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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

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

## PRESENTATION

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

All right. We are set to begin with our first speaker of the day. Again, thank you all for joining us. I'm John Hodulik from the telecom, media and infrastructure team. And I'm very pleased to announce our first speaker today is Hans Vestberg, the Chairman and CEO of Verizon. Hans, thanks for being here.

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

Thanks for having me. Great to be here. Monday morning, a lot of great games yesterday on TV.

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

Tons, yes. And some controversy on the college football side. But maybe we'll get to that...

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

We'll leave that maybe. Yes, we'll leave that.

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

So we've got about 35 minutes for Q&A. And I've got the iPad here. So if anybody has any questions, you can download the app and shoot me a question. I'll try to weave it into the conversation.

## QUESTIONS AND ANSWERS

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

So as always, this late in the year, we always think it's a great time to sort of look into 2024. So Hans, if you could just talk a little bit about -- if you want to give guidance, that would be great, too, but...

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

Out to 24?

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

Yes. Well, we're just keeping it at a high level and talk about your priorities.

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

Yes, I think I'll start with a safe harbor then. It's a safe harbor statement. I might say things that are forward-looking, so be careful. Okay. So what was the question, '24?

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

Priorities for '24.

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

No. So let me just rewind a little bit. I mean, we came into '23 with, I would say, starting to get some momentum from the third and the fourth quarter last year. We -- as I said so many times, but it's always good to go back and saw what happened, we didn't have the right product on the Consumer wireless postpaid in the first part of '22. We did a lot of adjustments and then, of course, brought in new leadership team there as well.

And if you look right now, we had good momentum now straight through the year. We had good momentum in this holiday season as well. And I would say that our priorities are very clear going into next year, is continue to have service revenue growth and continue to expand our EBITDA and cash flow. That's how the whole team is incentivized. That's our shareholders and our Board has told us to focus. And you have seen through the year that, basically, we have had sequential and year-over-year improvements on all metrics in that sense.

That means also that there are certain supporting metrics like KPIs that also need to go our way, meaning we need to continue to have a low churn, continue to grow our broadband and also sequentially improve our net adds, which we have done basically every quarter since the beginning of the year. A lot of changes in the company the last 12 months, both from leadership, how we address the market, the offerings we have.

I would say not only the majority, but basically all of the changes are working for us at the moment. And the momentum we are gaining in the company and with our customers with the offerings we have is resonating with the market. So all in all, that's the same priorities that we had this year, we'll just execute even better. That's my feeling.

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

That's great. So we're going to go into a lot of those topics. Maybe we'll start with something a little bit more short term. Just if you could talk about sort of Black Friday, it's obviously the biggest day of the year for you guys. How did Verizon perform? And maybe talk a little bit about some of the competitive environment and the promotions you saw out there.

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

I think we came out from the third quarter -- and actually, when we reported our third quarter a couple of weeks into October, we said that our momentum continues well. We have a good -- on the -- I stay on the Consumer wireless. We come to the Business wireless later on. The Consumer wireless continue with a very good growth on gross adds. You saw that in the third quarter. That continued in because both we have changed the go-to-market or localization and our focus on our stores.

Then of course, myPlan is resonating with our customers. We have seen a very high degree of our customers selecting the premium network but also now that the perks are still growing. And if you're reading mail this morning, you saw that we come out with another great offering right now.

So you can have Netflix and Max for \$10. We are uniquely -- the only one that has that again, where it's exclusive for Verizon. All that is driving even more traffic to our stores and better conversions in the store. So that momentum has continued. And it continued also over the Black Friday.

And I would say, as I said in the third quarter, we are gearing Consumer wireless for a sequential improvement, positive net adds, better than last year. And I'm confident that we will do that, and we will have a good quarter. Because the team is doing well. It's, of course, 30 days left or whatever it is. But so far, the team is performing really good. So that's what we saw.

Competition-wise, nothing new. I mean, tough competition there, always there doing their great things. But we are performing way better this year than last year compared to competition. But it's nothing new, more heightened competition. It's just we are in a mature market where churn and retention is very important. We have an enormous, fantastic base of high-quality consumers. So that's one.

Then we have our Business side that has for -- on the wireless been for 9 quarters basically been growing more than 125,000 net adds. And they continue strong enterprise, SMB and government. So they are moving around a little bit but definitely keeping their very high market share. And Kyle and the team are doing a great job.

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

What do you think is driving the gross add momentum you've been seeing on the Consumer side? I mean -- and maybe specifically to the Netflix, Max bundle, is that -- maybe talk about perks in general. But that bundle, is that -- it's a little early, but is that driving any...

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

No, myPlan is actually driving it. It is a unique concept. We spent a year in research to do the myPlan concept. And of course, in the beginning, the first couple of weeks, when you change the concept that much, actually, we were down. But now we see it resonating with our sales staff. It's resonating with our customers both digitally and in the stores.

So I think we hit the sweet spot with myPlan and the optionality and the flexibility we give for our customers. And then also, I mean, the saving it's going to do. We have one saving with -- you can take 5 streaming services for \$20. I mean, it's savings up to 40%. At the same time as you get your network plan, you can be individual on the line on an account, meaning you have five people in the family.

Every account can have different type of network sort of choice and then the perks. All that is working for us. And I said, this morning, we came up with Netflix and Max, just boosting up the momentum we have in the quarter. So we feel good about the momentum. That means that we need to execute every day. We need to be there every day and see what's happening in our local markets. The regionalization we did with six market presidents is really working.

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

And is that in place everywhere now, the...

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

It's everywhere. So we have six market presidents that is overseeing six regions. We have the same for network. We are much more targeted. We're doing thousands of local activities every quarter right now. I mean, you saw Run The Playlist, for example, not sure how much you follow us, hopefully a lot, where basically every NFL team are doing their own playlist.

We do that. Of course, we bring the players to the stores. We create more activity. We're leveraging all the assets we have from sports, for example. There are more to come. So the teams are very innovative locally. And we see that we leverage our scale of it. So in general, I have to say what Sampath and his team on the Consumer side have done since April and what they have put in motion, all of it is working very well for us.

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

And you said it would seem like business as usual from a competition standpoint. Are you seeing more competition from the cable companies who seem to be -- I mean, especially this year, it seemed like Comcast is leaning in a little bit more?

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

They come in and out a little a bit, I would say. Well, it's nothing new compared to a year ago or a quarter ago, it's the same. They have been successful in certain segments in the market. I usually say that it for us is accretive. The strategy is that we build a network once. The more revenue-generating connectivity we have on top of it, it's a leveraged model, then we should have EBITDA expansion.

As long as we don't lose more than our fair share to them, it's accretive to us. And it is accretive and it has been since the start of it. We treat them as corporate customers or an enterprise customer, very important. So I think we have a good relationship with them. And usually, I say that I cannot speak too much about it because there's a lot of confidentiality in our agreement. But I think for our investors and our shareholders, you should know this is a good business for us.

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

And getting back to myPlan and some of the localization you've been doing, what -- how should we think about the impact that, that could have on churn? And especially when you start talking about bundling in these parks and the streaming services, you made some progress on churn. Is that -- should we expect that to continue?

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

So in all studies, we have an enormous database of consumers. The more assets you have with us, the more devices you have, the more perks you have, the lower the churn is. Just simple, that's how it works for all of us, the more things you have with us. And that's why we have -- you can have a watch, you can have a phone, you can have an iPad, you can have a couple of perks. And suddenly, you're in the ecosystem of Verizon.

But we give you value as well. I mean, if you look what we can do that nobody else can do, I mean, the savings on the Max and the Netflix we're coming out of, it's probably 30%, 40% what you can buy for yourself. So it's not like we're doing these sort of short -- doing some shorting here, we're really giving more value for our customers. We can do that because our distribution is way better than anybody else. And we have leveraged it from the beginning with +play, the perk system.

Everything is exclusive for us, which is part of the deal or the part of the thinking I had when we started this, that we're going to leverage our distribution. We're going to make it exclusive. It's going to make it as a churn prevention. And in some cases, like in Sunday Ticket, it was also a growth engine for us, new customers, but historically, been more loyalty and retention. But in some cases -- and I'm really excited about going into Christmas right now with Netflix and Max together, which never have been bundled before for that price, and see how much that can drive both customers but definitely retention.

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

You mentioned distribution, you guys have obviously focused on retail distribution. But I heard recently that you're building more stores. You're going to expand. So I think it's in urban areas or something. Can you talk a little bit about that?

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

On the postpaid side, we always build a couple of new stores, where we see we have not been really good covered. We've reduced some. It's not huge numbers. But where we build new stores is Total by Verizon. That sort of in between the prepaid and the postpaid is sort of our way of being able to offer our customers a migration for prepaid to postpaid. There, we build a lot of stores in order to be stronger.

So that's happening as we speak right now. The team is extremely focused on that because we've talked about our prepaid business. First of all, the prepaid business in general is a little bit slower because postpaid has been a little bit aggressive in the low end, so the prepaid market is a little bit lower. But we have a great opportunity. We have the largest prepaid base, but we have never converted them into postpaid customers. And that's why we do Total by Verizon.

We also said that we have more work to be done there. We have done sequential improvements. We're not where we want to be yet. The team is very focused to see that we're getting back to having that as a strong business for us as well. But right now, both market is a little bit slower, we are in our migration work, so there's a couple of components in there. But I would say the action plan is very clear, what needs to be executed in order to make that continue to be sequentially better for us.

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

And is that a group -- a segment you think you can return to growth? And is it just competition that's driving the...

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

Yes. No, no, different things. One was that the majority of our distribution going through a very large distributor, yes, which probably not growing at the moment. Secondly, from the beginning when we bought TracFone, they were -- probably 1/3 was actually on other operators' network. That migration is -- we knew that we wouldn't get those customers. Some, we couldn't even get because of the phone. The phone is not working on our network, just moving over. So that was sort of planned for.

And the last one is, of course, the government subsidized plans, which comes up and down, depending on the economy, how much subsidy is going out in the market, how consumers are using the subsidy. That's a sort of non-accretive business coming up and down. It's been more down this year than up last year. So that's one.

But ultimately, it's also performance that we need to improve. So it's a little bit of everything here. But sitting down with the team in the last couple of weeks, seeing the plans they have and what they want to do, I feel confident with Visible, Total by Verizon and what we're doing with a large distributor that, for us, this is going to be sequential improvement.

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

It's good to hear. Talk a little bit about the low upgrade rates and what that's doing for your business. I mean, each quarter, we look at it on a year-over-year basis, it's been really ticking down. I mean, we're at loads that are lower than when the stores were closed during the pandemic. But I mean, a, can it continue to go down when we look into '24 versus '23? And just what are the ways that benefits your business?

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

So first of all, this was a learning when we did our consumer research as well that we need to be more segmenting with our offerings. And if you follow myPlan right now, you can see that when we do a promotion, it's different promotions for different segments when it comes to subsidy on a phone or some things like that. Before, historically, this market was, hey, you get your phone regardless of plan. We are much more segmented and more -- much more financially disciplined.

So this is a conscious decision of us in the beginning of the year and see that we are actually giving the right value for the customer that's buying a certain plan. And that has driven down the upgrades because it's different money. Now if you look at myPlan, if you take the lowest myPlan, it's probably \$600, \$700 in promotional money. If you go to the highest, it's basically including an iPhone. So it's -- that's one of the reasons where I've seen a little that we actually consider driving.

Then of course, it's a little bit about innovation on handset as well that there's a little bit of saturation on that. I think it's a combination of it. But clearly, we will continue to be extremely financially disciplined. And what it means for us is, of course, that our cash flow is improving. And you have seen, I mean, we increased our guidance for cash flow in the third quarter to \$18-plus billion, I guess we're saying, in free cash flow, which is we continue to generate a great flow of cash flow, I would say, by far, the best in the industry.

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

So let's talk about pricing. I mean, obviously, you've put in a few sort of targeted price increases, looking back over the last couple of years. I mean, given what you're seeing in how myPlan is resonating, is there room for additional price increases as we look out into '24?

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

If you look at wireless on Business side and Consumer side, there might be opportunities and pockets where we see we can get more value to our customers, at the same time, we increase the price. Definitely, we will continue to see that. I think we have a stellar product. It's one of the most important devices you have in your hand, a phone. I mean, so of course, how we build out the network and how it's improving, we feel that with perks and that, there are opportunities.

We don't think the opportunities are equally big as we saw in '22. Remember, we did some really large increases, but we will look into it. We'll, of course, don't announce anything here. But the team is constantly looking, can we add more value to our customers that is a price increase, but they get more and is beneficial for us as shareholder? We would do that.

But right now, I think that Sampath running Consumer is looking a little bit more about gaining more quantity of customers rather than price increases to grow our service revenue. Historically, the last 2, 3 years, we have continued to grow our service revenue. But basically, because price increases are value-additive more for our customers, I think we're tilting a little bit more to quantity there.

On the Business side, they have been balanced on both. Because they both have quantity and have done something on prices all the time. So they're much more balanced. I think that Sampath is looking for that. And that's why we've seen in the second quarter and third quarter, sequential improvements of offerings. And as I've stated already today, I mean, we are very confident that we will have growth on net adds in the Consumer business this quarter. And it will be clearly better than last year.

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

And Business, you think, can continue to perform the way it's been performing...

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

They have been around 125,000-plus every quarter. They will continue to be around that. I think we have such a resonating product in wireless for businesses. And I would say government, large enterprises and SMB, they buy on best network. That's the first criteria they have, "Who has the best network? I need my coverage. I need to reach my customers." That's why we win so much in that area and our market share is high.

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

Okay. So speaking of the network, obviously, a big initiative is the rollout of a C-band spectrum you acquired in the auction. Can you give us a sort of update on where you are there, how that should unfold in '24? And you've talked in past calls about what it does to your network, what it does to some of your KPIs. Are you still seeing that benefit and just the tailwind you get from that?

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

So for everyone in the room, we bought [406] markets with an average 161 megahertz. So far, until somewhere in October, we only got a piece of the spectrum in [76] of the markets. Somewhere in the middle of October, I don't know exactly, we get all of it. So now we have 161 megahertz for all markets, [406] (corrected by company after the call) markets, and we start rolling that.

What we have seen in the initial [76] (corrected by company after the call) markets is that our step-up ratios for consumers has gone up. They see the improvements, so they're stepping up. And also our churn is lower in those markets. So it's just a clear correlation about how great the network is. And then of course, I can offer broadband, fixed wireless access. Suddenly, I can open up totally new markets. So that's what we have seen.

When we now get the C-band, the initial part will be that we augment the [76] (corrected by company after the call) market, which are mainly urban markets. That's what we're going to augment, that goes quickly, you have already the radios up. You just need to amplify it with the spectrum. Next step is going to be suburban and urban. The next 24 months, we're going to just continue the rollout in suburban and urban of the C-band.

And what I talk to Joe, which is our Head of Networks, a lot is that we're going to see that we meet customer performance in the right areas. That's how we deploy right now. Think about customer satisfaction, think about revenue generation on the C-band. Where do we see the biggest opportunities, we deploy there. That's how we do it right now.

And the guys are doing a great coordination between the business units, the Business and the Consumer side. Where do we see the greatest opportunity, that's how we roll out right now, both creating fixed wireless access opportunity but also this upgrade step-ups and churn reduction and seeing that we're doing that in the right markets.

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

And that rollout, you said it's 24 months. Is that sort of more front-end loaded? I mean, do you get a lot of it? Or is it sort of...

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

I don't know, I think it's a little bit -- if you ever rolled out a network or spending like we are doing, approximately \$19 billion, it's guidance at \$18.25 billion to \$19.25 billion, you want to have the same rhythm of activity because that's the most capital-efficient. You don't want to go up 1 quarter, you did this and then your super front-load. You want to keep it straight because that's the most efficient for people, capital efficiency, supply chain suppliers.

And that's why you're probably going to see us much more consistent right now than what you saw when we bought the C-band. We added \$10 billion. We're going to super boost. Now that is over, when this year is over and now we go into the next year in a much more stable way in order to be more capital-efficient and seeing that we meet the customer demands.

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

Got it. And you talked about the fixed wireless and the rolling out the C-band. And actually, we started with NFL. And watching NFL, you guys are advertising -- nationally advertising Verizon home broadband. I see that commercial a lot.



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

Through an NFL game yesterday?

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

Maybe four or five. Well, there actually are a lot of RedZone these days, which avoids a lot of the commercial bands. The -- but you're definitely seeing you guys advertise against that. I mean, so it seems like this is more of a national effort instead of what was -- what you said with the [76] (corrected by company after the call) markets a little bit, maybe more of a...

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

Yes, it's somehow we create a little bit of a brand affinity around it. But ultimately, it's a local marketing. It's a local marketing where we open up fixed wireless access. It's a combination of our network team and our region market presidents adding -- going into that market, seeing that we have the right people in the local market, radio marketing, TV marketing in that market and then we go hard. And we have a funnel of people that want our fixed wireless access.

So when we open up, we know who we can call and ask, "Hey, guys, now we have fixed wireless access." Because we have rolled out C-band. And our latest device is handling millimeter wave, C-band and 4G. It's rock-solid and the quality is great. Customer satisfaction on fixed wireless access is extremely good. Yes, because ultimately, you order it home, it takes 5 minutes, and you have broadband at home. And the longest time to get that in the 5 minutes is to find you WiFi password.

That's sort of how great the product is. You just put it up, you have broadband and then you need to find your WiFi password and then you connect your computers, your TVs, whatever. So people are extremely satisfied with it. We still are in the infancy of it. So our churn is higher than on Fios. But Fios has been around in 20 years, so -- but we see the same sort of metrics or KPIs on churn that we had on Fios, how it comes down over time.

And we use a lot of our knowledge from wireless and Fios when it comes to churn, how can we do with same team, they understand how to do it. So if we attack a quality issue, a technology issue or if it's a billing issue or whatever it might be, we have that in the team. I would say Verizon's execution, and I come from another company, I've been there for a long time, what I've seen in the last 6 years, these guys are really good in executing.

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

Okay. And you said you were in the infancy of that product. I mean, so I guess, could you characterize the growth you expect over the next several years? And you have some guidance out there that looks very...

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

Yes, I have a guidance.

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

That looks very achievable, I would say, at this rate.

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

Thank you. Thank you for saying that.

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

So is that still -- are those still good numbers?

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

That's still good guidance. So we have said by '25, we should have 4 million to 5 million subscribers on fixed wireless access. Of course, we have built the network for more. The team has way more capacity. I've said also I want to reach the 4 million, 5 million and then I'm going to have a conversation on what we're going to do after that. But I want to achieve the milestones. I want to show our shareholders and our investors that we deliver on what we say. That's what I want to do.

We are way down the line, as you know, and we're going to continue to push. But we have now a cadence around -- I would say, around 400,000 net broadband subscribers per quarter, including Fios. Again, I have the same philosophy here. I want to keep that cadence. It's not helpful to get 600,000 or 700,000 1 quarter and 100,000 the next quarter. Again, that's how we dimension marketing, media, organization, capital, rollout, you want to have that. And I'm very pleased to be around 400,000 net broadband subscribers over a quarter. That's really good between Fios and fixed wireless access. And it starts generating a lot of revenue for us coming into the service revenue.

And I only build the network once. It's no special radio base station for fixed wireless access. So again, the same thinking, build the network once. The more connectivity revenue-generating you have, they flow to the bottom line, EBITDA and cash flow is growing and our service revenue is growing. That's really the thinking. And the next couple of years, that's our mantra. You're going to hear me like a parrot saying exactly the same thing because that's how we in the organization are working and how we focus on everything we're doing right now.

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

Would you guys consider using -- now you guys have a ton of millimeter wave spectrum, which you could deploy in a lot of areas. Would you consider using that spectrum in maybe sort of on a nonmobile basis to go after the fixed wireless market?

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

Yes, yes, when it makes sense. I mean, right now, the millimeter wave actually is one of the absolutely spectrums in the world for capacity. We do them in urban settings, outdoor and indoor, where we see it makes sense. Because the majority of all the traffic, if you take it the millimeter wave, you unleash the C-band and the low-band for indoor or other type of things. So it's really good.

So the millimeter wave right now is very much focused on private networks, but also where we see hotspots where we can build millimeter wave. And if that's going to be fixed wireless access in a certain area, we can do that. Because remember, our device is handling millimeter wave, C-band and LTE. So we actually have all three of them. So we constantly have all optionality for a consumer experience or a customer experience.

And what we have not said about fixed wireless access, which was I would say in the beginning, we were very focused on Consumer broadband being the use case for fixed wireless access. As you have seen over the last quarters, our Business side is growing equally good. They have it as main broadband as well, main broadband for retailers, small and medium companies.

A small portion is backup. But again, it's a revenue-generating backup. I take it any given day. It flows straight down to the bottom line. So those use cases, we didn't really have in the beginning. It's just adding to the whole idea of a multipurpose network. You build it once, getting more revenues on top of it, so it flows out to the bottom line. And that's the whole idea with it.

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

And lastly on fixed wireless, I mean, do you have teams focused on selling this into the business market? I mean, is this -- so the account teams are there. They know they've got this product. And is it resonating -- is it...

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

It's resonating very well. And the good thing with our go-to-market on SMB, your large enterprises, when they have a product that is simple to sell, it just rolls. We have the largest go-to-market on large enterprises and SMB and government. The more product that's easy for them to understand, the easier it is to sell. This is very easy to sell for them.

And our customer loves them. And many customers say, take a big coffee chain, for example, "Hey, why don't I do fixed wireless access to all my coffee shops instead of any other type of connectivity? Part, I do from our operations and the rest, I'm offering as a WiFi to my customers." That's easily done in urban settings today with our fixed wireless access product.

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

Got it. Maybe turning over to the Fios side, I think you guys are doing about 500,000 a year?

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

Yes, 500,000, 550,000, yes.

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

Is that the right number? How are the economics that you're seeing these days versus maybe going back -- it's actually the 20th anniversary of Fios in Keller, Texas right around now. And then also, could that change with all this money coming to the market in terms of BEAD grants and that kind of thing? Or is that how we should think of that?

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

So we -- so I'm just going to sound like a parrot. When the dimension organization would be cost-effective, if you run 500,000, 550,000 every year, you have a fixed base of employees, you have a capital allocation, that's really sweet spot for you to make sort of good contribution and see that you meet the market. Then we have -- I would say our success on Fios the last couple of quarters have been great with the market share we're taking. The product is killing it out there. So I'm very happy with that.

We're going to increase if we see reasons for it, especially the BEAD money, which we can probably debate for hours to see when it comes out and how it comes out. But I think there are definitely use cases where Fios is going to be the winner, given the nature of our structure. That, I still think that fixed wireless access is one of the best solutions for the BEAD money as well because it's much quicker. You get broadband immediately to the digital device that we all are trying to close.

So far, it's been a little bit, okay, it has to be fiber. Okay, fair enough. But I think that if the government really want to see that we close the digital divide as soon as possible, they should definitely consider fixed wireless access. It's still up for the states now. So we're going to see what the states do as this money coming out and the RFPs are coming out. But so far in the few that has been out, we have been successful.

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

Got it. Maybe looking back at sort of the financials, you started off with the focus for the company is on service revenue growth and EBITDA growth. Can you talk about, maybe high level, just the drivers of that 3-plus percent service revenue growth as you look out into '24?

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

I haven't guided for next year as we're clear on that. But I'm very focused on growing the service revenue. I think the components for us going forward is going to be the wider service revenue from Consumer and from Business. And it's going to be a mix of quantity and price but less on price, I think, and more on quantity going into next year. Then the broadband is just growing all the time. So that's going to add as well.

And then we're going to start to get a little push but still very little on private 5G networks. Because that's still -- it's not that we don't get many, but they are small in the beginning. They are a replacement of a WiFi network and then we get in with a licensed spectrum in a retail or a logistics center or a big warehouse or something like that. And if it works there, they start to add compute storage and then they start replicating to all other stores they have in that enterprise.

So it's an iterative process. I think that our product is really resonating with the market. But with our \$135 billion to \$140 billion in turnover, it takes some time before you get some percentage of it, so -- but I'm really, really supportive of it, and I think it's a great product, and we're definitely in the lead of it.

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

And should we expect to see continued margin improvement? I think you guys were closing in on the \$10 billion in savings that you guys had laid out. But even despite that, should we think that margin should improve as we look ahead?

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

So the saving target was [\$2 billion to \$3 billion that we have for 2025] (corrected by company after the call). We're already -- this year is going to have some of it. And then in next year and '25, the majority on that. But many of the activities you have seen this year are going into the base next year. So it's a work -- our EBITDA and cash flow expansion is a combination of being very financially disciplined on service revenues so that it's growing, including upgrades, then continue to take out cost, that expanding our EBITDA and the cash flow. So that's how we constantly work in our company.

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

Got it. All right. Last question, M&A. It's been a number of years...

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

M&A.

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

Yes. A number of years since you guys have done an M&A transaction. I guess, TracFone was the last one.

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

TracFone. Well, the spectrum was \$52 billion. I would say that's an M&A.

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

That's true. I don't know if that counts.

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

Okay.

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

But obviously, there's some other opportunities out there, especially in the wireless space. So how should we think of it? Is there a potential opportunity to gain scale and leverage our network better as we think of these opportunities?

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

See, the thing here, I would say, I really love my assets I have right now. It took us 6 years to get where we are. We divested quite a lot of things. We acquired spectrum. We acquired TracFone. We have a network of service strategy. I really feel good about it. And when you see you have a stability in the asset base, the execution of the team is so much better. Of course, I always need to say as a CEO, we will look into everything happening in the market. But really, I prefer to execute on what I have today. I think that's way more important than adding something. We have all the assets we need.

And if I talk to my team, they are really excited over our offerings, our assets, how we go to market. And that's the most important, you have a very motivated team all the way to the field engineers and our sales reps in the stores. And they understand our model. Sometimes it's underestimating when you get that cultural evolution in the company, where everybody feels the same vision and the same targets. That's way more important than start buying companies and adding again. But again, I have to just say you never know. But clearly, my focus is to execute on what we have right now.

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

'23 is a big -- a lot of -- a year of big changes for Verizon. Do you believe, as you were just suggesting, that you have the right people in the right places as we look out into '24?

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

I have a great team. I have changed a lot of the team members during the year. I still have the CMO position open, so probably want to see that we get a great CMO very soon. So I feel that we have really got a good team. And a majority of all the people reporting to me have changed this year, right?

So I've changed the whole team. But the team knows what to do. We have clear metrics, clear KPIs. They know where we're going. They know how we're going to treat our customers, how do we even better in front of them. So I feel really motivated for the end of the year because this year is not over but also coming into '24 with a good momentum.

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

Great. Well, Hans, thanks for being here as always. And thank you all for joining us.

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

Thank you.

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