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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Hans Vestberg *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Sebastiano Petti *JPMorgan - Analyst*

PRESENTATION

Sebastiano Petti - *JPMorgan - Analyst*

Good morning, everyone. I'm Sebastiano Petti, and I cover the telecom, cable, and satellite space for JPMorgan. I want to welcome Hans Vestberg, Chairman and CEO of Verizon. Hans, thanks for joining us today.

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

Thank you so much for having me. And why don't I start with the Safe Harbor? I'm definitely going to say something future-looking. So just take a look at the Safe Harbor and you know what to do. That was the public statement.

Sebastiano Petti - *JPMorgan - Analyst*

That was a good one.

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

That was a good one. Yeah. Thank you.

QUESTIONS AND ANSWERS

Sebastiano Petti - *JPMorgan - Analyst*

So now we've got the important stuff is out of the way there, Hans, there's a lot going on at Verizon these days in terms of pending Frontier acquisition, evolving product solutions in the wireless, broadband, consumer and business and the brand refresh.

So where are you spending most of your time these days? What are your biggest near-term priorities as you position Verizon for the next decade plus?

Hans Vestberg - *Verizon Communications Inc - Chairman of the Board, Chief Executive Officer*

So right now, I guess I spent the majority of my time on product and solutions that we're launching and seeing that they are rightfully designed and have the right pull-through. Secondly, work a lot with the capital allocation priorities as we're preparing for our next step. When it comes to capital allocation, we will probably come back to that.

And thirdly, of course, we are preparing for the pending acquisition of Frontier. I think that's where I spend the majority of my time because all of them are important for our future, important for our continued growth on revenue and EBITDA and cash flow expansion. So that's why I spent the majority of my time together with my team, of course.

Sebastiano Petti - JPMorgan - Analyst

Great. And in early April, you announced the third phase of the Verizon Consumer Group transformation, which is the three-year price lock. So a couple of things to touch on there. First, how does the Verizon guarantee value proposition stand out in the marketplace?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yeah. So for some of you that remember that now we talk about consumer wireless postpaid first. We came out there in '23 and started to do a lot of research with our consumers, basically came out with a lot around flexibility, but also control over the bill and getting more value. That was sort of the three themes we saw. We came out with myPlan, which some of you know is a very modular way of selling consumer wireless.

Basically, you pick whatever wireless plan you want for connectivity, then we have all our perks that you can add all streaming services on wireless exclusive to us. And then you have all the adjacent services from insurance to credit card, the latest high-yield savings account with Openbank.

All of that is sort of what we call the consumer offering framework. And we saw a really good pickup. And I think it's the fastest-growing consumer postpaid product where we had, myPlan. [Approximately] (corrected by company after the call) 50% of our customers in a very short time have myPlan.

The next step was sort of what we announced in April was two things. One was the three-year price lock on myPlan and myHome. myHome is for broadband, very similar to myPlan. And then we also had any phone trade-in guarantee for new and existing customers.

And that was sort of the next evolution of where we are in our consumer wireless. And we have to say, when we came up on the first quarter, we said that we had basically double-digit gross adds, and that was April 22. I can continue to say that we have a very good gross adds growth, double-digit continues.

At the same time, you might remember what I said after the first quarter, our churn on postpaid was elevated, mainly because our last price ups were a little bit higher than expected. And as I said, after the first quarter as well, we believe that churn will normalize in the second half of 2025.

But a good traction on the program and the new offerings, which I'm pleased to see. So that's postpaid wireless performance. But all in all, in a market where the majority of the US population has a mobile phone, it becomes very important with the right offering and the right service and the right brand together with the best network. I think that's how we compete, and I think we're competing better than ever.

Sebastiano Petti - JPMorgan - Analyst

Got it. And then I guess maybe thinking about why the price likewise is the right strategy as you think about the competitive backdrop in --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

I think the backdrop was a coincident that we also of course, had a little bit of consumer sentiment declining because we have been planning for that for quite a while. So no, it was a good time because we have, for a while, on consumer postpaid been doing some price increases as we went into 5G Ultra Wideband, we saw the performance in our investments.

And so we had done some price increases in several places together also with trying to get some customers off some old plans because that's efficiency for both the customer and us. So it was a good moment to get there.

And as I said, now we're at [approximately] 50% on myPlan that has a price lock, we still have [approximately] (added by company after the call) 50% that doesn't have it. We also have all our perks that we can continue to grow. We have all the adjacent services. So we feel that we still have a good way to continue to grow our business or service revenue on postpaid wireless.

Then we will come to prepaid, we come to the business side and come to broadband, more areas where we have great opportunities to continue to grow and be proving the last couple of quarters that we're really performing well in those aspects.

Sebastiano Petti - JPMorgan - Analyst

All right. So sticking with the wireless for a moment here. While there's been a lot of focus on gross adds and switching you did talk about the double-digit growth in consumer in April, continuing -- Tony touched upon the performance continued to be strong at the time of the earnings call.

Churn has been more elevated than we expected coming into the year. Part of that is market driven, but you also said somewhat idiosyncratic as it pertains to the price increase.

So I guess, help us think about even before the three-year price lock that launch because that momentum had been improving within the business. I guess you had talked about stores, promos, some of that momentum and then now the price lock perhaps somewhat more additive. So how do we think about the BAU go-to-market strategy and, I guess, blocking and tackling?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

I think that on the wireless side, we work very much with segmented growth. We have some eight, nine different brands in order to address the full market on wireless. As you saw, our prepaid brands are doing really well. First quarter was just very, very good. First time we're really in the green on growth on prepaid.

And again, we have a portfolio and a strategy right now that appeals to any segment of the market when it comes to wireless offering, all the way from Lifeline, which is the government subsidized plans to, of course, the ultra-premium Verizon plans.

And that is the go-to market. I mean our new brands like Total Wireless where we open almost 3 new doors a day is, of course, performing well, addressing a segment where just in between postpaid and high prepaid. So I think we have segmented up all the brands. We have defined the brand and the segments in a good way and that we now see performing well.

We have also changed our incentive structures for our distribution. We have done a lot of changes, and that's why we see the performance improving a lot. And then we add now also the opportunity of convergence happening across the distribution with fixed wireline access and Fios -- and nowadays for after 25 years, basically, we have also Fios in the stores because for 24 years, 24.5 years Fios was sort of separated in our ILEC, nowadays we can offer both Fios and wireless in the store, which helps a lot with the convergence.

And as we said when we reported the first quarter, where we continue to take market share on broadband, the vast majority of all the new broadband customers, had almost 340,000 in the quarter, new broadband customers, the vast majority was converged customers. They had wireless or they bought wireless at the same time.

So we see this is working. And the great news for us is that we have owners economics of wireless and broadband. We have owners economics on wireless, on our fixed wireless access and our Fios. We own the whole network. We also own the fiber.

So that's going to be a competitive advantage in a market where the majority of the customers business or consumer have mobility and broadband services. And if you can offer the convergence and a good experience on that, that's going to be the key because ultimately, our focus is to continue to grow our service revenue.

I mean, this is one of the best subscription-based service businesses in the world, I would say, and that's what our focus is. If we can grow the service revenue, it's going to fall down to the bottom line. And you see the leverage in the fourth quarter -- first quarter with the 4% [Adjusted] EBITDA growth and a very strong [free] cash flow (added by company after the call). I think it was up 34.3% (corrected by company after the call). Many numbers now, but I think that was correct.

So you see the leverage coming when the growth is coming. We had 2.7% growth on service revenue in the first quarter. So I think everything comes together in the strategy that we have and the sentiment in the market, then we need to execute. There's a lot of competition out there, everyone wants to beat us. But I think we're standing stronger and taller than we have done in a long, long time, and the team is doing tremendous work.

Sebastiano Petti - JPMorgan - Analyst

Great. I think just --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

I went over a couple of things there.

Sebastiano Petti - JPMorgan - Analyst

Yeah. Thank you. Yeah, checking a lot of boxes here. So as we think about -- I think that we can't -- we discussed this yesterday, but I think expectations for churn to get back to BAU levels --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Second half.

Sebastiano Petti - JPMorgan - Analyst

Yeah. And then I think just over time as well, I think said trying to return -- to be a leader in the industry in terms of churn. But I guess, how do you balance that against the focus you just touched upon in terms of service revenue? Because the three-year price lock, while you do have myPlan selling in some of these good guys from a benefit, you do also -- this industry has relied on price. So how do you balance those two? I guess, what gives you the confidence in churn improving in the back half and into next year against your maybe pricing strategy, taking a read on legacy plans and what have you?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

So there are so many levers there included, and we are in very different momentum in different businesses. I mean, in consumer, we have the last couple of years, basically grown our service revenue with prices, the majority, and volumes has been a smaller portion. Now we're trying to rebalance that.

On the business side, there's been basically opposite. We have constantly added new customers in our business segment over, I don't know, six, seven quarters, even longer. First quarter was a little bit weaker, but there was a very clear reason for that. We can come back to that. And they have done less of price increases.

On prepaid, we basically have not done any price increases. They were only volume. So you need to pan out what is happening. And something I think we need to be important for our investors to understand, when you have a segmented growth that we have all the way on the wireless side for consumer, all the way from Lifeline to the ultra-premium Verizon, they are segmented, also what you give to the customer. So the profitability can be very similar on all these.

I mean a prepaid customer is fantastic. They pay in advance, and they have some limitation how much they can use. So I think when I think about it and I think about every customer, every connection should be profitable for us, and they should be accretive. And if they are that, it doesn't matter to me if they're prepaid or if they're postpaid or if it's SMB, et cetera, the market is very focused on postpaid, enormously focused on that.

But for me, my measurement and my team's measurement is service revenue growth, EBITDA, and cash flow expansion. And then net adds on consumer wireless is just one indicator alone. Hundreds of indicators that need to manage, but it's only three that were 100% focused on the whole team and the thousands of people of Verizon are incentivized on. And that's the service revenue growth and EBITDA and cash flow expansion.

Sebastiano Petti - JPMorgan - Analyst

So adding it all up, we touched on gross add activity in the second quarter, your outlook on churn. But you do have guidance or expectations out there for --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yeah. So we have a guidance.

Sebastiano Petti - JPMorgan - Analyst

Yes, 2025 postpaid consumer postpaid phones ahead of 2024 level. But I guess --

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

The guidance is that we're going to do better, yeah. I'm not sure that is a strong one, but we're going to do better, I promise you.

Sebastiano Petti - JPMorgan - Analyst

Okay. Well, there you go. Let me check the back. I guess just so -- but higher gross adds, higher churn, but you're still confidence in getting them. Got it. Okay. Now skipping to broadband, you have accelerated the fiber build pace in Fios to 650,000 expectation is that level in 2025. And you're running ahead of plan, I think you touched on, on the 1Q call. Why not go even faster? Is it a function of just lower returns in the Fios footprint versus what you think you can unlock in Frontier?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

I think on the Fios, we have been running for quite a while on 400,000 to 450,000 open for sale every year. Now we've increased that to 650,000 this year. I think we are disciplined with our capital. We want to see the return on investment on fiber because the fiber return on investment is quite long time given the cost of deploying fiber.

What has happened in the last couple of years that, first of all, we are more efficient to deploy fiber. So that means we have reduced the cost. Secondly, we can do more with less. And then the equipment is coming down and the technology is improving. So that's why we have good return increasing the 650,000 OFS.

If we would see more opportunities in our ILEC to grow our Fios and with good returns, we will continue or increase, for sure. So it's a little bit of the machine ramping up, but clearly, the product is great. Our churn is very low on Fios.

I usually say when I have churn on Fios, somebody is moving to another neighborhood, and they need to disconnect. That's how great the product is. And so that's where we are on that. And so we will continue to see the opportunity on Fios.

But clearly, the cost economics of deploying Fios is improving, even though because if you go from Tier 1 market, Tier 2 market, of course, it's more expensive to go to a house in Tier 2 or Tier 3 because of the distance, et cetera.

So it's going to be more costly, but as the improvements are coming on costs at the same time, then we can start penetrating further out in our ILEC.

Sebastiano Petti - JPMorgan - Analyst

As you think about those cost improvements and if the returns do make sense, pro forma for a Frontier, would you be willing to accelerate the build even if it means taking leverage higher or using your balance sheet to get there?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

That's a good question. I've been a little bit stubborn on this one, not commenting much. I'll go back to what I said when we announced the Frontier acquisition, which, by the way, I think, is fantastic. But we are in the regulatory process for approval.

We've got to do plus -- remember, plus one million OFS a year for sure. But I want to combine everything before I come out to the market, knowing how much are going to do, what is the capital allocation, what are the revenues we are planning for it and how we're going to report it. I want to have that in how we're going to operate.

I want that in one package, and that package I will come out with when I'm closer or have better visibility of when this is going to be closed, and we're going to have Frontier with us. So stay tuned, but plus one, not one, it's plus one is very important with the plus before. So we will come back with that.

But clearly, where we're going to see opportunities, we capture them, and I always remind people or investors when we acquired the C-band spectrum, of course, when you get an asset, you want to monetize it as soon as possible. But it also comes with some responsibilities for guys like me that is just not deploying capital without seeing opportunities increasing for us.

So that's why I want to see all that coming together in one.

Sebastiano Petti - JPMorgan - Analyst

Yes. Okay. So 1 million plus. All right. And so yes, you did also kind of touch on -- we also did kind of touch on again last night with the MDU launch live MDU/FWA launch. So you're live in 15 markets today and expected to roll that out over the year in both the consumer and business segments.

I mean how meaningful of a contributor could this be? Coupled with the expanded C-band coverage, greater emphasis on converged bundles, could we see a reacceleration in total FWA adds as we maybe enter as we go into next year?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yeah. So the answer is yes. So our FWA performance has been extraordinary. I mean we have been together with Fios, we being between 350,000 and 400,000 net adds every quarter now for a long, long time, meaning we're taking market share like a lot in the market right now on broadband. I said already in the third quarter last year that we're going to have a little bit lower net adds on fixed wireless access because the C-band that we're deploying right now, the mid-band spectrum, the priority is mobility.

And now that goes to Tier 2 markets and Tier 3 markets. That means, of course, there are less -- there's a lower volume of open for sale on fixed wireless access when you get there. So it's more a technical than anything else. So we're going to see a little bit lower and that's -- we had 339,000 net adds in the quarter. But the things that is now going to be different, first of all, we can continue with the C-band deployment.

We have the MDU solution where we can address multi-dwelling units with fixed wireless access with a unique solution that actually we have invented that's going to add. And then we're ramping up Fios.

All that together, of course, is going to give us even greater opportunity on broadband and convergence going forward. And then, of course, adding to that Frontier when it comes, that's a very important thing. So fixed wireless access, still fantastic NPS customer just loves it, how easy it is. We're improving the device. We are improving the qualification. We're doing a lot still.

Churn is higher than Fios because I mean it's a new product, but we constantly are improving it. So it's an important product in the portfolio and high -- well, as I said, in the first quarter, very high convergence on fixed wireless access and wireless.

Sebastiano Petti - JPMorgan - Analyst

And the main, obviously, area of debate, I guess, within the ecosystem is just usage on FWA and taxing the network. Can you remind us what sort of more recent stats, I think, you guys have put out a what you're thinking about that?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

So we give out the connection report, Consumer Connections Report, something like that. Yeah, I don't remember the name. Every six months, the last one we came out, we talked about broadband growth. The broadband growth in the network is some 6% right now.

User of Fios, fiber versus user of fixed wireless access, they use equally much. There is no difference. They are the same type of customers. They just have a different view on what type of solution they want to have, which historically people -- or I'm not sure people. But some believe that fixed wireless access was for people not using broadband, that's not right. They use equally much as anybody else. And they have equally many screens. They have equally many computers and gaming. As the same time as a Fios user.

So that's -- so when you see the growth -- and of course, the growth what we see in front of us in broadband is we don't see any super spike again as when you saw some of the gaming, et cetera. The only thing that can really rock if we're going to see some new emerging virtual realities that's going to take a lot of broadband capacity. We haven't seen it yet. So that's how we see on the performance and the growth on the capacity in the network.

Remember, we built the One Fiber from 2017 to '22, where basically, we have our metro rings across the country, taking care of all the capacity needs with our own fiber, which was an important investment we did because that means we have owner's economics on all the data traffic going over our network.

Sebastiano Petti - JPMorgan - Analyst

It's a great segue there to one of my favorite topics, private networks. On the 1Q call that you noted that the private network business continued to scale. I think you talked about a dozen deals were signed in the first quarter. I guess, how would you describe the demand from private networks today maybe versus last year when we were on this stage?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Way better. I mean, we have had for two, three years, an increasing funnel of private networks, also seeing more and more use cases, more industries using private 5G networks, all the way from, for capacity reasons, security and privacy reasons and low latency reasons. And they are different in the retail industry than the financial sector compared to manufacturing. All of them have different reasons for it.

But as soon as you get in a private 5G network, then usually, the CIO or the Head of IT of the company starts seeing a lot of new opportunities, how to use it. They are fairly small, the first private 5G networks that you sell. It's like a WiFi network. But over time, they are growing and usually start with one big warehouse. And if it works there, they take it to all warehouses. And we are in that scaling right now.

And then historically, we have had -- now we get some technicality here, but we have a broken out core network in order to manage it with the 5G stand-alone, which is the next-generation core network, which we basically have for 60% to 70% of our network today, then you can actually do a slice of the network as a private 5G network, way quicker, more efficient for our customers. It takes instead of weeks to set it up, it will come down to days.

So that's a big difference. Of course, you need the radio elements inside the private network wherever it's going to be. --So I see that combined with the next generation of GenAI, where GenAI sort of today are large language models being developed in large data centers with an enormous capacity, which, of course, requires a lot of fiber, et cetera, which we can supply, and we talked about that in our AI Connect.

But in the next step, I think that many, together with me, believes that a lot of the GenAI applications that's going to be enterprise driven, they're going to sit at the edge of the network because of transport costs, security and privacy, many companies like Verizon, you want to have it on-prem, whatever you have, you want it on-prem. That could be a third party, but still it's going to be our data centers.

So I think this hangs together all the way from private 5G network and edge computing. And some of you know that we were very early on, on mobile edge compute, maybe too early, and I take that responsibility. But I'd rather be too early on something than being too late.

Now we're sitting in a really good position on monetizing that investment and our assets we have there. And all that hangs together from me, and as we launched AI Connect in the first quarter, we have much higher activity with our customers and deals at the moment. They are still small, and it takes time to do a configurable network for GenAI or even doing lit-up fiber and things like that.

But the activity is very high and revenue, this is going to be good for our business group because they get more revenues on the fixed cost base that they have.

Sebastiano Petti - JPMorgan - Analyst

And you're seeing lit and dark fiber healthy demand in both?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yes.

Sebastiano Petti - JPMorgan - Analyst

Okay. So great. I mean, the network is the foundation of everything you guys offer, right? I think it's very core, very important to you. And you are deploying C-band, 80% to 90% of the plant site this year. You're also rolling out 5G advanced features. So I guess just maybe update us on the network road map and how you're thinking about the capabilities that additional C-band capacity, 5G advances, what opportunities could this potentially track for you in the coming years?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

So the C-band, what we have seen so far when we deploy C-band, we have lower churn in those markets, and we have also higher premium mix from our customers. Historically, we started with the Tier 1 cities because that's where we get the C-band from beginning.

Now we're in Tier 2 and going to Tier 3 markets. We are aiming for 80% to 90% coverage of C-band this year. That means that whoever can calculate that somewhere in '26, we're going to be 100% done with the C-band, which has been an effort, and we are ahead of plan with that.

So that's very important. And from a principal point of view, when we do capital allocation of our radio budget, mobility is the number one priority. So meaning that's number one for us right now, you see that we get 100% coverage with our C-band. And the secondary priority is then we get fixed wireless access opportunities.

We are not, at this moment, doing certain radio capabilities only for fixed wireless access. That is a secondary priority for us. I always get the question when can it be a first priority. Yes, it can be, but not before we have concluded the C-band mobility deployment.

After that, we're going to see what's best success-based radio capacity investments where they are. I mean is it to fill up gaps we have? Or will it be to have more mobility capacity? Or will it be actually to bring in more fixed wireless access customers? And as you might know, we have a target now to 8 million to 9 million fixed wireless broadband customers in 2028. So that includes only for us priority mobility and having fixed wireless access as a secondary business case.

Sebastiano Petti - JPMorgan - Analyst

So as we're thinking about -- after you get past the 8 million to 9 million, once you get there, not if you get there, once you get there, so there could be some success based, but do you think that the -- from an FWA long-term road map, do you think that the FWA, that core base is still sustainable long term? Or do you see usage or anything like that, that they might find a fixed broadband?

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

All is built to be sustainable customers. I mean that's how we design our network, that these customers that we have, we expect that they're going to stay on fixed wireless access and, our capacity is built for that going forward as well. So yes. And clearly, it's working, the strategy is working, as I said, fixed wireless customers using equally much capacity as any fiber users. So it's no different.

So we know what they're using, and we can do forward planning on capacity, which we're doing 5 to 10 years constantly. And then, of course, involving also efficiency and technology. I mean thinking about 5G advanced features, all of them are improving how we can bring more bits to our network more efficiently and bring the totality to a better place.

Sebastiano Petti - JPMorgan - Analyst

Great. And so as we're wrapping up here, and so Verizon reported highest ever EBITDA in the first quarter of 2025, up 4% year-over-year. Also reiterated all your 2025 financial guidance despite declines in consumer confidence. We talked about some pressures in federal government as well as a fluid business environment. Obviously, a lot changes week to week.

But at the same time, you are leaning in on volume growth, which we spent the majority of the conversation discussing here this morning. So I guess help us think about what underpins your confidence in achieving the full year EBITDA and free cash flow guidance. What are the top and bottom line levers to get there? Business EBITDA margins quite strong as well. And you have some other programs via the voluntary separation program, HCL Tech.

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Yes. So we confirmed our guidance when we came out for the first quarter. And I think it's important to reiterate, we had our best [Adjusted] EBITDA quarter ever in the history of 25 years of Verizon. We made \$12.6 billion in the first quarter in [Adjusted] EBITDA (added by company after the call). So the guys are doing a great job getting leverage of the growth we have.

We have been taking out costs throughout the years. And of course, last year, we had yet another year when our voluntary separation program was quite big and also partly are changes in the wireline business, where we took out a lot of cost, and that is now proof of it. And then we're growing 2.7% in the first quarter. So all in all, that is helping us. And if I look to the rest of the year, we see a good opportunity to continue to grow in the guidance.

And then we have more cost out. We -- I would say, when it comes to cost out, we do a lot of generative AI. We have brought very little to the bottom line. We have actually used it to sell more or being more efficient in front of our customers or maybe, to some extent, more efficient allocating capital. There's going to be time also when we start bringing that to bottom line, especially in customer care and other areas.

So I feel confident on what we're doing with the cost base and the revenues. And then, of course, that gives us a [free] (redacted by company after the call) cash flow from operation that is very strong. Last year, it was almost \$40 billion, [\$36.9 billion] (corrected by company after the call). And then, of course, we have a capital allocation on that, and we will continue to invest in our business. The midpoint of our capital expenditures this year is \$18 billion.

We also continue to be very clear with our Board that we want to put them in a position to grow our dividend. We have been growing our dividend for 18 consecutive years. Last year, that was \$11.2 billion in dividend.

And then we're paying down debt. And we paid down more than \$10 billion, I think, \$11 billion of [unsecured] (added by company after the call) debt last year and \$1.5 billion this quarter. That's how we do capital allocation in the best interest of our investors and shareholders. And then when we come to our leverage target, 2.25, we are 2.33 times right now on net [unsecured] debt to [Adjusted] (added by company after the call) EBITDA. We will have the optionality of buybacks.

We just need to remember when we buy Frontier, we take over \$11 billion of debt, which means that we're going to go up a quarter or notch of leverage. So we need to work that through. But given the great cash flow generation we have in the subscription-based business, I feel very confident that we'll get there, and we will have a good conversation with the Board when we get there.

Sebastiano Petti - JPMorgan - Analyst

Great. I think that's a great place to leave it. Hans, thank you so much for joining us today. It's great to see you.

Hans Vestberg - Verizon Communications Inc - Chairman of the Board, Chief Executive Officer

Thank you.

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