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EDITED TRANSCRIPT

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PRESENTATION

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Thanks for joining us. Welcome to the second day of the 51st Annual JPMorgan TMC Conference. I'm Phil Cusick. I follow the communications and media space here. And we're happy to welcome Hans Vestberg, CEO of Verizon.

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

Thank you. That's correct.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Thank you for joining us.

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

Thank you for having me.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

I believe you have something you need to say?

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

Yes, safe harbor. I can say some things that might be future-looking, so safe harbor to all of you.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

All right.

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

Really, we're okay?

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Happy safe harbor.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Happy safe harbor.

QUESTIONS AND ANSWERS

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

So let's just -- you and I had -- we talked last night and we've talked about 5G and technology for a long time. Maybe let's start with where we are there, and then we'll dig into some other parts of the business. Just where are we in that, in that sort of 5G process that you're thinking about?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

So when I think about a wireless era, it's somewhere between 10 to 12 years. They usually have 3 different phases. The first phase is basically when you deploy the technology, takes some 3 to 5 years. And the second part is where you start doing innovation and start on new things and you get advanced on that technology. And then you have the maturity of it. You can say that 4G is in the maturity right now here in the U.S., and 5G is coming into the second phase where you actually started doing 5G Advanced and actually start taking advantage of all the 5G out there.

So that's where we are from a technology cycle, and that's why you see -- and I'm not sure how deep you go into, but you see things like slicing coming up. You see new applications that can be used in 5G, especially for enterprises. And for some of you might remember, from the beginning, the design of 5G was very much to see that also enterprises could actually use wireless as their main source of communication, which historically has been other. So that's why you have low latency, enormous throughput. You can connect 1 million devices per square kilometer, which was never the case with 4G.

That is all happening right now with 5G Advance, slicing, core networks that can handle 5G and all of that. So that's where we are. So I predict that the next 5 years is the second phase where we're going to see more innovation. We have already seen on the business side. I think consumer side, even though it's not imminent, but the next 5 years, we want to see more on the consumer side from 5G.

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

So I think 5G suffered somewhat from high expectations early on that didn't really play out?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

As any wireless technology.

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

Exactly. But there is a lot of value of 5G in the business today. So how should we think about what 5G is generating for you today and then how that evolves in the next few years?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. So the whole idea for us when we built our network was that from the data center to the edge of the network, we holistically build that with unified transport, with One Fiber, fiber in between everything, multi-routers in order to have one stable base in the middle. And then at the access point, we basically -- we provide 5G or fiber or whatever it might be.

And already today, we see several use cases on the 5G spectrum we have. First of all, consumers, how many of our customers -- already they have 5G devices. We have plans that include the 5G Ultra Wideband. Then, of course, the killer application today is fixed wireless access. I mean, we use the same technology, same radio base station. It's not a separate network. Almost 400,000 in the first quarter. New subscribers on fixed wireless access. So that's definitely the killer application. And that's not only for consumers, it's also our businesses. Retailers, SMBs are using that as the primary tool for broadband.

And then the last piece that we are now seeing as well is private networks, where we actually use our licensed spectrum to build private networks in logistics centers or could be big grocery stores, could be factories, it can be offices. So all 3 of them are now happening. We talked about them for many years ago. They're all 3 happening and they're built on the same infrastructure. So basically, I have 3 business cases on the same infrastructure. That was the whole idea of the strategy, to see that we have the best return on investment on the capital we invested in the network to see that we have as many use cases, as many connections as possible on one invested network.

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

Now we've talked about fixed wireless as clearly on its way, not there yet, but being a billion-dollar business.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes.

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

What are the other pieces that we're going to see sort of next? Are the other things you've talked about private networks and things like that, are those in that 5-year period being billion-dollar businesses?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, definitely. So the private networks is now starting with private networks. But when you have a private 5G network, you can, in the next step, put in mobile edge compute, meaning cloud services at the edge, which we are partnering with all of them, all the 3 big ones. So that's the next step.

And then you start putting application on the private network. So it's a journey. It's a solution-based journey to business-to-business that takes some time. But clearly -- we're clearly in the lead. We were early out with it. We built all the technology together with some of the largest cloud-based companies in the world. So I think that's a journey and we are long term. That's why we built a network. That's why we bought our spectrum in order to see that we can monetize it in a different way. So private 5G network is just a slide-in to get in and then you start adding on that security, mobile edge compute. It could be virtual SD-WAN and things like that on top of it.

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

And what I'm trying to get to, and I think what investors' concerns are...

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Sorry. I never turn off the phone.

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

That's okay. Right. Me too. I think what investor's concerns are is that this is a mature business, that wireless is a mature business. And they look at consumer and postpaid and what's going to happen and all the competition. But what I'm trying to think about is what is the sustainability of the wireless business in aggregate and being driven by all these other things?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think the sustainability on wireless business is one of the most important infrastructure you have in any country in our society today. I mean, I think being in wireless is probably the best thing it can be. I mean mobility, broadband and cloud services are the 21st century's infrastructure. That's going to be in every man's, lady's hands all time in order to be part of our society. So no, I don't think -- it might be maturity because everybody has a mobile phone, but innovation is going to continue with wireless technologies. Everything for fixed wireless access, mobile edge compute. We're going to see slices on wireless network in the future where you can think about other slices that is not intended for a device, meaning a mobile device could be something else that is receiving the wireless signal.

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

Yes. What I'm trying to think about is, given the -- generally has been a lack of excitement about wireless by investors for the last couple of years, I'm trying to think about whether we're in the sort of stable and we can maintain a, let's call it, low single-digit growth industry? Or is there a resurgence in growth coming that could really get people excited? What do you think?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think it's a lot of excitement, and I think there's a lot of opportunities in wireless. I mean, there's no other industry I would like to be in. I mean this is an industry that will continue to evolve and actually bring new opportunities for everybody involved. So no, I think definitely. And we saw the same -- it was a little bit different than 4G but it was a little bit same in the beginning.

So what are you going to do with it? Why do you need this, especially on the consumer side. A lot of doubt? Then of course, we still had on 4G an unpenetrated market. There were people that didn't have a phone but were same questions. And then we suddenly say, wow, this is what 4G can do. I think the same with 5G and still, you're asking what is the killer app. I mean, I said, I've added 400,000 fixed wireless access broadband subscribers in the quarter. And when it comes to our C-Band that we bought 2 years ago, we only have gotten a fraction of it.

We have gotten roughly, in 70 markets, 60 megahertz, and we have 160 megahertz in average in more than 400 markets. So we have just started it with this journey. So I think you should be really excited, what we can do with wireless and how we continue to build a very resilient, very strong network to handle all this traffic and see that we actually have innovation at the edge.

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

And you've spent the last 5 years, building a fiber network underneath a lot of this mobile. Where are you in that process?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. I think we're a little bit underrated there. How much fiber we built since I came in. I think we were running for a while with 2,000 route miles a quarter on fiber. We have built it in all meaningful places in the country where there's a lot of traffic because my main concern from the beginning is that from the radio base station or for the -- from the edge, you need to have fiber because all the data. So -- and that's why we built our own fiber so we have owner's economics.

We basically are now more in success-based fiber, meaning we have gone over the hump, but that goes back to our capital allocation that we talked about. Our CapEx is coming down right now. One of the reason is that we actually built a lot of fiber since 2016, 2017. And right now, it's more success-based fiber where we see, hey, we can do a good return on investment there. So instead of building it ourselves or we build ourselves instead of renting it, that's what we're doing right now. So that's coming down quite a lot for us.

But more than 50% of all our radios have our own fiber. And then you would ask yourself, why don't you have the other 50%? Some of them are very rural and fiber is not even needed there. So then you use mini-links or you're actually doing backhaul with satellite. And that is a piece of in between there where actually we have good rental fiber, so it doesn't really make the ROIC or the return on investment calculation worth to actually build our own fiber. So we have come a real far way and I think we're very underrated to how much fiber we have built and how much higher we have.

And then adding, of course, our Fios footprint, where is in this area where we're also having a great success, I'm really happy with our Fios investment. But we are on year 20 or something on Fios, I'm not sure about, or 17, 18. That's how long it takes. And now we're adding first quarter over the fourth quarter, probably 50,000, 60,000 new subs every quarter right now, which is a great pace for us.

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

Does wireless do better in fiber areas?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. Fiber, yes. I think that ultimately, in high-traffic areas where you have good technology, you do better in general. I've said it a couple of times. If I look where I'm rolling out the C-Band, number one, I get fixed wireless access. I get broadband subscribers. Secondly, the step-ups from our customers and even sort of the gross adds are better where we have the C-Band coming in.

That's why you -- I'm not sure if many are following all the press releases we're doing, but we're doing a lot of press releases because every zip code basically that will come out with C-Band, we do a press release. And it's partly for you but it's partly for our own organization because we work much more locally right now. We have decentralized our technology team. We're decentralizing our consumer team so they can take action locally because we have so much demand on fixed wireless access.

So our team needs to know. Wow, now we have C-Band. Now we can talk to local authorities. We can go out and market it. We have a backlog of people that have signed up for fixed wireless access. Now we can call them. So proactively can work with them. That's why it's so important with the change in structure we are doing. At the same time, how we're now building the network.

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

That's a good segue into consumer where you've changed your plans a little bit recently.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, Thursday.

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

Help us think about the philosophy behind the price change? Was it a price raise? Was it price reduction? What's the sort of overarching view?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

So in general, we spend a lot of time thinking about what's our next step. We worked with the mix-and-match for a long time, very successful. But we also understood that the consumer sentiment are changing, and we did a lot of research for quite a while. And I think that we found 3 things. I mean, control was really important for our consumers. Also, value was very important and simplicity. All these 3 together was very important for our customers. And that's why we launched myPlan on Thursday last week, where basically you pick your network solution. And then you can take perks and perks or discounted perks where you can add in what you want per line.

You don't need to have Disney+. If you don't want that in a family plan, you can decide. We have different, for different line. So it's a much more flexible way of doing it. But we always have our overarching goal, which you would know, it's grow our service revenue and expand our cash flow and EBITDA. So we wouldn't do anything that we see that opportunity, but we put more in the control in the hands of our consumers.

Gone in a lot of research in this. The team has done tremendous work. And then just thinking about the backhaul as well. If you have fewer plans that are simpler for us. Also our back office is much easier. Our customer care is much easier for the customer care. So it's both efficient for us but also efficient for our consumers. So I'm really excited about it. I've probably been to, I don't know how many stores I've been to since Thursday, talked to the field force and our associates in the store and how excited they are of the plan, et cetera.

So no, I think great work. It comes from a philosophy that I probably talked to you about 10 times, being segmented. This is a market where we have a great base. You see that you keep the base but also that you can bring in new customers, and this is basically how it works.

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

So I want to take a couple of pieces there. One was you talked about increasing service revenue. So the headline price goes from -- for a single line, \$90 to \$80, but it's going to be higher revenue. Do you expect, I assume people to take more than 1 perk?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. We expect them to take perks, absolutely, and that we have seen since before. I mean, all the inclusion plans were...

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

Just give some examples of what those might be, maybe.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

The perks?

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

Yes.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. The one perk is the Disney perk, another is the Apple One perk. Third one could be roaming, international roaming perk. Every perk is \$10 and you just click whatever you want. We also have a Walmart perk. We have 9 perks today. And thinking about this start of a platform that can be iterated over time. I can have other perks, going to have other network plans and all of that. So again, we're being in the forefront thinking about the customers being in control.

But right now, all perks are \$10. And as my colleague and the new head of consumer said recently, in average, we should make some 30% margin on those perks in average. They're a little bit different, of course. So we're not just distributing perks, which are not value to us. They are also accretive to us as well as they're creating our service revenue. And with the base of how the company is operating, that's leverage so it just falls down to the bottom line.

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

Now you mentioned segmenting the base. So there's a high-end plan and a low-end plan. And so at the start. Now you're going to make this more complicated, all right. So Verizon, I've always thought of a company that did phenomenally well at the high end and didn't really need to address the low end too much. How has that evolved in the last couple of years?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

We still do phenomenal well in the high end. We did not do so well in the low end on the postpaid last year. I think in the second quarter was probably a quarter where we did not perform well, even though we actually had more promotions than ever. And of course, very disappointed with that. Then we moved into the second part of '22, and we did a lot of changes, both how we invest with our customers but also being more segmenting, having different models for different segments in the market.

We came out with a Welcome plan, for example, which is bring your own device, where we basically got the foot traffic into the store and our store employees saw that our consumers get the right offering. So that's how it evolved but we didn't perform well. You have seen in the fourth quarter and the first quarter, our gross adds is now coming up in the consumer. I think first quarter was up 11% year-over-year. So clearly, we are on a movement right now with really good traction.

Even our store traffic increased quarter-over-quarter last year. So definitely, we see it moving in the right direction. We want to be financial disciplined. And so we're going to grind this out. I mean, we have a great team that is focused on doing that every day, and myPlan is a next step in that.

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

Is that 11% increase year-over-year, is that mostly coming from addressing that lower-end segment?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Partly, but also we bring in others as well, but partly, it came from that team, from that segmentation we did. And of course, we -- and that's why you see also that our promotions has come down. And the first quarter, we had less of phone promotions so -- because we have that plan. So it all plays into the overarching target. We have to continue to grow our service revenue and expanding our EBITDA and cash flow.

Yes, definitely got the good foot traffic in the stores. We have a high conversion rate in the stores as we came out in the first quarter and even as I reported. The team is doing a great job in the store. And I'm excited to see what's going to happen with myPlan because that comes on the back end of all of this momentum we built up in the second half or the fourth quarter last year and into the first quarter.

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

Do you think that competition in the industry sort of changed and it took you a while to catch up?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I can only say that we didn't perform well. I mean, there are many reasons we're not performing. We did not perform well on the consumer postpaid. We performed in every other area. I mean, ultimately, we created almost \$48 billion in EBITDA last year. So it is relatively but we didn't perform in net adds in postpaid last year, coming out from a very weak second quarter. Corrected, made some price changes, as you remember in the third quarter with some churn, which was expected. And then fourth quarter, we got the momentum going and then it continued into the first quarter.

So yes, it's probably all. It was not performing ourselves. And then it was also, the competition has changed and consumers has also changed. That's why we did all the consumer research and came up with what does consumer really want? They want the control, they want value and they want simplicity. So that was very much based on that as well. And then I think about the consumer investment, all the way from media spending you're doing. And then you have promotions and then you have below-the-line, as we call it. Basically customer care, being able to offer discounts and when we have possible churners.

That total investment is what I'm looking at constantly. So I can actually see media going down and below-the-line coming up. But overall, we are managing that to be a smaller investment with the right offering and the best network.

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

Right. And yet protecting the back book and not letting a lot of value leakage from there?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, correct.

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

There's been a lot of debate about what Verizon should do, given the relatively high prices of the customer base. But where is churn from that sort of really strong legacy customer base? Can you get that back down?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. I think we saw that already in the first quarter. We had -- during the quarter, the churn is coming down. I think with the myPlan is definitely that -- I mean, all the research we have is basically if you have more than 1 service, meaning you have 1 wireless plan, then you have perks so you have fixed wireless access or Fios and wireless, the churn rate is going down. So it's also playing into us with this new myPlan to see that if customer, they want to stay with us, they start picking all these perks and then they want to -- they stay longer. So I think our churn management has been really good. There were some decision we made last year of price increases because it was time for them. It was also incentives to our customers to move to other plans. So we knew the churn would go up. So it was a very conscious decision we did last year that flow in a little bit to this year. But we are very, very accurate in how we do that work.

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

And that came through as you expected?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. Yes, both increase and also a little bit elevated churn.

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

Yes, for -- we had a couple of your peers up here, and we talked about how, for an industry where there's a lot of hysteria around competition, price increases went through pretty well over the last few years from each of you.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Last few years. I think it was last year. I don't think this industry has increased prices since it started actually. I think actually when I got the question after the second quarter, I said that this is the first time wireless pricing has increased since we started in wireless.

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

Yes, and outright pricing you say that's right?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, yes, yes. So yes. No, I think that's worked pretty. But also, again, I think that this is such a necessity for our society. For you and me, for businesses, for government, I mean, wireless is such a necessity. So that's why you see a fairly good resilience on the price increase, which, of course, is related to both that we have pricing cost increases. But the second is also that we want to get the incentives for customers to actually bring to new plans and being more accurate what they are getting from us.

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

I want to -- just one more on this topic, and it's -- you and I have had this conversation before. Investors are tuned to pay for postpaid growth. And yet that doesn't necessarily -- isn't necessarily the best metric for driving value. How do you think about dialing the business to take your share or not in an industry that's growing in phones and yet creating value in other places?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. And you and I have had so many conversations about that. And for a while, I basically told you that, hey, measure me on the service revenue because that's really what -- then it's hundreds on metrics is below that can support that. Lower churn, more net adds, whatever it might be, that is important in that and how I invest my money. But clearly, you need to get new customers as well, but it's shrinking how many people that doesn't have a phone and how many are switching. So that's increasing.

So I would say the majority of the revenue growth will come from expansion of the existing customer base. That's how we see it. But it's also a piece of it that will come from new customers. And that's why we have this momentum right now and how we work in the consumer business. And don't forget my wireless business to business, which is really performing well. I mean, we have been close to 150,000, 200,000 for 6 consecutive quarters on net adds. So that is really doing that.

The consumer has been a little bit different. So I think that we have said that maybe 80% of the service revenue growth is coming from sort of existing base and 20% from new customers. That's sort of the high-level idea. So we are finding each other on the way here because historically, I said that net adds is just one metric. I need to manage many metrics. The only one that really makes a difference for us is a service revenue growth

that falls down. So my EBITDA and cash flow is expanding because that's ultimately how I measure my team, that's how they are incentivized, then they need to manage a lot of KPIs.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

You read my mind on the business side.

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

Yes.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

It's been remarkably consistent. And we had a sort of a boom of growth from business over the last couple of years during COVID, and now it seems to be slowing down a little bit. How do you think about the sustainability of that market, both in terms of the market growth there but also your position in it?

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

Yes, we saw a little bit of the COVID growth. Of course, especially from governments, et cetera, on the wireless side because they -- remote schooling and all of that. Those disconnects came during '22, I would say the first half and the second half of '22. So there's no pre- or post-COVID benefits right now. We're now on a normal trajectory. We are very strong in every area.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

So you're through the sort of post-COVID churn period?

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

Yes, that's over. And it's now much -- and then we had the CDMA shutdown as well that had some implication. But if you take that away, on the business side, we continue to be the #1 clearly in large enterprises. The same with SMB and government. We take more than our fair share. We have done that for quite a while. The team is doing great work.

Here, the customers are evaluating the best network. The resilience, high quality, the security of the wireless network is enormously important for our customers. And then that we have a solution-based system behind, account management. We have technical support behind that I worked for years and understand this and our customers. And now with Kyle taking over with his background, working with customers and technology, really excited how they can continue that journey. So no, good.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

If you look at aggregate business, wireless and wireline, is that a growing market?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, it is. But of course, the wireline decline that we have seen, the secular decline on sort of legacy equipment like MPS and all of that, that will continue. What we need to do is to see that we are actually taking out cost at the same level. So ultimately is going to level out, and actually, it's going to be additive for us. Right now, you have seen some of the last quarter. We actually had some growth in the business area in Verizon Business Group because the wireless business and the fixed wireless access and fiber is coming up and actually offsetting the decline in wireline. So that's the trajectory we have, and that will also fuel our ambitions for our better EBITDA over time.

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

So let me make sure I understand what you said. So wireless plus wireline and fiber and everything else, that business is growing in revenue now?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I think we're just above the 0 here in 2 quarters, so yes.

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

And you're cutting costs against that?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes.

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

And can aggregate margins in that segment expand as well?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, of course. If you see that -- and the guys are doing a very hard work with transformation of the network, taking out cost all the time in order to be able to meet that decline in revenue. And if they just start moving that, we're going to have money coming flowing to our bottom line from wireline. And then you grow your wireless, fiber and all these fixed wireless access, your new products, that should be additive to your bottom line. And we have a long-term goal of 25% EBITDA. We still believe that's achievable. Kyle and the team are working every day to get there.

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

Okay. Let's talk about capital spending and the network you've been building, we talked about fiber. We talked about 5G. You forecast that capital spending will start coming down next year and then be stable, is that right, from here?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. So this year, our guidance is \$18.250 billion to \$19.250 billion coming down from almost \$24 billion in '22. And then we believe we -- after this, we will come to some BAU, around \$17 billion, around \$17 billion. That could be up and down. But that's what we have in our plans. And it's just that we have invested so much in order to make this network. We fiberize it. And as I told you before, fiber is now more success-based. We have

built out our millimeter-wave phenomenally in all urban places. We're taking the traffic on millimeter-wave. That's also coming down because we have done so much.

We have more than 40,000 millimeter-wave radios in the market today. And then 4G is coming down. And then we allocated \$10 billion for C-Band in the first 3 years and that is exhausted right now. That's why we're coming down. So that doesn't mean we're not investing in the network. We're investing a lot in capacity. We're doing new sites in the network. But that's sort of the trajectory that we committed when we started -- when we announced Verizon Intelligent Edge Network in 2017 when I was the CTO, that was, hey, we need to invest there to get the resilient end-to-end from the data center to the edge that can actually handle all this traffic. And then we only need to invest in our capacity-enhancing units in the future. And that's where we are right now. So this is not only a promise to our organization. It's a promise to my shareholders as well that this is how we can do it.

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

It seems like you've built a lot of network, both fiber, millimeter-wave, C-Band?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, a lot of capacity.

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

At the end of this year will be underutilized?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, I'm going to have a lot of capacity but usage are increasing. We always have been ahead of the curve. I mean, that's Verizon. I mean, we have the best network. We always are ahead of the curve so we don't end up in any quality issues and we're going to continue to have that. So -- and then, of course, I get more spectrum at the year-end so I can even do more. So we will continue to do that.

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

Okay. And so with that free cash flow, you've talked about delevering the business.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes. So the capital allocation is clear. Number one, we allocate to the business, and we talked about the CapEx, which is the main driver for our business investments. Number two, we want to continue to put the Board in a position to increase our dividend, which we've done for 16 consecutive years, which is a fairly good record, actually. So me and Tony will continue to see that the Board can do that.

And then we're paying down debt as they fall due because our debt portfolio has a really good cash interest expense today, given how great the team was doing it. So we will pay it down as they come. And as soon as we see that will come down to the thresholds we talked about, but we're going to have free cash flow to do buybacks or whatever we want to do.

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

Okay. If we can sort of -- we got a couple of minutes left. Just sort of sum up. We had a conversation a couple of years ago. You and I have seen each other now a number of times. You're in a better mood today than you were a couple of years ago...

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I'm always in a good mood. I'm always in a good mood, but I can be upset over things that is not working. And I think that what you're referring to last year, I wasn't really happy. We didn't perform well so I was upset. I think I'm energized with a new team that is coming in. I'm energized for the momentum we are creating in basically all business we have decided to be in. We have divested everything we wanted to divest. We have bought everything we want to buy all the way from TracFone to C-Band. We have done a lot.

Now is the fruits to come. I mean now, the team needs to execute. That doesn't mean we're done. We feel we're great or we can do so much more. And ultimately, it is growing the service revenue and it's doing the expansion on the cash flow. I mean, that's ultimately the target we have for ourselves and for our shareholders.

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

So clearly, you're confident, but I think there's a feeling in this room and in this town that wireless is a bad business and that industry consolidation and competition is going to make a problem.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Well, it's the best business it can be.

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

And just to add one more piece, what else can you give us to give that level of confidence to this room?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Now coming back to the wireless business, I think wireless business is something so important and it's so sticky. So I think that over time, we have a great opportunity to upsell, include more. If you're on the consumer side, just expanding on what we have now launched. On the business side, we have seen the importance of using wireless as the primary broadband, as the primary service for large enterprise and SMB.

So I would say that gives me a lot of comfort going forward. And then I think the position of Verizon is great. I mean, we have the best network, greatest distribution. We're #1 in everything we're doing. There is no way we're even thinking about leaving that position. The team is super geared, super excited over it, and we are incentivized to continue to be the #1 in this market and in the world.

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

It's a good place to stop. Thanks, Hans.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Yes, thank you.

Philip Cusick - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Thanks, everybody.

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

Thank you.

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