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OVERVIEW:

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PRESENTATION

Operator

Good morning, and welcome to the Verizon Fourth Quarter 2023 Earnings Conference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

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

Brady Connor - Verizon Communications Inc. - SVP of IR

Thanks, Brad. Good morning, everyone, and welcome to our fourth quarter earnings conference call. I'm Brady Connor, and I'm joined by our Chairman and Chief Executive Officer, Hans Vestberg; as well as our Chief Financial Officer, Tony Skiadas.

Before we begin, I'd like to draw your attention to our safe harbor statement, which can be found on Slide 2 of the presentation. Information in this presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Discussion 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. Earlier this morning, we posted to our Investor Relations website, a detailed review of our fourth quarter and full year results. You'll find additional details in the earnings materials on our Investor Relations website.

We'd like to note that Verizon's fourth quarter reporting earnings per share were negatively impacted by a number of special items, which are discussed in the written remarks available on our Investor Relations website. The largest of the impacts was also disclosed in our 8-K filing last Wednesday. Excluding these special items, adjusted EPS for the fourth quarter was \$1.08.

With that, I'll turn the call over to Hans.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you, Brady. Good morning, everyone, and welcome to our fourth quarter 2023 earnings call. I hope you all had a great start of 2024. I'm pleased to report that Verizon closed out the year with a strong fourth quarter, finishing off a year of solid operation and financial performance. For us, 2023 was a year of continuous improvement and important actions across the business. We made significant changes to how we operate and to our team, and those changes paid off.

We stabilized our core business and positioned the company for renewed growth and profitability. We built strong momentum quarter after quarter, culminating in a very good holiday season. And finally, we met the guidance that we provided to you in each of our key performance indicators.

Entering 2024, Verizon stands ready to further unlock our performance potential at an accelerating rate. We now have all the assets, the best team in the business and a focus on continued operational excellence to deliver even better results going forward.

Let me share some full year highlights with you. Wireless service revenue for 2023 was \$76.7 billion, a 3.2% year-over-year increase. We delivered outstanding volumes during a healthy fourth quarter where our customers clearly embraced our offerings. Full year adjusted EBITDA was \$47.8 billion, contributing to a very strong free cash flow of \$18.7 billion, reflecting our disciplined and strategic approach to profitable growth.

As a result of our financial strength, we raised our dividend for the 17th year in a row with a healthy free cash flow dividend payout ratio of approximately 59%. We also reduced our year-over-year leverage while continuing to bring CapEx back towards business as usual levels. This aligns with the capital allocation priorities we have shared in recent years.

These results provide a solid foundation with Verizon's journey and future success. And I'm pleased that we put the leadership and team in place last year that will serve Verizon stakeholders well in both the short and long term. We, as a team, have focused on capturing the market opportunity, and I'm proud of our progress in 2023.

Just two weeks ago, Leslie Berland joined Verizon as our Chief Marketing Officer. I'm excited to bring her on board and have a great confidence in her ability to continue shaping Verizon's premium brand perception and story.

We started 2023 determined to differentiate ourselves by investing even more in profitable growth while transforming Verizon to make the company more efficient and effective. Seeing the continued strength of the U.S. consumer, busy holiday store traffic and rising demand for mobility, broadband and private networks, we also took actions to fuel growth during the fourth quarter, and it showed in our results.

A standout milestone in 2023 was our launch of myPlan, which was designed from extensive customer research to be the most flexible plan available to U.S. consumers from any wireless company. myPlan has been a great success that has seen stellar adoption. Introduced in May, we already have 13.1 million myPlan subscribers.

And these customers are choosing premium packages and our unique perks driving ARPA. Other changes we made in 2023 include establishing a regional distribution model, tailoring our approach to every market, revamping sales composition to support productivity and introducing new price plans and promotions in Consumer and Business.

Verizon Business also partnered with HCLTech to be more efficient to deliver post-sale implementation and customer support from managed network services, enhancing our customer service while saving Verizon money. These actions paired with all of our assets sets us up very well for 2024. We are now working from an effective model, and this is just a start. Overall, the wireless industry is strong as we head into 2024, and we are confident in our strategy. We have great offerings with optionality to meet the needs of customers of any budget on the best network in the country.

Now let me share a bit more how each of our service performed in the fourth quarter. Starting with Mobility. We had 449,000 postpaid phone net adds, driven by improving net adds in Consumer and a continued sustainable performance in Verizon Business. Our disciplined and segmented market approach is working with customers and creating great economics for our shareholders.

In Consumer, you can see the pattern of continuous improvement from the start of the year. In the fourth quarter, we delivered our best postpaid phone gross adds performance since 2019 and our best net adds in two years. We added 318,000 postpaid phone customers in the fourth quarter, and our gross adds were up almost 17% year-over-year. It is clear that we have momentum in Consumer as we move into 2024, and we'll continue to work to get our fair share of new business.

Our customer-centric offers are resonating in the market, and we're just getting started. By leveraging Verizon's large subscriber base and key partnership, we can deliver exclusive discount offers like Netflix and Max for just \$10 a month, underscoring our industry leadership in value-driven content offerings. With our vast network coverage and the largest base of loyal customers, we're uniquely positioned to provide targeted high-value deals that deepen relationships across connected devices, streaming and more.

Within the value business, which includes our prepaid offerings like TracFone, Visible and Total by Verizon, we still have work to do, but are making progress.

Moving to Verizon Business. The team continued to deliver on Mobility with total postpaid phone net adds of 131,000 for the fourth quarter 2023, marking our tenth consecutive quarter of postpaid phone net adds above 125,000. For the full year, business added 562,000 phone net adds, an outstanding result. Our Business customers are prioritizing mobility and value the optionality we offer with highly tailored plans on the best network in the country.

Now let's turn to Broadband. For the year, we had more than 1.7 million Broadband net adds with more than 1.5 million net adds from fixed wireless access and 248,000 net adds from Fios, a nice increase over 2022.

On fixed wireless access, we're consistently adding more than 350,000 subscribers per quarter, which is part of our plan for steady, sustainable growth that exceeds what we expected at launch. Just three years after the launch, we serve more than 3 million fixed wireless access customers, well ahead of our stated goal of 4 million to 5 million subscribers by the end of 2025. With fixed wireless access, we're expanding into new markets and proving the value of Verizon's connectivity.

Customers are finding strong reliability and speed in fixed wireless access, and that shows in our results, including a very strong Net Promoter Score. For a product that still is in the beginning, the pace of adoption has the team super excited. We expect this will be a long-term source of recurring revenue for Verizon, and we're entering this year with a strong base for continued growth.

Turning to the private networks and our 5G business solutions. We continue to see interest from large enterprises running complex logistics and operations like ports, automotive and heavy industries. In November, Norfolk International Terminal contracted us to build a second private 5G network for them. Audi, already one of our partners in smart car development has contracted us to build a private network for their automotive tech testing environment. And Nucor, one of the country's largest steel companies, has us building private networks for three of its sites with more to come over the next year.

Strategically, we are building a new source of revenue expansion where we are the clear leader. Last year, we also expanded existing 5G private network partnerships with NFL to bring new spectator and retail experience to fans everywhere. When we build relationships with these large enterprises, and they see what our network can do for them, there is always potential for more business. And our network is just getting better and better every day.

With full access to our spectrum as of the end of third quarter last year, our mission is to optimize experience in every market and expand into suburban and rural markets, where we know our Consumer and Business customers are eager to take up our offerings. We have been expanding and improving our network in key markets through 2023 and into this year. I have said it before, and I will say it again, our network is the foundation

of how we offer the best value and premium experience to our customers. And we are now seeing our investment in C-Band paying off in terms of customer experience and loyalty.

Where we have C-Band, we see higher gross adds, lower churn and more step-ups to premium services. We also see increased uptake of customers taking both mobility and broadband services. Meanwhile, millimeter wave, which we have now deployed in many urban areas and all 30 NFL stadiums, sets Verizon apart with an outstanding performance at high-density areas and public event spaces. And for the 32nd consecutive time, Verizon was the most awarded company in the country for wireless network quality with the first place rankings in each of J.D. Power's six regions. We are the network that America relies on, and we take that commitment very seriously.

Looking ahead, our priority for 2024 are crystal clear. We remain laser-focused on growing wireless service revenue and expanding our adjusted EBITDA and free cash flow to allow for a meaningful debt reduction in the year ahead. This is what our whole team is working towards and what you, our shareholders and our Board want us to focus on.

Tony will have more details for you, but we anticipate strong wireless service revenue growth of 2% to 3.5% in 2024, which reflects our ability to sustain the top line of our business as we continue to pursue the right balance of profitability and customer growth. Our adjusted EBITDA profile will continue to improve as we become even more efficient with growth, cost saving measures and our disciplined promotional spending. Our capital allocation priorities remain consistent. And as we lower our capital intensity from the C-Band build-out and our new business structure, we expect to see continued strong free cash flow generation going forward. That will enable our Board to continue to raise our dividend and also enable us to bring down leverage.

Now Tony will discuss the quarter as well as our operations and guidance in more detail.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Thanks, Hans, and good morning. Executing on our plan, we finished the year strong and delivered on our financial guidance. We exited the year with good momentum and remain committed to our three priorities of growing wireless service revenue, adjusted EBITDA and free cash flow.

In 2023, we set out to improve our operational performance while sustaining financial discipline. Our fourth quarter and full year results confirm that our strategy is working and that we can deliver strong financials and improve key operating metrics. Consumer postpaid phone net adds totaled 318,000 for the quarter, a substantial improvement of 369,000 sequentially and 277,000 compared to the prior year. Our Consumer postpaid phone churn of 0.88% represents a stable result even after we implemented over \$1 billion of annualized pricing actions in 2023. While we do not provide specific guidance on volumes, we wanted to share a couple of items as we look into 2024.

In the first quarter, we are taking additional targeted pricing actions that we expect will result in incremental pressure on Consumer postpaid phone churn in the period. However, we expect to deliver positive Consumer postpaid phone net adds in full year 2024 as we execute on our strategy of growing our subscriber base while being financially disciplined.

Postpaid phone gross adds in the quarter were up nearly 17% year-over-year. This represents our best quarterly consumer gross add performance in four years. Our attractive myPlan offers combined with our segmented approach to the market, regional sales structure and disciplined promotional strategy continued to deliver strong results. Additionally, postpaid upgrades remained lower as compared to the prior year. The Consumer postpaid upgrade rate was 4.4% in the fourth quarter, down 120 basis points year-over-year as a result of approximately 19% fewer upgrades.

As Hans said, we continue to see better performance in markets where we have deployed C-Band. In our first 76 C-Band markets, fourth quarter Consumer postpaid phone gross add growth was 8 percentage points better than in non-C-Band markets.

Additionally, Consumer postpaid phone churn in C-Band markets was 4 basis points better than in non-C-Band markets. The strong momentum in the quarter, combined with the continued deployment of our C-Band network positions us well in 2024. The quality of the business we are writing in Consumer remains high as myPlan continues to drive premium plan adoption. The premium take rate in C-Band markets for the quarter was more than 10 percentage points higher than in non-C-Band markets. Consumer ARPA of \$134.10 represents an increase of 4.7% year-over-year.

This was driven by new customer additions, premium plan adoption and fixed wireless subscriber growth. We expect continued and healthy organic ARPA growth in 2024.

Our prepaid results remained challenged in the fourth quarter. This is in part due to seasonally weaker national retail sales volumes, which is the primary sales channel for our TracFone brands. We also continue to see pricing pressures from low-end postpaid offerings. Prepaid net losses for the quarter were 289,000. During the quarter, we saw continued strong growth within the Visible and Total by Verizon brands, which we will continue to scale. The team is also focused on our partnerships to improve the performance of the Straight Talk brand. We believe we're taking the right steps to better position our offerings in the market and expect to see some stabilization in 2024.

Verizon Business delivered another strong quarter with 131,000 phone net adds which, as Hans mentioned, is our tenth consecutive quarter above 125,000. The Business Markets Group had its best phone net add performance in the last two years, demonstrating how our value proposition is resonating with small and medium businesses. Similar to Consumer, we are taking pricing actions in the first quarter in Business that could result in elevated phone churn in the period. However, we are confident that we will continue to deliver strong Business volumes in 2024.

Moving onto broadband. We delivered 413,000 net additions in the quarter, continuing the pace of over 400,000 broadband net adds for the fifth consecutive quarter. We see strong demand for both our fiber and fixed wireless offerings, and we continue to see positive responses from customers regarding the quality and reliability of our services. In fixed wireless, we delivered 375,000 net adds for the quarter, growing the base to over 3 million subscribers.

We launched C-Band in early 2022 and our fixed wireless success in the last two years reflects the strong demand for high-quality broadband and the strength and reliability of our product. Notably, in the fourth quarter, over 80% of our consumer fixed wireless gross adds came from C-Band markets. The growth trajectory for fixed wireless continues to be robust, and we are ahead of schedule to achieve our 4 million to 5 million subscriber goal by year-end 2025. Fios Internet net adds were 55,000, down 4,000 year-over-year. We are pleased with the success of Fios with strong gross adds and retention, reflecting the quality and overall value of the product. We expect broadband subscriber momentum to extend into 2024 as we continue deployment of our C-Band spectrum, further expand our Fios footprint and bring new products and offers to the market.

Let's now look at our financials. Consolidated revenue for the fourth quarter was \$35.1 billion, down 0.3% year-over-year. This change can be attributed to the wireless equipment revenue, which was approximately 2% lower than the prior year as total postpaid upgrades declined by approximately 18%. Total wireless service revenue was \$19.4 billion, up 3.2% year-over-year. Strong revenue benefited from targeted pricing actions, more customers selecting premium unlimited plans and growth in fixed wireless access. This was partially offset by pressure from prepaid, which reduced total wireless service revenue growth by approximately 70 basis points year-over-year as well as promo amortization.

Consolidated adjusted EBITDA in the quarter was \$11.7 billion, a decrease of 0.6% compared to the prior year. Higher wireless service revenue and the benefits of lower upgrades were more than offset by higher marketing and bad debt expense and ongoing declines in business wireline revenue. Adjusted EBITDA margin of 33.2% was relatively flat year-over-year. In 2023, we implemented transformations within our Consumer customer care group as well as Business managed services. We are pleased with what we have achieved this year, and our cost-saving measures are meeting our expectations. We expect further progress on our cost efficiency program in 2024. Adjusted EPS was \$1.08 in the quarter, resulting in full year adjusted EPS of \$4.71.

Turning to our cash flow summary. Cash flow from operating activities for the fourth quarter was \$8.7 billion, bringing the total for 2023 to \$37.5 billion. This marks the year-over-year improvement of over \$300 million, primarily due to working capital improvements. CapEx for the quarter came in at \$4.6 billion compared to \$7.3 billion in the prior year. The full year CapEx totaled \$18.8 billion, which represents a more than \$4 billion reduction in capital spending from 2022 as we come down from our peak C-Band spending level.

Free cash flow for the fourth quarter was \$4.1 billion, bringing our year-to-date total to \$18.7 billion, a \$4.7 billion increase over the prior year, driven by operational improvements and the lower CapEx spending that we previously noted. We are pleased to have delivered on our guidance of more than \$18 billion of free cash flow for the full year, which reflects our balanced and strategic approach to delivering profitable growth.

Net unsecured debt at the end of the quarter was \$126.4 billion, a \$1.6 billion improvement year-over-year. Net unsecured debt increased sequentially primarily due to settling the \$3.7 billion in incentive payments to satellite operators for our remaining C-Band spectrum. Our net unsecured debt consolidated adjusted EBITDA ratio was 2.6x as of the end of the fourth quarter, in line with the prior two quarters.

We expect deleveraging of the balance sheet to accelerate in 2024 as CapEx comes down to BAU levels, and we continue to generate strong cash flow. Additionally, we continue to benefit from our approach to managing long-term debt and have only \$3.6 billion of unsecured debt maturing in 2024. Overall, I'm pleased with our momentum exiting the year and our performance in 2023, delivering an improved operational profile while also meeting our financial guidance.

Now I want to take a few moments to look ahead and walk through our 2024 guidance. Our 2024 guidance demonstrates our expectations for accelerating wireless service revenue growth. As a reminder, the reported 2023 wireless service revenue growth of 3.2% included approximately 190 basis points of benefit from a reallocation of other revenues. Excluding this reallocation, the 2023 wireless service revenue growth was 1.3%.

For 2024, we expect total wireless service revenue to grow between 2% and 3.5%. This will be driven by anticipated positive postpaid phone additions to both Consumer and Business, continued fixed wireless access subscriber growth, further adoption of premium unlimited plans, growth in products and services and pricing action benefits. We expect consolidated adjusted EBITDA to grow by 1% to 3% versus the prior year.

This outlook reflects expected higher wireless service revenue and the impact of our cost transformation initiatives, partially offset by continued pressure in Business wireline revenues and increased wireless network operating expenses. Full year adjusted earnings per share is expected to be \$4.50 to \$4.70. As noted, we expect adjusted EBITDA to grow in 2024, offset by certain below-the-line impacts.

Specifically, higher interest expense is expected to impact adjusted EPS by \$0.16 to \$0.19, over 75% of which is driven by the continued reduction in capitalized interest related to the C-Band licenses being placed into service. In addition, EPS is expected to be impacted by approximately \$0.07 to \$0.09, of higher pension and OPEB expense, primarily due to the expiration of certain credits. This impact will flow through the other income and expense line on our income statement. We expect depreciation and amortization to be relatively flat in 2024 compared to 2023.

Our adjusted effective income tax rate is expected to be in the range of 22.5% to 24% based on current legislation. As discussed in prior quarters, capital spending for the full year is expected to be between \$17 billion and \$17.5 billion, down from \$18.8 billion in 2023. While we are not providing guidance on 2024 free cash flow, we wanted to provide some additional color to aid with your analysis.

Tailwinds to free cash flow will come from our adjusted EBITDA growth outlook as well as the expected \$1.5 billion reduction in CapEx in 2024 based on the midpoint of our guided CapEx range. Offsets will be higher interest expense and higher cash taxes. As a reminder, the majority of the higher interest expense relates to reductions in capitalized interest. Such interest was recognized in cash flow from investing prior to placing the C-Band spectrum into service.

The higher cash taxes are primarily related to the continued phaseout of bonus depreciation in 2024 based on current legislation. Overall, we expect a strong free cash flow profile that will support our capital allocation priorities and position us for meaningful unsecured debt reduction in 2024, which we expect to come in the latter half of the year.

With that, I will now turn the call back over to Hans for his closing thoughts.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you, Tony. As you've heard today, we are confident and well positioned to deliver a solid 2024. Thanks to our best-in-class network, which is only getting better, we offer the mobile and broadband services that customers value and need the most. Our industry is critical to the next wave of innovation, and Verizon is ready to capitalize on the opportunity of the AI economy to bring this technology to life for all our stakeholders.

As I said in the beginning, we have the right team in place to execute the next chapter in Verizon's history. I'm proud of the work our team accomplished in 2023 and are excited what we will deliver in 2024. Our results in C-Band market speaks for themselves and support our investment

decisions, and we're going to lean in further as we expand into suburban and rural markets while maintaining the financial discipline you come to expect from us. We will continue to stay very close to our customers to understand their needs and preferences so that we can offer the right promotions at the right times in the right markets.

We have the right people, the right assets and the right strategy. Our focus for 2024 is on execution. It's a winning combination, and we are very confident heading into this year.

Finally, I want to remind you that we are hosting an investor event on February 5 and encourage everyone to tune in to the webcast. Given the financial update today, next month will be more of an operational and strategic update on the company.

Now Brady, we are ready to take questions.

Brady Connor - Verizon Communications Inc. - SVP of IR

Thanks, Hans. Brad, we're ready for the first question.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. (Operator Instructions) The first question will come from John Hodulik of UBS.

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

I'd love to drill down on a couple of things. First, the sub trends, 17% growth is some real momentum. I know, Hans, you talked about a number of sort of potential drivers. But if there's anything you could sort of be specific and sort of talk about what drove that in the quarter? And is that likely to continue, also the account growth, is that likely to continue? And then you talked about some churn on the price increase. Anything you could say about sort of the net add momentum as we look into '24? That's first.

And maybe for Tony, nice service revenue growth. Any additional info you can give us to sort of unpack that in terms of the price increase impact versus last year and what you're seeing in terms of Tier 1, that would be great.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

John, thank you for the question. So let me start about the subs then. On the Business side, tenth quarter in a row, more than 125,000, Kyle and the team is doing a great job where our network is performing so well. So our customers just continue to buy in with us, not only that. Our offerings in our go-to-market is as strong as ever. So we feel really good about what Kyle and the team is doing.

On the Consumer side, yes, we had a good fourth quarter. But you have seen also all through the year that we have sequentially improved all the time. Everything started where -- we started with a new offering myPlan, which resonates with the market, very much consumer insights in it. Then on top of that, Sampath has done a lot of changes in our structure all the way from the go-to-market, the incentives in our stores and our decentralization of it.

So it hangs together all the way. So I think the most important, we have the right offerings in the market, and that has really resonated on the Consumer side. So I'm really happy with the team. We will continue to execute on the plan we have, and we have started.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

John, it's Tony. So just to add on to what Hans mentioned. We did really well in Tier 1 markets. As we mentioned in the prepared remarks, about 8 percentage points better and we were also net add positive in both Tier 2 and Tier 3 markets as well. We improved our competitive positioning against all providers. We continue to build out C-Band, as we said earlier in suburban and rural markets, and we see further opportunity there. And as Hans mentioned, we had strong momentum in the VBG side as well, on both mobility and FWA, so good results.

And then on your question on service revenue. So we feel really good about the shape of service revenue in 2024. The guidance that we gave of 2% to 3.5% reflects accelerated growth, and we talked about the jump-off point of 1.3% in the prepared remarks. The midpoint of our guidance range implies over \$2 billion of service revenue growth. If we think about the assumptions in the guide in terms of tailwinds, as you know, we've executed a number of pricing actions, both in the back half of 2023 that do carry into 2024 as well as in recent weeks, we've taken further pricing actions in both Consumer and Business that provide a tailwind.

We also have an improving volume profile in our Consumer business. As we said in the prepared remarks, we expect to have positive phone net adds in consumer in 2024 and stable business volumes as well. And then the third tailwind I'd point to is an increasing contribution from fixed wireless access. We have really good momentum and over 3 million subs in the base.

In terms of headwinds, prepaid, has been a drag on service revenue both in the fourth quarter and the full year was about \$142 million in the fourth quarter, and we expect the prepaid headwinds to continue into 2024 as we stabilize that business. And then on promo amortization, that continues to be a headwind with the increase in 2024, similar to the increase we experienced in 2023. But when you put that all together, we like the trajectory of service revenue.

Operator

The next question comes from Simon Flannery of Morgan Stanley.

Simon Flannery - Morgan Stanley, Research Division - MD

Just following up there on the fixed wireless. Could you just give us a little bit of color around how the churn is performing? What are you seeing in terms of those cohorts that have had this service for some time and any comments on sort of capacity and so forth.

And also, are you seeing emerging seasonality in this product driven by strong back-to-school in Q3 and then maybe a little bit softer in Q4. And then anything you can -- color you can provide on your exposure to ACP and how that may affect you and your latest thoughts on the BEAD program.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Okay. Thank you. On the fixed wireless access, I think the product is maturing. We're now past 3 million subs, both on the Business side and Consumer together. Clearly, the rollout and the product is unique. It has -- it resonates so good in the market, simplicity of the product and installing it, which was the -- which was our idea. And even if we took out the discount that we had in the third quarter, we haven't seen any slowdown. The product is resonating so well.

We are constantly improving it. The NPS is really high on the product. And as I said so many times before, for us, is to keep the same volume right now because that -- we are demanding our capacity, or our capital in the best way. It's the most efficient way. So we will continue to be in these levels, and we think they are very important.

And hoping that, of course, that our consumers using fixed wireless access that, they are using the network as anybody else. And as I said before, we have dimensioned the network to handle it, so that's not the challenge. And the most important for us is that we have fiberized all our network, and so we can transport all the data. The guys are doing a great job on fixed wireless access across the board.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. And then just one additional point there. So the longer-dated churn, Simon, is very strong, and we're very pleased with the progress thus far.

On your other question on ACP, just maybe a few points to make here. The guidance assumes that the ACP funding remains intact. In the event the funding goes away, we have plans to address it, and we'll see what happens there. The majority of the exposure on ACP is in our prepaid business. We have about 1.2 million prepaid subs that benefit from the ACP program, and that's less than 10% of our prepaid base. On the postpaid side, we have minimal exposure to ACP, both Fios and postpaid wireless. And the margin exposure from ACP is very, very small.

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

And on the BEAD program, we will participate when that comes out in the market where we see we can compete and where we see good return on investment. We have already won a couple in the early stages, but we expect that this will roll out over years to come. And -- but again, we will see that we participate when it makes sense for us, usually -- or not usually, always with financial discipline.

Simon Flannery - Morgan Stanley, Research Division - MD

Great. And just one follow-up on the fiber build, is that again about 500,000 homes passed this year?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes, Simon, it will be a little bit over 400,000 next year.

Operator

The next question comes from Phil Cusick of JPMorgan.

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

I think you said you expect postpaid phone positive for the year. What's the durability of Consumer growth? Could that also be positive for 2024? And remind us the impact that price increases tend to have on churn over the last couple of years.

And then second, maybe you could just dig into where your gross adds are coming from, the improvements as you're doing better there. Churn has sort of been in line, but gross add is doing a lot better. If you could dig into that. Is there any significant shift in where customers are coming from, maybe from myPlan?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

I can just start by saying but I'm going to hand it over to Tony. I think you're spot on. On myPlan, and I said it in my opening remarks, stellar performance so far on myPlan. But it's not only that the plan is good, it's both flexible, you have cost control and our customers get value of it.

And I think that goes back to the -- what I talked about for years, disciplined approach, but also very segmented. And that's what's happening right now, and we can see that we allocate money to the right product to the right customer in the right market. So there's a lot of that. But Tony will give you a little bit of rundown on the numbers.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Sure. So just, Phil, on the churn. I mean, obviously, we'll see a little bit of an uptick from the pricing changes we made in both Consumer and in Business. And those changes were announced in the last few weeks. And then as Hans mentioned, we really had good performance in Consumer. You saw the gross add number at 17% and 10% for the full year, and that's despite being in a much lower upgrade environment as well, so we feel really good.

Like I said earlier, the Tier 1 markets were very strong, and we see further opportunity as we build out C-Band, the churn profile is much better. The ARPA is much better. So we're very comfortable with what we're seeing so far with C-Band and the performance.

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

And in terms of the durability of postpaid and growth there?

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes. Look, we said we're going to be postpaid phone positive in Consumer in 2024, and we'll also continue to see strong momentum in Business as well. We did 562,000 net adds this year. And Kyle and the team did a great job, and we expect continued solid growth from the Business side as well.

Operator

The next question comes from Michael Rollins of Citi.

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

Just one more on wireless pricing. Can you provide some additional context on how you're seeing the competitive landscape evolve with respect to pricing? And how Verizon is trying to balance the volume versus price equation as you look out from the recent pricing actions that you've taken?

And then second, can you provide an update on how much the cost-cutting program yielded in '23 and how much you can capture it in '24 relative to the previously articulated target?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thanks, Mike. I think when it comes to our pricing and our promotions, I think we look more about we are the leader in the market. We look at the different segments we have to see that we have the right offerings for our right customer with the right value. That's the focus we have had for, I would say, the last two years, very much focused on our customer base and the consumers and the customers we can attract the Verizon.

And so far, that disciplined approach we have, you saw the fourth quarter, for example, we invested in a little bit more because we have really good momentum. So sometimes, we're going to invest more, but it's always going to be with a return on investment in mind to see that we're doing the right for all our stakeholders. So that's the focus we have on the pricing we have, both on broadband and on wireless.

On the cost program, '23 was a big year for us. You probably are following all our press releases, but we did a lot in customer care. We did a lot with managed services with outsourcing the HCL, we implemented some really large IT systems and application that's going to be a fantastic platform. We continue to deploy our offshore centers and being even stronger and using that as a platform on the basis that we created Verizon Global Services, the 1st of January '23. So I'm really pleased with the platforms, and that means we're on track for the savings we talked about, going into '24. It's more about the same. Tony?

Anthony Skiadas - *Verizon Communications Inc. - Executive VP & CFO*

Sure. So just to add a couple of things here. So on 2023, we delivered about \$300 million to \$400 million in savings. And as Hans mentioned, we expect the program to ramp in 2024, and the savings are contemplated in the guide. Portion will hit the bottom line while also giving us the flexibility to invest in the business. And I think you saw that in the fourth quarter and the results speak for themselves.

We're not going to give specific cost targets, but what -- in addition to what Hans mentioned, we have work going on in IT platform transformation, in real estate and fleet optimization and we're also opening up shared service center in Ireland. So we feel really good about the cost actions that are driving the EBITDA improvements that you see in the guidance for this year.

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

And just one other. Where are you in the process of restructuring of the Business wireline operations? And how close are you to an inflection where that segment can stabilize financially or potentially, eventually grow at some point?

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

Thank you, Mike. No, that's a big focus for us. We have the secular decline, and we've had that for quite a while. So there's nothing new and nothing new to that story. But our cost efficiency is, of course, happening very, very quickly. And the team is doing a great job. Not only that, we also see that we have the right pricing for our customers and also seeing where we don't have great contract we have decided to walk away from them.

So very much tackling, blocking and tackling to see that we'll continue to improve. And of course, our target is to get that to sort of being neutral to our P&L over time. And that is one of the important pieces for getting the 25% Verizon Business Group in EBITDA, but not only that, of course, we're offsetting that by growing our wireless business and our broadband business.

So typical management of a product portfolio, and I would say Kyle and the team is doing a great job with the full support from Tony and me.

Operator

The next question comes from Frank Louthan of Raymond James.

Frank Louthan - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

So you've made a lot of changes in the last year to kind of retail marketing to correct some of the past periods. You now got a new CMO. What can we expect her to be doing differently? Should we see this as another reset or change of direction? How should we think about that adjustment?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

You're right. Last year, we did a lot of changes. But looking at the result, I think many of the changes was absolutely right, all the way from our structural changes to go to market, the products. And also, we did quite a lot of management changes, getting many of the executive new positions, including the recruiting a new CMO, Leslie Berland. We are excited to have her on.

I think where we are with our brand and with our offerings, we're in a great place. But you cannot see still here, and that's why we recruited Leslie. Leslie will work with the full team to see how we continue to refine the leadership in the brand because we are the number one brand in the market, we're just going to refine that. But we're not going to sit still. So I think Leslie has been over two weeks. So I see a lot of great initiatives and ideas, and we will work together with her, to make this company even better.

Operator

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

David Barden - BofA Securities, Research Division - MD & Global Research US Telecom Services & Communications Infrastructure Senior Analyst

A couple, if I could. Just the first, you went out of your way to highlight how well fixed wireless access is doing in the C-Band markets. These are kind of the main markets, probably the densest markets. Obviously, we're going to see the C-Band deployment expand both in terms of spectrum density and in terms of geography. 350 has been kind of the baseline expectation for fixed wireless access adds in the current C-Band deployment. Would you be willing to put a stake in the ground? Where could that go? Could that double by the time we get the full C-Band deployment out there by the end of next year? That's the first question.

And I guess the second question. Tony, you gave us the kind of moving parts, the EBITDA growth 2%. That's about \$0.75 billion after tax. Interest expense at \$0.175, that's about \$3 billion -- \$0.75 billion after tax, \$1.5 billion CapEx savings. So the big moving part that none of us really know is the cash tax and how that might impact free cash flow, whether free cash flow could be up a little bit, down a little bit. Could you be more transparent around that moving part?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you, David. When it comes to fixed wireless access, yes, when we got the C-Band, the initial chunk of spectrum got was in urban places. Now since the end of the third quarter, we got the suburban and rural areas. But we continue at the end of the year to strengthen our urban area. So now we're sort of deploying much more in the suburban and rural. That creates a new opportunity for us, both from our strength in wireless in many of those markets together with our fixed wireless access.

But I said it many times before, for us, it's very important to have a certain volume and a certain cadence because we can optimize our resources, our capital, et cetera. So Tony and I feel really good about being around 400,000 net adds for broadband in total, including Fios.

That has sort of been a mantra, that can be, of course, coming up and down a little bit, but it's not like we are forcing a lot of capital and resources in the quarter and then doing less, that's not efficient in a company like ours. We are very financially disciplined, as you know. And that's best for our customers and for our stakeholders, like shareholders. So that's what you're going to expect from us.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

And Dave, just on your -- question on cash taxes. So we said we're going to be pressured by the phaseout of bonus. We did see a tax benefit in 2023 from the spectrum clearing payments. And if you think about the headwind, we'd see it at about \$2 billion right now, and we'll have to see how things play out with what the proposed legislation is.

Operator

The next question comes from Craig Moffett of MoffettNathanson.

Craig Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

I wonder if you could talk about your market growth expectations for postpaid coming into the year. I know you're the first one to report. So we haven't seen the results from anyone else yet. But what's your sense of what we can expect in terms of total postpaid and maybe total phone growth for 2024 market-wide?

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

Thank you, Craig. If I think about this year, I mean, first of all, mobility and broadband is two of the most important infrastructure in the country. And I don't think it's any one company, person or organization can live without those services. We are the number one in basically everything we're doing.

I think it's a healthy industry. It's an important product we have, then it can come up and down. So I cannot give you a percentage of what's going to happen. I think our offering is great. I think the product is so important, both mobility and broadband for all parts of our society. I wouldn't like to be in any other business, and it's sort of so important for our society that mobility and broadband is working.

Craig Moffett - *MoffettNathanson LLC - Co-Founder, Founding Partner & Senior Research Analyst*

And can I just maybe drill down a little bit though? I mean the growth numbers we've seen have been as high as 6 million plus, is that a feasible growth rate? Population growth, including immigration is more like 3 million. Is your sense as you go into -- your own expectations for the year, that we'll see some deceleration? Or is your sense that there's still something going on that's keeping growth so far in excess of population growth?

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

I think that we're going to -- whatever number is going to be, we're going to get our fair share of it and that's what we are aiming for. But you're right, of course, immigration is lower. So the pool is smaller, but we've also seen a really good uptake between value segment to postpaid. So there's a lot of factors coming in.

And then, of course, what we have done when we think about offerings, we have myPlan, we're adding the perks for example, in Netflix and Max. We are expanding also ARPA because we have such a great offering to our customers. So this is a new time. But again, the product is so important for the market and for each and every one of us. So I feel really good about coming into this year, what we have done and where we go, and let's see where we end up.

Operator

The next question comes from Kannan Venkateshwar from Barclays.

Kannan Venkateshwar - *Barclays Bank PLC, Research Division - Director & Senior Research Analyst*

So maybe a couple. I guess, firstly, on the fiber side, Hans, as you think about the base of fixed wireless subscribers. By next year, you'll have a pretty big critical mass overall of 5 million-plus potentially. And it's not too far away from where your Fios base is. And you have deep money coming in, potentially, there's more interest from private equity funds and so on and so forth.

And I know you've talked about being a lot more disciplined on fiber, but does your breakeven threshold change just given the kind of critical mass you get to in fixed wireless and also the kind of capital alternatives that we are starting to see in the market? That's one.

And secondly, on the wireless side, over the last two or three years, I mean, obviously, there's been a pretty big tailwind to service revenue from prices and explicit price increases. So your thoughts on how long that can continue. And when does mix take over and become a bigger component overall from a service revenue growth perspective? And how we should expect that transition to happen would be helpful.

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

Thank you, Kannan. Yes, I have to go back a little bit when it comes to our broadband strategy. We have a multipurpose network. We build the network once and we have multiple options at the edge. That was sort of the infancy of the Verizon Intelligent Edge Network. From the data center to the edge, we have harmonized everything. We have fiber in between everything. We have multi routers. We have one transport network. That is super important, it's sort of the brain of the network. Then at the edge, we have optionality, what type of access we have. In the ILEC, of course, we're going to continue with our success in Fios and outside, we're doing fixed wireless access.

But it gives us optionality over time. I like owners economics. I think that, that makes us very competitive in pricing and offerings to our customers. There are, of course, a lot of offerings from people that want to ship in capital. But ultimately, it has paid off for us to be very, very prudent in financial discipline with our own money. But you can never outrule, but that's really my view on it. But I'm creating optionality with the network and Joe and his team are super agile if we need to be within that.

On the wireless, I would say, I mean, if you look at our Business side, they have great offerings in the market. They have taken the fair share over 10 quarters, and then have also made new offerings so they can expand. So I think they both have done quantity and value. And wireless, of course, on the Consumer side, they have historically have more ARPA increase with new offerings, new pricing, new products, rather than volumes. But you have seen us performing in the last part of the year.

And I think Sampath and his team, they have said that they want to increase the part of getting new customers. But again, it will be financial discipline, and we should get the right customers. And if you look at our quality of our Consumer base, it's just amazing, and we will continue to be financially prudent on that. But clearly, we want to have more volumes and -- but not to any cost, we will do it with the right cost and the right product to our customers.

Operator

The next question comes from Peter Supino of Wolfe Research.

Peter Supino - *Wolfe Research, LLC - MD & Senior Analyst*

On the subject of consumption and network utilization, I wonder if you could update us on the number of gigabytes per month that postpaid phone customers are consuming nowadays and extending that thought over the next few years, does that growth and the robust FWA business that you're building suggests that we should prepare for densification or other radio access network or spectrum costs for capacity over the next several years, certainly not a 2024 question.

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

Yes. I'll go back to how we build the network because building the network is so very important because the biggest challenge with a lot of traffic is, of course, transporting it in an efficient way, having your own fiber and that we've already built.

When it comes to the growth in the network, yes, everybody is using the network more. It's no different between fixed wireless access and Fios. And of course, wireless consumers are using the network more as well. But we have built a very stable network all the way from the data centers to the edge. And then, of course, we have assets that nobody else has. We have a lot of our traffic on millimeter wave, which is the cheapest way to deliver data in the market by far and we have our C-Band just coming out. So -- and we have our best engineers. So I feel really good with that people and customers are using our network more. That's what this was intended for, and we have designed it like that.

Operator

The next question comes from Bryan Kraft of Deutsche Bank.

Bryan Kraft - *Deutsche Bank AG, Research Division - Director & Lead Research Analyst*

I had two, if I could. First, following up on John's earlier question, can you give us a sense for how much of the year-over-year improvement in gross adds in the fourth quarter was the result of healthy industry volumes versus the improved execution and product that you've got in the market now? And additionally on that, did you see stronger performance in December versus the rest of the quarter? I asked because I think your last public presentation was in early December, and your results seem to even more positive than your tone back then. So it seems like maybe you picked up momentum as the quarter progressed.

And then I just had a separate question on the issue of lead cables. I was wondering if you would comment on the latest media report that the EPA has conducted its own testing, some of your lead sheet cables that have shown lead levels above EPA standard for safety. Any sense for whether these reports are accurate? And if so, how you're thinking about the potential impact at this point around this issue?

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

Yes. Thank you, Bryan. Let me start with the market in the fourth quarter. We don't know. I mean the others haven't reported. We only know that we have performed really well. And it's not a one quarter phenomenon. If you think about from the second quarter, third quarter, even in the first quarter, we were sequentially improving all the time, and we have done that in a disciplined ways with a lot of actions and that we need to keep up.

So -- and then the comment on how the quarter shaped so you probably talk about consumer more than anything else. I think we're solid through the quarter, there was nothing sort of different during the month in the quarter. We were solid through the quarter, doing well performance.

On the lead. As I said before, we take that very seriously. I cannot comment what media is doing. We work with all the agencies and see that we are following this up and we have revealed all the information we have. So we don't have any more. We have also disclosed how much lead cable we have in the network, which is very little. But again, we take it seriously and we work with all the agencies.

Operator

Your last question will come from Walter Piecyk of LightShed.

Walter Piecyk - *LightShed Partners, LLC - Partner & TMT Analyst*

Hans, this is -- I apologize, probably the fourth time you're coming back to the gross add question. But I think earlier, you made mention of kind of the change in structure from nationalization to localization. I think that was something that Sampath had kind of stated as one of his specific things and probably something that maybe, could be more sustainable than just a change in a rate plan that obviously could be replicated or just addresses the market. So just a couple of questions on that.

First, if you think about kind of the ramp in fourth quarter, I know this is kind of a soft question, but like the impact of localization, and that's change in the structure of the sales organization versus myPlan, which had a larger impact. And then, I guess, more importantly, the sustainability, meaning that, yes, you typically do see sequential growth seasonally around this time of the year. Obviously, more pronounced this year than past.

But are we going to see even more sequential growth or more abnormal growth in the first half of the year as some of the implementation of that localization continues? Or have we largely already seen that impact as we go into 2024?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Walt, I think that was -- it's a good question. So the whole -- remember, we started with the network as the C-Band is sort of rolling out in different ZIP codes all the time, we are engaging locally. The same we did with the Consumer group to be much more local, to be able to do local marketing, cater forward the local market, have local flavors of our marketing. We worked with a sports league like NFL and the teams in different markets to see that happen.

So of course, I'm going to attribute part of our growth during the year to the decentralization. But we just got started to see that we have that team in place and Sampath and the team are working with them with his market precedent -- make it. But it's also a sign of where the market is going. You need to be local, and you need to be on the ground in the different societies in order to perform and be knowledgeable. And Verizon is most visible in all the grounds and now we're taking next step with our structure. So very pleased with what I've seen so far, but more to be done.

Anthony Skiadas - Verizon Communications Inc. - Executive VP & CFO

Yes, Walt. I'll just add on to what Hans said. The regional structure is a lot closer to the customer, and we've run the business this way for many, many years. And we can do things like different promos for different markets and local resources and decision-making and the localization offset some of the price up as well. So we feel really good about where we're heading, especially with the Tier 2 and Tier 3 rollouts with C-Band and the opportunity that provides.

Walter Peczyk - LightShed Partners, LLC - Partner & TMT Analyst

Tony, can you also remind us when the Board considers share repurchase as it relates to leverage? And I think the leverage that you mentioned earlier in the call excludes the unsecured debt because you were referencing a 2.6 number. So assuming we're basing it off the 2.6 number, I think your target -- your long-term target was 2.0. So clearly, you wouldn't let it go below 2.0 before you start buying stock back, but is there a consideration under 2.5 where the Board starts to consider share repurchase?

Hans Vestberg - Verizon Communications Inc. - Chairman & CEO

Thank you, Walt. I think this is something that we are being very disciplined. Our capital allocation priority is clear. Number one, money to the business, basically our CapEx; number two, continue to put the Board in a place so they can continue to increase our dividend and then number three paying down debt.

When we come down to 2.25 we have said we will start considering buybacks, but our ultimate long-term goal is to get around 2. So yes, that's the plan. But of course, it will play in where the market is, where the interest rates are, where the capital is and where our equity is. But clearly, that's the plan we have right now, and the Board is fully tuned to that plan.

Brady Connor - Verizon Communications Inc. - SVP of IR

Yes. Thanks, Walt. Brad, back to you.

Operator

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

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