

The Sunday Brief: Verizon's Dilemma

Greetings from Iowa, Missouri and Tennessee. The "Patterson Men" enjoyed a football weekend in Knoxville and are pleased to announce the Tennessee Volunteers won. A good time was enjoyed by all and we look forward to celebrating Dad's 89th birthday with another Vols game in 2026.

There has been a lot of earnings news over the last two weeks. We are going to discuss as much as is allowed within 2000 words. Our focus this week will be on Verizon, as incoming CEO Dan Schulman has a dilemma.

iPhone 17 Pro and Pro Max availability will be available by 9 p.m. EST on Sunday, slightly later than usual due to football travel schedule. Please see last week's commentary [here](#) if you are interested in his take on the current launch cycle.

The Fortnight That Was

FAB FIVE	Shares outstanding (end of yr unless noted)				Stock Price (last trading day of year)			Equity Value (\$B)			2025 YTD PERFORMANCE								
	Stock Name	Ticker Symbol	Dec-23	Dec-24	Jun-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	31-Oct	% change	Value Gained/Lost (\$B)	Current market cap	17-Oct	24-Oct	1-wk change	2-wk change
	Apple	AAPL	15,441.9	15,022.1	14,840.4	\$ 129.93	\$ 192.53	\$ 250.42	\$ 2,056	\$ 2,994	\$ 3,785	\$ 270.37	8%	\$ 300	\$ 4,012	\$ 28	\$ 186	\$ 113	\$ 272
Alphabet (Google)	GOOG	12,433.0	12,190.0	12,094.0	\$ 88.73	\$ 140.93	\$ 190.44	\$ 1,136	\$ 1,764	\$ 2,331	\$ 281.82	48%	\$ 1,114	\$ 3,408	\$ 772	\$ 854	\$ 260	\$ 342	
Microsoft	MSFT	7,430.4	7,434.0	7,433.2	\$ 239.82	\$ 376.04	\$ 421.50	\$ 1,785	\$ 2,795	\$ 3,134	\$ 517.81	23%	\$ 716	\$ 3,849	\$ 685	\$ 759	\$ (43)	\$ 31	
Amazon	AMZN	10,387.4	10,597.7	10,664.9	\$ 84.00	\$ 151.94	\$ 219.39	\$ 861	\$ 1,570	\$ 2,307	\$ 244.22	11%	\$ 263	\$ 2,605	\$ (67)	\$ 51	\$ 212	\$ 330	
Facebook/ Meta	FB	2,549.0	2,533.7	2,512.6	\$ 120.34	\$ 353.96	\$ 585.51	\$ 312	\$ 910	\$ 1,478	\$ 648.35	11%	\$ 159	\$ 1,629	\$ 333	\$ 387	\$ (228)	\$ (174)	
								Totals	\$ 6,150	\$ 10,033	\$ 13,035		\$ 2,552	\$ 15,503	\$ 1,751	\$ 2,238	\$ 314	\$ 801	
								Change	\$ (3,809)	\$ 3,883	\$ 3,002								
								Cumulative Change	\$ 2,817	\$ 6,700	\$ 9,703								

TELCO TOP FIVE	Shares outstanding (end of yr unless noted)				Stock Price (last trading day of year)			Equity Value (\$B)			2025 YTD PERFORMANCE								
	Stock Name	Ticker Symbol	Dec-23	Dec-24	Jun-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	31-Oct	% change	Value Gained/Lost (\$B)	Current market cap	17-Oct	24-Oct	1-wk change	2-wk change
	AT&T	T	7,150.0	7,178.2	7,150.4	\$ 18.41	\$ 16.78	\$ 22.77	\$ 131	\$ 120	\$ 163	\$ 24.75	9%	\$ 14	\$ 177	\$ 26	\$ 17	\$ (3)	\$ (11)
Verizon	VZ	4,204.1	4,209.7	4,216.3	\$ 39.40	\$ 37.70	\$ 39.99	\$ 165	\$ 158	\$ 168	\$ 39.74	-1%	\$ (1)	\$ 168	\$ 2	\$ (5)	\$ 4	\$ (3)	
T-Mobile	TMUS	1,186.9	1,141.7	1,125.4	\$ 140.00	\$ 160.33	\$ 220.73	\$ 171	\$ 185	\$ 256	\$ 210.05	-5%	\$ (12)	\$ 236	\$ 10	\$ (3)	\$ (9)	\$ (22)	
Comcast	CMCSA	3,971.9	3,781.0	3,692.2	\$ 34.97	\$ 43.85	\$ 37.53	\$ 147	\$ 176	\$ 144	\$ 27.84	-26%	\$ (37)	\$ 103	\$ (30)	\$ (31)	\$ (5)	\$ (6)	
Charter	CHTR	145.2	141.9	136.6	\$ 339.10	\$ 388.68	\$ 342.77	\$ 52	\$ 57	\$ 49	\$ 233.84	-32%	\$ (15)	\$ 32	\$ (13)	\$ (14)	\$ (1)	\$ (3)	
								Totals	\$ 667	\$ 698	\$ 780		\$ (51)	\$ 716	\$ (5)	\$ (36)	\$ (15)	\$ (46)	
								Change	\$ (212)	\$ 31	\$ 82								
								Cumulative Change since 1/1/2019	\$ (16)	\$ 15	\$ 98								

Relative Market Capitalization 9.23 14.38 16.71 21.66

Note: outstanding shares will be updated to reflect the third quarter figures in next week's interim [Brief](#).

October was a terrific month to be a Fab Five shareholder and a dismal one for Telco Top Five investors. Since October 3rd, the Fab Five has added \$724 billion in market capitalization (about 28% of the year-to-date 2025 gain). The Telco Top Five failed to hold their positive 2025 gains, dropping from +\$29 billion in market cap additions on October 3rd to -\$51 billion last Friday. AT&T remains the only stock in the Telco Top Five with a gain this year.

The Fab Five earnings headlines continued to resonate around capital spending. We will spend more time with this in upcoming [Briefs](#) but thought it would be good to show the net debt position for each of the Fab Five participants. We have not combed through each 10-Q to uncover any partnership/ off balance sheet financing (like the Blue Owl investment Facebook struck for their Louisiana data center – more on that from Bloomberg [here](#)), but, from our understanding, most of the capital being spent is reflected in the net debt figure. Here is the latest chart (year-over-year and quarter-over-quarter metrics are shown – the full 12 quarter view will be available with the spreadsheet distributed in next week's interim [Brief](#)):

9/30/2024	Cash	Mkt Sec	Total	S-T Debt	L-T Debt	Total	Net Debt
Apple	\$ 29,943	\$ 126,977	\$ 156,920	\$ 20,879	\$ 85,750	\$ 106,629	\$ (50,291)
Google	\$ 19,959	\$ 73,271	\$ 93,230	\$ -	\$ 12,297	\$ 12,297	\$ (80,933)
Microsoft	\$ 20,840	\$ 57,588	\$ 78,428	\$ 2,249	\$ 42,868	\$ 45,117	\$ (33,311)
Amazon	\$ 75,091	\$ 12,960	\$ 88,051	\$ -	\$ 54,890	\$ 54,890	\$ (33,161)
Facebook	\$ 43,852	\$ 27,048	\$ 70,900	\$ -	\$ 28,823	\$ 28,823	\$ (42,077)
Fab Five totals	\$ 189,685	\$ 297,844	\$ 487,529	\$ 23,128	\$ 224,628	\$ 247,756	\$ (239,773)
6/30/2025	Cash	Mkt Sec	Total	S-T Debt	L-T Debt	Total	Net Debt
Apple	\$ 36,269	\$ 96,717	\$ 132,986	\$ 19,268	\$ 82,430	\$ 101,698	\$ (31,288)
Google	\$ 21,036	\$ 74,112	\$ 95,148	\$ -	\$ 23,607	\$ 23,607	\$ (71,541)
Microsoft	\$ 30,242	\$ 64,323	\$ 94,565	\$ -	\$ 43,151	\$ 43,151	\$ (51,414)
Amazon	\$ 57,741	\$ 35,439	\$ 93,180	\$ -	\$ 52,623	\$ 52,623	\$ (40,557)
Facebook	\$ 12,005	\$ 35,066	\$ 47,071	\$ -	\$ 28,832	\$ 28,832	\$ (18,239)
Fab Five totals	\$ 157,293	\$ 305,657	\$ 462,950	\$ 19,268	\$ 230,643	\$ 249,911	\$ (213,039)
9/30/2025	Cash	Mkt Sec	Total	S-T Debt	L-T Debt	Total	Net Debt
Apple	\$ 35,934	\$ 96,486	\$ 132,420	\$ 20,329	\$ 78,328	\$ 98,657	\$ (33,763)
Google	\$ 23,090	\$ 75,406	\$ 98,496	\$ -	\$ 21,607	\$ 21,607	\$ (76,889)
Microsoft	\$ 28,849	\$ 73,163	\$ 102,012	\$ 7,832	\$ 35,376	\$ 43,208	\$ (58,804)
Amazon	\$ 66,922	\$ 27,275	\$ 94,197	\$ -	\$ 50,742	\$ 50,742	\$ (43,455)
Facebook	\$ 10,187	\$ 34,261	\$ 44,448	\$ -	\$ 28,834	\$ 28,834	\$ (15,614)
Fab Five totals	\$ 164,982	\$ 306,591	\$ 471,573	\$ 28,161	\$ 214,887	\$ 243,048	\$ (228,525)

Apple (-\$16 billion) and Facebook/ Meta (-\$27 billion) have seen meaningful decreases in their negative net debt over the last year (translation: still more cash than debt, but the balance shrunk). Google/ Alphabet is down \$4 billion. But Microsoft (Azure) and Amazon (AWS) have actually seen their negative net debt levels improve. And, as a group, the negative net debt level improved quarter over quarter and is only down \$11 billion for the year, an amazing statistics considering the hundreds of billions of dollars invested over the past 12 months.

How can this be? Isn't this just like 1999? It isn't, and here's why: In the first nine months of 2025, Meta generated \$79 billion in cash flow from operations and Amazon generated \$85 billion. In the last quarter, Microsoft generated \$45 billion. Four of the Fab Five (Apple excluded) are using substantially all of their current operating cash flow to invest in AI infrastructure. Whether that was the best decision (versus accelerated share repurchases) remains to be seen, but these companies are their own banks (they are truly the Silicon Valley Bank). But it's not the 1999/ 2000 balance sheet, even with Oracle and others included. Far from it.

Our conclusion is that the Fab Five are building tomorrow's broadband and computing networks. The worst case for the Fab Five (stranded fiber assets and underutilized computing) simply means that the only thing left for the Telco Top Five is spectrum and local connectivity. And, if the Fab Five are willing to spend hundreds of billions of dollars today on AI, what does that say about upcoming spectrum auctions? Something to ponder as we enter 2026.

Verizon's Dilemma

As we discussed in last week's Brief, three of the Telco Top Five are facing leadership (CEO) changes (Comcast also announced this week that Dave Watson will be replaced by Steve Croney as CEO of the Connectivity & Platforms division of the company). Of these three, Verizon faces the toughest challenge as they seek to improve share gains without significant investments.

Here is how new CEO Dan Schulman characterized the changes on the earnings call:

"To summarize, we understand change is needed, and we are aggressively making those changes. Our goals and our priorities are clear. First, delighting our customers to meaningfully increase our share of industry net adds. Second, cost transformation, fundamentally restructuring our expense base. Third, capital efficiency, optimizing how and where we invest. And fourth, accelerating shareholder returns by increasing our bottom-line growth, and a steadfast commitment to our dividend.

“You can expect to see a tangible difference in the way Verizon competes. Going forward, we will aggressively compete and fundamentally redefine what it means to be a Verizon customer. I'm confident in our strategy, our assets and the team's ability to execute. We have the network, the scale, the brand, and now the strategic clarity and commitment to drive sustainable growth. We are playing to win, and this will be a different Verizon than the market is used to.”



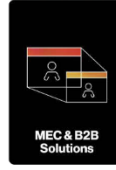


Here's how we see those changes taking place:

1. **A long, slow but eventual unwinding of the cable MVNO.** This Verizon “growth vector” is going to be quietly exited. The following chart (available in each Interim Brief spreadsheet package located at the bottom of each post) clearly shows why:

<i>NOTE: all amts. in 000s</i>	2021				2024				2025		
Description	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Verizon wireless consumer retail postpaid phone subscribers	74,913	75,118	75,388	75,712	74,561	74,551	74,624	74,772	74,406	74,359	74,364
Xfinity Mobile subscribers	3,103	3,383	3,668	3,980	6,877	7,199	7,519	7,826	8,148	8,527	8,941
Spectrum Mobile subscribers	2,675	2,940	3,184	3,654	8,252	8,809	9,354	9,883	10,397	10,897	11,390
Total Verizon retail + wholesale (Verizon consumer only)	80,691	81,441	82,240	83,346	89,690	90,559	91,497	92,481	92,951	93,783	94,695
Annual growth (%)					4.0%	4.0%	4.1%	3.8%	3.6%	3.6%	3.5%
Verizon wireless business retail postpaid phone subscribers	16,639	16,708	16,866	17,103	18,306	18,480	18,649	18,745	18,808	18,848	18,882
Total Verizon phone subscribers (including cable MVNOs)	97,330	98,149	99,106	100,449	107,996	109,039	110,146	111,226	111,759	112,631	113,577
Annual growth (%)					3.9%	3.9%	4.0%	3.7%	3.5%	3.3%	3.1%
Memo: Verizon prepaid subscribers	4,058	4,075	4,072	23,852	18,717	18,702	18,780	18,843	18,977	19,017	19,062

This chart, in full form, shows the quarterly growth of Verizon’s consumer retail postpaid wireless phone subscribers, which peaked in 3Q 2021 at 75.39 million. Over the last two years, that number has fallen to 74.36 million. In the telecom world, a 1.4% decline in anything over two years is probably considered par but given AT&T’s and T-Mobile’s meaningful organic growth in wireless, Verizon is losing share.

Network-as-a-Service Overview

 <p>5G Mobility</p> <ul style="list-style-type: none"> + Drive new customer growth + Increase revenue via step-ups, premium offerings and subscription services <p>Measures of Success</p> <ul style="list-style-type: none"> + ARPA + Subscribers & Accounts + Premium Unlimited Penetration 	 <p>Nationwide Broadband</p> <ul style="list-style-type: none"> + Capture share + Fiber + Fixed Wireless Access (FWA) <p>Measures of Success</p> <ul style="list-style-type: none"> + Households and Businesses Covered + Total Subscribers 	 <p>MEC & B2B Solutions</p> <ul style="list-style-type: none"> + Build on the first mover advantage + Edge computing and next-gen enterprise solutions <p>Measures of Success</p> <ul style="list-style-type: none"> + Total Revenue 	 <p>Value Market</p> <ul style="list-style-type: none"> + #1 Share <p>Tracfone v's'ble SafeLink</p> <p>Strawbe FamilyMobile Verizon Prepaid</p> <p>Measures of Success</p> <ul style="list-style-type: none"> + Prepaid ARPU + Prepaid Subscribers + Prepaid Revenue 	 <p>Network Monetization</p> <ul style="list-style-type: none"> + Return on invested capital + Wholesale, MVNOs, and other strategic partnerships <p>Measures of Success</p> <ul style="list-style-type: none"> + Wireless Service Revenue
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We began this schedule in 2021 to show a network view of Verizon’s customers, one that includes the rapid growth of cable MVNOs (Comcast and Charter are shown, but Cox and Mediacom have also contributed to the total wireless base). Since the first quarter of 2021, Verizon’s consumer postpaid phone base has shrunk by 559K subscribers. Over that same period, the cable MVNO base has grown by 14.6 million subscribers. Verizon’s network is larger, but what has filled the network is wholesale subscribers.

Over the same period, Verizon Business has grown their postpaid phone base by 2.2 million subscribers or 13%. Said differently, if the consumer unit had grown 13%, Verizon would have nearly 10.3 million more consumer postpaid phone subscribers than they currently have today.

Verizon executives have long argued that the cable MVNO relationship does not impact profitability. We interpret that to mean that the 14.6 million subscriber impact to the bottom line is equivalent to 14.6 million retail postpaid subscribers.

Beginning with the Q1 2025 financial results, Verizon reclassified their “other” consumer segment to give investors a pretty good proxy for the MVNO revenue stream. The company also reclassified 2024 to conform to 2025. Here is the Verizon Consumer Group P&L (seven quarter trend):

Consumer - Selected Financial Results

(dollars in millions)

Unaudited	2024				2025		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Operating Revenues							
Service ⁽¹⁾	\$ 19,624	\$ 19,851	\$ 19,919	\$ 20,064	\$ 20,066	\$ 20,260	\$ 20,338
Wireless equipment	4,490	4,143	4,478	6,487	4,532	5,369	4,766
Other ⁽¹⁾	943	933	963	1,009	1,020	1,019	1,001
Total Operating Revenues	25,057	24,927	25,360	27,560	25,618	26,648	26,105
Operating Expenses							
Cost of services	4,537	4,450	4,567	4,518	4,574	4,581	4,635
Cost of wireless equipment	4,750	4,432	4,850	7,227	4,912	5,806	5,270
Selling, general and administrative expense	5,089	5,047	4,928	5,473	5,165	5,036	4,968
Depreciation and amortization expense	3,309	3,394	3,411	3,438	3,543	3,582	3,568
Total Operating Expenses	17,685	17,323	17,756	20,656	18,194	19,005	18,441
Operating Income	\$ 7,372	\$ 7,604	\$ 7,604	\$ 6,904	\$ 7,424	\$ 7,643	\$ 7,664
Operating Income Margin	29.4 %	30.5 %	30.0 %	25.1 %	29.0 %	28.7 %	29.4 %
Segment EBITDA⁽²⁾	\$ 10,681	\$ 10,998	\$ 11,015	\$ 10,342	\$ 10,967	\$ 11,225	\$ 11,232
Segment EBITDA Margin⁽²⁾	42.6 %	44.1 %	43.4 %	37.5 %	42.8 %	42.1 %	43.0 %

Footnotes:

(1) Reflects the reclassification of recurring device protection and insurance related plan revenues from Other revenue into Wireless service revenue in the first quarter of 2025. Where applicable, historical results have been recast to conform to the current period presentation.

(2) Non-GAAP financial measure.

Per the first table (and working on the assumption that Comcast and Charter make up 90% of the other revenue line), Verizon collected roughly \$56.10 per quarter (or ~\$19 in monthly revenues) in Q1 2024. That number in 3Q 2025 is now \$44.51 per quarter (or ~\$15 in monthly revenues). These calculations are not intended to determine the yield per customer for the MVNO, but rather to show that Other revenues are up 6% over the last seven quarters, yet overall Comcast and Charter subscribers on the Verizon network are up 35%.

Overall EBITDA for the segment was up \$217 million even with increased wireless handset subsidies (+\$132 million vs 3rd quarter of 2024). The cable MVNO segment might have contributed a fraction of the \$217 million but the remainder came through the retail side (likely as a result of full quarter price increases taken earlier in the year). **Bottom line:** Cable is growing subscribers on Verizon’s network but not materially contributing to the Consumer unit profitability growth. Its value to the Verizon shareholder is waning.

2. **An aggressive rebalancing of capital spending between wireless and fiber.** After the Frontier acquisition is completed in early 2026, Verizon will need to provide new earnings and free cash flow (and, by implication capital spending) guidance. The single greatest jolt to the system is going to be an increased focus on “fiberizing the footprint.”

Verizon’s pre-Frontier footprint is around 23 million homes with 18 million passed with fiber. Frontier’s numbers are 15.4 million and 7.2 million. Between the two companies, there are 13 million homes that are still connected by copper. We think Verizon underestimated the *negative* value created by the 8.2 million passings that are not covered by fiber and, as a result, overpaid for Frontier.

Taking a page out of AT&T's playbook, Verizon will quickly realize that the easiest and quickest way to return value to shareholders (and avoid a costly write-off of the purchase price) is to extend the fiber buildout and create a franchise that serves the fixed and mobile broadband needs of those communities. Our very conservative guess is that it would cost \$15-20 billion (up to \$1500 per home passed) to enable fiber to every home passed.

Reality lies somewhere in between. We have not overlaid all of the C-Band spectrum purchases with the copper-served homes passed, but guess that Verizon will quickly come to the conclusion that an additional \$6 billion of capital will be needed in 2026 and 2027 (\$3 billion each year) to begin to erase the gap. But this will not be solely fulfilled through a traditional FTTH build, but rather with a "fiber to the tower" followed by a fixed wireless strategy. Using that hybrid approach (assuming C-Band capacity is available), we think they could address over 8 million of the 13 million gap with a 50/50 FTTH/ FTTT + fixed wireless approach.

Bottom line: Verizon should take a page out of AT&T's playbook and eradicate fiber from their network. We also think that both Verizon, Brightspeed, Lumen, Windstream, and AT&T should take a cue from their cable brethren and recluster their operations. Verizon was effective with this by shedding Hawaii, and now needs to recluster copper properties with other telephone companies to boost economies of scale.

3. **Turn the One Fiber initiative of the last two decades into a competitive advantage for the AI Era.** There hasn't been a lot of conversation about [One Fiber](#), which was Verizon's name for eliminating third party connectivity in 60+ markets (a full background on the initiative from Fierce Network's Diana Goovaerts is [here](#)). During 2020 and 2021, we tracked every market currently under construction for a client and can attest that Verizon blanketed metropolitan areas with significant amounts of fiber.

Verizon has a meaningful amount of unused fiber capacity deployed in 60+ markets and a per market plan should be crafted outlining where asset turns (asset turns = sales/ net invested capital) could be improved. This should be achieved through a combination of retail and wholesale strategies. We also think that Verizon might benefit from evaluating whether these assets should be tracked and operated separately.

This appears to be marketed in a passive manner on Verizon's website as "if you need better connectivity, let's talk." The 60+ markets are no longer listed, there are no case studies touting the benefits, and no pricing structure or calculator tool. It would be interesting to see which group(s) is (are) responsible for increasing market share and what their success has been to date; then hold them accountable for the same 40% market share target as their consumer peers.

T-Mobile clearly does not have the fiber density of One Fiber. AT&T will have that density in the legacy AT&T footprint (and in the acquired Lumen fiber properties). If Verizon is looking for ways to separate itself from its peers, it needs to start with One Fiber.

Dan Schulman must convince investors and the Board that Verizon's assets (spectrum, equipment, fiber) can be used better. He needs to do this quickly. We think that resetting the cable MVNO relationship, more aggressive in-territory fiber deployment, and discovery and accountability for various past investments such as One Fiber meet these goals without getting into a price war.

In the next [Brief](#), we will discuss the interesting comments made by both Comcast and Charter about competition (their tune has changed over the last year). In the meantime, if you have friends who are interested in being notified each time we publish a [Brief](#), please have them sign up at www.sundaybrief.com.

Go [Chiefs](#) and [Davidson College Basketball](#)!

Important disclosure: *The opinions expressed in [The Sunday Brief](#) are those of Jim Patterson and Patterson Advisory Group, LLC, and do not reflect those of CellSite Solutions, LLC, or Fort Point Capital.*