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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc at Deutsche Bank Media, Internet and Telecom Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Frank Boulben** *Verizon Consumer Group - Chief Revenue Officer*

## CONFERENCE CALL PARTICIPANTS

**Bryan Kraft** *Deutsche Bank AG - Analyst*

## PRESENTATION

**Bryan Kraft** - *Deutsche Bank AG - Analyst*

Okay. Good morning, everyone. We're ready to start our first session for the day. So excited to introduce Frank Boulben, who is the Chief Revenue Officer for Verizon Consumer. Welcome, Frank.

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**Frank Boulben** - *Verizon Consumer Group - Chief Revenue Officer*

Good morning, Bryan.

## QUESTIONS AND ANSWERS

**Bryan Kraft** - *Deutsche Bank AG - Analyst*

Maybe we could start off with the competitive landscape. What are you seeing in the market in terms of industry switching activity, retail store traffic, promotion levels, that sort of thing.

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**Frank Boulben** - *Verizon Consumer Group - Chief Revenue Officer*

Before we get started, hopefully, everybody has read the Safe Harbor behind me. It's coming. Okay. So jumping right in, this Q1 is a bit unusual. We used to say that the holiday season starts earlier every year, Christmas comes early. This year, Christmas is lasting longer. At the beginning of quarter when we drop out of our holiday promotions, our peers did not. So we've seen an elevated level of competitive intensity in the quarter.

We continue and have a disciplined approach. When we see less demand, we pull out of promotion. When we see demand picking up, like in March, we come back with the new promotion. So it's been a challenging quarter from a competitive intensity standpoint.

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**Bryan Kraft** - *Deutsche Bank AG - Analyst*

Okay. All right. Do you think that there's any softness from an industry standpoint? Is it too early to tell that? Or is it purely competition that's maybe -- environment?

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**Frank Boulben** - *Verizon Consumer Group - Chief Revenue Officer*

It's mostly driven by competition. As far as we're concerned, we have a tough compare year-on-year. So gross adds this quarter are going to be probably soft.

**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. All right. Helpful. What is yours and Sampath's focus this year to build on the successful improvements that you've made over the last 18 months to improve postpaid volumes? Is it gross adds? Is it churn? Is it both? Where do you see the opportunity to drive improvement? And how do you go about doing that?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So in 2024, we returned to phone net add positive, excluding second number, and we grew -- wireless service revenue at 3.2%. So we want to continue with the same formula. So on a full year basis, we want to continue and grow phone net adds in 2025 versus '24. And we've guided for wireless service revenue for between 2% and 2.8% at the firm level.

So growing phone nets year-on-year is our priority. How do we achieve it? Number one goal in 2025 will be churn reduction. We have invested in our capability to personalize the treatment of our customer base. So that will be a major lever to drive churn down in 2025. Even we've made a deliberate decision to have all of our price-ups in 2025 at the beginning of the year to have a full year -- almost a full year impact on service revenue.

If we look at the full year impact of the price-up we did in the back half of 2024 and early 2025, we'll generate more than \$1 billion of service revenue in 2025. And obviously, that's creating a headwind pressure on churn early in the year that we are working through. But on a full year basis, we're confident that our churn levels will be down year-on-year.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. And you're entering this period of increasing promo roll-offs. What are the steps that are ensuring to take -- excuse me, what are the steps you're taking to ensure high retention in those subscribers? And will this put some upward pressure on churn as these rollouts occur?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So exactly three years and a month ago now, we moved to a systematic 36-month device financing. And we had on February 1 of this year, the first three-year anniversary of the first cohort that come into a 36-month device financing. And what we are observing is a change in customer behavior.

Customers, when we were in the 24-month device financing regime a few years ago, would tend to have an elevated upgrade rate and an elevated churn at the 24-month mark. What we observed is a change in customer behavior. They are now, on average, keeping their deals more than 41 months in our customer base. And basically, customers are not ready to upgrade at the end of their device financing. If their device is still in good working condition, they keep it longer.

So as we see more customers coming out of contract this year, significantly more than last year, we see them upgrading progressively, not all at once, as they get out of contract. So on upgrade, we are still expecting middle single-digit growth rate year-on-year but with a slow start in Q1 and then a progressive ramp up through the rest of the year.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. Understood. Sampath had indicated on your fourth quarter earnings call that he expects 8 million to 8.5 million industry postpaid phone net adds this year across both Business and Consumer. What's the confidence level in that estimate? And can you just talk about how you arrived upon it?

**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So the last couple -- at an industry level, consumer and B2B together, the industry generated more than 9 million net adds in '24, in '23, and I think in '22 as well. And if you unpack that 9 million, it's about 80% consumer and 20% business. Within the consumer part, you have 4 million to 4.5 million are net prepaid to postpaid migration, and 3 million is the demographic factors. So kids getting their first smartphone completed by older people with a smartphone buying. That's about 3 million.

We expect the makeup of the 80% that consumer to go down a little bit, and 8.5 versus the 9 we saw in 2024.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. What are you seeing specifically from the cable operators as far as competitive intensity? And what are your expectations for Comcast's new offer strategy that they've said is coming?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

We -- what we've been observing so far is more of the same from the cable companies. I won't comment specifically on a particular competitor, but we don't expect a radical change here from what we are observing in the market. Having operated in Europe, what I can tell you is that when there is a large mobile virtual network operator in the market, you are better off having them on your network.

When I look at our position, when we lose retail customers to the cable companies, we retain wholesale revenue. So we lose only the spread between retail and wholesale. And when they get customers from our competitors, we get wholesale revenue. And they take from us less than our fair share of the retail. So overall, it's significantly accretive for us. So we are in a good position when it comes to the wholesale market and the -- on the mobile side. I'll comment on the broadband side later.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. Do you think there's a maybe a natural level at which cable net adds to decelerate? And if so, do you think we're anywhere near that at this point?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

When I look at the trajectory of the cable companies, what I observe is that the port ratios are flattening year-on-year. So certainly, the growth from a net add standpoint, is decelerating.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. Helpful. Shifting gears a little bit. The new administration's policy toward immigration has raised questions over the impact on industry subscriber -- on the subscriber pool. How do you expect your postpaid and prepaid businesses to be affected with few immigrants entering the US via the Southern border and also thereby potentially increased deportations. Where would this show up in your business, if any?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So without speculating on what is going exactly to happen, I'd offer two comments. First, we expect very limited impact on the postpaid side, where customers have got to provide some form of identification to get onto a postpaid contract, onto a device financing contract. So if there is any impact, we will see it towards the low end of the prepaid market with limited exposure for us.

As a matter of fact, immigration started to tail off in the back half of last year and that didn't prevent us to return to phone net positive on the prepaid side. So we see some exposure most likely at the bottom end of the prepaid market, if any.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. That's interesting, yes. So when President Biden's executive order went into place, I think it was in June, you didn't really see any impact in the back half of the year?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

No. We will Continue to improve our trajectory on the prepaid side.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. All right. Over the past few years, we've seen historically low levels of upgrades for Verizon. That trend seems to have bottomed in '24. You mentioned you expect upgrades to be up mid-single digit. I guess you addressed it to some degree, but can you just explain the mid-single-digit increase and put it into context? And I guess, maybe address why it might potentially not be higher than that?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So the first thing at the macro level is we are not witnessing what you call a super cycle in terms of handset cycle. So what we see, whatever the ecosystem is consumers keeping their devices longer. And the main driver of upgrade is getting a brand-new battery in your smartphone. So less and less reasons to upgrade. So we see year-after-year the average life of the device in our customer base increasing. As I was saying earlier, we've passed now 41-months. So that's the most structural driver.

The second one is customers getting out of contract, and customers getting out of contract eligible for an upgrade promotion. That cohort is much larger for us in 2025 than 2024. That's why even if overall customers are upgrading at slower pace because we have more customers out of contract, we think we'll be in the mid-single-digit [increase in] (added by company after the call) upgrade rate on a full year basis, with a slow start in Q1 and a progressive ramp-up. And usually, we have significantly more upgrades in the last quarter of the year.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Right. So that's interesting. So obviously, longer contract periods have led to lower upgrade rates. But it sounds like the biggest factor is actually better batteries, longer battery life.

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

That's what we observed when we surveyed our customer base.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

All right. Interesting. What are the various ways our pace of upgrades will impact the business? And how do you plan for that?

**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

When customers do upgrade their device, it's an opportunity for us to migrate them onto myPlan to step them up to a premium plan, sell perks, sell other attached lines, tablet or watch, cross-sell home broadband if they are eligible. So it's an opportunity to upsell and cross-sell when the customer engages with us for that transaction.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. Talk about the ARPA outlook a bit. Verizon recently put in place two price-ups. How are those received by the base and the opportunity that you think you still have to take pricing in the future?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So the first thing I want to insist on price-ups is it's largely accretive. So as I said earlier, when you look at the net impact in terms of wireless service revenue of the price-ups we did in the last six to seven months, it's more than \$1 billion of service revenue. That's net of any churn caused by those price-ups, okay? So, that's a trade-off I would get any day.

If I look at the drivers of our ARPA, average revenue per account, beyond the price-up, first, we have step-ups to premium plans. We have now more than 45% of plans at the end of last year on premium plans, and that continues to grow and we drive the step-ups with our tier promotional. So that's one driver.

The second driver is non-connectivity product and services that we sell to our customers. And those amount to about 15% of the ARPA and are growing double digits. So I'm talking about the perks in the myPlan construct, our protection services, our cloud storage services, our family services, et cetera.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

So a lot of people buy the cloud storage, I mean, I think a lot of people on Apple use iCloud. Just curious as to -- is it more the Android base that's buying it? Or do Apple customers do it as well?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

So if you look at our perks today, we have three services that offer cloud storage. We have -- one of the perks is Apple One, we've just added Google One Premium, and we have the Verizon Cloud. And we see the three services doing reasonably well. You have customers who want to stay in the same ecosystem, iOS or Android, and you have customers who want a storage solution that is independent of their device and their ecosystem. So we see a balance between the three options we offer.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Interesting. So more than half the base is on myPlan. And as you mentioned, it allows you to sell perks. How would you characterize the success of perks overall? What are some of the measurable ways it's affected business performance? And how important is this going forward to the execution of the strategy?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So maybe let me take a step back and come back to the genesis of myPlan. Before myPlan, we used to have, like our peers, inclusions in our wireless plans. And we surveyed customers and what they told us that they wanted control, flexibility and choice. They wanted to be in command

of what is going into their wireless plan. So we designed that new structure where you choose your connectivity first, good, better, best, so welcome plus and ultimate, and then you decide which additional services you want on top of connectivity. That's what we call perks in the myPlan construct.

And those perks, they come with unique savings. As an example, for streaming services, you can get for \$20 five streaming services, the Disney bundle, Netflix, Max. Same savings for Apple One, YouTube Premium, et cetera. So we give our customers unique savings. All those partnerships are exclusive. And we have a mix of third-party perks and Verizon perks. So overall, it's a good margin business, and the momentum has been very strong.

I think by our Investor Day back in October, we said we were already at 7 million perks. By the end of this year, we are on a trajectory for 14 million perks. And we see also the fastest adoption of our in-market price plan we've ever witnessed. We have already more than half of the base on myPlan. That's very fast.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Yes. Let's move to convergence a little bit. So the convergence of home broadband and mobile has obviously been a major point of discussion in the industry. How do you expect convergence to evolve in the US? And just given your experience, how would you compare and contrast that outlook to the path that convergence took in Europe?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes, that's a great question. So I think I'll talk about two things: convergence the US way and convergence the Verizon way, okay? So convergence, the US way, what do I mean by that is if you look at the markets in Europe where convergence destroyed value, that was supply-led and the root cause was the regulatory framework. So there was either open access on the broadband side or open access, in some cases, on the mobile side or both.

And that dragged industry prices down and some markets have not recovered. And they've reached convergence level in terms of households that have a convergent offer of 70%, if you take Spain or France, but at the expense of the value creation in the industry. Convergence, the US way is demand-led, not supply-led or regulatory-led.

And as far as Verizon is concerned, so convergence, the Verizon way, what we want is to offer a full solution to our customers. So yes, there is a price advantage. You get a small discount on the broadband side. But if you are a premium customer, you get a free perk and you get better customer service. So overall, convergence for us will be accretive. It's leading to higher ARPA, lower churn, whether it's on the fiber side or FWA side.

And we see more and more customers willing to have all of their services from Verizon. We are -- at the end of 2024, we have 16%, of our mobile customers that have broadband with us, and we expect that to continue and grow in the coming years.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

I'm going to scooch back a little, because I'm being blinded by the sun. Forgive me.

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

The reflection on the sun.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

So it's the downside of the view, I guess. So Verizon has a robust fixed wireless effort and Fios footprint, the latter of which you're planning to grow to 30 million premises. That's up from 18 million today. How do you utilize these two access technologies in a complementary way to optimize that home broadband and convergence opportunity?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

So last year, to start with the data point, we -- on the consumer side, we added more than 1 million broadband houses between our fiber product and our FWA. So we have strong momentum, and we expect to continue this year. And the way we market our broadband service is not technology based, we market our broadband service under the Verizon Home Internet umbrella.

So that allows us to do nationwide communication. And based on your eligibility and your exact address, we position a particular technology offering, whether it's fiber, 5G home or sooner our MDU solution.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

When did you get to that strategy of marketing that way, by the way?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

That allows us to have a nationwide effort. So whether it's from an advertising standpoint or an offer standpoint or promotion standpoint, we can have economies of scale in our broadband efforts. That's why you have Verizon Home Internet as a product name, we have the same value proposition, so myHome, which is the mirror value proposition of myPlan, is offered both on fiber and fixed wireless access.

Same construct, by the way, same pain points of customers. They want to control what's going into their plan. So myHome is a good, better, best in terms of network speed, simplifying, and then you choose the perks on top.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

How are you making decisions regarding where to build fiber to the premises? What led to the decision to begin accelerating fiber build in your current footprint? And having fixed wireless in the portfolio impact that decision-making process on where it builds.

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. We see an opportunity in our ILEC footprint to convert to fiber, and the pace of conversion is dictated by the return on investment. So primarily the only yardstick we use. And together with the Frontier acquisition, that we expect to close at the beginning of next year, by [2028] (corrected by company after the call), we'll be close to 30 million households in an ILEC footprint. And outside of ILEC footprint, we'll have our FWA product.

So we have a two-pronged approach to the broadband market giving us the largest open for sale, if you want, combining both technology and allowing us to offer a complete value proposition mobile and home customers. So the best connectivity at home and on the go for a large number of households.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

And on fixed wireless, management has guided to a bit slower pace in fixed wireless net adds during the first half of the year. Just wanted to understand what's driving that slowdown and then the expected subsequent reacceleration in the second half of the year?



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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

So we had our broadband Investor Day in October. We've doubled our guidance in terms of fixed wireless access over time from 4 million to 5 million to 8 million to 9 million. And we've guided on -- between consumer and business, between 350 and 400 [broadband] (corrected by company after the call) net additions every quarter. We're going to stay in that ballpark with some seasonal fluctuation from one quarter to the next.

If I look at the consumer side, we are confident in our ability to continue and grow both fiber and fixed wireless access. On the fiber side, every year, we open new households with fiber connectivity, we penetrate faster. So our go-to-market machine is getting better year after year on the new for sale on the fiber side.

And on the FWA side, we expand the footprint as we complete the C-band deployment. And we are introducing also new products, we've just introduced a backup product. We are about to introduce an MDU solution to continue and diversify the portfolio and increase the penetration.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Can you share some other details around the fixed wireless effort? For example, how many homes are open for sale? Where that number is headed? Maybe talk about where you're winning in the market? What types of customers are taking fixed wireless? The high-quality subs, what kind of credit scores do they have? Just any kind of details around that. How much are coming from cable? Just to help us kind of understand a little better.

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. We finished the year at about 60 million open for sale, and we've guided in our broadband Investor Day that, over time, that will get to close to 90 million. If I look at the makeup of the fixed wireless access customer base, first is it's largely cross-sold to existing mobile customers. So 75% roughly of our fixed wireless access growth are taken by existing mobile customers.

If I look at their origin, the majority of them are coming from cable. And we have also a very healthy premium take rate. So we have two products on the fixed wireless access side, 5G Home and 5G Home-plus, and the majority of customers are on the premium product.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

One thing I was curious about is how does the product perform where it competes with fiber to the home? What do you see from a take rate and penetration perspective there share perspective?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

So if I look at customer satisfaction, which I think is the important metric here, we have a very high NPS score for both our FWA product and our fiber product. And if you think about the needs of a typical household, they are covered by the FWA product. So it competes effectively whether it's with cable or fiber. Because of the cable installed base, we see customers coming from cable to fixed wireless access than from fiber, but that's just a function of the relative sizes of those technology and customer bases.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. How about other competitors, fixed wireless efforts? How have those impacted the space? Have you lost any subs to fixed wireless from other carriers?

**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes, we are certainly losing some. But when I look at the performance of Fios, we are posting very strong net adds quarter-after-quarter. So whatever we are losing from fixed wireless competition in the Fios footprint, we more than compensate taking customers from the cable competitors that overlap with us in Fios' footprint. So we had a good Q4. We had a good 2024 on Fios, and we expect that to continue this year.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. Shift gears a little bit to the direct-to-device segment, which I think your CEO called out in his blog as one of the key technology trends to watch this year. And there's obviously been a lot in the market about it. But you've established a relationship with AST SpaceMobile for direct-to-device. How important do you think it is to be able to offer satellite broadband and voice to your customers? Any sense for how much of the base would value this, would be willing to pay for it? And any kind of thoughts on how you might think about pricing, the pricing construct for it?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

So first of all, we have a great network, we have great coverage, and so we have less white spots than some of our competitors. So less of a need for a complementary solution. Having said that, there are some use cases, direct from satellite to smartphone will be useful. When we surveyed our customers, we see that there is a demand for it, but it's very niche.

So our approach there has been to offer in partnership with Skylo and then AST a complete solution. So emergency SMS, functional SMS and then voice and data. But with the free layer of service that customers do expect. And only when we have a full solution we'll have a paid-for service. But we don't think, based on all the customer service we do, that it's a reason to switch from one provider to another. It's a complementary service, it's an add-on, but not a reason to switch.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. All right. Staying on the topic. So T-Mobile did something interesting when they launched the data for Starlink by inviting Verizon and AT&T customers to join data. Just wondering how you think about the potential churn threat there as they go to commercial launch, because Verizon and AT&T customers will then be charged \$20 for that if they want to keep that service?

And secondly, customers presumably provide their contact information on T-Mobile when they sign up, so it allows T-Mobile to target them with direct offers. So just wondering how you're thinking about that competitor threat? And are you able to tell how many Verizon customers opted into the beta so far?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

No, I'm not able to tell the exact number. What I can tell you is that we've seen insignificant volume of our customers inquiring about satellite, whether it's in customer service or in our stores. Second comment, the pricing offered by competitor seems a bit rich given the low demand for that service. So again, I don't expect it to be a driver of switchers.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Yes. Have you seen many people using the Globalstar option on Apple phones in your base? I mean it doesn't seem like it's ever really been marketed, but it's available.

**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

It's been used mostly in emergency situation, meaning it's very rare. So we -- as I said, we don't see massive usage there. It's more a piece of mind type of feature that some customers do value.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

And that's text only. Do you see the demand though being fundamentally different when you move to a broadband and voice solution?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

We expect that there will be a bit more demand. But again, niche probably significantly smaller than international roaming as an example.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. You're expecting prepaid to return to positive revenue growth in 2025. Can you talk about that journey you've been on a prepaid over the past few years, including the TracFone acquisition? Steps you've taken to turn the business around? And what's the algorithm behind that turnaround, so to speak?

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

So it's been a great success story. We closed the acquisition of TracFone in November 2021, if I'm not mistaken. And our team has been very busy. So what did we do? TracFone was an MVNO, so TracFone was not able to compete at the high end of the prepaid market. Their unlimited price points were not competitive. So what we do is we've repositioned all the brands and all the value propositions in the TracFone portfolio. So now each brand has got its target segment primary channels, and we've revamped all the value propositions. So that is the first thing we've done.

Second, we wanted to grow a prepaid brand with its own branded retail stores. So that's what we are doing with total wireless, and we've done it in a record time. We grew from 0 to 700 stores by the end of 2023. By the end of last year, we were at 1,200. And by the end of this year, we'll be around 2,000. So total wireless is growing fast and attacking the segment of prepaid customers that want to do business in a branded retail store.

We've also accelerated the momentum of our digital-only prepaid brand, Visible, and repositioned our exclusive brands at Walmart. So that's, if you want, on the front book. In the back end, we've invested in the tech stack. We've developed management capabilities to improve churn. So we finished 2024 net add positive on prepaid, excluding SafeLink. And in 2025, we'll be better year-on-year on phone net and we'll return to revenue growth year-on-year. In 2024, prepaid was a drag of about 80 basis points, it will be accretive from a revenue standpoint in [the second half of 2025] (corrected by company after the call).

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. Great. And last question I wanted to ask you relates to AI. How significant do you think artificial intelligence will be in telecom services? What are the ways you'll leverage it in consumer to drive a better customer experience and enhance your sales processes, while at the same time increasing operating efficiency? It seems like telecom is one of kind of the big industries that can stand to benefit from AI.

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So the AI revolution didn't start with ChatGPT being public. We've been at it for a number of years, at least five or six years. In my area, we've been using AI and machine learning for propensity modeling, propensity to churn, propensity to add a product, et cetera, for quite some time now.

We've been using AI also in our call centers for the AI to listen to the question and then prompt our rep to offer a personalized offer promotion to customers. So real time during the call. So it has been a continuous journey, and we've been investing in those capabilities for a while.

Now if I look moving forward, we have opportunities in our network in many different places. And Joe is better placed than me to comment on how and when and how much. It's an opportunity on the B2B side as well with solutions that serve the AI ecosystem.

On the consumer side, we have several opportunities. If I start with the value proposition side, we introduced a first perk that offers Gemini Pro to customers, the Google on premium perk for \$10, \$10 savings for customers. And we've been pleased by the take-up rate from consumers.

So there is demand starting to materialize and customers ready to pay for a premium AI service. And then we are using it to improve the productivity of our front line, whether it's in stores or in customer service. We've introduced new tools, personal research assistant to help our frontline navigate very quickly amongst our portfolio offers. And the same tools are available also for consumers by themselves when they want to transact with us digitally, to access personalized service, personalized recommendation. So AI will continue and grow in importance for us.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Mass personalization seems to be one of the -- .

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Yes. So personalization at scale is the name of the game for us this year. And coming back to your question about churn, why is personalization important. Because the more we sell services to our existing customers, so adding phone lines, tablet lines, watches, perks, protection services, the more loyal they are. So personalizing the experience, adding services is a virtuous circle. It improves ARPA and it reduces churn. That's why personalization is key for us.

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**Bryan Kraft** - Deutsche Bank AG - Analyst

Okay. All right. We'll wrap it up there. We're out of time. Thanks, Frank. Appreciate it. Thanks everyone.

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**Frank Boulben** - Verizon Consumer Group - Chief Revenue Officer

Thank you.

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