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# EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc at Citi TMT Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Michael Rollins** *Citibank Cameroon SA - Analyst*

## PRESENTATION

**Michael Rollins** - *Citibank Cameroon SA - Analyst*

Welcome back to Citi's 2025 global TMT conference. For those of you I haven't met, I'm Mike Rollins, I cover communication services and infrastructure for Citi. Disclosures are available at the back of the room. And if you don't have access or would like another copy, please e-mail me at michael.rollins@citi.com.

With the housekeeping details out of the way, we're pleased to welcome Tony Skiadas, Chief Financial Officer of Verizon. Tony, thank you so much for joining us today.

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

Thanks, Mike, and good morning. Before we get started, I need to draw your attention to Verizon's Safe Harbor statement and our SEC filings, which can be found on our Investor Relations website. And my comments may include forward-looking statements that are subject to risks and uncertainties.

So with that out of the way, we can get going. Thanks for having us.

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## QUESTIONS AND ANSWERS

**Michael Rollins** - *Citibank Cameroon SA - Analyst*

Excellent. Yeah. Thanks for being here. So maybe if you could set the stage for us in terms of what you've been working on and what are your current priorities at Verizon?

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

Sure. So at the top of the house, the team is very focused and aligned on driving wireless service revenue, adjusted EBITDA and free cash flow. And within that framework, growing both mobility and broadband and extending our leadership there. And if I break it down to the operational components from a revenue standpoint, continued revenue growth when you think about on the consumer side, myPlan, myHome, on the business side, My Biz.

So we have a great value proposition for customers and then continued work on cost efficiency to make the business more efficient in serving our customers. So that's extremely important to us. And then on the network side, continuing the work that Joe and the team are doing on rolling out C-band, and we're making great progress there. And then from a broadband perspective, growing both FWA and Fios, it's really both and expanding our broadband portfolio. And then obviously, we have Frontier coming into the fold as well.

And then from my perspective, I have three priorities. First one is supporting the leaders in the business and ensuring we have laser focus on operational performance and execution day in and day out.

Second for me is executing on our financial guidance for the year. And we raised our guidance this year for adjusted EBITDA, [adjusted EPS](corrected by company after the call), and free cash flow. So that's something we're very happy with the progress we've made.

And then third, generating strong cash flows and executing on our capital allocation priorities. So the first half results were strong and set us up well to deliver for the year.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Great. So if we take a step back, one question that we're asked about is the opportunity for Verizon to sustain annual financial growth, including on the revenue side. And I realize this is not the forum where you're going to want to give explicit guidance. But what is the market underappreciating about your financial model and how you view the opportunity to sustain that multiyear annual growth?

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

Yeah. We've had good revenue growth in the first half of the year. We had \$1 billion of service revenue growth, up 2.4%. So we're making good progress there. In terms of your question on underappreciated areas, there's a few. I would start with the value construct we have with myPlan and the perks with the adjacent services. And if I zoom in on perks, perks are a great business for us. They give great value to customers and also provide good revenue, good margins for us.

If you think about a streaming bundle or a hotspot, those give customers exclusive savings, which is great for them and also great for us. So we have -- we said we're going to have about 15 million perks in the portfolio. It brings about a \$2 billion annualized run rate and it's growing. And we have about 58% of the base on myPlan right now. So there's a lot of opportunity to continue to penetrate the base with perks. So we see that as a great opportunity.

Second for us is around convergence. And we think convergence is really good. It provides a significant increase in customer lifetime value, which is great. And we have great platforms with myHome and myPlan to provide great optionality for customers, and we can do it with owners' economics.

And the third area, which is emerging right now is the work that we're doing, which we call AI Connect. And I think you've heard Kyle talk about reimagining the wireline assets to deliver AI workloads at scale. And if you think about the dark fiber, the lit fiber, the power space and cooling that we have already in our portfolio, we have the central offices to deliver AI at scale. This is an emerging opportunity for us.

We see a lot of demand and interest right now, which is really great. These are going to be custom deals, so they'll take time to mature, but this is something that we see a lot of promise for the long term. So these are the three areas that I think are underappreciated and I think are good opportunities and prospects for growth for us.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Great. Maybe just staying with the strategic side of the conversation before digging deeper into the operations. On the subject of spectrum, what's your appetite to invest in additional spectrum? And of course, related to this, if you could share some perspectives on whether or not Verizon has taken a look at EchoStar's spectrum position recently? And if it has bands that would benefit Verizon and your customers.

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

Sure. So we like the assets that we have. When you think about the networks that we have, the fiber network, the wireless radio access network and our spectrum position. And as you know, we bought C-band a few years ago, and we think it's a great asset, and we continue to deploy C-band. --We're about - we said 80% to 90% of our sites will be C-band enabled this year, and that's moving along on track. And we have the assets we need to execute on our strategy.

To your question on spectrum, spectrum is the lifeblood of the wireless industry. So we all know that. And it's fair to assume that we look at everything. And if there's opportunities for value creation at the right price and it makes sense for us, we'll do that. As you saw last year, we did the transaction with Frontier. And we think that's a great asset, and we look forward to bringing that into the portfolio. And as we said at dinner last night, we haven't been shy about spectrum over the years. So we'll continue to be opportunistic.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

You referenced earlier the 2.4% growth, which I think is for wireless service revenue?

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

Right.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And so, what are the underlying drivers that you're capturing for wireless service revenue growth? And how are you set up for the back half of the year relative to the guide of 2.0% to 2.8%?

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

Sure. So the first half of the year, we're very pleased with the progress on service revenue. We had 2.4% growth in the first half of the year, so \$1 billion of wireless service revenue growth. And the drivers that we saw in the first half of the year will also carry into the second half of the year.

And if I can drill down on that, there's quite a few of them. The first one is around pricing. We took pricing actions earlier in the year and more recently in the third quarter. That provides a tailwind to service revenue. I mentioned perks and adjacent services on myPlan. That provides a great tailwind to service revenue as well.

And we're continuing to see strong premium mix, customers taking premium plans on myPlan. And then, when you think about fixed wireless access, fixed wireless access continues to grow. We did over \$700 million in revenue in the second quarter, and we're taking healthy share there.

And then, prepaid. Prepaid, we've had four straight quarters of volume growth. And now we're finally reaching an inflection point on revenue where it's been a drag on prior years, we're going to see that now turn to positive revenue growth.

So all of those factors are driving the revenue growth. And then we'll see what happens with volumes as well. And then, partially offsetting that is the promo amortization, as you know. And we said for 2025 that, that promo amortization, the headwind would peak. So it is peaking as planned right now. But when you step back from that and you look at the revenue growth without the promo amortization, the customer economics are actually very healthy, and that's what we look at in terms of revenue generated.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

So when we think about just the growth drivers, one of the notable updates on 2Q was Verizon pulled back from the aspiration to do better on consumer postpaid phones this year over last year. What's happening within the competitive landscape? And maybe you can give us an update in terms of what you're seeing in the third quarter with respect to the environment.

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

Sure. So it's a competitive market. So that's nothing new for us. The first half of the year was very competitive. We have a great value proposition with myPlan and the Best Value Guarantee that we launched in April, and our offers are hunting right now.

We've said we're measured on wireless service revenue, adjusted EBITDA and free cash flow, not net adds. So we think it's very important. We think volumes are important for the business, and we'll drive volume growth where it makes sense and in line with our financial guidance. And those are the guardrails we have. So it's not going to be net adds for the sake of net adds. And we don't think that that's the right answer and that we're going to be very disciplined in our approach.

We have a flexible investment envelope that between Kyle, Sampath, Hans and I, we can work through that. And we can pulse in and pulse out where it makes sense. And you've seen us do that, that to your question on the third quarter. But we're going to do that in support of our financial guidance and be disciplined in our approach. We'll find the right tool, pick our spots.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Can you give us an update on churn and what you're seeing there? There were some comments this week from Verizon about churn. And maybe just help frame what you're seeing.

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

Sure. Churn is core to what we do and churn improvement is core to what we do day in and day out. We saw elevated churn in the first half of the year, both from the competitive environment and also from the pricing actions we took earlier in the year. And the goal is to continue to reduce churn. We still have more work to do. Churn is still elevated. So we still have work to do in the back half of the year. We have a lot of tools to get there, and the focus is to do it in a disciplined way. And what I mean by that is, we have our Best Value Guarantee, for example, that's one way to lower churn.

Another way is around convergence. Where we see convergence, we see lower churn. We have a converged bundle, customer is stickier. Where we have C-band deployed, we see lower churn. So and then the work that Sampath and the team are doing on customer experience and the enhancements with AI will also improve churn over time as well. So there's a lot of tools to get there. We still have more work to do, and that's the focus of the team.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

So if churn is maybe up this quarter and the switcher pool is larger, is there a way to think about that in terms of -- does that mean that gross adds are better? So just from a net growth perspective, you're kind of where you wanted to be? Or is there just kind of this maybe deliberate shift on customer economics that you're taking? Maybe you could just help unpack a little of that for us.

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

Sure. We have a great value proposition with the Best Value Guarantee that we launched in April. So it comes with a three-year price lock and free phone guarantee, and Base and New treated the same. So, and that offer is hunting well.

And in the second quarter, we saw a really strong gross add production. We saw 19% gross add growth. We're continuing to see good gross add growth in the third quarter. We'll see where we end up at the end of the quarter. The execution in our stores continues to be very strong as well. So the team is doing a great job. We'll have to see in terms of what happens in the competitive environment and with the device refresh cycle coming up here in the next couple of weeks, we'll see what happens with all that.

But as I said before, we're going to stay focused on our three measures: service revenue, [adjusted EBITDA](corrected by company after the call), free cash flow and be disciplined in our approach to growth.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe just thinking about ARPU performance. I mean, you mentioned the perks and some of the things, pricing actions that are helping ARPUs, but you also have these price locks now. Like how does that feed into the ability for Verizon to use price or ARPU mix as a lever to grow service revenue in the future?

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

A few thoughts there. So we launched -- as I said, we launched the Best Value Guarantee back in April, and I said it comes with a three-year price lock and the free phone guarantee. And we think that offer is actually hunting very well for customers, gives customers a lot of optionality on myPlan, which is great to see.

There's a lot of ways to grow revenue beyond pricing, as I mentioned earlier, whether it's volumes, whether it's perks or adjacent services, premium mix, FWA, et cetera. So there's a lot of ways to get there.

In terms of your question around pricing, I can only talk about the pricing actions we have taken. I can't talk about anything we might do in the future. We did take some pricing actions at the beginning of the year, the first quarter and also more recently, and those will provide a tailwind to revenue.

And as we evaluate pricing opportunities, we always evaluate those opportunities with the value proposition for the customer in mind, and we have a great value prop with the Best Value Guarantee on myPlan. So, and we think that's the right construct for us.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And then you mentioned upgrades, and we're approaching the seasonal refresh opportunity. So what have you been learning about the customer interest to upgrade during this cycle? And what do you expect to come out of the competitive landscape as we're going into this?

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

Sure. So we've had probably up until April, we had about 8 straight quarters of declines in upgrades year-over-year for many, many quarters. So customers were hanging on to their phones for over 40 months. So when we launched the Best Value Guarantee in April, obviously, that changed the dynamic because now we offer a free phone upgrade, and that's tiered by revenue.

So if you have an Ultimate plan, you get one device. If you're on a Welcome plan, you get a different device, but you still get a device. So we saw the upgrade rate tick up in the second quarter. We still remain financially disciplined. We had good EBITDA growth in the quarter and the first half of the year as well.

As I think about it, we said mid-single digits in terms of upgrade rates for the full year. We're running above that right now. We'll have to see what the device refresh cycle, what happens in the back half of the year. And the reason for that is our offers are hunting well right now, and the offers are resonating in the market. So we'll see some of the device refreshes next week.

We'll see what happens with the reaction to that, and the take rate around that. But as always, we'll be very disciplined in our approach in terms of upgrades and retention.

**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe just taking a step back. So if the promotional environment is a little bit more costly right now, and there's more device sales with your upgrade comments. What does that mean for margins and profitability for the back half of the year for Verizon?

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

Sure. So upgrades, you can ask the question, do upgrades hit margins straight up. And the question is, it depends. And some of it is an investment in retention. So we look at it that way. The other thing that upgrades can do is drive traffic into the stores and have a customer look at taking either perks or converged bundles. So there's a lot of ways where we can make an investment in the business.

We did see upgrades tick up significantly in the second quarter when we launched the Best Value Guarantee. We expected that, and we expect it to shift the dynamic, because we had so many years of declines in upgrade rates. So -- and like I said, we have a great value proposition, and it's actually resonating right now.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

So no change in your perspective?

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

No change in our perspective. And as always, we'll be ready to go in the fourth quarter as we always are.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And then, when you think about the cost structure, what are the opportunities to extract more efficiencies, whether it's through AI, copper decommissioning, maybe walk us through the opportunities to really improve the efficiency and margin profile over time.

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

Sure. So we've made a lot of progress on cost transformation in the first half of the year, and that's reflected in the EBITDA results. We had 4.1% [adjusted EBITDA growth, \$1 billion of adjusted EBITDA growth](corrected by company after the call). So making good progress on cost transformation. A lot of work has been done by Sampath and the team on customer care, including enhancements with AI that's driving some of that. We're also seeing good work on the business side with our managed services portfolio and the work that Kyle and the team are doing. We're seeing savings from that as well.

And then, you mentioned on the network side, taking legacy elements out of the network. And we have obviously more work to do there, but we're making good progress. And then, some of the other areas like IT and real estate. And then we also did a voluntary separation program towards the end of last year. And starting in the second quarter, we started seeing a full run rate benefit of that as well. We're operating with lower headcount. So we continue to focus on making the business more efficient, and that's reflected in the results, and that's something that's an ongoing process for us and in our DNA.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe -- and sorry, just coming back to the upgrade subject again. What are your thoughts that maybe first half pulled forward volume? And so, even though you're running ahead of the upgrades right now that you might have pulled some of this forward and so this upgrade cycle might not be as robust as maybe it would be seasonally.

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

Yes, it's a good question. When we did the Best Value Guarantee, we knew we would shift the upgrades and pull them forward. The question is, now with the refresh cycle, are people waiting or not? Hard to say. We'll know that probably in the next few weeks as this all starts to shake out. But as I said before, we'll be disciplined in our approach. It's possible that some of that got pulled forward, but we'll have to see how it plays out in the back half of the year. And as I said before, we're as always, we'll be ready to go when these things launch.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And when you look at the math of Best Value, is it driving up the percentage of subs that are on what I'll call like an active EIP program, even if it's being subsidized, but they're kind of in that category such that there's an opportunity to -- just from that to significantly improve churn, because just more people are on fresher device plans.

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

Yeah. I think, as we get folks on to myPlan, myPlan has a great construct when you think about the -- you pick your network and you can pick your perks and adjacent services. And if you want a Netflix, Max or you want a hotspot, we have all of those things and/or adjacent services like insurance, handset insurance. So we have great optionality, and that makes it stickier for customers.

And we have -- as I said earlier, we have about 58% of the base on myPlan. So we're making good progress there. Obviously, more work to do to get more folks on myPlan, and we do see better ARPU's on myPlan. So that's the focus of the team.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe circling back to FWA, you referenced some of the opportunities earlier. Can you give us an update on how the footprint expansion is progressing and the opportunity to improve the quarterly cadence of net adds for that?

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

Sure. So with FWA, the goal for us is to build a long-term sustainable business with plenty of runway. And that's what we're doing with FWA. And as evidenced over the last few weeks, it's clear that the industry has adopted and embraced FWA, which is great to see, and it kind of validates the thinking on FWA. And it's a great product.

We have over 5 million subscribers in our base right now, 5.1 million and well on our way to our 8 million to 9 million subscriber target by 2028. And we put on about 600,000 FWA net adds in the first half of the year, and we're taking meaningful share, which is great to see.

In terms of how we think about deployment of the network, the primary use case for C-band is mobility and a secondary use case is the optionality for FWA. And we continue to roll C-band out. We said 80% to 90% of planned sites (company clarification) by year end, and Joe and the team are on track with that.



And as we roll out C-band, that will continue to provide optionality for FWA. The cadence will be a little bit different as we now roll out into Tier 2 and Tier 3 markets, I think suburban markets, rural markets. Obviously, the density is a little bit different there. So obviously, that will impact the pace of growth. But we're not stopping. We're going to continue to press ahead. We let customers really like the product. The NPS, and you've heard this from Sampath many times, the NPS is really high, and it's a great product. So we're very happy about the progress there.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Are you seeing any incremental opportunities to invest in that product to drive additional revenue versus the fallow capacity model?

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

So as we look at FWA, as I said, the use case first case is always mobility and then FWA. There's always opportunities to go back and look at a use case for FWA. And the question is, what is the return on that investment? If the return on investment makes sense is, once we get through the build and achieve the build, there's always a chance and opportunity to come back around and look at those use cases, it would be whether the return makes sense for us, but we always have an option to do that. And if we do that, that means we're being extremely successful. So -- but we always have the optionality to do that, but there's no success-based capital right now for FWA.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And the MDU opportunity?

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

Yeah, sure. So one of the things we wanted to do this year was roll out an MDU solution, which is bringing millimeter wave to an MDU and then running that through the coax in an MDU. And we started launching that product. As with any new technology, we're going through the growing pains of that right now. We think it's going to be a great product. The goal is to have gigabit speeds for us, and we're working through some of that right now to ensure the customer experience is what our customers expect from us in terms of network performance.

So the team is working through that. And that will scale over time. So as we work through the growing pains, I expect that to be a contributor to open up more prems for sale in FWA.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe switching gears to fiber. Can you give us an update on the Frontier process close and the financial opportunities that brings to your shareholders?

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

Sure. So the Frontier is moving along in terms of the regulatory process. It's on track. We've secured approval in 8 out of the 13 states where we need to get approval, along with the FCC and the DOJ. And we're going to work with the remaining states. That's already in progress to ensure we can get the deal closed. And what we said is the first quarter -- by first quarter 2026, and that's on track. And we're working through each state's process to get that done.

And we're excited to bring Frontier into the fold. The work going on right now, there's a lot of integration planning that we're doing right now with Sampath and the team and the Frontier team to ensure we can hit the ground running on day 1 and make sure we can serve our customers on day 1. So that's extremely important.

We talked about when we announced the deal last year, synergy targets, and we said at least \$500 million of operating run rate synergy by the third year. So we do see a lot of opportunity in the Frontier footprint, both from a revenue standpoint and also from a cost transformation standpoint as well when you think about the legacy network as we put more fiber into the network.

So there's a lot of opportunity there. And what we've said, what Hans and I have said is that we get closer to closing the deal and get clarity around the closing time line. We'll come back on what the build pace looks like in the combined footprint going forward, what the CapEx will look like, synergies, integration costs and capital allocation as well. So we'll come back on all of that real soon.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And just to remind our group, that synergy number doesn't include certain things like tax or interest or some of the other things that could be helpful.

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

Yeah, there's no revenue synergies in there, and there's an opportunity to go further, and that's the focus. And as I said, we'll come back with a full view on that real soon. Stay tuned.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe then zooming out, when I think about the larger strategic ambitions for Verizon over a number of years, it feels like it's been about being a leading provider across the whole U.S. of mobile and broadband and that brings us to the convergence conversation. And so as you look at what Frontier gives you, your FWA, your mobile business, how do you look at Verizon's convergence opportunity and leveraging that to grow in the future?

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

Yeah, sure. So in terms of convergence, in terms of broadband, we do both. We do fiber, we do FWA. And we have a great mobility business. So when you put that together, we have great offerings for customers. About 18% of our customers have the converged bundle, which is great to see. And that's moving up at a steady pace.

But I think you've heard us say many times, our view of convergence is that, it's demand-led and meaning it's dictated by the customer. And we have a great value proposition when you think about myPlan and myHome. They're very similar constructs. You pick your network, you pick your perks. So it's very similar and gives a lot of options for customers.

We have the owner's economics on the networks when you think about our wireless network and our fiber network, so we can handle this. And we'll be ready as it ticks up. And questions have come up about how high the percentage can go. We think it can double over the next few years. But again, it will be dictated by the pace of the customer from the customer standpoint.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Maybe shifting gears to capital allocation. Can you give us an update on the leverage, where you are versus your target and what Frontier does in terms of influencing that?

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

Sure. So we're very pleased with the cash flow generation of the business. We had strong cash flows in the first half of the year. We raised our free cash flow guidance for the full year to \$19.5 to \$20.5 billion, both on the strength of the operations of the business and also tax reform. And we said tax reform would provide \$1.5 billion to \$2 billion in cash tax savings in 2025 and a significant benefit in 2026. And the focus of the team has continued to be to delever the balance sheet. And we've taken about \$7 billion off the [net unsecured](added by company after the call) debt stack in the last year, and we're getting closer to our long-term leverage target.

Our unsecured metric right now is 2.3 times. So we've made a lot of progress in delevering the balance sheet. And we said our target is 2 times to 2.25 times. So we're making good progress. Frontier adds a quarter turn to that. So we have to work our way through that. But the focus for us is continuing to generate strong cash flows and continuing to pay down debt, and that's what we've done.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Maybe just switching gears again to Business Wireline. What are you seeing in that business? And is there light at the end of the conduit, so to speak, in terms of stabilizing this business on a revenue basis and a profitability basis?

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

Yeah. When I look at the business segment, Kyle and the team have had three straight quarters of EBITDA growth. And you mentioned the secular declines in wireline, and that's probably not going to change. However, what we do see is, Kyle and the team have grown both mobility and FWA quarter after quarter after quarter. And the revenue is skewing more wireless.

So obviously, that's better for margins. And it really starts with the wireless revenue growth that's driving some of this. And then you add in things like private networks, and we're seeing good demand right now for private networks and in the future, AI Connect. So the revenue profile is shifting.

And then, the team is doing a lot of work on cost transformation to improve the margin profile and whether that's getting customers off of legacy products and solutions, that's extremely important. The team did a lot of work on managed services and the delivery of managed services, and we're seeing savings right now.

And the other thing we're doing is being very disciplined at the deal desk and not writing low-margin deals. So if it's not good business, we're not going to do it. So Kyle and the team are very focused on writing good business, and that's extremely important. And we're operating with lower headcount. So the team has done a great job, and we're positioned to have EBITDA growth this year, and that's great to see.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Zooming out on the wireless landscape again, I think the team this week referenced the possibility of industry growth, postpaid phones slowing in future years. And can you frame what could drive that slowdown in industry growth? And we've had like -- I feel like a few years now where we've expected a slowdown each year and --

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

It doesn't happen.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

It hasn't happened significantly yet. But at the same time, if it does, why -- and what's Verizon's sensitivity on the volume side to that possible slowdown?

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

Look, I mean, the wireless business has been very resilient and the demand and the priority for connectivity continues to remain high. So that's probably some of the resilience that you're seeing. And obviously, some of this is influenced by immigration, by prepaid to postpaid migrations, younger demographics in terms of kids getting phones and things like that.

So there's a few things influencing that. But even with the slowdown, we've said longer term, our view is more 80/20 in terms of price and volume. And we're not there at this point. But obviously, we've been able to manage through it. And as I said, it's a very resilient business. And the demand is still very high and the customers are very resilient as well.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

And when you define the 80/20, just to help our audience here, that's not explicitly a postpaid phone formula, right? That's a formula for the whole business.

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

That's right. That's right. That's looking at, it perks adjacent services, you're looking at everything. We're looking at all of it. So when we say that, we're looking at the entirety of the portfolio.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

Can you give us an update on how you're thinking about returning capital to shareholders? You have a dividend right now. What's the outlook for return of capital?

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

Sure. So we have a very disciplined capital allocation framework that has four priorities. The first priority is investing in the business. And you see us doing that with our networks year in and year out this year, \$17.5 billion to \$18.5 billion in CapEx. A majority of that will be spent on the network and a big focus on deploying C-band. So that's always the first priority.

Second priority for us is the dividend. We have a long track record and a proud track record of 18 straight years of dividend increases. And our goal is to put the Board in a position to increase the dividend once again.

And third priority for us is a strong balance sheet. And as I said earlier, a lot of work being done to delever the balance sheet and get to our long-term leverage target, and we're making great progress there. And then, we said once we get to our long-term leverage target of 2 to 2.25, we would consider share buybacks. We're getting close. We're not there yet. But as we get through the Frontier deal, there's line of sight to that, but we have work to do between now and then.

**Michael Rollins** - Citibank Cameroon SA - Analyst

And just thinking through what else you could do maybe in a strategic fashion, is there room to further optimize assets within Verizon? For example, you still have a video business. You may have some legacy real estate. What can you do to sort of accelerate the goal to more of your strategic focus in the future?

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

Yeah. Mike, we've done a lot of work in pruning the business over the years and narrowing the focus, whether it was selling our media business or other assets. And we'll continue to look at optimizing the portfolio. That's something we do all the time. And if there's an opportunity for value creation at the right price at the right economics, we'll do that. And that's something we're always focused on. And if there's a way to make the business more efficient, we're going to continue to do that.

**Michael Rollins** - Citibank Cameroon SA - Analyst

Tony, thanks for joining us today.

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

Today. Great, thank you, Mike, for having us.

**Michael Rollins** - Citibank Cameroon SA - Analyst

Thank you.

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