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EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Michael Funk *Bank of America - Analyst*

PRESENTATION

Michael Funk - *Bank of America - Analyst*

(audio in progress) The telecom infrastructure, software analyst at BofA. Jessica and I welcome you to, I think it's a 32nd Annual BofA Media Telecom Conference. So thank you for being here with us today. We're going to kick right off today with Sampath from Verizon.

Sampath, thank you for being here. I think we have a Safe Harbor they want us to show. So should be on the screen over there. So please see that because you say anything 8-K worthy today. So thank you again.

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer*

Thank you.

QUESTIONS AND ANSWERS

Michael Funk - *Bank of America - Analyst*

Yeah, I see, but thank you for being here today. A lot has been going on in telecom recently. So I wanted to stick maybe to the current events to kick off. Last week, AT&T announced the acquisition of spectrum from EchoStar. So I guess what are your thoughts on Verizon spectrum position and the need for additional spectrum to meet capacity needs?

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer*

Michael, thanks for having me here today. And congratulations on picking up the telecom vertical. Welcome to the family.

Michael Funk - *Bank of America - Analyst*

Welcome back, right?

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer*

Exactly. Verizon, we really like our spectrum position that we have here today. We've made some investments in C-band as well as some opportunistic investments. And our goal is to run the best network on earth. And for the last 32 times in a row, we won the J.D. Power best network.

And sometimes, we've done that with the least amount of spectrum. Sometimes we've done that with a lot of spectrum. But historically, we run one of the most efficient networks. So if you look at number of subs over a unit of spectrum, we are the highest in the industry. And that's not by chance, it's by design and how we architect the network.

Having said that, we always look for opportunistic places. It's built by conversation for us on spectrum. And sometimes build as you go and build more sites, buy also may require a build depending on whether it's compatible with your current spectrum position or the radio position you have or not.

You saw the recent transaction with EchoStar, 3.45 and 600. I can tell you, both of those were not compatible with our radio portfolio that we have at the moment. But we continue to be opportunistic and very financially disciplined. You see that with US Cellular, where we picked up some spectrum.

It's 2 megahertz average for the nation, but in certain pockets, it's 25 megahertz, which really excites us to do that. So opportunistic, financially disciplined, and it's a build and buy on every single transaction we look at.

Michael Funk - Bank of America - Analyst

Okay. And just to be clear, so you mentioned some spectrum network is already capable of carrying that, others not. The AWS-3, your network is capable today of that being a software overlay. AWS-4 would actually be an equipment upgrade. Is that correct?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Yeah, that's one way of looking at it. But when you look at the build and buy conversation, sometimes you just -- you get a spectrum, you turn it on, sometimes you get a spectrum, you have to build some capacity around it. It depends on our radio portfolio.

And radio portfolios also don't stay still. They have a way of evolving; new technologies come in, we plan ahead. So at the moment, that may seem like it, but look, this is a build buy conversation that we've had. And it's a similar philosophy we've had for the last 25 years when it comes to spectrum.

Michael Funk - Bank of America - Analyst

Okay. And I'd leave that conversation there for the moment. I wanted to switch to competition, a lot of discussion in 1Q and 2Q of this year about elevated competition in 1Q, churn obviously ticking up year-over-year.

I think last quarter, there was some commentary around how much of that churn increase was competition versus price increase that we're taking across the industry. And I believe it's around 10 basis points of the year-over-year increase is attributed to competition versus pricing.

So looking forward to the second half of the year, do you still believe that 10 basis point increase is going to be persistent for the second half of the year? Is it reasonable it might come down?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

We are in a competitive environment. But what we tend to find is we're also writing very good quality business. The type of lines we bring in, the credit class of the lines we bring in, the add-on services, the converged offering that customers tend to buy.

The overall CLV of the customer, we are bringing in are very good. So cost of acquisition, cost of retention is slightly higher year-over-year, but it's kind of offset by the better quality business that we are writing. We are extremely financially disciplined. So you'll never see us do promotions that don't make sense financially. We've stuck to that knitting and that's played off well.

Overall, the switcher pool has increased year-on-year; similar to the back half of first quarter, second quarter is the highest switcher pool. The switcher pool continues to remain high in the market there. So because of that, that does drive some churn in the space.

For Verizon, there's also an added thing of price ups. We've done some strategic price ups over the last -- this quarter and late last quarter and some of that drives some churn in this space. But when you think about it, our business is managed around service revenue, wireless service revenue, adjusted EBITDA and free cash flow. Those are the three most important metrics for me as an operator that we focus on.

Quantity has a place in it. Volumes has a place in it, but we take a much more holistic view of how do you create long-term shareholder value, and it is to drive more free cash flow in the business. We've raised our guide \$2 billion on free cash flow, some from tax legislation, some from just significantly better EBITDA that we are seeing in the business. So taking a holistic, long-term view of the business, wireless service revenue, [adjusted EBITDA](corrected by company after the call) and free cash flow is how we like to get measured.

Michael Funk - Bank of America - Analyst

Okay. And others, others focus also on migrating prepaid subs, up to postpaid and claim that, that is a -- that's a good plan, right? It's NPV positive for them. Why doesn't Verizon pursue a similar strategy?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Look, we do that. But it's -- I like every one of my customers to go through a credit check, go through social security, have a social security number. And that's how you build a sustainable long-term business. Our average FICO score in our base -- for the phone base is 720. It's an extremely strong base that's resilient in most economic times, and that's the kind of base and customer base we want to build.

On the welcome plan, which is our initial entry-level plans, we are extremely attractive for prepaid customers. We do attract a fair share of prepaid customer. But what we don't do is auto-migrate customers from prepaid to postpaid because our prepaid offerings are great. People are there by choice, and we want to take care of them within the prepaid category itself.

Michael Funk - Bank of America - Analyst

And I understand your comment about being financially focused and service revenue, EBITDA upside to free cash flow. The market points is myopically focused, though, on postpaid phone net additions. So what are you doing to increase your share of net adds to bring your own churn rate down, which you can also been a few in the add side.

I think last quarter, you talked about customer experience being part of that toolkit that you have an AI in there. Maybe talk about what you're doing, what you can do to improve net adds at Verizon.

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Yeah. There are two ways to increase long-term net adds. One is do better on gross adds and second is reduce your churn. It's just simple math there. On the gross add, we've had 10 quarters of really strong gross add momentum in our business.

If you look at last quarter, we had very strong gross add. In this quarter, in July, we were not aggressive in our promotions by design, we pulsed in and out, but as we got back onto a more normal cadence in August, we saw gross add momentum really build up. So we're seeing good momentum in our gross adds this quarter as well.

So I think that driven by our sales engine, marketing, value prop has done exceedingly well for us. We do have more work to do on the churn side of the base. Some of it is competitive churn. Everyone's churn has gone up -- ours with it, but we do have, I think, once at least in half a generation opportunity to be the leader in churn.

And the first piece of that is value proposition. Really compelling value prop for base and new customers. Our Verizon best value guarantee gives every customer, whether it's existing customer, new customer, the same deal on upgrades, which they really like as well. So that's the first piece to it.

The second is take out friction in the journey. And I think that's where AI has helped significantly. There are 5 journeys that make up almost 80% of all the friction we have in our process. It's things you would expect, it's authentication, account management, technical support activation.

And we've done a lot of work using AI and generative AI to proactively identify some of those issues. For example, you order of phone, the phone gets lost somewhere in transit, we know it got lost in transit. We don't need the customer to call and tell us that. So how do we quickly get in front of that, intercept that and proactively solve for that. That's the number one.

The third is the activation process, how smooth it is, how great the onboarding process is. So we've still got more work to do in the CX space, but I think AI has been a great enabler for us. And if we do that longer term, you'll see churn in a much better place.

The last point I'll make is price value perception. This is an area where I think we have some opportunity. You can't be the best network and still not be expensive. I think that's the message we're going to have to convey to our customers more clearly, more crisply, and we've got work to do that.

Michael Funk - Bank of America - Analyst

And I get the back office stuff like the better customer experience and all of that and reducing churn completely agree on that. We talked just last night a bit that this perception of Verizon amongst consumers that it's the high-end brand, it's expensive, I think bougie was a word used last night.

And that's been a very persistent perception, right, even after you've made some changes to your value proposition and perks and everything else. So what do you think that Verizon has to do that you have to do to change that perception? Is it simply tweaking the marketing message?

Or do you have to totally tear it down and rebuild the marketing message to go-to-market to change that perception and increase the gross adds side of that gross add churn equation.

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

I think we've done a lot of the work on getting our gross add machine in a very good place. You've seen 10 quarters of consistent gross add momentum. And that happens because our value prop is hunting. myPlan, myHome, the Verizon Best Value Guarantee, I think it's the most differentiated offering in the space. It also has some other collateral benefits in revenue that we can talk about. But overall, it's a very compelling value prop.

We do have more work on price value perception. And I think that goes back to showing what value we are able to give customers. For example, we don't do promotion roll-offs. So we don't bring you at a teaser rate and then bring you up in year one and year two. Customers find that extremely annoying, we don't do that.

They want flexibility. Different members of the family can take different types of plan. We have no problem with that. Choice, you can start and stop any time. So I think we have a lot of the different elements. We're going to have to do a better job of convincing our customers that we do give you more value than our peers do, but we do have the sales machine to go with it.

Michael Funk - Bank of America - Analyst

Okay. And then in the past, you gave us a pretty detailed buildup of how you thought about industry net additions, right? There was human population growth. There was -- there was immigration, that was prepaid to postpaid. And obviously, numbers have been inflated the last few years by the immigration element, which will likely be lower in 2026.

So can you give us your thoughts on what your model is spitting out or at least maybe the piece parts for 2026 as you think about industry net adds? And then with that same question, how you're thinking about the switcher pool, right, evolving over time?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

I think in 2025, we had an estimate of between 8 million and 8.5 million for the whole ecosystem -- the wireless ecosystem. Q1 was a little softer. Q2 was slightly better. So when you net those two, we are largely on plan for that.

Over a period of time, as immigration comes down, there tends to be a six, seven month lag in that. As immigration comes down, that number will lower over a period of time. I don't have a great sense for what '26, '27 look like. But between now and the end of the year, we will get a better handle on that.

The switcher pool is driven by two things, net adds coming into the market, new -- what I call new to the wireless category, pre to post migration, and customers switching within existing carriers as well. So there are three different elements of the switcher pool.

Interestingly, the new-to-Verizon portion is new to the wireless category portion, is actually the smallest portion of the switcher pool. A lot has to do from pre to post as well as people just switching amongst themselves. So those two will continue to remain healthy, which will give us opportunities to continue taking gross add and eventually net add share in the market.

Michael Funk - Bank of America - Analyst

Okay. I wanted to shift for a moment to Frontier Fiber and Fixed Wireless. So you've kept your fiber passing target for a while now. Obviously, you have the Frontier deal expected to close, I think, in first quarter of '26 is still the target date. And then the last maybe lever to pull is the CPUC, right?

So just help us think about how you're approaching your thoughts on fiber, the right fiber passing target and then also FWA fits into your broadband strategy? And also any thoughts on the CPUC and what they're asking for would be helpful.

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Yeah. We are working through our planning of the integration. It's going on in full swing right now. And we feel pretty confident that in Q1 2026, we'll be able to close the transaction, which is what we've said all along. We've gotten the DOJ and the FCC in a very comfortable place.

They've signed off on the transaction. We are working with the 13 states right now that require us to get approval from the local PUCs that we have. We have work to do in a few of the states, but it is typical of any transaction. We know the states very well. We have worked with them for many years. We have presence there. We have large employee pools there.

We operate networks there. And we also took the TracFone transaction through as well. So we know what it takes. So putting all that together, we still remain confident that Q1 2026 is when we'll close on the Frontier transaction, and it's all heads down in integration planning to do that.

When we close in Q1 2026, we think about sources of value on the particular transaction. There are a couple of them. One is bringing Mobility to the Frontier base. We have less than our fair share of Mobility in the Frontier base. If you look at our Fios base today, we have 400 to 500 basis points

higher than average share. [This metric is specifically referring to Tier 1 markets](added by company after the call). So we do expect the Frontier base to catch up on that. So there's some upside for us in the Mobility.

Second is for our Mobility base there, bring the Frontier offering to that base of cross-sell. Third is our really low churn. In Q1 2025, our Fios churn was 1%. We want to bring that level of operational rigor to the Frontier base as well.

Last is new products and services that we have, whether it's perks, whether it's some of our insurance products, bring that to the Frontier base. So we have a really compelling value prop on synergies, both on the cost side and on the revenue side for the Frontier base that we work on.

We're going to have to come back, Hans and Tony and myself in some combination, going to have to come back and talk about how we think about our build plans beyond Frontier close. Right now, we've said it's [1 million] plus, but that's the work that we have to do between now and close and come back and share what our long-term fiber aspirations are.

We remain extremely bullish about fiber. What we are seeing is our ARPU is growing nicely. Our churn is at all-time lows. And our year one penetration always seems to be better in the next year than the previous year. Every new cohort we bring in seems to have better penetration. All of that really bodes well for a good long-term franchise in fiber. We've been in it for 21 years. We know fiber really well and the added benefit of convergence.

Michael, if you look at it, around 18% of our Mobility base is converged right now. That number a year ago was around 16%. So we've had 200 basis points improvement in convergence in a single year. And we think that number could probably go to 40% -- double and eventually go to top out at 40% if our base is converged. So we have all the benefits from convergence in the transaction as well that we've planned.

That brings us to the conversation of FWA. We've said we want to get to 8 million to 9 million customers in FWA. When we said 4 million to 5 million on the first tranche, we got there a year earlier. We're working extremely hard on the 8 million to 9 million as well.

What we are finding is the NPS of FWA is really, really strong. It's as good as fiber. Part has to do with the customer experience, the value prop, the price point at which we sell and how quick we are able to turn up customers in the space.

The business is so good. We have some of our competitors who historically have not been in the FWA space get super excited about FWA. I think it just validates our FWA strategy. So what we are finding is we're also now getting into MDUs with our FWA offering. That's going a little slower than what we had anticipated.

Just classic operational issues when you scale up a new technology and a new operational framework, it's going a little slower. So you'll see us slightly slower on FWA, but it's a moment in time piece as we scale up our MDU solution. But we remain extremely bullish about that piece. The convergence benefits hold as well.

Michael Funk - Bank of America - Analyst

And I'll go back to the fiber in a second, but I want to stick to MDU comment while we're on it. When you say a little slower in FWA, do you mean just on the MDU side than you anticipated? Or do you mean lower net adds you have been posting in FWA?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Yeah. Look, we've always want -- we said between 350,000 and 400,000 our total overall broadband, will be on the lower end of that. But a lot of it is by design because we want our MDU product to have gig capability. We want it to be almost between fiber and FWA the way we think about it. So we're doing a lot of work from a technology and operational perspective to build that plant up to do that.

It's going to take a little while. We know that. Second is we are also rolling out FWA in tier 2, tier 3 markets where the density is less. So it just takes longer to get there. But what we are finding is customers are extremely happy.

The NPS is really high. We are really bullish about FWA and the economics are great. We're also driving better ARPU, better premium mix than even we had anticipated a year ago. So it's a very compelling value prop for FWA. We're just doubling down on that even more.

Michael Funk - Bank of America - Analyst

And for the MDU solution, is the friction simply an installation issue where getting approval from building owners and then, I guess, dropping plant down risers, whatever you're doing, right? Or is it a technology issue where the technology is not working the way that you thought it would?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

We have a lot of experience in footprint in the Fios footprint working with building owners because to get fiber into our Fios into buildings, you have to work with building owners, landlords and management companies to get in and build it through the risers. So we have that experience.

We're just taking that same experience and scaling it to out of footprint in places where we don't have a local ILEC franchise. That takes a little while. And it's also point to multipoint on millimeter wave is a new technology. We are working to fine-tune it. We're talking to get to the right parameters on RF that give us consistency, but also I want to get to near gig speeds in every single apartment in the MDU as well.

So those two things are working its way through the machine. And we're very bullish about the opportunity long term because in FWA, look, we've committed to 90 million homes of FWA over a period of time. And a good portion of that is going to be MDUs where typically competition tends to be lower. So we'll go in and be able to take share there.

Michael Funk - Bank of America - Analyst

Okay, thank you. Thank you for that clarification. And so it sounds like as we get closer to the Frontier deal close, we might get an update on the fiber strategy, at least how you're thinking about fiber. And you mentioned the 1 million plus target today. What are the practical limitations, though, for fiber passings per year? Obviously, you have labor, you have provisioning, you have permitting. So what's the upper bound practically, for how much -- how many homes a Verizon could pass per year?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

We were the first in the -- probably in the world to do fiber in 2004. We are 21 years into the race. Almost most of the technology that's used in fiber, Verizon had some way of co-inventing it or co-creating it with some of our partners. We can scale that machine very quickly.

And also understand Frontier comes with a really strong build machine today. Last I read, they're doing 1.3 million passings every year. It's a really strong build machine there that we'll inherit after we close well. So there really isn't any cap to do it.

But we'll have to work through what's the opportunity in front of us, how much is a LEC opportunity, how much is an out-of-footprint opportunity, how long it takes to ramp up, whether it's labor, materials. This is something we know how to operate. But between now and Frontier close, we'll come back and talk about that in a lot more detail.

Michael Funk - Bank of America - Analyst

Okay. I want to shift to convergence for a second. I think the phrase that was used last quarter before was demand-led convergence. And I go back a long time in telecom, heard Mike Armstrong at a conference in maybe 2000, 2001. So the only bundled product the customers has wanted was when he offered a Jiffy Lube coupon, right?

So you have to incentivize the convergence demand. So what's changed in the marketplace today over the last 25 years that you think consumers will actually demand a converged product. They want to buy their broadband or their wireless together? Or do you have to keep incentivizing that demand through promotions like perks or discounts or other activities?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

I think the Verizon model of convergence is a demand-led model. What that means is there is pull from the customers to buy two products from the same company. And that pull is largely driven by the fact that you offer world-class products on both the sides. We don't believe in giving away one product free to hold on or sell the other. It's not our model.

We also don't believe in giving really deep discounts to convince customers to buy two things because then the true value -- economic value gets lost in the discounts that we have. So for us, we think about it as single-digit discounts, single-digit percentage discounts with the best Mobility product as well as the best broadband product put together in a way where the experience is good and convenient for customers.

We see that -- we see a [30% to 40%](corrected by company after the call) reduction in churn, both on fiber and on Mobility. So we have existence proof that convergence works. We have existence proof from 16% Mobility-based converged to 18% now that we've been able to grow it, and we are leaning into it real hard to do that piece.

But when you have a product that's not world-class and maybe two products that are not world-class, then you're going to have to use a lot more promotions to incentivize people to get there. In our case, our Mobility is the best mobility product in America. Same with our broadband, whether it's FWA or Fios, it's incredibly strong. So that value prop is pretty compelling for us to do that.

Picking up a comment from 2001, when you have a long distance and a local loop, which was what was bundled back then, both were not differentiated product. The dial tone was the same everywhere as well as the long distance was the same. Hence, the promotional intensity environment was significantly more. In this case, you have world-class products and customers just have to be convinced that they're getting two amazing products at a good economic value.

Michael Funk - Bank of America - Analyst

So what I'm hearing today is that longer-term goal is to have a premium fiber footprint, premium wireless network then offer a converged solution that customers demand. I'm also hearing that FWA in the short term, MDU may be a little bit slower because some technical -- some issues to work through, they'll be resolved over time.

We'll get an update or may get an update on an expanded fiber footprint as we get closer to the Frontier deal. But there seems to maybe a quarter or two in between now and then when those two things come together and you can actually offer a premium or the premium product. So should we take away then that during that time, we might see churn a little bit elevated because you don't have your best product to throw at the market?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

We do have our best product in Fios and FWA today. We have less of it. Once we get Frontier, we get significantly more homes. But today, we do have a best product in the space. Our [Fios](corrected by company after the call) churn is at an all-time low right now. It continues to get better quarter-over-quarter as we work through the system.

On the phone side, I said, look, there are two different factors at play on churn. One is the competitive environment that we are in; and two, some of the price ups that are strategic price ups for us; it's a combination of two, that churn has remained high and slightly elevated levels, and it has been persistent. But over a period of time, we do anticipate that coming down to a BAU level.

Michael Funk - Bank of America - Analyst

And then how do you -- you're looking at your own -- at your budget, do you have a separate line item in there for FWA and FWA build-out? And is part of the reason maybe you're not pushing deeper into some of the rural areas because you're still focused on improving the network quality that may have slipped over time in those areas. Help us think about FWA build-out and the capital required.

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

If you look at our FWA capacity, it is purely fallow capacity. We build the plan for Mobility, for Mobility coverage, Mobility capacity. And in the process, we get FWA capacity that we are able to sell to customers. We don't have FWA-specific success-based capital in our plan today.

The 8 million to 9 million customers on FWA that we've committed to over a period of time assumes no incremental capital to build out that network. It's purely fallow capacity there. Once we get to 8 million to 9 million, we'll come back and propose if we want to build any additional capacity, it will be success-based capacity.

Of course, we've done some pilots. We've done some trials. We feel extremely good about the ROI on some of those plant builds. But right now, our 8 million to 9 million is within our capital envelope, and there is no extra capital needed for that.

Michael Funk - Bank of America - Analyst

Okay. And just for capital allocation in general, what are your thoughts on the longer-term capital allocation between CapEx, dividend, debt buyback? What's the messaging there?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Look, our capital allocation strategy has been very consistent. Step one is fund the business, whether it's fiber, whether it's spectrum, whether it's -- provide the right capital for growth of the business, fund the business to drive sustainable long-term service revenue growth, adjusted EBITDA growth and free cash flow growth. That's step one for us, and we are not changing from that commitment to do that.

Once we do that, we want to put our Board in a position to raise dividend every year. We've done that for many, many years, and we want to continue to put them in a position to raise dividend. Third is leverage. We do want -- we've committed to going between 2 and 2.25 on leverage.

Over the last year, we've reduced our debt -- [net unsecured debt](corrected by company after the call) by \$7 billion. And even today, if you see -- if you take out the mark-to-market adjustment, our [net unsecured debt to Adjusted EBITDA ratio](corrected by company after the call) is at 2.25, but it's without the mark-to-market adjustment. So we have a long-term view of getting [net unsecured debt to Adjusted EBITDA ratio](corrected by company after the call) between 2 and 2.25.

And then lastly, what is left over, we look at share buyback. We look at other ways to return cash to our shareholders. That latter is super important to us. The priority of that is super important. We are going to fund the business whatever is needed to grow long-term sustained growth of service revenue, EBITDA and free cash flow.

Michael Funk - Bank of America - Analyst

And there's always a push and pull between business unit managers like yourself and then CFO and other management about capital allocation and budget. Verizon, like others, is benefiting from bonus depreciation.

So if other management came to you and said, Sampath, here's an extra \$500 million or \$1 billion to spend on your business unit. How would you allocate that capital? Would it be for -- would it be accelerating the network improvement? Would it be on the marketing side, customer retention? Where would you spend that capital if you had it?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

I think we are in a moment in time where our broadband business is growing extremely well. Verizon takes more than 50% of all the growth in the broadband business comes to Verizon, whether it's FWA, whether it's our Fios business. And this is today pre-Frontier. Once Frontier comes in, you'll see that number significantly grow higher.

So definitely growth in the broadband business is something we are committed to, and it's got a lot of runway for us. We still have single-digit percentage share in the broadband space right now. For a company our size and scale and so deep in the telecom infrastructure here, we have a lot more runway in the broadband space to do that.

Second is, look, we'll get to 80% to 90% of our C-band coverage on our macro sites by the end of this year. Once we do that, we have an option to go back and look at selectively densification of the network, which is typical of any new deployment.

First, you want to get it on to existing sites and then look for new sites in certain tier 2, tier 3 markets where we have opportunities to grow. So that will be another opportunity for us. Third is customer experience. We've made a lot of progress on it, but we do have an opportunity to shine and be the number one in customer experience. So those are some of the areas where we think we can invest in longer term for sustained growth.

Michael Funk - Bank of America - Analyst

And you touched on the C-band densification -- sorry, C-band deployment getting to 80%, 90% by year-end. Can you meet your capacity needs that you forecast longer term through, I guess, it would be densification, spectral efficiency is another one, 4G, 5G, 6G without having to add to your spectrum portfolio?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Yes. Over a very long period of time, the Big Beautiful Bill that was passed added 600 megahertz of spectrum, but that's going to take between 4 and 10 years to come into our hands depending on exactly how the thesis plays itself out.

So in the medium to long run, every carrier needs more spectrum. We know that. But in the short term, we've planned for it. The C-band spectrum we bought was substantial. We're still in the process of rolling it out. So we have the right spectrum we do.

But look, always we'll remain opportunistic in this space. Certain markets, certain spectrum bands that make sense for us, we'll look at it on a build-to-buy basis. Longer term, everyone needs more spectrum. We are no exception to the rule. But in the short term, we're really comfortable with our spectrum position.

Michael Funk - Bank of America - Analyst

Okay. I wanted to shift to prepaid for a moment, as this business has actually been improving at Verizon quite a bit in the last year. What do you attribute the improvement to? And what can we expect?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Our prepaid business has had four quarters of growth. It has had four quarters where we are number one in market share growth in the quarters, and we continued that trend going forward. Last year, it was almost a \$600 million service revenue drag for us. In 2025, that's going to turn positive and it's actually going to contribute to overall service revenue growth.

So a pretty big turnaround of that business. Let's break down the fundamentals. It's a similar playbook that I deployed on the postpaid side, which is operational rigor, focus on sales, get the sales machine up, get the value prop in a good place. It's a very similar playbook that the teams have done there. Nancy Clark, who runs that business has done an outstanding job of laying out and working through that playbook.

We have some very cool assets. One is our brand portfolio. We have eight brands in that space, hyper segmented, focused on really good segments. Think about it, Visible, which is our digital-only brand does extremely well for digital natives. Then we have Straight Talk, which has the vast majority of share in Walmart.

Walmart has 120 million people walk into a Walmart store every week. They see the brand. They like the brand, and we have a great relationship with them to grow that piece. Third is Total Wireless. It's a brand we are growing right now. We are adding three new exclusive doors of Total Wireless every single day. Today, we'll add three more doors. So we are really scaling up distribution in that.

And we've gone and changed the value prop on all of these brands. So the portfolio is hunting well. Our distribution is hunting well. Marketing is doing well. But most importantly, we are giving value to customers in the value segment.

Customers feel they don't need to go to postpaid because their needs are served in the prepaid/value segment. That's where we are extremely focused on. I see good growth in that space, segmentation, high-quality execution and expansion of distribution.

Michael Funk - Bank of America - Analyst

And just going back to your earlier comments on total industry growth and the immigration impact. And I presume most new arrivals aren't postpaid to begin with, I don't have much of a credit score. So should we expect that it's going to impact your prepaid business more as you were talking about 2026 earlier and the impact on net ads?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Last four quarters, immigration has come down significantly. We've done the best in the prepaid we've done in a very, very long time. And partly because we are not that exposed to new-to-America customers. New-to-America customers take place in two places. The first is the really low end of prepaid.

We have less than our fair share in that space. It's a relatively low-margin business. We don't play very aggressively in that space. So we are less exposed to that. Second is prepaid-to-postpaid customer, the migration space. Because a lot of them were postpaid in their host countries when they came here and they want to get to postpaid. That's not a place we play in earlier there.

So both those places, which are more immigration sensitive, we don't have large presence in. So our prepaid business has done exceedingly well over the last four quarters despite low immigration. We continue to see good trajectory growth in that because of the hyper-segmented approach that we have.

Second is the value and the value prop of prepaid is very different today than it was five, seven years ago. Earlier, it was all about cheap, economical, smaller package plans. Today, a lot of our plans in prepaid are unlimited because of the high-quality network. They just pay differently. So we've evolved the value prop to attract a very different base. And that's why we feel comfortable that we can grow this base for a long time.

Michael Funk - Bank of America - Analyst

And I wanted to wrap up my questions, so let me maybe a minute or two for the crown if there are any out there. Just going back to profitability and EBITDA. And I'm thinking about copper, right, decommissioning. FCC has also prioritized at least helping the carriers decommission older copper plants. So do you have any thoughts on timing, speed, potential savings over time?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

We started doing network transformation or NT almost a decade ago. Coincidentally, it was the first job I had when I joined Verizon. So it's a project very close to me. Joe Russo has done an amazing job of massively expanding our copper recycling and network transformation business. In the Fios base, in the Fios wire centers, almost a third of our wire centers actually have no copper in it.

We migrated all our customers over to fiber. So we have a lot of upside in taking the copper, recycling the copper, getting it into an all-fiber footprint. We know how to do that. We do expect over the next X years, you'll see that program accelerate and then start contributing to some of our cost-saving programs as well.

Michael Funk - Bank of America - Analyst

Okay. Maybe a question from the audience, [Anna]? We should have a microphone. Here we go in the back.

Unidentified Participant

So on potential additional fiber acquisitions, local fiber acquisitions. So in the Frontier transaction, you're actually buying the company with the copper assets, with the central office and all the other ILEC network. But obviously, in AT&T's transaction with Lumen, they're really only buying the fiber passings. My understanding, there's no regulatory approval. It's really more of an overbuilder type kind of strategy.

Did you think about pursuing that kind of strategy with Frontier? And then as you go forward beyond Frontier, there's other assets in the US that could be consolidated. What are the pros and cons? And how do you think about what model might be best?

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

We've operated ILEC assets for decades. We like owning the full infrastructure because we think if you just own a portion of the infrastructure, we're not able to give the customer the best experience when it comes to it. So we like to own the infrastructure or at least control the whole infrastructure in some capacity to do that. But we remain extremely open and always looking for opportunistic places for us to go and invest.

But right now, all our attention is focused on getting Frontier closed, getting that integration done and extracting value from that right now. But we know how to run broadband in very different forms right now. But as a philosophy, we like to own our own plant. And that's why most of the -- almost all the fiber stuff we've done has been on our own balance sheet.

That shows conviction that we like the business so much that we're willing to put it on our own balance sheet versus use third-party balance sheets to do that. So that should give you a sense for how committed we are to fiber, but more importantly, we know how to run and operate fiber at scale.

Michael Funk - Bank of America - Analyst

Okay. We're going to wrap it up there. Sampath, thank you so much for coming out. If anyone has meetings over at 2 BP, there is a passage way back here behind us. Elevator is going direct to the 15th floor where the meetings are being held one-on-one desk, obviously, out front if you need any help. But everyone, thank you again for attending.

Sowmyanarayan Sampath - Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer

Thank you.

Michael Funk - Bank of America - Analyst

Sampath, thank you. Great to see you again.

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