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VZ.N - Q3 2020 Verizon Communications Inc. Earnings Call

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OVERVIEW:

Co. reported 3Q20 consolidated operating revenues of $31.5b and GAAP EPS of $1.05.

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PRESENTATION

Operator

Good morning, and welcome to the Verizon Third Quarter 2020 Earnings Conference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

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

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

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

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

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

This presentation contains 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. The quarterly growth rates disclosed in our presentation slides and during our formal remarks are on a year-over-year basis unless otherwise noted as sequential. As a reminder, we've entered the quiet period for spectrum Auction 107, so we will not be able to comment on our current mid-band spectrum holdings or strategy.

Additionally, please remember to join us on November 11 for our fall sell-side meeting from 4:30 p.m. to 6 p.m. Eastern Standard Time. We will be streaming this event live via BlueJeans for everyone that can attend virtually. You can find details on our Investor Relations website.

Now let's take a look at consolidated earnings for the third quarter. In the third quarter, we reported earnings of $1.05 per share on a GAAP basis. Reported results include a net pretax charge of approximately $1.1 billion related to a mark-to-market adjustment for our pension liabilities. Excluding the effect of this special item, adjusted earnings per share was $1.25 in the third quarter compared to $1.25 a year ago.

Let's now move to Slide 4 and take a closer look at our third quarter earnings profile. Consistent with the approach we have shown for several quarters, we have illustrated the ongoing impacts to earnings from the adoption of accounting standard ASC 606 for revenue recognition in 2018. We expect 2020 to be the final year that the adoption of this standard will have a material year-over-year impact on our income statement.

We realized a lesser benefit from the adoption of ASC 606 during the third quarter compared to the prior year primarily due to the deferral of commission expense. The reduction of the benefit realized creates a year-over-year headwind to both reported and adjusted earnings per share, which will continue throughout 2020. The impact was $0.02 for the quarter and $0.07 year-to-date.

For full year 2020, we continue to expect the headwinds from the deferral of commission expense to be approximately $0.09. Matt will go through the COVID impacts that we experienced across the business in more detail. Overall, we estimate that there was a $0.05 headwind included in the reported and adjusted EPS from COVID during the quarter. While adjusted EPS was flat in the third quarter, including the impact of COVID and ASC 606, we continue to see underlying growth in our operations.

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

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

Thank you, Brady, and thanks for everyone joining this third quarter earnings release from Verizon. I would like to start to reflect over the current situation we have. Of course, I mentioned several times before, we are in multiple crises: the pandemic is continuing, the economical downturn and the racial injustice. We, as a corporation, have continued with our 3-pronged governance to see that we're managing this in the best way.

Of course, our team is very focused on the crisis of the pandemic and having a team working on that. But the majority of my executive team are working with business as usual to see that we continue to move this company forward. And finally, we're also working a lot with new opportunities that arise from these crises to see that we are actually coming out of a stronger company and actually serving our customers in an even better way.

I would like to say a couple of things on where we are in all this when it comes to our responsible business practices. Starting with the COVID-19, we have all the time put our focus on our employees' safety and health. That has been so important for us. In this third quarter, we have seen our retail stores coming back to full operations, of course, with new procedures and processes. We have also seen our engineers being back in full force in the field to make installations. And you're going to see that later on as we had a really great quarter when it comes to Fios installations.

On the racial injustice and what we're doing here, I would just want to highlight one important thing. This quarter, we published our 2020 Diversity Representation Report. We disclosed on different levels and different units where we stand on one of our core values, which is diversity and inclusion.

I want to highlight the work that our treasury department did in the third quarter. They issued the second $1 billion green bond, which was led by minority-owned underwriters, continue our work with the climate change and seeing that we do our contribution. And finally, we also decided in the quarter to provide our employees with paid time off for employees to vote in these times, which are unprecedented.

Moving on to where we are, and I talked a lot about this as we came into this quarter and the second half of 2020, that this was the year of execution. And I cannot say anything else that our team has been executing just fantastically. And if we talk about our Network-as-a-Service strategy and our network, starting with the 4G network, what can we say? I mean the team continues to take all awards. I mean the RootMetrics, we're winning the best overall mobile network. And on J.D. Power, we're awarded for the 25th consecutive time the best network quality. So the team is continued to augment and improve our 4G network.

At the same time, we entered in the CBRS auction, as you know, and we gained some 34 megahertz covering 140 million of the population. And all in all, that is going to help us to augment the capacity in the network, especially on 4G.

Another area which we're very proud of, that the team has done in the quarter is, of course, continue the relentless execution on our 5G network. And we launched the 5G nationwide last week. And as I said through the whole year, that we're going to launch the network when it commercially makes sense. And it made sense last week when the iPhone 12 was launched in the market. So now we have nationwide covering more than 200 million of the population of the United States, more than 1,800 cities when it comes to our 5G nationwide based on the DSS technology.

We also continue our expansion on the Ultra Wideband, and we took a leapfrog with 19 more cities, and we are now 55 cities for mobility. We have 43 stadiums and 7 airports. Just continue to augment our Ultra Wideband Network, which is just giving a huge, new experience when it comes to capabilities, when it comes to speed, latency and, of course, throughput.

We also, in this quarter, launched some home cities when it comes to 5G Home or we added -- so we have now 8 5G Home cities when it comes to fixed wireless access. And finally, one of the core assets for our Network-as-a-Service is, of course, our fiber and the fiber richness of our network is a core element in the Verizon, the Intelligent Edge Network. We're on plan for that. In these times, it's just great work, what the team has done all the way from the 4G network to the 5G network and OneFiber. They're executing tremendously on our commitments for the full year.

All that [Network-as-a-Strategy] (corrected by the company after the call) is based on us being able to monetize on top of that network. And a couple of very important events this quarter and a little bit after is, of course, setting us up for that monetization. Starting with the 5G adoption and the ecosystem that we're creating. We're, of course, extremely pleased with the launch of the 5G iPhone, the iPhone 12 that came out in 4 different models, all with Ultra Wideband. That is, of course, setting a precedent how important Ultra Wideband is for an unprecedented or unparalleled experience on 5G, bringing out all the currencies or capabilities that were talked about before.

Also this quarter, we added now the high-power CPE for 5G Home, which we have been talking on for quite a while. So now we're on the right track for that as well, continue to be able to monetize on 5G fixed wire access, which is one of the different services, we believe, is going to be important on 5G.

And finally, the 5G mobile edge compute, which is the third business case we have on the same infrastructure. We have now 5 mobile edge compute centers together with Amazon. We also announced that Microsoft is now joining us on the mobile edge compute as well, focused on the private side of the 5G mobile edge compute. So we are actually gathering in some of the most important partners in the ecosystem to see that we can actually monetize this investment work done in the Network-as-a-Service.

We also have in the network continued with our Mix & Match. And as we earlier reported, Ronan and his team has done Mix & Match 3.0. Very important in times when there are so many choices, we give our customers the choices to pick their offerings and their way of dealing and getting services from Verizon.

Finally on that area, our collaboration within the company is very strong. And as you saw during the iPhone launch, we launched with NFL the super app or the super stadium app, which was created by our Verizon Media Group, which is basically 7 concurrent video streams at the same time that you can enjoy either in the stadium, which you cannot be today, or at home if you have 5G Ultra Wideband. Once again, we are part of a much wider ecosystem and to delivering new services.

We're strengthening the core as well with a couple of new things. First of all, we are now going into the LTE Home Internet. We are covering 189 markets in 48 states. This is one way for us to continue to use our great network to offering new types of services.

In the quarter, we also announced our ambition to acquire TracFone. That is adding new opportunities for us in the value segment to support that segment of customers.

Finally, on the business-to-business applications, which is the growth on top of the 5G mobile edge compute, we now have 5 mobile edge compute centers. As I said, we are committed to do 10 by year-end, and we both have now Amazon and Microsoft as partners to build that.

Finally, we have seen great opportunities based on our investment in universal communication services, where we have added our BlueJeans acquisition, especially in health and education. And as you're going to hear from Matt later on, we have great growth in our public sector very much based on that. I'm really proud of my team, that they can deliver this strong financial performance in the third quarter in these unprecedented times as well as with the strong execution of our platforms and our strategy.

On the consumer side, we added some 142,000 new postpaid phone net adds and continue with a very high loyalty for our customer with a very low churn levels. As I alluded to earlier, we are also very proud of what we achieved in the Fios. In the total Fios, we added 144,000 new Internet net addition. That's a 5-year high, which is just great work of our Fios with the Mix & Match as well as their offering and the quality we have on Fios. Of course, there were some pent-up demand. But all in all, it also showed the support from our customers for our Fios offering.

On the business side, we continue to do well on the wireless side, both on the wireless gross adds and net adds. We have still in the business side the secular decline in wireline. We had good profitability in the quarter even though we continued to invest, and we are not done with the investment we talked about in the fourth quarter last year that is so important for us to see that we are really supporting our customers when it comes to new digitalization and new offerings. But all in all, good work by our business group.

Finally, the media group had a sequential improvement. They were down 7% in growth in the quarter. They had very good improvements during the quarter when it comes to the growth trajectory.

Finally, they continue to add a lot of new opportunities, especially around the owned and operated, where we have good growth in the monthly active users. If that is in news or in finance, we clearly see that our content is really aspiring and doing well with our customers in those areas. And finally, our ad tech, especially the demand platform, is adding quite a lot of new customers in these times, which also shows proof of all the transformation that we have done in the media group.

So looking at the financials. We had a growth in our service revenue, wireless service revenue in the third quarter with 0.3%. We clearly have been very focused on that one, and it exceeded a little bit also what we said when we concluded the second quarter.

We also had an improvement and growth on our adjusted EBITDA margin with 100 basis points. And that includes, of course, the COVID impact. So we clearly see that even though we have a decline due to hardware, we are managing our P&L in a good way in all our units.

The cash flow continues to be strong. We have continued to add cash flow in the quarter even though we have the dividend and some outlays for some acquisitions of spectrum.

Finally, we are doing a positive update on the EPS guidance that Matt will talk about later on. So we feel good about going into the fourth quarter with a very solid third quarter when it comes to financial and execution and how we're dealing with the different crises that is happening around us here in the U.S. and the rest of the world.

So I will then hand it over to Matt to go into more details on the financials.

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Thank you, Hans, and good morning, everyone. As we've now completed the second full quarter in a global pandemic, I'm encouraged by the strength and resilience of the Verizon team, our business and our customers. Our employees continue to deliver on our commitment to our customers and our communities in the face of uncertain and evolving conditions.

This quarter highlights another example of our ability to execute and drive results with adjusted earnings per share of $1.25, including an estimated net impact due to COVID of approximately $0.05. In the third quarter, consolidated operating revenues were $31.5 billion, down 4.1%. Revenue declines were primarily driven by significantly lower wireless equipment revenue, which was down approximately 20% due to lower customer activity and the timing of certain device launches.

We are pleased that total wireless service revenue outperformed our expectations by returning to year-over-year growth in the third quarter driven by improvements in usage and fee revenues and step-ups to premium tiers of unlimited. In addition, Verizon Media Group's revenue trajectory improved significantly during the quarter driven by advertising, which returned to year-over-year growth in the third quarter.

Adjusted EBITDA in the third quarter was $11.9 billion, down slightly from $12.0 billion in the prior year, driven entirely by headwinds from the deferral of commission expense. Third quarter adjusted EBITDA margin expanded to 37.6% versus 36.6% in third quarter 2019, including headwinds of approximately 40 basis points from the commission expense deferral.

Our Business Excellence program continues to drive significant benefits as a key component of Verizon's resilience and agility. We have realized $8.3 billion of cumulative cash savings to date and remain on track to achieve our goal of $10 billion by the end of 2021. Even after we achieve our target, operational efficiencies will be an ongoing focus across the business to identify additional long-term transformation initiatives and deliver the related cost savings.

Let's now turn to our segment results, starting with consumer group on Slide 9. Our consumer team continued reopening our retail stores throughout the quarter, while maintaining vigilance for the safety of both our employees and customers. We began the third quarter with nearly 2/3 of our retail stores open, although with limited hours, and gradually reopened across our entire footprint with normal operating hours by Labor Day.

Consumer foot traffic is not yet at pre-COVID levels as we have implemented social distancing practices such as touchless retail, appointment scheduling and curbside pickup. We remain committed to providing our customers with the experience they expect while focusing on their safety.

For the quarter, we added 17,000 postpaid customer accounts compared to a loss of 26,000 in the prior year. We are pleased with the early traction we've seen from our new Mix & Match plans as the best-in-class value offering, which now includes an expanded bundle from Disney in the top tiers of our unlimited plans. Our enhanced unlimited lineup is driving elevated step-ups, and we now have approximately 60% of our customer accounts on unlimited plans with over 1/4 of those on premium tiers.

Customer retention remains very high and is a function of reduced customer activity levels across the industry as well as a testament to the Verizon network performance and ever-improving customer experience. Postpaid phone churn of 0.63% was an improvement of 16 basis points from a year ago. We continue to see strong customer collections based on the demand for our services and the quality of our customer base.

Our Stay Connected payment plan that allows Keep Americans Connected customers to pay off their service balance over 6 months has been well received. Including consumer and business customers, we have approximately 1.2 million accounts on these payment plans, with over 90% having made a payment and the majority with current balances.

Based on our early activity, we expect involuntary churn in the fourth quarter to be modestly higher than typical levels but to remain better for the full year compared to 2019. We will continue to work with these customers to keep them connected during these tough economic times.

While postpaid phone gross adds were down approximately 22% primarily due to lower store traffic and changes in timing of phone launches, our low churn drove postpaid phone net adds of 142,000 for the quarter as compared to 239,000 in the prior year. The retail postpaid upgrade rate remained low at 4.2% and contributed to the decline in wireless equipment revenue.

In addition to the strength in postpaid wireless, prepaid net adds of 77,000 marks our best performance in several years. We look forward to the completion of the TracFone transaction to further enhance our position in the segment where we have been historically underrepresented.

In consumer Fios, Internet net additions of 139,000 were up significantly both sequentially and year-over-year. Total Fios Internet net adds across the company were 144,000, which is our highest total since the fourth quarter of 2014. The demand confirms our customers' appreciation for our new Mix & Match offerings and the quality of our product when reliable Internet service is more important than ever.

Our Fios team did an excellent job working through the installation backlog from 2Q, and we are nearing normal pipeline levels after limiting operations in 2Q for precautionary safety purposes. Consumer Fios video net losses of 61,000 improved slightly as live sports content has picked up, but cord cutting remains the key driver of video disconnections.

Now let's move to Slide 10 to discuss the consumer financial performance. Consumer operating revenues were down 4.3% primarily driven by a significant decrease in wireless equipment revenue due to reduced customer activity. This decrease was offset partly by growth of 3.1% in other revenue, and wireless service revenue was stronger than expected.

Wireless service revenue improved sequentially and was down 0.7% year-over-year compared to negative 2.7% in the second quarter as customer activity started to recover. The pace of step-ups to premium tiers or unlimited has increased during the quarter and drove underlying growth in service revenue through higher recurring access charges.

Usage and fee revenue improved sequentially throughout the quarter, but international TravelPass remains at low levels. Altogether, usage, fees and TravelPass revenues accounted for approximately 180 basis points of year-over-year pressure in the quarter. Consumer EBITDA margin was 47.4%, which was up approximately 210 basis points from the prior year despite approximately 60 basis points of headwinds from the deferral of commission expense.

Now let's move to Slide 11 to review the business group results. Our business segment continues to be resilient as our customers appreciate the quality of our best-in-class network and product offerings. Demand in the public sector remains especially strong as our team has done an excellent job providing critical solutions to customers across state and local government agencies and education providers.

Despite ongoing wireless volume pressure in small and medium business and enterprise, postpaid churn remained in line with 2019. And we have seen a steady increase in customer activity since the second quarter.

Total business postpaid phone gross adds were down approximately 8% from the prior year. Postpaid phone net adds of 141,000 was down from 206,000 in prior year, but was almost double sequentially as our customer activity continues to return toward pre-COVID levels.

Business segment postpaid phone churn of 0.96% in the quarter improved slightly from prior year driven by favorable retention trends in public sector and small and medium business. The spend activity continues to be favorable as the majority of our suspended accounts have shifted to active status. Our business segment customer base has remained resilient, but macroeconomic conditions will continue to play a factor in the fourth quarter and into 2021.

Let's now move to Slide 12 to review the business financial performance. Total operating revenues for the business segment were down 1.7% from the prior year. Wireless revenue was down slightly due to declines in equipment revenue, partially offset by service revenue growth of 4.9% as compared to 3.1% in second quarter. This was primarily driven by public sector and small and medium business and included approximately 280 basis points of headwinds, predominantly from lower roaming and usage revenues in the quarter.

Operating revenues were also impacted by ongoing legacy wireline declines. However, demand for advanced communication services continues to drive underlying opportunities for the segment. Business EBITDA margin in the quarter was flat year-over-year at 25.2%.

Now let's move on to Slide 13 to discuss Verizon Media Group. Trends resulting from the pandemic continued to impact both search and advertising. However, we are pleased with the sequential improvement from the second quarter.

Total revenue for the quarter was $1.7 billion, down approximately 7% compared to last year, better than our expected range and up 21% sequentially. Year-over-year trends continued the improvement that began late in the second quarter as September revenues were down only 2.4% compared to 19% down in June.

We continue to drive increased customer engagement on our owned and operated properties, with strength in both finance and news as monthly active users grew 22% and 13%, respectively. For the quarter, we saw ongoing strength in our demand side platform, adding more than 1/3 client accounts compared to the prior year. Verizon Media expanded our partnerships and increased our commitment to build advertising inventory in new and emerging formats and launched live events with Watch Together and Yahoo Sports PlayAR. All of these platforms will benefit from 5G and our robust partnership with the NFL to innovate live events together.

Let's now move to Slide 14 for a quick look at the overall wireless performance. Slide 14 shows the key metrics and financial data of the combined wireless products and services from the consumer and business segments for the third quarter. Total wireless service revenue was up 0.3% from the prior year, including the headwinds mentioned in both the consumer and business segments, a significant improvement from the 1.7% decline in the second quarter. Additional details are provided in the financial and operating information and the supplemental earnings release schedules on our website.

Now let's review our cash flow and balance sheet for the quarter on Slide 15. Year-to-date cash flow from operating activities totaled $32.5 billion, an increase of $5.7 billion from the prior year. The growth was driven by continued performance and strength of the business, a nonrecurring tax item in the second quarter, improvement in working capital primarily due to low volumes and payments related to the Voluntary Separation Plan in 2019 that did not repeat this year. As a reminder, we paid 3 of the 4 quarterly federal tax payments in the third quarter, including 2 payments that were deferred from the second quarter.

Year-to-date capital spending was $14.2 billion, up $1.8 billion from the prior year. Our capital expenditures continue to support the growth in traffic on our industry-leading 4G LTE network, the launch and continued build-out of our 5G Ultra Wideband and nationwide networks, the upgrade to our Intelligent Edge Network architecture and significant fiber deployment in 60-plus markets outside of our ILEC footprint.

The net result of cash flow from operations and capital spending is year-to-date free cash flow of $18.3 billion, a $3.9 billion year-over-year increase. Additionally, we invested $1.9 billion for CBRS spectrum to further enhance our network strategy.

We continue to strengthen our balance sheet and opportunistically diversify our debt portfolio to optimize our cost of borrowing, ending the quarter with net unsecured debt of $96.5 billion, down year-over-year by $1.3 billion. Our cash position remains strong, finishing the quarter with $9.0 billion.

In September, we completed our second green bond issuance with proceeds of $1 billion, primarily in support of our goals to source 50% of our electricity consumption from renewable energy by 2025 and be carbon neutral in our operations by 2035. The issuance also supported diversity and inclusion in the underwriting syndicate, strengthening our long-standing partnership with minority-owned financial firms on capital markets transactions.

Our net unsecured debt to adjusted EBITDA ratio at the end of the quarter was 2.1x versus our targeted range of 1.75 to 2.0x. We remain focused on achieving this target over time while maintaining a strong financial position to give us flexibility to invest in the business.

Let's move on to Slide 16 for an update on guidance for the remainder of the year. Hans and I are very pleased with the performance of our team in the third quarter, building on the momentum we've seen over the past several quarters. In the face of an uncertain operating environment, we are seeing steady improvement across our business.

Wireless service revenue in consumer and business is recovering faster than we initially anticipated. And we expect total wireless service revenue to grow by at least 2% in the fourth quarter compared to the prior year.

We previously guided to full year adjusted EPS of negative 2% to positive 2% change from 2019. Given the 3 quarters of resilient earnings and the trends we see into the fourth quarter, we expect 2020 adjusted EPS to be accretive and are revising our guidance upward to 0% to 2% growth for the full year. This includes the previously discussed accounting headwinds, the impacts from COVID and new device launches in the fourth quarter.

We are extremely proud of the Verizon team that puts us on track to deliver earnings growth in a year with truly unprecedented challenges. There is no change to our guidance for other income statement items, including depreciation and amortization, interest expense and the adjusted effective tax rate.

We expect our full year CapEx to be at the upper end of our $17.5 billion to $18.5 billion guidance. The supply for network equipment is strong, and we continue to deploy fiber and small cells at a tremendous pace in order to enhance our network leadership position and achieve our goals for 2020.

Our performance this year through 3 quarters has shown the strength of a great team, a resilient business and a sound strategy. Our focus on our core competencies and the strength of our balance sheet has given us the ability to invest in the business and support all of our stakeholders in times of uncertainty.

With that, I'll turn it over to Hans to discuss our priorities for the remainder of the year.

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

Thank you, Matt. Let me just quickly summarize where we are. I think we are in a moment where we are executing against our strategy in a really good way, and we are creating the opportunities for our growth that we're aspiring for.

And let me start with the 5G. There are so many things we have done in the last 3 months and into this quarter that is really paving the way for our best network and for our customers to enjoy this tremendous opportunity to be on 5G.

When it comes to strengthening our core, new partners are important for our ecosystem, but we're also looking into new segments. You heard me talking about the 5G mobile edge compute that we continue with, but also ambition to acquiring TracFone to see that our Network-as-a-Service is really the fundamental strategy that we can monetize on top of and seeing that we continue to be the leader in this market.

Finally, new revenue models, many of them have been discussed. But clearly, we see a new opportunity, especially in the business group with 5G mobile edge compute, also based on what's happening with health care and education. And we are taking care of some of them already but more opportunities coming with partners that we have announced this quarter, but also with partners in the future.

So all in all, a very good quarter. I think we're in a very strong position to continue in the fourth quarter and into 2021 as we're executing on our strategy.

With that, I hand it back to Brady for the Q&A.

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

Okay. Thanks, Hans. Brad, we're ready to take the questions.

QUESTIONS AND ANSWERS

Operator

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

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

I'm sure you're not surprised, but the principal topic of conversation with investors over the past week has been the iPhone 12 promo that you rolled out and that your peers have rolled out. And if we look at the way yours is structured, it's effectively a subsidy.

And so the question we've been getting is, what got you comfortable with the nature of that subsidy design? What positive impact are you expecting to see on your operating performance as a result of the promo? When are we going to see it as investors and analysts? And is there anything about the initial acceptance of the promo that has given you a sense that it's working or that you need to adjust?

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

Thank you. I mean let me start by saying that we feel really good about our position and, first of all, with the network we have, the offering that we are doing based on the Mix & Match, but also the offering you're alluding to and then, of course, the position we have when it comes to the iPhone 12, where we have Ultra Wideband in all of them. So I think we're operating -- we're in a position of strength. We feel really good about our offerings.

We also feel good about the response. I mean it's very early. I cannot say so much about the preorders. Remember, it's only 2 phones that is in preorder right now. There's coming 2 other iPhones the 6th of November when it comes to preorders. But we're happy with the preorders so far.

And as you've seen from Matt talking about the guidance, we feel also good about the quarter and how we're going to handle this. And as you know, I mean, this is not the first time we're into a cycle of iPhones. And our guys, they know how to deal with this, and they are very financially prudent seeing that long term and medium term, this is going to be very positive for our customers and our shareholders. So we feel really good about it. Matt?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Yes. Thanks, Hans. And Brett, thanks for the question. So as I look at the promos we have around the iPhone right now, the overall construct isn't very different from what we've had previously. Some of the details are obviously changed from promo to promo, but this construct is very similar to what we've done for the past few years, really since we've been in an unlimited world.

So we're certainly expecting to see good customer take rates. We expect that to drive step-ups as we get more customers in unlimited and expect that we are very focused on driving value-accretive growth across the customer base and developing long-term relationships with our customers. And the promos we put in place right now are very consistent with that methodology that we've had for many years now.

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

And just one quick follow-up question. I don't know if you've made a decision on this yet or not. But for how long do you expect this payment offer to be in the market?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Hey, we'll have to wait and see how the market develops here over the fourth quarter. I'll tell you what, though, I'm very excited.

When you think about having the best network, both 4G and building the best 5G network, you add it with the best device portfolio, you add that in with the best value proposition with what you've done with -- what we've done with Mix & Match 3.0, that is an incredible combination. And so there's a number of levers available to us, but I'll tell you what, Brett, I am very happy sitting here today, holding the cards in my hand that we have and look forward to how the marketplace will develop in the fourth quarter.

Operator

The next question comes from Phil Cusick of JPMorgan.

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

First, a follow-up on Brett's. Can you give us some idea of what has to happen to hit the high end or low end of the fourth quarter earnings guide? Think a lot of people are pretty impressed with the high end, and I imagine that, that would have to be a lot less competition than we're seeing in the market today, but I appreciate your thoughts.

And second, on customer payment trends, you're the first major service provider to report. Can you give us more details on the Keep America Connected recovery trends in consumer and business payments? Are those on time? And you forecast that churn should pick up in the fourth quarter. Can you help us quantify that at all?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Yes. Thanks, Phil. So starting with the first question on the fourth quarter range. So when you look at that, really thinking about the momentum coming out of the third quarter and the momentum that built in the third quarter with customer volumes improving as we reopen the stores, service revenue back to growth, step-ups driving that, the move to 3.0, I'd tell you within the service revenue growth of 0.3%, it improved throughout the quarter.

The number was better in August than in July, and it was better in September than it was in August. So good momentum coming into the fourth quarter, the best Fios growth number that we've had in almost 6 years, so a lot of positives across the company as we come into 4Q. And then as you come into the quarter, not just the iPhone launch, but 5G nationwide, a lot of exciting things going on.

So when you look at the year-to-date EPS number, we're up $0.01 on a year-to-date basis. And so we feel very confident with the momentum we have coming into the quarter that we will ultimately have accretive EPS for the year as a whole, even with the impacts of COVID in there and the accounting headwinds you heard from Brady and everything else. So it gives us a really good place to finish the year and jump off into 2021.

On the customer payment trend side, again, very pleased with what we've seen from customers on the Stay Connected program that we put Keep American Connected customers into at the beginning of 3Q. The payments have been in line with what we expected. We have a very experienced collections process. We have the best quality base of customers in the industry, and you see that come through in the churn results.

As we get into the fourth quarter, you'll start to see the small percentage of those customers that are still struggling with the payments get all the way through the collections process and a very modest uptick in involuntary churn. But I still expect involuntary churn to be below last year on a full year basis, which speaks to the testament of the work our team does and the quality of the customers that we have.

Operator

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

David Barden - *BofA Merrill Lynch, Research Division - MD*

Could we talk a little bit about from the millimeter wave network perspective, the kind of 2 aspects to the business, one being the mobile network connectivity. You've talked about deploying about 5x more small cells in 2020 as you deployed in 2019. But I think that people don't have a sense as to kind of a footprint or a number that you can put around that.

And thinking into 2021 as the iPhone 5G becomes a thing, can you quantify and elaborate a little bit about what the goals are for that mobile Ultra Wideband Network? And then second, as you've kind of gotten out to 8 cities with the 5G Home, can you kind of put a number around what is that addressable market look like today? And what is the goal for that to look like in 2021?

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

Thank you very much. Let me start. And first of all, I mean, our strategy has been consistent over the years and -- when it comes to the Ultra Wideband. And the deployment has also been very consistent. And remember, when it comes to the Ultra Wideband, it's just an unparalleled experience. I mean, you might have seen that yesterday, we actually made test that will come up to 5 gig right now. So this is just giving some totally different experience.

And that was the whole idea when we started it. We wanted to build something enormously transformative. And that's what we have. And that, of course, is playing into the whole rollout of the iPhone 12 as well that is all capable of Ultra Wideband.

When it comes to our rollout, I mean, last week, we added 19 cities, and the majority of the cities who had already launched were almost double the size of the footprint. So we are in an enormously big rollout on Ultra Wideband. And as we said, 5x more base station this year compared to '19.

I will give you one number. I mean the last 2 months, we deployed more radio base stations than we did in entire 2019. That's the pace we are up to. So our footprint is just growing. And even though there's no people or spectators in the stadiums, with the super app with NFL, what we're doing is, of course, we have 5G in the stadiums, and we can project that out. So you, as a user, you can get that experience by not being in the stadium with 7 screens.

So I see we are continuing to do transformative things, and the whole ecosystem is around us. As you have seen, we're now up to 5 different sites with Amazon commercially on the mobile edge compute. We're building a lot of great opportunities and transformative business transformations with it.

So we are really excited about it, and we can see the consumers are excited about that as well. But we're augmenting every day, and I'm extremely happy with our technology team are deploying this together with the fiber we're doing at the same time. So you will see more and more. We're just augmenting the Ultra Wideband Network.

And as -- I just need to also state that, remember, we also launched our nationwide 5G, covering more than 200 million people, which is on par or better than our 4G, which clearly is the best in the nation. As I said, we -- I'm not sure how many times have won the RootMetrics, J.D. Power, and now we're adding that nationwide. So we feel really good about our situation when it comes to network and what we can give to our customers.

On the 5G Home, you're right, we are now on 8 cities. We have -- we're also augmenting, of course, those cities with Ultra Wideband, and we have 2 more cities before year-end. But I said before, I mean, there's no reason why any city that we have mobility in will not be a 5G Home city as well.

And now with the CPE that we came out with early in the fourth quarter, we also have a very compelling offering, very transformative, with a self-install, with a CPE that is much more powerful than the previous ones, much easier to detect and all of that. So we feel good about that.

That doesn't change what we have said before when it comes to our revenue trajectory for 5G and the different business cases we have. But what it shows is that we are really in execution mode right now and bringing monetization on top of our 5G investment that we have been on to for the last 3, 4 years or as long as I remember because I have been here for 2.5 years because we have all the time been on this strategy.

So I'm very pleased with this third quarter. We have more to do in the fourth quarter, but a lot of things are coming in place for us right now to really talk about our strategy.

Operator

The next question comes from John Hodulik of UBS.

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

I think I got 3 quick ones. First, the -- some strong service revenue growth guidance for the fourth quarter. What's driving what appears to be accelerating migration to those higher-tiered, unlimited plans? That's number one.

Number two, given the earnings guidance and the fact that year-to-date, you have some slight earnings growth, it would appear that you're not expecting much dilution in the fourth quarter from what we're seeing on the iPhone. And I guess, given the promotions out there, does that mean that you don't expect a meaningful increase in overall volumes in the fourth quarter this year as we look versus last fourth quarter?

And then lastly, a follow-up to David's question. On the millimeter wave, obviously, inclusion in the iPhone would seem to be a big positive for you guys from a competitive standpoint. Hans, is there any opportunity to go faster with that 5G deployment? I know you're doing 5x the small cells that you did last year, but it would seem to be a nice competitive sort of advantage for you guys to get that out there as soon as possible. I'm just wondering from a CapEx standpoint, does it make sense to go -- to put the pedal to the metal?

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

Thank you. Let me start just hitting a little bit on service revenue and then millimeter wave, and then I will hand it over to Matt. So on the service revenue, I just want to reiterate the strategy we have had now since we launched unlimited and the work that Ronan and the team are doing as well as Tami when it comes to our Mix & Match, et cetera.

This has been a journey where we are differentiating our customer experience towards any of our competitors. I mean first of all, we can Mix & Match. Number two, we have offerings with partners that no one else have, everything from Disney+ to Apple Music. We have just put a totally different way of dealing with our customer. And thus, you see the payout.

And remember, in the fourth quarter and the third quarter last year, we were in a fantastic trajectory on the service revenue. Then we all know what happened in the pandemic, and now we are showing that we're back. And as Matt said on the service revenue, we had better trajectory in the month of August and in July and in September. So the guys are doing a great job. I will leave it back to Matt later on for the service revenue comments, but that's how I feel about it, how good these guys are doing this.

On the millimeter wave, yes, I agree with you. We are just creating a competitive advantage with the whole millimeter wave and the Ultra Wideband. And you can see that all the partners we're lining up are really excited about it, if it's Apple or if it's Wild Rift, which is the biggest game in the world that will be exclusive with us. All of that is happening at the moment.

I'm pushing the team every day to go faster. Now we have also unconstrained supply. I mean we didn't have that last year when we were so early on this. And some might not remember that the conviction or the word was that 5G will start to be deployed in 2020. We have commercial networks. We have 55 cities. We're nationwide. And we have pushed the envelope of technology with ecosystem since 2015 to be where we are today.

But don't worry. I'm pushing, and I'm going to push as well, and we are managing this within our CapEx as well. So the team is doing well. We are giving all the resources they need because we understand what competitive advantage we are creating. Matt?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Yes. Thanks, Hans. So John, on the service revenue growth. So certainly, the migrations to unlimited are part of it. But if you look at the improvement quarter-over-quarter, and I know there's a lot of focus on the consumer side, but I'll be remiss not to point out the improvement on the business side as well.

Business service revenue increased from 3.1% growth in 2Q to 4.9% in 3Q, largely in public sector and small, medium business. And as good as our market share is in consumer, it's even better in the business segment. So that continues to be a driver of service revenue.

But within the consumer side, certainly, continued migrations to unlimited. And as we continue to add value to the proposition, which you saw us do with Mix & Match 3.0, we continue to see more customers migrate over. And not just migrating over, but more customers are migrating over to the upper tiers of unlimited as well. We see more of our new accounts taking unlimited than we've ever seen. And we think there's continued opportunities within the base to migrate people over and step them up further. So good trajectory on service revenue and headroom for even more to come.

On the EPS guide, you're right. We feel good about where we'll be in the fourth quarter here, and you see that in the guide. And as you think about the iPhone promos, while certainly, we think those are value creative for us, I'd also draw your attention to, especially on the consumer side, how the accounting of those promos under the 606 accounting standard. The -- a large part of those promo costs will be amortized over the next 2.5 years or so rather than hitting the income statement upfront.

So from a 4Q standpoint, the iPhone promos are more of a working capital issue than they are an EPS issue. But as we think about the forward view, that's all fully baked in and feel very good about where we should be in the current quarter and the jump-off point into '21. And even with an increase in volumes coming through year-over-year, we expect to be accretive on EPS for the full year.

Operator

The next question comes from Simon Flannery of Morgan Stanley.

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

Strong numbers on the Fios Internet side. Perhaps you could just unpack how much of this is the delays from the installation backlog from Q2? And what's sort of the underlying trend both on adds going into Q4? And also, on ARPU, what sort of speed tiers are you seeing? Are people upgrading within the Fios space there?

And then maybe, Hans, you could just speak to the broader economy. There is concerns that as some of the fiscal stimulus ends, we'll see more small business closures, et cetera. What are you hearing from CIOs and others as you engage with them?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Yes. Hey, Simon, thanks for the question. I'll take the Fios one first. So look, a lot of great effort by the teams during the quarter. And what you really have is a fantastic product and a fantastic team putting it out there. And you see the results: a 144,000 net adds on Internet in the quarter was our best in almost 6 years.

There was a little bit of impact from working through the backlog from Q2. But I can tell you, even without that backlog impact, we'd have been significantly north of 100,000. So it's -- while that was a factor, it wasn't the driving factor. The driving factor is the quality of the product, which customers value now more than ever and combined with the Mix & Match product that we brought, the pricing proposition that we brought into Fios from wireless in the early part of this year. And when you brought those things together, we're seeing great results.

So strong demand has continued into October. And I would expect we will see a normal level of seasonality in 4Q, where we see a little bit of a drop-off in overall industry volumes and as you get towards the holiday season. But great to see us taking share again in the Fios world.

And again, it's just the combination of both the great product and you put it together with the Mix & Match construct, and it's really resonating in the marketplace. So -- and then I think we still have room to grow there with a good amount of customers still with the opportunity to step up to gigabit speeds.

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

On the broader economy, I mean, I can only say 2 things: I mean first of all, I mean, the public sector customers and the large enterprise customers, in general, very high activities. There are, of course, certain large enterprises that are a little bit subdued because there are industries that are having very tough times, like the airline industry and tourism or transport.

So -- but all others, I would say the activity level is higher than ever. Many are taking advantage of digitalizations and actually changing the way you're working. And this is playing straight into our strategy that we have been deploying for years, both with the technology but also with the go-to-market we designed 2 years ago or 1.5 years ago.

And finally, I think the small and medium business, that's where we see the challenge because we still have companies that have closed down and are waiting to see if they're going to get back. It's not getting worse, but we still have that concerns for small and medium businesses that are hard to say. So when I talk around with my colleagues in the industry, the CEOs, they see the same a little bit.

We don't know where the small end business will go after this. It depends on how long this economical downturn will be, but we haven't seen a worsening yet, at least lately. So that's where we are.

Operator

The next question comes from Craig Moffett of MoffettNathanson.

Craig Moffett - *MoffettNathanson LLC - Founding Partner*

I want to ask a question about gross additions if I could. AT&T's promotion seems to be quite different than yours and T-Mobile's in that it's very much focused on retention. And just given that gross adds are already down sharply and the cable industry is taking a good chunk of gross add growth, how do you think about gross additions going into the fourth quarter and into 2021? Is there the potential that the market is sort of starved of growth here, and that it forces a more competitive stance or a more aggressive stance from you in particular, but for the industry overall?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Craig, thanks for the question. I think the only thing I can say to that, I feel very good about our expectation for gross additions going into the fourth quarter. We got the right combination of the best network, the great handsets out there, the right customer propositions. I think we'll do very well from a gross addition standpoint here in 4Q.

Craig Moffett - *MoffettNathanson LLC - Founding Partner*

And if I could just ask a follow-up about the cable industry. Just the cable industry is now having -- has its own 5G promotions. How do we think about 5G under the cable contract, the MVNO contracts that you have with the cable industry?

Is it fair to assume that you reopened the contract for special pricing? Just given that at least I think most people's understanding is that the original contract was priced on a per gig basis of some kind, and that would be hard to do in millimeter wave, given the kinds of volumes that somebody could run up.

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

Craig, first of all, as we all know, there large MVNOs in these countries together with us, and we are very happy with that. They are very good customers to us. We have a good relationship with them. And they have been taking some share.

And again, it's playing straight into the strategy we designed for 2 years ago, the Network-as-a-Service to actually monetize the network and the capital spend better than anybody else in this market. And I'm just happy to see that what's happening. I cannot go into any contractual things we're doing. But again, we are happy. I guess they're happy as well. So that's how it works.

Operator

The next question comes from Michael Rollins of Citi.

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

A few if I could. First, could you just break out the $0.05 of COVID dilution, where that would appear in the income statement during the quarter?

Secondly, as you described the cost-cutting program that's starting to get to the home stretch towards that $10 billion target by the end of '21, where do the remaining savings come from in terms of the business activities? And is it an expense opportunity for savings or CapEx savings opportunity?

And then just finally, on a more broad basis. I was just wondering if you can give us an update on how you see the importance of content bundles in your wireless rate plans. And if there's any further development on the aspirations the management team has described to leverage the consumer base for more bundling opportunities in the future?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Yes. Mike, so as you think about the $0.05 COVID impact in the quarter, down significantly from second quarter, obviously, $0.14 down to $0.05. And we saw an improvement both on the wireless fees, especially on the usage side and also the media revenues. But within the $0.05, the biggest item right now that's contributing to that is travel, TravelPass and roaming revenue. So most of the $0.05 impact is in the service revenue line in the income statement. We think the number will be a little less than that in 4Q and continue to decline as we go forward. But obviously, TravelPass will be an ongoing headwind for some time here.

As you think about the cost cutting, you said we're in the home stretch. I'm not sure I agree with that statement. We're certainly close to the $10 billion target. But as I said in my prepared remarks, we're not stopping there. And I see tremendous opportunities for us across the business, continue to improve the efficiency of our processes and operations. And some of the changes that we've made during the course of the pandemic have only shown us additional opportunities that are ahead of us. So we'll get to the $10 billion, and then we'll just keep on going.

And then finally, the importance of the content bundles you mentioned, the teams are always looking at the right way to bring the best value proposition to our customers. And we're in a unique position, given the size of our customer base and the quality of our customer base. We're very much the partner of choice for a lot of content providers. We're very happy to have bring the Disney bundle into the 3.0 construct. And if we see other ways to bring value to our customers in a way that also brings value to us, we'll certainly continue to look for those. But we're very happy with the pricing constructs and the overall value proposition we have in the marketplace today.

Operator

The next question comes from Doug Mitchelson of Crédit Suisse.

Doug Mitchelson - *Crédit Suisse AG, Research Division - MD*

I think the iPhone questions are taken. So Hans, my question is, it's kind of a funny one. How patient are you? You've had a singular focus on wireless and 5G since you've taken over. It's a low interest rate environment, unprecedented bond market, capital is cheap. You're intensely focused on wireless leadership. So how long is your investment horizon?

If you see a great investment opportunity, maybe a large and onetime opportunity, does it have to cover what is now a bit lower cost of capital in 3 years, 7 years, 10 years? How do you think about investing in terms of time frame, Hans?

And Matt, sort of paired with that, same question on the balance sheet. You mentioned the idea of getting to your target leverage over time. And again, the debt markets are so attractive right now. I would think that would give you more balance sheet flexibility and elongate the time frame by which you might need to hit that target range.

How do you want investors to think about what over time means? Is that a year or 3 years?

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

On the first question, first of all, I'm happy that we've answered all the iPhone question because that's an important piece for us, because it was such an important event for us last week. So thank you for that.

On the horizon on investment, they're, of course, different depending on what we're investing. And so it's hard to just make an answer. But clearly, we are trying to monetize as quickly as we can on all the investments we're doing. And that's why we're talking so much about the monetization right now as we have done quite a lot in the network, all the way from the Verizon Intelligent Edge Network and with all the 5G. And all the 5G use cases that we outlined, the 3 business cases are now up, running commercially.

So now it's up to our sales team to sell. I mean it's Ronan, it's Tami, it's Guru, the 3 CEOs that now needs to get out with a sales force to sell on it. Because, Kyle, which is running the technology, has bumped this network up to something that we have never seen before. So that's how I see it. So it's really execute right now.

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Doug, on the balance sheet flexibility, I mean, we -- our capital allocation model continues to be what we're aiming towards. And we're very happy with the progress we've made on the balance sheet. It gives us the flexibility and the agility to pursue opportunities as they come up. As you've seen that even in the course of this year, we've done with BlueJeans, with TracFone and certainly with the spectrum transactions that have taken place already this year. So that will continue to be our focus to have that target, and we'll get there as quick as we can. But no change to how we're thinking about capital allocation.

Doug Mitchelson - *Crédit Suisse AG, Research Division - MD*

Right. If you wouldn't mind me sort of adding a follow-up to that, Hans, when should investors expect to see a material level of 5G revenue, given all your efforts on that front? Is there sort of a time frame or a year we should think about where we're going to go, aha, there it is.

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

As we outlined, I think already 2018, when it comes to 5G Home and mobility, we would start seeing something in 2021. And then 5G mobile edge compute is for 2022. That's what we said already, I think, at the Investor Day at 2018 or '17. So we stick to that, and we execute on it. And this team, they are a phenomenal group of executors I have here in Verizon.

Operator

The next question comes from Kannan Venkateshwar from Barclays.

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

So a couple, if I could. I mean the first is, Hans, I mean, on TracFone, could you just contextualize the objective, why the change of heart in prepay, with respect to prepaid? Is it more a commentary on the macro environment and the saturation levels in the industry? Or is it more from the perspective of an origination pipeline? Obviously, the deal is accretive financially, but strategically, what's the broader goals that you're hoping to solve with that?

And secondly, I guess there's been a lot of headline last couple of days around the Google payment to carriers. And the amount seems meaningful enough, and it's pure margins for the most part. So if you could just help us understand how big revenue streams from application providers are and where that shows up in your P&L, that might be helpful.

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

Okay. On the TracFone, our strategic intent is, of course, going back to the Network-as-a-Service and seeing that we monetize the network in the best way. And of course, the value segment is a growing segment that is also giving us growth.

So we are hitting on 2 of the main objectives here: one is, of course, to monetize our network better than anybody else in this market and the capital invested; and secondly, be part of the growth and seeing that we are actually playing in all different segments of the market when it comes to wireless. So that's the objective.

And as you might know, the majority of these customers on TracFone, they're already on our network. So that's -- we have the synergies from it. But clearly, that's how we see it. But we need to close it first. We have said that it's in the second half of 2021. So it's a while until we get there. So we will definitely give you more updates on that as we go on. Matt?

Matt Ellis - *Verizon Communications Inc. - EVP & CFO*

Yes, Kannan, there's a certain amount of revenue that we get from application providers, but it's not a material part of the overall revenue stream.

Operator

Your last question will come from Tim Horan of Oppenheimer.

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

Can you give us some color on how many fixed wireless subs you think you can have kind of longer term? And what -- when do we kind of ramp up to kind of full ability to add kind of customers on a monthly basis? What do you think that run rate would look like?

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

Thank you. On the fixed wireless access customers, as I said, we are now 2 offerings in the market. We have one, which is 4G, and then, of course, we have the 5G, which is the big push for us.

We have said we're going to address 30 million households over the 5 to 8 years. That's where we -- what we're addressing. And hopefully -- not hopefully, our ambition is to take a fair market share of that one as we have done with the Fios. So that's what we're pushing for.

And our team is always geared to do better than the expectations. So of course, we are pushing them hard. And as we are releasing more and more sites and more and more homes for sale, we're going to start reporting it.

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

And how important is the new equipment? How much better is it? And how easy is it to install?

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

It is a step change. I would say, it's clearly a step change when it comes to both the self-install, but also how much more we can cover with that CPE because it's is bringing in so much more of the signal compare.

Remember, the first CPE we had was basically a smartphone chipset sitting in the CPE. That's what we had. So basically, we had a smartphone being the CPE. This is catered for being indoor or outdoor CPE. And as we have reported before, we have a lot of indoor installations right now because this is working very well. So it's a step change and mainly because we can address so many more households from one radio base station. That's the importance of it.

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

Yes. Thanks, Tim. That's all the time we have today. Everybody, be safe, and have a great week.

Operator

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