on the stock due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue (\$B)	127.08	131.62	125.98	126.03	130.86	131.87	128.29	133.6	136.8	134.0
Gross Profit	77,148	79,063	73,279	72,971	75,355	77,142	77,091	77,312	77,702	79,087
Gross Margin	60.7%	60.1%	58.2%	57.9%	57.6%	58.5%	60.1%	57.9%	56.8%	59.0%
SG&A Exp.	41,016	29,986	27,095	26,818	31,083	29,896	31,573	28,658	30,136	32,745
D&A Exp.	16,533	16,017	15,928	16,954	17,403	16,682	16,720	16,206	17,099	17,624
Op. Profit	19,599	33,060	30,256	29,199	26,869	30,564	28,798	32,448	30,467	28,718
Op. Margin	15.4%	25.1%	24.0%	23.2%	20.5%	23.2%	22.4%	24.3%	22.3%	21.4%
Net Profit	9,625	17,879	13,127	30,101	15,528	19,265	17,801	22,065	21,256	11,614
Net Margin	7.6%	13.6%	10.4%	23.9%	11.9%	14.6%	13.9%	16.5%	15.5%	8.7%
Free Cash Flow	13,086	11,310	4,096	6,488	16,252	16,909	21,450	-28343	10,401	12,912
Income Tax	3,314	9,865	7,378	(9,956)	3,584	2,945	5,619	6,802	6,523	4,892

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	232.62	244.18	244.18	257.14	264.83	291.73	316.48	366.6	379.7	380.3
Cash & Equiv	10,598	4,470	2,880	2,079	2,745	2,594	22,171	2,921	2,605	2,065
Acc. Receivable	13,993	13,457	17,513	23,493	25,102	25,429	23,917	23,846	24,506	25,085
Inventories	1,153	1,252	1,202	1,034	1,336	1,422	1,796	3,055	2,388	2,057
Goodwill (\$B)	105.71	119.50	122.78	127.84	128.52	128.95	130.28	187.9	189.9	189.6
Total Liab. (\$B)	218.94	226.33	220.15	212.46	210.12	228.89	247.21	283.3	287.2	286.5
Accts Payable	5,598	5,700	7,084	7,063	7,232	7,725	6,667	8,040	8,750	10,021
LT Debt (\$B)	113.27	109.73	108.08	117.10	113.06	111.49	129.06	150.9	150.6	150.7
Total Equity	12,298	16,428	22,524	43,096	53,145	61,395	67,842	81,790	91,144	92,430
LTD/E Ratio	9.21	6.68	4.80	2.72	2.13	1.82	1.90	1.84	1.65	1.63

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.8%	7.5%	5.4%	12.0%	5.9%	6.9%	5.9%	6.5%	5.7%	3.1%
Return on Equity	37.6%	125%	67.4%	91.7%	32.3%	33.6%	27.5%	29.5%	24.6%	12.7%
ROIC	6.1%	14.0%	10.1%	20.5%	9.4%	11.3%	9.6%	10.2%	8.9%	4.8%
Shares Out.	4155	4073	4077	4080	4050	4025	4141	4169	4207	4214
Revenue/Share	31.92	32.16	30.83	30.82	31.67	31.85	30.97	32.20	32.55	31.79
FCF/Share	3.29	2.76	1.00	1.59	3.93	4.08	5.18	(6.83)	2.47	3.06

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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