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CORPORATE PARTICIPANTS

Sowmyanarayan Sampath *Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group*

CONFERENCE CALL PARTICIPANTS

Bryan D. Kraft *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

PRESENTATION

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. Good morning, everyone. Thanks for joining us this morning for breakfast and for our first fireside chat of the day. I'd like to welcome everyone again to day 2 of the conference. And just again, express thanks to -- for your support and coming to the conference. And hope that everyone gets a lot out of it, and hopefully, you can enjoy the beautiful place that we're in as well.

So I want to introduce Sampath, who is the CEO of Verizon Consumer. He's going to start with some safe harbor language, and then, we'll get into some Q&A. So welcome, Sampath.

Sowmyanarayan Sampath - *Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group*

Yes, thank you so much for being here. Go to the next page. Everything I say is covered by the safe harbor. It's on our IR website at verizon.com, so read that, and you're ready to go.

QUESTIONS AND ANSWERS

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. Great. Perhaps you could start off by just sharing some observations on the current industry and market environment. What are you seeing in terms of switching activity volumes, competitive promotion activity, that sort of thing?

Sowmyanarayan Sampath - *Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group*

The overall market is going to grow, we think, on the phone side, around 7 million net adds this year. When you add in business, it's another 1.5 million, that takes you to 8.5 million. So a reasonably healthy market in terms of growth. I haven't seen much change in the overall competitive intensity. We are all playing our playbook. We all want to gain share in this market. But what you see is the Verizon strategy is quite clear, we are focused on execution, we are focused on balancing P&Q. But at the end of the day, it almost all comes down to service revenue, EBITDA and then flowing down to free cash flow. So that's the environment we are in.

In terms of upgrades, it continues to be a soft environment. We saw last year was a soft environment on upgrades, partly because we are all migrating from 24 months to 36 months DPP. This is a transition there that's happening. Second is the handsets haven't had that much innovation in a while. And third is these handsets are made really well as well. They break less. They fall less. So a combination of that has led to a reasonably soft upgrade environment. We continue to watch that.

Bryan D. Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

Okay. You were appointed CEO of Verizon Consumer a year ago, and been hard at work on driving change throughout the business ever since then. Can you just walk us through the progress that you've made over the past year in transforming the business?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

I think we've been mainly focused on just getting execution to a better place. So a couple of big blocks that we put in place. The first was myPlan. I suspect we'll get into it a little more in detail. But we had a price perception gap where people thought we were too expensive. We launched myPlan early in my tenure that fixed a lot of that. That, together with the perks, creates a really compelling value prop for customers, and we've seen the energy in the market come with that.

The second, in terms of execution, is we move from a national sales structure to a regional sales model. So the country is now broken up into 6 markets. Each market has between 8 to 10 territories. So that's around 50, 55 different territory directors. Each of them own their book of business. A lot of decision making happens in the field right now, so it's work in play.

Third is local marketing. We moved from budgets from national marketing to local marketing, local activation. And it also helps us do a market-level strategy. The markets we want to hold share in terms of churns higher, we want to manage that. Some, we have an opportunity to gain share. So we have different tactics on the field to do that.

Last is compensation. We went -- our teams were on a team-based compensation. We moved to an individual-based compensation. For our sellers, a lot of indirect agent compensation has changed. And last is marketing. I hope you guys all like the Beyonce ad during Super Bowl. But part of it was we wanted to get closer to the customer, we wanted to become relevant in the mainstream, and it helped us do that.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

You mentioned myPlan. How important are these new plans to the overarching business plan? How are they improving the business' performance? And what's the customer response been like so far?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

myPlan has been great. I keep telling people, myPlan is on plan internally, so it's a good thing for us largely. I mean we have -- end of the year in '23, we had a little over 13 million customer lines on it, so pretty fast pace. The first thing it did was it took our price premium down to 15%, because we unbundled the other services with the network, and you can just buy the plain network and you can buy services on top of that. So it took a premium back to 15%, which is historically what we've had, and it makes us competitive in the market there. So I think that's step 1 in that.

Second is because of the perks, the new customer coming in, the ARPA of the new customer is double-digit percentage better now than it was this time last year. So 2 things, the price premium perception has come down. Second is we are writing better quality business because we are bringing in customers with higher ARPA.

And three, there's some freshness in the market that we are going after. So the sales teams are ready. Our attach rate for perks has doubled since the time we launched it. Our sales teams more -- get comfortable. And some of these perks are doing incredibly well, like the Netflix-Max promo at \$10 or the Disney bundle at \$10 or the AppleOne at \$10 is doing incredibly well.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

With all the change that you've talked about in the first question in terms of sales, operations, new plans, when do you sort of hit full stride, do you think, from all of this change? I assume it takes some time for it to really see the results throughout the business.

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

We've seen continued momentum in our business. I would say all those initiatives have had between 1 to 2 quarter impact last year, because they were rolled out throughout the year, so they're between 1 and 2 quarter impact. So we've got more work to continue execution of that this year in that. So we've got maybe a couple more quarters of impact of some of those initiatives. But then again, we have the next set of initiatives that we've started working on. Look, we are not standing still. We do want to win share, grow share in the market, so gross add momentum is very important to us.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

One of the things that Verizon has done for a number of years now is really leaning into bundling content. And you're doing that with myPlan. You've got the Disney bundle, the Netflix-Max bundle, Walmart Plus, Apple bundle and others. Why has it been such a major product focus? And how is content bundling actually impact the KPIs in the business?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

The concept of perks is it has to be exclusive to Verizon. It has to be massively differentiated, and customers need to get value from it. That's how I decide what goes into the perks. And most of the content producers want to do business with us, primarily because it's a massive reduction in churn for their business. For our customers, they see value, but it helps us grow ARPA in a margin accretive way. So it's a double win, you can reduce churn, at the same time grow margin as well.

And we continue to evolve that portfolio as time goes on. It also let us be more segment-specific. Every segment likes a particular type. In my house, the Disney bundle is very, very popular. I'm sure in my parents' house, it will be less popular than that. So they can choose based on the segment they are in and what interests them the most.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Yes. Shifting gears a little bit, maybe to the network. In October, Verizon gains access to the rest of the C-band spectrum in the top 75 markets and then gains access to the full 160 megahertz in the other 330 markets where you hadn't deployed any C-band. Can you talk about how C-band has impacted the business so far? And what does gaining access to the rest of it mean for the business going forward and really for overall competitiveness?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Look, C-band deployment has been awesome for us. It's been exactly how we thought it would go down. First results -- in the first 76 markets where we have deployed C-band more broadly, we see 3 very interesting trends. The first one is better gross add growth, up to an 8% gross add growth there.

Second is a 10% better premium mix in the C-band market. And third one is 4 basis points of churn improvement in the C-band markets compared to the markets we have not. So we have existence proof that C-band is well received by customers, they give us more revenue, they churn less and they buy more. So it's the magic of all 3 playing out in these markets.

Now the work is to deploy that C-band into Tier 2 and Tier 3 markets. So we'll continue to do that. Second is also gives us capacity for fixed wireless access. So in Tier 2 and Tier 3 markets, we will have more capacity to do fixed wireless access that we've not had in the past. So further our convergence plays out more aggressively in that space.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

You've seen this improvement in gross adds. How does that align geographically with the C-band markets? You mentioned the gross add improvement, but I guess, I was wondering, you made a lot of changes in the business though. How do you sort of delineate between how much of it is C-Band versus how much is it the rest of the actions you're taking in the business? Any more color on that would be really interesting.

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

The good part is you are seeing continued gross add momentum. So they are working. The steps we've taken are working quite well. We have a segmented approach to our market. We start with Tier 1 markets, which are the big cities. The good part is C-band is rolled out in all of these. And the second is our network is very good in these markets. If you take the top 100 markets, we are the #1 network in 97 of those top 100 markets. So we have the best network. We also have a lot of fixed wireless access capacity in those markets, and all those markets have Fios as well. So it creates a perfect environment for us to start growing and gaining share in those Tier 1 markets for us.

The Latino segment is another one where we are doubling down quite hard on. You saw that recently with some of our advertisement and creatives. So that markets, we are taking shares. In Tier 2 and Tier 3 markets, we have a lot of shares, but two, we also have distribution lead in those markets historically. So as C-band rolls out in those markets, you'll have more FWA capacity there, so we'll start providing convergence and growing in those markets as well. So a very clear approach, a very segmented approach, and that's how we're going after the market.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Okay. Talk about ARPA a little bit and pricing. ARPA growth has been in 3% to 5% range over the past 3 years. You've got rate increases there, you've got mix shift, some other puts and takes. I guess the question is, looking forward, how sustainable is ARPA growth in this same sort of range over the next few years? And what are the drivers from here?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

In 2023, we grew ARPA a smidgen over 5%, based on accounting there which many of you know about. But it's nevertheless a very healthy number that we saw. This year, between [2.0%] and 3.5% wireless service revenue (corrected by company after the call). Overall for the company it is what we've given in guidance, and we feel very comfortable about it. ARPA, we drive in a couple of ways. The first one is continuing to add more devices. We do very well with families. We do very well with multi-device accounts, so continuing to add more devices to the account is important to us, we do that.

The second one is the perks help a lot because we're able to add perks that are value accretive and things people want to buy. So that helps add a fair amount of ARPA. Third is also fixed wireless access. It's become a larger part of our business. It helps with churn. Very high NPS. So that helps ARPA. So we have a holistic strategy to continuing growing ARPA, and it's a very important metric for us.

The last one is because of myPlan, the incoming ARPA is double-digit percentage better than it was this time last year. So we have a good incoming ARPA because of the way the plans are constructed right now. So it bodes well for our continued ARPA growth over the next couple of years.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Okay. Where are you today on premium unlimited penetration? And how high do you think that can really go? Will it ever go to 100%, for example?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Look, we would like 100 because you get access to the best network on Earth. So there's value in going all the way to 100%. Every quarter, we see -- look, a majority of our base today is in some form of premium plan right now. So that's the first part. We are getting better premium plan penetration every single quarter as we work. And some of that has to do with the way we do our promotion strategy.

We give the best promotions to our most premium plans right now. So we found a way to link up promotions with service revenue. It's not something others do in the industry, it's not something we've also done in the past, but we have a very credible strategy to link promotions to premium plans. So to get the best promotions, you have to take the premium plan. Customers see value in it almost every time, and they end up taking the plan. So that's been a good driver of driving premium growth.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

I know it was effective on the Kraft family this December. You implemented a fairly broad price increase in January of this year. Can you just talk about the customer reaction to that? How much of a churn impact you expect to see in the quarter from that?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Yes. Our price increase we did in the first quarter was across 32 million lines, so a pretty large portion of our base. It was a \$4 increase. It nets out around \$1 billion of service revenue through the year. The growth number is a little bigger, but then we give back some of that, so we end up yielding a little more than \$1 billion of service revenue that we have.

Typically, when we do a price-up like this, it tends to be between a 3 to 4 basis point churn event for us. We know it. We track it very closely. So we continue to see that. And for us -- I can talk what I do at Verizon. For us, when we do these price increases, we take 3 things into account. The first big one is, are we putting out a better product? Customers have to see value for the product that we are putting out. And with C-band, with myPlan construct, people see value in our product continuously.

The second is inflation, are we seeing input prices go up different levels, that's a big input for us. The third thing is churn, how are customers reacting to it, are they churning less or more? So when you factor all of those things, we feel comfortable doing the price increase based on the fact that we are putting out a significantly better product right now.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

What about utilization? Because -- I mean, obviously, bandwidth consumption it grows 20% to 30% a year. I mean doesn't that in and of itself kind of give carriers pricing power? And maybe historically, it hasn't been realized because of competitive dynamics and structural dynamics, but we're kind of -- now we're starting to see carriers regularly exercising pricing power. So I was wondering how you think about that utilization component to it.

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Our networks are designed to take a lot of capacity. In the last 5 years, we just put out a consumer connections report where we grew close to 130% mobile network over the last 5 years. So it's a pretty healthy growth that we see in that space. A lot of our -- almost all our customers take unlimited. They like the nature of unlimited. They can do what they want, because you want customers to use the best network which is there. But it goes back to a better value equation that we have for the customer. They use more data. They know they're using more data, whether it's high def or more gaming or doing social media. They know they use more data. It's a better network, and hence, they're more comfortable paying more.

So it goes back to the price value equation that we drive every piece. So I think more data consumption is definitely good for us. And we see new trends. Last 10 years has been largely driven by video. I think going forward, we are likely to see AR, VR, spatial computing take up a lot more

capacity. There's going to be a point where it becomes a big thing. And then AI, you generate all this insight. You got to move it somewhere, and that's where networks get play. So we have 2 very interesting tailwinds for network growth over the next decade in the form of AR, VR and spatial computing, and AI and how that changes network dynamics.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

When do you think those needs and -- start to scale and become more of an opportunity?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

I think we're a couple of years away from that. But most of these things start slowly. Video back in the day started very slowly, in 3G era and then earlier times in the 4G era. I see something similar here. It starts slowly. But once you get enough of an ecosystem going on the devices, these things move fast.

AI is an interesting piece because there's so much compute sitting. It also creates opportunities for the edge for us. A lot of the training models can sit in the core, I think that's completely fine. But then when you need to do inference, when you need to do something with the AI, you want a lot of that to sit at the edge of the network and then move in and around the network. So that creates an opportunity for us going forward on growth for the network.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Interesting. Okay. There's this constant debate in the investment community over just how far convergence will go in the U.S., just given what we've seen in other markets, mainly in Europe. What's your view on how convergence plays out in the U.S.? And how do you view Verizon's position for that future?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

In the U.S., we're a little different from Europe, which tends to be the national, people compare us with here. Around a little less than 15% of the market is converged right now is how we see it. Probably that number will double over the next couple of years. But I don't see it going to the European levels of 50%, 60%, 70% that they have in many countries there. The market structure is different. But more importantly, the players are different in how they operate as well for us.

For us, what is interesting is we have 17.5 million homes of fiber, Fios, which is the OG of fiber networks that we have there. And then we have north of 50 million of fixed wireless access. When you put those 2 things together, that's a significant portion of the country that can be covered by broadband for us. We have owner's economics in both of them; on the fiber, the fixed wireless access. So we want to give a product to a customer which they're happy. And what we find is when we bundle, we see joint benefits. We see double-digit bps of churn when you put the 2 things together. And it's not just a plain bottom of the bill discount economics that we have.

So we remain bullish. At the same time, we have owner's economics. We'll continue to grow our footprint, both on the Fios side as well as the FWA side. So we feel we are really well placed in the converged world that we have today.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Cable operators have obviously made inroads in the mobile market. They've got about 6% market share and capturing about 40% of postpaid phone net adds. That's what they did last year, probably 15% of gross adds, I would estimate. And of course, they have almost 2/3 of the home broadband market. So how do you view cable as a competitor? How do you think their mobile products and value proposition stand up to Verizon's?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Look, they are a very strong commercial partner of us. We provide wholesale network to the cable operators, 2 of them Charter and Comcast. And it's a commercial deal, and they are a very important part of our overall business. But they do produce a different product for the customer. It tends to be limited. It tends to be a metered plan. They offload some of the traffic using other technologies. So they go after a very different segment of the plan. We tend to go after large families, people who want unlimited, people who want that extra reliability that wants to stay on the Verizon network there. But they are a good partner, and I think the mass market will say it.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Yes. Okay. You talked a little bit about Fios and fixed wireless footprint and how that gives you opportunities to convergence. How important is bundling with home broadband to your strategy in mobile and in bringing the consumer business back into a growth trajectory?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Look, we've committed to going phone net add positive in 2024, and a portion of that is convergence. So let me break out Fios and FWA separately. On the FWA side, 75% of all my lines coming in today are existing mobile customers, 25% are new to mobile, where they have FW and over a period of time we sell mobility to them. I really like that mix, 75-25 for a product that uses the mobility network, is a very good piece, and we're going to continue to do that.

We've taken a price increase. We had an initial, what I call, introductory discount that we walked away from. And then further, we see better tiering of customers. They tend to take a premium plan. So there's good ARPU growth in that product as well, together with volumes that we see in this space.

On the Fios side, less than half of our customers are common between mobility and home there. So there's opportunity for us to get better at that. And when you combine the 2, the churn is so low for us, customers really like the product. So convergence is a very important part for us, but we don't do it just for convergence sake. We do it to drive better churn, better ARPU, better customer satisfaction. I mean, our combined products tend to be the most satisfied customers.

The FWA, we are in the 30s on NPS. On Fios, we are a little -- in the mid-30s as well. Mobility is in the mid-30s. When you put those products together, we get a much better NPS outcome for the customer.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Why is it so low on the Fios side? And how do you close that gap?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

It's just the timing. We just started it. We've put some of our commercial teams together. They can do base management together. So we just started that piece. But it's such a good product that customers really like the value prop that they have right now.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Verizon appears on track to meet the 4 million to 5 million fixed wireless sub target that you've put out there. How should we think about Verizon's ability to sustain subscriber growth beyond that target for, say, another 3 to 4 years?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Right now, we've committed to getting to 4 million to 5 million. We said end of 2025, we will definitely -- it's on pace to do it a little earlier than that we have. Right now, we don't have plans to -- we haven't announced plans to exceed that number. But the network engineers, they always build more capacity than we ask them to. So definitely, we have more capacity than the 4 million to 5 million that we have. Once we get to the 4 million to 5 million number, then we'll decide whether we commit to more, whether we do cell site splitting, are there other ways to go after that. But right now, we are really focused on getting to that number.

The second piece is we also want to drive more value in the products there for ourselves. So we've been continuously increasing ARPU quarter-over-quarter on that product, so that's important to us. Second is churn, 90-day churn is really strong on that. We have little work to do in the 0 to 90-day churn. So we are very focused on building a long-term business that is a very good business, that drives value both for the customer and us in that space. So all the effort is on doing that right now. When we get to the 4 million to 5 million target, we'll decide how we expand beyond that.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Okay. There's a view in the market that fixed wireless' ability to compete at -- will fade at some point because the consumer use case is going to evolve to just greater and greater consumption levels, making that allocation of network capacity to fixed wireless, frankly, uneconomical. What's your view there? I have a feeling you'll disagree with it. And why are the skeptics wrong there?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

I strongly disagree with it. The product is a great product. I mean we launched it a couple of years ago. It has NPS in the 30s, ARPU increasing, churn going down. In my book, that's a very good product that we have going. Second is the network doesn't stay still as well. We have continued to build more sites. We get better spectral efficiency as we introduce new technologies, new antenna technologies. So the network continues to evolve, capacity grows in the networks, and we have millimeter wave as well, which we have a lot of spectrum for. So I see no issue with longer-term capacity in this space.

Our customers are going to be happy. They're going to get what they want. People said that 2, 3 years ago, the product would never work, and look where we are here today. So I continue to be bullish on the product. But look, once we get to the 4 million to 5 million number that we've announced, we'll then come back and reevaluate and decide how much more we go beyond that. But it's a great product because we never want to put a product that customers are not happy with.

Customers are happy with NPS right now. And we go back, we do between [350,000 and 400,000 net adds] (corrected by company after the call) as a company in that space plus some Fios. So strong broadband growth has been one of the standard benchmarks for what we've been doing last couple of quarters, and we'll continue to do that.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

You mentioned millimeter wave. Can you talk about where the company is in utilizing that spectrum? And what's the confidence level at this point into really being able to use millimeter wave at scale?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

We were one of the first carriers in the world to harness the power of millimeter wave. At Super Bowl this year, we had 1,300 megahertz live in the stadiums. More than 50% of the spectators at the Super Bowl were Verizon customers. And every one of them was streaming, they were tweeting,

they were hosting. The network held up really well. So for really dense environments like that, millimeter wave is the way to go for us. That, coupled with our C-Band.

We see that in venues. We see that in dense urban locations. We do see that with some fixed wireless access as well. It works incredibly well for us. So it's something we're committed to, the handsets and the chipsets, ecosystem supports that as well. And we continue to see more traffic on our millimeter wave network if you will. And we've deployed a lot of it in cities, but also in suburban areas and venues as well. So it's a long-term play for us. We are committed to it, and we'll continue to see more traffic go on the millimeter wave network for us.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Okay. Your prepaid business hasn't grown since the TracFone acquisition. Can you just talk about how you're going about stabilizing the prepaid business and turning it into a growth area for the company?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

A couple of structural changes in the prepaid business that we have, the first one is customers are -- there's a shift away from national retailers to exclusive stores. We are exposed to national retailers. Walmart is one of them, which is -- we have good category share there. The second is a pre to post migration that's happened in the space over the last -- some of it by -- because driven by ACP, some of them driven by customer behavior to do that. So we are working through those 2 structural changes.

ACP, whether it gets renewed or not, will have an impact on exactly how that works through on the prepaid space for us. So we have a couple more quarters of hard work. We are laser-focused on getting back to growth in that space. A couple of things we are doing, the first is expanding our Total by Verizon stores. We were almost at 0 at the beginning of last year. By the time the year ended, we almost had 700 Total by Verizon stores.

Second is Visible, which is our digital-only brand. It's scaling up really well right now. Third is going back and reimagining our relationship with Walmart in how they sell and how they serve the customers there. So we've got a lot of work going on in that space. I have a couple more quarters of hard work there to get back, but it's exactly the same playbook we followed in the postpaid space.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Yes. You mentioned ACP. Can you maybe just talk about your ACP exposure and how investors should think about potential size of that?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Look, Verizon is a strong proponent of bridging or reducing the digital divide. We support the ACP program, 23 million households in America use the ACP to get access. They help fully or partially to get broadband and connectivity for them. For us, our exposure is largely limited to the prepaid space. We have a small exposure on the postpaid side. It's mostly in the prepaid space in what we call our SafeLink product, if you will, around a little more than 1 million there in that space that we have.

We do think ACP -- I'm not sure at this point that ACP gets extended or not. In any case, we are ready for both scenarios right now. It will have some impact on service revenue for us, but there's going to be almost no margin impact for us given how the economics of the ACP product is.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

So no EBITDA dollars impacted?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Very, very marginal there. There is going to be service revenue impact depending on when the ACP runs out of money.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Okay. Got it. Is the ACP funding end of -- sorry, the end of funding, is that a threat to industry sub growth, do you think? I mean even though it's maybe not an issue for you, does it kind of threaten industry sub growth?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

It could. Look, for us on the postpaid side, we have very little ACP money in our postpaid mobility business. Some of it has to do with our credit standards. Our average FICO score of our base is 725. We want to hold that base. So for us, it has very little impact. For some of our competitors, they may have some impact on ACP as they use ACP to fund some of their lower-end plans, but we don't see any impact in our business on the postpaid side.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

I wanted to ask you, too, just about your participation in prepaid to postpaid migration. Is that an area where you're really benefiting today? And how much of an opportunity is it going forward?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Our postpaid business has very strict credit standards for us. As I said, our average FICO score is 725. And we are not super excited about lowering our credit standards to take certain customers. So where there's an opportunity for us to do pre to post and it fits our credit profile, we'll definitely go and take the customers. But there are some customers who are better off being on the prepaid side of the business, we do that.

But longer term, we do see an opportunity for us to get better with pre to post. Some of it has to do with we have to finish the integration, we have to bring the 2 datasets together, we have to mind the customer base together. So we've got some operational work to do. So longer term, there is going to be opportunity for us in the pre-to-post space. But right now, we are very careful and very cautious how we do that.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Okay. Your recent sell-side event, you alluded to a brand refresh being in the works. The company recently hired a new CMO. Can you just talk about the opportunity that you see from a brand perspective? And where is the brand today relative to what you think is potential to today?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

The Verizon brand today stands for trust and innovation. It's a very trusted brand. We have opportunity to get more emotional with our customers, make that personal connection, have a one-on-one connection with the customer. So you'll see the brands evolve to do that. You see a glimpse of that in the Super Bowl, where you had ads that were not very typical Verizon ads. It kind of shows how we are going towards that. The second thing for us is also going after segments. Tier 1 is a very important market for us, whether it's the NFL partnership that we have, which tends to be in the Tier 1 cities, as well as certain segments like the Latino segment that we're going after, requires a slight shift in our marketing to do.

One of the good part is we've shifted a vast majority of our dollars to digital. 3/4 of our marketing budget today is spent digitally. We've made that shift actively. It lets us target certain segments better. It lets us measure ROI in a very credible way. So we've made that shift. Now you'll see the brand continuing to evolve to be more friendly, to be more approachable and make that final emotional connection with our customer.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Yes. On industry growth, at the beginning you mentioned where you think the industry is trending in terms of net adds for postpaid. I guess I wanted to ask you about if you -- what the underlying drivers are of industry postpaid growth in excess of population growth? And how you see some of those trending going forward, excuse me?

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

A couple of things happening in this space. The U.S. still continues to see demographic growth. So there's new population, new to U.S. coming in. And the first thing they come into the country, they get a phone, want to connect back with the relatives back from where they came from and then to connect with the community as well. So there'll continue to be population growth in the country and that always drive. Second is both ends of the demographic space, younger kids and older folks, are getting phones as well. So we're seeing a continued growth in that piece.

Second is there's some pre to post migration that we spoke about that's adding to the postpaid growth space. And lastly, on the B2B side, new use cases, whether it's curbside pickup, more manufacturing type use cases, you're seeing a lot more use cases there. And a lot of folks carry 2 phones as well for compliance reasons. So between the B2B and the Consumer side, there's continued growth in this space. During peak COVID, we saw 11 million lines come in. I think now we are at 8.5 million. Over the long term, look, 5 million, likely 6 million, is where we think is the long-term average, but that's still a very healthy market compared to a lot of the other markets we have been in.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

I know the Consumer had this. Since you mentioned business, I would like to ask you, what do you think -- how much legs does that business growth side have? I think there's been some debate for a while about, well, is this just a couple of year trend where businesses are giving voice devices, like it all happened at once on Wall Street, of course. But it seems like there's a lot more digital transformation going on in businesses in other industries. So I was just curious if you had any thoughts as to how long that wave will last.

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

The business is investing a lot in digital transformation. You are seeing workforces that have not been touched digitally having access to digital, so all the field force today, manufacturing, retail workers, service workers, all of them are digitally connected today. So you are seeing a lot more demand for devices more broadly in the eco space. Then you have IoT, which continues to grow. Their 4G modules are down to really low price point. You can get a single-digit-dollar module right now, something we've been trying for many years. So you continue to see IoT growth.

The third is private wireless. 5G lets you do that. We used to do 1 or 2 deals a month. Now, we are doing significantly more deals a month, some high-profile deals in that space. So there's continued growth in wireless in the space. Also, what we find is the SMB segment, the enterprise and the public sector love a reliable network because every call that gets dropped is 1 lead they didn't have or 1 dissatisfied customer. So when you have a #1 network like us, it really plays to that space, which is why we have really good share in some of those segments.

Bryan D. Kraft - Deutsche Bank AG, Research Division - Director & Lead Research Analyst

Yes. Okay. All right. We'll wrap up there. Thank you, Sampath. Appreciate the time, and thanks, everyone, for coming.

Sowmyanarayan Sampath - Verizon Communications Inc. - Executive VP & CEO of Verizon Consumer Group

Thank you so much, Bryan.

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