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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning. and welcome to the Verizon fourth quarter 2024 earnings conference call. (Operator Instructions) Today's conference is being recorded. (Operator Instructions)

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 - Senior Vice President*

Thanks, Brad. Good morning, and welcome to our fourth quarter 2024 earnings call and AI update. I'm Brady Connor. And on the call with me this morning are Hans Vestberg, our Chairman and Chief Executive Officer; and Tony Skiadas, our Chief Financial Officer. In addition, we have our Business Group CEO, Kyle Malady, who will be giving an update on our AI strategy; as well as our Consumer Group CEO, Sampath, who will also be joining us for Q&A.

Before we begin, I'd like to draw your attention to our safe harbor statement, which can be found at the start of the investor presentation posted on our Investor Relations website. Information in this presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Discussions of factors that may affect future results is contained in Verizon's filings with the SEC, which are available on our Investor Relations website.

This presentation contains certain non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are included in the financial materials posted on our website. Earlier this morning, a detailed overview of our fourth quarter and full year results was posted to our Investor Relations website. We will also be posting supplemental materials relating to today's call on our website shortly.

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

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

Thank you, Brady. Good morning, everyone. I will begin by addressing the wildfires and the devastation that the Los Angeles area has experienced in recent weeks. Our hearts go out to everyone who has been impacted.

At Verizon, we're always run to a crisis, and this time is no different. Our teams are working hard to protect and restore service to affected areas, support first responders and help neighbors safeguard themselves. The Verizon frontline crisis response team is closely coordinating with federal, state and local public safety agencies as they continue wildfire response and mitigation efforts.

Verizon's network is holding up strong, maintaining critical connectivity for the community, businesses and first responders. Our engineers have been working around the clock restoring near all of the macro cell sites that were impacted. And we will continue to be here for our employees, customers and communities in L.A.

Now let me turn to earnings. We had a successful year with great financial and operational results. We delivered on our financial guidance with 3.1% wireless service revenue growth and 2.1% adjusted EBITDA growth, both exceeding the midpoint of our guided ranges. We generated strong free cash flow while absorbing higher taxes.

We added nearly 2.5 million postpaid mobility and broadband subscribers in the year while expanding our margins. We ended the year with an industry-leading total wireless service revenue of $20 billion.

In mobility, postpaid phone net adds were nearly 900,000 for the year. Consumer postpaid phone net adds were positive with and without the impact of our second number offering, and business postpaid phone net adds exceeded 0.5 million. Prepaid net adds, excluding SafeLink, were positive for the year, and for the first time since the TracFone acquisition. This has been a great turnaround by the consumer team.

On broadband, we added nearly 1.6 million subscribers and grew market share in 2024, led by continued success of fixed wireless access. We ended the year with over 12.3 million broadband subscribers, including nearly 4.6 million fixed wireless access subscribers and over $2.1 billion on fixed wireless access revenue. We're off to a great start to hit our next milestone of 8 million to 9 million fixed wireless access subscribers by 2028.

We continue to scale private networks, winning work with Xerox, Cummins, Inc, FIFA and, more recently, the US Air Force. We were the only US carrier to be named a leader in the first-ever Gartner Magic Quadrant for private wireless services. Gartner recognized us for our vision, the work we have done to build the market and our industry-leading execution.

We drove efficiencies and continued the business transformation. We ended the year with less than 100,000 employees, down close to 20,000 over the last three years. Continued business transformation gave us more flexibility to execute on our strategy and capital allocation priorities.

We continue to invest in the business and made strategic moves for long-term growth. We launched customer-first offerings such as myHome and Verizon Access, refreshed our brand and signed strategic transactions, including Frontier, the Tower deal, UScellular spectrum and satellite partnerships.

We raised the dividend for the 18th consecutive year and continued debt pay-down, ending the year with a net unsecured debt to adjusted EBITDA ratio of 2.3 times. We have a great deal with both customer and financial growth as we continue the strategic transformation of the company.

Looking forward to 2025, we will continue to focus on our three key financial metrics. Wider service revenue, adjusted EBITDA and free cash flow. While Tony will provide these details, I would highlight the underlying wireless service revenue growth is expected to be nearly double the guided range when excluding promo amortization.

With that, I will turn it over to Tony to say a few words about the quarter and cover the guidance for 2025.

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

Thanks, Hans, and good morning, everyone. As we reported earlier this morning, we closed the year with strong operational and financial performance. The steps we took in 2024 to improve our execution while maintaining financial discipline continued to bear fruit.

We added nearly 1 million postpaid subscribers onto our mobile and broadband platforms in the fourth quarter, our highest quarterly result in over a decade, while also delivering on our financial guidance for the full year.

We delivered solid growth in postpaid mobility with 568,000 postpaid phone net adds in the fourth quarter. This includes 426,000 consumer postpaid phone net adds, giving us positive net adds for the full year with and without our second number offering.

Business had another solid quarter with 142,000 phone net adds and saw strong growth across all three customer groups. The operational rigor we implemented in prepaid continued to pay off in the fourth quarter. Prepaid net adds were 65,000 excluding SafeLink, giving us positive net adds for the full year.

In broadband, we continue to take market share, delivering 408,000 net adds in the quarter. Fixed wireless access accounted for 373,000 net adds and Fios added 51,000 subscribers in the quarter, a solid result given the challenges noted by some of our competitors.

Importantly, we achieved these strong operational results while delivering on all of our 2024 financial guidance. In fact, both wireless service revenue and adjusted EBITDA were above the midpoint of our guided ranges and our adjusted EBITDA margin expanded 50 basis points for the full year.

In the fourth quarter, we delivered 3.1% wireless service revenue growth, along with 2.1% growth in adjusted EBITDA as we balanced investing in customer growth with maintaining financial discipline.

Finally, our free cash flow of $5.4 billion in the quarter and $19.8 billion for the full year allowed us to take meaningful steps to further reduce our debt, consistent with our capital allocation priorities and to better position us for the closing of our pending acquisition of Frontier. Note that our fourth quarter free cash flow included approximately $2 billion in proceeds from the Vertical Bridge Tower transaction. In addition, we made severance payments of approximately $600 million, which represents roughly half of the total payments we expect to make as part of our voluntary separation program.

Turning to guidance. We entered 2025 with good operational and financial momentum, and that is reflected in our outlook. We expect total wireless service revenue to grow between 2% and 2.8%. The key drivers of this outlook are consistent with 2024 and include improving postpaid consumer phone net additions and continued healthy business phone volumes, pricing actions taken in 2024 that carry over into 2025, continuing to scale fixed wireless access, growing adoption of myPlan and accompanying perks and an improving prepaid revenue profile.

As we shared in the fall, we expect promo amortization headwinds to peak in 2025. That said, the underlying customer economics are very healthy.

Please note that beginning in the first quarter of 2025, we are reclassifying more than $2.9 billion of annual recurring device protection and insurance-related plan revenues from other revenue into wireless service revenue. As a result, our wireless service revenue guidance should be viewed in the context of growth off of a higher base of revenue.

We expect consolidated adjusted EBITDA to grow 2% to 3.5% compared to 2024. This outlook reflects the expected higher wireless service revenue and benefits of ongoing cost transformation initiatives, partially offset by continued pressure in business wireline revenues.

The midpoint of the adjusted EBITDA guidance range reflects an expected year-over-year increase of more than $1.3 billion, which is $300 million more of expected growth than we delivered in 2024.

Full year adjusted earnings per share growth is expected to be in a range of flat to up 3%, reflecting the adjusted EBITDA growth, partially offset by higher depreciation and amortization.

As we discussed in October, capital spending for the full year is expected to be between $17.5 billion and $18.5 billion. This guidance is an all-in number that includes all of our growth initiatives. This includes incremental investments to deploy C-band to 80% to 90% of plan sites, accelerating our Fios expansion to up to 650,000 to open for sale locations and launching our fixed wireless MDU solution. As always, we will continue to look for opportunities to efficiently deploy capital.

Regarding cash flow, we expect free cash flow in the range of $17.5 billion to $18.5 billion in 2025. This outlook assumes mid-single-digit growth in upgrades and no change to current tax legislation. Please note that our guidance excludes any impact from the pending acquisition of Frontier. We are currently working with all regulatory bodies that must approve the transaction. The process is going as planned, and we continue to expect the transaction to close by early 2026.

I will now turn the call back over to Hans to go over his 2025 priorities.

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

Thank you, Tony. Looking ahead, our 2025 priorities are clear. A continued focus on wider service revenue growth, adjusted EBITDA expansion and strong free cash flow. Accelerate the mobility momentum and broadband growth while scaling private networks as we expand 5G Ultra Wideband and fiber reach.

Laser focus on operational excellence, financial discipline. And customer experience to drive customer and financial growth. Execution of our capital allocation model. Investing in the business, supporting and growing our dividend, paying down debt and eventually share repurchases. And we will leverage our fiber and edge compute assets to open new revenue streams from the AI ecosystem.

So let me talk about Verizon's AI strategy now. We have worked with AI for many, many years, and we already today have several generative AI products at scale in our company. We outlined a three pronged strategy for AI at Verizon. Let me go through them briefly.

Number one, enhance experiences and drive efficiencies. This is all about employee and customer experiences, driving down costs in our operations. A good example would be FastPass, which I've talked about before, which is deployed in our mobility call centers to intelligently pair customers with the best available care representative.

The second part of the AI strategy at Verizon is to personalize products and solutions. This is much more about how we can be more personalizing the service for our customers. A great product here would be Segment of Me, which is a tool that uses AI to personalize customer experience with unique offers and products.

The third pillar of the AI at Verizon strategy, which we haven't talked so much about but I have promised you several times to come back to it, and that we will talk about today, is connect to the AI ecosystem. And that's the focus of today.

If you think about where we are on generative AI today, today, it's large language modules that are trained at large data centers, and that requires enormous capacities. Over time, that will, of course, come much closer to the edge of the network, both for application, but transport cost, and latency in some cases. This is creating an opportunity for us and has already created an opportunity as we had revenue and EBITDA impact in the fourth quarter. We are now looking into how we can use our assets and our capability to serve this market when it comes to the next step of generative AI.

So I'm very proud and excited to introduce Verizon's AI Connect today. That's our product and solution to address this market and meeting the end customers' needs in the next step of AI, generative AI.

So by that, I will hand it over to Kyle that will talk about and discuss our opportunities and how we're addressing these markets.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and CEO - Verizon Business Group*

Thanks, Hans. It's a pleasure to be here this morning. Verizon AI Connect is the name of our strategy and suite of offerings that are intended to meet the growing demand for AI applications from both our ecosystem partners and end user customers. It's a vision that allows us to utilize existing assets in new ways to service this technology revolution. Whether the AI workloads are across a multi-cloud environment deployed on our customers' premise or at the edge of the networks, we have a suite of offerings that businesses can utilize to fully leverage AI capabilities.

Our vision is built around best-in-class connectivity and edge compute assets. It all starts with connectivity. Over the last 20 years, we have built unmatched fiber assets, not only in our ILEC footprint via Fios, but also outside through our 71-city One Fiber buildout.

Together with our industry-leading long-haul network that stitches these metros together, we can provide lit and dark fiber services to our customers over a large geographic area. We have edge to cloud connectivity and expertise, and we are ahead of the curve in this area.

The investments we have made in our Converged Intelligent Edge Network over the last several years will pay dividends in this new world as users need even more bandwidth and network visibility.

Our network is intelligent and programmable. Customers want to control where and when AI workloads are running. And to that, we are building new capabilities to give users more insight and control via new tools. Essentially, we are allowing them to program their network resources to optimize their operations as they see fit.

And finally, edge compute, as AI shifts from training to deep deployment, the need for distributed computing will become increasingly important for real-time decisions and predictions. We have thousands of distributed telco facilities, many of which already have power space and cooling available for this compute at the edge.

As we take stock of our existing assets, Verizon's ability to be a foundational player in the AI ecosystem is clear. The technical infrastructure required to enable AI is evolving. AI demands massive amounts of data, powerful chipsets and high-speed, secure, flexible network connectivity.

Market analysts estimate there will be over $1 trillion of investment in AI infrastructure over the next 10 years, and some suggest AI network traffic will grow at 35% plus CAGR over the next five years. Enormous investments have been announced, and we expect more to come. All of this AI infrastructure will need to be underpinned by secure network connectivity that will bridge the new distributed compute landscape. At Verizon, we see ourselves as not just participants in this AI-driven future, but as a key player enabling its success.

Verizon's leadership in the enterprise connectivity market is poised to become even more crucial as AI applications become more widespread among end-users. We believe Verizon will serve as the essential link between these Gen AI applications and the firms who utilize them.

With growing network of over 16,000 near-net enterprise locations, Verizon is positioned at the forefront of the AI deployment, providing the connectivity solutions that will enable the seamless integration of AI applications across a wide range of industries and sectors.

We also have extensive connectivity of third-party data centers currently ranking a close third in the market. Data centers will continue to be crucial in this new AI-powered world, and 40% of data centers are expected to face operational constraints by 2027, which is another factor in workloads moving to the edge. Verizon's extensive fiber and programmable networks are ready to meet these demands across key markets.

And we're not alone in recognizing the opportunity. Industry analysts are seeing and predicting further significant growth in the AI market. Hyperscalers are expanding into new markets and they need high capacity connectivity. The industry is seeing a surge in cloud migration and colocation demand.

Lastly, power space and cooling are the currencies that are in demand right now, and we have all three. As we look across our assets, take inventory and compare against other players in the market, we believe that we are in a leadership position when it comes to usable power and space. We have facilities across the United States that either have spare power, space and cooling or can be retrofitted. As we sit here today, we have 2 to 10 plus megawatts of usable power across many of our sites. Also, as we move through our network transformation work, we will continue to free up more resources that could be made available for AI Connect.

In addition, we have between 100 and 200 acres of undeveloped land, some currently zoned for data center build and much of it in prime data center friendly areas.

This is not a theoretical discussion. We are seeing increasing demand for our AI connect offerings. We already have a funnel of over $1 billion simply leveraging our existing infrastructure. Major players such as Google and Meta have purchased capacity in our network with the intent of using it for their AI workloads. Some of these deals are reflected in our fourth quarter results and are contributing to the margin improvements you saw in the quarter.

We are working closely with industry players like NVIDIA to reimagine how telco functions can work along with AI workloads. We are starting this development at the far Edge in a private network. The applicability will go beyond that and potentially into the macro network at some point.

I'm also happy to report that we have a new strategic partnership with Vultr. A leading global GPU As-a-service provider and cloud computing provider. Initially, Vultr will deploy their GPU as a service infrastructure in one of our data centers and tap into our high-capacity fiber network for distribution. We anticipate helping to broaden their reach and enable our mutual customers with AI training and inference capabilities at the edge over time.

The bottom line is we are ready to help power the AI ecosystem. We have the assets, the expertise and the vision to deliver AI solutions at scale. By unlocking the potential of our existing assets, we can further improve the financial profile of Verizon business. The team has worked hard over the last few years to help mitigate the impact of secular wireline revenue pressures. Together with continued strong results in mobility, FWA expansion and work on cost efficiencies, Verizon AI Connect positions us for success into the future.

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

Thank you, Kyle. I hope you now got more insights to how we see we can connect the AI ecosystem, both from the capability point of view and also from the assets we have. and that we already now have customers and solutions in the market. And this is just the beginning. I'm really excited of what we see right now as an opportunity for us in this area.

Lastly, we had a great 2024, and I look forward to exciting opportunities and continued growth ahead. So by that, I hand it over to Brady to handle the Q&A.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

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

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions)

John Hodulik, UBS.

John Hodulik - *UBS Investment Bank - Analyst*

Okay, great. Thanks and good morning guys. Maybe first starting off with Kyle's commentary on AI Connect. Just any sense to -- in terms of the overall -- I know -- I realize it's early, we're getting these announcements seemingly like weekly now. But any sense in how big this opportunity could be both on the connectivity side or in terms of the space and power? Would be great. Just to frame it out for us.

And then maybe more operationally, you guys showed some real momentum to end the year, both on the wireless side with gross adds up over 5%, and in the broadband side. A, could you talk a little bit about the drivers of that momentum? And have you seen that momentum continue as we started out 2025? Thanks.

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

Thanks, John. Let me start with the second question, and then we'll come back to the AI with Kyle. When it comes to momentum, both in broadband and wireless, both in the Business Group and in the Consumer Group, I think we have actually outlined quite a lot of changes in the structure, not only the people we have leading it, but also the products we have deployed, the rebranding we have done. And honestly, we see that our products are resonating.

I mean this is, as we said, when it comes to what we added in new customers in the fourth quarter, best in a decade. So we're really, really excited of what we're seeing.

And if you think about the broadband side, that's, of course, fixed wireless access is doing great. I mean so we were together with fiber is over 400,000 in the quarter, continue to take share. And on the wireless, we are getting stronger and stronger now. We have several quarters of consecutive improvement.

So I think it's a lot of execution, but also that the products are right, the branding right. And then the network is just improving. I mean you have seen our numbers from the network. Wherever we deploy C-band, premium sell-through, opening fixed wireless access and, of course, seeing the lower churn. So all that comes together with an execution we have done over the last couple of years.

And I will ask actually Sampath to comment on that, and then I will ask Kyle to talk about the AI opportunity, which we think is great with our assets. But first, Sampath.

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer Group (VCG)*

Thank you, Hans. In 2025, we expect higher for net adds than in 2024. And in the fourth quarter, we saw really strong momentum in our business. Look, we've had eight quarters of phone gross add growth, and we see that momentum continuing into 2025.

A couple of reasons why. The first one is our value prop is resonating very well. I think myPlan, nearly half our phone base is already on myPlan. And that value prop is unique in the market because we give savings to customers that others just cannot -- unable to give. So that is working very well for us.

The second is a lot of the work we did in '23 and '24 on sales execution, local markets, local marketing is starting to pay off even well, and we see that continuing into 2025.

The last is there are some opportunity segments that we've tapped into, and Q4 was the start of that. The first one was Tier 1 markets. We've historically had a slightly lower presence in Tier 1 markets. That is shifting, some of our large markets, we are starting to see share market gain in those segments. Second is the Latino segment. We've had a concerted effort last couple of quarters to go after that. So we're a financially disciplined operator. We saw growth, we saw opportunity in Q4, and we went for it.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and CEO - Verizon Business Group*

Thanks, John, thanks for the question on AI Connect. I mean, here's -- it's -- our best guess at the moment is the TAM we can sell into with what we have is probably $40 billion plus. But you see that the -- every single day, there's new announcements of hundreds of billions of dollars going into this ecosystem. And like I spoke about, we have a lot of assets that can play right into this. And frankly, we have well over $1 billion plus in funnel right now. And that's really only with our services that we have today. That's not even counting the power space and cooling stuff that I talked about.

So I feel this is going to grow. Where it ends up I think it's anybody's guess. But the investment going into here is massive, and we're going to be able to play right into it.

John Hodulik - *UBS Investment Bank - Analyst*

Thanks, guys.

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

Yeah, thanks John.

Operator

Michael Rollins, Citi.

Michael Rollins - *Citigroup Inc. - Analyst*

Thanks and good morning. I'm Curious if you can provide a bit more context on the upgrade environment in terms of what you saw from customer behavior during the fourth quarter. And if you could share some additional context on the drivers behind your base case for upgrades that are embedded within the 2025 guidance.

And then second, just in terms of financials, if you could just share some of the additional drivers that are contributing to the faster EBITDA growth guidance for '25, as well as if you could share some of the bridge items between EBITDA guidance and free cash flow guidance for '25, including things like tax and working capital.

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

Okay. Thank you, Mike. So when it comes to upgrades, I think that after many, many quarters of decline, we came to a slight growth on upgrades. So that's not strange after many quarters, you ultimately will get there. I think that we still have the same sort of facts behind it.

I mean customers on the consumer side keep the phones very long. I mean now we're way over 40 months. And that's, of course, contributing to this. And as we spoke about earlier, what we have seen on upgrade cycles is, of course, very much driven on new technologies and new hardware design. So we haven't seen much of that lately. And of course, the products are way better and more resilient as well. So I think that's what you see. But I will also ask Sampath to make a couple of more comments on that. And on the EBITDA expansion, I mean, I will ask Tony to talk about it.

But we have worked on the cost, I mean the initiatives we have done all the way from voluntary separation program, the outsourcing we have done with HTL with -- in Kyle's shop, the change we did in customer care. We have done a lot on the cost. And then, of course, we start to get the growth. And then the model starts getting leverage. And you see that in our cash flow, you see it in our EBITDA. And remember, we are measured on three things. Wireless service revenue growth and EBITDA and cash flow expansion. We showed that in '24. Our guidance for '25 shows the same. So this team is super committed to it. Sampath, about the upgrade environment.

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer Group (VCG)*

Yeah. Look, 2024 was our lowest upgrade rate in a very long time. In Q4, we saw some modest increase, 10 basis points increase year-on-year. So we think 2024 was the bottom of our low upgrade rate. And we're going to start seeing gradual improvements in 2025. I think mid-single digits is what we have assumed in our plan and our guidance. And I think we're going to be quite comfortable with that.

It's driven by two very important things. The first is the life of the device. It's exceeded 40 months right now. And at some point, customers will want new devices. The second is customers coming off their three year DPP contract. We have a large cohort in 2025 coming off. So a combination of those two give us comfort that mid-single-digit increase in upgrades is what we expect in '25.

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

Mike, just on EBITDA, I'll start there. So in 2024, we grew EBITDA about $1 billion. And we also, as Hans said in the prepared remarks, grew subscribers 2.5 million between broadband and mobility, and that was above the midpoint of the range.

In 2025, we said our range was 2% to 3.5% growth, which implies about $1.3 billion of growth at the midpoint of the guidance. It's an acceleration, as you mentioned, in the growth rate and good operating leverage. It starts with strong service revenue growth and healthy customer economics, and you heard Hans in the prepared remarks talk about the customer economics without the promo amortization.

And then Hans mentioned the focus on cost transformation and the work we continue to do to make the business more efficient, whether it's customer care and the work that Sampath is doing, including AI, and you heard that upfront, as well as the managed services work. Joe is taking a lot of legacy network elements out, and that work is ongoing. And we also have the voluntary separation program, which took shape at the end of last year. We'll see a full year benefit this year.

The guide assumes, as you mentioned, a modest increase in upgrades year-over-year. But overall, we're very confident that we were able to absorb the impact of the [promo] amortization and have EBITDA growth acceleration. And you see the investments we're making, the strength of the network and the execution as Sampath mentioned, are positioning us for strong EBITDA performance.

And then if I move to cash flow, as Hans mentioned, the cash flow generation of the business continues to be very strong. For the full year '24, we delivered $19.8 billion in free cash flow. And that's inclusive of the tower deal. There's about $2 billion there from the tower deal.

And the results of '24 evidence, as Hans said earlier, that we can manage through significant pressures like cash taxes and still generate a very strong cash flow profile. And when you look at this in the context of the guide, we said $17.5 billion to $18.5 billion on free cash flow, we still feel very good about the cash generation. That's an all-in range and we're managing to that.

And the drivers, Mike, are very similar to what we saw in 2024. It starts with EBITDA growth, and I talked about the $1.3 billion at the midpoint. We gave a range of CapEx of $17.5 billion to $18.5 billion for 2025. And as always, our network engineers do a great job and they're always going to be very efficient with our capital spending. You saw that in 2024.

Interest expense continues to improve. We paid down a significant amount of debt in 2024. We're down about $7 billion in total debt. So that will continue to see improvements there. And then on working capital, we continue to focus on driving efficiencies in working capital, and that goes beyond handsets as well.

And then with cash taxes, really no change there. We'll continue to see pressure from bonus depreciation. We'll have to see what happens in Washington with any proposed legislation. And the assumption we put in the free cash flow guide was that we'd see a mid-single digit year-over-year increase in upgrades. And obviously, Frontier, as we said earlier, is excluded from the guidance.

But look, the guidance reflects the strong cash generation that we have in the business and it allows us to continue our capital allocation priorities, whether it's investing in the business, committing to the dividend and continue to delever the balance sheet, you'll see us continue to do that in 2025.

Michael Rollins - *Citigroup Inc. - Analyst*

Thanks.

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

Yeah, thanks.

Operator

Sebastiano Petti, JPMorgan.

Sebastiano Petti - *JPMorgan Chase & Co. - Analyst*

Hi, thank you for taking the question. Just in regards -- just a quick housekeeping question, I guess, for Tony. The $2.9 billion of device protection and insurance in 2024, how should we think about the underlying growth rate within that revenue bucket that will be reclassified? Just trying to think about apples-to-apples service revenue guide. I mean how has that been trending, I guess, relative over the last several years and maybe expectations for contribution next year within the context of the overall service revenue guide?

Another quick question, on fixed wireless. I think in the third quarter, Hans, we talked a little bit about perhaps the pace of FWA growth slowing a little bit, maybe because of greater contribution from suburban and rural as C-band is deployed in those markets. Strong fourth quarter number here. And also just kind of thinking about you will be standing up an MDU solution in 2025, which should aid the trajectory in the Tier 1 markets. So maybe any help in thinking about how you expect the MDU solution to scale or the contribution maybe within the, I would imagine, 76 C-band markets.

And then one last question. As you think about, I think, Sampath, you've reiterated expectations for consumer phones to improve -- net adds to improve ex-second lines year-over-year. Great to hear. Anything -- lots of focus on immigration growth. Maybe if you can kind of touch upon if there's any slowdown or -- beyond the normalization that we've been seeing across the ecosystem. Is there any expectations for a pronounced slowdown in immigration growth in '25? Thank you.

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

Thank you, Sebastiano, let me start. We will end by the insurance question, and Tony will take that one. On fixed wireless access, you're absolutely right, our C-band deployment has as priority number one mobility. And that means that our secondary business case is fixed wireless access. We go to Tier 2 and Tier 3 markets now that is less dense. The speed is the same. I mean, some in the market believe we're slowing down; we're not slowing down. You saw the numbers in the fourth quarter. The guys are doing fantastic. But of course, a little bit less opportunities going into the first half of 2025 probably.

But with the MDU solution also coming in and then ramping up Fios at the same time, we're going to see a continuation of our strength in broadband. And we took market share in 2024 in broadband and I'm certain we're going to do it again with the fixed wireless access and the Fios we have. So it's going to be a great year again for fixed wireless access. And we come with new products, we improve all the time what we're delivering. I'm going to ask Sampath to talk a little bit about that, and immigration.

But before we come to immigration, I think that we have been managing fantastic with our portfolio to all the customer groups, even though what we see, a slower or a less big switcher pool. We have an offering that's actually appealing to the market, and we can grow in that with the competition. So I feel confident whatever it might -- moves in the market that we can continue. So I will ask Sampath first to comment a little bit and then Tony will answer on the insurance question.

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer Group (VCG)*

Sebastian, good morning to you. I think on FWA and broadband more general, our value prop is resonating really well with customers. myHome is working very well and it's delivering what customers want. On one end, you have FWA, which attracts the premium service, attracts a premium client base. They like the ease and the convenience of use.

On the other hand, you have fiber, which is highly reliable, very high performance. So we were able to segment the market very well, and that's why you're seeing continued success. We are taking more than 50% of all the industry net adds. 50% of the growth is coming to us in the market. We're going to continue to see that in 2025 as well as we've done in 2024.

For the company, we're going to have between 350,000 and 400,000 broadband net adds a quarter. As Hans said, there's going to be some fluctuation across the quarters as we do because we are scaling three very big things in this space.

The first is rolling out C-band in Tier 2, Tier 3 markets. They have a slightly different density, and hence, a different pace of sales as it works into it. The second is our MDU product for FWA. We've started it. We're going to see that scaling all into 2025. And the third is our expansion of Fios to 650,000 household OFS.

So all those three things will scale through the year and -- but we are very comfortable with that 350,000 to 400,000 assuming some fluctuations. Also, we are starting to see good ARPU increase. Customers are taking more of our premium plans, gig plans on the Fios side and our premium plans on FWA. And it goes back to the resilience and the convenience of our service.

On that note, let me kind of speak on behalf of the customers for the moment. For decades, most customers have had very limited choice when it comes to broadband providers. You tend to hear the same pain points over and over again. It's opaque pricing, poor reliability, and it drives low NPS.

We are very clear. This is what customers want. An offering that delivers high performance and reliability, no gotcha pricing, no promotions that expire in 12 months, pricing that does not double in a year. They want choice, they want transparency. That is what we are delivering to them, and that's what customers like. So on that foundation, we are very comfortable with our pacing of 350,000 to 400,000 broadband net adds every single quarter.

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

Good morning, Sebastian, just on the handset insurance. So just a couple of things here. So it's recurring handset protection revenue, and it's value that our customers receive. That's very complementary to connectivity. We are going to recast the historical revenue, so we'll provide them so you have a comparable view.

The impact is about $2.9 billion in 2024. So the baseline of service revenue exiting 2024 is about $82 billion. The impact to growth rates is not significant, maybe 5 basis points, 10 basis points in 2025. And there's obviously no change to the service other category.

Sebastiano Petti - *JPMorgan Chase & Co. - Analyst*

Thank you.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Okay, Brett, ready for next question.

Operator

Jim Schneider, Goldman Sachs.

Jim Schneider - *Goldman Sachs Group, Inc. - Analyst*

Good morning. Thanks for taking my question. One on wireless and one on AI, if I may. On the wireless service revenue, I think, Tony, you've talked about the $2 billion step-up roughly for this year, but the growth rate essentially underlying roughly doubling when accounting for the accounting change you're introducing. So does this sort of imply as we exit '25 and go into '26, that we're going to be able to kind of maintain that same level of pace in terms of absolute revenue dollar growth on service revenue?

And then secondly, on the AI Connect, Kyle, thanks for the good detail. But can you maybe give us a sense of the $1 billion pipeline of sales? When do you think we're going to see material revenue on revenue being actually recognized in the P&L? And what's the split roughly between the connectivity business and data centers long term?

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

Okay. On the promo amortization, I'm just going to reiterate what I said on the on my opening remarks. I mean, we guide right now from 2% to 2.8%. Our underlying growth is nearly double. And at the end of this year, that will start to fade off basically, so that's -- and have less impact going forward. So that's where we are right now.

We're not guiding for '26 at the moment, but we're in a good position. And the headwinds that we created for ourselves by investing heavily in '22 and '23, as you might remember, that was not our best years, is still impacting us. But given how the financial discipline and the work that Sampath has done and even, of course, Kyle, during the last 12 months to 18 months, that will have an impact, a positive impact for us where we're going to get less of that pressure by year-end.

And that's why I have to be very clear. I mean what we see is really a growth of nearly double than what we are guiding for in real terms. But of course, as you do the accounting, you need to follow that. On the AI, I'm going to hand it over to Kyle.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and CEO - Verizon Business Group*

Yes. Thank you for the question here, Jim. I think if you look at the funnel right now, it's basically entirely connectivity for web scalers, right? It's basically lit services, wave and dark fiber. But that's why we're happy today to announce that we're going to add the power space and cooling to the portfolio as well.

And I see over time that we'll -- certainly we'll be selling the typical wave and dark fiber to players, but I think we'll also be selling bundles of stuff, right? So we'll put power space and cooling together with networking, and we're going to sell it on basically a project-by-project basis, right, and make sure that we maintain our good margins and all that kind of thing.

And in terms of rev rec, we already booked revenue in this regard in the fourth quarter, and that was certainly helpful for me in our EBITDA trajectory. So we intend to drive more of that to the bottom line going through 2025, and we look forward to driving more business here.

Jim Schneider - *Goldman Sachs Group, Inc. - Analyst*

Great.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Yeah, thanks, Jim. Brett, ready for next question.

Operator

Ben Swinburne, Morgan Stanley.

Ben Swinburne - *Morgan Stanley - Analyst*

Thanks. Good morning. Wanted to ask you guys about ARPA growth and sort of the competitive environment. And then I'm going to come back to Kyle on the AI topic. You guys had 4% plus consumer ARPA growth in Q4 and talked about expecting healthy growth in '25.

Can you just sort of talk a little bit about the competitive environment and sort of what gives you guys confidence in the ability to continue to take price selectively and some of the drivers around ARPA growth that you see ahead for the consumer business?

And then, Kyle, you mentioned -- you were just mentioning dark fiber a bit. We have seen some of your competitors announced some pretty big investments in adding capacity. I'm just wondering if you could talk a little bit about how much of the AI opportunity is leveraging existing assets. And to the extent you guys are investing within your CapEx guidance into this business, would be interested in sort of where those investments are targeted? Thanks so much.

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

So I will start on the competitive environment. I wouldn't say that there's anything new in the competitive environment. It's just that we are performing way better. I mean, I usually say that our way of competing is with the network, with the product and solutions and with the services that we're competing, and the brand.

And if you look at last year, I mean, our network is just continue to improve. We're going to now go to C-band upto 90%, which means that we have more to go there. I think on the product side, we have heard about myHome, myPlan and what Kyle is doing. All of that is resonating. Our refresh of the brand, even though it's early after 6 months is really paying off as well.

So all that is really how we are competing way better in the market than before. But then I will ask Sampath to talk a little bit about the segment, we're doing good on the ARPA growth. On the dark fiber, I will hand that to Kyle. But in general, I would say that everything is included in our guide, and there's nothing more. And usually, I would say the majority we have is assets that we already have. But Mr. Sampath?

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer Group (VCG)*

Hans, thank you. Let me build on that. At the end of the day, it comes down to value prop for us. We've built a very strong value prop with a very strong brand on the foundation of our number one network, and that combination is what gives us confidence about ARPA.

But let me use the opportunity to step back and talk about our broader service revenue options. We've always said we wanted to get to an 80-20 medium-term contribution from price and volume. It's important for a long-term sustainable business and a subscription category to be in that framework. And we are on our way to do that.

2024 was a good start for us because we saw positive volume contributions across all our businesses: mobility, FW and value, which has historically been negative for a few years for us. You're going to continue to see volume growth in postpaid and the value and sustained momentum in broadband. So that takes care of the value -- volume part of the equation.

Second is on price, which is an important component. There are two types of pricing levers that we have. The first is price-ups for more value that we provide to customers. We had four major price ups in 2024, we've had two in 2025, because we are delivering more value to our customers and they feel very comfortable with the price structure that we have. We cannot, of course, comment on future price-ups. But we will look where we see lower churn where input prices are a little higher and, more importantly, the value that we deliver to customers.

For 2025, the price actions that we've already done are in the hopper, more than $1 billion plus of our service revenue growth is already baked in just with those price-ups. And you're going to see, of course, pressure and help from the volume side.

The second is customers are stepping up. It's a bigger opportunity for us as they buy more perks because we give them savings that they don't get anywhere else. They're taking more premium plans, especially as C-band gets rolled out. So you're also starting to see a little bit of tailwind from that.

Lastly, we've -- there are other ways to monetize the network that we've started exploring aggressively. The first one is network slicing. In Q4 '24, we launched our first network slice, and you're going to see us do more of that.

And the second is enhanced satellite connectivity. We have best-in-class partnerships with Apple and Skylo. And as that scales out, you're going to start seeing more monetization in the piece. So we have upside on network monetization as well.

So a combination of all of these gives us a lot of comfort of good ARPA growth in 2025. The market is competitive, but look, we like our playbook a lot, and I think it's hunting very well, and you'll see us execute on that similar to how we executed in 2024.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and CEO - Verizon Business Group*

And on the AI bit, I appreciate that the question, Ben. So I think, yes, some of our competitors are doing investments now, but what our game plan is here is to leverage the investments we've made over time. And as MPLS, the secular decline continues to go down there, we can reimagine the assets we have. And to Hans' point, so most of the things that we're going to be using to get into these markets, things we've already done. So it's the assets we already have tweaked a little bit.

And we do have the CapEx in there because, listen, some of these deals, what we'll have to do is spend some capital to Edge out our fiber a little bit to go meet people at the right data centers and/or locations of business, and then retrofitting technical space. So we have money in for that, but we're ready to go with that. It's all included in the envelope. So we have -- we're just really leveraging all the work we've done over the last decade with One Fiber, Fios and all those assets that we have. We're just going to leverage them and Edge out and capture market here.

Ben Swinburne - *Morgan Stanley - Analyst*

Thanks a lot, guys.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Yeah, thanks, Ben. Brett, ready for next question.

Operator

David Barden, Bank of America.

David Barden - *BofA Global Research - Analyst*

Yeah, guys. Thanks so much for taking the questions. I guess first, more of a housekeeping item for you, Tony. Now that we've pulled fees out of other in 2023, now we're pulling insurance out of other in 2025. What is other? And is it now more of a pure-play representation of the monetization of your cable relationship perhaps?

And then the second question is, obviously, in the new administration, I know you guys are well aware that everybody is now thinking about big deals. And one of the bigger deals people are talking about is could Comcast and Charter come together. And I guess the question is, what would that mean? As we think about that possibility, how should we think about what it would mean for Verizon in terms of are there change of controls? Would this larger entity have more bargaining power with you the next time we have a conversation about pricing? How would it all work? Thanks.

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

I'll let Tony answer the first question. I'll take the --

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

Yes, sure. Dave, so on the other -- look, what's left is really USF and other fees. The MVNO relationships are not in there. –MVNO and other recurring revenues are up in service revenue.

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

Yes. So first of all, I cannot speculate on whatever combination you're seeing in front of you. But again, our MVNO relationships are very important to us. They're treated like large enterprises. I think we both are very satisfied with the relationship we have and what we have built together.

And remember, our strategy is to build the network once and have as many profitable connection on top of the network. And this is accretive to us, as we said before. So no, I cannot comment on any combinations that can happen. I think we're in a good position. We have the best network in the market. And I think that resonates with customers, and I think that's the most important.

David Barden - *BofA Global Research - Analyst*

Thanks, Hans. And if I could just do one more follow-up, Tony. Is there a specific increment in cash taxes that you've baked in that you can share with us for the cash flow number?

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

So Dave, we gave a guide this year, so -- and I gave you the puts and takes. So we're going to manage to that guide. We delivered on our guidance for 2024 and I expect us to continue to deliver on our guidance for 2025.

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

But it is a higher tax --

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

It is higher, yes, but we're not going to give it. --

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

No. But clearly, we manage that with all the other puts and takes. And if you took the midpoint of this, I mean, we are being equal or better than 2024 when we take away the tower deal. So we, as you understand, we feel confident that will help us with our capital priorities, to continue to invest in business. We have increased our dividend for 18 consecutive years.

We have paid down our debt and our team has done a great deal -- we're on [2.3] right now on the leverage, which is very close to the [2.25] when we're going to consider repurchasing shares. So that will put me and the board in a very different situation when it comes to the optionality of doing repurchases when that happens.

David Barden - *BofA Global Research - Analyst*

Perfect, guys. Thanks so much.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Yeah, thanks, Dave.

Brett, ready for next question.

Operator

Frank Louthan, Raymond James.

, guys. Good morning. This is Rob on for Frank. So you briefly touched on this earlier, but how would you assess the opportunity to expand Fios in your legacy footprint from here? Do you expect to build faster going forward? And as a follow-up, how attractive is the [BEAD] opportunity for you guys? Any updates you can share with us on how you're feeling about that would be great. Thank you.

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

So on the Fios, we have been on the Fios more than 20 years. The product is resonating with customers. As we outlined, our broadband strategy at the end of last year or October or whatever. We said that we're now going to increase basically 50% in open-for-sales, going to 650,000 in this year. We are scaling that is pretty easy for us. And so we continue to scale.

We see more opportunities for, two reasons. First of all, the economic situation in the country is better today, I mean purchasing power. And number two, broadband is a necessity. And we will also find out that we can deploy fiber cheaper. We outlined all of these in our broadband strategy. So all that is playing in that we can keep our return on investment on this increase of Fios. So we feel good about the Fios.

On the BEAD, we will participate where it makes sense for us, where we think that we will have a good opportunity to get subsidy for building out in maybe rural areas, et cetera. So we're going to participate. It's so far fairly little that has been out there because the states are sort of about doing it, but we will participate wherever we think it makes sense from a return on investment.

Yeah, great. Thanks, Rob

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Brett, ready for next question.

Operator

Sam McHugh, BNP Paribas.

Sam McHugh - *BNP Paribas Exane - Analyst*

Thanks, guys. Two questions. On the wireless service revenue, you obviously have a few puts and takes with the promo and the price-ups. How should we think about the phasing of these headwinds and tailwinds through the course of 2025? Number one.

And then secondly, on the business EBITDA, you mentioned some of the AI-related sales. Maybe you could elaborate on how material they are. Are we at a place now where we should be confident on this inflection point in business EBITDA and can that be enough to support this? Thanks very much.

Anthony Skiadas - *Verizon Communications Inc - Chief Financial Officer*

Yeah, good morning, Sam. So on the service revenue, we feel very good about the shape. It's based on $82 billion, as I said earlier. And the midpoint of the guide implies, and Sampath mentioned this earlier, about $2 billion of additional growth.

We executed a number of pricing initiatives, as Sampath mentioned, that carry into 2025. We also talked about an improving volume profile in consumer, and Sampath talked about that, along with stable business volumes. We continue to see great volumes on the B2B side.

And then fixed wireless access continues to grow. We have a $2 billion base of revenue in FWA, and that continues to scale and you saw the results in the fourth quarter there. The other thing that will inflect here is prepaid. And the positive volumes and the turnaround that Sampath talked about will result in improving revenue profile towards the back half of 2025. So that headwind will become a tailwind on prepaid.

And then offsetting that, obviously, as Hans mentioned, is the promo amortization, and that we said would peak in 2025. But as Hans mentioned, the customer economics are very healthy, and we said we expect the headwinds to ease towards the end of the year and into 2026.

But as Sampath mentioned, we're seeking a better balance of P&Q. I think you see that across both mobility and broadband, and we expect it to continue in '25. And the actions that Sampath outlined in terms of execution are positioning us for sustainable revenue growth.

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

On the Verizon Business Group, I'm going to ask Kyle to comment on it. But we -- of course, the AI Connect is one contributor, but I think that the whole Verizon Business Group team has done a great job, with many things.

I mean the wireless growth have had the last couple of years, just keeping -- grinding between 125,000, 150,000 new net adds every quarter, the fixed wireless access that we were, I would say, a little bit surprised by how successful fixed wireless access is in the Business Group, then all the cost takeouts, and if you saw the fourth quarter turning to a positive year-over-year improvement, I think we are onto something even with the secular pressure. So I wanted to say, that's -- Kyle doesn't need to say it, but the guys have done a terrific job. And I'm cautiously optimistic that we can continue that work.

Kyle Malady - *Verizon Communications Inc - Executive Vice President and CEO - Verizon Business Group*

Thank you, Hans, and thanks for the question, Sam. I won't belabor that. I think the revenue we booked that helped with EBITDA as far as AI Connect is small. That was our first quarter that we booked revenue there. So that did have a little impact. But it's mainly due to the factors that Hans spoke about. It's relentless focus on our cost and driving efficiencies as well as finding new opportunities in the revenue line.

And the team has done a good job with that. And if you could see, we've had sequential growth since first quarter. So we've had three quarters in a row of sequential growth of EBITDA. And for the first time in a long time, we've had growth year-over-year in the fourth quarter of EBITDA. And I expect those trends to continue in 2025 given the groundwork that we've laid.

And what I would say, Hans talked about FWA, that's turned into a really good news story for us. Because we have certain expectations of the product, and now that we see customers are getting much more comfortable, business customers, with using this as a primary option for them for connectivity.

We continue to see great growth and great interest in the product. As a matter of fact, a lot of large customers who we were -- first, we weren't sure they would use this as a primary use case, are. We have big banks, we have big retailers, et cetera, going and doing this.

And then you just saw an announcement we made with Brightspeed, and I think this is a new area of the market that we can tap, and we call this really Copper Catch. So it's using our fixed wireless access network to help people who have old kind of copper lines out there, low bandwidth lines, replace it and modernize it with FWA. And we see this as a great place that we can sell into to. And as -- we talked about private wireless and AI Connect. So we have a lot of great things on board here, and I feel good about our trajectory into 2025.

Sam McHugh - *BNP Paribas Exane - Analyst*

Awesome, Kyle. Thank you.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Yeah, thanks, Sam. Brett, we have time for one more question.

Operator

Kannan Venkateshwar, Barclays.

Kannan Venkateshwar - *Barclays Bank - Analyst*

Thank you. It sounds like maybe on the consumer side, you mentioned a couple of drivers of growth, Tier 1 markets, for instance, the Latino segment and so on. And your lines have obviously grown on the postpaid side, but the account growth is still negative. So is there an opportunity to turn account growth positive with some of these newer segments that you're targeting? And is that something that we'll start to see over the course of the year?

And then secondly, on immigration, I may have missed this as a response to the prior question, but is there a way for us to -- or understand how you guys are thinking about the impact on overall volumes for the industry as a whole over the course of this year or beyond? Thank you.

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

Thank you, Kannan. I will ask Sampath to answer those questions, but I think we're in a really good position with our offerings to continue regardless of, so. But, Sampath.

Sowmyanarayan Sampath - *Verizon Communications Inc - Executive Vice President and CEO of Verizon Consumer Group (VCG)*

Yeah, Thank you. Kannan, question on the overall market growth, we think postpaid is expected to grow between 8 million and 8.5 million lines in 2025 all in for Business and Consumer. It's a robust market. It's a very resilient market. And similar to 2024, pre to post migration makes up almost half of that. It's not a segment we play in on the retail side, but we leverage our wholesale channel to go after that segment aggressively.

Despite there has been lower immigration in the last few quarters, yet we are seeing really strong performance in our value business. I think our refreshed value brands, our value proposition, our relationship with Walmart as well as expanded total wireless distribution is working very well. So we can continue to grow net adds in this environment, and we feel very comfortable with that.

Now to answer your first question on account growth, we saw account growth in Q4. You see that. But I think at the end of the day, what we are focused on is building deep relationships with our customers. If you look at the way our offering framework works is we start with connectivity. We want to offer the best connectivity products, both home and on-the-go and mobility and, of course, on the value side.

And then on that foundation of that relationship, we start selling more to those customers, whether it's some of our entertainment products with Perks, it gives you savings that others can't give, our TMP protection products, our cloud products. So we want to deepen our relationship with customers. And I think that's the way we see long-term growth in our business.

You saw very strong ARPA growth in north of 4%, and underlying growth is, of course, much higher than that when you take care of promo amortization. So account growth is important to us, but what is important to us is profitable customers who value quality of the network and our offering framework. We want to grow in those.

Kannan Venkateshwar - *Barclays Bank - Analyst*

Thank you.

Brady Connor - *Verizon Communications Inc - Senior Vice President*

Yes. Thanks, Kannan. Brett, that's all the time we have today.

Operator

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