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VZ.N - Q2 2025 Verizon Communications Inc. Earnings Call

EVENT DATE/TIME: JULY 21, 2025 / 12:30PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning and welcome to Verizon's second-quarter 2025 earnings conference call. (Operator Instructions) Today's conference is being recorded. (Operator Instructions)

I would now like to turn the call over to Mr. Brady Connor, Senior Vice President, Investor Relations.

Brady Connor - Verizon Communications Inc - Senior Vice President, Investor Relations

Thanks, Brad. Good morning and welcome to our second quarter 2025 earnings call. I'm Brady Connor, and on the call with me this morning are Hans Vestberg, our Chairman and Chief Executive Officer; and Tony Skiadas, our Chief Financial Officer.

Before we begin, I'd like to draw your attention to our Safe Harbor Statement which can be found at the start of the investor presentation posted on our Investor Relations website. Information in this presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties.

Discussions of factors that may affect future results is contained in Verizon's filings with the SEC, which are available on our Investor Relations website. This presentation contains certain non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in the financial materials posted on our website. Earlier this morning, information on our second quarter results and supplemental materials relating to today's call were posted to our Investor Relations website.

With that, I'll turn it over to Hans.

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

Good morning, everyone, and welcome to our earnings call of the second quarter 2025. Our performance in the first half of the year highlighted by a strong second quarter demonstrate that our strategy is working. We remain committed to disciplined execution and customer-centric innovation. We're growing profitable connections and the value of our customer relationships. While we always see opportunities to improve, I'm confident in the future of our business.

Our financial performance was strong this quarter, with a market-leading wireless service revenue of \$20.9 billion, up 2.2% from last year. We delivered an adjusted EBITDA of \$12.8 billion, up 4.1% year-over-year, setting another record for the best reported quarter and the second consecutive quarter with growth exceeding our guided range for the year.

Strong profitability drove free cash flow of \$5.2 billion for the quarter. This brings our year-to-date free cash flow to \$8.8 billion, an increase of over \$300 million compared to the first half of 2024. Our cash flow from operation underscores the strength of our business and provide us flexibility to execute on our capital allocation priorities, which remain unchanged.

As a result, we continue to lead in the industry with the nation's best network. Our segmented market strategy, which is a diverse portfolio of offerings is resonating with our customers. Our customer-first offering, such as MyPlan, MyHome and the new My Biz Plan, along with our Best Value Guarantee drove significant sales momentum.

We're also deploying AI-powered innovations to enhance the customer experience on the nation's best network. On the infrastructure front, our execution is outpacing our targets. C-band deployment is ahead of schedule. Our fixed wireless base has surpassed 5 million subscribers, and our fiber build is tracking ahead of its plan. This demonstrates disciplined execution across our entire portfolio.

Given our financial performance and the momentum in the first half of the year, we are raising our full year guidance for adjusted EBITDA and adjusted EPS. We're also raising our guidance for free cash flow for the year, driven by our strong cash flow from operations and further supported by the positive impact from the tax reform. Tony will provide you with more details shortly.

Now, let's turn to our operational performance. In the second quarter, we delivered over 300,000 net additions across our mobility and broadband platforms. In mobility, we delivered year-over-year improvements in the combined postpaid and core prepaid phone net adds, including the fourth consecutive quarter of subscriber growth in core prepaid.

The wireless market remains competitive, and we continue to take a strategic and segmented approach, maintaining our financial discipline. As expected, postpaid phone churn remained elevated this quarter, reflecting the lingering effects of our pricing actions and ongoing pressure from federal government accounts.

We're actively focused on improving retention by strengthening our value propositions and leveraging our AI-powered customer experience innovations. On upgrades after being down year-over-year for eight out of the last nine quarters, we saw an uptick in the second quarter, driven by our Best Value Guarantee.

We continue to expect mid single-digit growth in upgrade activity for the full year. Our dual Fixed Wireless Access and fiber broadband strategy continues to drive market share gains. A key highlight is Fixed Wireless Access, which surpassed the 5 million subscribers milestone, keeping us firmly on the track to achieve our goal of 8 million to 9 million subscribers by 2028.

We achieved robust broadband growth even as our C-band build-out expands into less dense markets and despite a softer move environment in our Fios footprint. We continue to scale our private network business winning a landmark deal to deploy multiple private 5G networks across the Thames Freeport. This network will serve as a technology foundation for one of UK's busiest commercial corridors, fueling a multibillion-dollar regeneration project with advanced capabilities like AI and real-time logistics.

Our AI Connect offerings are also generating strong interest. Our sales funnel has nearly doubled to \$2 billion since launch earlier the year. While these are often complex deals with longer sales cycles, we're actively engaged in several sizable opportunities.

This growth highlights the surging demand for high-bandwidth fiber capacity and diverse routes both lit and dark fiber to serve different customer needs. As AI transitions from centralized training to widespread real-time applications, compute power at the network edge becomes essential. Our existing infrastructure is uniquely positioned to support this evolution.

Our network is our key differentiator, consistently delivering top performance. This quarter, J.D. Power once again recognized Verizon for the best network quality and RootMetrics first half year 2025 awards named us the nation's best, fastest, and most reliable 5G network. We're building on this advantage every day.

Our C-band deployment is ahead of schedule and on track to cover 80% to 90% of planned sites by year-end, with nearly all sites now standalone capable. Our fiber build is tracking ahead of plan, and we're positioned to deliver 650,000 incremental passings this year.

Meanwhile, the regulatory approval process for our pending acquisition of Frontier is progressing as planned. We're encouraged by Frontier's performance and look forward to closing the transaction to further accelerate our fiber expansion.

As we near the closing of Frontier acquisition, we will provide a comprehensive update on our strategy, broadband expansion and capital allocation considering all stakeholders. We look forward to providing an update in the next few months.

With that, I'll turn it over to Tony to go into the financials in more detail.

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

Thanks, Hans, and good morning. The first half of the year reaffirms the strength of our business, highlighting the effective execution of our disciplined strategy and significant progress towards achieving our financial goals. As a leading provider of essential connectivity across the US, we are committed to offering the best value and delivering the best service and customer experience within the industry.

We are focused on driving wireless service revenue and adjusted EBITDA growth and robust free cash flow. The second quarter demonstrated our ability to deliver strong financial results even in a period of elevated promotional activity and broad economic uncertainty.

We remain focused on high-quality, profitable growth, recognizing that volume growth is only valuable when aligned with our disciplined financial framework. Our goal is to improve volumes year-over-year, but we will not do this at the expense of delivering on our three key financial priorities.

This past quarter, we achieved strong sales focusing on high-quality customers without overspending for growth. Even with Public Sector challenges and ongoing Consumer postpaid phone churn pressure, we maintained our financial discipline.

Within Consumer, second quarter postpaid phone gross additions were up sequentially and year-over-year. Our sales execution remains strong, leveraging our attractive value proposition, including the recent launch of the Best Value Guarantee.

As expected, we saw the residual effects of our first quarter pricing actions impact our second quarter Consumer postpaid phone churn. Additionally, we continue to see elevated competitor promotional activity. As a result, second quarter Consumer postpaid phone churn remained consistent with the first quarter at that 0.90%.

We have taken a series of actions to address our elevated churn. On June 24, we launched initiatives designed to improve the customer experience, including leveraging AI for more personalized support. In addition, we continue to enhance our value proposition and build customer loyalty through the Best Value Guarantee.

We provide exclusive access to the best events and experiences, and our refreshed app helps customers maximize the value of their plans. Mobility phone net adds, which includes both consumer and business retail postpaid as well as core prepaid, were 16,000 for the second quarter. This represents an improvement of 25,000 from the prior year period.

Consumer postpaid phone net losses totaled 51,000 for the second quarter compared to 109,000 net losses in the prior year period as we benefited from strong gross adds. Verizon Business delivered 42,000 phone net adds in the second quarter compared with 135,000 net adds in the prior year period.

A significant majority of the year-over-year decline was driven by the Public Sector business. Though we anticipate Public Sector pressures to persist in the second half of the year, we expect the impact to subside towards the end of the year.

Consistent with our wireline approach, we continue to remain disciplined and not pursue low-margin wireless business or overpay for volumes. We remain confident that the team has the tools to execute effectively in the current environment and deliver healthy volumes for the full year of 2025.

Core prepaid net additions were 50,000 for the quarter an improvement of 62,000 from the prior year period. This marks four consecutive quarters of positive core prepaid net adds, reflecting the strong execution of the team. The Visible, Total Wireless and Straight Talk brands continue to perform well and are progressively building a high-quality business.

Overall, core prepaid ARPU rose above \$32 and we have now reached an inflection point where after four quarters of volume growth, we expect prepaid to positively contribute to wireless service revenue growth for the remainder of the year.

Turning to total wireless postpaid upgrades. We saw a 14% increase in the first half of the year as compared to the same period of 2024. This result was driven by a healthy initial uptake of our Best Value Guarantee program, which is an investment in our high-quality customer base. As Hans said earlier, we continue to expect upgrade activity to increase by a mid single-digit percentage in 2025 as compared to 2024.

Moving on to broadband. We delivered 293,000 net additions in the quarter. We are taking broadband share and see strong demand for both our fiber and Fixed Wireless Access offerings, even with seasonal impacts and a softer move environment as compared to prior years.

In Fixed Wireless Access, we delivered 278,000 net adds for the quarter, growing the base to more than 5.1 million subscribers. FWA demand remains strong, and we are on track to deliver our goal of 8 million to 9 million FWA subscribers by 2028.

Fios internet net adds for the second quarter were 32,000 versus 28,000 in the prior year period. Fios provides customers with industry leading connectivity and delivers high customer satisfaction reflected in both robust ARPU and consistently low churn rates. We are expanding our Fios footprint and remain on track to deliver 650,000 new passings in 2025.

As we talk about fiber, let me provide a brief update on the pending Frontier transaction. The team is working through the necessary steps to complete the acquisition, and we remain on track for an early 2026 close. We have received regulatory approvals from eight states as well as the FCC and DOJ and are productively engaged with the remaining state regulatory agencies.

Based on Frontier's publicly reported results, the company continues to perform extremely well and remains on track with their fiber expansion goals. Our integration planning efforts are well underway, and we anticipate a smooth transition upon the deal closing. We are looking forward to having Frontier's assets serve as an important catalyst for our fiber expansion and broadband growth acceleration.

Turning to our financial results. We delivered another strong quarter. Second quarter consolidated revenue reached \$34.5 billion, up 5.2% year over year. This result was driven by solid wireless service revenue and a more than 25% increase in wireless equipment revenue. Services and other revenue rose 1.6%. Total wireless service revenue reached \$20.9 billion in the second quarter, a 2.2% increase year over year.

Growth was driven by consumer ARPA, which rose 2.3% year over year. We realized benefits from recent pricing actions, expansion of Fixed Wireless Access, and increased revenue from perks and other adjacent services. Our robust perk offerings continue to grow at a steady pace, keeping us on track to achieve our goal of 15 million perks by year end and providing a healthy contribution to service revenue.

In addition, prepaid revenue has reached a turning point and was flat in the second quarter compared to the prior year period. We expect prepaid to positively contribute to wireless service revenue growth in the second half of the year. Overall, we are well positioned for continued service revenue growth with healthy underlying customer economics.

Consolidated Adjusted EBITDA in the quarter was \$12.8 billion which is the highest we have ever reported and an increase of 4.1% compared to the prior year period. Wireless service revenue growth coupled with the benefits from cost savings initiatives more than offset the impact from the elevated upgrade activity.

Through the first half of 2025, both wireless service revenue and Adjusted EBITDA are up nearly \$1 billion from the prior year, reflecting strong operating leverage. Within that result, the Business segment EBITDA has now grown for three consecutive quarters on a year over year basis.

From a cost perspective, our voluntary separation program is now complete, generating substantial savings. In addition, we're actively pursuing opportunities within our legacy businesses. These include copper decommissioning and savings from the managed services initiative within our business segment, among other cost efficiency programs. Adjusted EPS was \$1.22 in the quarter, up 6.1% year over year, primarily due to the strength in Adjusted EBITDA.

Turning to our cash flow summary, cash flow from operating activities for the first half of the year was \$16.8 billion, up more than 1% compared with the same period a year ago. CapEx for the first half of 2025 came in at \$8 billion compared to \$8.1 billion in the prior year period. We continue to realize efficiencies in our C-band deployment and Fios expansion, enabling us to effectively meet or exceed our network goals well within our capital budget.

For the first half of the year, the net effect of Cash flow from operations and CapEx resulted in free cash flow of \$8.8 billion, an increase of 3.6% compared to the same period a year ago. Net unsecured debt at the end of the quarter was \$116 billion, a \$6.9 billion improvement year over year. In the first half of the year, our debt reduction was offset by non-cash mark to market adjustments.

Our net unsecured debt to consolidated adjusted EBITDA ratio was 2.3 times at the end of the quarter, a 0.2 times improvement year over year and in line with the prior quarter. We continue to make progress towards our long-term leverage target ahead of the closing of the Frontier transaction.

Our balance sheet remains a significant strength of our organization. Notably, we have under \$700 million in unsecured debt maturities remaining in 2025. We will continue to focus on reducing debt ahead of completing the Frontier transaction.

As Hans mentioned earlier, our capital allocation framework remains unchanged. We will continue to strategically invest in the business, enhancing our mobile and broadband networks, support a healthy and growing dividend and paying down debt towards our long-term leverage target.

As we've mentioned previously, we'll consider buybacks once we reach our leveraged target. Our strong operational execution in the first half of the year coupled with favorable tax reform gives us the confidence to increase our guidance for the full year.

Given the strong Adjusted EBITDA performance in the first half of the year, we are increasing our full year guidance to 2.5% to 3.5% growth, an increase of approximately \$125 million at the midpoint.

We are increasing our guidance for Adjusted EPS growth to a range of 1% to 3% to reflect a new Adjusted EBITDA outlook.

We are raising our 2025 free cash flow guidance to a range of \$19.5 billion to \$20.5 billion. The increase is driven by an estimated benefit of \$1.5 billion to \$2 billion from the recently enacted tax legislation as well as the disciplined operational execution that drove our strong adjusted EBITDA and free cash flow performance in the first half of the year.

Our wireless service revenue and CapEx guidance remains unchanged. As we get closer to the closing of the Frontier transaction, we expect to provide an update on our broadband plans as well as our capital allocation strategy.

In summary, we have a resilient business model with a high-quality customer base and continue to execute well on both mobility and broadband. Our second quarter financial performance reflects our disciplined approach to growth, and we are well positioned to deliver on our improved outlook in the second half of the year.

With that, I will turn the call back over to Hans.

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

Thank you, Tony. Our strong first half results reaffirm our confidence in Verizon's strategy. Our strategic execution and the ongoing momentum across our business underpin our decision to raise full year guidance. Our focus remains clear. We are committed to growing wireless service revenue, expanding Adjusted EBITDA and generating strong free cash flow.

We will achieve this through three key priorities. First, building on our network leadership to create compelling customer offerings that accelerate growth in our mobility and broadband businesses. Secondly, maintaining operational excellence and financial discipline across the organization.

Thirdly, scaling our next-generation platforms from capturing new enterprise opportunities with private networks to enabling AI at scale and unlocking new revenue streams from our existing assets.

The opportunities ahead are significant and the pending Frontier acquisition will accelerate our fiber strategy.

Verizon's unique market position and the essential nature of our services are fundamental to empowering individuals, businesses and society. Verizon has the assets, the strategy, and most importantly, the team to deliver sustainable long-term growth. We are excited about the opportunities ahead.

With that, Brady, it's time for Q&A.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Hans. Brad, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ben Swinburne, Morgan Stanley.

Benjamin Swinburne - *Morgan Stanley - Analyst*

Thank you. Good morning. I want to ask about free cash flow, capital allocation and then also the outlook for consumer wireless. Hans and Tony, you guys have meaningfully more cash flow to play with now. I know you said \$1.5 billion to \$2 billion this year. I think these tax benefits continue beyond '25, what's the best use of incremental capital at Verizon from your perspective? I know you laid out your priorities. But can you help us think about your ambition to get to buy back sooner build more fiber faster, et cetera, et cetera.

And then on the consumer wireless front, should we still expect consumer net add improvement postpaid net add improvement in 2025 versus 2024? I don't think that was reiterated in the prepared remarks. And maybe you could talk a little bit about the churn outlook in the second half, where you'll be moving beyond the price increases. And so, whether we should still be expecting kind of churn normalization? Thanks so much.

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

Thank you. Let me start with the capital allocation. I think your comments and question there is more than valid. As you saw, we raised our guidance for free cash flow, partly because of our cash flow from operation is improving, but also the tax reform that we indicated on how much it is.

As I said before, I mean, our capital allocation priorities are unchanged. I mean it's, first of all, in our business, and we have increased the CapEx this year compared to 2024. The dividend, of course, 18 years of increase. We want to put the Board in a position to continue to grow. We paid down our debt. We paid down our debt again with almost \$3 billion in the first half, and then it will be buybacks.

Now, we are in a situation where we are getting closer to the expected (corrected by company after the call) next year closing of Frontier. So what I said in my prepared remarks is I want to get a holistic view on all the capital allocation. I mean how we're going to invest in fiber, what synergies we see, how we're going to do the capital allocation priorities.

But clearly, the tax reform is helping us to get faster to the priorities we have. So we feel good about that. But let me come back to that. So I think we can give you a holistic view on capital allocation. But clearly, we're very excited about Frontier. The performance is great. The synergies are great. And of course, the convergence and the fiber opportunities are also great. So very excited for that. And so far, Frontier has performed really good.

On the wireless consumer, I think that our ambition as was outlined by Sampath in the beginning of the year doing better this year is still valid. I mean there's no difference on that. However, we're going to continue to be very financially disciplined.

For us, we will not sacrifice our financials, but you're still getting net adds if it doesn't make sense. If it's too expensive. You saw us in the fourth quarter last year being aggressive because we saw the opportunities of creating and gaining a lot of high-quality customers.

You saw our gross adds in second quarter. So it all depends on where the market is and where we go, but ultimately, our goal is to increase our service revenue and then expand our Adjusted EBITDA and cash flow. That's our main KPIs.

And then on churn, Tony will probably chime in on all of this. But on churn, expected in the second quarter was elevated coming from the prices, but also from the competitive environment. I think the whole industry is up, Sampath put in a lot of very important churn measurements, 624. That now is working going through our system. All our AI-empowered customer service impacting.

So very encouraged about what the team is doing and how they are working on the loyalty and retention of our customers. So that's all. A little bit Tony will chime in on all three, I guess.

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

Yeah. Thanks, Hans. Good morning, Ben. So a couple of things on churn. Obviously, we're focused on reducing churn in a financially disciplined manner. And as Hans mentioned, we have a great value proposition with the Verizon value guarantee and also My Biz on the business side.

We have further deployment of C-band. We said we're going to get to 80% to 90% of C-band this year deployed, and we see lower churn where C-band is deployed. And then the work that Hans mentioned on customer experience, we did a CX launch on June 24. And that work is also augmented by AI, and we expect to see improvements there. And then obviously, convergence will also reduce mobility churn. And the team has the retention tools to get there, and they're focused on it.

And then one other comment just on tax reform as your question around looking ahead, we're not going to guide on 2026, but the extensions of bonus and R&E are permanent. So while we won't guide on '26, yeah, I would expect that the impacts in 2026 would be significant.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Yeah. Thanks, Ben. Brad, we're ready for the next question.

Operator

John Hodulik, UBS.

John Hodulik - *UBS AG - Analyst*

Great. Thanks. Good morning, guys. Two, if I can. First, it looks like you saw a further deceleration in postpaid ARPA growth. Can you just talk a little bit about the drivers that are causing that deceleration?

And then a follow-up on one of the comments. The upgrade rates in the teens in the first half, do you expect mid-single digits for the year. What's the driver of the -- what would suggest to be a pretty rapid deceleration in the upgrades? Thanks.

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

Thank you. On the postpaid ARPA, I think, again, I mean, we have been growing our ARPA for a long time, and we continue to. We have many levers in there all the way from our broadband by step-ups, only 50% of our customers on MyPlan. We had the adjacent services. You heard when we had our prepared remarks on our perks basically doubling this year, up to 15 million perks. So we have a lot of drivers for it. So we still believe that we have a good run rate on that.

On the upgrades, as you articulated, we have been down eight quarters of the last nine when it comes to upgrades for many reasons. This quarter, we put in, first of all, a couple of incentives for customers to upgrade. So that's why we saw a little bit higher. But remember, when we talk about the mid single digits, that both business and consumer. That's the total investment we're having in upgrades.

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer, Executive Vice President*

And then just a couple of other points on the upgrades. I mean, we absorbed the higher upgrades. The upgrades were up 30% year-over-year, and we still produced strong EBITDA and cash flow in the quarter. So we had good operating leverage across the board there.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Yeah. Thanks, John. Brad, we're ready for the next question.

Operator

Sebastiano Petti, JPMorgan.

Sebastiano Petti - JPMorgan Chase & Co - Analyst

Hi. Thanks for the question. Just a follow up on Ben and John's theme there for a second. As we think about the consumer net add results in the quarter, any way to unpack maybe free line contribution intra core? I know that was a below-the-line offer that was in market as well.

Anything to quantify or read through from the deceleration in core prepaid down pretty materially sequentially. Is there any migration activity within the quarter there? And then lastly, on the Frontier deal close, you said early 2026. Is that implying a later-than-expected close versus 1Q '26 was the previous guidance given maybe some utility commission reviews that are ongoing out there. Thank you.

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

No. We can start with the Frontier. No, nothing has changed. It's on the plan. We said actually since we announced acquisition. So it's the first quarter of 2026. So nothing has changed on that. And then on any particular things on our net adds. First of all, we had a great gross adds. I mean the team did a great job. Our sales channels were working. Our product is resonating with the market.

The free lines was insignificant. It was part of the 624 launch, and it just was on for a very short time period then it's off right now. So that had nothing to do with it. It was a really good execution by the team.

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

And then on prepaid, as you can see, the segmentation strategy is working and the operational rigor now that we have is paying dividends, and we have four straight quarters of growth in our prepaid business. And we're seeing good results across all of our main brands, whether it's Straight Talk, Visible or Total Wireless, and we continue to scale the distribution there.

And the other thing I want to point out on prepaid is now that we have four straight quarters of volume growth, we've reached an inflection point, and we now expect prepaid will be a contributor to service revenue growth in the second half of 2025. So we feel good about the progress and the momentum we have in the prepaid business.

Sebastiano Petti - JPMorgan Chase & Co - Analyst

Just a quick follow-up there. Within prepaid to postpaid migration, the 19% increase in gross additions in the quarter, would that reflect any migrations across the base?

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

No. It's not significant for us.

Brady Connor - Verizon Communications Inc - Senior Vice President, Investor Relations

Thanks, Sebastiano. Brad, we're ready for the next question.

Operator

Jim Schneider, Goldman Sachs.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

Good morning. Thanks for taking my question. I was wondering if you maybe broadly comment on the broadband market trends that you're seeing right now. I think you talked about a softer move environment, but what are you seeing in terms of the gross add environment more broadly across both fixed wireless and Fios heading into the back half of this year?

Any change in competitive dynamics that would make you feel more or less confident about your ability to sustain better net additions in the back half. And specifically, can you maybe comment on your expectation for fixed wireless ads and whether they can improve and recovery heading into your end?

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

Thank you, Jim. When it comes to broadband, the first half year, I mean, Fios has been fairly consistent. But of course, what we saw here in the second quarter was a way lower mover market. I mean, the product is the best product out there. The churn is very low, performing really well.

On the Fixed Wireless Access, it's the same phenomenon we talked before, as we go suburban and rural to the 80%, 90% of C-band, that's where we create the opportunities for Fixed Wireless Access as is a secondary business case on our build.

And that means that we have less passing or whatever we call it, in Fixed Wireless Access world, where less open for sale. So that's very natural. If I look into the second quarter, I'm pretty certain we will do better on broadband in the second half this year than we did in the first.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

And maybe could you just comment on the status of your MDU rollout? I know it's in trial phases right now, but would you expect that to be a significant contributor as we ahead 2026?

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

So the MDU solution, which is a world first (corrected by company after call) using licensed spectrum, again, Verizon is leading with a solution that nobody else has done. That is more than trials right now, even though it's a smaller scale, where in many states, we'll start rolling it out. And we want to have a short time period between we have the product and we talk to the landlords.

It's going to start scaling even more in the second half. I think it will be a bigger contributor in '26 than in '25, but it's a great product that can get very, very good broadband services all the way up to 1 gigabyte, which is something extraordinary that the guys have been doing. But we will scale to see that we have the highest quality that Verizon is known for and is our trademark.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Jim. Brad, ready for the next.

Operator

Mike Rollins, Citigroup.

Michael Rollins - Citigroup Inc - Analyst

Thanks, and good morning. Two topics, convergence and EBITDA. So first, on convergence. Curious if you could share an update on how Verizon is progressing with the uptake of these converged bundles within the base. And if you can share how Verizon is looking to differentiate your converged offers versus the competition.

And then on EBITDA, you referenced that it was up 4% in the second quarter, first half and that's better than the guidance range of 2.5% to 3.5%. So can you unpack within the full year guidance, like what you're anticipating for the rest of the year? And what are the factors that would put you at the high end versus the low end of that range?

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

I can start and then I'm going to hand it over to Tony. But on the convergence, I think that, of course, our main key differentiator is that we have owner's economics on mobility and broadband. We have the biggest mobility base and we're now adding our fiber base with Frontier.

So we're going to have an unparalleled opportunity for convergence that our customers have a chance to work on both. And as I said before, we have a very high degree of our broadband net adds per quarter that are already converged.

So it's more about when we're going to scale that opportunity, we have even more chances and if you think about coming into the Frontier footprint when that's approved, we have a huge opportunity for convergence. So we're excited over that and that's our offering.

And on EBITDA, before Tony says something, I think you see right now our leverage, the cost takes out we've done, the growth we're doing and it's falling straight down to the bottom line and we will continue to focus on that. As I said so many times before, the whole executive management and the whole company had three KPIs. It's the wireless service revenue growth, and then it's Adjusted EBITDA and cash flow generation. So very good start of the year.

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

Thanks, Hans. Hey, Mike. So on the Adjusted EBITDA, we were up over \$500 million in the quarter and about \$1 billion of Adjusted EBITDA growth year-to-date, and that's also in light of having a pretty significant upgrade activity mostly driven by the launch of our Value Guarantee.

And we stayed very disciplined in the quarter. We didn't chase volumes. And they gave us the confidence that resiliency in the business gave us the confidence to raise the guide. And it starts with the top line revenue and wireless service revenue is up 2.4% year-to-date. So we're seeing great operating leverage, as Hans mentioned.

And there's a lot of work going on the cost side of the house to continue to make the business a lot more efficient in serving customers day in and day out. If you think about the customer care and the work we launched on June 24, that includes having AI enabled customer care, managed services.

We're seeing great progress now with the managed services work that Kyle and the team are doing, and we're seeing good savings here ramping up in 2025. The network team continues to take out cost and legacy network elements that includes copper decommissioning and that work is ongoing.

And then even in Business Wireline, we continue to de-emphasize low-margin deals and stay very disciplined there. And then from a headcount standpoint, the voluntary separation program is now behind us, and we're seeing a full run rate benefit for the balance of the year.

So there's really no assumption changes in upgrades, as you asked before. We said mid single-digits for the full year. That still stays intact. And what we've said is volumes are important, but we're going to stay disciplined in our approach and in support of the three measures that Hans mentioned wireless service revenue, Adjusted EBITDA and free cash flow.

And we'll pulse in pulse out where it makes sense. But we're not going to chase on profitable growth for the sake of net adds. So but very pleased with the progress on Adjusted EBITDA in the first half of the year and very comfortable raising the guidance for the back half.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Yeah. Thanks, Mike. Brad, we're ready for the next question.

Operator

Kutgun Maral, Evercore ISI.

Kutgun Maral - *Evercore Inc - Equity Analyst*

Good morning and thanks for taking the question. I want to ask about your wireless go-to-market strategy. I know you pulse in and out of the market, Tony, just like you said, but looking through some of your postpaid offers in the second quarter, at times, there seems to have been a bit more promotional activity on the device side, targeting the value end.

Over the last few years, you've expanded your portfolio in the segments that you target with TracFone and Fixed Wireless, for example. But the value end had historically been perhaps less of a focus on the postpaid side. So I was curious if this was more of an opportunistic tilt that was specific to the quarter or if it's part of a more strategic shift in the way that you expect to go to market moving forward? Thank you.

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

Thank you. First of all, Sampath and the team together with our CMO, Leslie, have been working really hard to segment up our market because as we see the market having less and less new customers come into the market, a segmented approach becomes important. We are running now, I think, eight or nine different brands. All of them have different brand attributes and appealing to different segmentations.

So this is sort of a segmented growth strategy we have in wireless for Consumer, and that will continue. And you just refine and see that we have the right offerings in all the different type of brands we have. I would say some of the brands are doing extraordinary well. I mean, Total Wireless, Visible, very good, very targeted. Some of them have some sort of promotions. Some of them are just having a service fee.

So it's very different, and you're going to see us continue doing that work because that is part of our growth story that we can actually meet any consumer with different economical background with the service. And as you can see in this quarter and the previous quarters, we're actually excited about those opportunities.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Yeah. Thanks, Kutgun. Brad, we're ready for the next question.

Operator

Frank Louthan, Raymond James.

Frank Louthan - *Raymond James - Analyst*

Great. Thank you. Can you talk to us about the pace of the Fixed Wireless deployment? Are you seeing that increase or doing more investment there? Or is that kind of staying the same? And then can you characterize the promotion activity in July. Do you think that's going to be similar this quarter with seasonality? How should we think about that? Thanks.

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

Thank you. On the pace on Fixed Wireless Access, that's not changing at all. I mean, we are gearing up for reaching 80%, 90% of C-band this year, and that's where we followed through with our Fixed Wireless Access opportunities. And by next year, we're going to have basically built all our C-band on top of the grid we defined from the beginning. And after that, we can always debate how we're going to continue to allocate capital.

But right now, we allocate capital for mobility for the simple reason that where we build the C-band, we have better step ups, we have better upgrades from our customers. So that's the number one. But let us finish this and then we're going to see, but the pace has not changed, the same C-band build-out.

What you see on the CapEx is actually also an efficiency work. We're doing everything that was planned for '25 right now, but we do it more efficient. The network team is doing a great job, actually creating efficiencies on our CapEx. And that's very important for us going forward when we're also going to have Frontier inside.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Frank. Brad, ready for the next question.

Operator

Craig Moffett, MoffettNathanson.

Craig Moffett - *MoffettNathanson LLC - Analyst*

Hi. I want to follow-up to Ben's first question where you talked about capital allocation. Under the new budget or the One Big, Beautiful Bill, there is an expectation of significant spectrum sales, even though the spectrum hasn't been identified, can you just talk a little bit about that as to how you would prioritize spectrum purchases. If there's either a government action or alternatively if private market spectrum comes available from EchoStar as to how that might affect, for example, your discussion about possible share buybacks.

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

Thank you. When it comes to spectrum, I mean, I think that what we are -- we're sitting on a really good position on spectrum and with a C-band, millimeter wave, or a low band, and that's what you see we are deploying right now. So we feel good about where we are with spectrum.

Then I've said all the time that the US over time needs more spectrum, especially as 6G comes up, et cetera, in order to stay competitive and being the most digitalized country in the world. So we're, of course, thinking is good. That's part of the bill. But as you rightfully said, it still needs to be freeing up spectrum and all of that, and that will take some time.

When it comes to in general capital allocation of spectrum, we always do the build versus buy. I mean, we have done it way before I joined. We look into will this -- buy the spectrum being better than building our own spectrum today. That's the comparison of what it's going to do when we see spectrum in the market.

But again, we feel good about the position we have. And we are encouraged that the government is planning over time to bring more spectrum to the market for the competitiveness of the United States of America.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Craig. Ready from the next question.

Operator

Michael Funk, Bank of America.

Michael Funk - *Bank of America - Analyst*

Yeah. Hi, good morning. Thank you for the question. So on postpaid phone subscriber acquisition cost, what are you seeing for the increase in acquisition cost year-over-year? And then what are you modeling for second half? And what's the right mix of budget for retention versus acquisition?

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

This is close to how we work constantly between Sampath, me and Tony, seeing that we have an envelope for the full investment of customers, which is including acquisition, retention and media. To give you an exact number, that wouldn't be appropriate.

But I think that what you should be feeling confident about it that we weekly think about what is the best allocation that we get the best return on investment on the LTV and getting the right customers of retention or acquisitions.

So that is a fluid work we're doing constantly, and we have improved this dramatically over the years. Before it was an overall budget. Now, it's a much more dynamic, but we stay within the financial discipline we have. So we're not overshooting on anything.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Mike. Brad, ready for the next question.

Operator

Greg Williams, TD Cowen.

Greg Williams - *TD Cowen - Analyst*

Great. Thanks for taking my questions. First one is just on the consumer phone gross adds. You guys said you're disciplined in not chasing volumes, but it's up 19%. I think that's a 2Q record. How sustainable is this level of gross adds going forward in the balance of the year?

And the second question, just on the customer experience that you guys launched on June 24 because you're talking it up quite a bit here. I wanted to get more color on what it is in the specifics, and you mentioned AI enabling customer care, et cetera. So any color there would be great. Thanks.

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

Okay. Sure, Greg. On the gross adds, a couple of things here. The strength came from two places. First, we had very strong sales execution in our stores and distribution. The team did a great job. And then secondly, the value proposition when you think about -- we launched the Best Value Guarantee back at the beginning of April, and that is resonating with customers in the market.

And we see a healthy mix of new to Verizon in the quarter, and we're also writing good business as well. And what we said many times is volumes are important, and we'll pulse in and pulse out where it makes financial sense. And then as we said earlier, the biggest opportunity for us is loyalty and retention, and the team is focused on it.

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

Yeah. And if we talk about what was launch 624, I think that it was a lot of AI supported customer experience tools we put in. I mean, first of all, when it comes to the process, we now will have a customer care employee following a request or a complaint from our customers all the way. So we actually finish it out with the same person starting and ending and also having uptake. That was a concern for our customers that we heard through the year and that we needed to improve.

The other thing is we're also opening up for our customer service 24/7, very important. Again, that was a feedback that people are having different work hours. They want to call different times. We're going to fix that. And then, of course, we're giving our customer care employees an AI tool so they can treat our customer better and know their problems better because this could be stressful. We know that having the connectivity is such an essential service mobility in broadband.

And then the last thing, we're going to leverage even more our stores. I mean, 93% of the US population has less than 30 minutes of Verizon store. We're going to leverage that more, see that's going to be a place where you can get more support and help as well. So we leverage all the assets and all our employees to see that we're treating our customers better.

And I think it's an area we can excel in, and then we basically have worked a lot on our product side, where we have MyPlan, My Biz, MyHome, all of that with perks, which is really resonating. We have worked on a brand that we refreshed the brand last year, and that is actually going really good as well. And the network is, of course, the best network in the market that once again was proven by J.D. Power and RootMetrics.

So we're working on all the cylinders how we compete for any type of customer all the way from enterprise government, small and medium to prepaid, postpaid customers, and broadband and mobility. So it's a holistic thinking how we're going to do this. Thank you for the question.

Brady Connor - Verizon Communications Inc - Senior Vice President, Investor Relations

Thanks, Greg. Brad, we're ready for the next question.

Operator

Peter Supino, Wolfe Research.

Peter Supino - Wolfe Research LLC - Equity Analyst

Hi. Good morning, everybody. A question about costs and want to know about churn. On costs, you mentioned your expectations for continuing cost efficiency. And we see, obviously, headcount is flat year-to-date in your reporting compared to 5% improvement or decline in 2024.

And so, thinking out medium term, thinking about 2026, 2027, I wonder if you could describe any opportunities you see for ongoing efficiency gains outside of price increases. And then on churn, now that we're well past the impact of extended installment plans on consumer churn, what

do you think is the cause of today's churn levels? Obviously, your initiatives in June indicate some incremental concern. And does that trend require less aggressive, less positive price increases in the future? Thanks.

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

First of all, any future commercial plans, I will not share. That I cannot do. I start with the cost. I think that both Tony and I see more cost opportunities than we have seen in a long time. And that's what you see in our leverage right now. Many of the AI solutions were put in, we talked about them last year, we're putting into both in the capital planning for our customers, for our employees. That's still not into any cost base for us.

The headcount, we have been very, very good and it's going down all the time. So we have been very efficient on managing our resources that is handling this market. So very happy with that. And I hand it over to Tony to talk a little bit more about cost and churn.

Anthony Skiadas - Verizon Communications Inc - Chief Financial Officer, Executive Vice President

Thanks. So Peter, a couple of things. The headcount is down 3.7% year-over-year. And as I said earlier, we had a lot of Adjusted EBITDA margin expansion in the first half and continue to take cost out, whether it's AI, whether it's network, the team continues to take copper out of the network, and that work continues. And whether it's IT or real estate, IT platform consolidation of real estate, we're continuing to push cost out of the business.

And even on Business Wireline, as I said before, we're being really disciplined at the deal desk. And even on wireless, we're being disciplined at the deal desk as well, and we're not chasing growth for the sake of growth. So as Hans said, we're operating differently, and we feel good about the cost actions that are driving the Adjusted EBITDA improvements and also the increase in the guide.

Brady Connor - Verizon Communications Inc - Senior Vice President, Investor Relations

Thanks, Peter. Brad, we're ready for the next question.

Operator

Bryan Kraft, Deutsche Bank.

Bryan Kraft - Deutsche Bank AG - Analyst

Hi. Good morning. I just had a question on BEAD. With the recent changes in the program, I was wondering how you're thinking about the opportunity to participate and maybe make some incremental investments into footprint expansion through that program. Thanks.

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

Thanks. Yeah. There are some slight changes to the BEAD program rules, which opened up some opportunities for us, of course, and then it's a process of rebuilding. I think that's one area. The other areas, of course, we have been building since the first BEAD opportunity came up.

So the combination of this is probably that we have the same opportunities as we had when the BEAD program started. We're going to BEAD where we see that we have a good return and with some subsidies from the government. So no major change for us. We are in this process right now. So I need to come back to you when we see the outcome of that rebuilding.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Bryan. Brad, we have time for one more question.

Operator

Tim Horan, Oppenheimer.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

The business revenues and margins have improved pretty substantially. Just any more color on what you're doing there? I know you touched on it a little bit, but can you give us a little bit more samples of what's going on? And I guess the key question is it secular and I guess particularly on the margins.

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

Thank you. Yeah, it's a lot going on there. I mean, some of you have been following us for quite a while. You know that somewhere in '23, our performance was not the best. We took a lot of decisions, including getting basically a new management team. Since then, we have been aligning on what we need to do, and you see so many vectors of growth that we didn't have before. I mean, all the way from fiber, Fixed Wireless Access and of course the fiber will be added in the Frontier over time.

You see our AI Connect that we talk about on the business side so that we can leverage our assets on the on the fixed side. We have the adjacent services that for a couple of years ago were very small. Now, with the perks and all of that we're doubling the growth there.

So we have the convergence coming up as well. We have prepaid that Tony talked about that was zero or negative for us for quite a while. Now, we're basically flattish and of course, expecting that the team is going to. And then we have all the step up and the segmented growth that I talked about.

So the team is executed really good and, in the foundation, we have a great network that we now are sort of capturing all the opportunities we receive an investment we did for a couple of years ago, and that's what you see. And then on top of that with the discipline from Tony and the team, we're taking out cost and then you see the leverage and sometimes we just underestimate what great business this is.

I mean, it's an enormous business when it comes to revenue and subscriber-based services and the generation of cash is extraordinary. We will just continue to drive that and see that we have the right offerings for our customer, but that's what's behind it. We're really well executed and what you should expect from Verizon, which is our trademark.

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer, Executive Vice President*

Thanks. And then Hans, just a couple of things to add, Tim, on the on the business segment. The team continues to grow volumes, both mobility and FWA and the business continues to skew more wireless, which is great to see, and we said the goal was to improve the EBITDA profile in this segment, and we saw really good progress in the first half of the year.

We have three straight quarters now of growth. So if you look at between the revenue and the margins on the revenue side, as I said, more wireless FWA and mobility growing even though we're growing through even the Public Sector pressures as well. And we're also seeing contributions from private 5G networks and AI Connect, and that's also offsetting some of the wireline decline that we see.

And then on the cost side, Kyle and the team are doing a great job with our managed services transformation, the deal we signed with HCL is providing a lot of benefits this year and a lot of good discipline in terms of moving customers off of legacy progress -- products rather, and

de-emphasizing low margin deals and also operating with lower headcounts. So we're well positioned to continue to improve the business EBITDA margins this year, very happy with the progress.

Brady Connor - *Verizon Communications Inc - Senior Vice President, Investor Relations*

Thanks, Tim. Brad, that's all the time we have today.

Operator

This concludes the conference call for today. Thank you for participating and for using Verizon Conference Services. You may now disconnect.

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