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VZ.N - Verizon Communications Inc Sell Side Analyst Meeting

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Brady Connor *Verizon Communications Inc. - SVP of IR*

Craig L. Silliman *Verizon Communications Inc. - Executive VP & President of Verizon Global Services*

Hans E. Vestberg *Verizon Communications Inc. - Chairman & CEO*

Joseph J. Russo *Verizon Communications Inc. - Executive VP & President of Global Networks and Technology*

Kyle Malady *Verizon Communications Inc. - Executive VP & CEO of Verizon Business Group*

Sowmyanarayan Sampath *Verizon Business Global LLC - Chief Revenue Officer*

CONFERENCE CALL PARTICIPANTS

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

David William Barden *BofA Securities, Research Division - MD & Global Research US Telecom Services & Communications Infrastructure Senior Analyst*

Eric Thomas Luebchow *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Frank Garrett Louthan *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

John Christopher Hodulik *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

Michael Ian Rollins *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

Peter Lawler Supino *Wolfe Research, LLC - MD & Senior Analyst*

Samuel McHugh *BNP Paribas Exane, Research Division - Analyst of Telecom Operators*

Simon William Flannery *Morgan Stanley, Research Division - MD*

Jonathan Chaplin *NewStreet Research - Analyst*

Kutgun Maral - *Analyst*

Walter Paul Piecyk *LightShed Partners, LLC - Partner & TMT Analyst*

PRESENTATION

Brady Connor - *Verizon Communications Inc. - SVP of IR*

Good afternoon, everybody. Welcome to our event today. We're happy to host you everybody in the room and also those on the webcast. We've got a great agenda for you today. We've got myself, I'm Brady Connor, Head of Investor Relations. I'm joined today by Hans Vestberg, our Chairman and Chief Executive Officer, and the Verizon executive leadership team.

We've got a great agenda. We've got -- we said in the fourth quarter earnings call, this is going to be more of an operational update. Today, you're going to hear some opening remarks from Hans, then we're getting straight to the Consumer Group from Sampath, the Business Group from Kyle and the network operations from Joe. And then we're going to end with a Q&A session open for the analysts in the room and all the VLC in attendance.

Before we get going, I need -- I do need to cover the safe harbor statement. We're going to make forward-looking statements today that contain risks and uncertainties. Those are covered on our website as well as we may make statements around non-GAAP financial measures. Those measurements -- the corresponding GAAP measures for those are included on our website. I knew I was going to fumble that.

And so with that, Hans, I'm going to turn it over to you. Clicker or no clicker?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

No, I have no slides.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay. Great.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

I don't need this click. Hello and good afternoon, everyone. Great to be here. And for everyone on the webcast, thanks for joining. We call this the analyst meeting. As Brady said, I think it's important -- we just wanted to do, as we did last year, many of you were here in this room, get a chance to meet our team. So that's the main thing because we have a lot of new faces in our leadership team, but also have a chance to listen to our operational unit heads, Joe, Sampath and Kyle talking about their operation because I think you're tired of listening to me and Tony because we just finished our fourth quarter, went through all the financial guidance and that. So we wanted them to talk a little bit what they're doing this year and the priorities they have. And then, of course, we're going to open up at the end here for any type of questions you might have for us. So that's sort of the idea with this analyst meeting. So it's a little bit as we did in May. I think it was May last year when we gathered in this room and as a continuation of that.

Let me start with the team, and I just want to go over a little bit my team members are here. And for the ones on the webcast, you might not see them, but you will know who they are. The guys that we speak here, of course, Sampath, Joe and Kyle, Sampath running Consumer, Kyle running Business Group, and Joe is the President of Network. They all started their jobs in April '23. So they're less than 1 year in job. That doesn't mean you're nice to them. You can ask any questions because they are deep into the operations.

On that side, in the room, to my right, we have, of course, Tony that succeeded Matt, somewhere also in the time frame of April. So a lot of change in less than 1 year. Vandana is our Chief Legal Officer. She started at the end of '22 into '23, running everything that we do in that area. Sam, Head of HR, she is probably one of the longest running seniors in my team on the same position, been within the leadership position for the last 3 years almost.

Craig to the right, I jumped one there. We'll come back to that. Craig is running Verizon Global Services, the platform where we do the back office, see that we're both helping with revenue for the units, but also being more efficient. Been in operation 1 year, probably a little bit more, been running that.

In between the 2, we have Leslie. Leslie, you can go easy on. She has only been here for 3 weeks. Leslie is the new Chief Marketing Officer coming from previous work at Twitter or now called X and Peloton, but also other experiences. So we're really happy to have her. At the same time, we also have announced some changes that we're going to do soon. Jimmy Gerace is in the room somewhere. And Jimmy is over there. He has worked with Verizon 37 years. He's about to leave, and we actually have announced his successor, which is Stacy Sharpe, that is coming from Allstate, and she will join the 1st of March. Looking at my head of HR, so I keep all the data.

And I have 2 other announcements that we've done very recently as well. Rima Qureshi has been heading up M&A, Strategy and Partnership. She is also leaving us. And Chris Bartlett, way back there, will take over that job. And Chris has been the CFO of Verizon Business Group. And then you also ask who's going to take over after Chris. Scott Krohn is in the room as well. He's our treasury, and he will be the new CFO of Verizon Business Group. So a couple of changes. All of them are here in the room, so you can ask questions, whatever. So we're excited about having them here.

I've got to say a couple of words in the beginning, you have heard so much from me. But if I think about the last couple of years, we have done quite a lot of structural changes in the company. And not mentioning all of them, but we start, of course, changing our go-to-market. And fundamentally, we start working with the Verizon Intelligent Edge Network. If you don't remember that, that is sort of the fundamental how we build the network. And Joe will talk about that because that's still so important for us so we can transport all the data in efficient -- cost-efficient way, but also see that we can deliver to our customers what they're expecting from us.

That work has been undergoing 5 years and sort of we still have some work, but the big bulk has been done and we work much more with the access right now. And Joe will talk about that. So that's important. We also, during this time, remember, there was a small auction where we actually added C-Band, which was enormously important for us. We have talked a little bit about the success we have seen where we deploy C-Band. I'm going to talk a little bit more about it today.

We also added millimeter wave, which I think is one of the key differentiator with the Verizon Intelligence Network, very important additions. We continue also to divest some of our businesses. As you might remember, Verizon Media Group, adding also TracFone. All that brought us into '22 -- I would say, 2022, we had -- I said it publicly many times, we didn't perform well in the first half of '22, and we started to refocus with those assets because we had everything we wanted. And as we've seen since then, our focus will be very clear of sequential improvements, very much financial discipline, very much segmentation, seeing that we have the right offerings for our right -- for the customer at the right moment.

That whole thing has been, of course, ongoing now. And if you look at '23, we just closed our books for '23, we reported that, ending a year where we had a growth of service revenue of 3.2%. But not only that, we saw almost \$48 billion in Adjusted EBITDA and a free cash flow of \$18.7 billion. And we saw through the year sequential improvement, and that's how we look at our business right now. We have all the right assets in the portfolio. We have a great strategy. We have a team that really knows what they're doing and very focused on operational execution, and we're all executing on that. And that's what you saw when we reported the fourth quarter.

Of course, the fourth quarter volumes were good both on broadband and on wireless, both in the Business side and on the Consumer side. And the guys will talk about that. For us, it's a continuation of that. And I would say our assets right now and our strategy, I really like it and the team we have in order to execute on that. I will come back after the guys has been going over what they're doing with the priorities for '24 and onwards.

But with this, I will hand it over to Sampath.

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Good afternoon. 2023 was about operational excellence and large-scale transformation. You should expect more of that in 2024 as we go along. Let me start covering some of the big moving parts of 2023. The first was myPlan, an incredibly strong plan. Internally, I keep saying myPlan is on plan. The biggest piece, it took us -- it took care of our price perception. We had a price premium in the market that is slightly unsustainable. This brought it back. We have 15% price premium with the market, which gives us a lot of comfort and a lot of momentum in the place.

We have 13 million customer lines already on it. That's going to more than double in the coming year. So good, strong momentum based on the back. And it's a unique proposition. It stands on its own. It's a unique value differentiated proposition and really well received by our channel.

The second thing is created a regional structure. This is in the operations and the guts of the business. But we had a national organization, national sales, national marketing. We broke the country down into 6 markets. And in each market, we further broke it down between 6 and 10 different territories. So every territory has a boss who is in charge of the territory to do sales, to do service, to ensure what insight comes from the market. We are able to make decisions really quickly.

A lot has to do with look, it's not a national business. There are some markets where we have really strong share position. Emphasis is on churn there. Some markets where we have a lower share position, we want to go aggressively on acquisition. So we're able to tailor offers locally, make decisions at the local level, which is really yielding a lot of benefits for us. And we know how to do this. We've kind of done this most of our lives here at Verizon.

The third is local marketing. We had large national campaigns, large campaigns, both on digital as well as on TV and print and other places. And we've shifted a fair amount of that money to local. And what it does is it goes back into the communities we serve. Look, Verizon is a local brand that's aggregated at a national level. So that has helped a lot. Events that we didn't sponsor at a local level, local connections back with the community. And that's also giving -- it's aligned with the structure we have on our sales side. So you're seeing a lot of connection there that's hoping very well.

The fourth is new sales compensation plan. As COVID worked in, we had moved into more group-based compensation for large portions of our team, a lot of our sales teams. In -- starting in October, we moved back to individual sales compensation plans. October, November were a little bit of -- we had some training wheels for them. December, we took off the training wheels. So our sales teams, both the indirect, our agents, our management team, all are on individual sales compensation now.

And you can see the benefit. Look, our overall volumes grew 17% on the phone side in fourth quarter. But on corporate stores, where we have bulk of our volumes, grew 23%. And a lot of that can be attributed to some of the work we did on sales compensation. So all of these large-scale transformations are fundamentals. And I think we've gotten maybe 1 or 2 quarters of benefits from a lot of them this year given when we started. So '24, we're going to continue that, keep pulling the execution lever on that to get to a better place in '24.

But at the end of the day, I want to talk about our approach to how we take care of our customers. Look, I think the market is going to probably add 7 million-odd phone consumer connections in this year. And it starts -- for us, it starts with the network. And for us, it means a C-Band. And one of the most interesting things for us is in C-Band markets, we see 3 very interesting things.

The first one is better premium mix, up to 10 points -- 10 percentage points better premium mix in C-Band markets, which is really accretive from ARPU perspective. Then we see 8 points of better gross add growth in the C-Band markets than the non-C-Band markets. And then lastly is churn. 4 basis point of phone churn improvement better than the C-Band markets than without the C-Band. So as the C-Band markets grow as we get the second tranche and as Joe builds out the next part of the network, you're going to see the benefit of those, gross add, premium mix and churn, float itself out to some of the other markets and a larger portion of our base.

But the foundation is a better network. We strongly believe in that. We've built our network to very high exacting standards, whether it's C-Band or millimeter wave. But we have existence proof that a better network works for us.

The second piece is this exclusive value prop that we have. We saw that in the fourth quarter. We had the Netflix, Max offer for \$10. We keep adding new things in the market. We had the Sunday Ticket earlier in the fall there, new value prop on the back of our perks, but more importantly, value that customers cannot get elsewhere. You can get 5 of the best streaming services for \$20.

And what we've seen is because of this value prop, our ARPA has grown 5% in 2023. Just think about it on a base this big, a 5% growth on ARPA average revenue per user has been really good. And with our myPlan construct, our incoming ARPA is significantly higher this year in '23 than it was in '22 because we're able to bring in customers on a network, higher premium, add perks. And perks has been interesting. Our attach rate on perks from when we started to where we are right now has almost doubled because our sales teams have gotten more comfortable selling it, customers understand the value and some of the marketing work we've done about it.

So that's our value prop. But then we move to mobile plus home. And here, look, think about it, we have 17.5 million OFS on fiber. We're celebrating our 20th year of Fios, right? So we are literally the OG player in fiber when it comes to it. So 17.5 million homes of that and another 50 million homes have access to FWA coverage. So we have one of the largest broadband footprints there. And now it's the work of bringing our mobility and our broadband base together. We see double-digit improvement in churn when we do that continuously. And look, we keep adding more Fios. And of course, we'll keep adding more FWA. So it's a really nice self-fulfilling wheel that works itself.

The last is personalization. In the second -- when I took over the business in the second quarter of last year, one of the first things we did is we pulled back on broad, really large reach dip promotions. We started targeting them really aggressively. We have a lot of data about customers. So go back to the segment one, almost a vast majority of our customers use our app. So I want that to be the place where they get personalized offer that targets them. You may want an upgrade today. Someone may not want an upgrade, they're quite comfortable with the phone. And that's one of the reasons why we have a slightly softer upgrade environment that's coming in.

But personalization is the key. We've put in foundational elements. For every customer, we track 1,500 data points and we're able to make 133-odd predictions about them, put that into a personalization model, when they get the upgrade, what's the next best action. And more importantly, we're able to roll it out into the field, whether it's with sales, whether it's with service, whether it's a different indirect channel, that same personalization engine is accessible to all as we do that.

So that's our model. Look, at end of the day, it comes down to being very financially disciplined. Our value is the same. Look, we start with service revenue, rolls down to EBITDA and free cash flow. But this is the wheel that makes it all happen. This is our approach to customer management that makes all of that happen.

Let me then jump to 2024 to give you a sense of where we are. First is mobility. Look, most importantly, we want to get back to phone-positive net add growth in 2024. We said that as part of our guidance earlier this year. It's very important to us to do that. Now look, Q1 is a seasonally soft quarter for us, and we've just gone through a pretty large price increase. 32 million lines have been priced up as part of this price increase, so you do expect some churn to come off that. But overall for the year, we're going to be phone net add-positive as we come.

But the balance of P&Q is very important to us. I know I have said this ad nauseam many times, getting the right balance. Look, our value prop is good right now. And on the Q side, it's all the transformation we've done in sales and marketing. That gives you balance on Q. We've seen some churn advantages to it, and we're going to continue putting on price. Because at the end of the day, the product we are putting out, customers like the product we are putting out. And that gives us confidence about the price increase we just did. Customers value the network, they value the premiumness of the plan. And as a result, we tend to see ARPU accretion based on that.

The second is home broadband. We're going to continue the rate we had. It's a combination of really strong Fios as well as FWA, continue the rate. And in FWA, what we are doing is spending time on ARPU. If you look at it, we did a price-up in the third quarter of last year. And then we're seeing significantly better premium mix even on that. So we're getting a double advantage from that: a price-up plus a better premium mix on the FWA piece.

So now work is on -- and it's typical of any large plan. First, you get in, you want to take initial market share. Then you start tiering your customer base, you start giving people different options. We are kind of at the next stage of evolution of our FWA plan.

Third is churn. We want -- once you get to 90 days, a churn between Fios and FWA, there's some difference, but it's not material. The first 90-day churn in FWA is where we are focusing attention on, and we want to keep taking that down significantly. But again, a similar run rate that we see in the business.

The third priority for me is our value business. Look, this one has had some pretty big structural changes in the market. Two things I want to talk about. The first is shift from national retailers to exclusive distribution. We have some really premium position in national retailers in terms of distribution, Walmart being the prime among them. So there's been a shift. Customers want to go to stores -- exclusive stores and buy there, which is why we are scaling out TBV or what we call Total by Verizon. We're almost at 700 stores. We almost started at 0 last year. So it's one of the largest scaling retail scaling that we've seen. And second is Visible. It's our digital-only brand market leader, incredibly well that piece.

Second is ACP. As ACP money came in the last couple of years, it's distorted the market a little bit between pre and post, some of the pre to post migration has happened. So there are 2 structural headwinds. We've got our work cut out for us. I expect next couple of quarters, we've got -- we know what to do there in terms of our plan. We do expect that business towards the back half of the year to stabilize and then see results in 2025 as we work through it.

The fourth is the brand. I'm sure there'll be questions for Leslie. But our brand is centered around trust and innovation. We've done that. But look, it's time to refresh the brand, make an emotional deeper connection. And you'll see us making pivots and changes to the brand as it comes along.

Let me leave you with this thought: 2023 was about execution excellence. It's what Verizon was known for, it's what Verizon -- you've modeled Verizon forever. That's how we run the business. We are getting back to our roots: our fundamental focus on outcomes that we drive. We've laid some pretty big transformational foundations. Whether it's with service, whether it's with our go-to-market, we're going to keep continue doing that.

So with that, I'll pass it over to Joe -- no, to Kyle, sorry, Kyle, yes.

Kyle Malady - Verizon Communications Inc. - Executive VP & CEO of Verizon Business Group

Hey, guys. Hey, thank you, Sampath. And hey, folks, sorry, I could not be with you in person today. But due to a bout of COVID last week, we thought it was best for me to talk to you from the studio here today. However, this won't dampen my enthusiasm for talking about the opportunities we have in front of us here in the Verizon Business Group.

Let me hit what I believe are the 5 key takeaways from 2023. First, let's talk about volumes. As you saw in our fourth quarter results, Verizon Business continued to put points on the board. Our superior networks, whether that be wireless or wireline, along with our value prop and distribution capabilities continued to resonate well across our customer base.

We had consistent mobility and FWA growth and performance across all 3 of our customer groups: global enterprise, public sector and SMB. We reported 292,000 wireless retail postpaid net adds, including 131 postpaid phone net adds. This was the tenth consecutive quarter that we reported more than 125,000 postpaid phone net adds. We also reported 144,000 fixed wireless net adds, which now puts us well over 1 million total FWA connections.

In FWA, we see both the core product is clearly hunting, and we are also seeing broadening use cases that our customers desire. Our 2023 results validate once again that Business customers trust the Verizon network for their mission-critical functions and operations.

Second, let me touch on pricing actions that we executed on last year. We lead in everything we do. We are a premium product, and our pricing reflects that. We know our clients are very conscious of quality, reliability and being there for them when they need us most. You get all of that with Verizon Business. We are a true partner and collaborator with our customers.

Because we provide a service that our customers find compelling and the fact that input prices have been rising, we decided we needed to take some price-ups over the last handful of quarters. Our recent January pricing move represents the fourth pricing action we have taken since 2022 as we find the price-value frontier in each one of our channels.

Of course, we're always concerned about churn when we make these adjustments, but indications so far have been better than expected. As a matter of fact, phone churn got a little bit better 4Q over 3Q last year. However, we're keeping a close eye on churn for Q1 based on the latest actions.

Third, we're driving efficiencies and containing costs within the business. We are taking costs out by focusing on margin, leveraging the assets and talent we have around the world, not only in wireless but also in Fios, Verizon Connect, IoT and our overall global networks.

One example of these initiatives is the partnership we created with HCLTech, which will not only drive efficiencies, but help us with customer satisfaction, new product development and top line growth. We are also shutting down products and services that are not helping us grow. This will allow us to refocus resources into areas that will move the needle for us going forward. An example there would be the BlueJeans shutdown that we are in the midst of completing.

In the same vein, a big part of our wireline transformation is taking costs out and modernizing. The wireline side of the business has been seeing top line declines for a while. Currently, in terms of revenue, wireline is a bit smaller than our wireless business. However, this segment is important to our overall value prop for our customers. So we are focusing on core products and assets we own while being very deliberate in writing margin-accretive new business.

At the same time, we've expanded the market through iEN and FWA, and we know fixed wireless access and private networks will have the potential to materially impact our revenue and EBITDA going forward. These offerings can also offset our wireline pressures. While the headwinds we are facing in wireline still resulted in a declining Verizon Business EBITDA year-over-year, we substantially reduced the drag through the actions we have been taking and will continue to take. In 4Q '23, we cut the absolute EBITDA decline in half versus the previous year.

Finally, at the end of the year, we announced a new structure that we feel will allow us to be more effective in driving growth outside traditional access and usage. We've established a complete product lifestyle management program driven by marketing. This structure will allow us to be

more marketing-driven, product-oriented and customer-focused. We will be more focused on product channel fit, product portfolio yield, improve solution design and economics, all driven with new systems, tools and processes that we've created. And we are creating areas of focus to generate opportunity. So we are putting in the market is meeting our customers' needs while contributing to the bottom line.

So now that we have 2023 in the books, what are we focusing on for '24? Next slide, please. Our recipe is very simple, and it starts by maintaining our competitive edge, using technology, scale and focus. It's going to come down to execution excellence on the things we started in 2023. If you look at this slide here, it really starts with #4. We want to continue to grow volumes. We want to grow our business in a way that is driving value for our shareholders.

But we need to do the 3 things on the left to allow us to do that. First, it's about the customer experience. We're working with our consumer folks and internally in our marketing organization to make sure we are making business, doing business with Verizon easier. Sometimes, we're a little too hard to do business with. We're breaking down all those processes and make it simpler for our customers to buy services from us.

The second is grow service revenue. And as I said, last year growing above and beyond just access and the like, we want to bring new attaches and new products, new services that our customers will find appealing, can help move their businesses forward, and of course, keep driving efficiencies out so we can free up money and resources so we can be competitive in the marketplace.

So those are the 4 examples that I have and the 4 pillars that we have for our group this year, and we're going to execute on those. We're in early stages of the year. It's only the first quarter, but we have a lot of work to do through the year to continue to drive the volumes, KPIs and EBITDA that our business needs.

So with that, I'd like to pass it over to Joe.

Joseph J. Russo - Verizon Communications Inc. - Executive VP & President of Global Networks and Technology

Thank you, Kyle. Appreciate it. So good evening, everybody. I'm Joe Russo. I lead the network and technology organization. And for my segment, there are 4 things I'd like you to take away, and then I'll get into some more of the detail.

The first, and you heard it from Sampath and Kyle as well, but in 2023, we took deliberate actions that really produced measurable results in the improvement of the network that we serve our customers with. We saw that in our customer metrics, we saw it in third-party results, and the Business unit saw it in their results as well.

The second is I want to be clear on the investment decisions I'm making to put into the network are driven by 2 main things. That's number one, to improve the experience for our customers, and number two is to drive increases in service revenue. And I'll talk a little bit more about why I'm being specific on those 2 things here in a second.

The third is that although our capital intensity that we announced for 2024 is coming down, you should know I am not slowing down in our Ultra Wideband build with C-Band and millimeter wave. And then the fourth thing I'd like you to take away is that you'll hear I'm ahead on all of our build targets. And that is a direct result of the culture of execution that my team has that I'm very, very proud of.

So let me get into a little bit of the details around the deliberate actions that we took in 2023 on this next slide. So the first one, similar to what you heard Sampath said, but early in 2023, we set up an 18-market structure within network. And this was getting back to a place where we had one leader in each of the 18 markets who has the accountability to build, operate and optimize their network where they live, work and play. They have the engineering resources, the operational resources and a direct budget to influence the customer experience and the revenue growth in that market. And it's really proven to be an outstanding structure, and we're seeing great, great results in the -- results of the network.

The second is that we are continuing our aggressive build of Ultra Wideband, both with C-Band and millimeter wave. And although I'm not building to cover POPs, I expect that in the next few months, we will blow past the 250 million POP target that we set for the end of this year. And we're a

little over half of the way done of putting C-Band on the planned sites that we anticipated at the end of 2023. I'm very proud of the work that the team has done to build ahead of the capacity and capabilities that the business units needed to hit their plans.

Number three, and I think a critical differentiator for Verizon, is we double down on what I call optimization of the network. And that optimization has really led to the results that we've seen in 2023 for our customers. We talk about our Test Force, if you've seen that campaign. But I have 3,000 engineers across these 18 submarkets that are absolutely focused on the customer experience day in and day out. And they are experts at building and operating a network. These are the same people who optimize the 4G LTE network that our customers know as the most reliable. And now they are very focused on optimizing the new technologies we've put in place with 5G.

And then fourth is we've unleashed our multipurpose wireless network and coupled that with our Fios network here in our footprint to really drive broadband growth for the business. We are absolutely building ahead of the capacity needed for the business units to continue to deliver the 400,000 broadband adds a quarter. And my team is doing a terrific job. Now we pass over 50 million households with fixed wireless access and as Sampath mentioned, over 17.5 million OFS in the Fios footprint, and we'll continue that build in 2024.

And then number five, Tony and I talked about bringing down CapEx to \$17 billion to \$17.5 billion in 2024. And I mentioned that we're not slowing down with that lower capital envelope. The way we achieve that is in 2023, 3 big capital programs are really now wrapping up. Our core One Fiber build is now largely done with over 50% of our sites now on our own fiber.

The second is our 5G stand-alone core is now fully operational in an FOA. And the third is, we mentioned iEN, and that's a journey we've been on for several years. We now have the iEN network fully operational, connecting our access network types to the core of our network. And this enables me to keep the same pace we saw in 2023 with our Ultra Wideband build in that lower capital envelope.

So let me talk about my areas of focus for 2024, and a lot of consistency here. We are relentlessly focused on these 5 priorities. The first one I suspect you know and you've heard it really from all the speakers, but I think it bears repeating, which is: our job is to wake up each and every day to build the best, most reliable, highest-performing and secure networks. That is our mission. That's what my team does each and every day. That's where the structure and decisions we make each and every day are grounded in. And it is critically important and represents why more customers rely on the Verizon network than any other network in the country. It's also why we see our premium brand position resonating with customers. So it is absolutely my #1 priority. And we are working to make the best network better each and every day by making sure we have the capacity before our customers need it. And we're adding new 5G innovative capabilities to drive innovation and new customer experiences.

So we will continue in 2024 to aggressively build Ultra Wideband, expand and own our in-building and venues with millimeter wave, drive growth in private wireless and optimize the network even further like we did in 2023.

The second is to advance 5G capabilities and products and new use cases for our customers. My team and I are really very focused with our partners to codevelop new applications, new devices, new use cases to unleash the power that we've put in the network. And as I said, we're just getting started on that. I believe there's tremendous upside in our 5G use cases. We're just at the beginning of what we're seeing. And we are absolutely seeing new form factors, new devices, more 5G-enabled devices that I believe will generate additional revenue streams in the future.

And the third is, we call it best cost, but I don't mean lowest cost here. For me, best cost means out-investing my competition by having owners' economics in our core, in our fiber backhaul. It's out-investing because we're better at capacity management than others. And as Kyle said, we've also really turned up the crank on decommissioning lower-utilized and legacy networks and reinvesting those dollars in areas of growth.

The fourth is best customer experience, and you've heard that from all of us here tonight. And certainly, my role in that is large in that the product is the network, and making sure that, that experience is absolutely phenomenal is my job #1. But beyond that, I don't think it's sufficient just to have the best network, especially in this era where we are putting so much new technology in the hands of our customers.

What we're hearing more and more from customers is they want to understand the network better, they want more transparency. They're using our network more and more for critical business and personal applications. So we are on a journey to continue to enhance our transparency with customers, make sure they understand when we're doing upgrades. Our responsiveness needs to be even faster than it was before when we have

a problem. So there's a lot of work we're doing in 2024 to continue to build the systems and tools and capabilities not only in our mobile app, but through our care channels to ensure that we're improving the customer experience.

And then last, a little bit of a tribute to our credo writer, Jim Gerace, here. But if you want to know what Verizon is all about, especially the network organization, I would encourage you to read our credo. But I believe that we have a competitive advantage based on the culture we have in our organization. As I mentioned before, we're mission-oriented, we're here to deliver the best, most reliable, highest-performing and secure networks for our customers. My team runs through a crisis. That's why our Business customers rely on us more than others. And they're out there every day making the best network even better. And we just are continuing to build on that culture of execution and performance excellence.

So I'll turn it back to Hans for a summary before the Q&A.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Thank you, Joe. Thank you. I think it's pretty clear that we have a very simple model. We want to grow our wireless and broadband business. We're going to focus on continuing to build the network, just extending our leadership on the network. We're going to focus very much more on the experiences and our brand coming into '24. And then we're going to continue to take out cost. That's sort of the simple things that you heard from all of these when they think about what the priorities they have.

And I think you should expect from us, as always, that we deliver on our commitments. We have put out commitments for this year. Operational excellence is #1 for us. You should also expect us to continue to be financially disciplined, very prudent on how we deploy. When we see opportunities, of course, we deploy. But if we don't see it, we will not throw away money if not needed. And I think that all 3 of these gentlemen have proven that during the years that we are really focused on doing that.

We can also say that what we measure ourselves for, that's what we want you to measure us and all our shareholders. That's the growth on the service revenue. It's the expansion on EBITDA and cash flow. That's how we are measured and that's how we drive it. Then there's hundreds of other KPIs that needs to support that. But ultimately, that's how we would like to be measured by you and by shareholders. That's our incentive plan. So very important that you should expect from us coming into '24 all of that.

And ultimately, you're saying something about the industry. If you don't think mobility and broadband is important, I'm not sure what you have done the last couple of years, just growing in importance. If you are not connected in today's society, you can actually don't work, live, play as a consumer or as a business or as a government or as a small and medium business.

There's no business I'd rather be being this one. This is the right business. We have the best assets to be in the industry, which is so important for our society every day. We're a great team. We have a great strategy. Hopefully, you got a little bit more insight than when Tony and I go through the financials in the earnings call, what we're doing and how focused the team is.

That's it. And Brady, he's going to facilitate the Q&A for any type of questions. And I'm going to be here and maybe -- ask us your questions.

QUESTIONS AND ANSWERS

Brady Connor - *Verizon Communications Inc. - SVP of IR*

We're going to try and do this in an orderly manner. Everybody is going to raise their hand, and we're going to -- we have enough time to get to most everybody. I'm not sure we'll get to everybody. But we're going to start -- I'm going to go -- we got teacher's pets in the front. We're going to go middle with Simon to start off.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

This is going to be not -- okay, that's why he is telling who is going to take the question.

Simon William Flannery - *Morgan Stanley, Research Division - MD*

It's good to get this far into the presentation without mentioning AI, I think, at all. But I know Verizon has been applying AI for many years even before gen AI came on. So I'd love to get a little bit perspective of how you're applying it in customer care. You talk a lot about customer experience. We've got the marketing angle where you're looking at that. Obviously, network, huge opportunities. So maybe everybody could just touch a little bit on what you're doing in that area and what's the opportunity.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

I can start and I will ask Craig probably a little bit. But think about it -- as you said, we have been on to AI for a long time, first of all, for our own operation. And you heard us talking about the efficiency in customer care and things -- of course, we're using AI in that area.

The other is, of course, developing products with AI that are more catered for our customers. We can talk a little bit about that. And ultimately, we see new service opportunities with AI. Given that AI will require a lot of compute and storage at the edge, there are opportunities to have AI there. We build 5G mobile edge compute 5 years ago and already ready for it.

So there's 3 -- there are different areas, and all of them are working with them. And many -- in many cases, Craig is overseeing it. So we do it in an organized way, keeping the privacy of the data, being ethical with AI and all of that. So that's why we have a Global Services unit that is doing it. But they are driving efficiency, revenue growth and new products. That's basically how it works.

But maybe, Craig, if you want to add something on a fairly broad question.

Craig L. Silliman - *Verizon Communications Inc. - Executive VP & President of Verizon Global Services*

It is a broad question, but thanks, Simon. And just to supplement a little bit of what Hans said, again, as you noted, we've been using this for years, kind of good old-fashioned AI. Today, we ingest over 70 billion data points off the network every single day into our AI engines to give insights. We're using it in our customer care. We're constantly enhancing the tools available to our customer care teams to kind of remove the cognitive load off of the customer care team so they can use their real human elements there.

Just last -- just 2 weeks ago, we rolled out tools to our employees. We're using gen AI that we've rolled our tools to our employees. But I think -- the one thing I would add, the huge opportunity that we have is, as we all know, AI and analytics engines are only as good as the data you put into them. We have an enormous body of data across Verizon, but it sits in 29,000 different data sources, which in many ways are fragmented. We don't have common taxonomy. So the journey we're on right now is bringing all of our data together into common platforms and common governance and taxonomy structures. That will do a couple of things.

First, it will take a lot of cost out because we spend an enormous amount of money just translating data, moving it from one platform to another. But even more importantly, it will accelerate the speed at which we can operate the insights -- from insight -- from data through analytics to insight to customer action. And you're going to see that rolling out just every week, every month, new capabilities as we bring our data assets together into a more usable form.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Thank you. And not sure but -- you mentioned in your discussion also brand and marketing. And of course, Leslie and I have discussed that together with the Business unit. If you are doing it segmented and want to be having even higher yield, AI data is going to be so important. And I think that

was also why we're lucky enough to attract Leslie to come into our company with her background working with them. Anybody who wants to add something, what you're doing in AI? No, they don't want to because they're doing a lot.

Brady Connor - Verizon Communications Inc. - SVP of IR

Next question. Next question. So I had picked the people in the front row, so we're coming in front row. So who is it going to be? We're going to go to Walt in the front row.

Walter Paul Piecyk - LightShed Partners, LLC - Partner & TMT Analyst

In your final comments, you said management needs to be evaluated on revenue growth. So I'm not asking -- just to be clear, not asking a guidance question. But if...

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

But it's almost one.

Brady Connor - Verizon Communications Inc. - SVP of IR

But here comes the guidance question.

Walter Paul Piecyk - LightShed Partners, LLC - Partner & TMT Analyst

But what -- I mean, what is capable, I guess, in this industry? Can you ever get over 4% growth? Can you ever beat inflation in terms of growth? If we're evaluating you on revenue growth, is it just you set a target and meeting your target? Because a couple of years ago, I think the target was 4%. Is that the ultimate target to get to? And assuming -- I know Sievert likes I say, oh, there's applications we don't know about [that appear]. Assuming no applications appear, where can you really get revenue growth?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

It's a great question. Of course, we have done the guide for this year, and we are not changing that one. It's the same. But if I look in the future, using our asset, I mean, think about how much we are doing now with the distribution and how we are bringing ARPA up over time. I think there are opportunities for us with new services and applications to grow faster. And that's how we're sort of gearing ourselves to succeed with the network and the capacity we're building. So yes, I think we're going to grow faster than that. But right now, we're focused on making the guide for this year...

Walter Paul Piecyk - LightShed Partners, LLC - Partner & TMT Analyst

Faster than 4% or faster than -- what's the...

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Faster than the guide that we have today over time.

Walter Paul Piecyk - *LightShed Partners, LLC - Partner & TMT Analyst*

Got it. So you can -- do you think there's opportunity to...

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

But that would be obvious as we are measured on that, that we always try to do better than that. Right now, we have the guide for this year. But I see opportunities going forward as well. And that's our job, to find those new opportunities. And definitely, we are looking into it.

Walter Paul Piecyk - *LightShed Partners, LLC - Partner & TMT Analyst*

And then just one technology question, which is you gave stats about C-Band, 8% increase, whatever. Not clear whether that differentiates you in the market. It just says you're doing better in a C-Band market than your other markets. So let's just say it does provide some differentiation. What happens after C-Band?

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

A lot.

Walter Paul Piecyk - *LightShed Partners, LLC - Partner & TMT Analyst*

Yes. Then what?

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Now remember, we have a lot left on C-Band when it comes to different markets. Remember, we got to C-Band in the most dense places in the beginning in the urban areas. Of course, now we go suburban and rural, just creating new opportunities for us there as well. So I think that is a big differentiation, how we build the network and not only the spectrum. Remember, we have been running with less spectrum than others over time. We still are the best network. Just this asset right now is making it so much better. And we see the churn, the growth and all of that, and we believe that's going to expand. And that is an important piece of us succeeding in our operational excellence.

Walter Paul Piecyk - *LightShed Partners, LLC - Partner & TMT Analyst*

So after C-Band...

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

It always comes something new. It's come 5G advance, you put millimeter wave together with C-Band, nobody else has it. So there is no stop on technology evolution.

Brady Connor - *Verizon Communications Inc. - SVP of IR*

Okay. Next, we're going to go to the back. We're going to go to Sam, the new guy.

David William Barden - *BofA Securities, Research Division - MD & Global Research US Telecom Services & Communications Infrastructure Senior Analyst*

Walt picked me.

Brady Connor - *Verizon Communications Inc. - SVP of IR*

Oh, okay. All right. All right. Barden then Sam.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Walt just decided he...

Brady Connor - *Verizon Communications Inc. - SVP of IR*

Protecting the first row.

David William Barden - *BofA Securities, Research Division - MD & Global Research US Telecom Services & Communications Infrastructure Senior Analyst*

(inaudible) now, Brady. I guess, if I could, this one would be for Sampath. Sampath, I think you elaborated a little bit more on -- or maybe Hans, you can address. There were 2 points that you talked about go-to-market, one was that the regionalization structure would allow you to make "local adjustments." So I guess the intention was not to do price adjustments. So what does the adjustment in the local market look like that can make a difference in share?

And then if I could, the follow-up to that would be also you're hinting at a brand refresh. The last brand I have in my head is Cecily Strong and Paul Giamatti. So who's next for Verizon?

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

Okay. I will refrain from the second one. But the first one, and Sampath will help me. But remember also that the market has changed over time. So what you can do locally is, of course, building the local communities, having the right incentives. But pricing, of course -- but the addition you can do locally in order to engage and sell products is enormous, and especially in today's society where communities are more important maybe than the global United States, for example. And that's what we're seeing with the centralization of it.

But remember, with the centralization in the network and the network is rolling out. So think about the market where fixed wireless access is coming because we're turning on C-Band. Then you can activate totally different local than you do in other markets. When it comes to Detroit, you don't have it Houston. So you do local marketing, local incentives, you add things to it with our strong brand. Anything you want to add?

Sowmyanarayan Sampath - *Verizon Business Global LLC - Chief Revenue Officer*

Look, we don't want -- back to your point of regional pricing, it's not like every zip code is going to have its own regional pricing. That doesn't scale well and has downstream and complexity issues. But what we have is promotions. Could we do slightly different promotions in regional markets?

But it comes down to our share position. In some markets, we have high share and there, it's about churn. So what tactics do we use both from a promotion but also from a sales -- what I call sales approach in the store, in our channels around churn. In some markets where we have slightly

lower share, we go hard on acquisitions. So our promotion and the bias which the stores sell have a different approach to acquisitions. So it's different.

Second is also what type of broadband do we have. Some markets, we have Fios, which is literally the OG fiber player. So we get very different economics. Some, we have FWA. Some, FWA is not there yet. So again, different tactics at the regional level to get to our outcome. And you saw that in the fourth -- third and fourth quarter. The momentum we drove was because of that regional approach to get actions given the asset and the customer base out there.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

And one thing that I talked to all of you several times, of course, that what we did also around '23 and '22, we start looking at the full investment in our customers, all the way from in promotions, what do you do for cost of acquisition, what do you do for cost of retention and see that -- and media and seeing that in one investment and then being much more agile. Hey, and that's what you're talking about. We can't even do that on a local level.

We're going to do more retention in this market. We do more promotions or incentives here. All that is another way to work, but it's just a reflection where the market is going. And we want to be agile because it's more important to be agile local right now without losing the scale we have. So there are many things where we've been chasing it. Thank you. And on the brand, we will come back on that.

Brady Connor - Verizon Communications Inc. - SVP of IR

Yes. Sam's next in the middle. And then we'll see if Sam passes it or plays nicely.

Samuel McHugh - BNP Paribas Exane, Research Division - Analyst of Telecom Operators

It's Sam McHugh from BNP Paribas. Just a quick one on bonus depreciation, kind of a conceptual question, thinking about your decision tree for how you think about reinvesting some of that windfall if you did between...

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

But the other tax -- oh, yes.

Samuel McHugh - BNP Paribas Exane, Research Division - Analyst of Telecom Operators

Wireless capacity...

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

I was thinking about my bonus. Yes, that hasn't depreciated a lot lately, but continue.

Samuel McHugh - BNP Paribas Exane, Research Division - Analyst of Telecom Operators

Yes. No, allocating it between kind of -- wireless capacity, it sounds like you're pretty well set. Fios passings have slowed a little bit, so maybe a bit there or versus deleveraging. So kind of just any kind of thinking about how you would think about those savings?

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

No, we don't know. If anything will be approved, it has to go to the next level in the government in the United States. I would say this is just a part of the fundamentals we have in our cash flow for the year. But let's see where it goes. I'm not sure if we have any more comments. But we don't know. We all saw that Congress have approved it. Let's see what the Senate does.

For us, it will not change anything in our capital allocation. Our capital allocation is the same. You know that, number one, invest in the business. Joe has talked about \$17 billion to \$17.5 billion. That's what we do. Number two, 17 years of increased dividend. We will put the Board in a place so they can continue. And number three, pay down debt. Every excess dollar, pay down debt. And then finally, if we come -- when we come, not if, when we come to 2.25, we'll consider buyback. Nothing has changed. So it's very clear, whatever excess we will have, that's the 3 we have. We have defined 3, 1 and 2, I would say. We'll see how much we will get to 3 -- for the third part, and then let's see.

Brady Connor - *Verizon Communications Inc. - SVP of IR*

Good. Okay, we're going to go -- we'll go to Jonathan here towards the back.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

I think you're doing this well, Brady, by the way.

Brady Connor - *Verizon Communications Inc. - SVP of IR*

We'll see.

Jonathan Chaplin - *NewStreet Research - Analyst*

I'm only asking this question because Kyle is sick at home with COVID.

Brady Connor - *Verizon Communications Inc. - SVP of IR*

We can patch him. He's going to get patched back in.

Hans E. Vestberg - *Verizon Communications Inc. - Chairman & CEO*

We can patch him in.

Jonathan Chaplin - *NewStreet Research - Analyst*

No, no, no. Leave him off just for the question. We can bring him back on after. But I'm wondering why you guys don't sell the enterprise business to Cogent for \$1. And I'm only half joking. I mean the fastest way to get to 4% revenue growth is to get rid of wireline enterprise. And if you're as successful as you hope to be in -- with wireless private networks, that's going to cannibalize that enterprise business further. And so why not just sell it and compete against it, get rid of the albatross and grow faster, get a high multiple.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you for your theoretical comment. We work with anything we can see to improve our wireline business. And you rightfully said, many of the products we're bringing right now is actually offsetting some of the decline. And I think Kyle alluded that we will continue to work diligently, and we would look into anything that would even be outside. But right now, the focus is really to do it in our own regime because I don't see much possibility if we do something with someone else.

And remember, the customer base here is extremely important. We are not only serving them with wireline. They are usually buying a lot of important wireless product from us as well. And many of them are both government and large enterprises. So there's a lot of the customer base in our distribution as well. But rest assured, we're going to do everything we can to see that we're managing that decline in the best way for our shareholders.

Brady Connor - Verizon Communications Inc. - SVP of IR

All right. For the next one, we're going to go...

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

And I hope that Kyle will agree.

Brady Connor - Verizon Communications Inc. - SVP of IR

Let's go to Bryan Kraft over here, close to Scott.

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

I wanted to ask a question about fixed wireless. And with home broadband being one of the strategic pillars that you've put up on the screen, I think you've got a target of 4 million to 5 million subscribers for '25. I guess my question really is, how are you thinking about the ability to go beyond that subscriber target? There's this fallow capacity model versus the ability to densify and expand the 50 million footprint. Millimeter wave could play into this. So I was wondering if you could provide some color on how you see all that coming together to a longer runway for fixed wireless growth beyond that '25 target.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. No, you're right. We put out a target. And I think we have been more successful than we thought with fixed wireless access because the product is just amazing both from an NPS but also the simplicity of it and the capacity and the performance or the quality.

We have said all the time, we will get to 4 million to 5 million and then let's discuss again. But our teams, of course, has built more capacity in the platform they are building. So they are prepared for that. I want to get there because we committed something. I want to deliver on the commitment. That's very important for us.

And then, of course, we will have optionality over time what we do if that would be other things if we need to split cells or something. But that's not even close in this range that we're talking right now. And as said, they have built way more capacity in the network than the 4 million to 5 million and topping that with -- we haven't seen the next generation, what we can do with 5G software, how we can include millimeter wave better, how we can address buildings. There are many things we can do more over time with the technology of the network as well, which we have not factored in.

So rest assured, we will be very focused on it. It's a really good growth engine for us. And we want to take these broadband customers now, and that's why we have the service right rather than waiting and have something else. So I feel good about that. I'm not sure if you want to say something, Joe.

Joseph J. Russo - Verizon Communications Inc. - Executive VP & President of Global Networks and Technology

The only thing I would add is when you talk about millimeter wave, we are absolutely looking at alternative ways to serve broadband customers using our millimeter wave. And we have some trials in place today that are proving to be very successful. So we think there's optionality there as well, especially in MDUs and businesses, et cetera. So that's the only other thing I would add.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. Thank you.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay. Let's see. So we're going to come up here at the front for Frank.

Frank Garrett Louthan - Raymond James & Associates, Inc., Research Division - MD of Equity Research

I guess more from Sampath. So you've just got the sales quotas in place sort of at the end of the quarter. How will we know when that's -- that you really got that going and when everyone is hitting quota? And are there any further adjustments to the sales operation you think you need to make next year as that's a big part of the turnaround there?

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Yes. Look, we put 2 things. We got the market structure in place. Again, think it's markets and then territories underneath that, so from national structure (inaudible). So that one's done. Second is sales compensation. We moved from group comp to individual. So 2 of the foundational pieces are done.

The third is there's still more work to do on the operational execution. We are also teaching people to what we call book of business. Sometimes when traffic is low in the afternoon, do we turn some of our sales teams to do outside calling? Do they call outside? Do they build their own book of business? They almost become mini managers of their own. That's the next upside that we are working on there. But it's, again, down to execution and floor management at the store that we are really good at doing that.

Frank Garrett Louthan - Raymond James & Associates, Inc., Research Division - MD of Equity Research

Is that another 6 or 9 months to get all of that in place and kind of the team flowing? Or is it sooner than that, longer than that?

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Look, most of the things we put in, we saw 1 or 2 quarters of impact in last year. So you're going to see the remaining of that impact in this year work its way through. But again, it's sequential growth. As Hans said, that's what we want to do in our gross add momentum at the store piece.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. And what I asked him and the team working together, [he may say] agility again. I mean given that the size of our direct-to-consumer, you need to be close all the time. If there are different incentives you need or different types you need locally, we need to be quicker. And that I think the team has proven the last 3, 4 quarters because we had sequential improvements in all those quarters. But there was a lot of decisions taken all the way from media spending, reducing, increasing, what we do on promotions, what do we do on retentions and then, of course, we'll do in incentives. Everything that hangs together in an extremely tight process. What I'm really proud of is these guys have speeded up that process enormously, and that's what you see in our numbers. Because ultimately, if you're first and knowing that -- so nothing is that -- but the platform is there right now to do it much quicker.

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Yes. And Frank, I'll add one more comment on that. Almost half our sales teams have never operated in an individual comp environment because they were hired either pre-COVID or just about COVID when we had a group comp. Some of it is training those sales teams to work in our individual comp environment, what does that mean, how do you manage your time, how do you do floor management, how do you upsell customers carefully, how do you take care of service. So there's a period of training that's going on as well. But again, half our sales teams have not worked in this environment before. So that's the work in front of me right now.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. And an enormous training capacity they're going in and seeing that the teams are prepared. So yes.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay. We've got time for a couple of more. We're going to go front row here with Eric.

Eric Thomas Luebchow - Wells Fargo Securities, LLC, Research Division - Associate Analyst

I wanted to ask about the prepaid business, so prepaid to postpaid conversion. I think Sampath talked about this. It seems like we've seen some of that boost some of the subscriber metrics industry-wide the last couple of years. You have a big, embedded base of TracFone customers. You want to get back to customer growth. How much could prepaid potentially contribute to your postpaid funnel as you look to get back to growth? Is that something that you're focused on?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

I can start by saying, first of all, TracFone is -- was an important acquisition for us. Think about our strategy, build the network once, have as many profitable connection on top of the network, being able to serve all types of customers in the market. Then you get the best return on invested capital. So it's very important that we can do it.

So then we have had our challenges in the beginning. I think that Sampath is addressing them. But we also built up a couple of really strong prepaid brands that we didn't have before that is really performing. I think that some of the TracFone brands, we still have work to do and work with our third parties. But Sampath?

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Eric, look, ACP has distorted some of the typical math in pre to post because a lot of other operators give pretty rich offering on the postpaid side using ACP dollars, and that tends to distort. So depending on where the ACP program comes, there will be some stabilization of that.

But if you see the pre to post, most of it happens from the mid-market to the postpaid side. That's the reason why we are building Visible and Total by Verizon. That's the fundamental reason. It's -- at some point, those customers could become postpaid customers for us, which is why we are committing to stores, dollars, marketing investment to build those 2 brands.

The bulk of our prepaid base tends to be on the slightly lower end of the market, which has slightly different pre to post dynamics. So we're going to focus on stabilizing that but building a mid-end of the prepaid business, which will give us customers if they want to migrate to a postpaid environment.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay. And I've got time for a couple of more. We're going to Kutgun over here on the right side.

Kutgun Maral - Analyst

Two quick ones on fixed wireless. Joe, you talked about the 50 million of coverage today. Is -- and you hinted a little bit about fixed -- on millimeter wave going forward. Any update that you could share on how we think about coverage in exiting '24 or 2025 and what the mix might be with millimeter wave?

And maybe a little bit more of a shorter-term question for Sampath. There's a lot of confusion in the market right now on the broadband side. I think Verizon has been very consistent with the net adds on fixed -- in FWA. But at the same time, you have some of the cable guys talk about incremental competition that they're seeing and how that's weighing on their results. And so are you seeing anything different underneath the hood in terms of where your gross adds are coming from? Or what -- how do we reconcile from the outside what's going on here?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

So maybe I'll help you a little bit on the first. Remember, Joe has mentioned everything else. So he's mentioned on service revenue and EBITDA and cash flow expansion. So POPs are important, but ultimately, he should deploy fixed wireless access where you see those opportunities in conjunction with Kyle and Sampath.

Brady Connor - Verizon Communications Inc. - SVP of IR

You got it.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you. Thank you. Sometimes I get it 50-50. Okay. You can speak.

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Yes. I thought you were going to help me. I was hoping you would help me.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

I helped Joe a little bit. I don't help you so much. No, I do.

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

So look, we have been very consistent in our broadband numbers. Tony talks about the 400-ish numbers. We've been pretty consistent on it. If you break it down, there are 2 elements. One is on our Fios side of the business. I mean, what, 250,000 net adds in a business with 17.5 million OFS, that's a really strong growth in our business because the product is really good. On the FWA side, what we see is just the NPS. When you come out of a product that has 30 that's competing with a product that has 0 or 2 or 1, it does make the value prop really exciting for the customer to do that.

And third is we bundle. Almost 4/5 of our FWA customers are our mobility customers. So we do a strong bundling of that. But our incoming on FWA hasn't changed much. 2/3 tend to come from some wired service, either fiber or cable, for the most part. We have a similar mix on urban, suburban, rural that we've had before. So no fundamental piece.

But our product is shining both on the fiber side and on the FWA side. And look, we did a price increase in the third quarter. And we did tiering of the mark, we tiered it. We got a better premium mix than that. I was actually expecting a slightly lower premium mix, but because our customers like the products so much, we saw a higher premium mix there. So again, very healthy on the ARPU side and on the quantity side. As I said, a balanced P&Q business, that's what I want to build out in the long run there.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay. We're going to do a couple more here. We're going to do...

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

And as we heard on fixed wireless access, the good thing with that, there are many products we can build in fixed wireless access, the different tiers on Consumer, the different types of customers in the Business side that are using it. So it's a great product. We can meet so many different demands from the customer point of view.

Brady Connor - Verizon Communications Inc. - SVP of IR

So we've got lots of hands still up. We're going to try -- I'm going to do 3 more. We're going to do Peter on the end, John in the middle and then we're going to end with Rollins on the end over there. So we're going to go left, middle, right.

Peter Lawler Supino - Wolfe Research, LLC - MD & Senior Analyst

Convergence used to be a really big word. It seems like it's taken a breather. Thinking out several years into your future, what does convergence mean at Verizon? And what does it not mean?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. No, it doesn't mean that you converge 2 products and you do a discount. That doesn't mean that. What it means, of course, is that customers see a benefit of having multiple service from us. I think that's what it should mean. We have seen convergence, but still in a fairly small portion in this market compared on many other markets.

I love our position because we have owner's economics on every type of product we have. We don't need to subsidize any of them. That means that we should be able to offer any type of solution for the customer. If they want to converge, we can do it. If they don't want to converge, we don't do it. But we have owner's economics on both of them.

But it doesn't mean that you put together 2 products and then say it's going to be cheaper because you have 2 because we think our products are so strong and have such a lot of value. And I think that was also the change we did on the pricing in the third quarter on fixed wireless access, we got -- we had a discount on. We took that away because we think these are so great products with such a great value. So they should be valued like that. But if some customers want to put them together, lovely. We have the scale of economics for that because we all know the network. Do you want to add?

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

No.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you.

Brady Connor - Verizon Communications Inc. - SVP of IR

All right. John in the middle. Pass that one.

John Christopher Hodulik - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Two, if I may. First, what's the house view on ACP and whether that gets funded? And then second, Sampath, I think you said 7 million postpaid phone net adds for the year. I think we had 9 million for '23. What -- is there any sort of color you can give on -- first of all, how are you landing at that number? And are there any specific segments that you see slowing down?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

First of all, I would like to start with the ACP. I would start with what I said about the industry. This is one of the most critical infrastructures we have in the United States, 21st century. Anyone in this country should be able to get broadband or wireless connectivity because that's how you do business, how you connect with governments, whatever it is. So it is important.

However, I don't know what's going to be approved and not approved. But I think just in general, it's important that every citizen, every organization have a chance to be connected in order to be able to unleash and have the same way to compete. So I think that's important. Then we have the ACP, which we can comment on what we have and what we'll do with it. So Sampath?

Sowmyanarayan Sampath - Verizon Business Global LLC - Chief Revenue Officer

Let me answer your question on the market. 7 million refers to the Consumer book of business. When you add the Business side, it's another 1.5 million, 2 million. That gets back to 8.5 million, 9 million number. But again, if you think about -- it's a pretty good number for us. Of course, it's come down from the COVID highs of 11 million, but it's still a very strong number there that we have going in.

Look, on ACP, our exposure to ACP is largely limited to our prepaid side of the business. We have 1.2 million customers. And look, in the event ACP does go away, aka does not get renewed, we'll have some service revenue impacts in the couple of hundred million dollars but almost no margin impact. So that's how we [point].

On the postpaid side, we do have some exposure, but definitely something we can manage through it. And we have plans as well as opportunities to go after that segment as well. So limited to no impact on the postpaid side. On the prepaid side, it's mostly a revenue piece, but there's no margin impact really.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay. Then Mike and then -- pass the mic to Mike.

Michael Ian Rollins - Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst

Also 2 questions, if I could. The first one is maybe to zoom out on your focus of extending the network and the convergence questions. When you do your planning, how important is it for Verizon to have a converged broadband solution to most homes in most businesses, whether it's fixed wireless to get there or fiber to get there as you do the multiyear planning?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. No, it is an important piece given where the market is going. We have seen an increasing convergence but still fairly low numbers in total. But we also understand that if our customers have multiple services from us or multiple devices from us, that means also the loyalty goes up. So there is some benefit from it. So we always look at the opportunity combined.

If we look at the market we're going to deploy, we look at both the wireless and the broadband solution and see will that make our ROIC better. Because ultimate, we're very financially disciplined when we allocate our capital to see that we have the best return on investment. So of course, we measure that and see that, that is a factor for us when we do it.

Michael Ian Rollins - Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst

And second, you mentioned B2B and IoT and some of the opportunities, managed private networks for Verizon. What are the tipping points that we should be looking at from the outside to get a sense of getting closer to materiality or trying to be able to size what that can mean for Verizon?

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

First of all, I have to acknowledge I was too early on 5G mobile edge compute, I take that. But early means also we're a leader in this. I still firmly believe in the opportunities to have managed 5G networks with application on top of it in order to get security, throughput and low latency for it. So definitely see that.

So what we see right now, think about it that you do a simple replacement of WiFi at the moment, fairly small. But when you do that, you start managing a logistics center. Then you have 2 opportunities from there, and that's where we are right now. Either you do a vertical expansion, meaning you start to add mobile edge compute applications on top of it. So it's much deeper how they're using the private 5G network to manage a factory or a logistics center.

The other is, which is a little bit more common at the moment, the logistics center thought it was a good idea. They have 50 more, and they started doing another 50. That's where Kyle and the team are scaling right now and seeing that we are as standardized as possible. One of the things that has been a challenge but is going away more and more is infrastructure for private 5G networks. We have all infrastructures right now, radios and so on. Modems are coming, connected devices, not only phones because you need laptops, you need pads that are connected. So all that has to work.

It's still going to be a while until it's a meaningful revenue on our \$130 billion-plus business. But as a substitution and as a totally new TAM for us, it's very important. And we build for the long here. Verizon is going to be in telecoms as long as anybody can ever believe. We're going to be the #1. As long as we're going to believe, this is a long play for us to be in private managed 5G networks.

Brady Connor - Verizon Communications Inc. - SVP of IR

Okay, Hans. I think that's it.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

That's it? Okay.

Brady Connor - Verizon Communications Inc. - SVP of IR

That's it. We're at time. So with that, we're going to adjourn the webcast and conclude the webcast. We're going to have a short break. We're going to take some of the chairs out. You guys can use the restroom. And then we're going to do at least an hour of mingling here with the executives. We're going to have folks at different tables, so you can work your way around the room and catch anything from a wide array of topics. And we're all going to make ourselves available.

Hans E. Vestberg - Verizon Communications Inc. - Chairman & CEO

With the purpose we said from the beginning, get to know the team, get to know more about the priorities. Tony and I are going to be here as well, but I think we have told you everything about the guide. Okay. Thank you, everyone, on the webcast, everybody in the room. Thank you so much.

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