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PRESENTATION

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Good morning, everybody. Tim Horan, the Oppenheimer cloud and communications analyst. My pleasure to be hosting here, our 26th Tech Internet and Communications Conference, and Verizon has been at 25 of those 26 conferences, and I greatly, greatly appreciate it. And as usual, there's no lack of topics to discuss in the communications aspect of the sector.

We have Tony Skiadas this year, the CFO from Verizon, a relatively new CFO, but very, very long-term Verizon employee and extremely well respected by everybody internally and externally. I think Tony has to start out with some safe harbor statements, and then we'll get into the fireside chat.

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Great. Thanks, Tim, and it's great to be here. Before we get started, we need to do the usual housekeeping and draw your attention to Verizon's safe harbor statement and our SEC filings, which are on Verizon's IR website. So -- and my comments might include some forward-looking statements that are subject to risks and uncertainties.

So with that out of the way, Tim, I think we can get going.

QUESTIONS AND ANSWERS

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

That is great, Tony. So could you describe from your perspective and the company's perspective, what's your high-level strategy at this point longer term to grow the business and expand into new businesses?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Sure. So first off, I think the focus on the team, and we're really aligned on this, is to grow wireless service revenue, EBITDA and free cash flow. And as Hans said on the earnings call a couple of weeks ago, everybody is laser-focused on that. And you saw us deliver strong results in the second quarter.

Underneath that, there's 3 areas and 3 growth areas that I would point to: first, being a mobility; second, being broadband; and third, being new solutions like private 5G and MEC. When we think about mobility, and we'll start with the consumer side of the business, the focus really is to show improvements on volumes, and we're starting to do that. Sampath and the team moved the structure to a regional model very recently in July, and this is a model we know from years past and we know how to execute well.

Also recently in the consumer business, we launched a new pricing plan called myPlan back in May, and we're seeing great traction thus far with our premium mix. So we're very pleased with that. But the focus is on improving the profile in the consumer business.

When I shift over to the B2B side, Kyle and the team have had great momentum with leading market share in another great quarter with 144,000 phone net adds. So continued progress and 8 straight quarters of over 125,000. So we're really happy with the progress on the B2B side.

When you think about broadband, we mentioned on the call that we have a great pace at 400,000-plus broadband net adds, and that's a combination of both Fios and fixed wireless access. Fios continues to grow quarter-after-quarter, and we're very pleased with our results there. And on fixed wireless access, we did 384,000 adds in the quarter. We have now over 2.3 million subs, FWA subs in the base. So we're very, very happy with the momentum and well on our way to the target that we put out there of 4 million to 5 million by 2025. So that's going well.

And then when you think about the new products like private 5G, we recently announced a lot of new deals with the Cleveland Clinic, the VA and the NFL, and these are great early wins for us to demonstrate the power of 5G, and business customers wanting the reliability and the security of a private 5G network. So we're really excited about all those 3 growth areas, and we see a lot of runway ahead.

And then lastly, if I can just shift to my priorities as coming into the role, first and foremost, I have 3 priorities. And the first one is to narrow the focus on operational performance and execution in the business. And I think you see that with the results in the second quarter. The second one is to deliver the guide, the financial guide that we have for 2023. And as you saw in the second quarter, we're squarely on track with that. And the third is to execute on our capital allocation priorities, and those 4 capital allocation priorities remain unchanged. So we're very pleased with the progress thus far. We know we have more work to do, and we're excited about the future.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

I mean performance has definitely improved, and I completely get your focus and it makes all the sense in the world. But I did want to just ask one high-level question. I mean, how are you guys thinking that the business transforms over the next kind of 5 to 10 years? Or does it not? Is it really just a continuation of where we're at right now, but how are you thinking at a very high level?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. At a high level, right now, we're focused mainly on the day-to-day execution. As I mentioned upfront, Sampath and the team changed the operating structure of the consumer business to be very regionally focused, and this was a model that we ran at Verizon Wireless for many years. We know how to do it, and we know how to execute it well. And it starts with day-to-day execution.

And then the second facet of this is network. And you see what we've done on 5G and the rollout of our 5G Ultra Wideband. And that exercise is well underway and ahead of schedule, and we're very pleased with the progress on 5G. You saw what we did on 4G over the last decade plus, and the quality and the reliability of the network that we have. And we expect to do the same with our 5G Ultra Wideband network, but the focus is on operational execution.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Perfect. And can you just go into a regional model, what are the benefits there and -- yes.

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes, sure. So one of the things that we saw is we need to be closer to the customer with more local execution. The network team is also aligned under that construct as well. When Kyle was in his former job, he already had set that up as well. So this was a model that we ran in Verizon Wireless, a similar model for many, many years. We've executed it well. The team knows how to execute against this model, and we'll also be able to do offers more local, and you won't see a lot of this national offer things that we've done in the past. So we're going to be a lot more segmented and surgical in our offers and promotions and retentions and things like, and I think you saw that come through in the second quarter as well.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And -- got it. It makes perfect sense. And I guess, particularly for fixed wireless, you can customize that a lot more locally, I'm guessing.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Absolutely. And as we get access to the remaining C-Band, we would see additional improvements not only from a bandwidth perspective when you think about the additional spectrum depth, but also the customer experience with a bundle with fixed wireless access and having access to another 330 markets when we get the additional spectrum. It's a tremendous opportunity for us.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And how much does it increase your overall 5G spectrum deployed when you turn on the remaining C-Band?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. So right now, our pace is ahead of schedule. We said we'd get to 250 million POPs next year, and we're well on track with that. We're not going to really continue to talk about POPs. We're more focused on the reliability and the coverage in the network. And as we get access to the additional spectrum, which we hope is real soon and that's pacing ahead of schedule, we look forward to the average spectrum depth increasing from average of 60 or 100 megahertz to an average of 161. So there's massive spectrum depth increase. And then having the full complement of the spectrum, so having all 406 markets and having the ability to start scaling. And you'll see us turning them up. You've seen announcements as we turned up markets, and you'll continue to see announcements as we turn up markets when we get the remaining C-Band spectrum, which will hopefully be real soon.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

I thought that was kind of scheduled for the end of the year. It sounds like it maybe comes before that.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. We're hopeful that -- so far, the spectrum clearing has been going ahead of schedule. As we mentioned on the call, we still have another \$4.5 billion obligation to the satellite companies to clear the remaining spectrum. We're hopeful that we get it a little bit early. But as soon as we hear it, I'm sure everybody will know, and you will hear from us as well.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Great. So you're basically almost doubling the amount of spectrum on 5G at the sub-6 gigahertz. I know you have a lot of millimeter spectrum and you're massively improving coverage. Can you talk about your experience in terms of flow share and ability to kind of generate other new revenues in areas where you have already deployed the 5G?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. So as I mentioned, fixed wireless access has had great results. Starting a business from scratch, we're already at 2.3 million subs. We said we're at a good pace at roughly 400,000, and we continue to grow the base. And we're well on our way to the target that we put out there, 4 million to

5 million. You can do the math, and you can see that we're well pacing in that direction and ahead of schedule there. We're not going to put out a new target at this point.

But the other thing I would point out is our engineers engineer the network well out in advance of that. They did that with 4G over the years, and we have the best engineering team in the business. And they'll continue to engineer the network well in advance of the demand. So as we continue to turn markets on, you'll continue to see us go after it and where we see demand for both mobility and for FWA. And we've had great progress when we have a bundled customers in the early markets when you look at retention and churn. The churn statistics are great when we have a bundled customer on C-Band, and the experience is fantastic.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

I bet, Tony. And can you talk about the ability to go to kind of 5G stand-alone and maybe some of the -- what's that mean for the network and maybe some new use cases there?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Sure. So from a 5G stand-alone core, we certainly have made a lot of progress there. When you think about network slicing, that's a great example. Having a slice of network and dedicated slice, we see a lot of opportunity there. If you think about gaming, for example, multiplayer gaming, that might be 1 use case that will require tremendous amount of bandwidth. And then when you think about private -- or FWA, for example, for an enterprise, they may want a specific slice of the network for throughput or latency requirements or security that our network can deliver.

So we see a lot of opportunity there with 5G stand-alone, and we think that the team continues to deploy. And we have a lot of customers on our 5G core, and we'll continue to increase as time goes on here, but we're really excited about the opportunities.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And then so stand-alone, where are you with the deployment of that? Are you halfway there? Or what's the time line when that gets fully deployed?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So we have a lot of our 4G customers on the core, and now we're shifting to 5G, and that's happening right now. We expect to add additional -- I would say, we have millions of customers on the core now, and we expect to continue to deploy further and further into the network. I'm not going to get into a specific time line, but we continue to deploy it throughout this year and into next year.

So the team is making tremendous progress. I think you've seen the progress with the network in a very, very short period of time with the accelerated spend that we did over the past year, and the team is well ahead of schedule.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Great. And so just customers, not on the fixed wireless side but on the mobile side, what -- how much of an improvement and experience are they witnessing from the combination of 5G and stand-alone?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. Look, they experienced a bandwidth right away. So clearly, there's a lot more bandwidth as we get the additional spectrum. There is additional spectrum depth available for them, and they're very pleased. We see a lot of great results from a churn standpoint. The churn metrics are much,

much better on C-Band. And we've been very pleased so far in the early markets of the 76 markets that we have so far. The early returns on churn are very, very pleasing at this point.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And where are you with the millimeter deployments at this point? Or kind of what type of regions are you deploying in? And could that maybe help you to increase your fixed wireless subscribers longer term?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Sure. We see millimeter wave as a complement to C-Band, and you see us in stadiums and in large venues where there was a lot of people. We were at the Super Bowl, and we demonstrated the power of our Ultra Wideband millimeter wave network at the Super Bowl. And we saw great experience, especially when the WiFi went down in the stadium. So we're very pleased.

And we also see some of the work we're doing around MDUs as well. We trialed a point to multi-point solution for MDUs, and we see a lot of opportunity there as well to use millimeter wave. So we're very excited, and it will complement the work we're doing with C-Band.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And I know you have a new router out, well, maybe more than a few months ago now that kind of has your complete range of spectrum at this point. Can you talk about how much of an improvement that has been for customers? And I guess, specific for multi-dwelling units, does it penetrate walls and windows at this point, the full range of spectrum?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So the new device is working well. I mean it's plug and play as long as you don't put the laundry out or anything. It works well. And we'll help you plug it in, if you want, but it's fairly simplistic, and you're up and running in a few minutes. So customers are very pleased, and we're seeing great feedback from customers. And with the option that I talked about with MDU, that's still in trial. So we'll have to see how that shakes out, but we're very interested in how that might work by beaming in millimeter wave. So it's very promising.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Fascinating stuff. So you've had a few different pricing moves here lately, quite a few. Can you talk about the goal here? And do you think it might impact subscribers negatively or positively? And is this kind of a change in philosophy where we can kind of continue increasing prices on a regular basis?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Sure. So we've seen a lot of targeted price up, I would say. We monetize the base where we can. And we've kept the churn, particularly this year at a manageable level. So we're very pleased with the progress. We learned some of the lessons from last year as well with some of the large price ups we did midyear last year, and we're lapping those now. We saw good ARPU growth in the quarter, and we would expect continued sequential ARPU growth.

A few things I'd point to. I mentioned earlier myPlan. This is a great product for us. It's a -- it gives the customer a lot of flexibility to choose their network and to choose their perks, and we've seen great adoption thus far. It also gives us the flexibility to evolve the platform as well over time

to add perks and change offers in and out. So we've been very pleased. The premium mix so far an acquisition is roughly 70%, which is running ahead of our expectations. So we've been very pleased. It's still early days with myPlan, but we're very, very pleased with how it's going.

When you think about some of the other changes we've made, we made changes to our legacy unlimited plans earlier back in April and more recently with FWA and our device protection plans. And these things are driving incremental revenue. And obviously, we're watching the churn as well, and these things were contemplated in our plans. But as we said on the call a couple of weeks ago, we're going to take a very segmented and a very disciplined approach here. And making sure the pricing reflects what the customer expects and the value proposition and making sure that stays in check here. So -- but we've been very pleased thus far, and we think it will be a helpful tailwind to service revenue in the back half of the year.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And do you think some of your other legacy plans, there's room to improve pricing there also?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So most recently, we did a pricing change about a week or so ago now on our most recent 2019 legacy mix and match plans, and that's going into effect shortly here. And so that's in play, and that will also be a tailwind both in the back half of the year as well as setting us up well for next year. And as I said, we're going to be very, very disciplined.

The other thing I would point out is like on FWA, for example, we have 2.3 million subs in the base at this point. We felt it was the right time to take a look at pricing and remove what I'll call the introductory part of the pricing and move to something that reflects the value for what folks are getting. It's a great product, and we felt it was the right time to change the pricing there. Obviously, we're going to continue to monitor the market conditions and see where things go. But we're very comfortable with the changes we've made, and it will provide a good tailwind and continue on our trajectory of service revenue growth for the balance of the year.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Can you describe the price changes last week?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So there were changes both on the single line and multiline for the legacy mix and match. I believe they were \$3 and \$5. So those are being -- those will be effective, I think, in early September, if I recall correctly. So it's coming soon. And they're already out there in the market.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Got it. That's really, really helpful. And back to the fixed wireless. Can you talk about what coverage you're at now in terms of how many homes you're marketing to and maybe where you could be in a couple of years?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So we said we'd be at about 50 million overall, and we're not going to give new targets on that. So -- but as you can imagine, we -- as I said upfront, the network team stays out in front of the demand. And as we see demand, the team is building as quickly as they can and with the coverage and the reliability and the performance that our customers expect from us. And you see the progress we've made. We have 2.3 million

subs. We said our target was 4 to 5. And clearly, we think there's room beyond that, and the team is engineering the network well beyond that. And we'll see where it goes.

But we're happy with the pace that we have. We said about 400,000 or so is a healthy pace for us on broadband and the lion's share of that being fixed wireless access. And as we get the additional markets here, it's 330 markets on top of the 76 that we already have. So that really opens it up for us and also opens up the spectrum depth as well to continue to improve the customer experience.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So I mean, is there any reason why you wouldn't be marketing to your -- all your 5G areas in a couple of years? Because even in dense areas, you have the millimeter you can deploy. But yes, just conceptually, if we're sitting here 5 years from now, why aren't you marketing this to where we have 5G?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. I mean we've said previously, look, we could see a penetration rate of roughly 20% or thereabouts. There's work to be done there. We still have to -- the network is still being built out. So that's the first step, and the team has done a great job in doing that. But where we see the demand, we're going to get after it and you'll see us lighting up markets. And you'll see press releases and the like as soon as we do. So we won't be shy about that. And we're very pleased with the performance, and we do see a lot of runway with FWA.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And would that be 20% of like homes you're marketing to or 20% of the homes that are existing customers?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

I would use the 50 as the baseline for now and go from there.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

20% of the 50%?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes, 20% of the 50 million that we said.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Got it. Got it. Yes, that's -- but I guess back to that. But is there any reason why that 50 million wouldn't kind of move to wherever you have 5G coverage longer term?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

It'll move. Tim, it will move over time. We're not -- I don't have a new target for you, so I'm not going to get to it. But -- so I mean, yes, the answer is yes. It could and it should.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Great. Great. Great. So back to the trillion-dollar question, which is free cash flow and free cash flow growth at this point. It sounds like you're laser focused on increasing prices. And I guess, maybe just before we touch on that, there, I think 2 weekends ago, there's a list of the top 10 companies that can benefit from AI. I've been spending my weekends, frankly, entirely reading about AI. And I think you were like seventh on the list. Can you talk about -- are you starting to think about using AI to improve your own productivity and where you are in that path and what the potential could ultimately be?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes, sure. The answer to your question is, yes, I mean it certainly could improve productivity, and that's part of our -- as we said that we're going to have a cost reduction program to take \$2 billion to \$3 billion out by 2025. We see AI being a part of that. A couple of maybe 2 or 3 examples that I can think of in the network, we use AI to analyze literally billions of data points to help us optimize the network and make better decisions in the network. So we think that's huge for us.

When we think about our employees and the work we do in customer care and empowering our employees to serve our customers much more efficiently and more effectively the first time around, that's extremely important. And we see AI playing a role there, and it already is.

And then on myPlan that we launched back in May, AI can provide recommendations for the customer. It helps them decide quicker and also helps us monetize as well. So those are 3 pretty simplistic use cases for AI that we see out of the gate that are already in play for us and will help us contribute to removing cost from the business and becoming much, much more efficient.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And absolutely. I mean it seems like a huge opportunity, particularly -- I mean, you have a huge amount of stores, but I think you can get better, more digital interactivity with customers and be more proactive with them and just having better websites and chatbots, which will come with AI. I mean do you see that as a major kind of driver where customers can become much more self-provisioning?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

We think so. We see it. We have a lot of data. We -- and we're going to use it responsibly. But we see a lot of use cases coming. And the ones that are in play right now are working well, and we'll continue to get more efficient. And this is a lever that we can pull to continue to become more efficient and take cost out of the business.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And then the other big area of costs or handset subsidies, I know that you and a lot of the industries move from 2 years to 3-year subsidies. Can you talk about what type of impact that had on your free cash flow? And are there other ways to improve free cash flow or on the subsidy side?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So we mentioned on the call a couple of weeks ago that the revenue impact from the promotion amortization that hits the P&L has been decelerating in recent quarters, and that's really a function of our discipline around the promos and the retention. And we think that, that's going well. We've been extremely disciplined. We said we're not going to chase volumes, and we're going to be very disciplined around volumes that drive profitable revenue growth. And that's a focus of the team, and the team is aligned on that. And we know how to do this, and we'll save if we need to be more competitive in certain markets. Sampath has the ability to do that. And between the price ups and the work we've done, we are

going to be -- we'll be able to do that, but we're going to be very disciplined along the way. Volumes are important, but we have to do it the right way and be very disciplined in our approach. And I think you saw that in the second quarter in the results.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Absolutely. But it is always the dilemma, right? How do you balance subscriber growth with profitability? And you seem to be walking that line pretty well. But I mean do you think subscriber adds can improve the next couple of years along with profitability improving?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. Look, the focus on the consumer business is to continue to improve the profile here. We had good momentum on gross adds in the quarter, also in the first quarter as well. And we're going to continue to show improvements. And that's the focus of Sampath and the team, and everyone is aligned on that. I'm not going to call what we're going to be, whether it's going to turn positive now or later. But the focus clearly is to improve volumes and -- but do it in a very responsible way. We've got a long track record of being an AND company, and we need to get our way back there. And we're slowly getting back there, but we still have work to do. And on the business side, the momentum has been great. So Kyle and the team have been doing a wonderful job, and we expect that momentum to continue as well.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Great color. So down to the key item of free cash flow, and I know you hit on some of the priorities. I mean one of my priorities for you is really deleveraging. But can you talk about how much free cash flow you can generate this year? And how do you see that growing over the next 5 years annually, not year by year, but just how does it grow? How much can it grow?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So we are pleased with the cash flow generation of the business. As you mentioned, we had \$5.6 billion of free cash flow in the quarter. And we said we -- on the call, we have line of sight to \$17 billion plus of free cash flow for 2023. We did give some color on that on the call. I'm not going to get into the future in terms of guiding for next year or beyond.

But as I said earlier, we have 4 capital allocation priorities. The first one is to invest in the business, and I think you see us doing that with our C-Band deployment and the work we're doing there. The second priority is our commitment to the dividend. And the goal there is to put the Board in a position to increase the dividend for the 17th now consecutive year. And the third priority is a strong balance sheet and improving the balance sheet. And I think you saw right after earnings, we did a debt tender, and that closed yesterday. And that was very successful, and we took \$2.4 billion off the debt stack. So you'll see us continue to focus on deleveraging towards our stated target of 1.75x to 2x leverage.

And then when we satisfy those 3 priorities, we said we would do buybacks, and we would consider share buybacks when the leverage metric got to 2.25%. So we're making progress against that. But clearly, the focus is to continue to improve the balance sheet. And I think you saw that we're executing on all those priorities out of the gate here, and I'm very pleased with the progress. We had strong cash at the end of the quarter, and we took the opportunity to start taking some debt down.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And can you talk about '24, '25? How much debt can you take down per year? Do you think some kind of range?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

So here's -- I'm not going to guide on '24. I think it was a big deal to guide on '23. But I think what I would say to you is when you think about the piece parts for a minute, the goal is to improve EBITDA, so it starts there. We said CapEx would be at a BAU level going forward. I think you saw that in the second quarter, and that's going to be the case for the balance of this year and into next year. Hans on the call said, look for us to be in the \$17 billion to \$17.5 billion CapEx spend for next year. We haven't decided completely yet, but that's a reasonable range.

So if you think about those 2 things, I mean that's where you start. We have to also think about, while it's not free cash flow, we still have a spectrum payments for the satellite companies that we have to deal with, with the C-Band. That will be behind us after this year. And then we have to see where we come out on interest rates and taxes, and we had some headwinds there, particularly on capitalized interest and things like that. We'll see where that comes out. But those are the piece parts that you can start to think through. And then as we have excess cash, the priority will be to continue to delever.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Great color. So I do have to ask you on the lead issue, maybe it's subsiding here a little bit. But I saw there was a test up in Wappingers Falls that there really wasn't any lead. Even, I think, the Wall Street Journal said there was. Have you tested many other sites the Wall Street Journal has tested? And have you found any lead contamination yourselves?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. So first, maybe, Tim, I'll pick up where we left off on the earnings call. So we said, look, we're going to take this seriously. We're going to do a very methodical fact-based, science-based approach. We're proactively working with the EPA on this. We also gave some stats as well. We said about 540,000 route miles in the network, half of it aerial and a very small percentage of lead. We did say -- maybe just a couple of updates here. We did say we had work to do on the former XO and the former MCI networks. On the former XO network, we did that review, and that review is complete. It doesn't change the numbers and the stats that we shared previously. So that was good. We're still working through the MCI piece of that. So that work is ongoing.

As you mentioned, we saw the same reports out of New York State that they did their own testing with their Department of Environmental Protection, and they found no evidence of elevated lead in the area, and they reopened the park. So that was very encouraging. We're going to continue to do our work and our testing, and that's ongoing. And we said that would take several weeks, and that work is well underway. And we know everybody wants more information here. And as soon as we have it and as soon as we have something to share, we'll certainly share with everybody.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

And other than that 1 site in New York -- or did New York State test any other sites that I missed maybe?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

I'm not aware that they have, Tim. I mean, we're testing the sites that were identified by the media. So we're doing our independent testing there. But I'm not aware of New York doing anything else at this point.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Great. So I have about 20 -- well, I have about 50 questions, so I'm going to try to get through some of them from our customers. Do you have any interest in USCellular? It looks like it might be for sale?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

So we saw the same news you did on Friday. As we always do, we don't comment on any of that. And it would not be appropriate for me to comment on it one way or the other.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Great. Could you -- I know we touched on this a little bit, but can you talk about the private fixed -- well, sorry, private wireless market opportunity? Do you have a sense of what that TAM might look like, how important it might be over the long term?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. It is extremely important to us. We have some early wins with the NFL. And the coach-to-coach communication there, that was fantastic, and the Cleveland Clinic. So we have some wins under our belt now, and I think we're starting to demonstrate. It starts as a WiFi-type replacement, and then we see further opportunity with robotics and automation and other areas down the road. So -- and we think customers will demand a secure, a reliable network like ours, and we're very pleased with the early wins. So we do see it as a growing market for us, and we're very excited about it.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Great. Another question here, handset upgrades have been relatively light. Is there any structural reason why this has occurred? Are phones lasting longer? Can you replace the batteries easier or the screens? Or just any thoughts why you think and how long will this continue? Or is it the new norm?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. So you're absolutely right, upgrades were down. And we said on the call that for us, they were down 34% year-over-year and 38% in our consumer business. So maybe just a few thoughts on this. First, customers by choice are hanging on to their phones longer. It's their choice. And we do see the elongation of the upgrade cycle. We think some of that could be attributed to moving to device payment plans. So we moved device -- 36-month device payment plans last year. We went from [24] (corrected by company after the call) to 36. So that could be a function of it. I also think that we ourselves are being very disciplined on promotional and retention spend, and we're moving away from the one-size-fits-all national offers. So I think that's extremely important.

As we think about looking ahead, and maybe I can give a very small bit of commentary there, it would be reasonable to expect that at least the beginning part of the third quarter that the upgrade rate will remain at a lower level. We'll have to see as we get into the September time frame and a device refresh cycle what that looks like and where it goes from here. But that would be my only color at this point heading into the back end of the third quarter, and we'll see what happens in the fall and where it goes.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Yes, like I said, about 50 more questions from the audience. I'll try to ask one here. I guess one of your competitors said your cable wholesale revenues are not growing. I think Mike Sievert said it on their T-Mobile call. Can you -- do you have any comments about that?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. Look, as you know, we don't talk about any of the economic terms of our commercial arrangement, and that includes the MVNO deal. I can't comment on what he said. I'm not sure how he knows that. But as we said, we're very happy with the relationship that we have with the cable

companies. It's consistent with our strategy to monetize the network. And you see that, and we said this network-as-a-service was an important strategy for us. It's a profitable business. It's an important business to us, but we're not going to get into any of the economic terms on the call here.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Got it. So in your new myPlan, I think there's about a dozen different options that people can add on. I don't have the exact number, and it's probably changing over time, expanding up. How are they being received now? And are you marketing them aggressively? Is it a good -- do you think it will be a good retention tool or a good ARPU tool? Maybe what are some of the most popular ones?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So look, we're very pleased with this set upfront. We had 70% premium mix on acquisitions. So that -- first and foremost, that's very encouraging. As with any new plan, it's still ramping up. We launched it in May. There was a lot of work done to get it going. And obviously, in the field and for the customer, it's a change. And you could also keep your legacy mix and match plans as well. So we're not force migrating anybody. So it's very, very flexible. Some of the parks like Disney, the obvious ones are very, very popular for us, including +Play as well, and we'll see where it goes. But clearly, there's opportunity to continue to monetize the base, and we've been very pleased so far with the results, and we'll keep folks updated as time goes on. Obviously, it's still very, very early. We're about 2 months, a little over 2 months in. So -- but we're very pleased with the early returns on myPlan.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And the 70%, how did that compare to previous plans that you had?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes, I'm not going to get into specifics, but we're very pleased with the early numbers there.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Got it. And I do have a question here just on market share losses to cable. Do you think you're mostly seeing that on the prepaid side? Are you seeing that on the postpaid side? Do you think cable will accelerate the number of subscribers that they add? I mean, Charter has been pretty successful with their bundles. Do you think Comcast will do something similar?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Yes, I guess they've been successful with free lines. And we'll see how that goes in year 2, so when the customer gets the surprise in year 2. But I'm not going to comment too much on what they're doing. We're focused on what we need to do from an operational standpoint. But we've seen the movie on free lines, and I know how that goes.

Timothy Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Well, can you expand on that a little bit, what you've seen historically when free lines kind of come up? I mean, they claim it's -- people are using the lines, they're not going to churn off. But obviously, you've had a lot more experience with this and seen a lot of it.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

When the customer gets the bill in month 13, we'll see where it goes. That's my comment on it.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

No, and that's a very, very fair point. Well, I think we're just about out of time. Is there any other comments you wanted that we didn't talk about, Tony, that we should have?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

No. I think, Tim, you touched it all. Look, we're very, very focused on driving improvements in the business, and I think you saw that in the second quarter. And the team's laser-focused on driving service revenue, even in cash flow growth. And we continue to be focused on improving the operations of the business, and we're excited about the future with 5G.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Yes. Tony, I'd have to say you guys see more -- well, the focus is really, really great. And it comes across, and we're starting to see the results. And clearly, the results are going to be getting better here. We really look forward to the major, major upgrade on the 5G network. And it seems like you can add an awful lot more fixed wireless customers, if you want. It sounds like you want to. I know this is not the forum to be updating guidance, but that kind of clearly came across a fairly loud and clear. And the profitable growth came across fairly loud and clear. And I think personally, as you deleverage, I think that will flow through to the stock price once people get kind of comfortable with that. I think it is a bit of an overhang right now for what it's worth.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Great. Well, thank you very much.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Thank you, Tony. Thanks, guys. Have a great day. Talk to you soon.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Thank you.

Timothy Horan - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Bye-bye.

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