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# EDITED TRANSCRIPT

VZ.N - Q4 2021 Verizon Communications Inc. Earnings Call

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## OVERVIEW:

Co. reported 4Q21 consolidated total revenue of \$34.1b and GAAP EPS of \$1.11.  
Expects 2022 adjusted EPS to be \$5.40-5.55.

## CORPORATE PARTICIPANTS

**Brady Connor** *Verizon Communications Inc. - SVP of IR*

**Hans Vestberg** *Verizon Communications Inc. - Chairman & CEO*

**Matt Ellis** *Verizon Communications Inc. - Executive VP & CFO*

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**Timothy Horan** *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

## PRESENTATION

### Operator

Good morning, and welcome to the Verizon Fourth Quarter 2021 Earnings Conference Call. (Operator Instructions) Today's conference is being recorded. (Operator Instructions)

It is now my pleasure to turn the call over to your host, Mr. Brady Connor, Senior Vice President of Investor Relations.

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### Brady Connor - Verizon Communications Inc. - SVP of IR

Thanks, Brad. Good morning, and welcome to our fourth quarter earnings conference call. This is Brady Connor, and I'm here with our Chairman and Chief Executive Officer, Hans Vestberg; and Matt Ellis, our Chief Financial Officer.

As a reminder, our earnings release, financial and operating information and the presentation slides are available on our Investor Relations website. A replay and transcript of this call will also be made available on our website.

Before we get started, I'd like to draw your attention to our safe harbor statement on Slide 2. Information in this presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Discussions of factors that may affect future results is contained in Verizon's filings with the SEC, which are available on our website.

This presentation contains certain non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in the financial materials posted on our website.

As a reminder, we are still in the quiet period for the 3.45 gigahertz spectrum auction, so we will not be able to comment on our mid-band spectrum holdings or strategy.

Now let's take a look at consolidated earnings for the fourth quarter and full year. In the fourth quarter, we reported earnings of \$1.11 per share, resulting in full year earnings of \$5.32 per share on a GAAP basis.

Reported fourth quarter earnings include a net pretax loss from special items of approximately \$1.2 billion. This includes a charge of \$2.4 billion for the early extinguishment of debt, a \$106 million charge related to severance, a \$1.2 billion credit pertaining to the annual mark-to-market for our pension and OPEB liabilities and a net gain of \$131 million primarily related to the disposition of an investment. Excluding the effect of these special items, adjusted earnings per share was \$1.31 in the fourth quarter and \$5.39 for the full year.

We completed the acquisition of TracFone on November 23. The revenue associated with TracFone this year was approximately \$700 million higher than the revenue received from TracFone in the fourth quarter of 2020. All of this revenue flows through our consumer group.

As noted in our press release this morning, beginning in 2022, our adjusted earnings per share will exclude amortization of acquisition-related intangible assets. For 2021, such intangible amortizations negatively impacted adjusted earnings per share by approximately \$0.11. And for 2022, we anticipate the impact to be approximately \$0.17 to \$0.19.

Finally, we will be hosting our Annual Investor Day event on March 3 in New York City, where our leadership team will provide further details on our company's exciting plans for this year and beyond.

With that, I'll now turn the call over to Hans to take us through a recap of 2021.

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**Hans Vestberg** - *Verizon Communications Inc. - Chairman & CEO*

Thank you, Brady, and happy new year to all of you. This past week has been one of the best since I joined Verizon. On January 19, we successfully launched 5G Ultra Wideband on C-Band, which will enable more Americans than ever before to experience a transformative speed, reliability and power of our multipurpose network on the go, in their home or for their businesses.

Our work throughout 2021 brought us to this moment, and I will spend this call discussing how we got here and how our accomplishment will accelerate our growth. I want to thank our incredible V team for all your hard work and dedication throughout 2021 and for delivering for our customers and our communities.

We have never executed so well on so many strategic and operational objectives as we did in 2021. This was a catalyst year for Verizon, and I'm very proud of our work. We have a clear and disciplined strategy based on our multipurpose network that creates economies of scale and new business models in an era where broadband is essential to our customers and society.

Our results clearly confirm that our strategy is working and that 2021 was a transformative year for Verizon, and it clearly sets us up for a high-impact year in 2022. We have now assembled the industry's most comprehensive portfolio of high-quality assets, leveraging our best-in-class technology to extend our network leadership to address more opportunities than anyone else in the market.

We're widely being recognized for both what we have accomplished. And for the 28th time in a row, J.D. Power ranked Verizon first for network quality. This is our 175th J.D. Power Network Quality Award in 18 years. At the same time, we continue to support our 4 stakeholders: shareholders, customers, employees and society as a responsible business.

Verizon leads the industry in sustainability. We are ranked ahead of our peers, both by the Drucker Institute and Just 100, and we are confident that our multi-stakeholder strategy will lead to long-term shareholder value.

We have a team and expertise to lead the country into a vibrant mobile computing future. Verizon has the best engineers in the world, and they have built a world's foremost reliable and scalable network. This asset is the foundation and the catalyst for our accelerating growth.

So we begin 2022 with a strong portfolio of assets. We're executing our 5G strategy, making great progress on our 5 vectors of growth and delivering a premier customer experience. This significant momentum sets us up for 2022 and beyond.

Let me give an update on the financial and operation metrics. During 2021's first quarter, we set clear targets. As we close out 2021 and enter in 2022, I'm proud to report that we delivered on all of them plus some, and our achievements will only capitalize even greater value creation in 2022.

On our January 19 C-band deployment, we covered more than 90 million POPs and millions of homes in more than 1,700 cities, well ahead of plan on making excellent use of the incremental capital spend to augment and accelerate our business opportunities.

Today, we cover more than 95 million POPs, as the team is progressing. We also brought more than 15,000 additional 5G Ultra Wideband small cells in service, exceeding our annual goal and nearly doubling our total 5G millimeter wave presence, increasing our fiber footprint to create a state-of-the-art multipurpose network.

At our Investor Day last year, we said we would have 5% to 10% traffic in urban areas covered by millimeter wave. Today, we're almost at 10%. It's exceeding our expectation. This confirms our millimeter wave strategy.

All this sets stage for last week's Verizon Ultra Wideband launch. We're excited and pleased with what we have seen so far from customer reception to network performance. We have grown our network significantly. We finished 2021 with over 20 million households covered for our fixed wireless access solutions, and C-band adds millions more homes.

For business, our initial C-band expansion will cover more than 1.7 million organizations with the Verizon 5G business Internet across 900 cities. We will reach new retail and business clients by offering a breadth of plan options that make our capabilities relevant to their lives.

Our new mix and match 4.0 offerings allow customers to pick the 5G plan they want with options for savings on home Internet. For businesses, we offer business unlimited offerings that bring choice and power to the professional market.

In addition to our network achievements, we closed on 2 large strategic transactions in 2021. We sold Verizon Media Group to Apollo Global Management for \$5 billion in a transaction that closed in September, retaining minority ownership. And in November, we completed our strategic acquisition of TracFone, positioning Verizon as the #1 provider within the value segment. This opportunity enabled us to deepen our relationship with new customers, while delivering more enhanced services.

TracFone is being rapidly integrated into our operation. The acquisition added 20 million customers to our prepaid model and cements Verizon as a leading prepaid vendor at Walmart and Best Buy, forming a strong foundation for our retail efforts.

We also continue to reach new customers through bundled Internet telephone and television services. Fios Internet adds in 2021 were our best since 2014, and we continue to expand availability of the best-in-class service.

Importantly, we strengthened our relationship with our customers, adding more connections, including more than 0.5 million new wireless postpaid phone net adds, while maintaining and cultivating our loyal, high-quality relationships.

We provided additional value for our customers through our unique partnership strategy with the best brands that are meaningful to people, lives and businesses. This includes content partnership with NFL, Disney, Apple, Discovery and Niantic, to name a few.

For businesses, we offer mobile edge compute capabilities, something we're first in the world with, alongside industry leaders like AWS, Google and Microsoft.

Disruptions to consumer and industrial supply chains throughout 2021 and extending into this year have affected all industries and brought digital connectivity to the central focus in the lives of our stakeholders. That said, Verizon has executed effectively under these conditions, as demonstrated by our successful network expansion and network service launches.

Once again, our financial performance demonstrates that our strategy is working. Our focus on profitable volume continues to drive wireless service revenue growth of 4.7% in 2021. And in the fourth quarter, 74% of our customers subscribed to an unlimited plan compared to 71% in Q3. Just over 1/3 of our unlimited subscribers have unlimited premium. This leaves room for continued step-up expansion.

Our multipurpose network and flexible plans will also encourage customers to upgrade handsets and devices. We saw quick adoption of 5G handsets throughout 2021 in anticipation on new services. 1/3 of our customers' handsets are now 5G-enabled compared to about 25% in the third quarter.

We raised our earnings per share and wireless service revenue guidance during the year and delivered on both, including 10% EPS growth. We promised also \$10 billion in cost savings, and we delivered ahead of schedule. However, we continuously strive to more efficiently manage our business.

We generated strong cash flows to support our investments and financial commitment, and we delivered our 15th consecutive year of increased dividend payments, while maintaining a healthy balance sheet.

As for our focus on ESG, Citizen Verizon has also delivered on its promises. We took action towards meeting our 2025 goals, including spending to support technology education and adoption to bridge digital divide and contracting for significant renewable energy capacity, positioning the company to achieve over 50% renewable energy goal by 2025.

Matt will elaborate on our performance and 2022 guidance in detail. But we will target organic service and other revenue of around 3% as well as EBITDA growth of 2% to 3%.

With the right assets in place and a sound strategy to reach consumers and businesses with 5G capabilities and mobile edge computing on our multipurpose network, Verizon has unlimited potential. 2022 will demonstrate this.

Now I will turn the call over to Matt to walk you through our fourth quarter and full year performance in greater detail.

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Thank you, Hans, and good morning, everyone. I'm pleased to be with you today to share our fourth quarter and full year 2021 results where we continue to deliver strong financial and operating performance.

Before I get into the 2021 results, let me add my own congratulations to the Verizon team for achieving our C-band build targets well ahead of schedule and for the successful commercial launch last week. The C-band deployment provides so many opportunities for us.

As Hans mentioned, our strategy is working, and these results demonstrate our ability to compete effectively to drive new high-quality customers to our platforms, while also serving our best-in-class customer base. We do this with the financial discipline that enables us to deliver attractive service revenue growth and profitability, as evidenced by another strong earnings performance with healthy cash generation. It starts with our award-winning networks, which enable both our consumer and business organizations to deliver the best products, services and experiences to customers.

With the acquisition of TracFone, the deployment of C-band spectrum, new mix and match plans and the strongest and most innovative team in the industry, 2022 is positioned to be our best year yet.

Let's take a look at these results beginning on Slide 6. In the fourth quarter, consolidated total revenue was \$34.1 billion, down 1.8% from the prior year. Adjusting for the sale of Verizon Media Group on September 1, consolidated revenue grew 4.8%. Strong wireless service revenue growth and wireless equipment revenue were offset by continued declines in legacy wireline products.

Total wireless service revenue was up 6.5% for the quarter. The results were driven by a combination of ARPA and volume growth, consistent with our strategy and the contribution from the TracFone acquisition.

For the full year, wireless service revenue grew 4.7%, including TracFone, and was in line with the increased guidance we provided at the end of the third quarter when adjusted for the TracFone acquisition.

Total Fios revenue was \$3.2 billion and grew 5.7% for the fourth quarter driven by strong customer demand for our high-quality connectivity services. Full year Fios revenue was approximately \$12.7 billion, up 4.6% over the prior year.

Service and other revenue grew 2.6% in the fourth quarter, excluding the impact of the sale of Verizon Media, while on a reported basis, it declined 5.4% from the prior year.

Consolidated adjusted EBITDA in the fourth quarter was \$11.8 billion, relatively flat compared to last year, as growth in Consumer was offset by declines in Business and the impact of the Verizon Media Group sale.

Full year consolidated adjusted EBITDA totaled \$48.4 billion, up 2.8% from the prior year. The adjusted EBITDA margin was 36.2%, down 50 basis points, primarily due to higher equipment revenues.

Earlier in the year and ahead of schedule, we achieved our \$10 billion Business Excellence cost savings goal. We continue to drive efficiency in the business, while operating with the best cost structure in the industry and expect strong operating leverage as we execute across all of our 5 vectors of growth.

As Brady mentioned, for the fourth quarter, adjusted EPS was \$1.31, up 8.3% year-over-year, demonstrating the strength of our business. For the full year, adjusted EPS of \$5.39 was at the high end of our upwardly revised guidance range and is a 10% increase over 2020 results.

Now let's take a look at our consolidated metrics. The strength of our networks and brand, combined with our effective go-to-market strategy, are driving improved competitive performance in the market. We continue to expand our high-quality mobility base, with strong performance across consumer and business. At the same time, accelerating fixed wireless sales are complementing strong Fios results, expanding our broadband growth opportunity.

For the quarter, we delivered 558,000 wireless retail postpaid phone net adds, an increase over the 279,000 achieved during the same period last year. Postpaid phone churn for the quarter was 0.81%, roughly in line with the same period last year and better than pre-pandemic levels, reflecting the enduring loyalty of our customer base through ordinary and extraordinary times.

Total broadband net adds, which includes Consumer and Business Fios, DSL and fixed wireless, totaled 106,000, up 30,000 from the prior year. Fios Internet net adds were 55,000, another strong result.

Even with a slight uptick in involuntary churn, we continue to experience exceptionally low Fios Internet churn, as customers trust the reliability of our network and value the simplicity of our mix and match pricing. Our full year Internet net adds of 360,000 represented the best annual performance since 2014, and we now have 6.9 million Fios Internet customers.

Demand for our fixed wireless access services continue to grow, even before our C-band deployment. FWA net adds, which include both consumer and business fixed wireless products, totaled 78,000, up from 55,000 last quarter. This brings our total FWA customer base to approximately 223,000 at the end of the year.

Now let's turn to our Consumer group results. Fourth quarter represented another strong financial performance for Consumer, highlighted by our best Fios revenue growth in the 2.0 era, wireless service revenue momentum and healthy profitability. We are clearly seeing the benefits of a focused go-to-market organization.

Consumer operating revenue for the fourth quarter was \$25.7 billion, up 7.4% year-over-year. Service and other revenue of \$19.4 billion was up 5.2% versus the prior year due to strong wireless and Fios revenue growth and a partial quarter contribution from TracFone. As Brady mentioned, the net revenue change from TracFone was approximately \$700 million in the quarter, which included incremental service revenue of approximately \$500 million year-over-year.

For the full year, total consumer revenue increased 7.6% from a year ago to \$95.3 billion, and service and other revenue rose 3.4% to \$75.5 billion. Consumer wireless service revenue for the quarter rose 7.7% to \$14.6 billion, reflecting ongoing step-ups into unlimited and premium plans as well as the contribution from TracFone.

Postpaid ARPA increased 3.2% from the year ago period driven by a higher premium unlimited mix and growth from products and services, such as content, cloud and device protection plans.

For the full year, Consumer wireless service revenue was \$56.1 billion, up 4.7% from 2020 levels. Consumer Fios revenue totaled \$2.9 billion for the fourth quarter, up 5.6% from the year-ago period driven primarily by the strong growth in our broadband base.

For the quarter, EBITDA was \$10.3 billion, up 4.1% year-over-year, or more than \$400 million, driven by the service revenue growth. Margins were 40.3%, down 120 basis points from last year due to higher equipment revenues associated with increased volumes.

For the full year, EBITDA was \$41.6 billion, up approximately \$1.4 billion or 3.4% versus the prior year. Margins were 43.7%, down from 45.5% in the prior year as a result of the approximately 28% equipment revenue growth in the year.

Now let's turn to Slide 9 to discuss our Consumer operating metrics. Our flexible mix and match plans are at the heart of our go-to-market strategy, supporting continued strong demand for higher-tier premium mobility and broadband offerings.

Postpaid phone net adds were 336,000 in the quarter. We competed effectively during the holiday season, even as the switcher pool remains soft compared to pre-pandemic levels due to elevated retention promotions in the marketplace.

Fourth quarter phone gross adds were up approximately 11% compared to the same period last year, but were approximately 15% lower than the 2019 level. We continue to achieve strong customer retention with postpaid phone churn of 0.77% for the fourth quarter, relatively flat compared to the same period last year and well below pre-pandemic levels, even as trading volumes pick back up.

We maintained the momentum of attracting high-quality customers, with approximately 60% of new accounts taking a premium unlimited plan and over 1/3 of our base accounts now on a premium unlimited tier.

5G penetration continued to expand, with approximately 34% of our phone base now equipped with a 5G capable device at year-end. We expect to drive further 5G ultra wideband adoption with the launch last week of our C-band spectrum to more than 90 million POPs, combined with our updated mix and match offerings introduced earlier this month.

With the close of the acquisition, TracFone results are now included in Consumer prepaid. We finished the year as the nation's leading value segment provider, with approximately 24 million total prepaid customers, including the approximately 20 million customers acquired from TracFone.

For the quarter, prepaid net customer losses totaled 85,000, which included 52,000 net losses on the TracFone businesses stemming from stronger demand for postpaid plans due to promos in that segment, coupled with handset supply constraint.

Now let's move to Slide 10 to review the Business group result. Operating revenue for the business segment was \$7.8 billion in the fourth quarter, down 3.0% year-over-year. We faced elevated pressures in the quarter in both public sector and wholesale, and we expect these pressures to moderate in 2022.

Full year operating revenue was \$31.0 billion, up slightly year-over-year, driven by strong wireless performance. Wireless service revenue increased 1.5%, and wireless equipment revenue was up 9.6% in the fourth quarter.

Wireless service revenue was driven by growth in small and medium business, and enterprise performance improved for the fourth consecutive quarter and was the highest growth since the start of the pandemic.

While this was partially offset by a decline in public sector due to the elevated distance learning activity in the year ago period, our Verizon Frontline campaign is resonating with stakeholders, helping drive new customer growth. Wireline trends remain under pressure, as we continue to face prior year comps that included pandemic buying.

In addition, approximately 1/3 of our declines came from voice services, where we continue to feel the impact of our strategic initiative to exit the low-margin international wholesale voice market.

Business segment EBITDA was \$1.8 billion, down 7.4% from the same quarter last year. Business segment EBITDA margin was 23.5% in the quarter, reflecting pressure in legacy wireline products and our commitment to invest in new product growth and drive customer demand for our wireless solutions. Full year margins were 24.2%, down 120 basis points from last year.

We exited the year with strong momentum in business activity and demand for our wireless products. With the recent launch of our C-band spectrum, we are in an even better position to serve the 5G needs of our Business customers throughout 2022.

For the quarter, phone gross adds were up approximately 22% year-over-year and 8% from 4Q 2019 levels. The fourth quarter represented the strongest quarterly phone gross add performance for small and medium business and enterprise since launching Verizon 2.0.

Segment postpaid phone churn was 1.01% in the quarter, which was up slightly over the prior year. As a result, total postpaid phone net adds were 222,000, our best quarterly performance since the onset of the pandemic.

Now let's move to our consolidated cash flow summary. Cash generation remains strong for 2021, as we achieved our financial targets and executed on our capital allocation plan. We spent over \$45 billion on C-band spectrum and expanded our portfolio with the TracFone acquisition, all while increasing our dividend for the 15th straight year and making progress to maintain a healthy balance sheet.

The business continues to generate strong cash flow. Cash flow from operating activities totaled \$39.5 billion for the year, a decline of \$2.2 billion. This result primarily reflects strong performance in the business, with increased adjusted EBITDA of \$1.3 billion, offset by higher working capital from device payment receivables and slightly higher cash taxes.

Capital spending in 2021 totaled \$20.3 billion, as we continue to support traffic growth on our 4G LTE network, while initiating the first phase of C-band deployment covering 90 million POPs. C-band-related CapEx was approximately \$2.1 billion in 2021. As a result, free cash flow for the full year was \$19.3 billion, down from \$23.6 billion in 2020.

The highlights of our financing activity in 2021 was efficiently funding our C-band spectrum investment in the first quarter. Since then, we are focused on further optimizing our cash position and debt maturity profile, with activity to reduce or extend near-term maturities, while deploying excess cash to retire longer-dated high-coupon bonds.

We accomplished this while maintaining ample flexibility to invest in our business, such as funding the recent TracFone acquisition. We are also active with our ABS funding program to finance the increased device payment receivables as consumers upgrade to 5G phones.

We exited the year with \$133.7 billion of net unsecured debt, a \$3.7 billion reduction from the end of the first quarter. Our unsecured debt to adjusted EBITDA ratio was approximately 2.8x at year-end, in line with our 2021 Investor Day guidance. Our financing activities over the past 2 years have reduced our average portfolio borrowing cost by about 1%, as compared to 2019, albeit with higher debt levels.



Our cash balance at the end of the year was \$2.9 billion, down approximately \$7.0 billion sequentially, bringing us back to normal levels.

Let's move on to Slide 13 to discuss our outlook for 2022. We have great momentum from the strong operating and financial results last year and are well positioned heading into the new year, and that momentum is reflected in our guidance for 2022.

We took many strategic actions to position the company for better growth, and our increased guidance disclosures provide greater insight into our financial outlook. At our Investor Day last year, we provided guidance of at least 3% service and other revenue for 2022 and 2023. For 2022, we expect organic service and other revenue growth of around 3%. On a reported basis, which includes the net impact of the sale of Verizon Media Group and our ownership of TracFone, service and other revenue growth is expected to range between 1.0% and 1.5%.

Similarly, on a reported basis, wireless service revenue growth for 2022 is expected to be in the range of 9% to 10% driven by growth from our tiered unlimited strategy, the impact of the TracFone acquisition and the ramping fixed wireless access contribution. Excluding the impact of the TracFone acquisition, wireless service revenue is expected to grow at least 3%.

We expect total adjusted EBITDA to grow 2% to 3% in 2022 driven by top line growth and ongoing cost discipline. Full year adjusted earnings per share is expected to be \$5.40 to \$5.55.

As the waterfall chart shows, we expect adjusted EBITDA growth, including a small positive net contribution from the TracFone and Media transactions, to be offset by headwinds from below-the-line items. These items include approximately \$0.15 from our C-band investment, including higher depreciation and lower capitalized interest, as we put the spectrum into service; \$0.07 share dilution as a result of shares issued in the TracFone acquisition; and other noncash impacts, such as D&A and pension and OPEB expense.

Our adjusted effective income tax rate is expected to be in the range of 23% to 25% based on current legislation.

Capital spending for the full year, excluding C-band, is expected to be between \$16.5 billion and \$17.5 billion, a decrease from the \$18.2 billion in 2021, as we have started our progress towards lower capital intensity. C-band capital spend is anticipated to be between \$5 billion to \$6 billion, as we continue to build out the initial markets and begin preparations to deploying Phase II spectrum.

For 2022, cash flow from operations are expected to be driven by higher operating income, offset by increased working capital from device payment receivables as well as higher cash taxes.

We are extremely excited for 2022 and expect it to be our biggest year yet. The second wave of 5G is here, and we are leading the way into the future of connectivity. We have the necessary assets and strategy to unlock the full potential of our growth vectors.

With that, I will hand it over to Hans to discuss our 2022 strategic priorities.

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

Thank you, Matt. The assets are in place to make 2022 Verizon's best year yet. Coming off a catalyst year, we are excited to execute on our 5 vectors of growth and deliver the financial targets we laid out at our Investor Day back in March of last year.

We have clear priorities for the year. We will continue our legacy of disciplined execution and look forward to delivering against our operation and financial targets that Matt just outlined.

We expect organic service and other revenue growth of around 3% in 2022, and we also expect to increase EBITDA by 2% to 3%.

We commit to strengthen and growing our core business and commercializing our unique assets. By combining our Verizon Ultra Wideband with the new mix and match plans, we can supercharge 5G Ultra Wideband adoption to enhance customer experiences and to increase average revenue per user.

At the same time, we will continue to expand our fixed wireless access, positioning Verizon as a premier nationwide broadband provider. We believe that Verizon's fixed wireless access offering will drive the next leg of broadband growth, increasing our market share and reach.

We will innovate in our business to business offerings, bringing mobile edge computing to our enterprise clients and transform the Internet of Things from a vision to reality. You should continue to expect us to sign new clients and provide examples on how the mobile edge compute is addressing the complex needs of our customers.

We will benefit from our leading position in the value segment. The integration of TracFone will form the basis of deep and productive relationships that can grow to meet our customers' changing needs throughout life.

We will continue to run Verizon as a purpose-driven organization. We will pursue C-band and 5G leadership because these technologies are critical for economic prosperity and driving innovation for all, not just for Verizon. We will continue to serve all of our stakeholders, shareholders, customers, employees and society. And lastly, I also hope to see you all again at our upcoming Investor Day on March 3.

With that, I hand it back to Brady.

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**Brady Connor** - Verizon Communications Inc. - SVP of IR

Thank you, Hans. Brad, we're now ready to take questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from Brett Feldman of Goldman Sachs.

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**Brett Feldman** - Goldman Sachs Group, Inc., Research Division - Equity Analyst

With regards to the guidance you've given for about 3% growth in service and other revenue, very similar to your growth target for just straight up wireless service revenue. Could you give us a little more insight as to what you anticipate to be the principal drivers?

In other words, to what extent is this continuing to see people upgrade into higher-tier plans, meaning it's very much an ARPA driven story? And are we getting to a point where you're expecting a more material contribution in some of those emerging growth opportunities, whether it's fixed wireless or mobile edge compute?

And then just one more sort of follow-up there on broadband. Now that we're starting to see the fixed wireless net adds begin to ramp, should we expect that they're going to be the predominant driver of your aggregate broadband net adds going forward? And could you give us some insight as to where those customers are coming from? In other words, are they primarily Verizon mobile customers taking a bundle? Are you actually reaching a new demographic?

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

Okay. Thank you, Brett. Let me start and I will get some addition from Matt there. When it comes to the growth in 2022, first of all, I think we're coming in with a great momentum from 2021, both in our Business and in our Consumer units.

Both of them have done a great job at the end of last year topping that, of course, with the C-band launch, which we're very excited about, and we see a very, very good performance with our new offerings, both on the Business side and the Consumer side, with mix and match and all of that.

That's all great, of course, for us. What we feel is a great momentum coming into this year. And we also have the step-ups and, as you heard me and Matt talking, even though we are continuing to step up our customers, we even have more to do there. And we have a couple of years of more growth coming from that ARPA expansion.

So coming into the year, we feel really good about the momentum we have, but also about opportunity in the market on the wireless market. Matt will come back.

But on the broadband piece, just quickly then. We, of course, are very excited over the Fios broadband. What we saw last year was the best year since 2014. We will continue to expand the footprint, and because we have such a good performance on it and customers love it.

And then on top of that, as I said, fixed wireless access is now coming into a totally different model. We have it on 4G. We have it on millimeter wave. And then, of course, turning on the C-band earlier this month, it just opened up new opportunities for us. Of course, we want to see fixed wireless access continue to grow for us, and this is a super focus for the team.

And you asked where the customer comes. First of all, all the fixed wireless customers we have, they use this as the primary broadband solution for them. That's very important because that we see on the usage on them. So it's not a backup, or secondary line on fixed wireless access, it is the primary broadband usage.

And secondly, these customers are coming from basically cable and DSL areas where they are using that, so that's where we take them from. They are new to us as broadband customers, and sometimes they are new, new. They're not even wireless customers. So that's where we get them from right now. So -- and I think that, that's our sweet spot right now when we're a national broadband provider.

So all in all, excited over getting into '22 with all the assets we have right now. And hey, what this talk over the year, we do all of that coming together so early in the year for us with C-band.

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. Thanks, Brett. So just a couple of follow-ups on the service and other revenues. So certainly, we're excited about all the new opportunities ahead of us, such as fixed wireless, as Hans mentioned, and the other 5 growth vectors. But as you think about 2022, that organic approximately 3% will largely be driven by the momentum we saw coming out of last year.

On the Business side, very strong volumes in the second half of the year in SMB and Global Enterprise. It gives us a great platform to build on. I would expect the wireless service revenue growth in VBG to be above the 4.8% they did last year at or above that number. So we'll see the benefit of the strong second half coming through in VBG there.

On the Consumer side, as Hans mentioned, we have approximately 30% of our customers with -- on a premium unlimited tier, so we have the opportunity to set more customers up. And with the new plans we announced earlier this month, we give customers even bigger reasons for stepping up to those premium tiers.

So that would be the major drivers of the growth during the year. When we get into the second half of the year, start to see fixed wireless, especially as that base grows. We'll start to contribute there, but really built on the great momentum we have, coupled with our activities over the past few weeks, gives us a lot of excitement as we think about '22.

**Operator**

The next question comes from Phil Cusick of JPMorgan.

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**Philip Cusick** - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Maybe first follow-up on your subscriber momentum comment Hans. It seems like the industry in the fourth quarter slowed from -- seasonally from the pace earlier in the year, and you're typically much lower in the first quarter. Any reason to think that isn't the case this year?

And then second, the majority of the C-band deployment looks like it's going to be done this year. And is it fair to assume the remaining \$2 billion to \$3 billion happens in 2023? I think, Matt, your comment was that CapEx is beginning to come down on sort of an ex-C-band basis. Should we assume that next year might be even below this year's sort of \$17 billion?

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**Hans Vestberg** - *Verizon Communications Inc. - Chairman & CEO*

Thank you. On the -- compared to the environment, yes, we saw that in the fourth quarter. And when we are saying that we have the guidance for 2022, we continue to believe it's going to be competitive, but we have great assets.

And of course, what is different in the first quarter this year than for many other years is, of course, called 5G Ultra Wideband and C-band. That's a big difference. We are really excited over that announcement. And as you saw, we now cover more than 95 million POPs, and we have great offerings both for our Business customers and for our Consumers, and then topping that fixed wireless access and the mobility case.

So -- and later on, we can come to talk about mobile edge compute because this also augment our potential in the mobile edge compute.

Before I let Matt comment on the CapEx, I just want to say what Matt and I said at the Investor Day last year. We're going to see over the years right now that our capital intensity going down. And partly what you see in the BAU guidance, we do right now.

We have done our fiber for a couple of years. We have done the majority of the long hauls, so to say. And we also see that with the 5G expansion on C-band, we clearly see over time an offset on the 4G that we can reduce on that. And much of the Verizon Intelligent Edge Network that is commonality from the data center to the edge, that also has been ongoing for a while, so that's why we are feeling good about the BAU coming down.

And then on the C-band, you're absolutely right. \$10 billion is the amount we decided, and we told Kyle and the team to spend the faster you can because we want these assets up and running as soon as possible. And that's what you see the \$5 to \$6 right now, we do last year.

So that's with a normal calculation that is roughly 2 left in the year to come. But when it comes to future guidance on CapEx, I think we have to wait for that. But clearly, our target is to continue to be very capital efficient all the time here.

Matt?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. No, I'll just reiterate a couple of those comments. I mean, absolutely, the -- we're sticking with the \$10 billion of incremental. Very pleased with the aggressive pace that Kyle and team have been able to adopt there, which means that we see those -- what we did last year, plus \$5 to \$6 this year, leaves a fairly small amount to come through in 2023.

After that, the C-band becomes part of our BAU CapEx number as we add capacity to the network. And we -- as Hans mentioned, we've discussed for a while now the opportunities to see capital intensity come down, and we're starting to see those come through. And they will really accelerate really up on the back end of '23.

But just one additional item in there. On the One Fiber build we've been doing at the end of 2021, we reached a point where we had just over 50% of the markets where we have completed the core network build. So there's only success based network build taking place in those 50% of the market over the course of the next couple of years. We'll completely complete the core build across all One Fiber market.

So you have that, you have the reduction in LTE spend as 5G starts to replace it in terms of carrying large amounts of capacity. Hans mentioned in his prepared remarks how much of the capacity millimeter wave has really started to pick up as well. And you can see there's a number of reasons why we feel good about capital intensity going forward here on the BAU.

So we will be in a great place going forward. As you look at the spend for last year on C-band \$2.1, that's obviously on a cash basis. On an incurred basis, the activity in November and December, a large part of that will show up as CapEx in the first quarter here when we pay for those items.

So really strong momentum in terms of what the network team was doing last year. The flywheel is running at full speed now on the C-band build, and you see that with the activity this month so far.

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**Philip Cusick** - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

If I can follow up, Hans, on something you mentioned. I was thinking about anyway. You said that C-band becomes available, you have a lot of capacity. And does that change the way you go to market?

Verizon hasn't been tight on capacity, but it hasn't been an excess position in a long time. And now you have all the C-band capacity. Does that change your desire to go chase market share?

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**Hans Vestberg** - *Verizon Communications Inc. - Chairman & CEO*

I think this is sort of the full strategy of Verizon coming together. This was what we envisioned when some of us was in a conference room in New York in 2018 and talking about Verizon intelligent Edge network. I wanted to build that in order to serve a market where capacity and connectivity is needed all across the network for all type of customers. And clearly, the C-band is just adding enormous lot of capacity for us.

But don't forget the millimeter wave now. I mean, that strategy is really working for us as well because we take a lot of the high-volume areas with millimeter wave, which unleashed out the spectrum. And hey, we haven't even starting to do a carrier aggregation and using part of our spectrum yet coming into the 5G.

So I would say, clearly, we will be more aggressive on it, especially on fixed wireless access because we feel so good about the capacity management, and we have the best engineers in the industry. They have never failed the strategies that were put up.

So I feel really good about our capacity. We can go wherever we want. We have Tami and Manon, the 2 CEOs of our units, going hard on to all the products we have in all angles of the network. So yes, I think we feel really good about our capacities right now. And what the team is doing is just amazing.

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**Operator**

The next question comes from John Hodulik of UBS.

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**John Hodulik** - UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst

Continuing on the C-band, first of all, I guess, for Hans, is it safe to say we've got the issues with the FAA behind us? And is there any sort of visibility on getting that -- the affected spectrum up and running and into production? And I guess a follow-on to that. Has that had any impact on your business thus far in the year?

And then I guess, following up on Phil's question. I mean, with the additional C-band capacity, should we expect sort of a more immediate change in trends, either on the mobile or fixed side? And I guess, from an incremental standpoint, did you really see a bigger change on the fixed side?

How do you expect those net adds to ramp? You saw a nice sequential ramp in fixed wireless net adds going from the third quarter to fourth quarter. Should we expect that to continue as the C-band gets rolled out and your processes to get better and better? Or -- and at what point do you get to sort of a normalized run rate of fixed wireless sub growth?

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

Thank you. So first of all, on the -- as you heard, our deployment on C-band has been extremely successful, basically deliver a quarter ahead, and the guys has brought up so much site that's just amazing.

Then you know also that voluntary, we agreed to not turn on some portion of the sites close to the airports, which is a smaller portion of the totality. I would say this is good progress. Everybody is focused. We have the highest assurance from the White House that this will be resolved very soon.

I follow this personally myself. But again, it's a smaller portion on the network. The big thing is it doesn't impact our business at the moment, meaning our customers that we can serve. But clearly, we want this to be resolved as soon as possible. So the pressure is on everybody involved to make this fixed.

When it comes to fixed wireless access, yes, you're right. I mean, we have now, for a couple of years, learned all the way from billing, customer care, how to work with fixed wireless access. And I think that's a really good way for us to learn going into the second -- or into '22 when it comes to fixed wireless access. So of course, we have high ambitions internally for fixed wireless access, and the team is really well prepared.

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**Operator**

The next question comes from Simon Flannery of Morgan Stanley.

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**Simon Flannery** - Morgan Stanley, Research Division - MD

I was wondering if you could update us on the TracFone integration. What are you seeing so far? And what are the opportunities in '22 and beyond, particularly the synergy realization, how does that flow into 2022?

And then on the EBITDA, I know, Matt, you mentioned the \$10 billion program, and you continue to look at productivity. But how are you thinking about inflation presumably in retail stores, et cetera? You're facing some wage inflation. But how are you thinking overall about the ability to pull costs down in this sort of environment?

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

Okay. I just need to correct myself. It's going so faster. So I said 90 million POPs covered with C-band. We have 95, as I said, as of today. So I just wanted to correct that. My colleagues here comment that I didn't remember that. It's going fast for us here.

On TracFone, when we talked about the integration, as we took this over end of November, the team is doing a great job together. What we are doing from the Verizon side is, of course, bringing our platforms, the network, the products, the experience in IT and all of that. That's what we're bringing. That's where we bring synergies.

Then, of course, we're going to have these brands serving their market in their way and seeing that we coexist together with them. So that is really what is bringing out then is some investments in the beginning as we have said. But over time, this should be a really good addition to us, and it will be incremental from the beginning.

So I'm really excited with TracFone because now we serve the full market and being #1 in that segment as well. So it just plays into the overall thinking about our 5 vectors of growth, having more places to grow than anybody else in the market, and this is just another vector for us.

Matt?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Yes. So Simon, on your question around inflation, I mean, the -- as you mentioned, we successfully completed our cost reduction program by the end of the first quarter, 3 quarters ahead of target. That really puts us in a great place as you think about inflation because we haven't stopped our work on continuing to get more efficient just because we hit the target, but it really got that muscle developed, and the teams continue to look at ways to improve our processes, make them more efficient and also improve both the customer and employee experience.

So the teams have continued strong targets in that space as we head into 2022. We all know inflation is out there. And certainly, we'll see some of that. The good news is that we have a good part of our cost bases tied to longer-term contracts, which means we're not necessarily going to see the full impact of inflation and at the same pace that other industries are seeing.

But certainly, it's real. We'll take actions to address that. The guidance that we gave was based off our expectation for -- to see an uptick in inflation this year, and there's a number of levers we have if -- that we can pull if the situation evolves.

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**Operator**

The next question comes from David Barden of Bank of America.

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**David Barden** - BofA Securities, Research Division - MD

I wanted to -- first question, I wanted to follow up just quick on Simon's question on TracFone. The -- there's really going to be 3 phases, right? There's going to be the -- getting the handset cost into the hands of the non-Verizon wholesale customers. And then the second is going to be realizing the margin benefit for migrating those guys onto the network. And then the third piece is going to be kind of grooming those customers from the prepaid base into the postpaid.

And so I was wondering if you could kind of agree or disagree with that and kind of give a time table where we could start to maybe see those tailwinds in margins and postpaid phone nets merge.

I think the second question I wanted to ask is just as the fixed wireless access becomes a bigger input to cable, thinking about the competitive interaction between telco and cable, and it's not fixed wireless access only, it's fiber investments. They are also kind of putting a pincer movement on them.

And given the maturity of the wireless business now, which has had extraordinarily low churn for a long time, now you're getting the kind of into year 4. I think we just saw Comcast Xfinity start to offer \$400 retention initiatives. Temperature level in cable versus wireless, in particular, is something of concern.

Could you kind of -- maybe Hans give us your thoughts on how that's going to evolve? And is it going to evolve in a rational way? Or do we need to be concerned?

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

I'll start with the second question, and then Matt will walk you through a little bit on TracFone.

Yes, on the market, as I said before, I mean, we compete well in a competitive market, and we prepare ourselves for that. And we think our offerings, both on wireless and fixed wireless access, including Fios, of course, is very strong.

Ultimately, we have a different recipe than many others. The best network, then we have all our partnerships that nobody else have. And finally, we have a great value proposition to our customer with mix and match where they can pick and choose. So that's why we feel really good going into this year.

And with everything we have been doing in the last couple of years, we know it's working. Our strategy is working here. And clearly, we have also the owner's economics on both wireless and broadband, which is different from anybody else basically, that we actually have this owner because we have built a network from the data center to the edge with commonality, the same type of equipment. And then at the edge, we decide what type of access points we have, depending on customer and solutions.

And then we give them different applications and bundles with Disney+, whatever or if there are other solutions. But I think that's unique for us. We have created that in the last 3 years, and that's why we sit here right now and feeling we're going to compete well in this market, even though it's competitive.

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Dave, on TracFone, so I think as you walk through the things you described there, certainly, over the course of the next 12 to 24 months, we'll have the ability to bring all of the TracFone base onto the Verizon network, and those customers get that step-up in performance that you would expect when they come over. So as you recall, roughly 2/3 of the TracFone base was already on the Verizon network, so the other 1/3 will get migrated there.

The final piece you mentioned was about once you've migrated them over the ability to step them up to postpaid. And look, so those customers that want to step up to postpaid will be in a great position to do so with, as Hans mentioned, the mix and match structure given the customers options as they move over to postpaid.

But the TracFone acquisition wasn't based on bringing the ability to move more people over to postpaid. We want to have the best prepaid propositions in the marketplace. We can complement what was already in place with the owner's economics we have. And so we are in best position today. For customers who want to stay on prepaid, we're going to have the best offer. For those that want to move to postpaid, we can do that, too. And just very excited about the opportunities that we now have with the full ownership of the TracFone brand.

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**Operator**

The next question comes from Michael Rollins of Citi.

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**Michael Rollins** - Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst

I want to go back to a topic from earlier in the discussion about what's embedded in the '22 guidance. Specifically, what's the expectation for wireless postpaid industry phone growth in '22 and how that compares to '21? And how important is the industry growth in '22 in terms of volume for Verizon to hit the financial objectives that are set?

And then just separately, Hans, you made a mention of the macro mobile edge compute earlier. I'm just curious if there's an update to unpack the financial opportunities and contributions from that arena for Verizon.

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

Yes. I'll start with the mobile edge compute. Now, as you have seen, we have a great progress on that. First of all, we have 3 different business cases on the same infrastructure again. We have the private mobile edge compute. We have the public mobile edge compute. And we have 5G network.

That's what we're working on right now, and they are a little bit different use cases, of course, of all of them. Some are a little bit more B2B to C and some are really B2B.

What we are doing right now is, of course, bringing all that live together with our partners, and we have the 3 largest web-scale players in the industry working with us on all of this. And suddenly, we start seeing, with every announcement that you see in the market, if it's IoT solutions or metaverse solution, I mean, that's what we built the network in mobile edge compute. So this year, I'm looking for taking many of our proof-of-concept together with large enterprises and application developers to commercial deals.

If you would put that in timing, I would say the fixed wireless access is a little bit earlier, as we said all the time. The mobility case is first on 5G, then fixed wireless access, and we talked a lot about that and then mobile edge compute.

So you're going to see more about us gaining and winning a lot of businesses because we are the only one in the market in the mobile edge compute. So that's what you're going to see in '22. And then, of course, we're going to build up our revenue base going into '23.

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Mike, on your first question around the guidance on the revenue, so specifically, is it from a volume standpoint? When I look at the business segment, we saw very strong performance by that group in the second half of the year. We're excited about the momentum they have. We assume that they will continue to perform strongly from that standpoint into 2022, and as you heard earlier, expect them to be at least at the service revenue growth from '21 or above. So that will be driven by continued strength in SMB and Global Enterprise.

And then on the Consumer side, we assume that the switcher pool will continue to be constrained based off the activity in the marketplace. We will continue to be very strong in terms of customer retention, and we have the opportunity to step customers up.

And you saw us do that last year. And now we have the additional opportunities that come with that, with the new mix and match plans on C-band. So we have great opportunity there.

But as I say, we assume the switcher pool will continue to be -- continue to show some limitations just because of some of the other activity out there. But even with that, we think we'll have very strong service revenue growth next year. And then we bring fixed wireless access on top of that, as you think about getting into the back end of the year in subsequent periods. So very excited about the momentum that we see from a revenue standpoint.

**Operator**

The next question comes from Colby Synesael of Cowen.

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**Greg Williams** - *Cowen and Company, LLC, Research Division - Director*

It's Greg Williams sitting in for Colby. Two questions, if I may. One is on your 2022 free cash flow. I realize you're not guiding to it. But with EBITDA guiding up 2% to 3% and CapEx, call it, \$22.5 billion at the midpoint, we see free cash flow coming in around \$20 billion to \$21 billion.

Obviously, the big bogey here is CapEx. The ranges could be up to \$2 billion, including C-band. Can you help us with the proper framework on the free cash flow set up in '22, the puts and takes, the working capital you mentioned working capital drag on 5G phones? What could that drag be? And pension and how we should think about it?

Then the second question just on rising rates. With the expectations of the 10-year eclipsing 2%, how do rising rates change your view on capital allocation and your leverage target?

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**Matt Ellis** - *Verizon Communications Inc. - Executive VP & CFO*

Yes. So thanks for the questions, Greg. So on the free cash flow for 2022, it starts with the strong cash generation from the business with the EBITDA, and you saw the EBITDA guide, plus 2% to 3%, driven from growth at the top line. That puts us in a good place.

But I do expect we'll see working capital increase next year as we continue to support our customer activity, especially related to the device payment plans. Also as revenues and profitability increases, cash taxes have a nasty habit of increasing as well. So that will, of course, be in the CFFO.

And then as you get down to free cash flow, as you mentioned, the CapEx will play in there. We said last year we'd spend that incremental \$10 billion over 3 years. We're going to see the biggest part of that come through this year.

But you're also seeing the rest of the CapEx number being lower year-over-year. That range of \$16.5 million to \$17.5 million versus \$18.2 billion, we've done not just last year, but the last 2 years. So you'll see that come through.

And really kind of linking that with your second question, but what you really see is our ability to execute across all parts of the capital allocation model, invest in the business with the -- not just the buying the spectrum, but accelerating the deployment of it, investing in TracFone, at the same time increasing the dividend for the 15th year in a row, continuing to strengthen the balance sheet.

We said at the Investor Day last year our leverage ratio would be about 2.9x at the end of first quarter with all the financing for the spectrum, and we'd be at 2.8x by the end of the year. We hit that target. So you see already coming down while doing that additional spend. So certainly excited about the opportunities that the cash generation of the business give us.

And then as you think about rising rates, the team has done a great job of maximizing the debt portfolio. You see that in the interest expense. The majority of our debt is fixed rate, so it would take interest rates being at elevated levels for a long time period for that to flow through into our debt complex.

So I think the way that we're managing the debt profile means that the higher rate environment will not cause us to change how we think about capital allocation model here. And certainly, we're focused on continuing to execute aggressively against all of the pillars of the model.

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**Operator**

The next question comes from Craig Moffett of MoffettNathanson.

**Craig Moffett** - *MoffettNathanson LLC - Co-Founder & Founding Partner*

I want to return to some of the comments you made about fixed wireless. How should we think about fixed wireless? Is it primarily an opportunity to generate revenue on the 5G platform because it's available? Or is it primarily a play toward convergence and selling a bundle of wireless and home access across not just your wireline footprint, but across the whole country?

And sort of on that latter point, how do you envision the sale evolving? Do you expect that a converged offering to households is going to become the norm for the industry?

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**Hans Vestberg** - *Verizon Communications Inc. - Chairman & CEO*

Thank you for the question. First of all, I think what we have designed this network and our go-to-market is optionality for our customers. If the market goes to more convergence, definitely, we will be there. We're going to be nationwide with broadband, and we're going to be nationwide with wireless.

If a standalone business, we can do that as well because we have the scale right now, all the way from our network to our capacity, to our IP, to our go-to-market, customer care, all the way we have scale. So we are just playing with the -- where the market is going and giving the optionality.

The same goes for our content deals. I mean, trying to see that our customers can pick and choose what they want and see if they want it. They can keep it or they can continue with it.

So all in all, with our mix and match, our network, everything is set up for optionality of customer choice. We are the company that can give some customer choice, and then we have economies of scale in either of the solution.

So if the market go convergence, we're going to be there. If it's go separate, we're going to be there, and we're going to have economies of scales of both of them. And it will increase our leverage when it comes to profitability because it's one network, it's one way to go to the market for us regardless of.

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**Operator**

The next question is from Peter Supino of Bernstein.

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**Peter Supino** - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Two questions, if I could. Matt, I'd love to hear a bit more about the 2022 guidance for organic service revenue growth of 3% relative to EBITDA growing just a little bit slower. I'm wondering where the deleverage is in the model for 2022 and when you might expect to see the operating leverage that you mentioned in your prepared remarks.

And then Hans, just to follow up on Craig's question about fixed wireless access. You're in the last year of using EDLP broadly in Fios and then providing 50% off of fixed wireless access for Verizon premium unlimited.

And so it seems like your marketing is behaving in a way that's very focused on driving bundling ratios. I'm wondering if you think that's the right interpretation. And if it is, when might you be more focused on pricing in the broadband business?

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Peter, so I'll start off with the -- taking a look at your question around the '22 guidance. So certainly expect wireless service revenue to have another good year starting with the momentum we have coming out of '21, both in Business and in Consumer. And then we add obviously to that bringing TracFone in and also with the C-band and the new mix and match pricing, so we feel good there.

We would expect in the legacy wireline business to see the -- some of the secular trends that we've been experiencing for a number of years now continue, providing an offset in there. And you see the impact of that also as you think about the profitability.

But certainly, the 2% to 3% on EBITDA we think is -- shows that the business continues to grow, continues to increase the cash generation. And as we bring C-band online and execute across all 5 vectors of growth, we have opportunities to see that margin line expand even further in subsequent years as we go here.

So the margin growth, the cash flow growth across the business should continue to be strong not just in '22, but for a number of years out.

Hans, do you want to speak to fixed wireless?

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

Yes, I will answer on the fixed wireless access. First of all, I think we have not changed our long-term strategy to be financial disciplined when it comes to our customer acquisitions. We are focused on high-quality customers, and we will continue to do so.

Our team is extremely methodical when it comes to do these offerings and see the long-term benefit for us and for the customer and what we give them.

As I said, right now, in our fixed wireless access, we have this bundle to see if that is what the market wants to have. But again, we have optionality with the pricing. We can do it standalone or we can do it together with our premium on wireless.

And I think all in all, again, we have owner's economics on both of them, so it should be possibly financially for us. And again, the team is very convinced that we have a really, really good formula here.

And I have all the confidence in my Consumer team, but don't forget the Business team. The Business team is doing fixed wireless access as well, and they're doing mobility as well, and they have a great opportunity. Again, we use our platforms, the long-term strategy we have put in, in order to be using sort of the same type of solutions to our customer base and that we can scale, and that's why we can do the guidance we do right now for 2022 and feeling good about it.

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**Operator**

Your final question for today will come from Tim Horan of Oppenheimer.

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**Timothy Horan** - Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst

Can we talk about the C-band build out a little bit more? The \$10 billion in total spend, will you have basically all your cell sites built with that is done? And will all the spectrum be online?

And I guess, that's the same question for the 95 million POPs. So you have most of the cell sites built in those locations. And maybe what percentage of the spectrum is online?

And then on the C-band, can you give us an idea now that you're operating and what the increase in overall capacity is? The latency maybe, other measurements would be helpful.

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

I'll let Matt start because I forgot the many questions. I have so many things in my head.

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**Matt Ellis** - Verizon Communications Inc. - Executive VP & CFO

Tim, so on the C-band build, so look, certainly, we are not complete with coverage from a build standpoint with the initial \$10 billion. The \$10 billion is incremental. As I said, once we've spent the \$10 billion, ongoing C-Band build becomes part of our BAU CapEx. And you heard our comments earlier around expectation for continued improved capital intensity.

So -- but certainly, within the \$10 billion is helping us build out significant parts of the first 46 markets, the ones we got access to and turned on last week and also begin the early build in the other markets that are scheduled be turned on in December of '23.

So we'll get a substantial part of the coverage for C-Band built with the \$10 billion, certainly not the whole thing. But then as we do that, traffic moves off of the LTE network so our need to continue to spend on capacity and the LTE network comes down, that's how we'll continue to fund the C-band build going forward as a result of those other efficiencies. So hopefully, that provides a little more detail.

Hans, if you have any...

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**Hans Vestberg** - Verizon Communications Inc. - Chairman & CEO

No. The only addition I would do is, of course, that when it comes to this initial build, I mean, the vast, vast majority is on sites we already have. We have said it before, it's the same grid as the 4G, which is great for us and how we do this. And then we have normal expansions over time, but that's nothing unusual. It's BAU.

When it comes to the performance of the C-band, this is a perfect sort of cliff hanger. It's a little bit early. Of course, we're excited, but we have Investor Day 3rd of March. And I think that if we tune in there, you'll probably get something about the performance on our C-band.

But early into it, I'm really pleased what the technology team have done and our partners have done so far. But stay tuned for 3rd of March, and we will talk more about that.

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**Brady Connor** - Verizon Communications Inc. - SVP of IR

Yes. Thanks, Tim. That's a great way to end. Brad, that's all the time we have today.

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**Operator**

Ladies and gentlemen, this does conclude the conference call for today. Thank you for your participation and for using Verizon Conference Services. You may now disconnect.

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