Good morning, and welcome to the Verizon Fourth Quarter 2019 Earnings Conference Call. (Operator Instructions) Today’s conference is being recorded. If you have any objections, you may disconnect at this time.

It is now my pleasure to turn the call over to your host, Mr. Brady Connor, Senior Vice President, Investor Relations.

Thank you Brad. Good morning and welcome to our fourth quarter earnings conference call. This is Brady Connor and I’m here with our Chairman and Chief Executive Officer, Hans Vestberg, and Matt Ellis, our Chief Financial Officer.

As a reminder, our earnings release, financial and operating information and the presentation slides are available on our Investor Relations website. A replay and transcript of this call will also be made available on our website.

Before we get started, I’d like to draw your attention to our Safe Harbor Statement on Slide 2. Information in this presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Discussions of factors that may affect future results is contained in Verizon’s filings with the SEC, which are available on our website.

This presentation contains certain non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in the financial materials posted on our website.

The quarterly growth rates disclosed in our presentation slides and during our formal remarks are on a year-over-year basis, unless otherwise noted, as sequential.

In addition to our comments today, on February 13, Verizon will be hosting an Investor Day in New York City and will be webcasting presentations by Hans and the leadership team. More information about the event will be posted on our IR website.
As a reminder, we’re in the middle of a millimeter wave spectrum auction, so we will not be able to comment on our current millimeter wave spectrum holdings or strategy.

Now let’s take a look at consolidated earnings for the fourth quarter and full year. In the fourth quarter, we reported earnings of $1.23 per share, resulting in full year earnings of $4.65 per share on a GAAP basis. Reported fourth quarter earnings include a net pretax loss from special items of approximately $2.4 billion, including an early debt extinguishment charge of $2.1 billion; an impairment charge of $236 million, primarily related to the write-down of goodwill within our media business; and a net charge related to severance and annual mark-to-market for our pension and OPEB liabilities of $135 million. In addition, we recorded a $2.2 billion tax benefit related to the sale of preferred shares in a foreign affiliate. The cash impact related to the tax benefit of this sale will be realized in 2020. Excluding the effects of these special items, adjusted earnings per share was $1.13 in the fourth quarter, up 0.9% compared to $1.12 a year ago. Full year adjusted earnings per share was $4.81, up 2.1% compared to $4.71 a year ago.

Let’s now move to Slide 4 and take a closer look at our fourth quarter earnings profile. The impacts to earnings from the adoption of accounting standards ASC 606 for revenue recognition and ASC 842 for leases continued throughout 2019. As we illustrated in previous quarters, we realized a lesser benefit from the adoption of ASC 606 in 2019 compared to the prior year, primarily due to the deferral of commission expense. The reduction of the benefit realized creates a year-over-year headwind to both reported earnings per share and adjusted earnings per share, which will continue throughout 2020. The impact was $0.03 for the fourth quarter and $0.12 for the full year. For 2020, we expect the headwinds from the deferral of commission expense to be approximately $0.09.

In addition to ASC 606, accounting standard ASC 842 for leases, which was implemented at the beginning of 2019, results in a gross up on the balance sheet for all operating leases. This new leasing standard affects our earnings per share primarily due to the expensing of certain upfront lease costs, creating a headwind of $0.01 in the fourth quarter and $0.05 for the full year. We do not expect a year-over-year impact from the lease standard in 2020.

Full year adjusted EPS growth of 2.1%, illustrated on the earnings waterfall slide, reflects strong underlying performance of the business, partially offset by the impacts of the deferral of commission expense and the adoption of the leasing standard. Additional details of our quarterly performance will be covered by Matt later in this call.

With that, I’ll now turn the call over to Hans to take you through a recap of 2019 and a discussion of our strategic priorities for 2020.
We also added in a lot of partnership as we now have network as a service as a strategy. We added in the Apple Music, and more lately, of course, we included with Disney+. Both of them has been a win-win for both our partners, for our customers and for Verizon. And this is the strategy we want to have going forward.

On the business side, we also did a lot of important partnerships where we had the same model. I think about the partnership with, for example, AWS Amazon on the 5G mobile edge compute, again, a totally new way of accessing a market that we have not been into.

And speaking about 5G, we had our commitment, 30 cities. We made 31. We said we're going to launch 5G Home with the NR standard. We did that, and we said we're going to launch the first 5G mobile edge compute. We did that in Chicago in December. So all in all, a year with so much execution, and at the same time, continue to achieve what we want to do.

And we round that up with our financials and the year-end operational metrics. I'm really happy to report that we had our best year since 2013 when it comes to phone net adds, a growth of 28% year-over-year. And again, that is how our team has been working with the new model.

And on the financial side, we continue to see that we had a good wireless service revenue over the year with 3.2% for the full year, which is the highest since 2014. And when it comes to our profitability, our EPS was up 2.1% within 2019 for the full year. And we continue to create strong cash flow, which is, of course, giving us the flexibility going forward to see that we can execute on our strategy. Ultimately, consumer group continued to have a very good year in 2019 with everything they're doing. The Verizon business group have, of course, the headwinds when it comes to the secular decline in the Wireline side at the same time as we're investing more in that area. We're investing in processes, tools and structures. And why is that important? It's so important because this is one of the greatest opportunities for growth for us when it comes to 5G and how we address the market. And I can tell you, during 2019, I met so many large corporations that we now can actually work with because our offering is so strong when it comes to fiber and 5G. But we need to put that structure in place for the Verizon business group in order for them to actually both execute on the revenue side, but also on the cost side. And that's really what we're focused on.

Ultimately, I think we have created a very strong fundamental for going into 2020. And if you think about our priorities for 2020, first of all, continue to grow on the core business. I mean, we showed this year we can continue to grow 4G and our core businesses, and that we’ll continue to do in 2020 as well, including building our network to be the best network in this market.

Secondly is leveraging our new assets that we’re building. We’re building one fiber. We’re building our 5G and seeing that we can start leveraging that with our customer. And I think that this year, we'll continue to have a lot of focus on our 5G build and what we're doing in 5G, and we will come back to that later on how we see the 5G market when we will have an Investor Day later in February.

So the third priority in 2020 is around our financials and our discipline there. And the ambition is to accelerate the growth in revenue and EPS in 2020 and continue to create strong cash flow as we did in 2019. But it’s also to continue to have the discipline and efficiency in our CapEx and OpEx spend. That's very important because this is really driving us going forward being able to execute on our strategy.

And the 4 priority is around our customer centricity and our purpose-driven company, both are very important to engage with all our stakeholders, if it's the society, our employees or customers, to have that in our genes in the company every day. Here, we will drive a lot around thinking about the customers, giving them optionality as we did in 2019, we will just continue to do that.

And when it comes to our responsibility to drive a responsible business, we laid out a lot of things in 2019, what we want to do, and combine our responsibility of our society with our strategy. We think that is strengthening us, as a company, to all our stakeholders. And ultimately, that will create even more value for all our stakeholders. So all in all, I think we have a really good platform coming into 2020. We are excited for it, and we hope that all of you are excited for 2020 as well.

So by that, I hand over to Matt.
Thank you, Hans, and good morning, everyone. We will begin with a review of our consolidated operating and financial results. In the fourth quarter, consolidated operating revenue was $34.8 billion, up 1.4%. Service revenue remains the primary driver of growth, driven by volumes and step-ups in access, partially offset by lower wireless equipment revenue and secular declines in revenue from our wireline products and services predominantly in our business segment. At the beginning of the year, we provided consolidated revenue guidance of low single-digit percentage revenue growth for 2019.

For the year, total revenue grew 0.8%, including a 3.1% decline in wireless equipment revenue. Adjusted EBITDA was $11.1 billion as compared to $11.6 billion last year. The headwinds mentioned earlier from the deferral of commission expense and the lease accounting standard lowered EBITDA by $239 million, which is approximately a 70 basis point impact on EBITDA margin in the quarter. These results reflect continued strong margin performance in consumer despite a meaningful increase in volumes and secular weakness in the wireline portion of the business segment. Full year consolidated adjusted EBITDA totaled $47.2 billion, and EBITDA margin was 35.8%, slightly lower than last year's margin of 36.2%.

Full year adjusted EBITDA included headwinds of approximately 70 basis points from the deferral of commission expense and the lease accounting standard, which overshadowed our improved operational performance in 2019.

Through our Business Excellence program, we have realized cumulative cash savings of $5.7 billion and are on track to achieve our goal of $10 billion of cumulative cash savings by 2021. The Voluntary Separation Program resulted in approximately $1.3 billion of expense savings this year, and we have been at our full run rate of savings for the last 2 quarters of the year.

Adjusted EPS for the fourth quarter was $1.13, up 0.9% from $1.12 a year ago. We achieved our 2019 goal of low single-digit growth by posting a full year adjusted EPS of $4.81, representing a yearly growth rate of 2.1%, including the $0.17 headwind related to ASC 606 and 842 that Brady mentioned earlier.

Let’s now turn to cash flow results on Slide 8. We had strong cash flows in 2019, which allowed us to continue our focus on investing in our networks, increasing our dividend for the 13th straight year and strengthen the balance sheet. The year-over-year increase in CFFO was due to operational improvements and lower discretionary employee benefit contributions, partially offset by higher cash tax payments and payments related to the Voluntary Separation Program.

Capital expenditures for 2019 totaled $17.9 billion and well within our guided range of $17 billion to $18 billion. Capital spending for the year was driven primarily by our fiber deployment in 60-plus markets outside of our ILEC footprint and the build-out of our 5G Ultra Wideband network. Additionally, we continue to support growth in data and video traffic on our industry-leading 4G LTE network and the upgrade to our Intelligent Edge Network architecture.

Free cash flow for the year was $17.8 billion, up 0.7% year-over-year. Our balance sheet continued to strengthen with our net unsecured debt down $3.7 billion year-over-year. Our net unsecured debt to adjusted EBITDA ratio rounds down to 2.0x versus our targeted range of 1.75 to 2.0x. We remain focused on reducing our secured debt portfolio into our targeted range while continuing to actively manage our near-term maturities, optimize our overall funding footprint and lower our cost of capital. As part of this management of the balance sheet, we conducted liability management transactions in the quarter and throughout the year, which will reduce our interest expense going forward.

Now let’s review our operating segment results, starting with Consumer on Slide 9. Our Consumer segment entered the fourth quarter with strong momentum. The combination of the new mix and match pricing, attractive device promotions, our award-winning network and the new Disney+ partnership drove continued success in the fourth quarter amid a competitive holiday season. We are extremely pleased with the early uptake on Disney+ and the ability to partner with an iconic consumer brand and content company to bring even greater value to our unlimited customers. As a result, fourth quarter phone gross adds were up 9.3% year-over-year, and postpaid phone net adds were 588,000, up 12.6% year-over-year. Phone churn of 0.83% was up 6 basis points from a year ago, consistent with our expectations and reflect the elevated competitive activity across the industry. A breakdown of our postpaid net additions is provided on this slide.
Total postpaid device activations were flat from prior year at 9.5 million, including 7.9 million phones. Our retail postpaid upgrade rate was 6.3%, down from 6.6% a year ago, reflecting the continued elongation of the handset upgrade cycle. Fios Internet net additions of 35,000 were up sequentially and down year-over-year. Our customers see value in our high-quality broadband offering, paired with multiple choices for video, such as Fios TV, YouTube TV and Disney+. Fios Video net losses for the quarter totaled 51,000. Earlier this month, we launched Mix & Match for Fios, providing customers with choice, transparency and the opportunity to only pay for the services they want.

Now let's move to Slide 10 to discuss the consumer financial performance. We continue to see growth in consumer operating revenues through our updated service offerings in Wireless and Fios, which were offset by modest declines in wireless equipment revenue and ongoing declines in copper-based wireline services. Consumer operating revenues for the fourth quarter were $24.2 billion and for the full year were $91.1 billion, which were up 2.0% and 1.4%, respectively. We are utilizing tools such as pricing and partnerships to add to our value proposition and drive further increases in wireless service revenue and ARPA. Customers recognize the value of being connected to the best network in order to consume services or operate new devices. As customers require additional data, we seek to drive step-ups to unlimited plans from metered plans, step-ups within unlimited to higher tier plans and increasing connections per account.

Consumer wireless service revenue for the quarter was $13.4 billion, a 1.9% increase and $53.8 billion for the full year. We expect to see further subscriber growth as we continue to effectively compete in the marketplace and from continued migrations to unlimited as approximately 50% of our customer base is still on metered data plans. In the fourth quarter, Consumer wireless equipment revenue decreased 2.1% as pressure from promotional offerings and lower upgrade volumes more than offset the increase in phone gross adds. For the full year, equipment revenue decreased 4.4%, driven primarily by lower upgrade volumes.

Consumer Fios revenue remained relatively flat due primarily to the demand for our broadband offerings, offsetting the impact of reductions in video subscribers. Consumer segment EBITDA margin was 39.9% in the quarter, down 130 basis points from last year, including headwinds of approximately 80 basis points from the deferral of commission expense and the lease accounting standard. For the full year, EBITDA margins were 44.3%, including headwinds of approximately 85 basis points. The consumer segment demonstrated in 2019 that it can increase customer volumes while continuing to produce strong margins.

Now let's move to our business segment on Slide 11. Business wireless trends remained strong throughout the year. Fourth quarter phone gross adds were up 10.5% from the prior year primarily with the small and medium business and public sector, contributing to postpaid phone net adds of 202,000, which were up 54.2% from the prior year. A breakdown of our postpaid net additions is provided on this slide.

Our continued strong customer loyalty across the business segment led to phone churn of 1% in the quarter, which was up 2 basis points sequentially and down 7 basis points over the prior year. Total postpaid device activations in the quarter were up 7.1% over the prior year, while our retail postpaid upgrade rate was 5% versus 5.3% in the prior year.

Let's now move to Slide 12 to review our business financial performance. Operating revenues for the business segment in the fourth quarter were up approximately 1% over the prior year. Wireless revenue growth of 8.4% was partially offset by wireline product revenue declines. Wireless service revenue grew 7%, driven primarily by small and medium business customers. From a customer group perspective, small and medium business revenue increased 7.9% over the prior year, driven by wireless service revenue growth of more than 11% and double-digit Fios growth, partially offset by ongoing declines in traditional data and voice services. Global enterprise revenues declined 1.6%, driven by legacy wireline pricing pressure and technology shifts. Public sector and other revenue decreased 1.6% as growth in wireless products and services was offset by wireline declines.

Wholesale revenues declined by 10.6%, driven by price compression and volume declines in legacy wireline products, which we expect to continue. Business segment EBITDA margin was 20.7% in the quarter, down 260 basis points from last year, including headwinds of approximately 50 basis points from the deferral of commission expense in the lease accounting standard. The reductions in margins year-over-year are due to the growth in wireless activations, reductions in wireline revenues and the investments we are making in the business, such as the launch of our business-ready marketing campaign and the transformation of our go-to-market processes.

Now let's move on to Slide 13 to discuss Verizon Media Group. Verizon Media Group continued to make good progress in the quarter. Total revenue was $2.1 billion, which was essentially flat versus the prior year, a meaningful improvement from the decline reported at the beginning of the year.
While we have more work to do, we are very pleased with the results and the foundation we are building for future growth. Native advertising and our demand-side platform continued to gain traction, mitigating the ongoing declines in legacy desktop search revenue streams.

Let's now move to Slide 14, which reconciles Verizon 2.0 results to our legacy Verizon 1.0 results. As we close out 2019, we are providing a reconciliation to legacy 1.0 results for the last time. The charts on this slide reconcile revenue and EBITDA margin from our consumer and business segments back to wireless and wireline. The top chart shows consumer revenues of $24.2 billion in the quarter. After removing consumer wireline and adding back business wireless, we had total wireless revenues of $25.3 billion with EBITDA margin of 41.0%. The bottom chart shows a similar reconciliation from business to wireline results, starting with business revenue of $8.1 billion and arriving at total wireline revenue of $7.1 billion in the quarter, down 4.1% from the prior year.

EBITDA margins were 11.9%, down from 17.6% last year. The factors impacting wireline margins are largely the same as those highlighted in the business segment, most notably, the ongoing pressure from legacy wireline product revenue declines and the investments to drive future growth. You can find additional detail in our supplemental information included on our website.

Let's now move to Slide 15 to discuss the wireless results. Total wireless operating revenues increased 3.5% to $25.3 billion in the fourth quarter, driven by a 2.7% increase in service revenue and benefits from the total mobile protection pricing action taken in the third quarter. The fourth quarter performance was below our targeted range, primarily as a result of higher base optimization into new pricing plans, which we believe is stabilizing; and the impact of increased gross adds on our promotional expense that amortized through service revenue.

For the full year, wireless service revenue grew 3.2%, driven by retail postpaid ARPA growth of 2.5% and a 27.8% increase in phone net adds. Total wireless EBITDA margin as a percentage of total revenue in the quarter was 41.0%. This includes headwinds of approximately 80 basis points, primarily from the deferral of commission expense and the lease accounting standard. We are proud of this result, particularly given the strong volumes driven in the quarter.

Continuing the momentum from the third quarter, phone gross adds were up 9.6% to 3.1 million. Postpaid phone net adds for the quarter was 790,000, which were up from 653,000 a year ago, marking our highest fourth quarter phone net add performance in the last 6 years. Postpaid smartphone net additions in the quarter were 969,000, up 11% from the prior year. Postpaid phone churn of 0.86% was up from 0.82% last year, while total retail postpaid churn of 1.13% was up 5 basis points year-over-year.

For the quarter, we increased customer net accounts by 30,000. Total postpaid device activations were up 1.2%. This was a result of a 6% increase in postpaid gross adds from the prior year to 5.1 million, offset by a decrease in our retail postpaid upgrade rate to 6.0% from 6.3% a year ago.

Now let’s focus on our outlook for 2020 on Slide 16. We exited the year with great momentum, reflected by strong wireless volumes in both our consumer and business segments, which, together with our focus on execution, positions us for accelerated growth in 2020. For 2020, we expect low- to mid-single-digit percentage growth in consolidated revenue compared to the prior year. Included in this outlook are continued growth in postpaid gross additions from the prior year to 5.1 million, offset by a decrease in our retail postpaid upgrade rate to 6.0% from 6.3% a year ago.

For the full year, we expect to see adjusted earnings growth of 2% to 4%, driven by recurring service and other revenue growth in both consumer and business as well as ongoing cost initiatives. Adjusted earnings growth includes the impact of deferred commission expense as well as investments within Verizon business group in product development, continued process improvement and new work tools that would not only drive cost savings but create incremental growth opportunities in areas such as 5G, One Fiber and MEC. We expect to see cost benefits of this work begin to materialize in the back end of 2020 and increase in 2021, with revenue benefits starting in 2022.

We are excited about the future opportunities in our business segment and believe revenue and margins will expand in the future.

Below the line, we expect depreciation and amortization to be similar to 2019. Interest expense is expected to decline due to lower debt balances and the impact of our liability management last year. We expect each quarter in 2020 to be below the fourth quarter 2019 expense level. Adjusted effective tax rate is guided between 23% and 25%, in line with the actual results from the prior 2 years.
We expect consolidated capital spending to be between $17 billion and $18 billion, including the expansion of our 5G network in new and existing markets; additional 4G densification to stay ahead of demand and our ongoing fiber build; our capital spending guidance results in our capital intensity continuing within our normal range, although the timing will be higher earlier in the year than last year. In summary, we expect to build on our strong financial performance and are positioned for accelerated growth in 2020.

Now let’s take a look at capital allocation. Our capital allocation process is disciplined and focused. Priorities for the upcoming year remain investing in the business, continuing our commitment to the dividend and managing our balance sheet to achieve our targeted leverage range. With our leverage near the high end of the target range and expectations for EBITDA growth and healthy free cash flow in 2020, we are pleased to add share repurchases as a fourth priority of our capital allocation policy. Repurchases will begin after the other priorities have been met, including investment in our 5G rollout, potential spectrum purchases and the increased investment in the business segment, as highlighted earlier. Our earnings growth outlook for 2020 excludes the benefit from any potential share repurchases.

Summing up, in 2019, we demonstrated that we can improve service revenue and grow the company from a position of strength, we drove increased volumes throughout the year, utilizing updated unlimited offerings, effective promotional strategies and partnerships, positioning the company for sustainable growth. Our 5G built right strategy offers new opportunities to drive further growth as we continue to strengthen our network leadership. Importantly, we achieved strong results while expanding our industry-leading margins as adjusted for accounting impacts during a period in which additional competitors entered our industry.

Though we continue to face challenges within our legacy products and services, we are making strategic investments to drive growth in the coming years. In addition, we continue to make progress in our media group, and we believe we have the necessary assets and appropriate strategy to drive further improvements.

Execution is a key focus within Verizon, and we remain disciplined in our approach to capital allocation, delivering on our commitment to strengthen our balance sheet. In short, we enter 2020 with strong momentum, poised to deliver growth and innovation.

With that, I’ll turn the call over to Brady, so we can get to your questions.

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**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Your first question comes from Brett Feldman of Goldman Sachs.

**Brett Feldman - Goldman Sachs Group Inc., Research Division - Equity Analyst**

The principal variance in your fourth quarter results versus ours and I think most people’s expectations was the higher level of spending in the business P&L, and it looks it’s on the wireline P&L. And during your remarks, you talked about a step-up investments in the business Services segment to drive growth in the future. So I’m assuming that we’ve already started to see that in the fourth quarter run rate.

I guess what I was hoping to get more clarity on is what precisely are you spending that on? I mean, if I annualize that uptick, it’s well in excess of $1 billion of incremental OpEx. So I think there’s going to be a lot of interest in where you’re spending it and how we should expect that payoff to flow through.
And then to the flip side of that is, the annual EPS guidance you gave for this year, it looks pretty close to what most people are looking for, including us, so there must be an offset and that would imply you’re getting better operating leverage somewhere in your wireless business. And so I was hoping you can maybe just walk through where the cost performance and the margin improvement is coming from on wireless as you look into 2020.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

So Brett, I can start and -- so when it comes to the business group, you're right. I mean, we had already impacts in the fourth quarter on our investment that we’re doing in the business group. Matt mentioned some of them. If I go deeper, I mean, as we are now approaching the market with a full portfolio for our enterprise customers, small and medium customers, we need to get all our billing system, all our tools behind CRM, etc., actually, working in a customer dimension. And this hasn’t been invested in before, and we just need to invest there. And that's why you see also in the guide that you say yourself, we're staying basically on your line of expectation. That means that at the end of the year, we will see impact of those sort of investments and then they’re going to roll off. So part of these investments are, of course, one-timers investments we're doing and then it will go away because we just need to fix a couple of things in order to address the market in the right way.

Secondly, the secular decline in wireline business, that is continuing. So that is sort of a little bit more sustainable. But that's why in the remarks on that, we said also that in '21, we'll see even more impact of the cost reductions we're doing, and then the revenue impact will start gradually coming '21, '22 in this side. But all in all, we're very excited about the opportunities that Verizon business group have because that's why we started building the Verizon Intelligent Edge Network some 3, 4 years ago in order to actually address this market in the best way, and the traction we are seeing with our customers is really good.

But on your first question, if there is some impact in the fourth quarter, the answer is yes. Matt, anything to add?

Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

Yes. Brett, thanks for the question. So we certainly saw the uptick in spending, as Hans discussed. We feel very strongly about the opportunities in VBG even more so today than we did when we announced a new operating structure. But some parts of that business haven't been a focus of our investment over the years, so we're excited about the future ahead there.

You mentioned a kind of annualized run rate of $1 billion, and that's certainly not the number that we have in mind for that investment in 2020. So I think that's significantly overstating where the 2020 number will be. But if you go back to the comments earlier, we did say that we would expect to see an impact on margins in 2020, in line with what we saw in the second half of '19. I would expect we'll start to see the benefits of the transformation activities on the cost side of the business around the back end of the year really impacting 2021 in a more significant fashion and then getting into '22 and beyond on the revenue side. But look, we -- I think the underlying thing here is the level of confidence that we have that over time, by making these investments, we can grow both revenue and margins within the business segment. So that's what we're focused on.

You also asked about the total margin structure of the company. If you've got this additional cost, the earnings guide would suggest there's some other things offsetting it in the other direction. I think it starts with revenue. When you continue to have strong service revenue growth in both consumer and business on the wireless side and some of the other revenue lines that we mentioned, that gives you a good starting point for earnings growth. When you combine that with our ongoing cost activities and then even with the investment we're making in VBG, I would expect to see upside to earnings through the year as a result of that.

Operator

The next question comes from John Hodulik of UBS.
Okay. Maybe for Matt, on service revenue growth, came in a little bit lighter than we expected here in the fourth quarter. Can you give us a little bit more detail on sort of the drivers there, especially in light of the better-than-expected subs? And it also looked like consumer wholesale wireless revenues were sort of flattish sequentially. Was there any kind of reset this quarter in the sort of wholesale rate, especially given the growth in subscribers in some of your MVNO customers?

And then lastly, any commentary, looking out to '20, on service revenue growth year-over-year would be great.

Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

Thanks, John. Look, for service revenue growth in the fourth quarter at 2.7% for wireless as a whole, as you say, was a little below the guide that we had. A couple of reasons for that, and both of them actually speak to the value that we’re creating with our customers. The first is, we actually saw the people who had the opportunity to optimize by moving to the new pricing structure that we launched in August, actually moved a little faster than we initially anticipated. And so we think that’s actually now complete and behind us earlier than we expected, might see a little bit of an impact in the first half of ’20, but certainly got more of it behind us in ’19.

And then the other piece is a little bit of accounting noise in the service revenue line. A number of our -- part of our handset costs from a promo standpoint get capitalized and amortized against service revenue. So when you have the increase in volumes that we had in 3Q and 4Q where we had gross adds, we’re up around 10% year-over-year in both quarters. What that means is we’re starting to see an increase in that promo amortization coming against the service revenue line. That will be a little bit of a headwind in the first half of 2020 as well until that reaches kind of a plateau level in terms of the impact. But certainly, as you think about service revenue at the end of the year, the trajectory of the business, having the net add growth that we had, we feel very strong about another good year of service revenue ahead of us. And as we mentioned, net adds, the highest number that we’ve had for 6 years. So the wireless business is performing well in both consumer and in business and we expect that to continue.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

So I can only add on to Matt, that, of course, this is part of our strategy. I mean, since the launch of unlimited, we have constantly sort of developed our model to see that our customer can enjoy different type of packages in the mix and match, but we also had a very clear strategy. You see that our metered customers can be able to go up to unlimited, and that’s why we made that move in August. And I mean, we see the payoffs here with the net adds. We roughly have, today, 50-50, metered and unlimited. So we see that the continuation of putting more value in the packages and seeing that we can actually get the journey for our customer coming into the unlimited is extremely good. And that’s as a growth engine for us, and you have seen that in the second quarter -- or the second half of ’19. So we have more to do here, but I think that the whole team of Ronan Dunne, et cetera, they are thinking about this. But also, don’t forget, business side with Tami that have done a really good job with the wireless customers as well. So we’re really encouraged when we see what we have done in the -- in our offerings and how that has responded well with the market. So we’re happy with what we have seen in the last half year-end and give us encouragement for 2020.

Operator

The next question comes from Philip Cusick of JP Morgan.

Philip Cusick - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

You put up a big CapEx number at the end of the year and guided to the similar $17 billion to $18 billion. Can you talk about any shifts within the CapEx priorities for 2020 versus ’19 in terms of either fiber versus wireless mix or any shift within the fiber build in terms of the types of locations or deployments you plan to do?
And when should we think about you starting to really monetize that fiber build?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. As you saw that we had a strong CapEx coming into the fourth quarter, at the moment, I'm really happy about it. You can see that our pace is coming up here quite dramatically in what we're investing in right now. And the interesting thing is, of course, that since we launched the Verizon Intelligent Edge Network, we have constantly found a lot of efficiency in our CapEx build, and that, of course, is giving us possibilities to continue to do more and more. So I think that our technology department have no constraints on what they need to do in 2020. This is what they have plans for in order for us to continue to fortify our 4G network, to continue with strong additions in the 5G as well as continue with our fiber build. And when it comes to the monetization of the fiber build, we're already starting to do that. Of course, because many of the fibers right now are going to our cell sites on air because that was a part of it. Then, of course, it has come a little bit later in monetization for our small and medium businesses and enterprise business, et cetera. But clearly, we're already now seeing the benefits of doing that.

So going into 2020, I think we have a very solid capital allocation for our CapEx. Matt and the team have worked with the technology team, and we are improving every year how we do this work. And of course, it's a lot of reallocation inside that $17 to $18. And if we go back 3 years, it's a dramatic change how we spend because of the new design on the network, but also the technology evolutions.

Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

Yes. So on the monetization of the fiber, as Hans mentioned, it's a multiuse network. But you're already starting to see the impact, and I'll give an example. And I think some of our network folks have mentioned this publicly in the past few months. You go back to the first quarter of last year, and the majority of our new cell sites were going up on third-party fiber, you get into the fourth quarter of last year in the 60-plus markets that -- where we're adding fiber. It's now -- a significant majority is going up on our own fiber. So that will have a significant beneficial -- significant benefit on, you'd think, our expenses going forward. And then as we continue to go, we'll add other monetization opportunities over the course of the next couple of years. So I'd say, we're already starting to see the benefits of the fiber build in our income statement.

Operator

The next question from David Barden of Bank of America.

David Barden - BofA Merrill Lynch, Research Division - MD

I guess, 2 questions, if I could. First, just with respect to kind of the back part of the year, I think that there's a degree of anxiety about the level of competition that might emerge in the market around 5G and around the possibility of a 5G iPhone launch and how the various carriers are going to market and kind of position themselves as network to go for it. So if you could kind of give us a little color on kind of how you see the second half of the year playing out with this potential 5G iPhones' super cycle emerging.

And then the second would be I just wanted to have you guys maybe address, there's an organization called Opensignal that has shared some data with the sell-side and others that kind of suggests that there's a handful of markets that Verizon's very stressed in terms of their spectrum allocations. And I think that, that's raised kind of questions about what Verizon spectrum strategy and network management strategy is going to be as we kind of bump into some of these limitations. So I just want to have you guys address that, if you could.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Okay. On the first question there. I mean, Ronan Dunne already said in the beginning of the year that we're going to have some 20 5G devices coming out in the market this year. So of course, we're going to see more 5G devices coming out. It's going to be more build in the markets in 2020 than we had last year. So of course, this is a year that there is going to be even more 5G things coming in.
When it comes to any particular phones coming out in the market, we cannot really comment on it because that, we'll leave to the company to do. But in general, of course, if this is a market which has a high degree of iOS, that means that when a 5G phone will come out from Apple, that will be important for many consumers to look into what they think is a good change.

In our case, I think we're building a unique 5G experience with our millimeter wave that nobody else is building and have the capability to do. So I think that's really where the difference will come. I mean, we already have the best 4G network as you have seen in the latest J.D. Power and RootMetrics. We're going to continue to have that. So we're going to give the best experience to our customers. And we -- and I'm confident that how we are building the network will make a big difference. And that's why we also feel very confident if -- with all these devices coming out, including if the iPhone would come out, that we will have a good chance to actually grab more customers that want to be on our network.

When it comes to the spectrum and all of that, I mean, I think that I might have talked about this so many times. I mean, one thing is, of course, that we, first of all, have all the assets to deploy our 5G strategy when it comes to millimeter wave and using dynamic spectrum sharing, be able to do nationwide when our customers are ready. So I think that’s clear.

I think that another thing that is very clear that spectrum is not the only thing that is needed to do a great network. Think about what I have seen. I worked with 400 carriers around the world in my life. It is a lot of carriers, have a lot of spectrum. They don't have a great network. I mean, they don't use it in the right way. I came to this company because this company is the best in the world how to deal with data. Everything from spectrum to how you densify networks and what type of software you put in, and that's a long-term planning how to do that right. And I think that's something where you -- or people around us go wrong when I look at us because think about how we have been performing, and many actually thought that we would never sustain in unlimited. And to be honest, the network is growing, we're getting more and more headroom as we're continuing deploying our software and the engineering capabilities we have in the company. So again, we feel good about the position we have. Of course, as we all know, there might come out, the C-band. And we're, of course, encouraged about the FCC’s plan of doing that. We think the C-band is an important spectrum for many reasons. I mean, first of all, it's one of the global spectrums, that frequency will be global. So roaming will be done on it, and that's very important for U.S. market to get into that. And it's very important for Verizon to get into that. So I think -- but it's not hindering our strategy right now to deploy a great 5G network and be able to capture the market on 5G.

Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

I'll just add one comment on that, David, on that piece. I mean, our engineers took a look at that report yesterday, and they said there's so much missing in terms of their planning. They have line of sight to meet our needs for many years to come. And so I think I would put money on our engineering team every day of the week, and their track record is second to none. So we're very, very confident that we have the spectrum we need to continue to grow the business.

Operator

The next question comes from Simon Flannery of Morgan Stanley.

Simon Flannery - Morgan Stanley, Research Division - MD

Great. On spectrum, maybe you could just comment on CBRS. Obviously, there's an auction coming up, how do you see that fitting into your plans? And then on 5G Home, you haven't talked a whole lot about it. With the CPE coming, is that still second half of the year? What are your expectations for what we should see in 2020?
Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you. On the CBRS, as you know, we have already started for quite a long time ago to do trials and see how it works, and it works fine. We think it’s a good addition to the portfolio that in order to see that we get good customer expectations. So we think CBRS is an important spectrum, even though it is sort of more shared than anything else, but it's going to be definitely something we're using as it comes out.

Secondly, when it comes to the 5G Home, I mean, you're confirming, actually what we have in front of us. The next-generation chipset that goes into the CPE for 5G Home will come out. At least, the plan right now is in third quarter, which means that commercial product is probably coming out a little bit later because it takes some time from the chipset to the device. By then, we will have, of course, deployed far more millimeter wave across the country, so we will be able to start launching many more markets when that happens. So that will come back to a little bit more about that when have our Investor Day the 13th of February, talk a little bit more about it. But that's in the grand scheme, the plans for 5G Home, and that's no different from what we said half a year ago.

Operator

This question comes from Craig Moffett of MoffettNathanson.

Craig Moffett - MoffettNathanson LLC - Founding Partner

Can you share any early results? I know it’s very early days, but of your mix and match video offer? And it’s hard to miss that with your mix and match video offer for Fios that the customer is seemingly far better off to choose the YouTube TV option to save a lot of money. Is that the intention? And why not make the step to say that’s our only video offer and you really focus the business on the Fios broadband connectivity where it would seem you have a much better story to tell?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you. I think when it comes to the mix and match, we want to give our customers optionality on top of the broadband. If it’s the fiber broadband or if it’s the 5G Home broadband, we want to give them optionality. Of course, one optionality is always to have a broadband and having over-the-top services. But another is, of course, giving the mix and match optionality right now to see that they use the right packages that is more fitted for them. Still, of course, it’s what they can choose whatever channels you have because they come in packages. But the early -- or early indication is, of course, that customers that has been on trial for a month, they clearly see what channels they're using and what package we can suggest for them, that is going to be more optimized.

So I think for us, we just think about our customers and where the market is going, and we want to give them the optionality of actually having different ways they can address the market when it comes to their content consumptions. And I think it’s good for our customer experience, but it’s also good for our customers because all of them can do it. So as you said, it’s a little bit early, but I think that our customers are very happy that we’re giving them this optionality. And I think this is, of course, what everyone see where the market is going, meaning more and more over-the-top content is coming in and you want — you need to start mixing and matching that. And here, we have a great opportunity given our network as a service strategy, and we can work with all the type of optionality in the content market as we're not owning any content.

Operator

The next question comes from Michael Rollins of Citi.
Michael Rollins - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

A couple of follow up questions. First, with the revenue guidance range of low to mid-single digits for 2020. Can you frame the flex points as to what would drive revenue growth to the higher end of the range relative to the lower end of the range?

And then second, with respect to the fiber expansion, can you just also frame for us just the total amount of fiber you're trying to go after over a 3- to 5-year period to help us put into context what the current deployment activity means for the company's longer-term goals.

Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

Thanks, Mike. So let me start with the revenue guide and unpack that a little bit for you. So as you think about how would you get from 0.8% this year to low to mid-single digits next year, if I go through the individual pieces, they're obviously within consumer. It's a continuation of service revenue trajectory that you've seen so far, the other revenue line as well. And then within business, again, continuation of those service revenue trends. They're very, very strong. We don't see those slowing down anytime soon. So that will be better.

A little bit of improvement on the wireline side within business, but nothing significant. And then even within media, you think about that being down 3% on a full year basis in '19, but getting back to about flat in the fourth quarter, so less of a headwind of revenue from media in '20 than '19.

Within the total number, the 0.8% last year, wireless equipment was negative 3.1%. We don't expect that number to be negative in 2020. But obviously, that is the biggest wildcard within the overall revenue guide as we think about it in terms of knowing exactly what we see, primarily in the second half of the year as you get into the holiday season and iconic launches and the like. So -- but we feel optimistic about the revenue growth going forward here, really building on the momentum that we've built across both consumer and business over the course of the past couple of years and feel pretty good about that guide as a result.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

On the fiber side, I mean, I think, first of all, I mean, we said it in -- a couple of times during '19. We're starting to get on the level of sort of activity per month and quarter right now that we were planning from the beginning. It took us some 2 years to get up to that pace. The team is really good at it right now. We can get much more scalability around it the way we're doing it. Remember also, we always do the trade-off between owning and leasing or sharing with someone, and that is a very prudent or financially disciplined way of looking at our deployment. In many cases, we see it as owning it has really an advantage for us because of the multiuse of our network. Now we're doing sites all the time. We're going to create revenue for our business side. So we probably have a couple of years left on doing that. But in general, I feel good about the pace we have right now and the multiuse of the fiber we have. And I think this is one of the most critical assets in a network today -- in today's world, especially as we build Verizon Intelligent Edge Network and you want actually to start delivering the 5G experience that we're expecting. We need this fiber to be there. So that's basically where we are with the fiber.

Operator

The next question from Tim Horan of Oppenheimer.

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

With 5G, I think the coverage is going to be very important also, and I think you're using dynamic spectrum selection for that. Can you just talk about how that's going and the timing? And then just kind of further on 5G, maybe just some color on what you're thinking, how much further ahead you are than your peers? And maybe lastly, any other use cases that you're seeing talking to either enterprise customers or consumer customers for 5G for both coverage and density?
Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. On the DSS, the dynamic spectrum sharing, as you have seen some PR, we have done. We have already gotten this to work from the software point of view. And the majority of our baseband is ready for taking DSS. So what we have said, I'm not going to give you an exact date, but I'm going to tell you, we're going to be ready when we feel the market is ready and our customers need to have that coverage.

And again, remember, we want to have the best network performance-wise. We don't want to deploy it because it's called 5G. We want to see that we actually give a superior performance to our customers. And that's why we think that the millimeter wave, what we're doing there is extremely important because we talked about 10 to 20x, at least more throughput and speed than we have on the 4G network, and we still have the best 4G network. So I think that's what we already assessed. When we meet at the Investor Day, we're going to talk a little bit more about the technology, et cetera. We'll get a little bit more in-depth around that.

When it comes to the 5G and where we are, I think that you saw last year that we had a strong deployment coming in during '19, but of course, we have even higher ambitions in '20. And we will also come back and talk a little bit about -- more about that. But it goes in all 3 directions in our multipurpose network. It's for the mobility case, for the home case, and it's also for the 5G mobile edge compute case, not forgetting that, because all 3 of them are using our multipurpose network. And when it comes to use cases, I can do some of them. But of course, on the mobile edge compute, we see a lot of optimization in factories. We see private -- we see private 5G networks in order to keep the data and the security and the throughput in a facility, if that's a campus, whatever, that use case has come up very early on.

On the consumer side, I guess, there's sort of a big event coming up here on Sunday. It's called Football, American Football, and you're going to see quite a lot on 5G experience there. What we can do with millimeter wave in the stadium, how we can use broadcasting cameras with 5G, a lot of new innovation, both for the consumer, but also for the distribution of content. With our spectrum positioning, we are basically unlimited on the uplink when it comes to stadiums, which is the big blocker today in a stadium. So I think you're going to see quite a lot next, I’d say, 4 or 5 days on consumer cases as well as we will continue to give you more insights to it the next couple of weeks and when we meet in New York here.

Operator

The last question comes from Colby Synesael of Cowen and Company.

Colby Synesael - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

I actually wanted to talk about the buyback. I was wondering if you could talk about providing any more color on the potential for timing. You mentioned one of the sensitivities was potential purchases of spectrum. Obviously, we had the CBRS auction, I think, in June and then C-band, whether it's later this year or maybe early next year. Do those events have to first take place, and you have to have a better understanding of ultimately what you spent before you could actually start to do a buyback? Or could you actually end up doing it before?

And then secondly, there's been a lot of debate around your current MVNO relationship with various cable companies and some of your competitors making some comments that they're going to try to go after that. Is there a specific date when that contract expires or anything specific about 2020 that we should be thinking about that could be a catalyst, if you will, for them wanting to leave? And how important is it to you to maintain that?

Matt Ellis - Verizon Communications Inc. - Executive VP & CFO

Yes. Colby, thanks for the questions. So on the buyback, look, it's great to be having this conversation. We're approaching our target leverage, had good conversations with the board for quite a while now. As we get closer to the target range, what comes next? And so glad to announce that change in the capital allocation model this morning.
But as you mentioned, there's a couple of key variables as we think about capital allocation going forward here. And spectrum is the largest one of those. So I don't know if we need to actually get through the auctions, but having line of sight to exactly when the auctions will be is kind of a key variable. So we're very supportive of the actions the FCC is taking to try to make as much spectrum available. And as we get a little more clarity, hopefully, in the near-term future, that will also impact our decision on timing of any buybacks.

But as you think about buybacks, the reason why we're having that conversation is the strong cash flow that we saw last year. Last year, we were at $35.7 billion of CFFO. And even after you back out CapEx and the dividend, $7.8 billion left over. And with an expectation of EPS growth, working capital might be a little bit of a wild card, but I would expect to see that free cash flow after dividend number be strong again this year and expect it to be higher on a year-over-year basis. So it puts us in a great position where we can make some good decisions going forward here.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO
On the MVNO, so I can -- as we're having it as Service as a Strategy, this is important relationships for us. That's how we want to get monetization better than anybody else on our capital investments and that's why we're building a network. We are managing a multitude of stakeholders and the MVNOs are important. It's an ongoing relationship. And we really think it's important relationships, so that's us any sort of large enterprises. We see that we have both agile on the technology side and having good conversations with them, but it's no different from another enterprise you would have. So -- and I think it's a win-win for both of us. And hopefully, they see equally good value having MVNO on top of the best network in the country. At the same time as we see a value over there as well.

So we will continue to be there. And it's hard for me to comment what my competitors are saying about it. I'm not sure what insights they have. But again, we feel good about our relationship, and we will continue to see that we are managing it as any very important customer.

Brady Connor - Verizon Communications Inc. - SVP of IR
That's all the time we have today. Before I end the call, I'd like to turn it back to Hans for a couple of closing comments real quick.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO
Okay. I will be brief on this one. I think we have talked about all the relevant things for Q4, 2019 and 2020, and as I said, we have our Investor Day coming up here in February.

So -- but all in all, I reinforce that we did a lot of transformation in 2019. The team and the organization has really responded well to it. That goes all the way from a network change to our organization change, to our voluntary program, branding and all of that went down, and at the same time, we've delivered a strong result. And I think we have set us up ourselves for actually continued good role. We have said that long term, we have -- would like to have growth of GDP plus. I think the guide this year is an acceleration compared to '19, which means that the confidence level is going up, what we can do with the core assets we have. And we still sort of have told you where 5G will come in, which is more of 2021. So we work with assets we have right now, but we build also a great foundation on 5G going forward for the years after.

So all in all, I think the whole team, the executive team and the company feel excited coming into 2020, and that's how I sum it up. Thank you very much for being on this call.

Operator
Ladies and gentlemen, this does conclude the conference call for today. Thank you for your participation and for using Verizon Conference Services. You may now disconnect.