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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc at Morgan Stanley European  
Technology, Media & Telecoms Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Anthony Skiadas** *Verizon Communications Inc - Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Simon Flannery** *Morgan Stanley & Co. LLC - Analyst*

## PRESENTATION

**Simon Flannery** - *Morgan Stanley & Co. LLC - Analyst*

-- and welcome, Tony Skiadas. Thank you for joining us again.

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**Anthony Skiadas** - *Verizon Communications Inc - Chief Financial Officer*

Thank you, Simon, and great to be here. Before we get started, I need to draw your attention to our Safe Harbor statement, which can be found along with our SEC filings on our Verizon IR website, and the statements we make may have -- forward-looking in nature, so just want to make sure that's out there. Thank you.

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**Simon Flannery** - *Morgan Stanley & Co. LLC - Analyst*

Great. Thanks a lot. And from our perspective, we can find disclosures at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures).

## QUESTIONS AND ANSWERS

**Simon Flannery** - *Morgan Stanley & Co. LLC - Analyst*

So you recently held an analyst event in New York. Also, you combined it with the Q3 earnings and a broadband update. So, if you can just start with the results and the kind of the key priorities, and then we'll get into the broadband side of it.

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**Anthony Skiadas** - *Verizon Communications Inc - Chief Financial Officer*

Sure, thanks. So we held an update in late October, both to cover results and our broadband updates. Starting with the results, we had a good balance of both customer growth and financial growth. We said we're on track with our financial guidance for the full year. In fact, we said we'd be at or above the midpoint of our guided range for both wireless service revenue and adjusted EBITDA.

If we start with the customer growth and the volumes, we saw good momentum and improvements in gross adds and churn in both consumer and business. And that led to 239,000 postpaid phone net adds. And on the broadband side, that we continue to have good growth, 389,000 broadband subs, and we got to our FWA target to 4 million to 5 million 15 months early.

And then shifting to the financials, wireless service revenue continues to be very healthy, up 3.1% on a year-to-date basis. Adjusted EBITDA, we had a new high for us at \$12.5 billion. So we feel really good about that, and that adjusted EBITDA drove \$14.5 billion in year-to-date cash flow.

And that year-to-date cash flow was pretty consistent with the prior year, even after absorbing about \$2.5 billion in incremental cash taxes. So the cash generation of the business continues to be strong and we have ample funding and flexibility to execute on our capital allocation priorities.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great, and just to level-set us, remind us of the key financial metrics that you and the management team are compensated on.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, the team is very focused and aligned on growing wireless service revenue, adjusted EBITDA, and free cash flow. And we're very focused on that. And really, under the framework of mobility, broadband, and private networks, you see the progress we've made on mobility of both consumer and business, consumer continues to see improvements in both postpaid and prepaid, and businesses at a very steady pace of growth.

And broadband, we continue to have great progress both on Fios and FWA. And we have over 12 million now, broadband subscribers in our base. And private networks, we continue to have early leadership and are seeing good wins.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. So that brings us to the next part of the Investor Day. You said at new -- as you said, you hit your FWA target early. You land and expand and also expanding your Fios. So for those who weren't at the event or listened to it, just help us summarize the key projections and the key strategy on around broadband.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So we talked about expanding our broadband reach to over 100 million homes over time. That includes both fiber and fixed wireless access. If we unpack that and start with fiber, we talked about increasing our pace on our own organic Fios build up to 650,000 new open for sale in 2025.

Once we get the Frontier deal closed, we said we -- the build pace would increase to over 1 million new OFS per year. And we said we'd get to 30 million-plus premises passed by 2028 and then 35 million to 40 million over time.

And then if you think about fixed wireless access, we said we want to build a long-term business, long-term sustainable business, with plenty of runway for growth. And we have over 4 million subs in the base now. We gave a new target of doubling the subscriber base by 2028. And we said 8 million to 9 million subscribers by 2028. And we also said that our coverage on FWA would go from 60 million homes passed to 90 million by 2028. So when you think about both FWA and Fios, two very high-quality broadband products that we're really excited about and have a great future.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. And just to tie it off, you had a modest CapEx hike for 2024.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yes, yes. We gave CapEx guidance of \$17.5 billion to \$18.5 billion for next year. The increase can really be attributed to three key drivers. If we think about the C-band and rolling out C-band, we said this year, we'd be at 70% of planned sites by the end of this year. And then we said we could take that to 80% to 90% by 2028 -- by 2025, rather. And then --

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Of the population?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Of the -- planned sites.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Planned sites.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, 80% to 90% of planned sites by 2025. And then with Fios going to 650,000 or up to 650,000 new open for sale, and then also prepositioning fiber for the future. And then the third aspect is our launch of our broadband MDU solution. And we're very excited about that, using millimeter wave and using existing assets that we have. So that's really the drivers of the increase for next year.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. Can we just unpack the fiber number a little bit? So 30 million by 2028. Where are you, Verizon, standalone today? And then Frontier? And then how much of that is sort of the merger and how much is the growth?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, if you think about where we are today, we're about 18 million today. Frontier said they would be at 10 million by 2026. That's a publicly stated target. If we think about when the deal might close, if you take the 18 months from what we said between now and deal closing, we might be at 27 million to 28 million homes passed at deal closing. And then we said 30 million plus by 2028 and then 35 million to 40 million over time. We didn't put a timeline on it.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Okay. And of the 18 million, how much of your footprint is built out now at that 18 million?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, so a good portion of it. We really have a nice penetration rate. We have over 7 million subs there on Fios so -- and 12 million broadband in total.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. So there was an election in the US.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yes, there was.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

A little while ago. Just help us broadly think about what the various moving parts are for Verizon.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So we're looking forward to working with the new administration on quite a few policy areas and maybe a couple that I can point out. On the tax front, obviously, the existing tax structure for business, particularly around bonus depreciation and R&D expensing continues to unwind. And that's becoming a bigger impact for us from a cash tax perspective.

So we're looking forward to working with the new Congress on getting tax reform passed to keep the network investing in broadband infrastructure and in both mobility in broadband. And those investments create jobs. So we look forward to expanding those -- getting those cuts back in play as we go forward. So that's a big piece of it.

And then the other area's around spectrum policy. The FCC doesn't have authority to auction spectrum right now. And we look forward to working with them to get to advance the spectrum policy and make spectrum available for commercial use down the road. As you know, spectrum is the lifeblood of the wireless industry, so it's extremely important that we make progress there. So those are a couple of the areas and obviously there's a lot more as well. But we do look forward to working with the incoming administration.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. And we certainly get questions around what it means for the BEAD Program. Update us on your -- any thoughts you have there about the program and --

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah. Sure. So with the BEAD Program, we continue to participate in the bids that are out there now under the existing ARP program. And we said we would bid in -- mostly in our ILEC territory where it makes economic sense to do so. And we're winning bids in those markets. The BEAD process has been a little bit slower, but the team is ready to go as the money comes -- is allocated to each of the states and they're ready to go. We're ready to participate as needed. But the BEAD process doesn't really affect how we think about our broadband strategy more longer term.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Okay. So coming back to bonus depreciation, we thought we almost had it extended in the year, but it was not to be. Assuming that I think our tax team is thinking there's a broad tax package in the first half of next year, just help us understand what's been going on with your cash flows and how we think about the impact for 100% expensing going forward.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, so the cash taxes have been a headwind this year. What we said at earnings was, we absorbed about \$2.5 billion of increase in cash taxes. It will probably be closer to \$3 billion once we get to the full \$3 billion, once we get to the full year. And as bonus depreciation continues to unwind, we continue to make investments, so the tax deductibility becomes a headwind. We do see that extending into next year under current legislation. We'll come back in January with our thoughts around what that looks like as we give guidance, but we do expect it to be a headwind in 2025 as well until something changes on the legislative front.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And I guess you can't really -- with the guidance, you just got to deal with whatever the legislation is with that.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, I mean, we're going to guide under current legislation as we always do. And then, if we get some tax relief down the road, obviously, we'll share it with everyone and talk about the impacts as well.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. So we talked a lot about convergence here yesterday. And you made a big announcement with the Frontier acquisition. So perhaps for those who aren't as familiar with the Verizon story, just help us with the rationale for doing the Verizon deal and where it stands in terms of approvals and so forth.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah. So, Simon, we still have good opportunity to expand the TAM in broadband. And for the Frontier deal, it was a good build-versus-buy analysis for us. We could not build 10 million homes in 18 months or 2 years, and this was a good analysis of buying at very good economics. And we're happy to be on the other side of the shareholder votes. So the team is very much focused now on the regulatory approval process, which we said would take up to 18 months as we're going through it.

So we're pleased with the process there. Frontier brings -- expect to have about 10 million homes passed by 2026, so they're moving at a good clip. And we know the assets really well. So it fits very nicely with our portfolio, and it gives us the opportunity to continue to expand broadband with the great offerings we have with both myPlan and myHome, and with C-band as well. So we feel really good about the acquisition, and we're looking forward now to completing this transaction.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. And you talked about some synergy opportunities certainly on the cost side, but also the potential to sell more wireless into the Frontier base. So can you just summarize that?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So what we said on the Frontier deal is that it would be accretive to revenue and EBITDA on day one, and then accretive to cash flow and EPS by year two. And what we said was, we see at least \$500 million of operating expense run rate synergies by year three, and that's mainly a function of three areas.

If you think about the network integration, doing the work there and becoming more efficient with the networks, and again, network, we're very familiar with the Frontier network, and then if you think about access costs and having a bigger footprint, continuing to see efficiencies in access costs. And then the third area is really bringing the Verizon go-to-market sales and distribution and marketing engines to the Frontier assets. And we think there's opportunity there.

The expense synergies, there's no revenue synergies included in that number. And there's no refinancing or any of those other synergies included in that number. So we have the work ahead of us as we get through the regulatory process and then start the integration.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

No revenue synergies, but you do see the ability to --

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Of course, yeah. We do see the ability with bringing mobility to the Frontier base, and we think we have great options, as I said, with myPlan and myHome. We give great options for customers. So we certainly see benefits, particularly on the churn side with mobility, as customers have both -- the mobility churn is way down, and we do see further penetration as well.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Historically, Verizon, and partly for legal reasons with Vodafone, had to have a very much a separate wireless and fiber business, but now you're starting to bundle those together, fixed wireless as well. How has your thinking evolved on convergence and we're going to get to European-style levels of convergence.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. Yeah, from our perspective, we see convergence as being demand-led. Right now, only about 15% of the mobility base has the converged bundle. So we look to compete on the strength of our offerings. And we think, as I said, we have great offerings with myPlan and myHome. We have a great network, and we have owners' economics both on the wireless network and on broadband at scale. And then when you add Frontier into the mix, we really feel good about the assets we have, and we'll be well prepared when convergence really happens.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. And you mentioned owner's economics. You've shied away from some of the joint venture approaches to broadband. What's the philosophy there?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, we'd like to have, historically, control of the networks. Really, if you think about the customer experience and the reliability of the network, having the decision-making in our hands is extremely important. We never say never about looking at other options, but we don't see anything compelling out there right now in terms of joint ventures or anything like that.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Okay, got it. Great. And just a quick macro question, I mean, it seems like your churn, as you mentioned, is well controlled. Anything that you're seeing on macro or is it sort of steady for you guys?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

We see very stable payment trends. The priority for connectivity continues to be very high. So very stable payment trends in both consumer and business, that includes SMB as well. The agings continue to be very healthy. And payment trends are very much back in line with normal historical levels.

We have very high quality, as you know, a high-quality customer base. The average FICO score, if you look at our ABS filings, is 724. So our customers are very resilient. And the bad debt that we see trends with the volume growth that we see, so nothing significant there. As we always do, we'll continue to monitor the situation, but a very stable environment right now.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. If we drill into mobility a little bit more, we probably had this discussion last year, but where all these customers coming from? I think we added, between you and the cable guys, over 2 million postpaid phone again in Q3. I think people had assumed it would slow some, but how sustainable is this? What are you seeing driving that?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, so we see -- the market, I would say, is both robust and resilient. We've talked about -- I think you've heard Sampath talk about a market that has 8.5 million, and that's both consumer and business. In terms of where they're coming from, a good proportion coming from prepaid to postpaid migration. Some of it coming from immigration as well. And then if you think about businesses, folks carrying two and three devices for security and other reason, and then younger demographics.

So, we have great options for customers. myPlan and the value proposition we have with C-band and myPlan continues to resonate. And then, in terms of when it might revert back to normal levels, I think whether that's 6 million-ish or some number around that --

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

That's in consumer?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, in consumer. And the question is, when that happens, and that might happen when the pre-to-postpaid migration starts to ease up or abate. So that will happen over time. But the market has been very robust right now.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

You mentioned Sampath. I guess he took over consumer about 18 months ago, something like that. We've seen improving gross add trends. But on the net add side, there's still a gap to the other two. You're still losing accounts. So help us understand what are the levers you can still pull to hold your share, take some share in markets where you're under index, et cetera.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

So a few things there, so first, it started with just operational execution and getting back to a regional structure and being closer to the customer. So Sampath made quite a few changes last year that were important foundational blocks to get the operational execution muscle back, and going to a market structure was the first part of that.

Changing the sales compensation was the second facet of that. And launching myPlan was the third facet of that. myPlan gives customers a lot of great options to both pick their network and also pick their perks as well. So it gave a lot of optionality. It gives us optionality as well to evolve the platform and change out perks in and out as well.



So it's been a great -- those changes are really starting to bear fruit, and you see the gross add momentum that we've had the last few quarters. We were up 6% in gross adds in the third quarter, 12% in the second quarter. So we're making good progress.

And then with the deployment of C-band, we continue to see good momentum on C-band, whether it's premium mix, and we see improved premium mix when we have C-band lit up. And we also have better churn and better gross adds as well. So -- and then you'll see us continue to focus on churn as we head into 2025.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And on the myPlan, it sounds like in your plan or perks per customer, there's still some room to ramp that up.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, absolutely. Sampath talked about, on earnings day, having about 7 million perks in the portfolio, and he wants to double that next year. And those perks carry good margin, and they're exclusive deals for customers. If you think about Netflix and MAX, or if you think about a Disney bundle for \$10, you can't get that anywhere else of a rack rate. So we think it's great value for customers, and we see further adoption there, and that will be a help -- a driver as we think about revenue growth next year.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And do you think that's a churn reducer as well?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

We think so, yeah. As customers take on more perks, we do see improvements in churn as they continue to evolve with myPlan.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. There's been a lot of articles written about an iPhone super cycle. It didn't seem like the industry slowed in Q3. How do you assess the kind of the next phone upgrade cycle? Because the people are holding on to their phones a lot longer.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, they are. I'm laughing because nothing's changed since we spoke at earnings. Customers, by choice, are hanging on to the devices a lot longer. It's still been a very muted upgrade cycle. The average upgrade now is over 40 months. And if you think about that -- and also customers are on a 36-month device payment plan, so that's also a driver.

And then, we're very disciplined in our base and retention offers. So we continue to be very disciplined in that area. So when you think about that together, not a lot has changed in the environment. We're down roughly 11% year to date on upgrades. We'll have to see where the fourth quarter goes with the holiday season. So obviously, you see different seasonal trends there. But in terms of customer behavior, we don't see a lot of change in those trends right now.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And so far in the holiday season, we've got Black Friday coming up. Any change in the competitive environment, promotional activity that you're seeing?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, we see a pretty stable competitive environment right now. There's no surprises, thus far, in the holiday season. As you mentioned, we have Black Friday at the end of next week, and we'll see what happens there, but nothing surprising on our front. Our offers continue to resonate in the market, and we feel good about our competitive positioning as well.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. I think one of the things that's distinguished the US wireless industry recently has been pricing power and the ability for you and others to finally get some ability to maybe keep up with inflation. But it's -- I think for investors, it seems like a lot of one-off moves. There's this move on insurance. There's this move on older plans. How do we get comfortable that this is repeatable and this is -- you go back in the day and the cable companies would raise broadband prices every year and TV prices. What's the kind of philosophy going forward?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, Simon, you've heard us talk about having an 80-20, roughly 80-20 mix P&Q, and then trying to find a better balance of P&Q. And that's what both Sampath and Kyle are very focused on. I can talk about it from our perspective.

As you mentioned, we did a number of pricing changes this year that provide a good tailwind to service revenue, over \$1.5 billion of pricing change, whether it's legacy mix and match that we did earlier in the year, or the handset insurance, or removing some of the Auto Pay discount.

From a competitive standpoint, I can't talk about what we might do in the future. But as we look at the pricing opportunities, we always align the pricing with the value proposition for the customer. And that's how we think about it.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And I think one of the things that you've said is that the customers seem to accept some of these moves. You've been looking for that churn impact and it's manageable?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yes, the teams did a great job. Obviously, as I mentioned, we've made a number of changes, and that we've kept the churn in check. The churn is a little bit higher than we'd like, but that came with the ability to increase our revenue as well. So -- but Sampath and Kyle are both doing a great job in keeping the churn in check.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

How are things going on prepaid? There's been a lot of noise around ACP and so forth. But it sounds like underneath it all, things are getting better.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yes. Sampath and the team, the operational rigor that Sampath put in the postpaid business is now -- has now been applied to the prepaid business, and we're starting to see some early returns on that. In the quarter, we saw, once again, improvements in prepaid. We turned positive on our prepaid brands, about 80,000, excluding the SafeLink brand. So very good momentum there.

Straight Talk continues to improve, which is very promising. And then our digital brand, which is Visible, also contributed positive performance. And then Total Wireless, we talked about opening more and more distribution. We have over 1,000 distribution points open now, and that also contributed positive momentum.

So when you think about prepaid, it's been a headwind from a revenue standpoint for the last couple of years. So if we continue to -- this momentum, I'm hopeful that we will see improved pace on revenue for next year as well.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And where are you on your ability to harvest prepaid for helping the postpaid growth?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, we still have work to do there. We're seeing some improvements there. But obviously, that's still an area of opportunity for us at this point.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. We touched on a couple of the elements, but perhaps, just frame for us the various puts and takes on wireless service revenue. You talked about the outset that you're coming in with strong performance versus your guidance for this year. You're in that high 2s, 3% level. How do we think about '25?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So we've had a lot of good progress this year on service revenue. We're up 3.1% year to date, so feeling good about the momentum. If we start thinking about next year, while we're not going to guide, I can give you some qualitative aspects. I talked about the pricing moves that we made in 2024. A fair amount of those carry into 2025. So that will be one aspect.

If you think about volumes, we continue to see improvements in volumes in consumer. And the work that Sampath and the team are doing will continue to drive an improved volume profile in consumer. And then on business, we continue to see very steady growth, and that's quarter after quarter from Kyle and the team.

And then if you think about FWA and the progress we're making on fixed wireless, we said we have about a \$2 billion base of business in 2024. We expect that to continue to scale, and we gave new targets on FWA. And then prepaid, as we just talked about, it's been a headwind in the last few years. Hopefully, that headwind starts to ease up and turn into a tailwind as the volumes improve and become positive.

And then if you think of promo amortization, promo amortization continues to be a headwind for us. We said it for 2024, we'll be at a similar level for 2023. I do expect for 2025 that the promo amortization headwinds will peak, so the increase will be higher in '25 than the increase in '24. But when you put it all together, the goal is to continue to grow service revenue at a very healthy clip.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Okay, great. Just wrapping up on the kind of the wireless growth drivers the -- before we turn to FWA, the broader 5G monetization, mobile edge compute, it sounds like you're kind of -- but coming back to that story now, you've got --

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, we are. We are. I mean, obviously, the biggest use case for 5G is fixed wireless access, and you see the progress and the momentum there, and we feel really good about that. And then when you think about private networks, we continue to see a good funnel for private network deals. It starts as a Wi-Fi replacement and then can move into areas like robotics, and automation, and sensors.

And customers that had private networks want more deployments in various sites. So we continue to see good progress on private networks. We've signed some deals recently. You may have heard about the deal we signed with FIFA to be the telecom sponsor for the 2026 World Cup, and also the deal we signed with the MSG family of companies, including Madison Square Garden and The Sphere. So we're really pleased with the momentum in private networks. We think the revenue will become more meaningful as we head into 2025.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. So on fixed wireless, you've already talked about hitting our goals and now doubling those goals again. How -- as CFO, how do you think about this as a product, thinking about return on invested capital and network utilization? There's a lot out of your competitors out there who say that it's not going to hunt long term and the capacity congestion is going to catch up with it. But so far, so good?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

So far, so good. We said with fixed wireless, we want to build a long-term sustainable business with plenty of runway, and we're doing that. We have over 4 million subscribers in the base right now, over \$2 billion in revenue. And this is only in the last couple of years. So we're scaling the business for fixed wireless. And we said, by 2028, we will double our subscriber base. So we have good momentum.

And in terms of the network capacity, as you can imagine, the network team, and we have the best engineers in the business. They're way out in front of the capacity needs for fixed wireless access. So they're engineering the network well beyond the 8 million to 9 million subscriber target that we gave. Obviously, our internal targets are much higher. And my goal is to beat the target. We beat the first target, my goal is to beat the second target as well.

And from a usage standpoint, we know what the broadband usage looks like. We have 20 years of history with Fios. So we know that the average subscriber usage -- if you look at our consumer connections report, the average Fios usage is about 600 gigabits a month. Fixed wireless access is about 525 gigabits per month.

You would expect that those usage profiles probably converge as you think about home broadband, whether it's fixed or coming over fixed wireless. So we know what that looks like. We have 20 years of history with that. And the team is way out in front of the capacity needs. So I feel good about it, and I think the results speak for themselves.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

We're in Europe now where fixed wireless has much less trajectory. Perhaps just share, why has it done so well? Why are the NPS scores so high? Because it's not a gig service and it's --

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, it's plug and play. So you can power up your whole home. You can stream, you can -- your kids can game. There's a lot of things you can do in the house, similar to what you do today on the fixed broadband connection with very good speeds, good reliability. And with the MDU solution that we're bringing out, we will have speeds up to 1 gig.

So we feel very good, and the customers love the product. As you mentioned, we have high NPS scores. And we're taking share from cable. And fixed wireless access is taking more than 100%, a lot more than 100% of the broadband net adds each quarter, and we've seen that consistent for a while now.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

So you mentioned a couple of times the MDU solution. Can you just sort of summarize where we are, what to look for here now?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So we've been in trials and customer trials with the MDU solution, which is bringing millimeter wave to a multivolume unit.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

So you basically have an antenna on the roof?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, it's on the roof. And using the existing infrastructure in the building, we can bring broadband service into the building. And having millimeter wave, obviously, is like having a big wide highway in terms of bandwidth, so we can bring customers a great experience, and we're seeing good results right now, and we expect to launch it real soon.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. So you have a deal with AST SpaceMobile. You also announced an interim deal with Skylo on the whole satellite-direct-to-device. So what do you see the role of that? And we do get questions about the potential risk from the likes of Starlink cannibalizing wireless or even fiber. And so, what are your thoughts on that?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, we're happy with the partnership we have with AST. And if you think about the white space on the map and the more remote geographies, we think it's really good to keep customers connected in places where we would never build a cell site or never deploy fiber. So we're happy with that partnership, and we think it plays a role there. Beyond that, we'll have to see. But we think right now, for texting, and ultimately voice, I think that might be a good solution for customers to keep them connected in those remote areas.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And in terms of are you seeing any competition from satellite broadband?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Not significantly right now.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Okay, great. So on the fiber side of things, as you said, you've been at this for 20 years now. So including building some of those Frontier plans, where are -- where is the business model on fiber today? You obviously got comfortable with expanding your footprint here. How are you thinking in terms of ARPU's and penetration? And obviously, you take share even in a world where fixed wireless is taking.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

What's interesting is Fios is still growing. Other broadband providers are shrinking. Fios is still growing. And we see good returns there. And our penetration rates are well over 40% with Fios. So yeah, we think we can bring that execution muscle to the Frontier properties as well as we get that deal closed, and we like the economics on fiber. And then obviously, there's other benefits when you have mobility attached to it as well. And converged, yeah, we do see churn benefits and things like that. So we're very bullish about the prospects we see.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And what was it gave you the comfort to go from for 400, 500 a year to 650? You've been at that lower pace for a while.

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, our cost structure can handle it. The team -- as you mentioned, Fios turned 20 years old this year. So the team knows how to deploy fiber. The incremental 200,000 or so can be handled inside of our cost structure. And the team has been very efficient over the years in deploying fiber. And they have a good cadence there. So we're very comfortable with the pace. And then once we close, as we said to people, once we close the Frontier deal, and we know where they stand with their build commitments, we'll come back with an update on that as well.

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**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. Perhaps we can turn to costs for a minute. We had a lot of discussion yesterday here about leveraging AI for cost efficiency. So could you just give us an overall kind of summary of what the efforts you have underway. You just had a separation. And then where do you see AI helping you?

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**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So from a cost standpoint, a lot of focus on cost transformation for us, and that's driving the EBITDA improvements that you see thus far this year. EBITDA is up about \$750 million so far this year. If you start unpacking that, if you think about the work that we've done in the consumer business around customer care, a lot of work has been done there, as well as on the business side with managed services.

We signed a deal last year with HCL. That will start yielding savings in 2025. And then we still have work to do on our IT stacks. And then we did a voluntary separation program earlier this year. We had about 4,800 people take the voluntary. So that will yield some savings.

And then you mentioned AI. And we see AI from a few different dimensions. One of them is an efficiency, a cost efficiency play. And quite a few areas where we have AI deployed, whether it's in the network to optimize the network.

We're in customer care and putting AI in the hands of our customer care reps and having them be more efficient and effective in serving our customers. We think that's really important as opposed to them going through 80 pages of information to help serve the customers. So those areas are very significant for us in terms of driving cost savings as we think about next year.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. And how about AI as a demand driver? We've seen hyperscalers buying more fiber.

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, we've had some deals with hyperscalers on dark fiber, names you would you recognize. And then if you remember, at earnings day, Kyle talked about using or reimagining the assets we have. If you think about the central offices that we have in Verizon, they have a lot of power, space, and cooling. And that power, space, and cooling can certainly be utilized for applications at the edge of the network and demands on the network. So we think that's an opportunity for us. Obviously, we still have more work to do, but we think that's certainly an opportunity for us as AI evolves.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. The CapEx, as you said, I think it goes up 4% or something at the midpoint of the range next year. If we're going to stay in this business-as-usual range, how should we characterize the '25 spend versus your --?

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, the 2025 spend is very much as business as usual. We've always been in the \$17 billion to \$18.5 billion range for many, many years if you go back to pre-COVID and even before C-band. And the CapEx intensity is pretty consistent. Actually, if you go back and you look at whether it's 12% or 13%, that's -- those numbers are pretty consistent as we go over time. Once we close the Frontier deal, we'll come back with our thoughts around what it looks like beyond 2025. But we don't want to give any forward guidance until we got a lot more clarity with Frontier.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And if you do get bonus depreciation passed, maybe remind us last time, what's your calculus for what you do with the free cash flow?

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Yeah, the last time we had the Tax Cuts and Jobs Act as it was passed in 2017, obviously, we have to consider all stakeholders as we think about the proceeds. We go back to our capital allocation, whether it's investing in the business, we're committed as well to the dividend and delevering. And we always have to consider all stakeholders. So -- and obviously, we have to see what a potential tax package could look like as well and what that means for us. But we would consider all stakeholders as we always do.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And presumably, it's not -- you can't turn your CapEx engine on the dime?

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

It does take some time. There's some things we can do quickly, but not -- the team needs -- we need time to order equipment, et cetera. So there's work to do there. But we'll look at it. And obviously, if something gets passed, we'll communicate what we believe the impacts are.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

And maybe just one final one, Tony, on the deleveraging, you've made good progress. You took on a lot to do the C-band auction the spectrum and CapEx. Now, you're coming back down. You recently tweaked your leverage target. So where are we today? And remind us when we can start to think about some buybacks.

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Sure. So we have four capital allocation priorities and they remain unchanged. The first one is to invest in the business, and you see us doing that with C-band and also with our investment in Frontier. Second priority is to continue to -- on the dividend. And you saw it's done 18 consecutive years of dividend increases. So the dividend is extremely important to us.

And the third capital allocation priority is to continue to have a strong balance sheet and delever, and our leverage continues to come down. We were 2.5 times unsecured at the end of the third quarter. And my focus right now is to continue to pay down debt between now and the closing of the Frontier deal. And we have a debt tender, \$3.5 billion debt tender in market right now, so we're making really good progress deleveraging the balance sheet.

And then we said, once we get to 2.25 times leverage, we will consider buybacks. We're not there yet. So -- and obviously, we have the Frontier deal coming at some point. Whether it's the end of next year or the beginning of '26, we have to consider that as well. But we're going to continue to focus on having a strong balance sheet and delevering, and that's really where the team is at right now.

**Simon Flannery** - Morgan Stanley & Co. LLC - Analyst

Great. Tony, thank you so much for joining us.

**Anthony Skiadas** - Verizon Communications Inc - Chief Financial Officer

Great. Thank you so much, Simon. Thank you.

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