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VZ.N - Verizon Communications Inc at Goldman Sachs Communacopia & Technology Conference

EVENT DATE/TIME: SEPTEMBER 08, 2025 / 3:50PM GMT

OVERVIEW:

Company Summary

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Michael Ng *Goldman Sachs Group Inc - Analyst*

PRESENTATION

Michael Ng - *Goldman Sachs Group Inc - Analyst*

Great. Well, good morning, everybody and welcome to the first company sessions of the Goldman Sachs Communacopia & Technology Conference.

I have the privilege of introducing and hosting Hans Vestberg, who is the Chairman and CEO of Verizon. Prior to becoming the CEO in 2018, Hans worked as Verizon's Chief Technology Officer and President of Global Networks. Prior to joining Verizon, in 2017, he served as Ericsson's CEO. My name is Mike Ng, and I cover US Telecom here at Goldman Sachs. We have about 35 minutes for today's presentation.

Thank you so much for being here this morning, Hans.

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

Thank you for having me.

QUESTIONS AND ANSWERS

Michael Ng - *Goldman Sachs Group Inc - Analyst*

Hans. Around this time last year, you announced the Frontier acquisition. Verizon's targeting 30+ million fiber passings by 2028, 35 million to 40 million over time. Could you just talk a little bit about how Frontier fits into the broader Verizon strategy and some of the opportunities that you see as you think about the integration of Frontier?

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

Yeah, and I guess my team has posted my safe harbor behind me. So, I owe you. The phone is calling as well. Yes, I will. So safe harbor statement, I might say something that is forward-looking. So just be aware of that.

Let me talk about Frontier. So yeah, one year ago, we basically announced the acquisition of Frontier. It was based on that we did a strategy how we're going to continue to roll out fiber outside our ILEC footprint. And of course, when we had done that strategy, we realized that the footprint on Frontier were a very good buy versus build for us, timing wise and even value wise as we closed it. So that was the first.

The second one is of course that then we're going through all the regulatory approvals. We have all the federal approvals. We're now working down the last couple of states here that we believe is going best definitely on track to close in the first quarter, as I said all the time.

So all that you can park and then you can sort of move on and see what are the synergies? We -- our early indication when we talked about synergies was \$500 million in cost synergies. We haven't talked about our revenue synergies, but for obvious reasons, we see a great opportunity for convergence here.

I used to say, when it comes to convergence, when you have mobility and broadband together and fixed wireless access customers, they have a high degree of convergence, FiOS lower and Frontier the lowest. So that's sort of the opportunity we have. So we're very excited.

Of course it almost is connected directly to our footprint because this was ex-Verizon business or assets, so the connection of it and doing the integration. I would say, no acquisition is easy. It's always complex, but in all acquisition, we have done in the last 15 years, this is probably the easiest from integration point of view if you exclude spectrum because spectrum is way easier. So we're very excited over it and we think we're going to have multiple opportunities both for revenue and cost synergies.

We have not come out yet and say how many passings we're going to do where you said plus 1 million and it's plus, plus, plus 1 million. We want to have better visibility when we close, and then we're going to have an investor update with how much passings, how much capital allocation we're going to do, what type of revenue synergies do we see and all of that. We will of course come in one full package and how much CapEx we want to spend.

So it's a lot of things still to unpack on it, but everything is going according to the plan, and we're really excited for it. And the good news is also that Frontier has been performing really well since the announcement of the acquisition. They are on plan with our -- what we assume their business plan, and sometimes, it's very easy. You buy something, it takes 18 months before you close. There's a lot of things happening. So far, Frontier has been executing extraordinary well. We're very pleased with that.

Michael Ng - Goldman Sachs Group Inc - Analyst

That's great. And just as a quick follow up, when you think about some of the synergy opportunities, just qualitatively, what does that look like? Is that Frontier service in Verizon stores? (multiple speakers)

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

Yeah. There's a lot of -- but yeah, one is of course in the footprint of Frontier where more than 1,000 stores, of course, we can use that as a better distribution. We can use our IT systems in order to enhance the service levels and also the efficiency of deployment. So there's a lot of things we can do given our footprint that we can combine with them.

Then we can have things to learn from them, how they have been reinventing themselves. Remember, they went bankrupt, so you think a little bit different than when you have an ongoing concern. So there are things that we need to learn from them that we can involve in our business. All in all, there's a lot of cost synergies. I'm also very excited for the revenue synergies for us to continue to drive convergence, step ups and all of that, and of course, seeing that we have a harmonized technology stack.

Michael Ng - Goldman Sachs Group Inc - Analyst

Great. I wanted to ask you about some industry news this morning. You know there was a lower orbit satellite provider who acquired some spectrum. And could you talk a little bit about your views on that, whether that's as a competitor to broadband or in the future as a competitor to mobile wireless service and you know what the infrastructure is offering?

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

Sorry. I read the same news that you are doing, so I don't have any other. But no, I think that again, the portfolio -- spectrum is of course an interesting piece of this. This is -- the majority is, of course, satellite spectrum. We are working with all the LEO and GEO players in order to have both back-haul or direct-to-device. I think this is just giving more opportunities for us to have more supply.

I mean, I can only read what I'm reading. But I see this is creating more opportunities to do direct-to-device connection with satellites in especially areas where we cannot build because of requirements of -- in a national park and things like that. So I still believe that emergency or texting and calling in these areas will be important as a service that we will provide to our customers.

Today, we have AST doing it. We have our iPhone, we have Skylo. So we have this sort of covered. This will just create more opportunities in the market and partners for us to go there. But it's a little bit early to say. But clearly, this was in the cards after they sold out what they did last week or two weeks ago that now their operations will be less of an operation company and now they are selling off the spectrum.

Michael Ng - Goldman Sachs Group Inc - Analyst

Shifting gears, maybe we can talk a little bit about consumer wireless and the industry and the market. We've seen quite strong market activity, high gross additions, higher churn at the beginning of the year. Could you just give us an update on what you're seeing in the wireless market for consumer at the industry level? Where do you see churn trending and you know what is normalized churn look like?

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

So what we saw in the first half was somewhat, I would say, elevated competition. Higher promotional intensity. I don't think it's strange to be honest. I mean, the market is shrinking because the demographics of the US, it's not a growing market. We have less immigration, so it's less customers on the consumer side coming in. So it's a little bit more competitive. So that's what we saw.

The other is that we now have over 40 months. That's how long a consumer keep their phones. So sooner or later people will start doing upgrades of their phones. We incentivized that even in the second quarter with our new offerings.

So I think that was pretty normal and that of course, increased a little bit of the intensity. We are coming in and out. As always, we are financially disciplined. But we see opportunities will come in second quarter. We're a little bit more aggressive. That of course has elevated churn in the whole industry, which is not strange an idea. So I think it's just a sort of a -- some sort of an impact of where the industry are, in which way we are, and which sort of coming into the third wave of wireless.

I mean the first wave was sort of extraordinary expensive to have a mobile phone. The second was mass market. You can still build market share and grab a lot of new customers. Now we're in a saturated consumer wireless market, and then you need to work differently.

And our strategy has been very clear there. We are building our vertical stacks. We're building our horizontal stack because we believe that we can continue to grow our service revenue even though volumes might be smaller when it comes to new customers. That's why we built the whole perk system, adjacent services, access and loyalty programs, and seeing what we can do all the step-ups and the convergence. That gives us, I would say, several vectors of growth that we didn't have before.

I mean, yes the perks -- we will have -- last year I think 7 million perks. This year we said we're going to go to 10 million perks, then we upgraded to 14 million perks, and now we believe we're going to have 15 million perks. So it's going way faster than we thought. We basically have exclusive agreements with all the Netflix of the world, Apple One of the world, the Paramount Plus of the world, Disney Plus of the world. So this is a unique way for us to build something that nobody else has we are building, and it's good revenues.

And as Sampath, the Head of -- CEO of Consumer Group said, this is good margin as well. So all in all, that's how we're building this market going forward. And I think that's very important because the next couple of years it's going to be a little bit more tight and new customers coming into the market, and we will have that together with also all the multi brands we have on the prepaid. So we can address any market segments and we can scale it upwards with growth.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yeah. I mean there's a lot there that I would like to dive.

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

Yeah. There was a lot in that one. I heard that, sorry.

Michael Ng - Goldman Sachs Group Inc - Analyst

I would love to dive more deeply into a lot of those things, but maybe just starting out with the replacement cycle that you mentioned has approached 40 months at this time. One of the topics that is on the mind of investors today is just the upcoming iPhone launch, right? And we'll get it tomorrow.

So I was just wondering if you could talk a little bit about the launch of the iconic phones. What do you think that that does as it relates to the promotional intensity of the market? And do we see a pull forward of that upgrade demand early this year that may make the back half more (multiple speakers)?

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

Yeah. Remember, for almost three years, we have been having downward trends on upgrades. So that, sooner or later will have an upward trend and we believe it should be mid-single digit or higher growth of upgrades this year, which probably will happen -- still to be seen is of course, the launch of Apple, what that means to our customers. But of course, if many Apple customers have taken sort of iPhone 16 in May, they might wait and see what's going to happen with this launch.

So we're going to see how it's going to turn out in the rest of the year, but definitely we want to have growth on upgrades this year which is just logical after years of decline and also, with the promotions we have put into the market. But it's still very exciting. The Pixel 10 come out, I would say, great phone, also very good traction on that one. So we see all these new devices coming out and being exciting.

I've always said that when you see a real boom in upgrades is when you go from a G to another, 3G to 4G, 4G to 5G, and 6G is not even in the plan right now. It's probably a couple of years out, or a real hardware redesign. Those are the moments where you see that consumers really throw themselves in, and I need this phone. I need to upgrade it. Other than that, we've seen that the softwares are so good, and the changes in between different versions have been a little bit smaller, so people have kept the phone way longer.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yeah. I was wondering if I could get your thoughts on the reaction to changes in device prices. I think the expectation for tomorrow is that we see some de facto price increases on some of the models and how do the carriers, how does Verizon react to something like that? Is it more about making sure we get consumers upgraded to certain tiers and service or?

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

There was many assumptions in that question you know, and things that I cannot answer or I shouldn't answer. But historically, we've been very disciplined. We have a tiered model for our promotions. Basically, we take the highest plan for us, the ultimate plan. Then you get a certain amount of promotion money. If you take the medium, you take less, and if you take the lowest sort of the welcome plan, we give you \$400.

So we always hear the promotions. We have thought that was a good idea to incentivize our customers. So we're going to see what's going to happen in the future. I can never talk about the future pricing or whatever I'm going to do in the future, but that's historically how we have been dealing with different prices.

Michael Ng - Goldman Sachs Group Inc - Analyst

Okay. And one of the things that you mentioned in response to the first question on consumer wireless was just perks and the platform. And perks is something that I thought is really interesting, right? You guys have talked about \$2 billion of annualized revenue, mid 30% in that margin.

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

In less than 18 months.

Michael Ng - Goldman Sachs Group Inc - Analyst

In less than 18 months. I think it has been like a good driver of ARPU and should continue to be.

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

And the penetration is still low. I mean we still have probably more than half (CORRECTED BY COMPANY AFTER CALL) on our myPlan. So first of all, getting everybody on myPlan and then, of course, also start getting a penetration on every account on perks is still – we have a way to go.

I think what you realize when you have the size of the business we have, you need to take it in steps. You need to have the wholesale channel, digital as in the stores being prepared to do it. So it takes some time. In the beginning, when we had this perk, we didn't even sell. But right now, it's selling. And of course, the value proposition is that we now have the best value because if you take a plan from us, you take a couple of perks, that value nobody can compete with. So we definitely have the best value for our consumers, the postpaid right now. We just need to market it better and we will.

Michael Ng - Goldman Sachs Group Inc - Analyst

So it's a revenue profit driver and it also helps with the price value perception as well.

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

Yes, price value perception, the loyalty and then, we also have starting with the adjacent services like the high-yield account, bank accounts that we now have together with Openbank. We have the credit card. So we're just building different services that have a brand affection that is connected with our brand, but also it resonates for our customer. And it has to be sort of flexible.

Customers need to be picking and choosing, and we cannot tell, hey, if we take this plan, it's included. Our consumers doesn't like that. They want to have the flexibility in that, we want to have the optionality with doing it.

We still are the only one that can do a mix and match inside this wireless account, meaning if you have four lines, you can have one line on welcome plan, one on ultimate, no other competitor can do that. And that came from the consumer research we did two years ago that customers want that flexibility and optionality in move around. We have it both on the wireless, then we have done our perks. We have it on all other adjacent services as well.

So part we are building based on the consumer insights we have. And now it's more about branding and seeing that the distribution channels can really handle the volumes of different products that we have.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yeah. And just on the topic of perks. Perks is one way that Verizon can be an AI beneficiary, right, because you're distributing Google Advance. That's how consumers are getting Gemini in many instances. Could you maybe just talk about that aspect of it, right? The AI apps and how that could potentially help Verizon?

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

Yeah. And also, one of the perks is of course that we have the Gemini Pro AI app that we're also offering like a perk. So yes, we see that as also a software that can be enhancing the consumer experience you put them in. But remember, we are doing this on consumer wireless.

We're also bringing the perk system into myHome, meaning broadband. We are gearing up for doing it on prepaid. We are starting it also in the SMB sector where we're also working the same because I think that's the way you're working this in the future to have sort of a vertical integrated stack to your customers, and they can pick and choose what they want. You need to have the best network in the bottom that is performing and with the flexibility and then you build upwards.

So yes, you're right. This is giving us a great opportunity to engage with our customers way more often than coming into the store once a year and doing your upgrade or buying your phone.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yeah. And thinking about this all a little longer term, I was wondering if you could just describe how you think about wireless revenue growth in terms of subscriber growth versus pricing? On the subscriber side should we be thinking more about non-phone subscribers to the extent we get new types of devices, or is there pricing opportunity because of some of these platforms that you mentioned?

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

Yes, if you look in the future, I think we now have created so many vectors of growth on the consumer side that we've grown. Of course, new customers are always important, but we have so many other areas we can grow in right now. And we just need to see that we deploy the capital in the right area, which has the best return on investment.

So if that's perks or high-yield bank accounts or insurance, we will do that. If it's to acquire new customers, we will do that. And the financial discipline in team is extraordinary. Then on the business side, we have been always very good balance between volume and price and whatever offers we have.

Recently, of course, with some impact on the public sector for obvious reasons, we see downsizing in the public sector with our market share. We have some negative impact on that. The other sectors are performing well for us. And we have, I would say, a high market share there. So we're very -- so we have all of that.

And then on top of that, what I see in the future is, of course, that the innovation of the network-enabled devices, meaning devices that are using the network for their applications, for the processing, et cetera, we build a whole metro network and the edge capabilities five years ago, very early maybe. But that's really what we're going to see when AI will start to have devices that are going to connect with the network in a totally different way.

They're probably a couple of years out. But that is the next boundary of wireless growth for us, where we're both going to have new, I would say, new offerings for these type of devices. And of course, the manufacturer of the device needs to have edge capabilities from us that we can charge as well. So you're going to have dual revenue stream. So that's what I see happening also over time here.

And then adding to that, of course, all the AI being built with our business side, the AI Connect, which have a great opportunity right now with lit-and dark fiber for all the routes that needs to be built. And then over time, edge processing, edge capabilities, which we also already have in our data center. So there's multiple new vectors of growth that we have been building on for years, and we built our network to prepare for it that is coming in the next years to come.

And then we have the vectors of growth here and now with the perks, adjacent services, myHome, myPlan and all of that we built the last couple of years. So we're excited over it. And you saw my -- when we finished the second quarter, we now are growing our [adjusted EBITDA with 4%](corrected by company after the call), which we haven't done for a very long time. We upgraded our guidance in the second quarter for the full year. So yes, the team is doing a great job. We have a great team that is super focused on doing the right thing for our customers and then bringing that together.

Michael Ng - Goldman Sachs Group Inc - Analyst

Right. And you guys were early with AI Connect with the product forming at a reasonable (multiple speakers).

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

Yes, we were very early with that. Yes. All the edge computing we're probably five years too early. But now we have all the capacity at the edge, which will be beneficial when the large language models are down sort of, and you bring it to an AI application or an enterprise, for example, that's going to move out to the edge for transport cost, latency, security and privacy, and that we're going to be very well placed to take care of that serving 98% of the Fortune 500.

Michael Ng - Goldman Sachs Group Inc - Analyst

And just kind of wrapping up on consumer wireless, I was wondering if you could --

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

Oh, we're still talking about that? (laughs). Okay!

Michael Ng - Goldman Sachs Group Inc - Analyst

Briefly, yeah. And I was just wondering if you could talk about what current trends have looked like? How is back-to-school performed, for instance?

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

Yes, nothing special. I think this third quarter is always the quarter where everybody is waiting for the iconic launch. So even though back-to-school, I think what I'm really encouraged is our prepaid business, which has been doing really well. I mean I think it's [four](corrected by company after the call) quarters of growth after the acquisition. We had some [seven](corrected by company after the call) quarters of negative growth.

Now we're growing that business. The team is doing a great job. We have seven brands were the Visible, the Total Wireless and of course, Straight Talk in a couple of other Walmart family. And all of them are distinguished, segmented in the market, and these are perfect for back-to-school and things like that.

So no, I'm excited over the prepaid portfolio, and sometimes, we have this conversation with investors, you know, yes, but postpaid is important. I would say, a high-end prepaid is profitable -- more profitable than low end postpaid. So for me, again, the strategy is very clear. Build the network once, having as many profitable connections on top of the network. Prepaid play a very important role there.

Some prepaid offerings have limitation on usage. So you can make a good profitable business on any type of connections as long as you have the right requirement around them. And that's why I see the base of our prepaid that is plus 20 million is very important for us, and we can do quite a lot with it, and now we're growing as well.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yes. And maybe just following up on prepaid since you mentioned it. Could you just talk about how that strategically fits into the broader portfolio? How has the characteristics of prepaid change relative to how we may have perceived it a decade ago?

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

I think that when you work with brands, there's a brand perception of your brand in the consumer world that you want to have. And of course, Verizon has a good brand. I mean premium brand, high-quality brand, the highest brand value in the industry in the world, in our industry. So of course, that tells you something when you want to approach it.

That means also that some consumers might say, Verizon is not for me. That's why we built Total Wireless, which we have built up now in one and half years, which is a high-end prepaid. For example, Visible, 100% digital, where customers don't want the store, no hassle. They just want to buy the things online and nothing else.

So we're trying to -- we have the whole portfolio with Walmart, which is another cohort of customers that like that type of business. So I think that it's important when you're in consumer business and when you want to extend the TAM, you need to be true to your brands and the brand perception you have and what type of brand values you are building, and that's why the whole prepaid is playing a big business for us.

We have never had this prepaid to postpaid convergence. But over time, we're building that muscle right now with many of the stores we're building with Total Wireless, for example.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yes. Shifting gears to broadband. Obviously, the market has been incredibly dynamic over the past several years. Your Fixed Wireless product has performed very well, 5 million subscribers on its way to 8 million to 9 million by 2028. Could you just talk a little bit about fixed wireless access? Is it a transitional technology? Is it a good business? What do the returns look like relative to fiber?

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

It's a great product, and it fits very well in this portfolio of vectors of growth. Certain consumers, certain business customers really like Fixed Wireless Access for the simplicity. You self install, you get it quickly, and it's really good performance.

Then, of course, we will also going to have Fiber, that's different customers there. It's a long-term strategy to be in Fixed Wireless Access. We are developing and improving all the time. We are now also starting with our multi MDU solution, multi-dwelling units, meaning high rises, what we're going to do Fixed Wireless Access to high rises, which has not been a market we have penetrated before.

Basically, taking between the tower on one building, taking a very broad spectrum tranche, sending capacity over and then using all the cabling in the building and suddenly, you can also address multi-units. So we see more development on Fixed Wireless Access and opportunities.

And then on top of that, of course, being able to see that the business side is using Fixed Wireless Access much more. I mean, when we did our business case on Fixed Wireless Access, it was basically built on consumer.

Right now, we see a very good traction on Fixed Wireless Access on small- and medium businesses, retail, retail offices, using Fixed Wireless Access for their primary broadband solution because it's so easy and so quickly. So this is a technology is going to be here.

Some of you might remember that when we launched it, we were first in the world basically with it. Nobody believed it even would work. I think the industry has proven that this is one of the great innovations for 5G. I mean, everybody talks where are the big things from 5G. Fixed Wireless Access is definitely the biggest innovation of 5G so far together with Private 5G networks and edge computing.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yes. And how do you think about balancing your capacity between Fixed Wireless and Mobile?

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

Yes. So the capital expenditures that we have on mobility are in a very clear priority. Number one, we built for mobility for the mobile case. The C-band we bought in [2021](corrected by company after the call)for \$52 billion. We will finish between 80% and 90% of that build-out will be done this year. So what we're doing is that we build a C-band for mobility and then our adjacent business cases, Fixed Wireless Access. So we don't build our wireless spectrum for Fixed Wireless Access. That's a secondary business case on the mobility.

So during '26, we want to finish basically the C-band deployment as we planned. And then it's more about capacity and business opportunities. And then, of course, we're going to have the opportunity to build more tuned-to-Fixed Wireless Access, where the mobility will be the secondary business case. But right now, the team is focused on finishing the C-band deployment. And again, this year, we're going to finish between 80% and 90% of the plan. And then in '26, we're going to finish that out.

Michael Ng - Goldman Sachs Group Inc - Analyst

Yes. And as part of just the broader broadband strategy, is Fixed Wireless, say a business that helps you gain market share versus cable? Is it going to improve broadband penetration for the market like overall? Just wondering where you think we are kind of from an industry broadband penetration perspective as well.

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

Yes. We have seen the loss. I mean we have been between 300,000 to 400,000 new net adds every quarter for many quarters right now in a mix of Fiber and Fixed Wireless Access. In the end of '24, I already said that we're going to have a little bit lower net adds on Fixed Wireless Access, not because we're not deploying that, it's because we go from urban area to suburban and rural areas where we build our C-band and there's less density of houses. So the passing on Fixed Wireless Access is a little bit lower.

At the same time, we're now ramping up our Fiber from 400,000, 450,000 passings in '24 to 650,000 this year. So we're now looking forward to enjoy that increase in Fiber that we're doing on the FiOS footprint. So as I said in the second quarter, we're going to be having a stronger second half on broadband, meaning FiOS plus Fixed Wireless Access in the second quarter -- second half of the year compared to the first half of the year.

Michael Ng - Goldman Sachs Group Inc - Analyst

Okay. Great. Maybe moving to capital allocation, leverage. Lots of moving parts here with the pending closure of the Frontier acquisition. Could you just talk a little bit about how long you expect it will take to reach your target leverage? And are there things that perhaps you haven't been particularly prescriptive about as it relates to tax benefits from the One Big Beautiful Bill Act that should help on the frontier side, which you guys haven't quantified yet that may help you reach your target leverage sooner?

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

Yes. So the bonus depreciation that was part of the big bill that was approved here in [July](corrected by company after the call). That has a positive impact for us, \$1.5 billion to \$2 billion this year. So on cash, which is, of course, sizable money. But the capital allocation is very clear. Number one, we put it into our business. This year, we increased our CapEx because we increased our fiber build somewhere [\$17.5 billion](corrected by company after the call), \$ 18.5 billion, depending on where you believe you are in the guide.

But more important, of course, we're investing in our business by buying Frontier. We have not come out to say what the capital intensity will be. When we have Frontier, I will do that in one package. But historically, we have, by far, the lowest capital intensity in the industry -- in the world basically, where -- well, last year, 12.7% capital intensity, which is low.

I mean, the Europeans are probably up to 20% and our competition here is 300 basis points to 400 basis points higher. Fiber is a little bit higher density. So the mix is going to probably go up a little bit, but I will come back with that. So that's number one.

Number two is continue to put our Board in a situation to increase our dividend and for the ones that are following us, the press release on Friday, confirm that. 19 consecutive years of growing our dividend. Again, we added \$0.05 for the next year. So a very good increase on dividend again and that we have done for 19 years.

And then we're paying down our debt. So far this year, through the end of the second quarter, we paid down almost \$7 billion in that [\$6.9 billion of net unsecured debt](corrected by company after the call). So our leverage is 2.3. We want to go to 2.25. So we're definitely on the way.

When we buy Frontier, we will come up a quarter of a notch, I would say, 25 basis points on our leverage. But given the cash generation we have right now, I think that we will continue to work well on. And then after that, I mean, if we have proceeds left, we will start considering buybacks, which we don't have in the plan right now. But given how quickly we're moving here, we definitely want to consider that as soon as we are there.

So no, we're very clear on capital allocation and see that we honor our shareholders with good returns back. And of course, given the size of the buybacks, the return on our yield is really high.

Michael Ng - Goldman Sachs Group Inc - Analyst

Great. And maybe just in the last couple of minutes here, I was just wondering if you could talk about one or two things strategically that you'd like investors to take away from this conversation as it relates to the three-year outlook.

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

No, I think that what investors should look at Verizon is, first of all, extremely stable, very solid balance sheet. And of course, more vectors of growth than we have had in many, many years. And then topping that with also more opportunities of cost reductions in many, many years with AI coming in.

So I think we're coming into a new era of business. We are best positioned with the best network, the biggest distribution, highest market share in every sector we're into, and then we're adding Frontier. So of course, we are excited. We have a team that is executing. I think that's -- and we are very prudent with our capital allocation. I think that's what we want the investors to see and know about our stock.

Michael Ng - Goldman Sachs Group Inc - Analyst

Excellent. Well, Hans, that was a fantastic conversation. Really appreciate you coming out here today. And thank you, everybody for joining sitting in.

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

Thank you so much. Thank you, guys. Thank you.

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