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VZ.N - Q4 2025 Verizon Communications Inc. Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to Verizon's fourth-quarter 2025 earnings conference call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

I would now like to turn the call over to Mr. Brady Connor, Senior Vice President, Investor Relations.

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

Thanks, Brad. Good morning, and welcome to our fourth-quarter 2025 earnings call. I'm Brady Connor, and on the call with me this morning is our Chief Executive Officer, Dan Schulman; and Tony Skiadas, our CFO. Additionally, I'd like to introduce our new Head of Investor Relations, Colleen Ostrowski. She will be assuming the role on a go-forward basis.

Before we begin, I'd like to point you to our Safe Harbor statement, which can be found in the earnings presentation and on our Investor Relations website. Our comments this morning may include forward-looking statements, which are subject to risks and uncertainties. Factors that may affect future results are discussed in our SEC filings. This presentation also contains non-GAAP financial measures, and you can find reconciliations of these measures in the materials on our website.

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

Daniel Schulman - *Verizon Communications Inc - Chief Executive Officer, Director*

Thanks, Brady, and thanks for all of your service to Verizon over the years and to me personally over these past 100 days. I'll miss working with you. And Colleen, welcome to the Verizon team. We are so lucky to have you. And thanks to everyone on the call for joining us this morning.

We have a tremendous amount of information to share with you from our fourth-quarter results, our Frontier acquisition, our renewed MVNO relationship with Comcast and Charter, and of course, our 2026 guidance, including an update on our capital allocation plans. I'm eager to dive into each of those topics, but first, I want to acknowledge the network outage that impacted our customers earlier this month.

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We did not meet the standard of excellence our customers expect and that we expect of ourselves. We let our customers down. The Verizon brand was built on superior network quality and reliability, and I'm committed to relentlessly working to deliver the service that our customers expect and deserve each and every day.

We saw that resilience in action this past week under difficult circumstances. In response to the winter storm, I want to thank our technicians, fiber crews, and retail teams who have battled the ice and snow to serve our customers and keep them connected. We maintained seamless connectivity across the most heavily impacted regions.

Last quarter, I said that we would transform our company in a fiscally responsible manner with a clear focus on driving shareholder value. That volume growth and profitability growth can and will go hand in hand and that they can happen simultaneously. And as I talk to you today, I am more convinced of that than ever.

Our transformation will be driven by bold and meaningful actions to affect what is essentially a turnaround story. We are already a leaner, more efficient, and intense organization. We are bringing in talent with new skill sets to complement our workforce. Every single year, we will become more efficient, more agile, more outcomes-oriented, and our speed of decision-making and product deployment will meaningfully increase.

We are creating a new Verizon, one that does not settle for anything less than being the best. So far, I am very impressed with the reaction of our workforce as they begin to truly embrace, feel, and drive the level of commitment that is needed to transform our culture. That attitude is fully required from every single member of the Verizon team.

There's no question that Verizon is at a critical inflection point, and there is no doubt that we must radically shift our culture towards the goal of delighting our customers and building a brand that stands for trust so that we can deliver for our shareholders. The prevailing attitude inside Verizon is that we are now going to play to win, and we will never again be content to be the hunting ground where our competitors take our share and our customers.

These last 100 days have been full of change and a renewed sense of excitement about our future. And I expect that intensity to continue and grow. We moved quickly to rightsize our organization by aggressively removing pockets of underperformance, eliminating redundant organizational structures, reducing layers of hierarchy, and cutting resources not focused on our priorities with both our full-time employees and contractors.

We are building an in-year war chest of \$5 billion in OpEx savings, with a substantial portion realized by headcount reductions, alongside marketing efficiencies, real estate rationalization, contract renegotiations, and more. This will allow us to be more agile and reinvest in our business for growth and loyalty, and this is just the beginning of the efficiencies we are uncovering in both our OpEx and CapEx.

We aim to be the most efficient telecom company in our industry. As we continue to reduce complexity, eliminate structural inefficiencies, divest noncore assets, and deploy automation at scale, we will enable a growing stream of cost savings, providing us with ever more operational flexibility to invest for growth and provide meaningful and increasing returns for our shareholders. Make no mistake, our number one priority is to invest in our business to drive our future growth. No company ever cost cut its way to greatness.

We are examining every dollar of OpEx and CapEx to ensure it is being spent on initiatives that will drive customer loyalty and brand trust. However, when we invest, the bar will be high. We will only do so when we know it drives growth, delights our customers, and delivers for shareholders. There is nothing more important than that.

Our financial success will rely on subscriber growth, driven by convergence, a value-based pricing strategy, superior value-added services, and a fully revamped end-to-end customer experience. We will not rely on empty price increases to drive short-term revenue and earnings. That is not a sustainable financial model nor an engine of long-term growth.

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I strongly believe that Verizon, and possibly our industry, is only scratching the surface of meaningful increases in bottom-line performance. We began to see initial glimmers of our actions to play out in our fourth-quarter results. We were disciplined and we performed well in the market, achieving more than one million Mobility and Broadband net adds, our highest reported quarterly net adds since 2019, while simultaneously writing better business than we did in the fourth quarter of last year.

Importantly, we added 616,000 postpaid phone net adds with 551,000 from Consumer, our highest postpaid phone net adds in the last five years, all while delivering on our 2025 financial guidance. I think by now it's clear, we are not satisfied with ceding market share to our competitors. Our fourth-quarter results show that we can compete effectively and win when we move with speed and consistency.

While we are still in the very early stages of our transformation, and we are still predominantly competing with many of our existing and blunt tools, our execution in the fourth quarter was critical to establishing a strong baseline and momentum as we enter 2026. Before Tony reviews our fourth-quarter results and our 2026 guidance, there are a few topics I want to briefly cover. First, and obviously crucial to our converged future, is the closing of our Frontier acquisition.

We now have over 30 million fiber passings with a huge cross-sell opportunity as we are significantly underpenetrated with our Wireless Services in Frontier markets. I want to thank the entire Frontier team for their focus and execution over the past 18 months. We intend to continue our fiber build-out, adding at least 2 million fiber passings this year, with our goal to reach 40 million to 50 million fiber passings over the medium term.

At the same time, we are aggressively driving efficiency through our integration. We now expect to realize over \$1 billion of run rate operating cost synergies by 2028, double our initial estimate. These savings will be derived from network integration, third-party contract efficiencies, and go-to-market savings across marketing and advertising. The combination of our assets creates a powerful force in the market, and we intend to aggressively seize incremental net adds and share of both Mobility and Broadband services within Frontier markets.

I'm also very pleased to announce that we have completed a comprehensive long-term agreement with Comcast and Charter to continue our partnership. We obviously can't reveal any of the details, but each of us agrees the partnership is on very solid footing financially, operationally, and strategically. It is an accretive deal that ensures their customers remain on the best network.

Finally, we are targeting the launch of our new value proposition in the first half of this year. We are in deep market research with a very sophisticated conjoint analysis that is providing us with detailed customer feedback, projected market dynamics, and associated financial and operational metrics. I'm encouraged to say that the feedback is quite positive.

Obviously, all of you and our competitors want the details. The good news is we have them, and we are now in the fine-tuning stage of our value proposition work. We are not going to show our hand until the day we launch, but our guidance incorporates our view of how the new value proposition will impact our volumes and financials based on significant market input and data analytics.

We are driving a customer-obsessed culture deep into the organization. We are reducing complexity, eliminating the things customers hate and removing pain points to make it easier to do business with us. To do this successfully and efficiently, we are determined to be an AI-first company, deploying AI at scale. We will use AI to optimize our operations and fundamentally reshape the customer experience.

We are leveraging it to simplify offers, personalize interactions, and reduce churn through smart, consistent marketing. By using predictive models, we can anticipate customer pain points before they happen, allowing us to solve problems proactively. We will use our data and AI capabilities to not just massively improve our efficiency and customer satisfaction, but to redefine our value propositions and deliver hyper-personalized experiences.

Eventually, every individual customer will have a tailored proposition. Beyond these internal efforts, we are unlocking new revenue streams by reimagining our existing assets, leveraging our deep fiber footprint and distributed network facilities to enable AI at scale for our enterprise customers, including hyperscalers.

I'm proud of what we have accomplished in the last 100 days. We have a financial and operational plan that is truly transformative and appropriately conservative. Our 2026 guidance is significantly more robust than our recent performance, and it reflects the beginning of our turnaround.

With that, let me turn it over to Tony, who will cover our fourth-quarter and full-year 2025 results and outline our 2026 financial guidance.

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

Thanks, Dan, and good morning. We finished 2025 with strong operational momentum while also achieving our full-year financial guidance. This includes our previously raised guidance for adjusted EBITDA, adjusted EPS, and free cash flow.

In the fourth quarter, we added over 1 million net adds across Mobility and Broadband, our highest reported quarterly volumes in six years. We ended the year funding growth delivering high-quality net adds across Mobility and Broadband with healthy customer lifetime values. We accomplished this while taking decisive steps to transform our cost structure, ensuring that we have the necessary flexibility to invest in our customers and business going forward.

Fourth-quarter postpaid phone net adds were 616,000. This was our best net add quarter in six years as our offers resonated in the market. Our consumer team executed exceptionally well across the holiday season, especially with new to Verizon sales. Consumer postpaid phone net adds of 551,000 were driven by strong demand as we leveraged our financial strength and flexibility to fund growth opportunities.

In our Business segment, we continued to see growth in the small and medium business and enterprise sectors. Public sector results were impacted by residual disconnects from government efficiency efforts as well as the federal government shutdown. However, public sector performance improved from the prior quarter. With the vast majority of these related disconnects behind us, we expect to see further improvements in public sector wireless volumes across the first half of 2026.

Postpaid phone churn remained elevated in the quarter, largely from prior pricing actions as well as competition. Churn remains a pivotal opportunity in 2026, and we expect our investment in the customer as well as increased convergence opportunities to benefit retention over the next few quarters.

In core prepaid, we continue to take share. Fourth-quarter net adds were 109,000, our sixth consecutive quarter of positive customer growth. Our Visible and Total Wireless brands continued their strong performance. We finished the year with over 2,000 Total Wireless stores across the country, and we have good momentum with our key brands going into 2026.

Moving to Broadband, we also continued to take meaningful share. Fourth-quarter net adds were 372,000, our highest of the year, reflecting strong customer demand across both fixed wireless access and fiber. Fixed wireless access net adds were 319,000. The quarter-over-quarter improvement was driven by our Consumer segment and reflects the innovation and expansion around the product offering. Fios Internet delivered 67,000 net adds, our highest fourth-quarter net additions since 2020.

Fios continues to be the gold standard for broadband connectivity. We are excited to grow our fiber footprint through the Frontier acquisition and the Tillman partnership. Frontier delivered an exceptional performance in the fourth quarter, generating 125,000 fiber net additions, representing a 29% increase over the prior year. This momentum was supported by strong operational pace. Frontier deployed approximately 1.3 million new fiber passings in 2025, bringing their footprint to more than 9 million fiber passings.

We are incredibly pleased to have Frontier in our portfolio, and we're excited about the long-term growth potential these assets provide. When we combine Frontier, FWA, and fiber, net adds were almost 1.9 million for 2025, resulting in over 16.3 million connections. While we are in the initial stages of our strategic transformation, our execution is already yielding significant progress across both Mobility and Broadband platforms.

Turning to our financial results. We delivered on all of our 2025 financial guidance even as we undertook a change in strategy in the fourth quarter. This reflects the strength and resiliency of our business and provides a good jumping off point for 2026. Wireless service revenue for the full year grew 2%. The fourth-quarter performance reflects an increased emphasis on disciplined volume-based growth.

As the revenue benefits of volume-based growth model scale across 2026, we will continue to rely on growth from areas such as FWA, perks, premium mix, and prepaid to help offset continued promo amortization pressures as well as lapping last year's price increases. I'm proud of our team's efforts to meaningfully reduce our cost structure.

Our goal is to create flexibility to invest in the customer while also delivering strong financial results. Consolidated adjusted EBITDA was \$11.9 billion for the quarter. Full-year adjusted EBITDA, which we expect to be industry-leading, was \$50 billion. This was an increase of \$1.2 billion or 2.5% from the prior year and within our guided range. Adjusted EPS for the fourth quarter was \$1.09, bringing the full-year number to \$4.71.

The 2025 growth of 2.6% from the prior year was driven primarily by the strength in adjusted EBITDA. Our cash generation remains a key strength for Verizon. Cash flow from operating activities was \$37.1 billion for the full year, up year over year even with stronger volume growth. CapEx for the full year totaled \$17 billion. We delivered on all of our growth initiatives across C-Band and Fios builds.

The team has done a great job finding efficiencies across Mobility and Broadband with more to come in 2026. As of today, our C-Band build-out is about 90% complete and covers approximately 300 million POPs. Additionally, we exceeded our Fios build targets for the year. For the full-year 2025, we generated \$20.1 billion dollars in free cash flow, which we anticipate will once again be industry-leading.

Net unsecured debt at the end of 2025 was \$110.1 billion, a \$3.6 billion improvement year over year. We continued to make meaningful reductions to our debt throughout the year, resulting in our net unsecured debt to consolidated adjusted EBITDA ratio ending at 2.2 times as of the end of 2025. This represents our second quarter in a row that we were inside of our leverage target prior to the Frontier closing.

Additionally, we had \$1.3 billion in discretionary pension contributions during 2025, which resulted in the pension being fully funded as of the end of the fourth quarter. Funding for the Frontier transaction was completed in the fourth quarter. Both the amount we needed to raise for Frontier and the rates we achieved came in favorable to our original expectations.

By the end of January, we will have paid down approximately \$5.7 billion of Frontier's debt since closing on the 20th, moving quickly to realize benefits from the strength of our balance sheet. As we indicated before, we expect our unsecured leverage ratio to increase by approximately 0.25 times once Frontier's EBITDA contributions are factored in.

Looking ahead, 2026 represents an exciting opportunity for Verizon. Our guidance reflects the impact of the bold actions we have taken recently. We expect to deliver performance that is a step function improvement from our recent historical trends across our key metrics. We're taking actions to ensure we have the financial flexibility to invest in the customer, drive improvements in postpaid phone net adds, and expand our Broadband base.

Our guidance reflects the beginning of our transformation. For the first time, we're guiding to our consolidated postpaid phone net adds. We expect to deliver approximately 2 to 3 times of 2025 total, targeting a range of 750,000 to 1 million postpaid phone net adds in 2026. Our 2026 financial guidance includes Frontier from January 20, the closing date of the acquisition.

As we work towards driving sustainable and disciplined volume-based revenue growth, we anticipate that 2026 will be a transitional year for revenue as we lap prior year price increases, absorb promotional amortization, and await the benefits from churn reduction and increased volumes. We are guiding to 2% to 3% Mobility and Broadband Service revenue growth, which equates to approximately \$93 billion.

We expect Wireless Service revenue growth to be approximately flat in 2026. Having Broadband in our service revenue guidance reflects the importance of both Mobility and Broadband as key growth drivers in the future. We have streamlined our organizational structure and are conducting a rigorous bottoms-up review of our entire cost base.

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Over the last 100 days, we have implemented several actions that would deliver multibillion-dollar benefits in 2026, including a reduction in workforce as well as asset and business rationalization efforts. The work on our cost structure will continue in 2026 as we simplify operations, deliver Frontier synergies, and exit low-margin businesses.

As Dan mentioned, we have line of sight to delivering \$5 billion of operating expense savings in 2026. We are reinvesting a portion of these savings to drive a higher quality revenue profile, which in turn creates a more profitable and stable foundation for sustainable long-term growth. Based on our anticipated revenue performance, combined with the strength of our cost efficiencies, we expect adjusted EPS to be in the range of \$4.90 to \$4.95 for the full year, or year-over-year growth of 4% to 5%.

This represents a significant acceleration compared to our recent historical performance. While we were not guiding on adjusted EBITDA, we do expect adjusted EBITDA to grow at a faster rate than adjusted EPS. Our 2026 CapEx spending is expected to be in the range of \$16 billion to \$16.5 billion, a combined improvement of \$4 billion from Verizon and Frontier's capital expenditures from 2025.

We are bringing the same rigor to our capital expenditures as we are to our P&L, while not sacrificing any of our network excellence for Mobility and Broadband. The efficiency work that helped us come in below our 2025 CapEx range has only just begun. In addition, our C-Band will be substantially complete in 2026 and any initiatives outside of Mobility and Broadband are being aggressively rationalized.

We expect free cash flow to be \$21.5 billion or more, growing approximately 7% or more, which will mark our highest free cash flow generated since 2020. As we communicated at the announcement of the Frontier acquisition, we anticipated the inclusion of Frontier's results to be cash flow dilutive in 2026, given the investments being made to expand the fiber footprint.

However, because of the work being done to streamline our cost structure, grow adjusted EPS, and drive CapEx efficiencies, we are now in a position to grow our free cash flow in 2026 even with the inclusion of Frontier and our investments in the customer. Our strong free cash flow generation enables us to execute on our capital allocation priorities, including strategic investments and paying down debt.

We expect to return to our target leverage range of 2.0 to 2.25 times in the 2027 timeframe. To summarize, we delivered strong volumes in the fourth quarter, delivered on our 2025 financial guidance, and we have a plan for 2026 that accelerates our trajectory.

I will now hand the call over to Dan to discuss more on our 2026 capital allocation priorities.

Daniel Schulman - Verizon Communications Inc - Chief Executive Officer, Director

Thanks, Tony. Our 2026 guidance reflects our conviction that this year is not just a time of transition, but of measurable and improved performance that will only accelerate as we go into 2027 and 2028. Our guidance for our adjusted EPS growth, our free cash flow growth, and our postpaid phone net add targets are all significantly above historic trends for Verizon.

For instance, our guidance for adjusted EPS growth of 4% to 5% represents a meaningful acceleration, increasing our growth rate by more than 70% at the midpoint of our guide compared to 2025. It is also significantly better than our five-year historical average adjusted EPS growth rate of approximately negative 1%.

Also, our guidance for free cash flow of \$21.5 billion or more is expected to be our highest performance since 2020. The guided growth rate of approximately 7% or more eclipses our average free cash flow growth rate of approximately negative 1% over the last five years. We are targeting a range of 750,000 to 1 million postpaid phone net adds, approximately 2 to 3 times our 2025 total and the highest since 2021. With Frontier, we expect our Mobility and Broadband service revenues to grow 2% to 3%, even as we lap billions of dollars of price increases from last year that we will not repeat.

I want to close by discussing our capital allocation strategy. Our framework remains unchanged. However, we are also making meaningful improvements in our capital allocation to shareholders, while maintaining significant flexibility. We will be much more deliberate in how we allocate our capital spend across four key priorities.

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Our first priority is to invest in our business. We simply won't be satisfied without delighting our customers, investing in our employees, and delivering for our shareholders. We will continue to invest to maintain and improve the network excellence our customers expect. Importantly, we are applying the same rigor towards CapEx as we are on OpEx efficiencies.

As Tony mentioned earlier, we expect CapEx to be in the range of \$16 billion to \$16.5 billion for 2026. Our investment is focused squarely on our growth areas. In Mobility, we are focused on the completion of our C-Band build-out and increasing our investments to assure our track record of unparalleled reliability. In Broadband, we are focused on achieving our goal to reach 40 million to 50 million fiber passings over the medium term.

Second is our commitment to our dividend. That commitment is ironclad. We are pleased to announce that we are pulling forward our annual dividend increase to the first dividend declaration of the year. Today, the Board declared a dividend payable in May, which represents an annualized increase of \$0.07, a 2.5% per share increase from our prior annual dividend rate. This marks our 20th consecutive year of dividend increases, and our goal is to put the Board in a position to continue to increase our dividend per our track record.

Third is maintaining a strong balance sheet. We remain committed to paying down debt and achieving our long-term net unsecured leverage target of 2.0 to 2.25 times within the 2027 timeframe. We have a strong balance sheet with significant financial capacity and flexibility for strategic investments.

Fourth is returning cash to shareholders. I am pleased to announce that our Board has authorized up to \$25 billion of share repurchases, which we expect to complete over the next three years with at least \$3 billion of repurchases in 2026. This plan underscores our confidence in the strength of our business, our cash flow generation, and our dedication to driving meaningful shareholder returns.

Consistent with our growth profile and cash flow generation, we expect to significantly increase our total return of capital to shareholders over the next three years. This is a defining time for Verizon. We have lots of hard work ahead of us. We know we are only at the beginning of our transformation, it will take time, and it won't always be a straight line.

But we have a clear and doable plan for 2026, a value proposition that we believe will resonate with customers, momentum from the fourth quarter with volumes that we haven't seen in five-plus years, and a financial plan that is significantly more robust than any in recent history, with room for us to continue to improve as we go through the year and into 2027.

Our targets reflect a step function change in our performance trajectory. The Board has been clear that my mandate is to not only deliver for our customers, but also for our shareholders. We are heads down focused and ready to show the world that a fiscally responsible Verizon is playing to win.

We look forward to your questions.

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

Yeah, Brad, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Ng, Goldman Sachs.

Michael Ng - Goldman Sachs Group Inc - Analyst

I just have two, if I could. First, it was really encouraging to see this strong outlook for postpaid phones in 2026. Would you talk a little bit about the investments needed to drive that subscriber growth? Will we see the improvements more on the churn rates or will it be more marketing and promotions to drive gross adds? And then I have a quick follow up.

Daniel Schulman - Verizon Communications Inc - Chief Executive Officer, Director

I think maybe I'll start and then Tony can come in if he's got any additional color to add. If I just take a step back, we delivered 616,000 postpaid phone net adds in Q4. And we did that in what I thought was a very fiscally responsible manner, just no actions on our core base pricing.

We went into the ring, we offered a set of promotions. We are consistent in that and the market reaction was excellent to that. We met every single day. We looked at what was happening in the market. We made changes where we needed to. And I felt really good about how the team executed against that.

As I look to next year, we're targeting 750,000 to 1 million postpaid phone net adds. That is 2 to 3 times what we did last year, but that's only about 10% to 15% of the net new to the industry. So I think it's a very doable target for us in year one of our transition. We don't need to overutilize promotions or pricing to achieve those targets. There's absolutely no need, in my mind, for that to happen. If we reduce churn by 5 bps, we are already halfway to our target.

And think about some of the things that we're doing, like our churn is driven by price increases without corresponding value. And we've already said in our remarks that we're not going to do that. By the way, that is exactly the right thing for us to go and do. Although that puts about 180 basis points of pressure on our revenues for this year, what happens is when we raise rates without corresponding value, our churn rate goes up.

And right now, our churn over the last three years has gone up by 25 basis points, every single basis point is 90,000 net adds. 25 basis points times 90,000 is about 2.25 million net adds that we've lost. Obviously, not all of it because of price increases, but that would generate \$3 billion-plus revenues a year for us. And so we're not going to go do that going forward, and that should help churn.

Second, we're going to be investing in our overall customer experience. We have a large amount of flexibility with the \$5 billion of OpEx savings that we have. We're going to be able to be -- to compete in the market, invest in improving our end-to-end customer experience. And the third thing they have is we're going to leverage strongly all the convergence opportunities we have.

We did [nearly 1.2 million](corrected by company after the call) of fixed wireless net adds last year, and we entered 2026 with more capacity in our network to do fixed wireless access than we did when we started 2025. Obviously, Frontier is a huge opportunity for us in net adds as well. We're significantly underpenetrated in Frontier markets on Wireless. And when we bundle together, we see a 40% reduction in churn versus stand-alone Mobility.

And so our goal over time is to win our share of new to market net adds, win responsibly in a manner that sustainably grows our top line and allows us to drive shareholder value. And so I think you're going to see a combination of us spending a lot to improve our overall value proposition, leveraging convergence, seeing churn go down, and then being appropriately aggressive where we need to in the market. But this is not going to be anything on price where a lot of promotional expenses is about investing in our customers.

Michael Ng - Goldman Sachs Group Inc - Analyst

Great. Dan, thank you for all that. That was all very clear and comprehensive. I appreciate that. And then just on the follow up, I think you guys raised the fiber passings outlook to 40 million to 50 million over the medium term. I think the old target was 35 million to 40 million.

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So could you just talk a little bit about whether you saw more opportunities in footprint, opportunities to go out of footprint? Any thoughts there would be great.

Daniel Schulman - *Verizon Communications Inc - Chief Executive Officer, Director*

Yeah. Well, first of all, we're really pleased with the closing of the Frontier acquisition. Our partnership with Tillman, we acquired [Starry], which is going to help us with MDUs as we pass those passings as well. And the more I look at convergence, the more optimistic I am that that's going to be a major part of our future. So we want to double down on that.

We want to get to at least 40 million or 50 million fiber passings. We said in our CapEx guidance that we'll do at least 2 million organically. Obviously, we'll look at a possibility of both inorganic and partnerships. That is something we're always looking at. We have plenty of capacity and flexibility on our balance sheet to do any one of those acquisitions and other things that we might consider.

And so the combination of what we're seeing at Frontier and what we can do internally here at Verizon, [leads me] to be comfortable with that 40 million to 50 million.

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

Great. Thanks, Mike. Brad, we're ready for the next question.

Operator

Ben Swinburne, Morgan Stanley.

Benjamin Swinburne - *Morgan Stanley - Analyst*

Again, you talked through some of the strategies around go to market. But I guess I'm just wondering how -- if you could talk about how you're thinking about customer lifetime values as you move forward relative to the past. There's probably some concern out there that CLVs will be lower for Verizon, if not the industry in '26 and '27 versus the last several years. So what does Verizon doing to make sure it's bringing on high-value customers and it takes us more aggressive posture?

And I just wanted to ask, maybe for Tony on CapEx. You mentioned CapEx efficiencies. Looks like you're taking a couple of billion roughly out of kind of the previous run rate. You said no impact to revenue. Just could you talk a little bit about where you found all this CapEx opportunity that's not going to impact the business, if anything, might help the business grow faster?

Daniel Schulman - *Verizon Communications Inc - Chief Executive Officer, Director*

Yeah. I guess, I'll start and then turn it over to you to Tony. I can add on the CapEx side, too. So I have some thoughts on that. So on LTV, I was really pleased not only with the number of net adds that we added in Q4, but the quality of the business.

We had a lot of new to Verizon. As you know, new to Verizon is our highest LTV value. And LTV is driven by a number of things. One of the biggest things is churn. And to me, we have a large opportunity to address churn. I think it's one of the biggest opportunity sets we have.

As I mentioned on the pricing side, there are four reasons why people leave us. It's price increases without corresponding value. That just irritates our customers, and we've seen the churn arise as a result of that, and we've stopped doing that, and we're going to start adding value to it.

Second is friction in the process, whether it's onboarding, the billing, when they call our customer service, that needs to be flawless. And we need to reduce complexity, and we need to address that. And we already have initiatives underway to address each and every one of those things.

And then there's price perception and competitive intensity. And we want to be very rational and very fiscally responsible when it comes to promotional activity. Again, I think we are targeting a very reasonable number given our momentum and given the percentage of the net new to the market.

And so I think we're going to be able to move after our targets in a fiscally responsible way without stepping up on the promotional side. I think we're going to be able to lower churn. I think we have a lot of opportunity there. And then as I look at convergence, that combination of having an ARPU associated with your Broadband Service and an ARPU with your Mobility at much lower churn rate is a higher LTV for us as well.

And when we sell broadband, the majority of our customers have our Mobility solution with that, too. We're really pleased with the attach rate on that as well. And so I'm hopeful that LTVs go up this year as we act responsibly, and we reduce churn. Churn will be a key lever for that.

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

And Ben, on your question on CapEx, as we said in the prepared remarks, our first priority is to invest in the business, that hasn't changed. And the guidance that we gave at \$16 billion to \$16.5 billion is all in and sufficient to address all of the growth initiatives that we have in the business. And we're going to continue to invest in the RAN, the wireless RAN.

We talked about 90% of our plant sites have C-Band, and we expect to be substantially complete with our C-Band build here in 2026. And the remaining C-Band additions, just for some color, are mostly on small cells where lower CapEx is required.

And then from a fiber perspective, we're not slowing down. Dan touched on this. We'll continue the fiber build pace at at least 2 million times passed, which is at least the combined pace of both Verizon and Frontier from last year, and 40 million to 50 million passings over time. We have the Tillman partnership as well that can -- we can scale and build to our standards at very good economics.

And then in terms of our CapEx spend relative to history here, we really have narrowed our focus to Mobility and Broadband. And as we said earlier, we're applying the same rigor to CapEx as we are to OpEx. And noncore areas that are not aligned to growth, including legacy areas are being significantly reduced and/or eliminated, and that includes areas such as Business Wireline, nondirectional products, technology as well, wholesale, legacy copper, and voice platforms and even projects with too long of a payback.

So the team has done a great job in finding unit cost efficiency as we build both in wireless and in fiber, cost for Prem Pass, et cetera. So there's a lot of good work being there, and that helps us get to a lower CapEx envelope, but we're very focused on being very efficient with our capital deployment this year.

Daniel Schulman - *Verizon Communications Inc - Chief Executive Officer, Director*

Yeah. Maybe just a little bit. I thought it was a pretty comprehensive answer. Look, network excellence across Mobility and Broadband is foundational for us, and we will not compromise on that one iota. Look, \$16 billion to \$16.5 billion, yeah, I may be old fashioned, but that's a lot of money.

When I think of \$1 billion, I think it's a lot of money. When I think of \$16 billion to \$16.5 billion, it's a tremendous amount of money. Honestly, I don't know if we need all \$16 billion to \$16.5 billion for our CapEx projects, but I think it's a responsible number to have there.

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As Tony said, there are a lot of things that we spent pretty heavily on in the last couple of years. They're predominantly complete. We're almost done with all of our nationwide 5G advanced stand-alone features as well. And so I feel really good about this CapEx envelope. We'll be able to do all the things we need to go do.

And as Tony said, we're not going to invest in places where we're losing money right now. As I mentioned, I think last quarter, we have a number of places where you add it all up, and we're losing \$1 billion to \$1.5 billion a year in margin. Like we are either going to sunset those, retire those, or divest those things, and there's no need for us to continually invest in places where we're just going to lose money forever on that.

And so I think the team did a great job here, frankly. This is one of the easier places where we were able to look aggressively at our CapEx, and I think we'll feel really comfortable at these levels.

Benjamin Swinburne - Morgan Stanley - Analyst

Thank you, both.

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

Thanks, Ben. Brad, we're ready for the next question.

Operator

John Hodulik, UBS.

John Hodulik - UBS AG - Analyst

Maybe two questions, if I could. Maybe first for Tony. Any [key] parts or components you could give us on the flat service revenue growth in Mobility or the organic EBITDA growth on a consolidated basis? On the service revenue side, there's a lot of moving parts, you got better subscriber growth, probably a nice wholesale growth, but there's probably a higher promo amort than we saw last year. But -- so any color there on that or the organic EBITDA growth would be great.

And then for Dan, you gave us the volumes on the postpaid phone side. What about the Broadband side? Any color you can give us on sort of what you expect in volumes this year, certainly as it relates to both fiber and fixed wireless would be great?

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

Okay. John, so I'll start on the revenue and EBITDA. So we -- on the revenue side, we guided to 2% to 3% Mobility and Broadband Service revenue growth. And right after we closed Frontier, we were in market with competitive offers there to attract the Frontier customers to the Verizon network and experience. As Dan mentioned, we see strong convergence opportunities, particularly where we under-index in those Frontier markets, and we do see convergence improving our churn profile.

As we said, in terms of revenue composition, we expect to have flat Wireless Service revenue in 2026 as we lap prior year price increases, as Dan mentioned, about 180 basis points or so of headwind, absorb the ongoing promo amortization, so that's continuing, and work towards driving sustainable volume-based revenues and doing that in a very disciplined way.

To give additional context, maybe some assumptions in the revenue guide. In terms of tailwinds, obviously, on the Mobility side, we said we expect volume growth of 750,000 to 1 million postpaid phone net adds, and we're writing good business, and that's the focus there. We also have areas like perks and step-ups. We continue to see growth in customers taking perks as well as step-ups to premium plans.

And then on Broadband, continued volume growth in both FWA and fiber, including Frontier. Frontier put on almost 500,000 net adds this past year. So we have now combined 16 million, over 16 million broadband subs in the base, and that includes a little over 10.5 million fiber customers. And then also prepaid, our prepaid business continues to perform well. Six straight quarters of volume growth has translated also into revenue growth.

In terms of headwinds, I mentioned promo amortization, and that pressure will continue and be a headwind in 2026. And we're still lapping, as Dan mentioned, pricing actions from 2025, and we'll work our way through it. But as we said, 2026 is going to be a transitional year for revenue as we push on volume-based growth across both Mobility and Broadband and setting up for a stronger revenue profile exiting 2026 and doing it in a very fiscally responsible way. So that's on the revenue.

On the EBITDA, while we didn't guide on the EBITDA, I can certainly share some additional context for you. Obviously, it starts with the revenue growth that I just described. Frontier brings a substantial EBITDA contribution with it as well. And in the prepared remarks, we said we expect [Adjusted EBITDA](corrected by company after the call) to grow at a faster rate than adjusted EPS. When you factor in the Frontier acquisition-related interest expense, that's about \$1 billion, and the depreciation and amortization from the asset base that we acquired, which is about \$1.5 billion.

So when you look at the EBITDA, it's an acceleration in the EBITDA growth rate and great operating leverage. And then when you look underneath that, from a cost transformation perspective, we mentioned that we're carefully examining all areas of our cost structure to run leaner and be more agile.

And we have \$5 billion of cost transformation in our plans for 2026, and that work is already well underway, whether it's the continued decommission of legacy elements in the network, including copper, and you think about the legacy areas as well in Frontier, whether it's customer experience and addressing customer pain points and reducing call volumes, or on the IT side in terms of rationalizing platforms and including AI enablement.

On the workforce side, we reduced our workforce by 13,000 in the fourth quarter, 80% of which were off payroll in Q4, with the remainder coming off payroll in the first quarter. And then we mentioned the Frontier integration, and we said we expect 2 times the operating expense run rate synergies, so at least \$1 billion of synergies by 2028, and those synergies will ramp as we execute on our integration work.

And when you think about the EBITDA and the cost reduction actions that we have in place, it allows us to do a number of things. First, run more efficiently. The second thing it allows us to absorb the transitional year for revenue. It also allows us to invest in the customer experience and return a significant amount of capital to shareholders. So we see a great path for both EBITDA and EPS growth.

And I'll hand it to Dan.

Daniel Schulman - Verizon Communications Inc - Chief Executive Officer, Director

Yeah, it's hard to expand on that. A comprehensive answer. I'll just say this. I think all of this kind of hangs together and integrated all in my view. But one of the reasons why we have such high churn rate, one of the reasons why we've been losing share over the last several years is because we keep raising our pricing without corresponding value.

And that is the primary reason why our customers churn. And the number one rule of getting out of a hole is stop digging. And we're just not going to do that again. And if we did just do what we were doing in previous years, we would have guided to 4% to 5% revenue instead of 2% to 3%. But then at the end of the year, we would have had another couple of billion of things we have to lap and higher churn rate and would be deeper in the hole.

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And so our view is, as we go into 2027, that 180 basis points of headwind goes away for us. We start now to have volumes-based revenues coming in. We do 750,000 to 1 million net postpaid [phone net adds](corrected by company after the call) as well as continue to aggressively move in our broadband and convergence place. You only have several billion dollars of revenues coming in there. And so that's how you create sustainable, long-term revenue growth.

And then when you combine that on top of us being ever more efficient every year, and we're looking at \$5 billion this year and we see billions more as we look forward into 2027 and 2028. We're just at the beginning of our efficiency journey. And then we're buying back shares, and you can really see that you have both top-line and adjusted EPS growth that it sets us up for having a delighted customer base because we're doing the right thing.

And hopefully, a delighted shareholder base because we're creating a model that can create sustainable long-term growth, both on the top line and the bottom line.

John Hodulik - UBS AG - Analyst

Thanks, guys.

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

Yeah. Good. Brad, we're ready for the next questions. Last one.

Operator

Michael Rollins, Citi Group.

Michael Rollins - Citi Infrastructure Investments LLC - Analyst

I also want to express my thanks to Brady, and welcome Colleen. Dan, you've been very clear about the problems that come from empty price increases. And I'm curious if you could discuss the opportunity for the alternative. Just given the maturation of industry penetration rates, do you see opportunities for Verizon and/or the industry to inject more value into these services to capture better ARPUs over time? And is there a sense if that is an opportunity when Verizon can go after that?

And then just secondly, on the cost side. Tony, I think you were just talking about the different layers of getting savings. Can you discuss what Verizon has identified for savings after 2026, specifically for '27 and '28, as you're looking to continue to fund the top-line strategy as well as the new capital allocation targets that were set today?

Daniel Schulman - Verizon Communications Inc - Chief Executive Officer, Director

Well, because I love cost as much as I do revenues, I'm going to jump on that. Look, I see kind of three waves of efficiency. The first wave is basically what we talked about today on the call, take out pockets of underperformance, structural inefficiencies, unnecessary layering of management structures, take people off of the places where we are no longer focused going forward.

That was the first, but the second wave is taking complexity out of our business. And that's about looking at the customer promise that we have, the value proposition that we have. And complexity adds a ton of cost internally to us. And so we're going to go heavy at this end-to-end customer experience at our value proposition and it's going to be around simplicity and reducing complexity because that's really important.

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And then the third thing is when you take out your complexity, then you automate your processes that are left. And so there are three waves that we have identified that we understand quite well, and that we're very comfortable with. On the values basis this kind of pricing, and can you add more value into it?

I think the answer to that is yes. I think that is the answer, but it comes with brand trust. And so everything we are trying to do this year -- we have a three-year plan. We've got very concrete metrics for the 12 months. And I know what we want to do and then I actually have a vision for where we want to be in three years from now as well.

But the first thing is stop doing things customers hate. That's not rocket science on that. Fix the end-to-end experience, again, not rocket science, but hard to do on that. And then you start to regain trust. And when you start to regain trust and you can start to put either promises or incremental value in it, then -- like I'm not saying that we don't do price increases, I'm saying we will not do price increases without value. But I do think that there are lots of places where we can add value.

Honestly, I think some of the Broadband stuff that we're doing, where you're putting 1 gig plus out there, that's real value to customers. And so I think there are areas where there is value that we should be able to capture through the appropriate pricing, but we're not going to capture temporary value short term at the risk of upsetting our customers and increasing our churn. Again, that defeats the purpose of long-term sustainable growth. And that is what this transformation is all about.

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

Perfect. Great way to end. Brad, that's all the time we have today. And thanks, everybody, for being on the call.

Operator

This concludes the conference call for today. Thank you for your participation and for using Verizon Conferencing Services. You may now disconnect.

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