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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc at Goldman Sachs Communacopia  
+ Technology Conference

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## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Brett Joseph Feldman** *Goldman Sachs Group, Inc., Research Division - MD*

## PRESENTATION

**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

All right. Welcome, everyone, to day 3 of our Communacopia and Technology Conference. Very excited to kick off this day's sessions with Hans Vestberg, the CEO of Verizon. Hans, thank you so much for being back here.

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

Thank you, Brett. Great to be here. Fantastic.

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**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

I think I'm supposed to remind you to your safe harbor.

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

Yes, we have a safe harbor, whatever I might say, can be forward-looking. So be careful.

## QUESTIONS AND ANSWERS

**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

There was some news on the tape this morning, why don't you fill and everybody who might have missed it?

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

Yes, we did the press release very early this morning. And no, I think it comes back to our capital allocation, where I get a lot of questions about it. We have a very clear capital allocation. I mean first of all, we invest in our business. Secondly, we put our Board in a position so they can continue to increase our dividend. And thirdly, we pay down our debt. And when that's going to be finished, we have some thresholds for that, and then we will start doing buybacks.

I think that what we announced this morning was that we announced the dividend going forward, which was the 17 years in a row that we increased our dividend. So we increased roughly 2% again. So I think that shows the commitment of our cash generation and the Board support for us to continue that journey. And we had a great cash flow in the first half of this year where our payout ratio is coming down quite quickly right now. We were a little bit [higher last year](corrected by company after the call), but always below 100. So that has helped us a lot. So that was what we communicated this morning. So we actually had the Board meeting this morning before I came on this stage, right?

**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Great. We appreciate the news.

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

Yes, of course. I do anything for you.

**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Well, let's talk about what you're going to do to keep the momentum going at Verizon. I want to start off with the Consumer segment. So you've implemented a number of changes over the past year in order to drive improved operating trends within that segment. So that's included putting new segment leaders in place. You've implemented a regional operating structure, and we've seen some new plans come out of Verizon as well. What gives you confidence that the steps that you've taken here has positioned that segment to return to sustained revenue and EBITDA growth?

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

Yes, it's a good question. And I have to say, we have definitely seen this operational improvement since we made a lot of changes in the company. I mean I've said it publicly, and I say it again, we were not happy with our performance in the first half 2022. I stepped in myself and ran Consumer for a while there. And then we did a bunch of changes, not only by -- with people, we also did it with structure.

And first of all, I'm extremely happy about how great of a bench of people we have because many of the position were filled within. Kyle, was our Head of Networks, became the Head of Business Group. Joe, that has worked there for a long time, Joe Russo became the new Head of Networks. Sampath that was running our Business group, he took over the Consumer group. So many great moves with extremely experienced telecom people.

Then on the Consumer side, we had already decided somewhere in the third, fourth quarter, we need to be more segmented. We need to see that we actually are meeting our customers in the right place. We also understood that's a network we are rolling out. We are now having a chance to be much more local in our -- both in our network deployment but also in our -- how we address the market locally.

So we regionalized the network organization. We regionalized the consumer organization. And then, of course, we have been doing that for, I would say, 6 months consumer research, and then we launched myPlan in, I think it was May or something, time is flying here, which is a total new way for us to address our customers where you basically, the consumer can pick and choose the plan they want to have and the perks they want to have.

The consumer research we had was very much about we want control. We want an efficient plan, but we want flexibility. And that's what we built into myPlan. And in the beginning, in myPlan, as you always do when you change the platform, somewhere in the May time frame. Of course, in the beginning, it was a little bit clunky, both for our organization and for our customers. But now we have a good momentum. I mean, customer likes it, our organization has far easier to articulate the value of our perks and the network plans.

And as you might follow us, we had from the beginning, 2 unlimited plans. Now we have 3. We added Unlimited Ultimate just a couple of days ago. And that's how you see us working, how we segment, having optionality for our customers. We have more and more perks that is coming in for the \$10 with its value on the table, using our distribution channel.

So a lot of things have been changed and also I have worked a lot with our distribution when it comes to our teams in our stores, associates, incentives. So we see it's actually working for us. We're -- I'm encouraged by what the team is doing. I mean, as I said a couple of times, I had a lot of great ideas what I want to do in Consumer. It's just that Sampath is doing it quicker and faster than I did. So very happy with the team, very happy how they came in.

**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

And we saw evidence of that improved operational performance in the first half of the year. Your phone net adds were better year-on-year in the first half relative to the first half of last year, which is what you had targeted. Can you give us an update? Is that continuing into the third quarter? And I know the question everyone is asking is how long do you think it's going to take to start growing that base again?

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

Yes. No, I think that on the wireless business, we have been constant then now since 3 quarters improved sequentially. And our job is to continue to do that, and we have a good line of sight that we sequentially can do that.

Our Business side has constantly had 100,000, 150,000 new net additions on wireless customers every quarter for, I think, 4 or 5 quarters right now. Very consistent, very strong, taking market share constantly. Our Consumer division has come from very negative in the second quarter last year. And then from there on, we are moving on.

We still were negative in the second quarter. And the only thing we have said is we want the Consumer group to sequentially improve. And that's what we're targeting, but that we will have positive as a group in the quarter, that's, of course, we were really targeting because we have -- the Business segment that is doing well.

So sequential improvements. We have good plans. We also have the Sunday Ticket, exclusive distribution wireless on Sunday Ticket together with YouTube TV, which, again, tells us that all these content aggregators, they love to work with us because of our distributions and how we're actually making money, both for them and for us.

**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

All right. So let's move on to ARPA and ARPU. Over the past year or so, you've implemented a series of price increases that ended up being very effective tools for offsetting some of the inflationary cost pressures in the business. But also, I think just to get some of the value captured for what the network was delivering. At this point, these rate adjustments have impacted a pretty significant chunk of your base. Inflationary pressures are easing.

So a question we get is, what's Verizon's pricing strategy from here? How do you think about the drivers of ARPU and ARPA growth. And to what extent would that be an ability to keep moving price versus maybe moving people up the stack?

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

So it's basically a couple of things that is expanding our ARPA. And if you have looked at our ARPA, it has actually grown quite significantly in the last 24 months. One has been, we have done some price increases on certain segments. Of course, one of them was to cover for inflationary pressures, but it also makes simplicity for our customers because just imagine how many plans you have in a company like (inaudible) plans, et cetera.

So it's simplicity for our customers, for our customer care to deal with it. So it's also a cost takeout when we are trying to get our customers moving to certain plans. So that will continue. I don't see that as a main driver right now that we will have price increases. There are going to be segments we want to do it in where we feel it's right.

For example, we took out -- took away the discount on our fixed wireless access offering just recently, which you can say then increase the price. So that will have a part of it. The other source that's fixed wireless access and broadband in general, that's just quantity. We are getting new customers that is helping our ARPA.

And then, of course, we have our fair share. We're more than our fair share on business wireless, and we are now gradually also starting taking share on our consumer, at least, we're losing less, and that should help us as well. So those 3 are helping the service revenue.

And then we're topping that with the perk system and all the distribution of different type of digital subscriptions that we have and inclusions where we have a good model with these guys to see that we are also getting incremental benefit from it when we are creating new Disney+ customers or ESPN or whichever Apple Music or [Apple One].

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Right. So I mean, it sounds like you're confident that you can continue to drive ARPU, ARPA growth in part because you can continue to get value for your service price and...

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

First of all, I think that mobility, broadband and cloud is the most important infrastructure we're having in today's society, and it's not going to be less important in the next 10 years. I mean everyone needs in our society, mobility, broadband and cloud, and it is just growing in importance.

So I see this as a great business to be into. It's less switcher pool or new customers because of immigration and things like that, but the product is just absolutely necessary for anybody that has a job or doing private communications. So yes, I see that we have a lot of opportunities to continue to grow that. And the area that has been lacking for us is that only consumer wireless, we have not been taking any new customers for a while. And now we see that gradually improving. So all other vectors we're doing well with, and that's why we have increased our ARPA and our bottom line in the last couple of years.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

What you think about how you go-to-market in Consumer in particular, historically, your biggest competitive weapon has been your brand, which was based on your network, which for a very long time, was so far ahead of your competitors, I don't even know who #2 was. Your competitors have been working hard to catch up, and they've been making network more and more part of their brand identity. What gives you confidence that Verizon can reestablish your leadership [along with you] lost it, but I would say the length in...

The brand identity in 5G? And how does the early clearing of C-band the ability to really lean into all that capacity shaped the way you're going to go to market from here?

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

I think it's 3 things. I mean, it's the fiber we have in the ground for some, remember, we've started building fiber 2018. We have more than 60,000 route miles in connecting all our network nodes, and sometimes it's underestimated. You need fiber from the data center to the edge of the network in order to transport all the data. We have all this economics on that. That's a key differentiator to get a seamless service for a business, small and medium, large enterprise of our consumer.

Secondly, is the spectrum we have right now. I mean we always have least spectrum in the market. We still don't have the most spectrum, but we always have gotten the best performance out of it. And right now, we've only deployed maybe 20%, 25% of our C-band. We still have 75% of the spectrum to come, and we already have proven that where we have C-band, we have better step-ups. We have lower churn, and we're creating fixed wireless access customers. So yes, I'm really excited on that.

And finally, we have year after year, after year, proven that the engineers, the RF engineers on Verizon are absolutely the best in the industry. That combination and how we built our networks from 2017 in the Verizon Intelligent Edge Network will be a key difference. Think about how much

things are moving out to the Edge, all this discussion about AI, et cetera, has to sit at the Edge if you have built a network that is fiberized, unified transport, unified routing, and then you decide it's a 5G, 4G or fiber to the last mile, you need a lot of things we have built over time.

And I'm confident we're going to see so many use cases of processing and compute at the edge of the network, and that's where we come in. So I'm feeling really confident about we are in the lead in the network. And the only thing I know for sure. We just going to extend it, given that I have so much more to go on my spectrum side.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

I want to talk a bit about the competitive backdrop that gets a lot of attention in the space. Cable operators who are your partners, continue to win a growing share of wireless net adds, and they're increasingly doing this by offering attractively priced converged bundles of broadband and mobile, including free lines for a fairly lengthy promotional period.

Before I get into talking about that, there's been a lot of debate about the nature of your relationship within that wholesale agreement with the cable company.

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

(inaudible) our relationship with them. It's good. I mean it's a good relation.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Why in the wholesale agreement, including some uncertainty around whether it's really perpetual and whether you have scope to revisit pricing at some time? What can you actually say about this?

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

Yes. I cannot say too much because any legal agreements are bound by NDAs and things like that. What I can say is that Verizon always does business that is good for us. It apparently is good for them as well. That's good. We have the best network, and it's a reason why they're so successful. Ultimately, my job is to see that we get the full value of anyone using our network.

But ultimately, it goes back to our strategy. We build one network, the more revenue stream I have on it, it's a leverage model and it's for the bottom line and improve my cash flow. If you look at the cash flow in the first half year, see, from operations, almost \$10 billion. So we're really creating a lot of cash flow.

But clearly, whatever we see in the future, we're going to see that it's beneficial from a revenue point of view and a bottom line view for us in this partnership, which we do with any partnership. I mean, we wouldn't do an enterprise deal with anyone if we don't make money on it. That's the nature of how we do deals. So I feel good about it. And if the network improves, are expecting that my partners are realizing that and understanding what they need to pay for it...

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Fair point. On the competitive market, just to come back to it. We get asked this a lot, if you listen to the cable companies are using service pricing as a tool, DISH is trying to make it go out through a distribution deal with Amazon. Why should investors have confidence that what seems like a fairly responsible competitive environment right now couldn't become more difficult? And are we going to see operators like Verizon pivot back to using aggressive price promos, which as you know, is not really favorably...

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

No, no, I haven't done that much. I think you need to look at this industry over time, and I think that is important for investors. I mean, even though we talk about, this is competition, and it should be competition, it should be tough. I mean we should fight every day for our customers. If you look about the value creation when it comes to cash flow and EBITDA, it's actually been growing. I mean, we have been growing our company in the last couple of years on cash flow and EBITDA and in a very tough competition. I think the product that we have is so important.

I think that we are so uniquely positioned to continue to capture that. So I think that's happening. And then, of course, they're coming in MVNOs and competing, et cetera.

The good thing for us is that I have owner's economics on everything we're doing. I own my network, I own my fiber. I own my radios. I can do broadband. I can do fixed broadband. I can do fixed wireless broadband. I can do wireless. Everything is owned by us, which means that we have owner's economics.

Ultimately, I want to get the price that I deserve from my customers, and discounting and low-balling will not help us. I think we should deserve the price we're getting and we should give them, our customers, a really good service. And I think we're really doing it. We are improving in all facets as we're now coming out with the C-band as well.

So I feel good about the competition, and that can come up and down in different sequences of technology evolution like 5G, everybody is throwing himself to 5G. Right now, we almost have -- 70% of all the Verizon consumers have a 5G phone. I mean -- so we have sort of that first, wow, I want the 5G phone is sort of a little bit over as well. So that happens in every -- it happened in 4G, it happened in 3G.

Now it's a little bit more mature, but it's going to be competition. I feel good about that. I mean we know how to compete, and we're going to do it well. We're going to continue to grow. And as you well know, I mean, our team short-term, long-term incentives is only set on 3 things: growing our service revenue; expanding our EBITDA; and cash flow. That's -- and then it's hundreds of KPIs under that what we make sure every day, churn, net adds, loyalty, et cetera, brand recognition. But ultimately, those are the 3 we're driving the company on.

**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

And we'll talk about one of the things that is driving service revenue right now, which is your broadband business. You're adding about 400,000 broadband subscribers a quarter, the large majority of which are fixed wireless. I asked you this question last night at dinner. I said, if you are a cable company adding 400,000 broadband subs a quarter, you'd be the darling of the stock market. People seem to be looking past that. What does the market misunderstand about the quality of this customer base you're adding?

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

I think that it's a novel technology. When we start talking about fixed wireless access, I remember the first conversation, it doesn't even work. Now they have moved a little bit, okay, it's working. Hey, if you add 400,000 a quarter, it's working because ultimately, if my customer didn't like it, they would disconnect it.

The NPS on fixed wireless access is sky high. It's up on Fios. And Fios is way the best fixed broadband in the country. And the reason is, of course, the simplicity of the product, it's working at home. You can have multiple computers, TVs, ongoing at the same time. So I think it's underestimated at the moment. But I think as we move on, on this space, have been on a pace of 400,000 right now for a while. I think that pace, we then can continue to keep. It will -- ultimately, it's converting into service revenue.

And remember, it's one network. I build a network once it's the same radio base station serving the wireless consumer or a business consumer wireless and the fixed wireless access. It's not a separate network. That's a big difference on the leverage model that we have. And now we see when CapEx coming down as well, and we're adding more service revenue, the cash flow we saw in the first half, and our CFO, gracefully also gave

an indication what we will do for the full year, [more than \$17 billion](corrected by company after the call), which is really strong. So I think that's an underestimation at the moment, but let us continue.

But let us show how great this product is, and how sticky it is. I think that's for us. But I think I'm really pleased with 400,000 new subscribers a quarter as we have had for a while. And remember, Fios is also helping here. We're doing really good on Fios, even though that's a smaller portion of it.

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**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

Couldn't the fixed wireless momentum pick up more? I mean, if we think about the availability of it, it's actually only been available to about 40 million households-ish. And that's been because you've only had access to a portion of your C-band spectrum until essentially, just right now. So you not only have it available nationwide, you need to have more of it in the places where you already were offering fixed wireless.

How are you thinking about going to market with that product now? Because it seems like there's a lot of places you could bring that service to consumers.

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

Yes, you're right. The C-band that we're deployed so far has been in urban areas because that's where we got the spectrum from the beginning, cleared from the satellite companies. So that's where the fixed wireless access has been selling so well.

So of course, the next -- or the 75% of the -- or the remainder of our spectrum are coming in 2 portions. One, we get more spectrum in the urban areas because we got just a piece of it in the beginning. The other is, of course, we get suburban and rural. And so we have not even started with fixed wireless access in many of those markets, which, in some cases, is an even better opportunity for us because that's more -- I wouldn't say it's underserved, but it's not great product to have out there.

So definitely, I see a great opportunity for us to continue this as we're rolling out. Of course, it's going to be a little bit less opportunities in urban areas as we have exhausted some of them, and then we go suburban and then we go rural.

So as we have said all the time, we said 4 million to 5 million fixed wireless access customers by 2025 in our business plan and to the market. That's, of course, internally, we have way higher targets and the network is dimension for way higher numbers. So we're going to push our teams or I'm going to push my team.

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**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

Great. One of the benefits of having this product is that you can now offer a bundle of fixed connectivity and mobile connectivity in more places. The cable companies have really leaned into that go-to-market. We've been talking about some form of convergence for 20-plus years. What's your view on convergence? What does it mean to Verizon? Is it a product strategy? Or do you see convergence as ultimately being a network strategy?

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

For me, I build the network once, and again, and then I want as much revenue streams and connection as possible on top of it. Secondly, I need to think about what we want, customer wants. If that's convenience for them to actually have the broadband and the wireless from Verizon, I have all the possibilities given that I have on those economics on both of them.



If people believe that convergence is that you discount to great products and then you do it, that's not what I think. It's actually a convenience for a customer. It's actually an added value that they can have it. And then I can add in an iPad, the watch and then I can add in some perks. Of course, the loyalty goes up quite dramatically. The more things you have with us, the churn comes down.

So there are, I think, merits for me doing convergence right now on the fixed wireless access, probably 2/3 of the customers are also mobile customers. On Fios, it's still very low; I would say, the convergence there. And the main reason is that also, historically, wireline and wireless has been separating the company and offerings has been separated that we can do a little bit better in these days.

So I think the market will decide. I don't think we will end up like Europe, which is extremely high. The good thing for us, for me, it's just an added value that customer takes more products for me. But it's not like, hey, let's discount all of this and give something away to get something else. I have 2 great products, my broadband product is best in the market, my wireless product is best in the market. So we're going to offer that and customers that take both of them, they can get perks where they get savings on the table. That's how we work.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

We heard something similar actually from John Stankey yesterday in terms of thinking about it from a network standpoint, the idea you build a national fiber network and you have different types of access technologies on the end of it. Effectively, what you're doing. I think a contrast here, is that you're leaning much more heavily into fixed wireless outside of your region, whereas AT&T is really focusing on fiber. Why are you leaning so hard in the fixed wireless when you are probably the biggest operator of fiber optics in the U.S.

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

I am. I kept the customers. I think about customers. I get fixed wireless access tomorrow. I get the customer now. If I'm going to dig the fiber, it's going to take me 3 years with zoning. My customer doesn't wait for that. I take the customers right now. I have optionality later in the life span of Verizon to have other access technology if it seems to be the right ones.

But right now, it's a pent-up demand on broadband in the country. You take 400,000 a quarter. Hey, why stop and say that, hey, let's think about another access technology. It seems like my customer loves it. So no, no, I -- it's super clear for me, do what the customer wants then you're going to do right for the company, and for our shareholders. And that's what we're doing right now.

I'm going to have optionality way down the road and say, hey, do I want to split the cell or do I want fiber in this area instead for my fixed wireless access, that's far out. Let's see that the customer gets the broadband that they want and get it from Verizon. That's what I'm doing right now.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

In other words, if you have a lot of traction with fixed wireless outside of your traditional landline region, you could decide at a certain point that the economics make sense to start putting fiber into that market?

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

Of course, I can. Then I can split the cell, and let me say, we have super [men] in San Francisco, I have a lot of fixed wireless access. Hey, if we split the cell, we can get even more. I don't think that any shareholder would say it's bad for us to grow and take even more customers. That's not in our plans now. We don't need to do it right now because the dimensioning and the capacity of the network will cover whatever we have talked about.

It might be something way down the line here where, where we have that choice. So I have choices. I built the network, so we have choices how to scale and do success-based over time, but it's not in close proximity that we need to do with.

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**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

All right. So sticking with Consumer. So we've talked about how you are a leader in mobile, how you're a share taker in broadband. I want to talk about Verizon as a distribution channel. You launched the +play marketplace last year. It's essentially a place where your customers can go to easily manage all their subscriptions. Can you maybe frame the opportunity that you see for Verizon to further monetize these extended customer relationships as a direct-to-consumer channel for others?

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

Yes. No, details turned out way better than we ever thought. I mean when we decided that we shouldn't probably be in content. I think actually the decision that previous management did was the right one. It's just things changed in the company and the market changed. So we sold Yahoo! and AOL and all of that.

But in that moment, we really like, hey, we are the biggest direct-to-consumer in this country. I mean, there might be some that is close to us. We can do billing on behalf. We have CRM. We know our customers. Anyone that has a brand today wants to do 2 things: going direct-to-consumer; and they want the service offering. All the assets we have, they don't have.

And some might remember, we started with Apple Music. Including them, I think the success is pretty clear. Apple Music is the largest streaming service in the country. I think we had something to do with it. Disney+, they have been pretty clear on what we did for Disney+ and how that important was, and then we just continue.

And then we launched the +play to be a place where our customers can manage all their subscriptions, we can do bundles that nobody else can do. On top of that, we have our perk system, which is same things, but it's just an inclusion of your plans.

But all is managed, et cetera. And I think it's a great opportunity for 2 reasons: one is, of course, the loyalty rate with our customers because we get a better deal with us if you use the Perks or the +play from us; secondly, it's also a revenue generator for us because ultimately, if somebody is going to use my distribution or Verizon's distribution, we need to have a cut on that. And that cut is, of course, something that's going to be incremental bottom line for us.

We're just in the beginning, and we see what's happening with all these digital services and direct-to-consumer is just going to create more opportunity for us. If we stay strategically where we are right now, I think that's going to be great. And it's a lot of swirl in the market where it's going. I think it's clear, customers are going more to direct-to-consumer products, products, consumer products, want to be closer to the consumers. Verizon has a unique set of assets and competence to do that. And we look at Sunday Ticket. I mean, we're exclusive with YouTube for a certain reason. They picked us because we are working more with sports fans than anybody else, we have the distribution, and we know how to do it.

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**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

Has this dispute between Charter and Disney created an opportunity for you to pick up some broadband customers that you can then offer a YouTube services for them.

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

Is there a dispute between them?

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**Brett Joseph Feldman** - *Goldman Sachs Group, Inc., Research Division - MD*

I heard about it.

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

I don't know much about it. But I think that, again, I have a great product with Fios in many of those market and fixed wireless access. And of course, we have seen this for quite a while that especially on sports content. It's going in so many angles on streaming and linear at the same time.

Again, it creates an opportunity for us. It creates an opportunity for us, and we will see that we work with all our partners. We work with all of them in order for them to be successful. But as customers change their behavior, we just need to change as an industry. So it's very simple. It's like you and me are looking at streaming today, 15 years ago, we didn't do it. It's just very natural.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Earlier, you reminded us about your outlook for declining CapEx as you move past the C-band deployment, which has been a big call on your capital. And you've said this before, you expect capital intensity to be lower for a long period of time. The pushback we get from investors is that never actually happens. Telcos always find a reason to spend money. Why do you have so much confidence that the capital intensity will remain low and as a result the cash generation will improve?

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

Because I know and I was part of building the network. That's why I know it. The reason I was hired was because I worked with the network, which I love. We have great people doing it. But we knew already in 2018 when I came in, that we needed to put in a lot of fiber in order to be able to handle all the traffic, which we did. We knew also that we started to build up millimeter wave to get the lowest cost per bit in the most urban places. And then we knew that when we bought the C-band, we need to bump it up because we need to get that C-band out as quickly as possible.

All that is sort of done to port with now is BAU. So that's why we come from -- I think we had almost \$24 billion in '22 this year between \$18 and \$19b. It's not an exact number of guidance there, but somewhere in between there. And then we say, after that, we'll come back to our BAU that's going to be \$17 to \$17.5 which is a very efficient capital efficiency for a telecom company.

Let's give and take that we [turnover] \$135 billion. And our CapEx is going to be \$17 to \$17.5. It's going to be 1 of the lowest CapEx companies in the world in the telecoms. And we are committed to go running networks, 100% committed to it, and we see it happening. Still we're going to invest in C-band. Still we're going to do success but fiber.

But it's just that bump that we needed in order to keep the best network in the world and in the U.S., needed that bump. That bump is over. And my commitment is clear. Our management's commitment is clear. That's why we increased the dividend this morning again because I think the Board feels confident that that's the way we're going.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

And just to be clear, no change to the CapEx guidance for this year?

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

No. It's exactly the same that we have said since the beginning of the year. I have just so many numbers in my head, so I need to be clear on that.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

All right. Sticking with capital allocation. Obviously, you have a lot of confidence in the current cash generation to raise the dividend. As if you do see the cash improve as you expect, you're going to hit your delevering target in the next few years, how would you look to evolve capital allocation at that point?

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

No. My evolve -- it's a focus that we have to get down to maybe 2.25 times adjusted EBITDA to net [unsecured debt](added by company after the call). And after that, we have said then we will definitely start considering buybacks. You can always say, okay, are you not buying something or an M&A. There are not many M&As in the market.

And as we now have defined a very clear, I would say, core strategy, meaning the network, leveraging our distribution and seeing that we work with all customer groups where we basically are #1 with all of them. That has led us to creating sort of the \$48 billion in EBITDA a year that we're doing right now. So I think we will get there, and that is a clear strategy and priority we're having in our capital allocation.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

Okay. Last question. There was an article a couple of weeks ago talking about looking for a CFO to succeed Tony. You had indicated that you were going to do that when you brought them on. I think it creates some confusion around the duration of his role, your plans. Can you give us an update or just clarifying?

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

Yes, usually, I don't never comment on media speculation. But if you ever have run the company, you hire person for the role, not for another role. So it's just stupid article in that sense. Tony is doing a great job. He -- Matt left us in the beginning of the second quarter. Tony is doing a great job. He's going to be there over time. I'm looking, of course, to have a long-term solution. But right now, I have a great CFO that is doing a great job, and he has actually delivered for us great, and he's going to be there for a while.

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**Brett Joseph Feldman** - Goldman Sachs Group, Inc., Research Division - MD

All right. That's a great place to end. Hans, thanks for being here.

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

Thank you.

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