

NEW RISK ALERT: (VZ)

Verizon Discloses New \$7 Billion 5G Tower Liability

The revelation comes one month after the company paid \$45.5 billion for new wireless spectrum.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Verizon Renegotiates Tower Leases to Accommodate 5G Network Buildout

Verizon, a communications, data, and entertainment services provider, disclosed a new multi-billion dollar cost associated with its 5G network buildout. In February 2021, Verizon spent \$45.5 billion as the winning bidder in the FCC's C-Band wireless spectrum auction. In its latest [10-Q](#), Verizon revealed the cost of outfitting its cell towers with the equipment necessary to leverage the new spectrum:

*"In April 2021, Verizon executed agreements that **modified the tenure and payment terms** for certain existing cell tower operating leases to support the build-out of our 5G wireless network. Verizon expects these lease modifications will result in an increase to our operating lease right-of-use assets and liabilities of approximately **\$7.0 billion to \$7.5 billion** in the second quarter of 2021."*

The revelation further muddies the real cost of Verizon's 5G buildout.

In its [earnings release](#) five days prior to the filing, Verizon provided a 2021 CapEx forecast of \$17-\$18.5 billion but disclosed it isn't counting additional expenditures for C-Band rollout:

*"Expenditures related to the deployment of the company's C-Band 5G network **will be in addition to this amount**, and are expected to be approximately \$10 billion over three years, with **\$2 billion to \$3 billion expected in 2021.**"*

If we add the \$2-\$3 billion in CapEx Verizon would rather not count toward its outlook and the \$7-\$7.5 billion in tower lease modifications classified as operating lease liabilities, Verizon is poised to spend approximately \$9-\$10.5 billion more on its 5G rollout in 2021 than investors may be anticipating.