

Verizon - Where Should the Next Dollar and Management Attention Go?

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Decision date and information cutoff: October 2, 2026, 4:00 p.m. Eastern Time **Decision scope:** How to sequence investment and cash returns following Frontier's acquisition and new AWS-3 commitments **Case convention:** This author-created classroom exercise uses public information. Verizon has not disclosed the specific capital-allocation meeting or alternatives presented here. No events after the cutoff are included.

The decision

Verizon entered the second half of 2026 with three competing demands on capital and executive attention. Its C-Band build-out was approaching management's expected completion window; the January call had described the build-out as about 90% complete and covering approximately 300 million people, or POPs. The company had recently acquired Frontier, extending its fiber footprint, and still planned additional fiber passings. It had also won AWS-3 spectrum licenses, with approximately \$3.1 billion paid in July. Meanwhile, Verizon reported \$128.7 billion of net unsecured debt and had raised its 2026 share-repurchase target to as much as \$4.5 billion after repurchasing \$3.5 billion in the first half. [1-4]

The practical question is not whether Verizon should invest or return cash in the abstract. It is how leaders should sequence the marginal commitments and management attention among: (1) Frontier integration and selective fiber expansion; (2) wireless capacity, spectrum deployment, and customer acquisition; and (3) balance-sheet strength and shareholder returns. Public information does not establish a free pool of capital that can be moved among these uses, nor does it disclose project-level returns.

Recommend a capital-allocation rule for the next 12-18 months. Which investments should proceed, which should be gated on evidence, and what conditions should change the balance? These alternatives are for analysis; they are not reported management plans.

The network and cash-return portfolio

Verizon reported \$17.0 billion of capital expenditures in 2025. It spent \$8.2 billion in the first half of 2026, including capitalized software, and guided to \$16.0-\$16.5 billion for the full year. The implied second-half amount is approximately \$7.8-\$8.3 billion if the range is achieved; that is arithmetic, not a quarterly spending schedule. The guidance does not include all acquisition, spectrum, and lease cash requirements. [1, 2]

Frontier closed on January 20, 2026. Verizon's filing records approximately \$9.8 billion in cash consideration, inclusive of \$335 million cash acquired, and approximately \$12.9 billion of assumed debt at fair value. The company described a combined footprint of roughly 30 million fiber passings and said it expected at least 2 million new passings in 2026. A passing is a

location the network can serve; it is not an active customer. The company has not disclosed a market-by-market bridge connecting Frontier's passings to take-up, cross-sell, churn, margins, or realized synergies. [1, 3]

Wireless investment has a different timing and deployment profile. On its January 30 call, management said the C-Band build-out was about 90% complete and covered approximately 300 million POPs, and expected it to be substantially complete during 2026. The first statement is a dated management estimate; the second is a dated expectation. Neither is a Q2-verified completion percentage, and Verizon has not disclosed remaining cost or matched market-level quality results. [4]

Verizon's June 30 filing says it completed a \$1.0 billion UScellular license purchase on June 1 and won 82 AWS-3 licenses worth about \$3.2 billion in June. Approximately \$3.1 billion was paid in July; license issuance remained subject to an FCC determination. The payment is distinct from the capital-expenditure guidance. Winning or paying for licenses does not establish that they have been issued, deployed, or generated returns. [1]

What Q2 says-and does not say

In Q2, Verizon added 184,000 postpaid phone connections; postpaid phone churn was 0.92%. It added 155,000 fiber and 193,000 fixed wireless access (FWA) broadband connections, for 348,000 broadband additions. Its ending 17.121 million broadband connections included 10.913 million fiber and 6.208 million FWA connections; the fiber base includes Frontier. These operating measures describe additions and connections, not contribution or customer lifetime value. [1, 2]

Mobility and broadband service revenue increased 2.8% year over year. The narrower wireless-service-revenue outlook for 2026 was approximately flat. In the Q2 filing, Verizon attributed a \$365 million decline in Consumer postpaid revenue primarily to promotion and acquisition-discount amortization, partly offset by perks, premium offers, and FWA. It attributed a \$712 million increase in Consumer fiber revenue primarily to including Frontier. These are management's explanations; the acquisition's first-year results and promotional accounting do not, by themselves, show organic growth, profitable acquisition, or realized synergies. [1-3]

The carriers' reported customer measures are not interchangeable. AT&T reported 432,000 postpaid phone additions and 38.6 million fiber locations reached; its fiber growth included acquired Lumen assets. T-Mobile reported 277,000 postpaid account additions, 0.99% account churn, and \$152.91 account average revenue per account. Verizon's postpaid phone connections and T-Mobile's postpaid accounts have different denominators. Fiber locations reached are not active connections. These figures suggest active competition, but they do not form a clean ranking. [5-7]

Capital returns and financial boundaries

Verizon's board described capital-allocation priorities that include investment, dividend growth, balance-sheet strength, and cash returns. In July, after \$3.5 billion of first-half repurchases, the company raised its full-year 2026 repurchase target to **up to \$4.5 billion**. This is the current management target, not a requirement to repurchase exactly that amount. Verizon reported net unsecured debt of \$128.7 billion and net unsecured debt to adjusted EBITDA of 2.5 times at June 30; the ratio is a company-defined non-GAAP measure, not a debt covenant. [2, 3]

Verizon defines free cash flow as operating cash flow less capital expenditures. Its filing cautions that this measure excludes finance-lease payments, business acquisitions, and wireless-license payments, so it is not residual cash available for discretionary use. The \$3.1

billion AWS-3 payment, Frontier consideration, debt, dividends, and buybacks should not be collapsed into a single capex or free-cash-flow figure. [1]

Exhibit 1. Selected capital and operating evidence

Measure	Reported value / period	Interpretation boundary
2025 capital expenditures	\$17.0bn	Several investment categories; not a wireless-only measure
H1 2026 capital expenditures	\$8.2bn	Includes capitalized software
2026 capital-expenditure guidance	\$16.0-\$16.5bn	Management range; excludes spectrum and acquisition cash
Frontier close	Jan. 20, 2026	Cash consideration ~\$9.8bn, including cash acquired; assumed debt ~\$12.9bn fair value
Combined fiber footprint	About 30m passings	Company description; passings are not subscribers
2026 new fiber-passing target	At least 2m	Management target
C-Band status	About 90% of build-out complete; ~300m POPs	Management statement on Jan. 30; not Q2 verified
AWS-3	82 winning licenses; ~\$3.2bn bids; ~\$3.1bn paid in July	License issuance and deployment are separate and FCC-dependent
Q2 postpaid phone additions / churn	184k / 0.92%	Verizon phone connections
Q2 broadband additions	155k fiber; 193k FWA; 348k total	Connections; ending fiber base includes Frontier
Q2 revenue signals	Mobility+broadband services +2.8%; 2026 wireless-service outlook ~flat	Different scopes; latter is management forecast
H1 repurchases / FY target	\$3.5bn / up to \$4.5bn	July management update; target is not a fixed obligation
Net unsecured debt / leverage	\$128.7bn / 2.5x at June 30	Leverage ratio is company-defined, non-GAAP

Sources: Verizon Q2 2026 Form 10-Q and Q2 results release; Q4 2025 earnings-call transcript. See source notes below. Figures are reported or attributed company statements, not independent estimates.

Three defensible capital-allocation approaches

Convergence-led

Prioritize Frontier integration, selective fiber builds, and customer cross-sell in markets where take-up and retention economics support it. Use wireless offers as a bundle or retention tool. This approach could deepen customer relationships and spread network density costs. It is more attractive if acquired passings can be converted into profitable connections and discounts do not consume the value created. The public record does not disclose the required market-level cohort economics.

Network-led

Preserve investment capacity for radio, fiber, and AWS-3 deployment where congestion, coverage, or churn evidence indicates a need. This could defend service quality and future capacity as competitors invest. It is more attractive if local network constraints are already affecting customer outcomes and spectrum can be deployed on a relevant timetable. The public record does not identify license locations, deployment costs, or incremental returns; more spending alone does not establish better quality.

Balance-sheet-led with investment gates

Honor core network, dividend, and integration commitments while limiting discretionary repurchases or new builds until leverage and project-level evidence clear board-set hurdles. Release resources as local economics become observable. This could preserve flexibility after the Frontier acquisition and license payments. It may also defer useful investment while competitors gain customers or capacity. Any leverage threshold or release rule proposed by students is hypothetical unless sourced.

Evidence and decision discipline

The public record does not permit a unified project net-present-value calculation or a direct comparison of fiber returns, radio investment, AWS-3 deployment, and repurchases. Before setting gates, leaders would need market-level build costs, passings and take-up cohorts, contribution after offers, churn and retention, service-quality measures, spectrum issuance/deployment schedules, integration costs, and debt or rating sensitivities. Students should distinguish leading indicators-coverage, eligible locations, offers, and qualified cross-sell-from realized connections, contribution, cash flow, and customer outcomes.

Academic work offers competing mechanisms rather than Verizon coefficients. A 33-country OECD study by Genakos, Valletti, and Verboven finds that higher concentration is associated with higher prices and operator-level investment; its four-to-three merger example is modeled and does not establish higher total industry investment or consumer welfare. Ofcom's analysis of 30 European markets finds no evidence that greater concentration raises average download speeds and reports mixed-to-negative merger case results. Both studies differ from Verizon's investment choice and U.S. setting. They caution against assuming either that scale automatically creates consumer value or that investment automatically improves quality. [8, 9]

Decision assignment

Prepare a recommendation for Verizon's hypothetical post-Q2 capital-allocation review. Set a sequencing rule for the next 12-18 months:

1. Which fiber, wireless-capacity, or spectrum actions should proceed, and which should depend on additional evidence?
2. How should the company treat the up-to-\$4.5 billion 2026 repurchase target while considering debt, dividends, acquisition integration, and network commitments?
3. What market-level measures and guardrails would indicate that convergence, network investment, or cash returns are creating value?
4. What conditions would cause you to accelerate, pause, or redirect investment or repurchases?
5. Which uncertainty most affects your recommendation, and what evidence would change your view?

Do not treat free cash flow as fully discretionary cash, confuse capex with spectrum or acquisition payments, or infer profitability from additions alone. Label proposed thresholds and assumptions as hypothetical. The choice and any review process are student recommendations, not disclosed Verizon policy.

Sources and conventions

[1] Verizon, [Q2 2026 Form 10-Q](#), filed July 31, 2026, period ended June 30. See Note 3 (Frontier and spectrum); MD&A, capital expenditures and investments, operating metrics, revenue discussion, and “Free Cash Flow.”

[2] Verizon, [“Verizon Delivers Record Q26 Results,” July 24, 2026](#), Q2 highlights and outlook; includes H1 repurchases and raised full-year target.

[3] Verizon, [2026 Proxy Statement](#), shareholder letter, p. 2; and Q2 2026 Form 10-Q cited in [1] for June 30 debt and leverage measures.

[4] Verizon, [Q4 2025 earnings-call transcript](#), Jan. 30, 2026, prepared remarks pp. 5-6. The 90% build-out and ~300m POPs statement is an estimate; substantial completion in 2026 is an expectation.

[5] AT&T, [Q2 2026 earnings release](#), July 22, 2026; includes Lumen acquisition scope.

[6] T-Mobile US, [Q2 2026 earnings release, SEC Exhibit 99.1](#), July 23, 2026, KPI tables and footnotes.

[7] AT&T, [Q2 2026 call transcript](#), July 22, 2026; read with release [5] for growth and acquisition context.

[8] Genakos, Christos, Tommaso Valletti, and Frank Verboven. 2018. “Evaluating Market Consolidation in Mobile Communications.” *Economic Policy* 33(93): 45-100. [Article DOI](#); [author/institution-hosted manuscript](#), especially pp. 18-30.

[9] Ofcom. 2021. *Market structure, investment and quality in the mobile industry: Discussion paper*. [Official report](#), especially pp. 28-43.

The companion literature review, source register, evidence extraction, and independent research review record evidence scope, locators, academic reading depth, competing explanations, and limitations. Later outcomes are excluded.