Verizon Communications Inc. Earnings Transcript First Quarter 2025

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Corporate Participants

Brady Connor Verizon Communications Inc - Senior Vice President, Investor Relations
Hans Vestberg Verizon Communications Inc - Chairman of the Board, Chief Executive Officer
Anthony Skiadas Verizon Communications Inc - Chief Financial Officer

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Presentation

Brady Connor Verizon Communications Inc - Senior Vice President, Investor Relations

Hello and welcome to discussion of our first quarter 2025 results. I'm Brady Connor, and on this recording you'll hear from 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 at the start of the earnings presentation posted on our Investor Relations website.

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 Investor Relations 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.

Discussions and comments related to our 2025 guidance exclude any assumptions regarding the potential effects of the tariff environment, owing to the uncertain and evolving nature of these impacts.

Materials related to this discussion were posted this morning to our Investor Relations website. Additionally, we hope you'll join the webcast of our discussion of the earnings results and business updates that starts at 8:30am Eastern time today, April 22nd.

With that, I'll turn it over to Hans.

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

We had a very strong financial performance in the first quarter with continued execution of our long-term strategy. Our results demonstrate the resilience of our business and our strategic advantage as a full-service connectivity provider, driving financial growth despite changing market conditions.

We delivered strong financial growth across all our key financial metrics in the first quarter.

Wireless Service Revenue of 20.8 billion dollars was up 2.7 percent year over year, at the high end of our guided range.

Adjusted EBITDA grew 4% to 12.6 billion dollars. This is our best reported quarterly EBITDA ever, with the highest growth rate in nearly four years.

Lastly, we delivered strong free cash flow of 3.6 billion dollars, up over 900 million dollars year-over-year, enabling continued execution of our capital allocation priorities.

Our financial strength is notable considering the dynamic environment, marked by broad macro uncertainties, market volatility, and an evolving global trade landscape. We exited the quarter with positive sales momentum that has continued into April, and we remain confident in our ability to deliver on our 2025 financial guidance.

We are actively monitoring the tariff developments and working closely with our strategic suppliers to effectively manage the potential impacts for our customers and shareholders, as we successfully did during the COVID-19 pandemic. Most importantly, our diverse portfolio of offerings serves all segments of the market and position us for success in any economic environment.

Let me highlight some of the strategic moves we've made during the last 12 months that improve our ability to drive sustainable subscriber and financial growth while improving the customer experience.

As part of our Consumer transformation, we recently introduced a 3-year price lock and free phone guarantee for new and existing customers on myPlan. We also launched My Biz Plan, which extends the same control, value and simplicity to our small and medium-sized business customers. Our dedication to improving customer experience is reflected in our ongoing development of customer-first offerings and our brand refresh.

We accelerated our broadband expansion plans by increasing our organic build pace and through the pending acquisition of Frontier.
And we announced our AI Connect offerings to enable AI at scale and open up new revenue streams, and executed on satellite partnerships that enable texting anywhere, for free.

Our network continues to be a key differentiator. The C-band deployment remains ahead of plan and on track to cover 80 to 90 percent of our planned sites by year end. We are aggressively rolling out 5G Advanced features and making the best 5G network even better. We are also tracking ahead of our FiOS build plans and are on track to deliver 650 thousand incremental passings this year. Our multi-dwelling unit solution for fixed wireless access was recently launched in more than 15 markets, and is expected to gradually ramp up over time. Lastly, we once again earned the top spot in the industry, claiming Best 5G, Fastest 5G, and Most Reliable 5G in the 2024 RootMetrics second half drive tests.

Shifting to operational performance, the breadth of our product portfolio, which covers all market segments, delivered year-over-year improvement in our combined postpaid and prepaid phone net adds. We had a slow start on postpaid phone net adds, largely driven by elevated churn in Consumer from our recent pricing actions, and pressure from federal government accounts. We continue to execute on our multi-year business transformation effort in Consumer, and remain confident to deliver full-year improvement in postpaid phone net adds. Our prepaid net adds of 137 thousand were the best since the TracFone acquisition and represent a significant year-over-year improvement. Our prepaid brands play a critical role in our segmented-market strategy to ensure we have targeted offerings for all customers.

In Broadband, we continued to take share and grew our subscriber base with our dual Fixed Wireless Access and fiber strategy, adding 339 thousand subscribers in the quarter. With Fixed Wireless Access and fiber, we have the most complete offering, covering all segments of the market, and we will cover more than 100 million premises over time. Our Fixed Wireless Access product continues to lead the broadband growth and we have great momentum to reach our next milestone 8 to 9 million Fixed Wireless Access subscribers by 2028. We are excited to expand our broadband opportunity and continue to scale upon closing of our pending Frontier acquisition.

And our private networks business continues to scale. We closed more than a dozen deals in the quarter, including private networks for AdventHealth and Nucor.

We were named a Leader in the Gartner Magic Quadrant for Managed IoT Connectivity Services worldwide, and reached an agreement to deliver a turnkey IoT solution for Atlanta Hawks.

On AI Connect, that we presented earlier in the year, we have seen accelerated interest and continue to expand our partner ecosystem. We have added hundreds of new opportunities to our funnel in the first quarter, including some very well-known brands, and seeing particular interest in our dark fiber and wave services.
Looking ahead, we are confident in our strategy to drive sustainable subscriber and financial growth.

Our innovative customer-first offerings along with the continuous improvement in our overall mobility performance position us to grow our subscriber base as we progress through the year.

Our growth areas such as broadband, private networks, and AI Connect are scaling rapidly and are unlocking new revenue streams using our existing assets.

Finally, our financial discipline is enabling successful execution of our capital allocation priorities: investing in the business for growth, supporting and growing our dividend, paying down our debt, and eventually executing on share repurchase.

During periods of elevated uncertainty, our business has demonstrated remarkable strength and resilience, when our differentiators and structural advantages become even more apparent, helping to protect our business and create durability in our financial performance. And with our bias for action and our position of strength, we expect that we will not only weather the current environment, but we will thrive in it.

Now, I'll turn to Tony to discuss our results in greater detail.

Anthony Skiadas Verizon Communications Inc - Chief Financial Officer

Thanks, Hans, and good morning.

This quarter proved once again that our business is resilient. We provide essential products and remain confident in our full-year guidance.

The first quarter demonstrated our ability to drive strong financial results. We delivered Wireless service revenue growth at the upper end of our guided range and our highest quarter of year over year Adjusted EBITDA growth in almost four years.

Our customer segmentation strategy is working. This, together with strong execution, led to an improved combined postpaid and Core prepaid phone net add performance from last year. We achieved this even with challenges in the federal government accounts and churn pressure in Consumer postpaid.

This pressure caused consumer postpaid phone churn to rise by 7 basis points in the first quarter relative to last year. The increase is largely due to multiple pricing actions that were implemented over the past few months. The collective pricing changes are anticipated to yield over 1 billion dollars in incremental service revenue, allowing for greater operating flexibility for the rest of the year.

Consumer postpaid phone net losses totaled 356 thousand for the first quarter, compared to 194 thousand net losses in the prior year period.

We exited the first quarter with positive momentum. Consumer postpaid phone gross adds in March were up mid-single digits from the prior year and the performance in April continues to be strong.

We're encouraged by the operational trends we're seeing, and are focused on driving mobility volume growth for the full year. Our 3 Year Price Lock and Free Phone Guarantee is the next phase of our

Consumer transformation. This new offering was contemplated in our 2025 guidance and provides another example of our ability to innovate within the myPlan platform.

Turning to upgrades, the Consumer postpaid upgrade rate was 3.0 percent in the first quarter, slightly lower than the prior year. We continue to see customers holding onto their phones for longer periods of time. For the full year, we continue to expect upgrade activity to increase by mid-single digits from 2024, reflecting an anticipated increase in volumes throughout the balance of the year.

Our offers are resonating in the market. We remain confident that, for the full year 2025, we will deliver year-over-year improvement in Consumer postpaid phone net adds while maintaining our financial discipline.

Verizon Business delivered 67 thousand phone net adds, down from 80 thousand net adds in the prior year period. We continue to evolve our offerings to provide businesses with the network solutions they need. We recently launched My Biz Plan - a new, innovative plan structure that will better serve small and medium businesses with additional choice, value, and flexibility. We remain confident that the team has the tools to execute effectively in the current environment, delivering strong volumes for the full year 2025.

Now, let me turn to our Core prepaid results where the improved performance more than offset the year-over-year change in total postpaid phone net adds.

Core Prepaid net additions were 137 thousand for the quarter, an improvement of 268 thousand from the prior year. Our strong execution and strategy to invest in the Straight Talk, Visible, and Total Wireless brands continues to pay off. All three brands are producing strong volume growth, helping us build a high-quality customer base.

Moving on to broadband, we delivered 339 thousand net additions in the quarter. We are taking broadband share and see strong demand for both our fiber and fixed wireless access offerings.

In fixed wireless access, we're off to a good start to the year and remain on-track for our 8 to 9 million FWA subscriber target by 2028. We delivered 308 thousand net adds for the quarter, growing the base to more than 4.8 million subscribers. We see increased opportunity for expansion ahead as we further deploy our C-Band in more suburban and rural areas.

Fios internet net adds for the first quarter were 45 thousand versus 53 thousand in the prior year period. Fios continues to be a best-in-class broadband solution, with high levels of customer satisfaction, demonstrated by strong ARPU and continued low levels of churn. We're bringing Fios to more and more communities and are on-track to reach 650 thousand new passings this year.

The team is also working through the necessary steps to close the pending Frontier acquisition. We continue to expect the deal to close in early 2026. We have received regulatory approvals from several states and are continuing to work with federal and state-level agencies. We are also working through integration planning efforts to ensure a smooth transition upon deal closing. Frontier plays an important role in Verizon's broadband strategy, and we are excited about expanding our fiber footprint and accelerating our broadband growth opportunities.

Looking at our financials, we had a very strong first quarter and maintain a high level of confidence in reaching our financial targets for 2025.

Total wireless service revenue was 20.8 billion dollars in the first quarter, up 2.7 percent year-over-year. We have taken several actions that have positioned us well for achieving service revenue growth throughout the year.

Consumer ARPA of $146.46 in the first quarter represented an increase of 3.6 percent year-over-year. This was primarily driven by pricing actions implemented over the past year.

Additionally, the increased adoption of perks and growth in fixed wireless access subscribers continue to drive ARPA.

Consolidated adjusted EBITDA in the quarter was 12.6 billion dollars, which is the highest we've ever reported and an increase of 4.0 percent compared to the prior year period. The growth was fueled by wireless service revenue coupled with the benefits from cost-saving initiatives.

From a cost perspective, our voluntary separation program is now complete and we are already realizing run rate savings, which will provide a benefit for the full year. We continue to execute on cost efficiency initiatives to further improve the financial profile of the business.
Adjusted EPS was $1.19 in the quarter, up 3.5 percent year over year, primarily due to the strength in Adjusted EBITDA.

Turning to our cash flow summary, cash flow from operating activities for the first quarter was $7.8 billion, an increase of nearly 700 million dollars over the prior year. The year over year growth in CFFO was primarily driven by the growth in adjusted EBITDA.

CapEx for the quarter came in at 4.1 billion dollars compared to $4.4 billion dollars in the prior year. Consistent with prior years, we expect the pace of capital expenditures to ramp as we get further into the year. We continue to find efficiencies with our C-Band deployment and Fios build out, allowing us to efficiently deliver more solutions within our capital envelope.

Free cash flow was $3.6 billion dollars in the first quarter, up over 900 million dollars, or more than 34 percent, from the prior year.

Net unsecured debt at the end of the quarter was $115.1 billion dollars, an $11.0 billion dollar improvement year-over-year. This was higher by $1.4 billion dollars sequentially primarily due to non cash mark to market adjustments. Our net unsecured debt to consolidated adjusted EBITDA ratio was 2.3 times at the end of the quarter, a 0.3 times improvement year over year and in-line with the prior quarter.

Our balance sheet continues to be a key strength of our business. Of note, we have less than 700 million dollars in unsecured debt maturities remaining in 2025. This provides us with a clear pathway for meaningful debt reduction ahead of the closing of the Frontier transaction, in alignment with our capital allocation strategy.

In summary, we are pleased with the financial performance of the business in the first quarter. We delivered strong wireless service revenue and adjusted EBITDA growth, as well as Free Cash Flow growth.

We continue to deliver more value to our customers, including our recently launched 3 Year Price Lock and Free Phone Guarantee. The actions we've taken to improve our postpaid phone trends are starting to bear fruit.

Core Prepaid is continuing to perform well and our Broadband base continues to grow.

We have a recurring business that will remain resilient. Our strong financial results in the first quarter put Verizon in a position of strength to deliver better financial and customer growth in 2025.

With that, I will turn the call back over to Hans.

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

Thank you, Tony.

I am proud of our team's performance in this first quarter. We remain focused on our three key financial metrics: growing Wireless Service Revenue, and expanding Adjusted EBITDA and Free Cash Flow.

We look forward to sharing more about how we offer more value to our customers and continue to drive both financial and subscriber growth on our 8:30 AM call this morning.

“Safe Harbor” Statement

In this presentation we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "assumes," "believes," "estimates," "expects," "forecasts," "hopes," "intends," "plans," "targets" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The following important factors, along with those discussed in our filings with the Securities and Exchange Commission (the "SEC"), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: the effects of competition in the markets in which we operate, including the inability to successfully respond to competitive factors such as prices, promotional incentives and evolving consumer preferences; failure to take advantage of, or respond to competitors' use of, developments in technology, including artificial intelligence, and address changes in consumer demand; performance issues or delays in the deployment of our 5G network resulting in significant costs or a reduction in the anticipated benefits of the enhancement to our networks; the inability to implement our business strategy; adverse conditions in the U.S. and international economies, including inflation and changing interest rates in the markets in which we operate; changes to international trade and tariff policies and related economic and other impacts; cyberattacks impacting our networks or systems and any resulting financial or reputational impact; damage to our infrastructure or disruption of our operations from natural disasters, extreme weather conditions, acts of war, terrorist attacks or other hostile acts and any resulting financial or reputational impact; disruption of our key suppliers' or vendors' provisioning of products or services, including as a result of geopolitical factors or the potential impacts of global climate change; material adverse changes in labor matters and any resulting financial or operational impact; damage to our reputation or brands; the impact of public health crises on our business, operations, employees and customers; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks or businesses; allegations regarding the release of hazardous materials or pollutants into the environment from our, or our predecessors', network assets and any related government investigations, regulatory developments, litigation, penalties and other liability, remediation and compliance costs, operational impacts or reputational damage; our high level of indebtedness; significant litigation and any resulting material expenses incurred in defending against lawsuits or paying awards or settlements; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or regulations, or in their interpretation, or challenges to our tax positions, resulting in additional tax expense or liabilities; changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; and risks associated with mergers, acquisitions, divestitures and other strategic transactions, including our ability to consummate the proposed acquisition of Frontier Communications Parent, Inc. and obtain cost savings, synergies and other anticipated benefits within the expected time period or at all.

As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at www.verizon.com/about/investors.