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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Ben Swinburne *Morgan Stanley - Analyst*

PRESENTATION

Ben Swinburne - *Morgan Stanley - Analyst*

All right. Good morning. We'll continue with the disclosure statements first. For important disclosures, please see the Morgan Stanley Research Disclosure website at morganstanley.com. If you have any questions, please reach out to your Morgan Stanley sales representative. Really excited to welcome back to the conference from Verizon, Tony Skiadas, the CFO.

Tony, thanks so much for being here.

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

Thanks for hosting us, Ben. Great to be here.

Ben Swinburne - *Morgan Stanley - Analyst*

Absolutely. And I believe you have your own safe harbor to read.

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

Yes. So I'd like to draw your attention to our Safe Harbor disclosures and our SEC filings that are contained on Verizon's Investor Relations website, and we may make comments that are forward-looking in nature and subject to risks and uncertainties.

So with that, I think we can get going.

QUESTIONS AND ANSWERS

Ben Swinburne - *Morgan Stanley - Analyst*

All right. We're good. So I've got a lot to cover and talk about your guidance for the year and the broader wireless industry. Maybe just to start out, what would be the major priorities for Verizon as you look at 2025?

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

Sure. So the team is at a macro level, very aligned on growing wireless service revenue, adjusted EBITDA and free cash flow. And let me break that down for you. You heard us talk about two enginesof growth between mobility and broadband.

And if I start with mobility and look at the consumer business, a lot of progress has been made by Sampath and the team to continue to improve consumer volumes year over year. And on the business side, Kyle and the team continue to have consistent growth, and that's quarter after quarter of mobility growth.

And then from a broadband perspective, we're very pleased with the progress we're making on broadband and we see great momentum in both Fios and fixed wireless access. We have over 12.3 million broadband subscribers in our base. So very good momentum there.

And then when you break it down from an operational perspective, it's all about growing revenue and the constructs we have around myPlan and myHome and the value proposition we have with Perks. And then from a cost perspective continue to make the business more efficient with a number of cost transformation programs.

And then on the network side, Joe and the team continue to deploy C-Band, and that's a priority for us to get to 80% to 90% of planned sites on C-Band. And then we're also excited about our broadband expansion plans. We talked about that back in October in terms of going further with Fios and our plans with FWA as well. And then we have Frontier coming into the fold soon. So we're excited about those plans.

And then from my perspective, in terms of my focus areas, number one, it continues to be supporting the leaders in the business and making sure we have strong operational performance and execution. It's so critically important in our business day in and day out.

And then our second priority is delivering on our financial guidance and we're on track with our guidance and making sure that we position the company for growth opportunities ahead. And then the third is really generating strong cash flow and delivering on our capital allocation framework. And those capital allocation priorities remain unchanged. So we delivered on what we said in 2024. We delivered on all our commitments and we're positioning ourselves for good success in 2025.

Ben Swinburne - *Morgan Stanley - Analyst*

Last year was, I think, stronger than expected year for wireless growth for Verizon and I think the broader industry, we were just talking with John before about the industry's ability to continue to grow lines. How do you guys think about industry growth and what gives you confidence it can continue to grow fast enough that you can deliver on your expectations?

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

Sure. We said the wireless business is both robust and resilient, and we see that once again. Wireless is very critical in people's lives, and now that everyone has reported for 2024, we saw a very healthy market. We talked about roughly 9 million postpaid net ads in the market in 2024, and that's both across consumer and business.

And if we look at the value proposition we have and looking ahead, Sampath on the earnings call talked about a market for 2025 that was roughly 8 million, 8.5 million, again both consumer and business, and the vast majority of that being on the consumer side.

And the contribution -- the vast majority of the contributions coming from pre-to-postpaid migration, and we also see things like population growth. We see business line growth if you think about small, medium business, we're seeing success there and also younger demographics.

And we get a lot of questions around when does this get back to normal levels and what we've said is, we see that happening over time, but that timing is dependent on how the pre-to-post migration abates, but we do see a very, like I said, robust and resilient wireless market.

Ben Swinburne - *Morgan Stanley - Analyst*

Obviously, underneath all this we have the handset environment. There's a lot of focus on the new iPhones that have come out and the fact that we really haven't seen a cycle. What are you guys seeing in the business from an upgrade perspective? I think you guided to some growth in '25. We've had a cheaper version of the 16 come out. So what's driving the upgrade or lack thereof behavior in the base?

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

Yeah. That's what we're coming off a couple of years now of the year-over-year declines in upgrades, and we saw a slight uptick in the fourth quarter, and the guidance we gave this year was mid single-digit growth year over year in the volume of upgrades.

And as always, our planning assumption is that we might see seasonality in that. So for example, the fourth quarter may not look like the first quarter, but underlying that, the customer behavior has not changed. Customers continue by choice to hang on to their phones for longer periods of time.

The average upgrade cycle for us is up over 40 months. It's like 42 months right now. So the phones are made better. And from our standpoint, we'll continue to be disciplined in our approach to retention. In terms of things like super cycles, we didn't see that last year. Should it happen, they usually come either with technology changes if you think about 4G to 5G, that's one or form factor changes.

If that happens, we've seen those before and we're well prepared, but we're going to be disciplined in our approach to it. But not a lot of change in the consumer behavior.

Ben Swinburne - *Morgan Stanley - Analyst*

Not seeing a super cycle right now.

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

No.

Ben Swinburne - *Morgan Stanley - Analyst*

Okay. One of the things that got a lot of attention around the Super Bowl was the directed device opportunity in the marketplace. What's Verizon's perspective on direct-to-device and satellite connectivity? Is it a big revenue opportunity? How do you guys think about it?

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

Sure. So maybe just a few points to put this in context. So our network covers more than 99% of where people work, live and play. So we start there. Others may have different coverage profiles. And then we view satellite as complementary to our network. So think about rural areas for the less than 1% that they work, live and play.

And it's complementary to the network that we have in the rural areas, white spaces, et cetera. We have equivalent satellite solutions when you think of the partnerships we have today, whether it's Apple and Globalstar, whether it's Skylo for Android or whether it's with AST and the partnership we have with AST. And I think you saw last week, we had a successful video call with AST. So that's promising.

When you think about emergency situations, we offer emergency texts for free under basic connectivity plans. And as the satellite technology evolves and we put solutions into the hands of our customers, there are -- to your question, there are monetization opportunities, whether it's voice, video, data, et cetera, and we look forward to doing that. And look, we're happy with the partnerships we have, and we'll see how this evolves.

Ben Swinburne - *Morgan Stanley - Analyst*

So it sounds like it's maybe more incremental than trends.

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

It will come over time.

Ben Swinburne - *Morgan Stanley - Analyst*

Okay. Wireless service revenue growth. So guidance for 2% to 2.8% in '25. Can you talk a little bit about the tailwinds and headwinds that build to that growth rate for this year?

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

Sure. 2024 was a good year. We had strong wireless service revenue growth, up over 3%. And I think you heard us on the earnings call, talked about the customer economics being very healthy. And absent the promo amortization, the growth rate being almost double.

So we gave a guide this year of 2% to 2.8%. A lot of the factors are very similar to things we've talked about previously. It starts with some of the pricing changes that we made, both in 2024 which carry into 2025. And then changes, pricing changes we also made in January and February 2025 that also bring a tailwind to service revenue. All that's over $1 billion of service revenue for 2025. So that's the first aspect.

The second aspect is around volumes. And we talked about the consumer business having improved volumes for the full year-over-year and then continued steady growth in our business segment. And Kyle and the team, as I said, have had steady growth in volumes quarter after quarter, year after year.

Fixed wireless access continues to grow. We have a $2 billion-plus base of business, and we're very happy with the pace on fixed wireless access. And as we think about myPlan and connectivity in perks, we have good premium mix. And I think you've heard Sampath talk about the Perk portfolio and doubling the Perk portfolio this year. So there's a lot of work being done there. And then prepaid. Prepaid has been a headwind for the last few years. And as we see an improving volume profile in prepaid, that will also contribute to service revenue growth.

And then lastly, we talked about promo amortization, and we said that 2025 would be the year that promo amortization peaks, and then it will start to ease up at the end of 2025 and into 2026. So when you put that all together, we like the shape of service revenue and the work that we've done to generate sustainable revenue growth for 2025.

Ben Swinburne - *Morgan Stanley - Analyst*

So in that expectation, if I look at consensus, Tony, I think the Street's got -- postpaid phone nets up almost 300,000 in '25. I know you guys have guided to improvement. What are the things that Sampath and the team are doing that's working that gives you confidence you guys can improve net adds on a year-on-year basis.

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

Sure. As you said, we guided to improvements for the consumer business for the full year. And Sampath has made a lot of progress in the business the last couple of years. The team has been executing extremely well. They break it down between gross adds and churn. We've had good gross add momentum.

We've got several quarters of gross add growth. Our offers are resonating in the market. Where we see good performance is in C-Band markets and in C-Band markets, the gross add performance is even better. The performance is better. So that's great. And then we have our value proposition with myPlan. And the construct with myPlan and Perks is very attractive for customers.

And then Sampath also talked about churn improvements. And we did, as I mentioned in the revenue guide, we put some pricing changes in the market in January and February, and we're working our way through that.

But overall, we're confident in the trajectory -- the volume trajectory for the full year. And as we think about churn and retention, it's about personalization if you think about myPlan and the personalization. In C-Band markets, we see better churn performance. And with convergence, converged bundles, we see much lower churn performance on mobility.

So the combination of all that, along with the strong operational execution that Sampath and the team have put into place. If you think about the market structure, the operating model and the sales performance and productivity measures that we've had and the rigor that we put in the business, we're confident in the volume trajectory for the full year.

And as I've said many times, volumes are important for the business. We're going to invest where we see opportunities, but we are going to do it within the financial parameters of the guidance that we have.

Ben Swinburne - *Morgan Stanley - Analyst*

Obviously, you operate in a competitive environment, right, things out of your control. /One of the big topics over the last couple of months has been whether the cable operators are going to get more aggressive with their converged offers, particularly Comcast. Can you still deliver on your guidance if you think about where that might go from a competitive pressure perspective?

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

What I would say is, look, we've been competing on mobility and broadband for a long, long time. So we know what that looks like. We know what competition looks like. We haven't seen a lot of surprises out there. But we have great offerings. We give customers great options, and we're going to compete on the strength of our offerings and our value proposition.

When you look at some of what you're describing, look, we've taken share in broadband, both Fios and FWA are growing, and it's putting pressure on cable. So if cable wants to get aggressive and if they want to give away a free line, that's certainly their prerogative. But whether they charge for it or not, they still have to pay us Verizon for the free line.

So look, we're going to compete on the strength of our offerings. We're very confident in the strategy. And we're also very confident in our ability to execute and our ability to compete in the marketplace, and that's what you'll see us doing.

Ben Swinburne - *Morgan Stanley - Analyst*

You were mentioning earlier that part of the strength in the industry has been prepaid to postpaid migration. But I did want to ask you about your prepaid business. You guys grew last year exclude SafeLink for the first time since you bought TracFone. What are you guys doing to make that business perform better? Maybe take a little bit of a deeper dive into the broader value segment in Verizon.

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

Sure. So very pleased with the prepaid business. As I mentioned, the operational rigor that Sampath and the team put into the postpaid business. That was also applied to the prepaid business. So again, strong operational execution. If you think about the progress we're making, as you said, positive for the full year, positive in the fourth quarter, excluding SafeLink.

So we're really happy with the momentum there. Really driven by three brands. Straight Talk, our brand in Walmart doing very well. Visible, which is our digital-only brand also performing well. And then Total Wireless, where we continue to open up distribution or distribution points are well over 1,000 right now. All three are contributing positive volume growth for us.

And as I said earlier, prepaid, and you mentioned this too, prepaid has been a drag on service revenue. But as the volume profile continues to improve, we expect the headwinds that we've seen in service revenue to turn to a tailwind in the back half of '25, and I really look forward to that happening in the back half of 2025. But we're very pleased with the progress of the team.

Ben Swinburne - *Morgan Stanley - Analyst*

Got it. Let's keep moving down the P&L. So we talked about revenue growth and the drivers and factors there. On the EBITDA front, so you've guided to 2% to 3.5% year-on-year growth. Maybe starting with consumer, what are the factors that allow you guys to drive that growth? What are the things we should be thinking about as we move through the year?

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

Sure. Let me start big picture. 2024, we had a good mix of volume growth and financial growth, and we grew EBITDA about $1 billion year-over-year. And a lot of that accrued to the consumer business, and we also saw margin expansion there as well.

As you mentioned, our guidance for 2025 is 2% to 3.5%. And that's about $1.3 billion of growth at the midpoint of the range, and it's an acceleration of the growth rate and also good operating leverage. And it starts with, as I said earlier, wireless service revenue and revenue growth and we have strong revenue growth. And then around cost transformation, we have a lot of programs underway.

The team has done a lot of work around customer care and improving the efficiency of customer care, including using AI serve our customers in a more efficient way. So that's one aspect of it. Kyle and the team have done a lot of work on the business side with managed services and transforming that work, and we signed a deal with HCL, and we expect to see benefits later this year.

And then on the network side, Joe and the team continue to remove legacy elements out of the network and continue to reduce the cost of the network and a lot of work around decommissioning and that work is ongoing.

And then lastly, we did a voluntary separation program in the back part of 2024. We expect to see almost a full year benefit from that as well. A lot of these programs will benefit the consumer P&L. And really, the focus here is continuing to generate volumes, but do it in a very responsible way.

And as I said, volumes are important, we got to make sure we deliver strong EBITDA growth. And the work we're doing there will give us sustained EBITDA performance, both on the topline and bottom line.

Ben Swinburne - *Morgan Stanley - Analyst*

Can we see business EBITDA declines improve in '25 relative to last year, you think?

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

So look, we saw a good inflection point in the fourth quarter for the first time in a long time. We saw business margins grow year-over-year. So the goal has been obviously for many years to reduce the drag on EBITDA from the business segment. So the fourth quarter of last year was a good starting point.

And a lot of work has been done to improve the margin profile by Kyle and the team. And it starts with revenue growth. And the revenue mix has shifted in our business base and skewed more towards wireless.

If you think about the growth that Kyle and the team have had both on mobility and FWA, that's a really strong growth quarter after quarter. So the mix has shifted to more wireless, obviously, carrying higher margins. So that's one aspect of it.

And then there was a lot of early wins with the private network deployments. And we're seeing good growth there. And then in the fourth quarter earnings call, we talked about early contributions from AI Connect as well. So on the revenue side, the mix is shifting, which is really good.

And then a lot of work being done on the cost side. And I mentioned the managed services work with HCL. That's one aspect of it. We continue to move customers off of legacy products and solutions. That's another aspect. So a lot of work being done and then also being disciplined on writing low-margin deals and just walking away from business that's not profitable.

So we've been having a lot of discipline there and deemphasizing those low-margin deals. And also, Kyle's business will benefit from the voluntary separation program as we'll run at lower head count level. So when you put that all together, we see a path to -- and the goal here is to have margin improvements in 2025 and positive improvements.

Ben Swinburne - *Morgan Stanley - Analyst*

Great. Let's move to free cash flow then. So you gave us a target of $17.5 billion to $18.5 billion for '25. We've talked about the revenue growth algorithm. We talked about some of the cost pieces. What are the things we should be thinking about around free cash flow puts and takes for this year to deliver the guide?

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

Sure. So we like the cash generation of the business. In 2024, we delivered strong cash flows despite eating through about $3.5 billion or $3.2 billion in cash taxes. So that was -- we had a good year in terms of cash generation. 2025, we gave a range of $17.5 billion to $18.5 billion for free cash flow, and that's an all-in number. We're going to manage to that.

The puts and takes are very similar to what we shared at the end of the year and what we've been sharing. And it starts with EBITDA growth, as I mentioned. At the midpoint, $1.3 billion of growth at the midpoint of our EBITDA range. CapEx, we gave a range of $17.5 billion to $18.5 billion. And as always, our engineers will be very efficient in deploying capital in the network. It's what they do best.

And in terms of interest expense, we've seen a lot of progress on reducing and deleveraging. So taking the debt stack down. So we'll see an improving trend on interest, and then we'll continue to strive for improvements and squeeze out what we can on working capital.

And then on cash taxes, not a lot has changed. We're still operating under the current framework, where bonus depreciation continues to unwind. So that's going to put pressure on cash taxes. And then we've also said, look, we see a profile for upgrades mid single-digits year-over-year.

And we also said Frontier is not included in these numbers, and we'll come back on that as we get closer. But when you put that all together, the cash generation of the business is strong and gives us the flexibility to execute on all of our capital allocation priorities.

Ben Swinburne - *Morgan Stanley - Analyst*

If we get bonus depreciation reinstated or whatever the right language is, and R&D credits. Any way to help us think about the benefits to Verizon's free cash flow from that?

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

It's a little bit early to say exactly what might happen. We were in this position about a year ago at this time at this conference. So I remember it well --

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Ben Swinburne - *Morgan Stanley - Analyst*

Different person asking the question.

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

Different person asking the question, but we're in the same place. So look, we urge the administration and the Congress to make meaningful progress on tax reform. And what we mean by that is restoring the 2017 Tax Cuts and Jobs Act provisions, like you said, bonus depreciation and R&D expensing back to 100%.

We think it's important given the investments we're making in critical infrastructure to keep the US competitive and that also creates jobs and helps the economy. We think it's extremely important that those provisions return.

Look, if the provisions come back the way they were in 2017, it could be meaningful for us, but it's still very early days. So obviously, we're staying very close to it, but we encourage the administration to get it done.

Ben Swinburne - *Morgan Stanley - Analyst*

Okay. So I'm not going to get a number out of you --

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

I don't have a number yet. We need to see the proposed legislation first and we can comment, and we'll update folks as that goes along.

Ben Swinburne - *Morgan Stanley - Analyst*

Fair enough. Let's shift to broadband. So back at your investor event last fall, you talked about getting to over 100 million homes in the US between fiber and fixed wireless. Why don't we start with fiber. So it's kind of hard to believe Fios is 20 years old plus.

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

It's still growing, by the way.

Ben Swinburne - *Morgan Stanley - Analyst*

Yeah. Still growing. So what do you see -- I mean you're still building. I mean you're doing --

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

We're still building. We set up to 650,000 new OFS so we're expanding the pace of our Fios build. And Fios has been very successful. The reliability of the product still stands true. It's the gold standard, and we're very happy with the progress. So we increased the pace this year.

And look, we have Frontier coming in as well in the not-too-distant future that will also increase the addressable market for fiber and broadband. So we're very excited about it.

Ben Swinburne - *Morgan Stanley - Analyst*

I was wondering when you think about -- I'm sure Fios today, what they're building is not what they built 20 years ago. But what are you seeing from a penetration curve and returns perspective to your Fios expansion now versus the past?

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

Sure. Look, Fios has great penetration rates well over 40%. And what we see every year is this year's cohorts have better penetration rates than last year's cohorts. And it's because we get better. We get better at building. We get better at installing. We get better in the sales process. So the penetration is better.

And of course, the reliability is fantastic. So you couple those two things together, and we see a great opportunity for us. And then as I said, Frontier comes into the fold, and we think we have further opportunity there as well.

Ben Swinburne - *Morgan Stanley - Analyst*

How do you think about going beyond the 30 million fiber locations target in '28, which obviously includes Frontier? What are the analyses you guys do to size that?

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

Sure. So look, we're bringing Frontier into the fold, and we're in the process right now, the regulatory process. So we'll get into that. But when the deal closes, we hope to have somewhere 27 million, 28 million homes passed and their pace is roughly 1.3 million. They're pacing to what they said.

And our pace is about 650 thousand. So what we said is going forward, once we close the deal and we look at the combined footprint, we'll look at where the best returns are. We'll build where we see the best returns in the combined footprint. We said 1 million-plus post deal closing, we'll come back on exactly what that looks like. But we're going to build where we see the best returns, and that's the way we look at it. But we're going to look at it as a combined footprint when we do that.

Ben Swinburne - *Morgan Stanley - Analyst*

Any concerns about fiber overbuilding in this country and the markets you guys are in? Because we've seen some data suggesting maybe, I don't know, 10% of the US now has maybe two fiber players plus a cable, which seems like a recipe for nobody to make a good return.

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

Look at our Fios footprint, we don't see a lot of overbuilding. The product is fantastic and the penetration are really good. And look, we're very proud of what we've built. We've had 20 years of history with Fios, as you mentioned. And we're very proud of our Fios product and the reliability that it has for our customers day in and day out.

Ben Swinburne - *Morgan Stanley - Analyst*

Any update on the regulatory process for Frontier?

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

Sure. We're on track. That's the first thing I'll say. We're in the process. We have to get approvals from 13 states, the DOJ, the FCC. We've gotten approval from the DOJ. We've got an approval from three states. So we're working through the process, and it's a process.

But we look forward to getting through the process with the states and look forward to closing the deal. So we'll continue to provide updates as we move along. But we're confident we can get it done.

Ben Swinburne - *Morgan Stanley - Analyst*

Got it. Let's talk fixed wireless. So you guys, again, back in, I think, it was October, laid out a plan to essentially double the sub-base to 8 million to 9 million subscribers, get to 90 million homes open for sale, so to speak, compared to 60 million today. How do you guys scale up the fixed wireless footprint in terms of where you're selling the product?

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

Yeah. Look, our view is that fixed wireless is here to stay. We're building a long-term sustainable business. We have 4.5 million subs in the base, and we gave a target of 8 million to 9 million. And we're on track, and we're off to a good start. So I'll start there.

In terms of expanding the footprint, look at it three ways. First, in terms of C-Band deployment right now, at the end of '24, we were about 70% covered with C-Band. And we said in 2025, we would go to 80% to 90%. And our view of the build is mobility first and optionality for fixed wireless access.

So as we continue to deploy C-Band, that opens up more opportunity for fixed wireless access. And we still have a couple of years to go with C-Band. So that continues to open up the aperture for FWA.

Second area is around our broadband MDU solution and that's a solution that we can deliver over millimeter wave. And in a very efficient way to millions of units. So again, opening up a different avenue to deploy broadband in a very efficient way.

And the third way is around our network engineering. Our network engineers are the best in the business, and they know how to engineer networks, and they're way out in front of the demand for fixed wireless access. So you can assume that they're engineering the network well beyond the 8 million to 9 million subscriber target that we have out there.

And as we do that, that will continue to open up opportunity as well for us to sell fixed wireless access. So look, we're very pleased with the momentum we have in FWA. And as I said, we're building a long-term sustainable business with a lot of runway for growth, and we're very excited about it.

Ben Swinburne - *Morgan Stanley - Analyst*

I live in New York City, and you guys cover a lot of urban areas. So this MDU thing is interesting. How do you guys think about wiring a building with Fios versus this new FWA product that you're bringing to market?

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

Sure. I think the first thing I would say is we're an And company, we can do both. So we can deploy fiber, and we can deploy FWA. And we do it based on where we see the best returns. So if we think about the MDU solution, it's a way to deploy millimeter wave spectrum, and it's in a very efficient way to deploy and a good use case for millimeter wave. So I'd start there.

And you beam it to the building, you have an antenna on the building and then use the in-building infrastructure to deliver broadband and high-quality broadband. And we're in customer trials right now. We see good throughput, downlinks of 1 gig. So it's very high-quality broadband.

And we can deliver that in a very efficient way. It's not like Fios, we have to open up walls and things. So this is a lot different. And we feel that's a good use case for millimeter wave. And also, we'll free up spectrum on C-Band as well, and we can do more with that. We're very excited about it. And we're looking forward to launching it really, really soon.

Ben Swinburne - *Morgan Stanley - Analyst*

You guys made a little bit of news last week with the new converged offer, which got some attention in the market. I'm just curious if you could talk a little bit about convergence strategy and what we should take in terms of whether you're getting more, less or no change to your promotional posture with the new plans you laid out?

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

Sure. Look, our view of convergence, and we've been pretty clear about this is that demand led, and it's an opportunity for us. I mean we give customers a lot of options. When you think about the constructs we have between mobility and broadband and no one gives better options than we do to our customers.

We have owners' economics both on wireless and broadband at scale. So we can serve across the portfolio. And look, we'll be convergence. We'll be ready when convergence comes, but only 16% of our mobility base has the converged bundle right now. And it hasn't moved that much in the last year. So that gives you the impetus that it's very much customer led. So we'll see where it goes, but we're well prepared when it does happen.

Ben Swinburne - *Morgan Stanley - Analyst*

And any color you'd want to share on the new offer from Friday or --

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

The new offer is just a lot simpler. It's a lot simpler for customers. I think we were -- it was a little bit confusing for customers. So that's the first thing. And the second thing is lot easier to sell too for our team. So we're trying to simplify the offering. But as I said, this is around the value proposition and being able to deliver both mobility and broadband in a very high-quality way.

Ben Swinburne - *Morgan Stanley - Analyst*

You mentioned earlier some of the stuff that Kyle talked about on the earnings call with AI. I've certainly got some questions since the earnings about AI Connect and the opportunity you guys see. Can you just share with us how you guys are leveraging AI at Verizon in general and what the what the revenue opportunity is with customers?

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

Sure. We see AI from three dimensions. First from operational efficiency perspective. If you think about customer care, and the work we're doing with AI to serve our customers in a more efficient and effective way. Also, how we optimize the network. So that's one end of it.

The other end of it is -- second end of it is really product enhancement. If you think about the personalization with myPlan. That's another aspect of AI. And the third is around revenue generation. And the AI connect that we talked about on the earnings call falls in the third bucket in terms of revenue generation and a really great opportunity for us.

And you heard Kyle talk about reimagining the assets that we have, the wireline [COs] that we have and the network assets that we have, along with the fiber that we have to deliver AI at the edge of the network. So we look at it as a great opportunity.

We have a lot of assets and even more so when Frontier comes in as well. We'll continue to have a larger portfolio to serve our customers. So we talked about an opportunity of $1 billion funnel plus and Kyle is working that. And obviously, we have work to do.

But the revenue can come in three ways. It can come from fiber, whether that's dark fiber or lit fiber, that's one way. And it also can come from power space and cooling. We have a lot of that as well. If you think about all the COs that we have, or it can come from what we call programmable networks.

And that's being able to move workloads. Hyperscalers can move workloads around the footprint. So there's a lot of aspects to this, and we're seeing a lot of interest right now. It's still developing. And we had some early wins in the fourth quarter, which obviously helped Kyle's margins. So that was very good to see.

And a lot of work to do, but we're very excited about the opportunity. And if we continue to see demand for AI, that's good for Verizon, and we have the assets and the networks that can deliver AI at scale when it comes.

Ben Swinburne - *Morgan Stanley - Analyst*

That's helpful. So with all of that, Tony, how would you help us think about your capital allocation priorities, particularly within the context of your leverage framework?

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

Sure. So we have four capital allocation priorities, and they haven't changed. The first one is to invest in the business, and you see us doing that with our C-Band deployments. You've seen us acquire Spectrum over the years. So that's the first priority, and we're going to continue to do that. We gave capital guidance for this year and the teams executing against that.

Our second priority is our commitment to the dividend and the dividend is important to us. It's important to our shareholders. And we have a long track record of increasing the dividend 18 straight years, and it's a record we're very proud of, and our goal is to put the Board in a position to continue to increase the dividend.

And then our third capital allocation priority is to delever the balance sheet. And we set down to a leverage target of 2 to 2.25 times on the unsecured metric. We've made a lot of progress in reducing the unsecured debt. We're down to 2.3 times. So we're making good progress there.

And then our fourth capital allocation priority is around share buybacks and we said we would consider share buybacks when the leverage metric reaches 2.25 times. So a lot of work has been done. My focus is really to generate strong cash flow. And as we said on the earnings call to pay down debt between now and the closing of the Frontier deal, and that's what we'll do.

Ben Swinburne - *Morgan Stanley - Analyst*

Is there -- when you look at -- including the Frontier acquisition, is there a way to help us think about either the timing or the sizing of buybacks as they look out over the next couple of years?

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

Yes. Look, we're at 2.3 times right now on the unsecured metrics. So we're not there yet. So we still have some work to do. And as you mentioned, Frontier adds when it comes in, it will add 0.25 to 0.3 times on the unsecured metric. So we obviously have to work our way through that. And what we said is once we get to 2.25, Hans and I said, we'll consider it, and that's what we'll do. But we still have a bit of work to do this year.

Ben Swinburne - *Morgan Stanley - Analyst*

Okay. Fair enough. How would you think about or how would you tell us to think about other inorganic opportunities, joint ventures, particularly as you grow your fiber footprint?

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

Sure. Look, we like the assets we have. We have the assets we need to execute on our strategy. With fiber, we've looked at it from at least our history has been owners of economics with fiber. That doesn't mean we won't look at other structures, but those other structures have to make sense from a return profile and what they provide the flexibility for providers. So we're always open to other structures, but we like the assets we have right now.

Ben Swinburne - *Morgan Stanley - Analyst*

Got it. Anything you want to say on BEAD. It's another one of those frequent topics from investors.

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

Yeah. Look, BEAD is fine. I mean, it continues to move along. We continue to see some wins, and we said we would bid where it makes sense inside the footprint. So we're seeing some wins there. But as we deploy broadband, this is not a big part of our overall broadband strategy. The process is moving slow, but we're happy with what we're seeing thus far in terms of the bidding and the areas that we've won.

Ben Swinburne - *Morgan Stanley - Analyst*

That's great. Well, Tony, any final comments as we wrap up and you want to summarize everything for the audience?

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

Yeah. Sure. Thank you and thank you for hosting us again. And look, we've made a lot of progress in the business. We're continuing to focus on service revenue, EBITDA, free cash flow and making sure we deliver growth in both mobility and broadband and execute in a strong way, and we're very optimistic about the future. So thank you very much for hosting us today.

Ben Swinburne - *Morgan Stanley - Analyst*

Thank you very much. Thanks everybody.
