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EDITED TRANSCRIPT

VZ.N - Verizon Communications Inc at Citi Global TMT Conference

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OVERVIEW:

Company Summary

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Michael Rollins *Citi Infrastructure Investments LLC - Analyst*

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

PRESENTATION

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Morning and welcome to day two of our global TMT conference.

Before we begin, disclosures are available at the registration desk. And for those of you that I haven't met, I'm Mike Rollins and I cover communication services and infrastructure for Citi.

We're pleased to welcome Tony Skiadas, CFO of Verizon. Tony, great to see you. Thank you so much for being with us today.

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

Thanks, Mike, and great to be here. And before we get started, I need to point you 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, Mike, we can get started.

QUESTIONS AND ANSWERS

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Wonderful. Well. As typical, it's been an extremely busy year for Verizon, maybe busier than some. What are you focused on right now and how should investors think about your priorities for the balance of the year?

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

Sure, and it has been a busy year and an exciting year, and let me frame it for you. So at a macro level, the team's very focused on four things. First, growing our mobility and broadband business and doing it in a fiscally responsible way, you've heard us talk about that.

Our second priority is investing in the business and in the customer, and we've seen our evolution with our value proposition. Third is delivering on our guidance for the full year and we'll talk about that as well. And then fourth is generating strong cash flows, paying down debt and returning capital to shareholders and evidence of that is our first half results were very strong and let me just share a couple of few highlights from the first half of the year.

From an operational perspective, our mobility and broadband net add growth, we added over 1 million net adds for mobility and broadband net adds and underneath that our phone net adds improved by over 500,000 this year, so we're making great progress on volumes.

And then from a financial perspective, in the second quarter, we had our highest ever adjusted EBITDA margin at 40.1%, which is the first time in a long time. Similarly, our adjusted EPS grew by 6.6%. And our cash flows were up 24% in the second quarter and up 16% for the first half of the year. So we're generating strong cash flows. And we returned $9.4 billion in capital to shareholders through dividends and share repurchases, and that's up 60% year over year.

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So as we said on the earnings call, this is a structural change and an inflection in our results and a step function change in what we've seen from prior years. And the way I'd frame it is what's happening inside the company. It's a growth transformation, not just a cost transformation. And it all starts with the customer.

And as you've seen our value proposition and the ongoing work we're doing there with Simplicity and our loyalty programs, those are performing well. And we have a relentless focus on the customer. And what we say is, we put the customer at the center of everything we're doing.

And we're driving our growth through targeted retention. And you see our churn down 5 basis points year over year, so we'll continue to make progress on retention and through segmentation, so that's great to see. We're also taking cost out of the business. And we talked about at the beginning of the year, a $9 billion cost program, $5 billion of operating expense savings and $4 billion in CapEx savings, and that's proceeding on track.

And also, we're leveraging AI both from a cost efficiency perspective, but also from a revenue generation perspective with our AI Connect business. And we announced a deal with Google recently, so we'll talk more about that.

And then lastly, we have the Frontier integration, and that's proceeding on track and we're starting to see some of the benefits from that. And we talked about our synergies, at least $1 billion of synergies by 2028. So that's pacing along as well.

If you think about what's coming in the back half of the year, the focus is largely the same. Growing our volumes, both mobility and broadband in a responsible way and doing that through retention and finding, we've said if we can get 5 basis points of churn improvements that gets us more than halfway to our growth targets and that's what we're seeing and that's just an example, but that's what we'll continue to focus on that, growing the top-line and the bottom line as we outlined in our guidance and we raised in the second quarter, we raised our EPS guidance, adjusted EPS guidance to 6% to 7%.

And we also raised our free cash flow guidance to 9% to 10%. So the team is very focused. We're proud of the first half accomplishments. We still have more to do. And the team is executing with a lot of urgency right now. So we're excited.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Great. Well, this gives us a lot to unpack and dig deeper. You talked about pivoting to grow as part of the strategy and transformation. So, as you've connected with your investors over the last number of months and recently, what are some of the underappreciated revenue opportunities for Verizon?

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

Sure, when I step back on revenue, what I would say is we're executing on our plan and driving volume growth as a catalyst for sustainable long-term revenue growth. And as you saw in the second quarter, Mike, our mobility and broadband service revenue grew 2.8%, that's up 120 basis points sequentially.

And we talked about our outlook for the balance of the year with the third quarter growth rate approaching 3% and the fourth quarter approximately 4%. So that's an acceleration in the growth rate. Underneath that, we also said that we expect a transitional year in revenue as we drive toward more volume-based growth. And we talked about our wireless service revenue being around flat this year. That's still our expectation.

And we see an improving trajectory in the second-half of the year, and we expect our wireless service revenue to grow in the second-half of the year, which is great to see. And what gives us confidence around that are three facets.

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First is, as I mentioned, improving volume profile. So we had a lot more phone, net adds over 500,000 year-over-year, so that we're starting to see the green shoots from that. The other thing is the promo amortization headwinds that we've been talking about for a couple of years. They've peaked and now they're easing in the second-half of the year. And that's a function of the work we're doing on Simplicity. So we continue to see great opportunities for revenue growth.

And then obviously, when you talk about conversions, that's the other area that we can continue to drive growth, particularly where we under index in some of the Frontier markets and wireless. So there's a lot of opportunity. And then we have things like perks that are growing roughly 40%, that'll drive revenue growth and service revenue growth, and perks give us great revenue and also great margins. So customers can also step up to premium plans as well. So there's a lot of ways to get our growth rate up.

And then to your question on some of the underappreciated areas. First, I would say is churn and churn improvements and what that does to our business model, allows us to be more efficient in growing our business and not relying on expensive subsidies and promos. So we're starting to see that. And Simplicity is the greatest, we did a lot of work and a lot of research around Simplicity.

It allows us to decouple the handset and the service pricing and that's we think that the financial benefits of that we expect to accrue over time and more and more customers are coming on to Simplicity. And then with convergence, we have a long runway to go there with the Frontier acquisition and continue to deploy fiber and customers attaching wireless to that.

The other thing that's coming is AI Connect. And that's an exciting new revenue stream for us. You saw the deal we signed with Google recently that is in excess of $1 billion, and it's a great start, and we have a lot more deals in the pipeline. I'm sure we'll talk about it. But it's a growth vector above our core business. So that's great to see. So when you put that all together, the actions we're taking are driving durable improvements and revenue and set us up well to finish the year strong and get us ready for 2027.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

So two follow-ups on Simplicity. So when I look at the Simplicity plan and what you've put into the market, and you were talking about how better phone net adds in the back half of the year is more about churn reduction. But when I look at Simplicity, that feels to me like it's actually helpful to drive store traffic and potentially gross adds.

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

Absolutely.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

So how does that set you up specifically, because it seems like that's in addition to everything you're doing on the churn side.

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

Sure. And as I mentioned, we did a lot of work before we launched Simplicity and our loyalty program. So that's an ongoing evolution of our value proposition. And Simplicity is hunting well. More and more customers are taking Simplicity.

As I said, it decouples the service pricing from the handset. So it gives customers a lot of optionality and a lot of choice, whether they, what level of service they'd like. And also if they need the device, there's options there. If they don't, they can bring their own as well.

So, and it can certainly drive store traffic, particularly in single line, two line accounts where we've historically under indexed. So we like what we're seeing thus far. We launched it back in mid-June along with leveraging our World Cup investments. So it was a great launch

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team, did a great job launching those solutions for customers and we're happy with the progress thus far. And it's driving us toward our net add targets as well. So we said we'd be at the upper half of our net add guidance range of 750,000 to 1 million and we're pacing toward that.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

And then in terms of ARPU. So the other side of Simplicity is, to decouple the subsidy and charge for the device, you're offering a lower price point, and it's particularly notable for one and two lines where the industry has had a behavior of charging more for that first line, marginally less for the second, right?

And so for that onesie, twosie line especially, is there a risk on the ARPU side that you have to take a hit to that to get the growth, to get the unbundling of the subsidies?

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

Yeah, the way we look at it, Mike, is on a cohort basis. So if you look at an ARPA overall, obviously a single-line ARPA is much different than a four-line ARPA. But we look at the ARPAs on a cohort basis, so single-line, two-line. And we see great opportunities for growth, customers being able to attach things like perks and other adjacent services and even take broadband. So there's a lot of opportunity there. And when it comes to account growth, we're really focused on growing both accounts and lines. It's both.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Maybe just for a moment, flipping over to the cost side and then we'll come back to wireless again for a few more minutes. So on the cost side, you've got this $5 billion in-year savings goal, but that's in year. So, help us think through the exit rate opportunity and, where you could take this over time.

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

Sure. So, our $5 billion cost program is on track, and maybe I'll just unpack where some of that's coming from first, and then we'll get to the future. So, the largest part of that is around our network operating, network operations and network operating costs.

If you think about taking legacy elements out of the network, taking copper out, modernizing with fiber, recycling that copper, lower access costs with a larger footprint, and also integrating Frontier. So that's one of the largest areas. Some of the other areas we're focused on is advertising and marketing efficiencies have done a great job there.

The one thing we have seen is structural improvements in both our COA, our cost of acquisition, and our cost of retention. Cost of acquisition was down 15% in the second quarter year over year, cost of retention down 17% year over year.

And those are structural things, particularly on cost of retention, the segmentation and micro-segmentation work that we're doing, and then we're operating with a leaner workforce as well. And then as we look ahead, there's certainly more opportunities to take cost out beyond 2026. So we see opportunities in 2027 and 2028 that continues to be centered around the network. So we still have a lot more work to do on the network side as we modernize.

And as I mentioned, Frontier is in the fold now, so driving synergies there. More work to do on our AI and tech stacks and further deployment of AI both in the network and in areas like customer care. So we certainly see opportunities there, real estate, et cetera. So there's a lot of areas that we're still getting after. And customer experience is probably the largest and one of the biggest areas that we have in front of us

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in terms of improving the customer experience and making sure we're investing back in the customer. And that's really important for us because when you think about it, the cost cuts and the efficiencies allow us to do four things.

Number one, run more efficiently and you see us doing that. The second part is investing in the customer experience and we invested in our Simplicity and our loyalty programs that requires investment and those investments come from the cost cuts.

Third is addressing and working through the transitional year-end service revenue, and fourth is returning significant capital to shareholders. So, it allows us to do those four things. And the first half results gave us the confidence to raise our adjusted EPS guide to 6 to 7% for the full year. So a lot of great work, but we still have a lot more to do.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

So the size of dollars that we're talking about and the percentage change in a single year are quite large. This is quite a transformation. What are the risks that there's this unintended consequence or consequences in the next one to three years, where because of the cuts that you're making today at some point in the future that could negatively affect either your service or your customer experience or your go to market.

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

Yeah, it is a significant number. As we said, at the outset that we're taking bold steps, these are bold steps. And one of the things we did, and this is both on CapEx and OpEx is we put a lot of rigor around this, making sure that the areas that we're focused on are aligned to growing our mobility and broadband business and areas that were not were reduced, but this is also about reducing friction in the business and with our customers and making sure the customer experience is improved and simplifying our business as well, simplifying our processes, and that takes investment and those cost cuts are funding those investments along with our loyalty programs and things like that.

So we're very focused on making sure that the cost cuts make us more efficient, but they're also allowing us, as I said, to invest in the customer and in the customer experience, and that's what we're focused on.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

And maybe just taking a step back on the wireless market again. So maybe a question for you first on some of your indications. So account growth, this has been a focus of getting that back to positive. Are you on track to deliver positive accounts in 3Q and potentially in 4Q?

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

Sure. So what we've said is, it's important for us to grow our relationships with customers, whether that's at a line level or an account level. Obviously, an account level, and both are important, by the way. At an account level, obviously, we can add more lines, we can add perks, customer can take broadband. And that's a great ARPA customer. It's a great, it's a sticky customer as well. And we talked about on the earnings call in July about account growth and we do expect our accounts to grow in the third quarter and our focus is to continue to grow accounts and I'm confident that we will.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Very helpful. And what are you seeing more broadly just competitively in the wireless category? And if I could just add to this question just a little bit, like we're in an environment where it seems like device replacement. Might be lengthening. You've talked about convergence. You talked about the focus on lower churn. Is there an opportunity that we get back to just the switcher pool shrinking and just the pace of activity in the industry slowing? So I'd love to get your thoughts on all of that.

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

Yeah, sure. So I'll start with your first question on the competitive market. It's a competitive market, Mike. Nothing's changed in that regard. So we don't expect it to change. And our focus is competing on the strengths of our offerings and our network and we have a great value proposition with Simplicity and our loyalty programs and with myPlan.

We have a lot of optionality for customers and with Simplicity specifically, that's hunting extremely well. And we like what we're seeing thus far, more and more customers are taking Simplicity. So I feel good about that. You mentioned also device refresh cycles. And I know today is, Apple's.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Is that today?

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

Yeah, that is, yeah. Sounds like it. Seems like it. You talk about device refresh and upgrades. So, we can talk about some of that as well and how we think about that. But, our focus is to grow in a responsible way and grow both, with gross add growth, but also with retention and the work we've done to segment the customer, as I said, our cost of retention is down and our churn is down 5 basis points.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

And that's a focus of continuing to bring down churn as well back half.

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

Absolutely. Absolutely. That's a heavy focus of our team. And we've made great progress and we're, it's a daily grind and the team is really focused on continuing to reduce churn year over year.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

And so with a smartphone cycle, I think we're 4.5 hours away, but... Yes, 4.5 hours and counting down. What are your expectations for this cycle? Can you share with us what you think is going to happen with subsidies during this cycle? This is always a big focus.

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

Yeah, obviously, like you will wait and see what happens later today with the launch. So really can't comment on any of that. But in terms of upgrades and upgrade volumes, maybe we can start there.

And I think you saw in the second quarter, our upgrade volumes were down over 20%. And really, that's a function of two main drivers. First, customer choice. Customers are choosing to hang on to their devices for longer periods of time. And the average upgrade cycle is now around 44 months. So it's elongated by two months since last year. And again, customers are happy with the devices they have.

The second, as I mentioned, is the work we're doing on targeted and segmented retention. And as we said, not every problem needs four free handsets to solve. And the team has done a great job continuing to segment the base and being very disciplined in our approach to retention. And look, with upgrades down over 20%, our churn came down as well by 5 basis points. So we're very focused on that.

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And we have a lot of options too for customers. As we mentioned about Simplicity, it gives customers optionality for the device needs. If they want the latest and greatest device, we have options for them. That's called Simplicity Plus or Simplicity Pro.

And we have those options available to them. If customer wants to bring their own device. They're more than welcome to do that and they can bring their own in Simplicity as well. So it's very flexible and it gives customers a lot of choice and flexibility in their connectivity and their connectivity needs.

And the discipline has supported the strong cash flows that you see. And we've modeled and we have strengthened our business to model a variety of outcomes. I don't have a crystal ball to tell exactly what's going to happen obviously in the fourth quarter, but we've been through this before and we'll see how it plays out.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

And you mentioned the different tiers that you have with Simplicity. What are you seeing in terms of like the mix of up-tiering from customers relative to what you typically see in a rate plan menu?

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

Yeah, look, I mean, customers, it's early days on Simplicity, so we're almost 90 days in now, so we're still learning. But we like more and more customers are coming on Simplicity. Many are bringing their own device, which is great to see. And obviously, that keeps a lot of subsidies in check, which is extremely important.

And again, as I said earlier, where we see good strength is in one and two line accounts, and that's performing well. And we expect customers will take perks and other things that will continue to drive sustainable ARPA growth.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Convergence, you mentioned a few times, what should investors know about how Verizon's approaching convergence differently? And how far away are we from like a tipping point where just the momentum that you get from convergence, you could see more of a benefit to churn or more of a benefit to cost items or profitability?

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

Yeah, so convergence is real. I would say it's working. And it's demand-led, which means it's being driven by the customer, and we're seeing now with the Frontier deal closed, we're seeing those cross-sell economics that we expected. Mobility customers attaching fiber, fiber customers attaching mobility and both cohorts churning materially less than a customer with a single product from us.

In terms of opportunity, 20% of our mobility base has broadband service with us. So we have a lot of room to run. As we said, we under-index in wireless in the frontier geographies. So obviously, the team has been working at that with urgency.

And then from a churn perspective, we see 30% lower mobility churn when customers have both mobility and broadband services with us. So it's a very sticky customer. And obviously, they can attach things like, as I mentioned, perks adjacent services to continue to grow or they could get increases in speed tiers as well. So there's a lot of optionality there.

We just launched our Verizon One product, which is a converged offer. It's very simple, $70, mobility and broadband included, taxes and fees included. So very easy for customers, very transparent. So that was launched also at the end of June. So we're very happy with that and obviously it's early days as well, but we like keeping it simple and that's really the focus.

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And then from a cost perspective, we have owners economics there on both our wireless network and our fiber network. We've added Frontier into the mix. We also have the partnership with Tillman as well to build fiber at a very efficient rate at our specifications. So we can earn the margin on both products as a result of having the owners economics. So we're really pleased with our progress thus far and we have a lot of room to run.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

What about fixed wireless? And as you're pushing into these MDUs, can that accelerate the quarterly rate of fixed wireless net adds?

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

Yeah, absolutely. And our fixed wireless business continues to grow. We continue to take share. So we're very pleased with that. And the multi-dwelling unit or MDU solution that you're referencing is another opportunity to expand our market. And we're able to do that using millimeter wave technology, so using our wireless millimeter wave spectrum, delivering high-quality broadband in MDUs. So that's a great opportunity to continue to increase our TAM in the FWA space. And customers want high-quality broadband. And this is another way to deliver more open for sale for us. So we're excited about it.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

On the satellite front, are you seeing any increased competition from the LEOs, whether it's in wireless, realize early days with direct-to-device or particularly on broadband? And how do you see the risks and opportunities across these categories, mobility and broadband from these LEO constellations?

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

Yes, sure, I'd start more broadly by saying satellite is, we see satellite as complementary to our business and as you know Mike, 99% of our network covers where people work and live and we use partnerships such as AST, Skylo, Globalstar, for example to complement our network in more rural and remote geographies.

And this is about density, it's about uplink, it's about urban and suburban where we generate a vast majority of our revenues (corrected by company after the call). And satellite works well in sparse terrain and where a self-site either doesn't make sense for us, but it's a market, it's just not our market. We compete where the density economics reward us for our fiber and our wireless networks.

And those take many years, has taken us many years to build. And the best example I can give around density is I know you and some of your peers joined our network engineering team on a visit to MetLife Stadium to see some of the experience we provided for fans at the World Cup.

And you got to see our fiber network, our wireless network, our distributed antenna system inside the stadium, along with using our spectrum assets to deliver a very rich experience for customers, and that takes decades to build. And we're going to compete on the strength of our offerings and the strength of our network.

I also know the satellite MVNO question is always lingering, so I'll just reiterate what we said at earnings is that we don't see a satellite MVNO is an option for us. It doesn't add to our distribution, nor does it give us the ability to sell something we can't already do today.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

So yesterday you announced a deal to buy a lot of fiber.

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

Yes.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

80 million fiber miles.

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

Yes, a lot of miles.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

A lot of miles. So what are you seeing in terms of the TAM for this hyperscale AI fiber opportunity? And then is there any updates then on the pacing to get to the target of 40 million to 50 million fiber passings in your footprint?

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

Yeah, sure. So maybe I'll start with the last part of your question on fiber. So we're deploying fiber at an aggressive pace, and we said we'd see over 32 million passings this year, and that's progressing as planned. And we're well on our way to the 40 million to 50 million passings that we set over the medium term. So that's humming along.

On your first part of your question around AI Connect and what we call AI Connect, we're excited about that. That's a new revenue stream above our core business. And as you saw, back in the second quarter, we announced a deal with Google, long-term deal with the value in excess of over $1 billion. It's long duration. It's a great revenue stream and a great start for us. We have a lot of other demand and deals in the pipeline, and we see this as a multibillion-dollar opportunity for us.

So, the team's obviously working that pipeline with urgency. And it comes, the AI Connect business comes in three different flavors. First is power space and cooling in our, with our central offices. So this is reusing assets we already have. It's building dark fiber routes, and some customers may want, wave or lit services as well. So there's a few different ways that we see growth opportunities there.

And as I said, the Google deal is a good start. We see a lot of demand. Hyperscalers want the Verizon network. We've been building fiber for a long time. We have over two decades of building fiber, carrier grade, low latency, high throughput networks. And this is very much in our wheelhouse to do and we're very confident that we can help support and deliver on the AI economy and the infrastructure providers.

So we're very excited about the opportunity. You mentioned the deal that we signed with Corning and that's both for consumer fiber, but also to support the AI deals as well, and that shows the confidence that we have in the opportunity and the commitment we have towards deploying fiber. So we're very excited about it.

From a deal perspective, each deal is customer specific. We've got a lot of questions around that. And I would be careful not to extrapolate one deal to the rest of the pipeline because every customer's needs are different.

But in terms of returns and margins on these deals. We like what we see. The margins on these deals are very good. For example, if we have a tenant on the fiber route, if we like that margin, it's a really good margin. If we get two or three tenants on that route, it's very attractive for us.

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The other optionality that we have is we can run fiber for our own needs as well to reduce our transport costs. So this is a revenue stream, as I mentioned, that's above our core business, and we expect it to be meaningful in our results in 2027. So the team is getting after it with urgency, and you'll hear more about it soon.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Great. So we'll try to do three more topics in three minutes. So first, CapEx. So you talked about building fiber, investing, like how should we be thinking about CapEx, whether it's this year and into the future, given that there may be more opportunities to pursue revenue and TAM.

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

Sure. So our first priority is to invest in the business and sustain our network excellence, and that's what we're doing with our capital program, $16 billion to $16.5 billion this year that's all in and focused on mobility and broadband.

If you look underneath, we continue on the mobility side deploying C-band and we said we'd be substantially complete this year and that's on track. And we're deploying fiber, as I mentioned, to at least 32 million passings.

So that's moving along and we put a lot of rigor around that to ensure that the programs that we have are really aligned to mobility and broadband growth. And in terms of the $4 billion of savings in CapEx, we talked about the emphasizing areas that are not aligned to growth and a lot of rigor and work was put around that.

In terms of deals and AI infrastructure deals and capital to support those deals, for 2026, that's included in the $16 billion to $16.5 billion that we see. In terms of next year, we're not going to get on '27 yet, so we'll come back in January and how we think about our capital program for 2027. And we expect that the AI Connect builds will be success-based capital.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Capital allocation, so how are you thinking about investing in the business as you're just describing relative to what you're returning as shareholders and since we are ahead of, what could be a significant spectrum auction next year. Do you have to start like putting some money aside to prepare for what you may or may not invest in spectrum in the future.

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

Yeah, sure, Mike. Our capital allocation policy and priorities are very disciplined. Our first order of business and first priority is investing in the business, as I just talked about with our capital programs, but also investing in spectrum. And we just acquired AWS-3 spectrum in auction 113, $3.2 billion. So investing in the business also includes M&A, including the deal we just closed at the beginning of the year with Frontier.

Our second priority, capital allocation priority is the dividend, and we said our commitment to the dividend is ironclad. And we've raised the dividend for 20 straight years as a track record we're extremely proud of. And our goal is to put the board in a position to continue to increase the dividend in the future.

Third, into your question, balance sheet and leverage, having a strong balance sheet and delevering is extremely important to us and we've, as you heard on the earnings call, we paid down the frontier debt six months early and we've made progress on our long-term leverage target as well, down to 2.5 times and we expect to be at our leverage target in the 2027 time frame.

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And our fourth capital allocation priority is share repurchases. And we said we would repurchase up to $4.5 billion in shares this year through June, we already had repurchased $3.5 billion in shares. So we're making good progress on capital returns. And we're able to execute on all four pillars of capital allocation simultaneously while we're executing on our transformation.

And then the second part of your question, look, we always look at things, spectrum and other assets, and we're always going to do that, whether it's a build versus buy lens. And we have ample capacity, if it makes sense for our business. And we're still focused on deleveraging, and that comes from EBITDA growth, and it comes from strong cash flows and paying down debt. So that's our focus.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

And so to close us out, as investors begin to think about '27, what do you want them to know about Verizon's prospects for next year?

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

Yeah, sure, that we're executing on our plans, making significant progress on our transformation, growing responsibly, and making sure that we return capital to shareholders and also investing in our business. I mean, those are really the key pillars that I started out with in the beginning. And you see us doing that. I mean, we've made a lot of progress in growing our mobility and broadband business, doing it through churn, improvements, being more efficient, investing in our value proposition and in the customer and in the customer experience, and returning cash to the bottom line and generating strong cash flows. And the first half of the year, we feel very good about the results. We have more to do and we're excited about what's ahead. So thanks, Mike.

Michael Rollins - *Citi Infrastructure Investments LLC - Analyst*

Thank you very much. Thanks.

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